The Treasury

2011–12 Crown Entity Financial Statements

including
Restart NSW Fund Financial Report

www.treasury.nsw.gov.au

Table of contents

Crown Entity

Financial Statements
for the year ended 30 June 2012

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 2012, the statement of comprehensive income, statement of changes in equity, statement of cash flows, service group statements and a summary of compliance with financial directives 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 Crown Entity as at 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

Secretary's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Crown Entity's preparation of the financial statements that give a true and fair view 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 Crown Entity, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the 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 other information that 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 relevant ethical pronouncements. The PF&A Act further promotes independence by:

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

Peter Achterstraat

Peter Achterstraat
Auditor-General

20 November 2012
SYDNEY

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 2012 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*.

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 November 2012

Crown Entity

Statement of Comprehensive Income
for the year ended 30 June 2012

	Notes	Actual 2012 $'000	Actual 2011 $'000
Revenue			
Retained taxes, fees and fines	3(a)	21,015,140	20,455,658
Commonwealth contributions	3(b)	25,863,632	24,794,632
Financial distributions	3(c)	2,155,989	5,456,394
Investment income	3(d)	284,672	216,577
Share of profit of an associate	7	119,304	266,568
Royalty on minerals		1,464,396	1,240,328
Other income	3(e)	416,847	608,336
Total revenue		**51,319,980**	**53,038,493**
Expenses			
Superannuation - defined benefit plans	18	1,475,482	1,484,034
Employee related expenses		1,392,339	684,103
Depreciation and amortisation	12,13	47	47
Grants and subsidies	4(a)	873,580	434,814
Finance costs	4(b)	1,512,847	1,280,972
Recurrent appropriations	29	47,114,435	45,134,354
Capital appropriations	29	1,839,339	2,957,450
Other expenses	4(c)	531,110	575,405
Total expenses		**54,739,179**	**52,551,179**
Loss from disposal of Government businesses	5	-	(7,904)
Gain/(loss) from financial instruments	6	(119,579)	20,982
Surplus/(deficit) for the year		**(3,538,778)**	**500,392**
Other comprehensive income			
Actuarial gain/(loss) on defined benefit plans	18	(17,726,651)	441,770
Share of associates other comprehensive income		527,896	(928)
Total other comprehensive income/(loss) for the year		**(17,198,755)**	**440,842**
Total comprehensive result for the year		**(20,737,533)**	**941,234**

The accompanying notes form part of these financial statements.

Crown Entity

Statement of Financial Position
as at 30 June 2012

	Notes	Actual 2012 $'000	Actual 2011 $'000
Assets			
Current assets			
Cash and cash equivalents	24	2,769,351	4,912,898
Financial assets at fair value	8	1,443	9,785
Derivative financial instruments	9	8,265	18,901
Investment in a joint venture	14	6,216	-
Advances repayable to the Crown	10	211,616	62,977
Receivables	11	3,165,539	3,215,879
Total current assets		**6,162,430**	**8,220,440**
Non-current assets			
Plant and equipment	12	67	88
Investment in a joint venture	14	-	17,789
Investment in an associate	7	3,329,000	2,821,000
Financial assets at fair value	8	8,846	7,688
Advances repayable to the Crown	10	1,119,661	1,117,905
Receivables	11	30,608	8,434
Intangible assets	13	49	75
Total non-current assets		**4,488,231**	**3,972,979**
Total assets		**10,650,660**	**12,193,419**
Liabilities			
Current liabilities			
Payables	15	837,607	653,077
Bank overdraft	24	2,997,189	2,328,840
Borrowings	16	69,461	261,631
Derivative financial instruments	9	-	547
Unfunded superannuation	18	1,279,700	1,396,100
Employee benefits and other provisions	19	5,891,896	5,111,063
Provision for outstanding building insurance claims	20	45,216	83,978
Other	27	357,130	327,884
Total current liabilities		**11,478,199**	**10,163,120**
Non-current liabilities			
Payables	15	954,361	1,112,468
Borrowings	16	23,134,763	18,819,408
Unfunded superannuation	18	42,996,605	29,729,406
Employee benefits and other provisions	19	307,651	266,769
Provision for outstanding building insurance claims	20	167,180	126,865
Other	27	561,463	674,437
Total non-current liabilities		**68,122,023**	**50,729,353**
Total liabilities		**79,600,222**	**60,892,473**
Net liabilities		**(68,949,562)**	**(48,699,054)**
Equity			
Asset revaluation surplus		2,214,474	1,686,810
Accumulated deficit		(71,164,036)	(50,385,864)
Total equity		**(68,949,562)**	**(48,699,054)**

The accompanying notes form part of these financial statements.

Crown Entity

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

	Notes	Accumulated deficit $'000	Revaluation surplus $'000	Total equity $'000
Balance at 1 July 2011		(50,385,864)	1,686,810	(48,699,054)
Deficit for the year		(3,538,778)	-	(3,538,778)
Other comprehensive income				
Actuarial loss on defined benefit plans	18	(17,726,651)	-	(17,726,651)
Share of associates other comprehensive income		232	527,664	527,896
Total other comprehensive loss		**(17,726,419)**	**527,664**	**(17,198,755)**
Total comprehensive result for the year		**(21,265,197)**	**527,664**	**(20,737,533)**
Transactions with owners in their capacity as owners				
Increase in net assets from equity transfers	32	487,025		487,025
Total transactions with owners in their capacity as owners		**487,025**	**-**	**487,025**
Balance at 30 June 2012		**(71,164,036)**	**2,214,474**	**(68,949,562)**
Balance at 1 July 2010		(48,527,750)	-	(48,527,750)
Surplus for the year		500,392	-	500,392
Other comprehensive income				
Actuarial gain on defined benefit plans	18	441,770	-	441,770
Other net decrease in equity		(928)	-	(928)
Total other comprehensive income		**440,842**	**-**	**440,842**
Total comprehensive result for the year		**941,234**	**-**	**941,234**
Adjustment from correction of error	33	-	1,686,810	1,686,810
Correction of errors		**-**	**1,686,810**	**1,686,810**
Transactions with owners in their capacity as owners				
Decrease in net assets from equity transfers	32	(2,799,348)	-	(2,799,348)
Total transactions with owners in their capacity as owners		**(2,799,348)**	**-**	**(2,799,348)**
Balance at 30 June 2011		**(50,385,864)**	**1,686,810**	**(48,699,054)**

The accompanying notes form part of these financial statements.

Crown Entity

Statement of Cash Flows
for the year ended 30 June 2012

	Notes	Actual 2012 $'000	Actual 2011 $'000
Cash flows from operating activities			
Payments			
Employee related		(6,697,311)	(1,876,876)
Grants and subsidies		(691,517)	(427,886)
Finance costs		(1,164,699)	(1,006,415)
Recurrent appropriation	29	(47,114,435)	(45,134,354)
Capital appropriation	29	(1,839,339)	(2,957,450)
Other		(637,987)	(555,739)
Total payments		**(58,145,288)**	**(51,958,720)**
Receipts			
Retained taxes, fees and fines		21,036,505	20,592,318
Commonwealth grants	29	25,866,729	24,794,608
Investment income		255,571	189,711
Financial distribution from other entities		1,944,873	5,584,001
GenTrader deposits		-	1,320,880
Proceeds from sale of Government businesses		-	234,428
Other		1,829,456	1,828,580
Total receipts		**50,933,134**	**54,544,526**
Net cash flows provided by/(used in) operating activities	24	**(7,212,154)**	**2,585,806**
Cash flows from investing activities			
Purchase of investments		-	28
Advances made		(209,398)	(122,361)
Proceeds from sales of investment		9,478	16,924
Advance repayments received		125,549	93,661
Dividend received from investment		139,200	127,600
Net cash flows provided by investing activities		**64,829**	**115,852**
Cash flows from financing activities			
Proceeds from borrowings and advances		3,902,755	2,990,673
Repayment of borrowings and advances		(52,794)	(1,353,966)
Net cash flows from financing activities		**3,849,961**	**1,636,707**
Net increase/(decrease) in cash		**(3,297,364)**	**4,338,365**
Opening cash and cash equivalents		2,584,058	(1,757,239)
Other cash transfer in as a result of restructuring		485,468	2,932
Closing cash and cash equivalents	24	**(227,838)**	**2,584,058**

The accompanying notes form part of these financial statements.

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

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 include:

- 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 general government 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)

Basis of preparation (continued)

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 Crown Entity is exempt from the NSW Treasury Financial Reporting Code. The exemption was granted due to the Crown Entity's unique structure.

The financial statements have been prepared on the following basis:

- financial assets and derivative financial instruments are measured at fair value
- superannuation, long service leave, and insurance gross liabilities are valued at net present value of the expected payments required to settle the liability
- loans and advances are measured at amortised cost
- all other financial statement items are prepared in accordance with the historical cost convention

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

Use of judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances.

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

Classification and valuation of investments managed by New South Wales Treasury Corporation (TCorp)

The Crown Entity hold some investments in a TCorp managed asset portfolio which was inherited from the sale of NSW Lotteries in 2010 as well as in TCorp's cash investment facility.

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)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of judgements, estimates and assumptions (continued)

Classification and valuation of investments managed by New South Wales Treasury Corporation (TCorp) (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 the investments managed by TCorp 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 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, or determined using the valuation techniques. This information is specifically relevant to Notes 9 and 17 to the financial statements.

Investment in Associate

The property plant and equipment of Snowy Hydro Limited (SHL) are measured at fair value under AASB 116 Property, Plant and Equipment. There are a number of significant estimates and judgements used in determining the fair value of these assets. These include the effect on income of prevailing economic conditions, government intervention in the electricity sector, changes in the productivity of the business and the actions of other participants in the National Energy Market to reduce exposure to electricity wholesale price risk. Management obtains expert assistance in making these estimates and judgements.

During 2011-12 SHL have developed new products that improved the value of the business. Total water storage increased from 27 per cent to 58 per cent allowing SHL to offer energy-intensive products and capitalise on more energy-intensive contracting. In addition a reduction in the Commonwealth government bond rate significantly impacted the discount rate and materially increased the value of the investment. Lastly, the introduction of the Carbon Price Mechanism in July 2012 will allow SHL to benefit as the demand for price risk management instruments firms. These factors combined to improve the assumptions used in 2012 from those used for the 2011. This information is especially relevant to note 7 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of compliance

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

New standards and interpretations not yet effective

Certain new standards and interpretations have recently been issued or amended but are not yet effective for the annual reporting period ended 30 June 2012. With the exception of AASB 119 *Employee Benefits*, it is considered impracticable to presently determine the impact of adopting those new standards and interpretations.

As a result of the amendment to AASB 119 *Employee Benefits*, which will be applied from 2013-14, the net superannuation interest cost on the defined benefit superannuation schemes is likely to increase, and become more volatile, as the amended Standard will calculate the net interest expense using the long term Commonwealth Government bond rate.

In contrast, currently, the net interest expense is calculated as the difference between the gross interest cost based on the government bond rate and the expected return on plan assets. The change will increase the interest expense because the expected return on plan assets is normally higher than the government bond rate. The difference between the actual asset returns and the gross interest income based on the government bond rate will be recognised as actuarial gain/losses from superannuation in other comprehensive income.

Table D.1 in the Budget Paper 2 of the 2012-13 Budget shows the estimated financial impact of changes to AASB 119, for the general government sector as a whole. The estimated movement due to AASB 119, as shown in this table, relates almost entirely to the Crown Entity. These are the most recent publicly available forecasts of the changes due to AASB 119. Any impact on the Crown Entity surplus/deficit for the year will be offset by movements on other comprehensive income. The impact on the total comprehensive result will be nil and there will be no impact on assets and liabilities. The estimates are based on assumptions used for the 2012-13 Budget.

