

# **Report on State Finances**

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**2015-16**



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# 1. FOREWORD

The 2015-16 New South Wales Report on State Finances includes:

- An overview of the financial performance and position of the General Government and Total State Sectors for 2015-16
- The audited Consolidated Financial Statements of the General Government and Total State Sectors for 2015-16, including a full set of note disclosures required by Australian Accounting Standards, and
- The Outcomes Report on Government Finances for the general government sector, public non-financial corporations sector, public financial corporations sector and the non-financial public sector for 2015-16, prepared in accordance with the Uniform Presentation Framework adopted by all Australian governments. This report includes the Loan Council Allocation Outcome for NSW.

These reports and associated commentary provide a comprehensive analysis and review of the State's financial performance and position.

The New South Wales Total State Sector is made up of the General Government Sector (GGS), and the State's Public Non-Financial Corporations (PNFCs) and Public Financial Corporations (PFCs) whereby:

- General Government Sector agencies carry out policy, regulatory and service delivery functions.
- PNFCs, other than in the transport and housing sectors, are largely self-funded from user charges and in most cases have been given a specific charter to run their businesses on commercial lines, including the achievement of a commercial rate of return on the resources employed. PNFCs, also known as Public Trading Enterprises (PTEs), are responsible for supplying public infrastructure services, including electricity, water and public transport.
- PFCs may accept demand, time or savings deposits and/or have the authority to incur liabilities and acquire financial assets in the market on their own account. An example of a PFC is the New South Wales Treasury Corporation.

Throughout this report:

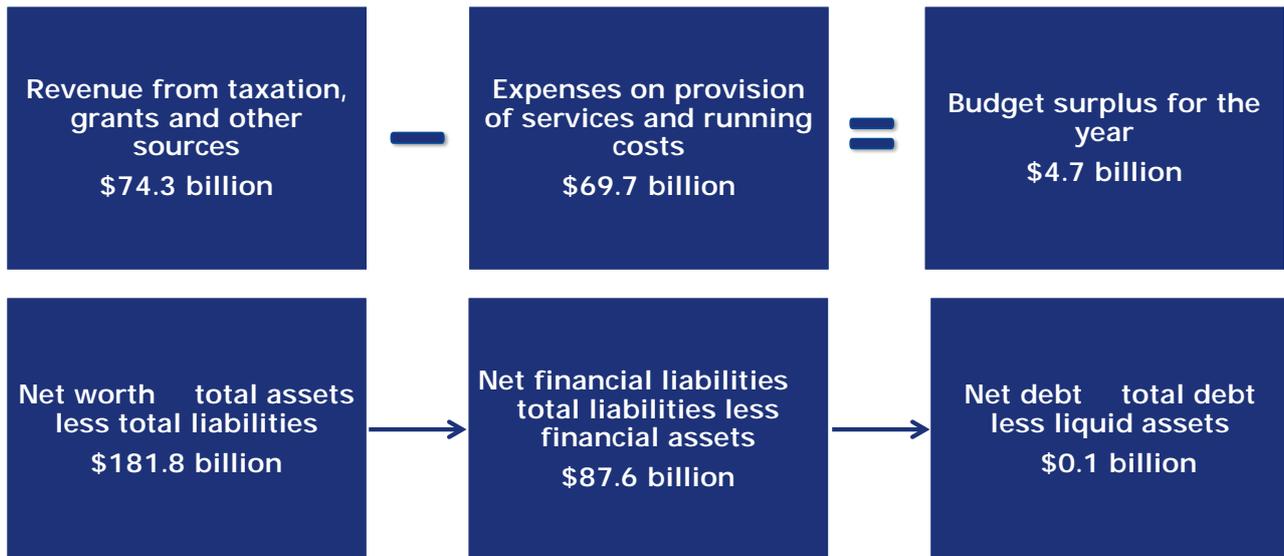
- A reference to one billion dollars is one thousand million dollars.
- All figures in tables, charts and text are rounded to the nearest million dollars. Discrepancies between totals and the sum of components reflect rounding. Percentages are based on the underlying unrounded amounts.
- Prior year comparatives have been restated to take account of changes to accounting standards and corrections of prior period errors (if applicable).

## 2. 2015-16 OVERVIEW

The following overview highlights the key financial results for the General Government Sector and Total State Sector for 2015-16. These are discussed in more detail in the subsequent chapters.

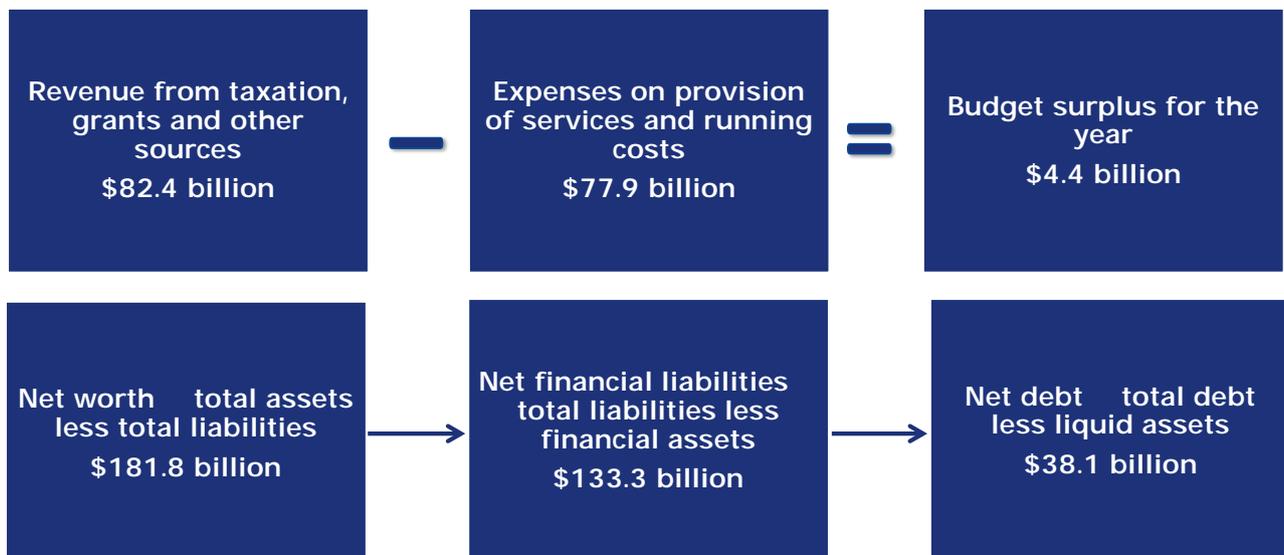
### General Government Sector

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### Total State Sector

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## 3. NSW FISCAL CONTEXT

### 3.1 Fiscal Targets and Principles

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The Government's fiscal targets and principles are articulated in the *Fiscal Responsibility Act 2012*. The key objective of the Act is to maintain the State's triple-A credit rating. This objective is supported by two fiscal targets: holding General Government Sector expense growth below long term average revenue growth and eliminating the State's unfunded superannuation liabilities by 2030.

The Act also requires the Government to pursue its objective in accordance with the three principles of sound financial management: responsible and sustainable spending, taxation and infrastructure investment; effective financial and asset management; and achieving intergenerational equity.

Further information about the Government's performance against the Act is outlined in Annex 1.

### 3.2 Economic Context

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Consistent with expectations, the NSW economy remained robust in 2015-16, despite below-trend growth in the global economy and sub-par growth in national domestic demand. NSW continued to benefit from the national transition away from mining investment towards more diversified economic growth. Low interest rates have supported above average growth in household consumption and dwelling investment, while the lower Australian dollar has led to a surge in overseas service exports (such as tourism, education and financial services). Robust population and employment growth combined with the State's infrastructure program have also been key drivers of economic growth.

Further declines in commodity prices and subdued wages growth have placed significant downward pressure on national income growth, which led to subdued national economic conditions and is expected to have weighed on interstate exports. Global growth forecasts were revised down during the year, but a depreciation of the Australian dollar and strong demand from Asia for services provided support for New South Wales' overseas exports.

NSW real State Final Demand (SFD), the major component of Gross State Product (GSP) and the most timely indicator of state economic activity, grew by 3.7 per cent in 2015-16. This result was above the 3 ½ per cent growth expected at the time of the 2015-16 Budget, and improved upon the 3.3 per cent growth of 2014-15.<sup>1</sup>

The NSW labour market performed strongly over 2015-16, with employment growing by 3.8 per cent, the unemployment rate declining by 0.6 percentage points to 5.2 per cent by the June quarter 2016 and record high workforce participation. This is significantly stronger than the 2015-16 Budget expectations of 1¾ per cent employment growth and a 5¾ per cent unemployment rate by the June quarter 2016.

For 2016–17, the outlook for economic growth remains strong. Household consumption, dwelling construction and public investment are expected to continue to make strong contributions to growth. Business investment is expected to contribute to GSP growth as the drag from mining investment eases and the recovery in non-mining business investment gathers pace. Net overseas service exports are forecast to make an ongoing and noticeable contribution to GSP growth, led by tourism and education. Interstate trade, however, is expected to remain a drag on GSP growth due to ongoing weakness in the rest of Australia.

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<sup>1</sup> ABS State Accounts final GSP for 2015-16 not released at the time of publication.

## 4. GENERAL GOVERNMENT SECTOR RESULTS

- Y The General Government sector results reflect strong financial performance and the Government's commitment to effective financial management.
- Y The successful long-term lease of TransGrid assets was a significant event in 2015-16 generating gross proceeds of \$10.3 billion. By convention in NSW, the impacts of transactions are not included in the Budget and only recorded on completion.
- Y The 2015-16 Budget Result for the General Government Sector (GGS) was a surplus of \$4.7 billion, \$1.3 billion higher than the revised estimates published in the 2016-17 Budget. This was due to higher revenues of \$0.6 billion and lower expenses of \$0.7 billion. The improvements were largely due to actuarial adjustments in general insurances, as a result of changes to discount rates, plus higher than expected distributions from managed funds.
- Y The \$4.7 billion surplus was an improvement of \$1.8 billion over the prior year. This improvement reflects increases in revenue of \$4.7 billion (6.8 per cent), partially offset by increases in expenses of \$2.9 billion (4.4 per cent).
- Y Higher revenue relative to the 2014-15 result was primarily driven by an increase in State tax revenues (\$3.0 billion), increases in sales of goods and services (\$2.1 billion) and increases in Commonwealth grant payments (\$1.1 billion). This was partially offset by a reduction in dividends, income tax and other distributions (\$1.6 billion).
- Y State taxes increased due to a number of factors including receipt of \$0.4 billion in stamp duty from the TransGrid transaction, \$1 billion increase in commercial and residential property transfer duty and higher payroll tax (\$0.5 billion) reflecting continued growth in the NSW employment market.
- Y Increased expenses over the prior year reflected growth in employee costs (\$1.8 billion) and higher other operating expenses (\$2.1 billion) which were partially offset by lower grants and subsidies (\$1.0 billion).
- Y Capital expenditure was \$9.3 billion which was broadly in line with the prior year (\$9.5 billion). This represents the second year of record annual spend in New South Wales and reflects the Government's commitment to increased infrastructure spending and strong economic growth.
- Y As at 30 June 2016 GGS net debt was negative \$57 million, a reduction from \$5.5 billion in 2014-15. Lower net debt reflects both the improved operating results and the proceeds of business asset transactions, which are now being invested in new infrastructure.
- Y Net financial liabilities increased by \$13.2 billion to \$87.6 billion at 30 June 2016. This change is primarily due to increases in the defined benefit superannuation liabilities which were affected mainly by significantly lower discount rates as well as changes in demographic assumptions and reduced returns on fund assets.
- Y The cash surplus of \$2.9 billion for 2015-16 represented net cash flows from operating activities less net cash flows from acquisitions and disposals of non-financial assets. The surplus represents an improvement on the prior year surplus of \$0.7 billion. The improved cash surplus reflects the higher budget surplus as well as asset transactions.

## 4.1 Operating Result

Table 4.1: General Government Sector Key Financial Indicators – Performance on Operating Result

Key Financial Indicators (GGS) Statement of Comprehensive Income					
		Actual 2014-15	Original Budget 2015-16	Revised Estimate <sup>(a)</sup> 2015-16	Actual 2015-16
<b>General Government Sector</b>					
Revenue	\$b	69.6	72.1	73.8	74.3
Expenses	\$b	66.7	69.6	70.4	69.7
Budget Result (Net Operating Balance)	\$b	2.9	2.5	3.4	4.7
Comprehensive Result	\$b	13.6	15.6	6.1	0.5
Gross Capital Expenditure	\$b	9.5	9.4	9.6	9.3
Cash Result	\$b	2.2	(0.7)	1.4	2.9
Net Lending/(Borrowing)	\$b	(0.1)	(1.8)	(1.0)	0.4

(a) Revised Estimate for 2015-16 as presented in the 2016-17 Budget Papers.

## 4.2 Budget Result

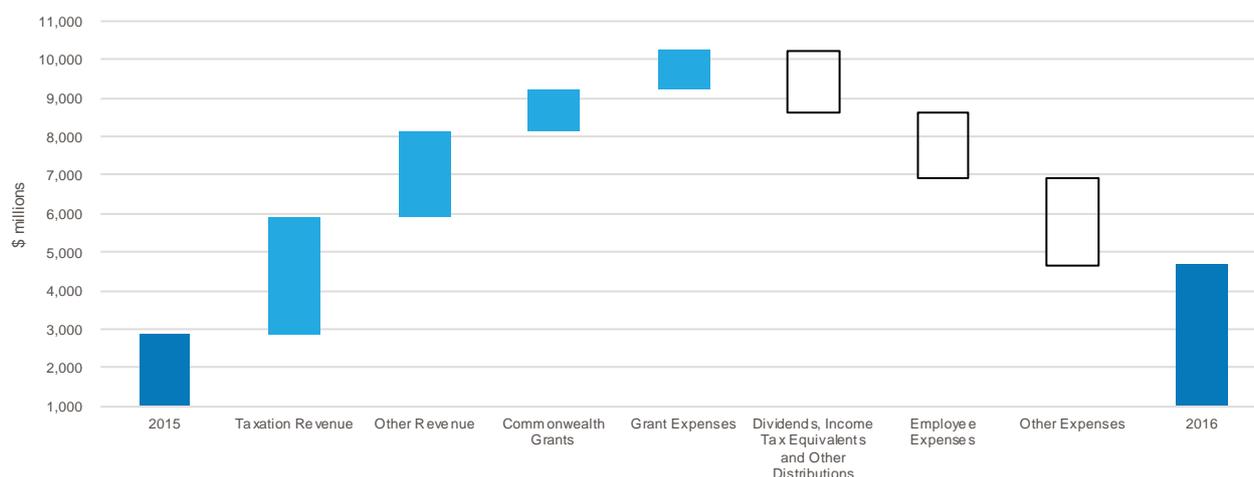
The Budget Result was a surplus of \$4,659 million, an improvement of \$1,778 million over 2014-15, and \$2,140 million higher than the original budget estimate set out in the 2015-16 Budget. An overview of the Budget Result compared to the original Budget estimates is outlined in detail in Note 31 to the Audited Consolidated Financial Statements.

The Budget Result was also \$1,251 million better than the revised estimate for 2015-16 as presented in the 2016-17 Budget Papers. Revenues increased by \$562 million (0.8 per cent) and expenses improved by \$688 million (1.0 per cent). The improved result was largely due to actuarial valuations and investment distributions. The improvements in revenues were mainly due to increased investment income distributions of \$350 million for NSW Self Insurance Corporation and an adjustment to multi-year licence revenue in Roads and Maritime Services of \$167 million. The reduction in expenses was in large part due to end of year actuarial adjustments in Worker Compensation Dust Diseases (\$168 million) and NSW Self Insurance Corporation (\$155 million) and lower operating expenditures in Transport for NSW (\$267 million).

The nature of improvements to the 2015-16 Budget Result compared to the revised estimate included in the 2016-17 Budget Papers are largely represented by adjustments to accounting accrual balances.

Chart 4.1 shows the main changes between the 2014-15 Budget Result and the 2015-16 Budget Result.

Chart 4.1: Key Changes in Budget Result on 2014-15



The improvement in revenue was primarily driven by increases in state tax revenue of \$3,014 million, increases in sales of goods and services of \$2,123 million, increases in Commonwealth grant payments of \$1,105 million and an increase in other revenues of \$92 million. These increases were partially offset by a reduction in dividends, distributions and income tax equivalents of \$1,617 million.

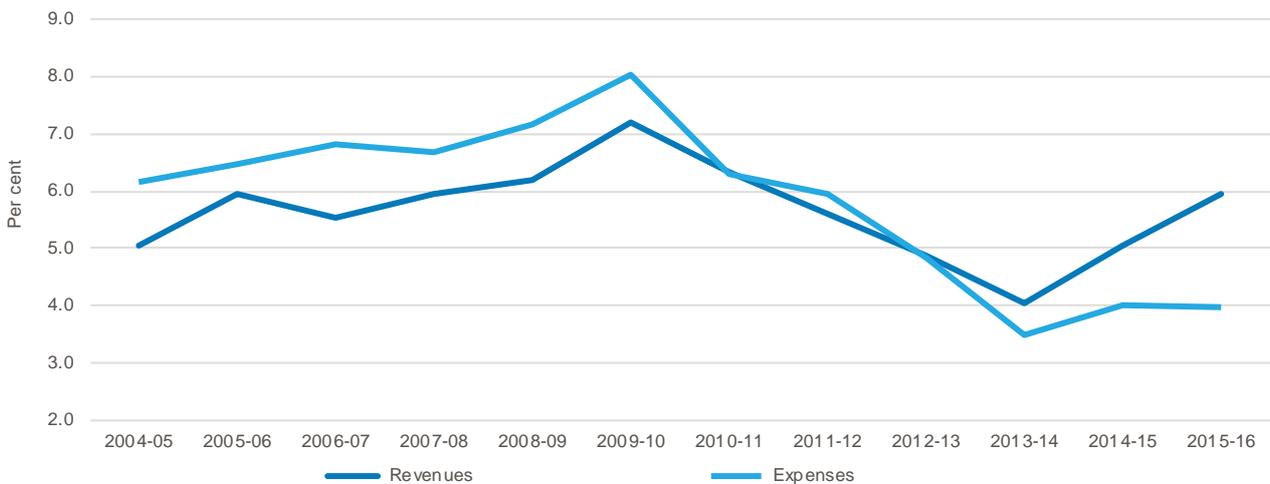
Underlying commercial and residential stamp duty revenue increased by \$979 million (13.3 per cent) due to continued strong growth in the property market. The TransGrid transaction also provided \$438 million in extra revenue which, by convention, was not included in the 2015-16 Budget. Payroll tax increased by \$463 million (6.2 per cent) due to continued strength of NSW employment growth. Land tax increased by \$280 million (11.3 per cent).

The rise in expenses was mainly driven by growth in employee costs of \$1,800 million (6.5 per cent) and an increase in other operating expenses of \$2,053 million (13.9 per cent). These increases were partially offset by a decrease in grants and subsidies paid of \$1,010 million (7.7 per cent) and a decrease in Superannuation related costs of \$89 million (2 per cent).

The successful long-term lease of TransGrid assets was a significant event in 2015-16 generating gross proceeds of \$10,273 million. By convention in NSW, the impacts of transactions are not included in the Budget and only recorded on completion.

The year on year increase in revenues exceeded the year on year increase in expenses. This is consistent with the Government’s fiscal strategy that expense growth should be less than long-term revenue growth. The performance in 2015-16 delivers on this commitment, which has been achieved on a four-year average basis since 2012-13, as illustrated in Chart 4.2.

Chart 4.2: Average Revenue and Expense Growth<sup>(a)</sup> – 2004-05 to 2015-16 (including the retrospective impact of AASB 119)



(a) Four-year average per cent change to indicated year.

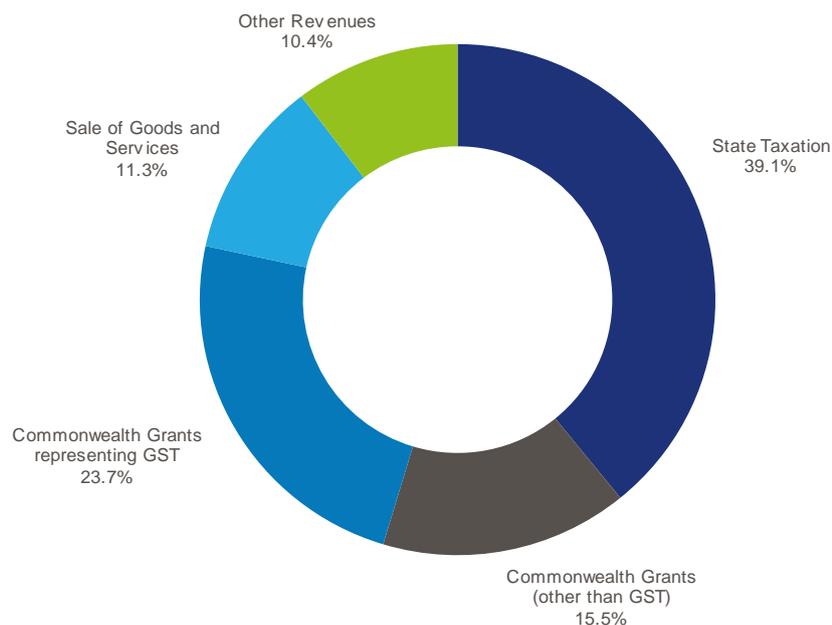
### 4.3 Revenue

General Government Sector revenues were \$74,334 million and increased by \$4,717 million (6.8 per cent) over 2014-15.

General Government Sector revenues comprised: revenues from taxation \$29,081 million; monies from the Commonwealth Government \$29,172 million; sales of goods and services \$8,379 million; dividends, distributions and tax equivalents \$1,954 million; and other revenues \$5,749 million.

Taxation revenues and Commonwealth grants both represent around 40 per cent of total revenues each, with the remaining 20 per cent split between sale of goods and services and other revenues. The makeup of total revenues is illustrated in chart 4.3 and has remained broadly the same compared to the prior year.

Chart 4.3: Components of General Government Sector Revenue 2015-16



### Tax Revenues

The three largest state taxes: stamp duty on property transfers (transfer duty), payroll tax and land tax, together provided around 67 per cent of state taxation revenue in 2015-16. Transfer duty (which is a key component of stamp duty) again exceeded expectations reflecting continued strength in the commercial and residential property market supported by historically low interest rates and continued high investor demand.

Underlying transfer duty revenues were \$979 million (13.3 per cent) higher than 2014-15 and grew more strongly than anticipated in the 2015-16 Budget. Increased transfer duty receipts in 2015-16 were also due to the long term lease of TransGrid assets which generated \$438 million additional duty. By convention in NSW, the impacts of transactions are not included in Budget estimates and are only recorded once transactions are complete.

Payroll tax increased by \$463 million (6.2 per cent) in 2015-16 reflecting robust growth in NSW employment and moderate growth in average employee compensation.

Taxes received in excess of the 2015-16 Budget are treated as windfall gains and transferred into Restart NSW to finance critical infrastructure, such as projects from the Housing Acceleration Fund.

### Commonwealth and Other Grants

New South Wales receives General Purpose Grants, National Partnership payments, Specific Purpose Payments and a small number of other payments from the Commonwealth. Total grants were \$940 million (3.2 per cent) higher than the prior year.

General Purpose Grants which are comprised mostly of GST were \$572 million (3.4 per cent) higher than 2014-15. GST revenues from the Australian Government are distributed among States. GST revenues depend on the total amount of GST collected (pool size), population share of NSW and the relativity calculated by the Commonwealth Grants Commission (CGC). Any change in pool size, population share or relativity impacts the State's financial result. GST revenue was higher than expected because of an adjustment payment received in 2015-16 for the underestimation of the pool in 2014-15, an upward revision to the pool and an upward revision to the NSW population share.

Grants for National Partnerships and Specific Purpose Payments were \$533 million (4.8%) higher than 2014-15 mainly due to increased grants to Health of \$358 million reflecting increases in services and increased grants to Family and Community Services of \$241 million for specialist disability services.

Other grants and subsidies decreased by \$165 million from 2014-15 mainly as a result of a reduction in revenues generated from communities for schools and home care services.

## Other revenues

Other revenues include the sales of goods and services, dividends from government businesses, interest and fines and fees.

Dividends received from government businesses are a return on investment in those businesses. Government businesses also make tax equivalent payments to the State, which ensure competitive neutrality with businesses in the private sector.

Dividends and tax equivalent payments from the water sector were \$732 million in 2015-16 which was \$214 million lower than the prior year reflecting a lower dividend payout ratio and lower distributable profits following the pricing determination from IPART.

Distributions from electricity network businesses contributed \$388 million in 2015-16 which was less than 2014-15 (\$846 million). This was mainly due to:

- lower dividends from electricity entities in 2015-16 due primarily to the Australian Energy Regulator (AER) determinations, and
- reduced income tax equivalent payments from Essential Energy, Ausgrid and Endeavour Energy due to lower taxable income in 2015-16.

Other dividends and distributions relate to TCorp managed investment schemes and dividends from joint ventures. These distributions were \$490 million lower than 2014-15 due to lower distributions from TCorp managed investment schemes reflecting lower returns on managed funds.

Sales of goods and services were \$2,123 million higher than the prior year due primarily to the commencement of the implementation of TAHE resulting in a change in funding arrangements in major rail projects which accounted for \$1,597 million of this increase.

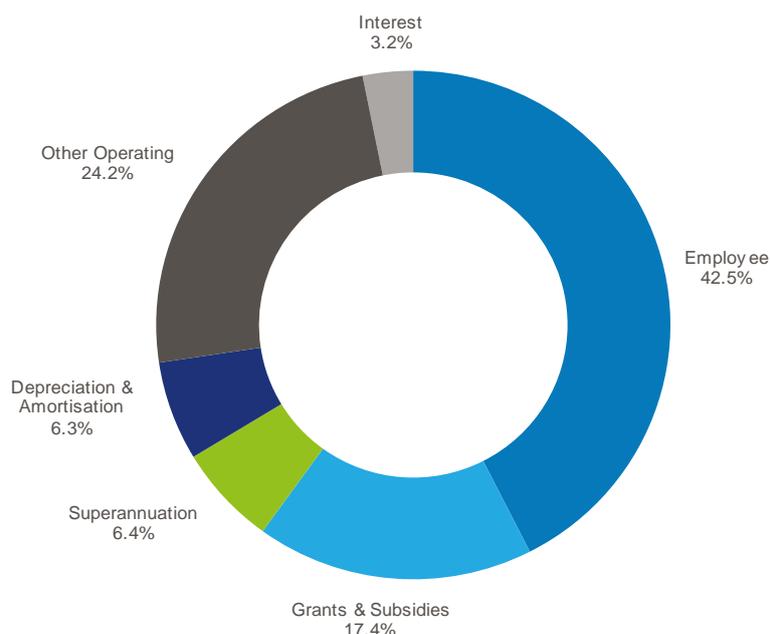
Fines and Fees were \$134 million higher than the prior year primarily due to an adjustment to multi-year licence fee revenue in Roads and Maritime Services (\$167 million).

## 4.4 Expenses

General Government Sector expenses were \$69,675 million and in line with the original estimate set out in the 2015-16 Budget. Expenses were \$2,938 million (4.4 per cent) higher than 2014-15.

Employee expenses and superannuation together accounted for almost half of the Sector's total expenditure. Other operating expenses, which include maintenance expenses, utilities, rent, hospital medical equipment and supplies, accounted for around a quarter of the Sector's expenses. The remaining expenses related to grants and subsidies, depreciation and amortisation, and interest.

Chart 4.4: Components of General Government Sector Expenses 2015-16



### Employee expenses

Employee costs were \$1,800 million (6.5 per cent) higher than 2014-15 reflecting government policy decisions to invest in front line services. Government initiatives, spanning 2011 to the present, including the NSW Public Sector Wages Policy and the Labour Expense Cap continue to help manage employee expenses growth. Key components of the increase were:

- wage inflation increases (\$646 million) in line with the wages policy of 2.5 per cent
- increases in frontline services (\$503 million) in Health, Education and Justice
- actuarial adjustments increased workers' compensation and long service leave costs (\$200 million), which can vary significantly year on year reflecting movements in 10 year Government bond rates
- increase in Transport for NSW (\$157 million) mainly due to the implementation of TAHE and the resulting change in funding arrangements for major rail projects (for which Transport for NSW received offsetting revenues).

Superannuation expenses were \$4,440 million, \$89 million (2.0 per cent) less than 2014-15.

### Grant expenses

Recurrent grants and subsidies were \$11,386 million, \$1,491 million (15.1 per cent) higher than 2014-15 and capital grants and subsidies were \$769 million, \$2,501 million lower than 2014-15. In total grants and subsidies expenses were \$1,010 million (7.7 per cent) lower than prior year. This included:

- decrease in grants from Transport for NSW of \$2,175 million which largely relates to the implementation of TAHE and resulting changes in funding arrangements for major rail projects undertaken by RailCorp
- increases in grants paid (\$596 million) to non-government organisations for the delivery aging, disability (including NDIS), homecare, community and public housing services
- grants paid (\$355 million) by the Office of Local Government to local councils for the 'Fit for Future' program.

## Other expenses

Other expenses comprise depreciation and amortisation, interest and other operating expenses.

Other operating expenses were \$16,862 million, \$2,053 million higher than 2014-15. This included an increase in Transport for NSW operating costs of \$1,453 million due to the change in funding arrangements for major rail projects as a result of TAHE (for which Transport for NSW received offsetting revenues).

Other significant changes in other expenses included:

- Adjustments to other provisions (\$368 million), including a provision required to meet the State's commitment with regard to the loose fill asbestos program and actuarial valuation of State's share of University superannuation liability.
- Increase in health supplies, services and other costs of \$310 million in line with expected growth in activity and funding received (including addition funding for Hepatitis C),
- Actuarial adjustments (\$236 million) in insurance claim liabilities, and
- Increased cost (\$70 million) for supplies, services and other costs incurred by Education.

## 4.5 Comprehensive Result

The General Government Sector Comprehensive Result was a surplus of \$476 million compared to \$13,555 million in the prior year. The comprehensive result represents the net result of all items of income and expense recognised for the period. It is therefore the aggregate of the operating result and other movements in equity, other than transactions within the total state sector.

Significant reductions in the comprehensive result compared to the prior year were due to:

- Increased actuarial losses on superannuation due to a reduction in discount rates in line with Government bond rates, changes to demographic assumptions and lower returns on fund assets (\$11,148 million) (refer 4.11 for further details on superannuation liabilities)
- Smaller revaluation increments on the State's assets (\$3,818 million – refer to 4.10).

These reductions were partly offset by increases from the prior year due to the increase in Budget surplus (\$1,778 million).

## 4.6 Capital Expenditure

General Government Sector capital expenditure during 2015-16 was \$9,336 million, a similar level to the prior year (decrease of \$147 million or 1.6 per cent against the prior year). This continues the record level of capital spend in the General Government sector in New South Wales, reflecting the Government's major capital expenditure program.

The benefits of such a program are wide-ranging and include a boost to jobs and economic activity. The investment allows the Government to address the State's infrastructure backlog, deliver new roads and rail projects to ease congestion for motorists and public transport customers, and to connect growing population centres in Sydney with jobs and employment. It also delivered new schools and hospitals to support better services and changing demographics.

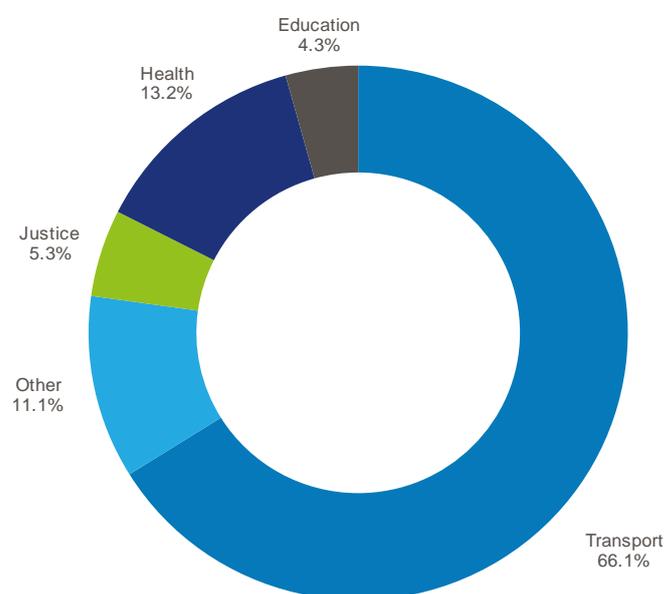
Major projects progressed during 2015-16 included:

- Pacific Highway upgrades (\$1,332 million)
- WestConnex Motorway (\$700 million)
- Sydney Metro Northwest (\$698 million)
- Sydney Metro City and Southwest – Planning & Development (\$699 million).

In addition, a number of major projects were completed in the year. These included:

- Pacific Highway upgrades (Oxley Highway to Kempsey and Tintenbar to Ewingsdale)
- Princes Highway upgrades (Gerringong Upgrade, Mount Pleasant to Tooligooa Road)
- South East Regional Hospital (Bega)
- Central Coast Highway (Brisbane Water Drive)
- Campbelltown Hospital Redevelopment
- Wollongong Elective Surgery unit
- Lower North Shore Public School
- Barangaroo (Headland Park and Northern Cove)

Chart 4.5: Distribution of Capital Expenditure for 2015-16



During 2015-16, \$1,107 million of capital spend was funded from Restart NSW. Restart NSW is the vehicle for the delivery of the Rebuilding NSW plan, which is a plan to invest \$20 billion in new infrastructure funded by the lease of 49 per cent of the State’s electricity network businesses. During the year Restart NSW received proceeds from business asset transactions, including the long-term lease of TransGrid. Other sources of Restart funds include windfall tax revenues and Waratah bond proceeds and interest receipts.

The Government has developed a robust governance framework to ensure the effective investment of Restart NSW funds including as provided in the *Restart NSW Fund Act 2011* (the Restart Act). The Restart Act accords Infrastructure NSW (INSW) the responsibility of independently assessing projects and making recommendations to the Treasurer. New infrastructure projects considered for Restart funding are subject to a rigorous selection process. The key components of the project assessment framework are:

- Strategic assessment to ensure the project aligns with the Restart Act criteria, existing Government priorities and Restart NSW investment themes,
- Economic assessment to ensure the project is expected to produce a net economic benefit and improve economic growth and productivity in the State (demonstrated by a cost-benefit ratio greater than 1),
- Gateway assurance which is an independent review process to ensure the project has successfully completed the appropriate business case development processes.

## 4.7 Net Lending

The Net Lending Result is a proxy for the financing requirement of the Government, taking into account both recurrent and capital transactions.

The General Government Sector Net Lending Result was a net lending position of \$401 million in 2015-16 compared to a net borrowing position of \$126 million in 2014-15 representing an improvement of \$527 million over 2014-15. This was mainly due to the increase in the Budget Result of \$1,778 million, partially offset by higher net acquisition of non-financial assets of \$1,251 million.

## 4.8 Cash Result

The Cash Result was a surplus of \$2,894 million, an improvement of \$689 million over the prior year surplus of \$2,205 million. The improved cash result reflects the improved budget result.

## 4.9 Balance Sheet

Table 4.2: General Government Sector Key Financial Indicators – Balance Sheet Performance

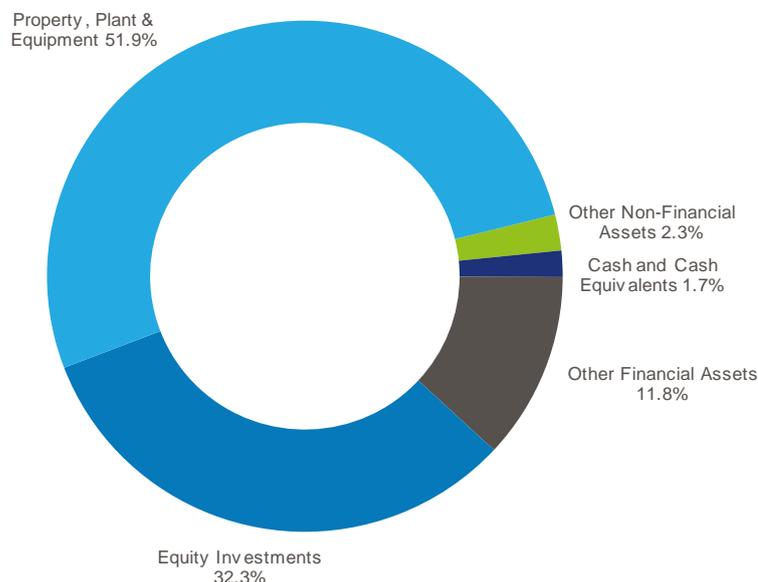
Key Financial Indicators (GGS) Statement of Financial Position					
		Actual 2015	Original Budget 2016	Revised Estimate <sup>(a)</sup> 2016	Actual 2016
Total Assets	\$b	298.9	304.5	316.7	316.5
Total Liabilities	\$b	117.6	114.5	129.2	134.7
Net Worth	\$b	181.3	190.0	187.4	181.8
Net Unfunded Superannuation Liability	\$b	52.5	49.7	63.3	67.9
Net Debt	\$b	5.5	9.9	0.7	-0.1
Net Debt as a % of GSP	%	1.1%	1.8%	0.1%	0.0%
Net Financial Liabilities (NFL)	\$b	74.4	76.0	83.0	87.6
NFL as a % of GSP	%	14.5%	14.2%	15.5%	16.4%

(a) Revised Estimate for 2015-16 as presented in the 2016-17 Budget Papers.

## 4.10 Total Assets

Assets comprise non-financial and financial assets. The graph below illustrates the breakdown of General Government asset holdings as at 2015-16.

Chart 4.6: *Distribution of Total Assets as at 30 June 2016*



### Non-Financial Assets

The main components of non-financial assets are Property Plant and Equipment (PP&E) and Intangible Assets. These accounted for 52.9 per cent of the General Government total assets at 30 June 2016. The value of PP&E increased by \$6,075 million relative to June 2015. This reflects additions of \$8,966 million, revaluations of \$2,813 million and depreciation and other movements of negative \$5,704 million.

Increases in revaluations in 2015-16 of \$2,813 million were \$3,818 million lower than the prior year mainly driven by lower revaluations of infrastructure assets in Roads and Maritimes Services. Revaluations in 2015-16 were mainly driven by increases in land and buildings and included:

- An increase of \$1,600 million in the value of land and buildings held by the Department of Education, and
- An increase of \$374 million in the value of the land and buildings held by Ministry of Health.

### Financial Assets

Cash and cash equivalents were \$5,260 million, \$7,173 million lower than in June 2015. This decrease reflects the actions the Government has taken to improve its cash and asset management as set out in Chapter 4 in Budget Paper 1 of the 2016-17 Budget. Effective management of the State's liquidity is part of the Government's strategy of effective and efficient balance sheet management. Strategies being employed ensure that the State continues to hold and is able to access an adequate level of liquidity against its future obligations, and any surplus holdings are put to better use.

Other financial assets increased in the period reflecting a transfer of cash deposits into other financial assets with higher growth potential, such as term deposits, as well as the proceeds from TransGrid.

Financial assets included \$12,932 million (2015: \$7,835 million) invested in the State's dedicated infrastructure fund, Restart NSW. This fund is used to deliver major capital infrastructure projects across the State.

Most of the State's cash and financial investment holdings are set aside for the State's record infrastructure package under Restart NSW. These funds are being progressively invested in a range of longer-term financial assets to improve returns and to mature in a manner consistent with planned spending.

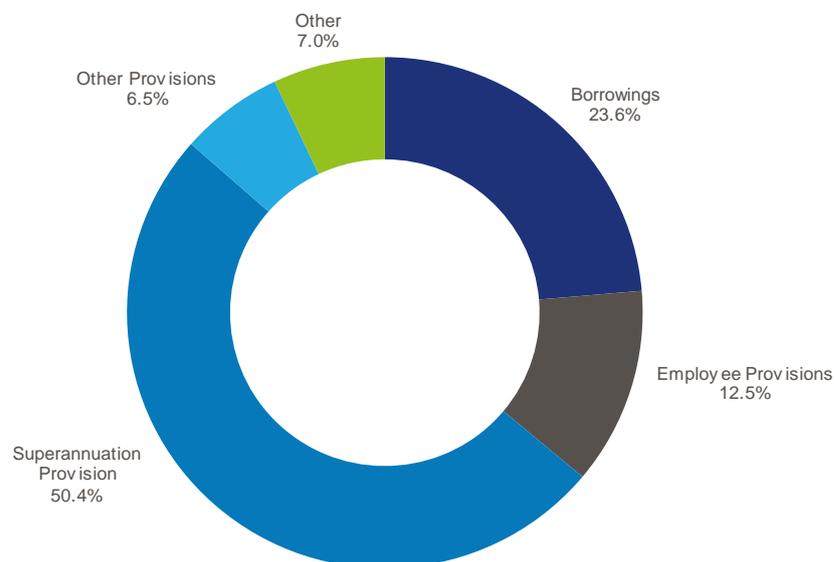
In 2015, the Government centralised the State's financial investments to New South Wales Treasury Corporation (TCorp). The amalgamation makes TCorp a top 10 Australian investment manager, responsible for over \$65 billion of funds.

The centralisation of funds management allows investment decisions to be taken on a more streamlined basis and will deliver superior risk-adjusted returns over time.

#### 4.11 Total Liabilities

The graph below displays the distribution of the State's liabilities by class. The majority of these liabilities relate to employee and superannuation provisions, which together accounted for 62.9 per cent of the State's obligations at 30 June 2016. Additionally, the State's borrowings contributed 23.6 per cent.

Chart 4.7: Distribution of Total Liabilities as at 30 June 2016



#### Superannuation Liabilities

Superannuation liabilities represent the actuarially assessed obligations for past and present employees less the net market value of scheme assets set aside to meet these obligations. During 2015-16, net unfunded superannuation liabilities increased by \$15,364 million to \$67,862 million. In accordance with *AASB 119 Employee Benefits*, the State uses the 10-year Commonwealth Government bond yields at 30 June to revalue the superannuation liability. The increase in the superannuation liability was due to a decrease in this bond yield from 3.03 per cent in 2015 to 1.99 per cent as at 30 June 2016. The current global market for bonds, including Commonwealth bonds, is at unprecedented low levels of interest rates. The superannuation liability is sensitive to changes in the discount rate, with a 1% reduction in rate increasing the liability by around \$12.5 billion. Adjustments to demographic assumptions and lower returns on fund assets in 2015-16 have also affected the net liability.

Fund assets are invested for the longer term with the expectation that while there may be short term volatility, over time returns will be enhanced.

A review of the State's superannuation liabilities was performed in 2015. This report is prepared every three years and determines the sufficiency of funding for the State's defined benefit schemes based on the latest demographic and economic assumptions. The 2015 review concluded the Government's current contribution plan appears reasonable to deliver full funding by 2030.

The Government will keep the current funding plan under review to ensure the commitment is met.

## Employee Provisions and Other Provisions

Employee provisions included annual and long service leave and self-funded obligations for workers compensation. These liabilities grew by 9.7 per cent to \$16,794 million during 2015-16. The increase in the employee provisions was largely due to a decrease in the bond yield used to value liabilities.

Other provisions primarily comprised insurance obligations, liabilities for dust disease claims, university superannuation, and provisions for land remediation and restoration costs.

### 4.12 Net Worth

Net worth is the difference between total assets and total liabilities. Net worth of the General Government Sector for the year ended 30 June 2016 was \$181,799 million which was broadly in line with the prior year (2015: \$181,323 million).

Increases in value from investment in new infrastructure, proceeds from the long term lease of TransGrid and the Budget surplus in the year have been largely offset by the increase in provisions, most notably the superannuation defined benefit liability due to the reduction in the Commonwealth bond rate.

### 4.13 Net Debt

The General Government Sector net debt was negative \$57 million at 30 June 2016. At 30 June 2015 net debt was \$5,461 million or 1.1 per cent of GSP. This net debt result was supported by the Government's asset recycling strategy and more efficient use of its balance sheet. As a result it was positively impacted by the successful long-term lease of TransGrid.

The continued use of innovative financing strategies has allowed the State to access funding for infrastructure investments in an economically efficient manner without significantly increasing borrowings. The Government's significant asset recycling program has converted the proceeds gained from transactions to deliver much-needed infrastructure investments.

The Government is also using Public Private Partnerships to access private capital to finance infrastructure projects and manage project risk, particularly in the transport sector. Public Private Partnerships provide an efficient blend of public and private sector expertise to deliver innovative and cost effective infrastructure for the State. Public Private Partnerships are being used in the delivery of key projects including Sydney Metro NorthWest, Sydney Light Rail and WestConnex.

Chart 4.8: Net Debt and Net Debt as a percentage of GSP

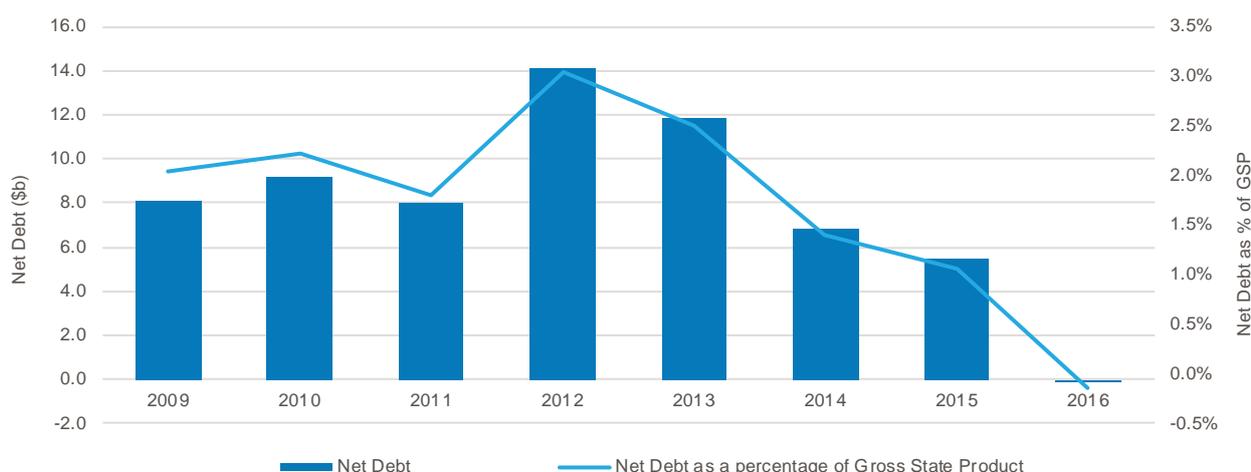


Table 4.3: General Government Sector – Net Debt

	Actual June 2015	Actual June 2016
	\$b	\$b
Cash and Cash Equivalents	12.4	5.3
Investments, Loans and Placements	13.7	26.6
Advances Paid	0.9	1.1
Deposits Held	(0.1)	(0.1)
Borrowings and Derivatives at Fair Value	(0.0)	(0.0)
Borrowings at Amortised Cost	(31.5)	(31.8)
Advances Received	(0.9)	(0.9)
<b>Net Debt</b>	<b>5.5</b>	<b>(0.1)</b>
<b>Net Debt as a % of GSP<sup>(a)</sup></b>	<b>1.1%</b>	<b>0.0%</b>

(a) GSP actuals for 2015-16 not released at the time of publication. Numbers reflect 2015-16 GSP forecasts from the 2016-17 Budget.

#### 4.14 Net Financial Liabilities

Net financial liabilities represent total liabilities less financial assets, other than equity in publicly owned corporations.

They comprise net debt, unfunded superannuation liabilities, employee provisions and other provisions, including insurance obligations and land remediation, after deducting receivables and other financial assets.

Net financial liabilities at 30 June 2016 were \$87.6 billion, which was \$13.2 billion higher than the prior year. This increase was primarily due to the increase in superannuation liabilities of \$15.4 billion, associated with the impact of reductions in the discount rate, changed demographic assumptions and lower returns on assets.

As a share of forecast GSP, net financial liabilities increased to 16.4 per cent at 30 June 2016, from 14.5 per cent at 30 June 2015 (refer Table 4.5).

Table 4.4: General Government Sector – Net Financial Liabilities

	Actual June 2015	Actual June 2016
	\$b	\$b
Net Debt	5.5	(0.1)
Superannuation Provision	52.5	67.9
Employee Provisions	15.3	16.8
Insurance Obligations	6.0	6.1
Other Net Liabilities / (Assets)	(4.9)	(3.1)
<b>Net Financial Liabilities (NFL)</b>	<b>74.4</b>	<b>87.6</b>
<b>NFL as a % of GSP</b>	<b>14.5%</b>	<b>16.4%</b>

## 5. TOTAL STATE SECTOR RESULTS

- Y The Total State Sector (TSS) comprises the GG, PNFC and PFC sectors. Strong TSS results reflect the Government's ongoing commitment to effective financial management.
- Y The Net Operating Balance in 2015-16 was a surplus of \$4.4 billion, representing a decrease of \$0.3 billion compared to 2014-15. This was driven by an increase in expenses of \$3.1 billion partially offset by an increase in revenues of \$2.9 billion.
- Y Higher revenue of \$2.9 billion reflected an increase in State tax revenue (\$3.0 billion) and increases in Commonwealth grant payments (\$1.1 billion), which were partially offset by decreases in other dividends and distributions (\$0.7 billion) and a decrease in other revenue (\$0.5 billion).
- Y Higher expenses of \$3.0 billion resulted from increases in employee related costs \$1.8 billion, increases in grants and subsidies of \$1.6 billion partially offset by a decrease in other operating costs of \$0.3 billion.
- Y Revenues and expenses for PNFCs have further decreased since 2015-16. This reflects the successful long-term lease of TransGrid and DeltaCoast (Vales point) assets in 2015-16 and following the sale or lease of assets in Green State Power, Macquarie Generation, Delta Coast (Colongra) and Hunter Water Australia Pty Ltd in 2014-15.
- Y Capital expenditure of the Total State Sector for 2015-16 was \$16.2 billion, an increase of \$2.7 billion on the previous year. In addition to high levels of capital spend within the General Government sector, spend in the PNFC sector also accelerated in 2015-16, reflecting increased spend on major road and rail infrastructure.
- Y Net debt of the Total State Sector was \$38.1 billion at 30 June 2016, a decrease of \$7.1 billion during the year. The decrease in net debt is largely a result of proceeds from the successful long-term lease of TransGrid in 2015-16.
- Y Net financial liabilities of the Total State Sector were \$133.3 billion at 30 June 2016, an increase of \$11.9 billion over the previous year. This was largely due to the increase in superannuation liabilities of \$16.0 billion, as a result of a decrease in the discount rate as well as changes to demographic assumptions and a lower return on the Fund's assets.
- Y Net worth of the Total State Sector, at \$181.8 billion for the year ended 30 June 2016, was broadly in line with the previous year (\$181.3 billion in 2015). This reflects increases in the value of financial and non-financial assets, offset by an increase to superannuation liabilities.

## 5.1 Operating Result

Table 5.1: Total State Sector Key Financial Indicators – Statement of Comprehensive Income

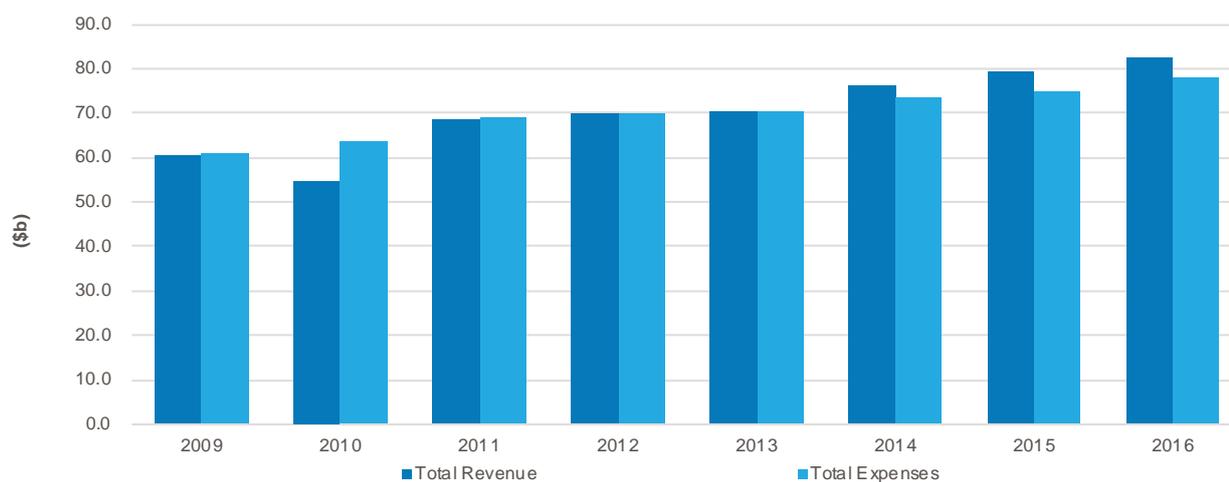
Key Financial Indicators (TSS) Statement of Comprehensive Income					
		Actual 2014-15	Original Budget 2015-16	Revised Estimate <sup>(a)</sup> 2015-16	Actual 2015-16
<b>Total State Sector</b>					
Revenue	\$b	79.5	76.4	81.7	82.4
Expenses	\$b	74.9	75.7	79.4	77.9
Transactions from Discontinued Operations	\$b	0.0	-	(0.1)	(0.1)
Net Operating Balance	\$b	4.6	0.7	2.2	4.4
Comprehensive Result	\$b	13.6	15.6	6.0	0.5
Gross Capital Expenditure	\$b	13.5	16.5	16.6	16.2
Cash Result	\$b	2.8	(5.0)	(2.4)	(0.4)
Net Lending/(Borrowing)	\$b	(0.8)	(6.6)	(5.5)	(3.1)

(a) Revised Estimate for 2015-16 as presented in the 2016-17 Budget Papers.

## 5.2 Net Operating Balance

The Net Operating Balance for the Total State Sector was a surplus of \$4,364 million. The Net Operating Balance comprises State revenues and expenses from transactions prepared in accordance with Australian Accounting Standards.

Chart 5.1: Total State Sector Revenue and Expenses – 2008-09 to 2015-16

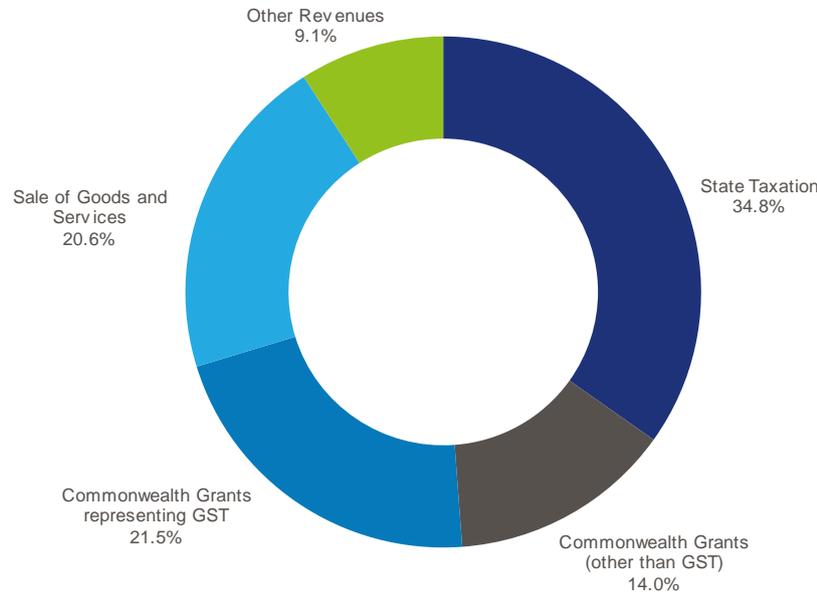


Note: Historic expenditure figures have been adjusted to incorporate the retrospective application of the revised standard on employee benefits (AASB 119).

### 5.3 Revenue

Total State Sector revenue for 2015-16 was \$82,431 million, \$2,931 million (3.7 per cent) higher than 2014-15. Total State Sector revenues comprised: revenues from taxation \$28,727 million; monies from the Commonwealth Government \$29,182 million; sales of goods and services \$17,020 million; and other revenues \$7,503 million.

Chart 5.2: Total State Sector Revenue 2015-16



As set out in the results for the General Government sector, taxation revenues were \$28,727 million, \$3,032 million (11.8 per cent) higher than 2014-15. The key drivers behind this were:

- an increase of \$979 million in underlying transfer duty as a result of stronger than expected growth in the residential and commercial property sectors plus receipts from large one-off business asset transactions (including from TransGrid of \$438 million),
- an increase in payroll tax of \$474 million reflecting robust growth in NSW employment and moderate growth in average employee compensation, and
- an increase in land tax of \$282 million.

Commonwealth grants were \$29,182 million, an increase of \$1,098 million (3.9 per cent) on 2014-15. GST, the largest element of these grants, increased by \$600 million as a consequence of the growth in the GST pool, augmented by a residual payment from 2014-15. There was a net increase in other Commonwealth grants of \$498 million.

Sales of goods and services were \$284 million lower than in 2014-15. This reflected lower revenues in the PNFC sector across a number of businesses and also reflected the sale or lease of Government assets.

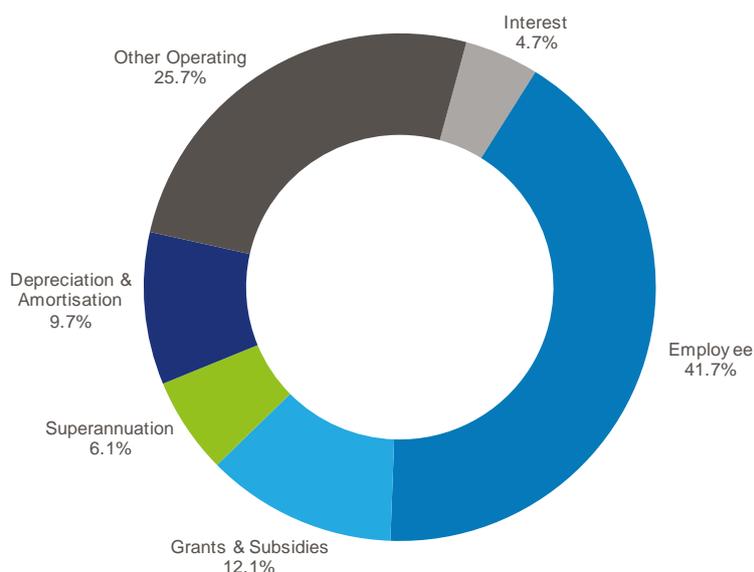
Note 2 to the Consolidated Financial Statements details the revenues by class and their components, and Note 5 to the Consolidated Financial Statements details the discontinued operations.

## 5.4 Expenses

Total State Sector expenses were \$77,935 million, \$3,073 million (4.1 per cent) higher than in 2014-15.

Employee expenses and superannuation together accounted for almost half of the State's total expenditure. Other operating expenses, which included maintenance expenses, utilities, rent, medical equipment and supplies, accounted for just over a quarter of the State's expenses. The remaining expenses related to grants and subsidies, depreciation and amortisation and interest.

