

NEW SOUTH WALES REPORT ON STATE FINANCES 2000 - 01

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PREFACE

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

This year's report has been expanded to include 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 will allow a comparison of the end of year aggregates with those estimated in the 2000-01 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 and the General Government Sector. 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

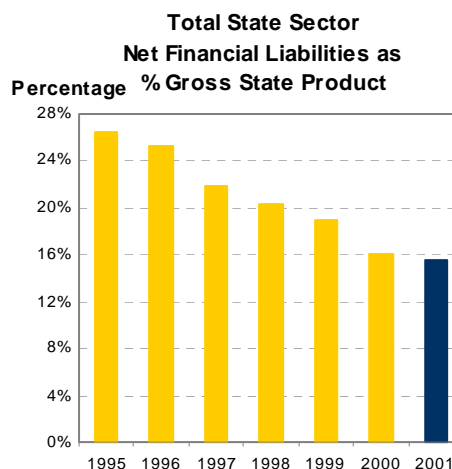
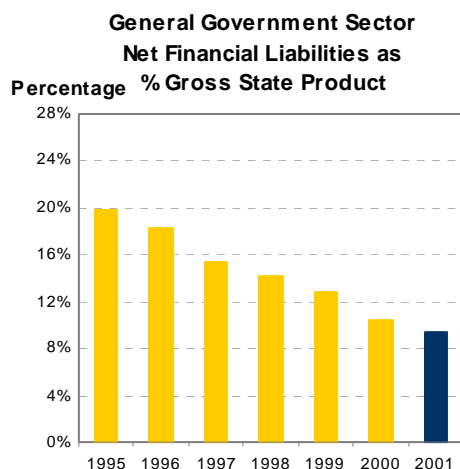
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HIGHLIGHTS

- A final Budget surplus for the year ended 30 June 2001 of \$712 million which is \$53 million higher than the 2000-01 Budget estimate of \$659 million.
- The New South Wales Government has strengthened its Balance Sheet in the year ended 30 June 2001.
 - Total State Sector GFS Net Worth increased by \$3,736 million.
 - Total State Sector Net Debt decreased by \$1,273 million.
 - The ratio of Total State Sector Net Financial Liabilities to Gross State Product fell from 16.1 percent to 15.5 percent. Since June 1995 Total State Sector Net Financial Liabilities as a percentage of Gross State Product has fallen from 26.6 percent to 15.5 percent and General Government Sector Net Financial Liabilities have fallen from 19.8 percent to 9.4 percent.
- The strong Budget surplus and improved financial position was achieved notwithstanding the Government's acceptance of \$600 million in liabilities following the collapse of HIH insurance.
- New South Wales has maintained its AAA credit rating for the year ended 30 June 2001 as noted in the rating reports from Standard and Poors, and Moody's Investor Services.
- The Budget surplus for the year also reflected the Government's achievement in meeting its policy priorities as set out in the 2000-01 Budget, particularly in the key service delivery areas of Health, Education and Transport.
- In the year ended 30 June 2001 the Government continued its tax rate reduction program. Certain taxes and charges were abolished and a number of taxation rates reduced.





HIGHLIGHTS

The 2000-01 Budget outlined the Government's fiscal strategy for the year and set out the Government's policy priorities of:

- Developing rural New South Wales.
- Providing the best possible education opportunities.
- Advancing the public health system.
- Supporting families, children and the disadvantaged.
- Improving access to public transport.
- Protecting the community.
- Preserving the environment.

To achieve these priorities the following Agency initiatives were undertaken and are reflected in the 2000-01 results.

Expenditure in **Education** increased mainly due to:

- Additional salary costs reflected in the May 2000 Teachers Salaries Agreement and costs of the Career Change Scheme for teachers.
- Additional grants to schools for various education programs and increases in training grants to industry.
- Additional maintenance and ongoing upgrading improvements in schools and TAFE institutes.
- Increased funding for school operating expenses.

Expenditure in **Health** increased partly due to:

- Additional funding for Area Health Services to meet increasing demand for services and to repair longstanding inequities under the Resource Distribution Formula.

- A program over three years for Health reform initiatives aimed at improving health care including relieving pressure in emergency departments and intensive care units and improving care for patients with chronic and complex conditions.
- Further increases in Drug Summit initiatives.
- Commonwealth funding increases under the Australian Health Care Agreement.

Expenditure was increased in **Natural Resources**, particularly in **Regional New South Wales**. This included:

- Additional projects in backlog water supply and sewerage schemes in country towns.
- Sewerage upgrades throughout New South Wales national parks and reserves.
- Additional programs to protect, maintain and rehabilitate native vegetation and implement strategies to restore areas affected by salinity.
- Acquiring additional land in regional New South Wales for new national parks and reserves.

Increased expenditure in **Transport** related to:

- The Rail Improvement Package instituted by the Government. Major additional items funded included:
 - increased levels of track maintenance, with the majority in rural and regional New South Wales
 - additional carriage maintenance, and
 - additional funding for the East Hills and Richmond lines.
- Additional rail funding for the electrification of the Dapto to Kiama rail line and new upgrades for commuter parking and metropolitan and regional interchanges.



HIGHLIGHTS

- An extensive statewide roads program including the M5 East, Windsor Road, the Pacific Highway and certain National Highway Projects.

Expenditure in **Law and Order** also increased:

- Increased expenditure within the Police Service partly reflected additional 'one off' costs for the Olympics; the additional cost of the new Award for police officers agreed from 1 January 2001; and ongoing costs associated with the Government's commitment to increase the total number of police officers.
- Within the Department of Corrective Services expenditure increased due to costs associated with additional inmate numbers and training of additional correctional officers.

The Government increased **Welfare** sector expenditure in the following areas:

- Growth funding for grants in the disability and home and community care programs.
- An increase in grants funding for the community-based support services for families and vulnerable individuals.
- Additional funding for staff and resources for core activities, such as the call centre, and for areas of reform, such as transformation.
- Additional funding due to increases in the number of children in foster care and related demand for services.



HIGHLIGHTS

TOTAL STATE AND GENERAL GOVERNMENT KEY FINANCIAL INDICATORS

		Total State	General Government
Budget Surplus (Net Lending)	\$m	N/A	712
AAS31 Operating Result excluding Significant Items	\$m	1,539	1,017
AAS31 Operating Result including Significant Items	\$m	(576)	(1,197)
Net Cost of Services	\$m	27,103	29,654
Net Debt	\$m	18,428	7,202
Net Debt as a % of Gross State Product	%	7.7	3.0
Net Unfunded Superannuation Liability	\$m	7,981	8,127
Net Financial Liabilities (NFL)	\$m	37,012	22,375
NFL as a % of Gross State Product	%	15.5	9.4
GFS Total Assets	\$m	142,106	124,483
GFS Total Liabilities	\$m	50,301	32,819
GFS Net Worth	\$m	91,805	91,664



SCOPE OF THE REVIEW

SCOPE OF THE REVIEW

This review has been expanded to provide a broader analysis of Government finances. The review combines the following three reports that were disclosed separately in prior years:

- The Statement of the Budget Result
- The Outcomes Report
- The Consolidated Financial Report of the NSW Total State Sector (Incorporating The Public 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.

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 2000-01 year-end results with the 2000-01 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. 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. In previous years the Outcomes Report was prepared on a cash-basis. This is the first year the Outcomes Report is prepared on an accrual GFS basis.

In prior years the Outcomes Report has been released separately, however this year it has been included in this report on State finances. This 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.

The Consolidated Financial Report

The Consolidated Financial Report includes the Total State Sector Accounts and the Public Accounts. They are prepared in accordance with Australian Accounting Standards and are fully audited.



SCOPE OF THE REVIEW

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 (as reported in the Public Accounts) 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.

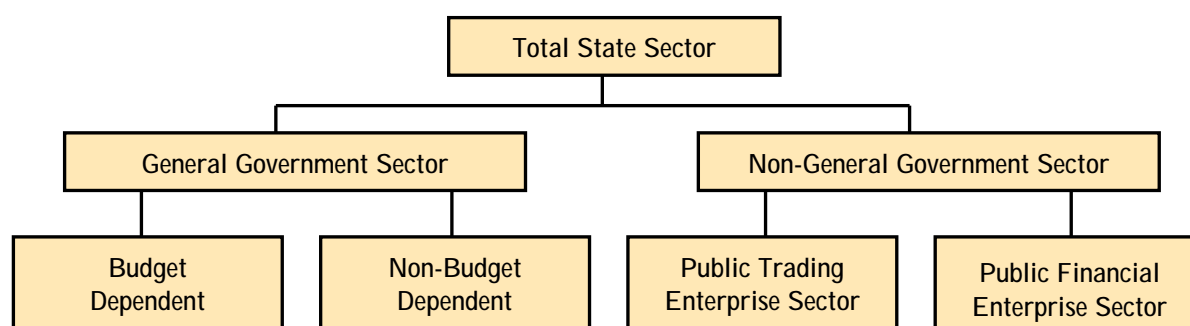
Refer Note 25 for a full list of consolidated entities.

The composition of the Total State Sector is summarised in Figure 1, below.

The **Public Accounts** report on the operating result, financial position and cash flows of the General Government Sector. The General Government Sector covers all agencies that are generally engaged in the production of goods and services outside the normal market mechanisms.

In practice, this means that commercial entities which operate outside normal market mechanisms (eg the Insurance Ministerial Corporation) and self funded regulatory agencies (eg the WorkCover Authority and the Motor Accidents Authority) are included, as well as budget dependent agencies which receive an appropriation in the annual Appropriation Act.

Figure 1





SCOPE OF THE REVIEW

Consolidation of entities in this financial report has been done in accordance with Australian Accounting Standards AAS24 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 the increased 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.



REVIEW OF FINANCIAL PERFORMANCE FOR 2000-01

In accordance with the new format of this report 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 2000-01 Budget and the actual result at 30 June 2001.

Commentary has also been provided on the variances over the same period for the Public Trading Enterprise Sector (PTE). A detailed report on the PTE sector has been provided in the Outcomes Report at P2-5.

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 P2-2 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 P3-6.

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.



