

**NEW SOUTH WALES
REPORT ON STATE FINANCES
2001 - 02**

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PREFACE

This year's presentation on State finances continues the Government's commitment to improve reporting and accountability in the State Public Sector.

As part of the Public Sector reporting timetable reduction program this report is being released earlier than at any time before. This improves the accountability of Government finances.

This year's report includes a Statement of the Budget Result, the Outcomes Report on Government Finances prepared in accordance with the Uniform Presentation Framework adopted by all Australian governments and the Consolidated Financial Report of the Total State Sector.

The Statement of the Budget Result allows a comparison of the end of year aggregates with those estimated in the 2001-02 Budget. The Outcomes Report will allow readers to compare the results within New South Wales with other States. These reports are prepared on the basis of the reporting standards of the Australian Bureau of Statistics Government Finance Statistics framework.

The Consolidated Financial Report of the Total State Sector is prepared in accordance with Australian Accounting Standards and reports on the financial position and the results of operations of the State. Australian Accounting Standard AAS31 *Financial Reporting by Governments* requires each government to prepare accrual based consolidated financial statements.

These reports and associated commentary provide a comprehensive review of the State's financial position and its achievement against the fiscal principles outlined in the *General Government Debt Elimination Act 1995*.

Michael Egan
Treasurer

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HIGHLIGHTS

- A Budget surplus for the year ended 30 June 2002 of \$495 million. This is \$127 million higher than the 2001-02 Budget estimate of \$368 million.
- An operating surplus of \$1,505 million (GFS basis).
- A cash surplus of \$1,292 million.
- The State's balance sheet has been strengthened:
 - Assets have risen by \$12,822 million, while liabilities have risen \$5,910 million.
 - As a result, the net worth of the Total State Sector rose to \$98,326 million - \$6,134 million more than forecast at Budget time.
- Total State Sector net debt fell by \$2,877 million - \$2,826 million more than forecast at Budget time.
- Despite a \$485 million increase in insurance liabilities and a global sharemarket downturn, Total State Sector net financial liabilities stayed steady at 15.6 percent of Gross State Product. In 1995 they stood at 26.7 percent of GSP.
- State taxation fell slightly to \$13,214 million from \$13,333 million in 2000-01. During the year the Government abolished debits tax and suspended the Electricity Distributors' Levy.
- NSW Crown land has been valued for the first time, following a recommendation to do so from the Auditor-General.

Figure 1

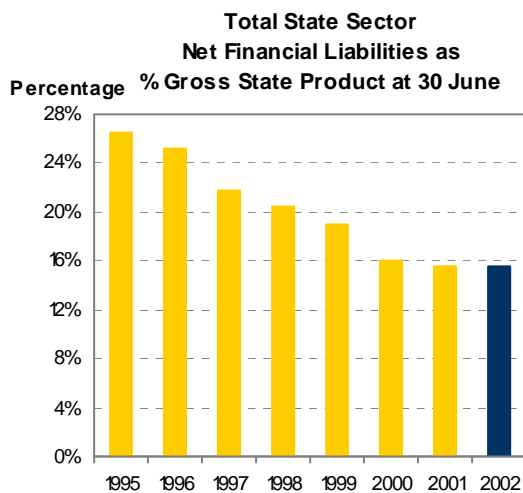
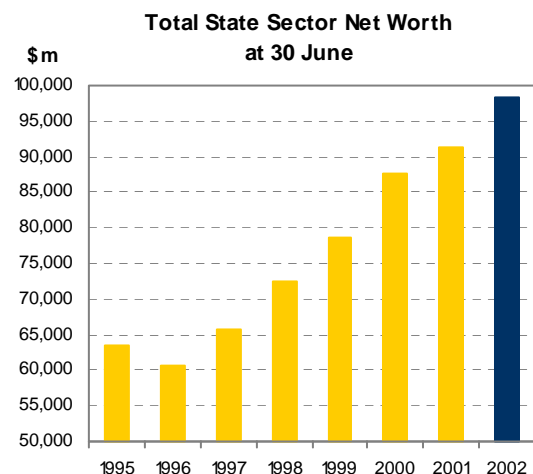


Figure 2



KEY GOVERNMENT FINANCIAL RESULTS 2001-02

	Net Operating Balance ^(a)	Net Lending/ (Borrowing) ^(a)	Underlying Cash Surplus/(Deficit) ^(a)	Operating Surplus Excluding Significant Items ^(b)
	\$m	\$m	\$m	\$m
NSW	1,505	495	1,292	2,440
Vic	1,161	144	663	not available
Qld	(486)	(1,071)	382	not available
SA	(288)	(396)	(329)	not available
WA	209	(42)	(1)	not available
Tas.	87	109	173	not available
NT	(107)	(144)	(117)	not available
ACT	14	(2)	174	not available
Commonwealth	(3,629)	(3,260)	(1,259)	not available
^(a) Government Finance Statistics General Government Sector Results Source: 2001-02 Outcomes Report (NSW, WA and the Commonwealth) 2002-03 Budget Papers (other jurisdictions)				
^(b) AAS31 Accounting Based Audited Total State Sector Result Source: 2001-02 Total State Sector Accounts				

Figure 3

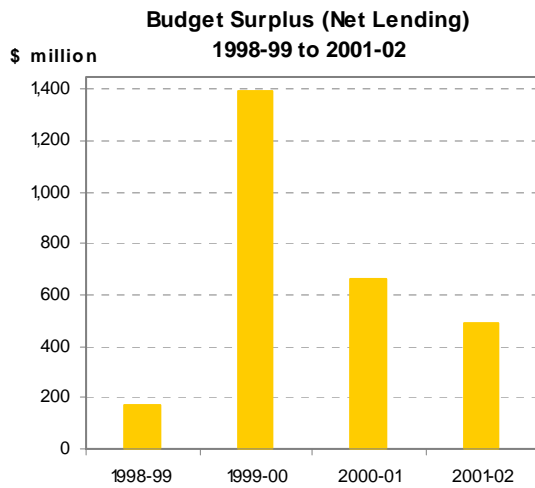
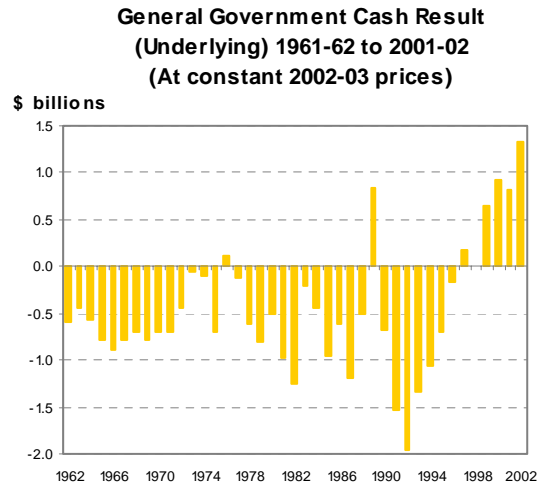


Figure 4



KEY FINANCIAL INDICATORS

		2000-01	2001-02
GENERAL GOVERNMENT SECTOR			
Budget Surplus – Net Lending	\$m	712	495
GFS Net Operating Surplus	\$m	1,702	1,505
Cash Surplus		756	1,292
TOTAL STATE SECTOR			
AAS31 Operating Result excluding Significant Items	\$m	1,539	2,440
AAS31 Operating Result including Significant Items	\$m	(576)	4,028
Net Debt	\$m	18,440	15,563
Net Debt as a % of Gross State Product	%	7.7	6.2
Net Unfunded Superannuation Liability	\$m	7,981	11,723
Net Financial Liabilities (NFL)	\$m	37,267	38,860
NFL as a % of Gross State Product	%	15.6	15.6
GFS Total Assets	\$m	142,013	154,835
GFS Total Liabilities	\$m	50,599	56,509
GFS Net Worth	\$m	91,414	98,326
Capital Expenditure	\$m	5,080	5,623



REVIEW OF FINANCIAL PERFORMANCE FOR 2001-02

The review of financial performance is divided into the following sections:

1. ANALYSIS OF THE GFS STATEMENT OF THE BUDGET RESULT

The Budget Operating Statement has been prepared on a GFS basis and relates to the General Government Sector. The commentary on this statement analyses the variances between the May 2001-02 Budget and the actual result at 30 June 2002.

Commentary has also been provided on the variances over the same period for the Public Trading Enterprise Sector (PTE). Reports on the PTE sector has been provided in the Outcomes Report at Pages 2-5, 2-9 and 2-13.

2. ANALYSIS OF THE GFS TOTAL STATE SECTOR BALANCE SHEET

The Review of Financial Performance analyses movements in the GFS Total State Sector Balance Sheet. This report is disclosed at Page 2-3 of the Outcomes Report. The commentary provides an analysis of movements in Asset and Liability balances, along with an analysis of key financial aggregates including Net Financial Liabilities and Net Debt.

3. ANALYSIS OF TOTAL STATE REVENUES AND EXPENDITURE

An analysis of current year expenditures and revenues for the Total State Sector compared with prior year balances is included here. This is done on an accounting basis and refers to the aggregates disclosed in the Consolidated Financial Report at Page 3-6.

4. FINANCIAL FRAMEWORK AND TARGETS

Commentary is provided on the performance of the General Government and Non General Government sectors against agreed fiscal targets and financial policies.

5. SCOPE OF THE REVIEW

Explains the scope of the Total State Sector Accounts along with the principles of consolidation. It also explains the reports covered in this publication.

ANALYSIS OF THE GFS STATEMENT OF THE BUDGET RESULT

The Budget result for the year 2001-02 was a surplus of \$495 million (see page 1-4). This is \$127 million higher than the Budget estimate of \$368 million.

This improvement in the surplus was due principally to increased State and Operating revenues after providing for increased expenses in key service delivery areas.

STATE REVENUE

Taxation

Contracts and Conveyances Duty

Stamp duty on contracts and conveyances represents the largest single component of stamp duty revenues. Conveyancing duty and marketable securities duty represent the most volatile revenue sources available to the State.

In the 2001-02 Budget, contracts and conveyances duty revenue was expected to grow moderately. However, while economic activity and employment growth slowed, residential property market activity accelerated.

Payroll Tax

Although the State experienced a better than expected increase in employment during the year, these gains occurred in industries where the overall payroll tax liability was low. The reduction in payroll tax compared with the Budget estimate reflected employment reduction in larger employers within the manufacturing, property and business services sectors.

Other Taxes

Other taxes were \$106 million higher than the Budget estimate. This included a \$36 million increase in land tax and a \$36 million increase in premiums paid to the WorkCover Authority and the Workers Compensation (Dust Diseases) Board.

Commonwealth Grants

In 2001-02 Commonwealth grants in aggregate were above the Budget estimate by about \$568 million or 3.9 percent.

There was a \$282 million increase in the Guarantee Minimum Amount under the Intergovernmental Agreement with the Commonwealth.

In addition, there was a \$277 million increase in Specific Purpose Payments with approximately 70 percent related to Education. Nearly half of the increase related to payments due in 2000-01 but delayed by the Commonwealth until 2001-02.

Fines, Regulatory Fees and Other

Revenue in 2001-02 was \$68 million lower than expected in the Budget estimate, mainly reflecting a change in accounting treatment. Fine revenues and the associated provision for doubtful debts were previously included on a gross basis in the original budget. This methodology was revised to a net basis.

OPERATING REVENUES

	Budget \$m	Actual \$m	Variance \$m
Operating Revenues			
Sale of Goods and Services	2,289	2,374	85
Investment Income	437	283	(154)
Grants and Contributions	295	396	101
Other Revenue	234	407	173
Total Operating Revenues	3,255	3,460	205

Operating revenues represent revenues earned by public sector agencies in the normal course of their operations. The primary source is user charges levied to recover the costs of providing goods or services.

Sale of Goods and Services

Sale of goods and services include revenue from the use of government assets as well as revenue generated by agencies in their normal trading activities.

In 2001-02, revenues exceeded the Budget estimate by \$85 million. Health revenues were \$57 million higher than Budget estimate due to a \$40 million increase in hospital fee revenue and other hospital charges to private patients using the public health system, and an additional \$17 million from the Department of Veterans' Affairs.

Fees for Education and Training were \$45 million higher than Budget due to increased enrolments (administration and course fees) and sales of publications.

Roads and Traffic fees were \$31 million higher than Budget due to additional work performed on behalf of external organisations.

Other fees were \$48 million below Budget, mainly as a result of more correct elimination of the transactions of the Department of Public Works and Services.

Investment Income

Revenue from investment income includes interest on advances to Public Trading Enterprises, interest on Treasury Corporation deposits and interest on private sector deposits. In 2001-02, revenues were \$154 million below the Budget estimate, mainly reflecting lower returns for the New South Wales Insurance Ministerial Corporation, WorkCover Authority and other bodies with market linked investments.

Grants and Contributions

Grants and Contributions were \$101 million higher than the Budget estimate, which made provision for a refund of \$30 million from the \$140 million contingency payment made to the Sydney Olympic Committee for the Olympic Games: \$80 million was repaid.

Other Operating Revenue

Other operating revenue in 2001-02 was \$173 million higher than the Budget estimate, mainly as a result of a \$97 million accounting adjustment relating to the Parramatta to Chatswood Rail Link. This transaction was Budget neutral.

EXPENSES

Insurance - Expenses of the New South Wales Insurance Ministerial Corporation increased by \$561 million, mainly as a result of significant increases in the cost of public liability insurance. This cost has arisen both as a result of an increase in claims and a change in the basis of revenue recognition. An increase in the number of large claims accounted for \$376 million while the move to a "claims incurred" basis accounted for \$185 million. Additionally, an expense of \$58 million was incurred in the reassessment of liabilities relating to HIH Insurance Limited.

Transport expenses were \$127 million higher than the Budget estimate primarily due to maintenance in non-metropolitan rail lines, projects brought forward from later years and additional expenses relating to the Parramatta to Chatswood rail link (partially offsetting additional revenues outlined earlier).

Education expenses were higher than the Budget estimate by \$356 million or 5.4 percent. Additional costs were incurred for salary adjustments under the May 2000 teachers' salary award. Other increases include significant acceleration of school maintenance, additional operating costs for the Department's technology network, per capita grants to non-Government schools, additional grants for industry training programs and additional costs for Commonwealth funded programs (offset by Commonwealth grants).

Health expenses were \$211 million higher than the Budget Estimate. Major increases included program costs that were budgeted as asset acquisitions being expensed, additional grants to voluntary organisations and increased remuneration for visiting medical officers.

First Home Owners' grants were \$169 million higher than the Budget estimate. These expenses were offset by a matching increase in Commonwealth grants revenue.

Grants to the **Department of Housing** were \$129 million higher than the Budget estimate to provide for accelerated maintenance of building stock.

ASSET ACQUISITIONS

Asset acquisitions were \$120 million more than Budget. The result consisted of a \$130 million increase in the program of the Roads and Traffic Authority offset by small increases and decreases in other agency programs.

Road works increased due to:

- Reclassification of rehabilitation works to capital as a result of discussions with the NSW Audit Office in finalising the 2000-01 Annual Accounts.
- New revenue measures including the increases in Sydney Harbour Bridge tolls being spent on roadworks.
- Additional funding on National Highways and the Pacific Highway as a result of higher than anticipated funding announced in the 2001 Commonwealth budget.

ASSET SALES AND OTHER MOVEMENTS IN NON-FINANCIAL ASSETS

Asset sales were lower than Budget. This was mainly due to the deferral of a settlement on the sale of the Olympic media village site.

Other movements in non-financial assets were \$75 million lower than Budget estimate mainly as a result of the GFS treatment of the accounting adjustments relating to the Parramatta to Chatswood rail link.

PUBLIC TRADING ENTERPRISE NET BORROWING RESULT

The State's Public Trading Enterprises (PTEs) form the substantial part of the Non General Government Sector. PTEs principally provide public infrastructure services including electricity, water, ports and public transport.

The PTE sector recorded an operating surplus of \$868 million. PTEs built or purchased \$2,753 million of new infrastructure. Some of these capital works were funded by borrowings. As a result the PTE sector recorded a Net Borrowing Result (deficit) in 2001-02 of \$369 million compared to the budgeted deficit of \$806 million, an improvement in the result of \$437 million.



REVIEW OF FINANCIAL PERFORMANCE FOR 2001-02

Two notable areas contributed to this improvement.

The Department of Housing received increased grants, achieved improved rent income and increased asset sales. The rail and bus services improved their results mainly through lower gross fixed capital formation.

The PTE sector is referred to as the Public Non-financial Corporation Sector in the Outcomes Report.

ANALYSIS OF THE GFS TOTAL STATE SECTOR BALANCE SHEET

The 2001-02 Report on State Finances contains two Asset and Liability reports.

The balance sheet reported in the Outcomes Report is prepared on a Government Finance Statistics (GFS) basis. The Statement of Financial Position reported in the Total State Sector Accounts is prepared on an accounting basis and is similar and reconcilable to the GFS balance sheet. The primary differences between the two reports are:

- Provisions for doubtful debts are excluded from balance sheets presented on a GFS basis.
- The General Government balance sheet in the Outcomes Report shows an equity investment in the Public Financial Corporation and Non-Financial Corporation Sectors (referred to more generally as the PTE Sector and PFE Sector) while the accounting based statement of financial position does not record this item.
- Further, GFS based Balance Sheets are classified into financial and non-financial assets and liabilities, whereas accounting based statements of financial position are grouped by current or non-current assets and liabilities.

The following discussion is focused on the GFS balance sheet which can viewed on Page 2-3 of the Outcomes Report.

The Total State Sector Balance Sheet

The Total State Sector's Net Worth was \$98,326 million at 30 June 2002, an increase of \$6,912 million or 7.6 percent on the previous year's balance.

The \$6,912 million increase in Net Worth comprises an increase in non-financial assets of \$8,505 million offset by an increase in Net Financial Liabilities of \$1,593 million.

Over the period June 1994 through to June 2002 the Net Worth of the NSW Total State Sector has increased by 63 percent.

Non-financial Assets

Non-financial assets comprise the physical assets of the State such as public schools, hospitals, roads, bridges, transport, public housing and sporting facilities, as well as the infrastructure of the State's commercial authorities such as electricity power stations and distribution assets, dams and water pipelines, and ports infrastructure.

The State's non-financial assets were \$137,186 million at 30 June 2002, an increase of \$8,506 million on the previous year. This increase included an investment in property and infrastructure of \$5,490 million, the initial recognition of vacant Crown land of \$4,000 million and asset revaluations of \$3,309 million which were offset by an increased provision for depreciation of \$3,103 million asset sales of \$572 million and other movements of \$618 million.

Crown land to the value of \$4,000 million has been included in these accounts for the first time. This follows an extensive exercise involving staff from the Valuer General's Office, the Department of Land and Water Conservation and Treasury overseeing the identification and valuation of vacant Crown Land in NSW.

REVIEW OF FINANCIAL PERFORMANCE FOR 2001-02

Investment in the State's property and infrastructure in 2001-02 included investments in:

- educational facilities \$388 million
- hospitals and equipment \$487 million
- roads \$1,089 million
- public housing \$373 million
- transport \$660 million
- energy infrastructure \$1,161 million
- water infrastructure \$616 million

The Roads and Traffic Authority also revalued its property and roads by \$1,724 million during the financial year.

Non-financial assets represent in excess of 88 percent of the State Sector's total assets and these investments will return long-term benefits to the community of New South Wales.

Net Financial Liabilities

Net Financial Liabilities (NFL) reflect the financial obligations of the Government. They comprise Net Debt, unfunded superannuation and other employee provisions, insurance obligations and other liabilities.

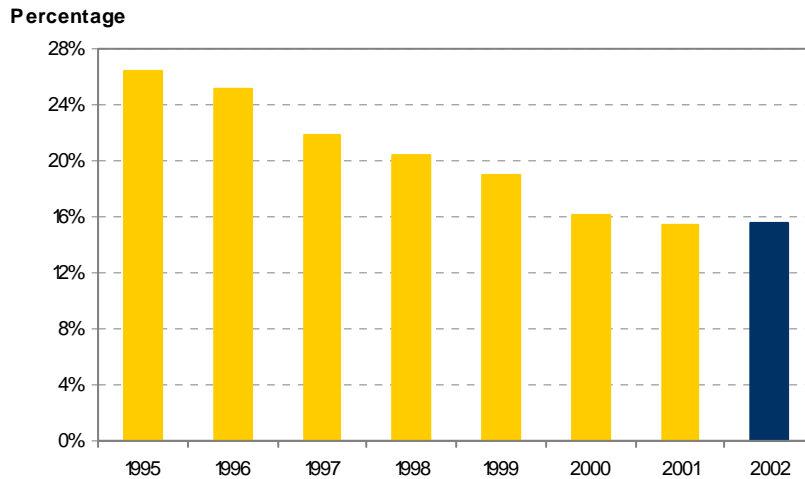
Total State Sector NFL fell from \$43,969 million (26.7 percent of Gross State Product (GSP)) in June 1995 to \$38,860 million (15.6 percent of GSP) in June 2002. Included in this was a marginal dollar increase in 2001-02, however as a percentage of GSP it remained constant during that year. (Refer Figure 5).

The reduction in NFL as a percentage of GSP, since 1995, reflects an improvement in the State's financial position. Reducing liabilities to a sustainable level allows the Government to maintain or, where applicable, expand government services throughout the economic cycle.

The levelling out of NFL as a percentage of GSP between 2000-01 and 2001-02 is primarily the result of lower superannuation asset earnings in 2001-02 associated with the downturn in local and global investment markets, and the initial recognition by the Treasury Managed Fund of insurance claims incurred, but not yet reported.

Figure 5

**Total State Sector
Net Financial Liabilities as a Percentage of
Gross State Product at 30 June**



NFL comprise:

	June 2002 \$m	June 2001 \$m
Net Debt	15,563	18,440
Superannuation Liabilities	11,723	7,981
Other Employee Entitlements	5,976	5,646
Insurance Obligations	4,723	4,238
Other Net Liabilities	875	962
Net Financial Liabilities	38,860	37,267

The \$1,593 million increase in Total State NFL was primarily due to growth in superannuation liabilities (\$3,742 million) significantly affected by negative investment earnings, the increase in public liability and other insurance obligations (\$485 million), an increase in other employee entitlements (\$330 million) offset by reductions in Net Debt (\$2,877 million) and a reduction in other liabilities of \$87 million.

Net Debt

Total State Sector Net Debt fell by \$2,877 million to \$15,563 million for the year ended 30 June 2002.

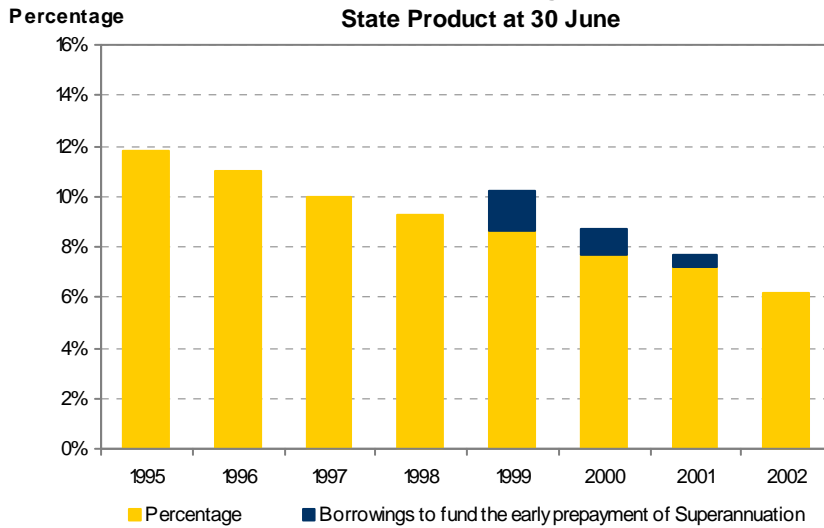
Net Debt comprises borrowings less cash, investments and advances receivable. The \$2,877 million reduction in Net Debt is primarily the result of the application of the cash surplus, in addition to the receipt of the proceeds from the sale of FreightRail Corporation.

