



The  
Treasury

# 2013–14 Crown Entity Financial Statements

including  
Restart NSW Fund Financial Report

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Crown Entity  
Financial Statements  
for the year ended 30 June 2014



## 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 2014, the statement of comprehensive income, statement of changes in equity, statement of cash flows, service group statements and summary of compliance with financial directives for the year then ended, 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 2014, 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 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.



AT Whitfield  
Deputy Auditor-General

29 September 2014  
SYDNEY

**Crown Entity**  
**Financial Statements**  
**for the year ended 30 June 2014**

**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 2014 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**

**26 September 2014**

## Crown Entity

### Statement of Comprehensive Income for the year ended 30 June 2014

	Notes	Actual 2014 \$'000	Actual 2013 \$'000
<b>Revenue</b>			
Retained taxes, fees and fines	3(a)	24,467,943	22,522,769
Commonwealth contributions	3(b)	22,562,360	19,895,757
Financial distributions	3(c)	2,239,299	2,746,168
Investment income	3(d)	269,635	168,112
Share of profit of an associate	7	255,676	143,613
Royalty on minerals		1,338,520	1,323,820
Other income	3(e)	1,690,753	1,217,204
<b>Total revenue</b>		<b>52,824,186</b>	<b>48,017,443</b>
<b>Expenses</b>			
Superannuation - defined benefit plans	18	2,353,240	2,247,999
Employee related expenses		1,168,039	406,401
Depreciation and amortisation	12, 13	46	47
Grants and subsidies	4(a)	1,462,525	2,456,711
Finance costs	4(b)	1,582,241	1,763,449
Recurrent appropriations	29	42,823,662	41,954,139
Capital appropriations	29	4,124,184	1,961,773
Other expenses	4(c)	880,156	1,364,592
<b>Total expenses</b>		<b>54,394,093</b>	<b>52,155,111</b>
<b>Gain from disposal of Government businesses</b>	5	7,024	-
<b>Gain from financial instruments</b>	6	8,503	4,729
<b>Deficit for the year</b>		<b>( 1,554,380)</b>	<b>( 4,132,939)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to surplus or deficit</i>			
Actuarial gain/(loss) on defined benefit plans	18	( 154,676)	7,754,781
Share of earnings from an associate from revaluations		( 389,559)	109,897
Share of associates other comprehensive income		464	232
<b>Total other comprehensive income/(loss) for the year</b>		<b>(543,771)</b>	<b>7,864,910</b>
<b>Total comprehensive result for the year</b>		<b>( 2,098,151)</b>	<b>3,731,971</b>

The accompanying notes form part of these financial statements.

## Crown Entity

### Statement of Financial Position as at 30 June 2014

	Notes	Actual 2014 \$'000	Actual 2013 \$'000	1 July 2012 \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	24	8,117,722	9,851,640	2,769,351
Other financial assets	8	4,000,090	2,161	1,443
Derivative financial instruments	9	21,849	13,087	8,265
Investment in a joint venture	14	336	1,658	6,216
Advances repayable to the Crown	10	296,622	105,605	211,616
Receivables	11	3,171,114	3,776,198	3,165,538
<b>Total current assets</b>		<b>15,607,733</b>	<b>13,750,349</b>	<b>6,162,429</b>
<b>Non-current assets</b>				
Plant and equipment	12	43	66	67
Investment in an associate	7	3,037,523	3,315,942	3,329,000
Other financial assets	8	3,163	8,848	8,846
Advances repayable to the Crown	10	1,057,950	1,286,745	1,119,661
Receivables	11	19,151	25,788	30,608
Intangible assets	13	-	23	49
<b>Total non-current assets</b>		<b>4,117,830</b>	<b>4,637,412</b>	<b>4,488,231</b>
<b>Total assets</b>		<b>19,725,563</b>	<b>18,387,761</b>	<b>10,650,660</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables	15	429,585	1,464,081	954,154
Bank overdraft	24	6,331,689	8,156,339	2,997,189
Borrowings	16	758,907	302,029	69,461
Unfunded superannuation	18	1,354,835	1,235,800	1,279,700
Employee benefits and other provisions	19	6,223,310	5,672,663	5,891,896
Provisions	20	97,317	91,151	45,216
Other	27	311,914	664,737	357,130
<b>Total current liabilities</b>		<b>15,507,557</b>	<b>17,586,800</b>	<b>11,594,746</b>
<b>Non-current liabilities</b>				
Payables	15	25,804	33,408	954,361
Borrowings	16	25,748,748	24,299,925	23,134,763
Unfunded superannuation	18	44,509,595	43,250,803	50,068,232
Employee benefits and other provisions	19	322,762	293,967	307,651
Provisions	20	1,016,029	605,759	167,180
Other	27	499,118	480,128	561,463
<b>Total non-current liabilities</b>		<b>72,122,056</b>	<b>68,963,990</b>	<b>75,193,650</b>
<b>Total liabilities</b>		<b>87,629,613</b>	<b>86,550,790</b>	<b>86,788,396</b>
<b>Net liabilities</b>		<b>( 67,904,050)</b>	<b>( 68,163,029)</b>	<b>( 76,137,736)</b>
<b>Equity</b>				
Revaluation surplus reserve		1,934,812	2,324,371	2,214,474
Accumulated deficit		( 69,838,862)	( 70,487,400)	( 78,352,210)
<b>Total equity</b>		<b>( 67,904,050)</b>	<b>( 68,163,029)</b>	<b>( 76,137,736)</b>

The accompanying notes form part of these financial statements.



## Crown Entity

### Statement of Changes in Equity for the year ended 30 June 2014

	Notes	Accumulated deficit \$'000	Revaluation surplus \$'000	Total equity \$'000
<b>Balance at 1 July 2013</b>		(64,360,622)	2,324,371	(62,036,251)
Changes in accounting policy		( 6,126,778)	-	( 6,126,778)
<b>Restated total equity at 1 July 2013</b>		<b>( 70,487,400)</b>	<b>2,324,371</b>	<b>( 68,163,029)</b>
Deficit for the year		( 1,554,380)	-	( 1,554,380)
Other comprehensive income				
Actuarial loss on defined benefit plans	18	( 154,676)	-	( 154,676)
Investment in an associate		464	( 389,559)	( 389,095)
<b>Total other comprehensive income</b>		<b>( 154,212)</b>	<b>( 389,559)</b>	<b>( 543,771)</b>
<b>Total comprehensive result for the year</b>		<b>( 1,708,592)</b>	<b>( 389,559)</b>	<b>( 2,098,151)</b>
<b>Transactions with owners in their capacity as owners</b>				
Increase in net assets from equity transfers	32	2,357,130	-	2,357,130
<b>Total transactions with owners in their capacity as owners</b>		<b>2,357,130</b>	<b>-</b>	<b>2,357,130</b>
<b>Balance at 30 June 2014</b>		<b>( 69,838,862)</b>	<b>1,934,812</b>	<b>( 67,904,050)</b>
<b>Balance at 1 July 2012</b>		(71,280,583)	2,214,474	(69,066,109)
Changes in Accounting Policy		(7,071,627)	-	(7,071,627)
<b>Restated Total Equity at 1 July 2012</b>		<b>( 78,352,210)</b>	<b>2,214,474</b>	<b>( 76,137,736)</b>
Deficit for the year		( 4,132,939)	-	( 4,132,939)
Other comprehensive income				
Actuarial gain on defined benefit plans	18	7,754,781	-	7,754,781
Investment in an associate		232	109,897	110,129
<b>Total other comprehensive income</b>		<b>7,755,013</b>	<b>109,897</b>	<b>7,864,910</b>
<b>Total comprehensive result for the year</b>		<b>3,622,074</b>	<b>109,897</b>	<b>3,731,971</b>
<b>Transactions with owners in their capacity as owners</b>				
Increase in net assets from equity transfers	32	4,242,736	-	4,242,736
<b>Total transactions with owners in their capacity as owners</b>		<b>4,242,736</b>	<b>-</b>	<b>4,242,736</b>
<b>Balance at 30 June 2013</b>		<b>( 70,487,400)</b>	<b>2,324,371</b>	<b>( 68,163,029)</b>

The accompanying notes form part of these financial statements.

## Crown Entity

### Statement of Cash Flows for the year ended 30 June 2014

	Notes	Actual 2014 \$'000	Actual 2013 \$'000
<b>Cash flows from operating activities</b>			
<b>Payments</b>			
Employee related		( 1,940,618)	( 2,009,880)
Grants and subsidies		( 1,523,442)	( 2,609,467)
Finance costs		( 1,396,604)	( 1,411,900)
Recurrent appropriation	29	( 42,823,662)	( 41,954,139)
Capital appropriation	29	( 4,124,184)	( 1,961,773)
Other		( 1,840,288)	( 488,290)
<b>Total payments</b>		<b>( 53,648,798)</b>	<b>( 50,435,449)</b>
<b>Receipts</b>			
Retained taxes, fees and fines		24,499,238	22,179,946
Sale of goods and services		280	674
Commonwealth grants	29	22,506,101	19,892,472
Investment income		211,302	133,276
Financial distribution from other entities		2,844,474	2,288,190
Other		3,251,319	2,389,801
<b>Total receipts</b>		<b>53,312,714</b>	<b>46,884,359</b>
<b>Net cash flows used in operating activities</b>	24	<b>( 336,084)</b>	<b>( 3,551,090)</b>
<b>Cash flows from investing activities</b>			
Purchase of investments		( 4,000,000)	-
Purchase of plant and equipment		-	( 20)
Advances made		( 63,809)	( 149,138)
Proceeds from sales of investment		665,594	72
Advance repayments received		141,477	101,601
Dividend received from investment		145,000	266,800
<b>Net cash flows provided by/(used in) investing activities</b>		<b>( 3,111,738)</b>	<b>219,315</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings and advances		1,834,317	3,033,272
Repayment of borrowings and advances		( 55,143)	( 2,054,778)
<b>Net cash flows from financing activities</b>		<b>1,779,174</b>	<b>978,494</b>
<b>Net decrease in cash</b>		<b>( 1,668,648)</b>	<b>( 2,353,281)</b>
Opening cash and cash equivalents		1,695,301	( 227,838)
Other cash transfer in as a result of restructuring		1,759,380	4,276,420
<b>Closing cash and cash equivalents</b>	24	<b>1,786,033</b>	<b>1,695,301</b>

The accompanying notes form part of these financial statements.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

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## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 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 29 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 operations for the foreseeable future.

The Crown Entity receives the majority of NSW State Government revenue in the form of State taxes, Commonwealth contributions and financial distributions from State Owned Corporations. While the entity also holds many of the major liabilities of the State government it also benefits from the government's AAA credit rating allowing it to fund its activities. It is considered that the application of the going concern concept is appropriate.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

## 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. Unlike other government agencies, the Crown Entity includes the Consolidated Fund. It is not involved in service delivery, nor does it have any employees. The format prescribed by the Financial Reporting Code would be inappropriate for the presentation of the Crown Entity financial statements. The exemption is granted subject to its financial statements being in accordance with applicable accounting standards.

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.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

## 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)*

The Crown Entity classifies fair value measurements using the fair value hierarchy that reflects the significance of the inputs used in making the measurements. The following hierarchy is used 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)

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, 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.

The 2013-14 valuation is based on the discounted cash flow model and uses actual data from 2007-08 to date and projections out to 2018-19. Estimate future cash flows are discounted by an appropriate weighted average cost of capital calculated specifically for SHL.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *Unfunded superannuation liability*

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

##### *Long service leave liability*

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

##### **Statement of compliance**

The financial statements 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 2014. It is considered impracticable to presently determine the impact of adopting those new standards and interpretations.

The Crown Entity has not early adopted any new accounting standards, amendments and interpretations in compliance with NSW Treasury mandates per Treasury Circular NSW TC 14/03.

##### **New, revised or amending standards and interpretations**

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

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

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### REVENUE

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

#### 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 penalty notice revenue when payments are received or when they become overdue and further enforcement activity commences
- recognises fines when issued, such as court fines and additional income from overdue fines when they are referred for further enforcement action
- recognises license fees on an accrual basis

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.

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 or 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.



## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

## 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 pays for its share of accommodation and other administrative costs. These costs are recorded in 'Other 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 lump sum and pension plans funding responsibility of 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 (gross liabilities) and the estimated net market value of the superannuation schemes' assets. Gross liabilities are calculated under AASB 119 *Employee Benefits*.

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

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Superannuation – defined benefit plans (continued)

Actuarial gains and losses and expected return on fund assets are recognised as other comprehensive income.

For 2013-14 onwards, changes to AASB 119 have altered the way in which the movements in unfunded liability are to be split and allocated within the Statement of Comprehensive Income. The effects of these changes are detailed in Note 18.

### Long service leave

The Crown Entity recognises long service leave (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.

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 (%)	
	2013-14	2012-13
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 and reimbursement of natural disasters, grants and subsidies are recognised as expenses when the payments are made. Grants for redundancies and natural disaster are recognised on an accrual basis when approved.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Finance costs

Finance costs mainly refer to borrowing costs. Loans are not held for trading and are recognised at amortised cost using the effective interest method. The discount or premium is treated as a finance cost and amortised over the life of the debt. Borrowing 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.

Finance costs also include any gain or loss on restructuring of borrowings and the unwinding of discounts (the increase in the provision resulting from the passage of time) for the provision of outstanding claims and restoration costs.

### 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 arising from investing and financing activities are classified as operating cash flows.

Contingencies and commitments are recognised inclusive of GST.

### Recurrent and capital appropriations

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.

Appropriations for a specific financial year are legally only available to an agency until 30 June. Unspent appropriations become liabilities by the agency to the Consolidated Fund. The Fund accounts for the appropriations unspent by agencies as receivables.

## 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.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

## 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 de-recognised 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.

#### *De-recognition of financial assets*

The Crown Entity de-recognises 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

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial assets (continued)

#### *Impairment of financial assets*

All financial assets, except those measured at fair value through profit and loss, are subject to an annual review for impairment. 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 on financial assets carried at amortised cost, the Crown Entity measures the allowance as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the 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.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Plant and equipment

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

Capitalisation threshold:

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

### De-recognition

The Crown Entity de-recognises 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 de-recognition 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 TPP14-01, the Crown Entity a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. As property, plant and equipment is carried at fair value, impairment can only arise in the rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given that AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit entities to the higher of fair value less costs of disposal and depreciated replacement cost, where depreciated replacement cost is also fair value.

### 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 Limited – Water for Rivers (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 payment is treated as grant expense only when it is spent by the JGE.

The JGE ceased trading in 2013 and is in the process of winding up. 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.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

## 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, adjusted to ensure consistency with Crown Entity accounting policy, 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 28 June (2013: 29 June).

### 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, comprise mainly of software development costs, 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 de-recognition 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.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

## 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 low interest loans by discounting the expected cash flows by the relevant Commonwealth bond rate. 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 are returned from the electricity agencies and are treated as dividends and returns of capital, respectively.

The deposit deeds state that “the Crown may apply and invest the deposit in any manner it determines at its absolute discretion. This clause does not affect 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.

During 2013-14 all outstanding GenTrader deposits were settled as part of the sale of Eraring Energy and Delta West.

#### 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.

#### *Superannuation and long service leave*

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 due to the recognition of the time value of money is expensed as a finance cost.



## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Provisions (continued)

#### *Land remediation*

The provision for land remediation is recognised at the net present value of the estimated future costs required to settle the remediation obligations.

Periodic changes in the provision are accounted for in accordance with the requirements of AASB Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*.

The discount applied to recognise the time value of money is unwound over the life of the provision. Any incremental increase resulting from the unwinding of the discount is recognised as finance costs within the net result in the reporting period in which it occurs. All increases or decreases in the provision resulting from periodic changes to the estimated timing or amount of future remediation costs or changes in the discount rate used are recognised in the net result.