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

New, revised or amending standards and interpretations

The 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.

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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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) provides details of contributions received relating to the current reporting year.

Financial distributions

These are dividends and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EXPENSES

Employee arrangements

The Crown Entity has no employees. Its work is performed by staff from NSW Treasury. The Crown Entity reimburses the Treasury for these staffing costs and records them as 'Other Expenses'. The Treasury recognises 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 defined benefit pension plans from certain 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 are 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.

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 Commonwealth government long term 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 comprehensive 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

At the reporting date, estimated future cash outflows are discounted using market yields for government bonds that have a maturity date that matches the expected payment pattern of benefits.

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.

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 (%)	
	2011-12	2010-11
Computer Equipment	20.0	20.0
Furniture and Fittings	12.5	12.5

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

Apart from redundancies, grants and subsidies are recognised as expenses when the payments are made. Grants for redundancies are recognised on a accrual basis when approved.

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, in accordance with Treasury's mandate to not-for-profit general government sector entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets

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

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.

Derivative financial instruments

The Crown Entity uses derivatives such as interest rate swaps to reduce the risks of interest rate fluctuations. The Crown Entity has also entered into forward contracts which contain underlying derivatives. 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, and fair values of forward contracts are determined by reference to the underlying value of the equity, applying a discounted cash flow method, and the forward price.

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 and income tax equivalents 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Under AASB 128 *Investments in Associates* the investment is measured consistently with the policies applied in the Crown Entity financial statements. The Crown Entity recognises its investment based upon 58 per cent of the SHL's net assets reported in SHL's financial statements adjusted for consistent accounting policies.

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 the reporting date of 30 June 2012 (2011: 2 July).

Intangible assets

Intangible assets acquired are initially measured at cost. After it is initially recognised, it is carried at cost less any accumulated amortisation and impairment losses.

The Crown Entity's intangible assets have finite lives and are amortised on a straight line basis over five years. The intangibles are 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 is recognised in the depreciation and amortisation line of the Statement of Comprehensive Income.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 making notional repayment of the deposits in accordance with schedules for each deposit, including interest and principal. The notional repayments from the electricity agencies are treated as dividends and returns of capital, respectively.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

	2012 $'000	2011 $'000
(a) Retained taxes, fees and fines		
Payroll tax	7,577,216	7,210,292
Stamp duties	5,320,137	5,471,691
Gambling and betting taxes	1,810,889	1,746,209
Land tax	2,350,934	2,289,998
Motor vehicle taxes and fees	2,071,880	1,949,756
Fees and fines	523,998	481,906
Government guarantee fees	503,151	444,484
Waste disposal levy	418,063	345,384
Other	438,872	515,938
	21,015,140	**20,455,658**
(b) Commonwealth contributions		
Revenue replacement	49,601	18,922
Specific purpose - recurrent	6,397,741	6,074,012
Specific purpose - capital	225,755	227,014
Commonwealth National Partnership payments - recurrent	2,202,016	1,582,806
Commonwealth National Partnership payments - capital	2,749,206	3,010,703
GST revenue	14,239,313	13,881,175
	25,863,632	**24,794,632**
(c) Financial distributions		
Dividends	1,312,308	4,533,727
Income tax equivalents	843,681	922,667
	2,155,989	**5,456,394**
(d) Investment income		
Interest		
Advances	97,739	93,595
Short term money market deposit	176,629	112,705
Other	9,258	9,383
TCorp investments	1,046	894
	284,672	**216,577**
(e) Other income		
Contribution from other Government agencies	101,764	128,033
Revenue from Crown land assets	40,250	30,076
Crown share of Government agency asset sales	11,026	59,475
Repayments of previous years appropriation	81,421	159,218
Long service leave contributions	48,648	36,735
Unclaimed monies	20,102	32,325
Bona vacantia - Public Trustee	7,181	16,792
HIH insurance recoveries	30,383	58,536
Defined benefit superannuation contributions	24,649	13,619
Other	51,423	73,527
	416,847	**608,336**

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)	
	2011-12	2010-11
Education and Communities	625,205	404,126
Family and Community Services	18,663	18,737
Health	115,242	-
Police and Emergency Services	-	1,028
Total	**759,110**	**423,891**

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

Policy Area	Balance ($'000)				
	Total	Periods to which the amounts relate			
	2011-12	2012-13	2013-14	2014-15	Beyond
Transport	1,255,842	927,587	289,000	-	39,255
Department of Trade and Investment, Regional Infrastructure and Services	24,552	24,552	-	-	-
Total	**1,280,394**	**952,139**	**289,000**	**-**	**39,255**

<u>2010-11 comparative</u>

Policy Area	Balance ($'000)				
	Total	Periods to which the amounts relate			
	2010-11	2011-12	2012-13	2013-14	Beyond
Transport	622,540	497,203	119,337	6,000	-
Total	**622,540**	**497,203**	**119,337**	**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 ($'000)**	
	2011-12	**2010-11**
	$'000	**$'000**
Transport	438,540	543,402
Education and Communities	404,126	398,976
Family and Community Services	21,017	164,657
Health	129,978	124,860
Police and Emergency Services	1,258	4,412
Primary Industries	-	1,740
Total	**994,919**	**1,238,047**

4. EXPENSES

	2012 $'000	2011 $'000
(a) Grants and subsidies		
Natural disaster relief	288,060	80,058
Snowy river water rights	27,168	19,602
Advances	19,945	6,181
Grant to NSW Self Insurance Corporation	224,000	67,042
First home owners grant	266,593	261,920
Payment to Judges Pension	14,836	-
Other	32,978	11
	873,580	**434,814**
(b) Finance costs		
Finance charges incurred to:		
NSW Treasury Corporation	1,244,163	1,061,042
Commonwealth Government	79,090	80,736
Other NSW Government agencies	112,389	99,911
Other	66,614	31,620
Unwinding of discounts	10,591	7,663
	1,512,847	**1,280,972**
(c) Other expenses		
Remissions/refunds Crown revenue	29,853	26,115
Bad and doubtful debts	166,648	131,737
Audit fees - financial statements	810	653
Auditor-General's reports to Parliament and performance audits	6,590	6,020
Consultancy	14,421	78,202
Contractors	793	606
HIH claims	4,737	25,664
Builders warranty claims	31,010	43,064
Police superannuation scheme - medical claims cost	18,402	13,879
GST administration costs	218,382	217,984
Refunds to the Commonwealth	-	2,515
Reimbursements to Public Trading Entities	8,006	6,393
Other	31,458	22,573
	531,110	**575,405**

5. LOSS ON DISPOSAL OF GOVERNMENT BUSINESSES

	2012 $'000	2011 $'000
Sale of Government businesses		
Proceeds from sale	-	234,428
Written down value	-	(242,332)
Net loss on disposals	**-**	**(7,904)**

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.

6. GAIN/(LOSS) FROM FINANCIAL INSTRUMENTS

Net gain/(loss) on financial assets held for trading		
Derivative financial instruments	(119,579)	20,982
Net gain/(loss) from financial instruments	**(119,579)**	**20,982**

7. INVESTMENT IN AN ASSOCIATE

	2012 $000	2011 $000
Non-current investment in an associate	3,329,000	2,821,000
	3,329,000	**2,821,000**

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.

2010-11 comparatives have been restated as explained in Note 33.

There are no impairment indicators and no impairment losses as at 30 June 2012 (2011: Nil).

	2012	2011
Share of associate's assets and liabilities		
Current assets	283,446	218,776
Non current assets	3,359,740	2,873,258
	3,643,186	3,092,034
Current liability	312,620	141,578
Non current liability	1,566	129,456
	314,186	271,034
Net assets	**3,329,000**	**2,821,000**
Crown's share in net assets	**3,329,000**	**2,821,000**
Share of associate's profit		
Revenue	488,476	555,640
Profit before income tax	182,930	371,316
Income tax expense	(63,626)	(104,748)
Profit after income tax	**119,304**	**266,568**
Crown's share of profit after income tax	**119,304**	**266,568**
Commitments for expenditure		
Share of capital expenditure commitment contracted for	21,460	34,104
Share of other expenditure and operating lease commitment contracted	52,142	45,878
	73,602	**79,982**

8. FINANCIAL ASSETS AT FAIR VALUE

	2012 $000	2011 $000
Current	1,443	9,785
Non-current	8,846	7,688
Total financial assets at fair value	**10,289**	**17,473**

At 30 June 2012, 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 and derivative forward contracts as part of managing its debt and investment portfolios.

Debt Portfolio

The Crown Entity has no interest rate future contracts as at 30 June 2012 (2011: $2,239 million). Interest rate future contracts were used 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.

Fair value of the Crown Entity's derivative financial instruments

	2012 $000	2011 $000
Current assets		
Futures	-	18,901
Forward contracts	8,265	-
	8,265	**18,901**
Current liability		
Swaps	-	547
	-	**547**
Net amount receivable/(payable)	**8,265**	**18,354**

10. ADVANCES REPAYABLE TO THE CROWN

	2012 $'000	2011 $'000
Current	211,616	62,977
Non-current	1,119,661	1,117,905
Total advances	**1,331,277**	**1,180,882**
Represented by:		
NSW Rural Assistance Authority	136,092	110,837
Sydney Water Corporation	17,380	21,896
Co-operative advances	24,551	22,551
Department of Trade and Investment, Regional Infrastructure and Services	9,213	14,030
Department of Education and Communities	140,500	140,500
Ministry of Health	7,838	6,665
NSW Land and Housing Corporation	511,074	478,146
Trustee of the Home Purchase Assistance Fund	148,318	154,860
Department of Premier and Cabinet	192,292	76,540
Roads and Maritime Services	8,348	10,246
Local Government infrastructure	119,708	128,421
Other	15,963	16,190
	1,331,277	**1,180,882**

Advances repayable to the Crown, with a face value of $1,812 million as at 30 June 2012 (2011: $1,669 million), have stated interest rates of 0.0 - 10.2 per cent and mature in 1 - 30 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

	2012 $'000	2011 $'000
Current:		
Retained taxes, fees and fines	1,344,755	1,782,607
Less: allowance for impairment	(21,672)	(166,271)
Net - retained taxes, fees and fines	1,323,083	1,616,336
Dividends	1,220,036	1,074,318
Tax equivalents	458,182	391,347
Unspent appropriations	93,179	71,298
GST Receivable	1,973	1,380
Other	69,086	61,200
	3,165,539	**3,215,879**
Non-current:		
Other	30,608	8,434
	30,608	**8,434**
Total receivables	**3,196,147**	**3,224,313**

Movements in the allowance for impairment

Balance at 1 July	166,271	34,872
Add: new provisions	21,672	161,085
Less: amounts used	(166,271)	(29,686)
Balance at 30 June	**21,672**	**166,271**

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 $127.9 million (2011: $599.4 million) that were under objection or appeal. The amount under objection has significantly reduced during 2011-12 due to the settlement of an appeal before the Courts.