The reduction in Net Debt is reflected in higher levels of cash and investment balances at 30 June 2002. It includes funds set aside by the government for use in 2002-03 for general government debt retirement (\$400 million), contributions to ensure the full provisioning of the Treasury Managed Fund (\$519 million), and contributions to the General Government Liability Management Corporation (\$929 million).

The Net Debt of the State as a percentage of Gross State Product fell from 7.7 percent in June 2001 to 6.2 percent in June 2002. Excluding the borrowings associated with the earlier prepayment of superannuation, Net Debt as a percentage of GSP fell from 7.2 percent in June 2001 to 6.2 percent in June 2002, in line with a consistent trend since 1995. (Refer Figure 6).

Figure 6

**Total State Sector
Net Debt as a Percentage of Gross
State Product at 30 June**



Superannuation Liabilities

Superannuation liabilities represent the actuarially assessed obligations for past and present employees less any employer investment reserves set aside to meet these obligations. During 2001-02 net unfunded superannuation liabilities grew by \$3,742 million. This is a result of:

- A “funding holiday” by the Crown due to the prepayment of three years of employer contributions in 1999.
- The investment performance of the Pooled Fund being negative 7.3 percent in 2001-02, which is lower than the long-term actuarially applied rate of 7 percent per annum.

Assets in the Pooled Fund increased from \$15,143 million at 30 June 1995 to \$24,073 million at 30 June 2002.

The full funding target for superannuation liabilities is now 2030. This is 15 years earlier than the original funding plan developed in 1993 as a result of higher contributions, various liability management initiatives and actual investment returns over the period since 1993.

Insurance Obligations

These liabilities primarily comprise obligations of the Treasury Managed Fund, a government self-insurance scheme, and closed insurance schemes such as the Transport Accident Compensation Fund (old third party scheme). In 2001-02 obligations grew by \$485 million to \$4,723 million.

The increase included a further \$150 million of liabilities incurred by the Treasury Managed Fund from 1 January 2002 when the government indemnified visiting medical officers for work performed on public patients in public hospitals in NSW.

In addition, the liabilities were increased by higher levels of government workers compensation claims and increases in Police and Health Department insurance claims.

In calculating its insurance liabilities, the Treasury Managed Fund changed its liability recognition policy in 2001-02 from a claims made basis to recording claims made and claims incurred but not reported (IBNR). This resulted in a \$369 million increase in claims liabilities during 2001-02. Unlike accounting, Government Finance Statistics requires that the IBNR adjustment be back cast throughout historical balance sheets. Accordingly, GFS aggregates have been adjusted to recognise the IBNR claims as they emerge over time.

Other Net Liabilities

Other net liabilities fell during 2001-02 by \$87 million to \$875 million. Other net liabilities primarily comprise non employee provisions and payables, less receivables and equity assets.

Net Worth

The movement in various financial and non-financial assets and liabilities, outlined above, resulted in growth in Net Worth during 2001-02 by \$6,912 million to \$98,326 million.

ANALYSIS OF THE TOTAL STATE SECTOR OPERATING RESULT

The following analysis compares current year Total State Sector revenues and expenses, on an accounting basis, with prior year amounts.

Excluding significant items, the accrual operating result for the Total State Sector was a surplus, of \$2,440 million in 2001-02 compared to a surplus of \$1,539 million in 2000-01. However, a number of significant revenue and expense items result in an overall surplus of \$4,028 million being reported.

During the year ended 30 June 2002 a number of significant one-off items totalling \$1,588 million (net revenue) have been accounted for. They comprise:

- The first time recognition of assets (ie a revenue). The assets include vacant Crown land valued at \$4,000 million that was brought to account following the conclusion of an extensive valuation exercise, and the recording of the Crown's share of an investment in Snowy Hydro Ltd (\$469 million) following a restructure of the Commonwealth's former Snowy Hydro-electric Authority and Snowy Hydro Trading Pty Ltd.
- A \$2,528 million superannuation expense as a result of lower fund earnings than actuarially applied long-term earning rates.
- A provision for claims of \$150 million against visiting medical officers for work performed on public patients in public hospitals in NSW.
- A book loss of \$155 million on the sale of Freight Rail Corporation and National Rail Corporation shares. Reporting on the book loss to Parliament, the Auditor-General said this measure did "not reflect the net benefit arising from the sale".

- The write downs of assets amounting to \$48 million.

The operating result for the prior year 2000-01 included the following significant items:

- A \$950 million superannuation expense as a result of changes in demographic assumptions.
- The recognition of liabilities associated with the collapse of HIH amounting to \$600 million.
- The write downs of various assets amounting to \$664 million offset by abnormal net deferred income.

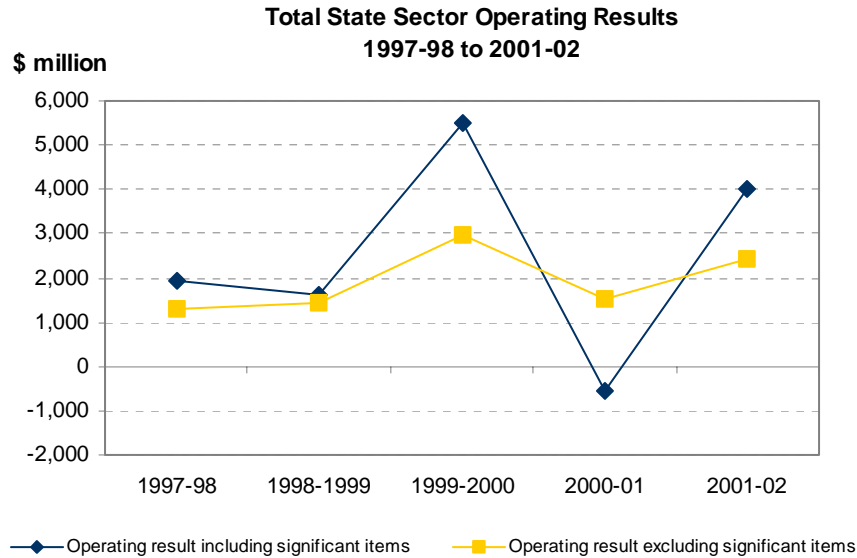
Figure 7 demonstrates the volatile impact that significant items can make when conducting comparisons over time of operating results. By excluding the impact of these one-off large transactions it is possible to perform a more meaningful analysis of the results.

The Total State Sector Operating Result excluding significant items on an accounting basis comprised

	2001-02 \$m	2000-01 \$m
Total State Revenues	28,413	26,527
Operating Revenues	12,892	13,280
Less Total Expenses	(38,865)	(38,268)
<hr/>		
Operating Surplus excluding Significant Items	2,440	1,539

The following discussion excludes the impact of significant expense and revenue transactions which have been summarised above. Refer to Note 4 of the Consolidated Financial Report for further details on significant transactions.

Figure 7



Total State Revenues

Total State Revenues, including Commonwealth grants, operating revenue and State taxes, rose \$1,886 million or 7.1 percent between 2000-01 and 2001-02. Under the Intergovernmental Agreement on the reform of Commonwealth-State Financial Relations (the IGA) increases in Commonwealth grants have been offset by falls in state taxation revenues.

On current projections the changed funding arrangements associated with national taxation reform will not provide any benefit to the New South Wales Budget until 2008-09.

The IGA produced major changes in Commonwealth-State funding and taxing arrangements.

The key elements included:

- The introduction of a Goods and Services Tax (GST) from 1 July 2000.
- The abolition of a number of State indirect taxes and the Commonwealth's wholesale sales tax.

- The passing-on by the Commonwealth of GST revenues to the States to replace Financial Assistance Grants and abolished State taxes.
- The provision by the Commonwealth of guarantee payments to ensure that no State is worse off financially.

Taxation revenue declined in 2001-02 partly as a result of the IGA. From 1 July 2001 financial institutions duty (FID) and stamp duty on the transfer of listed marketable securities were abolished. In addition the Government continued its taxation rate reduction program:

- 2001-02 saw the first full year effect of the reduction of the payroll tax rate from 6.4 per cent to 6.2 per cent from 1 January 2001;
- On 1 July 2001:
 - stamp duty on instruments relating to superannuation was abolished;
 - the electricity distributor's levy was suspended; and
 - the thresholds on duties payable on leases and hire of goods were raised;

REVIEW OF FINANCIAL PERFORMANCE FOR 2001-02

- On 1 January 2002 debits tax was abolished; and
- On 31 March 2002 bookmakers turnover tax was abolished.

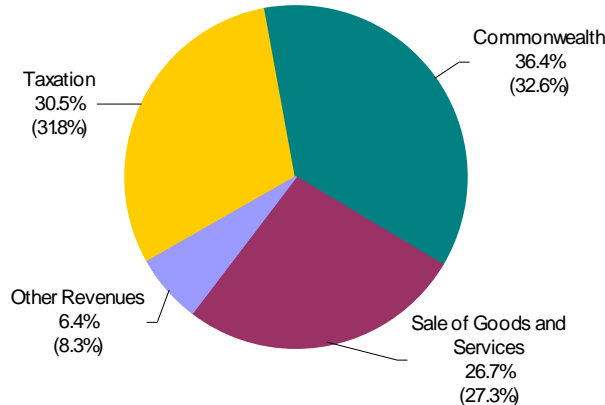
In comparing aggregate taxation revenues by class between 2000-01 and 2001-02, payroll tax and stamp duties were flat, primarily as a result of the above tax reduction initiatives. Gambling and betting taxes were also flat resulting from weak growth in club gaming revenue and the cessation of the casino's international premium player program. Land tax was higher mainly due to the Office of State Revenue's implementation of the New Land Taxpayers System which notifies new taxpayers as soon as they become liable for land tax, and increases in land value. The new system is based on recommendations of the 1999 Walton Report on the operation of the NSW Valuation of Land Act 1916.

Operating Revenues

Operating revenues comprise the revenues earned directly by government authorities for the sale of goods and services, grants and other contributions and investment income. The fall in total operating revenues was primarily affected by lower earnings in 2001-02 on cash and investment balances, paralleling the lower returns in both local and international financial markets. The overall fall in revenues was also impacted by lower revenues from FreightCorp operations, following privatisation. (There was also a compensating fall in FreightCorp aggregate expenditure as a result of the sale.)

Figure 8

**Total State Sector Revenue 2001-02
(2000-2001 in brackets)**



Expenses

Total State Sector accrued expenses excluding significant transactions grew by \$597 million or 1.6 percent in 2001-02. The growth in expenditure is primarily the result of net increases and decreases in various expenditure categories explained below.

Other employee related expenses grew by 4.6 percent during 2001-02 to \$16,038 million, reflecting improved pay levels for teachers, health and police employees. In addition, a number of new positions were funded in these areas including 1,400 within Health. The New South Wales Public Sector average staffing for the year 2001-02 was 282,000 employees.

During 2001-02 **other operating expenses** fell by \$250 million, after excluding significant items. The primary reason was that 2000-01 included some non-recurring operating costs associated with the Olympic and Paralympic Games, particularly by the Olympic Co-ordination Authority and the Olympic Roads and Transport Authority.

Both **maintenance and depreciation expenses** were up about 10% on the previous year. Both increases were mainly the result of higher expenses in the Roads and Traffic Authority (RTA). In 2000-01 the RTA included a \$104 million prior year (credit) adjustment to its maintenance expense. Further, the RTA reviewed its level of depreciation expense upward in 2001-02 following its previous move to straight-line depreciation of its infrastructure.

Grants and subsidies excluding significant items grew by \$878 million in 2001-02. The costs associated with the First Home Owners Scheme grew substantially by \$192 million in 2001-02 to \$506 million. A large part of this related to the increased demand for First Home Owner grants due to lower interest rates and foreshadowed reductions in the level of the grants in December 2001 and June 2002. The other growth particularly reflected the Government's increased allocation of resources towards education, health, ageing, disability and homecare services.

Accrued **borrowing costs** fell by \$520 million as a result of falls in the weighted average effective interest rate.

INTERGOVERNMENTAL TOTAL STATE SECTOR COMPARISONS

Under the Accrual Uniform Presentation Framework all States and Territories must prepare GFS accrual reports.

Information from these reports will enable comparisons between jurisdictions as well as the analysis of trends as time series are built up.

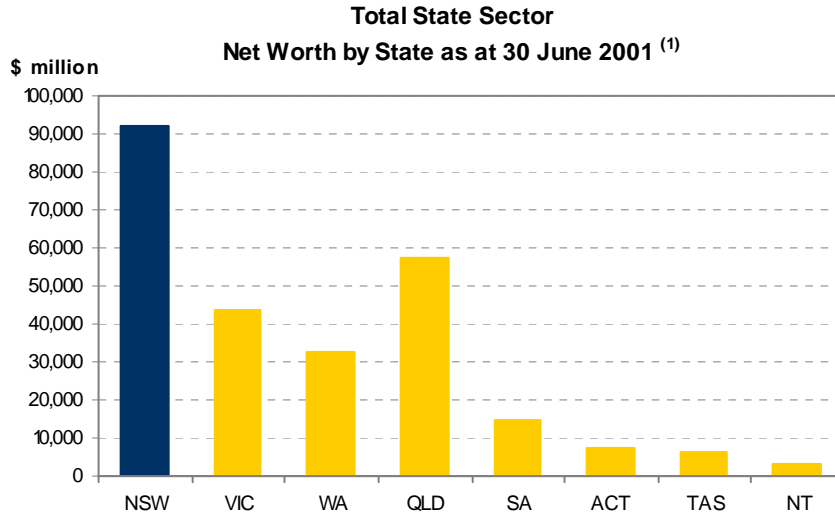
The publishing of consolidated government aggregates will focus the community's attention on how well, over time, governments are managing their total assets and total liabilities.

Published consolidated financial statements are not yet available for 2001-02 for other jurisdictions. The following comparisons are therefore based on the latest published information.

Net Worth is a measure used to report upon whether Governments are maintaining the value of their physical and financial resources. Net Worth is the difference between total assets and total liabilities. Figure 9 outlines the published Net Worth by State at 30 June 2001. Although all States have a positive Net Worth, the Commonwealth recorded a negative Net Worth of \$94 billion.

The Net Worth of the NSW Public Sector (GFS Basis) at 30 June 2001 was \$91 billion, the strongest of all States.

Figure 9



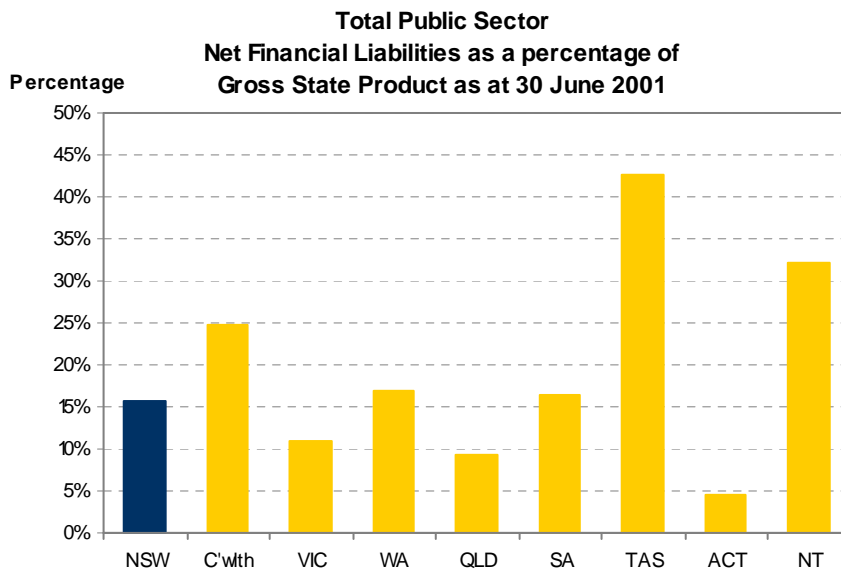
⁽¹⁾ 30 June 2001, latest available information
Source: Australian Bureau of Statistics, Government Finance Statistics 2000-01.

Net Financial Liabilities as a percentage of Gross State Product (GSP) is a useful measure as it allows for comparisons between different jurisdictions.

Figure 10 compares Net Financial Liabilities as a percentage of economic output for each State and the Commonwealth. Published Government

Finance Statistics information is not yet available for June 2002. Figure 11 is therefore based on the latest published Government Finance Statistics information which is for June 2001. Net Financial Liabilities in New South Wales as a percentage of GSP have fallen from 26.7 percent in June 1995 to 15.6 percent in June 2002 (refer to Figure 5).

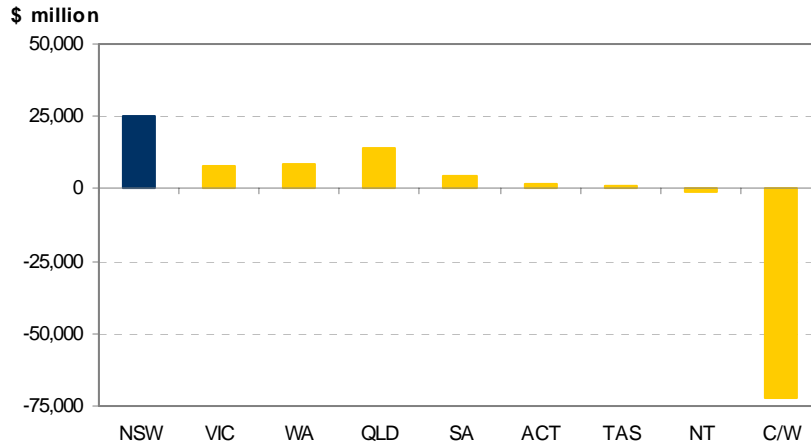
Figure 10



Source: Australian Bureau of Statistics, Government Finance Statistics 2000-01.
Note: C'wth is expressed as a % of GDP.

Figure 11

**General Government Sector
Net Financial Worth by jurisdiction as at
30 June 2001 ⁽¹⁾**



⁽¹⁾ 30 June 2001, latest available information
Source: Australian Bureau of Statistics, Government Finance Statistics 2000-01.

Net Financial Worth (NFW) is comparable to (negative) Net Financial Liabilities. For general government Net Financial Worth, the ABS also records an equity investment in the Public Trading and Financial Enterprise sectors. Figure 11 compares each jurisdictions general government NFW. It shows NSW as having the strongest financial balance sheet.

FINANCIAL FRAMEWORK AND TARGETS

Both the General Government and Non General Government sectors are subject to financial policies and fiscal targets against which their performance can be assessed.

The General Government Debt Elimination Act 1995 as amended sets out a number of fiscal principles and targets for the General Government sector.

The following commentary reviews the Government's achievement during the year against the fiscal principles and targets identified in that Act:

1. The Government shall adhere to the following short, medium and long-term fiscal targets.
 - To achieve a sustainable surplus budget within 3 years from 1 July 1996;
 - To reduce the level of General Government sector net debt to a sustainable level by 30 June 2005; and
 - To eliminate General Government net debt by 30 June 2020.

The NSW General Government sector has had cash surpluses since 1996-97.

In the year ending 30 June 2002, General Government sector net debt was reduced by \$2.6 billion, representing further progress towards achievement of the medium and long-term fiscal targets. Although consistent with the Government's fiscal targets, results in any one year need to be viewed in the context of an overall strategy that targets debt reduction in the longer term.

2. The Government shall maintain or increase net worth (ie, net assets) in real terms.

Net Assets (ie, Net Worth) increased by \$6.9 billion or 7.6 percent during 2001-02. This represents a real increase in Net Assets of 4.3 percent.

3. Employer superannuation liabilities are to be managed and funded so as to eliminate Total State Sector unfunded superannuation liabilities by 30 June 2030.

In 1993 a funding plan was developed with the objective of fully funding superannuation liabilities by 2045. As a result of higher than originally estimated employer contributions, various liability management initiatives and favourable actual investment returns over recent years, the Government has brought forward the full funding target date by fifteen years, from 2045 to 2030.

4. The use of best practice asset maintenance and management policies is to be adopted in the General Government sector.

The Government released its updated Total Asset Management (TAM) guidelines in 2001 as part of a wider network of planning processes in the NSW public sector. Among other things, the TAM guidelines require agencies to develop strategies and long term plans for capital investment, asset maintenance, asset disposal and office accommodation. The TAM guidelines also incorporate the Guidelines for Privately Financed Projects dealing with private sector participation in the provision of public infrastructure.

5. The growth in net cost of services and expenses of the General Government sector is to be managed in accordance with the objective of prudently managing State finances. The 4-year average annual growth in net cost of services and expenses is to be kept at or below the annual growth in nominal gross state product.

In the four years ending 30 June 2002, the average annual growth in total expenses of the General Government sector was 5.6 percent, similar to the growth in nominal gross state product during the same period.

6. Financial risk is to be managed prudently on the basis of sound risk management principles.

NSW Treasury Corporation (TCorp) manages the Crown debt portfolio. The primary debt managerial objective is to minimise the market value of debt subject to specified risk constraints over the longer term. Constraints on the management of the portfolio are detailed in a memorandum of understanding between TCorp and Treasury.

Financial risk is also managed through the Commercial Policy Framework, for government businesses. A comprehensive review of the Framework commenced in 2001, has resulted in revisions to policies on guarantee fees, financial distributions, and guidelines for the assessment of projects of state significance.

7. Any adjustments to legislated tax rates, thresholds and bases are to be made with the maximum possible restraint, having regard to the effect of these adjustments on the overall level of tax revenue. Policies should be pursued that are consistent with a reasonable degree of predictability and stability of tax rates, thresholds and bases for future years.

Taxation policy changes introduced in 2001-02 are consistent with the principle of tax restraint.

Tax changes included the following:

- *Increase in the lease duty exemption threshold and abolition of lease duty on franchise agreements from 1 July 2001;*
 - *Increase in the hiring arrangements duty threshold from 1 July 2001; and*
 - *Abolition of stamp duty on instruments relating to superannuation from 1 July 2001.*
 - *Introduction of Insurance Protection Tax to fund the Policyholders Protection Fund.*
 - *Changes to Roads and Traffic Authority taxes.*
- The Commercial (Non General Government) Sector (comprising Public Trading Enterprises and Public Financial Enterprises) framework has the following key elements:
- A financial distribution policy for the setting of performance benchmarks (eg rates of return) and the determination of dividend and tax equivalent payments to the Government.
 - A capital structure policy which deals with the appropriate debt/equity structure for each commercial agency.
 - A social program policy to ensure that commercial agencies have arms-length contractual arrangements with the Government to provide non-commercial services.
 - A monitoring policy which covers ongoing performance monitoring against negotiated benchmarks and targets.
- The financial management framework for commercial agencies aims to achieve efficient prices (which provide significant benefits to the business sector and general community), reduce operating costs and to contribute financial distributions to the Government based upon agreed rates of return.
- *Abolition of Financial Institutions Duty and stamp duty on quoted marketable securities from 1 July 2001;*
 - *Abolition of Debits tax from 1 January 2002;*
 - *Abolition of Bookmakers' Turnover Tax from 31 March 2002;*
 - *Increase in the land tax threshold from \$1.319 million for the 2001 land tax year to \$1.414 million for the 2002 land tax year;*

SCOPE OF THE REVIEW

The review combines the following three reports to provide a broader analysis of Government finances:

- The Statement of the Budget Result
- The Outcomes Report
- The Consolidated Financial Report of the NSW Total State Sector (The Total State Sector Accounts)

Each report gives a different focus on Government finances. The Consolidated Financial Report captures the cost of operating Government services including depreciation on assets and valuation adjustments on assets and liabilities.