### 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.

### De-recognition 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.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 3. REVENUE

	2014 \$'000	2013 \$'000
<b>(a) Retained taxes, fees and fines</b>		
Payroll tax	8,052,440	7,817,115
Stamp duties	7,863,028	6,240,129
Gambling and betting taxes	1,897,000	1,864,278
Land tax	2,388,226	2,333,674
Motor vehicle taxes and fees	2,294,992	2,189,452
Fees and fines	585,007	579,989
Government guarantee fees	470,907	516,979
Waste disposal levy	500,122	479,430
Other	416,221	501,723
	<b>24,467,943</b>	<b>22,522,769</b>
<b>(b) Commonwealth contributions</b>		
Revenue replacement	54,495	36,863
Specific purpose - recurrent	2,702,700	2,560,488
Commonwealth National Partnership payments - recurrent	1,754,451	1,368,453
Commonwealth National Partnership payments - capital	2,206,837	1,186,164
GST revenue	15,843,877	14,743,789
	<b>22,562,360</b>	<b>19,895,757</b>
<b>(c) Financial distributions</b>		
Dividends	1,381,496	1,864,316
Income tax equivalents	857,803	881,852
	<b>2,239,299</b>	<b>2,746,168</b>
<b>(d) Investment income</b>		
Interest		
Advances	100,441	99,758
Short term money market deposit - TCorp	-	28,829
Private sector deposits	168,693	38,696
TCorp investments	501	829
	<b>269,635</b>	<b>168,112</b>
<b>(e) Other income</b>		
Contribution from other Government agencies	245,829	176,341
Revenue from Crown land assets	62,619	66,185
Crown share of Government agency asset sales	57,103	408,685
Repayment of contribution from SICorp	920,000	215,000
Repayments of previous years appropriation	144,512	66,098
Payment from Policyholders Protection Fund Corporation	44,276	116,547
Long service leave contributions	48,123	41,388
Unclaimed monies	30,271	32,992
HIH insurance recoveries	24,977	13,602
Defined benefit superannuation contributions	31,506	24,334
Reimbursements of Local Government Elections expense	-	20,000
Other	81,537	36,032
	<b>1,690,753</b>	<b>1,217,204</b>

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 3. REVENUE (continued)

##### (f) Contributions

Contributions are received under the National Partnership Agreements with the Commonwealth. Under each agreement, an implementation plan and reporting conditions are agreed. Payments are spent on agreed items and to a timetable agreed with the Commonwealth. Contributions are deemed to be non-reciprocal transfers.

The Crown Entity included the following contributions as revenue where:

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

Policy Area	Balance (\$'000)	
	2013-14	2012-13
Education and Communities	360,944	550,122
Family and Community Services	-	9,281
Health	59,302	37,902
Police and Emergency Services	3,393	147
Trade, Investment and Regional Infrastructure	37,759	36,460
<b>Total</b>	<b>461,398</b>	<b>633,912</b>

*(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			
		2013-14	2014-15	2015-16	2016-17
Transport – Roads	1,300,650	978,667	221,002	100,981	-
Transport – Rail	53,716	53,716	-	-	-
<b>Total</b>	<b>1,354,366</b>	<b>1,032,383</b>	<b>221,002</b>	<b>100,981</b>	<b>-</b>

2012-13 comparative

Policy Area	Balance (\$'000)				
	Total	Periods to which the amounts relate			
		2012-13	2013-14	2014-15	2015-16
Transport	709,760	459,331	184,717	65,712	-
Trade, Investment and Regional Infrastructure	17,900	-	11,100	6,800	-
<b>Total</b>	<b>727,660</b>	<b>459,331</b>	<b>195,817</b>	<b>72,512</b>	<b>-</b>

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 3. REVENUE (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)	
	2013-14	2012-13
Transport	529,387	659,877
Education and Communities	421,480	655,268
Family and Community Services	23,339	32,399
Health	50,462	192,271
Police and Emergency Services	-	1,849
Trade Investment and Regional Infrastructure	4,866	12,889
<b>Total</b>	<b>1,029,534</b>	<b>1,554,553</b>

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 4. EXPENSES

	2014 \$'000	2013 \$'000
<b>(a) Grants and subsidies</b>		
Natural disaster relief	188,229	350,037
Snowy river water rights	1,330	4,675
Advances	-	19,396
Grant to NSW Self Insurance Corporation	15,000	10,000
Grant to Transport NSW	80,662	1,557,944
Grants to agencies for redundancy payments	324,722	197,458
Grants to other Government agencies	155,425	60,246
Infrastructure grants made by Restart	429,102	29,087
First home owners grant	215,060	200,747
Grant to Liability Management Ministerial Corporation	16,709	16,224
Other	36,286	10,897
	<b>1,462,525</b>	<b>2,456,711</b>
<b>(b) Finance costs</b>		
Finance charges from:		
TCorp	1,373,796	1,530,160
Commonwealth Government	75,267	77,102
Other NSW Government agencies	94,419	92,854
Other	9,171	57,708
Unwinding of discounts	29,588	5,625
	<b>1,582,241</b>	<b>1,763,449</b>
<b>(c) Other expenses</b>		
Remissions and refunds	54,976	23,571
Bad and doubtful debts	( 11,899)	174,852
Audit fees		
Financial statements	885	726
Other engagement fees	985	1,105
Auditor General's reports to Parliament and performance audits	7,035	6,810
Consultants	42,018	62,432
Other contractors	1,854	2,147
HIH claims	22,734	( 20,608)
Builders warranty claims	( 19,155)	45,669
Police superannuation scheme - medical claims cost	16,428	15,420
GST administration costs	227,030	227,125
Land Remediation Provision	4,993	7,225
Compensation payment - Cobbora Holding (refer to Note 22)	-	300,000
Refunds to the Commonwealth	11,254	-
Land tax discounts	21,727	-
Other	499,291	518,118
	<b>880,156</b>	<b>1,364,592</b>

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 5. GAIN FROM DISPOSAL OF GOVERNMENT BUSINESSES

	2014 \$'000	2013 \$'000
<b>Sale of Government businesses</b>		
Proceeds from sale	657,410	-
Written down value	( 650,386)	-
Net gain on disposals	<u>7,024</u>	<u>-</u>

#### *Sale of Eraring Energy*

On 1 August, 2013 Eraring Energy was sold to Origin Energy. The agreement resulted in the termination of the GenTrader Agreements between Eraring and Origin and the repayment of the net deposit payable of \$609m held by the Crown Entity. The \$650.4m written down value equals the net assets of Eraring Energy at the time of sale.

#### 6. GAIN FROM FINANCIAL INSTRUMENTS

Net gain on financial assets held for trading		
Derivative financial instruments	8,762	4,822
Other	( 259)	( 93)
<b>Net gain from financial instruments</b>	<u>8,503</u>	<u>4,729</u>

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 7. INVESTMENT IN AN ASSOCIATE

	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>
Non-current investment in an associate	3,037,523	3,315,942
	<u><b>3,037,523</b></u>	<u><b>3,315,942</b></u>

The NSW Government has a 58 per cent share in Snowy Hydro Limited (SHL). NSW does not control the entity, with the power to only appoint 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.

There are no impairment indicators and no impairment losses as at 30 June 2014 (2013: Nil).

#### **Crown's share of associate's assets and liabilities**

Current assets	431,578	231,536
Non current assets	2,942,925	3,449,516
	<u>3,374,503</u>	<u>3,681,052</u>
Current liability	116,754	355,076
Non current liability	220,226	10,034
	<u>336,980</u>	<u>365,110</u>
<b>Net assets</b>	<u><b>3,037,523</b></u>	<u><b>3,315,942</b></u>

#### **Crown's share of associate's profit**

Revenue	749,128	699,306
Profit before income tax	364,580	205,054
Income tax expense	( 108,904)	( 61,441)
<b>Profit after income tax</b>	<u><b>255,676</b></u>	<u><b>143,613</b></u>

#### **Commitments for expenditure**

Share of capital expenditure commitment contracted for	6,090	15,370
Share of other expenditure and operating lease commitment contracted	45,588	50,634
	<u><b>51,678</b></u>	<u><b>66,004</b></u>

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 8. OTHER FINANCIAL ASSETS

	2014 \$000	2013 \$000
Current		
Financial assets at fair value	90	2,161
Other loans and deposits <sup>1</sup>	4,000,000	-
	<u>4,000,090</u>	<u>2,161</u>
Non-current		
Financial assets at fair value	3,163	8,848
	<u>3,163</u>	<u>8,848</u>
<b>Total financial assets at fair value</b>	<b><u>4,003,253</u></b>	<b><u>11,009</u></b>

<sup>1</sup> Other loans and deposits are term deposits held at financial institutions with maturities ranging between 4 and 6 months.

#### 9. DERIVATIVE FINANCIAL INSTRUMENTS

##### Debt Portfolio

The Crown Entity's business may give rise to 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.

The Crown Entity has no interest rate future contracts as at 30 June 2014 (2013: Nil).

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

##### Reliance Rail

In February 2012, Reliance Rail entered into a series of restructure agreements with the State, financial guarantors and other parties to restructure the Reliance Rail financing. These restructure plans included a conditional commitment by the State to invest \$175 million in Reliance Rail in 2018 in return for 100 per cent of the equity in Reliance Rail. The capital commitment is subject to Reliance Rail achieving certain conditions precedent by the funding date which includes the successful delivery of the trains and its ability to refinance its existing debt at that time.

##### Fair value of the Crown Entity's derivative financial instruments

<b>Current assets</b>		
Forward contracts	21,849	13,087
<b>Net amount receivable</b>	<b><u>21,849</u></b>	<b><u>13,087</u></b>



## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 10. ADVANCES REPAYABLE TO THE CROWN

	2014 \$'000	2013 \$'000
<b>Current</b>	296,622	105,605
<b>Non-current</b>	1,057,950	1,286,745
<b>Total advances</b>	<b>1,354,572</b>	<b>1,392,350</b>
<b>Represented by:</b>		
NSW Land and Housing Corporation	459,284	485,588
Department of Premier and Cabinet	271,740	297,689
Trustee of the Home Purchase Assistance Fund	134,790	141,619
NSW Rural Assistance Authority	131,851	142,892
Department of Education and Communities	140,500	140,500
Local Government Infrastructure	99,060	109,949
Co-operative advances	27,998	24,601
Sydney Water Corporation	6,960	12,416
Ministry of Health	6,965	9,159
Department of Trade and Investment, Regional Infrastructure and Services	5,295	7,610
Roads and Maritime Services	4,206	6,337
NSW Police Force	669	802
Asbestos Injuries Compensation Fund Limited	51,515	-
Other	13,739	13,188
	<b>1,354,572</b>	<b>1,392,350</b>

The above advances repayable to the Crown have a face value of \$1,783 million as at 30 June 2014 (2013: \$1,859 million) and stated interest rates of 0.0 - 10.2 per cent and mature in 1 - 28 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.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 11. RECEIVABLES

	2014 \$'000	2013 \$'000
<b>Current:</b>		
Retained taxes, fees and fines	1,513,937	1,574,360
Less: allowance for impairment	( 184,128)	( 196,523)
<b>Net - retained taxes, fees and fines</b>	<b>1,329,809</b>	<b>1,377,837</b>
Dividends	1,368,449	1,688,585
Tax equivalents	162,572	447,611
Unspent appropriations	105,635	77,689
GST Receivable	1,615	2,132
Other	203,034	182,344
	<b>3,171,114</b>	<b>3,776,198</b>
<b>Non-current:</b>		
Other	19,151	25,788
	<b>19,151</b>	<b>25,788</b>
<b>Total receivables</b>	<b>3,190,265</b>	<b>3,801,986</b>
<b>Movements in the allowance for impairment</b>		
Balance at 1 July	196,523	21,672
Add: new provisions	38,313	202,018
Less: amounts used	( 50,708)	( 27,167)
Balance at 30 June	<b>184,128</b>	<b>196,523</b>

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 \$28.5 million (2013: \$101.1 million) that were under objection or appeal.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 12. PLANT AND EQUIPMENT

	2014 \$'000	2013 \$'000
Plant and equipment	189	189
Accumulated depreciation	( 146)	( 123)
Net plant and equipment	<b>43</b>	<b>66</b>
<i>Reconciliation of carrying amount</i>		
<b>Fair value</b>		
Opening balance at 1 July	189	169
Add: additions	-	20
<b>Closing balance at 30 June</b>	<b>189</b>	<b>189</b>
<b>Accumulated depreciation</b>		
Opening balance at 1 July	123	102
Add: charge for the year	23	21
<b>Closing balance at 30 June</b>	<b>146</b>	<b>123</b>
<b>Net carrying amount at 30 June</b>	<b>43</b>	<b>66</b>

#### 13. INTANGIBLE ASSETS

Intangible	128	128
Accumulated amortisation	( 128)	( 105)
Net intangible	-	<b>23</b>
<i>Reconciliation of carrying amount</i>		
<b>Fair value</b>		
Opening balance at 1 July	128	128
Add: additions	-	-
<b>Closing balance at 30 June</b>	<b>128</b>	<b>128</b>
<b>Accumulated amortisation</b>		
Opening balance at 1 July	105	79
Add: charge for the year	23	26
<b>Closing balance at 30 June</b>	<b>128</b>	<b>105</b>
<b>Net carrying amount at 30 June</b>	-	<b>23</b>

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 14. INVESTMENT IN A JOINT VENTURE

	2014 \$000	2013 \$000
Current assets	336	1,658
	<u>336</u>	<u>1,658</u>

#### 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 ceased trading in 2013 and is in the process of winding up. The New South Wales Government's share of the Funding Account, if any, after all reimbursements are settled will be returned to the State.

#### 15. PAYABLES

<b>Current:</b>		
Creditors	25,291	66,461
Financial charges	392,037	386,494
Liability to Nominal Defendant Fund	2,668	19,863
GenTrader deposits	-	960,641
Reimburse electricity agencies	-	8,158
Other	9,589	22,464
	<u>429,585</u>	<u>1,464,081</u>
<b>Non-current:</b>		
Liability to Nominal Defendant Fund	25,804	33,408
	<u>25,804</u>	<u>33,408</u>
<b>Total payables</b>	<u>455,389</u>	<u>1,497,489</u>

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 to TCorp and Commonwealth Government. Other payables are non-interest bearing and are generally on 30 day terms.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 16. BORROWINGS

	2014 \$'000	2013 \$'000
Current	758,907	302,029
Non-current	25,748,748	24,299,925
<b>Total borrowings</b>	<b>26,507,655</b>	<b>24,601,954</b>
<b>Analysed as:</b>		
TCorp	25,756,222	23,875,513
Commonwealth financial agreements	7,925	7,924
Commonwealth specific purpose advances	700,817	702,222
Commonwealth other	42,291	15,795
Other	400	500
<b>Total borrowings at amortised cost</b>	<b>26,507,655</b>	<b>24,601,954</b>

Borrowings from TCorp are interest bearing. The average interest cost, including the amortisation of bond premium or discount, of the TCorp debt portfolio was 5.5 per cent (2013: 6.29 per cent). The modified duration of the nominal debt portfolio is 5.34 (2013: 5.39) and for the indexed debt portfolio is 10.32 (2013: 10.79). 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, 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.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 17. FINANCIAL INSTRUMENTS (continued)

##### Financial instrument categories

	Note	Category	Carrying Amount	
			2014 \$'000	2013 \$'000
<b>Financial assets</b>				
Cash and cash equivalents	24	N/A	8,117,722	9,851,640
Other financial assets	8	At fair value through profit or loss (designated as such upon initial recognition)	3,253	11,009
Other financial assets	8	Loans and Receivables (at amortised cost)	4,000,000	-
Derivative financial instruments	9	At fair value through profit or loss (classified as held for trading)	21,849	13,087
Advances repayable to the Crown	10	Loans and Receivables (at amortised cost)	1,354,572	1,392,350
Receivables <sup>1</sup>	11	Loans and Receivables (at amortised cost)	1,590,634	1,896,717
<b>Financial liabilities</b>				
Payables <sup>2</sup>	15	Financial liabilities (at amortised cost)	455,389	1,497,489
Bank overdrafts	24	N/A	6,331,689	8,156,339
Borrowings	16	Financial liabilities measured at amortised cost	26,507,655	24,601,954
Financial guarantees	27(b)	Financial liabilities measured at fair value less accumulated amortisation	9,800	11,900

<sup>1</sup> Excludes statutory receivables and prepayments and therefore differs from the amounts shown in the Statement of Financial Position.

<sup>2</sup> 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 the parties. TCorp actively manages and reports on the risks associated with the holding of financial instruments. 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.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 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 2013. 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.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 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	Equity \$'000	+1% Profit \$'000	Equity \$'000
<b>2014</b>					
<b>Financial assets</b>					
Cash and cash equivalents <sup>1</sup>	7,953,561	( 79,536)	-	79,536	-
<b>Financial liabilities</b>					
Bank overdrafts	6,331,689	63,317	-	( 63,317)	-
Borrowings managed by TCorp	25,756,222	1,682,011	-	( 1,682,011)	-
<b>2013</b>					
<b>Financial assets</b>					
Cash and cash equivalents <sup>1</sup>	9,665,885	( 96,659)	-	96,659	-
Managed asset portfolio <sup>2</sup>	7,754	( 16)	-	16	-
<b>Financial liabilities</b>					
Bank overdrafts	8,156,339	81,563	-	( 81,563)	-
Borrowings managed by TCorp	23,875,513	1,605,302	-	( 1,605,302)	-

<sup>1</sup> 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.

<sup>2</sup> 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 \$242,000 (2013: \$329,000).



## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 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	2014 \$'000	2013 \$'000
Cash Facility	Cash, money market instruments	Up to 1.5 years	167,172	188,681

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)	
	2014 %	2013 %	2014 \$'000	2013 \$'000
Cash Facility	+/- 1.0	+/- 1.0	+/-1,672	+/-1,887

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 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, 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, short-term deposits 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 but not 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	
<b>2014</b>					
Receivables	6,294	2,860		3,434	-
<b>2013</b>					
Receivables	3,434	-	-	3,434	-

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 17. FINANCIAL INSTRUMENTS (continued)

##### *Credit risk (continued)*

##### *Financial assets*

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 exists for financial assets at amortised cost. These financial assets are term deposits with original maturities greater than 90 days.

##### **Concentration of credit risk**

By credit rating	AAA	AA+	AA	AA-	A+	A	Other ratings <sup>1</sup>	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2014</b>								
Cash and cash equivalents	-	-	-	7,928,081	-	-	189,641	8,117,722
Financial assets at amortised cost	-	-	-	4,000,000	-	-	-	4,000,000
Advances	-	-	-	-	-	-	1,354,572	1,354,572
Receivables	56,259	-	-	21,927	-	206,400	1,306,048	1,590,634
<b>2013</b>								
Cash and cash equivalents	-	-	-	9,642,585	-	-	209,055	9,851,640
Advances	-	-	-	-	-	-	1,392,350	1,392,350
Receivables	-	-	-	-	-	184,838	1,711,879	1,896,717
Managed asset portfolio <sup>2</sup>	4,400	500	-	800	-	-	2,054	7,754

  

By classification of counterparty	Governments	Banks	Other	Total
	\$'000	\$'000	\$'000	\$'000
<b>2014</b>				
Cash and cash equivalents	188,810	7,928,082	830	8,117,722
Financial assets at amortised cost	-	4,000,000	-	4,000,000
Advances	1,325,488	-	29,084	1,354,572
Receivables	1,512,448	20,010	58,176	1,590,634
<b>2013</b>				
Cash and cash equivalents	208,325	9,642,585	730	9,851,640
Advances	1,366,482	-	25,868	1,392,350
Receivables	1,895,446	-	1,271	1,896,717
Managed asset portfolio <sup>2</sup>	1,700	2,000	4,054	7,754

<sup>1</sup> The counterparty has no rating or the rating is 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.

<sup>2</sup> Assets transferred from NSW Lotteries.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 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 2014 have an estimated total value of \$9.8 million (2013: \$11.9 million). The estimated value was calculated by independent valuers 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 \$5 million (2013: \$5 million). TCorp regularly monitors this risk on behalf of the Crown.
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, and other TCorp undertakings for other government authorities for their performance under contracts with third parties. 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 \$165 million (2013: \$144 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 \$281 million (2013: \$292 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 \$6,012 million (2013: \$6,235 million).

Accordingly, the Crown's exposure to financial guarantees is considered to be 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:

- The nominal debit balance limit of Treasury Banking 'One Account' is \$12 billion (2013: \$10 billion)
- TCorp's Come and Go Facility with a limit of \$3.5 billion (2013: \$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.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 17. FINANCIAL INSTRUMENTS (continued)

##### *Liquidity risk (continued)*

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

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 Treasury Circular TC 11/12. 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. Interest is awarded for late payments. There was no interest awarded for late payment during the year.

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

	Weighted average effective interest rate %	Nominal amount <sup>1</sup> \$'000	Interest rate exposure			Maturity dates		
			Fixed interest rate	Variable interest rate	Non-interest bearing	< 1 Year	1 - 5 Years	> 5 Years
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2014</b>								
Payables <sup>2</sup>	-	455,389			455,389	429,585	25,804	-
Bank overdrafts	3.37	6,331,689	-	6,331,689	-	6,331,689	-	-
TCorp borrowings	4.90	35,590,877	35,590,877	-	-	1,927,435	11,336,529	22,326,913
Cwlth general purpose borrowings	3.00	7,921	7,921	-	-	7,921	-	-
Cwlth specific purpose borrowings	4.43	1,164,058	1,164,058	-	-	54,904	212,570	896,584
Own name borrowings	7.03	400	400	-	-	150	250	-
Financial guarantees <sup>3</sup>	-	6,462,750	-	-	6,462,750	449,440	1,005,370	5,007,940
<b>Total financial liabilities<sup>4</sup></b>		<b>50,013,084</b>	<b>36,763,256</b>	<b>6,331,689</b>	<b>6,918,139</b>	<b>9,201,124</b>	<b>12,580,523</b>	<b>28,231,437</b>
<b>2013</b>								
Payables <sup>2</sup>	-	1,497,489	960,641	-	536,848	1,464,081	33,408	-
Bank overdrafts	3.23	8,156,339	-	8,156,339	-	8,156,339	-	-
TCorp borrowings	4.99	34,177,658	34,177,658	-	-	1,435,206	10,472,115	22,270,337
Cwlth general purpose borrowings	3.00	7,924	7,924	-	-	7,924	-	-
Cwlth specific purpose borrowings	4.54	1,158,337	1,158,337	-	-	53,462	201,387	903,488
Own name borrowings	6.80	500	500	-	-	100	400	-
Financial guarantees <sup>3</sup>	-	6,676,000	-	-	6,676,000	430,640	1,009,770	5,235,590
<b>Total financial liabilities<sup>4</sup></b>		<b>51,674,247</b>	<b>36,305,060</b>	<b>8,156,339</b>	<b>7,212,848</b>	<b>11,547,752</b>	<b>11,717,080</b>	<b>28,409,415</b>

<sup>1</sup> 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.

<sup>2</sup> Excludes statutory payables and deferred income/unearned revenue and therefore differ from the amounts shown in the Statement of Financial Position.

<sup>3</sup> 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 \$9.8 million (2013: \$11.9 million).

<sup>4</sup> Total differs from the Statement of Financial Position mainly due to guarantees being measured on a worst case scenario.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 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 is calculated by reference to the underlying value of the equity, determined by the 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 by carrying amount

	Carrying amount \$'000	2014	Fair value level	2013	Fair value \$'000
		Fair value \$'000		Carrying amount \$'000	
<b>Financial assets</b>					
Co-operative advances	27,998	29,311	Level 2	24,601	26,060
Unrecognised profit	1,313	-		1,459	-
<b>Total</b>	<b>29,311</b>	<b>29,311</b>		<b>26,060</b>	<b>26,060</b>
<b>Financial liabilities</b>					
TCorp borrowings	25,756,222	28,448,403	Level 2	23,875,513	25,636,426
Commonwealth general purpose borrowings	7,925	7,925	Level 2	7,924	7,924
Unrecognised loss	2,692,181	-		1,760,913	-
<b>Total</b>	<b>28,456,328</b>	<b>28,456,328</b>		<b>25,644,350</b>	<b>25,644,350</b>

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 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)

The following table presents the Crown Entity assets measured and recognised at fair value as at 30 June:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2013-14</b>				
<b>Financial assets at fair value</b>				
Tcorp Hour-Glass investment facilities	-	3,011	-	3,011
Other	-	241	-	241
Derivative Financial Instruments	-	-	21,849	21,849
	-	<b>3,252</b>	<b>21,849</b>	<b>25,101</b>
<b>2012-13</b>				
Tcorp Hour-Glass investment facilities	-	2,926	-	2,926
Other	-	8,083	-	8,083
Derivative Financial Instruments	-	-	13,087	13,087
	-	<b>11,009</b>	<b>13,087</b>	<b>24,096</b>

The Crown Entity values its investments in accordance with the accounting policies set out in note 2 to the financial statements. The fair values of level 3 derivatives that are not traded in an active market are determined using valuation techniques. These techniques include referencing current fair values of substantially similar instruments, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Crown holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors that may arise.

The main level 3 inputs used by the Crown are derived and evaluated as follows:

- Discount rate used for the valuation is a market based leveraged cost of equity. An increase/(decrease) of (+/-50 basis points (bps)) would increase/(decrease) the fair value of the derivative by \$5.5 million.
- Credit Margin assumptions are based on an equally weighted average of historically observed and currently observed BBB corporate bond margins. The inputs range from 180 bps to 230 bps.

Changes in level 2 and 3 fair values are analysed at each reporting date.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 17. FINANCIAL INSTRUMENTS (continued)

##### Reconciliation of level 3 fair value measurements

	<b>\$'000</b>
Opening balance at 1 July 2013	13,087
Total gains or losses	
- net result for the year (in gain from financial instrument)	<u>8,762</u>
Closing balance at 30 June 2014	<u><b>21,849</b></u>
Opening balance at 1 July 2012	8,265
Total gains or losses	
- net result for the year (in gain from financial instrument)	<u>4,822</u>
Closing balance at 30 June 2013	<u><b>13,087</b></u>

Of total gains and losses included in the net result for the year, \$21.8 million (2013: \$13.1 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 2014 (2013: Nil).



## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 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 (STC) engaged an independent actuary, Mercer, to calculate the unfunded liabilities of State public sector superannuation schemes.

The Pooled Fund consists of SSS, PSS, SASS and SANCS.

Actuaries calculated unfunded superannuation liabilities at 30 June 2014 using:

- latest available scheme membership data
- demographic assumptions of the 2012 Triennial Valuation of the State Super Fund Superannuation Schemes
- an additional allowance for staff reductions
- Australian Accounting Standard AASB 119 applying to employee benefits as at 30 June 2014.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 18. UNFUNDED SUPERANNUATION LIABILITY (continued)

##### *Regulatory framework*

The schemes in the Pooled Fund are established and governed by the following NSW legislation: Superannuation Act 1916, State Authorities Superannuation Act 1987, Police Regulation (Superannuation) Act 1906, State Authorities Non-Contributory Superannuation Scheme Act 1987, and their associated regulations.

These schemes are exempt public sector superannuation schemes under the Commonwealth Superannuation Industry (Supervision) Act 1993 (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the NSW Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

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

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2012.

##### *Governance*

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

- Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules;
- Management and investment of the fund assets; and
- Compliance with other applicable regulations.

The Trust monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash-flows to manage liquidity requirements.

##### *Risks*

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

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

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 18. UNFUNDED SUPERANNUATION LIABILITY (continued)

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

There were no fund amendments, curtailments or settlements during the year.

The following figures are 2014 actual

#### Member numbers

	SASS	SANCS	SSS	PSS	JPS	PCSS
Contributors	23,263	31,771	7,146	1,362	142	46
Deferred benefits	10,488	12,109	1,340	84	-	2
Pensioners	2,904	-	40,215	6,579	179	285
Pensions fully commuted	-	-	13,171	-	-	-

#### Superannuation position for AASB 119 *Employee Benefits*

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2013-14 \$'000
Accrued liability <sup>1</sup>	12,554,086	2,462,180	46,175,413	14,490,840	981,897	692,900	77,357,316
Estimated reserve account balance	(8,816,223)	(1,569,504)	(16,511,444)	(4,338,015)	-	(257,700)	(31,492,886)
	<u>3,737,863</u>	<u>892,676</u>	<u>29,663,969</u>	<u>10,152,825</u>	<u>981,897</u>	<u>435,200</u>	<u>45,864,430</u>
Future service liability <sup>2</sup>	<u>1,541,289</u>	<u>836,928</u>	<u>566,730</u>	<u>117,321</u>	<u>-</u>	<u>-</u>	<u>3,062,268</u>
Net liability to be disclosed in the Statement of Financial Position	<u>3,737,863</u>	<u>892,676</u>	<u>29,663,969</u>	<u>10,152,825</u>	<u>981,897</u>	<u>435,200</u>	<u>45,864,430</u>
Current							1,354,835
Non-current							<u>44,509,595</u>
Total							<u>45,864,430</u>

<sup>1</sup> The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15 per cent.

<sup>2</sup> The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the "surplus in excess of recovery" is zero, no asset ceiling limit is imposed. (Note: this also includes a contribution tax provision).

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 18. UNFUNDED SUPERANNUATION LIABILITY (continued)

##### Reconciliation of the net defined benefit obligation

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2013-14 \$'000
<i>Present value at 1/7/13</i>	3,905,720	1,032,012	28,441,011	9,656,243	968,694	482,923	44,486,603
Net equity transfers	42,133	8,410	167,070	-	-	-	217,613
Current service cost	330,882	117,154	135,291	65,100	34,552	5,279	688,258
Net interest	134,992	34,731	1,075,640	365,415	36,049	18,155	1,664,982
Actual return on fund assets less interest income	(1,043,309)	(185,408)	(1,491,254)	(388,513)	-	(22,178)	(3,130,662)
Actuarial losses arising from changes in demographic assumptions	34,575	11,293	95,168	-	-	-	141,036
Actuarial (gains)/losses arising from changes in financial assumptions	341,181	107,464	1,549,311	633,828	(23,813)	(10,500)	2,597,471
Actuarial (gains)/losses arising from liability experience	698,007	3,083	(38,869)	(99,112)	6,501	(22,779)	546,831
Adjustment for effect of asset ceiling	-	-	-	-	-	-	-
Employer contribution	(706,317)	(236,063)	(269,400)	(80,135)	(40,086)	(15,700)	(1,347,701)
<i>Present value at 30/6/14</i>	<b>3,737,864</b>	<b>892,676</b>	<b>29,663,968</b>	<b>10,152,826</b>	<b>981,897</b>	<b>435,200</b>	<b>45,864,431</b>

##### Reconciliation of the fair value of fund assets

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2013-14 \$'000
<i>Fair value at 1/7/13</i>	7,597,719	1,306,304	15,534,838	4,147,618	-	236,077	28,822,556
Equity transfers	17,067	3,427	184,007	-	-	-	204,501
Interest income	276,725	48,486	563,139	151,000	-	8,745	1,048,095
Actual return on Fund assets less interest income	1,043,309	185,408	1,491,254	388,513	-	22,178	3,130,662
Employer contributions	706,317	236,063	269,400	80,135	40,086	15,700	1,347,701
Contributions by participants	138,646	-	111,521	9,828	-	1,100	261,095
Benefits paid	(914,506)	(218,311)	(1,766,600)	(475,700)	(40,086)	(26,100)	(3,441,303)
Taxes, premiums & expenses	(49,054)	8,127	123,886	36,620	-	-	119,579
<i>Fair value at 30/6/14</i>	<b>8,816,223</b>	<b>1,569,504</b>	<b>16,511,445</b>	<b>4,338,014</b>	<b>-</b>	<b>257,700</b>	<b>31,492,886</b>

##### Reconciliation of the defined benefit obligation

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2013-14 \$'000
<i>Present value at 1/7/13</i>	11,503,439	2,338,316	43,975,849	13,803,861	968,694	719,000	73,309,159
Equity transfers	59,200	11,837	351,077	-	-	-	422,114
Current service cost	330,882	117,154	135,291	65,100	34,552	5,279	688,258
Interest cost	411,717	83,217	1,638,779	516,415	36,049	26,900	2,713,077
Contributions by participants	138,645	-	111,521	9,828	-	1,100	261,094
Actuarial losses arising from changes in demographic assumptions	34,575	11,293	95,168	-	-	-	141,036
Actuarial (gains)/losses arising from changes in financial assumptions	341,181	107,464	1,549,311	633,828	(23,813)	(10,500)	2,597,471
Actuarial (gains)/losses arising from liability experience	698,007	3,083	(38,869)	(99,112)	6,501	(22,779)	546,831
Benefits paid	(914,506)	(218,311)	(1,766,600)	(475,700)	(40,086)	(26,100)	(3,441,303)
Taxes, premiums & expenses	(49,054)	8,127	123,886	36,620	-	-	119,579
<i>Present value at 30/6/14</i>	<b>12,554,086</b>	<b>2,462,180</b>	<b>46,175,413</b>	<b>14,490,840</b>	<b>981,897</b>	<b>692,900</b>	<b>77,357,316</b>

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 18. UNFUNDED SUPERANNUATION LIABILITY (continued)

##### Reconciliation of the effect of the asset ceiling

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2013-14 \$'000
Adjustment for effect of asset ceiling at 1/7/13	-	-	-	-	-	-	-
Change in the effect of asset ceiling	-	-	-	-	-	-	-
Adjustment for effect of asset ceiling at 30/6/14	-	-	-	-	-	-	-

##### Fair value of Fund assets

All Pooled Fund assets are invested by STC at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. The disclosures below relate to total assets of the Pooled Fund.

