The Treasury

Crown Entity 2010-2011 Annual Report

Incorporating the Annual Reports of:
Electricity Tariff Equalisation Ministerial Corporation
State Rail Authority Residual Holding Corporation
Liability Management Ministerial Corporation

Crown Entity 2010-2011 Annual Report

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This report is available on the
NSW Treasury website
www.treasury.nsw.gov.au

Total external costs
associated with the
production of this annual report
were $2,488.20. (GST included)
28 October 2011
ISSN: 1440-2181

Introduction and Overview

CROWN ENTITY CHARTER

The Crown Entity manages and reports on service-wide assets, liabilities and transactions that are the overall responsibility of the government rather than individual departments and statutory bodies.

This ensures that financial statements of individual agencies only cover those matters over which they have direct control.

ANNUAL REPORT

The Crown Entity Annual Report includes the Crown Entity financial statements which includes the Crown Finance Entity and the Consolidated Fund. This volume also includes the Annual Reports of the other related entities. These are:

- Electricity Tariff Equalisation Ministerial Corporation
- State Rail Authority Residual Holding Corporation
- Liability Management Ministerial Corporation.

ADMINISTRATION

The Crown Enitity and the other related entities are administered by the Crown Asset and Liability Management Branch which is part of the Budget and Financial Management Directorate of Treasury.

Crown Entity undertakings

CROWN FINANCE ENTITY

The Crown Finance Entity service groups are:

- Debt Liability Management
- Superannuation Liability Management
- Central Financial Services

The program objectives and descriptions are detailed on page 3 following.

CONSOLIDATED FUND

The activities of the Consolidated Fund are principally the collection of State taxation, Commonwealth grants and financial distributions from public trading and financial enterprise sector agencies on behalf of the NSW Government.

Payments made from the Consolidated Fund mainly comprise recurrent and capital appropriation to general government budget dependent agencies.

OTHER RELATED ENTITIES

Electricity Tariff Equalisation Ministerial Corporation

The Corporation manages the Electricity Tariff Equalisation Fund which in turn manages the cost risk of electricity purchases by State owned electricity retailers who are required to supply small retail customers in New South Wales at tariffs determined by IPART. The Fund ceased to operate on 30 June 2011 and will be closed completely in 2011-12 following the finalisation of payments and obligations from the Fund.

State Rail Authority Residual Holding Corporation

The Corporation holds certain former State Rail Authority cross-border rolling stock leases. There were no transactions or balances in the Corporation for 2010–11.

Liability Management Ministerial Corporation

The Liability Management Ministerial Corporation was established to manage the General Government Liability Management Fund. The Fund was established to allow flexibility in the timing of superannuation contributions to the public sector defined benefit schemes. There were no transactions or balances in the Fund for 2010–11.

This Crown Entity annual report contains the annual reports for these other related entities.
(Refer pages 109 to 155).

Crown Finance Entity Service Groups

DEBT LIABILITY MANAGEMENT

Service Description: This service group covers the management of the Crown Finance Entity debt portfolio and the Treasury Banking System (TBS), which are managed in conjunction with NSW Treasury Corporation, to meet the objectives of minimising the market value of debt within specified risk constraints, minimising the cost of debt and maximising investment returns.

Linkage to Results: This service group contributes towards minimising the level and cost of the State's net debt liabilities by working towards a range of intermediate results that include the following:

- maintain underlying general government net debt as a proportion of gross state product
- ensure liabilities are managed to minimise associated costs
- maximise returns within risk constraints through appropriate investment of any surplus funds.

SUPERANNUATION LIABILITY MANAGEMENT

Service Description: This service group covers the management of unfunded superannuation liabilities of New South Wales public sector defined benefit superannuation schemes in accordance with the Government's long-term funding plan.

Linkage to Results: This service group contributes towards elimination of Total State Sector net unfunded superannuation liabilities by 30 June 2030.

CENTRAL FINANCIAL SERVICES

Service Description: This service group covers the periodic payments made to meet agency long service leave, the cost of redundancies, grants under the First Home Owners Grant Scheme and GST administration costs payable to the Australian Taxation Office. It also includes provision of funds to various departments and authorities responding to natural disasters.

Linkage to Results: This service group contributes to efficient operation of the State's finances by working towards a range of intermediate results that include the following:

- management of payment system to ensure agencies receive funding in timely manner
- efficient management of other financial assets and liabilities.

Statement of Financial Position

The statement of financial position of the Crown Entity is summarised in the following table.

Table 1: Statement of Financial Position ($m)

	30 June 2011	30 June 2010
Total Liabilities	60,892	54,598
Total Assets	10,506	6,071
Net Liabilities	50,386	48,527

Key points:

- Borrowings increased by $3.1 billion during 2010-11 due to the funding requirements of the general government sector capital program and the assumption of debts valued at $1.2 billion from Delta Electricity and Eraring Energy as part of the electricity transaction arrangements.
- Employees benefits increased from the transfer of long service liabilities from NSW Health of $1.6 billion.
- As part of the electricity transaction the Crown Entity received repayable deposits of $1.3 billion from TRUEnergy and Origin Energy in accordance with the Generation Trading (GenTrader) agreements
- Cash holdings increased by $4.5 billion. This increase was primarily due to net electricity transaction sale proceeds of $3.4 billion and higher than expected operational cash balance due to lower than forecast agency cash expenditure.

Statement of Comprehensive Income

Table 2: Statement of Comprehensive Income ($m)

	2010–11 $m	2009–10 $m
Total Revenues	53,038	49,688
Total Expenses	52,551	51,872
Gain/(Loss) on Disposal of Non-Current Assets	(8)	639
Gain from Financial Instruments	21	(3)
Surplus (Deficit)	500	(1,548)
Other Comprehensive Income/(Loss)	441	(2,908)
Total Comprehensive Result	941	(4,456)

Key points:

- Revenue from taxes, fees and fines increased by $782 million or 4 per cent driven by higher stamp duties of $303 million, payroll tax of $235 million, motor vehicle taxes of $202 million and gambling and betting taxes of $109 million.
- Commonwealth grants declined by $1,278 million due mainly to a reduction in National Partnership payments of $309 million for recurrent purposes and $1,693 million for capital purposes. These reductions reflect the winding down in the level of economic stimulus payments received during the global financial crisis. The decline was partially offset by additional GST payments of $403 million and Specific Purpose recurrent payments of $443 million. Specific Purpose capital payments fell by $79 million.
- Financial distributions increased by $3,473 million due largely to one-off payments by the three electricity distributors totalling $3,406 million associated with the sale of parts of their businesses.
- Grants and subsidies expenses fell by $566 million following reductions in First Home Owners grants of $435 million and grants for natural disasters of $48 million.
- Total recurrent and capital appropriations increased by $994 million with increased recurrent appropriations paid to a number of agencies including the Department of Health ($839 million) and NSW Police Force ($245 million).
- Following the sale of the Waste Recycling and Processing Corporation (WSN Environmental Solutions) on 31 January 2011, the Crown Entity received $234 million for the sale of shares in the Corporation.

Liability Management

The core responsibilities of the Crown Entity are financial liability and asset management.

SUPERANNUATION

The Fiscal Responsibility Act 2005 states that superannuation liabilities are to be fully funded by 2030.

Less than 20 per cent of the NSW public sector workforce are now members of defined benefit schemes. Most employees now contribute to accumulation schemes, where the final retirement benefit reflects contribution levels and investment earnings over time.

Defined benefit schemes for the public sector workforce are mainly covered by the SAS Trustee Corporation (State Super) and include the pension-based State Superannuation Scheme (SSS) and Police Superannuation Scheme (PSS) and the lump-sum-based State Authorities Superannuation Scheme (SASS) and State Authorities Non-Contributory Superannuation Scheme (SANCS).

These schemes have been closed to new members for some time. However, substantial pension and lump sum entitlements are still due to existing scheme members over the next few decades. The Crown Finance Entity is responsible for funding general government sector superannuation liabilities.

The Parliamentary Contributory Superannuation Fund has its own trustee and funding arrangement and has been on an employer contribution funding holiday until 30 June 2011. Crown funding resumed from 1 July 2011.

The Judges' Pension Scheme, administered by the Department of Justice and Attorney General, was previously funded to meet entitlements as they fall due. Funding has now been increased to develop a pool of investments, based on a full funding target by 2030. These investments are managed by TCorp under arrangements with the Liability Management Ministerial Corporation.

CROWN UNFUNDED LIABILITY ESTIMATE AND ACCOUNTING STANDARDS

Superannuation funding arrangements are reviewed and reset every three years following the release of State Super's Mercer triennial actuarial review.

Liabilities for the 2009 Mercer triennial review were estimated in accordance with AASB 25 (*Australian Accounting Standard 25 Financial Reporting by Superannuation Plans*). The AASB 25 methodology uses the long-term fund earning rate to value liabilities and is generally known as the actuarial funding basis.

Before 2005–06 superannuation liabilities in the State Budget were also valued under AASB 25. Since June 2006, liabilities for statutory accounting reporting have been estimated under the international accounting standard AASB 119 *Employee Benefits*, also known as the reporting standard or reporting basis.

Under the reporting basis a floating discount rate is used to estimate the present value of liabilities. The discount rate is based on long-term government bond yield as at 30 June each financial year. As the yield on bonds is generally lower than fund earning rates, the reported value of liabilities under AASB 119 is much higher than the AASB 25 estimate. Ongoing changes to discount rates also lead to substantial volatility in reported liability estimates.

New South Wales has expressed its concern with the use of AASB 119 to the Australian Accounting Standards Board (AASB) on a number of occassions. These concerns centre on the inaccurate and misleading picture given of NSW's underlying superannuation funding status and potential funding requirements over time indicated by AASB 119.

INTERNATIONAL ACCOUNTING STANDARD IAS 19

A revised International Accounting Standard (IAS 19 issued June 2011) will require the same bond yield used to value superannuation liabilities to be used to calculate the return on dedicated superannuation assets. Currently the expected return on superannuation assets is used to calculate net superannuation expenses. The impact of this change in accounting standards is likely to worsen future published Budget results by around $750 million per annum. The revised standard is expected to apply in Australia for the year ending 30 June 2014 onwards.

The June 2011 Heads of Treasury meeting expressed concern about the relevance and appropriateness of IAS 19 to the Australian Public Sector. NSW Treasury has again written to the AASB to convey its concerns with the impact of existing and proposed superannuation accounting standards. Treasury has requested that the Board attempt to expedite a proposed review of employee liability valuation by the International Accounting Standards Board.

UNIVERSITY UNFUNDED SUPERANNUATION

The State Super 2009 triennial review advised that, under current funding arrangements, employer reserves for some universities are forecast to be depleted from 2014–15 onwards. NSW does not guarantee university superannuation liabilities and State Super cannot make payments if funds are not available.

NSW Treasury has been seeking to resolve this matter with the Commonwealth for some time. State Super has also been corresponding with the University of Sydney and the University of NSW to obtain the commitments and guarantees needed to enable State Super to continue paying full lump sum and pension benefits to members while employer reserves are being depleted.

BORROWINGS

Crown Entity gross debt includes interest bearing loans and finance leases. Borrowings are generally managed under arrangements with TCorp. Crown Entity gross debt is used to finance cash flow budget deficits.

Management of Crown Entity borrowings has two long-term objectives:

- to minimise the market value of debt within specified risk constraints
- to minimise the cost of debt.

The management of Crown Entity debt is governed by a Memorandum of Understanding (MoU) between the NSW Treasury and Treasury Corporation (TCorp). The MoU includes a requirement to adhere to financing expense budget allocations which are agreed at the beginning of each financial year. TCorp, as debt manager, operates to agreed benchmarks on debt duration and has an active management mandate to add value relative to a benchmark portfolio. The Crown Finance Entity Debt Management Committee, consisting of representatives from TCorp and Treasury, meets quarterly to monitor debt strategy and to review financial market developments.

As part of the debt management processes, TCorp continues to issue longer term bonds and inflation indexed bonds. These bonds are being issued following a review of debt duration benchmarks and debt management processes. Use of these bonds will help reduce debt cost volatility and lock in the benefits of currently low nominal interest rates.

LEAVE LIABILITIES

The Crown Entity is generally responsible for paying the long service liabilities of the general government sector sector. PTE agencies are responsible for meeting their own leave liabilities.

The forecast value of long service leave liabilities is based on AASB 119. As with superannuation, variations in the liability discount rate affect reported liability estimates.

INSURANCE MANAGEMENT

The management of Public Sector insurance is based on a number of dedicated schemes, mostly overseen by the NSW Self Insurance Corporation (SICorp). Refer to the SICorp Annual Report for more detail.

Asbestos Compensation Fund

The Asbestos Injuries Compensation Fund Limited (AICF) administers a fund which pays compensation to Australian asbestos victims exposed to products manufactured by former James Hardie companies in Australia.

The AICF receives contributions from James Hardie Industries NV (James Hardie). Under the 2006 Amended and Restated Funding Agreement, James Hardie must contribute to the AICF up to 35 per cent of its free cash flow each year.

The AICF has indicated concern that as a result of the global financial crisis its available financial resources are likely to be insufficient to continue to fund compensation payments as and when they fall due. In particular, the downturn in the USA housing sector has significantly impacted on James Hardie's ability to contribute to the Fund.

As a result of AICF concerns, the NSW and Australian Governments have agreed to provide a $320 million loan facility to help the AICF continue to make full compensation payments to asbestos victims.

Crown Finance Entity loan assistance will only be called on if and when required for short-term funding and will be secured against reinsurance recoveries. James Hardie will continue to be obligated to contribute to the Fund to fully meet its AICF asbestos liabilities. No funds were paid in 2010-11.

Financial Asset Management

Financial assets are accumulated to meet liabilities as they fall due.

General Government Sector budget dependent agencies are participants in the Treasury Banking System (TBS) – a cash forecasting and management system that has been in place since 1993. The TBS is used to manage cash resources efficiently. The TBS also includes a set-off arrangement which allows all TBS bank accounts to be treated as one account for the purpose of calculating and making interest payments.

Outside the TBS there are two major types of asset portfolios, based on investments to meet superannuation liabilities and investments to meet insurance obligations.

These asset portfolios are designed to optimise returns within appropriate risk parameters in order to reduce the level of funding needed to meet liabilities over time.

Most superannuation investments are held by State Super, with the balance mainly held by the Electricity Industry Superannuation Scheme (EISS). Other investments, including financial assets associated with insurance liabilities, are largely managed by TCorp on behalf of client agencies. The majority of these assets belong to the Treasury Managed Fund (TMF), the main managed scheme of SICorp.

As shown in Table 3, State Super and TMF investment returns reflect the impact of the global financial crisis and the recovery in asset values since 2009.

Table 3: State Super and TMF investment returns

Financial year to 30 June	State Super %	TMF %
2010 - 11	8.7	8.6
2009 - 10	9.2	8.4
2008 - 09	- 10.3	- 2.8
2007 - 08	- 7.2	- 7.4
Average 5 Years	2.5	3.3

ACCOUNT PAYABLE PERFORMANCE

The Crown Asset and Liability Management branch of the NSW Treasury provides accounts payable services for the following entities:

- Crown Entity
- NSW Self Insurance Corporation (SICorp)
- Electricity Tariff Equalisation Ministerial Corporation
- Liability Management Ministerial Corporation
- State Rail Authority Residual Holding Corporation

In accordance with the requirements of the *Public Finance and Audit Regulation 2010*, the Annual Reports legislation and the Treasurer's Direction, all agencies are required to ensure that all accounts are paid promptly.

The following tables report the time taken to administer payments for the Crown Entity and other related entities, except SICorp, during 2010–11. The payment of accounts performance of SICorp is reported in its own Annual Report.

Table 4: Reporting on Payment of Accounts

Outstanding invoices by age at the end of each quarter	Current (within due date) $	Less than 30 days overdue $	Between 30 and 60 days overdue $	Between 60 and 90 days overdue $	More than 90 days overdue $
September 2009	44,140,318	1,810,766	3,121,823	686,183	2,982,393
December 2009	2,712,119	4,505,970	7,421,284	1,085,564	848,749
March 2010	102,567,521	3,506,536	160,868	95,826	17,026
June 2010	42,765	99,112	110,745	996,147	-

Table 5: Total Accounts

Accounts paid on time during each quarter	**Total Accounts paid on time**				Total Amount Paid $
	Target by number %	Actual % By Number	Actual % By Value	$	
September 2008	87	88	100	24,736,904,620	24,747,532,023
December 2008	87	83	100	22,261,810,713	22,292,843,308
March 2009	87	86	100	29,495,380,754	29,515,633,753
June 2009	87	92	100	19,704,929,287	19,710,822,871

During the year, there were some delays in the processing of the Crown Entity's payments, which are subject to a rigorous review and approval process before payment can be made. However, there were no instances where penalty interest was paid in accordance with clause 15 of the *Public Finance and Audit Regulation 2010*.

EXPENDITURE ON CONSULTANTS

Table 6: Crown Entity Expenditure on Consultants

Consultants	Project	Amount (ex. GST) $
Consultants costing $50,000 or more		
Finance & Accounting/Tax		
Credit Suisse	Financial advice for the Energy Reform Project	11,671,476
Ernst & Young	Accounting and tax advice for the Energy Reform Project	8,649,261
Lazard Carnegie Wylie	Financial advice for the Energy Reform Project	8,136,483
Goldman Sachs JBWere Pty Ltd	Financial advice for the sale of NSW Lotteries Project	2,762,151
UBS Investment Bank	Advisory services for the sale of WSN	2,552,648
Mercer Human Resources	Actuarial services for Budget estimates	1,249,544
Ernst & Young	Advice for the sale of Waste Services NSW (WSN)	704,228
LEK Consultants	Initial Price Offer advice for the Energy Reform Project	456,038
SFG Corporate Pty Ltd	Provision of financial & modelling advice for the Energy Reform Project	211,325
Deloitte Touche Tohmatsu	Public Authorities Financial Arrangement risk management agency reviews	137,214
Information Technology		
KPMG Corporate Finance (Aust) Pty Ltd	Information technology advice for the Energy Reform Project	1,900,751
Ansarada Pty Ltd	Online data service for the Energy Reform Project	244,055
Ansarada Pty Ltd	Online data service for the sale of WSN	65,700
Management Services		
Worley Parsons	Legal and engineering advice for the Energy Reform Project	880,202
John Dermody & Associates Pty Ltd	Advice for the Energy Reform Project	688,374
RSM Bird	Probity advice for the Energy Reform Project	663,983
Macquarie Generation	Advice by Malleson Stephen Jacques for the Energy Reform Project	490,071
Cosway Australia Pty Ltd	Communication advice for the Energy Reform Project	463,046
Kim Yeadon Consulting	Consultancy for the Energy Reform Project	453,202
KPMG Corporate Finance (Aus) Pty Ltd	Purchase cards review	407,790
PVS & Associates Pty Ltd	Consultancy for the Energy Reform Project	334,080
Park Industrial Pty Ltd	Technical advice for the Energy Reform Project	322,400
J S Frith Power Consulting Pty Ltd	Consultancy for the Energy Reform Project	267,211
Rossmart Nominees	Consultancy for the Energy Reform Project	259,683
Col Gellatly & Associates Pty Ltd	Consultancy for the Energy Reform Project	222,000

Environmental Resources Management	Environmental advice for the sale of WSN	221,961
RSM Bird	Probity advice for the sale of WSN	208,216
AMC Consultants Pty Ltd	Technical advice for the Energy Reform Project	53,354
Legal Services		
Baker & McKenzie	Advice for the Energy Reform Project	12,044,756
Johnson Winter & Slattery	Advice for the Energy Reform Project	8,970,576
Gilbert & Tobin	Advisory services for the sale of WSN	3,521,267
Allens Arthur Robinson	Advice for the sale of WSN	247,209
Gilbert & Tobin	Advice for the sale of NSW Lotteries	128,164
Crown Solicitor's Office	Advice for the Energy Reform Project	120,433
Crown Solicitor's Office	Advice for the sale of WSN	62,143
Economic Assessment		
Frontier Economics Pty Ltd	Market and economic advice for the Energy Reform Project	7,883,670
Sub Total:		**77,654,665**
Consultants costing less than $50,000		
Finance and Accounting/Tax	12 projects totalling	224,919
Information Technology	1 project totalling	14,330
Management Services	10 projects totalling	230,017
Legal	6 projects totalling	56,605
Economic Assessment	1 project totalling	21,127
Sub Total:		**546,998**
Total expenditure on consultants		**78,201,663**

Crown Entity's Response to Significant Matters in the Audit Office's Client Service Report

SIGNIFICANT AUDIT FINDING

As disclosed in Notes 2 and 7 to the financial statements, the Crown Entity's investment in Snowy Hydro Limited (SHL), accounted for using the equity method, is measured using the associate's net assets as reported in its financial statements. The accounting policies applied in determining the associate's net assets and the share of its profit are not wholly consistent with those applied by the Crown Entity.

The Crown Entity's auditor's opinion is qualified due to an inability to obtain evidence regarding amounts reported in respect of the investment in Snowy Hydro Limited, had consistent accounting policies been applied. The Crown Entity needs to determine the impact of applying consistent policies when equity accounting for its investment in Snowy Hydro Limited. Any adjustments arising from this impact will need to be considered in the preparation of the 2011-12 financial statements.

MANAGEMENT RESPONSE

Management will endeavour to assess the impact of applying consistent policies when equity accounting for investment in SHL. Management will consult with the other shareholders and determine what can be achieved within the confines of SHL's constitution and the (Commonwealth) *Corporations Act 2001*.

Any necessary adjustments will be included in the 2011-12 financial statements.

Report from the Audit & Risk Management Committee

Dear Secretary

In compliance with Treasury Circular 09/08, the NSW Treasury Audit and Risk Management Committee[1] aims to:

- oversee the internal audit function, risk management, corporate governance, and other internal assurance processes that operate within NSW Treasury, including the Crown Entity and the NSW Self Insurance Corporation (SICorp)
- assess risks arising from NSW Treasury's operations and the adequacy of measures in place to control those risks
- liaise with external audit
- assure the integrity of NSW Treasury's external financial reporting and internal management reporting.

NSW Treasury's Audit and Risk Management Committee (hereafter referred to as "the Committee") is separately tasked with oversight of the controls on the preparation of the total state sector accounts, which are published annually in the Report on State Finances.

The Committee oversees audits and reviews of NSW Treasury activities, as scheduled in an annual internal audit plan. The areas to be audited are determined based on exposure to potential financial or other strategic or operating risk.

Committee Membership

In compliance with NSW Treasury policy, during 2010–11 the Committee operated with five members, three of whom are independent of NSW Treasury:

- Jim Mitchell (Independent Chair)
- Christine Feldmanis (Independent Member)
- Carolyn Burlew (Independent Member)
- Mark Ronsisvalle (Deputy Secretary, Budget and Financial Management Directorate)
- Sue Power (Director, SOC Performance and Wages Branch).

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[1] When OSR was transferred to the Department of Finance and Services on 4 April 2011, the OFM Audit and Risk Management Committee became the NSW Treasury Audit and Risk Management Committee. The Committee's scope of activities remained the same, however, because OSR had its own committee before the transfer.

Meetings were also regularly attended by the Chief Audit Executive and representatives of the NSW Audit Office.

Committee Meetings

The Committee met on eight occasions during 2010–11. It:

- gave assurance to the Secretary concerning end-of-year financial reporting for NSW Treasury, the Crown Entity, SICorp, and the total state sector
- supported the move from NSW Treasury's long-term single service provider for the audit program and sampled a range of different providers
- commended the 2010–11 Internal Audit Plan to the Secretary
- reviewed its charter and that of the internal audit function
- participated in an external review of the internal audit function and provided advice to the Secretary on NSW Treasury's management response
- implemented the audit program outlined below
- advised on the development of a customised Audit Manual and Risk Policy, which will be published early in 2011–12.