12. PLANT AND EQUIPMENT

	2012 $'000	2011 $'000
Plant and equipment	169	169
Accumulated depreciation	(102)	(81)
Net plant and equipment	**67**	**88**
Reconciliation of carrying amount		
Fair value		
Opening balance at 1 July	169	211
Add: additions	-	-
Less: assets transferred to other NSW Government agency	-	(42)
Closing balance at 30 June	**169**	**169**
Accumulated depreciation		
Opening balance at 1 July	81	59
Add: charge for the year	21	22
Closing balance at 30 June	**102**	**81**
Net carrying amount at 30 June	**67**	**88**

13. INTANGIBLE ASSETS

Intangible	128	128
Accumulated amortisation	(79)	(53)
Net intangible	**49**	**75**
Reconciliation of carrying amount		
Fair value		
Opening balance at 1 July	128	128
Add: additions	-	-
Closing balance at 30 June	**128**	**128**
Accumulated amortisation		
Opening balance at 1 July	53	27
Add: charge for the period	26	26
Closing balance at 30 June	**79**	**53**
Net carrying amount at 30 June	**49**	**75**

14. INVESTMENT IN A JOINT VENTURE

	2012 $000	2011 $000
Current assets	6,216	-
Non-current assets	-	17,789
	6,216	**17,789**

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 was fully paid as at the reporting date.

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 from 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	12,384	20,677
Financial charges	390,108	341,663
HIH liability to nominated claimants	18,047	12,352
GenTrader deposits	187,525	216,381
Payable to NSW Self Insurance Corporation	221,000	55,000
Reimburse electricity agencies	8,158	6,393
Other	385	611
	837,607	**653,077**
Non-current:		
HIH liability to nominated claimants	30,049	42,608
GenTrader deposits	924,312	1,069,860
	954,361	**1,112,468**
Total payables	**1,791,968**	**1,765,545**

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

	2012 $'000	2011 $'000
Current	69,461	261,631
Non-current	23,134,763	18,819,408
Total borrowings	**23,204,224**	**19,081,039**
Analysed as:		
New South Wales Treasury Corporation (TCorp)	22,448,343	18,310,214
Commonwealth financial agreement	7,930	7,941
Commonwealth specific purpose advances	732,350	762,084
Commonwealth other	15,101	-
Other	500	800
Total borrowings at amortised cost	**23,204,224**	**19,081,039**

Borrowings from TCorp are interest bearing. The average interest cost, including the amortisation of bond premium or discount, of the TCorp debt portfolio was 6.24 per cent (2011: 6.09 per cent). The modified duration of the nominal debt portfolio is 5.82 per cent (2011: 5.36 per cent) and for the indexed debt portfolio is 11.65 per cent (2011: 12.2 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 2012 $'000	2011 $'000
Financial assets				
Cash and cash equivalents	24	N/A	2,769,351	4,912,898
Financial assets at fair value	8	At fair value through profit or loss (designated as such upon initial recognition)	10,289	17,473
Derivative financial instruments	9	At fair value through profit or loss (classified as held for trading)	8,265	18,901
Advances repayable to the Crown	10	Loans and Receivables (at amortised cost)	1,331,277	1,180,882
Receivables [1]	11	Loans and Receivables (at amortised cost)	1,319,729	1,143,952
Financial liabilities				
Payables [2]	15	Financial liabilities (at amortised cost)	1,791,968	1,765,545
Bank overdrafts	24	N/A	2,997,189	2,328,840
Derivative financial instruments	9	At fair value through profit or loss (classified as held for trading)	-	547
Borrowings	16	Financial liabilities measured at amortised cost	23,204,224	19,081,039
Financial guarantees	27(b)	Financial liabilities measured at fair value less accumulated amortisation	14,000	16,100

[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 2011. 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 direct 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
2012					
Financial assets					
Cash and cash equivalents[1]	2,591,526	(25,915)	-	25,915	-
Managed asset porfolio[2]	7,073	(20)	-	20	-
Financial liabilities					
Bank overdrafts	2,997,189	29,972	-	(29,972)	-
Borrowings managed by TCorp	22,448,343	1,581,860	-	(1,581,860)	-
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)	-

[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 $394,000 (2011:$461,000).

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 and the derivative forward contracts. The Crown Entity has no direct equity investments.

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

Facility	Investment Sectors	Investment Horizon	2012 $'000	2011 $'000
Cash Facility	Cash, money market instruments	Up to 1.5 years	180,647	2,690

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)	
	2012 %	2011 %	2012 $'000	2011 $'000
Cash Facility	+/- 1.0	+/- 1.0	+/- 1,806	+/- 27

The fair value of the derivative forward contracts is determined by reference to the fair value of the underlying equity, based on the present value of future cash inflows. The discount rate of 11.88 per cent used to determine the present value of the net cash inflows was based on a market interest rate and the risk premium specific to the entity. If the risk adjusted discounted rate was 0.5 per cent higher or lower, the fair value would decrease by $2.4 million and increase by $2.7 million respectively.

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 (TBS). Interest is earned on daily bank balances adjusted for a management fee to NSW Treasury.

The Crown Entity utilises the Consolidated Fund Account overdraft to offset the bank balances of TBS agencies accounts to minimise the overall borrowing requirements of the State. The bank regards all the individual accounts within the TBS as forming one account. The Crown Entity is paid interest on the balance of this 'one account'. Thus, the Consolidated Fund can borrow almost the total of other accounts in the TBS at the interest rate agencies would be paid for having cash on deposit, a significant saving on normal borrowing rates.

Receivables and advances repayable to the Crown

Receivables include dividends from certain NSW government agencies. Statutory receivables such as taxes, fees and fines and income tax equivalents are excluded from here.

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 general government 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	
2012					
Receivables	3,434	-	-	3,434	-
2011					
Advances repayable to the Crown	328	-	-	-	328

17. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Financial assets at fair value

Financial assets at fair value include investments in TCorp's Hour-Glass facilities and derivative forward contracts. The investments within the Hour-Glass facilities are unit holdings and the derivative forward contracts are related to the unlisted equity securities. As such, they do not give rise to credit risk.

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
2012								
Cash and cash equivalents	660,797	-	360,753	1,546,971	200,830	-	-	2,769,351
Advances	-	-	-	-	-	-	1,331,277	1,331,277
Receivables	-	-	-	-	-	146,862	1,172,867	1,319,729
Managed asset porfolio[2]	3,298	515	428	932	-	-	1,900	7,073
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

By classification of counterparty	Governments $'000	Banks $'000	Other $'000	Total $'000
2012				
Cash and cash equivalents	660,797	2,108,554	-	2,769,351
Advances	1,305,290	-	25,987	1,331,277
Receivables	1,318,855	-	874	1,319,729
Managed asset porfolio[2]	600	1,800	4,673	7,073
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

[1] 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 2012 have an estimated total value of $14.0 million (2011: $16.1 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 the US Treasury as the counterparty. The credit risk for these activities is $4 million (2011: $7 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 $138 million (2011: $175 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. The likelihood of invoking the guarantee is measured by the level of the existing owners’ equity to their guaranteed liabilities. It is regarded as extremely unlikely given this ratio has grown over time, The credit risk for these guarantees is $276 million (2011: $237 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 $4,785 million (2011: $4,952 million).

Accordingly, 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 overdraft with a limit of $5 billion (2011: $3.5 billion)
- TCorp’s “Come & Go” facility with a limit of $3.5 billion (2011: $3.5 billion)
- borrowings

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

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

17. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

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

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] $'000	Fixed interest rate $'000	Variable interest rate $'000	Non-interest bearing $'000	< 1 Year $'000	1 - 5 Years $'000	> 5 Years $'000
2012								
Payables[2]	-	1,791,968	1,069,859	-	722,109	837,607	413,435	540,926
Bank overdrafts	4.47	2,997,189	-	2,997,189	-	2,997,189	-	-
TCorp borrowings	5.68	32,965,554	32,965,554	-	-	1,180,325	9,731,458	22,053,771
Cwlth general purpose borrowings	3.00	7,930	7,930	-	-	7,930	-	-
Cwlth specific purpose borrowings	4.56	1,194,664	1,194,664	-	-	52,121	205,714	936,829
Own name borrowings	6.80	500	500	-	-	-	500	-
Financial guarantees[3]	-	5,202,640	-	-	5,202,640	364,650	780,220	4,057,770
Total financial liabilities[4]		**44,160,445**	**35,238,507**	**2,997,189**	**5,924,749**	**5,439,822**	**11,131,327**	**27,589,296**
2011								
Payables[2]	-	1,765,545	1,264,364	-	501,181	653,077	476,426	636,042
Bank overdrafts	4.57	2,328,840	-	2,328,840	-	2,328,840	-	-
TCorp borrowings	5.94	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**	**30,700,881**	**2,457,339**	**5,871,838**	**4,635,628**	**10,660,206**	**23,734,224**

[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 $14.0 million (2011: $16.1 million).

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

17. FINANCIAL INSTRUMENTS (continued)

Fair value

Financial instruments are generally recognised at cost, with the exception of the TCorp Hour-Glass facilities and the derivative forward contracts, 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. The fair value of the derivative contracts are calculated by reference to the underlying value of the equity, determined by discounted cash flow method.

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

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	$'000	$'000	$'000	$'000
Financial assets				
Co-operative advances	24,551	26,318	22,551	23,398
Unrecognised profit	1,767	-	847	-
Total	**26,318**	**26,318**	**23,398**	**23,398**
Financial liabilities				
TCorp borrowings	22,448,343	24,866,247	18,310,214	18,981,623
Commonwealth general purpose borrowings	7,930	7,930	7,941	4,748
Unrecognised loss	2,417,904	-	668,216	-
Total	**24,874,177**	**24,874,177**	**18,986,371**	**18,986,371**

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)

	Level 1	Level 2	Level 3	Total
2011-12	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets at fair value				
Tcorp Hour-Glass investment facilities	-	2,822	-	**2,822**
Other	-	7,467	-	**7,467**
Derivative Financial Instruments	-	-	8,265	**8,265**
	-	**10,289**	**8,265**	**18,554**
2010-11				
Tcorp Hour-Glass investment facilities	-	2,690	-	2,690
Other	-	14,783	-	14,783
Derivative Financial Instruments	-	18,901	-	18,901
	-	**36,374**	**-**	**36,374**

Reconciliation of level 3 fair value measurements

	Derivative forward contracts $'000
Opening balance at 1 July 2011	-
Total gains or losses	
- net result for the year (in gain/(loss) from financial instrument)	8,265
Closing balance at 30 June 2012	**8,265**

Of total gains and losses included in the net result for the year, $8.3 million relates to assets held at the end of the reporting period.

There were no transfers between the levels during the year ended 30 June 2012 (2011: 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 Scheme (SSS)	Closed to new entrants in 1985	The entire benefit is defined by final salary and service and is not separated into employer and employee financed components	Indexed pension or lump sum
Police Superannuation Scheme (PSS)	Closed to new entrants in 1988	As for SSS	Indexed pension, or lump sums available from 1 April 1988.
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 2011-12, unfunded superannuation liabilities increased by $13,151 million (2011: decreased by $333.3 million).