Asset category <sup>1</sup>	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total 2013-14 \$'000
Short Term Securities	1,572,615	880,140	-	2,452,755
Australian Fixed Interest	10,928	2,354,086	-	2,365,014
International Fixed Interest	-	880,529	-	880,529
Australian Equities	11,494,549	241,423	2,664	11,738,636
International Equities	8,172,677	2,780,531	121	10,953,329
Property	894,113	692,296	1,686,577	3,272,986
Alternatives	565,401	4,897,152	866,857	6,329,410
<b>Total<sup>2</sup></b>	<b>22,710,283</b>	<b>12,726,157</b>	<b>2,556,219</b>	<b>37,992,659</b>

<sup>1</sup> The following hierarchy is used for disclosing the asset categories:

- Level 1: quoted prices in active markets for identical assets or liabilities. The assets in this levels are listed shares; listed unit trusts
- Level 2: inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are notes; government; semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities
- Level 3: inputs for the asset or liability not based on observable market data (unobservable inputs). The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such, managers make limited use of derivatives.

<sup>2</sup> Additional to the assets disclosed above, at 30 June 2014 the Pooled Fund has provisions for receivables estimated to be around \$2.2 billion, giving an estimated assets totalling around \$40.2 billion.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 18. UNFUNDED SUPERANNUATION LIABILITY (continued)

The percentage invested in each asset class at the reporting date is:

	<b>Pooled Fund 30/06/2014</b>	<b>PCSS 30/06/2014</b>
Short term securities	6.5	N/A
Australian fixed interest	6.2	N/A
International fixed interest	2.3	N/A
Australian equities	30.9	N/A
International equities	28.8	N/A
Property	8.6	N/A
Alternatives	16.7	N/A
<b>Total</b>	<b>100.0</b>	

The fair value of the Pooled Fund assets included \$173.9 million in NSW government bonds as at 30 June 2014.

#### Significant actuarial assumptions at the reporting date

	<b>Pooled Fund</b>	<b>JPS</b>	<b>PCSS</b>
Discount rate	3.57% pa	3.57% pa	3.57% pa
Salary increase rate (excluding promotional increases)	2.27% pa to 30 June 2015, then 2.5% pa to 30 June 2018, 3.0% pa from 1 July 2018 to 30 June 2023, and 3.5% pa thereafter		
Rate of CPI increase	2.5% pa as per the 2012 actuarial investigation of the Pooled Fund	N/A as per 2010 triennial actuarial valuation	N/A as per 2011 triennial actuarial valuation
Pensioner mortality			

#### Sensitivity analysis

The total defined benefit obligation as at 30 June 2014 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2014.

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

	<b>Pooled Fund</b>		
	<b>Base Case</b>	<b>Scenario A -1.0% discount rate</b>	<b>Scenario B +1.0% discount rate</b>
Discount rate	3.57%	2.57%	4.57%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	75,682,520	86,632,436	66,876,186
	<b>Base Case</b>	<b>Scenario C +0.5% rate of CPI increase</b>	<b>Scenario D -0.5% rate of CPI increase</b>
Discount rate	as above	as above	as above
Rate of CPI increase	2.5%	3.0%	2.0%
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	75,682,520	80,421,709	71,394,899

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 18. UNFUNDED SUPERANNUATION LIABILITY (continued)

	Pooled Fund		
	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (\$'000)	75,682,520	76,158,385	75,224,704
	<b>Base Case</b>	<b>Scenario G +5% pensioner mortality rates</b>	<b>Scenario H -5% pensioner mortality rates</b>
Defined benefit obligation (\$'000)	75,682,520	74,975,828	76,430,192

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

	PCSF			JPS		
	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate
Discount rate	3.57%	2.57%	4.57%	3.57%	2.57%	4.57%
Rate of CPI increase	N/A	N/A	N/A	N/A	N/A	N/A
Salary inflation rate	as above	as above	as above	as above	as above	as above
Defined benefit obligation (\$'000)	692,900	822,000	592,000	981,897	1,133,525	860,044
	Base Case	Scenario C +0.5% salary increase rate	Scenario D -0.5% salary increase rate	Base Case	Scenario C +0.5% salary increase rate	Scenario D -0.5% salary increase rate
Discount rate	as above	as above	as above	as above	as above	as above
Rate of CPI increase	N/A	N/A	N/A	N/A	N/A	N/A
Salary inflation rate	as above	above rates plus 0.5% pa	above rates less 0.5% pa	as above	above rates plus 0.5% pa	above rates less 0.5% pa
Defined benefit obligation (\$'000)	692,900	574,000	639,000	981,897	1,053,522	917,078
	Base Case	Scenario E +5% pensioner mortality rates	Scenario F -5% pensioner mortality rates	Base Case	Scenario E +5% pensioner mortality rates	Scenario F -5% pensioner mortality rates
Defined benefit obligation (\$'000)	692,900	671,000	716,000	981,897	967,169	997,485

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 18. UNFUNDED SUPERANNUATION LIABILITY (continued)

##### Funding arrangements

Funding arrangements for the Pooled Fund are generally reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2012. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding arrangements for PCSS are reviewed around every three years and were last reviewed in 2011. Contribution rates are set after discussions between the actuary and NSW Treasury.

For the Pooled Fund and PCSS, funding positions are reviewed annually and funding arrangements may be adjusted if required.

JPS is run as a pay-as-you-go scheme, with long-term funding towards full funding by 2030 provided through the Liability Management Ministerial Corporation.

The following is a summary of the 30 June 2014 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 2013-14 \$'000
Accrued benefits	10,599,546	2,012,665	24,690,593	7,009,755	552,178	362,865	45,227,602
Net market value of Fund assets	(8,816,223)	(1,569,504)	(16,511,444)	(4,338,015)	-	(257,700)	(31,492,886)
Net deficit	<b>1,783,323</b>	<b>443,161</b>	<b>8,179,149</b>	<b>2,671,740</b>	<b>552,178</b>	<b>105,165</b>	<b>13,734,716</b>

##### Contribution recommendations

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

##### Economic assumptions

Weighted-Average Assumptions	Pooled Fund 30/06/14 %	JPS 30/06/14 %	PCSS 30/06/14 %
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa	8.1% pa	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa	N/A	N/A
Expected salary increase rate (excluding promotional salary increases)	SASS, SANCS, SSS 2.7% pa (PSS 3.5% pa) to 30 June 2018, then 4.0% pa thereafter		
Expected rate of CPI increase	2.5% pa	3.5% pa	3.5% pa

##### Contribution recommendations

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000
Expected employer contributions	N/A	N/A	N/A	N/A	41,667	15,000

The weight average duration for the Pooled Fund defined benefit obligation is 13.6 years, 12 years for JPS and 16 years for PCSS.



## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 18. UNFUNDED SUPERANNUATION LIABILITY (continued)

##### Profit or loss impact

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	2013-14
							\$'000
Current service cost	330,882	117,154	135,291	65,100	34,552	5,279	688,258
Net interest	134,992	34,731	1,075,640	365,415	36,049	18,155	1,664,982
<b>Defined benefit cost</b>	<b>465,874</b>	<b>151,885</b>	<b>1,210,931</b>	<b>430,515</b>	<b>70,601</b>	<b>23,434</b>	<b>2,353,240</b>

##### Other comprehensive income

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	2013-14
							\$'000
Actuarial (gains)/losses on liabilities	1,073,763	121,840	1,605,610	534,716	(17,312)	(33,279)	3,285,338
Actual return on Fund assets less Interest income	(1,043,309)	(185,408)	(1,491,254)	(388,513)	-	(22,178)	(3,130,662)
Adjustment for effect of asset ceiling	-	-	-	-	-	-	-
<b>Total remeasurement in Other Comprehensive Income</b>	<b>30,454</b>	<b>(63,568)</b>	<b>114,356</b>	<b>146,203</b>	<b>(17,312)</b>	<b>(55,457)</b>	<b>154,676</b>

##### Impact of the new AASB119 with respect to the financial year to 30 June 2014

Pooled Fund	Previous AASB 119					Current
	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	Total \$'000	Total \$'000
Service cost	283,662	100,434	115,780	59,417	559,293	648,427
Net Interest (current AASB119 only)	n/a	n/a	n/a	n/a	n/a	1,610,778
Interest Expense (previous AASB119 only)	393,199	78,547	1,480,923	469,912	2,422,581	n/a
Expected return on assets (previous AASB119 only)	(630,445)	(111,149)	(1,275,620)	(341,226)	(2,358,440)	n/a
<b>Superannuation expense in surplus or deficit</b>	<b>46,416</b>	<b>67,832</b>	<b>321,083</b>	<b>188,103</b>	<b>623,434</b>	<b>2,259,205</b>
Actuarial losses on liabilities	1,170,451	167,458	1,620,824	509,553	3,468,286	3,335,929
Return on assets excluding amounts included in surplus or deficit <sup>1</sup>	(689,588)	(122,745)	(778,773)	(198,287)	(1,789,393)	(3,108,484)
Change in the effect of asset ceiling	-	-	-	-	-	-
<b>Amount recognised in other comprehensive income</b>	<b>480,863</b>	<b>44,713</b>	<b>842,051</b>	<b>311,266</b>	<b>1,678,893</b>	<b>227,445</b>
<b>Total recognised in Statement of Comprehensive Income</b>	<b>527,279</b>	<b>112,545</b>	<b>1,163,134</b>	<b>499,369</b>	<b>2,302,327</b>	<b>2,486,650</b>
<b>Impact on the Statement of Financial Position as at 30 June 2014</b>						
Net defined benefit liability	3,230,914	774,683	25,306,282	8,857,669	38,169,548	44,447,334

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 18. UNFUNDED SUPERANNUATION LIABILITY (continued)

JPS and PCSS	Previous AASB 119		Current AASB 119	
	JPS \$'000	PCSS \$'000	JPS \$'000	PCSS \$'000
Service cost	34,552	5,279	34,552	5,279
Net Interest (current AASB119 only)	n/a	n/a	36,049	18,155
Interest Expense (previous AASB119 only)	36,048	24,360	n/a	n/a
Expected return on assets (previous AASB119 only)	-	(19,842)	n/a	n/a
<b>Superannuation expense in surplus or deficit</b>	<b>70,600</b>	<b>9,797</b>	<b>70,601</b>	<b>23,434</b>
Actuarial gains on liabilities	(17,311)	(29,334)	(17,312)	(33,279)
Return on assets excluding amounts included in surplus or deficit <sup>1</sup>	-	(9,866)	-	(22,178)
Change in the effect of asset ceiling	-	-	-	-
<b>Amount recognised in other comprehensive income</b>	<b>(17,311)</b>	<b>(39,200)</b>	<b>(17,312)</b>	<b>(55,457)</b>
<b>Total recognised in Statement of Comprehensive Income</b>	<b>53,289</b>	<b>(29,403)</b>	<b>53,289</b>	<b>(32,023)</b>
<b>Impact on the Statement of Financial Position as at 30 June 2014</b>				
Net defined benefit liability	<b>981,897</b>	<b>371,659</b>	<b>981,897</b>	<b>435,200</b>

<sup>1</sup>This item is the actual return on assets in excess of expected return on assets under the previous AASB 119 standard, and in excess of interest income under the current AASB 119 standard.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 18. UNFUNDED SUPERANNUATION LIABILITY (continued)

The following figures are 2013 comparatives

##### Member numbers

	SASS	SANCS	SSS	PSS	JPS	PCSS
Contributors	24,847	35,063	8,700	1,516	142	46
Deferred benefits	10,532	12,300	1,512	92	-	2
Pensioners	2,947	-	38,785	6,532	179	285
Pensions fully commuted	-	-	13,251	-	-	-

##### Superannuation position for AASB 119 *Employee Benefits*

	SASS	SANCS	SSS	PSS	JPS	PCSS	Total 2012-13
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued liability <sup>1</sup>	11,503,439	2,338,316	43,975,849	13,803,861	968,694	719,000	73,309,159
Estimated reserve account balance	(7,597,719)	(1,306,304)	(15,534,838)	(4,147,618)	-	(236,077)	(28,822,556)
	<u>3,905,720</u>	<u>1,032,012</u>	<u>28,441,011</u>	<u>9,656,243</u>	<u>968,694</u>	<u>482,923</u>	<u>44,486,603</u>
Future service liability <sup>2</sup>	<u>1,379,540</u>	<u>574,190</u>	<u>578,770</u>	<u>164,550</u>	<u>-</u>	<u>-</u>	<u>2,697,050</u>
Net liability to be disclosed in the Statement of Financial Position	<u>3,905,720</u>	<u>1,032,012</u>	<u>28,441,011</u>	<u>9,656,243</u>	<u>968,694</u>	<u>482,923</u>	<u>44,486,603</u>
Current							1,235,800
Non-current							<u>43,250,803</u>
Total							<u>44,486,603</u>

<sup>1</sup> The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15 per cent.

<sup>2</sup> The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the "surplus in excess of recovery" is zero, no asset ceiling limit is imposed. (Note: This also includes a contributions tax provision).

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 18. UNFUNDED SUPERANNUATION LIABILITY (continued)

##### Reconciliation of the net defined benefit obligation

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2012-13 \$'000
<i>Present value at 1/7/12</i>	4,444,945	1,231,171	33,625,331	10,398,548	1,030,537	617,400	51,347,932
Net equity transfers	2,527	878	-	-	-	-	3,405
Current service cost	350,221	87,965	137,047	70,703	41,797	11,400	699,133
Net interest	130,130	35,172	1,020,001	313,729	30,955	18,879	1,548,866
Actual return on Fund assets less interest income	(971,426)	(160,731)	(2,079,199)	(518,142)	-	(37,476)	(3,766,974)
Actuarial losses arising from changes in demographic assumptions	103,461	2,485	1,497,337	1,838,848	-	-	3,442,131
Actuarial gains arising from changes in financial assumptions	(530,846)	(142,583)	(5,148,937)	(1,983,042)	(106,346)	(94,700)	(8,006,454)
Actuarial (gains)/losses arising from liability experience	761,333	141,151	(146,637)	(172,421)	10,670	(17,580)	576,516
Adjustment for effect of asset	-	-	-	-	-	-	-
Employer contribution	(384,625)	(163,496)	(463,932)	(291,980)	(38,919)	(15,000)	(1,357,952)
<i>Present value at 30/6/13</i>	<b>3,905,720</b>	<b>1,032,012</b>	<b>28,441,011</b>	<b>9,656,243</b>	<b>968,694</b>	<b>482,923</b>	<b>44,486,603</b>

##### Reconciliation of the fair value of fund assets

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2012-13 \$'000
<i>Present value at 1/7/12</i>	7,011,460	1,335,119	14,107,664	3,762,937	-	201,100	26,418,280
Interest income	202,800	38,323	413,256	112,010	-	6,021	772,410
Actual return on Fund assets less interest income	971,426	160,731	2,079,199	518,142	-	37,476	3,766,974
Employer contributions	384,625	163,496	463,932	291,980	38,919	15,000	1,357,952
Contributions by participants	144,603	-	133,394	10,149	-	1,180	289,326
Benefits paid	(890,538)	(277,608)	(1,587,899)	(479,209)	(38,919)	(24,700)	(3,298,873)
Taxes, premiums & expenses	(226,657)	(113,757)	(74,708)	(68,391)	-	-	(483,513)
<i>Fair value at 30/6/13</i>	<b>7,597,719</b>	<b>1,306,304</b>	<b>15,534,838</b>	<b>4,147,618</b>	<b>-</b>	<b>236,077</b>	<b>28,822,556</b>

##### Reconciliation of the defined benefit obligation

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2012-13 \$'000
<i>Present value at 1/7/12</i>	11,456,405	2,566,290	47,732,995	14,161,485	1,030,537	818,500	77,766,212
Equity transfers	2,527	878	-	-	-	-	3,405
Current service cost	350,221	87,965	137,047	70,703	41,797	11,400	699,133
Interest cost	332,930	73,495	1,433,257	425,739	30,955	24,900	2,321,276
Contributions by participants	144,603	-	133,394	10,149	-	1,180	289,326
Actuarial losses arising from changes in demographic assumptions	103,461	2,485	1,497,337	1,838,848	-	-	3,442,131
Actuarial gains arising from changes in financial assumptions	(530,846)	(142,583)	(5,148,937)	(1,983,042)	(106,346)	(94,700)	(8,006,454)
Actuarial (gains)/losses arising from liability experience	761,333	141,151	(146,637)	(172,421)	10,670	(17,580)	576,516
Benefits paid	(890,538)	(277,608)	(1,587,899)	(479,209)	(38,919)	(24,700)	(3,298,873)
Taxes, premiums & expenses	(226,657)	(113,757)	(74,708)	(68,391)	-	-	(483,513)
<i>Present value at 30/6/13</i>	<b>11,503,439</b>	<b>2,338,316</b>	<b>43,975,849</b>	<b>13,803,861</b>	<b>968,694</b>	<b>719,000</b>	<b>73,309,159</b>

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 18. UNFUNDED SUPERANNUATION LIABILITY (continued)

##### Reconciliation of the effect of the asset ceiling

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2012-13 \$'000
<i>Adjustment for effect of asset ceiling at 1/7/12</i>	-	-	-	-	-	-	-
<i>Change in the effect of asset ceiling</i>	-	-	-	-	-	-	-
<i>Adjustment for effect of asset ceiling at 30/6/13</i>	-	-	-	-	-	-	-

The percentage invested in each asset class at the reporting date is:

	Pooled Fund 30/06/2013 %	PCSS 30/06/2013 %
Australian equities	30.4	31.3
Overseas equities	26.1	26.0
Australian fixed interest securities	6.9	12.9
Overseas fixed interest securities	2.2	13.2
Property	8.3	13.9
Cash	13.1	0.9
Other	13.0	1.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

The fair value of the Pooled Fund assets included \$184.8 million in NSW Government bonds as at 31 December 2013. The total fair value of the Pooled Fund assets was provided as it is not available from the custodian.