ANALYSIS OF THE GFS STATEMENT OF THE BUDGET RESULT

The Budget surplus for the year 2000-01 was a surplus of \$712 million (see page 1-4). This is \$53 million higher than the Budget estimate of \$659 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

	Budget	Actual	Variance
	\$m	\$m	\$m
State Revenues			
Taxation	12,418	13,333	915
Commonwealth Grants	12,780	12,970	190
Financial Distributions	1,208	1,240	32
Fines, Regulatory Fees and other	769	884	115
Total State Revenues	27,175	28,427	1,252

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.

As expected in the 2000-01 Budget, contracts and conveyance revenue fell sharply in the first half of 2000-01. However, an earlier than expected recovery has meant that revenue was \$493 million above the Budget estimate. This is still 8 percent lower than the previous year.

Part of the reason for the earlier turnaround and overall milder downturn in revenue was that interest rates fell earlier and more steeply than expected. Activity was particularly strong in the upper end of the property market.

Other Stamp Duties

Collections for 2000-01 were \$165 million, or 7.4 percent, above the Budget estimate, due mainly to stronger revenues for marketable securities, insurance and motor vehicle registration duty.

Marketable securities duty revenue in 2000-01 was 25.6 percent above the Budget estimate. Share market activity in 2000-01 was higher than expected, with new listings and merger proposals boosting turnover.

Insurance duty revenue in 2000-01 was boosted by higher than anticipated premium increases.

Motor vehicle registration stamp duty was boosted by strong vehicle sales in the first half of the financial year, with the reduction of new vehicle prices following tax changes.

Payroll Tax

Payroll tax revenue for 2000-01 was \$55 million, or 1.4 percent, higher than the Budget estimate. Employment in businesses above the payroll tax threshold appears to have held fairly firm, notwithstanding a weakening in aggregate employment growth compared with Budget forecasts.

Commonwealth Grants

In 2000-01 Commonwealth grants in aggregate were above the Budget estimate by about \$190 million or 1.5 percent, spread fairly evenly between general and specific purpose payments.



REVIEW OF FINANCIAL PERFORMANCE FOR 2000-01

Fines, Regulatory Fees and Other

Revenue in 2000-01 was \$115 million higher 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 net basis. Under GFS standards the debt and associated provision are separately disclosed with the latter being excluded from the result as a valuation loss.

OPERATING REVENUES

	Budget \$m	Actual \$m	Variance \$m
Operating Revenues			
Sale of Goods and Services	2,209	2,359	150
Investment Income	391	484	93
Grants and Contributions	339	338	(1)
Other Revenue	280	448	168
Total Operating Revenues	3,219	3,629	410

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 2000-01, revenues exceeded the Budget estimate by \$150 million. The higher result is mainly due to \$50 million from increased hospital fees and other hospital charges to private patients using the public health system, and an additional \$22 million from the Department of Veterans' Affairs.

Fees for Education and Training were \$43 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.

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 2000-01, revenues were \$93 million above the Budget estimate, mainly reflecting improved returns for the New South Wales Insurance Ministerial Corporation, WorkCover Authority and other bodies with market linked investments.

Other Operating Revenue

Other operating revenue in 2000-01 was \$168 million higher than the Budget estimate. This consisted of many small variations.

EXPENSES

The collapse of HIH Insurance – Following the collapse of HIH Insurance the Government incurred an unbudgeted expense of \$600 million. This reflects the gross liabilities of the Compulsory Third Party and Home Warranty Insurance schemes. This expense has been classified under Recurrent Grants and Subsidies.

Transport expenses were \$309 million higher than the Budget estimate primarily due to additional funding for the Rail Improvement Package, including extra rail carriage and track maintenance, and further grants to Rail Infrastructure Corporation to upgrade rail infrastructure. Additional funds were also provided for improving the State Rail Authority's operational performance and meeting shortfalls in budgeted revenue.



REVIEW OF FINANCIAL PERFORMANCE FOR 2000-01

Education expenses were higher than the Budget estimate by \$249 million or 4.1 percent. Additional costs were incurred for salary adjustments under the May 2000 teachers' salary increase, which was unresolved at the time of the 2000-01 Budget. Other increases include the career change scheme for school teachers, 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).

Other **Olympic** expenses were \$130 million higher than the Budget estimate. Additional expenses were incurred in relation to the Olympic allowance payments, transport costs, payment to the Commonwealth (as its share of the surplus from the Paralympic Games), depreciation and urban domain costs. Most of these expenses were met from unbudgeted revenues (as detailed above).

Health operating expenses were \$51 million higher than the Budget estimate. The major reason for this variation is that certain cash flows that were originally categorised as asset acquisitions have now been reclassified to expenses.

First Home Owners' grants were \$96 million higher than the Budget. **Reimbursements to the Australian Tax Office** for the costs of administering the GST exceeded budget by \$61 million. These additional expenses are offset by a matching increase in Commonwealth grants.

Superannuation expenses were \$142 million higher than the Budget estimate partly due to the impact of the triennial valuation of liabilities within the Pooled Superannuation Fund, which has increased the cost of the current year superannuation expense; and higher than expected member growth in the accumulation fund.

The **Roads and Traffic Authority (RTA)** expense for depreciation on roads exceeded the Budget estimate by \$297 million. The increased expense reflects a change in the relevant accounting treatment. Prior to 1999-2000 the RTA used a condition based methodology to assess depreciation. In accordance with the Urgent Issues Group Abstract 30, this method has been discontinued and replaced with a straight line depreciation method. This is in accordance with Australian Accounting Standards.

Other RTA expenses were \$144 million below Budget due to a revision of the classification between maintenance expenses and capitalised expenditure.

CAPITAL ACQUISITIONS

Capital expenditure was marginally less than Budget. The result consisted of a large increase for the RTA offset by reductions in other agency programs.

The details of the RTA result are as follows:

- The majority of the increase in capital expenditure (\$213 million) was due to increased expenditure on major contract works including:
 - M5 East and Pacific Highway projects (Yelgun to Chinderah and Coolongolook to Wang Wauk)
 - National Highways projects - Bookham Bypass and Sutton to ACT Border

Additionally, in previous years, maintenance works classified as rehabilitation works were included in the Maintenance Program. In negotiations with the Audit Office in finalising the RTA's 2000-01 financial report, major rehabilitation works have been reclassified as capital expenditure. The value of this expenditure was \$75 million.



REVIEW OF FINANCIAL PERFORMANCE FOR 2000-01

- These increases were offset by a number of instances where agencies reclassified Capital Works to expense items. (As noted above in Health).

ASSET SALES AND OTHER MOVEMENTS IN NON-FINANCIAL ASSETS

Asset sales were lower than Budget. This was due to the deferral of the sale of the Maritime Centre, the Olympic media village site and various properties in the Crown Property Portfolio.

The lower asset sales were offset to some extent by higher adjustments relating to grants of Land and Olympic facilities to Councils. These items are grossed up in a GFS presentation, appearing in both expenses and other movements in non-financial assets.

PUBLIC TRADING ENTERPRISE NET LENDING 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 a Net Lending Result (surplus) in 2000-01 of \$557 million compared to a budgeted result of \$174 million (see P2-5). Improved results in Transgrid, Pacific Power and the SRA contributed to this increased Net Lending surplus. In the case of the SRA this meant a lower than expected operating loss.

During 2000-01 the NSW electricity authorities underwent a capital restructure to raise debt levels closer to those of equivalent private sector firms. This action was necessary to ensure that these businesses face the same commercial disciplines as private sector firms.

The \$3,203 million proceeds of the debt restructure were returned to the General Government Sector and applied in reducing General Government debt. Through paying off high coupon loans, ongoing savings in General Government interest costs have been maximised. Although there will be a reduction in dividends paid by the relevant electricity authorities, an overall benefit has been captured for future budgets.

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 2000-01 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 Consolidated Financial Report 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; and
- 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.

The Total State Sector Balance Sheet

The Total State Sector's Net Worth was \$91,805 million at 30 June 2001, an increase of \$3,736 million or 4.2 percent on the previous year's balance.

The \$3,736 million increase in Net Worth comprises an increase in non-financial assets of \$4,647 million offset by an increase in Net Financial Liabilities of \$911 million.

Over the period June 1994 through to June 2001 the Net Worth of the NSW Total State Sector has increased by 59 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 \$128,817 million at 30 June 2001, an increase of \$4,647 million on the previous year. This increase included a net investment in property and infrastructure of \$4,663 million and asset revaluations of \$3,738 million which were offset by an increased provision for depreciation of \$2,753 million and other movements of \$1,001 million.

Investment in the State's property and infrastructure will provide benefits for current and future generations. It includes investments in 2000-01 in

- educational facilities \$282 million
- hospitals and equipment \$375 million
- roads \$1,161 million
- public housing \$267 million
- transport \$302 million
- energy infrastructure \$939 million
- water infrastructure \$445 million

EnergyAustralia and Integral Energy revalued their electricity infrastructure by \$1,890 million during 2000-01. The Roads and Traffic Authority also revalued its property and roads by \$775 million during the financial year.



REVIEW OF FINANCIAL PERFORMANCE FOR 2000-01

Non-financial assets represent in excess of 90 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

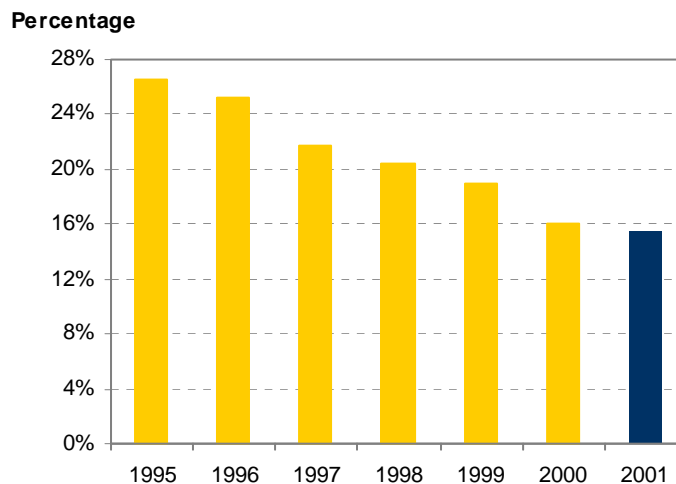
Net Financial Liabilities (NFL) reflect the financial obligations of the Government. They comprise Net Debt, unfunded superannuation and other employee provisions, insurance obligations and other liabilities.