Actuaries calculated unfunded superannuation liabilities at 30 June 2012 using:

- scheme membership data at 30 June 2011
- demographic assumptions of the 2009 Triennial Valuation of the State Super Fund Superannuation Schemes
- an additional allowance for staff reductions, consistent with the Labour Expense Cap advised in the 2012-13 Budget

18. UNFUNDED SUPERANNUATION LIABILITY (continued)

The following figures are 2012 actual

Member numbers

	SASS	SANCS	SSS	PSS	JPS	PCSS
Contributors	27,011	39,302	10,652	1,639	142	46
Deferred benefits	10,534	12,510	1,739	102	-	2
Pensioners	3,070	-	37,215	6,544	179	285
Pensions fully commuted	-	-	13,243	-	-	-

Superannuation position for AASB 119 *Employee Benefits*

	SASS $'000	SANCS $'000	SSS $'000	PSS $'000	JPS $'000	PCSS $'000	Total 2011-12 $'000
Accrued liability	10,841,166	2,400,930	42,809,870	12,880,185	1,030,537	731,897	70,694,585
Estimated reserve account balance	(7,011,460)	(1,335,119)	(14,107,664)	(3,762,937)	-	(201,100)	(26,418,280)
	3,829,706	1,065,811	28,702,206	9,117,248	1,030,537	530,797	44,276,305
Future service liability	(1,425,306)	(516,999)	(759,043)	(233,476)	-	-	(2,934,824)
Net liability to be disclosed in the Statement of Financial Position	3,829,706	1,065,811	28,702,206	9,117,248	1,030,537	530,797	44,276,305
Current							1,279,700
Non-current							42,996,605
Total							44,276,305

18. UNFUNDED SUPERANNUATION LIABILITY (continued)

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

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2011-12
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Present value at 1/7/11	9,856,307	2,199,659	31,109,622	9,331,004	735,070	488,700	53,720,362
Current service cost	285,490	86,222	116,344	61,079	27,350	2,200	578,685
Interest cost	505,345	112,079	1,626,358	481,032	38,573	26,188	2,789,575
Contributions by fund participants	151,112	-	158,889	11,045	-	1,200	322,246
Actuarial (gains)/losses	811,223	222,618	11,023,716	3,384,925	265,104	237,709	15,945,295
Benefits paid	(768,311)	(219,648)	(1,225,059)	(388,900)	(35,560)	(24,100)	(2,661,578)
Present value at 30/6/12	**10,841,166**	**2,400,930**	**42,809,870**	**12,880,185**	**1,030,537**	**731,897**	**70,694,585**

Reconciliation of the fair value of fund assets

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2011-12
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Fair value at 1/7/11	5,566,626	737,252	13,086,307	2,987,571	-	217,100	22,594,856
Expected return on fund assets	468,997	64,583	1,089,077	251,867	-	18,254	1,892,778
Actuarial gains/(losses)	(391,504)	(17,228)	(1,124,079)	(223,992)	-	(24,554)	(1,781,357)
Employer contributions	1,984,540	770,160	2,122,529	1,125,346	35,560	13,200	6,051,335
Contributions by fund participants	151,112	-	158,889	11,045	-	1,200	322,246
Benefits paid	(768,311)	(219,648)	(1,225,059)	(388,900)	(35,560)	(24,100)	(2,661,578)
Fair value at 30/6/12	**7,011,460**	**1,335,119**	**14,107,664**	**3,762,937**	**-**	**201,100**	**26,418,280**

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

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2011-12
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit obligations at 30/6/12	10,841,166	2,400,930	42,809,870	12,880,185	1,030,537	731,897	70,694,585
Fair value of fund assets at 30/6/12	(7,011,460)	(1,335,119)	(14,107,664)	(3,762,937)	-	(201,100)	(26,418,280)
Net liability at 30/6/12	**3,829,706**	**1,065,811**	**28,702,206**	**9,117,248**	**1,030,537**	**530,797**	**44,276,305**

Expense recognised in the Statement of Comprehensive Income

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2011-12
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current service cost	285,490	86,222	116,344	61,079	27,350	2,200	578,685
Interest cost	505,345	112,079	1,626,358	481,032	38,573	26,188	2,789,575
Expected return on fund assets (net of expenses)	(468,997)	(64,583)	(1,089,077)	(251,867)	-	(18,254)	(1,892,778)
Expense/(income) recognised	**321,838**	**133,718**	**653,625**	**290,244**	**65,923**	**10,134**	**1,475,482**

18. UNFUNDED SUPERANNUATION LIABILITY (continued)

Expense recognised in Other Comprehensive Income

	SASS $'000	SANCS $'000	SSS $'000	PSS $'000	JPS $'000	PCSS $'000	Total 2011-12 $'000
Actuarial (gains)/losses	1,202,726	239,846	12,147,795	3,608,917	265,104	262,263	17,726,651

Cumulative expense recognised in Other Comprehensive Income

	SASS $'000	SANCS $'000	SSS $'000	PSS $'000	JPS $'000	PCSS $'000	Total 2011-12 $'000
Cumulative amount of actuarial (gains)/losses	2,635,964	689,608	20,622,926	6,089,328	374,219	374,603	30,786,648

Fund Assets

	State Super 30/06/2012 %	PCSS 30/06/2012 %
Australian equities	28.0	31.0
Overseas equities	23.7	26.0
Australian fixed interest securities	4.9	13.0
Overseas fixed interest securities	2.4	13.0
Property	8.6	14.0
Cash	19.5	1.0
Other	12.9	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 $'000	SANCS $'000	SSS $'000	PSS $'000	JPS $'000	PCSS $'000	Total 2011-12 $'000
Actual return on fund assets	(6,206)	(2,909)	(11,532)	(5,959)	-	(3,500)	(30,106)

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 (excluding promotional increases)	2.5%	3.5%	3.5%
Rate of CPI increase	2.5%	2.5%	2.5%
Expected rate of return on assets	8.6%	0.0%	8.6%
Discount rate	3.06%	3.06%	3.06%

(c) Demographic assumptions

The demographic assumptions at 30 June 2012 are those that were used in the Mercer 2009 triennial actuarial valuation, plus an additional allowance for staff reductions consistent with the labour expense cap, advised in the 2012-13 Budget. The triennial review report is available from the NSW Treasury website. The PCSS assumptions are those used for the 2011 PCSS triennial actuarial valuation and the JPS assumptions are those used for in the most recent JPS actuarial valuation completed in October 2010.

Historical information

	SASS $'000	SANCS $'000	SSS $'000	PSS $'000	JPS $'000	PCSS $'000	Total 2011-12 $'000
Present value of defined benefit	10,841,166	2,400,930	42,809,870	12,880,185	1,030,537	731,897	70,694,585
Fair value of fund assets	(7,011,460)	(1,335,119)	(14,107,664)	(3,762,937)	-	(201,100)	(26,418,280)
(Surplus)/deficit in fund	3,829,706	1,065,811	28,702,206	9,117,248	1,030,537	530,797	44,276,305
Experience adjustments – fund liabilities	811,223	222,618	11,023,716	3,384,925	265,104	237,709	15,945,295
Experience adjustments – fund assets	391,504	17,228	1,124,079	223,992	-	24,554	1,781,357

Expected contributions

	SASS $'000	SANCS $'000	SSS $'000	PSS $'000	JPS $'000	PCSS $'000	Total 2011-12 $'000
Expected employer contributions	N/A	N/A	N/A	N/A	N/A	N/A	1,348,800

18. UNFUNDED SUPERANNUATION LIABILITY (continued)

Funding arrangements for employer contributions

a) Surplus/(deficit)

The following is a summary of the 30 June 2012 financial position of the Fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*:

	SASS	SANCS	SSS	PSS	JPS	PCSF	Total 2011-12
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accrued benefits	9,323,636	2,069,275	23,381,475	6,661,076	505,879	360,452	42,301,793
Net market value of fund assets	(7,011,460)	(1,335,119)	(14,107,664)	(3,762,937)	-	(201,100)	(26,418,280)
Net deficit	2,312,176	734,156	9,273,811	2,898,139	505,879	159,352	15,883,513

b) Contribution recommendations

Recommended contribution rates for the entity are:

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2011-12
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Expected employer contributions	N/A	N/A	N/A	N/A	N/A	N/A	1,348,800

c) Funding method

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 actuarially calculated funding plan advised in the 2012-13 State Budget is designed to fully fund the State's superannuation liabilities by 2030. Mercer's 2012 Triennial Review of the State Super Schemes is underway and will be completed in December 2012.

d) Economic assumptions

The economic assumptions adopted by the 2009 triennial actuarial review of the Fund were:

	State Super	JPS	PCSS
Weighted-average			
Expected rate of return on fund assets backing current pension liabilities	8.3%	N/A	N/A
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%	8.3%
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 2011 comparatives

Member numbers

	SASS	SANCS	SSS	PSS	JPS	PCSS
Contributors	28,957	43,155	12,338	1,860	138	47
Deferred benefits	10,515	12,700	1,973	109	-	2
Pensioners	3,235	-	35,342	6,444	189	280
Pensions fully commuted	-	-	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
Equity adjustment - RIC	-	-	-	-	-	-	-
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 of fund assets 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
Equity adjustment - RIC	-	-	-	-	-	-	-
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 of fund assets 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 as at 30/6/11	**4,289,681**	**1,462,407**	**18,023,315**	**6,343,433**	**735,070**	**271,600**	**31,125,506**

Expenses recognised in 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 (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 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 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	5.28	5.28	5.28

(c) Demographic assumptions

The Pooled Fund Scheme demographic assumptions at 30 June 2011 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 in the most recent JPS actuarial valuation completed in October 2010.

Historical information

	SASS $'000	SANCS $'000	SSS $'000	PSS $'000	JPS $'000	PCSS $'000	Total 2010-11 $'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 $'000s	SANCS $'000s	SSS $'000s	PSS $'000s	JPS $'000s	PCSS $'000s	Total 2010-11 $'000s
Expected employer contributions	N/A	N/A	N/A	N/A	N/A	N/A	1,396,100

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 $'000	SANCS $'000	SSS $'000	PSS $'000	JPS $'000	PCSS $'000	Total 2010-11 $'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 multiple of member contributions	SANCS % member salary	SSS multiple of member contributions	PSS multiple of member contributions	JPS % member salary	PCSS multiple of member contributions
Crown	N/A	N/A	N/A	N/A	N/A	N/A

c) Funding method

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 actuarially calculated funding plan advised in the 2011-12 State Budget was designed to fully fund the State’s superannuation liabilities by 2030.

d) Economic assumptions

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

Weighted-Average Assumptions	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	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.