##### Significant actuarial assumptions at the reporting date

	Pooled Fund	JPS	PCSS
Discount rate	3.80% pa	3.80% pa	3.80% pa
Salary increase rate (excluding promotional increases)	2.25% for 2013/2014 (2.95% for PSS); 2.25% pa for 2014/2015; 2.00% pa for 2015/2016 to 2019/2020; 2.50% pa thereafter	3.50% pa	3.50% pa
Rate of CPI increase	2.50% pa	N/A	N/A
Pensioner mortality	as per the 2012 actuarial investigation of the Pooled Fund	as per 2010 triennial actuarial valuation	as per 2011 triennial actuarial valuation

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 18. UNFUNDED SUPERANNUATION LIABILITY (continued)

##### Funding arrangements

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

The following is a summary of the 30 June 2013 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 2012-13 \$'000
Accrued benefits	9,861,036	1,954,592	24,060,966	6,852,035	529,347	367,197	43,625,173
Net market value of Fund	(7,597,719)	(1,306,303)	(15,534,838)	(4,147,618)	-	(236,077)	(28,822,555)
Net deficit	<b>2,263,317</b>	<b>648,289</b>	<b>8,526,128</b>	<b>2,704,417</b>	<b>529,347</b>	<b>131,120</b>	<b>14,802,618</b>

##### Contribution recommendations

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

##### Economic assumptions

	Pooled Fund 30/06/2013	JPS 30/06/2013	PCSS 30/06/2013
<b>Weighted-Average Assumptions</b>			
Expected rate of return on Fund assets backing current pension liabilities	8.3% pa	8.1% pa	8.3% pa
Expected rate of return on Fund assets backing other liabilities	7.3% pa	N/A	N/A
	SASS, SANCS, SSS 2.7% pa (PSS 3.5% pa) for 6 years then 4.0% pa	3.5% pa	3.5% pa
Expected salary increase rate			
Expected rate of CPI increase	2.5% pa	N/A	N/A

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 18. UNFUNDED SUPERANNUATION LIABILITY (continued)

##### Contribution recommendations

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000
Expected employer contributions	N/A	N/A	N/A	N/A	40,099	15,700

The weight average duration for the Pooled Fund defined benefit obligation is 13.6 years, 15 years for JPS and 16 years for PCSS.

##### Profit or loss impact

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2012-13 \$'000
Current service cost	350,221	87,965	137,047	70,703	41,797	11,400	699,133
Net interest	130,130	35,172	1,020,001	313,729	30,955	18,879	1,548,866
<b>Defined benefit cost</b>	<b>480,351</b>	<b>123,137</b>	<b>1,157,048</b>	<b>384,432</b>	<b>72,752</b>	<b>30,279</b>	<b>2,247,999</b>

##### Expenses recognised in other comprehensive income

	SASS \$'000	SANCS \$'000	SSS \$'000	PSS \$'000	JPS \$'000	PCSS \$'000	Total 2012-13 \$'000
Actuarial (gains)/losses on liabilities	333,948	1,053	(3,798,237)	(316,615)	(95,676)	(112,280)	(3,987,807)
Actual return on Fund assets less interest income	(971,426)	(160,731)	(2,079,199)	(518,142)	-	(37,476)	(3,766,974)
Adjustment for effect of asset ceiling	-	-	-	-	-	-	-
<b>Total remeasurement in Other Comprehensive Income</b>	<b>(637,478)</b>	<b>(159,678)</b>	<b>(5,877,436)</b>	<b>(834,757)</b>	<b>(95,676)</b>	<b>(149,756)</b>	<b>(7,754,781)</b>

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 19. EMPLOYEE BENEFITS AND OTHER PROVISIONS

	2014 \$'000	2013 \$'000
Current	6,223,310	5,672,663
Non-current	322,762	293,967
<b>Total employee benefits and other provisions</b>	<b>6,546,072</b>	<b>5,966,630</b>

#### 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 as at the reporting date.

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 at the reporting date based on the ten year Commonwealth government bond rate as at 30 June.

#### a) Long service leave

##### Current

General Government Sector agencies assumed by the Crown, excluding NSW Health	4,000,840	3,657,210
NSW Health	2,048,417	1,846,176
Crown long service leave pool	83,222	81,984
	<b>6,132,479</b>	<b>5,585,370</b>

##### Non-current

General Government Sector agencies assumed by the Crown, excluding NSW Health	210,571	192,485
NSW Health	107,811	97,167
Crown long service leave pool	4,380	4,315
	<b>322,762</b>	<b>293,967</b>

#### b) Other leave benefits

##### Current

Other leave benefits	90,831	87,293
	<b>90,831</b>	<b>87,293</b>

<b>Total employee benefits and other provisions</b>	<b>6,546,072</b>	<b>5,966,630</b>
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## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 19. EMPLOYEE BENEFITS AND OTHER PROVISIONS (continued)

The expected payment within the next twelve months for General Government Sector agencies' long service leave is \$539 million (2013: \$558 million), for NSW Health is \$241 million (2013: \$221 million) and for the Crown long service leave pool is \$13 million (2013: \$16 million).

#### 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 2013	3,849,695	1,943,343	86,299	87,293	5,966,630
Add: increase in liability during the year	613,544	309,640	9,562	3,538	936,284
Add: interest costs	147,026	75,661	3,228	-	225,915
Add/(less): transfer in from other NSW government agency	95,985	1,604	( 1,058)	-	96,531
Less: cash payments	( 494,839)	( 174,020)	( 10,429)	-	( 679,288)
<b>Balance as at 30 June 2014</b>	<b>4,211,411</b>	<b>2,156,228</b>	<b>87,602</b>	<b>90,831</b>	<b>6,546,072</b>
Balance as at 1 July 2012	4,074,357	1,981,278	97,387	46,525	6,199,547
Add: increase in liability during the year	104,529	64,312	1,899	16,117	186,857
Add: interest costs	124,675	60,627	2,980	-	188,282
Add: transfer in from other NSW government agency	13,128	-	-	24,651	37,779
Less: cash payments	( 466,994)	( 162,874)	( 15,967)	-	( 645,835)
<b>Balance as at 30 June 2013</b>	<b>3,849,695</b>	<b>1,943,343</b>	<b>86,299</b>	<b>87,293</b>	<b>5,966,630</b>

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 20. PROVISIONS

	2014 \$'000	2013 \$'000
Current	97,317	91,151
Non-current	1,016,029	605,759
<b>Total provisions</b>	<b>1,113,346</b>	<b>696,910</b>
Balance as at 1 July	696,910	212,396
Less: payments	( 21,983)	( 33,553)
Less: write back	( 9,268)	( 4,099)
Add: new provisions	535,095	496,588
Actuarial (gains)/losses	( 116,995)	21,020
Interest costs	29,587	4,558
<b>Balance as at 30 June</b>	<b>1,113,346</b>	<b>696,910</b>

#### a) Outstanding building insurance claims

##### *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). Any shortfalls in funding are 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*

In 2002, reinsurers of builders warranty insurance ceased to provide cover 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. The outstanding claims provisions are assessed annually by an actuary.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 20. PROVISIONS (continued)

##### b) Land remediation

In July 2009 the Government Property NSW (GPNSW), previously State Property Authority, sold various parcels of the Newcastle landholdings (including two parcels of un-remediated land at Mayfield and Koorangang Island) to the Newcastle Port Corporation (NPC). As part of the transfer arrangements, the NSW Treasurer executed a Deed of Indemnity on behalf of the Crown which indemnified the NPC from liability from any contamination on the lands.

Pursuant to the *2002 Environmental Deed: Amendment and Acknowledgement Deed* (executed in January 2013) and following the final title transfer of the land parcels to the NPC, GPNSW equity transferred to the Crown Entity the land remediation provisions in July 2013.

##### c) Universities superannuation

The State and the Commonwealth have come to an interim agreement to provide funding support for the unfunded defined benefit superannuation liabilities of NSW Universities who are members of the State Super's defined benefit schemes (SASS, SANCS and SSS). The amount of provision was actuarially assessed by Mercer Actuarial Consulting.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 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

	2014 \$'000	2013 \$'000
Capital commitments contracted for at reporting date but not recognised as liability are as follows:		
- not later than one year	2,552	4,814
- later than one year but not later than five years	3,538	10,556
Total (including GST)	<u>6,090</u>	<u>15,370</u>

##### (b) Operating lease commitments – as lessee

Future non-cancellable operating lease rentals not provided for and payable:		
- not later than one year	2,494	2,494
- later than one year but not later than five years	4,872	6,264
- later than five years	32,538	32,422
Total (including GST)	<u>39,904</u>	<u>41,180</u>

##### (c) Other commitments

Other commitments contracted for at reporting date but not recognised as liability are as follows:		
- not later than one year	2,494	4,872
- later than one year but not later than five years	3,190	4,582
Total (including GST)	<u>5,684</u>	<u>9,454</u>

#### 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 fully paid its share by 30 June 2012. There is no outstanding commitment as at 30 June 2014 (2013: Nil). In addition NSW's share in joint 'Funding Account' of \$0.3 million (2013: \$1.7 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. The process to wind up JGE is still underway.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 22. CONTINGENT LIABILITIES

##### 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.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 22. CONTINGENT LIABILITIES (continued)

##### Snowy Hydro Limited (continued)

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. 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 \$36.4 million (2013: \$23.9 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.
3. On 2 July 2014 the Australian Energy Regulator (AER) filed proceedings in the Federal Court in Melbourne alleging SHL breached clause 4.9.8(a) of the National Electricity Rules (which requires generators in the National Electricity Market to comply with the relevant dispatch instruction) on a total of nine occasions on 29 November 2012, 18 February 2013 and 21 June 2013. SHL has retained external lawyers and is currently reviewing the allegations contained in the AER's Statement of Claim. The matter has been listed for a directions hearing before the Federal Court on 1 August 2014, when it is expected a timetable will be determined for the next steps in the matter.

##### 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 EnergyAustralia Pty Ltd. Under the terms of the sale agreement, the Crown Entity, as the residual entity of the State would be responsible for certain contamination clearance costs in excess of \$3 million. Asbestos contamination remediation work and an assessment of additional site contamination have been conducted. EnergyAustralia has requested reimbursement for associated costs of approximately \$7.2 million above the \$3 million cap. To date, \$4.36 million has been paid with the remaining under further review.

EnergyAustralia reserves the right to claim further costs it incurs in the future where permitted by the terms of the sale agreement.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 22. CONTINGENT LIABILITIES (continued)

##### Sale of Pacific Power International

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

The compensation payment amount would be the lower of:

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

At 30 June 2014, the net market value of fund assets was \$4.3 million less (2013: \$6.1 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 estimates provided for the 2012 EISS triennial review, the actual fund shortfall as at 30 June 2012 was \$8.2 million, and the investment return shortfall was \$2.9 million. As the payment amount is the lower of the amounts, the compensation payment amount would be \$2.9 million. The next review will be performed in 2015.

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.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 22. CONTINGENT LIABILITIES (continued)

##### NSW Treasury Corporation (TCorp)

TCorp 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	2014 \$m	2013 \$m
National Electricity Market (NEM)	0.10	0.06
Short Term Trading Market (STTM)	1.00	1.00
	<b>1.10</b>	<b>1.06</b>

TCorp also has 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 \$163.52 million (2013: \$142.85 million).

##### Guarantees issued by TCorp

The State Government guaranteed the securities, borrowings and derivative liabilities issued by TCorp with a market value of \$78.2 billion (2013: \$72.7 billion) under the *Public Authorities (Financial Arrangements) Act 1987*.

##### Interest rate exposure on motor vehicle financing arrangements

The State Government's motor vehicles are financed by an internal arrangement managed by StateFleet and funded by TCorp. The facility is funded through a portfolio of debt with a modified duration of around 3.25 years. There is an interest rate exposure on a principal of \$531 million as at 30 June 2014 (2013: \$534 million).

##### Unclaimed money

The Crown Entity treats Consolidated Fund unclaimed money receipts 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.



## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 22. CONTINGENT LIABILITIES (continued)

##### Contracts with private sector parties

The State Government has guaranteed the obligations and 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<sup>1</sup>
- 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
- Sydney International Convention, Exhibition and Entertainment Precinct

<sup>1</sup> The Crown Entity holds a guarantee, a contingent asset, which fully offsets this contingent liability.

##### Defined superannuation benefit guarantee

The State bears the risk of the employer's superannuation guarantee contributions being insufficient to fund the defined employee benefits (in respect of past and future service liabilities) for certain ex-public sector employees following State's decision to sell the businesses. These businesses include Delta West, Earing and Sydney Ferries.

The State must pay the contribution shortfall on an annual basis and is obliged to make good any employer reserve shortfall upon the insolvency of the employer.

Indemnities have also been provided to the private sector employer in respect of loss suffered, for example, from non-payment of an unfunded amount or tax losses suffered due to payments by the State.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 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. 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 involved a lack of good faith on the part of the indemnified party, and
- costs in defending proceedings, whether civil or criminal, in which judgement is or was given in favour of the indemnified party or in which the indemnified party is or was acquitted or where the proceedings are discontinued or in connection with any application in relation to a proceeding in which a court grants or granted relief to the indemnified party.

The indemnified parties have a duty to maintain in force comprehensive directors' and officers' insurance policies which cover all of the risks indemnified by the State 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.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 22. CONTINGENT LIABILITIES (continued)

##### Cobbora Holding Company Pty Limited

The Crown Entity provides funding for the Cobbora Holding Company Pty Limited (Cobbora).

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. On 1 July 2013 the State reached agreements with Origin Energy to terminate its Coal Supply Agreement with Cobbora. The remaining agreements with Delta Electricity and Macquarie Generation (both with State-owned corporations) were also terminated.

The State has continued to progress planning approvals for the Cobbora Project which it intends to offer for sale or long-term lease.

The Crown Entity continues to provide funding support for Cobbora, however as the State will no longer be developing the mine the risk exposure associated with Cobbora has reduced.

The State Government provides an indemnity to the directors of Cobbora Holding Company Pty Limited against claims and liabilities in connection with the Cobbora Project. There are no known claims as at the reporting date.

##### NSW Lotteries

As part of the sale of NSW Lotteries on 31 March 2010, the State Government provided limited warranties, indemnities and other obligations in favour of the new operator.

The Crown Entity made a provision for unclaimed prize funds of \$6 million. The provision amount 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. As at 30 June 2014, a total of \$720,557 has been claimed.

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.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 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 and guarantees that relate to the operation and conduct of the Competition.

The Australian Government, NSW, VIC, QLD and ACT Governments have subsequently agreed to provide funding to the Local Organising Committee AFC Asian Cup Pty Ltd under a Main Funding Agreement. While provisions were made within the Main Funding Agreement to limit risk to Governments related to the event, there are continuing risks associated with the agreements, guarantees and the Governments' hosting obligations for the event which are non-quantifiable at this stage of planning and may not be clear until closer to or during the event.

##### 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 \$137 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 Office of Finance and Services (OFS). The schedule of Operating Lease Expenditure and Lease Revenue Commitments has been disclosed by OFS.

##### TAB Exclusivity

The New South Wales TAB, a wholly owned subsidiary of Tabcorp, holds a 99-year licence issued in March 1998 to conduct totalizator betting in NSW. The licence included a 15-year 'exclusivity period' which expired on 22 June 2013. The State has agreed to extend TAB's exclusivity licence for a further 20 years to 2033 for a payment of \$75 million from Tabcorp. The \$75 million licence fee comprises of an initial payment of \$50 million (paid during 2013-14) with the balance to be paid over 10 years from 2024.