Total State Sector NFL rose slightly during 2000-01 to \$37,012 million. Despite this marginal dollar increase, Net Financial Liabilities at 30 June 2001 have fallen to 15.5 percent of Gross State Product (GSP) compared to 16.1 percent in June 2000 and 26.6 percent in June 1995. (Refer Figure 2).

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.

Figure 2

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





REVIEW OF FINANCIAL PERFORMANCE FOR 2000-01

NFL comprise:

	June 2001 \$m	June 2000 \$m
Net Debt	18,428	19,701
Superannuation Liabilities	7,981	5,284
Other Employee Entitlements	5,646	5,570
Insurance Obligations	3,894	3,142
Other Net Liabilities	1,063	2,404
Net Financial Liabilities	37,012	36,101

The \$911 million increase in Total State NFL was primarily due to the actuarial revaluation of liabilities within the pooled superannuation fund (\$2,697 million), the provision for hardship assistance for HIH Insurance policy holders (\$567 million at 30 June 2001) offset by reductions in Net Debt (\$1,273 million) and a reduction in other liabilities of \$1,080 million.

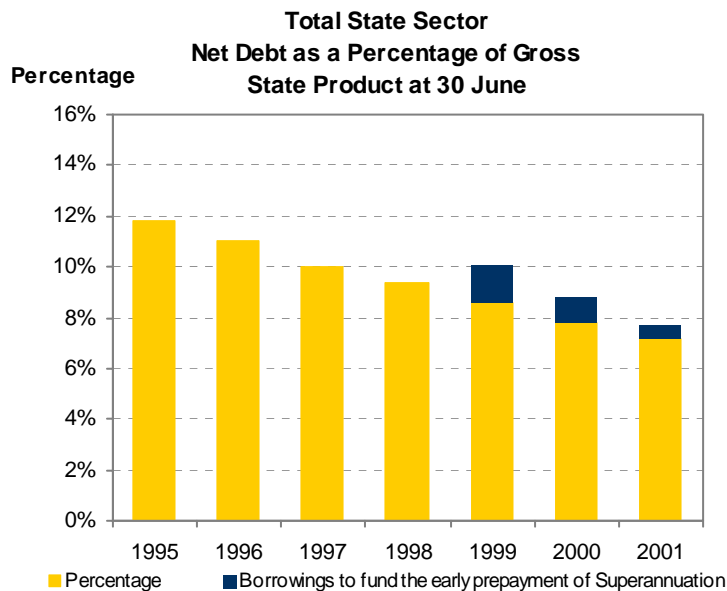
Net Debt

Total State Sector Net Debt fell by \$1,273 million to \$18,428 million for the year ended 30 June 2001.

Net Debt comprises borrowings less cash, investments and advances receivable. The \$1,273 million reduction in Net Debt is primarily the result of the application of the cash surplus.

The Net Debt of the State as a percentage of Gross State Product decreased from 8.8 percent in June 2000 to 7.7 percent in June 2001. Excluding the borrowings associated with the earlier prepayment of superannuation, Net Debt as a percentage of GSP is even lower, falling from 7.8 percent in June 2000 to 7.2 percent in June 2001, in line with a consistent trend since 1995. (Refer Figure 3).

Figure 3





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 2000-01 net unfunded superannuation liabilities grew by \$2,697 million. This is a result of:

- changes in actuarial demographic assumptions resulting from reduced mortality rates and higher police disablement retirement levels;
- a “funding holiday” by the Crown due to the prepayment of employer contributions in 1999; and
- the actual investment performance of the Pooled Fund being 5.2 percent in 2000-01, which is lower than the long-term actuarially applied rate of 7 percent per annum.

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 favourable 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 2000-01 obligations grew by \$752 million to \$3,894 million. The main reason for the increase resulted

from the Government’s assumption of liabilities for outstanding compulsory Third Party claims under policies in force with HIH prior to 31 December 2000, and for claims under the Home Warranty Insurance scheme in respect of HIH policies entered into prior to 15 March 2001.

The extent of this liability was originally estimated at \$600 million. By 30 June 2001 the NSW Government had paid out \$33 million in relation to HIH third party accident claims and builders warranty insurance, leaving an actuarially estimated obligation of \$567 million.

Other Net Liabilities

Other net liabilities fell significantly during 2000-01 by \$1,341 million to \$1,063 million. This primarily related to the GFS treatment for the extinguishment of Olympic and Paralympic liabilities associated with the deferral of income and expenditure until the 2000-01 Olympic year.

Net Worth

The movement in various financial and non-financial assets and liabilities, outlined above, resulted in growth in Net Worth during 2000-01 by \$3,736 million to \$91,805 million.



ANALYSIS OF 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 \$1,539 million. However, a number of significant expense items result in an overall deficit of \$576 million being reported.

During the year ended 30 June 2001 a number of significant one-off items totaling \$2,115 million have been accounted for. These include:

- 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.

The operating result for the prior year 1999-2000 contained the following significant items:

- An abnormal reduction in superannuation expenses of \$3.2 billion due to the decrease in the unfunded superannuation liability as a result of changes in actuarial assumptions.
- An abnormal write down of \$564 million due to the restructuring of the rail industry.

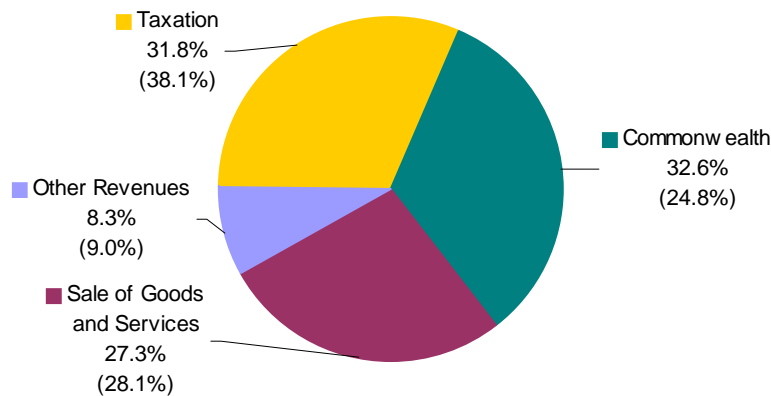
The Total State Sector Operating Result excluding significant items on an accounting basis comprised

	2000-01 \$m	1999-2000 \$m
Total State Revenues	26,527	24,895
Operating Revenues	13,280	13,267
Less Total Expenses	(38,268)	(35,181)
<hr/>		
Operating Surplus excluding Significant Items	1,539	2,981

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 4

Total State Sector Revenue 2000-01 (1999-2000 in brackets)





REVIEW OF FINANCIAL PERFORMANCE FOR 2000-01

Total State Revenues

Total State Revenues have risen \$1,632 million or 6.6 percent between 2000-01 and 1999-2000. The dissection between NSW's tax revenues and income from Commonwealth Grants was impacted by the Intergovernmental Agreement on the reform of Commonwealth-State Financial Relations (the IGA) whereby increases in Commonwealth Grants have been offset by falls in state taxation revenues.

On current projections between the Commonwealth and the States, the changed funding arrangements associated with national taxation reform will not benefit the New South Wales Budget until 2007-08.

The IGA leads to the implementation of 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, and
- the provision by the Commonwealth of guarantee payments to ensure that no State is worse off financially during the transition to a GST regime.

Taxation revenue declined in 2000-01 as a result of the IGA. In addition the Government continued its taxation rate reduction program.

On 1 January 2001 payroll tax was reduced from 6.4 percent to 6.2 percent.

On 1 July 2000 certain taxes and charges including the motor vehicle registration levy and surcharge on motor vehicle registration fees were removed.

On 1 July 2000 stamp duty concessions for first home buyers were introduced.

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.

Expenses

Total State Sector accrued expenses excluding significant transactions grew by \$3,087 million in 2000-01.

Excluding the impact of significant items **superannuation expense** increased by \$1,067 million and was one of the largest components of expenditure growth. Part of the growth in superannuation expense related to the lower investment earnings of 5.2 percent in 2000-01, against the long term actuarially applied rate of 7 percent per annum.

Other employee related expenses grew by 1.7 percent during 2000-01 to \$15,334 million, reflecting improved pay levels for teachers, health and police employees. The New South Wales Public Sector average staffing for the year 2000-01 was 280,000 employees.



REVIEW OF FINANCIAL PERFORMANCE FOR 2000-01

During 2000-01 **other operating expenses** grew by \$755 million, after excluding significant items. In 2000-01 New South Wales paid the Commonwealth \$335 million (nil in 1999-2000) compensation to meet the costs of collecting the GST in accordance with the Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations.

Although these costs specifically impact the expense line "Other Operating Expenses" there is an offsetting increase in Commonwealth Grants income, making the transaction neutral on the bottom-line result. The cost of actuarially assessed insurance claims expense by the NSW Insurance Ministerial Corporation grew by \$162 million compared to last year. Excluding the above two transactions, the annual growth in other operating expenses was constrained to 1.6 percent, including some additional operating costs associated with the Olympic Games.

Both **maintenance and depreciation expenses** were consistent with the prior year. An additional \$89 million was incurred upgrading the rail, bus and ferry systems. The RTA's decision to capitalise additional maintenance expenditures offset the above increase.

Grants and subsidies excluding significant items (mainly HIH) grew by \$451 million in 2000-01. Included in 2000-01 are \$314 million of costs associated with the First Home Owners Scheme (nil in 1999-2000). Excluding the first time impact of the subsidy for first home owners, grants and subsidies grew by 4.6 percent. The growth particularly reflected the Government's increased allocation of resources towards education, health, ageing, disability and homecare services.

Accrued **borrowing costs** grew during 2000-01 by \$415 million as a result of increases in the weighted average effective interest rate as well as costs associated with refinancing the State's debt portfolio. However cash interest payments in 2000-01 fell slightly compared to the previous year.

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.