Chart 5.3: Total State Sector Expenses 2015-16



Employee expenses (excluding superannuation) were \$32,486 million, \$1,756 million (5.7 per cent) higher than 2014-15, which was largely attributable to movements in the General Government sector. Increases in employee expenses in 2015-16 were a result of wage increases consistent with the Government's wages policy of 2.5 per cent, increased front line staff due to growth in services particularly in health, schools and justice and redundancy costs, workers compensation costs and long service leave.

Depreciation and amortisation expense rose by \$90 million (1.2 per cent) to \$7,559 million during 2015-16.

## 5.5 Sale and Lease of Government Business Assets

In line with Government policy to reinvest the proceeds of business asset sales and leases to fund new infrastructure for the State, the *Electricity Network Assets (Authorised Transactions) Act* was passed in 2015. The Act authorises the transfer of electricity network assets and associated rights and liabilities to private sector buyers.

In accordance with this legislation, the long term lease of TransGrid assets was achieved in 2015-16. By convention in NSW, the impact of these transactions is not included in Budget estimates and only recorded once complete. As a consequence of the TransGrid transaction, gross proceeds of \$10,273 million were received. Stamp Duty of \$438 million on these transactions was paid to the Office of State Revenue from these proceeds. Information on all these transactions is outlined in greater detail in Note 5.

## 5.6 Comprehensive Result

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The Comprehensive Result for 2015-16 was a surplus of \$476 million, which was \$13,079 million lower than 2014-15. The decrease was primarily due to an increased actuarial loss of \$12,514 million on the State's future superannuation obligations (primarily due to a change in discount rates).

The revaluation surpluses in 2015-16 of \$10,879 million were primarily due to:

- Increases in the carrying value of PP&E of New South Wales Land and Housing Corporation (\$6,351 million), Department of Education (\$1,600 million) and Ministry of Health (\$374 million)
- Increase in the carrying value of infrastructure and property assets of Rail Corporation of New South Wales (\$951 million) and Sydney Water Corporation (\$888 million).

## 5.7 Capital Expenditure

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Capital expenditure of \$16,177 million was \$2,705 million higher than in 2014-15. The increase was driven by the PNFC sector and included:

- RailCorp spend on major rail projects of \$2,336 million including \$1,597 million resulting from the changed funding arrangements for major rail projects,
- Sydney Motorway Corporation spend on WestConnex Motorway (\$1,405 million),
- Ausgrid, Endeavour Energy and Essential Energy combined spend (\$1,223 million),
- Sydney Water Corporation and Hunter Water Corporation combined spend (\$1,026 million), and
- NSW Land and Housing Corporation (\$516 million).

## 5.8 Cash Result

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In 2015-16, the cash result was a deficit of \$422 million, which was \$3,189 million lower than the prior year. This was a result of lower cash flows from operating activities of \$1,498 million together with an increase in investments in non-financial assets of \$1,691 million.

## 5.9 Net Lending/(Borrowing)

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In 2015-16 the Net Lending Result was a deficit of \$3,128 million, an increase of \$2,312 million in comparison to 2014-15. This increase was largely attributable to a lower net result of \$282 million and an increase in the net acquisition of non-financial assets of \$2,030 million.

## 5.10 Balance Sheet

Table 5.2: Total State Sector Key Financial Indicators – Statement of Financial Position

Key Financial Indicators (TSS) Statement of Financial Position					
		Actual as at June 2015	Original Budget 2016	Revised Estimate <sup>(a)</sup> June 2016	Actual as at June 2016
Total Assets	\$b	359.9	367.8	378.9	377.0
Total Liabilities	\$b	178.6	177.8	191.5	195.2
Net Worth	\$b	181.3	190.0	187.4	181.8
Net Unfunded Superannuation Liability	\$b	55.2	52.5	66.5	71.2
Net Debt	\$b	45.2	44.9	39.0	38.1
Net Debt as a % of GSP	%	8.8%	8.4%	7.3%	7.1%
Net Financial Liabilities (NFL)	\$b	121.4	125.0	128.3	133.3
NFL as a % of GSP	%	23.6%	24.3%	23.9%	24.9%

(a) Revised Estimate for 2015-16 as presented in the 2016-17 Budget Papers.

## 5.11 Net Worth

Net worth represents the difference between total assets and total liabilities. Net worth of the Total State Sector for the year ended 30 June 2016 was \$181,799 million which was broadly in line with the prior year (2015: \$181,323 million). The change recorded was due to the Comprehensive Result of \$476 million. This is reflected in increases to the value of financial assets (largely associated with major business asset sales and lease transactions) and non-financial assets (largely associated with new asset additions and revaluations), offset by increases in total liabilities primarily due to the increase in the superannuation provision.

The Sector's non-financial assets were valued at \$315.1 billion at 30 June 2016, an increase of \$12.4 billion over 2015-16. This increase was primarily driven by additions and revaluations to PP&E as detailed in Note 13. Non-financial assets represent infrastructure items such as public schools, hospitals, roads, bridges, transport, public housing and sporting facilities.

As the Total State Sector consolidates the General Government, PFC and PNFC sectors, it results in the net worth of the General Government Sector and the Total State Sector being the same.

## 5.12 Net Debt

Net debt comprised borrowings, advances received and deposits held, less cash and cash equivalent assets, financial assets at fair value and advances paid.

During 2015-16, the net debt of the Total State Sector decreased by \$7,131 million. At 30 June 2016, the net debt was \$38,053 million or 7.1 per cent of forecast GSP. At 30 June 2015 the net debt was \$45,184 million or 8.8 per cent of GSP. The decrease in net debt is largely a result of proceeds from the successful long-term lease of TransGrid in 2015-16.

Table 5.3: Total State Sector – Net Debt

	Actual June 2015	Actual June 2016
	\$b	\$b
Cash and Cash Equivalents	15.5	10.9
Investments, Loans and Placements	22.2	31.8
Advances Paid	0.5	0.7
Deposits Held	(0.5)	(0.4)
Borrowings and Derivatives at Fair Value	(77.2)	(74.9)
Borrowings at Amortised Cost	(4.8)	(5.2)
Advances Received	(0.9)	(0.9)
<b>Net Debt</b>	<b>(45.2)</b>	<b>(38.1)</b>
<b>Net Debt as a % of GSP</b>	<b>8.8%</b>	<b>7.1%</b>

### 5.13 Net Financial Liabilities

Net financial liabilities at 30 June 2016 were \$133,308 million, or 24.9 per cent of forecast GSP, which was \$11,927 million higher than in 30 June 2015 of \$121,381 million (23.6 per cent of GSP). This was primarily due to the increase in superannuation liabilities of \$16,005 million, associated with the impact of the actuarial adjustments to the State's superannuation obligations partially offset by the reduction in net debt.

Table 5.4: Total State Sector – Net Financial Liabilities

	Actual June 2015	Actual June 2016
	\$b	\$b
Net Debt	45.2	38.1
Superannuation Liabilities	55.2	71.2
Employment Provision	17.2	18.5
Insurance Obligations and Other Provisions	8.7	9.0
Other Net Liabilities / (Assets)	(4.8)	(3.5)
<b>Net Financial Liabilities</b>	<b>121.4</b>	<b>133.3</b>
<b>NFL as a % of GSP</b>	<b>23.6%</b>	<b>24.9%</b>

## 6. ANNEXURES

The *Fiscal Responsibility Act 2012* also requires the Budget to include: a fiscal strategy statement; a report on performance against the Act's objective, targets and principles; an explanation of any departures from the objective, targets or principles along with a plan to restore compliance; and an assessment of the impact of Budget measures on the long term fiscal gap. Every five years, the Budget is to include an updated Long Term Fiscal Pressures Report and a reassessment of the long term fiscal gap. The latest report was released on 26 May 2016 and can be found at <http://www.treasury.nsw.gov.au/intergenerational-report>.

The financial results for 2015-16 are consistent with the Government's fiscal strategy with a Budget surplus in 2015-16 of \$4,659 million.

### Performance against the Fiscal Targets and Principles of the Fiscal Responsibility Act 2012.

The 2015-16 actual results have been assessed against the objective, targets and principles of the *Fiscal Responsibility Act 2012* to provide a status update against each measure below.

Object	2016 17 Budget Status	2015 16 State Finances (End of Year Status Update)
Maintain the State's triple-A credit rating.	New South Wales' triple-A credit ratings were reaffirmed by international credit rating agencies Moody's and Standard and Poor's in 2015.	Standard & Poor's reaffirmed the triple-A rating and revised the outlook to negative (NSW's outlook was automatically revised due to Standard & Poor's revision of the Commonwealth's outlook) on 7 July 2016. NSW remains consistent with triple-A rating on a standalone basis. Moody's reaffirmed the triple-A rating on 8 December 2015.
Hold expense growth below long-run revenue growth	Historical long-term average annual revenue growth was estimated at 5.6 per cent in the 2011 12 Long-Term Fiscal Pressures Report. This amount is prescribed in regulations under the FRA.  The 2016 NSW Intergenerational Report reported that historical long run growth in revenue has been 5.7 per cent.  The 2016-17 Budget projected average expense growth over the budget and forward estimates years to average 3.0 per cent per annum.	Average expense growth was maintained below long term average revenue growth in 2015-16, delivering a surplus result for the State.
Eliminate the State's unfunded superannuation liabilities by 2030	The most recent triennial actuarial review of superannuation liabilities was completed as at 30 June 2015. The review found that based on the current Crown funding plan, the liabilities were on track to be fully funded by 2030 in line with the target. Further analysis undertaken since the 2015 Review highlight options for the Government to consider to increase the certainty of meeting its full funding commitment by 2030.  Options are currently being considered and the Crown funding plan may be revised to reflect current and future State market conditions and outlook, and the Government's risk tolerances.	As per the Budget Status.
Responsible and sustainable spending, taxation and infrastructure investment	The 2016-17 Budget delivers low average expense growth over the budget and forward estimates that is below long-term average revenue growth. The Budget projected significant budget surpluses that can fund the Government's large infrastructure spending program in a sustainable way. Taxation policies remain stable and predictable.	Expenditures were maintained below revenue in 2015-16, delivering a surplus result for the State.

Object	2016 17 Budget Status	2015 16 State Finances (End of Year Status Update)
Effective financial and asset management	<p>Since coming to office a key objective of the Government has been to improve the financial and asset management of the State. A significant program of reform, initially informed by the Commission of Audit reviews of the State's finances and public sector management, has seen the delivery of:</p> <ul style="list-style-type: none"> <li>• a new Asset and Liability Committee, which draws upon the technical and financial market expertise of New South Wales Treasury Corporation and the private sector by including representatives of these groups as members</li> <li>• the Financial Management Transformation program and Data Analytics Centre, which will facilitate increased customer focus and quicker decision making by Government</li> <li>• heightened accountability of ministers and agency CEOs in maintaining their expenses to budget</li> <li>• expense growth brought under control</li> <li>• introduction of contestability in the delivery of services</li> <li>• infrastructure priorities being determined on the basis of the best economic and social outcomes through Infrastructure NSW</li> <li>• better use of existing infrastructure</li> <li>• an active and integrated approach to the management of cash, financial investments and debt, via a whole of state approach to balance sheet and financial risk management</li> <li>• divestment of assets that are not core to the delivery of public services and the sale of surplus property assets.</li> </ul>	As per the Budget Status.
Achieving intergenerational equity	<p>Funding infrastructure by operating surpluses and asset recycling strategies reduces the need for borrowings to be funded by future generations. The effect of government policies on intergenerational equity is also measured by the change in the long term fiscal gap from one budget to the next.</p> <p>As required under the FRA, the five-yearly 2016 Intergenerational Report (the Report) gives a detailed assessment of prospects 40 years ahead. The Report projects that NSW residents in 2055-56 will have significantly higher average life expectancies and much higher average per capita incomes than today.</p> <p>While projecting a larger fiscal gap (3.4 per cent of GDP, compared to 2.8 per cent of GDP in the previous study), the Report highlights ways to close the gap by strengthening the economy, delivering better services and infrastructure and building a more sustainable revenue base.</p> <p>As is required under the FRA, the Report also constitutes Budget Paper No 5 in the 2016-17 Budget.</p> <p>The measures in this Budget do not materially impact on the estimated fiscal gap in the Report. The next full update of the fiscal gap will be provided in the 2017-18 Budget.</p> <p>The Government's success in maintaining operating surpluses indicates that the current generation is funding the cost of its services.</p>	Net debt of negative \$57 million in 2015-16 was an improvement since the Revised Budget Estimate, largely due to the net improvement in cash and investments.

The final 2015-16 outcome and the 2016-17 Budget comply with the requirements of the *Fiscal Responsibility Act 2012*.

Total State Sector Accounts  
2015 – 2016

Audited Consolidated Financial Statements  
of the NSW General Government  
and Total State Sectors

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# STATEMENT OF COMPLIANCE

In our opinion the Total State Sector Accounts:

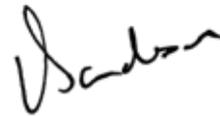
- have been prepared on the basis of the financial reporting requirements as prescribed in the *Public Finance and Audit Act 1983*, and
- are in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting* and all other Australian Accounting Standards.



The Hon. Gladys Berejiklian MP  
Treasurer



Rob Whitfield  
Secretary  
The Treasury



Karen Sanderson  
Executive Director  
The Treasury

4 October 2016



## INDEPENDENT AUDITOR'S REPORT

### New South Wales General Government and Total State Sectors

To Members of the New South Wales Parliament

### Opinion

I have audited the accompanying financial statements of the New South Wales General Government and Total State Sectors (the Total State Sector Accounts), which comprise the statements of financial position as at 30 June 2016, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the Total State Sector Accounts are prepared, in all material respects, in accordance with Australian Accounting Standards and section 6 of the *Public Finance and Audit Act 1983* (the PF&A Act).

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

### Basis for Opinion

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

I am independent in accordance with the auditor independence requirements of:

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

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

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

### Other Information

The Treasurer is responsible for the Other Information, which comprises the information in the New South Wales Report on State Finances for the year ended 30 June 2016, other than the Total State Sector Accounts and my Independent Auditor's Report thereon.

My opinion on the Total State Sector Accounts does not cover the Other Information. Accordingly, I do not express any form of assurance conclusion on the Other Information. However, I must read the Other Information and consider whether it is materially inconsistent with the Total State Sector Accounts, the knowledge I obtained during the audit, or otherwise appears to be materially misstated.

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

I have nothing to report in this regard.

### **Treasurer's Responsibility for the Total State Sector Accounts**

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

In preparing the Total State Sector Accounts, the Treasurer must assess the New South Wales General Government and Total State Sectors' ability to continue as going concerns. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

### **Auditor's Responsibility for the Audit of the Total State Sector Accounts**

My objectives are to:

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

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

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>.

The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that New South Wales General Government and Total State Sectors carried out their activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the Total State Sector Accounts
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



Margaret Crawford  
Auditor-General of NSW  
4 October 2016

SYDNEY

	Note	General			
		Government Sector		Total State Sector	
FROM CONTINUING OPERATIONS		2015-16	2014-15	2015-16	2014-15
		\$m	\$m	\$m	\$m
<b>Revenue from Transactions</b>					
Taxation	2	29,081	26,067	28,727	25,695
Grants and Subsidies					
Commonwealth General Purpose	2	17,637	17,065	17,637	17,065
Commonwealth Specific Purpose Payments	2	8,927	8,103	8,937	8,119
Commonwealth National Partnership Payments	2	2,608	2,899	2,608	2,899
Other Grants and Subsidies	2	925	1,091	589	812
Sale of Goods and Services	2	8,379	6,255	17,020	17,304
Interest	2	780	658	1,061	1,050
Dividend and Income Tax Equivalents from Other Sectors	2	1,280	2,407	...	...
Other Dividends and Distributions	2	674	1,164	864	1,539
Fines, Regulatory Fees and Other	2	4,043	3,909	4,989	5,017
<b>Total Revenue from Transactions</b>		<b>74,334</b>	<b>69,617</b>	<b>82,431</b>	<b>79,500</b>
<b>Expenses from Transactions</b>					
Employee	3	29,618	27,818	32,486	30,730
Superannuation					
Superannuation Interest Cost	3	1,504	1,683	1,565	1,768
Other Superannuation	3	2,935	2,846	3,237	3,198
Depreciation and Amortisation	3	4,394	4,172	7,559	7,469
Interest	3	2,206	2,243	3,659	4,012
Other Operating	3	16,862	14,809	20,026	19,911
Grants and Subsidies					
Recurrent Grants and Subsidies	3	11,386	9,895	8,773	7,209
Capital Grants	3	769	3,270	630	565
<b>Total Expenses from Transactions</b>		<b>69,675</b>	<b>66,736</b>	<b>77,935</b>	<b>74,862</b>
<b>Transactions from Discontinuing Operations</b>	5	...	...	(133)	8
<b>NET RESULT FROM TRANSACTIONS - NET OPERATING BALANCE</b>					
<b>(BUDGET RESULT FOR THE GENERAL GOVERNMENT SECTOR)</b>		<b>4,659</b>	<b>2,881</b>	<b>4,364</b>	<b>4,646</b>

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

	Note	General			
		Government Sector		Total State Sector	
		2015-16	2014-15	2015-16	2014-15
		\$m	\$m	\$m	\$m
<b>NET OPERATING BALANCE</b>		<b>4,659</b>	<b>2,881</b>	<b>4,364</b>	<b>4,646</b>
<b>OTHER ECONOMIC FLOWS - INCLUDED IN THE OPERATING RESULT</b>					
Loss from Liabilities	4	(1,037)	(819)	(1,039)	(820)
Other Net Gains/(Losses)	4	(127)	382	2,136	(365)
Share of Earnings from Equity Investments (excl. Dividends)	4	11	18	11	94
Dividends from Asset Sale Proceeds	4	...	177	...	...
Deferred Income Tax from Other Sectors	4	(691)	137	...	...
Other	4	(61)	3	(65)	21
Discontinuing Operations - Other Economic Flow s	5	...	...	(12)	12
<b>Other Economic Flows - included in Operating Result</b>		<b>(1,904)</b>	<b>(102)</b>	<b>1,032</b>	<b>(1,057)</b>
<b>OPERATING RESULT</b>		<b>2,755</b>	<b>2,779</b>	<b>5,396</b>	<b>3,589</b>
<b>OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME</b>					
<b>Items that will not be Reclassified to Operating Result</b>					
Revaluations	13	2,813	6,631	10,879	12,099
Share of Earnings from Associates from Revaluations		(106)	894	(106)	894
Actuarial Loss from Superannuation	22	(14,331)	(3,183)	(15,589)	(3,075)
<b>Items that may be Reclassified Subsequently to Operating Result</b>					
Net Gain/(Loss) on Equity Investments in Other Sectors		5,740	6,590	...	...
Net Gain/(Loss) on Equity Investments in Other Sectors Discontinued		3,606	(220)	...	...
Net Loss on Financial Instruments at Fair Value		1	...	(98)	(31)
Other		(2)	64	(5)	79
<b>Other Economic Flows - Other Comprehensive Income</b>		<b>(2,279)</b>	<b>10,776</b>	<b>(4,920)</b>	<b>9,966</b>
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS</b>		<b>476</b>	<b>13,555</b>	<b>476</b>	<b>13,555</b>
<b>KEY FISCAL AGGREGATES</b>					
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS</b>		<b>476</b>	<b>13,555</b>	<b>476</b>	<b>13,555</b>
Less: Net Other Economic Flow s		4,183	(10,674)	3,888	(8,908)
<b>NET OPERATING BALANCE</b>		<b>4,659</b>	<b>2,881</b>	<b>4,364</b>	<b>4,646</b>
<b>Less: Net Acquisition of Non-Financial Assets</b>					
Purchases of Non-Financial Assets		9,032	9,376	15,866	13,323
Sales of Non-Financial Assets		(892)	(700)	(1,713)	(1,046)
Less: Depreciation and Amortisation		(4,394)	(4,172)	(7,559)	(7,469)
Plus: Change in Inventories		24	(8)	(48)	(270)
Plus: Other Movements in Non-Financial Assets					
Assets Acquired Using Finance Leases		304	107	311	149
Other		184	(1,596)	635	775
<b>Equals Total Net Acquisition of Non-Financial Assets</b>		<b>4,258</b>	<b>3,007</b>	<b>7,492</b>	<b>5,462</b>
<b>EQUALS: NET LENDING/(BORROWING)</b>		<b>401</b>	<b>(126)</b>	<b>(3,128)</b>	<b>(816)</b>

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

2015-16	Equity at	Changes in Classification	Comprehensive Result	Transfers	Equity at
	1 July			between	30 June
	2015			Equity	2016
	\$m	\$m	\$m	Classes	\$m
<b>General Government Sector</b>					
Accumulated Funds	19,601	...	(8,639)	189	11,150
Reserves					
Asset Revaluation Surplus	67,504	...	2,813	(200)	70,117
Equity Investment Revaluation Surplus	2,887	9	(106)	1	2,791
Hedging Reserve	(14)	(9)	1	1	(22)
Available for Sale Reserve	91,341	...	6,409	(1)	97,750
Other	4	...	(2)	12	14
	<b>181,323</b>	...	<b>476</b>	...	<b>181,799</b>
<b>Total State Sector</b>					
Accumulated Funds	57,498	...	(10,193)	2,685	49,990
Reserves					
Asset Revaluation Surplus	120,964	8	10,879	(2,717)	129,134
Equity Investment Revaluation Surplus	2,893	2	(106)	2	2,791
Hedging Reserve	(59)	(10)	(98)	...	(167)
Available for Sale Reserve	...	...	...	...	...
Other	28	...	(6)	29	51
	<b>181,323</b>	...	<b>476</b>	...	<b>181,799</b>
<b>2014-15</b>					
2014-15	Equity at	Changes in Classification	Comprehensive Result	Transfers	Equity at
	1 July			between	30 June
	2014			Equity	2015
	\$m	\$m	\$m	\$m	\$m
<b>General Government Sector</b>					
Accumulated Funds	20,085	...	(556)	72	19,601
Reserves					
Asset Revaluation Surplus	60,986	...	6,631	(113)	67,504
Equity Investment Revaluation Surplus	1,992	11	894	(10)	2,887
Hedging Reserve	(3)	(11)	...	...	(14)
Available for Sale Reserve	84,696	...	6,646	(0)	91,341
Other	12	...	(60)	52	4
	<b>167,768</b>	...	<b>13,555</b>	...	<b>181,323</b>
<b>Total State Sector</b>					
Accumulated Funds	55,521	...	612	1,364	57,498
Reserves					
Asset Revaluation Surplus	110,250	...	12,099	(1,385)	120,964
Equity Investment Revaluation Surplus	1,992	...	894	7	2,893
Hedging Reserve	(18)	...	(17)	(24)	(59)
Available for Sale Reserve	...	...	...	...	...
Other	23	...	(33)	38	28
	<b>167,768</b>	...	<b>13,555</b>	...	<b>181,323</b>

The Statements of Changes in Equity should be read in conjunction with the accompanying notes.

	Note	General			
		Government Sector		Total State Sector	
		2016	2015	2016	2015
		\$m	\$m	\$m	\$m
<b>ASSETS</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	6	5,260	12,433	10,874	15,534
Receivables	7	5,853	7,355	6,117	6,695
Investments, Loans and Placements					
Financial Assets at Fair Value	8	10,545	10,487	19,115	18,618
Other Financial Assets	8	16,016	3,231	12,650	3,582
Advances Paid	9	1,064	928	659	496
Tax Equivalents Receivable	16	104	156	...	...
Deferred Tax Equivalents Asset	16	3,919	4,659	...	...
Equity Investments					
Investments in Other Public Sector Entities	10	97,750	91,341	...	...
Investments in Associates	10	3,783	3,949	3,785	3,951
Other Equity Investments	10	605	10	8,693	8,332
<b>Total Financial Assets</b>		<b>144,899</b>	<b>134,549</b>	<b>61,893</b>	<b>57,209</b>
<b>Non-Financial Assets</b>					
Inventories	11	263	239	962	1,076
Forestry Stock and Other Biological Assets		11	9	956	868
Assets Classified as Held for Sale	12	432	349	607	592
Investment Properties		...	...	507	546
Property, Plant and Equipment					
Land and Buildings	13	70,617	67,821	135,532	126,765
Plant and Equipment	13	11,408	10,929	17,261	17,390
Infrastructure Systems	13	82,389	79,590	151,454	148,349
Intangibles	14	3,093	2,904	4,157	4,434
Other Non-Financial Assets	15	3,418	2,512	3,670	2,684
<b>Total Non-Financial Assets</b>		<b>171,631</b>	<b>164,353</b>	<b>315,107</b>	<b>302,704</b>
<b>TOTAL ASSETS</b>		<b>316,530</b>	<b>298,902</b>	<b>377,000</b>	<b>359,913</b>
<b>LIABILITIES</b>					
Deposits Held	17	126	126	397	514
Payables	18	5,617	5,720	6,989	6,975
Liabilities Directly Associated with Assets Held for Sale	12	...	...	0	...
Borrowings and Derivatives at Fair Value	19	8	11	74,921	77,228
Borrowings at Amortised Cost	20	31,836	31,500	5,176	4,770
Advances Received		857	903	857	903
Employee Provisions	21	16,794	15,313	18,537	17,160
Superannuation Provision	22	67,862	52,498	71,159	55,154
Tax Equivalents Payable	16	3	10	...	...
Deferred Tax Equivalent Provision	16	337	406	...	...
Other Provisions	23	8,429	8,234	11,979	11,650
Other Liabilities	24	2,861	2,858	5,186	4,236
<b>TOTAL LIABILITIES</b>		<b>134,731</b>	<b>117,579</b>	<b>195,201</b>	<b>178,590</b>
<b>NET ASSETS</b>		<b>181,799</b>	<b>181,323</b>	<b>181,799</b>	<b>181,323</b>
<b>NET WORTH</b>					
Accumulated Funds		11,150	19,601	49,990	57,498
Reserves		170,649	161,722	131,809	123,825
<b>TOTAL NET WORTH</b>		<b>181,799</b>	<b>181,323</b>	<b>181,799</b>	<b>181,323</b>
<b>OTHER FISCAL AGGREGATES</b>					
<b>Net Debt</b>		<b>(57)</b>	<b>5,461</b>	<b>38,053</b>	<b>45,184</b>
<b>Net Financial Liabilities</b>		<b>87,582</b>	<b>74,371</b>	<b>133,308</b>	<b>121,381</b>

The Statements of Financial Position should be read in conjunction with the accompanying notes.

	Note	General			
		Government Sector		Total State Sector	
		2015-16	2014-15	2015-16	2014-15
		\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
Taxation		29,640	26,288	28,834	25,895
Sale of Goods and Services		8,990	6,585	18,302	18,474
Grants and Subsidies		30,211	29,026	29,873	28,738
Interest		575	617	908	929
Dividends and Income Tax Equivalents from Other Sectors		2,248	2,240	...	...
Other		8,006	8,620	10,278	11,109
<b>Total Receipts</b>		<b>79,670</b>	<b>73,376</b>	<b>88,194</b>	<b>85,145</b>
<b>Payments</b>					
Employee Related		(29,394)	(27,423)	(32,320)	(30,402)
Superannuation		(3,874)	(3,424)	(4,369)	(3,746)
Payments for Goods and Services		(18,886)	(16,031)	(22,080)	(21,527)
Grants and Subsidies		(10,216)	(9,482)	(7,152)	(6,072)
Interest		(1,690)	(1,680)	(3,289)	(3,616)
Other		(4,762)	(4,413)	(5,396)	(4,696)
<b>Total Payments</b>		<b>(68,822)</b>	<b>(62,453)</b>	<b>(74,606)</b>	<b>(70,059)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	6	<b>10,848</b>	<b>10,923</b>	<b>13,588</b>	<b>15,086</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Non-Financial Assets</b>					
Proceeds from Sale of Non-Financial Assets		903	690	1,723	1,036
Purchases		(8,857)	(9,408)	(15,733)	(13,355)
<b>Net Cash Flows from Investments in Non-Financial Assets</b>		<b>(7,954)</b>	<b>(8,718)</b>	<b>(14,010)</b>	<b>(12,319)</b>
<b>Financial Assets (Policy Purposes)</b>					
Receipts		6,314	1,095	9,964	1,705
Payments		(3,576)	(1,281)	(280)	(205)
<b>Net Cash Flows from Investments in Financial Assets (Policy Purposes)</b>		<b>2,738</b>	<b>(186)</b>	<b>9,683</b>	<b>1,500</b>
<b>Financial Assets (Liquidity Purposes)</b>					
Proceeds from Sale of Investments		9,531	12,422	9,541	15,094
Purchase of Investments		(22,174)	(11,791)	(23,566)	(15,217)
<b>Net Cash Flows from Investments in Financial Assets (Liquidity Purposes)</b>		<b>(12,643)</b>	<b>632</b>	<b>(14,025)</b>	<b>(124)</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(17,859)</b>	<b>(8,273)</b>	<b>(18,352)</b>	<b>(10,942)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Advances Received		45	150	45	288
Advances Repaid		(134)	(62)	(134)	(62)
Proceeds from Borrowings		435	1,130	57,747	48,831
Repayments of Borrowings		(487)	(1,188)	(57,431)	(50,613)
Deposits Received/(Paid) - Net		(1)	8	(63)	54
Other - Net		0	(12)	3	(10)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(141)</b>	<b>26</b>	<b>166</b>	<b>(1,512)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(7,153)</b>	<b>2,676</b>	<b>(4,598)</b>	<b>2,631</b>
Opening Cash and Cash Equivalents		12,433	9,967	15,534	13,237
Reclassification of Cash Equivalents and Other Adjustments		(21)	(210)	(63)	(335)
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	6	<b>5,260</b>	<b>12,433</b>	<b>10,874</b>	<b>15,534</b>
<b>DERIVATION OF CASH RESULT</b>					
Net Cash Flows from Operating Activities		10,848	10,923	13,588	15,086
Net Cash Flows from Investments in Non-Financial Assets		(7,954)	(8,718)	(14,010)	(12,319)
<b>CASH SURPLUS/(DEFICIT)</b>	33	<b>2,894</b>	<b>2,205</b>	<b>(422)</b>	<b>2,767</b>

The Statements of Cash Flows should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

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## Note 1: Statement of Significant Accounting Policies

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### Scope

The Total State Sector comprises the General Government Sector, the Public Non-Financial Corporation (PNFC) Sector and the Public Financial Corporation (PFC) Sector. These sectors are determined in accordance with the principles and rules contained in the Australian Bureau of Statistics *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005 (cat. No.5514)* (ABS GFS Manual) as amended from time to time.

For accounting purposes, the New South Wales Total State Sector and General Government Sector are not-for-profit entities.

The financial statements of the Total State Sector and General Government Sector for the year ended 30 June 2016 were authorised for issue by the Treasurer on 4 October 2016. This report was issued from:

The Treasury  
52 Martin Place  
Sydney NSW 2000  
AUSTRALIA

## Basis of Preparation

The Total State Sector financial statements are general purpose financial reports. The purpose of these financial statements is to provide users with information about the stewardship of the NSW Government in relation to the Total State Sector and General Government Sector. It also provides information that facilitates assessments of the macroeconomic impact of the State.

The financial statements of the Total State Sector and the General Government Sector are prepared using the accrual basis of accounting, which recognises the effect of transactions and events when they occur. The financial statements have also been prepared in accordance with:

- applicable Australian Accounting Standards (which include paragraphs applicable to not-for-profit entities and Australian Interpretations), in particular, AASB 1049 *Whole of Government and General Government Sector Financial Reporting*; and
- section 6 of the *Public Finance and Audit Act 1983*.

In accordance with AASB 1049, the financial statements of the General Government Sector are included as a separate column adjacent to the Total State Sector financial information. AASB 1049 harmonises Government Finance Statistics (GFS) with Generally Accepted Accounting Principles (GAAP) to the extent that GFS does not conflict with GAAP. This requires the selection of options within the Australian Accounting Standards that harmonise with the ABS GFS Manual. A glossary of key technical terms used in the financial statements, including relevant GFS terminology, is included in Note 35.

All amounts are rounded to the nearest million dollars (\$m) and are expressed in Australian dollars.

Use of a zero ("0") represents amounts rounded down to zero. Use of three dots ("...") represents nil amounts.

Tables may not add in all instances due to rounding.

## Changes in Accounting Policy and Revisions to Estimates

In 2015-16, there were no voluntary changes in accounting policy that materially impacted the financial statements. Changes in accounting estimates are recognised in the period when the estimate is revised. Such changes are applied prospectively to the financial statements.

## Impact of New and Revised Accounting Standards

In 2015-16, there were no new or amended standards that had a material impact on the measurement and recognition of assets, liabilities, equity, revenue or expenses in the Total State Sector financial statements.

## New Accounting Standards Issued but Not Effective

The following accounting standards, amendments and interpretations have been issued, but are not yet effective, and have not been adopted:

- AASB 9 *Financial Instruments*
- AASB 14 *Regulatory Deferral Accounts*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 16 *Leases*
- AASB 1056 *Superannuation Entities*
- AASB 1057 *Application of Australian Accounting Standards*
- AASB 2014-1 *Amendments to Australian Accounting Standards [Part D Regulatory Deferral Accounts]*
- AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*

- *AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*
- *AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15*
- *AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants*
- *AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*
- *AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*
- *AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- *AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle*
- *AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*
- *AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception*
- *AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities*
- *AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15*
- *AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs*
- *AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*
- *AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*
- *AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- *AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15*
- *AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amounts of Non-Cash Generating Specialised Assets of Not-for-Profit Entities*

It is considered impracticable to presently determine the impact of adopting the above listed accounting standards issued, but not yet effective.

## **Principles of Consolidation**

The Total State Sector Accounts (TSSA) consolidate all assets, liabilities, equities, revenues and expenses of the NSW Government including those of entities controlled by the State, in accordance with AASB 10 *Consolidated Financial Statements*.

The General Government Sector financial statements consolidate only those entities within the General Government Sector, using the consolidation procedures specified in AASB 10. The General Government Sector financial statements are not required to apply the full requirements of AASB 10 and AASB 139 *Financial Instruments: Recognition and Measurement*. Instead of consolidating the PNFCs and PFCs on a line by line basis, the General Government Sector financial statements recognise an asset, being the equity investment in those entities, and a gain or loss for changes in the carrying amount of the asset.

The State controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The State re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control. The financial statements of the controlled entities are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Excluded entities include local government bodies, universities, certain reserve trusts created under the *Crown Lands Act 1989*, hospitals listed under Schedule 3 of the *Health Services Act 1997*, the State's Superannuation Funds, trust funds under management that are not controlled, the NSW Aboriginal Land Council and most professional registration and marketing authorities.

All transactions and balances between NSW government agencies (for the TSSA) and between General Government Sector agencies (for the General Government Sector financial statements) have been eliminated. Dissimilar accounting policies adopted by agencies have been amended to ensure consistent policies are adopted in similar circumstances, unless an Accounting Standard permits categorisation of items for which different policies may be appropriate.

Details of consolidated entities are included in Note 34.

## **Presentation Changes in the 2015-16 Financial Statements**

There are no changes in the presentation of the 2015-16 Financial Statements compared to the previous year. There are reclassifications in a number of notes to better reflect the nature of the transactions. These reclassifications do not have an impact on the primary financial statements. The 2014-15 comparatives have been updated for consistency purpose.

## **Revenue**

Revenue is measured at the fair value of the consideration or contribution received or receivable, in accordance with AASB 1004 *Contributions*, AASB 118 *Revenue*, and Interpretation 18 *Transfers of Assets from Customers*. The policies adopted for the recognition of significant categories of revenue are discussed in Note 2.

## **Expenses**

Expenses are transactions that result in a reduction of net worth. Expenses are recognised when the transaction occurs. The policies adopted for the recognition of significant categories of expenses are discussed in Note 3.

## **Statement of Comprehensive Income Presentation**

All amounts included in the comprehensive result (total change in net worth before transactions with owners as owners) are classified as 'transactions' or 'other economic flows' consistent with the principles in the ABS GFS Manual.

'Transactions' are a result of mutually agreed interactions between parties. 'Other economic flows' result from a change in the volume or value of an asset or liability that does not result from a 'transaction', including revaluations resulting from changes in market prices and other gains and losses that result from changes in the volume of assets.

'Other economic flows' are separated between those recognised in the operating result and those recognised as 'other comprehensive income', as defined in AASB 101 *Presentation of Financial Statements*. Certain items are split into 'transaction' and 'other economic flow' components as required under Accounting Standards.

## **Assets**

Assets recognised in the Statement of Financial Position are classified into financial and non-financial assets, based on liquidity. Financial assets are recognised in the State's Statement of Financial Position based on AASB 139 *Financial Instruments: Recognition and Measurement*.

## Liabilities

Liabilities in the Statement of Financial Position are presented on a liquidity basis. Financial liabilities are recognised in the State's Statement of Financial Position based on AASB 139 *Financial Instruments: Recognition and Measurement*.

## Valuation Techniques, Inputs and Processes

A number of the State's accounting policies and disclosures require the measurement of both financial and non-financial assets and liabilities at fair value. Agencies are responsible for determining the appropriate valuation techniques, inputs and processes to be undertaken to determine the fair value of their financial assets and liabilities in accordance with AASB 13 *Fair Value Measurement*.

When measuring fair value in accordance with AASB 13, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

Under AASB 13, the entity categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

Level 3 – inputs that are not based on observable market data (unobservable inputs).

The State recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer to the relevant note for further disclosures regarding fair value measurements of non-financial and financial assets.

Transfers between levels within the fair value hierarchy during the year were not material (2015: not material).

## Significant Accounting Judgements and Estimates

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience, independent valuations and/or various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Judgements, key assumptions and estimations that have been made in the preparation of the financial statements are outlined below and/or disclosed in the relevant notes to the financial statements.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made in the application of Accounting Standards that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment and useful lives of property, plant and equipment (PP&E) where applicable (refer to Note 13);
- the impairment of physical and intangible assets, and the associated recoverable amount (refer to Notes 13 and 14);
- actuarial assumptions for employee benefit provisions and superannuation liabilities that are based on the likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 21 and Note 22);
- an assessment of contingent liabilities, commitments and guarantees (refer Note 29); and
- provisions for outstanding claims (refer to Note 23).

## Other Significant Accounting Policies

### Forestry Stock

The fair value of native forest crops, softwood plantations and hardwood plantations is determined using the appropriate approach in line with AASB 13. The valuation assumes the continuation of existing practices with regard to forest management and silviculture. The valuation is prepared by professional foresters, employed by Forestry Corporation of New South Wales, using techniques/methods published in scientific journals and accepted by the forestry industry.

### Investment Properties

The State owns properties to earn rentals and/or for capital appreciation. These investment properties are stated at fair value in the Statement of Financial Position using the valuation technique that maximises the use of relevant observable inputs.

Gains or losses arising from changes in fair value are included in 'other economic flows – included in the operating result' for the period in which they arise. No depreciation is charged on investment properties, however, where material, 'consumption of capital' is recognised as an 'expense from transactions'.

Management has determined that the following be treated as PP&E, instead of investment properties based on AASB 140 *Investment Property*:

- public housing is treated as PP&E because the properties are held to provide a social service rather than for investment purposes; and
- properties leased within the NSW public sector by Government Property NSW are treated as PP&E because the properties are held to provide a service rather than for investment purposes.

### Accounting for the Goods and Services Tax (GST)

In accordance with Interpretation 1031 *Accounting for the Goods and Services Tax*, revenues, expenses and assets are recognised net of the amount of GST, except:

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

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as an operating cash flow. Therefore, cash flows arising from investing and financing activities are included net of GST recoverable from or payable to ATO.

## Note 2: Revenue

### Taxation

	General		Total State Sector	
	Government Sector		2015-16	2014-15
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Taxation</b>				
Payroll Tax	7,924	7,461	7,739	7,265
Stamp Duties	10,836	9,240	10,836	9,238
Land Tax	2,747	2,467	2,690	2,408
Gambling and Betting	2,251	2,067	2,251	2,067
Motor Vehicle Taxes <sup>(a)</sup>	2,434	2,298	2,434	2,298
Other <sup>(a)</sup>	2,889	2,533	2,777	2,418
<b>Total Taxation Revenue</b>	<b>29,081</b>	<b>26,067</b>	<b>28,727</b>	<b>25,695</b>

(a) \$13 million was reclassified from "Motor Vehicle Taxes" to "Other" for 2014-15. This has no impact on the overall aggregates.

State taxation is recognised upon assessment as follows:

- Government-assessed revenues (mainly land tax) are recognised at the time the assessments are issued.
- Taxpayer-assessed revenues (including payroll tax and stamp duty) are recognised when the funds are received by the tax collecting agency as this is when the revenues can be reliably measured. Additional revenues, identified after review of taxpayer returns, are recognised upon amended assessment.

### Grants and Subsidies

	General		Total State Sector	
	Government Sector		2015-16	2014-15
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Grants and Subsidies Revenue</b>				
Commonwealth General Purpose	17,637	17,065	17,637	17,065
Commonwealth Specific Purpose Payments	8,927	8,103	8,937	8,119
Commonwealth National Partnership Payments	2,608	2,899	2,608	2,899
Other Grants and Subsidies	925	1,091	589	812
<b>Total Grants and Subsidies Revenue</b>	<b>30,098</b>	<b>29,158</b>	<b>29,771</b>	<b>28,896</b>
<b>Grants dissected into Current and Capital Components</b>				
Current Grants and Subsidies Revenue from the Commonwealth				
General Purpose	17,637	17,065	17,637	17,065
Specific Purpose	8,927	8,103	8,927	8,103
National Partnership Payments	994	1,163	994	1,163
Current Grants from the Commonwealth	27,557	26,331	27,558	26,331
Other Grants and Subsidies	909	1,088	558	743
Total Current Grant Revenue	28,467	27,419	28,116	27,073
Capital Grant Revenue from the Commonwealth				
Specific Purpose	...	...	10	16
National Partnership Payments	1,615	1,736	1,615	1,736
Capital Grants from the Commonwealth	1,615	1,736	1,625	1,753
Other Grants and Subsidies	16	3	31	70
Total Capital Grant Revenue	1,631	1,739	1,655	1,822
<b>Total Grants and Subsidies Revenue</b>	<b>30,098</b>	<b>29,158</b>	<b>29,771</b>	<b>28,896</b>

Commonwealth General Purpose, Specific Purpose, and National Partnership payments are recognised when the State gains control over the grants and subsidies, which is normally obtained when the cash is received. General Purpose recurrent grants mainly comprise New South Wales' share of the GST.

Grant revenue and expenses exclude the following transfer payments from the Commonwealth that New South Wales on-passes to third parties. They are not recorded as New South Wales revenue and expenses as the State has no control over the amounts that it on-passes.

Transfer Payments from the Commonwealth Government on passed by New South Wales to Third Parties	General Government Sector		Total State Sector	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Transfer Receipts</b>				
Recurrent Transfer Receipts for Specific Purposes	4,085	4,293	4,085	4,293
Capital Transfer Receipts for Specific Purposes	...	...	...	...
<b>Total Receipts</b>	<b>4,085</b>	<b>4,293</b>	<b>4,085</b>	<b>4,293</b>
<b>Transfer Payments</b>				
Current Transfer Payments to Local Government	712	716	712	716
Current Transfer Payments to the Private and Not-For-Profit Sector	3,373	3,222	3,373	3,222
Capital Transfer Payments to Local Government	...	...	...	...
Capital Transfer Payments to the Private and Not-for-Profit Sector	...	...	...	...
<b>Total Payments</b>	<b>4,085</b>	<b>3,937</b>	<b>4,085</b>	<b>3,937</b>

## Sale of Goods and Services

Sale of Goods and Services comprise Revenue from:	General Government Sector		Total State Sector	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
Sale of Goods	178	187	3,462	3,554
Rentals from Public Housing and Other Non-Investment Properties <sup>(a)</sup>	215	212	1,129	1,107
Rentals from Investment Properties	7	1	64	57
Rendering of Other Services <sup>(b)</sup>	7,978	5,855	12,366	12,586
	<b>8,379</b>	<b>6,255</b>	<b>17,020</b>	<b>17,304</b>

(a) Includes revenues from the provision of public housing:

Market Rent and Other Tenant Charges	79	75	2,027	1,945
Less: Rental Subsidies to Tenants	(25)	(23)	(1,147)	(1,080)
<b>Rentals from Public Housing</b>	<b>54</b>	<b>52</b>	<b>880</b>	<b>865</b>

(b) Rendering of other services includes additional revenue in 2015-16, reflecting the staged implementation of TAHE (Transport Asset Holding Entity) per the 2015-16 Budget Papers.

Sale of goods are recognised when the State transfers to the buyer the significant risks and rewards of ownership of the assets. Revenue from the rendering of services is recognised when the service is provided by reference to the stage of completion. Rental revenue (including from public housing and investment properties) is recognised on a straight-line basis over the lease term (net of rental subsidies) in accordance with AASB 117 *Leases*.

## Interest

	General		Total State Sector	
	Government Sector	2014-15	2015-16	2014-15
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Interest Revenue comprises:</b>				
Interest from Managed Fixed Interest Facility	...	20	121	56
Interest from Hour-Glass Cash Managed Fund	7	17	...	...
Interest from Other Financial Institutions	773	621	941	994
	<b>780</b>	<b>658</b>	<b>1,061</b>	<b>1,050</b>

Interest revenue is recognised as it accrues using the effective interest method in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. Net realised or unrealised gains and losses on the revaluation of investments do not form part of 'Revenue / Expenses from Transactions' but are reported as part of 'Other Economic Flows – included in the Operating Result'.

## Dividend and Income Tax Equivalents from other sectors

	General		Total State Sector	
	Government Sector	2014-15	2015-16	2014-15
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Dividend and Income Tax Equivalents from Other Sectors:</b>				
Dividends from the PNFC Sector	717	1,577	...	...
Dividends from the PFC Sector	21	80	...	...
Income Tax Equivalents from the PNFC Sector	510	704	...	...
Income Tax Equivalents from the PFC Sector	31	45	...	...
	<b>1,280</b>	<b>2,407</b>	<b>...</b>	<b>...</b>

The General Government Sector receives dividends and tax equivalent payments (pursuant to National Competition Policy, the National Tax Equivalent Regime and the Tax Equivalent Regime) from some of the State's PNFCs and PFCs. On consolidation, dividend and income tax equivalent entries are eliminated for the Total State Sector.

Dividends are recognised as revenue when the right to receive payment is established. Dividends paid out of asset sale proceeds are treated as 'other economic flows – included in the operating result'.

Income tax equivalents (represented by the current tax payable/receivable by/from the PNFC and PFC sector) are recognised as 'Revenue from Transactions' in the period when earned. Tax equivalent receivables /payables from/to the PNFC and PFC sector are also recognised in the General Government Sector, when controlled.

## Other Dividend and Distributions

	General		Total State Sector	
	Government Sector	2014-15	2015-16	2014-15
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Other Dividends and Distributions:</b>				
Distributions from Managed Funds	570	1,074	759	1,449
Dividends from Associates	104	90	104	90
	<b>674</b>	<b>1,164</b>	<b>864</b>	<b>1,539</b>

Other dividends include dividends received from investments in entities other than the PNFC and PFC sectors and are recognised when the right to receive payment is established.

## Fines, Regulatory Fees and Other Revenues

	General Government Sector		Total State Sector	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Other Revenue comprise:</b>				
Royalties from Mining	1,189	1,254	1,189	1,254
Fines	587	533	587	533
Fees	220	215	220	215
Licences	300	114	300	114
Emerging Right to Receive Privately Financed Infrastructure Developer, Industry and Other Contributions	254	238	260	244
Other Revenue	705	760	1,217	1,316
	789	795	1,216	1,341
	<b>4,043</b>	<b>3,909</b>	<b>4,989</b>	<b>5,017</b>

Other Revenues (including Fines and Regulatory Revenue) are recognised when earned if the monetary amounts can be determined reliably.

- Fines issued by the Courts are recognised when the fine is issued. Traffic infringement fines, such as those administered by the State Debt Recovery Office, are recognised when the cash is received. Revenue from enforcement orders is regarded as being reliably measured when the order is issued.
- Regulatory fees, royalty revenue and contributions are generally recognised on an accrual basis in accordance with the substance of the relevant agreement.

### Contributions from the Commonwealth

The following contributions received from the Commonwealth for National Partnership and Specific Purpose Payments can only be spent on specific agreed items and to a specific timetable agreed with the Commonwealth (subject to timing variations). Funds not spent as agreed must be returned. These disclosures relate to revenue recognised for both the General Government and the Total State Sectors.

### Conditional Contributions with no Designated Future Expenditure Timetable that were Recognised as Revenue in 2015-16 and not fully spent

Policy Area	Balance \$m	
	2015-16	2014-15
Education and Communities	312	392
Family and Community Services	...	...
Health	16	93
Police and Emergency Services	...	1
Water Initiatives	31	47
<b>Total</b>	<b>359</b>	<b>533</b>

### Conditional Contributions as at 30 June 2016 with a Designated Future Expenditure Timetable for the Provision of Goods and Services (and not included in the above table)

Policy Area	Conditional Contribution				
	Balance June 2016	Period to which the amounts relate			
		2016-17	2017-18	2018-19	Beyond
	\$m	\$m	\$m	\$m	\$m
Transport	957	900	57	...	...
Family and Community Services	48	16	32	...	...
<b>Total</b>	<b>1,005</b>	<b>916</b>	<b>89</b>	<b>...</b>	<b>...</b>

### Conditional Contributions as at 30 June 2015 with a Designated Future Expenditure Timetable for the Provision of Goods and Services

Policy Area	Conditional Contribution				
	Balance June 2015	Period to which the amounts relate			
		2015-16	2016-17	2017-18	Beyond
	\$m	\$m	\$m	\$m	\$m
Transport <sup>(a)</sup>	1,379	1,184	195	...	...
Water Initiatives	7	7	...	...	...
<b>Total</b>	<b>1,386</b>	<b>1,191</b>	<b>195</b>	<b>...</b>	<b>...</b>

(a) The conditional contribution balance of \$1,379 million at June 2015 consists of the 2013-14 balance of \$1,479 million, plus contributions received in 2014-15 of \$738 million, less total contributions spent of \$838 million.

Listed below are unspent Commonwealth contributions at previous year end, and amounts spent in the current year from previous year unspent balance.

### Contributions Spent in the 2015-16 Financial Year from the previous 30 June Balance<sup>(a)</sup>

Policy Area	General			
	Government Sector		Total State Sector	
	Balance as at June 2015	Spent in 2015-16	Balance as at June 2015	Spent in 2015-16
	\$m	\$m	\$m	\$m
Education and Communities	458	233	458	233
Health	111	108	111	108
Family and Community Services	69	33	69	33
Police and Emergency Services	6	1	6	1
Transport	1,379	873	1,379	968
Water Initiatives	44	43	44	43
<b>Total</b>	<b>2,067</b>	<b>1,291</b>	<b>2,067</b>	<b>1,386</b>

(a) Includes all cumulative prior year balances carried forward as unspent.

**Contributions Spent in the 2014-15 Financial Year from the previous 30 June Balance<sup>(a)</sup>**

Policy Area	General Government Sector		Total State Sector	
	Balance as at June 2014	Spent in 2014-15	Balance as at June 2014	Spent in 2014-15
	\$m	\$m	\$m	\$m
Education and Communities	419	232	419	232
Health	79	54	79	54
Family and Community Services	75	10	75	10
Police and Emergency Services	9	3	9	3
Transport	1,479	804	1,479	827
Water Initiatives	34	32	34	32
<b>Total</b>	<b>2,095</b>	<b>1,135</b>	<b>2,095</b>	<b>1,158</b>

(a) Includes all cumulative prior year balances carried forward as unspent.

**Note 3: Expenses****Employee Expenses (excluding Superannuation)**

	General Government Sector		Total State Sector	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Employee Expenses comprise:</b>				
Salaries and Wages (including recreation leave)	27,000	25,847	29,289	28,235
Long Service Leave	1,043	986	1,208	1,088
Workers' Compensation	463	319	494	335
Other	1,113	665	1,495	1,071
	<b>29,618</b>	<b>27,818</b>	<b>32,486</b>	<b>30,730</b>

The recognition and measurement policy for employee expenses is detailed in the associated liability policy note. Some employee-related expenses are capitalised as part of the construction costs of certain non-current physical assets. Payroll tax paid by NSW General Government Sector agencies is eliminated in the General Government Sector financial statements, along with the PNFC and PFC amounts, in the Total State Sector financial statements.

**Superannuation Expense**

	General Government Sector		Total State Sector	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Superannuation Interest Costs comprise:</b>				
Net Interest	1,504	1,683	1,565	1,768
	<b>1,504</b>	<b>1,683</b>	<b>1,565</b>	<b>1,768</b>
<b>Other Superannuation Expenses comprise:</b>				
Defined Benefit Plans, excluding Actuarial Gains/Losses <sup>(a)</sup>	669	730	739	838
Defined Contribution Plans	2,266	2,117	2,498	2,361
	<b>2,935</b>	<b>2,846</b>	<b>3,237</b>	<b>3,198</b>

(a) Refer to Note 22 Superannuation Provisions for a dissection of Defined Benefit Superannuation Expense by component.

## Depreciation and Amortisation Expense

	General		Total State Sector			
	Government Sector		2015-16		2014-15	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Depreciation and Amortisation Expense comprise:</b>						
Depreciation on <sup>(a)</sup>						
Buildings	1,328	1,241	2,095	1,905		
Plant and Equipment	782	772	1,148	1,192		
Infrastructure Systems	1,818	1,762	3,556	3,646		
Amortisation of <sup>(a)</sup>						
Leased Property, Plant and Equipment	132	116	241	227		
Intangibles	334	281	519	499		
	<b>4,394</b>	<b>4,172</b>	<b>7,559</b>	<b>7,469</b>		

(a) Refer to Note 13 Property, Plant and Equipment and Note 14 Intangibles for the basis of useful lives applied to calculate depreciation of Property, Plant and Equipment and amortisation of Intangibles.

## Interest Expense

	General		Total State Sector			
	Government Sector		2015-16		2014-15	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Interest Expenses comprise:</b>						
Interest on Borrowings	1,546	1,554	2,655	2,976		
Interest on Finance Leases	214	213	393	412		
Unwinding of Discounts on Provision Liabilities	447	476	612	624		
	<b>2,206</b>	<b>2,243</b>	<b>3,659</b>	<b>4,012</b>		

Interest costs, including borrowing costs under AASB 123 *Borrowing Costs*, are recognised as expenses in the period in which they occur.

## Other Operating Expense

	General		Total State Sector			
	Government Sector		2015-16		2014-15	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Other Operating Expenses comprise:</b>						
Operating Lease Rentals - Minimum Lease Payments	586	637	789	833		
Contractor Fees <sup>(a)</sup>	1,983	515	2,846	1,340		
Consultancy Fees	221	159	250	180		
Inventories Used Up	22	30	456	780		
Audit Fees <sup>(b)</sup>	...	...	...	...		
Insurance Claims	448	212	728	512		
Supplies, Services and Other	11,825	11,539	11,806	13,161		
External Maintenance (excluding Employee Costs associated with Maintenance)	1,777	1,717	3,149	3,104		
	<b>16,862</b>	<b>14,809</b>	<b>20,026</b>	<b>19,911</b>		

(a) Contractor fees rose in 2015-16 predominantly reflecting the staged implementation of TAHE (Transport Asset Holding Entity) per the 2015-16 Budget Papers.

(b) Fees to the Audit Office of New South Wales have not been recognised as expenses because they have been eliminated in consolidation of the NSW Total State and General Government sectors. The fees eliminated are for financial audits: \$23 million to the General Government sector (2015: \$21 million), and \$29 million to the Total State sector (2015: \$28 million). In addition, \$8 million for General Government and Total State sector performance audits and Auditor-General's Reports to Parliament (2015: \$7 million) have been eliminated.

## Grants and Subsidies

	General Government Sector		Total State Sector	
	2015-16 \$m	2014-15 \$m	2015-16 \$m	2014-15 \$m
<b>Grants, Subsidies and Transfers for</b>				
Recurrent purposes	11,386	9,895	8,773	7,209
Capital purposes	769	3,270	630	565
	<b>12,155</b>	<b>13,165</b>	<b>9,403</b>	<b>7,775</b>
<b>Recurrent and Capital Grants Subsidies and Transfers are provided for<sup>(a)</sup>:</b>				
Education and Training	1,376	1,455	1,376	1,455
Human Services (Ageing, Disability and Home Care Services, Community Services and Public Housing)	3,835	3,239	3,659	3,076
Health	1,249	1,157	1,249	1,157
Public Transport	2,256	4,431	32	26
First Home Owners Scheme	211	207	211	207
Other Purposes	3,228	2,676	2,877	1,854
	<b>12,155</b>	<b>13,165</b>	<b>9,403</b>	<b>7,775</b>

(a) Refer to Note 32 for information on total expenses (excluding losses) by function.

Grants and subsidy expenses generally comprise cash contributions to local government authorities and non-government organisations. They are expensed when the State transfers control of the assets. For the General Government Sector, they also include grants and subsidies paid to PNFCs and PFCs, which are eliminated in the Total State Sector

## Note 4: Other Economic Flows Included in the Operating Result

Other Economic Flows mainly comprise gains and losses on re-measurement of assets and liabilities. These gains or losses are 'Other Economic Flows', which are included in the 'Operating Result' or 'Other Comprehensive Income', in accordance with AASB 101 *Presentation of Financial Statements*.

	General			
	Government Sector		Total State Sector	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Loss from Liabilities</b>				
Changes in Discount Rates for Long Service Leave Liabilities	(703)	(489)	(705)	(490)
Changes in Discount and Inflation Rates for Insurance Liabilities	(334)	(275)	(334)	(275)
Other Net Gains/(Losses) from Liabilities	...	(54)	...	(54)
	<b>(1,037)</b>	<b>(819)</b>	<b>(1,039)</b>	<b>(820)</b>
<b>Other Net Gains/(Losses) in the Operating Result</b>				
From the Sale of Discontinuing Operations (excludes GFS transactions) <sup>(a)</sup>	...	...	3,606	(220)
From Disposal of Property, Plant and Equipment	(78)	123	43	113
From Disposal of Intangible Assets	(10)	5	(29)	(23)
From Fair Value Adjustments to:				
Investment Property	...	6	65	54
Non-Current Assets Classified as Held for Sale	(2)	(2)	(3)	(27)
Financial Instruments	(234)	(39)	(1,914)	(1,264)
Other				
Infrastructure and Other Assets Written Off	16	4	264	468
Other	181	285	103	535
	<b>(127)</b>	<b>382</b>	<b>2,136</b>	<b>(365)</b>
<b>Share of Earnings from Equity Investments (excluding Dividends)</b>	<b>11</b>	<b>18</b>	<b>11</b>	<b>94</b>
<b>Dividends from Asset Sales Proceeds</b>	<b>...</b>	<b>177</b>	<b>...</b>	<b>...</b>
<b>Deferred Income Tax from Other Sectors</b>	<b>(691)</b>	<b>137</b>	<b>...</b>	<b>...</b>
<b>Other Economic Flows</b>				
Allowance for Impairment of Receivables	(67)	(3)	(71)	15
Other	6	6	6	6
	<b>(61)</b>	<b>3</b>	<b>(65)</b>	<b>21</b>
<b>Discontinuing Operations<sup>(a)</sup></b>	<b>...</b>	<b>...</b>	<b>(12)</b>	<b>12</b>

(a) Refer to Note 5 for further information.