The Outcomes Report removes valuation adjustments to reflect costs more appropriately related to the underlying operations of Government.

The Statement of the Budget Result replaces depreciation costs with capital expenditure. This statement also removes valuation adjustments. It also compares the original budget to the actual result.

A commentary has been provided on the key results of each report.

The Statement of the Budget Result

This statement discloses the Budget Result, which is a key indicator of the financial performance of the General Government Sector. It reflects the underlying financial result of the Government's operations during the year. The public financial effects of operating activities are either an ability to reduce borrowings (Net Lending) or the requirement to increase borrowings (Net Borrowing).

The Statement of the Budget Result is based on accrual Government Finance Statistics (GFS) guidelines, in accordance with the principles utilised by the Australian Bureau of Statistics (ABS) in compiling its GFS data.

The report compares the 2001-02 year-end results with the 2001-02 budget estimates for key aggregates.

The Outcomes Report

The May 1991 Premiers' Conference agreed to the introduction of the Uniform Presentation Framework (UPF).

The primary objective of the UPF is to ensure that Commonwealth, State and Territory governments provide a common 'core' of financial information. The UPF requires the release of a budget presentation and an end of year Outcomes Report.

Like the Budget Operating Statement, the Outcomes Report is based on the reporting standards of the ABS GFS framework which has been prepared on an accrual basis since 2000-01. However, it provides a full suite of financial statements for the various sectors of Government, not just the operating statement for the General Government Sector.

The Outcomes Report allows readers to compare financial results with other States and compare certain year-end aggregates with budget time projections.

A key aggregate in measuring the ability of the Government to properly manage the State's financial position, is the level of Net Financial Liabilities. This measure is reported in the Outcomes Report.

SCOPE OF THE REVIEW

The Consolidated Financial Report

The Consolidated Financial Report is also known as the Total State Sector Accounts. It is prepared in accordance with Australian Accounting Standards and is fully audited.

This year's Consolidated Financial Report focuses more closely on the Total State Sector, reflecting the government's approach to whole of government reporting. Financial Statements for the General Government and PTE sectors are disclosed in the segment disaggregated financial statement note.

The Total State Sector Accounts report on the operating result, financial position and cash flows of the New South Wales Total State Sector.

The New South Wales Total State Sector includes both the General Government Sector and the Non-General Government Sector.

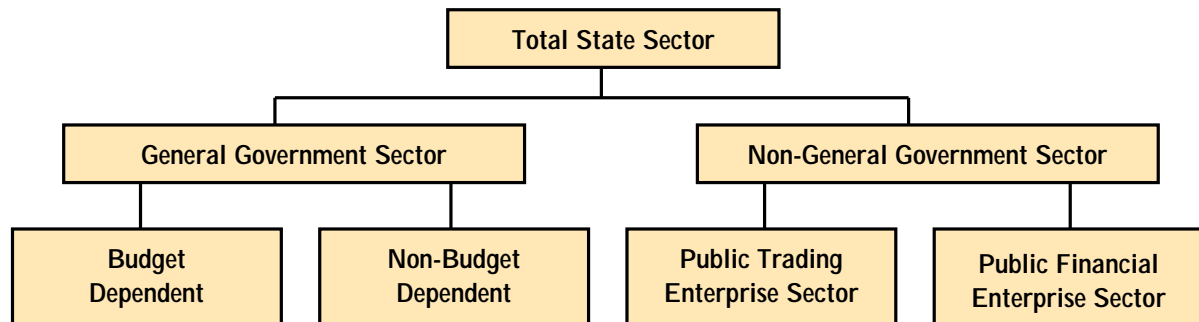
The Non-General Government Sector includes the State's Public Trading Enterprises (PTEs) and Public Financial Enterprises (PFEs). PTEs are responsible for supplying public infrastructure services, including electricity, ports, water and public transport. PTEs are largely self-funded from user charges and have been given a specific charter to run their businesses on commercial lines, including the achievement of a commercial rate of return on the resources employed.

PFEs may accept demand, time or savings deposits and/or have the authority to incur liabilities and acquire financial assets in the market on their own account. An example of a PFE is the NSW Treasury Corporation.

Refer Note 25 for a full list of consolidated entities.

The composition of the Total State Sector is summarised in Figure 12, below.

Figure 12



Consolidation of entities in this financial report has been done in accordance with Australian Accounting Standards AASB1024 and AAS31, as disclosed in note 1 to the financial report. Particular attention is drawn here to the fact that the WorkCover Authority of New South Wales is consolidated in this financial report. It is responsible for the regulation of statutory funds constituted under the Workers Compensation Act 1987. However, these statutory funds, commonly known as the WorkCover Scheme Statutory Funds, are not consolidated because they are regulated, but not controlled.

Treasury's view is that neither the Government nor the WorkCover Authority controls these statutory funds. This is so because the Government does not have a residual interest in the net assets of the statutory funds. It is not exposed to the residual liabilities of the statutory funds and it cannot redeploy the assets for its own benefit. Instead, any liability is placed in one sense on the insurers but effectively on employers who are liable to pay premiums to fund any overall deficit that may arise. The role of the Government is one of regulation. A statutory declaration of trust in the legislation, and the clear intention of the legislation supports this.

In the second reading speech to the Workers Compensation Act 1987, the Hon Mr. Hills said, regarding the provisions relating to the statutory funds:

“The aim of these provisions is to isolate and secure premiums for the benefit of employees and employers.”

Treasury's view has been confirmed in three separate legal opinions provided by the Crown Solicitor's Office since 1996, including advice given on the matter by the NSW Solicitor General. On 4 June 1999, the Solicitor General opined:

“It is clear that the legislation places no liability on the authority or any other Government instrumentality. In these circumstances there is no requirement, in my view, under the relevant Accounting Standards for the statutory funds to be included in the consolidated financial statements of the Total State Sector.”

The issue was also the subject of an inquiry held by the Public Accounts Committee of Parliament, which considered views of the WorkCover Authority, the Treasury, the Audit Office and the Institute of Chartered Accountants. In its report (No. 124) published in July 2000, the Committee recommended that an explanatory note be included in the Total State Sector Accounts outlining the accumulated deficit and the reasons for it not being consolidated in the accounts. This information is contained in the financial report at note 1.

Despite the above opinions, the Auditor-General has qualified his opinion on this financial report because he is of the opinion that the State has the capacity to control decision-making in relation to the Authority's financial and operating policy.



AUDITED STATEMENT OF THE BUDGET RESULT

STATEMENT OF COMPLIANCE

In our opinion, the Statement of the Budget Result for the NSW General Government Sector for the year ended 30 June 2002:

- has been prepared as outlined in Note 1; and
- presents a bottom line Budget Result that agrees with the Net Lending Result prepared under Australian Bureau of Statistics Government Finance Statistics principles.

Michael Egan
Treasurer

Mark Ronsisvalle
Acting Secretary
NSW Treasury

Ian Neale
Executive Director
Financial Management
NSW Treasury

27 September 2002



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT STATEMENT OF THE BUDGET RESULT

To Members of the New South Wales Parliament

Scope

I have audited the Statement of the Budget Result (the Statement) for the year ended 30 June 2002. The Treasurer is responsible for the Statement and he has determined that the policies used are appropriate for reporting the Government's budget result in accordance with the accounting policies identified in the Notes. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the Members of Parliament. There are no statutory requirements as to the form, content or audit of the Statement. My audit does not extend to a verification of the budget figures disclosed in the Statement.

The Statement has been prepared to disclose the Government's actual budget result. I disclaim any assumption of responsibility for any reliance on this report or on the Statement for any purpose other than that for which it was prepared.

I have conducted an independent audit of the Statement in order to express an opinion on it to Members of the New South Wales Parliament.

My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the Statement is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the Statement, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects the Statement presents fairly in accordance with the accounting policies identified in the Notes.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the Statement of the Budget Result presents fairly the budget result for the year ended 30 June 2002 in accordance with the accounting policies identified in the Notes to the Statement.

R J Sendt
Auditor-General

Sydney
27 September 2002

NSW GENERAL GOVERNMENT SECTOR STATEMENT OF THE BUDGET RESULT

	2001-02 \$m (Actual)	2001-02 \$m (Budget)	2000-01 \$m Actual
State Revenues			
Taxation	13,214	12,090	13,333
Commonwealth Grants	15,033	14,465	12,970
Financial Distributions	1,237	1,148	1,240
Fines, Regulatory Fees and Other	792	860	884
Total State Revenues	30,276	28,563	28,427
Operating Revenues			
Sale of Goods and Services	2,374	2,289	2,359
Investment Income	283	437	484
Grants and Contributions	396	295	338
Other Revenue	407	234	448
Total Operating Revenues	3,460	3,255	3,629
Expenses			
Employee Related - Superannuation	1,773	1,794	1,690
Employee Related - Other	12,945	12,590	12,276
Other Operating	7,070	6,518	6,550
Maintenance	1,271	1,132	1,002
Depreciation and Amortisation	1,538	1,493	1,332
Recurrent Grants & Subsidies	4,920	4,815	4,965
Capital Grants & Subsidies	1,854	1,399	1,547
Finance Other	860	877	992
Total Expenses	32,231	30,618	30,354
GFS Net Operating Surplus	1,505	1,200	1,702
less Asset Acquisitions	2,716	2,596	2,536
plus Depreciation	1,538	1,493	1,332
plus Asset Sales & Other Movements in Non-Financial Assets	168	271	214
BUDGET SURPLUS	495	368	712

1. Statement Basis

The Statement of Budget Result was presented for the first time on an accrual Government Finance Statistics (GFS) basis in 2000-01.

Unlike accounting presentations, the Statement of Budget Result excludes "valuation adjustments", such as non-cash actuarial adjustments and major asset writedowns.

A new format was adopted for the 2002-03 Budget Papers (Table 1.2). The Budget column in the report has been restated to reflect the new presentation, however it produces the same bottom line as was published in Table 2.2 of 2001-02 Budget Paper No 2.

Departures from GFS Principles

The Statement of the Budget Result has been prepared in accordance with Government Finance Statistics principles except that:

- the Australian Bureau of Statistics (ABS) requires that selected payments that pass through the State's accounts e.g. transfer payments for non-government schools from the Commonwealth, be included in the GFS Operating Statement. The Statement of the Budget Result excludes these revenues and expenses as the NSW Government has no control over them. The above transactions have, however, been treated in accordance with GFS principles in the Outcomes Report which is required to be prepared on a strict GFS basis.

- current GFS principles as followed by the ABS statistical standards require a premium on a loan to be classified as a negative interest payment in the year the loan is raised. New South Wales disagrees with this approach since it results in an asymmetric treatment with discounts on loans that are treated as a balloon interest payment on the maturity of the loan.

Whilst strict accordance with GFS standards requires the ABS approach to be adopted, the ABS has recognised the accounting difficulties of this approach. Given this, a compromise has been reached which involves all jurisdictions and the ABS departing from GFS principles and recording the premium as a negative interest payment in the final year of the loan.

Budget Coverage

Section 4 of the General Government Debt Elimination Act 1995 was proclaimed prior to the 1998-99 Budget. This section required the Budget to be presented on a General Government Sector basis as determined by the Australian Bureau of Statistics.

The General Government sector consists of those public sector entities that provide, in the main, goods and services outside the market mechanism, as well as providing for the transfer of income for public policy purposes. The major form of financing of these goods and services is by taxation, imposed by the State or by the Commonwealth and subsequently on passed to the State.

END OF AUDITED STATEMENT OF THE BUDGET RESULT

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OUTCOMES REPORT



NSW 2001-02 FINANCIAL OUTCOMES REPORT

This Financial Outcomes Report compares for 2001-02 the published NSW Budget with the actual outcome on an accruals basis. Only the actual outcome is presented for the NSW Public Financial Corporations Sector as budget data is not available. In addition to the reporting requirements, a consolidated NSW Total State Public Sector balance sheet by sector (Table 1) has been included. This assists in analysis of key State Sector balance sheet indicators.

The report has been prepared in accordance with the Australian Bureau of Statistics (ABS) Government Finance Statistics standards and the accrual uniform presentation framework as agreed at the 1997 Premiers' Conference.

This Financial Outcomes Report has been prepared on an accruals basis. It incorporates some ABS renaming of sectors. The "Public Trading Enterprises" sector is now the "Public Non-financial Corporation" sector and the "Public Financial Enterprises" sector is now the "Public Financial Corporations" sector. These changes have not been adopted in other sections of this publication as the name changes do not add to clarity for users.

LOAN COUNCIL REPORTING REQUIREMENTS

Table 15 compares the NSW Loan Council Allocation (LCA) estimation at the time of the Budget with the actual result for 2001-02.

As confirmed at the 1997 Loan Council meeting, States are to report their full contingent exposure to infrastructure projects with private sector involvement. Exposure is to be measured by the Government's termination liabilities and disclosed as a footnote to, rather than a component of LCAs

Table 15 shows a negative \$499 million (i.e. a surplus) outcome for the 2001-02 Loan Council Allocation compared with the Budget-time estimate of negative \$429 million. Though the comparison with the budget time does not exceed the tolerance limit there were significant offsetting movements within the data. The memorandum items were impacted by the superannuation earnings having a negative 7.3 percent return and this was largely offset by the improved result for the Non-financial Public sector.

TABLE 1: NSW PUBLIC SECTOR BALANCE SHEETS (ABS BASIS) AT 30 JUNE 2002

	General Government \$m	Public Non-financial Corporation \$m	Total Non-financial Sector ^(a) \$m	Public Financial Corporations \$m	Total State Sector \$m
Assets					
Financial assets					
Cash and deposits	1,646	1,256	2,902	408	3,037
Advances paid	1,515	...	362	...	362
Investments, loans and placements	4,398	1,011	5,410	31,866	9,753
Other non-equity assets	4,338	2,407	3,851	429	3,939
Equity	48,339	76	295	...	558
Total financial assets	60,236	4,750	12,820	32,703	17,649
Non-financial assets					
Land and fixed assets	73,364	62,623	135,987	4	135,991
Other non-financial assets	952	243	1,195	...	1,195
Total non-financial assets	74,316	62,866	137,182	4	137,186
Total assets	134,552	67,616	150,002	32,707	154,835
Liabilities					
Deposits held	64	80	145	8,402	2,416
Advances received	1,826	1,153	1,826	...	1,826
Borrowing	10,265	11,724	21,988	24,150	24,473
Superannuation liability ^(b)	11,397	325	11,723	...	11,723
Other employee entitlements and provisions	9,510	4,192	11,598	75	11,654
Other non-equity liabilities	3,164	2,021	4,396	343	4,417
Total liabilities	36,226	19,495	51,676	32,970	56,509
Shares and other contributed capital	...	48,121	...	(263)	...
NET WORTH (ABS Basis)	98,326	...	98,326	...	98,326
Net Debt ^(c)	4,596	10,690	15,285	278	15,563
Net Financial Worth ^(d)	24,010	(62,866)	(38,856)	(4)	(38,860)
Net Financial Liabilities ^(e)	23,847	14,746	38,593	267	38,860

^(a) Amounts may not add across due to inter sector eliminations.

^(b) Comprises unfunded obligations.

^(c) Net Debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

^(d) Net financial worth equals total financial assets minus total liabilities and minus shares and other contributed capital.

^(e) Equals net financial worth excluding equity investments in the Public Non-financial and Financial Corporations Sectors.

TABLE 2: NSW GENERAL GOVERNMENT SECTOR OPERATING STATEMENT (ABS BASIS)

	2001-02 \$m (Budget)	2001-02 \$m (Actual)
GFS Revenue		
Taxation revenue	12,091	13,214
Current grants and subsidies	15,400	15,942
Capital grants	828	977
Sales of goods and services	2,501	2,571
Interest income	437	283
Other	2,269	2,512
Total revenue	33,526	35,499
less GFS Expenses		
Gross operating expenses	23,984	25,039
Nominal superannuation interest expense	509	564
Other interest expenses	877	860
Other property expenses	...	...
Current transfers	5,485	5,560
Capital transfers	1,471	1,971
Total expenses	32,326	33,994
equals GFS net operating balance	1,200	1,505
less Net acquisition of non-financial assets		
Gross fixed capital formation	2,420	2,658
less Depreciation	(1,493)	(1,538)
plus Change in inventories	5	
plus Other movements in non-financial assets	(100)	(110)
equals Total net acquisition of non-financial assets	832	1,010
equals GFS Net Lending / (Borrowing) ^(a)	368	495

Notes:

^(a) Also known as Fiscal Balance.

TABLE 3: NSW PUBLIC NON-FINANCIAL CORPORATION SECTOR OPERATING STATEMENT (ABS BASIS)

	2001-02 \$m (Budget)	2001-02 \$m (Actual)
GFS Revenue		
Sales of goods and services	9,322	9,394
Current grants and subsidies	1,079	1,165
Capital grants	661	919
Interest income	60	78
Other	907	810
Total revenue	12,029	12,366
less GFS Expenses		
Gross operating expenses	9,628	9,314
Property expenses	1,962	2,026
Current transfers	55	81
Capital transfers	13	77
Total expenses	11,658	11,498
equals GFS net operating balance	371	868
less Net acquisition of non-financial assets		
Gross fixed capital formation	2,733	2,753
less Depreciation	(1,608)	(1,563)
plus Change in inventories	40	64
plus Other movements in non-financial assets	12	(17)
equals Total net acquisition of non-financial assets	1,177	1,237
equals GFS Net Lending / (Borrowing) ^(a)	(806)	(369)

Notes:

^(a) Also known as Fiscal Balance.

TABLE 4: NSW NON-FINANCIAL PUBLIC SECTOR OPERATING STATEMENT (ABS BASIS)

	2001-02 \$m (Budget)	2001-02 \$m (Actual)
GFS Revenue		
Taxation revenue	11,453	12,594
Current grants and subsidies	15,325	15,841
Sales of goods and services	11,705	11,853
Capital grants	826	972
Interest income	442	307
Other	2,032	2,033
Total revenue	41,783	43,600
less GFS Expenses		
Gross operating expenses	32,849	33,628
Nominal superannuation interest expense	509	564
Property expenses	1,692	1,619
Current transfers	4,397	4,466
Capital transfers	787	1,031
Total expenses	40,234	41,308
equals GFS net operating balance	1,549	2,292
less Net acquisition of non-financial assets		
Gross fixed capital formation	5,153	5,338
less Depreciation	(3,101)	(3,101)
plus Change in inventories	50	64
plus Other movements in non-financial assets	(72)	(60)
equals Total net acquisition of non-financial assets	2,030	2,241
equals GFS Net Lending / (Borrowing) ^(a)	(481)	51

Notes:

^(a) Also known as Fiscal Balance.

TABLE 5: NSW PUBLIC FINANCIAL CORPORATIONS SECTOR OPERATING STATEMENT (ABS BASIS)

	2001-02 \$m (Actual) ^(a)
GFS Revenue	
Sales of goods and services	12
Current grants and subsidies	12
Capital grants	...
Interest income	1,867
Other	1
Total revenue	1,892
less GFS Expenses	
Gross operating expenses	(9)
Property expenses	1,808
Current transfers	...
Capital transfers	...
Total expenses	1,799
equals GFS net operating balance	93
less Net acquisition of non-financial assets	
Gross fixed capital formation	2
less Depreciation	(2)
plus Change in inventories	
plus Other movements in non-financial assets	
equals Total net acquisition of non-financial assets	...
equals GFS Net Lending / (Borrowing) ^(b)	93

Notes:

^(a) *The Uniform Presentation Framework does not require the publishing of results of the Public Financial Corporation sector at budget time and mid-year, therefore a Budget column is not available.*

^(b) *Also known as Fiscal Balance.*

TABLE 6: NSW GENERAL GOVERNMENT SECTOR BALANCE SHEET AT 30 JUNE (ABS BASIS)

	2002 \$m (Budget)	2002 \$m (Actual)
Assets		
Financial assets		
Cash and deposits	360	1,646
Advances paid	1,353	1,515
Investments, loans and placements	3,915	4,398
Other non-equity assets	3,629	4,338
Equity	48,165	48,339
Total financial assets	57,422	60,236
Non-financial assets		
Land and fixed assets	65,417	73,364
Other non-financial assets	969	952
Total non-financial assets	66,386	74,316
Total assets	123,808	134,552
Liabilities		
Deposits held	52	64
Advances received	1,853	1,826
Borrowing	9,899	10,265
Superannuation liability ^(a)	8,990	11,397
Other employee entitlements and provisions	8,482	9,510
Other non-equity liabilities	2,340	3,164
Total liabilities	31,616	36,226
NET WORTH	92,192	98,326
Net Financial Worth ^(b)	25,806	24,010
Net debt ^(c)	6,176	4,596

Notes:

^(a) Comprises unfunded obligations.

^(b) Net financial worth equals total financial assets minus total liabilities.

^(c) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

TABLE 7: NSW PUBLIC NON-FINANCIAL CORPORATION SECTOR BALANCE SHEET AT 30 JUNE (ABS BASIS)

	2002 \$m (Budget)	2002 \$m (Actual)
Assets		
Financial assets		
Cash and deposits	990	1,256
Investments, loans and placements	792	1,011
Other non-equity assets	2,083	2,407
Equity	59	76
Total financial assets	3,924	4,750
Non-financial assets		
Land and fixed assets	62,991	62,623
Other non-financial assets	358	243
Total non-financial assets	63,349	62,866
Total assets	67,273	67,616
Liabilities		
Deposits held	33	80
Advances received	1,125	1,153
Borrowing	12,446	11,724
Superannuation liability / (prepaid contributions) ^(a)	(118)	325
Other employee entitlements and provisions	3,608	4,192
Other non-equity liabilities	2,119	2,021
Total liabilities	19,213	19,495
Shares and other contributed capital	48,060	48,121
NET WORTH	...	...
Net financial worth ^(b)	(63,349)	(62,866)
Net debt ^(c)	11,822	10,690

Notes:

^(a) Comprises unfunded obligations.

^(b) Net financial worth equals total financial assets minus total liabilities and minus shares and other contributed capital.

^(c) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

TABLE 8: NSW NON-FINANCIAL PUBLIC SECTOR BALANCE SHEET AT 30 JUNE (ABS BASIS)

	2002 \$m (Budget)	2002 \$m (Actual)
Assets		
Financial assets		
Cash and deposits	1,350	2,902
Advances paid	276	362
Investments, loans and placements	4,649	5,410
Other non-equity assets	3,267	3,851
Equity	164	295
Total financial assets	9,706	12,820
Non-financial assets		
Land and fixed assets	128,408	135,987
Other non-financial assets	1,341	1,195
Total non-financial assets	129,749	137,182
Total assets	139,455	150,002
Liabilities		
Deposits held	86	145
Advances received	1,851	1,826
Borrowing	22,336	21,988
Superannuation liability ^(a)	8,872	11,723
Other employee entitlements and provisions	10,199	11,598
Other non-equity liabilities	3,919	4,396
Total liabilities	47,263	51,676
Shares and other contributed capital	...	...
NET WORTH	92,192	98,326
Net financial worth ^(b)	(37,557)	(38,856)
Net debt ^(c)	17,998	15,285

Notes:

^(a) Comprises unfunded obligations.