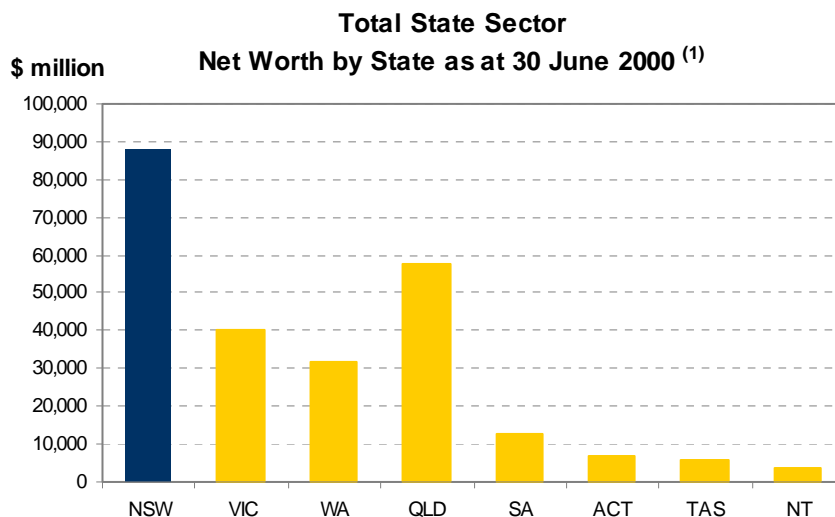
Published consolidated financial statements are not yet available for 2000-01 for other jurisdictions. The following comparisons are therefore based on the latest published information.

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 5 outlines the published Net Worth by State at 30 June 2000. Although all States have a positive Net Worth, the Commonwealth recorded a negative Net Worth of \$111 billion.

The Net Worth of the NSW Public Sector (GFS Basis) at 30 June 2000 was \$88,069 million, the strongest of all States.



Figure 5



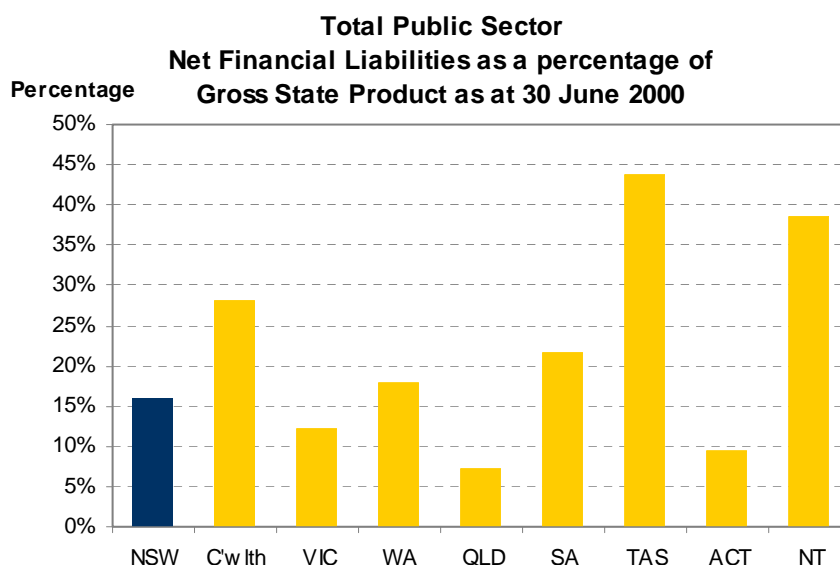
⁽¹⁾ 30 June 2000, latest available information
Source: Australian Bureau of Statistics, Government Finance Statistics 1999-2000.

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

Figure 6 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 2001. Figure 6 is therefore based on the latest published Government Finance Statistics information which is for June 2000. Net Financial Liabilities in New South Wales as a percentage of GSP further reduced in the year ending 30 June 2001 (refer to Figure 2).

Figure 6



Source: Australian Bureau of Statistics, Government Finance Statistics 1999-2000.
Note: C'wth is expressed as a % of GDP.



FINANCIAL FRAMEWORK AND TARGETS

Both the General Government and Non General Government Sectors are subject to a financial management framework, including financial policies and fiscal targets against which their performance can be assessed.

The General Government Debt Elimination Act 1995 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. To adhere to the following short, medium and long term fiscal targets:
 - To achieve a sustainable Budget surplus within three years from 1 July 1996;
 - To reduce the level of net debt to a sustainable level by 30 June 2005; and
 - To eliminate net debt by 30 June 2020.

The New South Wales General Government Sector has had Budget surpluses each year since 1996-97.

There was a reduction in General Government Sector net debt in 2000-2001 of \$4.0 billion. 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 is targeting debt reduction in the longer term.

2. To maintain or increase net worth (ie net assets) in real terms;

Net Assets (ie Net Worth) have increased by \$2.6 billion dollars or 6.4 percent during 2000-2001. This represents a real increase in Net Assets of 2.7 percent.

3. To fund employer superannuation liabilities by fully funding accruing current service superannuation costs and phasing in funding to eventually eliminate past unfunded liabilities;

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. To properly maintain long-lived physical assets with each agency developing an asset maintenance plan and establishing a funding program;

Asset maintenance of long-lived physical assets is being implemented effectively. Under the Government's total asset management policy, agencies are required to implement asset maintenance plans which set out a maintenance program for each asset or grouping of assets and identify the funding requirements.

5. To constrain the growth in net cost of services and outlays below the growth in inflation and population;

In the year ended 30 June 2001 the Net Cost of services included:

- *\$650 million in costs associated with the implementation of the GST. While these costs were fully funded by Commonwealth grants, the revenue received were not included in the Net Cost of Services calculation.*



REVIEW OF FINANCIAL PERFORMANCE FOR 2000-01

- \$600 million in costs associated with the collapse of HIH.

When these amounts are excluded the underlying increase in Net Cost of Services in the year ending 2000-01 was 2.7 percent. This is lower than the growth in inflation and population of 4.8 percent.

6. To manage net debt on the basis of sound risk management principles and to place a prudent limit on the level of financial risk for overall financial assets and liabilities, with each agency implementing a risk management plan;

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.

7. To restrain the level of taxes to the maximum extent possible and to pursue policies that give a reasonable degree of predicability about the level and stability of tax rates for future years.

Taxation revenues in 2000-2001 reflect the following tax rate reductions:

- *Reduction in payroll tax, from 6.4 percent to 6.2 percent effective 1 January 2001*
- *Completed the phase out of \$43 third party motor vehicle registration levy on 1 July 2000.*
- *Removed the surcharge on motor vehicle registration fees and transfer fees, effective 1 July 2000.*

- *Introduced First Home Plus stamp duty concessions for first home buyers, effective from 1 July 2000.*
- *Decreased the insurance stamp duty rate from 11.5 percent to 10.0 percent, effective 1 October 2000*
- *With the exception of some minor changes to parking space levies, there were no tax rate increases, or new taxes in 2000-2001.*

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.



AUDITED BUDGET INFORMATION

STATEMENT OF THE BUDGET RESULT

STATEMENT OF COMPLIANCE

In our opinion, the Statement of the Budget Result for the NSW Budget Sector for the year ended 30 June 2001:

- 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

John Pierce
Secretary
NSW Treasury

Ian Neale
Executive Director
Financial Management
NSW Treasury

26 October 2001



BOX 12 GPO
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 2001. 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 Note 1. 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 Note 1.

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 in accordance with the accounting policies identified in Note 1 to the Statement.

R J Sendt
Auditor-General

Sydney
26 October 2001

STATEMENT OF THE BUDGET RESULT



NSW GENERAL GOVERNMENT SECTOR STATEMENT OF THE BUDGET RESULT

	00-01 \$m (Budget)	00-01 \$m (Actual)	\$m Variance
State Revenues			
Taxation	12,418	13,333	915
Commonwealth Grants	12,780	12,970	190
Financial Distributions	1,208	1,240	32
Fines, Regulatory Fees and Other	769	884	115
Total State Revenues	27,175	28,427	1,252
Operating Revenues			
Sale of Goods and Services	2,209	2,359	150
Investment Income	391	484	93
Grants and Contributions	339	338	(1)
Other Revenue	280	448	168
Total Operating Revenues	3,219	3,629	410
Expenses			
Employee Related - Superannuation	1,548	1,690	142
Employee Related - Other	12,163	12,276	113
Other Operating	6,326	6,550	224
Maintenance	1,093	1,002	(91)
Depreciation and Amortisation	995	1,332	337
Recurrent Grants & Subsidies	4,211	4,965	754
Capital Grants & Subsidies	1,252	1,547	295
Finance Other	1,009	992	(17)
Total Expenses	28,597	30,354	1,757
GFS Net Operating Surplus	1,797	1,702	(95)
less Capital Acquisitions	(2,540)	(2,536)	4
plus Depreciation	995	1,332	337
plus Asset Sales & Other Movements	407	214	(193)
BUDGET SURPLUS	659	712	53



AUDITED BUDGET INFORMATION

1. Statement Basis

The Statement of Budget Result is presented for the first time on an accrual Government Finance Statistics (GFS) basis. It has been prepared in a new format that will be adopted for the 2002-03 Budget Papers.

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

The Budget Result, which equates to the GFS Net Lending Result reflects the surplus that the General Government has available to reduce Net Financial Liabilities.

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 2.1 of 2000-01 Budget Paper No 2.

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 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 receipts and payments as the NSW Government has no control over them.

The above transaction has, however, been treated in accordance with GFS principles in the Outcomes Report which is required to be prepared on a GFS basis.

3. 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 which 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 BUDGET INFORMATION

STATEMENT OF THE BUDGET RESULT

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OUTCOMES REPORT

2000 2001
UNAUDITED REPORT



NSW 2000-01 FINANCIAL OUTCOMES REPORT

This Financial Outcomes Report compares for 2000-01 the published NSW Budget for that year 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 the accrual uniform presentation framework as agreed at the 1997 Premiers' Conference.

This is the first issue of the Financial Outcomes Report on an accruals basis and 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 2000-01.

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. No contracts were signed in 2000-01.

Table 15 shows a negative \$1,261 million (a surplus) outcome for the 2000-01 Loan Council Allocation. This exceeds the budget time estimate of negative \$82m Loan Council Allocation by more than the tolerance limit of two per cent of non-financial public sector cash receipts from operating activities. This improvement is principally explained by the \$1,360 million improvement in the operating result, driven by increased revenue in all areas with some offsetting increased payments. The improvement is in the General Government sector. The Public Non-financial Corporation sector produced an operating result in line with the budget projection. The taxation revenue increase was largely due to improved stamp duty receipts and the Commonwealth grants were higher than expected.