## Note 5: Discontinued Operations

During the 2015-16 year, two operations were classified as discontinuing being the operations of TransGrid and Delta Coast (Vales Point). In 2014-15, the four operations being Delta Coast (Colongra), Macquarie Generation, Green State Power and Hunter Water were discontinued. The combined results of the discontinued operations included in the profit for the year are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	General			
	Government Sector		Total State Sector	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Net Operating Result of the Discontinued Operations</b>				
TransGrid	...	...	(120)	...
Delta Coast (Vales Point)	...	...	(13)	...
Green State Power	...	...	...	(3)
Macquarie Generation	...	...	...	31
Delta Coast (Colongra)	...	...	...	(17)
Hunter Water	...	...	...	(3)
	...	...	<b>(133)</b>	<b>8</b>

### Other Economic Flows of the Discontinued Operations

TransGrid	...	...	(2)	...
Delta Coast (Vales Point)	...	...	(9)	...
Green State Power	...	...	...	...
Macquarie Generation	...	...	...	1
Delta Coast (Colongra)	...	...	...	6
Hunter Water	...	...	...	5
	...	...	<b>(12)</b>	<b>12</b>

### Cash Flows of the Discontinued Operations

Operating Activities	...	...	0	(164)
Investing Activities	...	...	(19)	896
Financing Activities	...	...	...	(790)

## Electricity Transactions

The *Electricity Network Assets (Authorised Transactions) Act 2015* was assented on 4 June 2015 which initiated the process for the long term lease of the TransGrid network in order to fund infrastructure projects across New South Wales (NSW) as part of the Government's Rebuilding NSW program.

The *Electricity Generator Assets (Authorised Transaction) Act 2012* was passed to authorise the efficient transfer of all electricity generator assets and associated rights and liabilities to private sector buyers. During the year, the following energy transactions were finalised as follows:

Operation	Purchaser	Gross	Transaction Stamp Duty	Gain/(Loss) recognised
		Consideration		in the comprehensive
		\$m	\$m	result
				\$m
TransGrid	NSW Electricity Networks Operations Pty Limited	10,273	438	3,608
Delta Coast (Vales Point)	Sunset Power International Pty Ltd	21	0	(2)
<b>Total</b>		<b>10,294</b>	<b>438</b>	<b>3,606</b>

During 2014-15, three energy transactions were finalised as follows:

Operation	Purchaser	Gross	Transaction Stamp Duty	Gain/(Loss) recognised
		Consideration		in the comprehensive
		\$m	\$m	result
				\$m
Green State Power	Trustpower Limited	72	3	1
Macquarie Generation	AGL	1,505	93	(220)
Delta Coast (Colongra)	Snowy Hydro Limited	233	13	(1)
<b>Total</b>		<b>1,810</b>	<b>109</b>	<b>(220)</b>

## TransGrid

On 4 June 2015, NSW Parliament passed the *Electricity Network Assets (Authorised Transactions) Act 2015* and the *Electricity Retained Interest Corporations Act 2015*, which enabled the State to proceed with the long term lease of 49 percent of its electricity network businesses. This includes leasing 100 percent of TransGrid's assets, one of Australia's largest high-voltage electricity transmission assets and 50.4 percent of Ausgrid's and Endeavour Energy's assets.

The Government received \$10,258 million for the lease of TransGrid assets. Stamp duty of \$438 million was paid to the Office of State Revenue on behalf of the purchaser and an additional \$15.1 million purchase price adjustment was receipted in the Restart NSW Fund, resulting in net proceeds on the sale of \$9,835 million.

On 15 December 2015 a number of statutory vesting orders under the *Electricity Network Assets (Authorised Transactions) Act 2015* were received from the Treasurer of New South Wales. The vesting orders became effective on 16 December 2015 and on the same date, the network assets were leased under a 99 year finance lease to the successful bidder. Thereafter TransGrid ceased to be a State owned Corporation, and became the Electricity Transmission Ministerial Holding Corporation (ETMHC) with the residual assets and liabilities being transferred into it. The principal activity of ETMHC is to act as the lessor of the network assets. As the activities of TransGrid have ceased, it is treated as a discontinued operation.

The results of TransGrid discontinued operations for the year are presented below.

	General		Total State Sector	
	Government Sector 2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Net Operating Result of the Discontinued Operation</b>				
<b>Revenues from Discontinued Operation</b>				
Sale of Goods and Services	...	...	37	...
Other Income	...	...	27	...
	...	...	<b>65</b>	...
<b>Expenses from Discontinued Operation</b>				
Expenses	...	...	185	...
	...	...	<b>185</b>	...
<b>Net Operating Balance from Discontinued Operation</b>	...	...	<b>(120)</b>	...
<b>Other Economic Flows of the Discontinued Operation</b>	...	...	<b>(2)</b>	...
<b>Cash Flows of TransGrid Discontinued Operation</b>				
Operating Activities	...	...	13	...
Investing Activities	...	...	2	...
Financing Activities	...	...	...	...

	General		Total State Sector	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Gain/(Loss) from TransGrid</b>				
Proceeds from Lease and Sale of assets	...	...	9,835	...
<b>Less:</b>				
Book Value of Net Assets disposed/derecognised	...	...	(6,227)	...
Change in Value of Equity Investment in PNFC sector, from Net Assets Disposed	3,608	...	...	...
<b>Gain recognised in the Comprehensive Result</b>	<b>3,608</b>	<b>...</b>	<b>3,608</b>	<b>...</b>

2015-16  
\$m

2014-15  
\$m

The carrying amounts of assets and liabilities as at the date of sale were:

**Derecognised under 99 year finance lease:**

Property, Plant and Equipment and Other Non-Current Assets

6,191

...

**Disposed through sale:**

Property, Plant and Equipment and Other Non-Current Assets

218

...

Trade Receivables and Other Current Assets

39

...

Trade Creditors and Other Payables

(42)

...

Provision for Employee Benefits

(179)

...

**Net Assets Attributable to TransGrid**

**6,227**

**...**

**Delta Coast (Vales Point)**

On 17 December 2015 Delta Electricity sold the power station at Vales Point to Sunset Power International Pty Ltd and a joint venture between Vales Point Investments Pty Ltd and Waratah Energy Pty Ltd. The consideration received was \$21.3 million which included \$1 million net purchase price and \$20.3 million post completion adjustments.

The results of Delta's sale transaction for the year are presented below.

	General		Total State Sector	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Net Operating Result of the Discontinued Operation</b>				
<b>Revenues from Discontinued Operation</b>				
Sale of Goods and Services	...	...	137	...
Other Income	...	...	1	...
	<b>...</b>	<b>...</b>	<b>138</b>	<b>...</b>
<b>Expenses from Discontinued Operation</b>				
Expenses	...	...	151	...
	<b>...</b>	<b>...</b>	<b>151</b>	<b>...</b>
<b>Net Operating Balance from Discontinued Operation</b>	<b>...</b>	<b>...</b>	<b>(13)</b>	<b>...</b>
<b>Other Economic Flows of the Discontinued Operation</b>	<b>...</b>	<b>...</b>	<b>(9)</b>	<b>...</b>
<b>Cash Flows of Delta Coast (Vales Point) Discontinued Operation</b>				
Operating Activities	...	...	(13)	...
Investing Activities	...	...	(21)	...
Financing Activities	...	...	...	...

	General		Total State Sector	
	Government Sector 2015-16	2014-15	2015-16	2014-15
<b>Gain/(Loss) from Delta Coast (Vales Point)</b>	\$m	\$m	\$m	\$m
Proceeds from Sale	...	...	21	...
<b>Less:</b>				
Book Value of Net Assets Disposed	...	...	(23)	...
Change in Value of Equity Investment in PNFC sector, from Net Assets Disposed	(2)	...	...	...
<b>Loss recognised in the Comprehensive Result</b>	<b>(2)</b>	<b>...</b>	<b>(2)</b>	<b>...</b>
			2015-16 \$m	2014-15 \$m
The carrying amounts of assets and liabilities as at the date of sale were:				
Property, Plant and Equipment			31	...
Trade Receivables and Other Current Assets			110	...
Trade Creditors and Other Payables			(118)	...
Provision for Employee Benefits			...	...
<b>Net Assets Attributable to Delta Coast (Vales Point)</b>			<b>23</b>	<b>...</b>

### Green State Power

On 9 December 2013, the NSW Government announced its intention to dispose of the New South Wales renewable energy assets held by Green State Power. Green State Power disposed of these assets and liabilities on 18 July 2014. The consideration received was \$72 million. Stamp duty of \$3 million was paid to the Office of State Revenue on behalf of the purchaser, resulting in net proceeds on the sale of \$69 million.

The transaction included the sale of hydro-electric generators at Hume Dam, Keepit Dam and Burrinjuck Dam, as well as the Blayney Wind Farm and Green State Power's share of the Crookwell Wind Farm, with the remaining assets and liabilities within Green State Power being transferred to other agencies. Following the completion of the sale (and transfer) of Green State Power assets and liabilities, Green State Power was deregistered on 5 July 2015.

The results of Green State Power discontinued operations for the year are presented below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued operations in the current year.

	General		Total State Sector	
	Government Sector 2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Net Operating Result of the Discontinued Operation</b>				
<b>Revenues from Discontinued Operation</b>				
Sale of Goods and Services	...	...	...	1
	...	...	...	<b>1</b>
<b>Expenses from Discontinued Operation</b>				
Expenses	...	...	...	4
	...	...	...	<b>4</b>
<b>Net Operating Balance from Discontinued Operation</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>(3)</b>
<b>Other Economic Flows of the Discontinued Operation</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>
<b>Cash Flows of Green State Power</b>				
Operating Activities	...	...	...	(10)
Investing Activities	...	...	...	(17)
Financing Activities	...	...	...	...

	General		Total State Sector	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Gain/(Loss) from Green State Power</b>				
Proceeds from Sale	...	...	...	69
<b>Less:</b>				
Book Value of Net Assets Disposed	...	...	...	(68)
Change in value of equity investment in PNFC sector, from Net Assets Disposed	...	1	...	...
<b>Gain recognised in the Comprehensive Result</b>	...	<b>1</b>	...	<b>1</b>

	2015-16	2014-15
	\$m	\$m
The carrying amounts of assets and liabilities as at the date of sale were:		
Property, Plant and Equipment	...	68
Trade Receivables and Other Current Assets	...	...
Trade Creditors and Other Payables	...	...
Provision for Employee Benefits	...	...
<b>Net Assets Attributable to Green State Power</b>	...	<b>68</b>

### Macquarie Generation

On 30 July 2013, the NSW Government announced its intention to dispose of the New South Wales electricity generation assets held by Macquarie Generation. Macquarie Generation disposed of electricity generation business activities through the sale of the assets and liabilities relating to those activities on 2 September 2014. The consideration received was \$1,505 million. Stamp duty of \$93 million was paid to the Office of State Revenue on behalf of the purchaser, resulting in net proceeds on the sale of \$1,412 million.

The transaction includes the sale of the electricity generation business activities (including the Liddell and Bayswater Power Station), with the remaining assets and liabilities within Macquarie Generation being transferred to other agencies. Following the completion of the sale (and transfer) of Macquarie Generation assets and liabilities, Macquarie Generation was wound up on 27 February 2015.

The results of Macquarie Generation discontinued operations for the year are presented below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued operations in the current year.

	General		Total State Sector	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Net Operating Result of the Discontinued Operation</b>				
<b>Revenues from Discontinued Operation</b>				
Sale of Goods and Services	...	...	...	139
Other Income	...	...	...	10
	...	...	...	<b>149</b>
<b>Expenses from Discontinued Operation</b>				
Expenses	...	...	...	118
	...	...	...	<b>118</b>
<b>Net Operating Balance from Discontinued Operation</b>	...	...	...	<b>31</b>
<b>Other Economic Flows of the Discontinued Operation</b>	...	...	...	<b>1</b>
<b>Cash Flows of Macquarie Generation</b>				
Operating Activities	...	...	...	(146)
Investing Activities	...	...	...	685
Financing Activities	...	...	...	(781)

	General		Total State Sector	
	Government Sector 2015-16	2014-15	2015-16	2014-15
<b>Gain/(Loss) from Macquarie Generation</b>	\$m	\$m	\$m	\$m
Proceeds from Sale	...	...	...	1,412
<b>Less:</b>				
Book Value of Net Assets Disposed	...	...	...	(1,632)
Change in Value of Equity Investment in PNFC sector, from Net Assets Disposed	...	(220)	...	...
<b>Loss recognised in the Comprehensive Result</b>	...	<b>(220)</b>	...	<b>(220)</b>

	2015-16 \$m	2014-15 \$m
The carrying amounts of assets and liabilities as at the date of sale were:		
Property, Plant and Equipment	...	1,408
Trade Receivables and Other Current Assets	...	508
Trade Creditors and Other Payables	...	(138)
Provision for Employee Benefits	...	(146)
<b>Net Assets Attributable to Macquarie Generation</b>	...	<b>1,632</b>

### Delta Coast (Colongra)

On 30 January 2015 Delta Electricity sold the power station at Colongra together with its associated assets and liabilities to Snowy Hydro Ltd. This transaction is considered to be an asset sale rather than an entity sale. Snowy Hydro Ltd is an equity investment of the State. The consideration received was \$233 million. Stamp duty of \$13 million was paid to the Office of State Revenue on behalf of the purchaser, resulting in net proceeds on the sale of \$220 million.

The results of Delta's sale transaction for the year are presented below.

	General		Total State Sector	
	Government Sector 2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Net Operating Result of the Discontinued Operation</b>				
<b>Revenues from Discontinued Operation</b>				
Sale of Goods and Services	...	...	...	5
	...	...	...	<b>5</b>
<b>Expenses from Discontinued Operation</b>				
Expenses	...	...	...	22
	...	...	...	<b>22</b>
<b>Net Operating Balance from Discontinued Operation</b>	...	...	...	<b>(17)</b>
<b>Other Economic Flows of the Discontinued Operation</b>	...	...	...	<b>6</b>
<b>Cash Flows of Delta Coast (Colongra) Discontinued Operation</b>				
Operating Activities	...	...	...	(7)
Investing Activities	...	...	...	220
Financing Activities	...	...	...	(2)

	General		Total State Sector	
	Government Sector 2015-16	2014-15	2015-16	2014-15
<b>Gain/(Loss) from Delta Coast (Colongra)</b>	\$m	\$m	\$m	\$m
Proceeds from Sale	...	...	...	220
<b>Less:</b>				
Book Value of Net Assets Disposed	...	...	...	(221)
Change in Value of Equity Investment in PNFC sector, from Net Assets Disposed	...	(1)	...	...
<b>Loss recognised in the Comprehensive Result</b>	...	<b>(1)</b>	...	<b>(1)</b>

	2015-16 \$m	2014-15 \$m
The carrying amounts of assets and liabilities as at the date of sale were:		
Property, Plant and Equipment	...	320
Trade Receivables and Other Current Assets	...	2
Trade Creditors and Other Payables	...	(97)
Provision for Employee Benefits	...	(4)
<b>Net Assets Attributable to Delta Coast (Colongra)</b>	...	<b>221</b>

## Other Transactions

### Hunter Water

Hunter Water Corporation resolved in July 2014 to sell its subsidiary, Hunter Water Australia Pty Ltd. The associated assets and liabilities of the subsidiary that made up the operations of Hunter Water Australia Pty Ltd were sold through two separate transactions to ALS Pty Ltd and Hunter H2O Pty Ltd in December 2014. Stamp duties on the transactions were paid by the purchasers.

The results of Hunter Water Corporation discontinued operations for the year are presented below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued operations in the current year.

	General		Total State Sector	
	Government Sector 2015-16	2014-15	2015-16	2014-15
<b>Net Operating Result of the Discontinued Operation</b>	\$m	\$m	\$m	\$m
<b>Revenues from Discontinued Operation</b>				
Sale of Goods and Services	...	...	0	6
	...	...	<b>0</b>	<b>6</b>
<b>Expenses from Discontinued Operation</b>				
Expenses	...	...	0	9
	...	...	<b>0</b>	<b>9</b>
<b>Net Operating Balance from Discontinued Operation</b>	...	...	...	<b>(3)</b>
<b>Other Economic Flows of the Discontinued Operation</b>	...	...	...	<b>5</b>
<b>Cash Flows of Hunter Water Discontinued Operation</b>				
Operating Activities	...	...	0	(1)
Investing Activities	...	...	...	8
Financing Activities	...	...	...	(7)

	General		Total State Sector	
	Government Sector 2015-16	2014-15	2015-16	2014-15
<b>Gain/(Loss) from Hunter Water</b>	\$m	\$m	\$m	\$m
Proceeds from Sale	...	...	...	6
<b>Less:</b>				
Book Value of Net Assets Disposed	...	...	...	(1)
Change in Value of Equity Investment in PNFC sector, from Net Assets Disposed	...	5	...	...
<b>Gain recognised in the Comprehensive Result</b>	...	<b>5</b>	...	<b>5</b>

	2015-16 \$m	2014-15 \$m
The carrying amounts of assets and liabilities as at the date of sale were:		
Property, Plant and Equipment	...	5
Trade Receivables and Other Current Assets	...	...
Trade Creditors and Other Payables	...	...
Provision for Employee Benefits	...	(4)
<b>Net Assets Attributable to Hunter Water</b>	...	<b>1</b>

## Note 6: Cash and Cash Equivalents

### Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand, short term deposits with an original maturity of three months or less, and deposits in New South Wales Treasury Corporation's Hour-Glass Cash Fund. Cash and cash equivalents are presented net of outstanding bank overdrafts for the purposes of the Statement of Cash Flows.

	General		Total State Sector	
	Government Sector 2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Cash administered by NSW Treasury Corporation				
Hour-Glass Cash Fund	253	555	...	...
Managed Fixed Interest Portfolio (Short Term Deposits Facility)	...	42	...	71
Cash and Deposits Held at Other Financial Institutions	5,007	11,837	10,874	15,464
	<b>5,260</b>	<b>12,433</b>	<b>10,874</b>	<b>15,534</b>

The State's interest in the Hour-Glass Cash Fund is brought to account as cash equivalents because deposits and withdrawals can be made on a daily basis and are not subject to significant risk of a change in value. Cash and deposits include net proceeds of asset sales and leases. The majority of these monies are being held as part of Restart NSW for infrastructure investment.

TCorp's Hour-Glass investments are available to all NSW public authorities, including universities and local government authorities. Each Hour-Glass investment has been established as an individual unit trust and each trust has its own investment objective and strategy.

During 2014-15, the State, as the majority unit holder in the Hour-Glass Trusts, was assessed to control the Trusts as defined under AASB 10 *Consolidated Financial Statements*. Accordingly, the Hour-Glass Trusts' assets and liabilities were consolidated into the State accounts for the first time in 2014-15.

In total, Hour-Glass Trusts have cash and deposits with other financial institutions amounting to \$1,120 million (2015: \$690 million).

## Reconciliation of Operating Result to Net Cash Flows from Operating Activities

	General		Total State Sector	
	Government Sector	2014-15	2015-16	2014-15
	2015-16			
	\$m	\$m	\$m	\$m
<b>Operating result for the year</b>	2,755	2,779	5,396	3,589
Adjust for:				
Non-cash items added back:				
Depreciation and Amortisation	4,394	4,172	7,559	7,469
Other	(184)	1,596	(635)	(775)
Other Economic Flows - included in the Operating Result	1,904	102	(1,032)	1,057
Net Change in Operating Assets and Liabilities	1,978	2,274	2,300	3,746
<b>Net Cash Flows from Operating Activities</b>	<b>10,848</b>	<b>10,923</b>	<b>13,588</b>	<b>15,086</b>

## Reconciliation of Closing Cash and Cash Equivalents to the Statement of Cash Flows

Cash assets in the statement of financial position comprise cash and deposits at call. Deposits in TCorp Hour-Glass Cash Fund and other TCorp deposits with a maturity of less than 90 days are reported as cash and deposits at call. Cash and cash equivalents recognised in the statement of financial positions are reconciled at the end of the financial year to the Statement of Cash Flows as follows:

	General		Total State Sector	
	Government Sector	2015	2016	2015
	2016			
	\$m	\$m	\$m	\$m
Cash and Deposits at Call	5,260	12,433	10,874	15,535
Bank Overdraft	...	...	...	(1)
	<b>5,260</b>	<b>12,433</b>	<b>10,874</b>	<b>15,534</b>

## Restricted Cash Assets

Cash and term deposits held in Crown Special Deposit Accounts for Restart NSW of \$12,932 million (2015: \$7,835 million) can only be used in accordance with the legislation that established the Account. Sales proceeds from major asset transactions are deposited in the State's dedicated infrastructure fund Restart NSW, to fund the delivery of major capital infrastructure projects across the State. Conditional contributions disclosed in Note 2 are also considered restricted assets. Term deposits disclosed in Note 8 form part of the Crown Special Deposit Accounts.

## Acquisition and Disposal of Entities

During 2015-16 there were no major acquisitions of entities.

Note 5 Discontinued Operations, details information on the proceeds from TransGrid and Delta Coast (Vales Point).

## Non-Cash Financing and Investing Activities

During 2015-16:

- A total of \$260 million (2015: \$244 million) was recognised in the Total State Sector for an emerging interest in private sector provided infrastructure. In the General Government Sector, a total of \$254 million was recognised (2015: \$238 million). It includes \$221 million recognised for roads (2015: \$200 million) and \$28 million for Olympic Park infrastructure (2015: \$34 million).

- Other assets acquired free of cost in the Total State Sector amounted to \$600 million (2015: \$666 million). In the General Government Sector, they amounted to \$95 million (2015: \$120 million). They include sub-divider/developer contributions of water assets of \$150 million (2015: \$138 million) and electricity assets of \$330 million (2015: \$379 million) in 2016.
- It is impracticable to report on the numerous other assets donated to NSW public sector agencies particularly dedicated for transport, health, education and cultural purposes. They are generally reported in individual agency financial statements.
- The Total State Sector Statement of Cash Flows excludes new assets acquired under finance leases with a value of \$311 million (2015: \$127 million). For the General Government Sector, excluded new finance lease assets amount to \$304 million (2015: \$107 million). The increase mainly comprises of new rural and regional bus services contracts resulting in additional finance leased buses being recognised.

## Note 7: Receivables

Receivables are recognised initially at fair value, based on the transaction cost or face value, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 13 *Fair Value Measurement*.

Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment. Short term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Statutory receivables, such as taxes receivable, are not classified as financial instruments.

A change in receivables is accounted for when impaired ('Other Economic Flows – included in the Operating Result'), derecognised ('Other Economic Flows – included in the Operating Result') or through the amortisation process ('Transaction').

	General		Total State Sector	
	Government Sector 2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Current	4,761	5,613	5,239	5,140
Non-current	1,092	1,741	878	1,555
	<b>5,853</b>	<b>7,355</b>	<b>6,117</b>	<b>6,695</b>

### Receivables Comprise

Debtors and accruals from:

Sale of Goods and Services <sup>(a)</sup>	1,575	2,043	2,401	3,131
Dust Disease Insurance Levies Accrued <sup>(b)</sup>	673	828	673	828
Taxation	1,714	1,828	1,420	1,435
Dividends from Public Corporations	738	1,675	...	...
Settlements Receivable on New Borrowings and Other Financial Instruments <sup>(c)</sup>	...	...	112	83
Asset Sales	14	25	16	25
Interest	203	49	177	51
Other	1,351	1,272	1,771	1,543
	<b>6,268</b>	<b>7,719</b>	<b>6,570</b>	<b>7,096</b>
Less Allowance for Impairment <sup>(d)</sup>	(416)	(364)	(452)	(401)
	<b>5,853</b>	<b>7,355</b>	<b>6,117</b>	<b>6,695</b>

- (a) M2 and Eastern Distributor Promissory Notes and receivables relating to the M7 and Lane Cove Tunnel were reclassified during 2015-16 to non-current financial assets, to better reflect their nature.
- (b) Levies receivable under the *Workers' Compensation (Dust Diseases) Act 1942* reflect the full funding of total claim liabilities as estimated by actuaries at the reporting date. This recognises the legislative power given to the State to impose levies to meet the cost of claim obligations under this Act.
- (c) Settlements receivable on new borrowings and other financial instruments relates to New South Wales Treasury Corporation outstanding trade settlements receivable.
- (d) The allowance for impairment in the Total State Sector mainly comprises doubtful debts related to the sales of goods and services (\$152 million), the collection of fees and fines (\$212 million) and payroll tax (\$40 million).

## Note 8: Investments, Loans and Placements

Purchases and sales of financial assets under contracts, that require delivery of the asset within the timeframe established by convention or regulation, are recognised on the trade date, i.e. the dates the Government committed to purchase or sell the asset. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

### Financial Assets at Fair Value

Financial assets at fair value are recognised in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. Changes in fair value for assets classified or designated at fair value through profit and loss are recognised as 'other economic flows - included in the operating result'. Changes in fair value for available for sale assets are recognised as 'other economic flows - other comprehensive income', until impaired or disposed of.

A change in fair value excludes 'interest' and 'distributions', which are recognised as 'revenue from transactions'.

Financial assets designated at fair value through profit or loss are designated on the basis that these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to key management personnel.

### Financial Assets at Fair Value

	General			
	Government Sector		Total State Sector	
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Current	1,364	1,360	16,174	15,857
Non-current	9,181	9,127	2,940	2,761
	<b>10,545</b>	<b>10,487</b>	<b>19,115</b>	<b>18,618</b>
<b>Financial Assets at Fair Value Comprise:</b>				
<b>Financial Assets Held for Trading</b>				
Derivative Assets <sup>(a)</sup>				
Electricity Contracts	...	...	...	9
Swaps	...	...	36	60
Futures	28	23	28	24
Other	0	0	19	3
	<b>28</b>	<b>23</b>	<b>83</b>	<b>95</b>
<b>Designated and Effective Hedging Instruments</b>				
Derivative Assets <sup>(a)</sup>				
Swaps	...	...	786	576
Other	0	0	3	1
	<b>0</b>	<b>0</b>	<b>789</b>	<b>576</b>
<b>Financial Assets Designated at Fair Value through Profit or Loss</b>				
Fiduciary Investments Administered by NSW Treasury Corporation				
Hour-Glass Managed Funds	9,675	9,577	...	...
Managed Fixed Interest Portfolio	...	391	...	1,684
Securities and Placements Held by NSW Treasury Corporation	...	...	5,545	5,725
Held with Other Financial Institutions	842	496	12,697	10,539
	<b>10,517</b>	<b>10,464</b>	<b>18,242</b>	<b>17,947</b>
<b>Total Financial Assets at Fair Value</b>	<b>10,545</b>	<b>10,487</b>	<b>19,115</b>	<b>18,618</b>

(a) Refer to Note 25 Financial Instruments for a description of the major types of derivatives.

## Other Financial Assets

Other Financial Assets are non-derivative financial assets with fixed or determinable payments and fixed maturity. These investments are measured at amortised cost using the effective interest method. The majority of term deposit monies are being held as part of Restart NSW for infrastructure investments. Term deposits with a maturity of less than 3 months (including those for Restart NSW) are considered to be part of Cash and Cash Equivalents (Note 6).

	General		Total State Sector	
	Government Sector 2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Current	11,160	2,648	7,409	2,666
Non-current	4,856	583	5,241	917
	<b>16,016</b>	<b>3,231</b>	<b>12,650</b>	<b>3,582</b>
<b>Financial Assets at Amortised Cost Comprise:</b>				
Term Deposits - Maturity Greater Than 3 Months	15,313	2,573	11,535	2,573
Finance Leases Receivable <sup>(b)</sup>	703	657	1,115	1,009
	<b>16,016</b>	<b>3,231</b>	<b>12,650</b>	<b>3,582</b>

(b) Refer to Note 27 for an overview of finance lease assets.

## Note 9: Advances Paid

Advances paid are initially measured at fair value plus transaction costs and are generally contracted at interest rates that are below market rates. The difference between the market and the contracted interest rates is recognised in the operating result.

Advances paid consist of non-derivative financial assets with fixed or determinable payments that are intended to be held to maturity or are not quoted in an active market. These financial assets are subsequently measured at amortised cost using the effective interest method, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. Changes in advances paid are accounted for when impaired ('other economic flows – included in the operating result'), derecognised ('other economic flows – included in the operating result') or through an amortisation process ('transaction').

	General		Total State Sector	
	Government Sector 2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Current	161	99	146	71
Non-current	903	829	514	425
	<b>1,064</b>	<b>928</b>	<b>659</b>	<b>496</b>
<b>Advances Comprise:</b>				
Treasury Advances for Public Housing and Other Purposes	637	590	232	157
Loans for Rural Assistance	279	200	279	200
Loans for Road Transport Infrastructure	145	136	145	136
Other	2	3	2	4
	<b>1,064</b>	<b>928</b>	<b>659</b>	<b>496</b>

## Note 10: Equity Investments

### Equity Investments in Other Public Sector Entities

In the General Government Sector financial statements, the interest in the PNFC and PFC sectors is, in the absence of fair value, accounted for as an equity investment based on the State's proportional share of the carrying amount of net assets of those sectors (before consolidation adjustments), in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. Any change in the carrying amount of the investment is accounted for as a change in fair value in a manner consistent with the treatment of 'Available for Sale' financial assets in AASB 139 *Financial Instruments: Recognition and Measurement* and is recognised as an 'Other Economic Flow – Other Comprehensive Income'.

Note 34 details the entities that the Government has full ownership.

Non-Current Equity Investments	General		Total State Sector	
	Government Sector		2016	2015
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
<b>Investments in Other Public Sector Entities</b>				
Investments in Public Non-Financial Corporations	100,290	95,143	...	...
Investments in Public Financial Corporations	4,174	2,433	...	...
Consolidation Adjustment to Investment in Net Assets	(6,714)	(6,235)	...	...
	<b>97,750</b>	<b>91,341</b>	...	...

### Investments in Associates

Equity investments in associates are accounted for using the Equity Method.

Movements in the State's share of profits are recognised in the operating result, split between dividends recognised as 'Revenue from Transactions' and the share of earnings excluding dividends recognised as 'Other Economic Flows – included in the operating result' based on the State's share of ownership. Revaluation movements in the State's share of equity are recognised as a change to reserves and recognised as 'Other Economic Flows – Other Comprehensive Income'.

Investments in Associates Accounted for Using the Equity Method comprise the State's share in:	General		Total State Sector	
	Government Sector		2016	2015
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Snowy Hydro Ltd	3,783	3,949	3,783	3,949
Other Entities	...	...	2	2
	<b>3,783</b>	<b>3,949</b>	<b>3,785</b>	<b>3,951</b>

### Snowy Hydro Ltd

Snowy Hydro Ltd is an unlisted public company limited by guarantee. Snowy Hydro Ltd is mainly involved in generating and marketing renewable electricity, as well as the storage and diversion of bulk water to the Murray and Murrumbidgee Rivers.

New South Wales has a 58 per cent share of Snowy Hydro Ltd, with the Commonwealth and Victorian governments retaining 13 per cent and 29 per cent, respectively. New South Wales does not control the entity, with one of up to nine board directors and equal one-third shareholder voting rights with the other governments as prescribed by the *Snowy Hydro Corporatisation Act 1997*. As New South Wales does not control the entity it has applied the equity method to account for its investment in Snowy Hydro Ltd.

There is no published quotation price for the fair value of this investment. The State recognises its investment in Snowy Hydro Ltd (SHL) based upon 58 per cent of net assets reported in its financial statements with the exception of PP&E. The State recognises 58 per cent of SHL's PP&E and adjusts this to fair value using the income approach under AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*.

The reporting date of Snowy Hydro Ltd is 2 July 2016 (2015: 27 June 2015).

The following table summarises information on New South Wales' investment in Snowy Hydro Ltd:

	General		Total State Sector	
	Government Sector 2016	2015	2016	2015
	\$m	\$m	\$m	\$m
<b>Summary Financial Information for Snowy Hydro Ltd:</b>				
Current Assets	888	1,000	888	1,000
Non-Current Assets <sup>(a)</sup>	7,228	7,449	7,228	7,449
Current Liabilities	(557)	(297)	(557)	(297)
Non-Current Liabilities	(1,038)	(1,343)	(1,038)	(1,343)
<b>Net Assets</b>	<b>6,522</b>	<b>6,809</b>	<b>6,522</b>	<b>6,809</b>
Revenue	2,213	1,755	2,213	1,755
Profit/(Loss) Before Income Tax	91	292	91	292
Income Tax Expense	(16)	(82)	(16)	(82)
<b>Profit After Income Tax</b>	<b>75</b>	<b>211</b>	<b>75</b>	<b>211</b>
<b>Other Comprehensive Income</b>	<b>(16)</b>	<b>(20)</b>	<b>(16)</b>	<b>(20)</b>
<b>Total Comprehensive Result</b>	<b>60</b>	<b>191</b>	<b>60</b>	<b>191</b>

**New South Wales Share of Snowy Hydro Ltd's Net Assets and Profit:**

Net Assets	3,783	3,949	3,783	3,949
Profit After Income Tax	44	122	44	122

(a) Snowy Hydro Ltd's non-current assets adjusted to fair value using the income approach under AASB 116 and AASB 13.

There were no impairment losses relating to the investment in Snowy Hydro Ltd and there were no material contingencies.

## Other Equity Investments

	General		Total State Sector	
	Government Sector 2016	2015	2016	2015
	\$m	\$m	\$m	\$m
<b>Other Equity Investments</b>				
Other Equity Investments	605	10	8,693	8,332
	<b>605</b>	<b>10</b>	<b>8,693</b>	<b>8,332</b>

TCorp's Hour-Glass investments are available to all NSW public authorities, including universities. Local councils are also eligible to invest in Hour-Glass investments. Each Hour-Glass investment has been established as an individual unit trust and each trust has its own investment objective and strategy.

As the majority unit holder in the Hour-Glass Trusts (approximately 98 per cent is owned), the State has been assessed to control the Trusts under AASB 10 *Consolidated Financial Statements*. Thus, the Hour-Glass Trusts' assets and liabilities are consolidated into the State accounts.

In total, Hour-Glass Trusts have investments in listed equity securities amounting to \$8,088 million (2015: \$7,797 million).

## Note 11: Inventories

Inventories held for distribution are stated at cost, adjusted when applicable for any loss of service potential, in accordance with AASB 102 *Inventories*. A loss of service potential is identified and measured when current replacement costs is lower than carrying amount.

Inventories (other than those held for distribution) are valued at the lower of cost and net realisable value. Cost is calculated using the weighted average cost or the 'first in first out' method.

Land held for resale, for government authorities that trade in land, is recorded taking account of acquisition costs, development and other costs.

The cost of inventories acquired at no costs or for nominal consideration on the date of acquisition is recognised at current replacement costs. The current replacement cost is the cost the State would incur to acquire the asset on the reporting date.

	General		Total State Sector	
	Government Sector	2015	2016	2015
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Current	228	195	613	638
Non-current	35	44	350	438
	<b>263</b>	<b>239</b>	<b>962</b>	<b>1,076</b>

### Inventories Comprise:

Materials Held at Cost				
Raw Materials	9	10	9	42
Work in Progress	8	5	11	9
Finished Goods	16	18	16	18
Consumable Stores	192	151	322	338
Consumable Stores Held for Distribution	2	5	2	6
Finished Goods at Net Realisable Value	2	2	2	2
Consumable Stores Held for Distribution at Current Replacement Cost	...	...	1	1
Land Held for Resale	34	47	599	660
	<b>263</b>	<b>239</b>	<b>962</b>	<b>1,076</b>

Land held for resale, for government agencies that trade in land, has been recorded at:

	General		Total State Sector	
	Government Sector	2015	2016	2015
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Acquisition Cost	32	41	260	369
Development Cost	2	6	339	238
Other Costs	...	...	...	53
	<b>34</b>	<b>47</b>	<b>599</b>	<b>660</b>

## Note 12: Assets Classified as Held for Sale

Non-current assets (or disposal groups) are classified as held for sale, where their carrying amount will be recovered principally through a sale transaction and not through continuing use.

For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated while they are classified as held for sale.

	General		Total State Sector	
	Government Sector			
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
<b>Assets Held for Sale</b>				
Land and Buildings	432	347	562	526
Plant and Equipment	...	2	0	2
Infrastructure Systems	0	0	45	57
Other Financial Assets	...	...	...	7
	<b>432</b>	<b>349</b>	<b>607</b>	<b>592</b>

The following liabilities and equity are associated with the above assets:

### Liabilities Directly Associated with Assets Held for Sale

Trade and Other Payables	...	...	0	...
	<b>...</b>	<b>...</b>	<b>0</b>	<b>...</b>

### Amounts Recognised through Other Comprehensive Income Relating to Assets Held for Sale

Property, Plant and Equipment Asset Revaluation Increments	14	4	51	27
	<b>14</b>	<b>4</b>	<b>51</b>	<b>27</b>

The key assets classified as held for sale at 30 June 2016 were:

## Roads and Maritime Services

Roads and Maritime Services have reclassified their Wentworth Point Land Asset of \$229m to asset held for sale in 2016. Wentworth Point Land was reclassified as it was identified as no longer required to fulfil long-term plans for road development or administrative needs. These assets has been placed on action or tender as outlined in RMS's annual asset selling plan and sales budget.

	2016
	\$m
<b>Assets</b>	
Land and Buildings	229
<b>Assets Classified as Held for Sale</b>	<b>229</b>
<b>Liabilities</b>	
Liabilities Classified as Held for Sale	...
<b>Net Assets of Roads &amp; Maritime Services Held for Sale</b>	<b>229</b>

## Other

Other land and buildings, plant and equipment and infrastructure systems held for sale as at 30 June 2016 include surplus properties to be sold through various agency sale programs. Assets held for sale are expected to be sold in the following financial year.

The key assets classified as held for sale at 30 June 2015 were:

### UrbanGrowth NSW Development Corporation

On 25 May 2015, UrbanGrowth NSW Development Corporation announced its intention to sell the estate and buildings, collectively known as the Australian Technology Park, by an Invitation to Tender (ITT) process. The ITT process concluded on 12 August 2015.

	2015
	\$m
<b>Assets</b>	
Land and Buildings	184
Plant and Equipment	2
<b>Assets Classified as Held for Sale</b>	<b>186</b>
<b>Liabilities</b>	
Liabilities	...
<b>Liabilities Classified as Held for Sale</b>	<b>...</b>
<b>Net Assets of UrbanGrowth NSW Development Corporation Operations Held for Sale</b>	<b>186</b>

UrbanGrowth NSW Development Corporation re-classified the park land and buildings as assets held for sale since the carrying amount will be recovered principally through a sale transaction rather than through continuing use. The park land and buildings were classified as Investment Properties measured at fair value through profit or loss and hence their measurement is not impacted by the re-classification of these assets as held for sale.

## Note 13: Property, Plant and Equipment

Property, plant and equipment comprise three asset classes: land and buildings; plant and equipment; and infrastructure systems.

Property, plant and equipment is initially recognised at cost, in accordance with AASB 116 *Property, Plant and Equipment*. Those assets acquired at no cost or for nominal consideration are initially recognised at their fair value at the date of acquisition. The cost of assets constructed for own use includes the cost of materials, direct labour, and foreign exchange gains and losses arising during construction, as well as an appropriate proportion of variable and fixed overhead costs that can be reliably attributed to the assets.

Property, plant and equipment is subsequently measured at fair value in accordance with AASB 116, AASB 13 and NSW Treasury Policy Paper 14-01 *Accounting Policy: Valuation of Physical Non-Current Assets at Fair Value*.

In general, property, plant and equipment with a value greater than \$5,000 is capitalised except for computer equipment which is normally capitalised irrespective of the \$5,000 threshold where it is considered to be part of a network of assets.

## Revaluation of Property, Plant and Equipment

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use.

The market or income approach is used to fair value the following types of property, plant and equipment:

- Land under roads is valued using a market approach at existing use, based on an englobo valuation approach or proxy such as open space land (i.e. as such land generally has no feasible alternative use, is undeveloped and publicly accessible).
- Land under water is valued using a market approach with reference to adjacent land values, having regard to zoning restrictions, access, location, size, topography and other characteristics or with reference to land that has a low economic value adjusted for differences in location, restriction and uses.
- Other land, including Crown leasehold land, is valued using an income approach based on the net present value of the income stream.
- Non-specialised buildings, which include commercial and general purpose buildings for which there is a secondary market, are valued using either approach.
- Certain heritage assets, including artworks, book collections, philately and coin collections are valued using a market or cost approach.
- The fair value of cash generating assets is estimated using an income approach.

For assets valued using the income approach or market approach, any accumulated depreciation is eliminated against the gross carrying amount of the assets to which they relate, and the net asset carrying amount is increased or decreased by the revaluation increment or decrement.

Revaluation increments increase the revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement for that class of asset previously recognised as a loss in the operating result, the increment is recognised as a gain. Revaluation decrements are charged to the revaluation surplus to the extent that a credit exists in the revaluation surplus in respect of the same class of asset. Any remaining decrements are recognised as a loss. Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation surplus in respect of that asset is transferred to accumulated funds.

The cost approach (i.e. depreciated replacement cost) reflects the amount that would be required currently to replace the service capacity of an asset, adjusted for obsolescence. The cost approach is used to fair value the following types of assets:

- Specialised buildings designed for a specific, limited purpose with no feasible alternative use. This includes hospitals, schools, court houses, emergency services buildings and buildings to house specialised plant and infrastructure and some heritage properties.
- Heritage assets, including library and museum collections that are of a specialised nature with no feasible alternative use.

Where the State revalues non-current assets using the cost approach, the gross amount and accumulated depreciation are separately restated.

Heritage and cultural assets are not recognised where they cannot be reliably measured.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

## Impairment of Property, Plant and Equipment

The State assesses at each reporting date whether there is any indication that an asset or a cash generating unit may be impaired, in accordance with AASB 136 *Impairment of Assets*. If such an indication exists, the State estimates the recoverable amount. An impairment loss is recognised where the carrying amount of the asset or cash-generating unit exceeds the recoverable amount. Impairment losses are recognised as 'other economic flows – included in operating result'.

The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs of disposal and its value in use, based on the expected future cash flows.

## Depreciation of Property, Plant and Equipment

Property, plant and equipment is depreciated (net of its residual value) over its useful life, in accordance with AASB 116 *Property, Plant and Equipment*. Depreciation is generally allocated on a straight-line basis.

Certain heritage assets, including original artworks and collections and heritage buildings, may not have a limited useful life because appropriate curatorial and preservation policies are adopted. Such assets are not subject to depreciation. Land is not a depreciable asset.

Average useful lives for major assets are as follows<sup>(a)</sup>:

<b>Buildings</b>	
Public Housing	50 years
Schools and Colleges	20-105 years
Hospitals and Health Buildings	40 years
<b>Plant and Equipment</b>	
Computer Hardware	2-5 years
Rail Rolling Stock (leased and non-leased)	30-42 years
<b>Infrastructure</b>	
Power Stations	50 years
Electricity System Assets	1-70 years
Water System Assets	3-200 years
Roads Pavements	4-100 years
Roads Earthworks	50 years
Roads Earthworks (other)	indefinite life
Bridges	10-100 years

(a) The average useful life of assets can vary depending on the various asset classes, types and components of assets within a category. For example civil components generally have a longer useful life than electrical and mechanical components.

## General Government Sector

Fair Value	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
<b>At 30 June 2015</b>				
Gross Carrying Amount	96,058	15,586	117,472	<b>229,116</b>
Accumulated Depreciation and Impairment	(28,237)	(4,658)	(37,882)	<b>(70,777)</b>
<b>Net Carrying Amount</b>	<b>67,821</b>	<b>10,929</b>	<b>79,590</b>	<b>158,340</b>

<b>At 30 June 2016</b>				
Gross Carrying Amount	101,933	16,032	121,788	<b>239,753</b>
Accumulated Depreciation and Impairment	(31,316)	(4,625)	(39,398)	<b>(75,339)</b>
<b>Net Carrying Amount</b>	<b>70,617</b>	<b>11,408</b>	<b>82,389</b>	<b>164,414</b>

Reconciliation:	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
<b>Year Ended 30 June 2016</b>				
<b>Net Carrying Amount at Start of Year</b>	<b>67,821</b>	<b>10,929</b>	<b>79,590</b>	<b>158,340</b>
Additions	2,791	1,284	4,891	<b>8,966</b>
Assets Reclassified To Held for Sale	(529)	(4)	(0)	<b>(533)</b>
Disposals	(236)	(138)	(148)	<b>(522)</b>
Net Revaluations Recognised In Reserves	2,970	(127)	(30)	<b>2,813</b>
Depreciation Expense	(1,328)	(782)	(1,818)	<b>(3,928)</b>
Other Movements	(871)	246	(96)	<b>(720)</b>
<b>Net Carrying Amount at End of Year</b>	<b>70,617</b>	<b>11,408</b>	<b>82,389</b>	<b>164,414</b>

Fair Value	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
<b>At 30 June 2014 (Restated)<sup>(a)</sup></b>				
Gross Carrying Amount	91,344	13,902	111,133	<b>216,378</b>
Accumulated Depreciation and Impairment	(27,124)	(4,358)	(36,138)	<b>(67,620)</b>
<b>Net Carrying Amount</b>	<b>64,219</b>	<b>9,544</b>	<b>74,995</b>	<b>148,758</b>

<b>At 30 June 2015</b>				
Gross Carrying Amount	96,058	15,586	117,472	<b>229,116</b>
Accumulated Depreciation and Impairment	(28,237)	(4,658)	(37,882)	<b>(70,777)</b>
<b>Net Carrying Amount</b>	<b>67,821</b>	<b>10,929</b>	<b>79,590</b>	<b>158,340</b>

Reconciliation:	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
<b>Year Ended 30 June 2015</b>				
<b>Net Carrying Amount at Start of Year</b>	<b>64,219</b>	<b>9,544</b>	<b>74,995</b>	<b>148,758</b>
Additions	2,788	1,098	5,580	<b>9,466</b>
Assets Reclassified to Held for Sale	(345)	(2)	...	<b>(347)</b>
Disposals	(142)	(152)	...	<b>(294)</b>
Net Revaluations Recognised In Reserves	2,622	1,130	2,879	<b>6,631</b>
Depreciation Expense	(1,241)	(772)	(1,762)	<b>(3,775)</b>
Other Movements	(80)	82	(2,102)	<b>(2,098)</b>
<b>Net Carrying Amount at End of Year</b>	<b>67,821</b>	<b>10,929</b>	<b>79,590</b>	<b>158,340</b>

(a) Prior period amendment due to Murray-Darling Basin Authority and the Law Courts treated as joint arrangements.

## Total State Sector

Fair Value	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
<b>At 30 June 2015</b>				
Gross Carrying Amount	160,027	28,474	221,020	<b>409,521</b>
Accumulated Depreciation and Impairment	(33,262)	(11,084)	(72,672)	<b>(117,018)</b>
<b>Net Carrying Amount</b>	<b>126,765</b>	<b>17,390</b>	<b>148,349</b>	<b>292,504</b>
<b>At 30 June 2016</b>				
Gross Carrying Amount	172,030	28,342	217,894	<b>418,266</b>
Accumulated Depreciation and Impairment	(36,497)	(11,080)	(66,440)	<b>(114,018)</b>
<b>Net Carrying Amount</b>	<b>135,532</b>	<b>17,261</b>	<b>151,454</b>	<b>304,248</b>

Reconciliation:	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
<b>Year Ended 30 June 2016</b>				
<b>Net Carrying Amount at Start of Year</b>	<b>126,765</b>	<b>17,390</b>	<b>148,349</b>	<b>292,504</b>
Additions	3,680	1,561	10,767	<b>16,008</b>
Assets Reclassified to Held for Sale	(650)	(5)	(73)	<b>(728)</b>
Disposals	(548)	(167)	(224)	<b>(939)</b>
Net Revaluations Recognised in Reserves	9,244	(155)	1,791	<b>10,879</b>
Depreciation Expense	(2,095)	(1,148)	(3,556)	<b>(6,799)</b>
Other Movements	(864)	(214)	(5,600)	<b>(6,677)</b>
<b>Net Carrying Amount at End of Year</b>	<b>135,532</b>	<b>17,261</b>	<b>151,454</b>	<b>304,248</b>

Fair Value	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
<b>At 30 June 2014 (Restated)<sup>(a)</sup></b>				
Gross Carrying Amount	148,462	26,901	211,372	<b>386,735</b>
Accumulated Depreciation and Impairment	(31,162)	(10,562)	(69,727)	<b>(111,452)</b>
<b>Net Carrying Amount</b>	<b>117,300</b>	<b>16,339</b>	<b>141,645</b>	<b>275,283</b>
<b>At 30 June 2015</b>				
Gross Carrying Amount	160,027	28,474	221,020	<b>409,521</b>
Accumulated Depreciation and Impairment	(33,262)	(11,084)	(72,672)	<b>(117,018)</b>
<b>Net Carrying Amount</b>	<b>126,765</b>	<b>17,390</b>	<b>148,349</b>	<b>292,504</b>

Reconciliation:	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
<b>Year Ended 30 June 2015</b>				
<b>Net Carrying Amount at Start of Year</b>	<b>117,300</b>	<b>16,339</b>	<b>141,645</b>	<b>275,283</b>
Additions	3,823	1,491	8,592	<b>13,906</b>
Assets Classified to Held for Sale	(579)	(2)	(31)	<b>(612)</b>
Disposals	(284)	(184)	...	<b>(469)</b>
Net Revaluations Recognised in Reserves	8,202	1,131	2,766	<b>12,099</b>
Depreciation Expense	(1,905)	(1,192)	(3,655)	<b>(6,752)</b>
Other Movements	209	(192)	(968)	<b>(951)</b>
<b>Net Carrying Amount at End of Year</b>	<b>126,765</b>	<b>17,390</b>	<b>148,349</b>	<b>292,504</b>

(a) Prior period amendment due to Murray-Darling Basin Authority and the Law Courts treated as joint arrangements.

## Fair Value Measurement of Non-Financial Assets

The table below sets out the State's non-financial assets measured at fair value according to the fair value hierarchy at reporting date.

### Fair Value Hierarchy of Non-Financial Assets

#### General Government Sector

30 June 2016	Level 1	Level 2	Level 3	Historical	Total
	\$m	\$m	\$m	Cost	
				\$m	\$m
<b>Fair Value Hierarchy</b>					
<b>Property, Plant and Equipment</b>					
Land and Buildings	...	17,375	53,242	...	<b>70,617</b>
Plant and Equipment <sup>(a)</sup>	...	6,421	693	4,293	<b>11,408</b>
Infrastructure Systems	...	1,433	80,957	...	<b>82,389</b>
<b>Non-current Assets Held for Sale (Note 12)</b>	...	419	13	...	<b>432</b>
	...	<b>25,648</b>	<b>134,905</b>	<b>4,293</b>	<b>164,846</b>

30 June 2015	Level 1	Level 2	Level 3	Historical	Total
	\$m	\$m	\$m	Cost	
				\$m	\$m
<b>Fair Value Hierarchy</b>					
<b>Property, Plant and Equipment</b>					
Land and Buildings	...	17,341	50,480	...	<b>67,821</b>
Plant and Equipment <sup>(a)</sup>	...	6,374	639	3,915	<b>10,929</b>
Infrastructure Systems	...	1,439	78,151	...	<b>79,590</b>
<b>Non-current Assets Held for Sale (Note 12)</b>	...	330	18	...	<b>349</b>
	...	<b>25,485</b>	<b>129,289</b>	<b>3,915</b>	<b>158,689</b>

#### Total State Sector

30 June 2016	Level 1	Level 2	Level 3	Historical	Total
	\$m	\$m	\$m	Cost	
				\$m	\$m
<b>Fair Value Hierarchy</b>					
<b>Property, Plant and Equipment</b>					
Land and Buildings	...	20,550	114,983	...	<b>135,532</b>
Plant and Equipment <sup>(a)</sup>	...	6,478	5,704	5,080	<b>17,261</b>
Infrastructure Systems	...	1,536	149,918	...	<b>151,454</b>
<b>Non-current Assets Held for Sale (Note 12)</b>	...	504	104	...	<b>607</b>
	...	<b>29,067</b>	<b>270,708</b>	<b>5,080</b>	<b>304,855</b>

30 June 2015	Level 1	Level 2	Level 3	Historical	Total
	\$m	\$m	\$m	Cost	
				\$m	\$m
<b>Fair Value Hierarchy</b>					
<b>Property, Plant and Equipment</b>					
Land and Buildings	...	20,990	105,775	...	<b>126,765</b>
Plant and Equipment <sup>(a)</sup>	...	6,692	5,979	4,720	<b>17,391</b>
Infrastructure Systems	...	1,534	146,814	...	<b>148,348</b>
<b>Non-current Assets Held for Sale (Note 12)</b>	...	459	126	...	<b>585</b>
	...	<b>29,675</b>	<b>258,693</b>	<b>4,720</b>	<b>293,089</b>

(a) Plant and Equipment at historical cost are measured using depreciated historical cost as a surrogate for fair value under AASB 13 *Fair Value Measurement*.

## Reconciliation of Recurring Level 3 Fair Value Measurements

### General Government Sector

	Land and Buildings	Plant and Equipment	Infrastructure Systems	Assets Held for Sale	Total Recurring Level 3 Fair Value
	\$m	\$m	\$m	\$m	\$m
<b>Fair Value as at 1 July 2015</b>	<b>50,480</b>	<b>639</b>	<b>78,151</b>	<b>18</b>	<b>129,289</b>
Additions	1,521	19	3,806	...	5,345
Revaluations Recognised in Other Comprehensive Income	2,781	47	(30)	...	2,798
Transfers into Level 3	891	3	2,903	...	3,796
Transfers out of Level 3	(447)	(2)	(2,517)	...	(2,966)
Disposals	(188)	(2)	(132)	(6)	(328)
Depreciation Expense	(1,224)	(36)	(1,818)	...	(3,078)
Other Movements	(570)	26	594	1	50
<b>Fair Value as at 30 June 2016</b>	<b>53,242</b>	<b>693</b>	<b>80,957</b>	<b>13</b>	<b>134,905</b>

	Land and Buildings	Plant and Equipment	Infrastructure Systems	Assets Held for Sale	Total Recurring Level 3 Fair Value
	\$m	\$m	\$m	\$m	\$m
<b>Fair value as at 1 July 2014 (Restated) <sup>(a)</sup></b>	<b>48,612</b>	<b>1,194</b>	<b>73,979</b>	<b>...</b>	<b>123,785</b>
Additions	1,205	51	3,312	...	4,569
Revaluations Recognised in Other Comprehensive Income	2,012	(70)	2,879	...	4,820
Transfers into Level 3	477	811	1,596	18	2,902
Transfers out of Level 3	(664)	(1,327)	(1,628)	...	(3,618)
Disposals	(60)	(5)	...	(2)	(66)
Depreciation Expense	(1,148)	(15)	(1,739)	...	(2,902)
Other Movements	45	(0)	(248)	2	(201)
<b>Fair Value as at 30 June 2015</b>	<b>50,480</b>	<b>639</b>	<b>78,151</b>	<b>18</b>	<b>129,289</b>

(a) Prior period amendment due to Murray-Darling Basin Authority and the Law Courts treated as joint arrangements.

*Total State Sector*

	Land and Buildings	Plant and Equipment	Infrastructure Systems	Assets Held for Sale	Total Recurring Level 3 Fair Value
	\$m	\$m	\$m	\$m	\$m
<b>Fair Value as at 1 July 2015</b>	<b>105,775</b>	<b>5,979</b>	<b>146,814</b>	<b>126</b>	<b>258,693</b>
Additions	2,362	97	9,728	...	<b>12,188</b>
Revaluations Recognised in Other Comprehensive Income	9,234	32	1,737	(1)	<b>11,002</b>
Transfers into Level 3	1,622	145	3,017	...	<b>4,784</b>
Transfers out of Level 3	(458)	(106)	(2,908)	...	<b>(3,472)</b>
Disposals	(492)	(9)	(207)	(158)	<b>(866)</b>
Depreciation Expense	(1,950)	(280)	(3,647)	...	<b>(5,877)</b>
Other Movements	(1,111)	(155)	(4,615)	137	<b>(5,745)</b>
<b>Fair Value as at 30 June 2016</b>	<b>114,983</b>	<b>5,704</b>	<b>149,918</b>	<b>104</b>	<b>270,708</b>

	Land and Buildings	Plant and Equipment	Infrastructure Systems	Assets Held for Sale	Total Recurring Level 3 Fair Value
	\$m	\$m	\$m	\$m	\$m
<b>Fair value as at 1 July 2014 (Restated) <sup>(a)</sup></b>	<b>96,207</b>	<b>6,968</b>	<b>140,557</b>	<b>...</b>	<b>243,732</b>
Additions	2,177	216	8,208	...	<b>10,602</b>
Revaluations Recognised in Other Comprehensive Income	7,473	(71)	2,760	(1)	<b>10,161</b>
Transfers into Level 3	3,055	913	1,919	105	<b>5,992</b>
Transfers out of Level 3	(975)	(1,634)	(2,149)	...	<b>(4,758)</b>
Disposals	(189)	(16)	...	(115)	<b>(320)</b>
Depreciation Expense	(1,779)	(277)	(3,632)	...	<b>(5,688)</b>
Other Movements	(195)	(121)	(850)	138	<b>(1,029)</b>
<b>Fair Value as at 30 June 2015</b>	<b>105,775</b>	<b>5,979</b>	<b>146,814</b>	<b>126</b>	<b>258,693</b>

(a) Prior period amendment due to Murray-Darling Basin Authority and the Law Courts treated as joint arrangements.

## Valuation techniques, inputs and processes

### Land and Buildings

The majority of the State's Land and Buildings comprise of specialised assets such as public housing, schools, TAFE colleges, hospitals, railway stations and rail associated buildings, justice buildings (including court houses, prisons and juvenile justice centres), the Olympic Stadium and Arena, Sydney Opera House, police stations, Crown land and land under roads.

Non-specialised Land and Buildings are generally classified as Level 2. Specialised Land and Buildings are generally classified as Level 3. Market evidence is used where relevant and then adjusted to take account of factors such as the location, type and constraints around the use of the asset. The valuation approaches for the main types of assets within Land and Buildings are set out below.

### Public Housing

Public Housing (mainly classified as Level 3) is determined by applying an annual rolling benchmark valuation approach whereby a third of benchmark properties are valued by accredited property valuers with reference to market sales comparisons to calculate a market movement index. The market movement index is applied to the remaining two-thirds of the benchmark properties. All benchmark properties are grouped within thirteen geographical reporting regions. The median value increase in each geographical group is applied to the respective group of properties within the property portfolio of the group. Adjustments to each property are made for any significant different characteristic from benchmark properties. The rolling benchmark valuation process is performed annually as at 31 December. An uplift market movement factor has been provided from a registered valuer for the six months ended 30 June.