^(b) Net financial worth equals total financial assets minus total liabilities and minus shares and other contributed capital.

^(c) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

TABLE 9: NSW PUBLIC FINANCIAL CORPORATIONS BALANCE SHEET AT 30 JUNE (ABS BASIS)

	2002 \$m (Actual) ^(b)
Assets	
Financial assets	
Cash and deposits	408
Advances paid	...
Investments, loans and placements	31,866
Other non-equity assets	429
Equity	...
Total financial assets	32,703
Non-financial assets	
Land and fixed assets	4
Other non-financial assets	...
Total non-financial assets	4
Total assets	32,707
Liabilities	
Deposits held	8,402
Advances received	...
Borrowing	24,150
Superannuation liability / (prepaid contributions) ^(a)	...
Other employee entitlements and provisions	75
Other non-equity liabilities	343
Total liabilities	32,970
Shares and other contributed capital	(263)
NET WORTH	...
Net financial worth ^(c)	(4)
Net debt ^(d)	278

Notes:

^(a) Comprises unfunded obligations.

^(b) The Uniform Presentation Framework does not require the publishing of results of the Public Financial Corporation sector at budget time and mid-year, therefore a Budget column is not available.

^(c) Net financial worth equals total financial assets minus total liabilities and minus shares and other contributed capital.

^(d) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

TABLE 10: NSW GENERAL GOVERNMENT SECTOR CASH FLOW STATEMENT (ABS BASIS) ^(a)

CASH FLOW	2001-02 \$m (Budget)	2001-02 \$m (Actual)
Cash receipts from operating activities		
Tax received	12,096	13,340
Receipts from sales of goods and services	2,460	2,494
Grants/subsidies received	16,228	16,916
Other receipts	3,116	3,670
Total receipts	33,900	36,420
Cash payments for operating activities		
Payment for goods and services	(21,672)	(21,861)
Grants and subsidies paid	(6,566)	(6,970)
Interest paid	(863)	(844)
Other payments	(976)	(1,803)
Total payments	(30,077)	(31,478)
Net cash flows from operating activities	3,823	4,942
Net cash flows from investments in non-financial assets		
Sales of non-financial assets	228	200
Purchases of non-financial assets	(2,596)	(2,716)
Net cash flows from investments in non-financial assets	(2,368)	(2,516)
Net cash flows from investments in financial assets for policy purposes	11	757
Net cash flows from investments in financial assets for liquidity purposes	61	(562)
Net cash flows from financing activities		
Advances received (net)	(223)	(222)
Borrowing (net)	(1,501)	(1,821)
Deposits received (net)	(19)	(5)
Other financing (net)	(2)	...
Net cash flows from financing activities	(1,745)	(2,048)
Net increase (decrease) in cash held	(218)	573
SURPLUS / (DEFICIT)		
Net cash from operating activities and investments in non-financial assets	1,455	2,426
Finance leases and similar arrangements	...	...
SURPLUS / (DEFICIT)	1,455	2,426
Adjusted for prepayment of superannuation ^(b)	(1,134)	(1,134)
SURPLUS / (DEFICIT) after adjusting for the prepayment of superannuation	321	1,292

Notes:

^(a) A positive number denotes a cash inflow, a negative (i.e. bracketed) sign denotes a cash outflow.

^(b) Adjusted for the effect of borrowings to fund a special prepayment of superannuation.

**TABLE 11: NSW PUBLIC NON-FINANCIAL CORPORATION SECTOR CASH FLOW STATEMENT
(ABS BASIS) ^(a)**

CASH FLOW	2001-02 \$m (Budget)	2001-02 \$m (Actual)
Cash receipts from operating activities		
Receipts from sales of goods and services	9,573	9,427
Grants/subsidies received	1,740	2,001
Other receipts	2,084	1,930
Total receipts	13,397	13,358
Cash payments for operating activities		
Payment for goods and services	(8,088)	(7,521)
Grants and subsidies paid	(42)	8
Interest paid	(832)	(819)
Other payments	(1,603)	(1,831)
Total payments	(10,565)	(10,163)
Net cash flows from operating activities	2,832	3,195
Net cash flows from investments in non-financial assets		
Sales of non-financial assets	230	358
Purchases of non-financial assets	(2,937)	(2,959)
Net cash flows from investments in non-financial assets	(2,707)	(2,601)
Net cash flows from investments in financial assets for policy purposes	8	590
Net cash flows from investments in financial assets for liquidity purposes	118	(64)
Net cash flows from financing activities		
Advances received (net)	(27)	(798)
Borrowing (net)	428	640
Deposits received (net)	1	36
Distributions Paid	(730)	(671)
Other financing (net)	...	(19)
Net cash flows from financing activities	(328)	(812)
Net increase (decrease) in cash held	(77)	308
SURPLUS / (DEFICIT)		
Net cash from operating activities and investments in non-financial assets	125	594
Distribution Paid	(730)	(671)
Finance leases and similar arrangements	...	...
SURPLUS / (DEFICIT)	(605)	(77)

Notes:

^(a) A positive number denotes a cash inflow, a negative (i.e. bracketed) sign denotes a cash outflow.

TABLE 12: NSW NON-FINANCIAL PUBLIC SECTOR CASH FLOW STATEMENT (ABS BASIS) ^(a)

CASH FLOW	2001-02 \$m (Budget)	2001-02 \$m (Actual)
Cash receipts from operating activities		
Taxes received	11,458	12,521
Receipts from sales of goods and services	11,897	11,908
Grants/subsidies received	16,182	16,812
Other receipts	4,108	4,660
Total receipts	43,645	45,901
Cash payments for operating activities		
Payment for goods and services	(29,027)	(28,575)
Grants and subsidies paid	(4,820)	(4,978)
Interest paid	(1,641)	(1,609)
Other payments	(2,218)	(3,278)
Total payments	(37,706)	(38,440)
Net cash flows from operating activities	5,939	7,461
Net cash flows from investments in non-financial assets		
Sales of non-financial assets	442	558
Purchases of non-financial assets	(5,533)	(5,670)
Net cash flows from investments in non-financial assets	(5,091)	(5,112)
Net cash flows from investments in financial assets for policy purposes	(20)	548
Net cash flows from investments in financial assets for liquidity purposes	179	(627)
Net cash flows from financing activities		
Advances received (net)	(224)	(232)
Borrowing (net)	(1,059)	(1,170)
Deposits received (net)	(18)	32
Distributions Paid	...	...
Other financing (net)	(13)	(19)
Net cash flows from financing activities	(1,314)	(1,389)
Net increase (decrease) in cash held	(307)	881
SURPLUS / (DEFICIT)		
Net cash from operating activities and investments in non-financial assets	848	2,349
Distributions Paid	...	...
Finance leases and similar arrangements	...	...
SURPLUS / (DEFICIT)	848	2,349
Adjusted for prepayment of superannuation ^(b)	(1,134)	(1,134)
SURPLUS / (DEFICIT) after adjusting for the prepayment of superannuation	(286)	1,215

Notes:

^(a) A positive number denotes a cash inflow, a negative (i.e. bracketed) sign denotes a cash outflow.

^(b) Adjusted for the effect of borrowings to fund a special prepayment of superannuation.

TABLE 13: NSW PUBLIC FINANCIAL CORPORATIONS SECTOR CASH FLOW STATEMENT (ABS BASIS) ^(a)

CASH FLOW	2001-02 \$m (Actual) ^(b)
Cash receipts from operating activities	
Receipts from sales of goods and services	12
Grants/subsidies received	12
Other receipts	1,930
Total receipts	1,954
Cash payments for operating activities	
Payment for goods and services	2
Grants and subsidies paid	...
Interest paid	(1,877)
Other payments	(8)
Total payments	(1,883)
Net cash flows from operating activities	71
Net cash flows from investments in non-financial assets	
Sales of non-financial assets	...
Purchases of non-financial assets	(1)
Net cash flows from investments in non-financial assets	(1)
Net cash flows from investments in financial assets for policy purposes	...
Net cash flows from investments in financial assets for liquidity purposes	(2,047)
Net cash flows from financing activities	
Advances received (net)	...
Borrowing (net)	172
Deposits received (net)	2,470
Distributions Paid	(27)
Other financing (net)	...
Net cash flows from financing activities	2,615
Net increase (decrease) in cash held	638
SURPLUS / (DEFICIT)	
Net cash from operating activities and investments in in non-financial assets	70
Distribution Paid	(27)
Finance leases and similar arrangements	...
SURPLUS / (DEFICIT)	43

Notes:

^(a) A positive number denotes a cash inflow, a negative (i.e. bracketed) sign denotes a cash outflow.

^(b) The Uniform Presentation Framework does not require the publishing of results of the Public Financial Corporation sector at budget time and mid-year, therefore a Budget column is not available.

TABLE 14: NSW GENERAL GOVERNMENT SECTOR EXPENSES BY FUNCTION (ABS BASIS) ^(a)

	2001-02 \$m (Budget) ^(a)	2001-02 \$m (Actual)
General public services	1,118	1,051
Defence	...	...
Public order and safety	3,096	3,181
Education	8,343	8,632
Health	7,522	7,737
Social security and welfare	2,319	2,351
Housing and community amenities	1,459	1,780
Recreation and culture	762	877
Fuel and energy	66	139
Agriculture, forestry, fishing and hunting	593	553
Mining, manufacturing and construction	124	113
Transport and communications	3,152	3,457
Other economic affairs	1,659	2,211
Other purposes	2,113	1,912
Total GFS Expenses	32,326	33,994

^(a) Post budget the ABS requested that superannuation expenses previously all included in general public services be reallocated to appropriate functions and the actual data is on this basis. The budget data has been adjusted onto this basis as well so that a more meaningful comparison can be made between the two sets of data.

TABLE 15: 2001-02 LOAN COUNCIL ALLOCATION ESTIMATES FOR NSW

	Budget-time Estimate 2001-02 \$m	Actual 2001-02 \$m
General government sector cash deficit / (surplus)	(1,455)	(2,426)
PNFC sector cash deficit / (surplus) ^(a)	605	77
Non-financial public sector cash deficit / (surplus) ^(b)	(848)	(2,349)
Minus Net cash flows from investments in financial asset for policy purposes ^{(c) (d)}	20	(548)
Plus Memorandum items ^(e)	399	2,398
Loan Council Allocation	(429)	(499)

Notes:

^(a) Public Non-financial Corporation (PNFC) Sector.

^(b) Does not directly equate to the sum of the General Government and PNFC cash deficits due to intersectoral transfers which are netted out.

^(c) This item is the negative of net advances paid under a cash accounting framework.

^(d) Actual 2001-02 includes \$668 million proceeds from sale of Freight Rail Corporation operations and National Rail Corporation shareholding. The budget time estimates for these sales were nil.

^(e) Memorandum items are used to adjust the ABS deficit to include in LCAs certain transactions, such as operating leases, that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. They are also used, where appropriate, to deduct from the ABS deficit certain transactions that Loan Council has agreed should not be included in LCAs - for example, the funding of more than employers' emerging costs under public sector superannuation schemes, or borrowings by entities such as statutory marketing authorities. The Memorandum items have been impacted by the investment performance of the Pooled Fund Superannuation investments earning negative 7.3% return which is lower than the budget time earnings estimate.



PRIVATE SECTOR INFRASTRUCTURE

Contracts entered into in 2001 - 2002

M5 - Moorebank Avenue Intersection

The Roads and Traffic Authority has entered into an agreement with the owner of the M5 Motorway, Interlink Roads Limited, to:

- develop the intersection of the M5 Motorway with Moorebank Avenue as a grade separated interchange; and
- provide additional lanes on the M5 Motorway between Moorebank Avenue and Heathcote Roads.

The works would relieve the significant traffic congestion that is frequently experienced at this intersection during peak periods.

The works, which are estimated to cost around \$31 million, would be wholly financed by Interlink Roads, and would be funded from:

- increased toll revenues during the existing M5 Motorway concession term, expected to result from improved traffic conditions at the interchange; and
- an extension (expected to be just over one year) to the M5 Motorway concession term.

Contractual arrangements are currently being finalised. It is expected that the works will be completed and opened to traffic during the second half of 2003.

Government Contingent Liability	Nil
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The Cross City Tunnel project mentioned in the budget papers is now expected to be entered into in 2002-2003

END OF UNAUDITED OUTCOMES REPORT



**AUDITED CONSOLIDATED FINANCIAL REPORT
OF THE NSW TOTAL STATE SECTOR
(THE TOTAL STATE SECTOR ACCOUNTS)
2001 - 2002**

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STATEMENT OF COMPLIANCE

In our opinion the Total State Sector Accounts:

- (a) give a true and fair view of the consolidated operating result and cash flows of the NSW Total State Sector for the year ended 30 June 2002 and of the financial position of the NSW Total State Sector at that date;
- (b) have been prepared on the basis of the financial reporting requirements as prescribed in the Public Finance and Audit Act; and
- (c) are in accordance with all applicable Australian Accounting Standards.

Michael Egan
Treasurer

Mark Ronsisvalle
Acting Secretary
NSW Treasury

Ian Neale
Executive Director
Financial Management
NSW Treasury

27 September 2002



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

TOTAL STATE SECTOR ACCOUNTS

To Members of the New South Wales Parliament

I have audited the Total State Sector Accounts for the year ended 30 June 2002. The Treasurer is responsible for the financial report consisting of the accompanying statement of financial position, statement of financial performance and statement of cash flows, together with the notes thereto and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament based on my audit as required by sections 34 and 49(1) of the *Public Finance and Audit Act 1983* (the Act).

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance whether the Total State Sector Accounts are free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

These procedures have been undertaken to form an opinion whether, in all material respects, the Total State Sector Accounts are presented fairly in accordance with the requirements of sections 6(1) and 6(2) of the Act, Accounting Standards and other mandatory professional reporting requirements, in Australia, so as to present a view which is consistent with my understanding of the Total State Sector's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Qualifications

- (a) The following assets have not been recognised in the statement of financial position:
- collection assets of the Australian Museum (Note 1)
 - cash and investments held in government school bank accounts (Note 16).

This is a departure from Australian Accounting Standard AAS31 "Financial Reporting by Governments" which requires that all assets must be recognised when it is probable that future economic benefits will eventuate and they possess a value that can be reliably measured. In my opinion, these assets meet the recognition criteria in AAS31. I have been unable to conduct audit procedures to quantify the effects on the Total State Sector accounts.

- (b) As disclosed in Note 1 Statement of Significant Accounting Policies, the WorkCover Scheme Statutory Funds (the Scheme) have not been consolidated in the Total State Sector Accounts. In my opinion, the transactions and balances of the Scheme are required to be consolidated under Australian Accounting Standard AAS24 "Consolidated Financial Reports" because the State has the capacity to control decision making in relation to the Scheme's financial and operating policies. The management of WorkCover estimates that the scheme has a net liability of \$2,801 million (unaudited) at 30 June 2002 (\$2,756 million (audited) at 30 June 2001).
- (c) I have been unable to obtain the information and explanations I require to form an opinion on the value of the investment of \$469 million in Snowy Hydro Limited recognised in the Statements of Financial Performance and Financial Position.

My audit report for the year ending 30 June 2001 was similarly qualified for the matters in paragraphs (a) and (b).

Qualified Audit Opinion

In my opinion, except for the effects of the matters referred to in paragraphs (a) and (b) and such adjustments, if any, as might have been required had the limitation discussed in qualification paragraph (c) not existed, the financial report of the Total State Sector Accounts is properly drawn up in accordance with the Act, accords with the accounts and records of the Treasurer, and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Total State Sector as at 30 June 2002 and the results of its operations and its cash flows for the year then ended.

R J Sendt
Auditor-General

SYDNEY
27 September 2002

THE NSW TOTAL STATE SECTOR ACCOUNTS STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2002

	Note	2001-02 \$m	2000-01 \$m
REVENUES FROM ORDINARY ACTIVITIES			
State Revenues			
Taxation	2	12,588	12,639
Commonwealth Grants	2	15,033	12,967
Fines, Regulatory Fees and Other	2	792	921
Total State Revenues		28,413	26,527
Operating Revenues			
Sale of Goods and Services	2	11,019	10,861
Investment Income		371	815
Grants and Contributions		697	662
Recognition of Assets for the First Time	4	4,469	...
Deferred Revenues - Olympic and Paralympic Games	4	...	3,145
Net Gain/(Loss) on Disposal of Physical Assets	2	74	(32)
Other	2	1,400	974
Total Operating Revenues		18,030	16,425
Total Revenues		46,443	42,952
EXPENSES FROM ORDINARY ACTIVITIES			
Employee Related			
- Superannuation	3	4,510	3,645
- Other	3	16,038	15,334
Other Operating	3	10,190	9,911
Maintenance		2,079	1,861
Depreciation and Amortisation	3	3,103	2,823
Grants and Subsidies	3	4,862	4,755
Deferred Expenses - Olympic and Paralympic Games	4	...	3,046
Borrowing Costs	3	1,633	2,153
Total Expenses		42,415	43,528
SURPLUS/(DEFICIT) FOR THE YEAR		4,028	(576)

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

THE NSW TOTAL STATE SECTOR ACCOUNTS STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2002

	Note	2001-02 \$m	2000-01 \$m
OTHER MOVEMENTS IN EQUITY			
(Revenues, Expenses and Valuation Adjustments Recognised Directly in Equity)			
Increase in Accumulated Funds on Adoption of a New Standard			
- AAS 35 Self Generating and Regenerating Assets		...	186
Increase in Accumulated Funds Arising From an Urgent Issues Group Abstract (UIG) Transitional Provision			
- adjustment to insurance claims liabilities on adopting a claims incurred basis following the release of UIG47	15	(369)	...
Net Asset Valuation Increments	14	3,309	4,015
Other	15	(46)	(25)
Total Other Movements in Equity		2,894	4,176
Opening Balance Equity		91,156	87,556
Operating Surplus/(Deficit)		4,028	(576)
Other Movements in Equity		2,894	4,176
CLOSING BALANCE EQUITY		98,078	91,156

THE NSW TOTAL STATE SECTOR ACCOUNTS STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2002

	Note	2002 \$m	2001 \$m
Current Assets			
Cash Assets		3,037	1,846
Receivables	5	3,308	3,177
Other Financial Assets	6	3,392	3,041
Inventories	7	726	686
Other	9	237	313
Total Current Assets		10,700	9,063
Non-Current Assets			
Receivables	5	493	360
Other Financial Assets	6	5,144	3,827
Property, Plant and Equipment			
Land and Buildings	8	62,951	57,265
Plant and Equipment	8	7,788	8,428
Infrastructure Systems	8	62,596	59,399
Forestry Stock		1,493	1,424
Inventories	7	355	354
Other	9	1,348	1,281
Total Non-Current Assets		142,168	132,338
TOTAL ASSETS		152,868	141,401
Current Liabilities			
Payables	10	3,470	3,213
Interest Bearing	11	5,885	5,326
Employee Entitlements and Other Provisions	12	3,201	2,852
Other	13	435	413
Total Current Liabilities		12,991	11,804
Non-Current Liabilities			
Interest Bearing	11	20,855	21,802
Employee Entitlements and Other Provisions	12	20,287	15,777
Other	13	657	862
Total Non-Current Liabilities		41,799	38,441
TOTAL LIABILITIES		54,790	50,245
NET ASSETS		98,078	91,156
Equity			
Asset Revaluation Reserves	14	42,681	40,911
Accumulated Funds	15	55,397	50,245
TOTAL EQUITY		98,078	91,156

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

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

	Note	2001-02 \$m	2000-01 \$m
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Taxation		12,504	12,544
Commonwealth Grants		15,033	12,967
Sale of Goods and Services		11,267	12,190
Investment Income		197	274
Fines, Fees, Grants and Other		4,446	4,452
Total Receipts		43,447	42,427
Payments			
Employee Related		(16,410)	(16,384)
Grants and Subsidies		(4,051)	(3,934)
Finance		(78)	(99)
Other		(13,991)	(14,684)
Total Payments		(34,530)	(35,101)
NET CASH FLOWS FROM OPERATING ACTIVITIES	16	8,917	7,326
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale of Property, Plant and Equipment		550	389
Proceeds from Sale of Investments		955	1,648
Proceeds from Sale of Freight Rail Corporation, and National Rail Corporation Shares		669	...
Advance Repayments Received		61	92
Purchase of Property, Plant and Equipment		(5,651)	(4,887)
Purchase of Investments		(2,341)	(2,080)
Advances Made		(118)	(96)
Other		(58)	(21)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(5,933)	(4,955)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings and Advances		2	17
Repayments of Borrowings and Advances		(262)	(292)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(260)	(275)
NET CASH FLOW OF FINANCIAL INSTITUTIONS	16	(1,211)	(2,606)
NET INCREASE/(DECREASE) IN CASH HELD		1,513	(510)
Opening Cash and Cash Equivalents		1,124	1,402
Reclassification of Cash Equivalents		16	232
CLOSING CASH BALANCE	16	2,653	1,124

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

This general-purpose financial report covers the total New South Wales State Sector (The Total State Sector Accounts).

The New South Wales State Sector comprises the General Government Sector, the Public Financial Enterprise Sector and the Public Trading Enterprise Sector.

The NSW General Government Sector comprises Budget dependent agencies, the Consolidated Fund, the Crown Entity - Non-Commercial Activities, and other General Government Non-Budget dependent agencies. It excludes commercial entities consistent with the Budget presentation.

Budget dependent agencies are those which receive an appropriation in the Annual Appropriation Act. The majority of agencies rely predominantly on the State Budget for direct funding (ie 50% or more of the total funding of each agency is provided by Parliamentary appropriations). With some exceptions, they are known as departments as defined by section 45A(1) of the Public Finance and Audit Act 1983 and are listed in Schedule 3 of that Act and in the Appendix of Budget Paper No. 2 of 2002-03.

The Crown Entity – Non-Commercial Activities is part of the General Government Sector and reports on service-wide assets, liabilities, revenues and expenses of a non-commercial nature which are the responsibility of the Government as a whole.

The entity is administered by the NSW Treasury on behalf of the Treasurer who is the portfolio Minister.

General Government Non-Budget dependent agencies do not rely on the Consolidated Fund for ongoing financial support. These agencies usually have a regulatory function and the fees collected from the regulatory function fund the ongoing operations of the agency.

Public Trading Enterprises are largely self-funded from user charges and have a commercial charter. However, they may receive funding from the Budget for social programs (non-commercial activities).

This sector also includes State Owned Corporations. Examples of State Owned Corporations are the water authorities, the electricity distributors and port authorities.

The Public Financial Enterprise Sector comprises entities which are government controlled and perform central bank functions, or accept demand, time or savings deposits, or have the authority to incur liabilities and acquire financial assets in the market on their own account.

A number of controlled entities prescribed for the purposes of the "particular audit" provisions of the Public Finance and Audit Act under section 44(1) have also been consolidated. These bodies include the Home Purchase Assistance Fund and the NSW Insurance Ministerial Corporation.

BASIS OF ACCOUNTING

This financial report is prepared in accordance with applicable Australian Accounting Standards (in particular Australian Accounting Standard AAS31 "Financial Reporting by Governments") and other mandatory professional requirements (Urgent Issues Group Consensus Views).

Additionally it is prepared in accordance with the Public Finance and Audit Act 1983 and Regulations. In the event of any inconsistency between accounting standards and legislative requirements, the latter are given precedence.

BASIS OF MEASUREMENT

The financial report is based on historical cost accounting except that certain assets are valued at current valuation.