TABLE 1: NSW PUBLIC SECTOR BALANCE SHEETS (ABS BASIS) AT 30 JUNE 2001

	General Government	Public Non-financial Corporation	Total Non- financial ^(a)	Public Financial Corporations	Total State Sector
	\$m	\$m	\$m	\$m	\$m
Assets					
Financial assets					
Cash and deposits	1,035	952	1,987	111	1,846
Advances paid	1,440	...	284	...	284
Investments, loans and placements	3,951	928	4,879	29,687	6,964
Other non-equity assets	3,997	2,271	3,828	583	4,040
Equity	47,418	134	(254)	...	155
Total financial assets	57,841	4,285	10,724	30,381	13,289
Non-financial assets					
Land and fixed assets	65,796	61,866	127,661	4	127,666
Other non-financial assets	846	304	1,152	...	1,151
Total non-financial assets	66,642	62,170	128,813	4	128,817
Total assets	124,483	66,455	139,537	30,385	142,106
Liabilities					
Deposits held	61	37	98	5,811	741
Advances received	2,041	1,155	2,041	...	2,041
Borrowing	11,526	11,508	23,033	24,392	24,740
Superannuation liability ^(b)	8,127	(146)	7,981	...	7,981
Other employee entitlements and provisions	8,295	3,830	10,334	98	10,403
Other non-equity liabilities	2,769	2,195	4,316	422	4,395
Total liabilities	32,819	18,579	47,803	30,723	50,301
NET WORTH (ABS Basis)	91,664	47,876	91,734	(338)	91,805
Net Debt ^(c)	7,202	10,820	18,022	405	18,428
Net Debt adjusted for prepayment of superannuation ^(d)	6,023	10,820	16,843	405	17,249
Net Financial Worth ^(e)	25,022	(14,294)	(37,079)	(342)	(37,012)
Net Financial Liabilities ^(f)	22,375	14,294	36,670	342	37,012

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

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

^(f) 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)

	00-01 \$m (Budget)	00-01 \$m (Actual)
GFS Revenue		
Taxation revenue	12,418	13,333
Current grants and subsidies	12,816	13,702
Capital grants	874	896
Sales of goods and services	2,443	2,605
Interest income	391	484
Other	2,194	2,588
Total revenue	31,136	33,608
less GFS Expenses		
Gross operating expenses	22,737	23,364
Nominal superannuation interest expense	412	438
Other interest expenses	1,010	992
Other property expenses	...	...
Current transfers	4,477	5,536
Capital transfers	1,426	1,576
Total expenses	30,062	31,906
equals GFS net operating balance	1,074	1,702
less Net acquisition of non-financial assets		
Gross fixed capital formation	2,305	2,365
less Depreciation	(995)	(1,332)
plus Change in inventories	(1)	6
plus Other movements in non-financial assets	(220)	(49)
equals Total net acquisition of non-financial assets	1,089	990
equals GFS Net lending / (Borrowing) ^(a)	(15)	712
adjusted for budget balancing assistance advance ^(b)	674	...
Adjusted GFS Net lending / (Borrowing) ^(b)	659	712

Notes:

^(a) Also known as Fiscal Balance.

^(b) Adjusted for effects of the budget balancing assistance advance from the Commonwealth.



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

	00-01 \$m (Budget)	00-01 \$m (Actual)
GFS Revenue		
Sales of goods and services	10,061	11,367
Current grants and subsidies	769	1,084
Capital grants	749	780
Interest income	75	141
Other	1,112	935
Total revenue	12,766	14,307
less GFS Expenses		
Gross operating expenses	9,901	11,665
Property expenses	2,011	1,811
Current transfers	580	18
Capital transfers	...	56
Total expenses	12,492	13,550
equals GFS net operating balance	274	757
less Net acquisition of non-financial assets		
Gross fixed capital formation	2,443	2,329
less Depreciation	(1,616)	(1,505)
plus Change in inventories	(629)	(569)
plus Other movements in non-financial assets	(98)	(55)
equals Total net acquisition of non-financial assets	100	200
equals GFS Net lending / (Borrowing) ^(a)	174	557

Notes:

^(a) Also known as Fiscal Balance.



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

	00-01 \$m (Budget)	00-01 \$m (Actual)
GFS Revenue		
Taxation revenue	12,066	12,646
Current grants and subsidies	12,776	13,738
Sales of goods and services	12,150	13,755
Capital grants	839	805
Interest income	403	562
Other	2,161	2,332
Total revenue	40,395	43,838
less GFS Expenses		
Gross operating expenses	31,967	34,098
Nominal superannuation interest expense	412	438
Property expenses	1,777	1,750
Current transfers	4,263	4,431
Capital transfers	628	849
Total expenses	39,047	41,566
equals GFS net operating balance	1,348	2,272
less Net acquisition of non-financial assets		
Gross fixed capital formation	4,748	4,735
less Depreciation	(2,611)	(2,837)
plus Change in inventories	(624)	(562)
plus Other movements in non-financial assets	(315)	(104)
equals Total net acquisition of non-financial assets	1,198	1,232
equals GFS Net lending / (Borrowing) ^(a)	150	1,040
adjusted for budget balancing assistance advance ^(b)	674	...
Adjusted GFS Net lending / (Borrowing) ^(b)	824	1,040

Notes:

^(a) Also known as Fiscal Balance.

^(b) Adjusted for effects of the budget balancing assistance advance from the Commonwealth.



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

		00-01 \$m (Actual) ^(a)
	GFS Revenue	
	Sales of goods and services	11
	Current grants and subsidies	15
	Capital grants	...
	Interest income	2,267
	Other	
	Total revenue	2,293
less	GFS Expenses	
	Gross operating expenses	24
	Property expenses	2,203
	Current transfers	...
	Capital transfers	...
	Total expenses	2,227
equals	GFS net operating balance	66
less	Net acquisition of non-financial assets	
	Gross fixed capital formation	2
	less Depreciation	(1)
	plus Change in inventories	...
	plus Other movements in non-financial assets	...
equals	Total net acquisition of non-financial assets	1
equals	GFS Net lending / (Borrowing) ^(b)	65

Notes:

^(a) Not part of the Budget scope.

^(b) Also known as Fiscal Balance.



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

	2001 \$m (Budget)	2001 \$m (Actual)
Assets		
Financial assets		
Cash and deposits	87	1,035
Advances paid	1,622	1,440
Investments, loans and placements	3,581	3,951
Other non-equity assets	3,192	3,997
Equity	43,251	47,418
Total financial assets	51,733	57,841
Non-financial assets		
Land and fixed assets	66,521	65,796
Other non-financial assets	849	846
Total non-financial assets	67,370	66,642
Total assets	119,103	124,483
Liabilities		
Deposits held	55	61
Advances received	2,756	2,041
Borrowing	11,587	11,526
Superannuation liability ^(a)	7,314	8,127
Other employee entitlements and provisions	3,688	8,295
Other non-equity liabilities	6,359	2,769
Total liabilities	31,759	32,819
NET WORTH	87,344	91,664
Net Financial Worth ^(b)	19,974	25,022
Net Financial Worth adjusted for budget balancing assistance advance ^{(b)(e)}	20,648	25,022
Net debt ^(d)	9,108	7,202
Net debt adjusted for prepayment of superannuation and budget balancing assistance advance ^{(c)(e)}	7,255	6,023

Notes:

^(a) *Comprises unfunded obligations.*

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

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

^(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.*

^(e) *Adjusted for effects of the budget balancing assistance advance from the Commonwealth.*



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

	2001 \$m (Budget)	2001 \$m (Actual)
Assets		
Financial assets		
Cash and deposits	819	952
Investments, loans and placements	879	928
Other non-equity assets	2,272	2,271
Equity	27	134
Total financial assets	3,997	4,285
Non-financial assets		
Land and fixed assets	58,263	61,866
Other non-financial assets	107	304
Total non-financial assets	58,370	62,170
Total assets	62,367	66,455
Liabilities		
Deposits held	27	37
Advances received	1,350	1,155
Borrowing	11,380	11,508
Superannuation liability / (prepaid contributions) ^(a)	8	(146)
Other employee entitlements and provisions	3,781	3,830
Other non-equity liabilities	2,061	2,195
Total liabilities	18,607	18,579
Shares and other contributed capital	...	...
NET WORTH	43,760	47,876
Net financial worth ^(b)	(14,610)	(14,294)
Net debt ^(c)	11,059	10,820

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

	2001 \$m (Budget)	2001 \$m (Actual)
Assets		
Financial assets		
Cash and deposits	906	1,987
Advances paid	270	284
Investments, loans and placements	4,462	4,879
Other non-equity assets	2,735	3,828
Equity	(481)	(254)
Total financial assets	7,892	10,724
Non-financial assets		
Land and fixed assets	124,784	127,661
Other non-financial assets	956	1,152
Total non-financial assets	125,740	128,813
Total assets	133,632	139,537
Liabilities		
Deposits held	82	98
Advances received	2,756	2,041
Borrowing	22,968	23,033
Superannuation liability ^(a)	7,322	7,981
Other employee entitlements and provisions	5,339	10,334
Other non-equity liabilities	7,821	4,316
Total liabilities	46,288	47,803
Shares and other contributed capital	...	...
NET WORTH	87,344	91,734
Net financial worth ^(b)	(38,396)	(37,079)
Net financial worth adjusted for budget balancing assistance advance ^(e)	(37,722)	(37,079)
Net debt ^(d)	20,168	18,022
Net debt adjusted for prepayment of superannuation and budget balancing assistance advance ^{(c) (e)}	18,315	16,843

Notes:

^(a) *Comprises unfunded obligations.*

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

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

^(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.*

^(e) *Adjusted for effects of the budget balancing assistance advance from the Commonwealth.*



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

	2001 \$m (Actual) ^(b)
Assets	
Financial assets	
Cash and deposits	111
Investments, loans and placements	29,687
Other non-equity assets	583
Equity	...
Total financial assets	30,381
Non-financial assets	
Land and fixed assets	4
Other non-financial assets	...
Total non-financial assets	4
Total assets	30,385
Liabilities	
Deposits held	5,811
Advances received	...
Borrowing	24,392
Superannuation liability / (prepaid contributions) ^(a)	...
Other employee entitlements and provisions	98
Other non-equity liabilities	422
Total liabilities	30,723
Shares and other contributed capital	...
NET WORTH	(338)
Net financial worth ^(c)	(342)
Net debt ^(d)	405

Notes:

^(a) *Comprises unfunded obligations.*

^(b) *Not part of the Budget scope.*

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

^(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)