Under the agreement, the State must compensate to Tabcorp if an adverse regulatory event occurs. The amount to be refunded is the initial payment reduced by \$2.5 million for each year between the year of receipt and when the adverse regulatory event occurs.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

## 22. CONTINGENT LIABILITIES (continued)

### Sale of Delta West Electricity

- *General warranties* - under the Sale and Purchase Agreement, the State has potential liabilities under various warranties given to EnergyAustralia. Warranties are subject to various caps and limits and must be brought within 18 months. The 18 month period expires on 2 March 2015.
- *Environment Protection Authority (EPA) adverse decision* - the State will indemnify EnergyAustralia against any costs incurred by EnergyAustralia in the period from 2 September 2013 until 30 June 2017 due to any adverse EPA decision in respect of Wallerawang power station. The State's total liability is capped at \$100 million. The State will meet compliance costs or unavoidable operating costs (where the decision is made to close the power station).
- *Pre-completion contamination liability* - the State will retain the costs for remediating pre-existing contamination at Mt Piper and Wallerawang power station sites to minimum legal standards. Contamination determined by reference to base line study or studies by EnergyAustralia within 3 years after Completion (2 September 2013). The State will retain the costs for remediating contamination at certain legacy/end of life sites and at Wallerawang if it ceases operations by the end of 2018.
- *De-commission, demolition and remediation liability* - the State must bear part of the cost of decommissioning and demolishing Wallerawang power station where the total net cost of the demolition exceeds \$10 million. EnergyAustralia will be responsible for the initial \$10 million.
- *Indemnity for early termination* - if EnergyAustralia elects to terminate the Wallerawang Connection Agreement after 30 June 2018 prior to its termination date (January 2029), the State must indemnify EnergyAustralia for the cost of the Connection Agreement early termination.

### Sale of Eraring Energy

- *General warranties* - under the Sale and Purchase Agreement, the State has potential liabilities under various warranties given to Origin Energy. Warranties are subject to various caps and limits and must be brought within 18 months (except tax warranties which must be brought within 5 years). The 18 months period expires on 1 January 2015.
- *Pre-completion contamination liability* - the State has indemnified Origin Energy for remediation costs in relation to pre-completion contamination at the sold power stations. The State's obligations end (in respect of each station) 3 years after decommissioning or the end of the Shoalhaven lease (or later if there are further legal obligations to remediate identified during subsequent monitoring).
- *Coal haul road liability* - if existing Aboriginal land right claims affect Crown Land titles over the coal haul road from Newstan Colliery to the Eraring Power station, compensation will be payable by the State to the native title holders to negotiate a continued right to use. The State's obligations end (in respect of each existing Aboriginal Land Claim): 12 months after the date on which the Minister or Court (as applicable) determines that Crown Land subject to an existing Aboriginal Land Claim is not claimable land or an easement or similar for the purposes of the Coal Haul Road is granted to the indemnified party; or the date on which an existing Aboriginal Land Claim is withdrawn or terminated.
- *Ash dam liability* - the State will share the costs of implementing an alternative arrangement for ash disposal if the EPA does not permit the current approval for further backfilling at the existing ash dam to be implemented. The State's liability ceases if the issue is not resolved by 31 July 2023.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 23. CONTINGENT ASSETS

##### HIH collapse

Following the HIH collapse, the Crown Entity assumed builders warranty and third party motor insurance liabilities of about \$650 million. The discounted present value of the outstanding liability is estimated to be \$112.2 million as at 30 June 2014 (2013: \$139.3 million).

The liquidators currently intend to distribute up to "more than 50 per cent" depending on the scheme company. During 2013-14 the Crown Entity received \$25.0 million (2013: \$13.6 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:

	2014 \$'000	2013 \$'000
GST recoverable input tax credits:		
Capital commitments	554	1,397
Other commitments	517	859
Operating lease commitments - lessee	3,628	3,744
	<u>4,699</u>	<u>6,000</u>

#### 24. CASH FLOW INFORMATION

##### Cash and cash equivalents

In 2013-14, under the *Public Authorities (Financial Arrangements) Act 1987*, the Governor approved financial accommodation of \$26,000 million for debt funding for the Crown Entity. This amount is the overall funding to the Crown Entity which includes existing and new loans. The Crown Entity also received an approved amount of \$600 million to fund the Waratah bonds for Restart NSW.

The Come and Go Facility has a limit of \$3,500 million. No amounts were drawn under the Come and Go Facility as at 30 June 2014 (2013: Nil).

Of the cash and cash equivalents, \$6,494.6 million is restricted cash assets (2013: \$4,959.8 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 25 and 26 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.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 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:

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	8,117,722	9,851,640
Bank overdraft	( 6,331,689)	( 8,156,339)
	<b>1,786,033</b>	<b>1,695,301</b>

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

<b>Net cash flows used in operating activities</b>	( 336,084)	( 3,551,090)
Non cash items added back		
Share of profit of an associate	255,676	143,613
Depreciation and amortisation	( 46)	( 47)
Non cash finance costs	7,977	( 183,421)
Administrative restructure - transfer in	( 597,748)	46,853
Proceeds on asset disposals	657,410	-
	<b>323,269</b>	<b>6,998</b>
Change in operating assets and liabilities		
Movement in working capital	365,222	( 391,245)
Increase in other liabilities	( 1,911,272)	( 180,854)
Decrease/(increase) in other assets	4,485	( 16,748)
	<b>( 1,541,565)</b>	<b>( 588,847)</b>
<b>Movement for the year</b>	<b>( 1,218,296)</b>	<b>( 581,849)</b>
<b>Deficit for the year</b>	<b>( 1,554,380)</b>	<b>( 4,132,939)</b>

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 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. 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	Land Acquisition		
	State Rail Authority wind- up \$'000	Fund - compensation deposits \$'000	Funeral Fees \$'000
Balance 1.7.2012	772	740	112
Add: receipts	-	-	-
Less: payments	-	-	-
<b>Balance 30.6.2013</b>	<b>772</b>	<b>740</b>	<b>112</b>
Add: receipts	-	-	-
Less: payments	-	( 597)	-
<b>Balance 30.6.2014</b>	<b>772</b>	<b>143</b>	<b>112</b>

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.

#### 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.



## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 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 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.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 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 funded from major State asset sales, windfall State tax revenue allocated through the Budget process and other funds such as the proceeds of issuing Waratah Bonds.

Accounts	NSW Policyholders Protection Fund \$'000	Non Budget Long Service Leave Pool \$'000	Structured Finance Activities \$'000	Confiscated Proceeds Account \$'000
Balance 1.7.2012	144,472	15,341	1,374	97,646
Plus receipts	4	21,536	264	23,734
Less payments	( 9,268)	( 15,967)	( 334)	( 12,515)
<b>Balance 30.6.2013</b>	<b>135,208</b>	<b>20,910</b>	<b>1,304</b>	<b>108,865</b>
Plus receipts	44,374	10,061	133	5,344
Less payments	( 53,271)	( 11,487)	( 495)	( 895)
<b>Balance 30.06.2014</b>	<b>126,311</b>	<b>19,484</b>	<b>942</b>	<b>113,314</b>

  

Accounts	Workers Compensation \$'000	Builders Warranty Insurance \$'000	RNSH Interest Adjustment \$'000	Restart NSW \$'000
Balance 1.7.2012	8,381	18,150	2,822	19,252
Plus receipts	5,246	326	103	5,727,513
Less payments	( 7,291)	( 17,336)	-	( 1,065,240)
<b>Balance 30.6.2013</b>	<b>6,336</b>	<b>1,140</b>	<b>2,925</b>	<b>4,681,525</b>
Plus receipts	5,000	2	86	1,974,319
Less payments	( 7,590)	( 1,142)	-	( 429,108)
<b>Balance 30.06.2014</b>	<b>3,746</b>	<b>-</b>	<b>3,011</b>	<b>6,226,736</b>

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

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 27. OTHER LIABILITIES

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current:</b>		
Confiscated proceeds	113,314	108,865
Special deposit and trust accounts	7,784	10,886
Deferred income <sup>(a)</sup>	178,815	192,844
Unclaimed prizes	1,000	1,000
Financial guarantees <sup>(b)</sup>	1,900	2,100
Payable to OriginEnergy - Cobbora guarantee	-	300,000
Other	9,101	49,042
	<b><u>311,914</u></b>	<b><u>664,737</u></b>
<b>Non-current:</b>		
Deferred income <sup>(a)</sup>	486,939	465,980
Financial guarantees <sup>(b)</sup>	7,900	9,800
Unclaimed prizes	4,279	4,348
	<b><u>499,118</u></b>	<b><u>480,128</u></b>
<b>Total other liabilities</b>	<b><u>811,032</u></b>	<b><u>1,144,865</u></b>

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	178,815	192,844
Non-current	<u>486,939</u>	<u>465,980</u>
<b>Total deferred income</b>	<b><u>665,754</u></b>	<b><u>658,824</u></b>

#### Movements in deferred income

Balance at beginning of the year	658,824	778,293
Add: licence fees deferred	203,554	112,882
Less: amortisation	<u>( 196,624)</u>	<u>( 232,351)</u>
Balance at the end of the year	<b><u>665,754</u></b>	<b><u>658,824</u></b>

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 27. OTHER LIABILITIES (continued)

##### (b) Financial guarantees

	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>
Balance at the beginning of the year	11,900	14,000
Less: amortisation	(2,100)	( 2,100)
<b>Balance at the end of the year</b>	<b>9,800</b>	<b>11,900</b>
Current	1,900	2,100
Non-current	7,900	9,800
<b>Total financial guarantees</b>	<b>9,800</b>	<b>11,900</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 \$5.4 million (2013: \$6.7 million).

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

##### (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 June 1992.

Actuarial assessment of the GIO liabilities is:

	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
	<b>\$'000</b>	<b>\$'000</b>
General insurance	185,000	199,000
Life insurance	56,000	54,000
Inward reinsurance	40,000	39,000
	<b>281,000</b>	<b>292,000</b>

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 \$4.4 million (2013: \$5.2 million).

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 27. OTHER LIABILITIES (continued)

##### *(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 (2013: Nil). This is due to the likelihood that any of these guarantees are called upon being considered remote. The arrangements of government minimise the risk of default.

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 28. SUMMARY OF COMPLIANCE WITH FINANCIAL DIRECTIVES

	Appropriation 2014	Expenditure 2014	Appropriation 2013	Expenditure 2013
	\$'000	\$'000	\$'000	\$'000
<b>Recurrent appropriations</b>				
Appropriation Act	8,146,836	8,013,375	5,976,983	5,556,860
s22(2) PFAA - expenditure for certain works and services	422,000	393,299	140,500	82,605
Section 26 - increase in Commonwealth SPP	270,116	267,589	-	-
Section 31 - variation of authorised payments from Consolidated Fund	-	-	1,591,595	1,557,944
Section 32 - variation of authorised payments from Consolidated Fund	449,164	449,164	-	-
<b>Total appropriations/expenditure (includes transfer payments)</b>	<b>9,288,116</b>	<b>9,123,427</b>	<b>7,709,078</b>	<b>7,197,409</b>
<b>Less: drawdowns from Treasury</b>		<u>9,218,323</u>		<u>7,354,291</u>
<b>Total unspent appropriations</b>		<u>( 94,896)</u>		<u>( 156,882)</u>
<b>Capital appropriations</b>				
Appropriation Act	229,062	168,002	290,854	208,365
Section 22 - expenditure for capital works and services	-	-	2,000,000	2,000,000
Section 32 - variation of authorised payments from Consolidated Fund	17,379	17,379	-	-
<b>Total appropriations/expenditure (includes transfer payments)</b>	<b>246,441</b>	<b>185,381</b>	<b>2,290,854</b>	<b>2,208,365</b>
<b>Less: drawdowns from Treasury</b>		<u>185,381</u>		<u>2,208,365</u>
<b>Total unspent appropriations</b>		<u>-</u>		<u>-</u>

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 29. CONSOLIDATED FUND TRANSACTIONS

	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Retained taxes, fees and fines	24,524,719	22,209,085
Commonwealth grants	22,506,101	19,892,472
Financial distributions	2,844,474	2,288,190
Other	3,071,466	2,179,531
<b>Total receipts</b>	<b><u>52,946,760</u></b>	<b><u>46,569,278</u></b>
<b>Payments</b>		
Recurrent appropriations paid to other agencies	( 42,823,662)	( 41,954,139)
Recurrent appropriations paid to Crown Finance Entity	( 5,882,435)	( 7,354,291)
Capital appropriations paid to other agencies	( 4,124,184)	( 1,961,773)
Capital appropriations paid to Crown Finance Entity	( 185,381)	( 2,208,365)
<b>Total payments</b>	<b><u>( 53,015,662)</u></b>	<b><u>( 53,478,568)</u></b>
<b>Net cash flows used in operating activities</b>	<b>( 68,902)</b>	<b>( 6,909,290)</b>
<b>Other cash flows</b>		
Proceeds from borrowing transferred	1,122,626	729,901
Investment income transferred	145,000	266,800
Interest receipts transferred	205,704	123,861
Advance repayments transferred	140,990	104,827
Other	77,042	263,692
	<b><u>1,691,362</u></b>	<b><u>1,489,081</u></b>
<b>Net decrease in cash and cash equivalents</b>	<b>1,622,460</b>	<b>( 5,420,209)</b>
<b>Opening cash and cash equivalents</b>	<b>( 8,100,689)</b>	<b>( 2,922,734)</b>
Cash transferred in as a result of restructuring	53,000	96,706
Return of capital	227,572	145,548
<b>Closing cash and cash equivalents</b>	<b><u>( 6,197,657)</u></b>	<b><u>( 8,100,689)</u></b>
<b>Cash and cash equivalents</b>		
Cash in transit	93,490	15,108
Bank overdraft	( 6,291,147)	( 8,115,797)
	<b><u>( 6,197,657)</u></b>	<b><u>( 8,100,689)</u></b>

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 30. SERVICE GROUP STATEMENTS

##### EXPENSES AND INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Debt Liability Management \$'000	Superannuation Liability Management \$'000	Central Financial Services \$'000	Not Attributable <sup>1</sup> \$'000	Total Crown Finance Entity \$'000
<b>Revenue</b>					
Investment income	-	-	270,065	-	270,065
Share of profit of an associate	-	-	255,676	-	255,676
Revenue from Government	( 1,097,326)	-	( 663,632)	6,067,816	4,306,858
Other income	( 25,300)	32,618	93,605	-	100,923
<b>Total revenue</b>	<b>( 1,122,626)</b>	<b>32,618</b>	<b>( 44,286)</b>	<b>6,067,816</b>	<b>4,933,522</b>
<b>Expense</b>					
Superannuation - defined benefit plans	-	2,353,240	-	-	2,353,240
Employee related expenses	-	-	1,166,145	-	1,166,145
Depreciation and amortisation	-	-	46	-	46
Grant and subsidies	-	-	1,467,025	-	1,467,025
Finance costs	1,548,011	-	34,660	-	1,582,671
Other expenses	-	37,510	837,994	-	875,504
<b>Total expenses</b>	<b>1,548,011</b>	<b>2,390,750</b>	<b>3,505,870</b>	<b>-</b>	<b>7,444,631</b>
Gain on disposal of Government businesses	-	-	7,024	-	7,024
Gain from financial instruments	-	-	8,503	-	8,503
<b>Surplus/(deficit) for the year</b>	<b>( 2,670,637)</b>	<b>( 2,358,132)</b>	<b>( 3,534,629)</b>	<b>6,067,816</b>	<b>( 2,495,582)</b>
<b>Other comprehensive income</b>					
<i>Items that will not be reclassified to surplus or deficit</i>					
Actuarial gain on defined benefit plans	-	( 154,676)	-	-	( 154,676)
Share of earnings from an associate from	-	-	( 389,559)	-	( 389,559)
Share of an associate other comprehensive income	-	-	464	-	464
<b>Total other comprehensive income for the year</b>	<b>-</b>	<b>( 154,676)</b>	<b>( 389,095)</b>	<b>-</b>	<b>( 543,771)</b>
<b>Total comprehensive result for the year</b>	<b>( 2,670,637)</b>	<b>( 2,512,808)</b>	<b>( 3,923,724)</b>	<b>6,067,816</b>	<b>( 3,039,353)</b>

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



## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 30. SERVICE GROUP STATEMENTS (continued)