All amounts in this financial report have been rounded to the nearest million dollars.

CHANGES IN ACCOUNTING POLICIES

Initial Recognition of Vacant Crown Land

Vacant Crown land is all Crown Entity land not included in the leasehold estate. This land includes New South Wales land on the continental shelf within the 3 nautical mile zone. In previous years vacant Crown land had been assigned a nominal value of \$1,000. During 2001-02 an inter-agency Crown Land Valuation Committee was formed, comprising the Valuer-General, Department of Land and Water Conservation and Treasury officers to oversight the identification and valuation of vacant Crown land. A valuation process has been undertaken by the State Valuation Office. Based on this work vacant Crown land has been recorded at a value of \$4,000 million.

Accounting Standards require that the recognition of assets for the first time, such as vacant Crown land, can only be treated as a revenue in the statement of financial performance and not as a direct adjustment to retained earnings.

Public Liability Insurance Claims

The NSW Insurance Ministerial Corporation has drawn guidance from Urgent Issues Group abstract UIG47 "Professional Indemnity Claims Liabilities in Medical Defence Organisation", and recognised incurred but not reported liabilities for all areas of insurance. This is a change in accounting policy from prior periods where incurred but not reported liabilities were not recognised in the public liability portfolio.

This change has resulted in the recognition of \$369 million outstanding claims liabilities and a corresponding reduction in the opening balance of accumulated funds.

Deferred State Rail Revenue

Deferred revenue of the State Rail Authority represents unamortised gains on the sale and leaseback of rolling stock. The Authority had previously reported deferred revenue as equity. However, as required by Australian Accounting Standard AASB1008 "Leases", the opening balance at July 2001 of \$46 million has been reclassified from accumulated funds (reserves) to liabilities.

State Debt Recovery Office Receivables

The State Debt Recovery Office (SDRO) is responsible for collecting outstanding fines that line agencies have been unsuccessful collecting. As only a proportion of the total amount owing can be expected to be recovered due to the nature and circumstances of the debtors, large provisions for doubtful debts have previously been created.

Australian Accounting Standard AAS29 "Financial Reporting by Government Departments" requires that assets be recognised only when it is probable that the future economic benefits embodied in the asset will eventuate. As a result, the SDRO has changed its accounting policy from the 2001-02 financial year onwards to account only for debtors where there is a probable future economic benefit to the State. This has resulted in reduced levels of fines revenue accrued and provisions expensed.

At 30 June 2002 debts totalling \$383 million do not comply with the asset recognition tests contained in Australian Accounting Standard AAS29. The gross value of receivables and provisions for doubtful debts has accordingly been reduced in 2001-02, however the net fines receivable remain unchanged.

Aside from the above, the accounting principles adopted are consistent with those of the previous year.

RECLASSIFICATION OF FINANCIAL INFORMATION

Comparative amounts have been adjusted to conform with changes in the present year.

PRINCIPLES OF CONSOLIDATION

This financial report has been consolidated in accordance with Australian Accounting Standard AASB1024 "Consolidated Accounts" and includes the assets, liabilities, equities, revenues and expenses of the Government including those of entities controlled by the Government.

Entities are considered to be controlled when the Government has the capacity to dominate their financial and operating policies in pursuing the Government's objectives. Entities are not consolidated where the nature of the "control" exercised is of a regulatory or trust nature, as such control falls outside the concept of "control" as embodied in AAS31.

Excluded entities include local government bodies, universities, certain reserve trusts created under the Crown Lands Act 1989, hospitals listed under Schedule 3 of the Public Hospitals Act, the State's Superannuation Funds, the trust funds of the Protective Commissioner, the Public Trustee and Rental Bond Board, the WorkCover Scheme Statutory Funds, the NSW Aboriginal Land Council and most professional registration and marketing authorities.

The WorkCover Authority of New South Wales is consolidated in this financial report. It is responsible for the regulation of statutory funds constituted under the Workers Compensation Act 1987.

However, these statutory funds, commonly known as the WorkCover Scheme Statutory Funds, are not consolidated because they are regulated, but not controlled. This treatment has been confirmed in three separate legal opinions provided by the Crown Solicitor's Office since 1996, including advice given on the matter by the NSW Solicitor General.

The issue was the subject of an inquiry held by the Public Accounts Committee of Parliament which considered views of the WorkCover Authority, the Treasury, the Audit Office and the Institute of Chartered Accountants. In its report (No. 124) published in July 2000, the Committee recommended that, until such time as ownership of unfunded liabilities of the Scheme is clearly determined, an explanatory note be included in the Total State Sector Accounts outlining the accumulated deficit and the reasons for it not being consolidated in the accounts.

The audited amount of the WorkCover Scheme Statutory Funds' deficiency at 30 June 2002 is not presently available. The deficiency was \$2,756 million at 30 June 2001. The legislation provides for the funding of any overall deficit that may arise in the WorkCover Scheme by the payment of a contribution by employers as part of future premiums.

All transactions and balances between government agencies have been eliminated. Dissimilar accounting policies adopted by agencies have been amended to ensure consistent policies are adopted in these financial statements.

REVENUE

State Taxation, Fines and Fees

State taxation is recognised when the underlying transaction or event which gives rise to the right to collect the revenue occurs, and can be measured reliably.

- Government-assessed revenues (primarily land tax) are recognised at the time the assessments are issued.
- Taxpayer-assessed revenues including payroll tax and stamp duty, are recognised when the funds are received by the revenue-collecting agency. Additional revenues are recognised for assessments subsequently issued following review of returns lodged by taxpayers.

- Fines (such as those issued by the Traffic Infringement Bureau) and fees (such as those earned by the Roads and Traffic Authority) are recognised when the cash is received. In addition, fines revenue is recognised when the State Debt Recovery Office takes over responsibility for collecting overdue fines of government agencies, after considering the likelihood of recovery.

Commonwealth Grants

These are funds provided by the Commonwealth to assist the States in meeting their expenditure responsibilities. These grants are for either general or specific purposes. They are recognised when received.

Income Tax Equivalents

Pursuant to National Competition Policy, the Government has implemented a National Tax Equivalents Regime for Public Trading Enterprises and some General Government agencies.

Tax effect accounting principles have therefore been adopted by all agencies, which are part of the National Tax Equivalents Regime. The Crown adopts the same policy to enable elimination of deferred tax figures on consolidation for the Total State Sector Accounts.

Sale of Goods and Services

Revenue is recognised when the goods or services are provided.

Investment Revenue

Interest and other investment income is recognised in the period in which it is earned.

EXPENSES

Expenses are recognised when incurred and are reported in the financial year to which they relate.

Employee Related Expenses

These expenses include all costs related to employment such as salaries and wages, superannuation, leave entitlements, fringe benefits tax, workers' compensation, redundancies and other on-costs associated with leave entitlements. Payroll tax (a State tax) is eliminated on consolidation. Some employee related expenses are included in maintenance costs or capitalised as part of the construction costs of certain non-current physical assets.

Other Operating Expenses

These expenses generally represent the day-to-day running costs incurred in the normal operation of agencies. They exclude payments such as grants and subsidies to community groups, which are shown separately.

Depreciation

Depreciation across the State Public Sector is generally calculated at rates determined on a straight-line basis to allocate the cost or valuation of an asset, less any estimated residual value, over its estimated useful life to the entity.

Useful lives for asset subclasses are as follows:

Buildings

Public housing	10-50 years
Schools and colleges	80 years
Hospitals	40 years
Other	various

Plant and Equipment

Rail rolling stock (leased and non leased)	20-35 years
Other	various

Infrastructure

Power stations	18-50 years
Electricity system assets	3-60 years
Water system assets	15-200 years
Roads (pavements)	15-50 years
Roads (earthworks)	100 years
Other	various

ASSETS

Receivables

Receivables are recorded at the amounts expected to be ultimately collected in cash and therefore net of any provision for bad and doubtful debts.

Other Financial Assets

Other financial assets are valued at cost or market valuation.

Forestry Stock (Self Generating and Regenerating Assets)

State Forests revalues the softwood plantations growing stock annually, using a market valuation model for commercial plantations which calculates the net change resulting from price and volume movements. The valuation of growing stock is derived by estimating the volume of merchantable timber and applying schedule prices.

Volume increments are determined both by periodic re-measurement of samples and by modelling growth from the date of most recent measurement to the valuation date.

The net change in market value is recognised in the statement of financial performance and as an adjustment to forestry stock assets in the statement of financial position. Non-commercial plantations, generally less than fifteen years of age, are valued at the historical cost incurred in their establishment, as market prices cannot readily be determined for these plantations.

Prior to 30 June 2001 native forests and hardwood plantations have been valued using the State Valuation Office's valuation of the 'total forest asset' which includes land, roads and bridges and the available timber resources. As from 30 June 2001 the value of land, roads and bridges is reported as part of property, plant and equipment assets. Due primarily to the relatively young age of hardwood plantations, timber in the hardwood plantation estate has been valued on the basis of historical cost of establishment whereas native forest timber has been valued using a net market value model. The valuation is based on standing volumes adjusted to reflect harvestable volume under current licence conditions and applying current prices less direct costs of disposing of the timber. The net change in market value is recognised in the statement of financial performance and as an adjustment to forestry stock assets in the statement of financial position.

State Forests manages the available native forest resource on a sustained yield basis. Sustained yield means the volume harvested will approximate, over time, annual forest growth of the harvestable native forest areas. As a result, costs incurred in managing, maintaining and developing the resource are expensed as incurred.

Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is calculated using the average cost or the "first in first out" method.

Non-Current Physical Assets

Capitalisation and Initial Recognition

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

Assets are initially recognised at their acquisition cost. Cost is determined as the fair value of the assets given as consideration plus other costs incidental to the acquisition.

Assets acquired at no cost or for nominal consideration are initially recognised as assets and revenues at their fair value at the date of acquisition. Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

The cost of non-current physical assets constructed for own use includes the cost of materials, direct labour, attributable interest, other financing costs and foreign exchange gains and losses arising during construction as well as an appropriate proportion of variable and fixed overhead costs that can be reliably attributed to the assets.

Valuation of Land

Land held for continued use that would be replaced because of government policy is valued at the greater of current market buying price for that land in its existing use and current market selling price based on feasible alternative use. However, for most public sector land assets, there are no prospects of alternative use because there are natural, legal or socio-political restrictions on their use and disposal. Such land is valued at "value in use".

Land held for continued use but not to be replaced given the existing government policy is valued at the greater of the present value of future net cash flows and current market selling price based on feasible alternative use.

Surplus land is valued at market selling price.

Crown leasehold land, which includes perpetual leases, term leases, permissive occupancies and enclosure permits, was independently revalued to fair value in June 2002 by the State Valuation Office. The basis of valuing is capitalisation of the income stream, appropriately taking into account the conditions attached to the lease. The method of valuation utilised mass valuation techniques.

Vacant Crown land is all Crown Entity land not included in the leasehold estate. This land, which includes New South Wales land on the continental shelf within the 3 nautical mile zone, was independently valued to fair value in June 2002 by the State Valuation Office. The land was valued at the highest and best use taking into account zoning and other restrictions, access to services, and infrastructure and property market demand. The method of valuation utilised mass valuation techniques. In prior years, all of this land had been assigned a total nominal value of \$1,000.

Land under roads and within road reserves, which has been recognised in the financial report of the Roads and Traffic Authority at \$23.3 billion (2001 \$22.3 billion), has not been recognised in the State's Consolidated Financial Statements as there is currently no generally accepted methodology available to reliably determine the value.

Valuation of Plant and Equipment, Infrastructure Systems and Buildings

Plant and equipment, infrastructure systems and specialised buildings that are held for continued use and would be replaced because of government policy are valued at depreciated current cost.

Current cost is the minimum cost of replacing the remaining service potential of an asset with a modern equivalent asset (eg current market buying price, current reproduction cost or current replacement cost).

Non-specialised buildings are valued at market selling price.

Assets held for continued use that would not necessarily be replaced because of government policy are valued at the greater of the net present value of the cash flows and the current market selling price.

Surplus assets are valued at market selling value.

Infrastructure systems include assets such as roads, bridges, sewerage systems, water supply and reservoirs, power generation plants and transmission lines.

Revaluation Policies

All physical non-current assets are revalued at least every five years to current value. Revaluation increments are credited directly to the asset revaluation reserve unless they reverse any previous decrements, which have been charged to the Statement of Financial Performance.

Assets acquired or constructed since the last valuation are valued at cost.

Non-current assets used by profit-seeking agencies are revalued downward when their carrying amount is greater than their recoverable amount. The recoverable amount test is not applied to non-current assets of not-for-profit agencies whose service potential is not related to the generation of net cash inflows.

Collection Assets

In respect of the Australian Museum and the State Records Authority, no valuation of collection assets has been provided in the Consolidated Financial Statements as required by Australian Accounting Standard AAS29 "Financial Reporting by Government Departments". The Royal Botanic Gardens and Domain Trust has not recognised a value for its preserved general collection. Efforts have been made during the four years ended 30 June 2002 to identify and value these assets, including the development of a valuation methodology and the conduct of an initial valuation exercise. These assets will be recognised when reliably measured.

Other collection assets including library, works of art and archival collections have been recorded at acquisition cost and revalued in accordance with the deprival value methodology.

Private Sector Financed Infrastructure Assets

There is currently no Australian Accounting Standard which specifically addresses the accounting for private sector financed infrastructure assets. Treasury has adopted the following policies pending the development of an accounting standard.

Agreements Equally Proportionately Unperformed arising from private sector financed infrastructure arrangements are generally not recognised as assets or liabilities because there is significant uncertainty as to whether the definitions and recognition criteria in SAC4 Statement of Accounting Concepts "Definition and Recognition of Elements of Financial Statements" would be satisfied. Instead, the payments under these agreements are expensed systematically over the term of the agreements. Further, the commitments for future payments under these agreements are disclosed as "Commitments" in the notes to the financial statements.

However, certain private sector financed infrastructure arrangements provide for a private sector entity to design, construct, operate and maintain certain infrastructure for a specified concession period, after which the infrastructure is transferred back to the agency.

The interest of the agency in such arrangements is recognised as an asset, being the emerging interest in the remaining service potential to be transferred to the agency. The emerging interest is valued by reference to the agency's emerging share in the current cost of the asset at the date of transfer. The emerging interest is progressively recognised from the date of completion of construction over the period of the concession agreement.

Sydney Harbour Tunnel

The Road and Traffic Authority's (RTA) interest in the Sydney Harbour Tunnel has been valued based on the Authority's right to the time share of the ownership and total service potential as well as to the remaining useful life at the date of transfer to the Authority in the year 2022. At the date of transfer, it is expected that the value will equate to the then current written down replacement cost of the Tunnel.

The cost of constructing the Tunnel was \$683 million. The current written down replacement cost of the Tunnel is \$542 million (2001 \$517 million). The construction of the Tunnel was financed by 30 year inflation linked bonds issued by the Sydney Harbour Tunnel Company to the private sector of \$487 million, Sydney Harbour Tunnel Company shareholders' loans (repaid in 1992) of \$40 million, and an interest free, subordinated loan (the Net Bridge Revenue Loan) provided by the RTA of \$223 million, based on the projected net toll revenue from the Sydney Harbour Bridge during the construction period.

Under the Ensured Revenue Stream Agreement (ERS), the Government has agreed to make ERS payments (net of tolls collected from the Tunnel) to enable the Sydney Harbour Tunnel Company to meet financial obligations arising from the operation and maintenance of the Tunnel and the repayment of principal and interest on funds borrowed by it for the design, construction and operation of the Tunnel.

The capital (principal repayment) portion of the obligation arising under the Ensured Revenue Stream Agreement is recognised as a liability. This is measured by reference to the principal outstanding on the bonds issued to private sector bondholders to finance the Harbour Tunnel of \$396 million (2001 \$406 million).

M4, M5 and M2 Motorways and Eastern Distributor

The Roads and Traffic Authority has recognised as an asset its emerging right to receive the M4, M5 and M2 Motorways and the Eastern Distributor. This interest is valued by reference to the Authority's emerging share of the written down replacement cost of the asset at the respective date of transfer to the RTA apportioned over the period of the concession agreement.

Airport Line railway stations

The State Rail Authority has recognised as a non-current asset its right to receive the four railway stations on the Airport Line, which runs from Central to Turrella via Sydney Airport. Airport Link Company Pty Ltd is to operate the stations until 2030, and then offer to transfer the ownership to the State Rail Authority. The company went into receivership in November 2000.

The asset is measured by State Rail as the present value of the estimated written down replacement cost of the stations in 2030, allocated over the term of the arrangement.

LIABILITIES

Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received whether or not billed to the consolidated agency.

Interest Bearing

The State's interest bearing liabilities represent funds raised from the following sources:

- loans raised by the Commonwealth on behalf of the State under the previous Financial Agreement;
- advances by the Commonwealth for housing and other specific purposes;
- domestic and overseas borrowings raised by the NSW Treasury Corporation; and
- private and public domestic borrowings by Non-Budget dependent agencies.

Interest bearing liabilities are recognised at Current Capital Value. Current Capital Value is the face value of the debt less unamortised discount or plus unamortised premiums. The discount or premiums are treated as finance charges and amortised over the term of the debt.

Overseas borrowings are translated at exchange rates prevailing at balance date unless they are subject to forward exchange contracts in which case the contract rate is used.

Gains or losses arising from foreign exchange and debt restructuring transactions are included in the Statement of Financial Performance in the period in which they arise.

Leases

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

Finance leases are recognised as assets and liabilities at the present value of the minimum lease payments. The leased asset is amortised on a straight line basis over the term of the lease or, where it is likely that the entity will obtain ownership of the asset, the useful life of the asset to the entity. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The economic substance of a long term lease of land and other property is that it is a sale of land or property. Any difference between the current carrying value and the upfront lease payments is recognised in the Statement of Financial Performance in the period that the lease is entered into.

However, the lessor retains the economic benefits embodied in the reversionary right to the property beyond the lease term. The reversionary right has no value at the inception of the lease. It is recognised as a non-current asset when it has value, which emerges towards the end of the lease. Revaluation of the reversionary right is accounted for in accordance with Australian Accounting Standards on the revaluation of non-current assets.

Operating lease payments are charged to the Statement of Financial Performance systematically over the term of the lease.

The cost of leasehold improvements is capitalised as an asset and amortised over the remaining term of the lease or the estimated useful life of the improvements, whichever is the shorter.

Employee Entitlements and Other Provisions

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, annual leave and vested sick leave are recognised and are measured as the amount unpaid at balance date at current pay rates in respect of employees' services up to that date.

Non-vested sick leave is generally not recognised as future sick leave taken is not expected to exceed future entitlements accruing.

Long Service Leave

A liability for long service leave is recognised. It is measured at either the present value of expected future payments to be made in respect of services provided by employees up to the balance date or by applying the 'nominal method'. The 'nominal method' is an estimation technique, which is considered to be adequate in reliably measuring the liability in certain circumstances. It is calculated by applying the current pay rates to the entitlements at year-end for all employees with five or more years of service.

Major Non-Budget dependent agencies and Area Health Services have applied the present value basis. In doing so, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Estimated future payments are discounted to present values. All other agencies have continued to apply the 'nominal method'.

Superannuation

An unfunded superannuation liability is recognised in respect of the defined benefit schemes. It is measured as the difference between the present value of forecast employees' accrued benefits at balance date and the estimated net market value of the superannuation schemes' assets at that date. The liability is assessed annually by actuaries based on data maintained by the Superannuation Administration Corporation. It is calculated based on the latest actuarial economic assumptions.

The present value of accrued benefits is based on expected future payments which arise from membership of the fund to balance date in respect of the contributory service of current and past government employees.

Consideration is given to expected future wage and salary levels, expected future investment earning rates, growth rate in the Consumer Price Index, experience of employee departures and periods of service.

Other Provisions

Other provisions are recorded at the estimates of obligation to pay. These include for example, the Government's obligations arising from the previous workers' compensation and third party insurance schemes, and the Treasury Managed Fund, a self insurance scheme. The liability covers claims incurred but not yet paid, incurred but not yet reported and the anticipated fund management fees in respect of the management of those claims. These amounts are determined by independent actuarial assessment. Refer Note 1 *Changes in Accounting Policies* for further information on the treatment of public liability insurance claims incurred, but not yet reported.

The Workers Compensation (Dust Diseases) Board has measured its insurance liabilities on a claims-made basis consistent with the requirements of the Workers Compensation (Dust Diseases) Act. The Board is intending to examine the issue of claims incurred but not yet reported in the 2002-03 financial year.

Other Liabilities

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

2. REVENUE

	2001-02 \$m	2000-01 \$m
STATE REVENUES		
Taxation		
Payroll Tax	3,851	3,817
Stamp Duties	4,630	4,659
Gambling and Betting	952	959
Land Tax	966	898
Other ^(a)	2,189	2,306
	12,588	12,639
<hr/>		
^(a) <i>Includes Commonwealth Safety Net revenue received in 2000-01.</i>	...	137
Commonwealth Grants		
General Purpose - Recurrent	243	156
- GST Revenue	8,132	7,258
- Budget Balancing Assistance	1,577	1,007
Specific Purpose - Recurrent	4,227	3,771
- Capital	854	775
	15,033	12,967
<hr/>		
Fines, Regulatory Fees and Other State Revenues include:		
Royalties	216	220

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

	2001-02 \$m	2000-01 \$m
OPERATING REVENUES		
Sale of Goods and Services comprise revenue from:		
Sale of goods	6,314	6,069
Rentals	1,490	1,290
Rendering of services ^(b)	4,273	4,381
less: Cost of sales	(1,058)	(879)
	11,019	10,861
<hr/>		
^(b) <i>Includes net revenues of lotteries activities.</i>		
<i>The lotteries net revenue comprises:</i>		
<i>Gross revenue</i>	<i>1,041</i>	<i>1,029</i>
<i>Prizes and other statutory payments</i>	<i>(690)</i>	<i>(681)</i>
<i>Net Revenue</i>	<i>351</i>	<i>348</i>
<hr/>		
Net Gain/(Loss) on Disposal of Physical Assets		
Proceeds from disposal	692	426
Less written down value of disposed assets	(618)	(458)
	74	(32)
<hr/>		
Other Operating Revenues include:		
Proceeds from the sale of FreightCorp operations and National Rail Corporation shares	669	...

3. EXPENSES

	2001-02 \$m	2000-01 \$m
Superannuation Entitlements ^(a)	4,510	3,645
Other Employee Related Expenses comprise:		
Salaries and Wages (including Recreation Leave)	14,544	13,894
Long Service Leave	526	451
Other	968	989
	16,038	15,334

^(a) Includes significant expense of \$2,528 million in 2001-02 (2001 significant expense \$950 million). Refer Notes 4 and 12.

Other Operating Expenses comprise:		
Bad and Doubtful Debts	135	149
Operating Lease Rentals	521	550
Consultancy fees	123	133
Net Asset Valuation Decrements, (Reversals) and Write-downs		
- Land and Buildings	57	45
- Plant and Equipment	11	51
- Infrastructure	264	530
Inventory Write-Downs	15	15
Audit fees ^(b)		
- for audit	...	...
- for other services	...	...
Insurance claims ^(c)	1,296	882
Supplies and other services	6,839	7,127
Costs of sale of FreightCorp, and of interest in National Rail Corporation shares (excluding asset value adjustments)	778	...
Other ^(d)	151	429
	10,190	9,911

^(b) Fees of \$21 million for audit and \$3 million for other services to the Audit Office of NSW (2001 - \$19 million for audit and \$2 million for other services) have not been recognised as expenses because they have been eliminated in consolidation of the NSW Public Sector.