Historical information

SASS	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Present value of defined benefit	10,841,166	9,856,307	9,420,139	8,660,560	8,498,344
Fair value of Fund assets	(7,011,460)	(5,566,626)	(5,196,392)	(4,639,116)	(4,764,955)
(Surplus)/Deficit in Fund	3,829,706	4,289,681	4,223,747	4,021,444	3,733,389
Experience adjustments - Fund	811,223	234,310	573,530	(74,253)	(575,031)
Experience adjustments - Fund assets	391,504	(5,650)	39,373	763,886	741,490
SANCS					
Present value of defined benefit	2,400,930	2,199,659	2,222,614	2,024,193	1,918,845
Fair value of Fund assets	(1,335,119)	(737,252)	(818,844)	(537,313)	(594,824)
(Surplus)/Deficit in Fund	1,065,811	1,462,407	1,403,770	1,486,880	1,324,021
Experience adjustments - Fund	222,618	102,263	149,888	88,524	(26,762)
Experience adjustments - Fund assets	17,228	3,765	16,606	100,422	96,149
SSS					
Present value of defined benefit	42,809,870	31,109,622	30,824,342	28,092,665	22,851,587
Fair value of Fund assets	(14,107,664)	(13,086,307)	(12,422,132)	(11,941,003)	(14,504,256)
(Surplus)/Deficit in Fund	28,702,206	18,023,315	18,402,210	16,151,662	8,347,331
Experience adjustments - Fund	11,023,716	(562,251)	1,833,729	4,772,124	(221,364)
Experience adjustments - Fund assets	1,124,079	(13,207)	(105,252)	2,551,383	2,309,031
PSS					
Present value of defined benefit	12,880,185	9,331,004	9,373,243	8,670,694	6,887,768
Fair value of Fund assets	(3,762,937)	(2,987,571)	(2,873,508)	(2,735,293)	(3,458,437)
(Surplus)/Deficit in Fund	9,117,248	6,343,433	6,499,735	5,935,401	3,429,331
Experience adjustments - Fund	3,384,925	(237,746)	477,833	1,667,672	(26,691)
Experience adjustments - Fund assets	223,992	(4,457)	(20,610)	597,719	572,041
JPS					
Present value of defined benefit	1,030,537	735,070	660,222	605,495	553,467
Fair value of Fund assets	-	-	-	-	-
(Surplus)/Deficit in Fund	1,030,537	735,070	660,222	605,495	553,467
Experience adjustments - Fund	265,104	50,797	31,570	26,748	(9,278)
Experience adjustments - Fund assets	-	-	-	-	-
PCSS					
Present value of defined benefit	731,897	488,700	476,000	438,600	373,600
Fair value of Fund assets	(201,100)	(217,100)	(206,922)	(207,800)	(253,855)
(Surplus)/Deficit in Fund	530,797	271,600	269,078	230,800	119,745
Experience adjustments - Fund	237,709	3,857	23,681	52,097	(33,781)
Experience adjustments - Fund assets	24,554	(13,451)	(1,285)	47,441	51,242

19. EMPLOYEE BENEFITS AND OTHER PROVISIONS

	2012 $'000	2011 $'000
Current	5,891,896	5,111,063
Non-current	307,651	266,769
Total employee benefits and other provisions	**6,199,547**	**5,377,832**

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.

	2012 $'000	2011 $'000
a) Long service leave		
Current		
General Government Sector agencies assumed by the Crown, excluding NSW Health	3,870,639	3,352,478
NSW Health	1,882,214	1,631,455
Crown long service leave pool	92,518	84,688
	5,845,371	**5,068,621**
Non-current		
General Government Sector agencies assumed by the Crown, excluding NSW Health	203,718	176,446
NSW Health	99,064	85,866
Crown long service leave pool	4,869	4,457
	307,651	**266,769**
b) Other leave benefits		
Current		
Other leave benefits	46,525	42,442
	46,525	**42,442**
Total employee benefits and other provisions	**6,199,547**	**5,377,832**

19. EMPLOYEE BENEFITS AND OTHER PROVISIONS (continued)

The expected payment within the next twelve months for General Government Sector agencies' long service leave is $506 million (2011: $426 million), for NSW Health is $205 million (2011: $169 million) and for the Crown long service leave pool is $11 million (2011: $9.5 million).

Movement in major provisions:

Movement in major provisions:

	General government sector agencies long service leave (excl. NSW Health) $'000	NSW Health long service leave $'000	Crown long service leave pool $'000	Other leave benefits $'000	TOTAL $'000
Balance as at 1 July 2011	3,528,924	1,717,321	89,145	42,442	5,377,832
Add: increase in liability during the year	769,244	318,529	21,561	4,083	1,113,417
Add: interest costs	186,327	90,675	4,707	-	281,709
Add: transfer in from other NSW government agency	58,549	-	-	-	58,549
Less: cash payments	(468,687)	(145,247)	(18,026)	-	(631,960)
Balance as at 30 June 2012	**4,074,357**	**1,981,278**	**97,387**	**46,525**	**6,199,547**
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
Add: 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**

20. PROVISION FOR OUTSTANDING BUILDING INSURANCE CLAIMS

	2012 $'000	2011 $'000
Current	45,216	83,978
Non-current	167,180	126,865
Total provision for outstanding building insurance claims	**212,396**	**210,843**

HIH building insurance claims

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 policies 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 Insurers' Guarantee Corporation (BIGCorp) from funding provided by the Crown Entity through the Policyholders' Protection Fund.

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.

Other building insurance claims

Following the insurance crisis that arose in 2002, reinsurers of builders warranty ceased to provide insurance to the insurers of builders and building works. To protect consumers and maintain stability in the building industry, the State Government intervened and agreed to provide reinsurance protection to private insurers at the time. This arrangement is no longer in place. Home Warranty Insurance Fund now provides insurance policies to the building industry from 1 July 2010. The run-off reinsurance liabilities are held by the Crown. From 30 June 2011 the outstanding claims provisions are assessed annually by an actuary.

20. PROVISION FOR OUTSTANDING BUILDING INSURANCE CLAIMS (continued)

	HIH Building Insurance Claims $'000	Other Building Insurance Claims $'000	Total $'000
Balance as at 1 July 2011	153,367	57,476	210,843
Less: payments	(17,438)	(12,109)	(29,547)
Actuarial (gains)/losses	(12,465)	34,524	22,059
Interest costs	7,098	1,943	9,041
Balance as at 30 June 2012	**130,562**	**81,834**	**212,396**
Balance as at 1 July 2010	147,926	20,300	168,226
Less: payments	(7,740)	(6,772)	(14,512)
Actuarial (gains)/losses	7,687	43,948	51,635
Interest costs	5,494	-	5,494
Balance as at 30 June 2011	**153,367**	**57,476**	**210,843**

21. 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

	2012 $'000	2011 $'000
Capital commitments contracted for at reporting date but not recognised as liability are as follows:		
- not later than one year	14,500	23,084
- later than one year but not later than five years	6,960	11,020
Total (including GST)	**21,460**	**34,104**

(b) Operating lease commitments – as lessee

	2012 $'000	2011 $'000
Future non-cancellable operating lease rentals not provided for and payable:		
- not later than one year	2,494	2,146
- later than one year but not later than five years	7,772	8,236
- later than five years	32,596	33,176
Total (including GST)	**42,862**	**43,558**

21. COMMITMENTS FOR EXPENDITURE (continued)

(c) Other commitments

	2012 $'000	2011 $'000
Other commitments contracted for at reporting date but not recognised as liability are as follows:		
- not later than one year	5,046	2,320
- later than one year but not later than five years	4,234	-
Total (including GST)	**9,280**	**2,320**

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 $150 million at the reporting date (2011: $135 million). There is no outstanding commitment as at 30 June 2012 (2011: $15 million). In addition NSW's share in joint 'Funding Account' of $6.2 million (2011: $17.8 million) is 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.

22. 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. Recent amendments to the Snowy Water Licence were agreed to by SHL and are not expected to have an adverse financial impact on SHL. No major amendments to the Snowy Licence are currently proposed. 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.

In addition, with its 58 per cent investment in SHL, the Crown Entity assumes the responsibility for this portion of SHL's reported contingent liabilities as detailed below:

SHL is involved in various legal proceedings 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 $17.2 million (2011: $19.9 million).
2. Liability for Former Scheme Sites has been extinguished except to the extent of any contaminated former sites. The 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.

22. CONTINGENT LIABILITIES (continued)

Universities Superannuation Liabilities

Some staff at NSW Universities are members of State Super's defined benefit schemes (SASS, SANCS and SSS). Responsibility for funding scheme liabilities has been a long standing issue and NSW and Commonwealth officials have been meeting to develop a permanent agreement to address the current funding shortfall.

NSW does not, at present, provide a guarantee for University superannuation liabilities.

Depending on the nature and scope of a future funding agreement, NSW may agree to provide for a proportion of future benefit payments, which may need to be recognised as a liability.

Tallawarra site remediation costs

The Residual Business Management Corporation (RBMC) is the legal successor entity to the now dissolved Pacific Power. In 2003 Pacific Power sold a former power station site at Tallawarra to TXU Australia (Bairnsdale Power) Pty Ltd and TXU Electricity Ltd, now TRUenergy Tallawarra Pty Ltd. Under the terms of the sale agreement, the Crown Entity, as the residual entity of the State would be responsible for contamination clearance costs in excess of $3 million. Asbestos contamination remediation work and an assessment of additional site contamination have been conducted. It is expected that TRUenergy will request a reimbursement for the costs incurred above $3 million. However, the amount of reimbursement is not yet quantifiable.

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 2012, the net market value of fund assets was $8.6 million less (2011: $4.6 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. These amounts are not due to be re-estimated until the triennial review of the EISS is completed in 2012-13.

22. CONTINGENT LIABILITIES (continued)

Sale of Pacific Power International (continued)

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 $70.3 billion (2011: $60.3 billion) under the *Public Authorities (Financial Arrangements) Act 1987*.

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	2012 $'000	2011 $'000
National Electricity Market (NEM)	14,170	45,600
Short Term Trading Market (STTM)	1,100	8,200
	15,270	**53,800**

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 $122.95 million (2011: $120.7 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 funded through a portfolio of debt with a modified duration of around 3 years. There is an interest rate exposure on a principal of $553 million as at 30 June 2012 (2011: $545 million).

22. CONTINGENT LIABILITIES (continued)

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.

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

22. CONTINGENT LIABILITIES (continued)

NSW Energy Industry Reform

The State Government provided a Deed of Indemnity to the directors and designated senior management of some State-owned Corporations (SOC) at the time of the electricity asset transaction under the former Government. This Deed indemnifies them against claims and liabilities in connection with the Energy Industry Reform transactions (Transaction Process).

The SOCs covered in this indemnity are:

- Essential Energy
- Eraring Energy
- Ausgrid
- Macquarie Generation
- Endeavour Energy
- Delta Electricity

To the extent permitted by law, the indemnity covers each indemnified party, in their capacity as directors or senior managers, 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 time of preparing this report.

22. 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 Financial Year 2016. The company intends to establish the Cobbora mine to fulfil its contractual obligations. When these contracted revenues are set against the current estimates of the costs to develop and operate the mine, the commercial value of the Cobbora mine post-development, is expected to be less than the costs to develop it. The project is at a pre-feasibility stage and pending development of a bankable feasibility study, it is considered that the financial effect of the above consideration cannot be reliably measured.

Additionally, the State Government provides an indemnity to the directors of Cobbora Holding Company Pty Limited against claims and liabilities in connection with the Government's Cobbora coal mine development project. There are no known claims as at the reporting date.

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 2012, 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.

22. CONTINGENT LIABILITIES (continued)

AFC Asian Cup 2015

On 5th January 2011, the AFC awarded Australia the hosting rights for the AFC Asian Cup 2015. As part of the bid process, the States signed certain agreements that relate to the operation and conduct of the Competition.

The Governments have agreed to provide funding to the Local Organising Committee AFC Asian Cup Pty Ltd under a Funding Agreement (currently under negotiation as at 30 June 2012).

The NSW Government have agreed to certain guarantees as part of the bid process, the risks associated with the guarantees being non-quantifiable at this stage of negotiation.

Guarantees include the following:

1. Work permits
2. Safety and Security
3. Protection and Exploitation of Commercial Rights

Data Centre Reform Project

In May 2012, the Government entered into a 10 year operating lease agreement for the provision of data centre capacity on a government-wide basis. The Government committed to move a minimum of 3 megawatts of Information and Communications Technology load into the data centres over the 10 years. The total value of the lease payments is estimated to be $143.6 million.

The Government is party to a Tripartite Deed with respect to finance facilities provided to the lessor by a financier. The Government has a contingent liability to the financier with a maximum exposure of up to $72 million, and which reduces to zero over the contract period.

If the Government is obliged to make a payment to the financier, it is entitled to be reimbursed by the lessor. Failing such reimbursement, the Government has recourse to security over the data centres and related assets.