##### EXPENSES AND INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Total Crown Finance Entity <sup>2</sup> \$'000	Consolidated Fund <sup>2</sup> \$'000	Elimination Entity \$'000	Consolidated Total \$'000
<b>Revenue</b>				
Retained taxes, fees and fines	-	24,505,453	( 37,510)	24,467,943
Commonwealth contributions	-	22,562,360	-	22,562,360
Financial distributions	-	2,239,299	-	2,239,299
Investment income	270,065	-	( 430)	269,635
Share of profit of an associate	255,676	-	-	255,676
Revenue from Government	4,306,858	-	( 4,306,858)	-
Royalty on minerals	-	1,338,520	-	1,338,520
Other income	100,923	3,353,394	( 1,763,564)	1,690,753
<b>Total revenue</b>	<b>4,933,522</b>	<b>53,999,026</b>	<b>( 6,108,362)</b>	<b>52,824,186</b>
<b>Expense</b>				
Superannuation - defined benefit plans	2,353,240	-	-	2,353,240
Employee related expenses	1,166,145	-	1,894	1,168,039
Depreciation and amortisation	46	-	-	46
Grant and subsidies	1,467,025	-	( 4,500)	1,462,525
Finance costs	1,582,671	-	( 430)	1,582,241
Recurrent appropriations	-	48,706,097	( 5,882,435)	42,823,662
Capital appropriations	-	4,309,565	( 185,381)	4,124,184
Other expenses	875,504	42,162	( 37,510)	880,156
<b>Total expenses</b>	<b>7,444,631</b>	<b>53,057,824</b>	<b>( 6,108,362)</b>	<b>54,394,093</b>
Gain on disposal of Government businesses	7,024	-	-	7,024
Gain from financial instruments	8,503	-	-	8,503
<b>Surplus/(deficit) for the year</b>	<b>( 2,495,582)</b>	<b>941,202</b>	<b>-</b>	<b>( 1,554,380)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to surplus or deficit</i>				
Actuarial gain on defined benefit plans	( 154,676)	-	-	( 154,676)
Share of earnings from an associate from revaluations	( 389,559)	-	-	( 389,559)
Share of an associate other comprehensive	464	-	-	464
<b>Total other comprehensive income for the year</b>	<b>( 543,771)</b>	<b>-</b>	<b>-</b>	<b>( 543,771)</b>
<b>Total comprehensive result for the year</b>	<b>( 3,039,353)</b>	<b>941,202</b>	<b>-</b>	<b>( 2,098,151)</b>

<sup>2</sup> The name and purpose of each program is summarised in Note 1

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 30. SERVICE GROUP STATEMENTS (continued)

##### ASSETS AND LIABILITIES AS AT 30 JUNE 2014

	Debt Liability Management \$'000	Superannuation Liability Management \$'000	Central Financial Services \$'000	Total Crown Finance Entity \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	-	-	8,024,232	8,024,232
Other financial assets	-	-	4,000,090	4,000,090
Derivative financial instruments	-	-	21,849	21,849
Investment in a joint venture	-	-	336	336
Advances repayable to the Crown	-	-	296,622	296,622
Receivables	-	-	64,102	64,102
<b>Total current assets</b>	<b>-</b>	<b>-</b>	<b>12,407,231</b>	<b>12,407,231</b>
<b>Non-current assets</b>				
Plant and equipment	-	-	43	43
Investment in an associate	-	-	3,037,523	3,037,523
Other financial assets	-	-	3,163	3,163
Advances repayable to the Crown	-	-	1,057,950	1,057,950
Receivables	-	-	80,834	80,834
<b>Total non-current assets</b>	<b>-</b>	<b>-</b>	<b>4,179,513</b>	<b>4,179,513</b>
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>16,586,744</b>	<b>16,586,744</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables	386,707	-	47,735	434,442
Bank overdraft	40,542	-	-	40,542
Borrowings	758,907	-	-	758,907
Unfunded superannuation	-	1,354,835	-	1,354,835
Employee benefits and other provisions	-	-	6,223,310	6,223,310
Provisions	-	-	97,317	97,317
Other	-	-	227,992	227,992
<b>Total current liabilities</b>	<b>1,186,156</b>	<b>1,354,835</b>	<b>6,596,354</b>	<b>9,137,345</b>
<b>Non-current liabilities</b>				
Payables	-	-	25,804	25,804
Borrowings	25,748,748	-	-	25,748,748
Unfunded superannuation	-	44,509,595	-	44,509,595
Employee benefits and other provisions	-	-	322,762	322,762
Provisions	-	-	1,016,029	1,016,029
Other	-	-	89,884	89,884
<b>Total non-current liabilities</b>	<b>25,748,748</b>	<b>44,509,595</b>	<b>1,454,479</b>	<b>71,712,822</b>
<b>Total liabilities</b>	<b>26,934,904</b>	<b>45,864,430</b>	<b>8,050,833</b>	<b>80,850,167</b>
<b>Net liabilities</b>	<b>( 26,934,904)</b>	<b>( 45,864,430)</b>	<b>8,535,911</b>	<b>( 64,263,423)</b>

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 30. SERVICE GROUP STATEMENTS (continued)

##### ASSETS AND LIABILITIES AS AT 30 JUNE 2014

	Total Crown Finance Entity <sup>2</sup> \$'000	Consolidated Fund <sup>2</sup> \$'000	Elimination Entity \$'000	Consolidated Total \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	8,024,232	93,490	-	8,117,722
Other financial assets	4,000,090	-	-	4,000,090
Derivative financial instruments	21,849	-	-	21,849
Investment in a joint venture	336	-	-	336
Advances repayable to the Crown	296,622	-	-	296,622
Receivables	64,102	3,206,765	( 99,753)	3,171,114
<b>Total current assets</b>	<b>12,407,231</b>	<b>3,300,255</b>	<b>( 99,753)</b>	<b>15,607,733</b>
<b>Non-current assets</b>				
Plant and equipment	43	-	-	43
Investment in an associate	3,037,523	-	-	3,037,523
Other financial assets	3,163	-	-	3,163
Advances repayable to the Crown	1,057,950	-	-	1,057,950
Receivables	80,834	5,689	( 67,372)	19,151
<b>Total non-current assets</b>	<b>4,179,513</b>	<b>5,689</b>	<b>( 67,372)</b>	<b>4,117,830</b>
<b>Total assets</b>	<b>16,586,744</b>	<b>3,305,944</b>	<b>( 167,125)</b>	<b>19,725,563</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables	434,442	-	( 4,857)	429,585
Bank overdraft	40,542	6,291,147	-	6,331,689
Borrowings	758,907	-	-	758,907
Unfunded superannuation	1,354,835	-	-	1,354,835
Employee benefits and other provisions	6,223,310	-	-	6,223,310
Provision for outstanding insurance claims	97,317	-	-	97,317
Other	227,992	178,818	( 94,896)	311,914
<b>Total current liabilities</b>	<b>9,137,345</b>	<b>6,469,965</b>	<b>( 99,753)</b>	<b>15,507,557</b>
<b>Non-current liabilities</b>				
Payables	25,804	-	-	25,804
Borrowings	25,748,748	-	-	25,748,748
Unfunded superannuation	44,509,595	-	-	44,509,595
Employee benefits and other provisions	322,762	-	-	322,762
Provision for outstanding insurance claims	1,016,029	-	-	1,016,029
Other	89,884	476,606	( 67,372)	499,118
<b>Total non-current liabilities</b>	<b>71,712,822</b>	<b>476,606</b>	<b>( 67,372)</b>	<b>72,122,056</b>
<b>Total liabilities</b>	<b>80,850,167</b>	<b>6,946,571</b>	<b>( 167,125)</b>	<b>87,629,613</b>
<b>Net liabilities</b>	<b>( 64,263,423)</b>	<b>( 3,640,627)</b>	<b>-</b>	<b>( 67,904,050)</b>

<sup>2</sup>The name and purpose of each program is summarised in Note 1

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 30. SERVICE GROUP STATEMENTS (continued)

##### EXPENSES AND INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Debt Liability Management \$000	Superannuation Liability Management \$000	Central Financial Services \$000	Not Attributable <sup>1</sup> \$000	Total Crown Finance Entity \$000
<b>Revenue</b>					
Investment income	-	-	168,688	-	168,688
Share of profit of an associate	-	-	143,613	-	143,613
Revenue from Government	( 729,901)	-	( 916,063)	9,562,656	7,916,692
Other income	-	27,008	402,384	-	429,392
<b>Total revenue</b>	<b>( 729,901)</b>	<b>27,008</b>	<b>( 201,378)</b>	<b>9,562,656</b>	<b>8,658,385</b>
<b>Expense</b>					
Superannuation - defined benefit plans	-	2,247,999	-	-	2,247,999
Employee related expenses	-	-	410,015	-	410,015
Depreciation and amortisation	-	-	47	-	47
Grant and subsidies	-	-	2,461,211	-	2,461,211
Finance costs	1,708,448	-	55,577	-	1,764,025
Other expenses	-	29,138	1,311,365	-	1,340,503
<b>Total expenses</b>	<b>1,708,448</b>	<b>2,277,137</b>	<b>4,238,215</b>	<b>-</b>	<b>8,223,800</b>
Gain from financial instruments	-	-	4,729	-	4,729
<b>Surplus(deficit) for the year</b>	<b>( 2,438,349)</b>	<b>( 2,250,129)</b>	<b>( 4,434,864)</b>	<b>9,562,656</b>	<b>439,314</b>
<b>Other comprehensive income</b>					
<i>Items that will not be reclassified to surplus or deficit</i>					
Actuarial loss on defined benefit plans	-	7,754,781	-	-	7,754,781
Share of earnings from an associate from	-	-	109,897	-	109,897
Share of an associate other comprehensive income	-	-	232	-	232
<b>Total other comprehensive income for the year</b>	<b>-</b>	<b>7,754,781</b>	<b>110,129</b>	<b>-</b>	<b>7,864,910</b>
<b>Total comprehensive result for the year</b>	<b>( 2,438,349)</b>	<b>5,504,652</b>	<b>( 4,324,735)</b>	<b>9,562,656</b>	<b>8,304,224</b>

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

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 30. SERVICE GROUP STATEMENTS (continued)

##### EXPENSES AND INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Total Crown Finance Entity <sup>2</sup> \$'000	Consolidated Fund <sup>2</sup> \$'000	Elimination Entity \$'000	Consolidated Total \$'000
<b>Revenue</b>				
Retained taxes, fees and fines	-	22,556,983	( 34,214)	22,522,769
Commonwealth contributions	-	19,895,757	-	19,895,757
Financial distributions	-	2,746,168	-	2,746,168
Investment income	168,688	-	( 576)	168,112
Share of profit of an associate	143,613	-	-	143,613
Revenue from Government	7,916,692	-	( 7,916,692)	-
Royalty on minerals	-	1,323,820	-	1,323,820
Other income	429,392	2,558,438	( 1,770,626)	1,217,204
<b>Total revenue</b>	<b>8,658,385</b>	<b>49,081,166</b>	<b>( 9,722,108)</b>	<b>48,017,443</b>
<b>Expense</b>				
Superannuation - defined benefit plans	2,247,999	-	-	2,247,999
Employee related expenses	410,015	-	( 3,614)	406,401
Depreciation and amortisation	47	-	-	47
Grant and subsidies	2,461,211	-	( 4,500)	2,456,711
Finance costs	1,764,025	-	( 576)	1,763,449
Recurrent appropriations	-	49,308,430	( 7,354,291)	41,954,139
Capital appropriations	-	4,170,138	( 2,208,365)	1,961,773
Other expenses	1,340,503	174,851	( 150,762)	1,364,592
<b>Total expenses</b>	<b>8,223,800</b>	<b>53,653,419</b>	<b>( 9,722,108)</b>	<b>52,155,111</b>
Gain from financial instruments	4,729	-	-	4,729
<b>Deficit for the year</b>	<b>439,314</b>	<b>( 4,572,253)</b>	<b>-</b>	<b>( 4,132,939)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to surplus or deficit</i>				
Actuarial loss on defined benefit plans	7,754,781	-	-	7,754,781
Share of earnings from an associate from revaluations	109,897	-	-	109,897
Share of an associate other comprehensive	232	-	-	232
<b>Total other comprehensive income for the year</b>	<b>7,864,910</b>	<b>-</b>	<b>-</b>	<b>7,864,910</b>
<b>Total comprehensive result for the year</b>	<b>8,304,224</b>	<b>( 4,572,253)</b>	<b>-</b>	<b>3,731,971</b>

<sup>2</sup> The name and purpose of each program is summarised in Note 1

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 30. SERVICE GROUP STATEMENTS (continued)

##### ASSETS AND LIABILITIES AS AT 30 JUNE 2013

	Debt Liability Management \$'000	Superannuation Liability Management \$'000	Central Financial Services \$'000	Total Crown Finance Entity \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	-	-	9,836,531	9,836,531
Other financial assets	-	-	2,161	2,161
Derivative financial instruments	-	-	13,087	13,087
Investment in a joint venture	-	-	1,658	1,658
Advances repayable to the Crown	-	-	105,605	105,605
Receivables	-	-	53,252	53,252
<b>Total current assets</b>	<b>-</b>	<b>-</b>	<b>10,012,294</b>	<b>10,012,294</b>
<b>Non-current assets</b>				
Plant and equipment	-	-	66	66
Investment in an associate	-	-	3,315,942	3,315,942
Other financial assets	-	-	8,848	8,848
Advances repayable to the Crown	-	-	1,286,745	1,286,745
Receivables	-	-	86,450	86,450
Intangible assets	-	-	23	23
<b>Total non-current assets</b>	<b>-</b>	<b>-</b>	<b>4,698,074</b>	<b>4,698,074</b>
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>14,710,368</b>	<b>14,710,368</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables	380,981	-	1,082,746	1,463,727
Bank overdraft	40,542	-	-	40,542
Borrowings	302,029	-	-	302,029
Unfunded superannuation	-	1,235,800	-	1,235,800
Employee benefits and other provisions	-	-	5,672,663	5,672,663
Provision for outstanding insurance claims	-	-	91,151	91,151
Other	-	-	628,775	628,775
<b>Total current liabilities</b>	<b>723,552</b>	<b>1,235,800</b>	<b>7,475,335</b>	<b>9,434,687</b>
<b>Non-current liabilities</b>				
Payables	-	-	33,408	33,408
Borrowings	24,299,925	-	-	24,299,925
Unfunded superannuation	-	43,250,803	-	43,250,803
Employee benefits and other provisions	-	-	293,967	293,967
Provision for outstanding insurance claims	-	-	605,759	605,759
Other	-	-	92,445	92,445
<b>Total non-current liabilities</b>	<b>24,299,925</b>	<b>43,250,803</b>	<b>1,025,579</b>	<b>68,576,307</b>
<b>Total liabilities</b>	<b>25,023,477</b>	<b>44,486,603</b>	<b>8,500,914</b>	<b>78,010,994</b>
<b>Net liabilities</b>	<b>( 25,023,477)</b>	<b>( 44,486,603)</b>	<b>6,209,454</b>	<b>( 63,300,626)</b>

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 30. SERVICE GROUP STATEMENTS (continued)

##### ASSETS AND LIABILITIES AS AT 30 JUNE 2013

	Total Crown Finance Entity <sup>2</sup> \$'000	Consolidated Fund <sup>2</sup> \$'000	Elimination Entity \$'000	Consolidated Total \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	9,836,531	15,109	-	9,851,640
Other financial assets	2,161	-	-	2,161
Derivative financial instruments	13,087	-	-	13,087
Investment in a joint venture	1,658	-	-	1,658
Advances repayable to the Crown	105,605	-	-	105,605
Receivables	53,252	3,884,904	( 161,958)	3,776,198
<b>Total current assets</b>	<b>10,012,294</b>	<b>3,900,013</b>	<b>( 161,958)</b>	<b>13,750,349</b>
<b>Non-current assets</b>				
Plant and equipment	66	-	-	66
Investment in an associate	3,315,942	-	-	3,315,942
Other financial assets	8,848	-	-	8,848
Advances repayable to the Crown	1,286,745	-	-	1,286,745
Receivables	86,450	7,302	( 67,964)	25,788
Intangible assets	23	-	-	23
<b>Total non-current assets</b>	<b>4,698,074</b>	<b>7,302</b>	<b>( 67,964)</b>	<b>4,637,412</b>
<b>Total assets</b>	<b>14,710,368</b>	<b>3,907,315</b>	<b>( 229,922)</b>	<b>18,387,761</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables	1,463,727	5,430	( 5,076)	1,464,081
Bank overdraft	40,542	8,115,797	-	8,156,339
Borrowings	302,029	-	-	302,029
Unfunded superannuation	1,235,800	-	-	1,235,800
Employee benefits and other provisions	5,672,663	-	-	5,672,663
Provision for outstanding insurance claims	91,151	-	-	91,151
Other	628,775	192,844	( 156,882)	664,737
<b>Total current liabilities</b>	<b>9,434,687</b>	<b>8,314,071</b>	<b>( 161,958)</b>	<b>17,586,800</b>
<b>Non-current liabilities</b>				
Payables	33,408	-	-	33,408
Borrowings	24,299,925	-	-	24,299,925
Unfunded superannuation	43,250,803	-	-	43,250,803
Employee benefits and other provisions	293,967	-	-	293,967
Provision for outstanding insurance claims	605,759	-	-	605,759
Other	92,445	455,647	( 67,964)	480,128
<b>Total non-current liabilities</b>	<b>68,576,307</b>	<b>455,647</b>	<b>( 67,964)</b>	<b>68,963,990</b>
<b>Total liabilities</b>	<b>78,010,994</b>	<b>8,769,718</b>	<b>( 229,922)</b>	<b>86,550,790</b>
<b>Net liabilities</b>	<b>( 63,300,626)</b>	<b>( 4,862,403)</b>	<b>-</b>	<b>( 68,163,029)</b>

<sup>2</sup> The name and purpose of each program is summarised in Note 1

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 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.