In addition, the Committee held two extraordinary meetings:

- Joint meeting of the audit and risk management committees of the Office of State Revenue and Office of Financial Management to consider the combined NSW Treasury financial statements 2009–10
- Special meeting for the review of the total state sector accounts.

Audit Program

The following reports were tabled before the Committee during 2010–11 and commended, with management responses, to the Secretary for approval:

- review of adherence by NSW Treasury's budget analysts to relevant guidelines and policies
- review of SICorp's data warehouse management
- review of NSW Treasury's compliance with legislative and internal requirements around Freedom of Information and requests for information by Parliament in terms of Standing Order 52
- review of delegations within SICorp
- review of OFM systems supporting financial information provided to NSW Treasury
- review of Crown Entity systems supporting financial information provided to NSW Treasury
- review of NSW Treasury's compliance with the State Records Authority of NSW Standard No.10 – Standard on Digital Recordkeeping
- quality assessment of NSW Treasury's internal audit
- Audit Office management letters.

Towards the end of 2010–11 the Committee approved the following projects, which were still in train at 30 June:

- development of a NSW Treasury legal and regulatory compliance framework
- review of SICorp's governance framework
- review of (insurance) agency compliance with the Home Warranty Insurance Fund financial procedures manual.

The Committee also regularly monitors the appropriateness and timeliness of management responses to completed reviews.

Meetings with the Secretary

Throughout 2010–11 the independent members met quarterly with the NSW Treasury Secretary. These meetings have allowed the external members to raise any concerns or ideas directly with the Secretary, and to learn about the emerging issues and risks impacting Treasury's operations.

J R Mitchell FCPA
Independent Chair
NSW Treasury Audit and Risk Management Committee

Secretary's Internal Audit & Risk Management Statement

I, the Secretary, am of the opinion that NSW Treasury[2] has internal audit and risk management processes in place that are, excluding the exceptions described below, compliant with the core requirements set out in Treasury Circular 09/08 Internal Audit and Risk Management Policy (hereafter referred to as "the Policy").

I, the Secretary, am of the opinion that the internal audit and risk management processes for NSW Treasury depart from the following core requirements set out in Treasury Circular 09/08 and that (1) the circumstances giving rise to these departures have been determined by the Portfolio Minister, and (2) NSW Treasury is implementing the following practicable alternative measures that will achieve a level of assurance equivalent to the requirement.

Ministerially Determined Departure	Reason for Departure and Description of the Practicable Alternative Measures Implemented
Core Requirement 1: The department head must establish an Audit and Risk Management Committee to oversee and monitor governance, risk, and control issues affecting the operations of the department.	
The Treasurer has determined: That for the purposes of its audit and risk management functions, NSW Treasury has been defined as: ▪ Office of Financial Management ▪ NSW Self Insurance Corporation ▪ Crown Entity ▪ Electricity Tariff Equalisation Ministerial Corporation ▪ Liability Management Ministerial Corporation ▪ State Rail Authority Residual Holding Corporation. Because of this definition, all of these bodies fall under NSW Treasury's Audit and Risk Management Committee. This exception is intended to be permanent and will stand until the Treasurer gives further notice.	The strict application of the Policy would mean separate audit and risk management committees for each of these entities. However, these entities are managed by NSW Treasury, use NSW Treasury internal policies, and have accounting services provided by NSW Treasury.

[2] NSW Treasury is defined, for the purposes of this disclosure, as the Office of Financial Management, NSW Self Insurance Corporation, Crown Entity, Electricity Tariff Equalisation Ministerial Corporation, Liability Management Ministerial Corporation, and State Rail Authority Residual Holding Corporation. Those entities that provide separate annual reports will replicate this disclosure in their annual reports.

Ministerially Determined Departure	Reason for Departure and Description of the Practicable Alternative Measures Implemented
Core Requirement 3: An Audit and Risk Management Committee Chair must be appointed for a period of at least three years, with a maximum term of four years. For members, the initial term must not exceed four years. There is an option for reappointment for a further term of a maximum of four years.	
The Treasurer has determined: That two members of NSW Treasury's Committee who will pass their maximum terms during 2010–11 may be extended into 2012 to allow departures to be staggered.	The Policy also states that, wherever possible, departures from a Committee should be staggered to ensure that knowledge loss is minimised at any one time. By the end of 2012 NSW Treasury will no longer require this exception.

Ministerially Determined Departure	Reason for Departure and Description of the Practicable Alternative Measures Implemented
Core Requirement 5: The Policy requires that an enterprise risk management process that is appropriate to the department be established.	
The Treasurer has determined: That NSW Treasury's non-compliance with this requirement be extended until December 2011.	As at 30 June 2011 NSW Treasury has a comprehensive Risk Register undergoing a major revision. Audit projects in compliance and fraud and corruption are in train to feed into and strengthen this revision. A comprehensive Risk Management Plan will be the result and will form the basis of an enterprise risk management culture across NSW Treasury. By the end of 2011–12 NSW Treasury will no longer require this exception.

A Treasurer exception was in place during much of 2010–11 to allow the Office of Financial Management to maintain a separate committee from the Office of State Revenue (OSR), and for some variation of OSR members' tenure. These exceptions are recorded in NSW Treasury's Annual Report 2009–2010. On 4 April 2011 OSR became a part of the Department of Finance and Services. That exception, therefore, has not been maintained here.

SECRETARY'S INTERNAL AUDIT & RISK MANAGEMENT STATEMENT

I, the Secretary, am of the opinion that, other than the departures stated above, the Audit and Risk Management Committee for NSW Treasury is constituted and operates in accordance with the independence and governance requirements of Treasury Circular 09/08.

The members of the NSW Treasury Audit and Risk Management Committee are:

- Jim Mitchell, Independent Chair (2008 to 2011: extended to April 2012)
- Christine Feldmanis, Independent Member (2010 to June 2012)
- Carolyn Burlew, Independent Member (2009 to September 2011)
- Mark Ronsisvalle, Non-independent Member (2004 to 2010: extended to December 2012)
- Sue Power, Non-independent Member (2009 to July 2013).

The internal audit and risk management processes now in place help to provide a level of assurance that will enable the senior management of NSW Treasury to understand, manage, and satisfactorily control risk exposures.

The NSW Treasury Audit and Risk Management Committee also provides internal assurance regarding risk exposures for the total state sector accounts, which are tabled in the NSW Government's annual Report on State Finances.

As required by the Policy, I have submitted to NSW Treasury an Attestation Statement outlining compliance with the Policy.

Philip Gaetjens
Secretary
28 October 2011

Financial Statements

INDEPENDENT AUDITOR'S REPORT

Crown Entity

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of the Crown Entity, which comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity, statement of cash flows, service group statements and summary of compliance with financial directives for the year then ended, a summary of significant accounting policies and other explanatory information.

Basis for Qualified Opinion

As disclosed in Notes 2 and 7 to the financial statements, the Crown Entity's investment in Snowy Hydro Limited, accounted for using the equity method, is measured using the associate's net assets as reported in its financial statements. The accounting policies applied in determining the associate's net assets and the share of its profit are not wholly consistent with those applied by the Crown Entity. I am unable to obtain the audit evidence required to determine whether any adjustments to those amounts reported in respect of the investment would be required, had consistent accounting policies been applied.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the financial position of the Crown Entity as at 30 June 2011, and its financial performance for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

Secretary of the Treasury's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Level 15, 1 Margaret Street, Sydney NSW 2000 | GPO Box 12, Sydney NSW 2001 | t 02 9275 7101 | f 02 9275 7179 | e mail@audit.nsw.gov.au | audit.nsw.gov.au

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

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

My qualified opinion does *not* provide assurance:

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

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

A T Whitfield
Deputy Auditor-General

16 November 2011
SYDNEY

Crown Entity

Financial Statement
for the year ended 30 June 2011

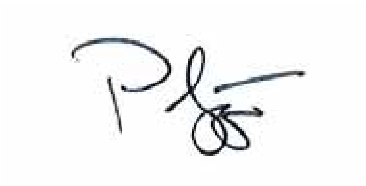
STATEMENT BY DEPARTMENT HEAD

Pursuant to Section 45F (1B) of the *Public Finance and Audit Act 1983*, I declare that in my opinion:

(a) The accompanying financial statements exhibit a true and fair view of the financial position of the Crown Entity as at 30 June 2011 and the financial performance for the year then ended; and

(b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010* with the exception of any potential effects arising from accounting for the investment in an associate as disclosed in Note 2 and 7.

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



Philip Gaetjens
Secretary
09 November 2011

Crown Entity

Statement of Comprehensive Income
for the year ended 30 June 2011

	Notes	2011 $'000	2010 $'000
Revenue			
Retained taxes, fees and fines	3(a)	20,455,658	19,673,694
Commonwealth contributions	3(b)	24,794,632	26,072,257
Financial distributions	3(c)	5,456,394	1,983,857
Investment income	3(d)	216,577	138,109
Share of profit of an associate	7	266,568	154,326
Royalty on minerals		1,240,328	985,271
Other income	3(e)	608,336	680,577
Total revenue		**53,038,493**	**49,688,091**
Expenses			
Superannuation - defined benefit plans	18	1,484,034	1,629,428
Employee related expenses	19	684,103	583,391
Depreciation and amortisation	12,13	47	47
Grants and subsidies	4(a)	434,814	1,000,580
Finance costs	4(b)	1,280,972	1,053,623
Recurrent appropriations	30	45,134,354	41,271,453
Capital appropriations	30	2,957,450	5,826,041
Other expenses	4(c)	575,405	507,768
Total expenses		**52,551,179**	**51,872,331**
(Loss)/gain on disposal of Government businesses	5	(7,904)	638,720
Gain/(loss) from financial instruments	6	20,982	(2,652)
Surplus/(deficit) for the year		**500,392**	**(1,548,172)**
Other comprehensive income			
Actuarial gain/(loss) on defined benefit plans	18	441,770	(2,908,004)
Other decrease in equity		(928)	-
Total other comprehensive income/(loss) for the year		**440,842**	**(2,908,004)**
Total comprehensive result for the year		**941,234**	**(4,456,176)**

The accompanying notes form part of these financial statements.

Crown Entity

Statement of Financial Position
As at 30 June 2011

	Notes	2011 $'000	2010 $'000
Assets			
Current assets			
Cash and cash equivalents	25	4,912,898	404,410
Financial assets at fair value	8	9,785	13,312
Derivative financial instruments	9	18,901	37
Advances repayable to the Crown	10	62,977	59,820
Receivables	11	3,215,879	3,476,630
Total current assets		**8,220,440**	**3,954,209**
Non-current assets			
Plant and equipment	12	88	152
Investment in a joint venture	14	17,789	20,776
Investment in an associate	7	1,134,190	996,150
Financial assets at fair value	8	7,688	19,620
Advances repayable to the Crown	10	1,117,905	1,072,742
Receivables	11	8,434	6,900
Intangible assets	13	75	101
Total non-current assets		**2,286,169**	**2,116,441**
Total assets		**10,506,609**	**6,070,650**
Liabilities			
Current liabilities			
Payables	15	653,077	322,203
Bank overdraft	25	2,328,840	2,161,649
Borrowings	16	261,631	378,417
Derivative Financial Instruments	9	547	2,096
Unfunded superannuation	18	1,396,100	1,329,700
Employee benefits and other provisions	19	5,111,063	3,370,771
Provision for outstanding insurance claims	20	26,502	36,950
Other	28	385,360	307,201
Total current liabilities		**10,163,120**	**7,908,987**
Non-current liabilities			
Payables	15	1,112,468	36,496
Borrowings	16	18,819,408	15,652,082
Unfunded superannuation	18	29,729,406	30,129,062
Employee benefits and other provisions	19	266,769	177,409
Provision for outstanding insurance claims	20	126,865	110,976
Other	28	674,437	583,388
Total non-current liabilties		**50,729,353**	**46,689,413**
Total liabilities		**60,892,473**	**54,598,400**
Net liabilities		**(50,385,864)**	**(48,527,750)**
Equity			
Accumulated deficit		(50,385,864)	(48,527,750)
Total equity		**(50,385,864)**	**(48,527,750)**

The accompanying notes form part of these financial statements.

Crown Entity

Statement of Changes in Equity
for the year ended 30 June 2011

	Notes	Total equity $'000
Balance at 1 July 2010		(48,527,750)
Surplus for the year		500,392
Other comprehensive income		
Actuarial gain on defined benefit plans	18	441,770
Other net (decrease) / increase in equity		(928)
Total other comprehensive income		**440,842**
Total comprehensive result for the year		**941,234**
Transactions with owners in their capacity as owners		
Decrease in net assets from equity transfers	33	(2,799,348)
Total transactions with owners in their capacity as owners		**(2,799,348)**
Balance at 30 June 2011		**(50,385,864)**
Balance at 1 July 2009		(43,971,533)
Deficit for the year		(1,548,172)
Other comprehensive income		
Actuarial loss on defined benefit plans	18	(2,908,004)
Total other comprehensive loss		**(2,908,004)**
Total comprehensive result for the year		**(4,456,176)**
Transactions with owners in their capacity as owners		
Decrease in net assets from equity transfers	33	(100,041)
Total transactions with owners in their capacity as owners		**(100,041)**
Balance at 30 June 2010		**(48,527,750)**

The accompanying notes form part of these financial statements.

Crown Entity

Statement of Cash Flows
for the year ended 30 June 2011

	Notes	2011 $'000	2010 $'000
Cash flows from operating activities			
Payments			
Employee related		(1,876,876)	(2,002,818)
Grants and subsidies		(427,886)	(1,319,682)
Finance costs		(1,006,415)	(856,272)
Recurrent appropriation	30	(45,134,354)	(41,271,453)
Capital appropriation	30	(2,957,450)	(5,826,041)
Other		(555,739)	(449,273)
Total payments		**(51,958,720)**	**(51,725,539)**
Receipts			
Retained taxes, fees and fines		20,592,318	19,166,026
Commonwealth grants	30	24,794,608	26,072,281
Investment income		189,711	118,549
Financial distribution from other entities		5,584,001	2,012,630
GenTrader deposits		1,320,880	-
Proceeds from sale of Government businesses		234,428	845,708
Other		1,828,580	1,451,925
Total receipts		**54,544,526**	**49,667,119**
Net cash flows provided by/(used in) operating activities	25	**2,585,806**	**(2,058,420)**
Cash flows from investing activities			
Purchase of investments		28	(1)
Purchase of plant and equipment		-	(47)
Advances made		(122,361)	(296,248)
Proceeds from sales of investment		16,924	-
Advance repayments received		93,661	70,347
Dividend received from investment		127,600	52,200
Net cash flows provided by/(used in) investing activities		**115,852**	**(173,749)**
Cash flows from financing activities			
Proceeds from borrowings and advances		2,990,673	2,574,349
Repayment of borrowings and advances		(1,353,966)	(76,045)
Net cash flows from financing activities		**1,636,707**	**2,498,304**
Net increase in cash		**4,338,365**	**266,135**
Opening cash and cash equivalents		(1,757,239)	(2,147,680)
Cash transfer in as a result of restructuring		2,932	124,306
Closing cash and cash equivalents	25	**2,584,058**	**(1,757,239)**

The accompanying notes form part of these financial statements.

Notes Index

1. CROWN ENTITY INFORMATION

Reporting entity

The Crown Entity is a government department for financial reporting purposes under section 45A (1A) of the Public Finance and Audit Act 1983. It is a not-for-profit entity.

The Crown Entity reports on the following transactions:

Crown Finance Entity

The Crown Finance Entity manages the Crown's financial assets and financial liabilities. These includes:

- the Crown debt portfolio
- the Crown superannuation liability for certain general government agencies
- long service leave liability for certain general government agencies

It is also responsible for miscellaneous finance activities, such as providing grants and subsidies to New South Wales (NSW) public sector agencies. It acts as the residual entity for NSW whole-of-government transactions that are not the responsibility of any other state public sector agency.

Consolidated Fund

The Consolidated Fund collects state taxation, Commonwealth contributions and financial distributions from certain NSW agencies. Payments comprise recurrent and capital appropriation payments to budget dependent agencies. Note 30 details the Fund's receipts and payments.

The principal office of the Crown Entity is 1 Farrer Place, Sydney NSW 2000.

The financial statements were authorised for issue by the Secretary of NSW Treasury on the date the accompanying Statement by the Secretary was signed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The Crown Entity financial statements have been prepared on a going concern basis. It is reasonably expected that the entity will have adequate resources to continue in operational existence for the foreseeable future.

Operational funds are sourced through firstly, the Consolidated Fund which collects among other revenue, state taxes and duties and Commonwealth grants, and the Crown Finance Entity which finances its activities primarily through borrowings. The Crown Finance Entity□s main purpose is to manage certain financial assets and liabilities that the Government determines should be managed centrally. These are mainly liabilities and include the core debt, superannuation and long service leave liabilities of the general government sector. The Crown Entity operates with the State□s triple AAA backing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of judgements, estimates and assumptions (continued)

Classification and valuation of investments (continued)

An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgement is required to determine what is significant to fair value and therefore which category the financial instrument is placed in can be subjective.

The Crown Entity classifies its investments as fair value through profit or loss. The fair value has been determined by reference to the quoted market price for similar instruments and the underlying value provided by the Portfolio manager, New South Wales Treasury Corporation (TCorp). TCorp values financial assets and liabilities using valuation techniques, which discount cash flows to present value based on observable market yields for the same or equivalent securities. Changes in fair value are mainly attributable to fluctuations in market yields and prices arising from changes in market conditions. This information is specifically relevant to Notes 8 and 17 to the financial statements. There is significant use of estimates and judgements for assessing fair value for level 3 category investments.

Valuation of derivative financial instruments

The fair values of derivatives are determined by reference to the market value for similar instruments. This information is specifically relevant to Notes 9 and 17 to the financial statements.

Unfunded superannuation liability

The significant estimates and judgements used in determining the Unfunded Superannuation Liability are included in Note 18 to the financial statements.

Long service leave liability

The significant estimates and judgements used in determining the long service liability are included in Note 19 to the financial statements.

Statement of compliance

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations not yet effective

Certain new standards and interpretations have recently been issued or amended but are not yet effective for the annual reporting period ended 30 June 2011. It is considered impracticable to presently determine the impact of adopting those new standards and interpretations.

The Crown Entity has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSW TC10/08.

New, revised or amending standards and interpretations

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

Any significant impacts on the accounting policies of the entity from the adoption of these accounting standards and interpretations are disclosed in the relevant accounting policy.

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

INCOME

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

Taxation, fines and regulation fees

The Crown Entity:

- recognises government-assessed income when assessments are issued, mainly for land tax and gaming
- recognises taxpayer-assessed income when the tax collecting agency receives the funds, such as for payroll tax and stamp duty. Additional income identified after reviewing taxpayers returns is recognised upon amended assessment
- recognises fees when the cash is received
- recognises fines when issued, such as court fines. It recognises additional income from overdue fines when the cash is received
- recognises license fees on an accrual basis
- recognises all other infringements when the cash is received, such as Infringement Processing Bureau fines

Generally, where the flow of economic benefits cannot be reliably measured, income is recognised when cash is received.

Royalties, licences and permissive occupancies

Revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Commonwealth contributions

Commonwealth contributions help NSW meet expenditure responsibilities. These consist of Specific Purpose and National Partnership payments, GST revenues and other General Revenue Assistance Payments. They are used for both recurrent and capital purposes. Contributions are recognised as income when cash is received.

A separate note, Note 3(f) details contributions received that relate to the current reporting year.

Financial distributions

These are dividends, income tax equivalents that public trading enterprises and public financial enterprises pay. They are recognised in the period when they are earned on an accrual basis.

Investment income

Investment income includes interest income and net gains or losses from changes in the fair value of investments held at fair value through profit and loss. Interest income is recognised as interest accrued by using the effective interest method. The Crown Entity calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate method discounts estimated future cash receipts through the expected life of the financial asset.

EXPENSES

Employee arrangements

The Crown Entity has no employees. Its work is done by staff from the Office of Financial Management (OFM), NSW Treasury. The Crown Entity reimburses the OFM for these staffing costs and records them as ‘Other Expenses’. The OFM recognise these as employee related expenses.

Other NSW Government agencies contribute varying levels of service to the Crown Entity free of charge. Due to the irregular and varied nature of those services, no expense for these services is recognised.

Whilst the Crown Entity employs no staff, it recognises employee benefit expenses and liabilities as it assumes these from various NSW public sector agencies.

Superannuation – defined benefit plans

The Crown Entity assumes various defined benefit pension plans from budget dependent general government sector agencies. The assets of the plans are held in separate funds administered independently by trustees.

The Crown Entity recognises an unfunded superannuation liability for the defined benefit schemes. It is the difference at the reporting date between the present value of forecast employees’ accrued benefits and the estimated net market value of the superannuation schemes’ assets.

The unfunded liabilities is actuarially assessed at reporting date using data the Pillar Administration maintains for the SAS Trustee Corporation and the most recent Report on Actuarial Investigation of State Superannuation Schemes (Triennial Review) actuarial economic assumptions. The Triennial Review is published on the NSW Treasury website.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Superannuation – defined benefit plans (continued)

The present value of accrued benefits is based on expected future fund membership payments to the reporting date of the contributory service of current and past State Government employees.

In calculating the liability, forecasts are made for:

- expected future wage and salary levels
- expected future investment earning rates
- Consumer Price Index (CPI) growth rate
- experience of employee departures
- periods of service

It is calculated based on the latest Triennial Review actuarial economic assumptions, except for the discount rate, which is based on the long term Commonwealth government bond rate. AASB 119 *Employee Benefits* requires the discount rate to be revised each year and tied to the actual ten year Commonwealth government bond rate as at 30 June.

The pension accounting costs are accrued using the projected unit credit method. The cost of pensions is charged to operations to spread the cost over the service lives of current and past employees. The trustee scheme independent actuary undertakes a complete valuation every three years. The triennial review report is available from the NSW Treasury website.

Actuarial gains and losses are recognised in other comprehensive income.

Long service leave

The Crown Entity recognises LSL liability for selected entities in the Other Employee Benefits provision. The liability is measured at the present value of future payments anticipated for the employee services that the government has taken as at the reporting date, using the projected unit credit method. An independent actuary calculates this using:

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

Estimated future cash outflows are discounted using market yields at the reporting date that closely match the term of maturity of government bonds.

Long service leave (LSL) liability is classified as current when it satisfies any of the following criteria:

- it is due to be settled within twelve months after the reporting date, or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date

All other liabilities are classified as non-current.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation of physical non-current assets

Depreciation is provided for on a straight-line basis for all depreciable assets to allocate the depreciable amount of each asset as it is used over its estimated useful life.

Asset	Depreciation rates (%)	
	2010-11	2009-10
Computer Equipment	25.0	25.0
Furniture and Fittings	10.0 - 20.0	10.0 - 20.0

Amortisation of intangible non-current assets

Computer software is amortised on a straight line basis over its useful life, being 5 years.

Grants and subsidies

Grants and subsidies are recognised as expenses when the payments are made.

Finance costs

Finance costs include the unwinding of discounts (the increase in the provision resulting from the passage of time) for the provision of outstanding claims and restoration costs. These costs are expensed in the period in which they are incurred.

Goods and Services Tax

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

- where the GST as either part of the cost of acquiring an asset or part of an item expense is not recoverable from the Australian Taxation Office
- for receivables and payables which are recognised as including GST

The net GST recoverable or payable is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST recoverable or payable on cash flows from investing and financial activities are classed as operating cash flows.

Contingencies and commitments are inclusive of GST.

Recurrent and capital appropriations

Generally, parliamentary appropriations are income where an agency obtains control over appropriated assets after receiving the funds. The Consolidated Fund recognises these appropriations as expenses as soon as the funds are transferred.

The accounting treatment is different at each reporting date when appropriations are left unspent. Agencies account for unspent appropriations as liabilities rather than income, as the authority to spend the money lapses and the unspent amount must be repaid to the Consolidated Fund. The Fund accounts for the unspent appropriations as corresponding receivables, not expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise:

- cash at bank
- restricted cash in the balances of Special Deposit Accounts and Trust Funds
- other short term deposits with an original maturity of 3 months or less

The Statement of Cash Flows shows these cash and cash equivalents net of outstanding bank overdrafts.