### Schools and Education Facilities

School and Education Land and Buildings are mainly classified as Level 3. The valuers use current market sales evidence to determine the market value of land without restrictions and then apply a discount rate to these values, to adjust for the restricted use of the land. The valuations use the weighted average market value per square metre of land. School and TAFE buildings are valued using the depreciated replacement cost method. Due to the size of the portfolio a mass appraisal technique is used. Replacement cost rates for the asset components of a building are determined based on the cost of recently built buildings. The valuation takes account of the weighted average replacement cost per square metre for the building shell, fit-outs, external services, landscaping and demountables. Adjustments are then made for location and special need requirements. Useful lives and depreciated rates are based on internal analysis.

### Hospitals

Land is valued using a market approach, comparing similar assets and observable inputs. Where the land is restricted a discount rate is applied to adjust for the restricted use of the land. The value utilises a market sales comparison approach taking account of recent sales of comparable properties. Hospital buildings are mainly classified as Level 3 and are valued using the depreciated replacement cost method. The current replacement cost per square metre is assessed by reference to external publications with allowances made for regional locations. Remaining economic life is assessed based on physical depreciation and obsolescence.

### Roads

Land under roads is valued using the Urban Average Rateable Value (ARV) per hectare within each Local Government Area adjusted by an 'open space' ratio. The valuation takes account of Local Government Area rateable land values and the land area under roads.

#### Sensitivity of the fair value measurement

Public Housing	Higher/(lower) market sales values reflect higher/(lower) valuations
Schools and Education Facilities	The estimated fair value of land would increase/ (decrease) if the value per square metre were higher/ (lower). The estimated fair value of buildings would increase/ (decrease) if the replacement cost per square metre for the asset components were higher/ (lower).
Hospitals	The estimated fair value of land would increase/ (decrease) if the value per square metre were higher/ (lower). The estimated fair value of buildings would increase/ (decrease) if the replacement cost per square metre for the asset components were higher/ (lower).
Land under Roads	The estimated fair value would increase/ (decrease) if the weighted current year Urban Average Rateable Value increases/ (decreases).

### Crown land

Crown land is generally classified as Level 2 and is valued using the market value approach by utilising market comparable land. Valuations take account of the sale price of comparable land and adjusted for the size of the land and the long term land appreciated rate. The estimated fair value would increase/ (decrease) if the comparable land values increase/ (decrease).

## Plant and Equipment

Plant and Equipment comprises both specialised and non-specialised assets. Non-specialised assets are generally classified as Level 2. The main specialised assets are rail rolling stock, public buses and ferries, and museum and library collections. The specialised assets are generally classified as Level 3. Assets measured using depreciated historical cost as a surrogate for fair value do not require fair value hierarchy disclosures under AASB 13 *Fair Value Measurement*.

### *Rail rolling stock*

Rolling stock is valued using a depreciated replacement cost method. Replacement cost rates are based on domestic and international vehicles adjusted by an optimisation factor to reflect the technical and functional obsolescence of the fleet sub-types relative to the modern equivalent.

### *Public buses*

Buses are valued using a market valuation method based on the market price for buses.

### *Ferries*

Ferries are valued using a depreciated replacement cost method. Replacement cost rates are based on the quoted cost for replacing the vessels.

### *Collection assets*

Collection assets are classified as either Level 2 or Level 3 based on the level of inputs used in the valuation. Valuation methods vary depending on the type of collection assets. All assets regarded as highly significant are individually valued, with other assets valued by category of item using appropriately sized samples. The sampling techniques are performed by professional statisticians. Market values are based on market evidence with reference to recent sales of items that are similar. Where there is a lack of market based evidence, re-collection costs are used.

### Sensitivity of the fair value measurement

Rolling Stock	The estimated fair value would increase/ (decrease) if the replacement cost rates were higher/ (lower).
Buses	The estimated fair value would increase/ (decrease) if the market prices for buses increased/ (decreased).
Ferries	The estimated fair value would increase/ (decrease) if the replacement cost rates were higher/ (lower).
Collection Assets	The estimated fair value would increase/ (decrease) if the market prices increased/ (decreased).

## Infrastructure Systems

Infrastructure systems comprise the State's electricity systems, dams and water system assets, road infrastructure and railway lines. The majority of infrastructure assets are classified as Level 3 because they comprise specialised assets for the delivery of utility and transport services.

### *Electricity systems*

The majority of the State's electricity system assets are valued using an income valuation method. The discounted cash flow model is used to perform the value in use calculation to determine the value of the assets. The valuation is performed taking account of forecast cash inflows and outflows, electricity forward prices and discount rate.

*Dams and water system assets*

The majority of the State's dams and water system assets are valued using an income valuation method. The discounted cash flow model is used to perform the value in use calculation to determine the value of the assets. The Regulatory Asset Based Value, determined by the Independent Pricing and Regulatory Tribunal (IPART), is used in conjunction with forecast cash flows and a discount rate.

*Road infrastructure*

Road infrastructure is valued using the depreciated replacement cost method. Due to the size of the portfolio a mass appraisal technique is used. Replacement cost rates for each significant asset component are determined based on the unit prices quoted in the most recent construction tender documents or road cost index.

*Rail infrastructure*

Track work and related infrastructure is valued using the depreciated replacement cost method. Replacement cost rates for each significant asset component are determined based on the replacement cost of the various asset components.

Sensitivity of the fair value measurement	
Electricity Systems	The higher the future net cash inflows, the higher the fair value. The higher the discount rate, the lower the fair value.
Damns and Water System Assets	The higher the future net cash inflows, the higher the fair value. The higher the discount rate, the lower the fair value.
Road Infrastructure	The estimated fair value would increase/ (decrease) if current replacement cost, road index cost or current unit replacement cost for the component increases/ (decreases).
Railway Infrastructure	The estimated fair value would increase/ (decrease) if the replacement cost rates were higher/ (lower).

**Non-current Assets Held for Sale**

Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs to sell. The majority of assets are classified at Level 2 as their value has been determined on market observable inputs, being the sale proceeds for the assets.

## Note 14: Intangibles

Intangible assets are measured initially at cost, in accordance with AASB 138 *Intangible Assets*. Where an asset is acquired free of cost or at nominal cost, the cost is its fair value as at the date of acquisition. The State recognises intangible assets only if it is probable that future economic benefits will flow to the State and the cost of the asset can be measured reliably. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

Intangible assets are subsequently measured at fair value where there is an active market. If there is no active market, the assets are carried at cost less any accumulated amortisation and impairment losses.

Intangible assets with finite lives are amortised under the straight line method and expensed in the statement of comprehensive income for the period, in accordance with AASB 138 *Intangible Assets*. Intangible assets with an indefinite life are not amortised, but are tested for impairment annually either individually or at the cash generating unit level.

Intangible assets are tested for impairment where an indicator of impairment exists. If recoverable amount is less than carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognised.

Easements are treated as having an indefinite life as the access rights are considered to be permanent.

### Assumptions

	Computer Software	Easements	Other
<b>Useful lives</b>	Finite (2-10 years)	Indefinite	Finite (4-10 years)
<b>Amortisation method</b>	Straight line	Not amortised	Various
<b>Internally Generated/Acquired</b>	Both	Acquired	Both
<b>Impairment test/Recoverable amount testing</b>	Where an indicator of impairment exists	Annually and where an indicator of impairment exists	Where an indicator of impairment exists

## General Government Sector

	Computer Software \$m	Easements <sup>(a)</sup> \$m	Other \$m	Total \$m
<b>At 1 July 2015</b>				
Cost (Gross Carrying Amount)	4,278	311	5	<b>4,594</b>
Accumulated Amortisation and Impairment	(1,691)	...	...	<b>(1,691)</b>
<b>Net Carrying Amount</b>	<b>2,588</b>	<b>311</b>	<b>5</b>	<b>2,904</b>
<b>At 30 June 2016</b>				
Cost (Gross Carrying Amount)	4,541	334	1	<b>4,876</b>
Accumulated Amortisation and Impairment	(1,783)	...	...	<b>(1,783)</b>
<b>Net Carrying Amount</b>	<b>2,758</b>	<b>334</b>	<b>1</b>	<b>3,093</b>
<b>Reconciliation:</b>				
<b>Year ended 30 June 2016</b>				
<b>Net Carrying Amount at Start of Year</b>	<b>2,588</b>	<b>311</b>	<b>5</b>	<b>2,904</b>
Additions	804	...	1	<b>805</b>
Disposals	(3)	...	...	<b>(3)</b>
Reclassification from Property, Plant and Equipment	16	...	...	<b>16</b>
Impairment	(28)	21	...	<b>(7)</b>
Amortisation	(327)	...	(7)	<b>(334)</b>
Other Movements	(291)	2	2	<b>(287)</b>
<b>Net carrying amount at end of year</b>	<b>2,758</b>	<b>334</b>	<b>1</b>	<b>3,093</b>

(a) Includes easements over land, and water rights.

	Computer Software \$m	Easements <sup>(a)</sup> Restated \$m	Other \$m	Total \$m
<b>At 1 July 2014</b>				
Cost (Gross Carrying Amount)	3,677	285	...	<b>3,962</b>
Accumulated Amortisation and Impairment	(1,491)	...	...	<b>(1,491)</b>
<b>Net Carrying Amount</b>	<b>2,186</b>	<b>285</b>	<b>...</b>	<b>2,471</b>
<b>At 30 June 2015</b>				
Cost (Gross Carrying Amount)	4,278	311	5	<b>4,594</b>
Accumulated Amortisation and Impairment	(1,691)	...	...	<b>(1,691)</b>
<b>Net Carrying Amount</b>	<b>2,588</b>	<b>311</b>	<b>5</b>	<b>2,904</b>
<b>Reconciliation:</b>				
<b>Year ended 30 June 2015</b>				
<b>Net Carrying Amount at Start of Year</b>	<b>2,186</b>	<b>285</b>	<b>...</b>	<b>2,471</b>
Additions	739	...	...	<b>739</b>
Disposals	(4)	...	...	<b>(4)</b>
Reclassification from Property, Plant and Equipment	25	...	...	<b>25</b>
Impairment	(19)	22	...	<b>3</b>
Amortisation	(274)	...	...	<b>(274)</b>
Other Movements <sup>(b)</sup>	(65)	4	5	<b>(56)</b>
<b>Net carrying amount at end of year</b>	<b>2,588</b>	<b>311</b>	<b>5</b>	<b>2,904</b>

(a) Includes easements over land, and water rights.

(b) Prior period amendment due to Murray-Darling Basin Authority treated as a joint arrangement.

**Total State Sector**

	Computer Software \$m	Easements <sup>(a)</sup> \$m	Other \$m	Total \$m
<b>At 1 July 2015</b>				
Cost (Gross Carrying Amount)	6,443	1,111	83	<b>7,637</b>
Accumulated Amortisation and Impairment	(3,188)	(0)	(15)	<b>(3,203)</b>
<b>Net carrying amount</b>	<b>3,255</b>	<b>1,111</b>	<b>68</b>	<b>4,434</b>
<b>At 30 June 2016</b>				
Cost (Gross Carrying Amount)	6,872	576	81	<b>7,529</b>
Accumulated Amortisation and Impairment	(3,349)	(5)	(18)	<b>(3,371)</b>
<b>Net Carrying Amount</b>	<b>3,523</b>	<b>571</b>	<b>63</b>	<b>4,157</b>

**Reconciliation:****Year Ended 30 June 2016**

	Computer Software \$m	Easements <sup>(a)</sup> \$m	Other \$m	Total \$m
<b>Net Carrying Amount at Start of Year</b>	<b>3,255</b>	<b>1,111</b>	<b>68</b>	<b>4,434</b>
Additions	1,115	10	15	<b>1,140</b>
Disposals	(42)	(569)	...	<b>(611)</b>
Reclassification from Property, Plant and Equipment	33	0	...	<b>33</b>
Impairment	(32)	21	(15)	<b>(26)</b>
Amortisation	(518)	...	(2)	<b>(520)</b>
Other Movements	(289)	(2)	(3)	<b>(294)</b>
<b>Net Carrying Amount at End of Year</b>	<b>3,523</b>	<b>571</b>	<b>63</b>	<b>4,157</b>

(a) Includes easements over land, and water rights.

	Computer Software \$m	Easements <sup>(a)</sup> Restated \$m	Other \$m	Total \$m
<b>At 1 July 2014</b>				
Cost (Gross Carrying Amount)	5,818	1,063	...	<b>6,881</b>
Accumulated Amortisation and Impairment	(2,862)	...	...	<b>(2,862)</b>
<b>Net Carrying Amount</b>	<b>2,957</b>	<b>1,063</b>	<b>...</b>	<b>4,020</b>
<b>At 30 June 2015</b>				
Cost (Gross Carrying Amount)	6,443	1,111	83	<b>7,637</b>
Accumulated Amortisation and Impairment	(3,188)	(0)	(15)	<b>(3,203)</b>
<b>Net Carrying Amount</b>	<b>3,255</b>	<b>1,111</b>	<b>68</b>	<b>4,434</b>

**Reconciliation:****Year Ended 30 June 2015**

	Computer Software \$m	Easements <sup>(a)</sup> Restated \$m	Other \$m	Total \$m
<b>Net Carrying Amount at Start of Year</b>	<b>2,957</b>	<b>1,063</b>	<b>...</b>	<b>4,020</b>
Additions	920	13	33	<b>965</b>
Disposals	(5)	(1)	(0)	<b>(6)</b>
Reclassification from Property, Plant and Equipment	27	...	...	<b>27</b>
Assets Held for Sale	...	...	...	<b>...</b>
Impairment	(47)	24	0	<b>(23)</b>
Amortisation	(496)	...	(1)	<b>(497)</b>
Other Movements <sup>(b)</sup>	(99)	12	36	<b>(52)</b>
<b>Net Carrying Amount at End of Year</b>	<b>3,255</b>	<b>1,111</b>	<b>68</b>	<b>4,434</b>

(a) Includes easements over land, and water rights.

(b) Prior period amendment due to Murray-Darling Basin Authority treated as a joint arrangement.

## Note 15: Other Non-Financial Assets

### Privately Financed Projects and Service Concession Arrangements

In a privately financed project (PFP), a public sector entity (the grantor) arranges for the private sector (the operator) to design, finance and build infrastructure and provide associated operational or management services for an agreed period (the service period).

Many PFPs include a service concession arrangement (SCA) as described in Interpretation 129 *Service Concession Arrangements: Disclosures*. An SCA is an agreement under which the public sector (the grantor) grants a concession to the private sector (the operator) to provide services that give the public access to major economic and social facilities. In effect, the SCA operator (rather than the grantor) is the primary provider of the services with the infrastructure and provides the services to the public.

PFPs are accounted for in three different ways in accordance with TPP 06-8 *Accounting for Privately Financed Projects*, depending on the extent of the grantor's control of the underlying infrastructure, i.e. whether the infrastructure is:

- grantor-controlled from the beginning of the service period
- purchased under a deferred payment arrangement or acquired under a finance lease and is grantor-controlled from the beginning of the service period. This is recognised as property, plant and equipment and depreciated over its useful life or the term of the lease in accordance with AASB 116 *Property, Plant and Equipment* or AASB 117 *Leases*, or
- operator-controlled during the service period and grantor-controlled thereafter.

A right to receive the infrastructure for a nominal sum (including zero) at the end of the service period is recognised as revenue and an asset whose value emerges during that period. The accumulated value of the right at the end of the service period equates to the written down replacement cost of the infrastructure at that time. The value is allocated during the service period as if it were the compound value of an annuity discounted at the NSW government bond rate applicable to the purchaser at the commencement of the service period. Any increase or decrease in the fair value of the right to receive the infrastructure that occurs during the service period is recognised as an asset revaluation, similarly to a revaluation of property plant and equipment.

An up-front contribution by the operator (or grantor) that is substantively part of the PFP is recognised progressively over the period of the concession period, reducing the net cost.

Emerging rights to receive SCA infrastructure are classified as 'other assets' and 'other revenue'. Up-front contributions are classified as 'other liabilities' (if received from the operator) or 'prepayments' (if paid to the operator).

A land lease in connection with a PFP is accounted for in accordance with AASB 117 *Leases*.

	General		Total State Sector	
	Government Sector 2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Current	325	311	521	427
Non-current	3,094	2,202	3,149	2,258
	<b>3,418</b>	<b>2,512</b>	<b>3,670</b>	<b>2,684</b>
<b>Other Non-Financial Assets comprise:</b>				
Right to Receive Privately Financed Infrastructure	2,053	1,799	2,116	1,856
Prepayments	454	408	627	490
Emission Rights	...	...	1	1
Other	911	305	926	337
	<b>3,418</b>	<b>2,512</b>	<b>3,670</b>	<b>2,684</b>

The following service concession arrangements (SCA) are in place:

Infrastructure subject to the arrangement	Concession period (duration in years and final year)
<b>Transport</b>	
• M4 Service Centre	25 / 2017
• Sydney Harbour Tunnel	31 / 2023
• M5	35 / 2026
• Parramatta Transport Interchange	23 / 2029
• Airport Line railway stations	30 / 2030
• Sydney Light Rail	15 / 2034
• North West Rail Link, Operations, Trains and Systems (OTS)	16 / 2034
• Cross City Tunnel	30 / 2035
• Lane Cove Tunnel	41 / 2048
• M7	41 / 2048
• M2	51 / 2048
• NorthConnex	29 / 2048
• Eastern Distributor	48 / 2048
• WestConnex – Stage 1	44 / 2060
<b>Health</b>	
• Royal North Shore redevelopment	23 / 2037
• Long Bay Prison and Forensic Hospital	26 / 2034
• NSW Health Retrieval Network	12 / 2027
• Newcastle Community Health Centre	20 / 2027
• Newcastle Maternal Hospital Redevelopment	28 / 2033
• Bathurst, Orange & Associated Health Services	24 / 2035
• Northern Beaches Hospital	21 / 2038
• Chris O'Brien Lifehouse	40 / 2053
• Various hospital car parks	24-25 / various
<b>Utilities</b>	
• Illawarra/Woronora Water Treatment Plants	40 / 2036
• Prospect Water Treatment Plant	25 / 2035
• Blue Mountain Sewage Transfer Tunnel	35 / 2028
• Macarthur Water Treatment Plant	35 / 2030
• Rosehill Camellia Recycled Water Project	20 / 2031
<b>Other</b>	
• Olympic Arena	32 / 2031
• Sydney SuperDome	32 / 2031
• Olympic Stadium	32 / 2031
• New Schools Project	30 / 2032
• New Schools Project 2	30 / 2035
• Sydney International Convention, Exhibition and Entertainment Precinct	25 / 2041
• Opera House car park	50 / 2043

## Note 16: Income Tax Equivalents

Commercial PNFCs and PFCs, excluding New South Wales Treasury Corporation (TCorp), are part of a National Tax Equivalent Regime (NTER). TCorp is part of a Tax Equivalent Regime (TER). Although exempt from income tax obligations to the Commonwealth, members of the NTER/ TER accrue and pay income tax equivalents to the State and adopt tax effect accounting to maintain competitive neutrality for commercial government entities. The General Government Sector recognises accrued receivables and payables which equate to the amounts accrued by PNFCs and PFCs for income tax equivalents. These amounts are eliminated on consolidation of the Total State Sector.

	General		Total State Sector	
	Government Sector	2015	2016	2015
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Tax Equivalents Receivable	104	156	...	...
Deferred Tax Equivalents Receivable	3,919	4,659	...	...
Tax Equivalents Payable	(3)	(10)	...	...
Deferred Tax Equivalents Provision	(337)	(406)	...	...
<b>Net Balances Receivable from the PNFC/PFC Sectors</b>	<b>3,683</b>	<b>4,399</b>	...	...

## Note 17: Deposits Held

Deposits held represent liabilities for customer and contractors' security deposits for utilities such as electricity and water. Customer and contractor deposits can be refunded at any time. These deposits are recognised at no less than the amount payable on demand, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.

	General		Total State Sector	
	Government Sector	2015	2016	2015
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Current	126	126	395	511
Non-current	...	...	2	3
	<b>126</b>	<b>126</b>	<b>397</b>	<b>514</b>
<b>Deposits are Held for the Purposes of:</b>				
Electricity Supply	...	...	19	20
Held by Public Financial Corporations for Other Agencies	...	...	237	292
Other	126	126	140	202
	<b>126</b>	<b>126</b>	<b>397</b>	<b>514</b>

## Note 18: Payables

Payables are recognised initially at fair value, usually based on the transaction cost or face value, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 13 *Fair Value Measurement*. Subsequent measurement is at amortised cost using the effective interest method.

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

	General Government Sector		Total State Sector	
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Current	5,617	5,720	6,989	6,975
Non-current	...	...	...	...
	<b>5,617</b>	<b>5,720</b>	<b>6,989</b>	<b>6,975</b>
<b>Payables comprise:</b>				
Payables Of A Capital Nature	1,044	879	1,263	1,140
Accrued Employee Benefits	525	951	594	1,043
Interest On Borrowings & Advances	344	356	3	2
Settlement Of Borrowings & Other Financial Instruments	...	...	4	67
Creditors & Other Accruals <sup>(a)</sup>	3,705	3,534	5,127	4,722
	<b>5,617</b>	<b>5,720</b>	<b>6,989</b>	<b>6,975</b>

(a) Includes trade creditors.

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

## Note 19: Borrowings and Derivative Liabilities at Fair Value

### Borrowings

Borrowings are not held for trading and represent funds raised from the following sources:

- loans raised by the Commonwealth on behalf of the State under the previous Financial Agreement;
- domestic and overseas borrowings raised by the New South Wales Treasury Corporation; and
- borrowings by public sector agencies (including finance leases).

Borrowings include borrowings by and from New South Wales Treasury Corporation (TCorp). Borrowings from TCorp by other NSW Public Sector entities are eliminated in the Total State Sector.

General Government Sector borrowings are direct loans with no market value and are recognised at amortised cost using the effective interest method, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. Amortised cost is the face value of the debt less unamortised discount or plus unamortised premiums. The discount or premiums are treated as finance charges and amortised using the effective interest rate method over the term of the debt. Refer to Note 20 Borrowings at Amortised Cost for further details.

Domestic and overseas borrowings are designated at 'fair value through profit or loss' under AASB 139 in the Total State Sector. Overseas borrowings are translated at exchange rates prevailing at the reporting date.

Gains or losses arising from fair value movements in borrowings 'designated at fair value through profit or loss' (excluding interest), foreign exchange and debt restructuring transactions are included as 'other economic flows – included in the operating result' in the period in which they arise.

## Derivative Liabilities

Derivatives are measured at fair value as at reporting date, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 13 *Fair Value Measurement*. Where an active market exists, fair values are determined by reference to the specific market quoted prices/yields at year end. If no active market exists, judgement is used to select the valuation technique which best estimates fair value by discounting the expected future cash flows arising from the financial instruments to their present value using market yields and margins appropriate to the financial instruments. These margins take into account credit quality and liquidity of the financial instruments.

Gains and losses from one valuation date to the next are recognised as 'Other Economic Flows – included in the Operating Result'.

Designated and effective hedges are measured at fair value and are accounted for either as a fair value hedge (i.e. hedge of exposures to changes in fair value) or a cash flow hedge (i.e. hedge of exposure to variability in cash flows). Gains or losses on fair value hedges are recognised as an 'Other Economic Flow – included in the Operating Result'. Gains or losses on the effective portion of cash flow hedges are recognised as an 'Other Economic Flow – Other Comprehensive Income', until the forecast transaction affects profit or loss and it is recycled into 'Other Economic Flows – included in the Operating Result'. The ineffective portion of cash flow hedges is recognised as an 'Other Economic Flow – included in the Operating Result'.

Other derivatives are categorised as held for trading financial instruments.

All derivatives are recognised on the Statement of Financial Position at trade date (the date the State becomes party to the contractual provisions of the financial instrument concerned).

	General			
	Government Sector		Total State Sector	
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Current	3	5	19,881	16,724
Non-current	5	6	55,039	60,504
	<b>8</b>	<b>11</b>	<b>74,921</b>	<b>77,228</b>
<b>Borrowings and Derivative Liabilities at Fair Value Comprise:</b>				
<b>Borrowings at Fair Value</b>				
Bonds and Other Borrowings Issued by Tcorp	...	...	73,930	76,599
Other Fair Value Borrowings	6	8	6	8
	<b>6</b>	<b>8</b>	<b>73,936</b>	<b>76,607</b>
<b>Derivatives Held For Trading</b>				
Swaps	...	...	156	26
Electricity Contracts	...	...	...	0
Futures	...	...	3	...
Other	2	3	72	12
	<b>2</b>	<b>3</b>	<b>231</b>	<b>38</b>
<b>Designated And Effective Hedging Instruments</b>				
Swaps	...	...	749	572
Electricity Contracts	...	...	...	5
Other	1	0	4	5
	<b>1</b>	<b>0</b>	<b>754</b>	<b>582</b>
<b>Total Borrowings and Derivative Liabilities at Fair Value</b>	<b>8</b>	<b>11</b>	<b>74,921</b>	<b>77,228</b>

## Note 20: Borrowings at Amortised Cost

	General		Total State Sector	
	Government Sector 2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Current	1,505	1,708	188	246
Non-current	30,331	29,793	4,988	4,524
	<b>31,836</b>	<b>31,500</b>	<b>5,176</b>	<b>4,770</b>
<b>Borrowings at Amortised Cost Comprise:</b>				
Other Borrowings at Amortised Cost	28,672	28,474	63	71
Bank Overdraft	...	0	...	1
Finance Leases	3,164	3,026	5,113	4,698
	<b>31,836</b>	<b>31,500</b>	<b>5,176</b>	<b>4,770</b>

A schedule of maturity analysis (of contractual cash flows) including future interest commitments is reported in Note 25. More information on borrowings is included in Note 19.

Refer to Note 27 for further information on finance leases.

## Note 21: Employee Provisions

### Wages and Salaries, Annual Leave and Sick Leave

Liabilities for salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Annual leave is not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 *Employee Benefits* (although short-cut methods are permitted).

Unused sick leave does not give rise to a liability. It is not considered probable that sick leave taken will be greater than the benefits accrued in the future.

Consequential costs to employment such as payroll tax, worker's compensation insurance premiums and fringe benefits tax are recognised as liabilities and expenses when the employee benefits they relate to are recognised.

### Long Service Leave

A liability for long service leave is measured at the present value of future payments anticipated at the reporting date, using the projected unit credit method. An actuary calculates this using:

- expected future wage and salary levels
- experience of employee departures, and
- periods of service.

Estimated future cash outflows are discounted using a discount rate based on the market yield on Commonwealth government bonds as published by the Reserve Bank of Australia, modified to reflect entity/liability specific risks.

A short-hand measurement technique is used as allowed by AASB 119 for leave relating to employees with five and more years of services, where it is not materially different from the present value, as confirmed periodically by an actuary.

### Self-Funded Worker's Compensation

Worker's compensation insurance is provided by the employer, State Regulatory Insurance Authority or by the State's self-insurance scheme, known as the Treasury Managed Fund.

These liabilities are actuarially calculated and measured on a discounted cash flow basis.

	General		Total State Sector	
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Current	12,459	11,309	13,891	12,810
Non current	4,335	4,003	4,646	4,350
	<b>16,794</b>	<b>15,313</b>	<b>18,537</b>	<b>17,160</b>
<b>These comprise:</b>				
Long Service Leave	9,103	8,156	10,201	9,276
Annual and Other Leave Entitlements	3,103	2,968	3,419	3,312
Self Funded Worker's Compensation	3,767	3,665	3,920	3,815
Other	821	524	997	758
<b>Total Employee Provisions</b>	<b>16,794</b>	<b>15,313</b>	<b>18,537</b>	<b>17,160</b>

Self-funded workers' compensation includes liabilities of the Treasury Managed Fund that have been actuarially calculated on a discounted cash flows basis using a 'central' estimate assuming a liability discount rate of 4.75 per cent (2015: 4.75 per cent) and a future inflation rate of 2.25 to 4 per cent (2015: 2.5 to 3.5 per cent) and a superimposed inflation rate of 2.0 to 4.0 per cent (2015: 0 to 5.0 per cent).

### Note 22: Superannuation Provisions

An unfunded superannuation liability is recognised in respect of the State's defined benefit schemes, in accordance with AASB 119 *Employee Benefits*. It is measured as the difference between the estimated present value of members' accrued benefits at reporting date and the estimated net market value of the superannuation scheme assets at that date.

The actuaries apply estimation techniques to value the unfunded superannuation liability. The liability is assessed annually using the latest triennial review actuarial economic assumptions and subsequent economic and market forecasts, except for the discount rate. The discount rate is based on the 10-year Commonwealth government bond rate as at 30 June.

The present value of accrued benefits is based on expected future payments that arise from membership of the fund to reporting date in respect of the contributory service of current and past New South Wales State government defined benefit scheme members.

The accrued benefits amount is calculated having regard to:

- expected future wage and salary levels
- expected future inflation levels as per the growth rate in the Consumer Price Index
- superannuation contribution tax, and
- the experience of employee departures and their periods of service.

Detailed information regarding the most recent assumptions from the 2015 triennial review is available from the 'Report on Actuarial Investigation Volume 1 and 2 as at 30 June 2015' at [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au).

Actuarial gains and losses resulting from changes in measurement assumptions, the return on plan assets in excess of the government bond rate and any change in the effect of the asset ceiling are recognised as re-measurements as part of 'other economic flows – other comprehensive income'. Net interest expense and other expenses related to the defined benefit plans are recognised in 'expenses from transactions'.

	General		Total State Sector	
	Government Sector 2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Current	1,562	1,477	1,564	1,497
Non-current	66,300	51,021	69,595	53,657
	<b>67,862</b>	<b>52,498</b>	<b>71,159</b>	<b>55,154</b>

The State public sector superannuation liability is made up of the assets and liabilities. This includes a number of State Sector Schemes:

- State Authorities Superannuation Scheme (SASS)
- State Authorities Non-Contributory Superannuation Scheme (SANCS)
- State Superannuation Scheme (SSS)
- Police Superannuation Scheme (PSS).

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

It also includes the Parliamentary Contributory Superannuation Scheme (PCSS), which is established and governed by the *Parliamentary Contributory Superannuation Act 1971* and its associated regulations, the Judges' Pension Scheme (JPS), which is established and governed by *Judges' Pensions Act 1953 No 41* (as amended to 19 May 2010), and the Energy Industries Superannuation Schemes (EISS).

EISS was established on 30 June 1997 by a Trust Deed made under an Act of the NSW Parliament, for the purpose of providing retirement benefits for employees from certain energy industries bodies in New South Wales. EISS is regulated primarily by the *Superannuation Industry (Supervision) Act 1993* (Cth) (the SIS Act), but is also subject to regulation under the *Superannuation Administration Act 1996* (NSW).

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. All of the above schemes (except for JPS) are closed to new entrants.

The assets of the State Sector Schemes are pooled together in the Pooled Fund.

## Regulatory Framework

The State Sector Schemes, PCSS and JPS are exempt public sector superannuation schemes under the SIS Act. The SIS Act treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

It governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions, unless an exemption has been obtained. The State Sector Schemes, PCSS and JPS have an actuarial investigation performed every three years, with the last actuarial investigation performed at 30 June 2015 for the State Sector Schemes and at 30 June 2014 for PCSS and JPS. The next actuarial investigation for the State Sector Schemes is due as at 30 June 2018. EISS received an exemption from annual actuarial valuation and thus, actuarial valuations are only required triennially. The last actuarial valuation of the Scheme was performed as at 30 June 2015. The next actuarial investigation is due as at 30 June 2018.

## Governance of the Schemes

The SAS Trustee Corporation (STC) is responsible for the governance of the State Sector Schemes. The trustee of PCSS is a statutory body which comprises two trustees from the Legislative Council, five trustees from the Legislative Assembly, and the Secretary of the Treasury (or a Treasury official appointed in their absence). The Energy Industries Superannuation Scheme Pty Limited is trustee for EISS and is responsible for the governance of EISS. JPS does not have a trustee.

The Trustees have a legal obligation to act solely in the best interests of fund beneficiaries. The Trustees are responsible for administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules; management and investment of the fund assets; compliance with other applicable regulations; and compliance with the Trust Deeds (EISS).

Under a Heads of Government agreement, the NSW Government undertakes to ensure that the State Sector Schemes and PCSS conform to the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that member benefits are adequately protected.

The NSW Government prudentially monitors and audits the State Sector Schemes and PCSS and the activities of each of the Trustee Boards in a manner consistent with the prudential controls of the SIS Act. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

All of the schemes' assets are invested at arm's length through independent fund managers. The Trustees monitor the asset-liability risks continuously in setting investment strategies. The Trustees also monitor cash flows to manage liquidity requirements.

The NSW Government has committed under the *Fiscal Responsibility Act 2012* to fully fund the State Sector Schemes by 2030.

## Funding Arrangements for Employer Contributions

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. Contribution rates are set after discussions between the employer, the Trustees and NSW Treasury. Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review. JPS is a pay-as-you-go scheme.

## Valuation Method

The Trustees' actuary, Mercer Human Resource Consulting, calculated the unfunded superannuation liabilities schemes for the years ended 30 June 2016 and 30 June 2015 in accordance with AASB 119 *Employee Benefits* and AAS 25 *Financial Reporting by Superannuation Plans*.

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligations.

Actuarial calculations for the unfunded superannuation liabilities schemes were based on the latest scheme membership data, demographic assumptions of the 2015 Triennial Valuation and AASB 119 applying to employee benefits as at 30 June 2016.

## Description of the Risks and Significant Events

There are a number of risks to which the schemes expose the employer. The more significant risks relating to the defined benefits are:

Risk Description	
Investment risk	The risk that investment returns will be lower than assumed and the employer will need to increase contributions to offset this shortfall.
Longevity risk	The risk that pensioners live longer than assumed, increasing future pensions.
Pension indexation risk	The risk that pensions will increase at a rate greater than assumed, increasing future pensions.
Salary growth risk	The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
Legislative risk	The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

All of the schemes' defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. There is no significant concentration of investment risk or liquidity risk. There are no assets in JPS.

There were curtailments and settlements during the year due to member exits and the long term lease of TransGrid's assets. On completion of the 99 year lease transaction TransGrid was converted into Electricity Transmission Ministerial Holding Corporation (ETMHC). All current TransGrid employees and their respective defined benefit plans were transferred to NSW Electricity Networks Operations Pty Limited (NSWENO). The defined benefit plan remaining with ETMHC relates to the retired TransGrid employees.

## Movement in Unfunded Liabilities and the Impact of Assumptions

The major potential for volatility arises from movements in the market prices of plan assets and the 30 June long term Commonwealth government bond rate, which is applied to discount the accrued liabilities.

The increase of \$15.4 billion in General Government and \$16 billion for Total State Sector unfunded liabilities over the 12 months to 30 June 2016, is largely explained by a decrease in the liability discount rate for the State Sector Schemes and EISS from 3.03 per cent to 1.99 per cent.

The future liability value can also be impacted, generally to a lesser degree, by revisions to long term economic and actuarial assumptions including those listed in the previous table, as well as changes to mortality and other actuarially applied rates.

## Member Numbers and Superannuation Position for AASB 119

### General Government Sector

For the year ended 30 June 2016

Member Numbers	NSW Public Sector Superannuation Schemes							Total
	SASS	SANCS	SSS	PSS	PCSS	JPS	EISS <sup>(c)</sup>	
Contributors	21,342	27,423	4,935	1,147	28	124	...	
Deferred Benefits	10,160	11,425	1,113	59	2	...	18	
Pensioners	3,396	...	46,187	6,583	285	233	374	
Pensions Fully Commuted	...	...	14,081	...	...	...	...	
Superannuation Position for AASB 119 Purposes	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Accrued Liability <sup>(a)</sup>	15,342	2,663	64,385	19,024	911	1,227	564	<b>104,117</b>
Estimated Reserve Account Balance	(10,043)	(1,668)	(19,485)	(4,479)	(269)	...	(324)	<b>(36,267)</b>
Deficit/(Surplus)	5,300	996	44,900	14,545	643	1,227	239	<b>67,850</b>
Future Service Liability <sup>(b)</sup>	1,559	609	511	36	...	...	...	<b>2,716</b>
Surplus In Excess Of Recovery Available	12	0	0	...	...	...	...	<b>13</b>
<b>Net (Asset)/Liability to be Recognised in Statement of Financial Position</b>	<b>5,312</b>	<b>996</b>	<b>44,900</b>	<b>14,545</b>	<b>643</b>	<b>1,227</b>	<b>239</b>	<b>67,862</b>

- (a) The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%. PCSS assets and accrued liability based on 2016 data. JPS accrued liability is projected from 2014 data. The accrued liability includes a contribution tax provision for PCSS. This is calculated based on grossing up the deficit less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%.
- (b) The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the 'surplus in excess of recovery' is zero, no asset ceiling limit is imposed. (Note: this also includes a contribution tax provision.)
- (c) On completion of TransGrid's 99 year lease transaction as at 16th December 2015, the Energy Industries Superannuation Scheme (EISS) Defined Benefit plan of TransGrid's retired employees were transferred over to Electricity Transmission Ministerial Holding Corporation (ETMHC) which is classified as a General Government agency.

For the year ended 30 June 2015

Member Numbers	NSW Public Sector Superannuation Schemes							Total
	SASS	SANCS	SSS	PSS	PCSS	JPS	EISS <sup>(c)</sup>	
Contributors	23,380	30,875	6,239	1,255	29	124	...	
Deferred Benefits	10,393	11,973	1,324	72	2	...	...	
Pensioners	3,409	...	45,124	6,572	289	233	...	
Pensions Fully Commuted	...	...	14,225	...	...	...	...	
Superannuation Position for AASB 119 Purposes (Restated)	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Accrued Liability <sup>(a)</sup>	14,519	2,605	54,762	15,835	757	1,036	...	<b>89,514</b>
Estimated Reserve Account Balance	(10,280)	(1,729)	(20,097)	(4,627)	(283)	...	...	<b>(37,016)</b>
Deficit/(Surplus)	4,239	876	34,665	11,208	474	1,036	...	<b>52,498</b>
Future Service Liability <sup>(b)</sup>	1,558	697	538	76	...	...	...	<b>2,868</b>
Surplus in Excess of Recovery Available	0	0	0	...	...	...	...	<b>0</b>
<b>Net (Asset)/Liability to be Recognised in Statement of Financial Position</b>	<b>4,239</b>	<b>876</b>	<b>34,665</b>	<b>11,208</b>	<b>474</b>	<b>1,036</b>	<b>...</b>	<b>52,498</b>

- (a) The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%. PCSS assets and accrued liability based on 2015 data. JPS accrued liability is projected from 2014 data. The accrued liability includes a contribution tax provision for PCSS. This is calculated based on grossing up the deficit less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%.
- (b) The FSL does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the 'surplus in excess of recovery' is zero, no asset ceiling limit is imposed. (Note: this also includes a contribution tax provision.)
- (c) On completion of TransGrid's 99 year lease transaction as at 16th December 2015, the Energy Industries Superannuation Scheme (EISS) Defined Benefit plan of TransGrid's retired employees were transferred over to Electricity Transmission Ministerial Holding Corporation (ETMHC) which is classified as a General Government agency.

## Total State Sector

For the year ended 30 June 2016

Member Numbers	NSW Public Sector Superannuation Schemes							Total \$m
	SASS	SANCS	SSS	PSS	PCSS	JPS	EISS <sup>(c)</sup>	
Contributors	24,103	30,445	5,196	1,147	28	124	1,479	
Deferred Benefits	10,160	11,425	1,201	59	2	...	23	
Pensioners	4,090	...	48,430	6,583	285	233	685	
Pensions Fully Commuted	...	...	15,108	...	...	...	...	
<b>Superannuation Position for AASB 119 Purposes</b>								
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Accrued Liability <sup>(a)</sup>	17,902	2,903	67,379	19,024	911	1,227	2,034	<b>111,381</b>
Estimated Reserve Account Balance	(11,454)	(1,797)	(20,888)	(4,479)	(269)	...	(1,354)	<b>(40,241)</b>
Deficit/(Surplus)	6,449	1,106	46,491	14,545	643	1,227	680	<b>71,140</b>
Future Service Liability <sup>(b)</sup>	1,664	683	547	36	...	...	(133)	<b>2,796</b>
Surplus In Excess of Recovery Available	12	0	6	...	...	...	...	<b>19</b>
<b>Net (Asset)/Liability to be Recognised in Statement of Financial Position</b>	<b>6,461</b>	<b>1,106</b>	<b>46,497</b>	<b>14,545</b>	<b>643</b>	<b>1,227</b>	<b>680</b>	<b>71,159</b>

(a) Refer to footnote in General Government Sector 30 June 2016 table above.

(b) Refer to footnote in General Government Sector 30 June 2016 table above.

(c) Refer to footnote in General Government Sector 30 June 2016 table above.

For the year ended 30 June 2015

Member Numbers	NSW Public Sector Superannuation Schemes							Total \$m
	SASS	SANCS	SSS	PSS	PCSS	JPS	EISS <sup>(c)</sup>	
Contributors	26,543	34,393	6,594	1,255	29	124	2,346	
Deferred Benefits	10,393	11,973	1,425	72	2	...	23	
Pensioners	4,053	...	47,582	6,572	289	233	539	
Pensions Fully Commuted	...	...	15,286	...	...	...	9	
<b>Superannuation Position for AASB 119 Purposes (Restated)</b>								
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Accrued Liability <sup>(a)</sup>	16,858	2,847	57,648	15,835	757	1,035	2,309	<b>97,289</b>
Estimated Reserve Account Balance	(11,845)	(1,885)	(21,743)	(4,627)	(283)	...	(1,766)	<b>(42,149)</b>
Deficit/(Surplus)	5,014	962	35,905	11,208	474	1,035	542	<b>55,140</b>
Future Service Liability <sup>(b)</sup>	1,663	773	575	76	...	...	(183)	<b>2,904</b>
Surplus In Excess of Recovery Available	0	0	14	...	...	...	...	<b>14</b>
<b>Net (Asset)/Liability to be Recognised in Statement of Financial Position</b>	<b>5,014</b>	<b>962</b>	<b>35,919</b>	<b>11,208</b>	<b>474</b>	<b>1,035</b>	<b>542</b>	<b>55,154</b>

(a) Refer to footnote in General Government Sector 30 June 2015 table above.

(b) Refer to footnote in General Government Sector 30 June 2015 table above.

(c) Refer to footnote in General Government Sector 30 June 2015 table above.

## Reconciliation of the Present Value of the Defined Benefit Liability/ (Asset)

	General			
	Government Sector		Total State Sector	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Net Defined Benefit Liability/(Asset) At Beginning of the Period</b>	<b>52,498</b>	<b>48,262</b>	<b>55,154</b>	<b>51,040</b>
Current Service Cost	669	730	739	838
Net Interest on the Net Defined Benefit Liability	1,504	1,683	1,565	1,768
Past Service Cost	...	...	...	...
(Gains)/Losses Arising from Settlements	...	...	(27)	(13)
Net Equity Transfer	...	...	...	...
Actual Return on Fund Assets Less Interest Income	(35)	(2,859)	(18)	(3,015)
Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	1,993	30	2,201	34
Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	12,459	6,232	13,381	6,643
Actuarial (Gains)/Losses Arising from Liability Experience	(86)	(219)	25	(587)
Adjustment For Effect of Asset Ceiling	12	0	4	2
Employer Contributions	(1,561)	(1,474)	(1,667)	(1,539)
Effects of Transfers In/Out Due to Business Combinations and Disposals	408	115	(199)	(16)
<b>Net Defined Benefit Liability/(Asset) at end of the Period</b>	<b>67,862</b>	<b>52,498</b>	<b>71,159</b>	<b>55,154</b>

## Reconciliation of the Fair Value of Fund Assets

	General			
	Government Sector		Total State Sector	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Fair Value of Fund Assets at Beginning of the Period</b>	<b>37,016</b>	<b>34,889</b>	<b>42,149</b>	<b>40,253</b>
Interest Income <sup>(a)</sup>	1,090	1,207	1,229	1,423
Actual Return on Fund Assets Less Interest Income <sup>(a)</sup>	35	2,859	18	3,015
Employer Contributions	1,561	1,474	1,667	1,539
Contributions by Participants	231	246	263	480
Benefits Paid	(3,998)	(3,937)	(4,580)	(4,635)
Taxes, Premiums & Expenses Paid	(105)	162	(124)	198
Transfers In	438	115	(204)	(7)
Settlements	...	...	(177)	(117)
<b>Fair Value of Fund Assets at End of the Period</b>	<b>36,267</b>	<b>37,016</b>	<b>40,241</b>	<b>42,149</b>

(a) 2014-15 has been restated to split realised and unrealised return on fund assets.

## Reconciliation of the Present Value of the Defined Benefit Obligations

	General			
	Government Sector		Total State Sector	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Present Value of Defined Benefit Obligations at Beginning of the Period</b>	<b>89,514</b>	<b>83,151</b>	<b>97,289</b>	<b>91,293</b>
Current Service Cost	669	730	739	838
Interest Cost	2,594	2,889	2,794	3,191
Contributions by Participants	231	246	263	466
Equity Transfer	...	...	...	...
Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	1,993	30	2,201	34
Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	12,459	6,232	13,381	6,643
Actuarial (Gains)/Losses Arising from Liability Experience	(86)	(219)	25	(587)
Benefits Paid	(3,998)	(3,937)	(4,580)	(4,635)
Adjustments for Effect of Asset Ceiling	...	0	...	2
Taxes, Premiums & Expenses Paid	(105)	162	(124)	198
Transfers In	845	230	(403)	(24)
Contributions to Accumulation Section	...	...	...	...
Past Service Cost	...	...	...	...
Settlements	...	...	(204)	(130)
Exchange Rate Changes	...	...	...	...
<b>Present Value of Defined Benefit Obligations at End of the Period</b>	<b>104,117</b>	<b>89,514</b>	<b>111,381</b>	<b>97,289</b>

## Reconciliation of the Asset Ceiling

	General			
	Government Sector		Total State Sector	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Adjustment for Effect of Asset Ceiling at Beginning of the Period</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>12</b>
Interest on the Effect of Asset Ceiling	0	...	0	...
Change in the Effect of Asset Ceiling	12	0	4	2
<b>Adjustment for Effect of Asset Ceiling at End of the Period</b>	<b>13</b>	<b>0</b>	<b>19</b>	<b>14</b>

## Fair Value of Fund Assets

### State Sector Schemes

All of the State Sector Schemes' assets are invested by STC at arm's length through independent fund managers. The Pooled Fund assets are not separately invested for each scheme and it is not possible or appropriate to disaggregate and attribute fund assets to individual schemes.

Asset category	2015-16 Total \$m	Quoted prices in active markets for identical assets			Unobservable inputs Level 3 \$m	2015-16	2014-15
		Level 1 \$m	Significant observable inputs Level 2 \$m	Level 3 \$m			
Short Term Securities	2,050	2,044	6	0	5.4%	6.5%	
Australian Fixed Interest	2,721	3	2,718	0	7.1%	6.6%	
International Fixed Interest	834	(1)	836	0	2.2%	2.5%	
Australian Equities	9,721	9,172	549	0	25.5%	25.7%	
International Equities	12,094	9,026	2,079	989	31.7%	32.4%	
Property	3,650	1,113	619	1,918	9.6%	8.6%	
Alternatives	7,116	470	3,122	3,524	18.6%	17.7%	
<b>Total<sup>(a)</sup></b>	<b>38,186</b>	<b>21,827</b>	<b>9,929</b>	<b>6,430</b>	<b>100.0%</b>	<b>100.0%</b>	

(a) Additional to the assets disclosed above, at 30 June 2016 the Pooled Fund has provisions for receivables/ (payables) estimated to be around \$2.83 billion. This gives total estimated assets of \$41.01 billion.

The fair value of the Pooled Fund assets as at 30 June 2016 includes \$189.6 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$222 million (30 June 2015: \$159 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value of \$243 million (30 June 2015: \$204 million).

### EISS

The fair value of Plan assets includes no amounts relating to any of the entity's own financial instruments, or any property occupied by, or other assets used by, the entity.

Some Pool B assets are invested in accordance with member investment choices. For Pool B assets invested in the Energy Investment Fund but not subject to member investment choice, the percentage invested in each asset class at the reporting date is:

Asset category	2015-16				2015-16	2014-15
	Total \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m		
Australian Equities	339	...	339	...	16.9%	12.0%
International Equities	469	...	469	...	23.3%	36.0%
Property	192	...	192	...	9.6%	4.0%
Private Equity	37	...	37	...	1.8%	2.0%
Infrastructure	169	...	169	...	8.4%	7.0%
Alternatives	557	...	557	...	27.7%	32.0%
Cash	250	...	250	...	12.4%	7.0%
<b>Total</b>	<b>2,013</b>	<b>...</b>	<b>2,013</b>	<b>...</b>	<b>100.0%</b>	<b>100.0%</b>

## JPS and PCSS

There are no assets in JPS as it is a pay-as-you-go scheme. For PCSS the asset categories split was not available at 30 June 2016.

## Significant Actuarial Assumptions

The principal economic assumptions at the reporting dates are as per the following table.

Significant Actuarial Assumptions	At 30 June 2016		At 30 June 2015	
	State Super Schemes, JPS, PCSS	EISS	State Super Schemes, JPS, PCSS	EISS
Discount Rate	1.99% pa	1.99% pa	3.03% pa	3.03% pa
Salary Increase Rate	2.50% pa <sup>(a)</sup>	2.50% pa <sup>(c)</sup>	2.50% pa	0.00% pa
Rate of CPI Increase	1.50% pa <sup>(b)</sup>	2.50% pa	2.50% pa	2.50% pa
Pensioner Mortality	as per 30 June 2015 triennial valuation for State Super Schemes and EISS, as per 2014 triennial actuarial valuation for JPS and PCSS			

(a) Salary Increase rate (excluding promotional increases) for State Super Funds Schemes and PCSS for forward years are: 2.50% for 2016-17 to 2018-19; 3.50% for 2019-20 and 2020-21, 3.00% pa for 2021-22 to 2025-26 and 3.50% pa onwards.

(b) Rate of CPI increase for State Super Funds Schemes in forward years are: 1.75% 2016/2017; 2.25% 2017/2018; 2.50% pa onwards.

(c) Salary Increase rate (excluding promotional increases) for EISS (excluding TransGrid and Essential Energy) for forward years are: 0% pa until 31 Dec 2016 for Endeavour Energy and Ausgrid and 2.5%pa onwards. Essential Energy has nil during 2017-18, and 2.5% pa onwards.

## Sensitivity Analysis

The State's total defined benefit obligation as at 30 June 2016 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2016.

There are a number of variables that impact on the valuation of the defined benefit superannuation liabilities including discount rate, future salary increases, future increase in the Consumer Price Index (CPI), and future life expectancy. The key variable relates to movement of the discount rate. For the Total State Sector, sensitivity analysis of a discount rate movement of *plus* 1.0 per cent would reduce accrued liabilities by an estimated \$14,312 million, and a discount rate movement of *minus* 1.0 per cent would increase accrued liabilities by an estimated \$17,993 million.

For State Sector Schemes and EISS, Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

	State Sector Schemes			
	Discount Rate	Rate of CPI Increase	Salary Inflation Rate	Defined Benefit Obligation (\$m)
<b>Base Case</b>	1.99%	base rate	base rate	107,211
Scenario A -1.0% Discount Rate	0.99%	base rate	base rate	124,526
Scenario B +1.0% Discount Rate	2.99%	base rate	base rate	93,438
<b>Base Case</b>	base rate	base rate	base rate	107,211
Scenario C +0.5% rate of CPI increase	base rate	above rates plus 0.5% pa	base rate	114,640
Scenario D -0.5% rate of CPI increase	base rate	less 0.5% pa	base rate	100,511
<b>Base Case</b>	base rate	base rate	base rate	107,211
Scenario E +0.5% Salary Increase Rate	base rate	base rate	above rates plus 0.5% pa	107,879
Scenario F -0.5% Salary Increase Rate	base rate	base rate	above rates less 0.5% pa	106,568
<b>Base Case</b>	N/A	N/A	N/A	107,211
Scenario G Higher Mortality <sup>(a)</sup>	N/A	N/A	N/A	106,096
Scenario H Lower Mortality <sup>(b)</sup>	N/A	N/A	N/A	109,164

(a) Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2016 to 2021

(b) Assumes the short term pensioner mortality improvement factors for years 2016-2021 also apply for years after 2021

	EISS			
	Discount Rate	Rate of CPI Increase	Salary Inflation Rate	Defined Benefit Obligation (\$m)
<b>Base Case</b>	1.99%	2.50%	2.50%	2,033
Scenario A -1.0% Discount Rate	0.99%	base rate	base rate	2,330
Scenario B +1.0% Discount Rate	2.99%	base rate	base rate	1,792
<b>Base Case</b>	1.99%	2.50%	2.50%	2,033
Scenario C +0.5% rate of CPI increase	1.99%	3.00%	base rate	2,119
Scenario D -0.5% rate of CPI increase	1.99%	2.00%	base rate	1,955
<b>Base Case</b>	1.99%	2.50%	2.50%	2,033
Scenario E +0.5% Salary Increase Rate	1.99%	2.50%	base rate	2,085
Scenario F -0.5% Salary Increase Rate	1.99%	2.50%	base rate	1,985
<b>Base Case</b>	N/A	N/A	N/A	2,033
Scenario G Lower pensioner mortality rates <sup>(c)</sup>	N/A	N/A	N/A	2,062
Scenario H Higher pensioner mortality rates <sup>(d)</sup>	N/A	N/A	N/A	2,017

(c) Assumes the short term pensioner mortality improvement factors for years 2016-2021 also apply for years after 2021.

(d) Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2016 to 2021.

For JPS and PCSS, Scenarios A to D relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios E and F relate to sensitivity to demographic assumptions.

	JPS			
	Discount Rate	Rate of CPI Increase	Salary Inflation Rate	Defined Benefit Obligation (\$m)
<b>Base Case</b>	1.99%	N/A	N/A	1,214
Scenario A -1.0% Discount Rate	0.99%	N/A	N/A	1,410
Scenario B +1.0% Discount Rate	2.99%	N/A	N/A	1,058
<b>Base Case</b>	base rate	N/A	N/A	1,214
Scenario C +0.5% Salary Increase Rate	base rate	N/A	above rates plus 0.5% pa	1,318
Scenario D -0.5% Salary Increase Rate	base rate	N/A	above rates less 0.5% pa	1,121
<b>Base Case</b>	N/A	N/A	N/A	1,214
Scenario E +10% pensioner mortality rates	N/A	N/A	N/A	1,167
Scenario F -10% pensioner mortality rates	N/A	N/A	N/A	1,264

	PCSS			
	Discount Rate	Rate of CPI Increase	Salary Inflation Rate	Defined Benefit Obligation (\$m)
<b>Base Case</b>	1.99%	N/A	N/A	911
Scenario A -1.0% Discount Rate	0.99%	N/A	N/A	1,097
Scenario B +1.0% Discount Rate	2.99%	N/A	N/A	769
<b>Base Case</b>	base rate	N/A	N/A	911
Scenario C +0.5% Salary Increase Rate	base rate	N/A	above rates plus 0.5% pa	1,002
Scenario D -0.5% Salary Increase Rate	base rate	N/A	above rates less 0.5% pa	831
<b>Base Case</b>	N/A	N/A	N/A	911
Scenario E +10% pensioner mortality rates	N/A	N/A	N/A	876
Scenario F -10% pensioner mortality rates	N/A	N/A	N/A	949

### AAS25 Valuation

The following is a summary of the 30 June financial position of the fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*.

	General			
	Government Sector		Total State Sector	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
Accrued Benefits	52,233	49,582	56,357	54,506
Net Market Value of Fund assets	(36,267)	(37,013)	(40,241)	(42,149)
<b>Net (Surplus)/Deficit</b>	<b>15,965</b>	<b>12,570</b>	<b>16,116</b>	<b>12,357</b>

The primary difference between the net deficit above (per AAS 25) and the net deficit calculated in accordance with AASB 119 (and brought to account in the TSSA's Statement of Financial Position) is that the accrued benefits discount rate is based on the more volatile 30 June long term Commonwealth government bond rate for the AASB 119 calculation, whereas the AAS 25 calculation uses a less volatile long term earnings rate. As the long term earning rate exceeds the Commonwealth government bond rate, liabilities valued under AAS 25 are lower than liabilities valued under AASB 119.

## Employer Contributions

The method used to determine the employer contribution recommendations at last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the costs to the employer. Under the Aggregate Funding method, the employer contributions rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets, future contributions and the maturity profile of the funds.

	Expected contributions		Maturity profile	Recommended contribution rates
	2015-16	2014-15	2015-16	
	\$m	\$m	Years	
Pooled Fund				
SASS	498.6	439.8	13.9	multiple of member contributions
SANCS	143.7	137.8	13.9	% member salary
SSS	625.7	652.8	13.9	multiple of member contributions
PSS	190.6	200.7	13.9	% of member salary
PCSS	16.8	16.0	17	multiple of member contributions
JPS	47.2	45.7	14.6	% member salary
EISS	37.9	61.8	14.3	Division B - multiple of member contributions Division C - % member salary Division D - multiple of member contributions

## Economic Assumptions

The economic assumptions adopted from the 2015 triennial actuarial reviews of the State Sector Schemes and EISS for the Aggregate Funding Method were:

Weighted Average Assumption	At 30 June 2016 <sup>(a)</sup>		At 30 June 2015 <sup>(b)</sup>	
	Pooled Fund	EISS	Pooled Fund	EISS
Expected Rate of Return on Assets Backing Current Pension Liabilities	7.8% pa	6.3% pa	8.3% pa	7.0% pa
Expected Rate of Return on Assets Backing Other Liabilities	6.8% pa	6.3% pa	7.3% pa	7.0% pa
Expected salary increase rate <sup>(c)</sup>	3.0% pa	2.5% pa	2.7% pa	3.5% pa
Expected Rate of CPI Increase	2.5% pa	2.5% pa	2.5% pa	2.5% pa

(a) 2016 assumptions are derived from the 2015 triennial actuarial review.

(b) 2015 assumptions are derived from the 2012 triennial actuarial review.

(c) Pooled Fund expected salary increase rate until 30 June 2019 is 3.0% then 3.5% pa thereafter. For EISS, Essential Energy expects nil salary increase during 2017-18 but a rate of 2.5% is applied thereafter.

## Note 23: Other Provisions

### Other Provisions

Other provisions exist when:

- the State has a present legal or constructive obligation as a result of a past event
- it is probable that an outflow of resources will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

Other provisions are recognised in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

In regard to outstanding claims, the liabilities are measured as the present value of the expected future payments, including claims incurred but not yet reported, and the anticipated fund management fees. Expected future payments are estimated on the basis of the ultimate cost of settling claims.

The amount and timing of the actual outflows in relation to the above provisions have a degree of uncertainty. Actual results may depend on a number of factors specific to the type of claim, for example, future economic and environmental conditions may be different to those assumed.

Any change to the liabilities, from the unwinding of the discount rate over time, is recognised as interest in 'expenses from transactions' in the operating result.

Actuarial gains and losses resulting from changes in measurement assumptions are recognised as part of 'other economic flows – included in the operating result'. The other components of the expense are recognised in 'expenses from transactions'.