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Payments</b>		
Non-Government schools - recurrent	( 2,867,796)	( 2,600,538)
Non-Government schools - targeted programs	( 113,012)	( 130,652)
Non-Government schools - capital	( 1,377)	( 32,932)
Local Government - financial assistance	( 252,829)	( 481,400)
Local Government - roads	( 100,875)	( 192,411)
Local Government - reform fund	-	( 326)
Purchase of water rights	( 120,000)	-
	<u>( 3,455,889)</u>	<u>( 3,438,259)</u>
<b>Receipts</b>		
Non-Government schools - recurrent	2,867,796	2,600,538
Non-Government schools - targeted programs	113,012	130,652
Non-Government schools - capital	1,377	32,932
Local Government - financial assistance	252,829	481,400
Local Government - roads	100,875	192,411
Local Government - reform fund	-	326
Purchase of water rights	120,000	-
	<u>3,455,889</u>	<u>3,438,259</u>

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



## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

#### 32. EQUITY TRANSFERS

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

##### **2013-14**

	<b>\$'000</b>
Capital injection for Housing Acceleration Fund projects	( 40,000)
Capacity charges from electricity transaction	103,512
Return of capital	124,061
Superannuation liabilities transferred	( 217,612)
Long Service Leave liabilities transferred	( 48,956)
Transfers from sale of Government businesses	2,436,125
	<u><b>2,357,130</b></u>

##### **2012-13 Comparative**

	<b>\$'000</b>
Capacity charges from electricity transaction	145,548
Return of capital	213,253
Net provision for land remediation transferred	( 18,795)
Debt transferred	( 149,372)
Superannuation liabilities transferred	( 3,406)
Transfers from sale of Government businesses	4,080,159
Other transfers	( 24,651)
	<u><b>4,242,736</b></u>

## Crown Entity

### Notes to the financial statements for the year ended 30 June 2014

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

##### Revised AASB 119: Employee Benefits

The revised standard requires the return on assets, which is recognised within surplus/(deficit), to be calculated using the same interest rate that is used to discount the superannuation liabilities. Previously, the return on assets included within surplus/(deficit) was based on the expected return on the assets. The difference between the two measurements has been disclosed within the actuarial gains/(losses) on defined benefits as part of Other Comprehensive Income.

The revised standard does not allow for the investment credits to be netted against the superannuation contributions tax. This has changed the calculation of the defined benefit liability presented in the Statement of Financial Position. As a result, the defined benefit liability and expense related to the defined benefit costs have increased.

The impact of the restatement of comparative information are summarised below:

Line item	At 30 June 2013		
	Previously reported \$'000	Increase/ (decrease) \$'000	Restated amount \$'000
<b>Statement of Comprehensive Income</b>			
Superannuation - defined benefit plans	481,019	1,766,980	2,247,999
<b>Total expenses</b>	<b>50,388,131</b>	<b>1,766,980</b>	<b>52,155,111</b>
<b>Deficit for the year</b>	<b>( 2,365,959)</b>	<b>( 1,766,980)</b>	<b>( 4,132,939)</b>
<b>Other comprehensive income</b>			
Actuarial gain on defined benefit plans	5,042,952	2,711,829	7,754,781
<b>Total other comprehensive income/(loss) for the year</b>	<b>5,153,081</b>	<b>2,711,829</b>	<b>7,864,910</b>
<b>Total comprehensive result for the year</b>	<b>2,787,122</b>	<b>944,849</b>	<b>3,731,971</b>
<b>Statement of Financial Position</b>			
<b>Non-current liabilities</b>			
Unfunded superannuation	37,124,025	6,126,778	43,250,803
<b>Total non-current liabilities</b>	<b>62,837,212</b>	<b>6,126,778</b>	<b>68,963,990</b>
<b>Total liabilities</b>	<b>80,424,012</b>	<b>6,126,778</b>	<b>86,550,790</b>
<b>Net liabilities</b>	<b>( 62,036,251)</b>	<b>6,126,778</b>	<b>( 68,163,029)</b>
<b>At 1 July 2012</b>			
<b>Statement of Financial Position</b>			
<b>Non-current liabilities</b>			
Unfunded superannuation	42,996,605	7,071,627	50,068,232
<b>Total non-current liabilities</b>	<b>68,122,023</b>	<b>7,071,627</b>	<b>75,193,650</b>
<b>Total liabilities</b>	<b>79,716,769</b>	<b>7,071,627</b>	<b>86,788,396</b>
<b>Net liabilities</b>	<b>( 69,066,109)</b>	<b>7,071,627</b>	<b>( 76,137,736)</b>
Opening accumulated deficit at 1 July 2012	( 71,280,583)	( 7,071,627)	( 78,352,210)
<b>Total equity</b>	<b>( 69,066,109)</b>	<b>( 7,071,627)</b>	<b>( 76,137,736)</b>

## **Crown Entity**

### **Notes to the financial statements for the year ended 30 June 2014**

#### **34. EVENTS AFTER THE REPORTING DATE**

##### **Sale of Green State Power**

On 23 June 2014, Green State Power Pty Limited, a State owned entity, signed a contract with Trustpower Limited for the sale of its assets at Keepit, Hume, Burrinjuck, Blayney Wind Farm and the State's share of the Crookwell Wind Farm for gross proceeds of \$72.2 million. Sale completion and transfer of ownership of the assets occurred on 18 July 2014. A deposit of \$7 million was received by the Crown Entity on 23 June 2014. As this deposit was also refundable to the purchaser until the earlier of the completion of the transaction or default by the purchaser, this amount has been classified as a payable.

##### **Sale of Macquarie Generation**

On 12 February 2014 Macquarie Generation, a State owned entity, signed a contract with AGL Energy Limited (AGL), for the sale of Macquarie Generation electricity generation assets and liabilities. This sale was contingent on regulatory approval.

On 25 June 2014, the Australian Competition Tribunal granted conditional authorisation for the sale of Macquarie Generation to AGL. The Australian Competition and Consumer Commission (ACCC) had until the 23 July 2014 to appeal the decision. The ACCC announced on 24 July 2014 that it would not apply for judicial review of the decision.

Sale completion and transfer of ownership of the assets occurred on 2 September 2014. The Treasurer announced in his media release on 20 August 2014, that the State will receive \$1,505 million from AGL Energy and more than \$700 million will go to Restart NSW Fund.

**End of audited financial statements**

**Crown Entity Expenditure on Consultants**

<b>Consultants</b>	<b>Project</b>	<b>Amount (ex. GST) \$</b>
<b>Consultants costing \$50,000 or more</b>		
<b>Finance, Accounting and/or Tax</b>		
Morgan Stanley Aust Ltd	Financial advisor for the Newcastle Port Project	7,779,402
Pricewaterhouse Coopers	Tax and accounting advisor for the Newcastle Port Project	5,325,216
Goldman Sachs Australia Pty Ltd	Financial advisor for the Electricity Generation Assets Project	3,252,193
KPMG Corporate Finance	Tax and accounting advisor for the Electricity Generation Assets Project	3,113,283
Pricewaterhouse Coopers	Accounting advisor on TAB	1,009,622
Colliers Int. Hldgs (Aust)	Property advisor for the Newcastle Port Project	463,353
Ernst & Young	Tax and accounting advisor for the NSW Energy Reform Project	423,294
Mercer Consulting	Actuarial advisor for the Electricity Generation Assets Project	118,918
Third Horizon Consulting	Financial advisor for the Long Service Corporation review	116,723
<b>Economic Assessment</b>		
ACIL Tasman Pty Ltd	Economic advisor for the Newcastle Port Project	325,927
<b>Legal</b>		
Baker & McKenzie	Legal advisor for the Electricity Generation Assets Project	5,990,654
Minter Ellison	Legal advisor for the Newcastle Port Project	5,797,520
<b>Probity Services</b>		
O'Connor Marsden	Probity advisor for the Electricity Generation Assets Project	272,627
RSM Bird	Probity advisor for the Newcastle Port Project	244,944
Garry Clarke Consulting	Probity auditing advisor for the Electricity Generation Assets Project	99,935
<b>Information Technology</b>		
Ansarada Pty Ltd	Data Room services for the Electricity Generation Assets Project	228,822
<b>Engineering Services</b>		
Environmental Resources Management	Environmental engineering advisor for the Newcastle Port Project	2,441,785
Worley Parsons	Technical engineering advisor for the Electricity Generation Assets Project	2,286,068
GHD Pty Ltd	Technical engineering advisor for the Newcastle Port Project	1,369,411
Environmental Resources Management	Environmental engineering advisor for the Electricity Generation Assets Project	112,228
<b>Management and Specialist Services</b>		
Wood Mckenzie (Aust)	Specialist advisor for the Newcastle Port Project	446,795
Newgate Communications	Issue management and communication advisor for the Port Botany / Port Kembla Project	247,712
Newgate Communications	Issue management and communication advisor for the Electricity Generation Assets Project	233,633
Kreab & Gavin Anderson	Issue management and communication advisor for the Electricity Generation Assets Project	77,977
<b>Sub-total:</b>		<b>41,778,042</b>

Crown Entity Expenditure on Consultants (continued)

<b>Consultants costing less than \$50,000</b>		
Finance, Accounting and/or Tax	4 projects totalling	118,490
Information Technology	2 projects totalling	40,665
Management Services	5 projects totalling	5,515
Legal	4 projects totalling	53,739
Economic Assessment	1 Project totalling	21,820
	<b>Sub-total:</b>	<b>240,229</b>
<b>Total expenditure on consultants</b>		<b>42,018,271</b>



Restart NSW Fund  
Financial Report  
for the year ended 30 June 2014



## 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 year ended 30 June 2014, 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 within 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 within 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 within 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, 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.



Grant Hehir  
Auditor-General

20 October 2014  
SYDNEY



**Restart NSW Fund**  
**Financial Report**  
**for the year ended 30 June 2014**

**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 provides details of the transactions of the Restart NSW Fund for the year ended 30 June 2014; and
- (c) The financial report has been prepared as a special purpose financial statement and related notes 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**

16 October 2014

## Restart NSW Fund

### Statement of Cash Receipts and Payments for the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Receipts</b>			
Proceeds from issue of bonds by the State	3	272,054	30,672
Interest earned	3	71,334	3,040
Other authorised transfers	3	1,630,931	5,693,801
<b>Total receipts</b>		<u><b>1,974,319</b></u>	<u><b>5,727,513</b></u>
<b>Payments</b>			
Infrastructure projects	4	429,102	29,087
Administrative expenses	4	7	12
Other authorised payments	4	-	1,036,141
<b>Total payments</b>		<u><b>429,109</b></u>	<u><b>1,065,240</b></u>
<b>Net receipts</b>		<u><b>1,545,210</b></u>	<u><b>4,662,273</b></u>
Opening balance of Special Deposit Account		4,681,525	19,252
<b>Closing balance of Special Deposit Account</b>		<u><b>6,226,735</b></u>	<u><b>4,681,525</b></u>

The accompanying notes form part of the financial report.

## Restart NSW Fund

### Notes to the Financial Report for the year ended 30 June 2014

#### 1. RESTART NSW FUND INFORMATION

##### Reporting entity

Restart NSW Fund (the Fund) is a not-for-profit entity (as profit is not its principal objective) and is required to prepare an annual report under Section 9 of 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 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 required, by statutory or other authority, to hold apart from the Consolidated Fund. The Treasurer is responsible for the Act and the Fund.

The annual report for the Fund is a Special Purpose Financial Report with the "financial year" being from 1 July to 30 June.

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

## Restart NSW Fund

### Notes to the Financial Report for the year ended 30 June 2014

#### 1. RESTART NSW FUND INFORMATION (continued)

##### Key Activities

The Fund was established for the purpose of setting aside funding for, and securing the delivery of, major infrastructure projects and other necessary infrastructure.

##### Funding Sources for Restart NSW Fund

Section 7(1) of the Act states the amounts payable into the Fund. These are:

- a) 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 forecasts, and
- b) money borrowed for the purposes of the Fund, including by the issue of special bonds to the people of the State and others, and
- c) the proceeds of the investment of money in the Fund, and
- d) all money directed or authorised to be paid into the Fund by or under this or any other Act or law, and
- e) all money received from voluntary contributions to the Fund made by a government agency or other person or body.

Section 7(2) gives authority to Government agencies to make voluntary contributions to the Fund.

##### Payments out of the Fund

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

- a) 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
- b) any money required to meet administrative expenses related to the Fund, and
- c) 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

##### Basis of preparation

The Fund's financial report is a special purpose financial statement which has been prepared on a cash basis. The cash basis of accounting recognises transactions and events only when cash 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 year.

All amounts are rounded to the nearest thousand (\$'000) dollars and are expressed in Australian dollars.

## Restart NSW Fund

### Notes to the Financial Report for the year ended 30 June 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Statement of compliance

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

### Cash Controlled by the Fund

Cash is controlled by the Fund when the Fund 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 the Fund, which the Fund can use to fund its operating objectives, acquire capital assets or repay its debt is controlled by the Fund.

### Receipts and Payments

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

## 3. RECEIPTS

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

	2014 \$'000	2013 \$'000
<b>Section 7(1)(b) receipts - issue of bonds</b>		
Proceeds from Waratah bonds	272,054	30,672
<b>Section 7(1)(c) receipts - interest earned</b>		
Interest earned	71,334	3,040
<b>Section 7(1)(d) receipts - other monies authorised to be paid into the Fund</b>		
Proceeds from sale of Sydney de-salination plant	-	312,000
Proceeds from the long term leases of Port Botany and Port Kembla	-	5,062,300
Proceeds from the long term lease of Port of Newcastle	1,518,808	
Proceeds from sale of Eraring Energy	48,100	-
Transfer from the Crown Entity - windfall tax revenue	56,800	96,000
Transfer from the Crown Entity - stamp and mortgage duty	-	223,500
Sale of Green State Power - deposit received	7,222	-
GST received	1	1
	<u>1,630,931</u>	<u>5,693,801</u>
<b>Total Receipts</b>	<b><u>1,974,319</u></b>	<b><u>5,727,513</u></b>

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

As at 30 June 2014 the Fund held all of its cash in the Treasury Banking System. Interest receivable by the Fund and not yet received was \$58.756 million (2013: \$13.885 million).

## Restart NSW Fund

### Notes to the Financial Report for the year ended 30 June 2014

#### 4. PAYMENTS

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

	2014 \$'000	2013 \$'000
<b>Section 8(a) payments - infrastructure projects</b>		
WestConnex project planning	-	25,000
Singleton Local Council - road project *	967	4,087
Muswellbrook Hospital*	4,000	-
Pacific Highway*	356,500	-
Princes Highway*	22,000	-
Bridges for the Bush*	27,850	-
Pinchpoint Programs	7,785	-
NorthConnex (M1-M2)	10,000	-
	429,102	29,087
<b>Section 8(b) payments - administrative expenses</b>		
Bank charges	-	-
Auditors Remuneration	7	11
GST payments	-	1
	7	12
<b>Section 8(c) payments - other monies authorised to be paid from the Fund</b>		
Repayment of debt for Sydney Ports Corporation and Port Kembla Port Corporation	-	766,755
Stamp duty paid for the long term leases of Port Botany and Port Kembla	-	215,386
Port Botany and Port Kembla transaction costs	-	54,000
	-	1,036,141
<b>Total payments</b>	<b>429,109</b>	<b>1,065,240</b>

#### Percentage of payments made to regional and rural areas

*Section 9(2) payments - payments made to regional and rural areas	411,317	4,087
% of total payments from the Fund	96%	14%

For the year ended 30 June 2014, the Fund received net proceeds from the sale / lease of Government businesses; these proceeds were net of related deductions such as stamp duty, repayment of debt and transactions costs. For the year ended 30 June 2013, proceeds from sales were received gross; authorised deductions were then paid from the Fund.

## **Restart NSW Fund**

### **Notes to the Financial Report for the year ended 30 June 2014**

#### **5. 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 2014, a rise or fall of 1 per cent in interest rate over the course of the year would result in an increase or decrease in interest earned of approximately \$62,267,358 (2013: \$46,815,252).

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 1.

#### **6. EVENTS AFTER THE REPORTING DATE**

There are no events subsequent to reporting date requiring disclosure.

**End of audited financial report**