The lease obligations of the Government will be managed by the Department of Finance and Services (DFS). The schedule of Operating Lease Expenditure and Lease Revenue Commitments has been disclosed by DFS.

23. 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 $178.7 million as at 30 June 2012 (2011: $208.3 million).

The liquidators currently intend to distribute various percentages up to “more than 50 per cent” depending on the scheme company. In 2011-12, the Crown Entity received payments totalling $30.4 million (2011: $58.5 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:

	2012 $'000	2011 $'000
GST recoverable input tax credits:		
Capital commitments	1,951	3,100
Other commitments	844	211
Operating lease commitments - lessee	3,897	3,960
	6,692	**7,271**

24. CASH FLOW INFORMATION

Cash and cash equivalents

In 2011-12, under the *Public Authorities (Financial Arrangements) Act 1987*, the Governor approved financial accommodation of $22,500 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. As No amounts were drawn from the Facility as at 30 June 2012 (2011: 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, $309 million is restricted cash assets (2011: $347 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.

24. 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:

	2012 $'000	2011 $'000
Cash at bank	560,664	407,446
Short term deposits	2,208,687	4,505,452
	2,769,351	**4,912,898**
Bank overdraft	(2,997,189)	(2,328,840)
Net cash and cash equivalents (per Statement of Cash Flows)	**(227,838)**	**2,584,058**

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

	2012 $'000	2011 $'000
Net cash flows provided by/(used in) operating activities	(7,212,154)	2,585,806
Non cash items added back		
Share of profit of an associate	119,304	266,568
Depreciation and amortisation	(47)	(47)
Non cash finance costs	(198,286)	(18,230)
Administrative restructure - transfer in	(1,557)	1,392,735
Other	-	(339)
	(80,586)	**1,640,687**
Change in operating assets and liabilities		
Movement in working capital	(322,876)	(561,492)
Increase/(decrease) in other liabilities	3,999,999	(3,163,245)
Decrease/(increase) in other assets	76,839	(1,364)
	3,753,962	**(3,726,101)**
Movement for the year	**3,673,376**	**(2,085,414)**
Surplus/(deficit) for the year	**(3,538,778)**	**500,392**

25. TRUST FUNDS

The Crown Entity holds money in various trust funds for various purposes. These are explained below. The monies held in trust are included in the financial statements as the Crown Entity holds them in its main operating account due to their immaterial amount. The Crown Entity cannot use these amounts for the achievement of its objectives. The following is a summary of the transactions in the trust accounts:

Accounts	State Rail Authority wind-up $'000	Land Acquisition Fund - compensation deposits $'000	Consumer Affairs Trust $'000	Funeral Fees $'000
Balance 1.7.2010	915	758	103	112
Add: receipts	2	-	-	-
Less: payments	(127)	-	-	-
Balance 30.6.2011	**790**	**758**	**103**	**112**
Add: receipts	1	-	-	-
Less: payments	(19)	(18)	(103)	-
Balance 30.6.2012	**772**	**740**	**-**	**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.

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 received 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 were 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.

26. SPECIAL DEPOSIT ACCOUNTS

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

NSW Policyholders Protection Fund

The *Insurance Protection Tax 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.

Crown long service leave pool

This account holds long service leave funds for certain government 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. As at 30 June 2012 all monies in the fund were paid to the Department of Planning and Infrastructure to be under their administration.

26. SPECIAL DEPOSIT ACCOUNTS (continued)

Restart NSW

The purpose of this account is to improve economic growth and productivity in the State through funding major infrastructure projects. It is to be funded from windfall State tax revenue allocated through the Budget process and other funds such as the proceeds of issuing Waratah Bonds and proceeds from the desalination plant transaction.

Accounts	NSW Policyholders Protection Fund $'000	Non Budget Long Service Leave Pool $'000	Structured Finance Activities $'000	Confiscated Proceeds Account $'000	Workers Compensation $'000
Balance 1.7.2010	146,638	18,878	1,613	74,481	5,977
Plus receipts	66,698	10,740	185	44,735	8,000
Less payments	(14,730)	(9,979)	(361)	(30,373)	(7,840)
Balance 30.6.2011	**198,606**	**19,639**	**1,437**	**88,843**	**6,137**
Plus receipts	75	13,727	118	14,345	10,215
Less payments	(54,209)	(18,025)	(181)	(5,542)	(7,971)
Balance 30.06.2012	**144,472**	**15,341**	**1,374**	**97,646**	**8,381**

Accounts	Builders Warranty Insurance $'000	RNSH Interest Adjustment $'000	State Infrastructure Fund $'000	Restart NSW $'000
Balance 1.7.2010	20,300	2,553	689	-
Plus receipts	13,218	137	3,074	-
Less payments	(6,772)	-	(2,424)	-
Balance 30.6.2011	**26,746**	**2,690**	**1,339**	
Plus receipts	995	132	26	19,252
Less payments	(9,591)	-	(1,365)	-
Balance 30.06.2012	**18,150**	**2,822**	**-**	**19,252**

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.

27. OTHER LIABILITIES

	2012 $'000	2011 $'000
Current:		
Confiscated proceeds	97,646	88,842
Special deposit and trust accounts	12,827	11,929
Deferred income [(a)]	233,730	224,013
Unclaimed prizes	1,000	1,000
Financial guarantees [(b)]	2,100	2,100
Other	9,827	-
	357,130	**327,884**
Non-current:		
Deferred income	544,563	655,437
Financial guarantees [(b)]	11,900	14,000
Unclaimed prizes	5,000	5,000
	561,463	**674,437**
Total other liabilities	**918,593**	**1,002,321**

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.

(a) Deferred income

Current	233,730	224,013
Non-current	544,563	655,437
Total deferred income	**778,293**	**879,450**

Movements in deferred income

Balance at beginning of the year	879,450	760,377
Add: licence fees deferred	143,552	324,480
Less: amortisation	(244,709)	(205,407)
Balance at the end of the year	**778,293**	**879,450**

27. OTHER LIABILITIES (continued)

(b) Financial guarantees

	2012 $000	2011 $000
Balance at the beginning of the year	16,100	18,300
Less: amortisation	(2,100)	(2,200)
Balance at the end of the year	**14,000**	**16,100**
Current	2,100	2,100
Non-current	11,900	14,000
Total financial guarantees	**14,000**	**16,100**

(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 $8.0 million (2011: $9.4 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.

(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 2011 $'000	31 Dec 2010 $'000
General insurance	190,000	152,000
Life insurance	56,000	62,000
Inward reinsurance	30,000	23,000
	276,000	**237,000**

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 value of $6.0 million (2011: $6.8 million).

27. OTHER LIABILITIES (continued)

(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 (2011: 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.

28. SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES

	Appropriation	Expenditure	Appropriation	Expenditure
	2012		2011	
Recurrent appropriations	**$'000**	**$'000**	**$'000**	**$'000**
Appropriation Act	5,350,923	4,247,875	4,702,103	3,741,120
Sec 22 - Budget Variation Acts (ie. Additional appropriation)	26,000	26,000	-	-
Treasurer's advance	-	-	1,625	1,625
Transfers to another agency (section 33 of the Appropriation Act)	(232,300)	-	(669,019)	-
Section 24 - transfer of functions between Departments	-	-	73,000	-
Sec 16C - Insurance Protection Tax Act 2001	75	75	66,698	66,698
Total appropriations/expenditure (includes transfer payments)	**5,144,698**	**4,273,950**	**4,174,407**	**3,809,443**
Less: drawdowns from Treasury		4,294,683		3,828,409
Total unspent appropriations		(20,733)		(18,966)
Capital appropriations				
Appropriation Act	4,310,518	4,094,531	452,614	288,579
Sec 22 - Budget Variation Acts (ie. Additional appropriation)	35,200	35,200	-	-
Treasurer's Advance				
Sec 22 - expenditure for certain works and services	-	-	123,700	123,300
Supplementary Appropriation Bill	800,000	800,000	-	-
Total appropriations/expenditure (includes transfer payments)	**5,145,718**	**4,929,731**	**576,314**	**411,879**
Less: drawdowns from Treasury		4,929,731		411,879
Total unspent appropriations		-		-

29. CONSOLIDATED FUND TRANSACTIONS

	2012 $'000	2011 $'000
Cash flows from operating activities		
Receipts		
Retained taxes, fees and fines	21,379,289	20,625,844
Commonwealth grants	25,866,729	24,794,608
Financial distributions	1,944,870	5,584,000
Proceeds from sale of Government businesses	-	234,428
Other	1,433,669	1,690,127
Total receipts	**50,624,557**	**52,929,007**
Payments		
Recurrent appropriations paid to other agencies	(47,114,435)	(45,134,354)
Recurrent appropriations paid to Crown Finance Entity	(4,294,683)	(3,828,409)
Capital appropriations paid to other agencies	(1,839,339)	(2,957,450)
Capital appropriations paid to Crown Finance Entity	(4,929,731)	(411,879)
Total payments	**(58,178,188)**	**(52,332,092)**
Net cash flows used in operating activities	**(7,553,631)**	**596,915**
Other cash flows		
Proceeds from borrowing transferred	5,828,381	(1,411,216)
Investment income transferred	139,200	127,600
Interest receipts transferred	250,639	183,766
Advance repayments transferred	98,704	96,433
Other	69,168	304,673
	6,386,092	**(698,743)**
Net decrease in cash and cash equivalents	**(1,167,539)**	**(101,828)**
Opening cash and cash equivalents	**(2,263,435)**	**(2,161,649)**
Cash transferred in as a result of restructuring	307,984	42
Return of capital	200,256	-
Closing cash and cash equivalents	**(2,922,734)**	**(2,263,435)**
Cash and cash equivalents		
Cash in transit	33,913	24,863
Bank overdraft	(2,956,647)	(2,288,298)
	(2,922,734)	**(2,263,435)**

30. SERVICE GROUP STATEMENTS

EXPENSES AND INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Debt Liability Management $'000	Superannuation Liability Management $'000	Central Financial Services $'000	Not Attributable[1] $'000	Total Crown Finance Entity $'000
Revenue					
Investment income	-	-	285,287	-	**285,287**
Share of profit of an associate	-	-	119,304	-	**119,304**
Revenue from Government	(6,005,622)	-	(578,444)	9,224,414	**2,640,348**
Other income	177,241	2,923	129,260	-	**309,424**
Total revenue	**(5,828,381)**	**2,923**	**(44,593)**	**9,224,414**	**3,354,363**
Expense					
Superannuation - defined benefit plans	-	1,475,482	-	-	**1,475,482**
Employee related expenses	-	-	1,391,539	-	**1,391,539**
Depreciation and amortisation	-	-	47	-	**47**
Grant and subsidies	-	-	873,580	-	**873,580**
Finance costs	1,445,118	-	68,343	-	**1,513,461**
Other expenses	-	46,374	349,627	-	**396,001**
Total expenses	**1,445,118**	**1,521,856**	**2,683,136**	**-**	**5,650,110**
Gain/(loss) from financial instruments	(127,474)	-	7,895	-	**(119,579)**
Surplus/(deficit) for the year	**(7,400,973)**	**(1,518,933)**	**(2,719,834)**	**9,224,414**	**(2,415,326)**
Other comprehensive income					
Actuarial loss on defined benefit plans	-	(17,726,651)	-	-	**(17,726,651)**
Other increase in equity	-	-	527,896	-	**527,896**
Total other comprehensive income for the year	-	(17,726,651)	527,896	-	**(17,198,755)**
Total comprehensive result for the year	**(7,400,973)**	**(19,245,584)**	**(2,191,938)**	**9,224,414**	**(19,614,081)**