CASH FLOW	00-01 \$m (Budget)	00-01 \$m (Actual)
Cash receipts from operating activities		
Taxes received	12,465	13,189
Receipts from sales of goods and services	2,545	2,451
Grants/subsidies received	13,690	14,632
Other receipts	2,821	3,916
Total receipts	31,521	34,188
Cash payments for operating activities		
Payment for goods and services	(21,424)	(21,323)
Grants and subsidies paid	(5,552)	(6,011)
Interest paid	(950)	(1,044)
Other payments	(733)	(1,584)
Total payments	(28,659)	(29,962)
Net cash flows from operating activities	2,862	4,226
Net cash flows from investments in non-financial assets		
Sales of non-financial assets	408	133
Purchases of non-financial assets	(2,493)	(2,536)
Net cash flows from investments in non-financial assets	(2,085)	(2,403)
Net cash flows from investments in financial assets for policy purposes	2,342	3,214
Net cash flows from investments in financial assets for liquidity purposes	6	(354)
Net cash flows from financing activities		
Advances received (net)	607	(85)
Borrowing (net)	(3,825)	(4,206)
Deposits received (net)	(1)	(24)
Other financing (net)	...	...
Net cash flows from financing activities	(3,219)	(4,315)
Net increase (decrease) in cash held	(94)	368
SURPLUS / (DEFICIT)		
Net cash from operating activities and investments in non-financial assets	777	1,823
Finance leases and similar arrangements	...	...
SURPLUS / (DEFICIT)	777	1,823
Impact of prepayment of superannuation ^(b)	(1,058)	(1,058)
Budget balancing assistance advance ^(c)	674	...
SURPLUS / (DEFICIT) after adjusting for the prepayment of superannuation and the budget balancing assistance advance	393	765

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.

^(c) Adjusted for effects of the budget balancing assistance advance from the Commonwealth.



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

CASH FLOW	00-01 \$m (Budget)	00-01 \$m (Actual)
Cash receipts from operating activities		
Receipts from sales of goods and services	9,111	10,754
Grants/subsidies received	1,495	1,954
Other receipts	1,699	1,876
Total receipts	12,305	14,584
Cash payments for operating activities		
Payment for goods and services	(8,105)	(9,537)
Grants and subsidies paid	(21)	(79)
Interest paid	(838)	(720)
Other payments	(863)	(1,773)
Total payments	(9,827)	(12,109)
Net cash flows from operating activities	2,478	2,475
Net cash flows from investments in non-financial assets		
Sales of non-financial assets	260	282
Purchases of non-financial assets	(2,605)	(2,316)
Net cash flows from investments in non-financial assets	(2,345)	(2,034)
Net cash flows from investments in financial assets for policy purposes	(2,394)	8
Net cash flows from investments in financial assets for liquidity purposes	(78)	(80)
Net cash flows from financing activities		
Advances received (net)	(29)	(3,230)
Borrowing (net)	2,880	3,253
Deposits received (net)	...	(2)
Distributions Paid	(758)	(762)
Other financing (net)	...	25
Net cash flows from financing activities	2,093	(716)
Net increase (decrease) in cash held	(246)	(347)
SURPLUS / (DEFICIT)		
Net cash from operating activities and investments in in non-financial assets	133	441
Distribution Paid	(758)	(762)
Finance leases and similar arrangements	...	...
SURPLUS / (DEFICIT)	(625)	(321)

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)

CASH FLOW	00-01 \$m (Budget)	00-01 \$m (Actual)
Cash receipts from operating activities		
Taxes received	12,112	12,555
Receipts from sales of goods and services	11,286	13,033
Grants/subsidies received	13,616	14,604
Other receipts	3,378	4,573
Total receipts	40,392	44,765
Cash payments for operating activities		
Payment for goods and services	(28,869)	(30,064)
Grants and subsidies paid	(4,001)	(4,133)
Interest paid	(1,725)	(1,698)
Other payments	(1,211)	(2,924)
Total payments	(35,806)	(38,819)
Net cash flows from operating activities	4,586	5,946
Net cash flows from investments in non-financial assets		
Sales of non-financial assets	664	415
Purchases of non-financial assets	(5,098)	(4,890)
Net cash flows from investments in non-financial assets	(4,434)	(4,475)
Net cash flows from investments in financial assets for policy purposes	(81)	(8)
Net cash flows from investments in financial assets for liquidity purposes	(72)	(433)
Net cash flows from financing activities		
Advances received (net)	607	(85)
Borrowing (net)	(945)	(953)
Deposits received (net)	(1)	(26)
Distributions Paid	...	...
Other financing (net)	...	24
Net cash flows from financing activities	(339)	(1,040)
Net increase (decrease) in cash held	(340)	(10)
SURPLUS / (DEFICIT)		
Net cash from operating activities and investments in non-financial assets	152	1,471
Distributions Paid	...	...
Finance leases and similar arrangements	...	...
SURPLUS / (DEFICIT)	152	1,471
Impact of prepayment of superannuation ^(b)	(1,058)	(1,058)
Budget balancing assistance advance ^(c)	674	...
SURPLUS / (DEFICIT) after adjusting for the prepayment of superannuation and budget balancing assistance advance	(232)	413

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.

^(c) Adjusted for effects of the budget balancing assistance advance from the Commonwealth.



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

CASH FLOW	00-01 \$m (Actual) ^(b)
Cash receipts from operating activities	
Receipts from sales of goods and services	12
Grants/subsidies received	15
Other receipts	2,252
Total receipts	2,279
Cash payments for operating activities	
Payment for goods and services	(33)
Grants and subsidies paid	...
Interest paid	(2,066)
Other payments	(18)
Total payments	(2,117)
Net cash flows from operating activities	162
Net cash flows from investments in non-financial assets	
Sales of non-financial assets	...
Purchases of non-financial assets	(2)
Net cash flows from investments in non-financial assets	(2)
Net cash flows from investments in financial assets for policy purposes	...
Net cash flows from investments in financial assets for liquidity purposes	60
Net cash flows from financing activities	
Advances received (net)	(1,262)
Borrowing (net)	700
Deposits received (net)	(22)
Distributions Paid	...
Other financing (net)	...
Net cash flows from financing activities	(584)
Net increase (decrease) in cash held	(364)
SURPLUS / (DEFICIT)	
Net cash from operating activities and investments in in non-financial assets	159
Distribution Paid	(22)
Finance leases and similar arrangements	...
SURPLUS / (DEFICIT)	137

Notes:

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

^(b) Not part of the Budget scope.



TABLE 14: NSW GENERAL GOVERNMENT SECTOR EXPENSES BY FUNCTION

	00-01 \$m (Budget)	00-01 \$m (Actual) ^(a)
General public services	2,099	2,375
Defence	...	...
Public order and safety	2,871	2,903
Education	7,409	7,681
Health	6,780	6,862
Social security and welfare	2,052	2,071
Housing and community amenities	1,302	1,424
Recreation and culture	927	1,094
Fuel and energy	44	87
Agriculture, forestry, fishing and hunting	523	471
Mining, manufacturing and construction	107	83
Transport and communications	2,482	3,501
Other economic affairs	1,477	1,559
Other purposes	1,989	1,795
Total GFS Expenses	30,062	31,906

^(a) 2000-01 actual includes \$600 million assumption of HIH liability (\$70 million housing and \$530 million transport).



TABLE 15: 2000-01 LOAN COUNCIL ALLOCATION ESTIMATES

	Budget-time Estimate 2000-01 \$m	Actual 2000-01 \$m
General government sector cash deficit / (surplus)	(777)	(1,823)
PNFC sector cash deficit / (surplus) ^(a)	625	321
Non-financial public sector cash deficit / (surplus) ^(b)	(152)	(1,471)
Minus Net cash flows from investments in financial asset for policy purposes ^(c)	81	85
Plus Memorandum items ^(d)	(11)	125
Loan Council Allocation	(82)	(1,261)

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) 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.

END OF UNAUDITED OUTCOMES REPORT



**AUDITED CONSOLIDATED FINANCIAL REPORT
OF THE NSW TOTAL STATE SECTOR
(INCORPORATING THE PUBLIC ACCOUNTS)
2000 - 2001**

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STATEMENT OF COMPLIANCE

In our opinion, the Public Accounts and the Total State Sector Accounts:

- (a) give a true and fair view of the consolidated operating result and cash flows of the NSW General Government Sector and the NSW Total State Sector for the year ended 30 June 2001 and of the financial position of the NSW General Government Sector and 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

John Pierce
Secretary
NSW Treasury

Ian Neale
Executive Director
Financial Management
NSW Treasury

26 October 2001



BOX 12 GPO
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT THE PUBLIC ACCOUNTS AND THE TOTAL STATE SECTOR ACCOUNTS

To Members of the New South Wales Parliament

Scope

I have audited the Public Accounts and the Total State Sector Accounts for the year ended 30 June 2001. The Treasurer is responsible for the financial reports of the General Government Sector (Public Accounts) and the Total State Sector consisting of the accompanying consolidated statements of financial position, consolidated statements of financial performance, statements of cash flows, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial reports of the General Government Sector and the Total State Sector 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 Public Accounts and 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 reports, 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 Public Accounts and the Total State Sector Accounts are presented fairly in accordance with the requirements of Section 6(1), 6(1A) and 6(1B) of the Act, Australian Accounting Standards and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with my understanding of the General Government Sector's and the Total State Sector's financial positions, the results of their operations and their cash flows.

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

Qualifications

The qualifications have been grouped according to their effect on the financial reports.

Affecting both the Public Accounts and Total State Sector Accounts

- (a) The following assets have not been recognised in the statements of financial position:
- Undeveloped Crown land (Note 1)
 - 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 assets must be recognised when it is probable that future economic benefits embodied in the assets will eventuate and the assets possess a cost or value that can be measured reliably. In my opinion, these assets meet the AAS31 recognition criteria and should therefore have been recognised. I have not been able to conduct audit procedures to quantify the effects on either the Public Accounts or the Total State Sector Accounts.