Financial assets

Financial assets are classified as:

- fair value through profit or loss
- loans and receivables

The Crown Entity does not have any held-to-maturity or available-for-sale investments.

The assets are measured at fair value when initially recognised. Investments not at fair value are measured at cost and include directly attributed transaction costs. The Crown Entity classifies the assets after initial recognition and when allowed and appropriate, it re-evaluates this at each reporting date.

Financial asset purchases or sales under contracts where assets must be delivered in a time that is regulated or is set by a market are recognised on the trade date, when the Crown Entity commits to buy or sell the asset.

Financial assets at fair value through profit or loss

Financial assets held for trading are included as financial assets at fair value through profit or loss. Assets are held for trading if they are acquired to sell in the near term. Financial assets are also designated at fair value through profit or loss when they are managed and their performance is evaluated on a fair value basis. Derivatives are also classified as financial assets at fair value through profit or loss. Gains or losses on investments held for trading and financial assets through profit or loss are recognised in surplus or deficit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value, usually based on transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method less an allowance for any impairment of receivables. When they are derecognised or impaired, gains and losses are recognised in surplus or deficit, and through the amortisation process.

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

Derecognition of financial assets

The Crown Entity derecognises a financial asset including a part of an asset, or a part of a group of similar assets, when:

- the rights to receive cash flows from the asset have expired
- it retains the rights to receive cash flows but agree to pay all cash flows without material delay to a third party in a pass-through arrangement
- it transfers the rights to receive cash flows by either substantially transferring all risks and rewards or its control of the asset

Impairment of financial assets

The Crown Entity assesses if a financial asset or group of financial assets is impaired at each reporting date.

i. Financial assets carried at amortised cost

On objective evidence of an impairment loss incurred on loans and receivables being carried at amortised cost, the Crown Entity measures it as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. This does not include future credit losses that have not been incurred. It reduces the asset's carrying amount either directly or through an allowance account, and recognises the loss in surplus or deficit.

If the Crown Entity finds objective evidence that impairment has lessened after it has recognised the loss, it reverses the loss. It then recognises this in surplus or deficit, to the extent that the asset's carrying value is not more than its amortised cost had the impairment not been recognised at the reversal date.

ii. Financial assets carried at cost

If the Crown Entity incurs an impairment loss on an unquoted equity instrument not carried at fair value because the value cannot be reliably measured, or a loss on a linked or derivative asset settled by delivery, it measures the loss as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

Crown Entity uses derivatives such as interest rate swaps to reduce the risks of interest rate fluctuations. These instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Fair value for derivatives are shown after net-off of transactions with the same counter-party.

As the Crown Entity does not apply hedge accounting, any gains or losses arising from changes in the fair value of derivatives is recognised in surplus or deficit.

Fair values of interest rate contracts are calculated by reference to the market values for similar contracts.

Receivables

Taxes, fees and fines are recognised and carried at the original levied amount less an allowance for any uncollectible amounts. Receivables from reinsurance and other recoveries are actuarially assessed. Dividends are recognised on an accrual basis.

The Crown Entity makes a provision for impairment on sound evidence that it cannot collect a debt. Bad debts are written off as incurred.

Plant and equipment

Plant and equipment are stated at cost (as approximate for fair value) less accumulated depreciation and any accumulated impairment losses.

Capitalisation threshold:

Asset	Amount ($)
Office equipment	5,000
Furniture and fittings	5,000

Derecognition

The Crown Entity derecognises a plant and equipment item when disposing of it, or when no future economic benefit is expected of it.

Any gain or loss on the derecognition of the asset, being the difference between the net disposal proceeds and the asset's carrying amount is charged or credited to surplus or deficit in the period the asset was derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

As detailed in TPP07-01, where an asset of a not-for-profit entity does not belong to a cash generating unit, it cannot be impaired under AASB 136 Impairment of Assets, unless selling costs are material. This is the case whether or not the "value in use" is depreciated replacement cost because the recoverable amount (i.e. the higher of fair value less selling costs and depreciated replacement cost) cannot be lower than fair value in AASB 116, unless selling costs are material. In effect this exempts the Crown Entity's assets from impairment testing.

Investment in a joint venture

Interests in assets in which the Crown Entity has joint control are included in the financial statements by recognising the Crown's share of jointly controlled assets, liabilities, commitments, expenses or income incurred by or in respect of the joint venture (classified according to their nature).

An exception is the Snowy Scheme Reform payments to the Joint Government Enterprise (JGE) established by the Commonwealth, NSW and Victorian governments to increase the Murray and Snowy river flows. The Victorian Government is the fund manager. This grant is treated as expense only when it is spent by the JGE.

The constitution of the JGE states that the members will share in any contribution not utilised for operations at the date of winding up plus any accrued interest.

Investment in an associate

The Crown Entity's investment in an associate consists of the NSW Government's 58 per cent investment in Snowy Hydro Limited (SHL). The associate is an entity over which the Crown Entity has significant influence but is neither a subsidiary nor a joint venture. Despite owning 58 per cent of SHL shares, NSW does not control SHL, with only one of up to nine board directors.

Under AASB 128 *Investments in Associates* the investment should be measured consistently with the policies applied in the Crown Entity financial statements. However, as information to facilitate such measurement is not presently available, the Crown Entity recognises its investment in SHL based on the net assets shown in SHL's audited financial statements.

SHL 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. There is no published quotation price for the fair value of this investment. The Crown Entity recognises its investment based upon 58 per cent of the SHL's net assets reported in its financial statements.

Changes in the Crown Entity's share of the associate's operating results are reflected in surplus or deficit. Where a change is recognised directly in the associate's equity, the Crown Entity recognises its share in other comprehensive income.

The associate has a similar reporting date, 2 July 2011.

Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The asset's cost in a business combination is its fair value on the date it is acquired. After it is initially recognised, it is carried at cost less any accumulated amortisation and impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

An intangible asset will have either a finite or an indefinite useful life. An asset with a finite life is amortised on a straight line basis over five years and is assessed for impairment when an indicator of impairment exists. The Crown Entity reviews both the amortisation period and the amortisation method at each reporting date. It changes these when it accounts for any change in the asset's expected useful life or anticipated consumption of the future economic benefits. Any adjustment it makes is reflected in the accounting estimate on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the depreciation and amortisation line of the Statement of Comprehensive Income. An indefinite life intangible asset is not depreciated but is tested for impairment on an accrual basis.

The Crown Entity measures derecognition gains or losses as the difference between the net disposal proceeds and the carrying amount of the asset. It recognises these in surplus or deficit when the asset is derecognised.

LIABILITIES

Borrowings

The Crown Entity initially recognises all loans and borrowings at the fair value of the consideration received, less directly attributable transaction costs. The Crown Entity estimates the fair value of Commonwealth specific purpose loans by discounting the expected cash flows by the relevant Commonwealth bond rate.

After this, it then uses the effective interest method to measure interest-bearing loans and borrowings at amortised cost.

Gains and losses are recognised in surplus or deficit when the liabilities are derecognised.

Gentrader deposits

In 2010, as part of the electricity sale transactions, the Crown entity received deposits from TRUEnergy and Origin Energy that represent the future value of the capacity payments over the lives of the GenTrader agreements. These deposits were specified in the deposit deeds.

The Crown Entity is responsible for repayment of the deposits in accordance with schedules for each deposit. The deposit deeds states that "the Crown may apply and invest the deposit in any manner it determines at its absolute discretion. This clause does not effect the Crown's obligations to make payments". As the Crown is given the right to use the deposit for its own benefit it is not regarded as being held in trust and is treated as a payable.

Payables

Payables represent liabilities for goods and services provided but not paid for at each reporting date. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised for a current obligation due to a past event where it is probable that the Crown Entity must commit economic resources and can reliably estimate the cost. This obligation can be legal or constructive.

The Crown Entity discounts superannuation and long service leave provisions using the Commonwealth ten year bond rates as the benchmark. With discounting, the increase in the provision because of time passing is recognised as a finance cost.

Financial guarantee contracts

Financial guarantee contracts are initially recognised as a liability at fair value plus directly attributable transaction costs. After initial recognition the guarantee is measured at the higher of a) initial valuation less cumulative amortisation or b) a revaluation of the liability if the specified debtor is considered likely to default.

Where the guarantee is issued for nil consideration, the guarantee is recognised at fair value as an expense and liability, with the liability subsequently amortised over the term of the agreement. Financial guarantee contracts are reported at fair value less cumulative amortisation.

Derecognition of financial liabilities

The Crown Entity derecognises a financial liability when its obligation is discharged, cancelled or expires.

When a lender replaces an existing financial liability with one on significantly different or modified terms, the Crown Entity derecognises the original liability and recognises the new liability. It then recognises the difference in their carrying amounts in surplus or deficit.

Equity transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector agencies and ‘equity appropriations’ are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to “Accumulated Funds”. This treatment is consistent with AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

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

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the agency recognises the asset at the transferor’s carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the agency does not recognise that asset.

3. INCOME

	2011 $'000	2010 $'000
(a) Retained taxes, fees and fines		
Payroll tax	7,210,292	6,975,718
Stamp duties	5,471,691	5,169,189
Gambling and betting taxes	1,746,209	1,636,806
Land tax	2,289,998	2,294,685
Motor vehicle taxes and fees	1,949,756	1,748,092
Fees and fines	481,906	512,181
Government guarantee fees	444,484	452,261
Waste disposal levy	345,384	279,680
Other	515,938	605,082
	20,455,658	**19,673,694**
(b) Commonwealth contributions		
Revenue replacement	18,922	62,644
Specific purpose - recurrent	6,074,012	5,630,602
Specific purpose - capital	227,014	305,939
Commonwealth National Partnership payments - recurrent	1,582,806	1,891,356
Commonwealth National Partnership payments - capital	3,010,703	4,703,967
GST revenue	13,881,175	13,477,749
	24,794,632	**26,072,257**
(c) Financial distributions		
Dividends	4,533,727	1,238,194
Income tax equivalents	922,667	745,663
	5,456,394	**1,983,857**
(d) Investment income		
Interest		
Advances	93,595	83,695
Short term money market deposit	112,705	34,210
Other	9,383	19,644
TCorp investments	894	560
	216,577	**138,109**
(e) Other income		
Contribution from other General Government agencies	102,613	182,396
Crown share of budget agency asset sales	58,605	69,572
Repayments of previous years appropriation	159,218	126,839
Long service leave contributions	36,735	36,602
Unclaimed monies	32,325	25,524
Bona vacantia - Public Trustee	16,792	8,878
HIH insurance recoveries	58,536	79,549
Other	143,512	151,217
	608,336	**680,577**

3. INCOME (continued)

(f) Contributions

All contributions are under the National Partnership Agreements with the Commonwealth. Under each agreement objectives, an implementation plan and reporting conditions are agreed. Performance measures and targets are set and the governance arrangements designed to facilitate review of progress made towards outcomes. Payments can only be spent on specific agreed items and to a specific timetable agreed with the Commonwealth or the funds must be returned.

The Crown included the following contributions as revenue where:

(i) Conditional contributions recognised in the current year and not fully spent

Policy Area	Balance ($'000)	
	2010-11	**2009-10**
Police and Emergency Services	1,028	-
Education	374,202	398,726
Family and Community Services	19,987	149,266
Environment and Heritage	2,000	-
Primary Industry	-	1,740
Total	**397,217**	**549,732**

(ii) Conditional contributions for the provision of goods or services over a future period (not included in (i) above)

Policy Area	Balance ($'000)				
	Periods to which the amounts relate				
	2010-11	**2011-12**	**2012-13**	**2013-14**	**Beyond**
Roads	622,540	497,203	119,337	6,000	-

2009-10 comparative

Policy Area	Balance ($'000)				
	Periods to which the amounts relate				
	2009-10	**2010-11**	**2011-12**	**2012-13**	**Beyond**
Roads	915,339	543,402	247,000	118,937	6,000

3. INCOME (continued)

(f) Contributions (continued)

(iii) Amount of contributions passed on to agencies in the current financial year from the previous 30 June balance.

Policy area	Balance	
	2010-11	2009-10
	$'000	$'000
Health	124,860	102,700
Police and Emergency Services	4,412	-
Education	398,726	402,598
Family and Community Services	7,805	-
Roads	543,402	373,732
Total	**1,079,205**	**879,030**

4. EXPENSES

	2011 $'000	2010 $'000
(a) Grants and subsidies		
Natural disaster relief	80,058	127,929
Snowy river water rights	19,602	13,496
Health capital grant	-	23,000
Advances	6,181	46,776
Grant to NSW Self Insurance Corporation	67,042	75,000
First home owners grant	261,920	696,616
Other	11	17,763
	434,814	**1,000,580**
(b) Finance costs		
Finance charges incurred to:		
NSW Treasury Corporation	1,061,042	890,714
Commonwealth Government	80,736	82,698
Other NSW Government agencies	99,911	67,395
Other	31,620	7,238
Unwinding of discounts	7,663	5,578
	1,280,972	**1,053,623**
(c) Other expenses		
Remissions/refunds Crown revenue	26,115	30,301
Bad and doubtful debts	131,737	4,730
Audit fees - financial statements	653	874
Auditor-General's reports to Parliament and performance audits	6,020	5,825
Electricity restructure costs	59,178	78,826
HIH claims	25,664	71,109
Builders warranty claims	43,064	1,142
GST administration costs	217,984	183,088
Refunds to the Commonwealth	2,515	80,140
Reimbursements to Public Trading Entities	6,393	-
Other	56,082	51,733
	575,405	**507,768**

5. GAIN/(LOSS) ON DISPOSAL OF GOVERNMENT BUSINESSES

	2011 $'000	2010 $'000
Sale of Government businesses		
Proceeds from sale	234,428	595,708
Written down value	(242,332)	43,012
Net (loss)/gain on disposals	**(7,904)**	**638,720**

Sale of WSN in 2010-11

On 31 January 2011 certain assets, rights and liabilities of WSN Environmental Solutions (WSN) were vested to either the Crown or the Waste Assets Management Corporation (WAMC), which will manage WSN sites retained by the State.

Later on 31 January 2011 WSN was sold to the private sector for $234.4 million (net of $235 million less a price adjustment after sale of $0.6 million). The written down value of the business sold was $242.3 million.

Following the sale, the former Land and Property Management Authority was paid a recurrent allocation of $48.9 million from the proceeds to establish the Landfill Rehabilitation Fund (LRF) and $13.5 million to extinguish outstanding legal costs from the sale.

The LRF was established to meet the rehabilitation and future maintenance costs of former WSN landfill sites vested to WAMC.

Sale NSW Lotteries Corporation in 2009-10

The NSW Lotteries Corporation was sold to Tattersall's Holding Pty Ltd on 31 March 2010. The proceeds from sale of shares in the Corporation equal $600 million initial purchase price less $4.292 million working capital adjustment following the sale. The $43.012 million written down value equals the negative net assets of the Corporation at the date of sale following the transfer of most of its cash and investments to the Crown Entity.

6. GAIN/(LOSS) FROM FINANCIAL INSTRUMENTS

	2011 $'000	2010 $'000
Net gain/(loss) on financial assets held for trading		
Derivative financial instruments	20,982	(2,652)
Net gain/(loss) from financial instruments	**20,982**	**(2,652)**

7. INVESTMENT IN AN ASSOCIATE

	2011 $000	2010 $000
Non-current investment in an associate	1,134,190	996,150
	1,134,190	**996,150**

The NSW Government has a 58 per cent share in Snowy Hydro Limited (SHL). NSW does not control the entity, with only one of up to nine board directors. The Commonwealth has a 13 per cent share and Victoria has a 29 per cent share.

SHL 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. There is no published quotation price for the fair value of this investment. The Crown Entity recognises its investment based upon 58 per cent of the SHL's net assets reported in its financial statements.

There are no impairment indicators and no impairment losses as at 30 June 2011 (2010: Nil).

	2011 $000	2010 $000
Share of associate's assets and liabilities		
Current assets	218,776	163,618
Non current assets	1,186,448	1,237,140
	1,405,224	1,400,758
Current liability	141,578	274,862
Non current liability	129,456	129,746
	271,034	404,608
Net assets	**1,134,190**	**996,150**
Share of associate's profit		
Revenue	555,640	456,402
Profit before income tax	371,316	219,936
Income tax expense	(104,748)	(65,610)
Profit after income tax	**266,568**	**154,326**
Commitments for expenditure		
Share of capital expenditure commitment contracted for	34,104	36,714
Share of other expenditure and operating lease commitment contract	45,878	47,618
	79,982	**84,332**

8. FINANCIAL ASSETS AT FAIR VALUE

	2011 $000	2010 $000
Investments managed by TCorp		
Current	9,785	13,312
Non-current	7,688	19,620
Total financial assets at fair value	**17,473**	**32,932**

At 30 June 2011, all investments of the Crown Entity are financial assets designated at fair value through profit and loss.

9. DERIVATIVE FINANCIAL INSTRUMENTS

The Crown Entity's business results in gaps in cash flow maturities and exposures through possible repricing of financial positions on maturity. It enters into derivative financial instruments as part of managing its debt and investment portfolios.

Debt Portfolio

The Crown Entity has interest rate future contracts at a $2,239 million face value (2010: $135.1 million) to hedge against unfavourable interest rate movements and to maintain the portfolio duration within the agreed band.

The realised and unrealised movements in the fair value of these derivative instruments are recognised in surplus or deficit.

Investment portfolio

TCorp is authorised by the Crown Entity to invest assets of the portfolio in derivative instruments as long as the portfolio is not geared and this does not create a net short position for the portfolio.

In its capacity as manager for investments, Tcorp is authorised to use these following derivatives:

- exchange-traded interest rate futures contracts
- exchange-traded interest rate options
- over–the-counter (OTC) options on Commonwealth and Tcorp bonds
- swaps

9. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair value of the Crown Entity's derivative financial instruments

	2011 $'000	2010 $'000
Current assets		
Futures	18,901	37
	18,901	**37**
Current liability		
Swaps	547	-
Futures	-	2,096
	547	**2,096**
Net amount receivable/(payable)	**18,354**	**(2,059)**

10. ADVANCES REPAYABLE TO THE CROWN

Current	62,977	59,820
Non-current	1,117,905	1,072,742
Total advances	**1,180,882**	**1,132,562**
Represented by:		
Rural Assistance Authority	110,837	103,039
Sydney Water Corporation	21,896	26,004
Commonwealth housing advances	633,006	653,625
Co-operative advances	22,551	33,689
Department of Primary Industries	14,030	17,505
Department of Education and Communities	140,500	85,000
Department of Health	6,665	6,528
Office of Environment and Heritage	76,540	48,120
Roads and Traffic Authority	10,246	12,039
Local Government infrastructure	128,421	134,136
Other	16,190	12,877
	1,180,882	**1,132,562**

Advances repayable to the Crown, with a face value of $1,669 million as at 30 June 2011 (2010: $1,641 million), have stated interest rates of 0.0 - 10.2 per cent and mature in 1 - 33 years.

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

11. RECEIVABLES

	2011 $'000	2010 $'000
Current:		
Retained taxes, fees and fines	1,782,607	1,793,943
Less: allowance for impairment	(166,271)	(34,872)
Net - retained taxes, fees and fines	1,616,337	1,759,071
Dividends	1,074,318	1,303,734
Tax equivalents	391,347	291,071
Unspent appropriations	71,298	62,916
GST Receivable	1,380	2,325
Other	61,200	57,513
	3,215,879	**3,476,630**
Non-current:		
Other	8,434	6,900
	8,434	**6,900**
Total receivables	**3,224,313**	**3,483,530**

Movements in the allowance for impairment

Balance at 1 July	34,872	30,720
Add: new provisions	161,085	29,050
Less: transfer to other NSW public sector agencies	-	(578)
Less: amounts used	(29,686)	(24,320)
Balance at 30 June	**166,271**	**34,872**

The average credit period on receivables, unless otherwise specified, is 30 days. No interest is being charged on payments which are delayed except for current receivables that are under objection or appeal. An allowance for impairment of receivables is made for specific receivables which are not likely to be received. Movement of this allowance is recognised in surplus or deficit.

The current receivables included assessments totalling $599.4 million (2010: $576.3 million) that were under objection or appeal.

12. PLANT AND EQUIPMENT

	2011 $'000	2010 $'000
Plant and equipment	169	211
Accumulated depreciation	(81)	(59)
Net plant and equipment	**88**	**152**
Reconciliation of carrying amount		
Fair value		
Opening balance at 1 July	211	169
Add: additions	-	42
Less: assets transferred to other NSW Government agency	(42)	-
Closing balance at 30 June	**169**	**211**
Accumulated depreciation		
Opening balance at 1 July	59	38
Add: charge for the year	22	21
Closing balance at 30 June	**81**	**59**
Net carrying amount at 30 June	**88**	**152**

13. INTANGIBLE ASSETS

Intangible	128	128
Accumulated amortisation	(53)	(27)
Net intangible	**75**	**101**
Reconciliation of carrying amount		
Fair value		
Opening balance at 1 July	128	124
Add: additions	-	4
Closing balance at 30 June	**128**	**128**
Accumulated amortisation		
Opening balance at 1 July	27	2
Add: charge for the period	26	25
Closing balance at 30 June	**53**	**27**
Net carrying amount at 30 June	**75**	**101**

14. INVESTMENT IN A JOINT VENTURE

	2011 $000	2010 $000
Non-current assets	**17,789**	**20,776**
	17,789	**20,776**

Joint Government Enterprise Limited (JGE) – Water for Rivers

The JGE, which trades as Water for Rivers, was established as a joint enterprise by the Commonwealth Government, the Victorian Government and the New South Wales Government (jointly referred to as 'the Members') on 12 November 2003. The principal activities of the company are to fund water saving initiatives and purchase water entitlements in sufficient volumes to provide increased flows into the Snowy River, Snowy Mountain River and Murray River systems.

Under the Funding Agreement, the JGE was contractually funded jointly by the three parties from the date of incorporation. The New South Wales Government's share of $150 million in total is to be paid each quarter over 10 years.

To ensure that the JGE neither makes a taxable profit or loss, contributions paid by the Members are placed into a 'Funding Account'. The JGE is only reimbursed from the funding account for expenditure incurred. The bank account is legally held in the name of, and on behalf of, the Members. The money in the Funding Account remains jointly controlled by the Members until such time as an expense reimbursement claim is received from the JGE. The constitution of the JGE states that the Members will share in any contribution not utilised for operations at the date of winding up plus any accrued interest.

The JGE will wind up at the end of June 2012. The New South Wales Government's share of the Funding Account after all reimbursements are settled will be returned to the State in 2012-13.

15. PAYABLES

Current:		
Creditors	20,677	16,413
Financial charges	341,663	256,990
Motor Accident Authority - HIH liability to nominated claimants	12,352	10,668
GenTrader deposits	216,381	-
Payable to NSW Self Insurance Corporation	55,000	38,000
Reimburse electricity agencies	6,393	-
Other	611	132
	653,077	**322,203**
Non-current:		
Motor Accident Authority - HIH liability to nominated claimants	42,608	36,496
GenTrader deposits	1,069,860	-
	1,112,468	**36,496**
Total payables	**1,765,545**	**358,699**

If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or statement is received. Financial charges mainly represent accrued interest payable on due date to TCorp and Commonwealth government. Other payables are non-interest bearing and are generally on 30 day terms.