	General		Total State Sector	
	Government Sector	2015	2016	2015
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Current	1,995	1,516	2,460	2,016
Non-current	6,434	6,717	9,519	9,634
	<b>8,429</b>	<b>8,234</b>	<b>11,979</b>	<b>11,650</b>

#### These comprise:

##### Outstanding Claims:

Self Insurance Corporation (Excluding Self Funded Worker's Compensation)	3,039	2,985	3,039	2,985
Workers' Compensation (Dust Diseases)	1,739	1,845	1,739	1,845
Lifetime Care And Support Scheme	...	...	2,939	2,738
State Insurance Regulatory Authority <sup>(a)</sup>	140	142	140	142
Long Service Corporation Schemes	927	868	927	868
HH Loss Compensation	40	65	40	65
Victims Support Fund	219	62	219	62
Provision for Land Remediation, Restoration Costs and Other Claims	2,324	2,266	2,936	2,944
<b>Total Other Provisions</b>	<b>8,429</b>	<b>8,234</b>	<b>11,979</b>	<b>11,650</b>

#### Insurance Recoveries Receivable Include those Accrued by:

Self Insurance Corporation - for Reinsurance and Other Recoveries Receivable	231	240	231	240
Workers' Compensation (Dust Diseases) Authority - Insurance Levies Accrued	673	828	673	828
	<b>904</b>	<b>1,068</b>	<b>904</b>	<b>1,068</b>

(a) WorkCover Authority was abolished in September 2015 and the workers compensation regulation transferred to the State Insurance Regulatory Authority (SIRA)

- The provision for Self Insurance Corporation (excluding self-funded worker's compensation) exists to provide self-insurance coverage for general government agencies and state owned corporations under the *NSW Self Insurance Corporation Act 2004*. The liabilities for these outstanding claims are measured as the present value of the expected future payments. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors such as normal inflation and 'superimposed inflation' (factors such as trends in court awards). This provision is actuarially assessed in consultation with the claims managers of SICorp at each 30 June. The discount rate used is based on NSW Treasury's estimate of fair value for the 10-year New South Wales government bond yields. The provision comprises outstanding claims from the:
  - NSW Treasury Managed Fund (TMF). This is a self-insurance scheme which protects the insurable assets and exposures of all public hospitals, all public sector agencies that are financially dependent on the Consolidated Fund, and various other statutory authorities.
  - Pre-Managed Fund Reserve (PMF). This is used to fund claims incurred by the NSW Government, prior to 1 July 1989, which were previously in the Fire Risks Account, the Fidelity Fund and the Public Liability Fund.
  - Governmental Workers Compensation Account (GWC). This is used to fund outstanding workers compensation claims liabilities as at 30 June 1989.
  - Transport Accidents Compensation Fund (TAC). This is used to fund motor transport accident claims until 30 June 1987 and TransCover system claims costs from 1 July 1987 to 30 June 1989. This was replaced as of 1 July 1989 by the Motor Accidents Scheme.

Key actuarial assumptions adopted for the provision for outstanding claims in Self Insurance Corporation (excluding worker's compensation) are:

	TMF		GWC		TAC	
	2016	2015	2016	2015	2016	2015
	%	%	%	%	%	%
Not Later Than One Year						
Inflation Rate	2.5	2.5 - 3	2.5 - 3	3 - 3.5	3	2.5
Discount Rate	4.8	4.8	4.8	4.8	4.8	4.8
Superimposed Inflation <sup>(a)</sup>	0 - 5	0 - 5	0 - 1.5	0 - 1.5	3.5	3.5
Later Than One Year						
Inflation Rate	2.25 - 4	2.5 - 3.8	2.8 - 4	3 - 4	3.25 - 4	2.5 - 3.8
Discount Rate	4.8	4.8	4.8	4.8	4.8	4.8
Superimposed Inflation <sup>(a)</sup>	0 - 5	0 - 5	0 - 1.5	0 - 1.5	3.5	3.5

(a) Dependent on payment type

- The provision for Workers' Compensation (Dust Diseases) covers claims to workers in New South Wales who develop a dust disease from occupational exposure to dust. The Workers' Compensation (Dust Diseases) Authority provides a no-fault compensation scheme to victims under the *Workers' Compensation (Dust Diseases) Act 1942*. As at 30 June 2016, this liability was actuarially assessed by Taylor Fry Pty Ltd.
- The provision for Lifetime Care and Support covers the care and support services for persons catastrophically injured from motor accidents in New South Wales, regardless of who was at fault in the accident, as per the *Motor Accidents (Lifetime Care and Support) Act 2006*. As at 30 June 2016, this liability was actuarially assessed by PricewaterhouseCoopers Actuarial.
- The provision for State Insurance Regulatory Authority (previously WorkCover Authority) covers claims assumed by the State from some failed insurance companies. The liabilities cover claims incurred but not yet paid, incurred but not yet reported and the anticipated fund management fees in respect of the management of those claims. As at 30 June 2016, liabilities for compensation payments and estimated compensation for future claims was actuarially assessed by PricewaterhouseCoopers and Finity Consulting Pty Ltd.

- The provision for Long Service Corporation Schemes include the provisions for long service leave levies to be paid under the *Building and Construction Industry Long Service Payments Act 1986* and the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010*. As at 30 June 2016, this liability was actuarially assessed by Professional Financial Solutions.
- A provision for loss compensation associated with the former HIH Insurance Limited has been raised by the State for building warranty insurance and for motor vehicle claims. As at 30 June 2016, these liabilities were actuarially assessed by Finity Consulting Pty Ltd.
- A provision for universities superannuation has been recognised for the funding of staff from NSW universities who are members of State Super's defined benefit schemes (SASS, SANCS and SSS). As at 30 June 2016, this liability for universities superannuation was actuarially assessed by Mercer Actuarial Consulting.
- A provision exists for the Victims Support Fund (VSF), which was established under the *Victims Rights and Support Act 2013*, for the purpose of compensating victims with injuries resulting from acts of violence, witnesses to such acts, close relatives of the deceased victims and to law enforcement victims.

Key actuarial assumptions adopted for other Schemes are as follows:

Scheme	Discount Rate %		Inflation Rate %	
	2016	2015	2016	2015
<b>Claims expected to be paid not later than one year</b>				
Workers' Compensation (Dust Diseases)	1.6	2.0	2.5	3.0
Lifetime Care and Support	6.0	6.0	4.0	4.0
State Insurance Regulatory Authority <sup>(a)</sup>	1.6	2.0 - 2.2	2.5	3.0
Building and Construction Industry Long Service Payment Scheme	6.0	7.0	3.0	3.5
HIH Loss Compensation	1.6	2.0	2.5	3.0
<b>Claims expected to be paid later than one year</b>				
Workers' Compensation (Dust Diseases)	2.3	3.5	2.3	2.8
Lifetime Care and Support	6.0	6.0	4.0	4.0
State Insurance Regulatory Authority <sup>(a)</sup>	1.5 - 3.5	2.0 - 4.5	1.0 - 3.5	2.4 - 3.0
Building and Construction Industry Long Service Payments Scheme	6.0	7.0	3.0	3.5
HIH Loss Compensation	1.6	2.0	1.6	3.0

(a) WorkCover Authority was abolished in September 2015 and the workers compensation regulation transferred to the State Insurance Regulatory Authority (SIRA)

The discount rate for each scheme reflects current market assessments of the time value of money, and the risks specific to the liability.

## General Government Sector

### 2015-16 Movement in Other Provisions

	Carrying Amount 1 July 2015	Additional Provisions	Amounts Used	Unused Amounts Reversed	Actuarial (Gain)/Loss	Unwinding / change in discount rate	Carrying Amount 30 June 2016
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Outstanding claims:							
Self Insurance Corporation							
(excluding Workers Compensation)	2,985	314	(459)	...	75	124	<b>3,039</b>
Workers' Compensation (Dust Diseases)	1,845	...	(97)	(183)	...	174	<b>1,739</b>
State Insurance Regulatory Authority <sup>(a)</sup>	142	...	(20)	10	...	8	<b>140</b>
Long Service Corporation	868	38	(73)	...	...	94	<b>927</b>
HH Loss Compensation	65	...	(5)	(20)	...	...	<b>40</b>
Victims Support Fund	62	207	(45)	...	...	(5)	<b>219</b>
Land Remediation, Restorations and Other Claims	2,266	282	(128)	(39)	(121)	65	<b>2,324</b>
<b>Total Other Provisions</b>	<b>8,234</b>	<b>841</b>	<b>(827)</b>	<b>(232)</b>	<b>(46)</b>	<b>460</b>	<b>8,429</b>

(a) WorkCover Authority was abolished in September 2015 and the workers compensation regulation transferred to the State Insurance Regulatory Authority (SIRA)

### 2014-15 Movement in Other Provisions

	Carrying Amount 1 July 2014	Additional Provisions	Amounts Used	Unused Amounts Reversed	Actuarial (Gain)/Loss	Unwinding / change in discount rate	Carrying Amount 30 June 2015
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Outstanding claims:							
Self Insurance Corporation							
(excluding Workers Compensation)	2,990	344	(420)	...	(70)	141	<b>2,985</b>
Workers' Compensation (Dust Diseases)	2,050	...	(98)	(179)	...	72	<b>1,845</b>
WorkCover Authority	149	...	(11)	(9)	...	13	<b>142</b>
Long Service Corporation	816	65	(69)	...	...	57	<b>868</b>
HH Loss Compensation	112	...	(30)	(19)	...	2	<b>65</b>
Victims Support Fund	123	12	(60)	(14)	...	...	<b>62</b>
Land Remediation, Restorations and Other Claims	1,693	688	(152)	(40)	14	64	<b>2,266</b>
<b>Total Other Provisions</b>	<b>7,934</b>	<b>1,110</b>	<b>(840)</b>	<b>(261)</b>	<b>(57)</b>	<b>349</b>	<b>8,234</b>

## Total State Sector

### 2015-16 Movement in Other Provisions

	Carrying Amount 1 July 2015	Additional Provisions	Amounts Used	Unused Amounts Reversed	Actuarial (Gain)/Loss	Unwinding / change in discount rate	Carrying Amount 30 June 2016
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Outstanding claims:							
Self Insurance Corporation							
(excluding Workers Compensation)	2,985	314	(459)	...	75	124	<b>3,039</b>
Workers' Compensation (Dust Diseases)	1,845	...	(97)	(183)	...	174	<b>1,739</b>
Lifetime Care and Support Scheme	2,738	158	(117)	...	...	160	<b>2,939</b>
State Insurance Regulatory Authority <sup>(a)</sup>	142	...	(20)	10	(0)	8	<b>140</b>
Long Service Corporation	868	38	(73)	...	...	94	<b>927</b>
HLH Loss Compensation	65	...	(5)	(20)	...	...	<b>40</b>
Victims Support Fund	62	207	(45)	...	...	(5)	<b>219</b>
Land Remediation, Restorations and Other Claims	2,944	563	(389)	(131)	(121)	70	<b>2,936</b>
<b>Total Other Provisions</b>	<b>11,650</b>	<b>1,280</b>	<b>(1,205)</b>	<b>(324)</b>	<b>(46)</b>	<b>625</b>	<b>11,979</b>

(a) WorkCover Authority was abolished in September 2015 and the workers compensation regulation transferred to the State Insurance Regulatory Authority (SIRA)

### 2014-15 Movement in Other Provisions

	Carrying Amount 1 July 2014	Additional Provisions	Amounts Used	Unused Amounts Reversed	Actuarial (Gain)/Loss	Unwinding / change in discount rate	Carrying Amount 30 June 2015
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Outstanding claims:							
Self Insurance Corporation							
(excluding Workers Compensation)	2,990	344	(420)	...	(70)	141	<b>2,985</b>
Workers' Compensation (Dust Diseases)	2,050	...	(98)	(179)	...	72	<b>1,845</b>
Lifetime Care and Support Scheme	2,392	317	(111)	...	...	140	<b>2,738</b>
WorkCover Authority	149	...	(11)	(9)	(0)	13	<b>142</b>
Long Service Corporation	816	65	(69)	...	...	57	<b>868</b>
HLH Loss Compensation	112	...	(30)	(19)	...	2	<b>65</b>
Victims Support Fund	123	12	(60)	(14)	...	...	<b>62</b>
Land Remediation, Restorations and Other Claims	2,525	1,011	(508)	(169)	14	72	<b>2,944</b>
<b>Total Other Provisions</b>	<b>11,158</b>	<b>1,749</b>	<b>(1,308)</b>	<b>(390)</b>	<b>(57)</b>	<b>497</b>	<b>11,650</b>

## Note 24: Other Liabilities

### Other Liabilities

All other liabilities are recorded at the estimate of the obligation to pay.

Up-front payments received in respect of privately financed projects are deferred and amortised over the term of the arrangement. Refer to Note 15 Other Non-Financial Assets for further details.

	General		Total State Sector	
	Government Sector 2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Current	941	1,061	3,145	2,368
Non-current	1,920	1,797	2,041	1,867
	<b>2,861</b>	<b>2,858</b>	<b>5,186</b>	<b>4,236</b>
<b>Other Liabilities Comprise:</b>				
Deferred Revenue on the Private Provision of Infrastructure <sup>(a)</sup>	569	588	569	588
Other Deferred Revenue	1,605	1,884	1,751	1,948
Other	687	386	2,865	1,699
	<b>2,861</b>	<b>2,858</b>	<b>5,186</b>	<b>4,236</b>

(a) Payments received by the State for the reimbursement of development costs under various privately financed Infrastructure projects following the letting of the Lane Cove Tunnel, Cross City Tunnel and the Western M7 Motorway contracts. These up-front payments are amortised over the life of the concession period and include the Lane Cove Tunnel and M7 Motorway concession payments and the M2 and Eastern Distributor promissory notes.

## Note 25: Financial Instruments

The principal financial instruments of the Total State Sector are outlined below. These financial instruments arise directly from the State's operations or are used to finance the State's operations.

The note reports on the main risks as they affect the State's financial instruments classified into:

- credit risk, which affects financial assets
- liquidity risk, which affects financial assets and liabilities, and
- market risk, which affects financial assets and liabilities because of changes in market prices.

A reference to 'financial instruments' in this note excludes prepayments and statutory receivables/payables in accordance with AASB 7 *Financial Instruments: Disclosures*.

### Risk Management Framework

The Treasury, acting for the Treasurer, has overall responsibility for the establishment and oversight of risk management guidelines for the New South Wales public sector. This includes establishing Treasury Management Policy to strengthen the framework for managing risks associated with public sector agency treasury functions, including borrowings, cash, investments, derivatives, debt and investment management.

As part of this framework, The Treasury administers the *Public Authorities (Financial Arrangements) Act 1987* which is the sole source of legal power for government authorities to enter into financial arrangements.

Under this Act, the Treasurer is given responsibility for exercising a central supervisory role in respect of the investment and liability management activities of authorities to ensure that the NSW public sector's financial risks and exposures are known, properly assessed and prudently managed.



## Valuation of Financial Instruments

Except where specified below, the amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short term nature of many of the financial instruments. There are no material differences between the carrying amounts and the fair value of financial instruments.

The table below sets out the State's financial assets and liabilities measured at fair value according to the fair value hierarchy at reporting date.

### Fair Value Hierarchy of Financial Assets and Liabilities

#### General Government Sector

30 June 2016	Note	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Financial Assets at Fair Value</b>					
Fiduciary Investments Administered by NSW Treasury Corporation					
Hour-Glass Managed Funds	8	...	9,675	...	9,675
Managed Fixed Interest Portfolio	8	...	...	...	...
Securities and Placements Held by NSW Treasury Corporation					
Derivatives	8	...	0	28	28
Other	8	639	203	...	842
<b>Total</b>		<b>639</b>	<b>9,878</b>	<b>28</b>	<b>10,545</b>
<b>Financial Liabilities at Fair Value</b>					
Borrowings Measured at Fair Value					
Derivatives	19	...	6	...	6
Derivatives	19	...	2	...	2
<b>Total</b>		<b>...</b>	<b>8</b>	<b>...</b>	<b>8</b>
<b>Net Total</b>		<b>639</b>	<b>9,870</b>	<b>28</b>	<b>10,537</b>

#### Total State Sector

30 June 2016		Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Financial Assets at Fair Value</b>					
Fiduciary Investments Administered by NSW Treasury Corporation					
Managed Fixed Interest Portfolio	8	...	...	...	...
Securities and Placements Held by NSW Treasury Corporation	8	2,632	2,914	...	5,545
Derivatives	8	8	836	28	872
Other	8	1,663	11,034	...	12,697
<b>Total</b>		<b>4,303</b>	<b>14,784</b>	<b>28</b>	<b>19,115</b>
<b>Financial Liabilities at Fair Value</b>					
Borrowings Measured at Fair Value					
Derivatives	19	64,186	9,018	732	73,936
Derivatives	19	136	849	...	985
<b>Total</b>		<b>64,322</b>	<b>9,867</b>	<b>732</b>	<b>74,921</b>
<b>Net Total</b>		<b>(60,019)</b>	<b>4,917</b>	<b>(705)</b>	<b>(55,806)</b>

**Fair Value Hierarchy of Financial Assets and Liabilities (continued)***General Government Sector*

30 June 2015		Level 1	Level 2	Level 3	Total
		\$m	\$m	\$m	\$m
<b>Financial Assets at Fair Value</b>					
Fiduciary Investments Administered by NSW Treasury Corporation					
Hour-Glass Managed Funds	8	...	9,577	...	<b>9,577</b>
Managed Fixed Interest Portfolio	8	280	111	...	<b>391</b>
Securities and Placements Held by NSW Treasury Corporation					
Derivatives	8	...	0	23	<b>23</b>
Other	8	399	98	...	<b>496</b>
<b>Total</b>		<b>679</b>	<b>9,785</b>	<b>23</b>	<b>10,487</b>
<b>Financial Liabilities at Fair Value</b>					
Borrowings Measured at Fair Value					
Derivatives	19	...	8	...	<b>8</b>
Derivatives	19	...	3	...	<b>3</b>
<b>Total</b>		<b>...</b>	<b>11</b>	<b>...</b>	<b>11</b>
<b>Net Total</b>		<b>679</b>	<b>9,775</b>	<b>23</b>	<b>10,476</b>

*Total State Sector*

30 June 2015		Level 1	Level 2	Level 3	Total
		\$m	\$m	\$m	\$m
<b>Financial Assets at Fair Value</b>					
Fiduciary Investments Administered by NSW Treasury Corporation					
Managed Fixed Interest Portfolio	8	1,329	354	...	<b>1,684</b>
Securities and Placements Held by NSW Treasury Corporation					
Derivatives	8	1	647	23	<b>671</b>
Other	8	398	10,140	...	<b>10,539</b>
<b>Total</b>		<b>5,307</b>	<b>13,288</b>	<b>23</b>	<b>18,618</b>
<b>Financial Liabilities at Fair Value</b>					
Borrowings measured at Fair Value					
Derivatives	19	68,361	7,440	806	<b>76,607</b>
Derivatives	19	4	616	...	<b>621</b>
<b>Total</b>		<b>68,366</b>	<b>8,056</b>	<b>806</b>	<b>77,228</b>
<b>Net Total</b>		<b>(63,058)</b>	<b>5,232</b>	<b>(783)</b>	<b>(58,609)</b>

### Financial Instruments Measured at Fair Value – Level 3

Type	Valuation technique	Significant unobservable inputs	Relationship between inputs and fair value
Derivatives	The majority of the derivatives classified as Level 3 are electricity derivatives. The fair values of these energy derivatives are based on internally adjusted market price estimates for similar products or reasonable extrapolation of the last observed relative reference prices then discounted.	Electricity forward prices in the periods where there are unobservable market prices have been determined using internally estimated market prices.	The higher the electricity forward price, the lower the asset (and the lower the liability).
Borrowings Measured at Fair Value	Euro Medium Term Notes held by TCorp are classified at Level 3 in the hierarchy. These are foreign currency denominated fixed interest borrowings. The fair value of these is derived from quoted market prices of the underlying securities and observable inputs.	The quoted prices obtained for these securities are subject to a buy/sell spread (also known as a risk adjustment) in recognition of the limited trading activity of these bonds. This “spread” is unobservable.	There were no significant inter-relationships between unobservable inputs that materially affect fair value.

### Annual Movement Reconciliation of Level 3 Fair Value Measurements

	General			
	Government Sector		Total State Sector	
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
<b>Opening Balance</b>	23	22	(783)	(10)
Total Gains and (Losses) - Realised	...	...	(30)	(0)
Total Gains and (Losses) - Unrealised	5	1	(123)	1
Valuation	...	...	...	...
Purchases	...	...	...	...
Settlements	...	...	231	31
Transfers in and Out of Level 3	...	...	...	(806)
Transfer to Assets Held for Sale	...	...	...	1
<b>Closing Balance</b>	<b>28</b>	<b>23</b>	<b>(705)</b>	<b>(783)</b>

## Measurement of Fair Values

### *Financial Instruments Measured at Fair Value – Level 2*

Financial instruments measured at fair value that are classified as Level 2 comprise Hour-Glass Managed Funds, Securities and Placements, Derivatives, Other Financial Assets at Fair Value and Borrowings Measured at Fair Value. The valuation techniques for these financial instruments are as follows:

**Hour-Glass Managed Funds General Government** – The value of the Hour-Glass investments is based on the State’s share of the value of the underlying assets of the fund, based on the market value. All of the Hour-Glass funds are valued using ‘redemption’ pricing.

**Securities and Placements** – The fair value is based on discounting expected future cash flows from securities to their present value using market yields and margins appropriate to the securities.

**Derivatives** - The fair values are based on market quoted prices/ discounted cash flow analysis depending on whether the derivatives are traded in active market.

**Other Financial Assets at Fair Value** – This comprises mainly of bank deposits from financial institutions that are held by TCorp and Non-TCorp unit trusts/equity held by other agencies. The fair value of amounts due from financial institutions are determined by discounting the expected future cash flows arising from the deposits to their present value using market yields and margins appropriate to the deposits. The fair value of trusts underlying the Hour-Glass Managed Funds/non-TCorp unit trusts/ equity are based on unit value using ‘redemption’ pricing provided by external fund managers.

**Borrowings Measured at Fair Value** – The fair value is determined using the observable yield curves combined with margins derived from appropriate benchmarks or comparisons.

### *Financial Instruments not measured at Fair Value*

The State has a number of financial assets and liabilities which are not measured at fair value in the Statement of Financial Position but for which the fair value is disclosed in this note.

The carrying amount of cash and cash equivalents, receivables, term deposits, payables and advances received are assumed to approximate fair value due to their short-term nature.

Equity investments in other public sector entities are also assumed to approximate their fair value consistent with treatment of ‘available for sale’ financial assets in AASB 139 *Financial Instruments: Recognition and Measurement*.

Borrowings at amortised cost are the only financial instrument category whose fair value differs from carrying amount. The fair value is based on the State’s share of the value of the underlying assets of the facility, based on the market value. Borrowings at amortised cost are classified as Level 2. The following table shows the difference between the financial instruments’ carrying amount and fair value.

30 June 2016	General		Total State Sector	
	Government Sector		Carrying amount	Fair Value
	Carrying amount	Fair Value		
	\$m	\$m	\$m	\$m

**Financial Liabilities**

Borrowings at Amortised Cost	31,836	35,968	5,176	5,304
------------------------------	--------	--------	-------	-------

30 June 2015	General		Total State Sector	
	Government Sector		Carrying amount	Fair Value
	Carrying amount	Fair Value		
	\$m	\$m	\$m	\$m

**Financial Liabilities**

Borrowings at Amortised Cost	31,500	34,834	4,770	4,882
------------------------------	--------	--------	-------	-------

## Credit Risk of Financial Assets

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

All financial assets, except for those measured at fair value through profit or loss, are subject to annual review for impairment, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.

An allowance for impairment of receivables is established when there is objective evidence that the State will not be able to collect amounts due.

The amount of the impairment loss is recognised as 'other economic flows - included in the operating result'. Bad debts are written off as incurred and are treated as 'expenses from transactions', where mutually agreed.

Credit risk arises from the financial assets of the State, including cash, deposits, receivables, and financial assets.

The State controls the borrowing and investing powers of its authorities through the *Public Authorities (Financial Arrangement) Act 1987*. The provision for the Treasurer to schedule authorities under this Act restricts the ability and amount that public authorities can borrow and invest, and directs most authorities to finance through TCorp. Agencies with approved investing powers outside of TCorp are restricted to invest in classes of instruments (with varied credit ratings) in accordance with the *Public Authorities (Financial Arrangement) Act 1987*.

The value of securities held are highly managed with reference to levels consistent with triple-A credit rating metrics with credit rating agencies Standard & Poor's Services (S&P) and Moody's. To be eligible for investment, counterparties must satisfy minimum credit worthiness criteria.

The State holds various security deposits in the General Government Sector to the value of \$126 million (2015: \$126 million) and Total State Sector to the value of \$397 million (2015: \$514 million).

The State may obtain, or provide, collateral to support amounts due under derivative transactions with certain counterparties. The collateral may include cash or eligible securities obtained, or provided, when agreed market value thresholds are exceeded. There was \$152.9 million of collateral received under these arrangements at the reporting date (2015: \$209.7 million). The State had paid \$68.7 million of collateral under these arrangements during the year (2015: \$76.9 million).

## Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, cash invested in the TCorp Hour-Glass Fund, and cash and deposits held at financial institutions. Interest is earned on daily bank balances at published rates. The TCorp Hour-Glass Cash Fund is discussed in the section headed 'Price Risk' as it is affected by market price risk. The credit ratings of the 'other financial institutions' holding the non-Hour-Glass cash is within acceptable credit rating parameters.

## Receivables and Advances Paid

Debtors exist for the settlement of services that the State provides across the broad spectrum of its public services. In addition, the State has issued low interest or interest free loans for policy purposes, which are known as advances. Advances receivable include amounts provided for assistance to farmers and for certain transport infrastructure.

All debtors are recognised as amounts receivable at reporting date. Sales are made on terms appropriate to the sector providing the public service. Collectability of debtors is reviewed on an ongoing basis. Established procedures are followed to recover outstanding debt amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is evidence that the State will not be able to collect all amounts due.

The annual movement in the allowance for impairment is summarised below.

*Movement in Allowance for Impairment*

	General			
	Government Sector		Total State Sector	
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
<b>Opening Balance at 1 July</b>	<b>142</b>	<b>184</b>	<b>177</b>	<b>220</b>
Amounts Written Off During the Year	(46)	(96)	(53)	(99)
Amounts Previously Provided for Recovered During the Year	(1)	(1)	(3)	(2)
Increase/(Decrease) in Allowance Recognised in Profit or Loss	66	56	77	58
<b>Closing Balance at 30 June<sup>(a)</sup></b>	<b>161</b>	<b>142</b>	<b>198</b>	<b>177</b>

(a) Excludes statutory receivables and prepayments.

The State provides services to a broad spectrum of the NSW economy, for example for water and public housing. Debtors include individual households and commercial businesses with various credit ratings.

The State is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors in respect of financial instruments.

Receivables and advances paid that are not past due (General Government Sector 2016: \$4.1 billion; 2015: \$5.2 billion; Total State Sector 2016: \$4.0 billion; 2015: \$4.3 billion) represent 91.0 per cent of the total receivables and advances paid for the General Government Sector (2015: 92.4 per cent) and 85.9 per cent of the total receivables and advances paid for the Total State Sector (2015: 88.0 per cent). On the basis of materiality, information has not been collated for the State on the quantum of debtors which are currently not past due or impaired whose terms have been renegotiated.

The majority of amounts past due or impaired relate to the sale of goods and services. Therefore, the following analysis has been prepared for all receivables past due or impaired, and has not been dissected by component receivable.

*Financial Instruments Past Due or Impaired*

	General			
	Government Sector		Total State Sector	
	Past due but not impaired	Considered impaired	Past due but not impaired	Considered impaired
	\$m	\$m	\$m	\$m
<b>30 June 2016</b>				
Less than Three Months Overdue	151	10	324	20
Between Three Months and Six Months Overdue	51	16	90	19
Greater than Six Months Overdue	77	105	81	128
<b>Total</b>	<b>279</b>	<b>131</b>	<b>495</b>	<b>166</b>
<b>30 June 2015</b>				
Less than Three Months Overdue	166	10	240	16
Between Three Months and Six Months Overdue	36	15	75	18
Greater than Six Months Overdue	86	113	105	136
<b>Total</b>	<b>288</b>	<b>138</b>	<b>420</b>	<b>170</b>

Each column in the table reports 'gross receivables'.

The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7, and excludes receivables that are not past due and not impaired. Therefore, the total will not reconcile to the amount in the receivables note.

## Financial Assets at Fair Value and Other Financial Assets

Financial assets at fair value include fiduciary activities administered by TCorp including Hour-Glass Funds, managed asset portfolios, securities and placements, derivatives and other investments held directly by public sector agencies.

**Hour-Glass Funds** – The investments within the Hour-Glass Funds are unit holdings in a managed investment pool and, as such, do not give rise to direct credit risk. Credit risk within the Hour-Glass Funds is managed through TCorp, as trustee contracting with a spread of managers and requiring in their mandates a series of controls over the concentration and credit quality of assets.

**Managed Asset Portfolios** – TCorp manages risk exposures applicable to specific fixed-interest investments of the State in accordance with an asset portfolio mandate agreed between the two parties. The various risks are managed by TCorp within limits stipulated in the portfolio mandate.

**Securities and Placements** – These include bank bills and certificates of deposit, securities sold under repurchase agreements, and government, semi-government and supranational bonds held by TCorp, mainly to cover the liquidity requirements of the State's borrowings.

**Term Deposits** – Term deposits recognised at amortised cost comprise of deposits with original maturities greater than 90 days and are held with other financial institutions.

## Categorisation and Concentration of Credit Risk

Fixed-interest holdings are categorised for credit risk by S&P or Moody's credit rating applicable to the underlying securities.

Credit risk applicable to investments is detailed in the tables below.

### General Government Sector

30 June 2016									
Credit Rating <sup>(a)</sup>	Note	AAA	AA+	AA	AA-	A+	A	Other Ratings <sup>(b)</sup>	Total
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Financial Assets at Carrying Amount<sup>(c)</sup></b>									
Managed Fixed Interest Portfolio	8	...	...	...	...	...	...	...	...
Securities and Placements	8	...	...	...	...	...	...	...	...
Derivative Financial Instruments	8	28	...	...	0	...	...	...	28
Other Financial Assets at Fair Value	8	399	...	129	...	...	9	306	842
Term Deposits	8	4,429	...	80	10,753	29	22	...	15,313
Finance Lease Receivable	8	...	...	...	...	...	...	703	703
		<b>4,855</b>	<b>...</b>	<b>209</b>	<b>10,753</b>	<b>29</b>	<b>31</b>	<b>1,009</b>	<b>16,885</b>

30 June 2015									
Credit Rating <sup>(a)</sup>	Note	AAA	AA+	AA	AA-	A+	A	Other Ratings <sup>(b)</sup>	Total
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Financial Assets at Carrying Amount<sup>(c)</sup></b>									
Managed Fixed Interest Portfolio	8	267	...	102	...	...	8	15	391
Securities and Placements	8	...	...	...	...	...	...	...	...
Derivative Financial Instruments	8	23	...	...	...	...	...	0	23
Other Financial Assets at Fair Value	8	84	...	...	85	19	...	309	496
Term Deposits	8	105	...	...	2,450	...	...	19	2,573
Finance Lease Receivable	8	...	...	...	...	...	...	657	657
		<b>479</b>	<b>...</b>	<b>102</b>	<b>2,535</b>	<b>19</b>	<b>8</b>	<b>1,000</b>	<b>4,141</b>

(a) Amounts are assigned to the credit ratings categories based on information provided by individual agencies who use rankings assigned by S&P or Moody's Investor Services. "AAA", "AA+", "AA", "AA-", "A+", "A" displayed in the column headings are ratings categories by S&P that are comparable with "Aaa", "Aa1", "Aa2", "Aa3", "A1", "A2" ratings given by Moody's.

(b) Short term ratings of A2 or better, when the counterparty has no long term rating or the long term rating is A- or lower.

(c) This table excludes \$5,260 million (2015: \$12,433 million) of cash and cash equivalents held in Hour-Glass Fund and other financial institutions with various credit ratings and \$9,675 million (2015: \$9,577 million) of financial assets held in Hour-Glass Managed Funds.

**Total State Sector**

30 June 2016									
Credit Rating <sup>(a)</sup>	Note	AAA	AA+	AA	AA-	A+	A	Other Ratings <sup>(b)</sup>	Total
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Financial Assets at Carrying Amount<sup>(c)</sup></b>									
Managed Fixed Interest Portfolio	6, 8	...	...	...	...	...	...	...	...
Securities and Placements	8	1,525	516	...	2,070	743	...	691	<b>5,545</b>
Derivative Financial Instruments	8	28	...	...	544	218	30	53	<b>872</b>
Other Financial Assets at Fair Value	8	2,698	...	235	6,478	2,953	9	324	<b>12,697</b>
Term Deposits	8	410	...	80	10,809	201	35	...	<b>11,535</b>
Finance Lease Receivable	8	...	...	...	...	...	...	1,115	<b>1,115</b>
		<b>4,662</b>	<b>516</b>	<b>315</b>	<b>19,900</b>	<b>4,114</b>	<b>74</b>	<b>2,184</b>	<b>31,765</b>

**Other Adjustments for Items not on the Statement of Financial Position<sup>(d)</sup>**

Additional Potential Exposure to Derivatives		0	...	...	162	31	39	18	<b>250</b>
Additional Potential Exposure to Financial Instruments		...	...	...	7	4	...	3	<b>14</b>
		<b>4,662</b>	<b>516</b>	<b>315</b>	<b>20,070</b>	<b>4,149</b>	<b>113</b>	<b>2,204</b>	<b>32,029</b>

30 June 2015									
Credit Rating <sup>(a)</sup>	Note	AAA	AA+	AA	AA-	A+	A	Other Ratings <sup>(b)</sup>	Total
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Financial Assets at Carrying Amount<sup>(c)</sup></b>									
Managed Fixed Interest Portfolio	6, 8	1,379	...	282	...	...	8	15	<b>1,684</b>
Securities and Placements	8	1,226	385	458	2,015	443	505	694	<b>5,725</b>
Derivative Financial Instruments	8	27	...	...	378	117	105	44	<b>671</b>
Other Financial Assets at Fair Value	8	1,405	...	...	4,728	4,004	44	358	<b>10,539</b>
Term Deposits	8	105	...	...	2,450	...	...	19	<b>2,573</b>
Finance Lease Receivable	8	...	...	...	...	...	...	1,009	<b>1,009</b>
		<b>4,141</b>	<b>385</b>	<b>740</b>	<b>9,572</b>	<b>4,563</b>	<b>661</b>	<b>2,138</b>	<b>22,201</b>

**Other Adjustments for Items not on the Statement of Financial Position<sup>(d)</sup>**

Additional Potential Exposure to Derivatives		0	...	...	131	33	45	10	<b>219</b>
Additional Potential Exposure to Financial Instruments		...	...	...	1	2	3	4	<b>9</b>
		<b>4,141</b>	<b>385</b>	<b>740</b>	<b>9,703</b>	<b>4,598</b>	<b>709</b>	<b>2,152</b>	<b>22,429</b>

(a) Refer to footnote in General Government Sector table above.

(b) Refer to footnote in General Government Sector table above.

(c) This table excludes \$11,072 million (2015: \$15,464 million) of cash and deposits held in Hour-Glass Fund and other financial institutions with various credit ratings.

(d) These items are additional credit exposures not reported on the Statement of Financial Position. These disclosures represent the market value convention for the calculation of credit exposure for derivative financial instruments. This convention is to add to the market value an amount of potential exposure as determined by reference to the length of time to maturity and face value.

**Liquidity Risk****Liquidity Risk of Liabilities**

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

The State has a number of financial guarantees outstanding at 30 June 2016 with an estimated amortised value of \$6.2 million (2015: \$8.0 million) recognised in the Statement of Financial Position. The estimated value was calculated by independent valuers based on the probability of these guarantees being exercised.

It comprises three types of guarantees, with the largest one for Public Private Partnership (PPP) guarantees \$5.6 billion (2015: \$5.8 billion). The State has guaranteed that five agencies involved in PPPs will meet their obligations to pay for finance leases and services provided. These are long term agreements involving significant sums. It is very unlikely that the agencies would cease to pay the finance lease contracts on assets or meet payments for services they require for their operations.

## Liquidity Risk of Assets

The liquidity of State's investments is assured by the high-credit nature of the fixed interest investments within the TCorp Hour-Glass Funds. TCorp is required to take market turnover and liquidity risk into account at the time of constructing the State's investment asset allocation.

In addition, Note 29 to these financial statements outlines contingent liabilities in respect of guarantees made to facilitate the provision of certain services, the construction of several infrastructure assets and guarantees associated with the previous disposal of certain assets.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Trade terms vary, depending upon the service performed and the agreement made with the debtor.

## Maturity Analysis of Financial Liabilities

The table below summarises the maturity profile of the State's financial liabilities prepared using contractual undiscounted cash flows. This comprises loan commitments which include both borrowings at face value and future interest commitments.

### General Government Sector

30 June 2016	Contract maturity:			Nominal Amount <sup>(a)</sup> 2016 \$m
	1 year or less	1 to 5 years	Over 5 years	
	2016 \$m	2016 \$m	2016 \$m	
<b>Financial Liabilities</b>				
Payables and Other Financial Liabilities	5,749	2	0	<b>5,751</b>
Advances Received	56	338	803	<b>1,198</b>
Domestic and Foreign				
Borrowings	2,698	15,927	21,443	<b>40,068</b>
Finance Leases	465	1,813	3,873	<b>6,151</b>
Derivative Liabilities <sup>(b)</sup>	19	13	...	<b>31</b>
<b>Total Financial Liabilities</b>	<b>8,986</b>	<b>18,093</b>	<b>26,119</b>	<b>53,198</b>

30 June 2015	Contract maturity:			Nominal Amount <sup>(a)</sup> 2015 \$m
	1 year or less	1 to 5 years	Over 5 years	
	2015 \$m	2015 \$m	2015 \$m	
<b>Financial Liabilities</b>				
Payables and Other Financial Liabilities	4,933	23	13	<b>4,969</b>
Advances Received <sup>(c)</sup>	77	297	834	<b>1,207</b>
Domestic and Foreign				
Borrowings <sup>(c)</sup>	2,682	13,446	21,015	<b>37,143</b>
Finance Leases	404	1,643	4,101	<b>6,148</b>
Derivative Liabilities <sup>(b)</sup>	...	0	2	<b>2</b>
<b>Total Financial Liabilities</b>	<b>8,096</b>	<b>15,409</b>	<b>25,964</b>	<b>49,468</b>

- (a) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities and therefore will not reconcile to the Statement of Financial Position, which is based on fair value or amortised cost. The balances presented here include gross finance lease obligations, contractual amounts to be exchanged in a derivative financial instrument for which gross cash flows are exchanged, and gross loan commitments, i.e. borrowings at face value plus future interest commitments.
- (b) The contract maturity analysis and liquidity risk of derivative liabilities is the best approximation derived from reasonable estimates that were calculated from information sourced from major NSW entities. These balances include estimated interest payments and exclude the impact of offsetting arrangements.
- (c) 2014-15 has been restated due to the reclassification of monies received from the Commonwealth from borrowing to advances.

**Total State Sector**

30 June 2016	Contract maturity:			Nominal Amount <sup>(a)</sup> 2016 \$m
	1 year or less	1 to 5 years	Over 5 years	
	2016 \$m	2016 \$m	2016 \$m	
<b>Financial Liabilities</b>				
Payables and Other Financial Liabilities	7,429	11	0	<b>7,440</b>
Advances Received	56	338	803	<b>1,198</b>
Domestic and Foreign Borrowings	...	...	...	
Borrowings	15,875	33,821	35,204	<b>84,899</b>
Finance Leases	614	2,445	9,067	<b>12,126</b>
Derivative Liabilities <sup>(b)</sup>	610	1,058	1,095	<b>2,763</b>
<b>Total Financial Liabilities</b>	<b>24,585</b>	<b>37,673</b>	<b>46,169</b>	<b>108,427</b>

30 June 2015	Contract maturity:			Nominal Amount <sup>(a)</sup> 2015 \$m
	1 year or less	1 to 5 years	Over 5 years	
	2015 \$m	2015 \$m	2015 \$m	
<b>Financial Liabilities</b>				
Payables and Other Financial Liabilities	6,747	84	227	<b>7,058</b>
Advances Received <sup>(c)</sup>	90	298	834	<b>1,222</b>
Domestic and Foreign Borrowings <sup>(c)</sup>	14,182	34,296	41,250	<b>89,728</b>
Borrowings	520	2,152	9,072	<b>11,744</b>
Finance Leases	429	943	917	<b>2,288</b>
Derivative Liabilities <sup>(b)</sup>				
<b>Total Financial Liabilities</b>	<b>21,968</b>	<b>37,772</b>	<b>52,300</b>	<b>112,040</b>

(a) Refer to footnote in General Government Sector table above.

(b) Refer to footnote in General Government Sector table above.

(c) Refer to footnote in General Government Sector table above.

**Market Risk**

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

- interest rate risk on the State's borrowings and investments
- price risks associated with the movement in the unit price of the Hour-Glass Investment Funds
- electricity and other price risks that affect specific revenue and expenses, and
- foreign exchange risk that could affect borrowings and the value of overseas purchases.

For interest rate risk and Hour-Glass price risk the effect on operating result and equity due to a reasonably possible change in a risk variable is outlined in the information below. A reasonably possible change in a risk variable has been determined after taking into account the economic environment in which the State operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the reporting date.

**Interest Rate Risk**

Exposure to interest rate risk arises primarily through the State's interest bearing assets and liabilities. This risk is managed by undertaking mainly fixed rate borrowings predominantly through TCorp and entering fixed interest deposits, primarily through TCorp.

TCorp manages the debt portfolio for the majority of the State's entities. A small number of other commercial entities engage private sector financial institutions to manage or advise on the management of their debt portfolios, or manage their own portfolios.

The State's exposure to interest rate risk is set out in the table below. The Interest Rate Risk Table reports the estimated sensitivity of a one per cent movement in interest rates to the operating result of the State.

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

TCorp's borrowing and investment activities are disclosed in the following tables of Interest Rate Risk – Sensitivity Analysis. However, instead of applying the plus (or minus) one per cent sensitivity, a Value at Risk (VaR) model is used to measure the market risk exposures of the TCorp borrowings and investments in the Statement of Financial Position. VaR is calculated daily and represents an estimate of the loss that can be expected over a 10-day period, with a one per cent probability that this amount may be exceeded. Given TCorp's financial position at 30 June 2016, the maximum potential loss expected over a 10-day period is \$14.6 million (2015: \$11.3 million), with a one per cent probability that this maximum may be exceeded. The average VaR over the year ended 30 June 2016 was \$11.6 million (2015: \$9.6 million).

### Interest Rate Risk – Sensitivity Analysis

Exposure to interest rate risk arises primarily through the State's interest bearing liabilities.

Movements in the sensitivity to interest rates between periods are due to changes in the amount of variable rate borrowings and interest rate contracts.

#### General Government Sector

	Note	Carrying Amount \$m	-1% Operating Result <sup>(a)</sup> \$m	Equity \$m	1% Operating Result <sup>(a)</sup> \$m	Equity \$m
<b>2016</b>						
<b>Financial Assets</b>						
Cash and Cash Equivalents	6	5,260	(50)	...	50	...
Investments, Loans and Placements						
Financial Assets at Fair Value						
- Administered by TCorp	8	9,675	...	...	...	...
Other Financial Assets						
- Term Deposits	8	15,313	(153)	...	153	...
<b>Financial Liabilities</b>						
Borrowings - from TCorp	20	28,672	...	...	...	...
<b>2015</b>						
<b>Financial Assets</b>						
Cash and Cash Equivalents	6	12,433	(119)	...	119	...
Investments, Loans and Placements						
Financial Assets at Fair Value						
- Administered by TCorp	8	9,968	...	...	...	...
Other Financial Assets						
- Term Deposits	8	2,573	(26)	...	26	...
<b>Financial Liabilities</b>						
Borrowings - from TCorp	20	28,474	...	...	...	...

(a) A decrease (increase) of one percentage point in interest rates on variable financial instruments at reporting date would have increased (decreased) the operating result by the amounts shown. This analysis assumes that fixed rate instruments held at 30 June will be reinvested upon maturity in fixed (and not floating) rate instruments, and all other variables remain constant. Where the carrying amount is impacted, this amount is multiplied by +/- one per cent.

*Total State Sector*

	Note	Carrying Amount \$m	-1% Operating Result <sup>(a)</sup> \$m	Equity \$m	1% Operating Result <sup>(a)</sup> \$m	Equity \$m
<b>2016</b>						
<b>Financial Assets</b>						
Cash and Cash Equivalents	6	10,874	(109)	...	109	...
Investments, Loans and Placements						
Financial Assets at Fair Value						
- Administered by TCorp	8	5,545	(9)	...	9	...
Other Financial Assets						
- Term Deposits	8	11,535	(115)	...	115	...
<b>Financial Liabilities</b>						
Borrowings - Issued by TCorp	19	73,930	...	...	...	...
<b>2015</b>						
<b>Financial Assets</b>						
Cash and Cash Equivalents	6	15,534	(155)	...	155	...
Investments, Loans and Placements						
Financial Assets at Fair Value						
- Administered by TCorp	8	7,409	(9)	...	9	...
Other Financial Assets						
- Term Deposits	8	2,573	(26)	...	26	...
<b>Financial Liabilities</b>						
Borrowings - Issued by TCorp	19	76,599	...	...	...	...

(a) Refer to footnote in General Government Sector table above.

**Price Risk**

The State's main exposures to price risk result from changes in market prices of its Hour-Glass Managed Fund funds, and through changes in the spot price for electricity purchases and sales within the National Electricity Market.

*TCorp Hour-Glass Trusts*

The State holds units in the following Hour-Glass investment trusts, which are held for strategic rather than trading purposes. The funds comprise a series of managed funds which are subject to volatility in their unit prices. Each fund comprises a different underlying type of investment, with associated risks and investment horizons.

Trust	Investment Sectors	Investment Horizon	General			
			Government Sector		Total State Sector	
			2016	2015	2016	2015
			\$m	\$m	\$m	\$m
Cash Fund	Cash, money market instruments	Up to 1.5 years	253	555	...	...
Strategic Cash Fund	Cash, money market instruments	1.5 years to 3 years	4	19	...	...
Medium Term Growth Fund	Cash, money market instruments, Australian and International bonds, listed property, Australian shares	3 years to 7 years	128	112	...	...
Long Term Growth Facility	Cash, money market instruments, Australian and international bonds, listed property, Australian shares	7 years and over	1,908	1,733	...	...
Treasury Managed Fund (Hour Glass Fund)	Cash, money market instruments, Australian bonds, listed and unlisted property, Australian, international and emerging market shares	Long Term	7,239	7,365	...	...
Australian Bonds Sector	Government, sovereign and bank securities	3 years and over	...	2	...	...
Australian Shares Sector	Australian shares	5 years and over	120	114	...	...
International Shares Sector	International shares	5 years and over	19	20	...	...
International Shares Hedged Sector	International shares	5 years and over	59	56	...	...
Emerging Markets Shares Sector	Emerging market shares	5 years and over	50	46	...	...
Listed Property Sector	Global Real Estate Investment Trusts	5 years and over	6	6	...	...
Unlisted Property Sector	Retail, office and industrial property assets	10 years and over	121	104	...	...
Unlisted Infrastructure Fund	Unlisted Managed Investment Funds	10 years and over	21	...	...	...
The State's Hour-Glass Trusts			<b>9,928</b>	<b>10,131</b>	...	...

The TCorp Hour-Glass Investment trusts are designated at fair value through profit or loss and therefore any change in unit price impacts directly on the operating result. The unit price of each trust is equal to the total fair value of the net assets held by the trust divided by the number of units on issue for that trust. Unit prices are calculated and published daily.

For each of the above trusts, as trustee, TCorp has appointed external managers to manage the performance and risks of each trust in accordance with a mandate agreed by the parties. However, TCorp acts as manager for part of the Cash Fund and for the Strategic Cash Fund.

Investment in the Hour-Glass trusts limits the State's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

The following table provides sensitivity analysis information for each of the Hour-Glass trusts, using historically based volatility information collected over a 10 year period, quoted at two standard deviations (i.e. 95 per cent probability).

A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value at 30 June each year for each trust.

## Price Risk Sensitivity Analysis of the Hour-Glass Investment Funds

Trust	Change in Unit	Change in Unit	General			
	Price	Price	Government Sector		Total State Sector	
	2016	2015	2016	2015	2016	2015
			\$m	\$m	\$m	\$m
Cash Fund	+/-1.0%	+/-1.0%	3	6	...	...
Strategic Cash Fund	+/-1.0%	+/-1.0%	0	0	...	...
Medium Term Growth Fund	+/-7.0%	+/-6.0%	9	7	...	...
Long Term Growth Fund	+/-16.0%	+/-15.0%	305	260	...	...
Treasury Managed Fund Facility	+/-18.0%	+/-18.0%	1,303	1,326	...	...
Australian Bonds Sector	+/-1.0%	+/-1.0%	...	0	...	...
Australian Shares Sector	+/-28.0%	+/-27.0%	34	31	...	...
International Shares Sector	+/-24.0%	+/-24.0%	4	5	...	...
International Shares Hedged Sector	+/-29.0%	+/-29.0%	17	16	...	...
Emerging Markets Shares Sector	+/-20.0%	+/-18.0%	10	8	...	...
Listed Property Sector	+/-38.0%	+/-38.0%	2	2	...	...
Unlisted Property Sector	+/-5.0%	+/-4.0%	6	4	...	...
Unlisted Infrastructure Fund	+/-9.0%	+/-11.0%	2	...	...	...

The table above shows that the State's dollar exposure to Hour-Glass price risk can be relatively significant, particularly for its holdings in the Long Term Growth Fund and Treasury Managed Fund Facilities. Both of these funds are underpinned by heavier weightings in share and property growth assets. It should be expected that, while there can be short-term volatility in annual returns, they will return higher long term returns than the Cash or Strategic Cash Funds. In particular, the Treasury Managed Fund investments are held beyond the short-term to reflect the longer-term payment horizon for insurance claims, which can extend beyond a few years.

### *Derivative Electricity Hedging Contracts*

It is the policy of state-owned electricity generators to hedge their risk associated with fluctuations in the sale price of electricity into the National Electricity Market. This is by entering into derivative contracts (cash flow hedges) with wholesale electricity market counterparties. These derivatives are marked to market and their fair values are measured, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.

### **Foreign Exchange Risk**

The State, through its consolidated entities, has policies and procedures in place and utilises foreign exchange derivatives to minimise foreign exchange risk.

### *Borrowings*

In order to achieve the most cost effective funding of the State's debt, TCorp conducts a number of debt issues in foreign currencies in foreign capital markets.

Foreign exchange risk, arising from offshore borrowings undertaken in foreign currencies to fund Australian dollar assets, is covered by entering into Australian dollar cross-currency swaps and forward foreign exchange contracts.

Forward foreign exchange contracts with clients are covered by corresponding forward exchange contracts with market counterparties. In the majority of these arrangements the clients indemnify TCorp for any credit exposure arising from the corresponding transaction with the market counterparty.

### Managed Asset Portfolios

TCorp hedges all foreign currency exposure for international fixed interest and listed property unit trust investments and foreign currency denominated bond investments. As at 30 June 2016, the State had no transactional or structural currency exposures associated with these portfolios (2015: nil).

### Other Purchase and Sale Commitments

Entities in the NSW Total State Sector enter into forward foreign exchange contracts to hedge certain purchase and sale commitments entered into in the normal course of business. These contracts cover the purchase of capital equipment and supplies for state electricity and transport authorities and arts agencies.

### Foreign Exchange Contracts Denominated in their Foreign Currency

Buy Currency	General		Total State Sector	
	Government Sector		2016	2015
	2016	2015	In Foreign	In Foreign
	In Foreign	In Foreign	Currency	Currency
	Currency	Currency	Millions	Millions
	Millions	Millions		
Euro	33	44	55	47
Japanese Yen	3	...	3,830	...
Swedish Krona	...	...	...	...
United Kingdom Pound	3	3	3	7
United States Dollar	74	3	114	95

The foreign currency risk is not considered material in terms of a possible impact on the operating result and total equity and, as such, a sensitivity analysis has not been completed. The total exposure in Australian dollars is estimated at \$319 million (2015: \$193 million).

### Note 26: Trusts Under Management

Trusts under management are held on behalf of beneficiaries and are not controlled by the State. Therefore, these trusts are not recognised as assets or liabilities on the Statements of Financial Position. Trusts under management mainly comprise various forms of estates under management, unclaimed monies and Supreme Court trust funds held in statutory accounts.

	General		Total State Sector	
	Government Sector		2016	2015
	2016	2015	\$m	\$m
	\$m	\$m		
Trust Funds:				
NSW Trustee and Guardian <sup>(a)</sup>	2,789	2,703	2,789	2,703
State Insurance Regulatory Authority <sup>(b)</sup>	1,343	1,414	1,343	1,414
Rental Bond Board	1,309	1,206	1,309	1,206
NSW Treasury Corporation (fiduciary investments)	...	...	212	214
Department of Industry, Skills and Regional Development	189	188	189	188
Ministry of Health	74	74	74	74
Other	194	198	194	199
	<b>5,898</b>	<b>5,782</b>	<b>6,110</b>	<b>5,998</b>

(a) The trust balances exclude certain property assets administered by the NSW Trustee and Guardian as they cannot be reliably measured.

(b) WorkCover Authority was abolished on 1 September 2015 and their trust balances transferred to the State Insurance Regulatory Authority.

## Note 27: Finance and Operating Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

### Finance Leases

Finance leases are recognised in the Statement of Financial Position by the lessee as assets and liabilities and measured initially at the fair value, or if lower at the present value, of the minimum lease payments. The leased asset is depreciated on a straight line basis over the shorter of the term of the lease and its useful life or, where it is likely that the entity will obtain ownership of the asset, the useful life of the asset to the entity. The finance lease liability is determined in accordance with AASB 117 *Leases*. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lessor in a finance lease initially recognises a lease receivable for an amount equal to the net investment in the lease, and subsequently recognises finance income based on a pattern reflecting a constant periodic rate of return on the net investment in the lease.

Long term leases of land are classified as finance leases receivable. This recognises that substantially all the risks and rewards incidental to ownership of the land are transferred to the lessee.

### Operating Leases

Operating lease payments and receipts are recognised in the Statement of Comprehensive Income by the lessor and charged to the operating result on a straight lines basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### Leasehold Improvement

The cost of leasehold improvements is capitalised as an asset and amortised over the remaining term of the lease or the estimated useful life of the improvements, whichever is the shorter.

### Leases as Lessee

#### Future Minimum Lease Payments

At 30 June the future minimum lease payments under non-cancellable leases were payable as follows:

Finance Lease Commitments - Payables	General			
	Government Sector		Total State Sector	
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Finance Leases	3,164	3,026	5,113	4,698
	<b>3,164</b>	<b>3,026</b>	<b>5,113</b>	<b>4,698</b>

#### Future Minimum Lease Payments Under Non-Cancellable

##### Finance Leases:

Not Later Than One Year	465	404	614	520
Between One and Five Years	1,813	1,643	2,445	2,152
Later Than Five Years	3,873	4,101	9,067	9,072
Minimum Lease Payments	6,151	6,148	12,126	11,744
Less: Future Finance Charges	(2,987)	(3,122)	(7,013)	(7,046)
<b>Present Value of Minimum Lease Payments</b>	<b>3,164</b>	<b>3,026</b>	<b>5,113</b>	<b>4,698</b>
<b>Finance Lease Liabilities Resulting in Contingent Rental Expense</b>	<b>166</b>	<b>12</b>	<b>166</b>	<b>12</b>

Operating Lease Commitments - Payables	General			
	Government Sector		Total State Sector	
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
<b>Future Minimum Lease Payments Under Non-Cancellable Operating Leases:</b>				
Not Later Than One Year	795	752	975	920
Between One and Five Years	1,941	1,401	2,278	1,759
Later than Five Years	1,367	612	1,669	975
	<b>4,103</b>	<b>2,765</b>	<b>4,922</b>	<b>3,654</b>

## Leases as Lessor

### Future Minimum Lease Payments

At 30 June the future minimum lease payments under non-cancellable leases were receivable as follows:

Finance Leases Receivable	General			
	Government Sector		Total State Sector	
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Finance Leases	703	657	1,115	1,009
	<b>703</b>	<b>657</b>	<b>1,115</b>	<b>1,009</b>

### Future Minimum Lease Receipts Under Finance Leases are Receivable for each of the Following Periods:

Not Later Than One Year	25	74	54	94
Between One and Five Years	384	78	517	174
Later Than Five Years	629	857	951	1,167
Gross Investment in the Lease	1,037	1,009	1,522	1,435
Less: Future Interest Revenues	(334)	(352)	(407)	(426)
<b>Present Value of Minimum Lease Payments Receivable</b>	<b>703</b>	<b>657</b>	<b>1,115</b>	<b>1,009</b>

### Finance Lease Receivables Resulted In:

The Unguaranteed Residual Values Accruing to Lessors Benefit	28	26	28	26
Contingent Rents Recognised as Income	2	0	2	0

Finance lease receivables includes a residual emerging interest in the port assets amounting to \$190 million (2015: \$177 million) in the General Government Sector and \$268 million (2015: \$251 million) in the Total State Sector for 2015-16.

Operating Lease - Receivables <sup>(a)</sup>	General			
	Government Sector		Total State Sector	
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Future Operating Lease Rentals not Provided for in the Financial Statements and Receivable:				
Not Later Than One Year	93	119	142	176
Later Than One Year and Not Later Than Five Years	244	257	361	388
Later Than Five Years	687	593	1,097	960
	<b>1,024</b>	<b>969</b>	<b>1,600</b>	<b>1,525</b>

(a) 2014-15 has been restated to include RMS operating lease rentals not previously identified.

## Note 28: Expenditure Commitments

The following represents expenditure contracted for at the reporting date, but not recognised in the financial statements.

	General		Total State Sector	
	Government Sector	2015	2016	2015
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
<b>Capital Expenditure</b> (including expenditure for private sector financed infrastructure assets)				
WCX M5 PTY Limited <sup>(a)</sup>	...	...	3,825	...
Roads and Maritime Services	3,256	3,399	3,250	3,398
WCX M4 Coporation Pty Ltd	...	...	2,464	3,164
Transport for NSW	2,225	840	2,225	840
Ministry of Health	913	877	913	877
Sydney Water Corporation	...	...	724	901
Department of Education	155	145	155	145
New South Wales Land and Housing Corporation	...	...	100	112
Ausgrid	...	...	94	103
Department of Family and Community Services	80	3	79	3
Endeavour Energy	...	...	49	65
NSW Police Force	47	47	47	47
Hunter Water Corporation	...	...	43	35
Service NSW	39	30	39	30
Department of Justice	38	48	38	48
Sydney Trains	...	...	37	13
Essential Energy	...	...	29	23
Water NSW <sup>(b)</sup>	...	...	28	30
Department of Industry, Skills and Regional Development	25	15	25	15
Electricity Transmission Ministerial Holding Corporation <sup>(c)</sup>	...	...	...	198
Other	86	90	135	133
	<b>6,864</b>	<b>5,494</b>	<b>14,298</b>	<b>10,180</b>
<b>Goods and Services Tax (GST) on Commitments</b> <sup>(d)</sup>				
GST input tax credits included in the above Capital Expenditure commitments:	623	500	1,298	918
	<b>623</b>	<b>500</b>	<b>1,298</b>	<b>918</b>
<b>Capital Expenditure Commitments:</b>				
Not later than one year	3,625	2,396	6,750	4,303
Later than one year and not later than five years	3,238	2,710	7,446	5,084
Later than five years	1	388	102	793
	<b>6,864</b>	<b>5,494</b>	<b>14,298</b>	<b>10,180</b>

(a) Established in 2016.