- (b) My Independent Audit Report on the financial reports of the Public Accounts and the Total State Sector Accounts for the year ended 30 June 2000 was qualified as a result of Revenue of \$704 million not being recognised. This Revenue had been recognised in the financial reports of the year ended 30 June 1999. This Revenue related to unallocated reserve balances in the State Superannuation Scheme. In my view, because the approval for the allocation required pursuant to the *State Superannuation Act 1916* was not given until May 2000, this revenue should not have been recognised until the year ended 30 June 2000. Had this been done the surplus for the year ended 30 June 2000 would have been \$5,175 million and \$6,200 million for the Public Accounts and the Total State Sector Accounts respectively. There would have been no change to the statements of financial position. This qualification only affects the comparative information for the year ended 30 June 2000.

Affecting the Total State Sector Accounts only

- (c) As disclosed in Note 1 Statement of Significant Accounting Policies, the WorkCover Scheme Statutory Funds (the Scheme) have not been consolidated within 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 financial statements of the Scheme disclosed an operating deficiency of \$1,117 million for the 2000-01 year (operating deficiency of \$2.7 million in 1999-2000) and a net liability position of \$2,756 million (\$1,639 million for 1999-2000). The extent of inter entity transactions between State Government agencies and the Scheme is not readily available. Had the Scheme accounts been consolidated within the Total State Sector Accounts, the Accounts would disclose a deficit for the year of \$3,332 million and a net asset position of \$88,400 million.

My audit report for the year ending 30 June 2000 was similarly qualified for these three matters.

Qualified Audit Opinion

In my opinion, except for the effects of the matters referred to in the qualification paragraphs, the Public Accounts and the Total State Sector Accounts are properly drawn up in accordance with the Act, accord with the accounts and records of the Treasurer, and present fairly in accordance with applicable Australian Accounting Standards and other mandatory professional reporting requirements the financial position of the General Government Sector and the Total State Sector as at 30 June 2001 and the results of their operations and their cash flows for the year then ended.

R J Sendt
Auditor-General

SYDNEY
26 October 2001



THE NSW TOTAL STATE SECTOR ACCOUNTS (INCORPORATING THE PUBLIC ACCOUNTS)
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2001

	Note	Total State Sector		General Government Sector	
		00-01	99-00	00-01	99-00
		\$m	\$m	\$m	\$m
REVENUES FROM ORDINARY ACTIVITIES					
State Revenues					
Taxation	2	12,639	14,540	13,327	15,185
Commonwealth Grants	2	12,967	9,460	12,967	9,460
Financial Distributions	2	...	...	1,245	1,299
Fines, Regulatory Fees and Other	2	921	895	918	876
Total State Revenues		26,527	24,895	28,457	26,820
Operating Revenues					
Sale of Goods and Services	2	10,861	10,708	2,282	2,143
Investment Income		808	666	484	492
Grants and Contributions		662	728	366	422
Deferred Revenues - Olympic and Paralympic Games	4	3,145	...	...	...
Other		974	1,119	418	342
Total Operating Revenues		16,450	13,221	3,550	3,399
EXPENSES FROM ORDINARY ACTIVITIES					
Employee Related					
- Superannuation	3	3,645	(1,548)	3,187	(1,184)
- Other	3	15,334	15,078	12,268	12,033
Other Operating	3	10,468	9,710	7,513	5,795
Maintenance		1,861	1,835	1,035	1,144
Depreciation and Amortisation	3	2,823	2,810	1,332	1,411
Grants and Subsidies	3	4,198	3,043	6,543	5,056
Deferred Expenses - Olympic and Paralympic Games	4	3,046	...	...	...
Borrowing Costs	3	2,153	1,738	1,317	1,450
Total Expenses		43,528	32,666	33,195	25,705
Gain/(Loss) on Disposal of Assets	2	(25)	46	(9)	(43)
NET COST OF SERVICES		(27,103)	(19,399)	(29,654)	(22,349)
SURPLUS/(DEFICIT) FOR THE YEAR		(576)	5,496	(1,197)	4,471

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



THE NSW TOTAL STATE SECTOR ACCOUNTS (INCORPORATING THE PUBLIC ACCOUNTS)
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2001

	Note	Total State Sector		General Government Sector	
		00-01	99-00	00-01	99-00
		\$m	\$m	\$m	\$m
OTHER MOVEMENTS IN EQUITY					
Increase in Accumulated Funds on Adoption of a New Standard					
- AAS 29 Financial Reporting By Government Departments, Initial recognition of certain collection assets	15	...	(192)	...	(192)
- AAS 35 Self Generating and Regenerating Assets		186	...	...	...
- Adjustment by the State Rail Authority to the book Value of inventories and spares		...	(71)	...	...
Increase in Accumulated Funds Arising From a UIG Transitional Provision					
- UIG 30 Changes in Depreciation Methodology for Road Infrastructure		...	(4,341)	...	(4,341)
Net Asset Valuation Increments	14	4,015	8,182	1,483	4,087
Other		(25)	12	...	...
Total Revenues, Expenses and Valuation Adjustments Recognised Directly in Equity					
		4,176	3,590	1,483	(446)
Changes in Equity Resulting From Other Transactions					
Contributions by Owners Made to Wholly Owned Public Sector Agencies (Urgent Issues Group UIG 38)					
- Equity Restructure payments from Public Trading Enterprises		...	...	3,203	...
- Other		...	...	(865)	15
Total Other Movements in Equity					
		4,176	3,590	3,821	(431)
Opening Balance Equity		87,556	78,470	41,204	37,164
Operating Surplus/(Deficit)		(576)	5,496	(1,197)	4,471
Other Movements in Equity		4,176	3,590	3,821	(431)
CLOSING BALANCE EQUITY					
		91,156	87,556	43,828	41,204



THE NSW TOTAL STATE SECTOR ACCOUNTS (INCORPORATING THE PUBLIC ACCOUNTS)
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2001

	Note	Total State Sector		General Government Sector	
		2001	2000	2001	2000
		\$m	\$m	\$m	\$m
Current Assets					
Cash Assets		1,846	1,717	1,035	418
Receivables	5	3,177	2,927	2,403	2,152
Other Financial Assets	6	3,041	2,567	767	688
Inventories	7	686	618	154	145
Other	9	313	600	61	94
Total Current Assets		9,063	8,429	4,420	3,497
Non-Current Assets					
Receivables	5	360	384	2,480	2,708
Other Financial Assets	6	3,827	4,033	3,258	3,341
Property, Plant and Equipment					
Land and Buildings	8	57,265	55,784	32,165	31,946
Plant and Equipment	8	8,428	8,256	4,182	4,110
Infrastructure Systems	8	59,399	55,800	29,246	27,956
Forestry Stock		1,424	1,533	...	...
Inventories	7	354	317	42	68
Other	9	1,281	1,190	854	760
Total Non-Current Assets		132,338	127,297	72,227	70,889
TOTAL ASSETS		141,401	135,726	76,647	74,386
Current Liabilities					
Payables	10	3,213	3,489	1,480	1,524
Interest Bearing	11	5,326	2,166	2,066	4,165
Employee Entitlements and Other Provisions	12	2,852	2,817	2,101	2,145
Other	13	413	703	345	391
Total Current Liabilities		11,804	9,175	5,992	8,225
Non-Current Liabilities					
Interest Bearing	11	21,802	25,837	11,501	12,938
Employee Entitlements and Other Provisions	12	15,777	12,295	14,321	10,981
Other	13	862	863	1,005	1,038
Total Non-Current Liabilities		38,441	38,995	26,827	24,957
TOTAL LIABILITIES		50,245	48,170	32,819	33,182
NET ASSETS		91,156	87,556	43,828	41,204
Equity					
Asset Revaluation Reserves	14	40,911	40,838	16,345	14,982
Accumulated Funds	15	50,245	46,718	27,483	26,222
TOTAL EQUITY		91,156	87,556	43,828	41,204

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



THE NSW TOTAL STATE SECTOR ACCOUNTS (INCORPORATING THE PUBLIC ACCOUNTS)
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2001

	Note	Total State Sector		General Government Sector	
		00-01	99-00	00-01	99-00
		\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts					
Taxation		12,544	14,543	13,181	15,192
Commonwealth Grants		12,967	9,460	12,967	9,460
Financial Distributions		...	...	1,222	1,509
Sale of Goods and Services		12,190	11,675	2,224	2,527
Investment Income		274	426	272	255
Fines, Fees, Grants and Other		4,452	2,151	2,609	1,203
Total Receipts		42,427	38,255	32,475	30,146
Payments					
Employee Related		(16,384)	(16,294)	(12,932)	(12,825)
Grants and Subsidies		(3,934)	(2,848)	(6,275)	(5,055)
Finance		(99)	(188)	(1,009)	(1,319)
Other		(14,684)	(11,078)	(8,151)	(7,234)
Total Payments		(35,101)	(30,408)	(28,367)	(26,433)
NET CASH FLOWS FROM OPERATING ACTIVITIES	16	7,326	7,847	4,108	3,713
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Sale of Property, Plant and Equipment		389	709	109	329
Proceeds from Sale of Investments		1,648	1,300	1,197	602
Proceeds from Equity Restructure		...	...	3,201	...
Advance Repayments Received		92	48	109	71
Purchase of Property, Plant and Equipment		(4,887)	(5,333)	(2,576)	(2,481)
Purchase of Investments		(2,080)	(1,036)	(1,317)	(622)
Advances Made		(96)	(91)	(95)	(91)
Other		(21)	(66)	(19)	(6)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(4,955)	(4,469)	609	(2,198)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Borrowings and Advances		17	8	253	339
Repayments of Borrowings and Advances		(292)	(63)	(4,589)	(2,384)
Other		...	...	...	...
NET CASH FLOWS FROM FINANCING ACTIVITIES		(275)	(55)	(4,336)	(2,045)
NET CASH FLOW OF FINANCIAL INSTITUTIONS	16	(2,606)	(4,072)	...	...
NET INCREASE/(DECREASE) IN CASH HELD		(510)	(749)	381	(530)
Opening Cash and Cash Equivalents		1,402	2,086	384	915
Reclassification of Cash Equivalents		232	65	230	...
CLOSING CASH BALANCE	16	1,124	1,402	995	385

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



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

This general-purpose financial report covers both the New South Wales General Government Sector (The Public Accounts) and 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 2001-02.

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 taxes, fees and fines 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 "invited 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.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

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

\$3,203 million (2000 nil) of equity restructure payments from Public Trading Enterprises was recognised as a direct adjustment to the General Government sector's equity. In previous years these payments were treated as revenues. The new treatment follows issuing in 2000-01 of Urgent Issues Group UIG38 "Contributions by Owners Made to Wholly – Owned Public Sector Entities".