16. BORROWINGS

	2011 $'000	2010 $'000
Current	261,631	378,417
Non-current	18,819,408	15,652,082
Total borrowings	**19,081,039**	**16,030,499**
Analysed as:		
New South Wales Treasury Corporation (TCorp)	18,310,214	15,230,568
Commonwealth financial agreement	7,941	7,942
Commonwealth specific purpose advances	762,084	791,189
Other	800	800
Total borrowings at amortised cost	**19,081,039**	**16,030,499**

Borrowings from TCorp are interest bearing. The average interest cost, including the amortisation of bond premium or discount, of the TCorp debt portfolio was 5.97 per cent (2010: 5.90 per cent). The modified duration of the nominal debt portfolio is 5.36 per cent (2010: 5.24 per cent) and for the indexed debt portfolio is 12.2 per cent (2010: 13.2 per cent). The Crown Entity measures its exposure to interest rate risk in terms of cash flows or notional cash flows generated by financial instruments as discussed in Note 17.

17. FINANCIAL INSTRUMENTS

The Crown Entity's principal financial instruments are detailed in the following table. These financial instruments arise directly from the Crown Entity's operations or are required to finance those operations. The Crown Entity does not enter into financial instruments, including derivative financial instruments, for speculative purposes.

The Crown Entity's main risks arising from financial instruments are market, credit and liquidity risks. The Crown Entity's objectives, policies and processes for measuring and managing risk, and quantitative and qualitative disclosures are included throughout these financial statements.

Management has overall responsibility for the establishment and oversight of risk management, and reviews and sets policies for managing each of these risks. Risk management policies are in place to establish frameworks and processes that identify and analyse the risks faced by the Crown Entity, set risk limits and controls, and monitor risks.

Note 2 details the key accounting policies and methods which set out the recognition criteria, the basis of measurement, and the income and expenses recognition for each class of financial instrument.

17. FINANCIAL INSTRUMENTS (Continued)

Financial instrument categories

	Note	Category	Carrying Amount 2011 $'000	Carrying Amount 2010 $'000
Financial assets				
Cash and cash equivalents	25	N/A	4,912,898	404,410
Financial assets at fair value	8	At fair value through profit or loss (designated as such upon initial recognition)	17,473	32,932
Derivative financial instruments	9	At fair value through profit or loss (classified as held for trading)	18,901	37
Advances repayable to the Crown	10	Loans and Receivables (at amortised cost)	1,180,882	1,132,562
Receivables[1]	11	Loans and Receivables (at amortised cost)	1,143,952	1,368,147
Financial liabilities				
Payables[2]	15	Financial liabilities (at amortised cost)	1,765,545	358,699
Bank overdrafts	25	N/A	2,328,840	2,161,649
Derivative financial instruments	9	At fair value through profit or loss (classified as held for trading)	547	2,096
Borrowings	16	Financial liabilities measured at amortised cost	19,081,039	16,030,499
Financial guarantees	28(b)	Financial liabilities measured at fair value less accumulated amortisation	16,100	18,300

[1] Excludes statutory receivables and prepayments and therefore differs from the amounts shown in the Statement of Financial Position.

[2] Excludes statutory payables and deferred income/unearned revenue and therefore differs from the amounts shown in Statement of Financial Position.

Risk management

The activities of the Crown Entity expose it to a variety of financial risks. These are:

- market risk
  - i. interest rate risk
  - ii. currency risk
  - iii. other price risk
- credit risk
- liquidity risk

The Crown Entity contracts the NSW Treasury Corporation (TCorp) to manage these risks in line with Memoranda of Understanding (MoU) between it and the Crown Entity. TCorp actively manages and reports on the risks associated with the holding of financial instruments. TCorp is the State's central financing authority which has recognised expertise in the management of financial risks.

The MoU is updated annually to include changes in market conditions and/or management's direction. The documents clearly set out investment management objectives, restrictions, and establish performance benchmarks. The MoU is authorised and approved by the Deputy Secretary of the NSW Treasury.

17. FINANCIAL INSTRUMENTS (Continued)

Risk management (continued)

Proposed changes to the MoU must go through a consultative process within the forum of the Crown Debt and Asset Management Committees. The Crown Debt and the Crown Asset Management Committees, established separately, exist to monitor the performance and management of the Crown Entity's debt and asset portfolios. Members of the Committees include representatives from both TCorp and the NSW Treasury. The NSW Treasury's representatives on these committees include staff that are qualified and experienced in corporate finance.

TCorp manages and monitors the financial risks within the boundaries of its established Board policies, legislative requirements, management guidelines and MoU. TCorp's operational risks are mitigated through:

- comprehensive and detailed risk management policies
- detailed controls over the security, integrity and accuracy of all key systems
- clear and appropriate reporting lines
- qualified and experienced personnel
- a Risk Management & Compliance function
- regular internal audits

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 Crown Entity's exposures to market risk are primarily through interest rate risk on its borrowings and fixed interest investments, and other price risks associated with the movement in the unit price of the Hour-Glass Investment facilities.

The effects on the Crown Entity's profit and equity due to reasonably possible changes in risk variables are outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in each risk variable has been determined after taking into account the economic environment in which the Crown Entity operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the reporting date. The analysis is performed on the same basis for 2010. The analysis assumes that all other variables remain constant.

Interest Rate Risk

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

Exposure to interest rate risk arises primarily through the Crown Entity's interest bearing liabilities. This risk is measured, limited and managed in terms of duration of borrowings. The Crown Entity does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change in interest rates would not affect the Crown Entity's operating result or equity.

17. FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

The following table provides the sensitivity analysis of interest rate risk affecting financial assets and liabilities on the operating result of the Crown Entity. There is no effect on equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

	Carrying Amount $'000	-1% Profit $'000	-1% Equity $'000	+1% Profit $'000	+1% Equity $'000
2011					
Financial assets					
Cash and cash equivalents[1]	4,912,898	(49,129)	-	49,129	-
Managed asset porfolio[2]	14,322	(37)	-	37	-
Financial liabilities					
Bank overdrafts	2,328,840	23,288	-	(23,288)	-
Borrowings managed by TCorp	18,318,955	1,182,960	-	(1,182,960)	-
2010					
Financial assets					
Cash and cash equivalents[1]	404,410	(4,044)	-	4,044	-
Managed asset porfolio[2]	29,889	(82)	-	82	-
Financial liabilities					
Bank overdrafts	2,161,649	21,616	-	(21,616)	-
Borrowings managed by TCorp	15,239,310	984,000	-	(984,000)	-

[1] Excludes the cash and cash equivalents which are in the Hour-Glass investment facility. The cash and cash equivalents in the Hour-Glass are subject to the overall price risks of the Hour-Glass facilities. Refer to the section on Other Price Risk.

[2] Assets transferred from NSW Lotteries.

Currency risk

The Crown Entity has no foreign currency risk exposure from its investments in TCorp Hour-Glass facilities. The Hour-Glass investment facilities, which are unit trusts, are subject to the overall price risk only.

The Crown Entity has minimal foreign currency risk exposure from its holding of Canadian dollars in cross border lease arrangements totalling $461,000 (2010:$489,000).

17. FINANCIAL INSTRUMENTS (continued)

Other price risk

Exposure to 'other price risk' primarily arises through the investment in the TCorp Hour Glass Investment facilities which are held for strategic rather than trading purposes. The Crown Entity has no direct equity investments.

The Crown Entity holds units in the following Hour-Glass investment facilities:

Facility	**Investment Sectors**	**Investment Horizon**	**2011 $'000**	**2010 $'000**
Cash Facility	Cash, money market instruments	Up to 1.5 years	2,690	2,553

The unit price of each facility is equal to the total fair value of the net assets held by the facility divided by the total number of units on issue for the facility. Unit prices are calculated and published daily. TCorp act as manager for the Cash Facility.

The TCorp Hour-Glass investment facilities are designated at fair value through profit or loss and therefore any change in unit price impacts directly on surplus or deficit. TCorp provides sensitivity analysis information for each of the facilities using historically based volatility information collected over a ten year period, quoted at two standard deviations (i.e. 95% probability). A reasonably possible change is based on the percentage change in unit price multiplied by the redemption price as at each reporting date for each facility.

Hour-Glass Investment Facility	**Change in Unit Price**		**Impact on Surplus/(Deficit)**	
	2011 %	**2010 %**	**2011 $'000**	**2010 $'000**
Cash Facility	+/- 1.0	+/- 1.0	+/- 27	+/- 26

17. FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk arises from the financial assets of the Crown Entity, which comprise of cash and cash equivalents, receivables, advances, financial assets at fair value, derivatives and financial guarantees. The Crown Entity's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments net of any allowance for impairment at each reporting date.

There have been no changes in the fair value of financial assets and financial guarantees due to change in credit risks.

Cash and cash equivalents

Cash comprises cash investment in the Hour-Glass facility and bank balances within and outside the NSW Treasury Banking System. Interest is earned on daily bank balances adjusted for a management fee to NSW Treasury.

Receivables and advances repayable to the Crown

Receivables include taxes, fees and fines, dividends and income tax equivalents from certain NSW government agencies.

Advances are given to entities on terms set by parties within the NSW Government and which follow the Treasurer's directions. The Crown Entity assesses outstanding balances for the advances each year, and reduces the carrying value when it no longer expects repayment. The maximum credit risk on advances is the carrying value reported in the Statement of Financial Position.

The Crown Entity has a significant concentration of credit risk with NSW public sector entities. The risk mainly relates to advances to budget sector agencies that are funded from the Consolidated Fund.

The Crown Entity does not receive any collateral for advances and receivables.

The following table shows financial assets that were past due or considered impaired at the reporting date:

	Total $'000	Past due but not impaired $'000			Considered impaired $'000
		< 3 months overdue	3 - 6 months overdue	> 6 months overdue	
2011					
Advances repayable to the Crown	328	-	-	-	328

There were no financial assets that were past due or considered impaired at 30 June 2010.

Financial assets at fair value

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

17. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Credit risk applicable to investments in TCorp-managed asset portfolios as well as advances and receivables is detailed in the tables below.

Concentration of credit risk

By credit rating	AAA $'000	AA+ $'000	AA $'000	AA- $'000	A+ $'000	A $'000	Other ratings[1] $'000	Total $'000
2011								
Cash and cash equivalents	197,448	189,869	3,775,756	401,154	348,133	-	538	4,912,898
Advances	-	-	-	-	-	-	1,180,882	1,180,882
Receivables	-	-	-	-	-	170,200	973,752	1,143,952
Managed asset porfolio[2]	4,000	2,000	1,400	3,800	-	1,500	1,622	14,322
2010								
Cash and cash equivalents	119,453	-	284,526	-	-	-	431	404,410
Advances	-	-	-	-	-	-	1,132,562	1,132,562
Receivables	38,100	-	-	-	-	128,317	1,201,730	1,368,147
Managed asset porfolio[2]	9,800	2,000	2,900	7,800	-	5,500	1,889	29,889

By classification of counterparty	Governments $'000	Banks $'000	Other $'000	Total $'000
2011				
Cash and cash equivalents	387,855	4,525,043	-	4,912,898
Advances	1,157,062	-	23,820	1,180,882
Receivables	1,142,794	-	1,158	1,143,952
Managed asset porfolio[2]	700	1,600	12,022	14,322
2010				
Cash and cash equivalents	120,824	283,586	-	404,410
Advances	1,097,126	-	35,436	1,132,562
Receivables	1,366,379	-	1,768	1,368,147
Managed asset porfolio[2]	4,200	5,200	20,489	29,889

[1] When the counterparty has no rating or the rating lower than A. The majority of receivables are from government agencies with no individual credit rating. The NSW Government, of which they form a part, has a AAA credit rating.

[2] Assets transferred from NSW Lotteries.

17. FINANCIAL INSTRUMENTS (continued)

Financial guarantees

The Crown Entity has a number of financial guarantees to which it is a party on behalf of other entities, agencies, departments and the Crown itself. The guarantees outstanding at 30 June 2011 have an estimated total value of $16.1 million (2010: $18.3 million). The estimated value was calculated by independent valuer based on the probabilities of these guarantees being exercised. These guarantees are grouped into four categories.

1. Structured Finance Activities: The Crown has guaranteed certain payment and performance obligations under cross border leases. The Crown Entity has a third-party risk in terms of monies being placed on deposit with counterparty. TCorp regularly monitors the risk on behalf of the Crown. The credit ratings of the cross border leases counterparties range from AA+ to AAA. The credit risk for these activities is $7 million (2010: $17 million).

2. NSW Treasury Corporation – Australian Energy Market Operator ('AEMO') Guarantees: The Crown provides a guarantee over electricity related settlement payments made by State electricity agencies to the AEMO and power generators. Settlement payments are normally four weeks in arrears. The stability and financial integrity of the Operator is underpinned by the regulatory framework and supported by established risk management procedures administered by AEMO including strategies for the management of credit risk. The credit risk for these activities is $175 million (2010: $839 million).

3. GIO Guarantees: The Crown provided a guarantee over GIO obligations for insurance policies entered into before its sale in 1992. The Crown's guarantee can only be called upon if the existing owners are unable to make payment. This is regarded as extremely unlikely. The credit risk for these guarantees is $236 million (2010: $271 million).

4. Public Private Partnership Guarantees: The Crown has guaranteed that five State agencies involved in public private partnerships 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. The credit risk for these activities is $4,952 million (2010: $5,119 million).

The Crown's exposure to financial guarantees is considered to be very low.

Liquidity risk

Liquidity risk is the risk that the Crown Entity will be unable to meet its payment obligations when they fall due. The Crown Entity continuously manages risk through monitoring future cash flows and maturities, and through planning to ensure adequate funding through borrowings.

The Crown Entity aims to maintain a balance between funding continuity and flexibility by using:

- bank overdrafts
- TCorp's "Come & Go" facility
- borrowings

The Crown Entity outsources the management of its borrowings to TCorp, which manages them in accordance with established modified duration targets.

17. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Crown Entity's exposure to liquidity risk is deemed insignificant based on prior years' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. There has been no interest awarded for late payment.

The table below summarises the maturity profile of the Crown Entity's financial liabilities.

			Interest rate exposure			Maturity dates		
	Weighted average effective interest rate	Nominal amount[1]	Fixed interest rate	Variable interest rate	Non-interest bearing	< 1 Year	1 - 5 Years	> 5 Years
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2011								
Payables[2]	-	1,765,545	-	-	1,765,545	653,077	476,426	636,042
Bank overdrafts	4.57	2,328,840	-	2,328,840	-	2,328,840	-	-
TCorp borrowings	5.64	28,310,028	28,181,529	128,499	-	1,197,140	9,211,390	17,901,498
Cwlth general purpose borrowings	3.00	7,941	7,941	-	-	7,941	-	-
Cwlth specific purpose borrowings	4.80	1,246,247	1,246,247	-	-	51,583	209,500	985,164
Own name borrowings	6.82	800	800	-	-	300	500	-
Derivatives	-	547	-	-	547	547	-	-
Financial guarantees[3]	-	5,370,110	-	-	5,370,110	396,200	762,390	4,211,520
Total financial liabilities[4]		**39,030,058**	**29,436,517**	**2,457,339**	**7,136,202**	**4,635,628**	**10,660,206**	**23,734,224**
2010								
Payables[2]	-	358,699	-	-	358,699	322,203	36,496	-
Bank overdrafts	3.44	2,161,649	-	2,161,649	-	2,161,649	-	-
TCorp borrowings	5.90	23,463,686	23,015,856	447,830	-	1,226,015	7,680,943	14,556,728
Cwlth general purpose borrowings	3.00	7,942	7,942	-	-	7,942	-	-
Cwlth specific purpose borrowings	4.80	1,296,616	1,296,616	-	-	50,369	212,050	1,034,197
Own name borrowings	6.82	800	800	-	-	-	550	250
Derivatives	-	2,096	-	-	2,096	2,096	-	-
Financial guarantees[3]	-	6,246,100	-	-	6,246,100	1,073,250	760,590	4,412,260
Total financial liabilities[4]		**33,537,588**	**24,321,214**	**2,609,479**	**6,606,895**	**4,843,524**	**8,690,629**	**20,003,435**

[1] The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities. Therefore the amounts disclosed above will not reconcile to the amounts shown in the Statement of Financial Position.

[2] Excludes statutory payables and deferred income/unearned revenue and therefore differs from the amounts shown in the Statement of Financial Position.

[3] The amounts disclosed is the worst case scenario being the maximum amount of the guarantees being allocated to the earliest period in which the guarantees could be called. It is unlikely that the actual liabilities will arise. These guarantees are recognised in the Statement of Financial Position at $16.1 million (2010: $18.3 million).

[4] Total differs from the Statement of Financial Position mainly due to guarantees being measured on a worst case scenario.

17. INANCIAL INSTRUMENTS (continued)

Fair value

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities, which are measured at fair value. The value of the Hour-Glass Investments is based on the Crown Entity's share of the value of the underlying assets of the facility, based on the market value. All of the Hour Glass facilities are valued using 'redemption' pricing.

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. Financial instruments carried at fair value, or in the case of financial guarantees where fair value cannot be reliably measured, are not shown in the table below.

The following table details the financial instruments where the fair value differs from the carrying amount:

a) Fair value compared to carrying amount

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	$'000	$'000	$'000	$'000
Financial assets				
Co-operative advances	22,551	23,398	33,689	34,606
Unrecognised profit	847	-	917	-
Total	**23,398**	**23,398**	**34,606**	**34,606**
Financial liabilities				
TCorp borrowings	18,310,214	18,981,623	15,230,568	15,722,332
Commonwealth general purpose borrowings	7,941	4,748	7,942	4,720
Unrecognised loss	668,216	-	488,542	-
Total	**18,986,371**	**18,986,371**	**15,727,052**	**15,727,052**

17. FINANCIAL INSTRUMENTS (continued)

b) Fair value recognised in the statement of financial position

The Crown Entity uses the following hierarchy for disclosing the fair value of financial instruments by valuation technique:

- Level 1 – derived from quoted prices in active markets for identical assets/liabilities
- Level 2 – derived from inputs other than quoted prices that are observable directly or indirectly
- Level 3 – derived from valuation techniques that include inputs for the asset/liability not based on observable market data (unobservable inputs)

2010-11	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value				
Tcorp Hour-Glass investment facilities	-	2,690	-	**2,690**
Other	-	14,783	-	**14,783**
	-	**17,473**	**-**	**17,473**
2009-10				
Tcorp Hour-Glass investment facilities	-	2,555	-	2,555
Other	-	30,377	-	30,377
	-	**32,932**	**-**	**32,932**

There were no transfers between the levels during the year ended 30 June 2011 (2010: Nil).

18 UNFUNDED SUPERANNUATION LIABILITY

The Crown Entity's total unfunded superannuation liability is made up of the financial assets and liabilities of the following schemes:

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

SAS Trustee Corporation (State Super) engaged an independent actuary, Mercer, to calculate the unfunded liabilities of State public sector superannuation schemes.

State Super Funds consist of SSS, PSS, SASS and SANCS.

In 2010-11, unfunded superannuation liabilities decreased by $333.3 million (2010: increased by $3,027 million).

Actuaries calculated unfunded superannuation liabilities at 30 June 2011 using:

- scheme membership data at 30 June 2009
- demographic assumptions of the 2009 Triennial Valuation of the State Super Fund Superannuation Schemes.

18. UNFUNDED SUPERANNUATION LIABILITY (continued)

The following figures are 2011 actual

Member numbers

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2010-11
Contributors	28,957	43,155	12,338	1,860	138	47	86,495
Deferred benefits	10,505	-	1,973	109	-	2	12,589
Pensioners	3,235	-	35,342	6,444	189	280	45,490
Pensions fully commuted	-	-	13,053	-	-	-	13,053

Superannuation position for AASB 119 *Employee Benefits*

	SASS $'000	SANCS $'000	SSS $'000	PSS $'000	JPS $'000	PCSS $'000	Total 2010-11 $'000
Accrued liability	9,856,307	2,199,659	31,109,622	9,331,004	735,070	488,700	53,720,362
Estimated reserve account balance	(5,566,626)	(737,252)	(13,086,307)	(2,987,571)	-	(217,100)	(22,594,856)
	4,289,681	1,462,407	18,023,315	6,343,433	735,070	271,600	31,125,506
Future service liability	(1,533,264)	(607,067)	(700,825)	(203,001)	-	-	(3,044,157)
Net liability to be disclosed in the Statement of Financial Position	4,289,681	1,462,407	18,023,315	6,343,433	735,070	271,600	31,125,506
Current							1,396,100
Non-current							29,729,406
Total							31,125,506

18. UNFUNDED SUPERANNUATION LIABILITY (continued)

Reconciliation of the present value of the partly funded defined benefit obligation

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2010-11
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Present value at 1/7/10	9,420,139	2,222,614	30,824,342	9,373,243	660,222	476,000	52,976,560
Current service cost	287,982	84,974	139,150	70,583	24,428	5,000	612,117
Interest cost	472,394	110,445	1,563,171	473,958	33,264	24,043	2,677,275
Contributions by fund participants	151,423	-	170,701	11,968	-	1,700	335,792
Actuarial (gains)/losses	234,310	102,263	(562,251)	(237,746)	50,797	3,857	(408,770)
Benefits paid	(709,941)	(320,637)	(1,025,491)	(361,002)	(33,641)	(21,900)	(2,472,612)
Present value at 30/6/11	**9,856,307**	**2,199,659**	**31,109,622**	**9,331,004**	**735,070**	**488,700**	**53,720,362**

Reconciliation of the fair value of fund assets

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2010-11
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Fair value at 1/7/10	5,196,392	818,844	12,422,132	2,873,508	-	206,922	21,517,798
Expected return on fund assets	442,192	70,215	1,037,152	238,872	-	16,927	1,805,358
Actuarial gains/(losses)	5,650	(3,765)	13,207	4,457	-	13,451	33,000
Employer contributions	480,910	172,595	468,606	219,768	33,641	-	1,375,520
Contributions by fund participants	151,423	-	170,701	11,968	-	1,700	335,792
Benefits paid	(709,941)	(320,637)	(1,025,491)	(361,002)	(33,641)	(21,900)	(2,472,612)
Fair value at 30/6/11	**5,566,626**	**737,252**	**13,086,307**	**2,987,571**	**-**	**217,100**	**22,594,856**

Reconciliation of the assets and liabilities recognised in the Statement of Financial Position

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2010-11
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit obligations at 30/6/11	9,856,307	2,199,659	31,109,622	9,331,004	735,070	488,700	53,720,362
Fair value of fund assets at 30/6/11	(5,566,626)	(737,252)	(13,086,307)	(2,987,571)	-	(217,100)	(22,594,856)
Net liability at 30/6/11	**4,289,681**	**1,462,407**	**18,023,315**	**6,343,433**	**735,070**	**271,600**	**31,125,506**

Expense recognised in the Statement of Comprehensive Income

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2010-11
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current service cost	287,982	84,974	139,150	70,583	24,428	5,000	612,117
Interest cost	472,394	110,445	1,563,171	473,958	33,264	24,043	2,677,275
Expected return on fund assets (net of expenses)	(442,192)	(70,215)	(1,037,152)	(238,872)	-	(16,927)	(1,805,358)
Expense/(income) recognised	**318,184**	**125,204**	**665,169**	**305,669**	**57,692**	**12,116**	**1,484,034**

18. UNFUNDED SUPERANNUATION LIABILITY (continued)

Expense recognised in Other Comprehensive Income

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2010-11
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Actuarial (gains)/losses	228,660	106,028	(575,458)	(242,203)	50,797	(9,594)	(441,770)

Cumulative expense recognised in Other Comprehensive Income

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2010-11
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cumulative amount of actuarial (gains)/losses	1,433,238	449,762	8,475,131	2,480,411	109,115	112,340	13,059,997

Fund Assets

	State Super 30/06/2011	PCSS 30/06/2011
	%	%
Australian equities	33.4	31.0
Overseas equities	29.5	26.0
Australian fixed interest securities	5.7	13.0
Overseas fixed interest securities	3.1	13.0
Property	9.9	14.0
Cash	5.1	1.0
Other	13.3	2.0

Fair value of fund assets

All Fund assets are invested by SAS Trustee Corporation and the Parliamentary Contributory Superannuation Fund Trustees at arm’s length through independent fund managers.

Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns are net of investment tax and investment fees.

Actual return on fund assets

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2010-11
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Actual return on fund assets	447,841	66,450	1,050,359	243,329	-	26,400	1,834,379

18. UNFUNDED SUPERANNUATION LIABILITY (continued)

Valuation method and principal actuarial assumptions at the reporting date

(a) Valuation method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligation and the 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 obligation.

(b) Economic assumptions (State Super, Judges and Parliamentary Super Schemes)

	State Super	JPS	PCSS
Salary increase rate (including promotional increases)	3.5%	3.5%	3.5%
Rate of CPI increase	2.5%	2.5%	2.5%
Expected rate of return on assets	8.6%	N/A	8.6%
Discount rate	5.28%	5.28%	5.28%

(c) Demographic assumptions

The demographic assumptions at 30 June 2011 are those that were used in the Mercer 2009 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website. The PCSS assumptions are those used for the 2008 PCSS triennial actuarial valuation and the JPS assumptions are those used for the 2010 JPS triennial actuarial valuation.

Historical information

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2010-11
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit	9,856,307	2,199,659	31,109,622	9,331,004	735,070	488,700	53,720,362
Fair value of fund assets	(5,566,626)	(737,252)	(13,086,307)	(2,987,571)	-	(217,100)	(22,594,856)
(Surplus)/deficit in fund	4,289,681	1,462,407	18,023,315	6,343,433	735,070	271,600	31,125,506
Experience adjustments – fund liabilities	234,310	102,263	(562,251)	(237,746)	50,797	3,857	(408,770)
Experience adjustments – fund assets	(5,650)	3,765	(13,207)	(4,457)	-	(13,451)	(33,000)

Expected contributions

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2010-11
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Expected employer contributions	N/A	N/A	N/A	N/A	N/A	N/A	N/A

18. UNFUNDED SUPERANNUATION LIABILITY (continued)

Funding arrangements for employer contributions

a) Surplus/(deficit)

The following is a summary of the 30 June 2011 financial position of the Fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*:

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2010-11
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accrued benefits	9,169,102	2,028,117	22,379,375	6,483,183	484,178	371,900	40,915,855
Net market value of fund assets	(5,566,626)	(737,252)	(13,086,307)	(2,987,571)	-	(217,100)	(22,594,856)
Net deficit	3,602,476	1,290,865	9,293,068	3,495,612	484,178	154,800	18,320,999

b) Contribution recommendations

Recommended contribution rates for the entity are:

	SASS	SANCS	SSS	PSS	JPS	PCSS
	multiple of member contributions	% member salary	multiple of member contributions	multiple of member contributions	% member salary	multiple of member contributions
Crown	N/A	N/A	N/A	N/A	N/A	N/A

c) Funding method (State Super)

Crown Entity liabilities are funded by contributions from scheme employees and employers and investment earnings on financial assets. The margin between gross liabilities and the market value of assets represents the value of unfunded superannuation liabilities. Employer contribution rates and funding arrangements are intended to meet benefit payments and to target the full funding of superannuation liabilities by 2030.

The Mercer Triennial review confirmed that the funding plan advised in the 2010-11 State Budget would fully fund the State Super's liabilities by 2030.

d) Economic assumptions

The economic assumptions adopted by the triennial actuarial review of the Fund were:

	State Super	JPS	PCSS
Weighted-average			
State Super expected rate of return on fund assets backing current pension liabilities	8.3%	N/A	N/A
State Super expected rate of return on fund assets backing other liabilities	7.3%	N/A	N/A
Expected return on plan assets	N/A	8.1%	7.5%
Expected salary increase rate	4.0%	3.5%	3.5%
Expected rate of CPI increase	2.5%	2.5%	2.5%

18. UNFUNDED SUPERANNUATION LIABILITY (continued)

Nature of asset/liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's independent actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of the fund assets and the defined benefit obligation.

The following figures are 2010 comparatives

Member numbers

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2009-10
Contributors	30,864	47,038	14,077	2,097	138	93	94,307
Deferred benefits	-	-	2,196	120	-	8	2,324
Pensioners	3,432	-	34,059	6,328	189	254	44,262
Pensions fully commuted	-	-	13,093	-	-	-	13,093

Superannuation position for AASB 119 Employee Benefits

	SASS $'000	SANCS $'000	SSS $'000	PSS $'000	JPS $'000	PCSS $'000	Total 2009-10 $'000
Accrued liability	9,420,139	2,222,614	30,824,342	9,373,243	660,222	476,000	52,976,560
Estimated reserve account balance	(5,196,392)	(818,844)	(12,422,132)	(2,873,508)	-	(206,922)	(21,517,798)
	4,223,747	1,403,770	18,402,210	6,499,735	660,222	269,078	31,458,762
Future service liability	(1,668,675)	(670,853)	(888,072)	(275,810)	-	-	(3,503,410)
Net liability to be disclosed in the Statement of Financial Position	4,223,747	1,403,770	18,402,210	6,499,735	660,222	269,078	31,458,762
Current							1,329,700
Non-current							30,129,062
Total							31,458,762

18. UNFUNDED SUPERANNUATION LIABILITY (continued)

Reconciliation of the present value of the partly funded defined benefit obligation

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2009-10
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Present value at 1/7/09	8,660,560	2,024,193	28,092,665	8,670,694	605,495	438,600	48,492,207
Current service cost	285,254	84,495	171,217	82,512	19,660	9,000	652,138
Interest cost	474,847	109,707	1,542,293	473,962	33,022	23,927	2,657,758
Contributions by fund participants	154,022	-	171,126	12,672	-	1,911	339,731
Equity adjustment - RIC	41,245	1,056	4,894	-	-	-	47,195
Actuarial (gains)/losses	532,285	148,832	1,828,835	477,833	31,570	23,681	3,043,036
Benefits paid	(728,074)	(145,669)	(986,688)	(344,430)	(29,525)	(21,119)	(2,255,505)
Present value at 30/6/10	**9,420,139**	**2,222,614**	**30,824,342**	**9,373,243**	**660,222**	**476,000**	**52,976,560**

Reconciliation of the fair value of fund assets

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2009-10
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Fair value of fund assets at	4,639,116	537,313	11,941,003	2,735,293	-	207,800	20,060,525
Expected return on fund assets	406,015	52,866	978,898	225,644	-	17,045	1,680,468
Actuarial gains/(losses)	17,340	(5,956)	101,753	20,610	-	1,285	135,032
Equity adjustment - RIC	(56,713)	(10,650)	3,499	-	-	-	(63,864)
Employer contributions	764,686	390,940	212,541	223,719	29,525	-	1,621,411
Contributions by fund participants	154,022	-	171,126	12,672	-	1,911	339,731
Benefits paid	(728,074)	(145,669)	(986,688)	(344,430)	(29,525)	(21,119)	(2,255,505)
Fair value of fund assets at	**5,196,392**	**818,844**	**12,422,132**	**2,873,508**	**-**	**206,922**	**21,517,798**

Reconciliation of the assets and liabilities recognised in the Statement of Financial Position

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2009-10
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit obligations at 30/6/10	9,420,139	2,222,614	30,824,342	9,373,243	660,222	476,000	52,976,560
Fair value of fund assets at	(5,196,392)	(818,844)	(12,422,132)	(2,873,508)	-	(206,922)	(21,517,798)
Net liability in Balance Sheet at	**4,223,747**	**1,403,770**	**18,402,210**	**6,499,735**	**660,222**	**269,078**	**31,458,762**

Expenses recognised in Statement of Comprehensive Income

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2009-10
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current service cost	285,254	84,495	171,217	82,512	19,660	9,000	652,138
Interest cost	474,847	109,707	1,542,293	473,962	33,022	23,927	2,657,758
Expected return on fund assets (net of expenses)	(406,015)	(52,866)	(978,898)	(225,644)	-	(17,045)	(1,680,468)
Expense/(income) recognised	**354,086**	**141,336**	**734,612**	**330,830**	**52,682**	**15,882**	**1,629,428**

18. UNFUNDED SUPERANNUATION LIABILITY (continued)

Expense recognised in Other Comprehensive Income

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2009-10
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Actuarial (gains)/losses	514,945	154,788	1,727,082	457,223	31,570	22,396	2,908,004

Cumulative expense recognised in Other Comprehensive Income

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2009-10
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cumulative amount of actuarial (gains)/losses	1,204,578	343,734	9,050,589	2,722,614	58,318	121,934	13,501,767

Fund Assets

	State Super 30/06/2010	PCSS 30/06/2010
	%	%
Australian equities	31.0	31.0
Overseas equities	26.8	26.0
Australian fixed interest securities	6.1	13.0
Overseas fixed interest securities	4.3	13.0
Property	9.5	14.0
Cash	9.6	1.0
Other	12.7	2.0

Fair value of fund assets

All Fund assets are invested by SAS Trustee Corporation (STC) and the Parliamentary Contributory Superannuation Fund Trustees at arm's length through independent fund managers.

Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns are net of investment tax and investment fees.

Actual return on fund assets

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2009-10
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Actual return on fund assets	423,356	46,910	1,080,651	246,254	-	26,775	1,823,946

18. UNFUNDED SUPERANNUATION LIABILITY (continued)

Valuation method and principal actuarial assumption at the reporting date

(a) Valuation method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligation and the 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 obligation.

(b) Economic assumptions (State Super, Judges and Parliamentary Super Schemes)

	Pooled Fund %	JPS %	PCSS %
Salary increase rate (excluding promotional increases)	3.5	3.5	3.5
Rate of CPI increase	2.5	2.5	2.5
Expected rate of return on assets backing current pension liabilities	8.6	N/A	8.6
Discount rate	5.17	5.17	5.17

(c) Demographic assumptions

The Pooled Fund Scheme demographic assumptions at 30 June 2010 are those used in the Mercer 2009 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website. The PCSS assumptions are those used for the 2008 PCSS triennial actuarial valuation and the JPS assumptions are those used for the 2007 JPS triennial actuarial valuation.

Historical information

	SASS $'000	SANCS $'000	SSS $'000	PSS $'000	JPS $'000	PCSS $'000	Total 2009-10 $'000
Present value of defined benefit	9,420,139	2,222,614	30,824,342	9,373,243	660,222	476,000	52,976,560
Fair value of fund assets	(5,196,392)	(818,844)	(12,422,132)	(2,873,508)	-	(206,922)	(21,517,798)
(Surplus)/deficit in fund	4,223,747	1,403,770	18,402,210	6,499,735	660,222	269,078	31,458,762
Experience adjustments – fund liabilities	573,530	149,888	1,833,729	477,833	31,570	23,681	3,090,231
Experience adjustments – fund assets	39,373	16,606	(105,252)	(20,610)	-	(1,285)	(71,168)

Expected contributions

	SASS $'000s	SANCS $'000s	SSS $'000s	PSS $'000s	JPS $'000s	PCSS $'000s	Total 2009-10 $'000s
Expected employer contributions	N/A	N/A	N/A	N/A	N/A	N/A	N/A

18. UNFUNDED SUPERANNUATION LIABILITY (continued)

Funding arrangements for employer contributions

a) Surplus/deficit

The following is a summary of the 30 June 2010 financial position of the Fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*;

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2009-10
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accrued benefits	8,689,316	2,026,472	21,688,571	6,349,733	492,995	354,300	39,601,387
Net market value of fund assets	(5,196,392)	(818,844)	(12,422,132)	(2,873,508)	-	(206,922)	(21,517,798)
Net deficit	3,492,924	1,207,628	9,266,439	3,476,225	492,995	147,378	18,083,589

b) Contribution recommendations

Recommended contribution rates for the entity are:

	SASS	SANCS	SSS	PSS	JPS	PCSS
	multiple of member contributions	% member salary	multiple of member contributions	multiple of member contributions	% member salary	multiple of member contributions
Crown	N/A	N/A	N/A	N/A	N/A	N/A

c) Funding method (State Super)

Crown Entity liabilities are funded by contributions from scheme employees and employers and investment earnings on financial assets. The margin between gross liabilities and the market value of assets represents the value of unfunded superannuation liabilities. Employer contribution rates and funding arrangements are intended to meet benefit payments and to target the full funding of superannuation liabilities by 2030.

The Mercer Triennial review confirmed that the funding plan advised in the 2009-10 State Budget would fully fund the State Super's liabilities by 2030.

d) Economic assumptions

The economic assumptions adopted by the triennial actuarial review of the Fund were:

Weighted-Average	State Super %	JPS %	PCSS %
State Super expected rate of return on fund assets backing current pension liabilities	8.3	N/A	N/A
State Super expected rate of return on fund assets backing other liabilities	7.3	N/A	N/A
Expected return on plan assets	N/A	7.3	7.5
Expected salary increase rate	4.0	4.0	3.5
Expected rate of CPI increase	2.5	2.5	2.5

18. UNFUNDED SUPERANNUATION LIABILITY (continued)

Nature of asset/liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's independent actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of the fund assets and the defined benefit obligation.

Historical information

SASS	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Present value of defined benefit	9,856,307	9,420,139	8,660,560	8,498,344	8,814,246
Fair value of Fund assets	(5,566,626)	(5,196,392)	(4,639,116)	(4,764,955)	(5,072,168)
(Surplus)/Deficit in Fund	4,289,681	4,223,747	4,021,444	3,733,389	3,742,078
Experience adjustments - Fund	234,310	573,530	(74,253)	(575,031)	169,025
Experience adjustments - Fund assets	(5,650)	39,373	763,886	741,490	(291,210)
SANCS					
Present value of defined benefit	2,199,659	2,222,614	2,024,193	1,918,845	1,923,915
Fair value of Fund assets	(737,252)	(818,844)	(537,313)	(594,824)	(525,032)
(Surplus)/Deficit in Fund	1,462,407	1,403,770	1,486,880	1,324,021	1,398,883
Experience adjustments - Fund	102,263	149,888	88,524	(26,762)	(43,585)
Experience adjustments - Fund assets	3,765	16,606	100,422	96,149	(34,352)
SSS					
Present value of defined benefit	31,109,622	30,824,342	28,092,665	22,851,587	22,607,420
Fair value of Fund assets	(13,086,307)	(12,422,132)	(11,941,003)	(14,504,256)	(16,646,507)
(Surplus)/Deficit in Fund	18,023,315	18,402,210	16,151,662	8,347,331	5,960,913
Experience adjustments - Fund	(562,251)	1,833,729	4,772,124	(221,364)	(1,352,317)
Experience adjustments - Fund assets	(13,207)	(105,252)	2,551,383	2,309,031	(898,461)
PSS					
Present value of defined benefit	9,331,004	9,373,243	8,670,694	6,887,768	6,787,701
Fair value of Fund assets	(2,987,571)	(2,873,508)	(2,735,293)	(3,458,437)	(4,098,904)
(Surplus)/Deficit in Fund	6,343,433	6,499,735	5,935,401	3,429,331	2,688,797
Experience adjustments - Fund	(237,746)	477,833	1,667,672	(26,691)	(419,444)
Experience adjustments - Fund assets	(4,457)	(20,610)	597,719	572,041	(409,383)
JPS					
Present value of defined benefit	735,070	660,222	605,495	553,467	539,030
Fair value of Fund assets	-	-	-	-	-
(Surplus)/Deficit in Fund	735,070	660,222	605,495	553,467	539,030
Experience adjustments - Fund	50,797	31,570	26,748	(9,278)	(74,186)
Experience adjustments - Fund assets	-	-	-	-	-
PCSS					
Present value of defined benefit	488,700	476,000	438,600	373,600	395,590
Fair value of Fund assets	(217,100)	(206,922)	(207,800)	(253,855)	(302,830)
(Surplus)/Deficit in Fund	271,600	269,078	230,800	119,745	92,760
Experience adjustments - Fund	3,857	23,681	52,097	(33,781)	(11,100)
Experience adjustments - Fund assets	(13,451)	(1,285)	47,441	51,242	(25,851)

19 EMPLOYEE BENEFITS AND OTHER PROVISIONS

	2011 $'000	2010 $'000
Current	5,111,063	3,370,771
Non-current	266,769	177,409
Total employee benefits and other provisions	**5,377,832**	**3,548,180**

Long service leave (LSL)

Although Treasury considers the methodology, analysis and assumptions adopted to calculate these liabilities are appropriate given the data available, estimates of future costs are always inherently uncertain. Therefore differences between the ultimate costs and estimates should be regarded as normal and expected.

Valuation methodology

An assessment of present value of accrued liabilities has been considered by an independent actuary.

For each future year the amounts of entitlements expected to be paid in service and on termination of employment have been determined by making a projection of each employee based on their current salary and LSL balance, assumed rates of taking LSL in service, rates of death, disablement, retirement, and resignation, and rates of salary escalation. The resulting cash flows have then been converted to a present value by discounting market yield at the reporting date based on the ten year Commonwealth government bond rate as at 30 June.

	2011 $'000	2010 $'000
a) Long service leave		
Current		
Budget dependent long service leave	3,352,478	3,286,394
Department of Health[1]	1,631,455	-
Non-budget dependent long service leave pool	84,688	84,377
	5,068,621	**3,370,771**
Non-current		
Budget dependent long service leave	176,446	172,968
Department of Health[1]	85,866	-
Non-budget dependent long service leave pool	4,457	4,441
	266,769	**177,409**
b) Other leave benefits		
Current		
Other leave benefits	42,442	-
	42,442	**-**
Total other employee benefits	**5,377,832**	**3,548,180**

[1] The long service leave liabilities of Department of Health were transferred to the Crown Entity in December 2010.

19. EMPLOYEE BENEFITS AND OTHER PROVISIONS (continued)

The expected payment within the next twelve months for Budget dependent long service leave is $426 million, for NSW Health is $169 million and for Non-budget dependent long service leave pool is $9.5 million.

Movement in major provisions:

Movement in major provisions:

	Budget dependent long service leave $'000	NSW Health long service leave $'000	Non-budget dependent long service leave $'000	Other leave benefits $'000	TOTAL $'000
Balance as at 1 July 2010	3,459,362	-	88,818	-	3,548,180
Add: increase in liability during the year	301,216	104,053	5,728	42,442	453,439
Add: interest costs	178,330	44,903	4,579	-	227,812
Less: transfer in from other NSW government agency	-	1,632,848	-	-	1,632,848
Less: cash payments	(409,984)	(64,483)	(9,980)	-	(484,447)
Balance as at 30 June 2011	**3,528,924**	**1,717,321**	**89,145**	**42,442**	**5,377,832**
Balance as at 1 July 2009	3,230,116	-	99,613	-	3,329,729
Add: increase in liability during the year	377,663	-	10,822	-	388,485
Add: interest costs	181,781	-	4,847	-	186,628
Less: transfer in/(out) from/(to) other NSW government agency	21,195	-	(12,917)	-	8,278
Less: cash payments	(351,393)	-	(13,547)	-	(364,940)
Balance as at 30 June 2010	**3,459,362**	**-**	**88,818**	**-**	**3,548,180**

20. PROVISION FOR OUTSTANDING HIH BUILDING INSURANCE CLAIMS

	2011 $'000	2010 $'000
Balance at 1 July	147,926	111,590
Payments	(7,740)	(19,715)
Actuarial (gains)/losses	7,687	51,672
Interest costs	5,494	4,379
Balance at 30 June	**153,367**	**147,926**
Current	26,502	36,950
Non-current	126,865	110,976
Total	**153,367**	**147,926**

In order to maintain the community's confidence in the insurance industry, the State Government assumed approximately $650 million in claims liabilities since the collapse of the HIH/FAI Insurance Group in 2001.

The State Government assumed liability for the outstanding compulsory third party motor vehicle polices in force with HIH prior to 31 December 2000 and home warranty insurance policies in force with HIH prior to 15 March 2001. The assumption of HIH liabilities by the State Government ensures that persons injured in a motor vehicle accident and persons with home warranty claims against HIH can seek recourse for compensation in respect of their injuries or losses.

The outstanding HIH building insurance claims provisions are assessed annually by an actuary. Building insurance claims payments are made by Building Insurer's Guarantee Corporation from funding provided by the Crown Entity.

The outstanding HIH motor accidents liabilities are recognised as payables by the Crown Entity (refer to Note 15). These liabilities are administered by the Motor Accidents Authority.

21. INDIVIDUALLY SIGNIFICANT ITEMS

In 2010-11, there were the following significant items:

1. Revenue from taxes, fees and fines increased overall by $782 million or 4 per cent. This was mainly due to growth in the State's economy following the global financial crisis and inflation. There was increased revenue from stamp duties of $303 million, payroll tax $235 million, motor vehicle taxes $202 million and gambling and betting taxes $109 million.
2. Commonwealth contributions declined by $1,278 million. This was mainly due to decreases in National Partnership payments of $309 million for recurrent and $1,693 million for capital. This resulted from a significant reduction in the additional stimulus payments that were made in 2009-10 as a result of the global financial crisis. These were partially offset by additional GST payments of $403 million and Special Purpose recurrent payments of $443 million. Special Purpose capital payments fell by $79 million.
3. Financial Distributions increased by $3,473 million. This was largely due to one off payments from the three electricity distributors totalling $3,406 million. These special dividends resulted from the sale of parts of their businesses to the private sector.
4. Grants and Subsidies decreased by $566 million. The main reason for this was the reduction in First Home Owners grants of $435 million as the grants were reduced following the global financial crisis. In addition there was a reduction in grants for natural disasters of $48 million.
5. Recurrent Appropriations increased by $3,863 million. The main reason for this was that the RTA's capital appropriation of $2,216 was paid to the Department of Transport as a recurrent appropriation in 2010-11 following agency restructures. In addition, increased appropriations were paid to Department of Health of $839 million, the Department of Education and Training of $545 million and the NSW Police Force of $245 million.
6. Capital Appropriations decreased by $2,869 million. The main reason for this was the reduction in the RTA's capital appropriation of $2,216 million as noted in point 5. In addition the capital appropriation paid to the Department of Education and Training was reduced by $708 million.
7. Following the sale of the Waste Recycling and Processing Corporation (known as WSN), the Crown Entity received $234 million for the sale of shares in the Corporation.

21. INDIVIDUALLY SIGNIFICANT ITEMS (continued)

In 2009-10, there were the following significant items:

1. Revenue from taxes, fees and fines increased overall by $1,380 million. This was mainly due to increased revenue from stamp duties of $1,068 million, Motor Vehicle taxes $85 million and Land tax $41 million. This was offset by reduced payroll tax $164 million. In addition the fees the Crown Entity receives for guaranteeing the debt of other agencies increased by $286 million. However due to a new system of funding NSW Fire Brigades, Fire Insurance Levies are now paid to the agency without going through the Consolidated Fund leading to a reduction in revenue of $369 million.
2. Commonwealth contributions increased by $4,636 million. This was mainly due to increases in National Partnership payments of $445 million for recurrent and $3,087 million for capital. There were also additional GST payments of $1,633 million. These were partially offset by decreases of $318 million and $143 million for Specific Purpose recurrent and capital payments respectively.
3. Superannuation expenses increased by $293 million. This was mainly due to the lower reported investment return on plan assets due to the reduced opening asset balance reflecting the negative 2009 investment result, $191 million. The balance of the increase was primarily due to the higher current service cost, $65 million, caused by the fall in the discount rate from 5.59% in 2009 to 5.17% in 2010. (The lower discount rate is also the major impact on the actuarial loss on defined benefit plans, $2.9 billion.)
4. Recurrent Appropriations increased by $2,929 million. The main increases were to Housing NSW $1,050 million, Department of Education and Training $709 million, Department of Health $506 million and Department of Transport and Infrastructure $615 million.
5. Capital Appropriations increased by $1,972 million. The main increases were to Department of Education and Training $1,908 million and the Roads and Traffic Authority $71 million.
6. Following the sale of NSW Lotteries Corporation to Tattersalls Holding Pty Ltd, the Crown Entity received $846 million (net of purchase price adjustment, refer to Note 5) for the sale of shares in the Corporation and providing a 40 year lotteries licence.