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

30. SERVICE GROUP STATEMENTS (continued)

EXPENSES AND INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Total Crown Finance Entity [2] $'000	Consolidated Fund [2] $'000	Elimination Entity $'000	Consolidated Total $'000
Revenue				
Retained taxes, fees and fines	-	21,046,678	(31,538)	**21,015,140**
Commonwealth contributions	-	25,863,632	-	**25,863,632**
Financial distributions	-	2,155,989	-	**2,155,989**
Investment income	285,287	-	(615)	**284,672**
Share of profit of an associate	119,304	-	-	**119,304**
Revenue from Government	2,640,348	-	(2,640,348)	**-**
Royalty on minerals	-	1,464,396	-	**1,464,396**
Other income	309,424	6,690,689	(6,583,266)	**416,847**
Total revenue	**3,354,363**	**57,221,384**	**(9,255,767)**	**51,319,980**
Expense				
Superannuation - defined benefit plans	1,475,482	-	-	**1,475,482**
Employee related expenses	1,391,539	-	800	**1,392,339**
Depreciation and amortisation	47	-	-	**47**
Grant and subsidies	873,580	-	-	**873,580**
Finance costs	1,513,461	-	(614)	**1,512,847**
Recurrent appropriations	-	51,409,118	(4,294,683)	**47,114,435**
Capital appropriations	-	6,769,070	(4,929,731)	**1,839,339**
Other expenses	396,001	166,648	(31,539)	**531,110**
Total expenses	**5,650,110**	**58,344,836**	**(9,255,767)**	**54,739,179**
Gain from financial instruments	(119,579)	-	-	**(119,579)**
Surplus/(deficit) for the year	**(2,415,326)**	**(1,123,452)**	**-**	**(3,538,778)**
Other comprehensive income				
Actuarial gain on defined benefit plans	(17,726,651)	-	-	**(17,726,651)**
Other decrease in equity	527,896	-	-	**527,896**
Total other comprehensive income for the year	**(17,198,755)**	**-**	**-**	**(17,198,755)**
Total comprehensive result for the year	**(19,614,081)**	**(1,123,452)**	**-**	**(20,737,533)**

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

30. SERVICE GROUP STATEMENTS (continued)

ASSETS AND LIABILITIES AS AT 30 JUNE 2012

	Debt Liability Management $'000	Superannuation Liability Management $'000	Central Financial Services $'000	Total Crown Finance Entity $'000
Assets				
Current assets				
Cash and cash equivalents	-	-	2,735,438	**2,735,438**
Financial assets at fair value	-	-	1,443	**1,443**
Derivative financial instruments	-	-	8,265	**8,265**
Investment in a joint venture	-	-	6,216	**6,216**
Advances repayable to the Crown	-	-	211,616	**211,616**
Receivables	-	-	31,311	**31,311**
Total current assets	**-**	**-**	**2,994,289**	**2,994,289**
Non-current assets				
Plant and equipment	-	-	67	**67**
Investment in an associate	-	-	3,329,000	**3,329,000**
Financial assets at fair value	-	-	8,846	**8,846**
Advances repayable to the Crown	-	-	1,119,661	**1,119,661**
Receivables	-	-	99,049	**99,049**
Intangible assets	-	-	49	**49**
Total non-current assets	**-**	**-**	**4,556,672**	**4,556,672**
Total assets	**-**	**-**	**7,550,961**	**7,550,961**
Liabilities				
Current liabilities				
Payables	384,738	-	452,484	**837,222**
Bank overdraft	40,542	-	-	**40,542**
Borrowings	69,461	-	-	**69,461**
Unfunded superannuation	-	1,279,700	-	**1,279,700**
Employee benefits and other provisions	-	-	5,891,896	**5,891,896**
Provision for outstanding insurance claims	-	-	45,216	**45,216**
Other	-	-	140,848	**140,848**
Total current liabilities	**494,741**	**1,279,700**	**6,530,444**	**8,304,885**
Non-current liabilities				
Payables	-	-	954,361	**954,361**
Borrowings	23,134,763	-	-	**23,134,763**
Unfunded superannuation	-	42,996,605	-	**42,996,605**
Employee benefits and other provisions	-	-	307,651	**307,651**
Provision for outstanding insurance claims	-	-	167,180	**167,180**
Other	-	-	102,672	**102,672**
Total non-current liabilties	**23,134,763**	**42,996,605**	**1,531,864**	**67,663,232**
Total liabilities	**23,629,504**	**44,276,305**	**8,062,308**	**75,968,117**
Net liabilities	**(23,629,504)**	**(44,276,305)**	**(511,347)**	**(68,417,156)**

30. SERVICE GROUP STATEMENTS (continued)

ASSETS AND LIABILITIES AS AT 30 JUNE 2012

	Total Crown Finance Entity [2] $'000	Consolidated Fund [2] $'000	Elimination Entity $'000	Consolidated Total $'000
Assets				
Current assets				
Cash and cash equivalents	2,735,438	33,913	-	**2,769,351**
Financial assets at fair value	1,443	-	-	**1,443**
Derivative financial instruments	8,265	-	-	**8,265**
Investment in a joint venture	6,216	-	-	**6,216**
Advances repayable to the Crown	211,616	-	-	**211,616**
Receivables	31,311	3,154,961	(20,733)	**3,165,539**
Total current assets	**2,994,289**	**3,188,874**	**(20,733)**	**6,162,430**
Non-current assets				
Plant and equipment	67	-	-	**67**
Investment in an associate	3,329,000	-	-	**3,329,000**
Financial assets at fair value	8,846	-	-	**8,846**
Advances repayable to the Crown	1,119,661	-	-	**1,119,661**
Receivables	99,049	6,997	(75,438)	**30,608**
Intangible assets	49	-	-	**49**
Total non-current assets	**4,556,672**	**6,997**	**(75,438)**	**4,488,231**
Total assets	**7,550,961**	**3,195,871**	**(96,171)**	**10,650,660**
Liabilities				
Current liabilities				
Payables	837,222	385	-	**837,607**
Bank overdraft	40,542	2,956,647	-	**2,997,189**
Borrowings	69,461	-	-	**69,461**
Unfunded superannuation	1,279,700	-	-	**1,279,700**
Employee benefits and other provisions	5,891,896	-	-	**5,891,896**
Provision for outstanding insurance claims	45,216	-	-	**45,216**
Other	140,848	237,015	(20,733)	**357,130**
Total current liabilities	**8,304,885**	**3,194,047**	**(20,733)**	**11,478,199**
Non-current liabilities				
Payables	954,361	-	-	**954,361**
Borrowings	23,134,763	-	-	**23,134,763**
Unfunded superannuation	42,996,605	-	-	**42,996,605**
Employee benefits and other provisions	307,651	-	-	**307,651**
Provision for outstanding insurance claims	167,180	-	-	**167,180**
Other	102,672	534,229	(75,438)	**561,463**
Total non-current liabilities	**67,663,232**	**534,229**	**(75,438)**	**68,122,023**
Total liabilities	**75,968,117**	**3,728,277**	**(96,171)**	**79,600,222**
Net liabilities	**(68,417,156)**	**(532,406)**	-	**(68,949,562)**

30. SERVICE GROUP STATEMENTS (continued)

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 net 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**

30. 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 businesses	(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 net 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**

30. 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	-	-	2,821,000	**2,821,000**
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	**-**	**-**	**4,032,540**	**4,032,540**
Total assets	**18,901**	**-**	**9,010,349**	**9,029,250**
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	-	-	83,978	**83,978**
Other	-	-	122,838	**122,838**
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)**	**1,782,824**	**(48,781,865)**

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

30. 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	2,821,000	-	-	**2,821,000**
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	**4,032,540**	**8,434**	**(67,995)**	**3,972,979**
Total assets	**9,029,250**	**3,251,130**	**(86,961)**	**12,193,419**
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	83,978	-	-	**83,978**
Other	122,838	224,012	(18,966)	**327,884**
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)	**(48,781,865)**	**82,811**	**-**	**(48,699,054)**

31. 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.

	2012 $'000	2011 $'000
Payments		
Non-Government schools - recurrent	(2,464,478)	(2,302,549)
Non-Government schools - targeted programs	(204,197)	(674,214)
Non-Government schools - capital	(2,984)	(34,078)
Non-Government schools - empowering local schools	(5,930)	-
Local Government - financial assistance	(613,145)	(474,921)
Local Government - roads	(244,326)	(187,939)
Local Government - reform fund	(2,112)	(813)
	(3,537,171)	**(3,674,514)**
Receipts		
Non-Government schools - recurrent	2,464,478	2,302,549
Non-Government schools - targeted programs	207,156	674,214
Non-Government schools - capital	2,984	34,078
Non-Government schools - empowering local schools	5,930	-
Local Government - financial assistance	613,145	474,921
Local Government - roads	244,326	187,939
Local Government - reform fund	2,438	813
	3,540,455	**3,674,514**

Transfer payments received from the Commonwealth for non-government schools and local government reform fund of $3.3 million on 29 June 2012 was recognised as a payable at 30 June 2012. This amount was paid out in the first week of July 2012.

Transfer payments are not recognised as revenue or expenditure as the Crown Entity does not have control over these funds.

32. EQUITY TRANSFERS

The following is a summary of increase/(decrease) in net liabilities from equity transfer during the year:

2011-12

	$'000
Capital injection to Delta West	(22,772)
Electricity transaction - capacity charges from Delta	61,843
Electricity transaction - capacity charges from Eraring	132,663
Return of capital - Eraring	5,750
Electricity Tariff Equalisation Ministerial Corporation - windup	307,984
Vocational Education and Training Accreditation Board - windup	1,557
	487,025

2010-11 Comparative

	$'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 Company Pty Ltd	(123,300)
	(2,799,348)

33. CHANGES IN ACCOUNTING POLICIES, CORRECTIONS OF ERRORS AND CHANGES IN ESTIMATES

The Crown Entity equity accounts for its investment in Snowy Hydro Limited. Equity accounting requires the Crown Entity to recognise its share of Snowy Hydro Limited's transactions and balances using consistent accounting policies. Until this year inconsistent accounting policies had been applied to Property, Plant and Equipment. From 30 June 2011 consistent policies have been applied. Comparative amounts have been restated and the impact is an increase in share of associates net assets and revaluation surplus of $1.687 million.

Restatement at 1 July 2010 is impracticable as it is not possible to reliably estimate fair value of Property, Plant and Equipment at that time due to the time elapsed.

34. EVENTS AFTER THE REPORTING DATE

There were no events subsequent to reporting date requiring disclosure.