(b) Formerly the State Water Corporation.

(c) Formerly TransGrid, a State Owned Corporation (SOC).

(d) The above expenditure commitments are inclusive of GST. GST input tax credits (debits) are expected to be recoverable from (payable to) the Australian Taxation Office.

## Note 29: Contingent Assets and Contingent Liabilities

Contingent assets and contingent liabilities are possible future assets or liabilities that may arise from past events. The existence of these assets or liabilities will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly in the control of the State. In this report, contingent assets and liabilities have been classified into quantifiable, where the economic effect is able to be estimated, or non-quantifiable.

Guarantees are provided to facilitate the provision of certain services and the construction of several infrastructure assets may give rise to contingent liabilities.

### Contingent Liabilities

#### Quantifiable Contingent Liabilities

	General		Total State Sector	
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
Department of Justice <sup>(a)</sup> (Claims in Respect of Compensation and Litigation)	405	381	405	381
Roads and Maritime Services <sup>(b)</sup> (Contractual Claims and Litigation)	684	80	684	80
Transport for NSW (Contractual Claims and Litigation)	7	21	7	21
Delta Electricity (Employee Related Costs on Sale)	...	...	...	24
Other Agencies	7	6	28	42
	<b>1,103</b>	<b>488</b>	<b>1,125</b>	<b>548</b>

(a) The Victims' Support Scheme (VSS) was created on 3 June 2013 through legislation known as the *Victims' Rights and Support Act 2013*. This Act replaced the Victims' Compensation Scheme (VCS), legislated through the *Victims' Support and Rehabilitation Act 1996*, and was closed to new applications for support on 7 May 2013. The VSS provides victims of violent crime, upon application after 7 May 2013 and within an eligibility period of 2 to 10 years from the date of the occurrence of a violent act of crime, support in the form counselling services, financial assistance and recognition payments. Violent acts can include assault, sexual assault, child sexual assault, domestic violence, robbery, homicide and other eligible violent acts.

The Department of Justice has obtained actuarial advice from an independent actuary to determine a liability provision as at 30 June 2016 in respect to Lodged But Unresolved Claims. However, the amount attributable for Incurred But Not Reported (IBNR) claims are unable to be reliably estimated by the actuary due to a range of key uncertainties. Given the range of key uncertainties described above, the amount attributable to IBNR liabilities under the VSS could reasonably lie within the range of \$160 million to \$405 million (2015: \$140m to \$340m). As the VSS matures, the Department's actuary will be able to determine a more reliable estimate to be used in future liability provisioning.

(b) The majority of this movement relates to outstanding litigation matters regarding large scale property acquisitions as part of the Westconnex project.

#### Non-quantifiable Contingent Liabilities

Details are summarised below of the most significant contingent liabilities which are all fully disclosed in the accounts of individual agencies.

Unless otherwise stated, the General Government contingent liabilities are also applicable to the Total State Sector. Included in these are:

- The State has a contingent liability under the *Native Title Act 1993 (Cwlth)* and the *Native Title (New South Wales) Act 1994*. The extent of the liability cannot be quantified. The liability arises because:
  - The State has an obligation to pay compensation to native title holders in respect of past acts and intermediate period acts (i.e. acts undertaken between October 1975 and December 1996 which were invalid because of native title), which were validated by operation of the *Native Title Act 1993* and the *Native Title (New South Wales) Act 1994*, and those arising from the undertaking of future acts (i.e. acts which affect native title undertaken after 1 January 1994 and for which the *Native Title Act 1993* provides that compensation is payable) by the State and its instrumentalities.

The State has an indemnity under Section 104 of the *Native Title (New South Wales) Act 1994* in respect to compensation arising from a compulsory acquisition of native title by an authority which is not the Crown in the right of the State.

- During the 2015-16 year, 672,020 hectares (2014-15: 629,928 hectares) of operational timber reserves were subject to claims under the *Native Title (New South Wales) Act 1994*. The impact of these claims cannot be quantified at this time.
- The assets of the State in the form of reserved Crown land may be reduced in value by operation of the *Aboriginal Land Rights Act 1983* (NSW). Applications may result in land being transferred for no consideration. The State has approximately 29,300 Aboriginal Land Claims to review. These applications have not been finalised and it is therefore not possible to estimate the financial impact or result of the claims.
- Claims have been made against the State for compensation for land acquired under the *Land Acquisition (Just Terms Compensation) Act 1991*. The Land and Environment Court will consider these claims in due course.
- Through the proactive assessment of high risk categories of potentially contaminated land; the State has identified 115 high risk sites and 1 very high risk site (2015: at least 5 high risk sites) on Crown land which are likely to have some degree of contamination. Most of these sites are subject to preliminary site investigations or clean up works which may determine a lower risk rating. Where remediation works are identified a provision is made. It is considered that the existence of contaminated sites will not have a material impact on the overall value of the State's land holdings.
- The State treats the receipt of unclaimed money to the Consolidated Fund as income. Future claims for the return of these monies cannot be estimated and would result in a liability for the State.
- As a condition of the sale of Pacific Power International Pty Ltd, the State has an obligation to compensate the trustee of the EISS if certain conditions exist at a certain time. The time will be the earlier of:
  - the purchaser ceasing to be an employer in the fund, or
  - the last benefit is paid, or
  - the relevant assets are exhausted.

The liability would be the lower of:

- the actual shortfall between fund assets and fund liabilities, and
- the potential shortfall, if anticipated investment returns of 4.5 per cent a year (excluding CPI) have not been realised.

At 30 June 2016, the net market value of assets was \$8.9 million (2015: \$4.9 million) less than the estimated value of liabilities.

- The NSW TAB, a wholly owned subsidiary of Tabcorp, holds a 99-year licence issued in March 1998 to conduct totalizator betting in New South Wales. The licence included a 15-year 'exclusivity period' which expired on 22 June 2013. The State has agreed to extend TAB's exclusivity licence for a further 20 years to 2033 for a payment of \$75 million from Tabcorp. Under the agreement, the State must compensate Tabcorp if any adverse regulatory event occurs. The amount to be refunded is the initial payment reduced by \$2.5 million for each year between the year of receipt and when the adverse regulatory event occurs.

- The State made a number of warranties in relation to the sale of Delta West Electricity, Eraring Energy, Vales Point Power Station, Colongra Power Station, Macquarie Generation and the 99-year Lease of TransGrid:

*Environment Protection Authority (EPA) adverse decision*

- the State will indemnify EnergyAustralia against any costs incurred by EnergyAustralia in the period from 2 September 2013 until 30 June 2017 due to any adverse EPA decision in respect of Wallerawang power station. The State's total liability is capped at \$100 million. The State will meet compliance costs or unavoidable operating costs (where the decision is made to close the power station).

*Pre-existing contamination liability*

- the State will retain the costs for remediating pre-existing contamination at the Eraring, Mt Piper, Wallerawang, Vales Point and Colongra power stations sites to minimum legal standards. Contamination is determined by reference to base line study or studies within certain time restrictions. The State will retain the costs for remediating contamination at certain legacy/end of life sites and under certain contingencies.

*General warranties*

- under the various Sale and Purchase, and Lease Agreements, the State has potential liabilities under various warranties given to the purchaser or lessor. Warranties are subject to various caps, carve-outs and time restrictions.

*Coal haul road liability*

- if existing Aboriginal land right claims affect Crown Land titles over the coal haul road from Newstan Colliery to the Eraring Power station, compensation will be payable by the State to the native title holders to negotiate a continued right to use. The State's obligations end (in respect of each existing Aboriginal Land Claim): 12 months after the date on which the Minister or Court (as applicable) determines that Crown Land subject to an existing Aboriginal Land Claim is not claimable land or an easement or similar for the purposes of the Coal Haul Road is granted to the indemnified party; or the date on which an existing Aboriginal Land Claim is withdrawn or terminated.

*Ash dam liability*

- as part of the Eraring Sale, the State will pay half the incremental cost of implementing an alternative arrangement for ash disposal if the existing proposal (as at 1 August 2013) for further backfilling at the ash dam cannot be implemented. The State's liability ceases if the issue is not resolved by 1 August 2023. The State will also retain the costs for remediating ash dam contamination (migration of contamination in water from ash dams) at Vales Point Power Station.

- State agencies and corporations are subject to various claims and litigation in the normal course of operations. A number of disputed claims are currently being heard in court. The quantum of these claims cannot accurately be determined.

## **Guarantees and Indemnities**

Guarantees have been provided to facilitate the provision of certain services and the construction of several infrastructure assets, which may give rise to contingent liabilities. Unless otherwise stated, the General Government guarantees are also applicable to the Total State Sector.

The major guarantees are:

- State guarantees given to various organisations under statute mainly relate to certain co-operative housing societies. The maximum exposure as at 30 June 2016 is \$26 million (2015: \$30 million).
- As part of the sale of NSW Lotteries on 31 March 2010, the NSW Government provided limited warranties, indemnities and other obligations in favour of the new operator. The NSW Government is liable for the direct losses incurred by NSW Lotteries if an adverse regulatory event occurs. The NSW Government's aggregate liability is capped. There are no known adverse regulatory events as at the reporting date.

- Issued securities, borrowings and derivative liabilities of the New South Wales Treasury Corporation with a market value of \$80.1 billion (2015: \$77.9 billion) have been guaranteed by the NSW Government under the *Public Authorities (Financial Arrangements) Act 1987*.
- New South Wales has entered into guarantees, indemnities and deeds as part of the agreements leading to the corporatisation of the Snowy Scheme (New South Wales holds a 58 per cent share). It is not possible to estimate the amount of exposure at this time for the following situations.

Snowy Hydro Limited (SHL) will be compensated for any change to the Snowy Water licence which has an adverse financial impact for SHL. New South Wales may recover 42 per cent of this compensation if Victoria and the Commonwealth agree to water licence changes. No major amendments to the Snowy Licence are currently proposed. The licence expires in 2077 or when ended.

- The State will compensate SHL if an instruction from the Water Administration Ministerial Corporation to SHL causes spills or Jindabyne Dam release causes downstream damage. New South Wales will pay 58 per cent of the cost if the Commonwealth and Victoria also agree with the instruction. No claims currently exist. This indemnity lasts while the licence is in place.
- In addition to the warranties, the State made the following guarantees and indemnities in relation to the sale of Vales Point Power Station, Colongra Power Station and Macquarie Generation:

*Vales Point Hand Back Deed*

- where an option is exercised under the Hand Back Deed, the State will be responsible for the demolition and remediation of Vales Point and the Site Land.

*Land remediation indemnity*

- the State has indemnified the purchases in relation to the cost to remediate land at the various power station sites, subject to various conditions and time frames.

*Barnard river scheme native title indemnity*

- the State has indemnified AGL for costs related to any native title claims affecting a parcel of Crown land related to the Barnard River Scheme.

- The State has guaranteed it will provide funding to Cobbora Holding Company Pty Limited to support the costs of its business to the extent that the costs of its business are not funded from other sources.

A Deed of Indemnity has also been provided to the directors of Cobbora Holding Company Pty Limited against claims and liabilities in connection with the Government's Cobbora coal mine development project. The indemnity given has the same terms and qualifications as the one provided to the directors involved in the Transaction Process (refer to above). It is not possible to estimate the amount of the contingent liability exposure at this time. There are no known claims as at the reporting date.

- The State has guaranteed the performance of the obligations of various statutory authorities under contracts with private sector parties. These guarantees are considered unlikely to ever be exercised and, in some cases, are limited to financial obligations only. The current guarantees in place are:
  - North West Rail Link – Operations, Trains and Systems
  - Sydney Light Rail
  - WestConnex Stage 1
  - WestConnex Stage 2
  - NorthConnex
  - Sydney Harbour Tunnel
  - M2 Motorway
  - Eastern Distributor
  - Cross City Tunnel
  - Lane Cove Tunnel
  - Western Sydney Orbital (Westlink M7 Motorway)
  - Eastern Creek Alternative Waste Treatment Plant
  - Macarthur Water Filtration Plant
  - Illawarra and Woronora Water Treatment Plant
  - Prospect Water Filtration Plant and Treatment Works
  - Northern Beaches Hospital
  - Long Bay Prison and Forensic Hospital
  - Mater Hospital
  - Orange Hospital Redevelopment
  - Royal North Shore Hospital Redevelopment
  - Olympic Stadium
  - Olympic Multi-Use Arena
  - Suburban Rolling Stock
  - VISY Mill: Tumut Timber Supply Agreement
  - Sydney International Convention, Exhibition and Entertainment Precinct.
- New South Wales Treasury Corporation has issued unconditional payment undertakings on behalf of some government authorities in the national wholesale electricity market to pay to the system administrator, the Australian Energy Market Operator (AEMO), on demand in writing any amount up to an aggregate maximum agreed with individual participants.
- New South Wales Treasury Corporation has undertakings for other government authorities for their performance under contracts with third parties. At the reporting date they were valued at \$142.2 million (2015: \$146.4 million).
- The State bears the risk of the employer's superannuation guarantee contributions being insufficient to fund the defined employee benefits (in respect of past and future service liabilities) for certain ex-public sector employees following the State's decision to sell the businesses. The State must pay the contribution shortfall on an annual basis and is obliged to make good any employer reserve shortfall upon the insolvency of the employer. Indemnities have also been provided to the private sector employer in respect of loss suffered, for example, from non-payment of an unfunded amount or tax losses suffered due to payments by the State.
- The State has provided a Deed of Indemnity to the directors and designated senior management of some state-owned corporations (SOC). This deed indemnifies them against claims and liabilities in connection with the energy industry reform transactions (Transaction Process).

The SOCs covered in this indemnity are Essential Energy, Eraring Energy, Ausgrid, Macquarie Generation, Endeavour Energy and Delta Electricity. To the extent permitted by law, the indemnity covers each indemnified party, in their capacity as directors or senior management, against:

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

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

- the completion of the Transaction Process, and
- for seven year following the completion of the Transaction Process for any acts or omissions of the Indemnified Party occurring before completion of the Transaction Process.

The indemnity does not apply in respect of a liability which arises out of any act or omission on the part of the indemnified party that involves, among others as detailed in the Deed of Indemnity, gross negligence, recklessness and conduct contrary to any written direction or instructions to the indemnified party made by or on behalf of the State.

It is not possible to estimate the amount of contingent liability exposure at this time. There are no known claims as at the reporting date.

- In entering the 99-year lease of land and fixtures at Port Kembla, Port Botany and Enfield and 98-year lease at Port of Newcastle
  - the State has indemnified the Port lessees in respect of pre-existing environmental damage or contamination at relevant sites (no known claims as at the reporting date) and
  - the State has guaranteed limited compensation to financiers if the Port Leases are terminated for any reason.
- State owned electricity distributors provide guarantees to regulatory and statutory authorities to the value of \$75 million (2015: \$82 million).

### **Contingent Assets**

Contingent assets exist in respect of guarantees received and from pending litigation. These include:

- As a result of the collapse of HIH Insurance Limited, the State assumed liabilities of approximately \$650 million. This was in respect of building warranty and third party motor insurance. An independent actuary estimated the discounted present value of the outstanding liability to be \$40.4 million as at 30 June 2016 (2015: \$64.8 million). The liquidators of HIH Insurance Limited currently intend to distribute various percentages up to 'more than 50 per cent' depending upon the scheme company. In 2015-16, the State received payments totalling \$12.2 million (2015: \$82.2 million).

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## Note 30: Events after the Reporting Period

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### Sale of Brown Mountain Hydro Power Station

On 1 July 2016, Delta Electricity and the State executed the sale of Brown Mountain Power Station assets to Hydro Power Pty Ltd for \$4.5 million. The sale was completed on 2 August 2016.

### State Sporting Venues Authority purchase of Stadium Holdings

On 1 July 2016, the NSW Government, through The State Sporting Venues Authority, acquired 100% of the shares in Stadium Holdings Pty Ltd and its wholly owned subsidiaries. The entity was acquired from Specialist Asset Management Limited, who was the Trustee for the Diversified Infrastructure Trust.

### Lease of Ausgrid

On 4 June 2015, the Electricity Network Assets (Authorised Transactions) Act 2015 and the Electricity Retained Interest Corporations Act 2015 were enacted to enable the Government to proceed with the long term lease of 49 per cent of its electricity network, with Essential Energy to remain 100% in State control.

The Government called for Expressions of Interest for the long term lease of 50.4 per cent of Ausgrid in November 2015. Shortlisted bidders then conducted extensive due diligence before submitting final bids, conditional on Foreign Investment Review Board approval, in July 2016.

On 19 August 2016, the Commonwealth Treasurer announced that an order had been made under the Foreign Acquisitions and Takeovers Act 1975 prohibiting the 99-year lease of 50.4 percent of Ausgrid to the shortlisted bidders under the proposed structure. The Government will now move to relaunch the transaction process.

On 23 September 2016, the Government received an unsolicited proposal for the partial long-term lease of Ausgrid from a consortium comprising AustralianSuper and IFM Investors. A final decision regarding the unsolicited proposal is expected to be made later this year.

### Land and Property Information Concession

The Government proposes to invite the private sector to invest in and operate the land titling and registry functions of Land and Property Information under a 35 year concession. The spatial and valuation divisions will not be transacted.

The transfer will deliver better outcomes for both the industry and its users, through utilising greater expertise and investment in technology. The integrity of the titling system will be protected by a strong regulatory framework.

Service standards, key performance indicators and regulatory controls will be included in the terms of the concession deed to ensure standards are upheld. This will be monitored and enforced by the Registrar General, who will be the regulator of the titling and registry business. Net proceeds from the LPI transaction will fund new infrastructure across NSW including the stadium package.

### Cobbora Land Sales

On 23 August 2016 submissions closed for the lead real estate agent for the sale process. Sale proceeds will be directed to Restart NSW, to be invested into new infrastructure.

### Sale of Pillar Administration

The Government announced the sale of Pillar on 9 December 2015. Sale legislation authorising the sale of Pillar to the private sector was introduced into Parliament on 3 May 2016 and was assented to and came into force on 19 May 2016. Expressions of interest were called for on 27 May 2016 and a transaction process is currently underway.

## Note 31: Budgetary Information on 2015-16 General Government Sector Financial Statements

The budgeted amounts are disclosed for the primary financial statements where they are presented to Parliament. The budget disclosed is the original/first 2015-16 Budget presented to Parliament in respect of the financial year. The budgeted financial statements are presented consistent with AASB 1055 *Budgetary Reporting*.

### The NSW General Government Statement of Comprehensive Income for the Year Ended 30 June 2016

	Original Budget	Actual	Budget Variance
	\$m	\$m	\$m
<b>FROM CONTINUING OPERATIONS</b>			
<b>Revenue from Transactions</b>			
Taxation	27,855	29,081	1,226
Grants and Subsidies			
Commonwealth General Purpose	17,346	17,637	291
Commonwealth Specific Purpose Payments	8,619	8,927	308
Commonwealth National Partnership Payments	2,712	2,608	(104)
Other Grants and Subsidies	1,098	925	(172)
Sale of Goods and Services	8,212	8,379	167
Interest	508	780	272
Dividend and Income Tax Equivalents from Other Sectors	1,468	1,280	(189)
Other Dividends and Distributions	424	674	251
Fines, Regulatory Fees and Other	3,901	4,043	142
	<b>72,143</b>	<b>74,334</b>	<b>2,191</b>
<b>Expenses from Transactions</b>			
Employee	28,936	29,618	682
Superannuation			
Superannuation Interest Cost	1,476	1,504	28
Other Superannuation	2,926	2,935	10
Depreciation and Amortisation	4,440	4,394	(47)
Interest	2,244	2,206	(38)
Other Operating	17,567	16,862	(705)
Grants and Subsidies			
Current Grants and Subsidies	11,092	11,386	294
Capital Grants	941	769	(173)
	<b>69,624</b>	<b>69,675</b>	<b>51</b>
<b>TRANSACTIONS FROM DISCONTINUING OPERATIONS</b>			
	...	...	...
<b>NET RESULT FROM TRANSACTIONS</b>			
<b>NET OPERATING BALANCE (BUDGET RESULT FOR THE GENERAL GOVERNMENT SECTOR)</b>			
	<b>2,520</b>	<b>4,659</b>	<b>2,140</b>

## The NSW General Government Statement of Comprehensive Income for the Year Ended 30 June 2016 (continued)

	Original Budget	Actual	Budget Variance
	\$m	\$m	\$m
<b>NET OPERATING BALANCE</b>	<b>2,520</b>	<b>4,659</b>	<b>2,140</b>
<b>OTHER ECONOMIC FLOWS - INCLUDED IN THE OPERATING RESULT</b>			
Gain/(Loss) from Other Liabilities	137	(1,037)	(1,174)
Other Net Gains/(Losses)	155	(127)	(282)
Share of Earnings from Equity Investments (excluding Dividends)	(15)	11	27
Dividends from Asset Sale Proceeds	100	...	(100)
Deferred Income Tax from Other Sectors	...	(691)	(691)
Other	105	(61)	(166)
Discontinuing Operations - Other Economic Flow s	...	...	...
<b>Other Economic Flows - included in Operating Result</b>	<b>483</b>	<b>(1,904)</b>	<b>(2,387)</b>
<b>OPERATING RESULT</b>	<b>3,002</b>	<b>2,755</b>	<b>(247)</b>
<b>OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME</b>			
<i>Items that will not be reclassified to operating result</i>			
Revaluations	3,364	2,813	(551)
Share of Earnings from Associates from Revaluations	...	(106)	(106)
Actuarial Gain/(Loss) from Superannuation	5,024	(14,331)	(19,355)
<i>Items that may be reclassified subsequently to operating result</i>			
Net Gain/(Loss) on Equity Investments in Other Sectors	7,033	5,740	(1,293)
Net Gain/(Loss) on Equity Investments in Other Sectors discontinued	...	3,606	3,606
Net Gain/(Loss) on Financial Instruments at Fair Value	...	1	1
Other	(2,831)	(2)	2,830
<b>Other Economic Flows - Other Comprehensive Income</b>	<b>12,590</b>	<b>(2,279)</b>	<b>(14,869)</b>
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS</b>	<b>15,592</b>	<b>476</b>	<b>(15,116)</b>
<b>KEY FISCAL AGGREGATES</b>			
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS</b>	<b>15,592</b>	<b>476</b>	<b>(15,116)</b>
Less: Net Other Economic Flow s	(13,073)	4,183	17,256
<b>NET OPERATING BALANCE</b>	<b>2,520</b>	<b>4,659</b>	<b>2,140</b>
<b>Less: Net Acquisition of Non-Financial Assets</b>			
Purchases of Non-Financial Assets	9,186	9,032	(154)
Sales of Non-Financial Assets	(687)	(892)	(205)
Less: Depreciation	(4,440)	(4,394)	47
Plus: Change in Inventories	1	24	23
Plus: Other Movements in Non-Financial Assets			
Assets Acquired using Finance Leases	183	304	121
Other	60	184	124
<b>Equals Total Net Acquisition of Non-Financial Assets</b>	<b>4,302</b>	<b>4,258</b>	<b>(44)</b>
<b>EQUALS: NET LENDING/(BORROWING)</b>	<b>(1,783)</b>	<b>401</b>	<b>2,184</b>

## Analysis of the General Government Sector Results

### Net Operating Balance (Budget Result)

The budget result for the financial year ended 30 June 2016 was a surplus of \$4.7 billion, a \$2.1 billion increase on the 2015-16 original budget forecast surplus of \$2.5 billion.

An analysis of the result compared to the original budget is outlined below.

### Total Revenues

Total revenues were \$2.2 billion higher than the original budget as outlined below.

#### *Taxation*

Taxation was \$1,226 million higher than the original budget.

- Stamp duty was \$1,063 million higher than forecast. The state received one-off transfer duty from the long-term lease of TransGrid assets (\$438 million). By convention in NSW, the impacts of transactions are not included in the Budget and only recorded on completion.

The higher than expected stamp duty income was also due to transfer duty associated with the continued strength of the property market supported by historically low interest rates, population growth, and strong investor demand.

- Land tax was \$87 million higher than budget due to higher than expected growth in land values in 2015.
- Payroll tax was \$71 million higher than budget due to higher than expected growth in employment.

#### *Grants and Subsidies*

Grants and subsidies received were \$322 million higher than the original budget estimate.

General purpose grants were \$291 million higher mainly due to higher GST revenue payments (\$324 million) including receipt of a residual GST revenue payment from 2014-15 (\$123 million) and an upward revision to the national GST pool (\$122 million) and increases in NSW population share in 2015-16 (\$80 million).

Commonwealth grants and subsidies (other than general purpose grants) were \$204 million higher than budget, mainly reflecting:

- additional funding under the National Health Reform Agreement in line with recent activity levels (\$266 million) and retrospective adjustments from prior years and
- additional grants to Family and Community Services (\$260 million), largely due to additional funding for the NPP on Transitioning Responsibilities for Aged Care and Disability Services under the National Disability Insurance Scheme (\$224 million).

Offset by:

- lower grants to Transport (\$167 million) largely as a result of re-profiling of the funding over forward estimates,
- delays in receiving the Natural Disaster Relief (NDR) Program grant (\$141 million) due to a Commonwealth audit of interjurisdictional NDR arrangements and
- lower grants revenue to Industry, Skills and Regional Development (\$78 million), primarily relating to the Water for the Future Program (\$117 million), offset by other minor increases in grants.

Other grants and subsidies were \$172 million lower than the original budget, mainly reflecting; the sale of Home Care Services to Australian Unity in February 2016, the reclassification of revenue in the Department of Education (donations and contributions) and in relation to the South East Light Rail project (contributions).

### *Sale of Goods and Services*

Sale of goods and services includes revenue from the use of government assets as well as revenue generated by agencies in their normal trading activities.

Sales of goods and services were higher than the original budget estimates by \$167 million, mainly reflecting:

- additional revenue relating to the Hepatitis C drugs in the Ministry of Health (\$91 million),
- cost recoveries from Sydney Motorway Corporation in relation to WestConnex expenditure and higher collections related to plate fees and E-Tags by Roads and Maritime Services (\$84 million) and
- higher revenue from TAFE course fees (\$124 million)

Offset by:

- lower revenue for Transport for NSW (\$140 million), largely relating to Sydney Metro Northwest associated with lower expenditure and revised funding arrangements for rail projects, offset by higher revenue for actuarial adjustments recouped from the State Transit Authority and Sydney Trains.

### *Interest Income*

Interest income includes returns on advances to public non-financial corporation enterprises, along with returns on deposits held with New South Wales Treasury Corporation and other financial institutions.

Investment revenue exceeded the original budget by \$272 million largely due to higher than expected holdings of financial assets, including from the long term lease of TransGrid assets.

### *Financial Distributions (Dividends and Income Tax Equivalentents)*

Dividends and Income Tax Equivalent payments are paid by commercial government businesses to ensure competitive neutrality with the private sector and encourage these businesses to make commercial investment decisions.

Dividends and Taxes were lower than the original budget by \$189 million in 2015-16. Dividends were lower for a number of reasons, including increases in the capital financing requirements of Sydney Water and TCorp and lower dividends collectively from electricity entities, including as a consequence of the Transgrid transaction. This was offset by higher income tax equivalentents.

### *Other Dividends and Distributions*

Other dividends and distributions were \$251 million above the original budget, mainly driven by higher investment income distributions for NSW Self Insurance Corporation (\$176 million) and Long Service Corporation (\$54 million) from TCorp Hour-Glass products.

### *Fines, Regulatory Fees and Other*

Revenue from fines, regulatory fees and other revenues were \$142 million higher than the original budget estimates.

Revenues (excluding mining royalties) were \$384 million higher, including:

- § higher revenue for drivers' and riders' licences (\$167 million) largely due to revised assessment for deferred revenue of 3-10 year licenses,
- § higher industry and private sector development contributions and donations (\$76 million) and
- § higher Commonwealth funding for heavy vehicles regulatory activities (\$45 million) being undertaken by Roads and Maritime Services.

Mining royalties were lower than budget by \$242 million, largely driven by weaker US dollar coal prices and slower growth in exports, partly offset by a lower Australian-US dollar exchange rate.

## Expenses

Total expenses were higher than original budget by \$51 million as outlined below.

### *Employee Expenses (excluding Superannuation)*

Employee expenses were \$682 million higher than original budget. This was primarily due to:

- higher long service leave costs relating to higher long service leave liabilities (\$89 million),
- restructuring payments (\$197 million) that include transfer, redundancy and payroll tax on-costs mainly relating to the transition of direct disability services to the Non-Government sector as part of the Government's implementation of the National Disability Insurance Scheme in the Department of Family and Community Services,
- reclassification from other operating expenses for major rail projects in Transport for NSW (\$144 million) and
- more teachers for higher than budgeted student enrolments and a changed basis of calculating the school teachers' vacation leave provision.

### *Superannuation Interest Cost and Other Superannuation*

Superannuation interest and other superannuation costs were \$38 million higher than budget mainly driven by higher interest costs due to higher defined benefit superannuation liabilities, associated with 2014-15 experience and demographic assumptions, as well as lower investment returns on member reserves.

### *Depreciation and Amortisation*

Depreciation and amortisation was \$47 million lower than budget. This was primarily due to timing differences in the estimated profile of the delivery of capital projects.

### *Interest Expenses*

Interest expenses were \$38 million lower than budget. This was mainly due to lower financing costs of the outstanding claims liabilities for the Workers' Compensation (Dust Diseases) Authority and NSW Self Insurance Corporation and lower than expected interest expenses incurred by Transport for NSW.

### *Other Operating Expenses*

Other Operating Expenses were \$705 million lower than budget, mainly reflecting:

- Transport for NSW (\$479 million) due to the reclassification to employee expenses for major rail projects (\$144 million), lower expenditure on the Sydney Metro Northwest (\$112 million), transfer of the Public Private Partnership (PPP) component of Sydney Metro Northwest from recurrent to capital expenditure (\$125 million), and lower service contract payments (\$96 million),
- lower than budgeted expenditure on Aboriginal land claims and Commonwealth funded State Priority Plan and Basin Plan projects in the Department of Industry, Skills and Regional Development (\$171 million),
- TAFE Commission (\$185 million) due to re-profiling of expenditure to support the implementation of the improvement plan and TAFE reforms and
- NSW Self Insurance Corporation (\$109 million) due to updated claims valuations.

Partly offset by the higher than forecast expenses:

- Roads and Maritime Services (\$130 million) for WestConnex project development costs which were subsequently charged to the Sydney Motorway and higher IT system costs due to the implementation of Transport for NSW Equip project and

- Ministry of Health (\$157 million) largely relating to additional expenses for the new Hepatitis C treatments in public hospitals following the Australian Government initiative announced on 1 March 2016 (\$91 million).

#### *Capital and Current Grants, Subsidies and Other Transfers Expenses*

Current and capital grants, subsidies and other transfers expenses were \$122 million higher than budget. The main contributing factors were:

- grants paid by the Office of Local Government for the implementation of the Fit for the Future local government reform program (\$355 million) and
- Department of Family and Community Services additional expenditure for the Transitioning Responsibilities for Aged Care and Disability Services program under the National Disability Insurance Scheme (\$224 million).

Offset by:

- a reduction in outstanding claims liability held by the Workers' Compensation (Dust Diseases) Authority (\$278 million) and
- lower than budgeted expenditure in the Department of Industry, Skills and Regional Development (\$198 million) mainly due to re-profiling of the Smart and Skilled program and VET program payments.

#### **Operating Result**

The operating result is the Budget result (net operating balance) plus the sum of other economic flows included in the operating result.

The operating result for 2015-16 was a surplus of \$2.8 billion. This was \$0.2 billion lower than the original budget estimate. The net result, which was \$2.1 billion better than the original budget, was offset by a \$2.4 billion adverse variance in other economic flows included in the operating result.

The changes in other economic flows reflect:

- the impact of lower bond yields on the valuation of long service leave and insurance liabilities (\$1,174 million),
- reduced income as a result of the changes in market value of NSW Self Insurance's holdings of TCorp Hour-Glass investments (\$546 million) and
- lower deferred income tax (\$691 million) largely relating to the lease of TransGrid (\$802 million).

**Comprehensive Result**

The comprehensive result is the operating result plus the sum of other economic flows – other comprehensive income.

The comprehensive result for 2015-16 was a surplus of \$0.5 billion. This was \$15.1 billion lower than the budget estimate. This was due to lower other economic flows of \$17.3 billion offset by the improvement in the budget result of \$2.1 billion.

The lower than budgeted economic flow deteriorations include a \$19.4 billion adverse variance between actual and budgeted actuarial gains and losses on superannuation mainly due to the lower bond rate than forecast at Budget (1.99% vs 3.03%) and a combination of changes in demographic assumptions and a reduction in investment returns. The assumption underpinning the 2015-16 Budget was built on a small increase in interest rates, rather than the reduction.

This was partially offset by net gain on equity investments in other sectors of \$2.3 billion largely from the lease of TransGrid (\$3.6 billion) and increases to asset valuation, offset by the lower equity gains from other PFC/PNFC sector entities.

**Net Lending**

The net lending result is the budget result (net operating balance) adjusted for the acquisition and sale of non-financial assets.

Net lending was \$2.2 billion better than the budget estimate primarily due to the \$2.1 billion improvement in the budget result.

## The NSW General Government Sector Statement of Financial Position as at 30 June 2016

	Original Budget	Actual	Budget Variance
	\$m	\$m	\$m
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and Cash Equivalent Assets	5,723	5,260	(463)
Receivables	6,699	5,853	(846)
Tax Equivalents Receivable	21	104	83
Investments, Loans and Placements			
Financial Assets at Fair Value	11,369	10,545	(824)
Other Financial Assets	4,885	16,016	11,131
Advances Paid	1,175	1,064	(111)
Deferred Tax Equivalents	4,786	3,919	(866)
Equity			
Investments in Other Public Sector Entities	95,976	97,750	1,774
Investments in Associates	3,882	3,783	(99)
Other	10	605	595
<b>Total Financial Assets</b>	<b>134,525</b>	<b>144,899</b>	<b>10,374</b>
<b>Non-Financial Assets</b>			
Inventories	245	263	18
Forestry Stock and Other Biological Assets	7	11	3
Assets Classified as Held for Sale	42	432	389
Investment Properties	142	...	(142)
Property, Plant and Equipment			
Land and Buildings	69,672	70,617	945
Plant and Equipment	10,407	11,408	1,001
Infrastructure Systems	83,686	82,389	(1,296)
Intangibles	2,984	3,093	109
Other	2,817	3,418	601
<b>Total Non-financial Assets</b>	<b>170,003</b>	<b>171,631</b>	<b>1,628</b>
<b>TOTAL ASSETS</b>	<b>304,528</b>	<b>316,530</b>	<b>12,002</b>
<b>LIABILITIES</b>			
Deposits Held	113	126	12
Payables	4,976	5,617	641
Tax Equivalents Payable	81	3	(78)
Borrowings and Derivatives at Fair Value	9	8	(1)
Borrowings at Amortised Cost	32,019	31,836	(183)
Advances Received	885	857	(28)
Employee Provisions	15,222	16,794	1,572
Superannuation Provision	49,735	67,862	18,127
Deferred Tax Equivalent Provision	537	337	(200)
Other Provisions	8,565	8,429	(136)
Other	2,390	2,861	471
<b>TOTAL LIABILITIES</b>	<b>114,533</b>	<b>134,731</b>	<b>20,198</b>
<b>NET ASSETS</b>	<b>189,995</b>	<b>181,799</b>	<b>(8,196)</b>

## The NSW General Government Sector Statement of Financial Position as at 30 June 2016 (continued)

	Original Budget \$m	Actual \$m	Budget Variance \$m
<b>NET WORTH</b>			
Accumulated Funds	22,047	11,150	(10,897)
Reserves	167,948	170,649	2,701
<b>TOTAL NET WORTH</b>	<b>189,995</b>	<b>181,799</b>	<b>(8,196)</b>
<b>OTHER FISCAL AGGREGATES</b>			
<b>Net Debt</b>	<b>9,875</b>	<b>(57)</b>	<b>(9,932)</b>
<b>Net Financial Liabilities</b>	<b>75,984</b>	<b>87,582</b>	<b>11,598</b>

### Analysis of the General Government Sector Statement of Financial Position

#### Net Debt

Net debt was close to zero at 30 June 2016. This is \$9.9 billion lower than the original budget estimate primarily due to the improvement in the budget result (\$2.1 billion) and proceeds from the lease of TransGrid (\$6.2 billion).

#### Net Financial Liabilities

Net financial liabilities were \$87.6 billion at 30 June 2016. This is a \$11.6 billion increase over the budget estimate of \$76.0 billion. This change is driven by the increase in provisions for defined benefit superannuation liabilities (\$18.1 billion) due to the lower bond rate combined with changes in demographic assumptions and a reduction in investment returns. This is partly offset by cash proceeds received for the lease of TransGrid.

#### Net Worth

Net worth was \$181.8 billion at 30 June 2016. This was \$8.2 billion lower than the budget estimate.

The decrease in net worth is mainly due to the higher superannuation liabilities as highlighted above (\$18.1 billion) offset by the cash proceeds from the lease of TransGrid and increases to assets as a consequence of increased investment and revaluation.

## The NSW General Government Sector Statement of Cash Flows for the Year Ended 30 June 2016

	Original Budget	Actual	Budget Variance
	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Taxation	27,909	29,640	1,731
Sale of Goods and Services	8,522	8,990	468
Grants and Subsidies	29,866	30,211	345
Interest	467	575	108
Dividends and Income Tax Equivalents from Other Sectors	2,128	2,248	120
Other	6,486	8,006	1,520
<b>Total Receipts</b>	<b>75,378</b>	<b>79,670</b>	<b>4,292</b>
<b>Payments</b>			
Employee Related	(29,232)	(29,394)	(162)
Superannuation	(3,698)	(3,874)	(176)
Payments for Goods and Services	(19,927)	(18,886)	1,041
Grants and Subsidies	(9,597)	(10,216)	(619)
Interest	(1,684)	(1,690)	(6)
Other	(3,440)	(4,762)	(1,322)
<b>Total Payments</b>	<b>(67,578)</b>	<b>(68,822)</b>	<b>(1,244)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>7,800</b>	<b>10,848</b>	<b>3,048</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Non-financial Assets</b>			
Proceeds from Sale of Non-Financial Assets	697	903	206
Purchases	(9,184)	(8,857)	327
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>(8,487)</b>	<b>(7,954)</b>	<b>533</b>
<b>Financial Assets (Policy Purposes)</b>			
Receipts	222	6,314	6,092
Payments	(3,071)	(3,576)	(504)
<b>Net Cash Flows from Investments in Financial Assets (Policy Purposes)</b>	<b>(2,849)</b>	<b>2,738</b>	<b>5,587</b>
<b>Financial Assets (Liquidity Purposes)</b>			
Proceeds from Sale of Investments	495	9,531	9,037
Purchase of Investments	(2,181)	(22,174)	(19,993)
<b>Net Cash Flows from Investments in Financial Assets (Liquidity Purposes)</b>	<b>(1,686)</b>	<b>(12,643)</b>	<b>(10,956)</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(13,023)</b>	<b>(17,859)</b>	<b>(4,836)</b>

## The NSW General Government Sector Statement of Cash Flows for the Year Ended 30 June 2016 (continued)

	Original Budget	Actual	Budget Variance
	\$m	\$m	\$m
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Advances Received	23	45	22
Advances Repaid	(53)	(134)	(81)
Proceeds from Borrowings	640	435	(205)
Repayments of Borrowings	(533)	(487)	46
Deposits Received (Net)	(9)	(1)	8
Other (Net)	(0)	0	0
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>69</b>	<b>(141)</b>	<b>(210)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>			
	<b>(5,154)</b>	<b>(7,153)</b>	<b>(1,998)</b>
Opening Cash and Cash Equivalents	10,881	12,433	1,552
Reclassification of Cash Equivalents	(4)	(21)	(17)
<b>CLOSING CASH BALANCE</b>	<b>5,723</b>	<b>5,260</b>	<b>(463)</b>
<b>DERIVATION OF CASH RESULT</b>			
Net Cash Flows from Operating Activities	7,800	10,848	3,048
Net Cash Flows from Investments in Non-Financial Assets	(8,487)	(7,954)	533
<b>CASH SURPLUS/(DEFICIT)</b>	<b>(687)</b>	<b>2,894</b>	<b>3,581</b>

### Analysis of the General Government Sector Statement of Cash Flows

#### Cash Result

The cash surplus was \$2.9 billion at 30 June 2016. This was \$3.6 billion higher than the estimated budget cash deficit of \$0.7 billion.

The improvement in the cash result is largely due to the cash impact of the improvement in the Budget Result.

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## Note 32: Disaggregated Financial Statements

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### Disaggregated Sector Information

Disaggregated primary financial statements are provided for the General Government Sector and PNFC and PFC sectors as a note to the TSSA. These financial statements are prepared consistent with the accounting policies adopted in the TSSA. This sector information is determined before consolidation eliminations, and includes GFS type fiscal aggregates and reconciliations.

The Total State Sector comprises a consolidation of three sectors:

- General Government (GGS)
- Public Non-Financial Corporations (PNFC), also referred to as the PTE sector, and
- Public Financial Corporations (PFC), also referred to as the PFE sector.

The broad sectors have been determined in accordance with the GFS of the ABS.

The General Government Sector comprises all government agencies that are controlled and mainly financed by taxation that:

- undertake policy and regulatory functions
- redistribute income and wealth
- provide or distribute goods and services on a non-market basis to individuals and the community, and/or
- provide services to General Government agencies.

PNFCs are government controlled entities that are either commercial or non-commercial in nature and largely self-funded from user charges. However, they may also receive funding from the General Government Sector for social programs (non-commercial activities).

PFCs are government controlled entities that perform central bank functions, or accept demand, time or savings deposits, or have the authority to incur liabilities and acquire financial assets in the market on their own account. This sector includes New South Wales Treasury Corporation. This note presents statements of:

- comprehensive income
- financial position
- cash flows, and
- changes in equity

for each sector, including the Total State Sector.

For the purpose of this disclosure, transactions and balances between sectors have not been eliminated, but those between entities within each sector have been eliminated.

Pursuant to National Competition Policy, the State has implemented a National Tax Equivalents Regime (NTER) for Public Corporations and some General Government agencies.

Tax effect accounting principles have therefore been adopted by all agencies that are part of the NTER. On consolidation, all NTER related income tax entries are eliminated for the Total State Sector.

The comparative year columns in the following tables have been restated for any corrections of errors and changes in accounting policies, for consistency with the 2015-16 presentation.

In addition, this note also presents information on total expenses and total assets by function for the General Government and Total State Sectors. 'Functions' are broad policy areas, which the ABS refers to as General Purpose Classifications.

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## The NSW Total State Sector Accounts Statement of Comprehensive Income by Sector for the Year Ended 30 June 2016

FROM CONTINUING OPERATIONS	General Government		Public Non-financial Corporations	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Revenue from Transactions</b>				
Taxation	29,081	26,067	...	...
Grants and Subsidies				
Commonwealth General Purpose	17,637	17,065	...	...
Commonwealth Specific Purpose Payments	8,927	8,103	10	50
Commonwealth National Partnership Payments	2,608	2,899	...	...
Other Grants and Subsidies	925	1,091	2,770	3,554
Sale of Goods and Services	8,379	6,255	11,354	12,488
Interest	780	658	109	87
Dividend and Income Tax Equivalents from Other Sectors	1,280	2,407	...	...
Other Dividends and Distributions	674	1,164	...	...
Fines, Regulatory Fees and Other	4,043	3,909	970	2,910
	74,334	69,617	15,213	19,089
<b>Expenses from Transactions</b>				
Employee	29,618	27,818	3,357	3,416
Superannuation				
Superannuation Interest Cost	1,504	1,683	61	85
Other Superannuation	2,935	2,846	290	345
Depreciation and Amortisation	4,394	4,172	3,158	3,290
Interest	2,206	2,243	1,595	1,815
Income Tax Equivalents	...	...	472	705
Other Property	...	...	...	...
Other Operating	16,862	14,809	5,965	6,139
Grants and Subsidies				
Current Grants and Subsidies	11,386	9,895	312	326
Capital Grants	769	3,270	62	74
	69,675	66,736	15,270	16,195
<b>TRANSACTIONS FROM DISCONTINUING OPERATIONS</b>	...	...	(251)	6
<b>NET RESULT FROM TRANSACTIONS - NET OPERATING BALANCE (BUDGET RESULT FOR THE GENERAL GOVERNMENT SECTOR)</b>	<b>4,659</b>	<b>2,881</b>	<b>(307)</b>	<b>2,900</b>

Public Financial Corporations		Eliminations		Total State Sector	
2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
\$m	\$m	\$m	\$m	\$m	\$m
437	412	(791)	(784)	28,727	25,695
...	...	...	...	17,637	17,065
...	...	0	(33)	8,937	8,119
...	...	...	...	2,608	2,899
0	7	(3,107)	(3,839)	589	812
710	102	(3,423)	(1,541)	17,020	17,304
3,323	3,538	(3,151)	(3,232)	1,061	1,050
...	...	(1,280)	(2,407)	...	...
190	374	...	...	864	1,539
72	129	(96)	(1,931)	4,989	5,017
4,732	4,562	(11,848)	(13,767)	82,431	79,500
157	81	(645)	(586)	32,486	30,730
...	...	...	...	1,565	1,768
11	7	...	...	3,237	3,198
8	6	...	...	7,559	7,469
2,951	3,189	(3,093)	(3,235)	3,659	4,012
31	44	(503)	(749)	...	...
1	1	(1)	(1)	...	...
812	704	(3,614)	(1,740)	20,026	19,911
10	6	(2,935)	(3,018)	8,773	7,209
...	...	(201)	(2,779)	630	565
3,981	4,039	(10,991)	(12,108)	77,935	74,862
...	...	118	2	(133)	8
<b>751</b>	<b>523</b>	<b>(738)</b>	<b>(1,657)</b>	<b>4,364</b>	<b>4,646</b>

## The NSW Total State Sector Accounts Statement of Comprehensive Income by Sector for the Year Ended 30 June 2016

	General Government		Public Non-financial Corporations	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>NET OPERATING BALANCE</b>	<b>4,659</b>	<b>2,881</b>	<b>(307)</b>	<b>2,900</b>
<b>OTHER ECONOMIC FLOWS - INCLUDED IN THE OPERATING RESULT</b>				
Gain/(Loss) from Liabilities	(1,037)	(819)	(2)	(1)
Other Net Gains/(Losses)	(127)	382	3,500	353
Share of Earnings from Equity Investments (excl. Dividends)	11	18	...	76
Dividends from Asset Sale Proceeds	...	177	...	...
Deferred Income Tax in the Operating Result	(691)	137	...	...
Other	(61)	3	(36)	(27)
Discontinuing Operations - Other Economic Flow s	...	...	9	(39)
<b>Other Economic Flows - included in Operating Result</b>	<b>(1,904)</b>	<b>(102)</b>	<b>3,471</b>	<b>362</b>
<b>OPERATING RESULT</b>	<b>2,755</b>	<b>2,779</b>	<b>3,164</b>	<b>3,263</b>
<b>OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME</b>				
<b>Items that will not be reclassified to operating result</b>				
Revaluations	2,813	6,631	8,061	5,467
Share of Earnings from Associates from Revaluations	(106)	894	...	...
Actuarial Gain/(Loss) from Superannuation	(14,331)	(3,183)	(1,258)	108
<b>Items that may be reclassified subsequently to operating result</b>				
Deferred Tax Direct to Equity	...	...	401	(108)
Net Gain/(Loss) on Equity Investments in Other Sectors	5,740	6,590	...	...
Net Gain/(Loss) on Equity Investments in Other Sectors Discontinued	3,606	(220)	...	...
Net Gain/(Loss) on Financial Instruments at Fair Value	1	...	(99)	(31)
Other	(2)	64	3,770	205
<b>Other Economic Flows - Other Comprehensive Income</b>	<b>(2,279)</b>	<b>10,776</b>	<b>10,875</b>	<b>5,640</b>
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS</b>	<b>476</b>	<b>13,555</b>	<b>14,039</b>	<b>8,903</b>
<b>KEY FISCAL AGGREGATES</b>				
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS</b>	<b>476</b>	<b>13,555</b>	<b>14,039</b>	<b>8,903</b>
Less: Net Other Economic Flow s	4,183	(10,674)	(14,346)	(6,003)
<b>NET OPERATING BALANCE</b>	<b>4,659</b>	<b>2,881</b>	<b>(307)</b>	<b>2,900</b>
<b>Less: Net Acquisition of Non-Financial Assets</b>				
Purchases of Non-Financial Assets	9,032	9,376	6,854	3,887
Sales of Non-Financial Assets	(892)	(700)	(732)	(348)
Less: Depreciation	(4,394)	(4,172)	(3,158)	(3,290)
Plus: Change in inventories	24	(8)	(72)	(262)
Plus: Other Movements in Non-Financial Assets				
- assets acquired using finance leases	304	107	7	42
- other	184	(1,596)	452	2,373
<b>Equals Total Net Acquisition of Non-Financial Assets</b>	<b>4,258</b>	<b>3,007</b>	<b>3,350</b>	<b>2,401</b>
<b>EQUALS: NET LENDING/(BORROWING)</b>	<b>401</b>	<b>(126)</b>	<b>(3,658)</b>	<b>499</b>

Public Financial Corporations		Eliminations		Total State Sector	
2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
\$m	\$m	\$m	\$m	\$m	\$m
751	523	(738)	(1,657)	4,364	4,646
...	...	0	(0)	(1,039)	(820)
(936)	(1,032)	(302)	(67)	2,136	(365)
0	0	(0)	0	11	94
...	...	...	(177)	...	...
...	...	691	(137)	...	...
...	...	32	45	(65)	21
...	...	(21)	51	(12)	12
<b>(936)</b>	<b>(1,032)</b>	<b>401</b>	<b>(286)</b>	<b>1,032</b>	<b>(1,057)</b>
<b>(185)</b>	<b>(510)</b>	<b>(338)</b>	<b>(1,943)</b>	<b>5,396</b>	<b>3,589</b>
1	1	3	...	10,879	12,099
...	...	...	...	(106)	894
(0)	(0)	...	...	(15,589)	(3,075)
(0)	...	(401)	108	...	...
...	...	(5,740)	(6,590)	...	...
...	...	(3,606)	220	...	...
...	...	(0)	0	(98)	(31)
1,454	945	(5,228)	(1,134)	(5)	79
<b>1,455</b>	<b>945</b>	<b>(14,972)</b>	<b>(7,395)</b>	<b>(4,920)</b>	<b>9,966</b>
<b>1,270</b>	<b>435</b>	<b>(15,309)</b>	<b>(9,338)</b>	<b>476</b>	<b>13,555</b>
<b>1,270</b>	<b>435</b>	<b>(15,309)</b>	<b>(9,338)</b>	<b>476</b>	<b>13,555</b>
(519)	87	14,571	7,681	3,888	(8,908)
<b>751</b>	<b>523</b>	<b>(739)</b>	<b>(1,657)</b>	<b>4,364</b>	<b>4,646</b>
61	62	(81)	(2)	15,866	13,323
(88)	...	(0)	1	(1,713)	(1,046)
(8)	(6)	...	...	(7,559)	(7,469)
...	...	...	0	(48)	(270)
...	...	0	0	311	149
...	...	...	...	635	775
<b>(35)</b>	<b>56</b>	<b>(81)</b>	<b>(2)</b>	<b>7,492</b>	<b>5,462</b>
<b>786</b>	<b>467</b>	<b>(658)</b>	<b>(1,656)</b>	<b>(3,128)</b>	<b>(816)</b>

## The NSW Total State Sector Accounts Statement of Financial Position by Sector as at 30 June

	General Government		Public Non-financial Corporations	
	2016	2015	2016	2015
	\$m	\$m	\$m	\$m
<b>ASSETS</b>				
<b>Financial Assets</b>				
Cash and Cash Equivalent Assets	5,260	12,433	2,598	1,404
Receivables	5,853	7,355	1,779	1,809
Tax Equivalents Receivable	104	156	3	10
Investments, Loans and Placements				
Financial Assets at Fair Value	10,545	10,487	17	151
Other Financial Assets	16,016	3,231	1,130	833
Advances paid	1,064	928	0	0
Deferred Tax Equivalents	3,919	4,659	330	400
Equity				
Investments in Other Public Sector Entities	97,750	91,341	...	...
Investments in Associates	3,783	3,949	...	...
Other	605	10	...	525
<b>Total Financial Assets</b>	<b>144,899</b>	<b>134,549</b>	<b>5,859</b>	<b>5,133</b>
<b>Non-Financial Assets</b>				
Inventories	263	239	699	837
Forestry Stock and Other Biological Assets	11	9	945	858
Assets Classified as Held for Sale	432	349	176	243
Investment Properties	...	...	507	546
Property, Plant and Equipment				
Land and Buildings	70,617	67,821	64,889	58,925
Plant and Equipment	11,408	10,929	5,842	6,455
Infrastructure Systems	82,389	79,590	69,065	68,703
Intangibles	3,093	2,904	1,040	1,526
Other	3,418	2,512	188	175
<b>Total Non-financial Assets</b>	<b>171,631</b>	<b>164,353</b>	<b>143,350</b>	<b>138,269</b>
<b>TOTAL ASSETS</b>	<b>316,530</b>	<b>298,902</b>	<b>149,209</b>	<b>143,402</b>
<b>LIABILITIES</b>				
Deposits Held	126	126	34	96
Payables	5,617	5,720	2,568	2,577
Tax Equivalents Payable	3	10	89	148
Liabilities Directly Associated with Assets Held for Sale	...	...	0	...
Borrowings and Derivatives at Fair Value	8	11	138	18
Borrowings at Amortised Cost	31,836	31,500	32,630	32,823
Advances Received	857	903	404	432
Employee Provisions	16,794	15,313	1,732	1,868
Superannuation Provision	67,862	52,498	3,297	2,656
Deferred Tax Equivalent Provision	337	406	3,919	4,658
Other Provisions	8,429	8,234	1,710	2,618
Other	2,861	2,858	501	294
<b>TOTAL LIABILITIES</b>	<b>134,731</b>	<b>117,579</b>	<b>47,020</b>	<b>48,189</b>
<b>NET WORTH</b>	<b>181,799</b>	<b>181,323</b>	<b>102,189</b>	<b>95,212</b>
<b>OTHER FISCAL AGGREGATES</b>				
<b>Net Debt</b>	(57)	5,461	29,460	30,981
<b>Net Financial Liabilities</b>	87,582	74,371	41,162	43,057

Public Financial Corporations		Eliminations		Total State Sector	
2016	2015	2016	2015	2016	2015
\$m	\$m	\$m	\$m	\$m	\$m
3,049	1,767	(34)	(70)	10,874	15,534
1,162	1,078	(2,676)	(3,547)	6,117	6,695
...	...	(107)	(166)	...	...
67,474	67,157	(58,922)	(59,177)	19,115	18,618
410	...	(4,906)	(482)	12,650	3,582
...	...	(404)	(432)	659	496
7	6	(4,256)	(5,065)	...	...
1,898	69	(99,649)	(91,410)	...	...
2	2	...	...	3,785	3,951
8,088	7,797	...	...	8,693	8,332
<b>82,091</b>	<b>77,876</b>	<b>(170,954)</b>	<b>(160,349)</b>	<b>61,893</b>	<b>57,209</b>
...	...	(0)	...	962	1,076
...	...	...	1	956	868
...	...	...	...	607	592
...	...	...	...	507	546
26	20	...	...	135,532	126,765
12	6	...	...	17,261	17,390
...	55	...	...	151,454	148,349
23	4	...	...	4,157	4,434
83	16	(20)	(20)	3,670	2,684
<b>145</b>	<b>101</b>	<b>(20)</b>	<b>(19)</b>	<b>315,107</b>	<b>302,704</b>
<b>82,235</b>	<b>77,978</b>	<b>(170,974)</b>	<b>(160,367)</b>	<b>377,000</b>	<b>359,913</b>
4,691	307	(4,454)	(15)	397	514
286	148	(1,482)	(1,471)	6,989	6,975
15	9	(107)	(166)	...	...
...	...	...	...	0	...
74,912	77,346	(138)	(147)	74,921	77,228
12	13	(59,302)	(59,566)	5,176	4,770
...	...	(404)	(432)	857	903
48	22	(36)	(43)	18,537	17,160
(0)	(0)	0	0	71,159	55,154
1	1	(4,256)	(5,065)	...	...
2,965	2,822	(1,124)	(2,024)	11,979	11,650
1,846	1,113	(21)	(29)	5,186	4,236
<b>84,775</b>	<b>81,780</b>	<b>(71,325)</b>	<b>(68,958)</b>	<b>195,201</b>	<b>178,590</b>
<b>(2,540)</b>	<b>(3,802)</b>	<b>(99,649)</b>	<b>(91,409)</b>	<b>181,799</b>	<b>181,323</b>
8,682	8,742	(32)	...	38,053	45,184
4,583	3,973	(20)	(20)	133,308	121,381

## The NSW Total State Sector Accounts Statement of Cash Flows by Sector for the Year Ended 30 June 2016

	General Government		Public Non-financial Corporations	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Taxation	29,640	26,288	...	...
Sale of Goods and Services	8,990	6,585	11,807	13,153
Grants and Subsidies	30,211	29,026	2,774	3,589
Interest	575	617	103	86
Dividends and Income Tax Equivalents from Other Sectors	2,248	2,240	...	...
Other	8,006	8,620	1,999	1,986
<b>Total Receipts</b>	<b>79,670</b>	<b>73,376</b>	<b>16,682</b>	<b>18,813</b>
<b>Payments</b>				
Employee Related	(29,394)	(27,423)	(3,345)	(3,539)
Superannuation	(3,874)	(3,424)	(756)	(433)
Payments for Goods and Services	(18,886)	(16,031)	(5,716)	(6,539)
Grants and Subsidies	(10,216)	(9,482)	(314)	(330)
Interest	(1,690)	(1,680)	(1,766)	(1,839)
Income Tax Equivalents	...	...	(538)	(816)
Other	(4,762)	(4,413)	(1,394)	(1,469)
<b>Total Payments</b>	<b>(68,822)</b>	<b>(62,453)</b>	<b>(13,829)</b>	<b>(14,963)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>10,848</b>	<b>10,923</b>	<b>2,853</b>	<b>3,850</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Non-financial Assets</b>				
Proceeds from Sale of Non-financial Assets	903	690	731	347
Purchases	(8,857)	(9,408)	(6,895)	(3,891)
<b>Net Cash Flows from Investments in Non-financial Assets</b>	<b>(7,954)</b>	<b>(8,718)</b>	<b>(6,164)</b>	<b>(3,544)</b>
<b>Financial Assets (Policy Purposes)</b>				
Receipts	6,314	1,095	3,568	908
Payments	(3,576)	(1,281)	(20)	(17)
<b>Net Cash Flows from Investments in Financial Assets (Policy Purposes)</b>	<b>2,738</b>	<b>(186)</b>	<b>3,548</b>	<b>890</b>
<b>Financial Assets (Liquidity Purposes)</b>				
Proceeds from Sale of Investments	9,531	12,422	75	118
Purchase of Investments	(22,174)	(11,791)	(197)	(12)
<b>Net Cash Flows from Investments in Financial Assets (Liquidity Purposes)</b>	<b>(12,643)</b>	<b>632</b>	<b>(122)</b>	<b>106</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(17,859)</b>	<b>(8,273)</b>	<b>(2,739)</b>	<b>(2,547)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Advances Received	45	150	3,691	360
Advances Repaid	(134)	(62)	(45)	(282)
Proceeds from Borrowings	435	1,130	7,968	3,615
Repayments of Borrowings	(487)	(1,188)	(8,890)	(3,677)
Dividends Paid	...	...	(1,595)	(1,292)
Deposits Received (Net)	(1)	8	(62)	46
Other (Net)	0	(12)	...	...
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(141)</b>	<b>26</b>	<b>1,067</b>	<b>(1,230)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(7,153)</b>	<b>2,676</b>	<b>1,182</b>	<b>73</b>