^(c) From 1 January 2002 the government indemnified visiting medical officers for work performed on public patients in public hospitals in NSW. The indemnity will also cover liability for all claims that may arise from public work in past years as yet unreported. As a result, the Insurance Ministerial Corporation has accrued a claims provision of \$150 million that is reported within the 2001-02 insurance claims expense.

^(d) Includes Significant Item, adjustment of asset values (2002 \$48 million, 2001 \$331 million). Refer Note 4(b).

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

	2001-02 \$m	2000-01 \$m
Depreciation and Amortisation expense comprise:		
Depreciation on		
- Buildings	877	836
- Plant and Equipment	796	791
- Infrastructure	1,344	1,126
Amortisation	86	70
	3,103	2,823
Grants and Subsidies include expenses by the:		
Department of Education and Training	781	730
Department of Housing	704	685
Department of Health	576	529
NSW Treasury		
- provision for hardship assistance following the collapse of HIH Insurance	...	600
- First Home Owner Grant Scheme	506	314
Department of Ageing, Disability and Home Care	458	363
Department of Transport	422	405
Department of Community Services	337	298
Borrowing Costs include:		
Charges relating to finance leases	40	39
Capitalised Borrowing Costs are excluded from expenses	20	18

4. SIGNIFICANT ITEMS

	2001-02 \$m	2000-01 \$m
The Operating Result includes the following Significant Revenue/(Expense) Items:		
Sale of Freight Rail Corporation and National Rail Corporation Shares ^(a)		
- Proceeds from the sale of FreightCorp operations	608	...
- Proceeds from the sale of National Rail Corporation shares	61	...
- Book value of FreightCorp net assets sold	(654)	...
- Book value of National Rail Corporation shares sold	(60)	...
- Adjustment to asset values as a result of the sale	(46)	...
- Other costs including transfer payments to former FreightCorp employees	(64)	...
Book loss on sale	(155)	...
Adjustment of asset values. This includes:		
- Roads and Traffic Authority - land under roads ^(b)	(48)	(331)
- Olympic Co-ordination Authority - for community and sports legacy works ^(c)	...	(171)
- Department of Land and Water Conservation - water infrastructure systems	...	(162)
Recognition of assets for the first time		
- Vacant Crown land ^(d)	4,000	...
- Crown's share of investment in Snowy Hydro Ltd ^(e)	469	...
Provision for hardship assistance following the collapse of HIH Insurance	...	(600)
Provision for claims against visiting medical officers for work performed on public patients in public hospitals in NSW ^(f)	(150)	...
Increase in defined benefit unfunded superannuation liability as a result of:		
- lower fund earnings than actuarially applied long-term earning rates ^(g)	(2,528)	...
- changes to actuarial demographic assumptions	...	(950)
Olympic and Paralympic Games' Organising Committees ^(h)		
- deferred revenues	...	3,145
- deferred expenses	...	(3,046)
TOTAL SIGNIFICANT ITEMS	1,588	(2,115)

- (a) Prior to its sale, Freight Rail Corporation, trading as FreightCorp, operated rail freight activities principally in New South Wales. The Freight Rail Corporation (Sale) Act 2001 enabled the sale of the operations of FreightCorp in conjunction with the sale of National Rail Corporation, in which NSW had an 18.9 percent share.

On 7 September 2000 the Government announced its intention to sell FreightCorp operations by way of a public tender. The sale was completed on 21 February 2002 and resulted in a book loss of \$155 million to the Total State Sector. The sale transaction comprised the:

- sale of the majority of FreightCorp's net assets to the National Rail Consortium (SSL) Pty Ltd (NRCPL);
- sale by the Crown of its shares in National Rail Corporation to NRCPL ;
- sale of certain assets to Sydney Ports Corporation;
- vesting of certain assets to the State Rail Authority for no consideration;
- transfer to the Crown of \$326 million of net liabilities; and
- payment by the Crown of certain employee benefits for former FreightCorp employees.

The book loss on the sale of FreightCorp's assets reflects recorded asset values at the time of the sale, and does not take into account certain pre-sale transactions. In particular, Community Service Obligations (CSO) funding to FreightCorp for the haulage of specific goods was replaced by expanded track CSO payments to the Rail Infrastructure Corporation for the benefit of all rail users. The net effect of these new arrangements should have been to significantly reduce the book value of FreightCorp's assets at a future balance date.

In place of ongoing government funding for the haulage of grain, the sale arrangements require the purchaser to undertake substantial capital outlays for the construction of grain consolidation facilities and for the upgrading and purchase of new rolling stock. This requirement impacted directly on the net sale proceeds received by the government, however this will be offset by the savings in future government recurrent expenditure.

- (b) No valuation has been included in the Total State Sector Accounts for land under roads and within road reserves. During 2001-02 the Roads and Traffic Authority identified land under roads of \$48 million (2001 \$331 million) which was reported in previous years as part of Land and Buildings. As it is Treasury's policy to report land under roads in the Consolidated Financial Statements at no valuation, an adjustment of \$48 million has been made to derecognise the value of these assets which has been included in the accounts of the Roads and Traffic Authority.
- (c) The Olympic Co-ordination Authority (OCA) expensed assets with a book value of \$171 million during 2000-01. The one-off adjustment reflects OCA's role as the development and program manager for the Sydney Olympic related facilities, even though the Authority was in many cases the minor fund provider for these works.

Such works include the Ryde Aquatic Leisure Centre that was funded mainly by Ryde Council and will be owned and operated by Council, the Media Village, Penrith Whitewater Stadium, Blacktown Olympic Centre and Bondi Community Works. The accounting treatment reflects the value of work undertaken by OCA in respect of such assets and acknowledges that OCA has little or no long-term equity in these precincts. Nevertheless, these works will remain as legacies of the Sydney Olympic and Paralympic Games for sport and for the community.

- (d) Vacant Crown land is all Crown Entity land not included in the leasehold estate. This land includes New South Wales land on the continental shelf within the 3 nautical mile zone. In previous years Vacant Crown land had been assigned a nominal value of \$1,000. During 2001-02 an inter-agency Crown Land Valuation Committee was formed, comprising the Valuer-General, Department of Land and Water Conservation and Treasury officers to oversight the identification and valuation of vacant Crown land. A valuation process has been undertaken by the State Valuation Office. Based on this work, vacant Crown land has been recorded at a value of \$4,000 million as a significant revenue item. Accounting Standards require that the recognition of assets for the first time, such as vacant Crown land, can only be treated as revenue in the statement of financial performance and not as a direct adjustment to retained earnings.
- (e) On 28 June 2002 the Commonwealth's Snowy Mountain Hydro-electric Authority and the electricity trading company Snowy Hydro Trading Pty Ltd were formed into a new public company, Snowy Hydro Limited (SHL), owned by NSW, Victoria, and the Commonwealth. NSW received a 58% share in SHL. The share of net assets valued at \$469 million has been recorded as a significant revenue and as an equity investment. NSW has accounted for the investment using the equity method because NSW does not control the entity.
- (f) From 1 January 2002 the government indemnified visiting medical officers for work performed on public patients in public hospitals in NSW. The indemnity will also cover liability for all claims that may arise from public work in past years as yet unreported. As a result the Insurance Ministerial Corporation has accrued a \$150 million liability in respect to incurred but not reported claims, which will fall within this indemnity.
- (g) Over the years the government has set aside investments towards meeting accruing superannuation liabilities for its closed defined benefits schemes. In 2001-02 the actual investment performance of the Pooled Fund investments was negative 7.3% (Energy Industries Superannuation Scheme was negative 7%) which is lower than the long term actuarially applied rate of positive 7% per annum (EISS positive 7.5%). Due to the size of the underlying investments, this resulted in accrued superannuation expense being higher than the long term expected average annual expense by an amount of \$2,528 million.
- (h) Olympic and Paralympic Games' Organising Committees:
- The Olympic and Paralympic Games were held in Sydney during September and October 2000. Revenues and expenditure associated with the Games have been recognised in the preceding years and in 2000-01 by various government authorities. However, it was the policy of the Games' Organising Committees to defer all revenue and expenditure for recognition in 2000-01, which is the year that the event took place.
- The Total State Sector Statement of Financial Performance separately discloses the aggregate revenues and expenditures recognised in 2000-01 by the Sydney Organising Committee for the Olympic Games and the Sydney Paralympic Organising Committee. These figures do not include other government agencies' Olympic related expenditure and revenues relating to the 2000-01 financial year.

5. RECEIVABLES

	2002 \$m	2001 \$m
Current Receivables		
Debtors and Accruals		
- Sale of Goods and Services	1,842	1,774
- Asset Sales	187	21
- Taxation	305	287
- Interest	74	178
Advances Receivable	40	48
Other ^(a)	1,102	1,442
	3,550	3,750
Less Provision for Doubtful Debts ^(a)	(242)	(573)
Total Current	3,308	3,177
Non-Current Receivables		
Advances Receivable	262	182
Other	237	185
Less Provision for Doubtful Debts	(6)	(7)
Total Non-Current	493	360

^(a) Refer Note 1 "Changes to Accounting Policies", State Debt Recovery Office Receivables.

6. OTHER FINANCIAL ASSETS

Current	3,392	3,041
Non-current	5,144	3,827
	8,536	6,868
Other financial assets comprise:		
Fiduciary investments administered by NSW Treasury Corporation ^(a)	3,355	2,801
Securities and placements held by NSW Treasury Corporation	3,043	2,236
Investments accounted for using the equity method	504	33
Other	1,634	1,798
	8,536	6,868

^(a) Refer Note 22 Financial Instruments.

7. INVENTORIES

	2002 \$m	2001 \$m
Current		
Raw Materials	176	157
Work in Progress	13	101
Finished Goods	73	65
Consumable Stores	252	248
Land Held for Resale ^(a)	212	115
	726	686
Non-Current		
Land Held for Resale ^(a)	322	312
Other	33	42
	355	354
<i>^(a) Land held for resale has been recorded at:</i>		
<i>Acquisition Cost</i>	<i>337</i>	<i>242</i>
<i>Development Cost</i>	<i>167</i>	<i>172</i>
<i>Other Costs</i>	<i>30</i>	<i>13</i>
	<i>534</i>	<i>427</i>

8. PROPERTY, PLANT AND EQUIPMENT

Land and Buildings		
At cost	4,745	5,289
At valuation ^(a)	70,769	63,230
Accumulated depreciation at cost	(354)	(403)
Accumulated depreciation at valuation	(12,209)	(10,851)
	62,951	57,265
Plant and Equipment (includes Collections)		
At cost	5,245	5,020
At valuation	8,802	10,063
Accumulated depreciation at cost	(2,655)	(2,646)
Accumulated depreciation at valuation	(3,604)	(4,009)
	7,788	8,428
Infrastructure Systems		
At cost	7,095	7,561
At valuation	70,791	66,300
Accumulated depreciation at cost	(1,018)	(880)
Accumulated depreciation at valuation	(14,272)	(13,582)
	62,596	59,399
Total Property, Plant and Equipment at Net Book Value	133,335	125,092

MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m
TOTAL STATE SECTOR			
Carrying amount at 1 July 2001	57,265	8,428	59,399
Additions	2,229	636	2,625
Initial recognition of vacant Crown land ^(a)	4,000	...	...
Disposals	(481)	(81)	(10)
Net revaluation increments/(decrements)	1,200	(7)	2,008
Depreciation expense	(877)	(796)	(1,344)
Other movements	(385)	(392)	(82)
Carrying amount at 30 June 2002	62,951	7,788	62,596

^(a) Refer Note 4(d) for further information.

9. OTHER ASSETS

	2002 \$m	2001 \$m
Current	237	313
Non current	1,348	1,281
	1,585	1,594
Other Assets include:		
Emerging interest in the Sydney Harbour Tunnel	542	517
Right to receive M2/M4/M5 Motorways and the Eastern Distributor	211	192
Prepayments	168	126
Prepaid superannuation contributions ^(a)	111	245
Other	553	514
	1,585	1,594

^(a) Refer Note 12 Energy Industries Superannuation Scheme.

10. PAYABLES

Interest on borrowings and advances	341	428
Other	3,129	2,785
	3,470	3,213

11. INTEREST BEARING LIABILITIES

	2002 \$m	2001 \$m
Current	5,885	5,326
Non current	20,855	21,802
	26,740	27,128

Interest bearing liabilities comprise:

Liability to Commonwealth Government	1,810	1,851
Domestic and foreign borrowings	24,082	24,077
Bank overdraft	384	722
Finance leases ^(a)	464	478
	26,740	27,128

^(a) *Finance lease liabilities are payable as follows:*

<i>Not later than one year</i>	<i>69</i>	<i>50</i>
<i>Between one and five years</i>	<i>308</i>	<i>337</i>
<i>Later than five years</i>	<i>466</i>	<i>507</i>
<i>Minimum lease payments</i>	<i>843</i>	<i>894</i>
<i>Less: Future finance charges</i>	<i>(379)</i>	<i>(416)</i>
<i>Finance lease liability</i>	<i>464</i>	<i>478</i>

12. EMPLOYEE ENTITLEMENTS AND OTHER PROVISIONS

	2002 \$m	2001 \$m
Current	3,201	2,852
Non current	20,287	15,777
	23,488	18,629
These comprise:		
Employee Entitlements		
Unfunded superannuation ^(a)	11,834	8,226
Long service leave and other leave entitlements	4,822	4,600
Salary accruals and other	1,154	1,046
Total Provision for Employee Entitlements	17,810	13,872
Other Provisions		
Outstanding claims:		
- Insurance Ministerial Corporation ^(b)	3,633	2,742
- Workers' Compensation (Dust Diseases) Board	395	381
HIH loss compensation	468	567
Building and Construction Industry Long Service Payments Scheme	358	302
Coal Compensation Board claims	72	25
Other	752	740
Total Other Provisions	5,678	4,757
Total Employee Entitlements and Other Provisions	23,488	18,629

^(a) The unfunded superannuation liability is composed of:

<i>Pooled Fund</i>		
- State Authorities Superannuation Scheme	3,076	2,478
- State Authorities Non Contributory Superannuation Scheme	1,221	899
- State Superannuation Scheme	4,567	2,264
- Police Superannuation Scheme	2,653	2,311
Judges' Pension Scheme	250	234
Parliamentary Contributory Superannuation Scheme	67	40
Unfunded Superannuation Liability	11,834	8,226
Less: Prepaid superannuation contributions of the Energy Industries Superannuation Scheme ^(c)	(111)	(245)
Net Superannuation Liabilities	11,723	7,981

^(b) From 1 January 2002 the government indemnified visiting medical officers for work performed on public patients in public hospitals in NSW. As a result the Insurance Ministerial Corporation (IMC) has accrued a further \$150 million of liabilities at 30 June 2002. During 2001-02 the IMC adopted an incurred claims basis following the release of Urgent Issues Group abstract UIG47 resulting in a further increase in its claims liabilities of \$369 million.

^(c) Refer Note 9 Other Assets.

UNFUNDED SUPERANNUATION LIABILITY

State public sector superannuation liabilities are predominantly comprised of the four defined benefit schemes that make up the Pooled Fund and the Energy Industries Superannuation Scheme (EISS), the assets and liabilities of which were separated from the Pooled Fund in 1997.

The estimate of unfunded liabilities of the Total State Sector is based on calculations carried out by Mercer Human Resource Consulting, the SAS Trustee Corporation's actuary. Actuarial calculations were generally based on membership data as at 30 June 2002.

Forecast demographic assumptions are as per the 2000 Triennial Valuation of the Pooled Fund schemes. The forecast economic assumptions are as per the following tables.

	2002-03	Thereafter
Pooled Fund Schemes		
Investment return rate	7.0%pa	7.0%pa
Salary growth rate	6.5% pa	4.0% pa
CPI growth rate	2.5%pa	2.5%pa

	2002-03	Thereafter
EISS		
Investment return rate	7.5%pa	7.5%pa
Salary growth rate	4.0%pa	4.0%pa
CPI growth rate	2.5%pa	2.5%pa

The unfunded superannuation liabilities shown are for employers and are the difference between gross liabilities and the market value of assets to meet accrued liabilities.

The substantial increase in unfunded liabilities over the 12 months to 30 June 2002 is largely explained by several factors:

- The actual investment performance of the Pooled Fund was negative 7.3%(negative 7.0% for EISS) in 2001-02, which is lower than the long term actuarially applied rate of positive 7% (positive 7.5% for EISS) per annum; and
- The Crown made no superannuation contributions during 2001-02 because in June 1999 the Government brought forward its planned superannuation contributions for the three year period to 30 June 2002.

13. OTHER LIABILITIES

	2002 \$m	2001 \$m
Current	435	413
Non-current	657	862
	1,092	1,275
Other Liabilities comprise:		
The Sydney Harbour Tunnel Agreement obligations	396	406
Deferred income	362	329
Other	334	540
	1,092	1,275

14. ASSET REVALUATION RESERVE

	2002 \$m	2001 \$m
Opening Balance	40,911	40,838
Net transfer to accumulated funds ^(a)	(1,539)	(3,942)
Net valuation increment ^(b)	3,309	4,015
Closing Balance	42,681	40,911

^(a) The 2001 State Sector amount includes \$2,917 million for the NSW Land and Housing Corporation relating to increments on assets previously sold and \$700 million of increments written back upon Pacific Power's restructure to establish Eraring Energy.

^(b) The 2002 net valuation increments include \$1,724 million valuation increments for Roads and Traffic Authority's infrastructure and property assets. In 2001, the net valuation increment includes \$1,890 million of valuation increments for electricity system infrastructure, primarily for Energy Australia and Integral Energy and \$775 million valuation increments for the Roads and Traffic Authority's infrastructure and property assets.

15. ACCUMULATED FUNDS

	2002 \$m	2001 \$m
Opening balance	50,245	46,718
Adjustments due to changes in accounting policy ^(a)	(369)	186
Net transfer from Asset Revaluation Reserve	1,539	3,942
Other net adjustments ^(b)	(46)	(25)
Add: Surplus/(Deficit) for the year	4,028	(576)
Closing Balance	55,397	50,245

^(a) Adjustments by agencies due to amendments to accounting standards which require adjustments to accumulated funds:

- Adoption by State Forests of AAS35 Self Generating and Regenerating Assets	...	186
- Adjustment to insurance claims liabilities on adopting a claims incurred basis following the release of Urgent Issues Group Abstract UIG47	(369)	...
	(369)	186

^(b) In 2001-02 other net adjustments includes \$46 million of State Rail Authority deferred revenues reclassified to liabilities (refer Note 1 Changes in Accounting Policies).

16. CASH FLOW INFORMATION

	2001-02 \$m	2000-01 \$m
RECONCILIATION OF OPERATING RESULT TO NET CASH FLOWS FROM OPERATING ACTIVITIES EXCLUDING FINANCIAL INSTITUTIONS		
Surplus/(Deficit) for the year	4,028	(576)
Add back:		
- Surplus of financial institutions	(119)	(376)
- Operating cash flow of financial institutions eliminated on consolidation	1,444	1,512
Non-cash items added back:		
- Depreciation and amortisation	3,103	2,823
- Initial recognition of vacant Crown land asset	(4,000)	...
- Loss/(Gain) on asset disposals	(74)	25
- Other	234	756
Change in operating assets and liabilities	4,301	3,162
Net cash flows from operating activities	8,917	7,326

	2002 \$m	2001 \$m
--	-------------	-------------

CLOSING CASH AND CASH EQUIVALENT BALANCES:

For purposes of the cash flow statement, deposits in the Treasury Corporations Hour-Glass cash facilities and other Treasury Corporation deposits (less than 90 days) are reported as cash and deposits at call.

Cash and deposits at call	3,037	1,846
Bank overdraft	(384)	(722)
	2,653	1,124

Balances of \$300 million were held by government schools with the Commonwealth Bank at 30 June 2002 (2001 \$269 million) of which \$29 million were Trust Funds. These balances, which comprise Government grants and other revenue, are not recorded within the

Department of Education and Training's financial statements and therefore are not included in the cash and deposits amount reported in the Total State Sector Accounts.

DISPOSAL OF ENTITIES

During 2001-02 the Government disposed of the operations and certain assets and liabilities of Freight Rail Corporation. The Government received from the purchaser \$608 million. The purchaser obtained \$7.5 million in residual cash at the date of disposal. In addition, the purchaser received the following assets and liabilities (book value) effective 14 January 2002.

	\$m
Receivables	71
Inventories	9
Future Income Tax Benefit	19
Property Plant and Equipment (non leased)	408
Property Plant and Equipment (leased)	269
Creditors	40
Provisions	69

Refer Note 4 (a) *Significant Items*, for further information on the Freight Rail Corporation sale transaction.

Refer Note 23 *Discontinuing Operations*, for information on the disposal of Integral Energy Gas Pty Ltd.

ACQUISITION OF ENTITIES

During 2001-02:

- Sydney Water Corporation (SWC) acquired 49 percent of the share capital of AWT International (Thailand) Limited for a cash consideration of eight two thousand dollars. Despite holding only 49 percent of the issued share capital, SWC controls the financial and operating policy decisions affecting the new controlled entity. The new controlled entity markets in Thailand the Corporation's expertise in providing consulting services related to water and water-related services.

NON-CASH FINANCING AND INVESTING ACTIVITIES

During 2001-02:

- The Roads and Traffic Authority recognised an emerging interest in private sector provided infrastructure of \$19 million (2001 \$41 million);
- The Crown Entity assumed \$311 million of debt from FreightCorp prior to the sale of its operations
- The Crown Entity recognised a \$469 million equity investment in Snowy Hydro Ltd for nil consideration following the reformation of the Snowy Mountain Hydro-electric Authority and the electricity trading company, Snowy Hydro Trading Pty Ltd.
- The Crown Leaseholds Entity recognised vacant Crown land assets for the first time, with a value of \$4,000 million. This followed the completion of an extensive valuation exercise by the State Valuation Office (refer Note 4(d) for further information).
- The National Parks and Wildlife Service transferred property with a value of \$13 million to the Parramatta Park Trust upon its establishment on 1 July 2001.
- In respect of Sydney Water Corporation Limited and its entities, assets which are acquired by the economic entity and the Corporation under finance leases, Build Own Operate scheme financing arrangements or assets handed over at no cost by subdividers/developers are not included in the Statements of Cash Flows as these are regarded as non-cash.

The amount capitalised during the financial year in respect of Sydney Water assets handed over at no cost by subdividers/developers to both the economic entity and the Corporation was \$127 million (2001 \$159 million).

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

This includes assets from the Rouse Hill Development for which a provision of \$10 million (2001 \$47 million) has been recognised in the statement of financial position.

It is impracticable to report on the numerous assets donated to NSW public sector agencies particularly dedicated for health, education and cultural purposes. They are generally recognised in individual agency financial statements.