   Prior to the sale NSW Lotteries transferred $154 million of assets and $6 million of liabilities to the Crown Entity and $10 million of properties to another government agency.

22. COMMITMENTS FOR EXPENDITURE

Commitments for expenditure of the Crown Entity are from its share (58 per cent) of Snowy Hydro Limited. As at reporting date, these commitments are:

(a) Capital commitments

	2011 $'000	2010 $'000
Capital commitments contracted for at reporting date but not recognised as liability are as follows:		
- not later than one year	23,084	20,010
- later than one year but not later than five years	11,020	16,704
Total (including GST)	**34,104**	**36,714**

(b) Operating lease commitments – as lessee

Future non-cancellable operating lease rentals not provided for and payable:		
- not later than one year	2,146	1,682
- later than one year but not later than five years	8,236	5,220
- later than five years	33,176	36,888
Total (including GST)	**43,558**	**43,790**

(c) Other commitments

Other commitments contracted for at reporting date but not recognised as liability are as follows:

- not later than one year	2,320	3,364
- later than one year but not later than five years	-	464
Total (including GST)	**2,320**	**3,828**

Joint Government Enterprise Limited (JGE) – water for rivers

Refer to Note 14 for the details on the establishment of JGE.

As per the agreement NSW Government ("NSW") has to pay $150 million in total to be paid each quarter over 10 years. NSW has paid $135 million at the reporting date (2010: $120 million). The remaining commitment is $15 million as at 30 June 2011 (2010: $30 million). In addition NSW's share in joint 'Funding Account' of $17.8 million (2010: $20.8 million) is also committed. However, the constitution of the JGE states that the members will share in any contribution not utilised for operations at the date of winding up plus any accrued interest.

23. CONTINGENT LIABILITIES

The following contingent liabilities are for Crown Entity finance and property activities. The details included are all information that is practicable to disclose at this time.

Snowy Hydro Limited

On 28 June 2002, the Commonwealth's Snowy Mountain Hydro-electric Authority became a new public company, Snowy Hydro Limited (SHL). This company is owned by NSW, Victoria and the Commonwealth. NSW holds 58 per cent of the issued shares in SHL (all of which are fully paid up) and it has entered into guarantees, indemnities and deeds as part of the agreements leading to the corporatisation of the Snowy Scheme.

It is not possible to estimate the amount of exposure at this time for the following situations:

- Under the Snowy Compensation Deed, if any variation to, or revocation of, the Snowy Water Licence by the Water Administration Ministerial Corporation of NSW (which has not been agreed to by SHL) has an adverse financial impact on SHL, the company will receive that corresponding amount in compensation from NSW under a compensation deed. Amendments to the Snowy Water Licence currently under consideration are not considered major and are not expected to have an adverse financial impact on SHL. The Snowy Water Licence expires on the 75th anniversary of the Corporatisation date (June 2077) or if revoked earlier. The compensation deed terminates on the expiry or revocation of the Snowy Water Licence.

- Under the Snowy Scheme Deed of Indemnity, if a release by SHL of 'Snowy River Increased Flows' (environmental flows or a 'Flushing Flow' under an instruction from the Water Administration Ministerial Corporation) causes spills or downstream damage, the Crown Entity will compensate SHL for the proportion of claims it incurs, to the extent of its share of the cost. No claims currently exist. The risk of exposure is expected to be low. This indemnity lasts while the Snowy Water Licence is in place.

23. CONTINGENT LIABILITIES (continued)

Sale of Pacific Power International

As a condition of the Pacific Power International sale, the State Government must compensate the trustee of the Energy Industry Superannuation Scheme (EISS) funds for a shortfall of assets in the reserves of the fund relating to the transfer of defined benefit scheme membership to Connell Wagner Pty Ltd.

The compensation payment amount would be the lower of:

- the actual shortfall between fund assets and fund liabilities
- the potential shortfall if anticipated investment returns (4.5 per cent a year - excluding CPI) had not been realised

At 30 June 2011, the net market value of fund assets was $4.6 million less (2010: $5.9 million less) than the estimated value of liabilities (accrued benefits under AAS 25).

The unfunded liability is different from both the actual fund shortfall and the investment return shortfall. Based on returns to June 2009, the scheme actuary had estimated an actual fund shortfall of $6.6 million, and an investment return shortfall of $2.2 million. As the payment amount is the lower of the two amounts, the compensation payment amount would be $2.2 million. This amount is not due to be re-estimated until 2012.

Any amount paid would depend on future earnings and other cash flows in the reserves of the fund. There would not be a liability unless a payment is required on the occurrence of one of the following events:

- Connell Wagner ceases to be an employer in the fund
- the last benefit was paid
- the relevant assets were exhausted

The liability would arise at the earliest of these events. There would only be one payment.

TCorp guarantees

The State Government guaranteed the securities, borrowings and derivative liabilities issued by TCorp with a market value of $60.3 billion (2010: $57.3 billion) under the *Public Authorities (Financial Arrangements) Act 1987*.

23. CONTINGENT LIABILITIES (continued)

NSW Treasury Corporation

NSW 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.

At the reporting date, the amounts of these undertakings were as follows:

Market participants	2011 $'000	2010 $'000
National Electricity Market (NEM)	45,600	739,200
Short Term Trading Market (STTM)	8,200	12,800
	53,800	**752,000**

NSW Treasury Corporation has also undertakings for other government authorities for their performance under contracts with third parties. These amounts are recoverable from the government authority participants. At the reporting date the undertakings were valued at $120.7 million (2010: $86.8 million).

Interest rate exposure on motor vehicle financing arrangements

The State Government's motor vehicles leasing is financed by an internal arrangement managed by StateFleet and funded by TCorp (Tranche 4).

Tranche 4 is composed of a portfolio of debt with a modified duration of around 3 years. There is a principal exposure of $545 million as at 30 June 2011 (2010: $541 million).

Unclaimed money

The Crown Entity treats Consolidated Fund unclaimed money payments as income. However, claims can be legally lodged for several years after the money is paid into the Fund. These future claims are a form of contingent liability and cannot be estimated.

23. CONTINGENT LIABILITIES (continued)

Contracts with private sector parties

The State Government has guaranteed the obligations performance of various statutory authorities with private sector party contracts. These are:

- Sydney Harbour Tunnel
- Macarthur Water Filtration Plant
- M2 Motorway
- Olympic Multi-Use Arena
- Olympic Stadium
- Eastern Distributor
- Illawarra and Woronora Water Treatment Plant
- Prospect Water Filtration Plant and Treatment Works
- Cross City Tunnel
- Western Sydney Orbital
- Eastern Creek Alternative Waste Treatment Plant
- Lane Cove Tunnel
- Mater Hospital
- Long Bay Prison and Forensic Hospital
- Suburban Rolling Stock
- Bonnyrigg Communities Public Housing
- VISY Mill: Tumut Timber Supply Agreement
- Orange Hospital Redevelopment
- Royal North Shore Hospital Redevelopment

23. CONTINGENT LIABILITIES (continued)

NSW Energy Industry Reform

The State Government 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 SOC covered in this indemnity are:

- Essential Energy
- Eraring Energy
- Ausgrid
- Macquarie Generation
- Endeavour Energy
- 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 involve 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 policy which cover all of the risks indemnified by the State Government under the indemnities until:

- the completion of the Transaction Process, and
- for seven years following the completion of the Transaction Process for any acts or omissions of the Indemnified Party occurring before completion of the Transaction Process

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 Government.

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.

23. CONTINGENT LIABILITIES (continued)

Cobbora Holding Company Pty Limited

The Crown Entity provides funding for the Cobbora Holding Company Pty Limited (Cobbora). It has a contingent liability arising from Cobbora's contractual obligations to sell coal from the planned Cobbora mine.

In February 2011, Cobbora executed coal sales contracts with Origin Energy and two State owned corporations to supply coal to four of the State's power stations from 2016. The company intends to establish the Cobbora mine to fulfil its contractual obligations. However, as the contracted prices are below the expected costs of production for the currently contracted volumes, it is possible that a net obligation may arise.

The financial effect cannot be reliably measured pending completion of the business plan.

Additionally, during the year the State Government has provided indemnity to a director named in the Indemnity Deed 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 NSW Energy Industry Reform project (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.

Asbestos Injuries Compensation Fund

The NSW Government has an Agreement with the Commonwealth which provides up to $320 million of Commonwealth/State funding on a 50/50 basis for the Asbestos Injuries Compensation Fund. Final loan repayment date is 1 November 2030. Whilst James Hardie Industries NV retains full responsibility for repaying any funding provided, the Crown Entity has a contingent liability to the extent that James Hardie is unable to repay this loan.

NSW Lotteries

As part of the sale of NSW Lotteries, the State Government provided minimal warranties, indemnities and other obligations in favour of the new operator.

As at 30 June 2011, the Crown Entity has a provision for unclaimed prize funds of $6 million from the sale of NSW Lotteries on 31 March 2010. The provision taken up was based on historical data which showed that annual claims for unclaimed prizes were no more than $1 million in a normal year. The NSW Lotteries transaction resulted in the State Government being liable for unclaimed prizes extant at 29 March 2010. In accordance with the *Public Lotteries Regulation 2007*, any prizes won on or before 30 November 2010 must be claimed on or before 1 December 2016. The Crown Entity has estimated a potential liability of $1 million per annum until 2016. However, future claims cannot be reliably measured and could exceed the current provision.

The State Government is liable for the direct losses incurred by NSW Lotteries if an adverse regulatory event occurs. The State Government's aggregate liability is capped. There are no known adverse regulatory events as at the reporting date.

23. CONTINGENT LIABILITIES (continued)

58 per cent share of Snowy Hydro Limited (SHL) contingent liabilities

SHL is involved in various legal proceeds arising out of the normal course of business. The Directors believe that the outcome of these proceedings will not have a material impact on SHL's financial position or results of operations. As at the reporting date, SHL has the following contingent liabilities:

1) Ongoing matters:
   - Two unresolved claims lodged with the Dust Diseases Tribunal. SHL has not accepted liability on those claims.
   - SHL has entered into a number of bank guarantees in relation to operating within the national electricity market and for rental properties in Sydney and Melbourne to the value of $19.9 million.

2) Liability for Former Scheme Sites has been extinguished except to the extent of any contaminated former sites. These contaminated sites are being rehabilitated as they are identified. SHL does not believe that the contingent liability on any sites identified in the future would be material.

24. CONTINGENT ASSETS

HIH collapse

Because of the HIH collapse, the Crown Entity assumed builders warranty and third party motor insurance liabilities of about $650 million. Treasury actuary estimated the discounted present value of the outstanding liability to be $208.3 million as at 30 June 2011 (2010: $195.1 million).

The liquidators currently intend to distribute various percentages up to “more than 50 per cent” depending on the scheme company. In 2010-11, the Crown Entity received payments totalling $58.5 million (2010: $79.5 million). Recoveries from the liquidators are paid into the Consolidated Fund.

GST credits

The recoverable input tax credits from the Crown Entity’s operating lease, capital and other expenditure commitments constitute a contingent asset. These are as follows:

	2011 $'000	2010 $'000
GST recoverable input tax credits:		
Capital commitments	3,100	3,338
Other commitments	211	348
Operating lease commitments - lessee	3,960	3,981
	7,271	**7,667**

25 CASH FLOW INFORMATION

Cash and cash equivalents

In 2010-11, under the *Public Authorities (Financial Arrangements) Act 1987*, the Governor approved financial accommodation of $19,000 million for the Crown Entity. This amount is the overall funding to the Crown Entity which includes the existing and additional permanent loans. The Come and Go Facility has a limit of $3,500 million. No amounts were drawn from the Facility at 30 June 2011
(2010: Nil). The bank overdraft balance includes a Come and Go Facility of $40.5 million which was assumed by the Crown during 2010-11 following the sale of Waste Assets Management Corporation.

Of the cash and cash equivalents, $347 million is restricted cash assets (2010: $273 million). This is cash in Special Deposit Accounts and trust funds that can only be used in line with the Special Deposit Account legislation and for trust fund purposes. Notes 26 and 27 details these transactions. Conditional contributions disclosed in Note 3(f) are also considered restricted assets.

Cash and cash equivalents in the Statement of Financial Position are cash at bank, restricted cash in special deposit accounts and other short term deposits.

25. CASH FLOW INFORMATION (continued)

(a) Reconciliation of cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, short term deposits and bank overdraft.

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

	2011 $'000	2010 $'000
Cash at bank	407,446	300,765
Short term deposits	4,505,452	103,645
	4,912,898	**404,410**
Bank overdraft	(2,328,840)	(2,161,649)
Net cash and cash equivalents (per Statement of Cash Flows)	**2,584,058**	**(1,757,239)**

(b) Reconciliation of cash flows used from operating activities to deficit for the year

Net cash flows provided by/(used in) operating activities	2,585,806	(2,058,420)
Non cash items added back		
Share of profit of an associate	266,568	154,326
Depreciation and amortisation	(47)	(55)
Non cash finance costs	(18,230)	(85,128)
Administrative restructure - transfer in	1,392,735	160,134
Other	(339)	-
	1,640,687	**229,277**
Change in operating assets and liabilities		
Movement in working capital	(561,492)	914,023
Increase in other liabilities	(3,163,245)	(626,070)
Increase in other assets	(1,364)	(6,982)
	(3,726,101)	**280,971**
Movement for the year	**(2,085,414)**	**510,248**
Surplus/(deficit) for the year	**500,392**	**(1,548,172)**

26. TRUST FUNDS

Accounts	Olympic Coordination Authority payables $'000	State Rail Authority wind-up $'000	Land Acquisition Fund - compensation deposits $'000	Consumer Affairs Trust $'000	Funeral Fees $'000
Balance 1.7.2009	6,098	915	758	103	112
Add: receipts	-	641	-	-	-
Less: payments	(6,098)	(641)	-	-	-
Balance 30.6.2010	**-**	**915**	**758**	**103**	**112**
Add: receipts	-	2	-	-	-
Less: payments	-	(127)	-	-	-
Balance 30.6.2011	**-**	**790**	**758**	**103**	**112**

The *Trustee Act 1925* requires that trust funds should be held separate from other operating funds of the agency. The Crown Entity has not kept a separate bank account for the above trust funds due to the immateriality of the amounts involved. These trust funds are included in other liabilities of the Crown Entity.

Olympic Coordination Authority

The funds held in this account were provisions for residual payments in the wind-up of the Olympic Co-Ordination Committee. The statutory limitation was over; therefore, during 2009-10 the $6 million were recognised as other income.

State Rail Authority

This account was established to hold money vested to the Crown by the previous State Rail Authority of NSW for the payment of fine and legal costs relating to the Waterfall train accident.

Land Acquisition Fund

This trust account holds the funds vested in regards to payments of compensation on land resumptions.

Consumer Affairs Trust

The Consumer Affairs Trust receives repayment money from the Rural Assistance Authority regarding the loans under the Rural Adjustment Scheme. The Scheme was a joint State and Commonwealth scheme. Loans under this scheme are all finalised. The balances in the account are residual amounts which will be paid to the Consolidated Fund during 2011-12.

Funeral Fees

This account was set up to meet the claims of people whom have prepaid their funeral fees to Russell Kinsella Pty Ltd. The company was unable to provide the service due to receivership. The Department of Fair Trading was the original holder of the trust and may from time to time, receive claims for compensation.

27 SPECIAL DEPOSIT ACCOUNTS

The Crown Entity operates a number of special deposits accounts. These are:

NSW Policyholders Protection Fund

The Insurance Protection Act 2001 established this fund to hold taxes and other payments to meet HIH home building and third-party motor accident insurance policy claims of declared insolvent insurers.

Non-budget long service leave pool

This account holds long service leave funds for certain selected non-budget dependent agencies.

Structured finance activities

This account is used to finance cross border leases and other structured finance activities arranged by TCorp.

Confiscated proceeds account

The Criminal Assets Recovery Act 1990 established this account to hold money recovered from criminals until used in accordance with the Act.

Workers compensation (bushfire, emergency and rescue services)

This is a special workers compensation scheme for bushfire fighters, emergency service workers and rescue association workers.

Builders warranty insurance

This is used to manage reinsurance arrangements the government has put in place to help stabilise the building warranty insurance market.

Royal North Shore Hospital (RNSH) interest adjustment account

A contribution payment was received from ABN Amro for the project to redevelop Royal North Shore Hospital. The project is a joint financing arrangement approved by the State Government. The effective date of contract is 23 October 2008 and concludes on 22 October 2036. ABN Amro is the financier of the project. This account was established to record and maintain separately the funds received from ABN Amro Bank.

State Infrastructure Fund

A State Infrastructure Fund was established during 2008-09 to hold development contributions collected from developers operating in the Special Contribution Areas across the State. These monies are set aside to fund the provision of State infrastructure, land purchases and conservation requirements in these contribution areas. The contribution will be expended from 2015 until 2036, or earlier depending on the project’s termination date.

27. SPECIAL DEPOSIT ACCOUNTS (continued)

Accounts	NSW Policyholders Protection Fund $'000	Non Budget Long Service Leave Pool $'000	Structured Finance Activities $'000	Confiscated Proceeds Account $'000
Balance 1.7.2009	106,882	20,549	444	69,117
Plus receipts	66,576	11,876	4,694	23,015
Less payments	(26,820)	(13,547)	(3,525)	(17,651)
Balance 30.6.2010	**146,638**	**18,878**	**1,613**	**74,481**
Plus receipts	66,698	10,740	185	44,735
Less payments	(14,730)	(9,979)	(361)	(30,373)
Balance 30.06.2011	**198,606**	**19,639**	**1,437**	**88,843**

Accounts	Workers Compensation $'000	Builders Warranty Insurance $'000	RNSH Interest Adjustment $'000	State Infrastructure Fund $'000
Balance 1.7.2009	4,968	20,630	2,444	1,338
Plus receipts	8,000	1,887	109	40
Less payments	(6,991)	(2,217)	-	(689)
Balance 30.6.2010	**5,977**	**20,300**	**2,553**	**689**
Plus receipts	8,000	13,218	137	3,074
Less payments	(7,840)	(6,772)	-	(2,424)
Balance 30.06.2011	**6,137**	**26,746**	**2,690**	**1,339**

The Crown Entity has not kept a separate bank account for the above special deposit accounts except for Structured Finance Activities, RNSH and the State Infrastructure Fund. The transactions for these accounts are recognised in the financial statements.

28. OTHER LIABILITIES

	2011 $'000	2010 $'000
Current:		
Builders warranty insurance	57,475	20,300
Confiscated proceeds	88,843	74,481
Special deposit and trust accounts	11,929	11,107
Deferred income[(a)]	224,013	198,089
Unclaimed prizes	1,000	1,000
Financial guarantees[(b)]	2,100	2,200
Other	-	24
	385,360	**307,201**
Non-current:		
Deferred income	655,437	562,288
Financial guarantees[(b)]	14,000	16,100
Unclaimed prizes	5,000	5,000
	674,437	**583,388**
Total other liabilities	**1,059,797**	**890,589**

28. OTHER LIABILITIES (continued)

(a) Deferred income

	2011 $'000	2010 $'000
Current	224,013	198,089
Non-current	655,437	562,288
Total deferred income	**879,450**	**760,377**

Deferred income mainly consists of multi-year licence fees issued by a range of Government agencies. These are recognised on a straight-line basis over the specified period of time in accordance with the substance of the relevant agreement/item.

Balance at beginning of the year	760,377	488,950
Add: licence fees deferred	324,480	447,977
Less: amortisation	(205,407)	(176,550)
Balance at the end of the year	**879,450**	**760,377**

(b) Financial guarantees

Balance at the beginning of the year	18,300	20,900
Less: amortisation	(2,200)	(2,600)
Balance at the end of the year	**16,100**	**18,300**
Current	2,100	2,200
Non-current	14,000	16,100
Total financial guarantees	**16,100**	**18,300**

(b)(i) Structured finance activities

Through the Structured Finance Activities Special Deposits Account, the State began several finance leases for rail stock and electricity assets. The Crown has guaranteed certain payment and performance obligations under these cross-border lease arrangements.

The estimated fair value was made at the date of inception and amortised over the life of the guarantees. The guarantees have a current amortised valued of $9.4 million (2010: $10.7 million).

The likelihood of these guarantees being called upon is very low due to the arrangements in place as part of the leases to ensure the payments are made.

28. OTHER LIABILITIES (continued)

(b)(ii) Government Insurance Act 1927

Under the *Government Insurance Act 1927*, the State Government has provided guarantees for the GIO liabilities for general, life and reinsurance policies that it issued until 15 July 1992.

Actuarial assessment of the GIO liabilities is:

	31 Dec 2010 $'000	31 Dec 2009 $'000
General insurance	152,000	167,000
Life insurance	62,000	62,000
Inward reinsurance	23,000	42,000
	237,000	**271,000**

The guarantee on these policies continues under the State Government Deed issued for GIO's privatisation and subsequent purchase by AMP Limited.

The guarantees have a current amortised valued of $6.8 million (2010: $7.6 million).

(b)(iii) Public private partnerships

The Crown has provided guarantees to a number of statutory authorities who do not represent the Crown. These guarantees which includes payment guarantees, give lenders a similar assurance as if they were lending to a Crown agency.

The current outstanding guarantees relate to:

- Eastern Creek Alternative Waste Treatment Plant
- Mater Hospital
- Long Bay Prison and Forensic Hospital
- Suburban Rolling Stock
- Bonnyrigg Communities Public Housing
- Orange Hospital Redevelopment
- Royal North Shore Hospital Redevelopment
- Macarthur Water Filtration Plant
- Illawarra and Woronora Water Treatment Plant
- Prospect Water Filtration Plant and Treatment Works

The guarantees have been valued at Nil (2010: Nil). This is due to the likelihood of any of these guarantees being called upon being remote. The arrangements of government minimise the risk of default.

29. SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES

	Appropriation	Expenditure	Appropriation	Expenditure
	2011		2010	
Recurrent appropriations	**$'000**	**$'000**	**$'000**	**$'000**
Appropriation Act	4,702,103	3,741,120	4,566,444	3,966,526
Sec 21 - Budget Variation Acts (additional appropriation)	-	-	510,000	510,000
Sec 22 - expenditure for certain works and services	-	-	125,000	108,112
Treasurer's advance	1,625	1,625	-	-
Transfers to another agency (section 45 of the Appropriation Act)	(669,019)	-	(338,093)	-
Section 24 - transfer of functions between Departments	73,000	-	(3,071)	-
Sec 16C - Insurance Protection Tax Act 2001	66,698	66,698	66,576	58,239
Total appropriations/expenditure (includes transfer payments)	**4,174,407**	**3,809,443**	**4,926,856**	**4,642,877**
Less: drawdowns from Treasury		3,828,409		4,657,504
Total unspent appropriations		(18,966)		(14,627)
Capital appropriations				
Appropriation Act	452,614	288,579	344,503	289,822
Sec 21 - Budget Variation Acts (additional appropriation)	-	-	85,000	85,000
Sec 22 - expenditure for certain works and services	123,700	123,300	-	-
Total appropriations/expenditure (includes transfer payments)	**576,314**	**411,879**	**429,503**	**374,822**
Less: drawdowns from Treasury		411,879		374,822
Total unspent appropriations		-		-

30. CONSOLIDATED FUND TRANSACTIONS

	2011 $'000	2010 $'000
Cash flows from operating activities		
Receipts		
Retained taxes, fees and fines	20,625,844	19,239,970
Commonwealth grants	24,794,608	26,072,281
Financial distributions	5,584,000	1,847,701
Proceeds from sale of Government businesses	234,428	845,708
Other	1,690,127	1,393,956
Total receipts	**52,929,007**	**49,399,616**
Payments		
Recurrent appropriations paid to other agencies	(45,134,354)	(41,271,453)
Recurrent appropriations paid to Crown Finance Entity	(3,828,409)	(4,657,504)
Capital appropriations paid to other agencies	(2,957,450)	(5,826,041)
Capital appropriations paid to Crown Finance Entity	(411,879)	(374,822)
Total payments	**(52,332,092)**	**(52,129,820)**
Net cash flows used in operating activities	**596,914**	**(2,730,204)**
Other cash flows		
Proceeds from borrowing transferred	(1,411,216)	1,919,477
Investment income transferred	127,600	52,200
Interest receipts transferred	183,766	100,956
Advance repayments transferred	96,433	72,811
Other	304,673	148,818
	(698,744)	**2,294,262**
Net (decrease)/increase in cash and cash equivalents	**(101,829)**	**(435,942)**
Opening cash and cash equivalents	**(2,161,649)**	**(1,849,073)**
Cash transferred in as a result of restructuring	42	123,366
Closing cash and cash equivalents	**(2,263,436)**	**(2,161,649)**
Cash and cash equivalents		
Cash in transit	24,863	-
Bank overdraft	(2,288,298)	(2,161,649)
	(2,263,436)	**(2,161,649)**

31. SERVICE GROUP STATEMENTS
EXPENSES AND INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Debt Liability Management $'000	Superannuation Liability Management $'000	Central Financial Services $'000	Not Attributable[1] $'000	Total Crown Finance Entity $'000
Revenue					
Investment income	-	-	217,403	-	**217,403**
Share of profit of an associate	-	-	266,568	-	**266,568**
Revenue from Government	1,411,216	-	(731,439)	4,116,988	**4,796,765**
Other income	-	3,430	147,362	-	**150,792**
Total revenue	**1,411,216**	**3,430**	**(100,106)**	**4,116,988**	**5,431,528**
Expense					
Superannuation - defined benefit plans	-	1,484,034	-	-	**1,484,034**
Employee related expenses	-	-	684,138	-	**684,138**
Depreciation and amortisation	-	-	47	-	**47**
Grant and subsidies	-	-	434,814	-	**434,814**
Finance costs	1,252,402	-	29,457	-	**1,281,859**
Other expenses	-	33,527	444,006	-	**477,533**
Total expenses	**1,252,402**	**1,517,561**	**1,592,462**	**-**	**4,362,425**
Loss on disposal of Government businesses	-	-	(242,332)	-	**(242,332)**
Gain from financial instruments	20,982	-	-	-	**20,982**
Surplus/(deficit) for the year	**179,796**	**(1,514,131)**	**(1,934,900)**	**4,116,988**	**847,753**
Other comprehensive income					
Actuarial gain on defined benefit plans	-	441,770	-	-	**441,770**
Other decrease in equity	-	-	(928)	-	**(928)**
Total other comprehensive income for the year	-	441,770	(928)	-	**440,842**
Total comprehensive result for the year	**179,796**	**(1,072,361)**	**(1,935,828)**	**4,116,988**	**1,288,595**

[1] Appropriations are made on an agency basis and not to individual service groups. Hence, government contributions are included in the “Not Attributable” column.

31. SERVICE GROUP STATEMENTS (continued)

EXPENSES AND INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Total Crown Finance Entity[2] $'000	Consolidated Fund[2] $'000	Elimination Entity $'000	Consolidated Total $'000
Revenue				
Retained taxes, fees and fines	-	20,489,185	(33,527)	**20,455,658**
Commonwealth contributions	-	24,794,632	-	**24,794,632**
Financial distributions	-	5,456,394	-	**5,456,394**
Investment income	217,403	61	(887)	**216,577**
Share of profit of an associate	266,568	-	-	**266,568**
Revenue from Government	4,796,765	-	(4,796,765)	**-**
Royalty on minerals	-	1,240,328	-	**1,240,328**
Other income	150,792	(222,199)	679,743	**608,336**
Total revenue	**5,431,528**	**51,758,401**	**(4,151,436)**	**53,038,493**
Expense				
Superannuation - defined benefit plans	1,484,034	-	-	**1,484,034**
Employee related expenses	684,138	-	(35)	**684,103**
Depreciation and amortisation	47	-	-	**47**
Grant and subsidies	434,814	-	-	**434,814**
Finance costs	1,281,859	-	(887)	**1,280,972**
Recurrent appropriations	-	48,962,763	(3,828,409)	**45,134,354**
Capital appropriations	-	3,369,329	(411,879)	**2,957,450**
Other expenses	477,533	131,399	(33,527)	**575,405**
Total expenses	**4,362,425**	**52,463,491**	**(4,274,737)**	**52,551,179**
Gain/(loss) on disposal of Government	(242,332)	234,428	-	**(7,904)**
Gain from financial instruments	20,982	-	-	**20,982**
Surplus/(deficit) for the year	**847,753**	**(470,662)**	**123,301**	**500,392**
Other comprehensive income				
Actuarial gain on defined benefit plans	441,770	-	-	**441,770**
Other decrease in equity	(928)	-	-	**(928)**
Total other comprehensive income for the year	**440,842**	**-**	**-**	**440,842**
Total comprehensive result for the year	**1,288,595**	**(470,662)**	**123,301**	**941,234**

[2] The name and purpose of each program is summarised in Note 1

31. SERVICE GROUP STATEMENTS (continued)

ASSETS AND LIABILITIES AS AT 30 JUNE 2011

	Debt Liability Management $'000	Superannuation Liability Management $'000	Central Financial Services $'000	Total Crown Finance Entity $'000
Assets				
Current assets				
Cash and cash equivalents	-	-	4,888,035	**4,888,035**
Financial assets at fair value	-	-	9,785	**9,785**
Derivative financial instruments	18,901	-	-	**18,901**
Advances repayable to the Crown	-	-	62,977	**62,977**
Receivables	-	-	17,012	**17,012**
Total current assets	**18,901**	**-**	**4,977,809**	**4,996,710**
Non-current assets				
Plant and equipment	-	-	88	**88**
Investment in a joint venture	-	-	17,789	**17,789**
Investment in an associate	-	-	1,134,190	**1,134,190**
Financial assets at fair value	-	-	7,688	**7,688**
Advances repayable to the Crown	-	-	1,117,905	**1,117,905**
Receivables	-	-	67,995	**67,995**
Intangible assets	-	-	75	**75**
Total non-current assets	**-**	**-**	**2,345,730**	**2,345,730**
Total assets	**18,901**	**-**	**7,323,539**	**7,342,440**
Liabilities				
Current liabilities				
Payables	335,956	-	316,549	**652,505**
Bank overdraft	40,542	-	-	**40,542**
Borrowings	261,631	-	-	**261,631**
Derivative financial instruments	547	-	-	**547**
Unfunded superannuation	-	1,396,100	-	**1,396,100**
Employee benefits and other provisions			5,111,063	**5,111,063**
Provision for outstanding insurance claims	-	-	26,502	**26,502**
Other	-	-	180,314	**180,314**
Total current liabilities	**638,676**	**1,396,100**	**5,634,428**	**7,669,204**
Non-current liabilities				
Payables	-	-	1,112,468	**1,112,468**
Borrowings	18,819,408	-	-	**18,819,408**
Unfunded superannuation	-	29,729,406	-	**29,729,406**
Employee benefits and other provisions	-	-	266,769	**266,769**
Provision for outstanding insurance claims	-	-	126,865	**126,865**
Other	-	-	86,995	**86,995**
Total non-current liabilties	**18,819,408**	**29,729,406**	**1,593,097**	**50,141,911**
Total liabilities	**19,458,084**	**31,125,506**	**7,227,525**	**57,811,115**
Net liabilities	**(19,439,183)**	**(31,125,506)**	**96,014**	**(50,468,675)**

31. SERVICE GROUP STATEMENTS (continued)

ASSETS AND LIABILITIES AS AT 30 JUNE 2011

	Total Crown Finance Entity[2] $'000	Consolidated Fund[2] $'000	Elimination Entity $'000	Consolidated Total $'000
Assets				
Current assets				
Cash and cash equivalents	4,888,035	24,863	-	**4,912,898**
Financial assets at fair value	9,785	-	-	**9,785**
Derivative financial instruments	18,901	-	-	**18,901**
Advances repayable to the Crown	62,977	-	-	**62,977**
Receivables	17,012	3,217,833	(18,966)	**3,215,879**
Total current assets	**4,996,710**	**3,242,696**	**(18,966)**	**8,220,440**
Non-current assets				
Plant and equipment	88	-	-	**88**
Investment in a joint venture	17,789	-	-	**17,789**
Investment in an associate	1,134,190	-	-	**1,134,190**
Financial assets at fair value	7,688	-	-	**7,688**
Advances repayable to the Crown	1,117,905	-	-	**1,117,905**
Receivables	67,995	8,434	(67,995)	**8,434**
Intangible assets	75	-	-	**75**
Total non-current assets	**2,345,730**	**8,434**	**(67,995)**	**2,286,169**
Total assets	**7,342,440**	**3,251,130**	**(86,961)**	**10,506,609**
Liabilities				
Current liabilities				
Payables	652,505	572	-	**653,077**
Bank overdraft	40,542	2,288,298	-	**2,328,840**
Borrowings	261,631	-	-	**261,631**
Derivative Financial Instruments	547	-	-	**547**
Unfunded superannuation	1,396,100	-	-	**1,396,100**
Employee benefits and other provisions	5,111,063	-	-	**5,111,063**
Provision for outstanding insurance claims	26,502	-	-	**26,502**
Other	180,314	224,012	(18,966)	**385,360**
Total current liabilities	**7,669,204**	**2,512,882**	**(18,966)**	**10,163,120**
Non-current liabilities				
Payables	1,112,468	-	-	**1,112,468**
Borrowings	18,819,408	-	-	**18,819,408**
Unfunded superannuation	29,729,406	-	-	**29,729,406**
Employee benefits and other provisions	266,769	-	-	**266,769**
Provision for outstanding insurance claims	126,865	-	-	**126,865**
Other	86,995	655,437	(67,995)	**674,437**
Total non-current liabilties	**50,141,911**	**655,437**	**(67,995)**	**50,729,353**
Total liabilities	**57,811,115**	**3,168,319**	**(86,961)**	**60,892,473**
Net assets/(liabilities)	**(50,468,675)**	**82,811**	-	**(50,385,864)**

31. SERVICE GROUP STATEMENTS (continued)

EXPENSES AND INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Debt Liability Management $000	Superannuation Liability Management $000	Central Financial Services $000	Not Attributable[1] $000	Total Crown Finance Entity $000
Revenue					
Investment income	-	-	138,715	-	**138,715**
Share of profit of an associate	-	-	154,326	-	**154,326**
Revenue from Government	(1,919,477)	-	(389,411)	5,032,326	**2,723,438**
Other income	-	3,801	197,906	-	**201,707**
Total revenue	**(1,919,477)**	**3,801**	**101,536**	**5,032,326**	**3,218,186**
Expense					
Superannuation - defined benefit plans	-	1,629,428	-	-	**1,629,428**
Employee related expenses	-	-	583,917	-	**583,917**
Depreciation and amortisation	-	-	47	-	**47**
Grant and subsidies	-	-	1,000,580	-	**1,000,580**
Finance costs	1,048,752	-	5,572	-	**1,054,324**
Other expenses	-	36,787	507,568	-	**544,355**
Total expenses	**1,048,752**	**1,666,215**	**2,097,684**	**-**	**4,812,651**
Gain on disposal of Government businesses	-	-	43,012	-	**43,012**
Loss from financial instruments	(2,652)	-	-	-	**(2,652)**
Surplus/(deficit) for the year	**(2,970,881)**	**(1,662,414)**	**(1,953,136)**	**5,032,326**	**(1,554,106)**
Other comprehensive income					
Actuarial loss on defined benefit plans	-	(2,908,004)	-	-	**(2,908,004)**
Total other comprehensive income for the year	**-**	**(2,908,004)**	**-**	**-**	**(2,908,004)**
Total comprehensive result for the year	**(2,970,881)**	**(4,570,418)**	**(1,953,136)**	**5,032,326**	**(4,462,110)**

31. SERVICE GROUP STATEMENTS (continued)

EXPENSES AND INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Total Crown Finance Entity[2] $000	Consolidated Fund[2] $000	Elimination Entity $000	Consolidated Total $000
Revenue				
Retained taxes, fees and fines	-	19,710,481	(36,787)	**19,673,694**
Commonwealth contributions	-	26,072,257	-	**26,072,257**
Financial distributions	-	1,983,857	-	**1,983,857**
Investment income	138,715	95	(701)	**138,109**
Share of profit of an associate	154,326	-	-	**154,326**
Revenue from Government	2,723,438	-	(2,723,438)	**-**
Royalty on minerals	-	985,271	-	**985,271**
Other income	201,707	2,792,814	(2,313,944)	**680,577**
Total revenue	**3,218,186**	**51,544,775**	**(5,074,870)**	**49,688,091**
Expense				
Superannuation - defined benefit plans	1,629,428	-	-	**1,629,428**
Employee related expenses	583,917	-	(526)	**583,391**
Depreciation and amortisation	47	-	-	**47**
Grant and subsidies	1,000,580	-	-	**1,000,580**
Finance costs	1,054,324	-	(701)	**1,053,623**
Recurrent appropriations	-	45,928,957	(4,657,504)	**41,271,453**
Capital appropriations	-	6,200,863	(374,822)	**5,826,041**
Other expenses	544,355	4,730	(41,317)	**507,768**
Total expenses	**4,812,651**	**52,134,550**	**(5,074,870)**	**51,872,331**
Gain on disposal of Government businesses	43,012	595,708	-	**638,720**
Loss from financial instruments	(2,652)	-	-	**(2,652)**
Surplus/(deficit) for the year	**(1,554,105)**	**5,933**	**-**	**(1,548,172)**
Other comprehensive income				
Actuarial loss on defined benefit plans	(2,908,004)	-	-	**(2,908,004)**
Total other comprehensive income for the year	**(2,908,004)**	**-**	**-**	**(2,908,004)**
Total comprehensive result for the year	**(4,462,109)**	**5,933**	**-**	**(4,456,176)**

31. SERVICE GROUP STATEMENTS (continued)

ASSETS AND LIABILITIES AS AT 30 JUNE 2010

	Debt Liability Management $'000	Superannuation Liability Management $'000	Central Financial Services $'000	Total Crown Finance Entity $'000
Assets				
Current assets				
Cash and cash equivalents	-	-	404,410	**404,410**
Financial assets at fair value	-	-	13,312	**13,312**
Derivative financial instruments	37	-	-	**37**
Advances repayable to the Crown	-	-	59,820	**59,820**
Receivables	-	-	22,682	**22,682**
Total current assets	**37**	**-**	**500,224**	**500,261**
Non-current assets				
Plant and equipment	-	-	152	**152**
Investment in a joint venture	-	-	20,776	**20,776**
Investment in an associate	-	-	996,150	**996,150**
Financial assets at fair value	-	-	19,620	**19,620**
Advances repayable to the Crown	-	-	1,072,742	**1,072,742**
Receivables	-	-	67,633	**67,633**
Intangible assets	-	-	101	**101**
Total non-current assets	**-**	**-**	**2,177,174**	**2,177,174**
Total assets	**37**	**-**	**2,677,398**	**2,677,435**
Liabilities				
Current liabilities				
Payables	253,650	-	68,530	**322,180**
Borrowings	378,417	-	-	**378,417**
Derivative Financial Instruments	2,096	-	-	**2,096**
Unfunded superannuation	-	1,329,700	-	**1,329,700**
Employee benefits and other provisions	-	-	3,370,771	**3,370,771**
Provision for outstanding insurance claims	-	-	36,950	**36,950**
Other	-	-	123,739	**123,739**
Total current liabilities	**634,163**	**1,329,700**	**3,599,990**	**5,563,853**
Non-current liabilities				
Payables	-	-	36,496	**36,496**
Borrowings	15,652,082	-	-	**15,652,082**
Unfunded superannuation	-	30,129,062	-	**30,129,062**
Employee benefits and other provisions	-	-	177,409	**177,409**
Provision for outstanding insurance claims	-	-	110,976	**110,976**
Other	-	-	88,733	**88,733**
Total non-current liabilties	**15,652,082**	**30,129,062**	**413,614**	**46,194,758**
Total liabilities	**16,286,245**	**31,458,762**	**4,013,604**	**51,758,611**
Net liabilities	**(16,286,208)**	**(31,458,762)**	**(1,336,206)**	**(49,081,176)**

32. SERVICE GROUP STATEMENTS (continued)

ASSETS AND LIABILITIES AS AT 30 JUNE 2010

	Total Crown Finance Entity[2] $'000	Consolidated Fund[2] $'000	Elimination Entity $'000	Consolidated Total $'000
Assets				
Current assets				
Cash and cash equivalents	404,410	-	-	**404,410**
Financial assets at fair value	13,312	-	-	**13,312**
Derivative financial instruments	37	-	-	**37**
Advances repayable to the Crown	59,820	-	-	**59,820**
Receivables	22,682	3,468,575	(14,627)	**3,476,630**
Total current assets	**500,261**	**3,468,575**	**(14,627)**	**3,954,209**
Non-current assets				
Plant and equipment	152	-	-	**152**
Investment in a joint venture	20,776	-	-	**20,776**
Investment in an associate	996,150	-	-	**996,150**
Financial assets at fair value	19,620	-	-	**19,620**
Advances repayable to the Crown	1,072,742	-	-	**1,072,742**
Receivables	67,633	6,900	(67,633)	**6,900**
Intangible assets	101	-	-	**101**
Total non-current assets	**2,177,174**	**6,900**	**(67,633)**	**2,116,441**
Total assets	**2,677,435**	**3,475,475**	**(82,260)**	**6,070,650**
Liabilities				
Current liabilities				
Payables	322,180	23	-	**322,203**
Bank overdraft	-	2,161,649	-	**2,161,649**
Borrowings	378,417	-	-	**378,417**
Derivative Financial Instruments	2,096	-	-	**2,096**
Unfunded superannuation	1,329,700	-	-	**1,329,700**
Employee benefits and other provisions	3,370,771	-	-	**3,370,771**
Provision for outstanding insurance claims	36,950	-	-	**36,950**
Other	123,739	198,089	(14,627)	**307,201**
Total current liabilities	**5,563,853**	**2,359,761**	**(14,627)**	**7,908,987**
Non-current liabilities				
Payables	36,496	-	-	**36,496**
Borrowings	15,652,082	-	-	**15,652,082**
Unfunded superannuation	30,129,062	-	-	**30,129,062**
Employee benefits and other provisions	177,409	-	-	**177,409**
Provision for outstanding insurance claims	110,976	-	-	**110,976**
Other	88,733	562,288	(67,633)	**583,388**
Total non-current liabilties	**46,194,758**	**562,288**	**(67,633)**	**46,689,413**
Total liabilities	**51,758,611**	**2,922,049**	**(82,260)**	**54,598,400**
Net assets/(liabilities)	**(49,081,176)**	**553,426**	**-**	**(48,527,750)**

32. TRANSFER PAYMENTS

The Crown Entity receives contributions from the Commonwealth Government that are transferred to eligible beneficiaries. The beneficiaries are non-government schools and Local Governments. Payments to non-government schools are paid directly by the Crown Entity while payments to Local Governments are made by the Local Government Division within the Department of Premier and Cabinet.

	2011 $'000	2010 $'000
Payments		
Non-Government schools - recurrent	(2,302,549)	(2,084,779)
Non-Government schools - targeted programs	(674,214)	(1,131,412)
Non-Government schools - capital	(34,078)	(19,149)
Local Government - financial assistance	(474,921)	(440,106)
Local Government - roads	(187,939)	(174,291)
Local Government - reform fund	(813)	-
	(3,674,514)	**(3,849,737)**
Receipts		
Non-Government schools - recurrent	2,302,549	2,084,779
Non-Government schools - targeted programs	674,214	1,131,412
Non-Government schools - capital	34,078	19,149
Local Government - financial assistance	474,921	440,106
Local Government - roads	187,939	174,291
Local Government - reform fund	813	-
	3,674,514	**3,849,737**

33. EQUITY TRANSFERS

The following is a summary of assets and liabilities transferred to/from the Crown Entity during the year.

	$'000
Department of Health long service leave liabilities	1,632,848
Sale of WSN Environmental Solutions	(106,758)
Assumption of debts from power generators	1,150,000
Sale of NSW Lotteries - interest on GST refunds	(42)
Payment to Cobbora Holding	123,300
	2,799,348

2009-10 Comparative

	$'000
Sale of NSW Lotteries	105,023
Rail Infrastructure Corporation - superannuation liabilities	(111,059)
Sydney Ferries - borrowings	(94,882)
2009 Sydney World Master Games - windup	877
	(100,041)

34. EVENTS AFTER THE REPORTING DATE

There were no events subsequent to reporting date requiring disclosure.

End of audited financial statements

2010–11 Annual Report

Electricity Tariff Equalisation Ministerial Corporation

Electricity Tariff Equalisation Ministerial Corporation

CHARTER

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

The Fund managed the cost risk of electricity purchases by retail suppliers (Energy Australia, Integral Energy and Country Energy), which were owned by NSW Government. As at 1 March 2011, these electricity retail suppliers were privatised. The sale of these retail suppliers has no impact on the operations and functions of the ETEMC or the Fund.

These suppliers are required to supply electricity to small retail customers in New South Wales at tariffs determined by the Independent Pricing and Regulatory Tribunal (IPART).

IPART determinations apply to residential and small business customers consuming less than 160 MWh per annum who have not elected to enter into a negotiated supply contract.

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

The Fund was designed to smooth the volatility in wholesale electricity prices for those retailers that are required to sell at regulated tariffs. At the same time, the Fund ensured that the retailers do not face a commercial advantage or disadvantage from supplying regulated customers.

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

STRATEGIC DIRECTIONS

Section 121A of the *Electricity Supply (General) Regulation 2001* was amended to provide that ETEF cease to operate on 30 June 2011. Once the audit of the retail suppliers and ETEF to 30 June 2011 is complete and after payment of all moneys and the performance of all obligations, the Fund will be closed and the balance of the Fund will be transferred to the Consolidated Fund.

STAFFING

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

AUDITOR-GENERAL NEW SOUTH WALES

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Electricity Tariff Equalisation Ministerial Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Electricity Tariff Equalisation Ministerial Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2011, and of its financial performance for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Fund Administrator's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

Heather Watson

Heather Watson
Director, Financial Audit Services

27 September 2011
SYDNEY

Electricity Tariff Equalisation Ministerial Corporation

Financial Statements
for the year ended 30 June 2011

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

(a) The accompanying financial statements exhibit a true and fair view of the Electricity Tariff Equalisation Ministerial Corporation's financial performance for the year ended 30 June 2011 and financial position as at 30 June 2011; and

(b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010* and the Treasurer's Directions.

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

Mark Ronsisvalle
Fund Administrator
27 September 2011

Electricity Tariff Equalisation Ministerial Corporation

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Revenue			
Tariffs from retailers/generators		287,385	491,432
Investment income		11,556	2,788
Total revenue		**298,941**	**494,220**
Expenses			
Tariffs to retailers/generators		109,917	438,090
Other	3	274	125
Total expenses		**110,191**	**438,215**
Surplus for the year		**188,750**	**56,005**
Total other comprehensive income		-	-
Total comprehensive income for the year		**188,750**	**56,005**

The accompanying notes form part of these financial statements.

Electricity Tariff Equalisation Ministerial Corporation

Statement of Financial Position
as at 30 June 2011

	Note	2011 $'000	2010 $'000
Assets			
Current assets			
Cash and cash equivalents	4	282,724	66,624
Receivables	5	10,958	41,164
Total current assets		**293,682**	**107,788**
Total assets		**293,682**	**107,788**
Liabilities			
Current liabilities			
Payables	6	57	2,913
Total current liabilities		**57**	**2,913**
Total liabilities		**57**	**2,913**
Net assets		**293,625**	**104,875**
Equity			
Accumulated funds		293,625	104,875
Total equity		**293,625**	**104,875**

The accompanying notes form part of these financial statements.