Public Financial Corporations		Eliminations		Total State Sector	
2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
\$m	\$m	\$m	\$m	\$m	\$m
(3)	409	(804)	(801)	28,834	25,895
592	24	(3,086)	(1,288)	18,302	18,474
437	7	(3,549)	(3,884)	29,873	28,738
3,504	3,537	(3,275)	(3,310)	908	929
...	...	(2,248)	(2,240)	...	...
360	530	(86)	(27)	10,278	11,109
<b>4,890</b>	<b>4,507</b>	<b>(13,048)</b>	<b>(11,550)</b>	<b>88,194</b>	<b>85,145</b>
(130)	(76)	549	635	(32,320)	(30,402)
(11)	(7)	272	118	(4,369)	(3,746)
(655)	(447)	3,177	1,490	(22,080)	(21,527)
(4)	(3)	3,382	3,743	(7,152)	(6,072)
(3,026)	(3,298)	3,193	3,201	(3,289)	(3,616)
(26)	(44)	565	860	...	...
683	1,078	78	107	(5,396)	(4,696)
<b>(3,170)</b>	<b>(2,797)</b>	<b>11,216</b>	<b>10,155</b>	<b>(74,606)</b>	<b>(70,059)</b>
<b>1,720</b>	<b>1,711</b>	<b>(1,833)</b>	<b>(1,395)</b>	<b>13,588</b>	<b>15,086</b>
88	...	0	(1)	1,723	1,036
(61)	(62)	81	6	(15,733)	(13,355)
<b>27</b>	<b>(62)</b>	<b>81</b>	<b>6</b>	<b>(14,010)</b>	<b>(12,319)</b>
...	...	82	(298)	9,964	1,705
...	...	3,315	1,093	(280)	(205)
<b>...</b>	<b>...</b>	<b>3,397</b>	<b>795</b>	<b>9,683</b>	<b>1,500</b>
9,235	7,186	(9,300)	(4,633)	9,541	15,094
(11,207)	(8,300)	10,013	4,885	(23,566)	(15,217)
<b>(1,973)</b>	<b>(1,114)</b>	<b>713</b>	<b>252</b>	<b>(14,025)</b>	<b>(124)</b>
<b>(1,946)</b>	<b>(1,176)</b>	<b>4,191</b>	<b>1,053</b>	<b>(18,352)</b>	<b>(10,942)</b>
1,454	940	(5,145)	(1,162)	45	288
...	...	45	282	(134)	(62)
57,437	48,928	(8,094)	(4,841)	57,747	48,831
(57,356)	(50,377)	9,301	4,630	(57,431)	(50,613)
(80)	(59)	1,675	1,351	...	...
...	...	...	...	(63)	54
...	...	3	2	3	(10)
<b>1,456</b>	<b>(569)</b>	<b>(2,215)</b>	<b>262</b>	<b>166</b>	<b>(1,512)</b>
<b>1,230</b>	<b>(34)</b>	<b>143</b>	<b>(81)</b>	<b>(4,598)</b>	<b>2,631</b>

**The NSW Total State Sector Accounts Statement of Cash Flows by Sector for the Year Ended 30 June 2016 (continued)**

	General Government		Public Non-financial Corporations	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
Opening Cash and Cash Equivalents	12,433	9,967	1,404	1,566
Reclassification of Cash Equivalents	(21)	(210)	12	(235)
<b>CLOSING CASH BALANCE</b>	<b>5,260</b>	<b>12,433</b>	<b>2,598</b>	<b>1,404</b>
<b>DERIVATION OF CASH RESULT</b>				
Net Cash Flow s from Operating Activities	10,848	10,923	2,853	3,850
Net Cash Flow s from Investments in Non-Financial Assets	(7,954)	(8,718)	(6,164)	(3,544)
Dividend Distributions	...	...	(1,595)	(1,292)
<b>CASH SURPLUS/(DEFICIT)</b>	<b>2,894</b>	<b>2,205</b>	<b>(4,906)</b>	<b>(986)</b>

Public Financial Corporations		Eliminations		Total State Sector	
2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
\$m	\$m	\$m	\$m	\$m	\$m
1,767	1,768	(68)	(65)	15,534	13,237
52	33	(106)	79	(63)	(335)
<b>3,049</b>	<b>1,767</b>	<b>(34)</b>	<b>(68)</b>	<b>10,874</b>	<b>15,534</b>
1,720	1,711	(1,833)	(1,398)	13,588	15,086
27	(62)	81	6	(14,010)	(12,319)
(80)	(59)	1,675	1,351	...	...
<b>1,667</b>	<b>1,589</b>	<b>(77)</b>	<b>(41)</b>	<b>(422)</b>	<b>2,767</b>

## The NSW Total State Sector Accounts Statement of Changes in Equity for the Whole of Government by Sector for the Year Ended 30 June 2016

	Equity at 1 July 2015	Changes in Classification	Comprehensive Result	Transfers between equity classes	Transactions with owners as owners	Equity at 30 June 2016
	\$m	\$m	\$m	\$m	\$m	\$m
<b>General Government Sector</b>						
Accumulated Funds	19,601	...	(8,639)	189	...	11,150
Reserves						
Asset Revaluation Surplus	67,504	...	2,813	(200)	...	70,117
Equity Investment Revaluation Surplus	2,887	9	(106)	1	...	2,791
Hedging Reserve	(14)	(9)	1	1	...	(22)
Available for Sale Reserve	91,341	...	6,409	(1)	...	97,750
Other	4	...	(2)	12	...	14
	<b>181,323</b>	<b>...</b>	<b>476</b>	<b>...</b>	<b>...</b>	<b>181,799</b>
<b>Public Non-Financial Corporation Sector</b>						
Accumulated Funds	45,812	...	5,979	2,332	(7,063)	47,059
Reserves						
Asset Revaluation Surplus	49,400	...	8,061	(2,243)	...	55,218
Equity Investment Revaluation Surplus	...	...	...	...	...	...
Hedging Reserve	(21)	...	(5)	(100)	...	(125)
Available for Sale Reserve	...	...	...	...	...	...
Other	22	...	4	12	...	38
	<b>95,213</b>	<b>...</b>	<b>14,039</b>	<b>...</b>	<b>(7,063)</b>	<b>102,189</b>
<b>Public Financial Corporation Sector</b>						
Accumulated Funds	(3,810)	...	1,269	4	(8)	(2,545)
Reserves						
Asset Revaluation Surplus	8	...	1	(4)	...	5
Equity Investment Revaluation Surplus	...	...	...	...	...	...
Hedging Reserve	...	...	...	...	...	...
Available for Sale Reserve	...	...	...	...	...	...
Other	...	...	...	...	...	...
	<b>(3,804)</b>	<b>...</b>	<b>1,270</b>	<b>...</b>	<b>(8)</b>	<b>(2,540)</b>
Eliminations	(91,409)	...	(15,309)	...	7,071	(99,649)
<b>Total State Sector</b>	<b>181,323</b>	<b>...</b>	<b>476</b>	<b>...</b>	<b>...</b>	<b>181,799</b>

## The NSW Total State Sector Accounts Statement of Changes in Equity for the Whole of Government by Sector for the Year Ended 30 June 2015

	Restated Equity at 1 July 2014	Changes in Classification	Comprehensive Result	Transfers between equity classes	Transactions with owners as owners	Equity at 30 June 2015
	\$m	\$m	\$m	\$m	\$m	\$m
<b>General Government Sector</b>						
Accumulated Funds	20,085	...	(556)	72	...	19,601
Reserves						
Asset Revaluation Surplus	60,986		6,631	(113)	...	67,504
Equity Investment Revaluation Surplus	1,992	11	894	(10)	...	2,887
Hedging Reserve	(3)	(11)	0	...	...	(14)
Available for Sale Reserve	84,696	...	6,646	(0)	...	91,341
Other	12	...	(60)	52	...	4
	<b>167,768</b>	<b>...</b>	<b>13,555</b>	<b>...</b>	<b>...</b>	<b>181,323</b>
<b>Public Non-Financial Corporation Sector</b>						
Accumulated Funds	43,562	...	3,487	1,305	(2,543)	45,812
Reserves						
Asset Revaluation Surplus	45,279	...	5,447	(1,326)	...	49,400
Equity Investment Revaluation Surplus	...	...	...	...	...	...
Hedging Reserve	1	...	(31)	9	...	(21)
Available for Sale Reserve	...	...	...	...	...	...
Other	10	...	...	12	...	22
	<b>88,852</b>	<b>...</b>	<b>8,903</b>	<b>...</b>	<b>(2,543)</b>	<b>95,213</b>
<b>Public Financial Corporation Sector</b>						
Accumulated Funds	(4,165)	...	435	...	(81)	(3,810)
Reserves						
Asset Revaluation Surplus	8	...	...	...	...	8
Equity Investment Revaluation Surplus	...	...	...	...	...	...
Hedging Reserve	...	...	...	...	...	...
Available for Sale Reserve	...	...	...	...	...	...
Other	...	...	...	...	...	...
	<b>(4,158)</b>	<b>...</b>	<b>435</b>	<b>...</b>	<b>(81)</b>	<b>(3,804)</b>
Eliminations	(84,694)	...	(9,338)	...	2,624	(91,409)
<b>Total State Sector</b>	<b>167,768</b>	<b>...</b>	<b>13,555</b>	<b>...</b>	<b>...</b>	<b>181,323</b>

## Information on Expenses and Assets by Function

	General Government Sector		Total State Sector	
	2015-16	2014-15	2015-16	2014-15
	\$m	\$m	\$m	\$m
<b>Total Expenses by Function (Policy Area)<sup>(b)</sup></b>				
General Public Services	2,978	2,650	2,927	2,816
Public Order and Safety	7,021	6,551	7,027	6,554
Education	14,658	14,008	14,520	13,850
Health	19,472	18,323	19,450	18,301
Social Security and Welfare	6,368	5,541	5,918	5,082
Housing and Community Amenities	2,562	2,543	5,196	5,205
Recreation and Culture	1,162	1,096	1,573	1,430
Fuel and Energy	41	26	2,119	3,638
Agriculture, Forestry, Fishing and Hunting	754	750	935	939
Mining, Mineral Resources, Manufacturing and Construction	150	179	150	179
Transport and Communications	8,956	9,161	12,924	9,664
Other Economic Affairs	764	716	1,482	1,030
Other Purposes	4,789	5,193	4,050	6,328
<b>Total Expenses<sup>(a)</sup></b>	<b>69,675</b>	<b>66,736</b>	<b>78,272</b>	<b>75,015</b>
<b>Total Assets by Function (Policy Area)<sup>(b)</sup></b>				
General Public Services	31,877	28,029	14,017	12,737
Public Order and Safety	8,157	7,569	8,106	7,493
Education	29,127	27,801	29,127	27,795
Health	17,532	16,724	17,231	16,428
Social Security and Welfare	1,758	2,265	1,722	2,230
Housing and Community Amenities	6,773	6,493	76,373	68,078
Recreation and Culture	15,772	15,395	21,412	20,821
Fuel and Energy	175	...	30,640	37,519
Agriculture, Forestry, Fishing and Hunting	8,202	8,888	10,211	10,928
Mining, Mineral Resources, Manufacturing and Construction	1,176	1,066	38	66
Transport and Communications	91,058	86,426	130,484	121,239
Other Economic Affairs	3,731	3,693	3,206	3,033
Other Purposes <sup>(c)</sup>	101,191	94,552	34,433	31,546
<b>Total Assets</b>	<b>316,530</b>	<b>298,902</b>	<b>377,000</b>	<b>359,913</b>

- (a) The difference between the Total State Sector Expenses and the Statement of Comprehensive Income relates to expenditure associated with discontinued operations of \$337 million (2015: \$153 million).
- (b) The aggregate expenses and assets for the General Government Sector can be greater than the Total State Sector aggregates due to the elimination of inter sector expenses and asset balances from the Total State aggregates.
- (c) Other Purposes for the General Government Sector includes the State's equity investment in the PNFC/PFC sectors which is eliminated in Total State Sector assets.

The aggregate amount of the comprehensive result attributable to the General Government Sector from the PNFC and PFC sector entities in 2015-16 is \$15,309 million net surplus (2014-15 \$13,204 million net surplus). It comprises the sum of General Government Sector inter-sector expenses (grants, interest on borrowings, and purchases) less the sum of General Government Sector revenues (dividends, income and other tax revenues, revenues from sale of goods and services, interest from inter-sector loans, and gains on the equity investment in the PNFC/PFC sectors).

## Note 33: Key Fiscal Aggregates and Reconciliations to Government Finance Statistics

	Footnote	General Government Sector 2015-16 \$m	Public Non-Financial Corporations 2015-16 \$m	Public Financial Corporations 2015-16 \$m	Total State Sector 2015-16 \$m
<b>Reconciliation to GFS Net Operating Balance</b>					
<b>Net Result from Transactions - Net Operating Balance</b>		<b>4,659</b>	<b>(307)</b>	<b>751</b>	<b>4,364</b>
Convergence Differences					
Low Interest Loans	a	(7)	15	...	8
PNFC/PFC Dividends Accrued	b	...	(717)	(21)	...
<b>Total Convergence Differences</b>		<b>(7)</b>	<b>(702)</b>	<b>(21)</b>	<b>8</b>
<b>GFS Net Operating Balance</b>		<b>4,652</b>	<b>(1,010)</b>	<b>730</b>	<b>4,372</b>
<b>Reconciliation to GFS Net Lending/(Borrowing)</b>					
<b>Net Lending/(Borrowing)</b>		<b>401</b>	<b>(3,658)</b>	<b>786</b>	<b>(3,128)</b>
Convergence Differences					
Relating to Net Operating Balance as Show n Above		(7)	(702)	(21)	8
<b>Total Convergence Differences</b>		<b>(7)</b>	<b>(702)</b>	<b>(21)</b>	<b>8</b>
<b>GFS Net Lending/(Borrowing)</b>		<b>394</b>	<b>(4,360)</b>	<b>765</b>	<b>(3,120)</b>
<b>Reconciliation to GFS Total Change In Net Worth</b>					
<b>Comprehensive Result - Total Change In Net Worth</b>		<b>476</b>	<b>14,039</b>	<b>1,270</b>	<b>476</b>
Convergence Differences					
In AASB 1049 Comprehensive Result, but Not In GFS Change In Net Worth					
Low Interest Loans	a	(15)	15	...	0
Allow ance for Doubtful Debts	c	2	1	(1)	3
Prepaid Licence Income	d	(18)	...	...	(18)
Other Settlement Provisions and Obligation Payments	k	197	...	...	197
Measurement Relating to Assets Held for Sale	l	35	3	...	39
Deferred Tax Assets/Liabilities	f	670	(670)	(1)	...
Equity Investment in the PFNC/PFC Sectors for Net Assets Not Recognised Under GFS	g	(652)	...	...	...
In GFS Change in Net Worth, but Not In AASB 1049 Comprehensive Result					
Transactions With Ow ners as Ow ners	h	...	(7,062)	(8)	...
Classification of GFS PNFC/PFC Net Worth as a Liability	i	...	(6,326)	(1,260)	...
<b>Total Convergence Differences</b>	m	<b>220</b>	<b>(14,039)</b>	<b>(1,270)</b>	<b>220</b>
<b>GFS Total Change In Net Worth</b>		<b>696</b>	<b>...</b>	<b>...</b>	<b>696</b>
<b>Reconciliation to GFS Cash Surplus/(Deficit)</b>					
<b>Cash Surplus/(Deficit)</b>		<b>2,894</b>	<b>(4,906)</b>	<b>1,667</b>	<b>(422)</b>
Convergence Differences					
Finance Leases and Similar Arrangements	j	(490)	37	...	(453)
<b>Total Convergence Differences</b>		<b>(490)</b>	<b>37</b>	<b>...</b>	<b>(453)</b>
<b>GFS Cash Surplus/(Deficit)</b>		<b>2,404</b>	<b>(4,869)</b>	<b>1,667</b>	<b>(876)</b>

	Footnote	General Government Sector 2016 \$m	Public Non-Financial Corporations 2016 \$m	Public Financial Corporations 2016 \$m	Total State Sector 2016 \$m
<b>Reconciliation to GFS Net Worth</b>					
<b>Net Worth</b>		<b>181,799</b>	<b>102,189</b>	<b>(2,540)</b>	<b>181,799</b>
Convergence Differences					
In AASB 1049 Net Worth, but Not In GFS					
Low Interest Loans	a	(2)	(284)	...	(286)
Allowance for Doubtful Debts	c	417	37	0	454
Prepaid Licence Income	d	278	...	...	278
Other Settlement Provisions and Obligation Payments	k	1,256	...	...	1,256
Measurement Relating To Assets Held For Sale	l	35	3	...	39
Provision Liabilities for Remediation	e	602	261	1	863
Assets Associated with Provisions for Remediation	e	(602)	(261)	(1)	(863)
Deferred Tax Assets/Liabilities	f	(3,582)	3,589	(6)	...
Equity Investment in the PFNC/PFC Sectors for Net Assets	g	3,338	...	...	...
In GFS Net Worth, but Not In AASB 1049					
Classification of GFS PNFC/PFC Net Worth as a Liability	i	...	(105,533)	2,546	...
<b>Total Convergence Differences <sup>(m)</sup></b>		<b>1,740</b>	<b>(102,189)</b>	<b>2,540</b>	<b>1,740</b>
<b>GFS Net Worth</b>		<b>183,539</b>	<b>...</b>	<b>...</b>	<b>183,539</b>

	Footnote	General Government Sector 2014-15 \$m	Public Non- Financial Corporations 2014-15 \$m	Public Financial Corporations 2014-15 \$m	Total State Sector 2014-15 \$m
<b>Reconciliation to GFS Net Operating Balance</b>					
<b>Net Result from Transactions - Net Operating Balance</b>		<b>2,881</b>	<b>2,900</b>	<b>523</b>	<b>4,646</b>
Convergence Differences					
Low Interest Loans (Restated)	a	(8)	15	...	6
PNFC/PFC Dividends Accrued	b	...	(1,577)	(80)	...
<b>Total Convergence Differences</b>		<b>(8)</b>	<b>(1,563)</b>	<b>(80)</b>	<b>6</b>
<b>GFS Net Operating Balance</b>		<b>2,873</b>	<b>1,337</b>	<b>443</b>	<b>4,653</b>
<b>Reconciliation to GFS Net Lending/(Borrowing)</b>					
<b>Net Lending/(Borrowing)</b>		<b>(126)</b>	<b>499</b>	<b>467</b>	<b>(816)</b>
Convergence Differences					
Relating to Net Operating Balance as Show n Above (Restated)		(8)	(1,563)	(80)	6
<b>Total Convergence Differences</b>		<b>(8)</b>	<b>(1,563)</b>	<b>(80)</b>	<b>6</b>
<b>GFS Net Lending/(Borrowing)</b>		<b>(134)</b>	<b>(1,064)</b>	<b>387</b>	<b>(809)</b>
<b>Reconciliation to GFS Total Change in Net Worth</b>					
<b>Comprehensive Result - Total Change in Net Worth</b>		<b>13,555</b>	<b>8,903</b>	<b>435</b>	<b>13,555</b>
Convergence Differences					
In AASB 1049 Comprehensive Result, but not in GFS Change in Net Worth					
Low Interest Loans	a	(8)	29	...	21
Allowance for Doubtful Debts	c	(14)	(20)	(3)	(38)
Prepaid Licence Income	d	(18)	...	...	(18)
Other Settlement Provisions and Obligation Payments	k	31	...	...	31
Measurement Relating to Assets Held for Sale	l	(96)	...	...	(96)
Deferred Tax Assets/Liabilities	f	(45)	48	(2)	...
Equity Investment in the PFNC/PFC Sectors for Net Assets Not Recognised Under GFS	g	51	...	...	...
In GFS Change in Net Worth, but Not In AASB 1049 Comprehensive Result					
Transactions with Owners as Owners	h	...	(2,543)	(80)	...
Classification of GFS PNFC/PFC Net Worth as a Liability	i	...	(6,415)	(350)	...
<b>Total Convergence Differences</b>	m	<b>(101)</b>	<b>(8,903)</b>	<b>(435)</b>	<b>(101)</b>
<b>GFS Total Change in Net Worth</b>		<b>13,454</b>	<b>...</b>	<b>...</b>	<b>13,454</b>
<b>Reconciliation to GFS Cash Surplus/(Deficit)</b>					
<b>Cash Surplus/(Deficit)</b>		<b>2,205</b>	<b>(986)</b>	<b>1,589</b>	<b>2,767</b>
Convergence Differences					
Finance Leases and Similar Arrangements	j	(65)	(37)	...	(106)
<b>Total Convergence Differences</b>		<b>(65)</b>	<b>(37)</b>	<b>...</b>	<b>(106)</b>
<b>GFS Cash Surplus/(Deficit)</b>		<b>2,139</b>	<b>(1,023)</b>	<b>1,589</b>	<b>2,661</b>

	Footnote	General Government Sector 2015 \$m	Public Non-Financial Corporations 2015 \$m	Public Financial Corporations 2015 \$m	Total State Sector 2015 \$m
<b>Reconciliation to GFS Net Worth</b>					
<b>Net Worth</b>		<b>181,323</b>	<b>95,212</b>	<b>(3,802)</b>	<b>181,323</b>
Convergence Differences					
In AASB 1049 Net Worth, but Not in GFS					
Low Interest Loans	a	12	(299)	...	(287)
Allowance for Doubtful Debts	c	414	36	1	451
Prepaid Licence Income	d	296	...	...	296
Other Settlement Provisions and Obligation Payments	k	1,059	...	...	1,059
Provision Liabilities for Remediation	e	532	274	...	806
Assets Associated with Provisions for Remediation	e	(532)	(274)	...	(806)
Deferred Tax Assets/Liabilities	f	(4,253)	4,258	(5)	...
Equity Investment in the PNFC/PFC Sectors for Net Assets	g	3,991	...	...	...
In GFS Net Worth, but Not In AASB 1049					
Classification of GFS PNFC/PFC Net Worth as a Liability	i	...	(99,207)	3,806	...
<b>Total Convergence Differences <sup>(m)</sup></b>		<b>1,520</b>	<b>(95,212)</b>	<b>3,802</b>	<b>1,520</b>
<b>GFS Net Worth</b>		<b>182,843</b>	<b>...</b>	<b>...</b>	<b>182,843</b>

- (a) Under GFS, interest free or low interest loans are recognised based on the original amount lent, and interest is recognised based on any cash interest paid. In contrast, under AGAAP, loans are recognised initially at fair value and thereafter at amortised cost. Any difference between the original amount lent and the fair value is initially recognised to the operating result and subsequently amortised over the life of the loan. This results in the value of GFS advances/(borrowings) being higher/(lower) than AGAAP advances/(borrowings).
- (b) GFS recognises dividends to owners by the PNFC and PFC sectors as a GFS expense, whereas under AGAAP they are treated as a distribution to owners and therefore a direct reduction of accumulated funds. This difference does not flow through to the Total State Sector as dividends are eliminated on consolidation.
- (c) GFS does not recognise an allowance for doubtful debts as it is not a mutually agreed transaction, whereas under AGAAP an allowance for doubtful debts is recognised in the Statement of Financial Position and doubtful debts are recognised in the Statement of Comprehensive Income as 'Other Economic Flows'.
- (d) AGAAP recognises the prepaid income liability for unamortised prepaid licences in the Statement of Financial Position. This liability is excluded from the GFS Statement of Financial Position as the prepaid income is treated as an upfront sale of a non-produced intangible asset for GFS purposes. The change in net worth for prepaid licence income is normally a negative balance due to amortisation of the prepaid licence income.
- (e) GFS does not recognise provisions for restoration and remediation as there is no present counterparty to the transaction. The provision liabilities (and any related capitalised asset values) are therefore lower under GFS as a result of the exclusion.
- (f) AGAAP adopts tax effect accounting whereby timing differences between accounting profit and tax profit are deferred as future income tax benefit assets or provisions for deferred tax liabilities. GFS does not recognise deferred tax. As the State's PNFCs revalue their infrastructure, this can create large provisions for deferred tax liabilities and result in significant differences between the GFS and the AASB 1049 sector aggregates. This convergence difference also flows through to the GGS, as the GGS is the counterparty to the tax effect accounting entries recognised by the PNFC/PFC entities. However, this difference does not flow through to the Total State Sector as income tax equivalents are eliminated on consolidation.
- (g) In the absence of a market value for PNFC/PFCs, the value of net assets is applied as a surrogate for the General Government's equity investment in other sectors. GFS net assets do not equal AGAAP net assets because GFS Statement of Financial Position exclude certain items such as deferred taxes, allowance for doubtful debts and restoration provisions. This results in differences between the GFS and the AGAAP values for the General Government's equity investment in other sectors.
- (h) Transactions with owners as owners are excluded for the comprehensive result, however are included in the movement in GFS net worth. These type of transactions result in a convergence difference as the total change in net worth under AGAAP is disclosed before transactions with owners as owners, while under GFS, transactions with owners as owners is included in the movement in GFS net worth.
- (i) The PNFC/PFC sectors report zero net worth for GFS purposes as GFS treats the ownership interest (contributed equity) as a liability.
- (j) The ABS requires that for the calculation of the GFS cash surplus/deficit an adjustment is made to deduct the value of assets acquired using finance leases to recognise a notional cash outflow relating to new finance leases. Under AGAAP the cash flow statement does not recognise notional cash flows, as these are non-cash transactions.
- (k) GFS does not recognise other settlement provisions and obligation payments as there is no present counterparty to the transaction. The provisions and other liabilities are therefore lower under GFS as a result of the exclusion.
- (l) Measurement difference between AGAAP and GFS for the valuation of Assets Held for Sale. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* requires the valuation at fair value less costs to sell, whereas the GFS valuation is at market value which does not include costs to sell.
- (m) The convergence differences related to total change in net worth will be either positive or negative in a particular year due to the movement of the balances in the statement of financial position.

## Reclassifications

The following classification differences exist between lines presented in this AASB 1049 *Whole of Government and General Government Sector Financial Reporting* report and GFS line presentations. While these classification differences do not affect the net operating results nor net worth aggregates, they result in different line presentations between GFS and AASB 1049 (i.e. AGAAP) reports.

2015-16		General Government Sector \$m	Public Non- Financial Corporations \$m	Public Financial Corporations \$m	Total State Sector \$m
<b>Items Grossed Up in GFS Operating Statements - Not In AGAAP</b>					
<b>Statements of Comprehensive Income</b>					
Transfer Payments	a	4,085	...	...	4,085
Environmental Levies	b	7	...	...	7
Transport and Energy Subsidies	c	...	...	...	163
Insurance Tax Receipts to GGS	k	437	...	...	437
<b>Items Grossed Up In AGAAP Statements of Comprehensive Income - Not In GFS</b>					
GG Employee Expenses and Revenues - for Services to PNFCs	d	743	4	...	...
<b>Other Reclassifications on the Statements of Comprehensive Income</b>					
Dividends Accrued in GFS Results, but a Direct Movement in AGAAP	e	...	717	21	...
Income Tax Equivalents - Return of Capital in GFS, Deferred Income Tax Equivalent In AGAAP	f	39	39	...	...
<b>Statements of Financial Position</b>					
Deferred Income - Payables in GFS, Other Liabilities in AGAAP	g	1,963	142	11	2,109
Prepaid Expenses - Receivables in GFS, Other Non-Financial Assets in AGAAP	g	454	115	73	627
Rental Bond Assets and Liabilities in GFS, but Off Balance Sheet (Trust Funds) in AGAAP	h	1,318	...	...	1,318
AGAAP Equity Investments in Multi Jurisdictional General Government Agencies are Advance Assets for GFS	i	0	...	2	2
Salaries Accrued & Employee on Costs are Provision Liabilities in GFS, but Payables for AGAAP	j	525	80	6	594
2014-15		General Government Sector \$m	Public Non- Financial Corporations \$m	Public Financial Corporations \$m	Total State Sector \$m
<b>Items Grossed Up in GFS Operating Statements - Not In AGAAP</b>					
<b>Statements of Comprehensive Income</b>					
Transfer Payments	a	3,937	...	...	3,937
Environmental Levies	b	7	...	...	7
Transport and Energy Subsidies	c	...	...	...	165
Insurance Tax Receipts to GGS (Restated)	k	412	...	...	412
<b>Items Grossed Up in AGAAP Statements of Comprehensive Income - Not In GFS</b>					
GG Employee Expenses and Revenues - for Services to PNFCs	d	716	...	...	...
<b>Other Reclassifications on the Statements of Comprehensive Income</b>					
Dividends Accrued in GFS Results, but a Direct Movement in AGAAP	e	...	1,577	80	...
Income Tax Equivalents - Return of Capital in GFS, Deferred Income Tax Equivalent in AGAAP	f	1	1	...	...
<b>Statements of Financial Position</b>					
Deferred Income - Payables in GFS, Other Liabilities in AGAAP	g	2,255	48	...	2,319
Prepaid Expenses - Receivables in GFS, Other Non-Financial Assets in AGAAP	g	408	76	9	490
Rental Bond Assets and Liabilities in GFS, but Off Balance Sheet (Trust Funds) in AGAAP	h	1,229	...	...	1,229
AGAAP Equity Investments in Multi Jurisdictional General Government Agencies are Advance Assets for GFS (Restated)	i	...	...	2	2
Salaries Accrued & Employee on Costs are Provision Liabilities in GFS, but Payables for AGAAP	j	951	108	1	1,043

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- (a) New South Wales receives certain transfer payments from the Commonwealth which are required to be on-passed to recipients as determined by the Australian Government. Most of these transfer payments relate to grants from the Australian Government for specific non-government schools or for local government authorities. As New South Wales has no control over the transfer payments, they are not recognised as State revenues and expenses. However, the ABS has determined that for GFS purposes the transfer payments be recognised as GFS revenues and expenses of the States and Territories. New South Wales publishes information on these excluded transfer payments as a footnote to the grants revenue and expense notes to assist users understand the full value of the amounts on-passed. Refer Table 7 of the Outcomes report.
  - (b) GFS requires that certain environmental levies reported by PNFCs be also recognised and grossed up in the GG sector as tax revenue and as an equivalent subsidy expense paid back to the PNFC sector, for GFS purposes only.
  - (c) For Total State reporting purposes only, transport and energy subsidies paid from GGs to PNFCs for students and pensioners are eliminated from AGAAP statements. However, GFS treats the payment by the State as a gross expense, relating to a benefit paid to the household sector, and as gross revenue from the household sector for electricity sales and travel fares.
  - (d) Certain staff employed in the GG sector provide services to PNFCs. Under GFS, the employee expense related to these personnel is recognised in the PNFC sector. However, under AGAAP, the employee expense and the revenue recoverable from the PNFC sector is reported in the GG sector.
  - (e) Under AGAAP, dividends accrued are a direct adjustment to equity, whereas under GFS they are reported as an expense for the PNFC and PFC sectors.
  - (f) Under GFS, the component of income tax equivalents related to the disposal of discontinuing operations is reported as a return of capital, rather than as a transaction. Under AGAAP, this is reported as another economic flow, similar to deferred taxes. This reclassification difference impacts both GGS and PNFC entities, as the GGS sector is the counterparty to the entries recognised in the PNFC sector.
  - (g) GFS requires that deferred income and deferred expenses be classified as payables and receivables. However, they are reported as other assets and other liabilities under AASB 1049 and not as receivables/payables, as there is no present obligation to repay the deferred items.
  - (h) New South Wales excludes rental bond assets and an equal value of deposit liabilities from the AGAAP statements of financial position as they are considered to be trust monies. However, the Australian Bureau of Statistics has advised that rental bond monies are to be recognised on Statement of Financial Position for GFS purposes, and not treated off Statement of Financial Position as trust monies. This difference does not impact key fiscal aggregates, however it results in the GFS total assets and total liabilities being grossed up compared to the AGAAP aggregates.
  - (i) Certain investments in associates (to multi-jurisdictional general government entities) are not recognised in GFS as equity investments, but are treated as advances. This reclassification creates a difference between GFS and AGAAP net debt, but does not affect net financial liabilities nor net worth aggregates.
  - (j) Salaries accruals and certain employee on-costs reported as payables under AGAAP are required to be classified as provision liabilities for GFS reporting purposes.
  - (k) A GGS/PFC classification difference arises in respect of the treatment of tax income. Under GFS, a tax or fine can only be imposed by a unit in the general government sector (GGS). As this income is collected by a PFC due to administrative requirements, it is reclassified as a tax receipt in the GGS and an equivalent subsidy is paid back to the PFC sector for GFS purposes only.

## Note 34: Details of Consolidated Entities

The Total State Sector comprises the entities listed below. Unless stated otherwise, the State has a full ownership interest in the controlled entities.

Four controlled entities have a reporting date other than 30 June. The reporting date for the National Art School, Technical Education Trust Fund and the Wild Dog Destruction Board is 31 December. The reporting date for the Sydney Cricket and Sports Ground Trust is 28 February as it is aligned to the sporting year associated with its primary activities.

It is considered not material to the results and financial position of the TSSA to attempt to align the reporting period of these reporting entities to 30 June. Accordingly the annual financial results of these reporting entities as at the last reported year (ending December or February) have been consolidated into the 30 June TSSA.

Entities and Staff Agencies identified in italics have been, or are in the process of being abolished.

### Changes to Reporting Entities

There have been a number of changes to reporting entities since the last TSSA that affect reporting in this financial year. These changes are as a result of legislative amendments and Administrative Changes Orders which are outlined below:

- State Insurance Regulatory Authority (SIRA) was established on 1 September 2015 in accordance with the *State Insurance and Care Governance Act 2015* in the Finance, Services and Innovation Cluster. As a result of this creation, WorkCover Authority, Motor Accidents Authority and Safety, Return to Work and Support Board were abolished.
- Insurance and Care NSW (icare) was also established on 1 September 2015 in accordance with the *State Insurance and Care Governance Act 2015* as a Public Financial Corporation providing services and monitoring the insurance scheme(s) for which it provides services, to the following authorities:
  - Workers Compensation (Dust Diseases) Authority
  - Lifetime Care and Support Authority
  - Sporting Injuries Compensation Authority and;
  - NSW Self Insurance Corporation
- The Independent Liquor and Gaming Authority Staff Agency was abolished under the *Administrative (Administrative Changes – Liquor and Gaming) Order 2015* effective from 30 October 2015 at which date staff transferred to the Department of Justice.
- The Institute of Sport Staff Agency was abolished and transferred to the Office of Sport on 2 September 2015 under the *Administrative Arrangement (Administrative Changes – Miscellaneous) Order 2015*.
- The SAS Trustee Corporation Division was abolished on 1 January 2016 under the *Administrative Arrangements (Administrative Changes – SAS Trustee Corporation) Order 2015* and staff transferred to the new agency SAS Trustee Corporation Staff Agency. The entity reports to the Treasurer.
- The administration of the Cancer Institute (NSW) Act 2003 is solely allocated to the Minister for Health on 31 July 2015 under the *Administrative Arrangements (Administration of Acts – Amendment No 2) Order 2015*.
- TransGrid was transferred to the General Government Sector and renamed the Electricity Transmission Ministerial Holding Corporation on the 16 December 2015 following the sale and long-term lease of TransGrid Assets.
- HomeCare Service of New South Wales was sold to Australian Unity as at 20 February 2016.
- The WCX M5 group of entities were established on 15 October 2015.

## General Government Sector Agencies

Aboriginal Housing Office	Environment Protection Authority
Art Gallery of New South Wales Trust	Environment Protection Authority Staff Agency
The Australian Institute of Asian Culture and Visual Arts Limited	Environmental Trust
Art Gallery of New South Wales Trust Staff Agency	Financial Counselling Trust Fund <sup>(*)</sup>
Art Gallery of NSW Foundation <sup>(*)</sup>	Fire and Rescue NSW
Australian Museum Trust	Gaagal Wanggaan (South Beach) National Park Board of Management <sup>(a)(*)</sup>
Australian Museum Trust Staff Agency	Government Property NSW
Barangaroo Delivery Authority	Gulaga National Park Board of Management <sup>(a)(*)</sup>
Barangaroo Delivery Authority Staff Agency	Health Care Complaints Commission
Belgenny Farm Agricultural Heritage Centre Trust <sup>(*)</sup>	Health Care Complaints Commission Staff Agency
Biamanga National Park Board of Management <sup>(a)(*)</sup>	Historic Houses Trust of New South Wales
Board of Studies, Teaching and Educational Standards	Foundation for the Historic Houses Trust of New South Wales
Board of Studies, Teaching and Educational Standards Staff Agency	Foundation for the Historic Houses Trust of New South Wales Limited
Building Insurers' Guarantee Corporation	Hamilton Rouse Hill Trust
C.B. Alexander Foundation <sup>(*)</sup>	Rouse Hill Hamilton Collection Pty Limited
Centennial Park and Moore Park Trust	Home Purchase Assistance Fund
Central Coast Regional Development Corporation <sup>(*)</sup>	Hunter Development Corporation
Cemeteries and Crematoria NSW <sup>(*)</sup>	Independent Commission Against Corruption
Chief Investigator of the Office of Transport Safety Investigations	Independent Liquor and Gaming Authority
Combat Sports Authority of New South Wales <sup>(*)</sup>	<i>Independent Liquor and Gaming Authority Staff Agency</i> <sup>(g)</sup>
<i>Community Relations Commission of New South Wales</i> <sup>(b)</sup>	Independent Pricing and Regulatory Tribunal
Community Relations Commission Staff Agency	Independent Pricing and Regulatory Tribunal Staff Agency
Corporation Sole 'Minister Administering Environmental Planning and Assessment Act, 1979'	Independent Transport Safety Regulator
Corporation Sole 'Minister Administering the Heritage Act, 1977' <sup>(*)</sup>	Independent Transport Safety Regulator Staff Agency
Crown Entity, including the Consolidated Fund and Crown Finance Entity	Information and Privacy Commission
Crown Solicitor's Office	Infrastructure NSW
Department of Education	Infrastructure NSW Staff Agency
Advocate for Children and Young People	<i>Internal Audit Bureau of New South Wales</i> <sup>(h)(*)</sup>
Department of Family and Community Services	<i>Internal Audit Bureau Division</i> <sup>(h)</sup>
Home Care Service of New South Wales <sup>(c)</sup>	Judicial Commission of New South Wales
Home Care Service Staff Agency	Lands Administration Ministerial Corporation <sup>(*)</sup>
John Williams Memorial Charitable Trust	Bondi Bath Reserve Trust
Department of Finance, Services and Innovation	Yasmar Reserve Trust
Safe Work NSW <sup>(l)</sup>	Rawson Reserve Trust
Department of Planning and Environment	Crown Lands Reserve Trust
Greater Sydney Commission <sup>(d)</sup>	Legal Aid Commission of New South Wales
Department of Justice	Legal Aid Commission Staff Agency
Department of Premier and Cabinet	Liability Management Ministerial Corporation
Department of Industry, Skills and Regional Development	Library Council of New South Wales
Agricultural Scientific Collections Trust	Library Council of New South Wales Staff Agency
Aquaculture Trust Fund	State Library of New South Wales Foundation
Charter Fishing Trust Fund	Local Land Services
Coal Innovation Fund	Local Land Services Staff Agency
Commercial Fishing Trust Fund	Long Service Corporation
Dams Safety Committee <sup>(*)</sup>	Lord Howe Island Board <sup>(*)</sup>
Fish Conservation Trust Fund	Lotteries Assets Ministerial Holding Corporation <sup>(*)</sup>
Game and Pest Management Trust Fund	Luna Park Reserve Trust
Jobs for NSW Fund <sup>(e)</sup>	Mental Health Commission of New South Wales
Public Reserves Management Fund	Mental Health Commission Staff Agency
Recreational Fishing (Fresh) Trust Fund	Mine Subsidence Board <sup>(*)</sup>
Recreational Fishing (Salt) Trust Fund	Ministerial Holding Corporation <sup>(*)</sup>
Department of Transport for NSW	Hunter Valley Training Pty Ltd
Transport for NSW	Ministry of Health <sup>(i)</sup>
Transport Service of New South Wales	Albury Base Hospital
Roads and Maritime Services	Albury Wodonga Health Employment Division
Destination NSW	Bureau of Health Information
Destination NSW Staff Agency	Cancer Institute (NSW)
Electricity Assets Ministerial Holding Corporation	Central Coast Local Health District
Electricity Transmission Ministerial Holding Corporation <sup>(f)</sup>	Clinical Excellence Commission
	Far West Local Health District
	Graythwaite Trust
	Health Administration Corporation

Health Education and Training Institute	Office of the Children's Guardian
Hunter New England Local Health District	Office of the Director of Public Prosecutions
Illawarra Shoalhaven Local Health District	Office of the NSW Rural Fire Service
Justice Health and Forensic Mental Health Network	Office of the NSW State Emergency Services
Mid North Coast Local Health District	Office of Sport
Murrumbidgee Local Health District	<i>Institute of Sport Staff Agency</i> <sup>(k)</sup>
Nepean Blue Mountains Local Health District	Ombudsman's Office
Northern NSW Local Health District	Parliamentary Counsel's Office
Northern Sydney Local Health District	Parramatta Park Trust <sup>(*)</sup>
<i>NSW Kids and Families</i> <sup>(i)</sup>	Police Integrity Commission
South Eastern Sydney Local Health District	Police Integrity Commission Staff Agency
South Western Sydney Local Health District	Ports Assets Ministerial Holding Corporation
Southern NSW Local Health District	Port of Newcastle Lessor Pty Limited
Sydney Local Health District	Port Botany Lessor Pty Limited
The Agency for Clinical Innovation	Port Kembla Lessor Pty Limited
The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)	Public Service Commission
Western NSW Local Health District	Rental Bond Board
Western Sydney Local Health District	Responsible Gambling Fund <sup>(*)</sup>
Motor Accidents Authority of New South Wales	Royal Botanic Gardens and Domain Trust
Mt Grenfell Historic Site Board of Management <sup>(a)(*)</sup>	Service NSW
Multicultural NSW <sup>(b)</sup>	Sporting Injuries Compensation Authority <sup>(*)</sup>
Mutawintji Board of Management <sup>(a)(*)</sup>	State Insurance Regulatory Authority <sup>(l)</sup>
National Art School <sup>(*)</sup>	State Rail Authority Residual Holding Corporation <sup>(*)</sup>
Natural Resources Commission	State Records Authority of New South Wales
Natural Resources Commission Staff Agency	State Rescue Board of New South Wales <sup>(*)</sup>
New South Wales Crime Commission	Sydney Olympic Park Authority
New South Wales Crime Commission Staff Agency	Technical Education Trust Fund <sup>(*)</sup>
New South Wales Electoral Commission	The Audit Office of New South Wales
New South Wales Electoral Commission Staff Agency	The Legislature
New South Wales Government Telecommunications Authority	The Sesquicentenary of Responsible Government Trust Fund <sup>(*)</sup>
New South Wales Institute of Psychiatry <sup>(*)</sup>	The Treasury
NSW Institute of Psychiatry Staff Agency	Trustees of the Anzac Memorial Building <sup>(*)</sup>
New South Wales Institute of Sport <sup>(*)</sup>	Trustees of the Museum of Applied Arts and Sciences
New South Wales Rural Assistance Authority	Trustees of the Museum of Applied Arts and Sciences Staff Agency
NSW Ovine Johne's Disease Transaction Based Contribution Scheme	UrbanGrowth NSW Development Corporation
NSW Crown Holiday Parks Trust <sup>(*)</sup>	UrbanGrowth NSW Development Corporation Staff Agency
NSW Food Authority	Australian Technology Park Sydney Limited
NSW Health Foundation <sup>(*)</sup>	Water Administration Ministerial Corporation
NSW Police Force	Water Investment Trust Fund
NSW Self Insurance Corporation	Western Sydney Parklands Trust
NSW Skills Board <sup>(*)</sup>	<i>WestConnex Delivery Authority</i> <sup>(m)</sup>
New South Wales Technical and Further Education Commission	Wild Dog Destruction Board <sup>(*)</sup>
TAFE Commission (Senior Executives) Staff Agency	<i>WorkCover Authority</i> <sup>(n)</sup>
NSW Trustee and Guardian	Worimi Board of Management <sup>(a)(*)</sup>
Office of Environment and Heritage	Workers' Compensation (Dust Diseases) Authority
Office of Local Government	Workers Compensation Commission of New South Wales

## Public Non-Financial Corporations

Ausgrid	Southern Metropolitan Cemeteries Trust <sup>(*)</sup>
Ausgrid Pty Limited	State Sporting Venues Authority
Catholic Metropolitan Cemeteries Trust	State Transit Authority of New South Wales
Cobar Water Board <sup>(*)</sup>	Sydney Cricket and Sports Ground Trust
Cobbora Holding Company Pty Ltd	Sydney Cricket and Sports Ground Trust Staff Agency
Cobbora Coal Mine Pty Limited	Sydney Ferries
Cobbora Rail Company Pty Limited	Sydney Harbour Foreshore Authority
Delta Electricity	Cooks Cove Development Corporation
Endeavour Energy	Sydney Opera House Trust
Essential Energy	Sydney Opera House Trust Staff Agency
NorthPower Energy Services Pty Limited	Sydney Water Corporation
Forestry Corporation of New South Wales	Teacher Housing Authority of New South Wales
Hunter Water Corporation	TransGrid <sup>(f)</sup>
Jenolan Caves Reserves Trust <sup>(*)</sup>	Venues NSW
Landcom (trading as UrbanGrowth NSW)	Newcastle International Sports Centre Club
Networks NSW Pty Limited <sup>(*)</sup>	Water NSW
New South Wales Land and Housing Corporation	Waste Assets Management Corporation
Rental Housing Assistance Fund	WCX M4 Corporation Pty Ltd
Newcastle Port Corporation	WCX M5 PHT Pty Ltd
Northern Metropolitan Cemeteries Trust <sup>(*)</sup>	WCX M5 AHT Pty Ltd
Rail Corporation New South Wales <sup>(g)</sup>	WCX M5 PT Pty Ltd
NSW Trains	WCX M5 AT Pty Ltd
Sydney Trains	WCX M5 Finco Pty Ltd
Rookwood General Cemeteries Reserve Trust <sup>(*)</sup>	Wentworth Park Sporting Complex Trust <sup>(*)</sup>
Rookwood Necropolis Trust <sup>(*)</sup>	Zoological Parks Board of New South Wales

## Public Financial Corporations

Fair Trading Administration Corporation	Hour-Glass Specialist Emerging Market Share Fund
First Australian Mortgage Acceptance Corporation (FANMAC) Trusts	Hour-Glass Strategic Cash Fund
Hour-Glass Australian Bond Fund	Hour-Glass Unlisted Infrastructure Fund
Hour-Glass Australian Share Fund	Hour-Glass Unlisted Property Fund
Hour-Glass Cash Fund	Insurance and Care NSW <sup>(l)</sup>
Hour-Glass Liquidity Cash Fund	Long Service Corporation Investment Fund
Hour-Glass Emerging Market Share Fund	Lifetime Care and Support Authority of New South Wales
Hour-Glass Indexed Australian Share Fund	NSW Trustee and Guardian Growth Portfolio
Hour-Glass Indexed International Share Fund	New South Wales Treasury Corporation
Hour-Glass International Bond Fund	Treasury Corporation Division of the Government Service
Hour-Glass International Share (Unhedged) Fund	TCorp Nominees Pty Limited
Hour-Glass International Share (Hedged) Fund	SAS Trustee Corporation
Hour-Glass Listed Property Fund	SAS Trustee Corporation Staff Agency <sup>(p)</sup>
Hour-Glass Long Term Growth Fund	Superannuation Administration Corporation
Hour-Glass Medium Term Growth Fund	Sydney Motorway Corporation
Hour-Glass Multi-Asset Class Fund	Treasury Managed Fund Investment Portfolio
	TCorp Direct Infrastructure Fund A

- (a) National Park Boards of Management as per the *National Parks and Wildlife Act 1974*.
- (b) Community Relations Commission of New South Wales was renamed Multicultural NSW.
- (c) Agency was abolished on 19 February 2016 and transferred to Australian Unity.
- (d) Agency was established 16 December 2015 under the *Greater Sydney Commission Act 2015 No 57*.
- (e) Agency was established 28 September 2015 under the *Jobs for NSW Act 2015 No 25*.
- (f) ETMHC was established as a result of the electricity network TransGrid being converted into a Ministerial Holding Corporation as per the *Electricity Network Assets (Authorised Transactions) Act 2015* on 16 December 2015.
- (g) Agency was abolished 30 October 2015 under the *Administrative Arrangements (Administrative Changes- Miscellaneous) Order 2015* and all persons employed were transferred to the Department of Justice.
- (h) Internal Audit Bureau was abolished 1 July 2016 with the repeal of the *Internal Audit Bureau Act 1992* on 5 November 2015.
- (i) The Special Purpose Service Entities of the Local Health Districts have not been listed.
- (j) Agency was abolished on 31 October 2015 under the *Health Services Amendment (NSW Kids and Families) Order 2015* and the assets, rights and liabilities were transferred to the Health Administration Corporation.
- (k) Agency was abolished and transferred to the Office of Sport on 2 September 2015 under the *Administrative Arrangements (Administrative Changes – Miscellaneous) Order 2015*.
- (l) Agency was established on 1 September 2015 under the *State Insurance and Care Governance Act 2015 No 19*
- (m) Agency was abolished on 1 October 2015 under the *Transport Administration (General) Amendment (WestConnex Delivery Authority) Regulation 2015* and the assets, rights and liabilities became absorbed by Roads and Maritime Services.
- (n) WorkCover Authority part transferred to Insurance and Care NSW and part transferred to the State Insurance and Regulatory Authority.
- (o) Agency transitioning to the Transport Asset Holding Entity (TAHE) as per the 2015-16 Budget Papers from 1 July 2015.
- (p) SAS Trustee Corporation Division was abolished and transferred to the SAS Trustee Corporation Staff Agency on 1 January 2016 under the *Administrative Arrangements (Administrative Changes – SAS Trustee Corporation) Order 2015*.
- (\*) These agencies are not considered material for the whole-of-government reporting but are controlled by the NSW Government

## Note 35: Key Technical Terms used in the Financial Statements

**ABS GFS Manual:** The Australian Bureau of Statistics (ABS) publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods* as updated from time to time.

**advances:** loans acquired or made for policy purposes rather than liquidity management purposes.

**capital expenditure:** this is expenditure relating to the acquisition or enhancement of property, plant and equipment (including land and buildings, plant and equipment and infrastructure systems) and intangibles (including computer software and easements).

**cash surplus/(deficit):** net cash flows from operating activities plus net cash flows from acquisition and disposal of non-financial assets (less distributions paid for the public non-financial corporation (PNFC) and public financial corporation (PFC) sectors).

**comprehensive result (total change in net worth before transactions with owners as owners):** net result of all items of income and expense recognised for the period. It is the aggregate of the operating result and other movements in equity, other than transactions with owners as owners.

**convergence difference:** the difference between the amounts recognised in the financial statements compared with the amounts determined for GFS purposes as a result of differences in definition, recognition, measurement, classification and consolidation principles and rules.

**defined contribution superannuation plans:** are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**defined benefit superannuation plans:** are post-employment benefit plans other than defined contribution plans.

**fair value:** 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.

**fair value hierarchy:** categorises into three levels the inputs to valuation techniques used to measure fair value.

**level 1 inputs:** quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

**level 2 inputs:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**level 3 inputs:** unobservable inputs for the asset or liability.

**financial asset** is any asset that is:

- (a) cash
- (b) an equity instrument of another entity
- (c) a contractual right:
  - (i) to receive cash or another financial asset from another entity, or
  - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity, or

- (d) a contract that will or may be settled in the entity's own equity instruments and is:
- (i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments, or
  - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

**General Government Sector (GGS):** this is an ABS classification of agencies that provide public services (such as health, education and police), carry out policy or perform regulatory functions. General government agencies are funded in the main by taxation (directly or indirectly).

**Government Finance Statistics (GFS):** a system of financial reporting developed by the International Monetary Fund and used by the Australian Bureau of Statistics to classify the financial transactions of governments and measure their impact on the rest of the economy.

**interest expense:** costs incurred in connection with the borrowing of funds. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings. Where discounting is used, the carrying amount of a liability increases in each period to reflect the passage of time. This increase is also recognised as an interest expense.

**key fiscal aggregates:** balances useful for macro-economic analysis purposes, including assessing the impact of a government and its sectors on the economy. AASB 1049 *Whole of Government and General Government Sector Financial Reporting* prescribes: net worth, net operating balance, net lending/(borrowing), total change in net worth, and cash surplus/(deficit).

**National Partnership Payments (NPP):** an Australian Government grant to States and Territories to support the delivery of specified outputs or projects, to facilitate reforms or to reward the delivery of nationally significant reforms. Each NPP is supported by a National Partnership Agreement which defines mutually agreed objectives, outputs and performance benchmarks.

**National Specific Purpose Payments (SPP):** an Australian Government grant made to the States and Territories under the associated National Agreement. These grants must be spent in the key service delivery sector (Health, Education, Skills and Workforce, Disability and Indigenous) for which it is provided. States are free to allocate the funds within that sector to achieve the mutually agreed objectives specified in the associated National Agreement.

**net acquisition of non-financial assets:** This is purchases (or acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Purchases and sales (or net acquisitions) of non-financial assets generally include accrued expenses and payables for capital items. Other movement in non-financial assets include non-cash capital grant revenue/expenses such as developer contribution assets.

**net cash flows from investments in financial assets (liquidity management purposes):** cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.

**net cash flows from investments in financial assets (policy purposes):** cash receipts from the repayment and liquidation of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. Acquisition of financial assets for policy purposes is distinguished from investments in financial assets (liquidity management purposes) by the underlying government motivation for acquiring the assets. Acquisition of financial assets for policy purposes is motivated by government policies such as encouraging the development of certain industries or assisting citizens affected by natural disaster.

**net debt:** equals the sum of financial liabilities (deposits held, borrowings and derivatives and advances received) less the sum of the following financial assets (cash and deposits, advances paid and investments, loans and placements).

**net defined benefit superannuation liability (asset):** the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

**net financial liabilities:** calculated as total liabilities, less financial assets, other than equity in PNFCs and PFCs. This measure is broader than net debt as it includes significant liabilities, other than borrowings (for example, accrued employee liabilities such as superannuation and long service leave entitlements).

**net interest on the net defined benefit liability/asset:** this is the change during the period to the net defined superannuation liability/asset that arises from the passage of time.

**net gain on equity investments in other sectors:** comprises the net gains relating to the equity held by the GGS in other sector entities. It arises from a change in the carrying amount of net assets of the subsidiaries. The net gains are measured (in the absence of market values) based on the carrying amount of net assets/(liabilities) before elimination of intersector balances.

**net lending/(borrowing):** the financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. A positive result reflects a net lending position and a negative result reflects a net borrowing position.

**net operating balance (net result from transactions):** calculated as revenue from transactions minus expenses from transactions. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets.

**net worth:** an economic measure of wealth and is equal to total assets less total liabilities.

**operating result:** a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other comprehensive income'.

**other economic flows:** changes in the volume or value of an asset or liability that do not result from transactions (that is, revaluations and other changes in the volume of assets).

**other superannuation expense:** it includes all superannuation expenses from transactions except superannuation interest cost. Superannuation actuarial gains/losses are excluded as they are disclosed under 'other economic flows'.

**Public Financial Corporations (PFC) sector:** an ABS classification of government controlled agencies that have one or more of the following functions:

- that of a central bank
- the acceptance of demand, time or savings deposits, or
- the authority to incur liabilities (such as insurance) and acquire financial assets in the market on their own account.

The sector is also commonly referred to as the Public Financial Enterprise (PFE) sector.

**Public Non-Financial Corporations (PNFC) sector:** an ABS classification, for GFS purposes, of agencies where user charges represent a significant proportion of revenue and the agencies operate within a broadly commercial orientation. The sector is also commonly referred to as the Public Trading Enterprise (PTE) sector.

**superannuation interest cost:** this expense is the net interest on the net defined benefit liability/asset which shall be determined by multiplying the net defined liability/asset by the discount rate (government bond rate).

**Total State Sector (TSS):** represents all agencies and corporations owned and controlled by the NSW Government. It comprises the general government, public trading (also referred to as the public non-financial corporations) and public financial enterprises.

**transactions:** interactions between two institutional units by mutual agreement or actions within a unit that it is analytically useful to treat as transactions, such as depreciation expense. Unlike revaluations, transactions generally reflect economic events that impact the economy.

## End of Audited Financial Statements



Uniform Presentation Framework:  
Outcomes Report  
2015 - 2016

# UNIFORM PRESENTATION FRAMEWORK: OUTCOMES REPORT

## Purpose

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The Outcomes Report presents financial aggregates according to the revised Uniform Presentation Framework (UPF) agreed by the Australian Loan Council in March 2008.

The Australian Loan Council includes each state and territory Treasurer and the Australian Treasurer. It monitors public sector finances, particularly the forecast cash surplus/deficit of governments and their future financing/investing requirements. Accordingly, the objective of the UPF is to “facilitate a better understanding of budget papers and provide for more meaningful comparisons of each government’s financial results and projections”.

The UPF financial aggregates serve a number of purposes including:

- allowing comparisons between the financial position of Australian governments on a consistent basis
- facilitating time series comparisons since they are relatively unaffected by changes in public sector administrative structures, and
- permitting an assessment of the impact of NSW public sector transactions on the economy by providing data classified by economic type.

## Relationship with other reporting

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Information in the Outcomes Report is not audited, however it has been prepared consistent with the audited Total State Sector Accounts.

The format of the aggregates is based on a reporting standard issued by the Australian Accounting Standards Board – AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Several tables in the Outcomes Report are similar with those reported in the Total State Sector Accounts but are repeated here for completeness.