NET CASH OF FINANCIAL INSTITUTIONS

	2001-02 \$m	2001-02 \$m (a) Net of Elimination	2000-01 \$m	2000-01 \$m (a) Net of Elimination
	Gross		Gross	
CASH INFLOWS (OUTFLOWS) FROM OPERATING ACTIVITIES				
Receipts				
Finance	1,718	248	1,897	330
Other	(8)	(26)	13	13
Total Receipts	1,710	222	1,910	343
Payments				
Employee Related	(9)	(9)	(8)	(8)
Finance	(1,638)	(1,602)	(1,701)	(1,672)
Other	8	16	(40)	(14)
Total Payments	(1,639)	(1,595)	(1,749)	(1,694)
NET CASH FLOW FROM OPERATING ACTIVITIES	71	(1,373)	161	(1,351)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale of Investments	...	...	6	6
Purchase of Property, Plant & Equipment	(2)	(2)	(2)	(2)
Purchase of Investments & Loans Made to Authorities	(4,929)	(8)	(7,634)	(1)
Loans to Authorities Repaid & Other Investing	5,353	...	8,387	...
Net Cash Flows From Investing Activities	422	(10)	757	3
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from Borrowings	18,536	18,536	17,700	17,700
Repayments of Borrowings	(18,364)	(18,364)	(18,962)	(18,958)
Other	(27)	...	(22)	...
NET CASH FROM FINANCING ACTIVITIES	145	172	(1,284)	(1,258)
NET CASH FLOWS FROM FINANCIAL INSTITUTIONS	638	(1,211)	(366)	(2,606)

^(a) The cash flows from financial institutions have been reported separately within the Consolidated Cash Flow Statement net of eliminations with other consolidated entities.

17. TRUSTS UNDER MANAGEMENT

	2002 \$m	2001 \$m
Trusts under management are held by the trustee on behalf of beneficiaries. Therefore, these trusts are not included in the Total State Sector assets.		
Trust under management mainly comprise various forms of estates under management, unclaimed monies and Supreme Court trust funds held in statutory accounts by the:		
Protective Commissioner	1,112	1,105
Office of the Public Trustee ^(a)	923	863
Rental Bond Board	501	480
NSW Treasury Corporation (fiduciary investments)	281	301
Department of Health	133	112
Workers' Compensation (Dust Diseases) Board	54	50
Others	123	100
	3,127	3,011

^(a) The trust balances of the Public Trustee exclude certain property assets administered by the Public Trustee as they cannot be reliably measured.

18. EXPENDITURE COMMITMENTS

	2002 \$m	2001 \$m
Capital Expenditure		
The following represents capital expenditure contracted for at balance date, including private sector financed infrastructure assets, but not recognised in the financial statements.		
Health Department	2,625	2,574
State Rail Authority	396	393
Sydney Water Corporation	361	190
Transgrid	269	42
Roads and Traffic Authority	284	514
Department of Education and Training	166	103
Department of Corrective Services	125	77
NSW Police Service	106	91
Landcom	103	73
NSW Land and Housing Corporation	91	84
Macquarie Generation	83	75
Rail Infrastructure Corporation	52	13
Other agencies	278	396
	4,939	4,625
Capital Expenditure Commitments Payable:		
not later than one year	2,383	2,065
later than one year and not later than five years	1,942	2,059
later than five years	614	501
	4,939	4,625

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

	2002 \$m	2001 \$m
Operating Lease Expenditure payable:		
not later than one year	625	529
later than one year and not later than five years	1,300	1,341
later than five years	638	708
	2,563	2,578
Other Expenditure Commitments payable:		
not later than one year	918	855
later than one year and not later than five years	844	1,119
later than five years	2,116	2,120
	3,878	4,094

The above expenditure commitments include, where appropriate, a component for goods and services tax, which is generally recoverable from the Australian Taxation Office.

Major Service Agreements for Filtered Water by Sydney Water Corporation

not later than one year	94	93
later than one year and not later than five years	403	419
later than five years - Net Present Value ^(a)	474	510
	971	1,022

^(a) The cash flow amounts beyond five years are expressed in terms of net present value as these contracts extend over twenty five years. The discount rate used is 11.28% per annum nominal before tax, comprising 7% per annum real before tax and an estimated average inflation rate of 4% per annum.

19. CONTINGENT LIABILITIES

	2002 \$m	2001 \$m
<i>(A) QUANTIFIABLE CONTINGENT LIABILITIES</i> comprise:		
NSW Treasury Corporation (bonds on loan)	509	425
(Less securities held)	(125)	(92)
Department of Sport and Recreation (including claims for costs to rectify works at Eastern Creek Raceway)	25	20
Sydney Water Corporation (claims in respect of compensation and litigation)	95	120
NSW Police Service (claims including legal proceedings)	95	62
State Rail Authority (commercial disputes, employee disputes; environmental, personal injury and property claims)	72	72
Attorney General's Department (Victims Compensation and other claims)	71	117
Roads and Traffic Authority (claims involving legal proceedings)	50	34
Home Purchase Assistance Fund (potential income and cash shortfalls in FANMAC Trust system and excess rate caps)	14	15
Department of Land and Water Conservation (claims involving legal proceedings)	12	36
Coal Compensation Board (claims for compensation under the Coal Acquisition (Compensation) Arrangements 1985) ^(a)	...	300
Other agencies	51	92
TOTAL	869	1,201

^(a) Refer to Note 19 (c).

(B) GUARANTEES provided to facilitate the provision of certain services and the construction of several infrastructure assets may give rise to contingent liabilities.

The major guarantees are:

- State guarantees are given to various organisations under statute. They mainly relate to certain co-operative housing societies \$100 million (2001 \$117 million).
- The NSW Government agreed to indemnify TAB Ltd against any decrease in revenue which it suffers as a result of a reduction of the monitoring fee determined by the Minister for Gaming and Racing and which is payable to TAB Ltd by hoteliers and registered clubs in respect of gaming devices connected to the Centralised Monitoring System (CMS) during the first five years of its operation.

The NSW Government will also indemnify TAB Ltd against losses it may suffer during the term of TAB Ltd's CMS licence as a direct consequence of any redetermination of the monitoring fee which is made other than in accordance with the methodology and assumptions as to the rate of return employed by the Independent Pricing and Regulatory Tribunal in recommending the monitoring fee to the Minister.

The NSW Government will also indemnify TAB Ltd against any additional cost and expense it may incur as a result of any amendment to TAB Ltd's CMS licence which imposes additional requirements on TAB Ltd but only to the extent that TAB Ltd is not adequately compensated for the additional cost and expense by an increase in the monitoring fee.

- Issued securities, borrowings and derivative liabilities of the NSW Treasury Corporation with a market value of \$25.6 billion (2001 \$25.8 billion) have been guaranteed by the NSW Government

under the Public Authorities (Financial Arrangements) Act 1987.

- The Sydney Olympic Park Authority (SOPA) has a liability for the Olympic Stadium and Sydney Superdome only in the event of a natural disaster or a breach of the contract by SOPA. In the event of a natural disaster SOPA would be responsible for the full cost of replacing the stadium. The possibility of either of these events occurring is considered remote.
- Pursuant to the State Bank (Privatisation) Act 1994, the State guaranteed all existing and future liabilities of the Bank until 31 December 1997. Thereafter while existing liabilities continue to be guaranteed until maturity, any new liabilities incurred after that date will no longer be guaranteed by the State. As at 30 June 2002 the total guaranteed liabilities of the Bank amounted to \$2.5 billion (2001 \$3.5 billion).

In addition to the above, the State has certain other contingent liabilities arising from the sale of the Bank through indemnities given in respect of any losses incurred by the Bank as a result of matters existing in the books of the Bank as at 31 December 1994. While it is not possible to accurately quantify these contingent liabilities, they are currently estimated at \$56 million (2001 \$80 million). Of this amount \$37 million relates to a claim under a taxation indemnity given to the purchaser of the Bank. Payment of the underlying assessments issued by the Australian Taxation Office has been deferred at least until 28 February 2003 to allow ongoing negotiation as to their validity to be concluded. No interest or penalties are accruing.

- Under the Government Insurance Act 1927 the State guarantees the liabilities of the GIO in respect of general, life and reinsurance policies issued by it up until 15 July 1992.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

- Actuarial assessment of these liabilities are:

	31 December 2001 \$m	31 December 2000 \$m
General insurance	168	136
Life insurance	240	271
Inward reinsurance	218	253
	626	660

In addition, the Government may incur a liability to provide capital guarantees to any unit-linked life insurance policies covered by the guarantee where investment units are converted to capital guaranteed status at some time in the future. The maximum potential liability was estimated at \$1,063 million at 31 December 2001 (31 December 2000 \$1,162 million).

- On 28 June 2002 the Commonwealth's Snowy Mountain Hydro-electric Authority and the electricity trading company Snowy Hydro Trading Pty Ltd were formed into a new public company, Snowy Hydro Limited, owned by NSW, Victoria, and the Commonwealth. NSW owns 58 percent of the share in the company. The Treasurer of NSW entered into the following guarantees, indemnities and deeds as part of the agreements leading to the corporatisation of the Snowy Scheme.

A guarantee for 58 percent of the value of the Commonwealth Government short-term loan to Snowy Hydro Limited (SHL) was provided to the Commonwealth until the former Snowy Mountain Hydro-electric Authority loans and inscribed stock are commercially refinanced. The estimated maximum exposure is \$516 million. The most likely case is that up to \$45 million may be required from NSW in the form of either guarantees or cash. The duration of the contingent liability is 12 months from the date of corporatisation.

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

If under the Environmental Planning and Assessment Act or Water Management Act, SHL is required to modify its structures or lower dam levels to reduce the impact of cold-water releases from the scheme then, for up to 7 years from the corporatisation date, NSW will provide 58 percent of the amount necessary to maintain financial covenants and credit rating.

NSW is entitled to receive 58 percent of the income tax paid by Snowy Hydro Limited under a tax sharing agreement with the Commonwealth Government. However, if accumulated dividend imputation credits within the company have not been fully distributed to a shareholder government prior to the sale of more than 5 percent of its shares, the government selling their shares must repay the Commonwealth the value of the undistributed dividend imputation credits it was entitled to receive. The deed concludes when the 75 year Snowy Water licence is terminated, or when NSW sells its shares. The government remains committed to keeping electricity assets in public hands.

An indemnity has been provided to each of the 5 directors of SHL against the cost of claims arising as the result of liabilities transferred from the operation of the former Snowy Mountains Hydro-electric Authority and, for implementing the corporatisation agreements. The duration of the risk relates to any claim lodged within 5 years of the corporatisation date. There are no known claims at the corporatisation date. Directors are required to seek insurance cover against the risk and there is a back-to-back indemnity from SHL to indemnify the governments for the cost of claims incurred, up to the amount that can lawfully be paid.

In the event that the Snowy Water Licence is changed in a manner that causes adverse financial impact for SHL, compensation for the amount of the impact will be paid to the company. NSW may be able to recover 42 percent of the compensation due if Victoria and the Commonwealth agree to the water licence changes. No amendments to the Snowy Licence are currently proposed. The Snowy Water Licence expires in 75 years or when terminated.

If the Water Ministerial Corporation gives an instruction to Snowy Hydro Limited that results in spills or releases from Jindabyne Dam that cause downstream damage to persons or property, SHL will be compensated by the Crown Entity for the proportion of claims incurred by the company. NSW will incur 58 percent of the cost of the claims against the company, if the Commonwealth and Victoria previously agreed with the instruction issued. No claims exist currently. However, the risk of exposure should be very low for several years while sufficient water savings are found and allocated to the Snowy River. This indemnity lasts until the Snowy Water Licence expires in 75 years or if the licence is terminated before then.

- The NSW Treasury Corporation has issued unconditional payment undertakings on behalf of some New South Wales government authorities participating in the wholesale electricity market to pay to the system administrators on demand in writing any amount up to an aggregate maximum agreed with individual participants.

The Corporation has also issued undertakings on behalf of other NSW government authorities in respect of those authorities' performance under contracts with third parties.

Amounts paid under these undertakings are recoverable from the NSW government authority participants. This financial accommodation is government guaranteed.

At year-end the agreed aggregate amounts totalled \$646 million (2001 \$458 million).

- EnergyAustralia has fully indemnified issuing financial institutions to the amount of \$368 million (2001 \$231 million). This relates to guarantees issued in respect of retention and security deposits, and guarantees provided to regulatory and statutory authorities.
- Rail Infrastructure Corporation has provided secured guarantees and letters of credit to customers and insurers amounting to \$49 million (2001 \$55 million).

(C) OTHER CONTINGENT LIABILITIES exist, for example from pending litigation, which cannot be quantified. Included in these are:

- Land claims lodged since the introduction of the Aboriginal Land Rights Act 1983. Of the claims lodged, a total of 1,996 have been granted either wholly or partly, over lands totalling 77,360 hectares and valued at approximately \$655 million. As at 30 June 2002, there were 1,029 claims under investigation (2001 938 claims). The liability under these claims is yet to be determined.
- Since the decision in Mabo and the commencement of the Commonwealth Native Titles Act 1993 on 1 January 1994, there have been some 189 applications including 17 claims for compensation in New South Wales under its provisions. As a result of claims being either settled, discontinued, or of amalgamations with other claims, 87 claims are ongoing. 114 non-claimant applications have been lodged by or to which the NSW Government is a party.

Any future liability associated with these claims is subject to determination by the Federal Court and cannot be estimated.

- Based on the definition of control in Australian Accounting Standard AAS24, Affiliated Health Organisations listed in the Third Schedule of the Health Services Act 1997 are only recognised in the Department's consolidated Financial statements to the extent of cash payments made.

However, it is accepted that a contingent liability exists which may be realised in the event of cessation of health service activities by any affiliated health organisation.

In this event the determination of assets and liabilities would be dependent on any contractual relationship that may exist or be formulated between the administering bodies of the organisation and the Department.

- In respect of the Roads and Traffic Authority (RTA), an additional liability could arise under Clause 4.1(c) of the Ensured Revenue Stream Agreement (ERS) if a taxation deduction for a claim for depreciation for the immersed tube section of the tunnel is disallowed to the Sydney Harbour Tunnel Company. Under such circumstance the ERS provides for a renegotiation of the method by which ERS payments are calculated which could result in an increased liability to the RTA of between \$31 million and \$75 million over the period of the agreement to 2022.
- Through the New South Wales Structured Finance Activities, the State entered into several cross border leases in respect of electricity and rolling stock assets. There are two categories of contingent liabilities with respect to these transactions:

(i) The first type of contingency arises by virtue of the NSW Government indemnity provided for each transaction. The exposure relates to the change of law risk and administration risk in relation to the covenants given under the lease transactions; and

(ii) the second type of contingency is where the Crown Entity has a third party risk in terms of monies being placed on deposit with a counterparty. The counterparty contingent liability is estimated to be \$887 million (2001 \$926 million). The amount of the counterparty contingent liability reflects the term nature of the deposits and the valuation of the Australian dollar against the US dollar. NSW Treasury Corporation regularly monitors this risk.

During the 2001-02 financial year there have been only minor changes in the credit standing of the deposit counterparties which range from BBB+ to AAA.

- The State supports the borrowing of the FANMAC Trusts via the Home Purchase Assistance Fund to facilitate the provision of housing loans to low income earners. The total capital value of borrowings of the FANMAC Trusts not consolidated into these financial statements was \$86 million at 30 June 2002 (2001 \$312 million).
- National Parks and Wildlife Service (the Service) received a claim for compensation for land acquired under the Land Acquisition (Just Terms Compensation) Act 1991. The estimated cost to the Service, if any, will be determined by the Land and Environment Court in due course.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

- The Service has also received claims for compensation or is involved in litigation in relation to several events that resulted in death, injury or damage to persons and or property generally within or adjacent to National Parks. These events include a July 1997 landslide at Thredbo Alpine Resort, a June 2000 fire in Ku-ring-gai Chase National Park, December 2001 and January 2002 fires across a large portion of the State, and other incidents within National Parks. The Service has no basis for quantifying the future liability.
- The State Rail Authority has entered into an agreement with a private sector company requiring the company to operate four stations on the Airport Line until 2030. If the agreement is terminated early due to default by either party, State Rail has an obligation, depending on the cause of the termination, to pay the company either (i) the value of the future income expected to be earned by the station business or (ii) compensation for its shareholders and to meet its debt obligations. The liability would be assessed by an independent appraiser.

The station operating company went into receivership in November 2000. The receiver and manager continue to operate the stations in accordance with the original agreement.
- In March 1997 the Department of Education and Training was advised that long service leave entitlements for casual teaching staff were extended to cover relief employment retrospective to May 1985. Entitlement requires demonstration of continuous service. It is not possible to determine how many casual teachers may have entitlement for long service leave. Consequently it is not possible to quantify the liability for long service leave for casual teachers.
- The Department of Transport has been involved in a court case relating to the introduction of smart cards. On 26 July 2002 Justice Adams of the NSW Supreme Court dismissed Cubic Transportation System's case. On 16 August 2002, Cubic Transportation Systems indicated their intention to appeal. They have three months from this date to outline the basis of the appeal.
- Landcom has entered into several development projects that include possible contingent liabilities. In the event of realisation, Landcom would be entitled to receive property to the estimated value of the liability. Landcom also has contingent liabilities in respect of remediation costs to a site at Zetland (maximum cap \$5 million), and unquantifiable costs to repair roads in the Narellan Release Area for Landcom constructed roads that have major structural failures occurring in the twenty year period commencing October 1998.
- The NSW Insurance Ministerial Corporation has liabilities for closed insurance schemes including the Transport Accident Compensation (TAC) Fund. Current provisions held against claims incurred within the TAC Fund portfolio are based upon expectations of future award payments. These payments are largely in the nature of lump sum awards and settlements, which are currently tax free in the hands of those compensated. If the tax-free status of these compensation payments were to be removed, the size of future settlements could increase and current levels of provisioning may not be adequate.
- The Coal Compensation Review Tribunal handed down its decision in the test case by Nardell Colliery Pty Ltd on the meaning of just and equitable in the Reacquisition Scheme on 17 April 2002.

The result was an increase in the compensation rate per tonne from \$0.90 to a maximum of \$1.04 based on changes to the corporate income tax rate. As the increase is only operative from 1994, the compensation liability for the Reacquisition Scheme only increased by \$10 million. The matter has now been taken by Nardell Colliery Pty Ltd on appeal to the Supreme Court.

The only issues in contention relate to the compensation rate per tonne. These issues are super royalty, cash payments on grant of lease and whether franking credits should be used to lower the effective corporate tax rate. No estimate has been made on the liability as a result of an adverse outcome, as legal advice is that the appeal is unlikely to be successful.

20. EVENTS OCCURRING AFTER REPORTING DATE

- The New South Wales Government announced in August 2001 its intention to sell Powercoal Pty Ltd, a wholly owned subsidiary of Pacific Power. Powercoal owns seven underground mines in NSW. The sale of Powercoal proceeded by way of a trade sale to Centennial Coal Company Ltd in July 2002. The Government received \$306 million for the shares in Powercoal, and \$25 million in stamp duty. The proceeds from the sale were subsequently applied to repay debt.
- The Board of Delta Electricity considered and approved an independent valuation of Delta Electricity's assets on 25 July 2002 with effect from the 2002-03 financial year.

The revaluation resulted in an increase of \$577 million in the value of property, plant and equipment. The total increment has been charged to the asset revaluation reserve in 2002-03.

- Western Sydney Buses was constituted as a fully owned subsidiary of the State Transit Authority on 12 July 2002 under the Transport Administration Act 1988 in order to operate the public bus service along the Liverpool-Parramatta transitway. Western Sydney Buses is expected to commence operations in 2002-03.

21. COMPLIANCE WITH APPROPRIATIONS

Details of compliance with parliamentary appropriations are contained in the annual reports of Budget dependent agencies. The "Summary of Compliance with Financial Directives" in each agency's annual report includes a summary of

recurrent and capital appropriations disclosing separately the original and revised amounts appropriated, and relevant expenditure for the reporting period.

22. FINANCIAL INSTRUMENTS

INTEREST RATE RISK EXPOSURES

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The State's exposure to interest rate risks and the effective weighted

average interest rate for each major class of financial assets and financial liabilities are set out in the following tables:

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	Notes	Floating interest rate 2002 \$m	Fixed interest rate maturing in:			Non-interest bearing 2002 \$m	TOTAL 2002 \$m	Weighted average effective interest 2002 %
			1 year or less 2002 \$m	1 to 5 years 2002 \$m	Over 5 years 2002 \$m			
Financial Assets								
Cash ^(a)	16	3,037	...	...	...	...	3,037	
Receivables	5	...	...	...	...	3,801	3,801	
Investments								
- Administered by TCorp ^(b)	6	1,965	...	196	1,194	...	3,355	2.9
- TCorp Placements	6	...	2,385	365	293	...	3,043	4.6
- In Associates		...	...	...	...	504	504	0.3
- Other	6	625	319	153	50	487	1,634	4.9
Total Financial Assets		5,627	2,704	714	1,537	4,792	15,374	
Financial Liabilities								
Bank Overdraft	11	384	...	...	...	...	384	
Payables	10	...	...	...	...	3,470	3,470	
Domestic and Foreign Borrowings	11	...	5,541	9,508	9,033	...	24,082	5.6
Liability to Commonwealth Government	11	...	41	324	1,445	...	1,810	4.7
Finance Leases	11	...	38	170	256	...	464	
Total Financial Liabilities		384	5,620	10,002	10,734	3,470	30,210	

	Notes	Floating interest rate 2001 \$m	Fixed interest rate maturing in:			Non-interest bearing 2001 \$m	TOTAL 2001 \$m	Weighted average effective interest 2001 %
			1 year or less 2001 \$m	1 to 5 years 2001 \$m	Over 5 years 2001 \$m			
Financial Assets								
Cash ^(a)	16	1,846	...	...	...	...	1,846	
Receivables	5	...	...	...	...	3,537	3,537	
Investments								
- Administered by TCorp ^(b)	6	1,799	...	240	762	...	2,801	5.9
- TCorp Placements	6	...	1,846	129	261	...	2,236	6.9
- In Associates	6	...	...	...	...	33	33	5.2
- Other	6	699	333	323	6	437	1,798	5.2
Total Financial Assets		4,344	2,179	692	1,029	4,007	12,251	
Financial Liabilities								
Bank Overdraft	11	722	...	...	...	...	722	
Payables	10	...	...	...	...	3,213	3,213	
Domestic and Foreign Borrowings	11	...	4,782	12,254	7,041	...	24,077	7.1
Liability to Commonwealth Government	11	...	41	321	1,489	...	1,851	4.7
Finance Leases	11	...	27	180	271	...	478	
Total Financial Liabilities		722	4,850	12,755	8,801	3,213	30,341	

ASSETS ADMINISTERED BY NEW SOUTH WALES TREASURY CORPORATION (TCORP)

TCorp acts as a manager of funds or actively manages asset portfolios on behalf of state government entities. Management of these funds is primarily through Hour Glass facilities and Special Client Mandates. TCorp appoints external fund managers to manage the bulk of these monies and monitors their performance against appropriate investment guidelines. These administered assets are reported as fiduciary activities in TCorp's financial statements.

Special Client Mandates occur when TCorp undertakes management of cash and asset portfolios on behalf of clients who do not wish to participate in the pooled arrangements of the Hour Glass facilities.

The value of Hour Glass facilities and Special Client Mandates can vary depending upon market conditions. The value that best represents the maximum credit risk exposure is the net fair value.

A typical Hour Glass investment is represented by a number of units of a managed investment Pool, with each particular pool having different investment horizons and being comprised of a mix of asset classes appropriate to that horizon.

^(a) **Cash**

The State's interest in Hour Glass Cash and Cash Plus facilities are brought to account as cash because they enable deposits and withdrawals to be made on a daily basis and are not subject to significant risk of a change in value. TCorp also manages the Special Client Mandate cash portfolio of the Crown Entity (2002 \$899 million, 2001 \$538 million) and New South Wales Lotteries (2002 \$95 million, 2001 \$75 million).