End of audited financial statements

Expenditure on Consultants

Consultants	Project	Amount (ex. GST) $
Consultants costing $50,000 or more		
Finance, Accounting and/or Tax		
Lazard Carnegie Wylie	Financial advisor for the restructure of Reliance Rail	3,000,000
Ernst & Young	Tax and accounting advisor for the NSW Energy Reform Project	2,063,356
PriceWaterhouseCoopers	Tax and accounting advisor for the Port Botany / Port Kembla Project	425,000
Morgan Stanley	Financial advisor for the Port Botany / Port Kembla Project	386,337
PriceWaterhouseCoopers	Advice for the Cash and Banking Tender	167,354
Management Services		
KPMG Corporate Finance (Aust) Pty Ltd	Integration advisor for the NSW Energy Reform Project	4,884,737
Rossmart Nominees	Specialist advisor for the NSW Energy Reform Project	224,892
Heidrick & Struggles	Specialist recruitment advisor for the NSW Energy Reform Project	88,000
Legal		
Minter Ellison	Legal advisor for the Port Botany / Port Kembla Project	713,663
Baker & McKenzie	Legal advisor for the NSW Energy Reform Project	481,163
TruEnergy	Legal fee reimbursement for the NSW Energy Reform Project	208,822
Gilbert & Tobin	Legal advisor for the WSN Environmental Solutions Project	79,327
Economic Assessment		
Australian Energy Market Commission	Specialist advisor for the NSW Energy Reform Project	508,784
Engineering and Environmental		
GHD	Engineering advisor for the Port Botany / Port Kembla Project	660,188
Environmental Resources Management	Environmental advisor for the Port Botany / Port Kembla Project	218,107
Environmental Resources Management	Environmental advisor for the WSN Environmental Solutions Project	64,018
	Sub-total:	**14,173,748**
Consultants costing less than $50,000		
Accounting, Finance and/or Tax	6 projects totalling	92,500
Management Services	5 projects totalling	51,939
Legal	3 projects totalling	79,889
Economic	1 project	21,250
	Sub-total:	***245,578***
Total expenditure on consultants		**14,419,326**

Restart NSW Fund

Financial Report for the period
1 September 2011 to 30 June 2012

AUDITOR-GENERAL
NEW SOUTH WALES

INDEPENDENT AUDITOR'S REPORT

Restart NSW Fund

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Restart NSW Fund, which comprises the statement of cash receipts and payments for the period ended 30 June 2012, notes comprising a summary of significant accounting policies and other explanatory information and the Secretary of Treasury's assertion statement. The financial report has been prepared by the Secretary of Treasury using the basis of accounting described in Note 2 to the financial report to assist the Treasurer fulfil his annual reporting obligations under the *Restart NSW Fund Act 2011*.

Opinion

In my opinion, the financial report is prepared, in all material respects, in accordance with the basis of accounting described in Note 2 to the financial report.

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

Basis of Accounting

Without modifying my opinion, I draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report is prepared to assist the Treasurer in fulfilling his annual reporting obligations under the *Restart NSW Fund Act 2011*. As a result, the financial report may not be suitable for another purpose.

The Secretary's Responsibility for the Financial Report

The Secretary to Treasury is responsible for the preparation of the financial report in accordance with the basis of accounting described in Note 2 to the financial report, and for such internal control as the Secretary determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report 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 report are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Restart NSW Fund's preparation of the financial report in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Restart NSW Fund'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 report.

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

My opinion does *not* provide assurance:

- about the future viability of the Restart NSW Fund
- 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 report on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial report.

Independence

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

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

Peter Achterstraat

Peter Achterstraat
Auditor-General

20 December 2012
SYDNEY

Restart NSW Fund

Financial Report
for the period from 1 September 2011 to 30 June 2012

STATEMENT BY DEPARTMENT HEAD

1. Pursuant to Section 9 of the *Restart NSW Fund Act 2011*, I declare that in my opinion:

(a) The accompanying financial report provide details of the transactions of the Restart NSW Fund for the period from 1 September 2011 to 30 June 2012; and

(c) The financial report has been prepared as a special purpose financial statement in accordance with the basis of accounting described in Note 2.

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

Philip Gaetjens
Secretary

20 December 2012

Restart NSW Fund

Statement of Cash Receipts and Payments
for the period from 1 September 2011 to 30 June 2012

	Note	Actual 2012 $
Payments		
Bank charges	3	275
Total payments		**275**
Receipts		
Proceeds from Waratah bonds	4	19,252,672
Total receipts		**19,252,672**
Net receipts		**19,252,397**
Opening balance of Special Deposit Account		-
Closing balance of Special Deposit Account		**19,252,397**

The accompanying notes form part of the financial report.

Notes to the financial report
for the period from 1 September 2011 to 30 June 2012

1. RESTART NSW FUND INFORMATION

Reporting entity

Restart NSW is a not-for-profit entity (as profit is not its principal objective) and is required to prepare an annual report under the *Restart NSW Fund Act 2011* ("the Act"). Section 6 of the Act states that the purpose of the fund is to improve economic growth and productivity in the state, and for that purpose:

a) to fund major infrastructure projects, and
b) to fund infrastructure projects that will improve:
   i) public transport, and
   ii) roads, and
   iii) infrastructure required for the economic competitiveness of the State (including the freight, inter-modal facilities and access to water), and
   iv) local infrastructure in regional areas that are affected by mining operations, and
   v) hospital and other health facilities and services, and
   vi) workplaces for law and justice officers, teachers, nurses and other staff providing services to the public.

Section 6(2) of the Act states a reference to ***funding a project*** includes a reference to funding the planning, selection, implementation and delivery of the project.

Section 5 of the Act establishes the Restart NSW Fund ("the Fund") as a Special Deposit Account. Section 5 of the *Public Finance and Audit Act 1983* defines Special Deposit Account as an account which the Treasurer is by statutory or other authority required to hold apart from the Consolidated Fund. The Treasurer is responsible for the Act and the Fund.

The Fund will be funded from windfall State tax revenue allocated through the Budget process and other funds such as the proceeds of issuing Waratah Bonds, proceeds of investments in the Fund and other contributions.

The annual report for the Fund is a Special Purpose Financial Report with the "financial year" being from 1 July to 30 June. As the Act commenced on 1 September 2011 this initial report is for the period from 1 September 2011 to 30 June 2012.

The financial report was authorised for issue by the Secretary of NSW Treasury on the date the accompanying Statement by the Secretary was signed. This is the first report prepared for this entity and therefore no comparative information is provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Fund's financial statements are special purpose financial statements which have been prepared on the cash basis. The cash basis of accounting recognises transactions and events only when cash (including cash equivalents) is received or paid by the entity. Revenues are realised and recorded when received in cash. Expenditures are recorded when cash is actually paid.

The measurement focus in the financial statement is balances of cash at the reporting date and changes during the period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

All amounts are rounded to the nearest dollar and are expressed in Australian currency.

Statement of compliance

The financial report and notes have been prepared in accordance with the policies detailed in this accounting policy note.

Key Activities

The key activities that are administered by Restart NSW are outlined in the Act.

The Act makes provision for the payment of any money from the Fund for three purposes:

1. payment, as approved by the Treasurer on the recommendation of Infrastructure NSW, to fund all or any part of the cost of any project that the Treasurer is satisfied promotes a purpose of the Fund;
2. payment to meet administrative expenses related to the Fund; and
3. payment directed or authorised by the Act or any other Act or law.

Funding Sources for Restart NSW Fund

Section 7 of the Act states the amounts payable into the Fund. These are:

- all money advanced by the Treasurer or appropriated by Parliament for the purposes of the Fund, including any such money that is certified by the Treasurer as windfall tax revenue in excess of Budget forcasts, and
- money borrowed for the purposes of the Fund, including by the issue of special bonds to the people of the State and others, and
- the proceeds of the investment of money in the Fund, and
- all money directed or authorised to be paid into the Fund by or under this or any other Act or law, and
- all money received from voluntary contributions to the Fund made by a government agency or other person or body.

Payments out of the Fund

Section 8 of the Act prescribes the payments from the Fund. These are:

- any money approved by the Minister on the recommendation of Infrastructure NSW to fund all or any part of the cost of any project that the Minister is satisfied promotes a purpose of the Fund, and
- any money required to meet administrative expenses related to the Fund, and
- any money directed or authorised to be paid from the Fund by or under this or any other Act or law.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Definitions

The following terms are used in the Special Purpose financial report with the meaning specified:

- cash comprises cash on hand, demand deposits and cash equivalents.
- cash basis means a basis of accounting that recognizes transactions and other events only when cash is received or paid.
- cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- cash flows are inflows and outflows of cash.
- cash payments are cash outflows.
- cash receipts are cash inflows.
- control of cash arises when the entity can use or otherwise benefit from the cash in pursuit of its objectives and can exclude or regulate the access of others to that benefit.
- *Government agency* means:
    - a public authority constituted by or under an Act, or
    - a NSW Government agency, or
    - a Division of the Government Service, or
    - a local council or other local authority, or
    - a State owned corporation.
- *Infrastructure NSW* means Infrastructure NSW constituted under the *Infrastructure NSW Act 2011*.
- *Major infrastructure project* has the same meaning as it has in the *Infrastructure NSW Act 2011*. The expression is defined in that Act to mean a project to provide infrastructure:
    - that has a capital investment value of more than $100 million, or
    - that is nominated by the Premier as a special project requiring oversight
    - or co-ordination by Infrastructure NSW.
- *the Fund* means the Restart NSW Fund established in 2011.

Cash Equivalents

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition. Equity investments are excluded from cash equivalents unless they are, in substance, cash equivalents.

Cash flows exclude movements between items that constitute cash because these components are part of the cash management of an entity rather than increases or decreases in the cash it controls. Cash management includes the investment of excess cash on hand in cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Controlled by the Fund

Cash is controlled by an entity when the entity can use the cash for the achievement of its own objectives or otherwise benefit from the cash and exclude or regulate the access of others to that benefit. Cash collected by, or appropriated or granted to an entity, which the entity can use to fund its operating objectives, acquire capital assets or repay its debt is controlled by the entity.

Amounts deposited in the bank account of an entity are controlled by that entity. In some cases, cash which a government entity:

- collects on behalf of its government (or another entity) is deposited in its own bank account before transfer to consolidated revenue or another general government account; and
- is to transfer to third parties on behalf of its government is initially deposited in its own bank account prior to transfer to the authorized recipient.

In these cases, the entity will control the cash for only the period during which the cash resides in its bank account prior to transfer to consolidated revenue or another government controlled bank account, or to third parties.

Receipts and Payments

Receipts are recognised and recorded when received in cash. Payments are recorded when cash is actually paid.

Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by Restart NSW. Cost is the amount of cash or cash equivalents paid to acquire the asset at the time of its acquisition.

The only asset that Restart NSW will hold is the Special Deposit Account for the Fund. All inflows received by the fund will be deposited into this account and will be treated as receipts and all outflows out of the account will be treated as payments.

3. PAYMENTS

Payments from the Fund are in accordance with Section 8 of the Act.

	Actual 2012 $
Section 8(b) payments – administrative expenses	
Bank charges	275

4. RECEIPTS

The Fund is authorised to receive amounts in accordance with Section 7 of the Act.

Section 7(1)(b) receipts	
Proceeds from Waratah bonds	19,252,672

Proceeds from Waratah bonds issued were paid into the Fund by the Crown Finance Entity. The Fund has no liability to repay these bonds which is assumed by the Crown Finance Entity.

5. RECEIVABLES

As at 30 June 2012 the Fund held all of its cash in the Treasury banking system. Interest receivable by the Fund and not yet received was $56,195 at 30 June 2012.

6. PAYABLES

The Fund will be required to pay for the audit of its financial statements for the period ending 30 June 2012. This is estimated to cost between $5,000 and $10,000.

7. FINANCIAL INSTRUMENTS

Risk management

The Fund's only financial instrument is the cash deposit in the Treasury banking system and is subject to interest rate risk. As at 30 June 2012, a rise or fall of 1 per cent in interest rate will equate to an increase or decrease in cash available of approximately $193,000.

The cash held by the fund is classified as a restricted asset as it can only be applied as allowed by the Act as detailed in Note 2.

8. EVENTS AFTER THE REPORTING DATE

There are no events subsequent to reporting date requiring disclosure.

End of audited financial report

www.treasury.nsw.gov.au