The Outcomes Report compares for 2015-16 the published NSW Budget with the outcome for the year. Financial aggregates are published for the following:

- general government (GGS) sector
- public non-financial corporation (PNFC) sector
- non-financial public (NFPS) sector
- public financial corporation (PFC) sector.

Budget estimates are not prepared for the NSW Public Financial Corporations Sector. In addition to the reporting requirements, a consolidated NSW Total State Sector Statement of Financial Position by sector (Table 1) has been included. This assists in analysis of the Statement of Financial Position for the Total State Sector.

## Loan Council Reporting

Table 19 compares the Loan Council Allocation (LCA) at the time of the Budget with the 2015-16 result.

The Australian, State and Territory governments nominate a Loan Council Allocation (LCA) each year. The focus of Loan Council reporting in the accrual reporting framework remains on cash measures. A government's cash position will determine the extent to which it must call on financial markets in a given year to meet its budget obligations.

As confirmed by the Loan Council, governments are to report their full contingent exposure to infrastructure projects with private sector involvement. Exposure is to be measured by the Government's termination liabilities and disclosed as a footnote to, rather than as a component of LCAs.

Table 19 shows a LCA outcome for 2015-16 of \$2.2 billion surplus compared with the Budget-time estimate deficit of \$8.3 billion. The result exceeds the tolerance limit of \$1.7 billion. This tolerance limit is calculated as 2 per cent of cash receipts from operating activities for the non-financial public sector. The major drivers of the change between the budget time LCA outcome estimate and the actual outcome are outlined below.

The \$10.4 billion improvement in the Loan Council Allocation Outcome is largely due to:

- a \$4.1 billion lower cash deficit in the non-financial public sector from:
  - higher than forecast tax revenues of \$1.3 billion, mainly attributable to increased transfer duty of \$1.0 billion reflecting continued growth in the commercial and residential property markets supported by historically low interest rates and continued high demand. Higher transfer duty also reflected the one-off receipt from the long-term lease of TransGrid assets
  - a \$0.7 billion improvement in sales of goods and services primarily from additional revenue related to Hepatitis C drugs, TAFE course fees, plate fees, E-tag collections and other cost recoveries in RMS
  - a net increase in other operating activities of \$0.7 billion, largely due to higher than anticipated GST recoveries, and
  - lower than estimated expenditure on goods and services of \$1.1 billion reflecting aggregate variations across range of agencies, including lower expenditure and revised funding arrangements for rail projects.
- a \$9.3 billion improvement in investments in financial assets for policy purpose mainly arising from the proceeds for the long term lease of TransGrid assets. By convention in NSW, the impacts of transactions are not included in the Budget and only recorded on completion.
- memorandum items being \$2.9 billion higher than the original estimate. Memorandum items were mainly impacted by a decrease in the value of financial assets of \$2.4 billion, largely due to the lower rate of earnings by the State Super Schemes and an increase in University borrowings of \$0.5 billion.

Table 1: NSW Public Sector Statement of Financial Position at 30 June 2016<sup>(a)</sup>

	General Government Sector \$m	Public Non-Financial Corporations \$m	Non-Financial Public Sector \$m	Public Financial Corporations \$m	Total State Sector \$m
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalent Assets	5,260	2,598	7,859	3,049	10,874
Receivables	5,853	1,779	5,630	1,162	6,117
Tax Equivalents Receivable	104	3	...	...	...
Investments, Loans and Placements					
Financial Assets at Fair Value	10,545	17	10,562	67,474	19,115
Other Financial Assets	16,016	1,130	16,669	410	12,650
Advances Paid	1,064	0	659	...	659
Deferred Tax Equivalent Asset	3,919	330	1	7	...
Equity					
Investments in Other Public Sector Entities	97,750	...	(2,540)	1,898	...
Investments in Associates	3,783	...	3,783	2	3,785
Other Equity Investments	605	...	605	8,088	8,693
<b>Total Financial Assets</b>	<b>144,899</b>	<b>5,859</b>	<b>43,228</b>	<b>82,091</b>	<b>61,893</b>
<b>Non-Financial Assets</b>					
Inventories	263	699	962	...	962
Forestry Stock and Other Biological Assets	11	945	956	...	956
Assets Classified as Held for Sale	432	176	607	...	607
Investment Properties	...	507	507	...	507
Property, Plant and Equipment					
Land and Buildings	70,617	64,889	135,506	26	135,532
Plant and Equipment	11,408	5,842	17,249	12	17,261
Infrastructure Systems	82,389	69,065	151,454	...	151,454
Intangibles	3,093	1,040	4,133	23	4,157
Other Non-Financial Assets	3,418	188	3,601	83	3,670
<b>Total Non-Financial Assets</b>	<b>171,631</b>	<b>143,350</b>	<b>314,976</b>	<b>145</b>	<b>315,107</b>
<b>Total Assets</b>	<b>316,530</b>	<b>149,209</b>	<b>358,204</b>	<b>82,235</b>	<b>377,000</b>
<b>Liabilities</b>					
Deposits Held	126	34	159	4,691	397
Payables	5,617	2,568	7,313	286	6,989
Tax Equivalents Payable	3	89	...	15	...
Liabilities Directly Associated with Assets					
Held for Sale	...	0	0	...	0
Borrowings and Derivatives at Fair Value	8	138	146	74,912	74,921
Borrowings at Amortised Cost	31,836	32,630	63,989	12	5,176
Advances Received	857	404	857	...	857
Employee Provisions	16,794	1,732	18,489	48	18,537
Superannuation Provision <sup>(b)</sup>	67,862	3,297	71,159	(0)	71,159
Deferred Tax Equivalent Provision	337	3,919	7	1	...
Other Provisions	8,429	1,710	9,037	2,965	11,979
Other Liabilities	2,861	501	3,349	1,846	5,186
<b>Total Liabilities</b>	<b>134,731</b>	<b>47,020</b>	<b>174,506</b>	<b>84,775</b>	<b>195,201</b>
<b>NET ASSETS</b>	<b>181,799</b>	<b>102,189</b>	<b>183,698</b>	<b>(2,540)</b>	<b>181,799</b>

Table 1: NSW Public Sector Statement of Financial Position at 30 June 2016 (cont)

	General Government Sector	Public Non-Financial Corporations	Non-Financial Public Sector	Public Financial Corporations	Total State Sector
	\$m	\$m	\$m	\$m	\$m
<b>Net Worth</b>					
Accumulated Funds	11,150	47,059	54,434	(2,545)	49,990
Reserves	170,649	55,130	129,263	5	131,809
<b>TOTAL NET WORTH</b>	<b>181,799</b>	<b>102,189</b>	<b>183,698</b>	<b>(2,540)</b>	<b>181,799</b>
<b>OTHER FISCAL AGGREGATES</b>					
<b>Net Debt<sup>(c)</sup></b>	<b>(57)</b>	<b>29,460</b>	<b>29,403</b>	<b>8,682</b>	<b>38,053</b>
<b>Net Financial Liabilities<sup>(d)</sup></b>	<b>87,582</b>	<b>41,162</b>	<b>128,739</b>	<b>4,583</b>	<b>133,308</b>
<b>Net Financial Worth<sup>(e)</sup></b>	<b>10,168</b>	<b>(41,162)</b>	<b>(131,279)</b>	<b>(2,685)</b>	<b>(133,308)</b>

(a) This table has been presented on a liquidity basis as per AASB 1049. Amounts may not add across due to inter sector eliminations.

(b) Superannuation liabilities are reported net of the fair value of fund assets.

(c) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and cash equivalents, advances paid and investments, loans and placements.

(d) Net financial liabilities equals total liabilities less financial assets excluding equity investments in other public sector entities.

(e) Net financial worth equals total financial assets minus total liabilities.

Table 2: NSW General Government Sector Statement of Comprehensive Income

	2015-16 (Budget) \$m	2015-16 (Actual) \$m
<b>Revenue from Transactions</b>		
Taxation	27,855	29,081
Grant and Subsidies		
Commonwealth General Purpose	17,346	17,637
Commonwealth Specific Purpose Payments	8,619	8,927
Commonwealth National Partnership Payments	2,712	2,608
Other Grants and Subsidies	1,098	925
Sale of Goods and Services	8,212	8,379
Interest	508	780
Dividend and Income Tax Equivalent Income from Other Sectors	1,468	1,280
Other Dividends and Distributions	424	674
Fines, Regulatory Fees and Other	3,901	4,043
<b>Total Revenue from Transactions</b>	<b>72,143</b>	<b>74,334</b>
<b>less Expenses from Transactions</b>		
Employee	28,936	29,618
Superannuation		
Superannuation Interest Cost	1,476	1,504
Other Superannuation	2,926	2,935
Depreciation and Amortisation	4,440	4,394
Interest	2,244	2,206
Other Operating	17,567	16,862
Grants and Transfers		
Current Grants and Transfers	11,092	11,386
Capital Grants and Transfers	941	769
<b>Total Expenses from Transactions</b>	<b>69,624</b>	<b>69,675</b>
<b>Transactions from Discontinuing Operations</b>	<b>...</b>	<b>...</b>
<b>BUDGET RESULT - SURPLUS/(DEFICIT) [Net Operating Balance]</b>	<b>2,520</b>	<b>4,659</b>
<b>Other Economic Flows included in the Operating Result</b>		
Gain/(Loss) from Other Liabilities	137	(1,037)
Other Net Gains/(Losses)	155	(127)
Share of Earnings from Associates (excluding Dividends)	(15)	11
Dividends from Asset Sale Proceeds	100	...
Deferred Income Tax from Other Sectors	...	(691)
Other	105	(61)
<b>Operating Result (Accounting Basis)</b>	<b>3,002</b>	<b>2,755</b>
<b>Other Economic Flows - Other Comprehensive Income</b>		
<b>Items that will not be Reclassified to Operating Result</b>		
Superannuation Actuarial Gains/(Loss)	5,024	(14,331)
Deferred Tax Direct to Equity	...	...
Revaluations	3,364	2,813
Share of Earnings from Associates from Revaluations	...	(106)
<b>Items that may be Reclassified subsequently to Operating Result</b>		
Net Gain/(Loss) on Equity Investments in Other Sectors	7,033	5,740
Net Gain/(Loss) on Equity Investments in Other Sectors (Discontinued)	...	3,606
Net Gain/(Loss) on Financial Instruments at Fair Value	...	1
Other	(2,831)	(2)
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH</b>	<b>15,592</b>	<b>476</b>

Table 2: NSW General Government Sector Statement of Comprehensive Income (cont)

	2015-16 (Budget) \$m	2015-16 (Actual) \$m
<b>KEY FISCAL AGGREGATES</b>		
<b>Comprehensive Result - Total Change in Net Worth</b>	<b>15,592</b>	<b>476</b>
Less: Net Other Economic Flow s	(13,073)	4,183
<b>Equals: Budget Result - Net Operating Balance</b>	<b>2,520</b>	<b>4,659</b>
Less: Net Acquisition of Non-Financial Assets		
Purchases of Non-Financial Assets	9,186	9,032
Sales of Non-Financial Assets	(687)	(892)
less: Depreciation	(4,440)	(4,394)
Plus: Change in Inventories	1	24
Plus: Other Movements in Non-Financial Assets		
- Assets Acquired Utilising Finance Leases	183	304
- Other	60	184
<b>Equals: Total Net Acquisition of Non-Financial Assets</b>	<b>4,302</b>	<b>4,258</b>
<b>Equals: Net Lending/(Borrowing) [Fiscal Balance]</b>	<b>(1,783)</b>	<b>401</b>

Table 3: NSW General Government Sector Statement of Financial Position at 30 June<sup>(a)</sup>

	2016 (Budget)	2016 (Actual)
	\$m	\$m
<b>Assets</b>		
<b>Financial Assets</b>		
Cash and Cash Equivalent Assets	5,723	5,260
Receivables	6,699	5,853
Tax Equivalents Receivable	21	104
Investments, Loans and Placements		
Financial Assets at Fair Value	11,369	10,545
Other Financial Assets	4,885	16,016
Advances Paid	1,175	1,064
Deferred Tax Equivalents Asset	4,786	3,919
Equity		
Investments in Other Public Sector Entities	95,976	97,750
Investments in Associates	3,882	3,783
Other Equity Investments	10	605
<b>Total Financial Assets</b>	<b>134,525</b>	<b>144,899</b>
<b>Non-Financial Assets</b>		
Inventories	245	263
Forestry Stock and Other Biological Assets	7	11
Assets Classified as Held for Sale	42	432
Investment Properties	142	...
Property, Plant and Equipment		
Land and Buildings	69,672	70,617
Plant and Equipment	10,407	11,408
Infrastructure Systems	83,686	82,389
Intangibles	2,984	3,093
Other Non-Financial Assets	2,817	3,418
<b>Total Non-Financial Assets</b>	<b>170,003</b>	<b>171,631</b>
<b>Total Assets</b>	<b>304,528</b>	<b>316,530</b>
<b>Liabilities</b>		
Deposits Held	113	126
Payables	4,976	5,617
Tax Equivalents Payable	81	3
Borrowings and Derivatives at Fair Value	9	8
Borrowings at Amortised Cost	32,019	31,836
Advances Received	885	857
Employee Provisions	15,222	16,794
Superannuation Provision <sup>(b)</sup>	49,735	67,862
Deferred Tax Equivalent Provision	537	337
Other Provisions	8,565	8,429
Other Liabilities	2,390	2,861
<b>Total Liabilities</b>	<b>114,533</b>	<b>134,731</b>
<b>NET ASSETS</b>	<b>189,995</b>	<b>181,799</b>

Table 3: NSW General Government Sector Statement of Financial Position at 30 June (cont)

	2016 (Budget) \$m	2016 (Actual) \$m
<b>Net Worth</b>		
Accumulated Funds	22,047	11,150
Reserves	167,948	170,649
<b>TOTAL NET WORTH</b>	<b>189,995</b>	<b>181,799</b>
<b>OTHER FISCAL AGGREGATES</b>		
<b>Net Debt<sup>(c)</sup></b>	<b>9,875</b>	<b>(57)</b>
<b>Net Financial Liabilities<sup>(d)</sup></b>	<b>75,984</b>	<b>87,582</b>
<b>Net Financial Worth<sup>(e)</sup></b>	<b>19,992</b>	<b>10,168</b>

(a) This table has been presented on a liquidity basis as per AASB 1049.

(b) Superannuation liabilities are reported net of the fair value of fund assets.

(c) Net Debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and cash equivalents, advances paid and investments, loans and placements.

(d) Net financial liabilities equals net financial worth excluding equity investments in other public sector entities.

(e) Net financial worth equals total financial assets minus total liabilities.

Table 4: NSW General Government Sector Statement of Cash Flows

	2015-16 (Budget) \$m	2015-16 (Actual) \$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Receipts</b>		
Taxes Received	27,909	29,640
Receipts from Sales of Goods and Services	8,522	8,990
Grants and Subsidies Received	29,866	30,211
Interest Receipts	467	575
Dividends and Income Tax Equivalents	2,128	2,248
Other Receipts	6,486	8,006
<b>Total Receipts</b>	<b>75,378</b>	<b>79,670</b>
<b>Payments</b>		
Payments for Employees	(29,232)	(29,394)
Payments for Superannuation	(3,698)	(3,874)
Payments for Goods and Services	(19,927)	(18,886)
Grants and Subsidies Paid	(9,597)	(10,216)
Interest Paid	(1,684)	(1,690)
Other Payments	(3,440)	(4,762)
<b>Total Payments</b>	<b>(67,578)</b>	<b>(68,822)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>7,800</b>	<b>10,848</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash Flows from Investments in Non-Financial Assets</b>		
Sales of Non-Financial Assets	697	903
Purchases of Non-Financial Assets	(9,184)	(8,857)
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>(8,487)</b>	<b>(7,954)</b>
<b>Cash Flows from Investments in Financial Assets for Policy Purposes</b>		
Receipts	222	6,314
Payments	(3,071)	(3,576)
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>(2,849)</b>	<b>2,738</b>
<b>Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>		
Proceeds from Sale of Investments	495	9,531
Purchase of Investments	(2,181)	(22,174)
<b>Net Cash flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>(1,686)</b>	<b>(12,643)</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(13,023)</b>	<b>(17,859)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances Received	23	45
Advances Repaid	(53)	(134)
Proceeds from Borrowings	640	435
Repayments of Borrowings	(533)	(487)
Deposits Received / Paid (net)	(9)	(1)
Other (net)	(0)	0
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>69</b>	<b>(141)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(5,154)</b>	<b>(7,153)</b>

Table 4: NSW General Government Sector Statement of Cash Flows (cont)

	2015-16 (Budget) \$m	2015-16 (Actual) \$m
<b>Derivation of Cash Result</b>		
Net Cash Flow s from Operating Activities	7,800	10,848
Net Cash Flow s from Investments in Non-Financial Assets	(8,487)	(7,954)
<b>CASH SURPLUS/(DEFICIT)</b>	<b>(687)</b>	<b>2,894</b>
<b>Derivation of ABS GFS General Government Cash Surplus/(Deficit)</b>		
<b>Cash Surplus/(Deficit)</b>	<b>(687)</b>	<b>2,894</b>
Assets Acquired under Finance Leases	(183)	(304)
Other Financing Arrangements <sup>(a)</sup>	(12)	(186)
<b>ABS GFS CASH SURPLUS/(DEFICIT)</b>	<b>(882)</b>	<b>2,404</b>

(a) Comprises of movements in payables and receivables of a capital nature.

Table 5: NSW General Government Sector Taxes

	2015-16 (Budget)	2015-16 (Actual)
	\$m	\$m
<b>Taxes on Employers' Payroll and Labour Force</b>	<b>7,854</b>	<b>7,924</b>
Taxes on Property		
Land Taxes	2,660	2,747
Stamp Duties on Financial and Capital Transactions	8,610	9,581
Financial Institutions' Transaction Taxes	...	...
Other	156	143
<b>Total Taxes on Property</b>	<b>11,426</b>	<b>12,471</b>
Taxes on the Provision of Goods and Services		
Excises and Levies	...	...
Taxes on Gambling	2,245	2,251
Taxes on Insurance	2,376	2,283
<b>Total Taxes on the Provision of Goods and Services</b>	<b>4,622</b>	<b>4,534</b>
Taxes on Use of Goods and Performance of Activities		
Motor Vehicle Taxes <sup>(a)</sup>	3,163	3,242
Franchise Taxes	1	1
Other	789	909
<b>Total Taxes on Use of Goods and Performance of Activities</b>	<b>3,953</b>	<b>4,152</b>
<b>Total Taxation Revenue</b>	<b>27,855</b>	<b>29,081</b>

(a) Motor Vehicle Taxes includes vehicle registration and stamp duty

Table 6: NSW General Government Sector Dividend and Income Tax Equivalent Income

	2015-16 (Budget) \$m	2015-16 (Actual) \$m
Dividend and Income Tax Equivalent Income from the PNFC Sector	1,361	1,227
Dividend and Income Tax Equivalent Income from the PFC Sector	107	52
Other Dividend Income	424	674
<b>Total Dividend and Income Tax Equivalent Income</b>	<b>1,892</b>	<b>1,954</b>

Table 7: NSW General Government Sector Grant Revenue and Expense

	2015-16 (Budget) \$m	2015-16 (Actual) \$m
<b>Current Grants and Subsidies</b>		
Current Grants from the Commonwealth <sup>(a)</sup>		
General Purpose Grants	17,346	17,637
Specific Purpose Payments	8,619	8,927
National Partnership Payments	967	994
<b>Total</b>	<b>26,933</b>	<b>27,557</b>
Other Grants and Subsidies	1,086	909
<b>Total Current Grants and Subsidies Revenue</b>	<b>28,019</b>	<b>28,467</b>
<b>Capital Grants and Subsidies</b>		
Capital Grants from the Commonwealth <sup>(a)</sup>		
General Purpose Grants	...	...
Specific Purpose Payments	0	0
National Partnership Payments	1,745	1,615
<b>Total</b>	<b>1,745</b>	<b>1,615</b>
Other Grants and Subsidies	11	16
<b>Total Capital Grants and Subsidies Revenue</b>	<b>1,756</b>	<b>1,631</b>
<b>Total Grant Revenue</b>	<b>29,775</b>	<b>30,098</b>
<b>Current Grants, Subsidies, and Transfer Payments to:</b>		
State/Territory Government	...	...
Local Government <sup>(a)</sup>	772	993
Private and Not-for-Profit Sector <sup>(a)</sup>	7,434	7,259
Other Sectors of Government	2,886	3,135
<b>Total Current Grants, Subsidies, and Transfer Payments Expense</b>	<b>11,092</b>	<b>11,386</b>
<b>Capital Grants, Subsidies, and Transfer Payments to:</b>		
State/Territory Government	...	...
Local Government <sup>(a)</sup>	354	291
Private and Not-for-Profit Sector <sup>(a)</sup>	413	280
Other Sectors of Government	175	197
<b>Total Capital Grants, Subsidies, and Transfer Payments Expense</b>	<b>941</b>	<b>769</b>
<b>Total Grant Expense</b>	<b>12,033</b>	<b>12,155</b>
<b>Transfer Receipts and Payments from the Commonwealth Government on-passed by New South Wales to Third Parties</b>		
<b>Transfer Receipts</b>		
Current Transfer Receipts for Specific Purposes	3,788	4,085
Capital Transfer Receipts for Specific Purposes	...	...
<b>Total Receipts</b>	<b>3,788</b>	<b>4,085</b>
<b>Current Transfer Payments to:</b>		
Local Government	711	712
Private and Not-for Profit Sector	3,077	3,373
<b>Capital Transfer Payments to :</b>		
Local Government	...	...
Private and Not-for Profit Sector	...	...
<b>Total Payments</b>	<b>3,788</b>	<b>4,085</b>

(a) Grant revenue and expenses above exclude the following transfer payments from the Commonwealth government that New South Wales on-passes to third parties. They are not recorded as New South Wales revenue and expense as the State has no control over the amounts that it on-passes.

Table 8: NSW General Government Sector Expenses by Function

	2015-16 (Budget)	2015-16 (Actual)
	\$m	\$m
<b>General Public Services</b>		
Government superannuation benefits	29	15
Other general public services	2,669	2,963
<b>Total Other General Public Services</b>	<b>2,698</b>	<b>2,978</b>
<b>Public Order and Safety</b>		
Police and fire protection services		
Police services	3,256	3,221
Fire protection services	970	913
Law courts and legal services	1,365	1,382
Prisons and corrective services	1,280	1,382
Other public order and safety	122	123
<b>Total Public Order and Safety</b>	<b>6,992</b>	<b>7,021</b>
<b>Education</b>		
Primary and secondary education		
Primary education	5,101	5,151
Secondary education	5,027	5,036
Primary and secondary education n.e.c.	195	195
Tertiary education		
University education	...	...
Technical and further education	1,884	1,600
Tertiary education n.e.c.	...	...
Pre-school education and education not definable by level		
Pre-school education	344	318
Special education	1,600	1,568
Other education not definable by level	82	85
Transportation of students		
Transportation of non-urban school children	590	563
Transportation of other students	196	141
Education n.e.c.	...	...
<b>Total Education</b>	<b>15,020</b>	<b>14,658</b>
<b>Health</b>		
Acute care institutions		
Admitted patient services in acute care institutions	10,932	10,834
Non-admitted patient services in acute care institutions	3,470	3,584
Mental health institutions	170	173
Nursing homes for the aged	123	113
Community health services		
Community health services (excluding community mental health)	1,376	1,326
Community mental health	599	596
Patient transport	799	776
Public health services	494	495
Pharmaceuticals, medical aids and appliances	1,303	1,321
Health research	111	115
Health administration n.e.c.	100	138
<b>Total Health</b>	<b>19,479</b>	<b>19,472</b>

Table 8: NSW General Government Sector Expenses by Function (cont)

	2015-16 (Budget) \$m	2015-16 (Actual) \$m
<b>Social Security</b>		
Social Security	473	450
Welfare services		
Family and children services	1,710	1,802
Welfare services for the aged	467	378
Welfare services for people with a disability	3,062	3,315
Welfare services n.e.c.	74	68
Social security and welfare n.e.c.	244	354
<b>Total Social Security</b>	<b>6,029</b>	<b>6,368</b>
<b>Housing and Community Amenities</b>		
Housing and community development		
Housing	1,284	1,212
Community Development	422	326
Water supply	73	62
Sanitation and protection of the environment	1,150	961
Other community amenities	...	...
<b>Total Housing and Community Amenities</b>	<b>2,930</b>	<b>2,562</b>
<b>Recreation and Culture</b>		
Recreation facilities and services		
National parks and wildlife	441	466
Recreation facilities and services n.e.c.	322	321
Cultural facilities and services	295	341
Broadcasting and film production	...	...
Recreation and culture n.e.c.	30	33
<b>Total Recreation and Culture</b>	<b>1,089</b>	<b>1,162</b>
<b>Fuel and Energy</b>		
Fuel affairs and services		
Coal/Petroleum/Nuclear affairs, Fuel affairs and services n.e.c.	...	...
Gas	...	...
Electricity and other energy		
Electricity	33	41
Other energy	...	...
Fuel and Energy n.e.c.	...	...
<b>Total Fuel and Energy</b>	<b>33</b>	<b>41</b>

Table 8: NSW General Government Sector Expenses by Function (cont)

	2015-16 (Budget)	2015-16 (Actual)
	\$m	\$m
<b>Agriculture, Forestry, Fishing and Hunting</b>		
Agriculture	728	633
Forestry, fishing and hunting	142	121
<b>Total Agriculture, Forestry, Fishing and Hunting</b>	<b>870</b>	<b>754</b>
<b>Mining and Mineral Resources other than Fossil Fuels; Manufacturing and Construction</b>		
Mining and mineral resources other than fuels	126	107
Manufacturing	...	...
Construction	93	43
<b>Total Mining and Mineral Resources other than Fossil Fuels; Manufacturing and Construction</b>	<b>219</b>	<b>150</b>
<b>Transport and Communications</b>		
Road transport		
Road maintenance	731	765
Road transport n.e.c.	3,092	3,176
Water transport		
Other water transport services	6	1
Urban water transport services	130	131
Rail transport		
Urban rail transport services	3,270	3,219
Non-urban rail transport freight services	98	2
Non-urban rail transport passenger services	96	99
Air transport	...	...
Pipelines	...	...
Other transport		
Multi-mode urban transport	1,378	1,516
Other transport n.e.c.	...	11
Communications	35	35
<b>Total Transport and Communications</b>	<b>8,836</b>	<b>8,956</b>
<b>Other Economic Affairs</b>		
Storage, saleyards and markets	...	...
Tourism and area promotion	336	237
Labour and employment affairs		
Vocational training	361	216
Other labour and employment affairs <sup>(b)</sup>	205	(20)
Other economic affairs n.e.c.	221	331
<b>Total Other Economic Affairs</b>	<b>1,123</b>	<b>764</b>

Table 8: NSW General Government Sector Expenses by Function (cont)

	2015-16 (Budget)	2015-16 (Actual)
	\$m	\$m
Other Purposes		
Public debt transactions	3,725	3,716
General purpose inter-government transactions	634	882
Natural disaster relief	146	61
Other purposes n.e.c. <sup>(a)</sup>	(198)	130
<b>Total Other Purposes</b>	<b>4,306</b>	<b>4,789</b>
<b>Total Expenses</b>	<b>69,624</b>	<b>69,675</b>

## Notes:

n.e.c. not elsewhere classified.

- (a) The original budget included \$150 million Advance to the Treasurer which was allocated across functions as the funds were spent in the actual year.
- (b) Other labour and employment affairs include decrease in outstanding claims liability related to actuarial valuations.

Table 9: NSW General Government Sector Capital Expenditure by Function<sup>(a)</sup>

	2015-16 (Budget) \$m	2015-16 (Actual) \$m
<b>Purchases of Non-Financial Assets</b>		
General Public Services	489	442
Public Order and Safety	568	447
Education	560	461
Health	1,283	1,195
Social Security and Welfare	204	163
Housing and Community Amenities	159	142
Recreation and Culture	233	214
Fuel and Energy	1	1
Agriculture, Forestry, Fishing and Hunting	25	19
Mining, Manufacturing and Construction	10	5
Transport and Communications	5,566	5,923
Other Economic Affairs	48	11
Other Purposes <sup>(b)</sup>	41	10
<b>Total Purchases of Non-Financial Assets</b>	<b>9,186</b>	<b>9,032</b>
<b>Assets Acquired under Finance Leases</b>		
Health	...	36
Transport and Communications	183	267
<b>Total Assets Acquired under Finance Leases</b>	<b>183</b>	<b>304</b>
<b>Total Capital Expenditure</b>	<b>9,369</b>	<b>9,336</b>

(a) This table comprises purchases of non-financial assets as required by the UPF, effectively excluding assets acquired under finance leases. The following table provides details of the assets acquired under finance leases, sorted by policy areas, for reconciliation to the general government sector capital expenditure program.

(b) The original budget included \$20 million Advance to the Treasurer which was allocated across functions as the funds were spent in the actual year.

Table 10: NSW Public Non-Financial Corporation Sector Statement of Comprehensive Income

	2015-16 (Budget) \$m	2015-16 (Actual) \$m
<b>Revenue from Transactions</b>		
Taxation	...	...
Grant and Subsidies		
Commonwealth General Purpose	...	...
Commonwealth Specific Purpose Payments	18	10
Commonwealth National Partnership Payments	...	...
Other Grants and Subsidies	2,702	2,770
Sale of Goods and Services	11,316	11,354
Interest	99	109
Other Dividends and Distributions	...	...
Fines, Regulatory Fees and Other	830	970
<b>Total Revenue from Transactions</b>	<b>14,965</b>	<b>15,213</b>
<b>Expenses from Transactions</b>		
Employee	3,476	3,357
Superannuation		
Superannuation Interest Cost	70	61
Other Superannuation	342	290
Depreciation and Amortisation	3,614	3,158
Interest	1,934	1,595
Income Tax Expense	340	472
Other Operating	6,104	5,965
Grants and Transfers		
Current Grants and Transfers	312	312
Capital Grants and Transfers	19	62
<b>Total Expenses from Transactions</b>	<b>16,211</b>	<b>15,270</b>
<b>Transactions from Discontinuing Operations</b>	...	(251)
<b>Net Operating Balance - Surplus After Tax</b>	<b>(1,246)</b>	<b>(307)</b>
<b>Other Economic Flows included in the Operating Result</b>		
Gain/(Loss) from Other Liabilities	...	(2)
Other Net Gains/(Losses)	324	3,500
Share of Earnings from Associates (excluding Dividends)	...	...
Dividends from Asset Sale Proceeds	...	...
Other	37	(36)
Discontinuing Operations	...	9
<b>Operating Result (Accounting Basis)</b>	<b>(884)</b>	<b>3,164</b>
<b>Other Economic Flows - Other Comprehensive Income</b>		
<b>Items that will not be reclassified to Operating Result</b>		
Superannuation Actuarial Gains/(Loss)	436	(1,258)
Deferred Tax Direct to Equity	(180)	401
Revaluations	3,871	8,061
<b>Items that may be reclassified subsequently to Operating Result</b>		
Net Gain/(Loss) on Financial Instruments at Fair Value	5	(99)
Other	2,418	3,770
<b>Comprehensive Result - Total Change in Net Worth before Transactions with Owners<sup>(a)</sup></b>	<b>5,666</b>	<b>14,039</b>

Table 10: NSW Public Non-Financial Corporation Sector Statement of Comprehensive Income (cont)

	2015-16 (Budget) \$m	2015-16 (Actuals) \$m
<b>KEY FISCAL AGGREGATES</b>		
<b>Comprehensive Result - Total Change in Net Worth before Transactions with Owners<sup>(a)</sup></b>	<b>5,666</b>	<b>14,039</b>
Less: Net Other Economic Flow s	(6,911)	(14,346)
<b>Equals: Budget Result - Net Operating Balance</b>	<b>(1,246)</b>	<b>(307)</b>
Less: Net Acquisition of Non-Financial Assets		
Purchases of Non-Financial Assets	6,895	6,854
Sales of Non-Financial Assets	(947)	(732)
less: Depreciation	(3,614)	(3,158)
Plus: Change in Inventories	90	(72)
Plus: Other Movements in Non-Financial Assets		
- Assets Acquired Utilising Finance Leases	224	7
- Other	429	452
<b>Equals: Total Net Acquisition of Non-Financial Assets</b>	<b>3,076</b>	<b>3,350</b>
<b>Equals: Net Lending/(Borrowing) [Fiscal Balance]</b>	<b>(4,322)</b>	<b>(3,658)</b>

(a) 'Total change in net worth' is before transactions with owners as owners. Therefore, it may not equal the movement in Statement of Financial Position net worth.

Table 11: NSW Public Non-Financial Corporation Sector Statement of Financial Position at 30 June

	2016 (Budget)	2016 (Actual)
	\$m	\$m
<b>Assets</b>		
<b>Financial Assets</b>		
Cash and Cash Equivalent Assets	1,478	2,598
Receivables	1,710	1,779
Tax Equivalents Receivable	72	3
Investments, Loans and Placements		
Financial Assets at Fair Value	117	17
Other Financial Assets	772	1,130
Advances Paid	0	0
Deferred Tax Equivalents Asset	519	330
Equity		
Investments in Other Public Sector Entities	...	...
Investments in Associates	...	...
Other Equity Investments	2	...
<b>Total Financial Assets</b>	<b>4,671</b>	<b>5,859</b>
<b>Non-Financial Assets</b>		
Inventories	808	699
Forestry Stock and Other Biological Assets	782	945
Assets Classified as Held for Sale	70	176
Investment Properties	464	507
Property, Plant and Equipment		
Land and Buildings	59,347	64,889
Plant and Equipment	6,497	5,842
Infrastructure Systems	75,179	69,065
Intangibles	1,513	1,040
Other Non-Financial Assets	225	188
<b>Total Non-Financial Assets</b>	<b>144,884</b>	<b>143,350</b>
<b>Total Assets</b>	<b>149,554</b>	<b>149,209</b>
<b>Liabilities</b>		
Deposits Held	34	34
Payables	2,513	2,568
Tax Equivalents Payable	15	89
Liabilities Directly Associated with Assets Held for Sale	...	0
Borrowings and Derivatives at Fair Value	25	138
Borrowings at Amortised Cost	36,651	32,630
Advances Received	406	404
Employee Provisions	1,798	1,732
Superannuation Provision <sup>(a)</sup>	2,733	3,297
Deferred Tax Equivalent Provision	4,774	3,919
Other Provisions	1,737	1,710
Other	199	501
<b>Total Liabilities</b>	<b>50,885</b>	<b>47,020</b>
<b>NET ASSETS</b>	<b>98,670</b>	<b>102,189</b>

Table 11: NSW Public Non-Financial Corporation Sector Statement of Financial Position at 30 June (cont)

	2016 (Budget)	2016 (Actual)
	\$m	\$m
<b>Net Worth</b>		
Accumulated Funds	44,578	47,059
Reserves	54,091	55,130
<b>TOTAL NET WORTH</b>	<b>98,670</b>	<b>102,189</b>
<b>OTHER FISCAL AGGREGATES</b>		
<b>Net Debt<sup>(b)</sup></b>	<b>34,749</b>	<b>29,460</b>
<b>Net Financial Liabilities<sup>(c)</sup></b>	<b>46,214</b>	<b>41,162</b>
<b>Net Financial Worth<sup>(d)</sup></b>	<b>(46,214)</b>	<b>(41,162)</b>

(a) Superannuation liabilities are reported net of the fair value of fund assets.

(b) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and cash equivalents, advances paid and investments, loans and placements.

(c) Net financial liabilities equals total liabilities minus total financial assets.

(d) Net financial worth equals total financial assets minus total liabilities.

Table 12: NSW Public Non-Financial Corporation Statement of Cash Flows

	2015-16 (Budget) \$m	2015-16 (Actual) \$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Receipts</b>		
Receipts from Sales of Goods and Services	11,936	11,807
Grants and Subsidies Received	2,705	2,774
Interest Receipts	94	103
Other Receipts	1,679	1,999
<b>Total Operating Receipts</b>	<b>16,414</b>	<b>16,682</b>
<b>Payments</b>		
Payments for Employees	(3,762)	(3,345)
Payments for Superannuation	(333)	(756)
Payments for Goods and Services	(6,165)	(5,716)
Grants and Subsidies Paid	(331)	(314)
Interest Paid	(1,814)	(1,766)
Income Tax Equivalents Paid	(467)	(538)
Other Payments	(1,233)	(1,394)
<b>Total Cash Operating Payments</b>	<b>(14,104)</b>	<b>(13,829)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2,310</b>	<b>2,853</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash Flows from Investments in Non-Financial Assets</b>		
Sales of Non-Financial Assets	947	731
Purchases of Non-Financial Assets	(6,884)	(6,895)
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>(5,936)</b>	<b>(6,164)</b>
<b>Cash Flows from Investments in Financial Assets for Policy Purposes</b>		
Receipts	...	3,568
Payments	(15)	(20)
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>(15)</b>	<b>3,548</b>
<b>Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>		
Proceeds from Sale of Investments	50	75
Purchase of Investments	(49)	(197)
<b>Net Cash flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>0</b>	<b>(122)</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(5,951)</b>	<b>(2,739)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances Received	2,420	3,691
Advances Repaid	(145)	(45)
Proceeds from Borrowings	3,898	7,968
Repayments of Borrowings	(737)	(8,890)
Dividends Paid	(1,595)	(1,595)
Deposits Received / Paid (net)	(2)	(62)
Other Financing (net)	...	...
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>3,839</b>	<b>1,067</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>199</b>	<b>1,182</b>

Table 12: NSW Public Non-Financial Corporation Statement of Cash Flows (cont)

	2015-16 (Budget) \$m	2015-16 (Actual) \$m
<b>Derivation of Cash Result</b>		
Net Cash Flow s from Operating Activities	2,310	2,853
Net Cash Flow s from Investments in Non-Financial Assets	(5,936)	(6,164)
Dividends Paid	(1,595)	(1,595)
<b>CASH SURPLUS/(DEFICIT)</b>	<b>(5,221)</b>	<b>(4,906)</b>
<b>Derivation of ABS GFS Public Non-financial Sector Cash Surplus/(Deficit)</b>		
<b>Cash Surplus/(Deficit)</b>	<b>(5,221)</b>	<b>(4,906)</b>
Assets Acquired under Finance Leases	(224)	(7)
Other Financing Arrangements <sup>(a)</sup>	(11)	43
<b>ABS GFS CASH SURPLUS/(DEFICIT)</b>	<b>(5,455)</b>	<b>(4,869)</b>

(a) Comprises of movements in payables and receivables of a capital nature.

Table 13: NSW Non-Financial Public Sector Statement of Comprehensive Income

	2015-16 (Budget)	2015-16 (Actual)
	\$m	\$m
<b>Revenue from Transactions</b>		
Taxation	27,046	28,297
Grant and Subsidies		
Commonwealth General Purpose	17,346	17,637
Commonwealth Specific Purpose Payments	8,637	8,937
Commonwealth National Partnership Payments	2,712	2,608
Other Grants and Subsidies	781	593
Sale of Goods and Services	16,180	16,534
Interest	531	786
Dividend and Income Tax Equivalent Income from Other Sectors	107	52
Other Dividends and Distributions	424	674
Fines, Regulatory Fees and Other	4,693	4,967
<b>Total Revenue from Transactions</b>	<b>78,457</b>	<b>81,086</b>
<b>Expenses from Transactions</b>		
Employee	31,738	32,329
Superannuation		
Superannuation Interest Cost	1,547	1,565
Other Superannuation	3,267	3,225
Depreciation and Amortisation	8,054	7,551
Interest	4,101	3,698
Other Operating	20,175	19,490
Grants and Transfers		
Current Grants and Transfers	8,545	8,774
Capital Grants and Transfers	776	630
<b>Total Expenses from Transactions</b>	<b>78,203</b>	<b>77,261</b>
<b>Transactions from Discontinuing Operations</b>	...	(190)
<b>Net Operating Balance - Surplus/(Deficit)</b>	<b>253</b>	<b>3,634</b>
<b>Other Economic Flows included in the Operating Result</b>		
Gain/(Loss) from Superannuation	...	24
Gain/(Loss) from Other Liabilities	137	(1,039)
Other Net Gains/(Losses)	479	3,350
Share of Earnings from Associates (excluding Dividends)	(15)	11
Dividends from Asset Sale Proceeds	...	...
Other	(37)	(65)
Discontinuing Operations	...	(313)
<b>Operating Result (Accounting Basis)</b>	<b>817</b>	<b>5,602</b>
<b>Other Economic Flows - Other Comprehensive Income</b>		
<b>Items that will not be Reclassified to Operating Result</b>		
Superannuation Actuarial Gains/(Loss)	5,460	(15,589)
Deferred Tax Direct to Equity	0	0
Revaluations	7,235	10,771
<b>Items that may be Reclassified subsequently to Operating Result</b>		
Net Gain/(Loss) on Equity Investments in Other Sectors	2,995	1,262
Net Gain/(Loss) on Financial Instruments at Fair Value	5	(98)
Other	(413)	452
<b>Comprehensive Result - Total Change in Net Worth</b>	<b>16,099</b>	<b>2,399</b>

Table 13: NSW Non-Financial Public Sector Statement of Comprehensive Income (cont)

	2015-16 (Budget) \$m	2015-16 (Actual) \$m
<b>KEY FISCAL AGGREGATES</b>		
<b>Comprehensive Result - Total Change in Net Worth before Transactions with Owners</b>	<b>16,099</b>	<b>2,399</b>
Less: Net Other Economic Flow s	(15,846)	1,236
<b>Equals: Net Operating Balance</b>	<b>253</b>	<b>3,634</b>
Less: Net Acquisition of Non-Financial Assets		
Purchases of Non-Financial Assets	16,077	15,883
Sales of Non-Financial Assets	(1,635)	(1,625)
less: Depreciation	(8,054)	(7,551)
Plus: Change in Inventories	91	(48)
Plus: Other Movements in Non-Financial Assets		
- Assets Acquired Utilising Finance Leases	407	311
- Other	488	635
<b>Equals: Total Net Acquisition of Non-Financial Assets</b>	<b>7,375</b>	<b>7,605</b>
<b>Equals: Net Lending/(Borrowing) [Fiscal Balance]</b>	<b>(7,122)</b>	<b>(3,971)</b>

Table 14: NSW Non-Financial Public Sector Statement of Financial Position at 30 June

	2016 (Budget) \$m	2016 (Actual) \$m
<b>Assets</b>		
<b>Financial Assets</b>		
Cash and Cash Equivalent Assets	7,201	7,859
Receivables	6,361	5,630
Investments, Loans and Placements		
Financial Assets at Fair Value	11,486	10,562
Other Financial Assets	5,178	16,669
Advances Paid	774	659
Deferred Tax Equivalent Asset	1	1
Equity		
Investments in Other Public Sector Entities	(2,081)	(2,540)
Investments in Associates	3,882	3,783
Other Equity Investments	12	605
<b>Total Financial Assets</b>	<b>32,814</b>	<b>43,228</b>
<b>Non-Financial Assets</b>		
Inventories	1,053	962
Forestry Stock and Other Biological Assets	790	956
Assets Classified as Held for Sale	112	607
Investment Properties	605	507
Property, Plant and Equipment		
Land and Buildings	129,019	135,506
Plant and Equipment	16,904	17,249
Infrastructure Systems	158,865	151,454
Intangibles	4,497	4,133
Other Non-Financial Assets	3,005	3,601
<b>Total Non-Financial Assets</b>	<b>314,850</b>	<b>314,976</b>
<b>Total Assets</b>	<b>347,664</b>	<b>358,204</b>
<b>Liabilities</b>		
Deposits Held	148	159
Payables	6,798	7,313
Liabilities Directly Associated with Assets Held for Sale	...	0
Borrowings and Derivatives at Fair Value	33	146
Borrowings at Amortised Cost	68,191	63,989
Advances Received	891	857
Employee Provisions	16,982	18,489
Superannuation Provision <sup>(a)</sup>	52,468	71,159
Deferred Tax Equivalent Provision	8	7
Other Provisions	8,961	9,037
Other Liabilities	2,575	3,349
<b>Total Liabilities</b>	<b>157,056</b>	<b>174,506</b>
<b>NET ASSETS</b>	<b>190,608</b>	<b>183,698</b>

Table 14: NSW Non-Financial Public Sector Statement of Financial Position at 30 June (cont)

	2016 (Budget) \$m	2016 (Actual) \$m
<b>Net Worth</b>		
Accumulated Funds	62,485	54,434
Reserves	128,122	129,263
<b>TOTAL NET WORTH</b>	<b>190,608</b>	<b>183,698</b>
<b>OTHER FISCAL AGGREGATES</b>		
<b>Net Debt<sup>(b)</sup></b>	<b>44,624</b>	<b>29,403</b>
<b>Net Financial Liabilities<sup>(c)</sup></b>	<b>122,161</b>	<b>128,739</b>
<b>Net Financial Worth<sup>(d)</sup></b>	<b>(124,242)</b>	<b>(131,279)</b>

(a) Superannuation liabilities are reported net of the fair value of fund assets.

(b) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and cash equivalents, advances paid and investments, loans and placements.

(c) Net financial liabilities equals total liabilities less total financial assets excluding equity investments in other public sector entities

(d) Net financial worth equals total financial assets minus total liabilities.

Table 15: NSW Non-Financial Public Sector Statement of Cash Flows

	2015-16 (Budget) \$m	2015-16 (Actual) \$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Receipts</b>		
Taxes Received	27,113	28,844
Receipts from Sales of Goods and Services	17,255	17,941
Grants and Subsidies Received	29,551	29,873
Interest Receipts	499	601
Dividends and Income Tax Equivalents	105	106
Other Receipts	8,147	9,973
<b>Total Operating Receipts</b>	<b>82,670</b>	<b>87,337</b>
<b>Cash payments for operating activities</b>		
Payments for Employees	(32,165)	(32,191)
Payments for Superannuation	(4,031)	(4,358)
Payments for Goods and Services	(22,796)	(21,705)
Grants and Subsidies Paid	(7,018)	(7,589)
Interest Paid	(3,436)	(3,379)
Other Payments	(4,711)	(5,841)
<b>Total Cash Operating Payments</b>	<b>(74,157)</b>	<b>(75,063)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>8,512</b>	<b>12,275</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash Flows from Investments in Non-Financial Assets</b>		
Sales of Non-Financial Assets	1,644	1,634
Purchases of Non-Financial Assets	(16,064)	(15,749)
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>(14,420)</b>	<b>(14,115)</b>
<b>Cash Flows from Investments in Financial Assets for Policy Purposes</b>		
Receipts	78	9,964
Payments	(1,173)	(1,734)
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>(1,094)</b>	<b>8,229</b>
<b>Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>		
Proceeds from Sale of Investments	506	9,546
Purchase of Investments	(2,231)	(22,349)
<b>Net Cash flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>(1,724)</b>	<b>(12,803)</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(17,239)</b>	<b>(18,689)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances Received	530	1,874
Advances Repaid	(54)	(136)
Proceeds from Borrowings	4,538	8,102
Repayments of Borrowings	(1,232)	(9,338)
Deposits Received / Paid (net)	(11)	(63)
Other (net)	(1)	3
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>3,771</b>	<b>442</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(4,956)</b>	<b>(5,972)</b>

Table 15: NSW Non-Financial Public Sector Statement of Cash Flows (cont)

	2015-16 (Budget) \$m	2015-16 (Actual) \$m
<b>Derivation of Cash Result</b>		
Net Cash Flow s from Operating Activities	8,512	12,275
Net Cash Flow s from Investments in Non-Financial Assets	(14,420)	(14,115)
<b>CASH SURPLUS/(DEFICIT)</b>	<b>(5,908)</b>	<b>(1,841)</b>
<b>Derivation of ABS GFS Public Non-financial Sector Cash Surplus/(Deficit)</b>		
<b>Cash Surplus/(Deficit)</b>	<b>(5,908)</b>	<b>(1,841)</b>
Assets Acquired under Finance Leases	(407)	(311)
Other Financing Arrangements <sup>(a)</sup>	(23)	(143)
<b>ABS GFS CASH SURPLUS/(DEFICIT)</b>	<b>(6,338)</b>	<b>(2,294)</b>

(a) Comprises of movements in payables and receivables of a capital nature.

Table 16: NSW Public Financial Corporations Statement of Comprehensive Income<sup>(a)</sup>

	2015-16 (Actual) \$m
<b>Revenue from Transactions</b>	
Taxation	437
Grant and Subsidies	
Commonwealth General Purpose	...
Commonwealth Specific Purpose Payments	...
Commonwealth National Partnership Payments	...
Other Grants and Subsidies	0
Sale of Goods and Services	710
Interest	3,323
Other Dividends and Distributions	190
Fines, Regulatory Fees and Other	72
<b>Total Revenue from Transactions</b>	<b>4,732</b>
<b>Expenses from Transactions</b>	
Employee	157
Superannuation Interest Cost	...
Other Superannuation	11
Depreciation and Amortisation	8
Interest	2,951
Income Tax Expense	31
Other Property	1
Other Operating	812
Current Grants and Transfers	10
Capital Grants and Transfers	...
<b>Total Expenses from transactions</b>	<b>3,981</b>
<b>Net Operating Balance</b>	<b>751</b>
<b>Other Economic Flows included in the Operating Result</b>	
Gain/(Loss) from Superannuation	...
Gain/(Loss) from Other Liabilities	...
Other Net Gains/(Losses)	(936)
Share of Earnings from Associates (excluding Dividends)	0
Dividends from Asset Sale Proceeds	...
Other	...
Discontinuing Operations	...
<b>Operating Result (Accounting Basis)</b>	<b>(185)</b>
<b>Other Economic Flows - Other Comprehensive Income</b>	
<b>Items that will not be Reclassified to Operating Result</b>	
Superannuation Actuarial Gains/(Loss)	(0)
Deferred Tax Direct to Equity	(0)
Revaluations	1
<b>Items that may be Reclassified subsequently to Operating Result</b>	
Net Gain/(Loss) on Equity Investments in Other Sectors	...
Net Gain/(Loss) on Financial Instruments at Fair Value	...
Other	1,454
<b>Comprehensive Result - Total Change in Net Worth before Transactions with Owners</b>	<b>1,270</b>

Table 16: NSW Public Financial Corporations Statement of Comprehensive Income (cont)

	2015-16 (Actual) \$m
<b>KEY FISCAL AGGREGATES</b>	
<b>Comprehensive Result - Total Change in Net Worth</b>	
before Transactions with Owners <sup>(a)</sup>	1,270
Less: Net Other Economic Flow s	(519)
<b>Equals: Net Operating Balance</b>	<b>751</b>
Less: Net Acquisition of Non-Financial Assets	
Purchases of Non-Financial Assets	61
Sales of Non-Financial Assets	(88)
less: Depreciation	(8)
Plus: Change in Inventories	...
Plus: Other Movements in Non-Financial Assets	
- Assets Acquired Utilising Finance Leases	...
- Other	...
<b>Equals: Total Net Acquisition of Non-Financial Assets</b>	<b>(35)</b>
<b>Equals: Net Lending/(Borrowing) [Fiscal Balance]</b>	<b>786</b>

(a) The Uniform Presentation Framework does not require the publishing of the results of the Public Financial Corporation Sector at budget time and mid-year; therefore a Budget column is not available.

Table 17: NSW Public Financial Corporations Sector Statement of Financial Position at 30 June<sup>(a)</sup>

	2016 (Actual) \$m
<b>Assets</b>	
<b>Financial Assets</b>	
Cash and Cash Equivalent Assets	3,049
Receivables	1,162
Investments, Loans and Placements	
Financial Assets at Fair Value	67,474
Other Financial Assets	410
Advances Paid	...
Deferred Tax Equivalents	7
Equity	
Investments in Other Public Sector Entities	1,898
Investments in Associates	2
Other Equity Investments	8,088
<b>Total Financial Assets</b>	<b>82,091</b>
<b>Non-Financial Assets</b>	
Inventories	...
Investments	...
Property, Plant and Equipment	
Land and Buildings	26
Plant and Equipment	12
Infrastructure Systems	...
Intangibles	23
Other Non-Financial Assets	83
<b>Total Non-Financial Assets</b>	<b>145</b>
<b>Total Assets</b>	<b>82,235</b>
<b>Liabilities</b>	
Deposits Held	4,691
Payables	286
Tax Equivalents Payable	15
Liabilities Directly Associated with Assets Held for Sale	...
Borrowings and Derivatives at Fair Value	74,912
Borrowings at Amortised Cost	12
Advances Received	...
Employee Provisions	48
Superannuation Provision <sup>(b)</sup>	(0)
Deferred Tax Equivalent Provision	1
Other Provisions	2,965
Other Liabilities	1,846
<b>Total Liabilities</b>	<b>84,775</b>
<b>NET ASSETS</b>	<b>(2,540)</b>

Table 17: NSW Public Financial Corporations Sector Statement of Financial Position at 30 June (cont)

	2016 (Actual) \$m
<b>Net Worth</b>	
Accumulated Funds	(2,545)
Reserves	5
<b>TOTAL NET WORTH</b>	<b>(2,540)</b>
<b>OTHER FISCAL AGGREGATES</b>	
<b>Net Debt<sup>(c)</sup></b>	<b>8,682</b>
<b>Net Financial Liabilities<sup>(d)</sup></b>	<b>4,583</b>
<b>Net Financial Worth<sup>(e)</sup></b>	<b>(2,685)</b>

- (a) The Uniform Presentation Framework does not require the publishing of the results of the Public Financial Corporation Sector at budget time and mid-year, therefore a Budget column is not available.
- (b) Superannuation liabilities are reported net of the fair value of fund assets.
- (c) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and cash equivalents, advances paid and investments, loans and placements.
- (d) Net financial liabilities equals total liabilities minus financial assets.
- (e) Net financial worth equals total financial assets minus total liabilities.

Table 18: NSW Public Financial Corporations Sector Statement of Cash Flows<sup>(a)</sup>

	2015-16 (Actual) \$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<b>Receipts</b>	
Taxation	0
Receipts from Sales of Goods and Services	589
Grants and Subsidies Received	437
Interest Receipts	3,504
Other Receipts	360
<b>Total Receipts</b>	<b>4,890</b>
<b>Payments</b>	
Payments for Employees	(130)
Payments for Superannuation	(11)
Payments for Goods and Services	(655)
Grants and Subsidies	(4)
Interest Paid	(3,026)
Income Tax Equivalents Paid	(26)
Other Payments	683
<b>Total Payments</b>	<b>(3,170)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>1,720</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<b>Cash Flows from Investments in Non-Financial Assets</b>	
Sales of Non-Financial Assets	88
Purchases of Non-Financial Assets	(61)
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>27</b>
<b>Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>...</b>
<b>Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	
Proceeds from Sale of Investments	9,235
Purchase of Investments	(11,207)
<b>Net Cash flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>(1,973)</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(1,946)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Advances Received	1,454
Advances Repaid	...
Proceeds from Borrowings	57,437
Repayments of Borrowings	(57,356)
Dividends Paid	(80)
Deposits Received / Paid (net)	...
Other Financing (net)	...
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>1,456</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>1,230</b>

Table 18: NSW Public Financial Corporations Sector Statement of Cash Flows (cont)

	2015-16 (Actual) \$m
<b>Derivation of Cash Result</b>	
Net Cash Flow s from Operating Activities	1,720
Net Cash Flow s from Investments in Non-Financial Assets	27
Dividends Paid	(80)
<b>CASH SURPLUS/(DEFICIT)</b>	<b>1,667</b>
<b>Derivation of ABS GFS Public Non-financial Sector Cash Surplus/(Deficit)</b>	
<b>Cash Surplus/(Deficit)</b>	<b>1,667</b>
Assets Acquired under Finance Leases	...
Other Financing Arrangements <sup>(b)</sup>	...
<b>ABS GFS CASH SURPLUS/(DEFICIT)</b>	<b>1,667</b>

(a) Publication of budget estimates for the Public Financial Corporation Sector is not required under the Uniform Presentation Framework due to their inherent uncertainty.

(b) Comprises of movements in payables and receivables of a capital nature.

Table 19: 2015-16 Loan Council Allocation Estimates for NSW

	Budget time Estimate 2015-16 \$m	Actual 2015-16 \$m
General Government Sector Cash (Surplus) / Deficit	687	(2,894)
PNFC Sector Cash (Surplus) / Deficit <sup>(a)</sup>	5,221	4,906
<b>Non-Financial Public Sector Cash (Surplus) / Deficit<sup>(b)</sup></b>	<b>5,908</b>	<b>1,841</b>
Acquisitions under Finance Leases and Similar Arrangements <sup>(c)</sup>	430	453
<b>Equals ABS GFS Cash (Surplus) / Deficit</b>	<b>6,338</b>	<b>2,294</b>
<i>Minus</i> Net Cash Flows from Investments in Financial Assets for Policy Purposes <sup>(d)</sup>	(1,094)	8,229
<i>Plus</i> Memorandum Items <b>(Surplus) / Deficit</b> <sup>(e)</sup>	843	3,785
<b>Loan Council Allocation (LCA) - (Surplus) / Deficit</b>	<b>8,275</b>	<b>(2,150)</b>

(a) Public Non-financial Corporation (PNFC) Sector.

(b) Does not directly equate to the sum of the General Government and PNFC cash deficits due to intersectoral transfers which are netted out.

(c) Finance leases and similar arrangements are shown separately as they are deducted from the AASB 1049 cash surplus to derive the ABS GFS cash surplus/deficit.

(d) This item is the negative of net advances paid under a cash accounting framework.

(e) Memorandum items are used to adjust the ABS deficit to include in LCAs certain transactions, such as operating leases, Local Government and University Borrowings that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. They are also used, where appropriate, to deduct from the ABS deficit certain transactions that Loan Council has agreed should not be included in LCAs - for example, the funding of more than employers' emerging costs under public sector superannuation schemes, or borrowings by entities such as statutory marketing authorities.

## Private Sector Infrastructure

As approved at the 1997 Loan Council Meeting, States are to report their full contingent exposure to Public Private Partnerships (PPPs) for new contracts entered into, that have not previously been reported, where the financial impact is not already reflected within the Loan Council Allocation estimates. Exposure is to be measured by the Government's termination liabilities in a case of private sector default, and disclosed as a footnote to, rather than a component of Loan Council Allocations.

The financial impact of social infrastructure PPPs and other capital expenditure which is generally on the State's balance sheet is already reflected within the Loan Council Allocation estimates above.

Therefore, in general only new toll road PPPs, which are generally off-balance sheet, need to be reported below as Memo items.

### Contracts entered in 2015-16

WESTCONNEX Stage 2 - New M5 (Beverly Hills to St Peters)

Stage 2 of WestConnex M5 is being progressed by NSW Government together with the Sydney Motorway Corporation Pty Ltd and its subsidiaries. The roadway runs from the existing M5 East corridor at Beverly Hills via a tunnel to St Peters, providing improved access to the airport, South Sydney and Port Botany precincts with completion scheduled for 2019. This stage is being accelerated following a funding agreement signed by the Australian and New South Wales Governments in May 2014. Contract and financial close for WestConnex Stage 2 was completed in November 2015.

Expected Government Contingent Liability	Nil
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