	2002 \$m	2001 \$m
<i>Hour Glass Cash</i>	820	604
<i>Hour Glass Cash Plus</i>	404	227
<i>Special Client Mandate</i>	994	613
Cash administered by Tcorp	2,218	1,444
<i>Other ^(#)</i>	819	402
Total Cash	3,037	1,846

^(#) *Other includes cash bank balances adjusted for unpresented cheques and outstanding deposits.*

^(b) **Investments - Hour Glass Facilities and Special Client Mandates**

TCorp manages investment portfolios on behalf of state entities through Hour Glass facilities which are reported at market value. TCorp also manages the Special Client Mandate investment portfolio of the New South Wales Insurance Ministerial Corporation's Treasury Managed Fund.

<i>Fixed Interest</i>	90	90
<i>Medium to Long Term</i>	661	830
<i>Treasury Managed Fund (Hour Glass facility)</i>	888	870
<i>Special Client Mandate</i>	1,716	1,011
Total Investments Administered by TCorp	3,355	2,801

NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments are carried at cost or market value.

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the State approximates their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

	Total carrying amount 2002 \$m	Aggregate net fair value 2002 \$m	Total carrying amount 2001 \$m	Aggregate net fair value 2001 \$m
Financial Assets				
Cash	3,037	3,037	1,846	1,846
Receivables	3,801	3,801	3,537	3,537
Investments - Administered by TCorp	3,355	3,355	2,801	2,801
- TCorp Placements	3,043	2,974	2,236	2,258
- In Associates	504	504	33	33
- Other	1,634	1,639	1,798	1,798
Total Financial Assets	15,374	15,310	12,251	12,273
Financial Liabilities				
Bank Overdraft	384	384	722	722
Payables	3,470	3,470	3,213	3,213
Domestic and Foreign Borrowings	24,082	24,216	24,077	24,211
Liability to Commonwealth Government	1,810	1,530	1,851	1,392
Finance Leases	464	464	478	478
Total Financial Liabilities	30,210	30,064	30,341	30,016

Credit Risk

Credit risk is the risk of financial loss arising from another party to a contract/financial position failing to discharge a financial obligation. The State's maximum exposure to credit risk is best represented by the carrying amounts of the financial assets included in the consolidated Statement of Financial Position.

The State is not materially exposed to concentrations of credit risk to a single debtor or to a group of debtors. The entities comprising the NSW State Sector are required to exercise prudential controls over the investment of financial assets.

OFF-BALANCE SHEET DERIVATIVE FINANCIAL INSTRUMENTS

The State is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates.

Interest Rate Derivatives

New South Wales Treasury Corporation manages the debt portfolio of the Crown, the Roads and Traffic Authority and a number of the State's commercial entities. A number of other commercial entities engage private sector financial institutions to manage, or advise on the management of their debt portfolios.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

The Treasury's Debt Management Policy requires that entities with significant debt portfolios manage the portfolio against a benchmark portfolio. This benchmark portfolio reflects the risk and return preferences of the individual entities. The debt manager must ensure that the average maturity of the actual debt portfolio is within an agreed range of the benchmark portfolio.

In order to achieve this, NSW Treasury Corporation and/or individual agencies use swaps, forward rate agreements and futures.

Foreign Exchange Derivatives

In order to achieve the most cost effective funding of the State's debt, NSW Treasury Corporation conducts a number of debt issues in foreign currencies in foreign capital markets. All such exposures are fully hedged through the use of cross currency swaps and forward foreign exchange contracts.

A number of entities in the NSW Public Sector enter into forward foreign exchange contracts to hedge certain purchase and sale commitments entered into in the normal course of business.

DERIVATIVE FINANCIAL INSTRUMENTS ^(c)

	Floating interest rate 2002 \$m	Fixed interest rate maturing in:			Non-interest bearing 2002 \$m	TOTAL 2002 \$m	Aggregate net fair value 2002 \$m
		1 year or less 2002 \$m	1 to 5 years 2002 \$m	Over 5 years 2002 \$m			
Receivable							
Swaps	...	1,004	959	650	...	2,613	1
Futures	...	176	20	12	...	208	1
Payable							
Swaps	(2,488)	(50)	(100)	...	...	(2,638)	(92)
Futures	...	(108)	(82)	(29)	...	(219)	...

	Floating interest rate 2001 \$m	Fixed interest rate maturing in:			Non-interest bearing 2001 \$m	TOTAL 2001 \$m	Aggregate net fair value 2001 \$m
		1 year or less 2001 \$m	1 to 5 years 2001 \$m	Over 5 years 2001 \$m			
Receivable							
Swaps	...	1,681	687	911	...	3,279	4
Forward Rate Agreements	47	...	...	...	...	47	1
Futures	...	574	445	...	...	1,019	...
Payable							
Swaps	(2,381)	(335)	(252)	(286)	...	(3,254)	1
Forward Rate Agreements	...	(47)	...	...	...	(47)	...
Futures	...	(676)	(93)	(1)	...	(770)	...

^(c) Notional Principal Amounts. Brackets indicate a net liability. Net fair value amounts are only available on a net receivable/payable basis.

23. DISCONTINUING OPERATIONS

POWERCOAL PTY LTD AND PACIFIC POWER (INTERNATIONAL) PTY LTD

On 24 August 2001, the Treasurer of New South Wales announced the Government's intention to sell Powercoal Pty Ltd to private parties and thereby discontinue Pacific Power's operations in the coal mining business segment. The sale occurred on 6 August 2002, with Centennial Coal Limited purchasing the subsidiary for a consideration of \$306 million.

In June 2002, the Treasurer of New South Wales appointed advisors for the purpose of advising the Government on the sale of Pacific Power (International) Pty Ltd and thereby discontinue Pacific Power's operations in the contracting, consulting and testing services related to the power industry. The sales process is expected to be completed in 2002-03.

	Powercoal Pty Ltd		Pacific Power (International) Pty Ltd	
	2001-02 \$m	2000-01 \$m	2001-02 \$m	2000-01 \$m
Financial performance information for the years ended 30 June 2002 and 2001				
Revenue from ordinary activities	350	347	138	181
Expenses from ordinary activities	398	359	136	185
Profit (Loss) from ordinary activities before income tax	(48)	(12)	2	(4)
Income tax benefit (expense)	...	...	(1)	1
Net profit/(loss)	(48)	(12)	1	(3)
Carrying amount of assets and liabilities as at 30 June 2002 and 2001				
Total assets	246	258	55	80
Total liabilities	247	211	52	78
Net Assets	(1)	47	3	2
Cash flow information for the years ended 30 June 2002 and 2001				
Net cash inflow (outflow) from operating activities	16	19	54	28
Net cash inflow (outflow) from investing activities	(43)	(28)	(1)	...
Net cash inflow (outflow) from financing activities	26	11	(26)	(28)
Net increase (decrease) in cash generated by the division	(1)	2	27	...

INTEGRAL ENERGY GAS PTY LTD

In February 2002 Integral Energy reached agreement with ActewAGL to sell the natural gas customer base and network assets, effective 30 June 2002. The remaining assets and liabilities as at 30 June 2002 will be transferred to the parent company, Integral Energy, during the 2002-03 financial year. Accordingly, Integral Energy Gas Pty Ltd ceased trading on 30 June 2002. The natural gas customer base and

network assets were sold for the sum of \$2 million, which was received on 5 July 2002. The carrying value of the net assets sold was \$8 million resulting in a book loss on sale before income tax of \$6 million. No further disclosures have been made in relation to this discontinuing operation, given the financial impact is considered immaterial.

24. DISAGGREGATED FINANCIAL STATEMENTS

Assets, liabilities, revenues and expenses that are reliably attributable to each broad sector of activities of the Government are set out below. The broad sectors have been determined in accordance with the Government Finance Statistics Standards of the Australian Bureau of Statistics.

For the purpose of this disclosure, effects of transactions and balances between sectors have not been eliminated, but those between entities within each sector have been eliminated.

**THE NSW TOTAL STATE SECTOR ACCOUNTS
DISAGGREGATED STATEMENT OF REVENUE AND
EXPENSES FOR THE YEAR ENDED 30 JUNE 2002**

	General Government		Public Trading Enterprises	
	2001-02 \$m	2000-01 \$m	2001-02 \$m	2000-01 \$m
REVENUES FROM ORDINARY ACTIVITIES				
State Revenues				
Taxation	13,207	13,327	...	...
Commonwealth Grants	15,033	12,967	...	...
Financial Distribution	1,331	1,245	...	...
Fines, Regulatory Fees and Other	792	918	...	...
Total State Revenues	30,363	28,457	...	...
Operating Revenues				
Sale of Goods and Services	2,264	2,282	9,144	9,035
Investment Income	283	483	86	112
Grants and Contributions	475	366	2,395	2,190
Recognition of Assets for the First Time	4,469	...	...	...
Deferred Revenues - Olympic and Paralympic Games	...	...	...	3,145
Net Gain/(Loss) on Disposal of Physical Assets	60	(8)	14	(24)
Other	388	418	1,017	562
Total Operating Revenues	7,939	3,541	12,656	15,020
EXPENSES FROM ORDINARY ACTIVITIES				
Employee Related				
- Superannuation	3,859	3,187	650	458
- Other	12,937	12,268	3,250	3,231
Other Operating	6,994	7,513	3,428	3,002
Maintenance	1,308	1,035	771	826
Depreciation and Amortisation	1,538	1,332	1,563	1,489
Grants and Subsidies	6,823	6,543	771	643
Deferred Expenses - Olympic and Paralympic Games	...	...	...	3,046
Borrowing Costs	942	1,317	891	1,082
Total Expenses	34,401	33,195	11,324	13,777
NET COST OF SERVICES	(26,462)	(29,654)	1,332	1,243
SURPLUS/(DEFICIT) FOR THE YEAR BEFORE FINANCIAL DISTRIBUTIONS				
Income Tax Equivalent Expense	...	...	613	335
Dividend Provisions	...	...	692	653
SURPLUS/(DEFICIT) FOR THE YEAR AFTER FINANCIAL DISTRIBUTIONS	3,901	(1,197)	27	255

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

THE NSW TOTAL STATE SECTOR ACCOUNTS
DISAGGREGATED STATEMENT OF REVENUE AND
EXPENSES FOR THE YEAR ENDED 30 JUNE 2002

Public Financial Enterprises		Eliminations		Total State Sector	
2001-02	2000-01	2001-02	2000-01	2001-02	2000-01
\$m	\$m	\$m	\$m	\$m	\$m
...	...	(619)	(688)	12,588	12,639
...	...	...	...	15,033	12,967
...	...	(1,331)	(1,245)	...	...
...	...	...	3	792	921
...	...	(1,950)	(1,930)	28,413	26,527
12	10	(401)	(466)	11,019	10,861
1,723	2,405	(1,721)	(2,185)	371	815
12	15	(2,185)	(1,909)	697	662
...	...	...	...	4,469	...
...	...	...	...	...	3,145
...	...	...	...	74	(32)
1	...	(6)	(6)	1,400	974
1,748	2,430	(4,313)	(4,566)	18,030	16,425
1	...	...	...	4,510	3,645
8	8	(157)	(173)	16,038	15,334
12	22	(244)	(626)	10,190	9,911
...	...	...	...	2,079	1,861
2	2	...	...	3,103	2,823
...	...	(2,732)	(2,431)	4,862	4,755
...	...	...	...	...	3,046
1,601	2,011	(1,801)	(2,257)	1,633	2,153
1,624	2,043	(4,934)	(5,487)	42,415	43,528
124	387	621	921	(24,385)	(27,103)
124	387	(1,329)	(1,009)	4,028	(576)
6	11	(619)	(346)	...	...
18	27	(710)	(680)	...	...
100	349	...	17	4,028	(576)

THE TOTAL STATE SECTOR ACCOUNTS

**THE NSW TOTAL STATE SECTOR ACCOUNTS
DISAGGREGATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE**

	General Government		Public Trading Enterprises	
	2002	2001	2002	2001
	\$m	\$m	\$m	\$m
Current Assets				
Cash Assets	1,646	1,035	1,256	952
Receivables	2,741	2,403	1,711	1,610
Other Financial Assets	625	767	872	786
Inventories	154	154	572	532
Other	73	61	164	252
Total Current Assets	5,239	4,420	4,575	4,132
Non-Current Assets				
Receivables	2,845	2,480	136	163
Other Financial Assets	4,314	3,258	212	273
Property, Plant and Equipment				
Land and Buildings	37,654	32,165	25,297	25,099
Plant and Equipment	4,256	4,182	3,528	4,243
Infrastructure Systems	31,281	29,246	31,315	30,153
Forestry Stock	...	...	1,493	1,424
Inventories	12	42	343	312
Other	963	854	757	763
Total Non-Current Assets	81,325	72,227	63,081	62,430
TOTAL ASSETS	86,564	76,647	67,656	66,562
Current Liabilities				
Payables	1,823	1,480	1,825	1,758
Interest Bearing	1,730	2,066	2,335	1,645
Employee Entitlements and Other Provisions	2,395	2,101	1,615	1,489
Other	423	345	109	138
Total Current Liabilities	6,371	5,992	5,884	5,030
Non-Current Liabilities				
Interest Bearing	10,360	11,501	10,541	11,024
Employee Entitlements and Other Provisions	18,504	14,321	3,014	2,440
Other	992	1,005	168	331
Total Non-Current Liabilities	29,856	26,827	13,723	13,795
TOTAL LIABILITIES	36,227	32,819	19,607	18,825
NET ASSETS	50,337	43,828	48,049	47,737
Equity				
Asset Revaluation Reserves	18,418	16,345	24,263	24,566
Accumulated Funds	31,919	27,483	23,786	23,171
TOTAL EQUITY	50,337	43,828	48,049	47,737

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

THE NSW TOTAL STATE SECTOR ACCOUNTS
DISAGGREGATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE

Public Financial Enterprises		Eliminations		Total State Sector	
2002	2001	2002	2001	2002	2001
\$m	\$m	\$m	\$m	\$m	\$m
408	111	(273)	(252)	3,037	1,846
382	511	(1,526)	(1,347)	3,308	3,177
7,299	6,204	(5,404)	(4,716)	3,392	3,041
...	...	...	...	726	686
...	...	...	...	237	313
8,089	6,826	(7,203)	(6,315)	10,700	9,063
...	...	(2,488)	(2,283)	493	360
17,066	18,452	(16,448)	(18,156)	5,144	3,827
...	1	...	...	62,951	57,265
4	3	...	...	7,788	8,428
...	...	...	...	62,596	59,399
...	...	...	...	1,493	1,424
...	...	...	...	355	354
...	...	(372)	(336)	1,348	1,281
17,070	18,456	(19,308)	(20,775)	142,168	132,338
25,159	25,282	(26,511)	(27,090)	152,868	141,401
342	423	(520)	(448)	3,470	3,213
6,382	5,583	(4,562)	(3,968)	5,885	5,326
37	46	(846)	(784)	3,201	2,852
...	...	(97)	(70)	435	413
6,761	6,052	(6,025)	(5,270)	12,991	11,804
18,668	19,588	(18,714)	(20,311)	20,855	21,802
38	51	(1,269)	(1,035)	20,287	15,777
...	...	(503)	(474)	657	862
18,706	19,639	(20,486)	(21,820)	41,799	38,441
25,467	25,691	(26,511)	(27,090)	54,790	50,245
(308)	(409)	...	...	98,078	91,156
...	...	...	...	42,681	40,911
(308)	(409)	...	...	55,397	50,245
(308)	(409)	...	...	98,078	91,156

25. DETAILS OF CONSOLIDATED ENTITIES

The Total State Sector comprises the following entities and the entities that they control. Data was not consolidated for a number of small entities controlled by the state government (identified below with an asterisk) as they are not considered material for whole-of-government purposes. For completeness, they have been listed below as part of the government reporting entity:

General Government

Sector Agencies

Aboriginal Housing Office
 Adult Migrant Education Service (*)
 Air Transport Council (*)
 ANZAC Memorial Building Trustees (*)
 Art Gallery of NSW Foundation (*)
 Art Gallery of New South Wales
 Attorney General's Department
 Audit Office of New South Wales
 Aus Health International Pty Ltd (*)
 Australia Day Council (*)
 Australian Museum

Bicentennial Park Trust (a)
 Board of Vocational Education and Training (*)
 Building and Construction Industry Long Service Leave Payments Corporation
 Building Insurers Guarantee Corporation (*)

Cabinet Office
 Casino Control Authority
 CB Alexander Foundation (*)
 Chipping Norton Authority (*)
 Centennial Park and Moore Park Trust
 Coal Compensation Board
 Coastal Council of NSW (*)
 Commission for Children and Young People
 Community Relations Commission
 Community Services Commission
 Consolidated Fund
 Crown Solicitor's Office (*)
 Crown Entity
 Crown Leaseholds Entity
 Crown Property Portfolio

Dams Safety Committee (*)
 Department of Aboriginal Affairs
 Department of Ageing, Disability and Home Care
 Department of Agriculture
 Department of Community Services
 Department of Corrective Services
 Department of Education and Training
 Department of Fair Trading
 Department of Gaming and Racing

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

General Government Sector Agencies (continued)

Department of Health
Department of Industrial Relations
Department of Information Technology and Management
Department of Juvenile Justice
Department of Land and Water Conservation
Department of Local Government
Department of Mineral Resources
Department of Public Works and Services
Department of Rural Fire Service
Department of Sport and Recreation
Department of State and Regional Development
Department of Transport
Department for Women

Eastern Creek Raceway
Environmental Trust
Environment Protection Authority
Electricity Tariff Equalisation Ministerial Corporation

Festival Development Corporation ^(*)
Farrer Memorial Research Scholarship Fund ^(*)

Greyhound Racing Authority ^(*)

Harness Racing Authority ^(*)
Health Care Complaints Commission
Health Foundation of NSW ^(*)
Heritage Office
Historic Houses Trust of New South Wales
Home Care Service of New South Wales
Home Purchase Assistance Authority ^(b)
Home Purchase Assistance Fund
Honeysuckle Development Corporation
Hunter Catchment Management Trust ^(*)

Independent Commission Against Corruption
Independent Pricing and Regulatory Tribunal
Institute of Sport (NSW) ^(*)
Internal Audit Bureau ^(*)

Judicial Commission of New South Wales

Lake Illawarra Authority ^(*)
Land and Property Information New South Wales
Legal Aid Commission of New South Wales
Lord Howe Island Board ^(*)
Luna Park Reserve Trust

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

General Government Sector Agencies (continued)

Mines Rescue Board ^{(*) (c)}
Mines Subsidence Board ^(*)
Minister Administering Environmental Planning and Assessment Act
(incorporating Sydney Region Development Fund and Land Development
Contribution Fund)
Ministerial Development Corporation ^(d)
Ministry of Energy and Utilities
Ministry for Police
Ministry for the Arts
Motor Accidents Authority
Motor Vehicle Repair Industry Council ^(*)
Museum of Applied Arts and Sciences

National Parks and Wildlife Service
New South Wales Adult Migrant English Service
New South Wales Cancer Council ^(*)
New South Wales Crime Commission
New South Wales Film and Television Office
New South Wales Fire Brigades
New South Wales Fisheries
New South Wales Insurance Ministerial Corporation
New South Wales Medical Board ^(*)
New South Wales Police Service

Office of Co-ordinator General of Rail
Office of the Board of Studies
Office of the Children's Guardian
Office of the Director of Public Prosecutions
Office of the Minister for Public Works and Services
Office of Protective Commissioner and Public Guardian ^(*)
Olympic Co-ordination Authority ^(a)
Ombudsman's Office

Parliamentary Counsel's Office
Parramatta Park Trust ^(*)
Planning NSW
Police Integrity Commission
Premier's Department
Psychiatry Institute of NSW ^(*)
Public Trust Office

Registry of Births, Deaths and Marriages
Rental Bond Board
Resource NSW
Roads and Traffic Authority
Royal Botanic Gardens and Domain Trust
Rural Assistance Authority

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

General Government Sector Agencies (continued)

Safe Food Production NSW
 Somersby Park Limited ^(*)
 South Sydney Development Corporation ^(*)
 Sporting Injuries Committee ^(*)
 State Electoral Office
 State Emergency Service
 State Library of New South Wales
 State Records Authority
 State Sports Centre Trust
 Stormwater Trust
 Superannuation Administration Corporation
 Sustainable Energy Development Authority
 Sydney International Aquatic and Athletic Centres ^(*)
 Sydney Olympic Park Authority^(a)

 Technical Education Trust Fund ^(*)
 Telco ^(*)
 The Cabinet Office
 The Legislature
 Tourism New South Wales
 Tow Truck Authority of New South Wales ^(*)
 Treasury

 Upper Parramatta River Catchment Trust ^(*)

 Vocational Education and Training Accreditation Board ^(*)

 Waste Planning and Management Fund
 Waterways Authority
 Wentworth Park Sporting Complex Trust ^(*)
 Wild Dog Destruction Board ^(*)
 WorkCover Authority
 Workers Compensation (Dust Diseases) Board

Public Trading Enterprises

Australian Inland Energy Water Infrastructure

 City West Housing Pty Ltd
 Cobar Water Board
 Country Energy ^(e)
 Crown Entity - Trading Activities

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

Public Trading Enterprises (continued)

Delta Electricity
Department of Housing – Land and Housing Corporation ^(b)

EnergyAustralia
Eraring Energy

Fish River Water Supply Authority
Freight Rail Corporation ^(f)

Integral Energy

Hunter Water Corporation

Jenolan Caves Reserves Trust ^(*)

Landcom ^(d)

Macquarie Generation

Newcastle International Sports Centre Trust ^(*)
Newcastle Port Corporation
Newcastle Showground ^(*)
New South Wales State Lotteries

Pacific Power
Parramatta Rail Link
Parramatta Stadium Trust
Port Kembla Port Corporation

Rail Infrastructure Corporation

State Forests of New South Wales
State Rail Authority
State Transit Authority
Sydney Catchment Authority
Sydney Cricket Ground and Sports Ground Trust
Sydney Harbour Foreshore Authority
Sydney Opera House
Sydney Organising Committee for the Olympic Games ^(a)
Sydney Ports Corporation
Sydney Water Corporation

**Public Trading
Enterprises (continued)**

Teacher Housing Authority
TransGrid

Waste Recycling and Processing Corporation
Wollongong Sports Ground Trust

Zoological Parks Board

**Public Financial
Enterprises**

Fair Trading Administration Corporation
FANMAC Trusts

New South Wales Treasury Corporation

(a) The Sydney Olympic Park Authority (SOPA) was established on 1 July 2001. The Bicentennial Park Trust was dissolved on this date and transferred to SOPA. Certain assets and liabilities of the Olympic Co-ordination Authority were also transferred to SOPA and to other government agencies on 1 July 2001. The Olympic Co-ordination Authority was subsequently wound up on 1 July 2002 and its residual assets and liabilities transferred to the SOPA. The Sydney Organising Committee for the Olympic Games was dissolved on 31 October 2001 and its residual unspent funds were returned to the Crown.

(b) The Home Purchase Assistance Authority was transferred to the Department of Housing effective 1 July 2001.

(c) The Mines Rescue Board was dissolved on 31 December 2001.

(d) The assets and liabilities of the Ministerial Development Corporation were transferred to Landcom on 1 January 2002.

(e) On 1 June 2001 NorthPower was renamed Country Energy. On 1 July 2001 the assets and liabilities of Advance Energy and Great Southern Energy were transferred to Country Energy.

(f) Freight Rail Corporation was sold on 21 February 2002.

() Data was not consolidated for a number of small entities controlled by the state government as they are not considered material for whole-of-government purposes. For completeness, they have been listed above as part of the government reporting entity.*

END OF AUDITED FINANCIAL REPORT