Electricity Tariff Equalisation Ministerial Corporation

Statement of Changes in Equity
for the year ended 30 June 2011

	2011 $'000	2010 $'000
Balance at 1 July	104,875	48,870
Surplus for the year	188,750	56,005
Total other comprehensive income	-	-
Total comprehensive income for the year	188,750	56,005
Balance at 30 June	**293,625**	**104,875**

The accompanying notes form part of these financial statements.

Electricity Tariff Equalisation Ministerial Corporation

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Payments			
Payments to retailers/generators		112,792	445,784
Management fee		219	94
Consultant costs		-	6
Other		64	32
Total payments		**113,075**	**445,916**
Receipts			
Payments from retailers/generators		317,595	481,438
Interest received		11,556	2,788
GST received		24	11
Total receipts		**329,175**	**484,237**
Net cash flows from operating activities	4	**216,100**	**38,321**
Net cash flows from investing activities		**-**	**-**
Net cash flows from financing activities		**-**	**-**
Net increase in cash and cash equivalents		**216,100**	**38,321**
Opening cash and cash equivalents		66,624	28,303
Closing cash and cash equivalents		**282,724**	**66,624**

The accompanying notes form part of these financial statements.

1. ELECTRICITY TARIFF EQUALISATION MINISTERIAL CORPORATION INFORMATION

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

The Fund manages the purchase-cost risks for electricity retail suppliers of small retail customers in New South Wales.

The Act sets out rules for payment (Payment Rules) to and from the ETEF. The Fund pays and collects tariffs from retailers and/or generators based on usage figures from the retailers and/or generators.

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

As at 1 March 2011, the three NSW Government owned electricity retail suppliers were privatised. The sale of these retail suppliers has no impact on the operations and functions of the ETEMC or the fund.

The Fund was closed on 30 June 2011 with revisions and final settlement payments to be made during 2011-12. Any surplus balance in the Fund, after payment of all moneys and the performance of all obligations under the ETEF Payment Rules, will be paid to the Consolidated Fund.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions about the carrying amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

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

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

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

Statement of compliance

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

New standards and interpretations not yet effective

The following accounting standards were issued but are not yet effective as at the reporting date:

- AASB 9 and AASB 2010-7 regarding financial instruments (Effective 2013-14)
- AASB10 regarding consolidated financial statements (Effective 2012-13)
- AASB 11 regarding joint arrangements (Effective 2012-13)
- AASB 12 regarding disclosure of interests in other entities (Effective 2012-13)
- AASB 13 regarding fair value measurement (Effective 2012-13)
- AASB 119 regarding employee benefits (September 2011) (Effective 2012-13)
- AASB 124 and AASB 2009-12 regarding related party transactions (Effective 2011-12)
- AASB 127 regarding separate financial statements (Effective 2012-13)
- AASB 128 regarding investments in associates and joint ventures (Effective 2012-13)
- AASB 2009-14 regarding amendments to Interpretation – Prepayments of a minimum funding requirement (Effective 2011-12)
- AASB 1053 and AASB 2010-2 regarding differential reporting (Effective 2013-14)
- AASB 2010-4 regarding annual improvements (Effective 2011-12)
- AASB 2010-5 regarding editorial corrections (Effective 2011-12)
- AASB 2010-6 regarding disclosures on transfers of financial assets (Effective 2011-12)
- AASB 2010-8 regarding deferred tax: recovery of underlying assets (Effective 2012-13)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of compliance (continued)

- AASB 2010-9 regarding severe hyperinflation and removal of fixed dates for the first time adopters (Effective 2011-12)
- AASB 2010-10 regarding removal of fixed dates for first time adopters (Effective 2013-14)
- AASB 1054 regarding Australian additional disclosures (Effective 2011-12)
- AASB 2011-1 regarding the Trans Tasman Convergence project (Effective 2011-12)
- AASB 2011-2 regarding the Trans Tasman Convergence project – RDR (Effective 2013-14)
- AASB 2011-3 regarding orderly adoption of changes to the ABS GFS manual (Effective 2012-13)
- AASB 2011-4 regarding amendments to Australian Accounting Standards to remove individual key management personnel disclosure requirements (Effective 2013-14)
- AASB 2011-5 regarding amendments to Australian Accounting Standards - extending relief from consolidation, the equity method and proportionate consolidation (Effective 2012-13)
- AASB 2011-6 regarding amendments to Australian Accounting Standards - extending relief from consolidation, the equity method and proportionate consolidation – reduced disclosure requirements (Effective 2013-14)
- AASB 2011-7 regarding amendments to Australian Accounting Standards arising from the consolidation and joint arrangements standards (Effective 2012-13)
- AASB 2011-8 regarding amendments to Australian Accounting Standards arising from AASB 13 (Effective 2012-13)
- AASB 2011-9 regarding amendments to Australian Accounting Standards – presentation of items of other comprehensive income (Effective 2012-13)
- AASB 2011-10 regarding amendments to Australian Accounting Standards arising from AASB 119 (Effective 2012-13)
- AASB 2011-11 regarding amendments to AASB 119 (September 2011) arising from reduced disclosure requirements (Effective 2013-14)

The ETEMC has not early adopted any new standards and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSW TC10/08.

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

New revised or amending standards and interpretations

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE

Tariff receipts from retailers/generators

Tariff receipts from retailers and generators are recognised in accordance with the ETEF payment rules when the right to receive the tariff is established.

Investment income

Investment income includes interest income.

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

EXPENSES

Tariff payments to retailers/generators

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

Administrative arrangements

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

Goods and Services Tax (GST)

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ASSETS

Cash and cash equivalents

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

Receivables

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

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

Impairment of financial assets

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

LIABILITIES

Payables

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

Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at original invoiced amount where the effect of discounting is immaterial.

Taxation

The activities of the ETEMC are exempt from income tax.

	2011 $'000	2010 $'000

3. OTHER EXPENSES

	2011 $'000	2010 $'000
Audit fees	33	26
Consultants costs	-	5
Management fees[1]	215	88
Other	26	6
	274	**125**

1) Management fees are paid monthly to TCorp at a rate of 0.08% of the balance of the Fund

4. CASH AND CASH EQUIVALENTS

	2011 $'000	2010 $'000
Short term deposits	**282,724**	**66,624**

The ETEMC has financial accommodation from TCorp for $300 million under the *Public Authorities (Financial Arrangements) Act 1987*. The financing facility is to cover temporary cash deficits which occur during the day of settlement between retailers and generators.

Short term deposits are made for varying periods. The modified duration of the portfolio is limited to no more than 3 months and depends on the immediate cash requirement of ETEMC. There are no restrictions on cash.

Reconciliation of cash flows from operating activities to surplus for the year

	2011 $'000	2010 $'000
Net cash flows from operating activities	216,100	38,321
Change in assets and liabilities		
(Decrease)/increase in receivables	(30,206)	9,994
Decrease in payables	2,856	7,690
Surplus for the year	**188,750**	**56,005**

5. RECEIVABLES

	2011 $'000	2010 $'000
Payments from retailers/generators	10,950	41,160
GST receivable	8	4
	10,958	**41,164**

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

The payments from retailers/generators were non-interest bearing during the financial year since payments to and receipts from retailers and generators were settled simultaneously on a predetermined date via Austraclear.

An allowance for impairment loss is recognised when there is objective evidence that the receivable is impaired. All receivables were tested for impairment at 30 June 2011. No indication of impairment was found and no allowance for impairment loss has been recognised in the surplus or deficit (2010: Nil).

6. PAYABLES

	2011 $'000	2010 $'000
Payments to retailers/generators	-	2,874
Audit fees	30	29
Management fee	27	10
	57	**2,913**

The payments to retailers/generators represent tariffs payable to retailers/generators during the financial year and the settlements occur after the year end according to the AEMO settlement timetable. The payments to retailers/generators are non-interest bearing.

7. CONTINGENT ASSETS AND LIABILITIES

There are no known contingent assets or contingent liabilities as at the reporting date (2010: Nil).

8. FINANCIAL INSTRUMENTS

ETEMC's principal financial instruments are outlined in the table below.

The main purpose of these financial instruments is to maintain sufficient funds to fund operations.

	Note	Category	Carrying amount 2011 $'000	2010 $'000
Financial assets				
Cash and cash equivalents	4	N/A	282,724	66,624
Payables	6	Financial liabilities (at amortised cost)	57	39

8. FINANCIAL INSTRUMENTS (continued)

Risk management

ETEMC has appointed NSW Treasury Corporation (TCorp), the State's central financing authority who has recognised expertise in the management of treasury related risks, to advise on, and actively manage its asset portfolio. TCorp manages investment risk in line with its Risk and Compliance Framework. These are summarised as follows:

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

ETEMC's exposure to interest rate risk is limited to the TCorp investment in the short term deposits.

ETEMC's exposure to interest rate risk on its holding of cash and cash equivalents is outlined in the following table. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

Interest rate risk sensitivity analysis

	Carrying amount $'000	- 1% Profit $'000	- 1% Equity $'000	+ 1% Profit $'000	+ 1% Equity $'000
2011					
Financial assets					
Cash and cash equivalents	282,724	(2,827)	-	2,827	-
Cash and cash equivalents	66,624	(666)	-	666	-

(b) Currency risk

As at 30 June 2011, the ETEMC has no transactional or structural currency exposures.

(c) Credit risk

Credit risk is the risk of financial loss because another party to a contract or a financial position does not meet a financial obligation. The ETEMC's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments at each reporting date.

The ETEMC has no credit risk as at the reporting date.

8. FINANCIAL INSTRUMENTS (continued)

Cash and cash equivalents

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

Concentration of credit risk

By credit rating	AAA	AA+	AA	AA-	A+	A	Other ratings[1]	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2011								
Cash and cash equivalents	3,752	278,972	-	-	-	-	-	282,724
2010								
Cash and cash equivalents	66,624	-	-	-	-	-	-	66,624

1) Short term ratings of A-2 or better, when counterparty has no long term rating or the long term rating is A or lower

By classification of counterparty	Governments	Bank	Other	Total
	$'000	$'000	$'000	$'000
2011				
Cash and cash equivalents	3,752	278,972	-	282,724
2010				
Cash and cash equivalents	66,624	-	-	66,624

8. FINANCIAL INSTRUMENTS (continued)

(d) Liquidity risk

The table below summarises the maturity profile of ETEMC's financial liabilities.

	Weighted average effective interest rate	Nominal amount	Interest Rate Exposure			Maturity Dates		
			Fixed interest rate	Variable interest rate	Non-interest bearing	< 1 Year	1 - 5 years	> 5 years
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2011								
Payables	-	-	-	-	57	57	-	-
Total financial liabilities	**-**	**-**	**-**	**-**	**57**	**57**	**-**	**-**
2010								
Payables	-	-	-	-	39	39	-	-
Total financial liabilities	**-**	**-**	**-**	**-**	**39**	**39**	**-**	**-**

According to the Payment Rules, the cash balance of the fund must never be in deficit meaning that if necessary additional funds are sourced from the generators in order to meet payments to retailers.

The ETEMC has approved financial accommodation from TCorp for $300 million under the *Public Authorities (Financial Arrangements) Act 1987*. The financing facility is to cover temporary cash deficits which occur during the day of settlement between retailers and generators.

No assets have been pledged as collateral. The ETEMC's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

(e) Fair value

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

(f) Market price risk

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

9. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

2010–11
Annual Report

State Rail Authority Residual Holding Corporation

State Rail Authority Residual Holding Corporation

CHARTER

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

OBJECTIVES

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

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

PERFORMANCE IN 2010–11

There were no transactions during 2010–11, however, the Corporation remains in existence to assist in the administration of certain former State Rail Authority cross-border rolling stock leases.

STAFFING

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

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

State Rail Authority Residual Holding Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of State Rail Authority Residual Holding Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2011, and of its financial performance for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

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

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

Heather Watson

Heather Watson
Director, Financial Audit Services

14 September 2011
SYDNEY

State Rail Authority Residual Holding Corporation

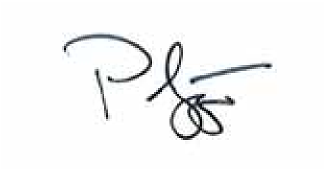
Financial Statements
for the year ended 30 June 2011

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

(a) The accompanying financial statements exhibit a true and fair view of the State Rail Authority Residual Holding Corporation's financial performance for the year ended 30 June 2011 and financial position as at 30 June 2011; and

(c) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010* and the Treasurer's Directions.

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



Philip Gaetjens
Secretary

13 September 2011

State Rail Authority Residual Holding Corporation

Statement of Comprehensive Income
for the year ended 30 June 2011

	2011 $000	2010 $000
Revenue	-	-
Total revenue	-	-
Expenses	-	-
Total expenses	-	-
Surplus/(deficit) for the year	-	-
Total other comprehensive income	-	-
Total comprehensive result for the year	-	-

The accompanying notes form part of these financial statements.

State Rail Authority Residual Holding Corporation

Statement of Financial Position
as at 30 June 2011

	2011 $000	2010 $000
Assets	-	-
Total assets	-	-
Liabilities	-	-
Total liabilities	-	-
Net assets	-	-
Equity	-	-
Total equity	-	-

The accompanying notes form part of these financial statements.

State Rail Authority Residual Holding Corporation

Statement of Changes in Equity
for the year ended 30 June 2011

	2011 $000	2010 $000
Balance at 1 July	**-**	**-**
Surplus/(deficit) for the year	-	-
Total other comprehensive income	-	-
Total comprehensive income for the year	**-**	**-**
Balance at 30 June	**-**	**-**

The accompanying notes form part of these financial statements.

State Rail Authority Residual Holding Corporation

Statement of Cash Flows
for the year ended 30 June 2011

	2011 $000	2010 $000
Cash flows from operating activities	-	-
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	**-**	**-**
Opening cash and cash equivalents	-	-
Closing cash and cash equivalents	**-**	**-**

The accompanying notes form part of these financial statements.

1. STATE RAIL AUTHORITY RESIDUAL HOLDING CORPORATION INFORMATION

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

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

The SRA is a statutory body under the *Public Finance and Audit Act 1983*. It is a not-for-profit entity with its principal office at 1 Farrer Place, Sydney NSW 2000, Australia.

The financial statements were authorised for issue by the Secretary of NSW Treasury on the date the accompanying Statement by the Secretary was signed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions about the carrying amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

Statement of compliance

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

New standards and interpretations not yet effective

The following accounting standards were issued but are not yet effective as at the reporting date:

- AASB 9 and AASB 2010-7 regarding financial instruments (Effective 2013-14)
- AASB10 regarding consolidated financial statements (Effective 2012-13)
- AASB 11 regarding joint arrangements (Effective 2012-13)
- AASB 12 regarding disclosure of interests in other entities (Effective 2012-13)
- AASB 13 regarding fair value measurement (Effective 2012-13)
- AASB 124 and AASB 2009-12 regarding related party transactions (Effective 2011-12)
- AASB 127 regarding separate financial statements (Effective 2012-13)
- AASB 128 regarding investments in associates and joint ventures (Effective 2012-13)
- AASB 2009-14 regarding amendments to Interpretation – Prepayments of a minimum funding requirement (Effective 2011-12)
- AASB 1053 and AASB 2010-2 regarding differential reporting (Effective 2013-14)
- AASB 2010-4 regarding annual improvements (Effective 2011-12)
- AASB 2010-5 regarding editorial corrections (Effective 2011-12)
- AASB 2010-6 regarding disclosures on transfers of financial assets (Effective 2011-12)
- AASB 2010-8 regarding deferred tax: recovery of underlying assets (Effective 2012-13)
- AASB 2010-9 regarding severe hyperinflation and removal of fixed dates for the first time adopters (Effective 2011-12)
- AASB 2010-10 regarding removal of fixed dates for first time adopters (Effective 2013-14)
- AASB 1054 regarding Australian additional disclosures (Effective 2011-12)
- AASB 2011-1 regarding the Trans Tasman Convergence project (Effective 2011-12)
- AASB 2011-2 regarding the Trans Tasman Convergence project – RDR (Effective 2013-14)
- AASB 2011-3 regarding orderly adoption of changes to the ABS GFS manual (Effective 2012-13)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of compliance (continued)

- AASB 2011-4 regarding amendments to Australian Accounting Standards to remove individual key management personnel disclosure requirements (Effective 2013-14)
- AASB 2011-5 regarding amendments to Australian Accounting Standards - extending relief from consolidation, the equity method and proportionate consolidation (Effective 2012-13)
- AASB 2011-6 regarding amendments to Australian Accounting Standards - extending relief from consolidation, the equity method and proportionate consolidation – reduced disclosure requirements (Effective 2013-14)
- AASB 2011-7 regarding amendments to Australian Accounting Standards arising from the consolidation and joint arrangements standards (Effective 2012-13)
- AASB 2011-8 regarding amendments to Australian Accounting Standards arising from AASB 13 (Effective 2012-13)

The SRA has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSW TC10/08.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME

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

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

EXPENSE

Finance officers of the Crown Asset and Liability Management branch in the Office of Financial Management, NSW Treasury provide administrative services, including the preparation of financial statements of the SRA. Due to the irregular and varied nature of those services, their value cannot be calculated with any certainty and no charge is made to the entity for them.

The Crown Entity also pays for the entity's audit fees inclusive of GST of $5,720 (2010: $5,500).

Goods and Services Tax

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

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

ASSETS

Cash and cash equivalents

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

LIABILITIES

Payables

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

Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at original invoiced amount where the effect of discounting is immaterial.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

TAXATION

The activities of the SRA are exempt from income tax.

3. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial statements

2010–11 Annual Report

Liability Management Ministerial Corporation

Liability Management Ministerial Corporation

CHARTER

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

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

PERFORMANCE IN 2010–11

There were no transactions during 2010–11, however, the General Government Liability Management Fund remains in existence to assist in the future management of the State's assets and liabilities.

STAFFING

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

GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Liability Management Ministerial Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Liability Management Ministerial Corporation (the Corporation), which comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2011, and of its financial performance for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

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

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

Auditor's Responsibility

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

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

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

My opinion does *not* provide assurance:

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

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

Heather Watson
Director, Financial Audit Services

14 September 2011
SYDNEY

Liability Management Ministerial Corporation

Financial Statements
for the year ended 30 June 2011

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

(a) The accompanying financial statements exhibit a true and fair view of the Liability Management Ministerial Corporation's financial performance for the year ended 30 June 2011 and financial position as at 30 June 2011; and

(d) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2010* and the Treasurer's Directions.

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

Philip Gaetjens
Secretary

13 September 2011

Liability Management Ministerial Corporation

Statement of Comprehensive Income
for the year ended 30 June 2011

	2011 $000	2010 $000
Revenue	-	-
Total revenue	-	-
Expenses	-	-
Total expenses	-	-
Surplus/(deficit) for the year	-	-
Total other comprehensive income	-	-
Total comprehensive result for the year	-	-

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Financial Position
as at 30 June 2011

	2011 $000	2010 $000
Assets	-	-
Total assets	-	-
Liabilities	-	-
Total liabilities	-	-
Net assets	-	-
Equity	-	-
Total equity	-	-

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Changes in Equity
for the year ended 30 June 2011

	2011 $000	2010 $000
Balance at 1 July	**-**	**-**
Surplus/(deficit) for the year	-	-
Total other comprehensive income	-	-
Total comprehensive income for the year	**-**	**-**
Balance at 30 June	**-**	**-**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Statement of Cash Flows
for the year ended 30 June 2011

	2011 $000	2010 $000
Cash flows from operating activities	-	-
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	**-**	**-**
Opening cash and cash equivalents	-	-
Closing cash and cash equivalents	**-**	**-**

The accompanying notes form part of these financial statements.

Liability Management Ministerial Corporation

Notes to the Financial Statements
for the year ended 30 June 2011

1. LIABILITY MANAGEMENT MINISTERIAL CORPORATION INFORMATION

The Liability Management Ministerial Corporation (LMMC) is a statutory body under the *Public Finance and Audit Act 1983.* It was established to manage the General Government Liability Management Fund (GGLMF). The Fund was set up to invest payments it received to reduce the net liabilities of the State. It is required to apply its funds firstly to superannuation, then borrowings.

The NSW Government has a fiscal target to fully fund superannuation liabilities by 2030. In accordance with this funding target, the balance of the General Government Liability Management Fund was transferred to the SAS Trustee Corporation via the Crown Finance Entity during 2006-07. There have been no activities in the LMMC since then.

The LMMC is a not-for-profit entity with its principal office at 1 Farrer Place, Sydney NSW 2000, Australia.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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

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

Use of judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions about the carrying amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of compliance

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

New standards and interpretations not yet effective

The following accounting standards were issued but are not yet effective as at the reporting date:

- AASB 9 and AASB 2010-7 regarding financial instruments (Effective 2013-14)
- AASB10 regarding consolidated financial statements (Effective 2012-13)
- AASB 11 regarding joint arrangements (Effective 2012-13)
- AASB 12 regarding disclosure of interests in other entities (Effective 2012-13)
- AASB 13 regarding fair value measurement (Effective 2012-13)
- AASB 124 and AASB 2009-12 regarding related party transactions (Effective 2011-12)
- AASB 127 regarding separate financial statements (Effective 2012-13)
- AASB 128 regarding investments in associates and joint ventures (Effective 2012-13)
- AASB 2009-14 regarding amendments to Interpretation – Prepayments of a minimum funding requirement (Effective 2011-12)
- AASB 1053 and AASB 2010-2 regarding differential reporting (Effective 2013-14)
- AASB 2010-4 regarding annual improvements (Effective 2011-12)
- AASB 2010-5 regarding editorial corrections (Effective 2011-12)
- AASB 2010-6 regarding disclosures on transfers of financial assets (Effective 2011-12)
- AASB 2010-8 regarding deferred tax: recovery of underlying assets (Effective 2012-13)
- AASB 2010-9 regarding severe hyperinflation and removal of fixed dates for the first time adopters (Effective 2011-12)
- AASB 2010-10 regarding removal of fixed dates for first time adopters (Effective 2013-14)
- AASB 1054 regarding Australian additional disclosures (Effective 2011-12)
- AASB 2011-1 regarding the Trans Tasman Convergence project (Effective 2011-12)
- AASB 2011-2 regarding the Trans Tasman Convergence project – RDR (Effective 2013-14)
- AASB 2011-3 regarding orderly adoption of changes to the ABS GFS manual (Effective 2012-13)
- AASB 2011-4 regarding amendments to Australian Accounting Standards to remove individual key management personnel disclosure requirements (Effective 2013-14)
- AASB 2011-5 regarding amendments to Australian Accounting Standards - extending relief from consolidation, the equity method and proportionate consolidation (Effective 2012-13)
- AASB 2011-6 regarding amendments to Australian Accounting Standards - extending relief from consolidation, the equity method and proportionate consolidation – reduced disclosure requirements (Effective 2013-14)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of compliance (continued)

- AASB 2011-7 regarding amendments to Australian Accounting Standards arising from the consolidation and joint arrangements standards (Effective 2012-13)
- AASB 2011-8 regarding amendments to Australian Accounting Standards arising from AASB 13 (Effective 2012-13)

The LMMC has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSW TC10/08.

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

INCOME

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

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

EXPENSES

Finance officers of the Crown Asset and Liability Management branch in the Office of Financial Management, NSW Treasury provide administrative services, including the preparation of financial statements of the LMMC. Due to the irregular and varied nature of those services, their value cannot be calculated with any certainty and no charge is made to the entity for them.

The Crown Entity also pays the entity’s audit fees, inclusive of GST, of $5,720 (2010: $5,500).

Goods and Services Tax

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

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

ASSETS

Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LIABILITIES

Payables

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

Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at original invoiced amount where the effect of discounting is immaterial.

TAXATION

The activities of the LMMC are exempt from income tax.

3. EVENTS AFTER THE REPORTING DATE

The LMMC will be used from 2011-12 to make benefit payments under the *Judges' Pensions Act 1953* and to accumulate financial assets with the intention of fully funding outstanding liabilities by 2030.

End of audited financial statements