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

RECLASSIFICATION OF FINANCIAL INFORMATION

Some line items and sub-totals reported in the previous financial year have been reclassified and repositioned in the financial statements as a result of the first time application on 1 July 2000 of the revised standard AAS1 Statement of Financial Performance, the new AAS36 Statement of Financial Position and AAS35 Self Generating and Regenerating Assets.

Cost of sales, previously included in other operating expenses, are now offset against revenues from the sale of goods and services.

The following assets and liabilities have been removed from previous classifications and are now disclosed as separate line items on the face of the Statement of Financial Position:

- Other current provisions, previously presented within other current liabilities.

- Other non-current provisions, previously presented within other non-current liabilities.
- Non-current forestry stock, previously presented within non-current inventories.

PRINCIPLES OF CONSOLIDATION

This financial report has been consolidated in accordance with Australian Accounting Standard AAS24 "Consolidated Financial Reports" 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 so as to enable them to operate them in pursuing their own 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 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.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

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 WorkCover Scheme Statutory Funds have an overall deficiency of \$2,756 million at 30 June 2001 (\$1,639 million at 30 June 2000). 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 as follows:

- 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 collected by the Attorney-General's Department, including the State Debt Recovery Office, have been accrued when the fine has been issued, or when it becomes overdue. All other fines and fees are recognised when the cash is received.

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 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 State's Tax Equivalents Regime. The Crown adopts the same policy to enable elimination of deferred tax figures on consolidation for both the Public Accounts and 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.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

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	50 years
Schools and colleges	80 years
Hospitals	40 years
Other	various

Plant and Equipment

Rail rolling stock (leased)	15-35 years
Rail rolling stock (non leased)	10-84 years
Other	various

Infrastructure

Power stations	20-90 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. Where schedule prices were not adequately supported by actual sales, current sale prices at the time of valuation were used. 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. Costs are capitalised where incurred for major improvements to plantation quality. However, non-commercial plantations (those less than 15 years of age) are valued at historical cost.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

Native Forests and Hardwood Plantations have been valued in earlier years 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, road 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 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 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 is no prospect 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.

Undeveloped Crown land is currently not recognised pending the completion of an extensive valuation program.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

Land under roads and within road reserves, which has been recognised in the financial report of the Roads and Traffic Authority at \$22.3 billion (2000 \$20.7 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 three years ended 30 June 2001 to identify and value these assets, including the development of a valuation methodology and the conduct of an initial valuation exercise.

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



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

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 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 \$517 million (2000 \$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 \$406 million (2000 \$417 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.

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.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

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 lease 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.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

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. These amounts are determined by independent actuarial assessment.

Other Liabilities

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



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

2. REVENUE

	Total State Sector 00-01	99-00	General Government Sector 00-01	99-00
	\$m	\$m	\$m	\$m
STATE REVENUES				
Taxation				
Payroll Tax	3,817	3,603	3,986	3,769
Stamp Duties	4,659	4,679	4,666	4,682
Petroleum, Tobacco and Liquor Licences ^(a)	139	2,019	139	2,019
Gambling and Betting	959	1,291	1,213	1,570
Land Tax	898	868	929	900
Other	2,167	2,080	2,394	2,245
	12,639	14,540	13,327	15,185
<i>(a) includes Commonwealth Safety Net revenue offset by subsidy payments</i>	<i>137</i>	<i>2,202</i>	<i>137</i>	<i>2,202</i>
	<i>...</i>	<i>(186)</i>	<i>...</i>	<i>(186)</i>
Commonwealth Grants				
General Purpose - Recurrent	156	5,183	156	5,183
- GST Revenue	7,258	...	7,258	...
- Budget Balancing Assistance	1,007	...	1,007	...
Specific Purpose - Recurrent	3,771	3,484	3,771	3,484
- Capital	775	793	775	793
	12,967	9,460	12,967	9,460
Financial Distributions from Non-General Government Sectors				
Dividends	...	...	707	908
Income Tax Equivalents	...	...	520	298
Sales Tax Equivalents	...	...	9	71
Proceeds from asset sales	...	...	9	22
	...	...	1,245	1,299
The General Government Sector's income tax equivalent revenue represents the tax expense of agencies in the Tax Equivalent Regime (TER)				
Prima facie tax of agencies in the TER (calculated @ 34% (2000 36%))				
	...	...	479	758
Adjustment due to change in tax rates	...	...	(39)	(156)
Tax effect of other permanent differences	...	...	80	(304)
Tax expense of agencies in the TER	...	...	520	298
Fines, Regulatory Fees and Other State Revenues include:				
Royalties	220	215	220	215



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

	Total State Sector 00-01	99-00	General Government Sector 00-01	99-00
	\$m	\$m	\$m	\$m
OPERATING REVENUES				
Sale of Goods and Services comprise revenue from:				
Sale of goods	5,933	6,136	95	438
Rentals	1,290	1,216	167	158
Rendering of services ^(b)	4,381	4,435	2,151	1,987
less: Cost of sales	(743)	(1,079)	(131)	(440)
	10,861	10,708	2,282	2,143

^(b) includes net revenues of lotteries activities

The net revenue comprises:

Gross Revenue	1,029	1,002	...	...
Prizes and other statutory payments	(681)	(641)	...	...
Net Revenue	348	361	...	...

Gain/(Loss) on Disposal of Assets

Proceeds from disposal of property, plant and equipment	426	689	140	307
Less written down value of disposed assets	(458)	(632)	(148)	(339)
	(32)	57	(8)	(32)

Proceeds from disposal of investments ^(c)	1,657	1,819	1,200	636
Less written down value and costs of investments disposed ^(c)	(1,650)	(1,830)	(1,201)	(647)
	7	(11)	(1)	(11)

Gain/(loss) on disposal of assets	(25)	46	(9)	(43)
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^(c) These amounts include Treasury Corporation deposits which have not been eliminated on consolidation due to lack of auditable data. This does not impact on the net gain/(loss).



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

3. EXPENSES	Total State Sector		General Government Sector	
	00-01	99-00	00-01	99-00
	\$m	\$m	\$m	\$m
Superannuation Entitlements ^(a)	3,645	(1,548)	3,187	(1,184)

^(a) includes significant expense of \$950 million in 2000-01 (2000 significant revenue \$3,176 million). Refer Notes 4 and 12.

Other Employee Related Expenses comprise:

Salaries and Wages (including Recreation Leave)	13,894	13,525	11,528	11,258
Long Service Leave	451	493	365	404
Other	989	1,060	375	371
	15,334	15,078	12,268	12,033

Other Operating Expenses include:

Bad and Doubtful Debts	149	153	104	99
Operating Lease Rentals	550	474	410	349
Consultancy fees	133	123	80	77
Net Asset Valuation Decrements, (Reversals) and Write-downs	^(b)	781	^(b)	(46)
- Land and Buildings	45	n/a	45	n/a
- Plant and Equipment	51	n/a	51	n/a
- Infrastructure	530	n/a	315	n/a
Inventory Write-Downs	15	5	3	1
Audit fees ^(c)				
- for audit	...	...	...	...
- for other services	...	...	...	...

^(b) The dissection by class of assets is not available for 1999-2000 comparatives

^(c) Auditor's remuneration of \$19 million for audit and \$2 million for other services (2000 - \$20 million for audit and \$2 million for other services) has not been recognised as expenses because it has been eliminated in consolidation of the NSW Public Sector

Depreciation and Amortisation expense comprise:

Depreciation on				
- Buildings	836	774	583	559
- Plant and Equipment	791	757	383	366
- Infrastructure	1,126	1,226	354	477
Amortisation	70	53	12	9
	2,823	2,810	1,332	1,411



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

	Total State Sector 00-01 \$m	99-00 \$m	General Government Sector 00-01 \$m	99-00 \$m
Grants and Subsidies include expenses by the:				
Department of Transport	405	406	2,083	1,791
Department of Education and Training	730	653	736	659
Department of Health	529	513	529	513
Department of Community Services	298	276	355	331
Department of Ageing, Disability and Home Care	363	307	365	310
NSW Treasury				
- provision for hardship assistance following the collapse of HIH Insurance	600	...	600	...
- First Home Owner Grant Scheme	314	...	314	...
Borrowing Costs include:				
Charges relating to finance leases	39	39	39	39
Capitalised Borrowing Costs are excluded from expenses	18	8	...	...
4. SIGNIFICANT ITEMS				
The Operating Result includes the following Significant Revenue/(Expense) Items:				
Adjustment of asset values. This includes -				
- RTA - land under roads ^(a)	(331)	(97)	(331)	(97)
- Olympic Co-ordination Authority - for community and sports legacy works ^(b)	(171)	...	(171)	...
- Department of Land and Water Conservation water infrastructure systems	(162)	...	(162)	...
Provision for hardship assistance following the collapse of HIH Insurance	(600)	...	(600)	...
Corporatisation Adjustments - Rail industry ^(c)	...	(564)	...	...
Decrease/(Increase) in defined benefit unfunded superannuation as a result of:				
- transfer of unallocated State Superannuation Scheme contributions reserve to employers	...	200	...	141
- changes to actuarial economic assumptions	...	2,976	...	2,572
- changes to actuarial demographic assumptions (refer to Note 12)	(950)	...	(950)	...
Olympic and Paralympic Games' Organising Committees ^(d)				
- deferred revenues	3,145	...	...	...
- deferred expenses	(3,046)	...	...	...
TOTAL SIGNIFICANT ITEMS	(2,115)	2,515	(2,214)	2,616



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

General Government

- (a) No valuation has been included in the Consolidated Financial Statements for land under roads and within road reserves. During 2000-01 the Roads and Traffic Authority identified land under roads of \$331 million (2000 \$97 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, a significant adjustment of \$331 million has been made to derecognise the value of these assets which has been included in the accounts of the Roads and Traffic Authority.
- (b) 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.

Public Trading Enterprises & Public Financial Enterprises

- (c) The restructuring of the NSW rail industry, which commenced on 1 July 1996, continued in 1999-2000 with the transfer of most of the State Rail Authority's (SRA) assets relating to the new Airport Line to the Rail Access Corporation (RAC). In the financial statements of the SRA the Airport Line's assets were valued on the basis of written down replacement cost. The RAC was required by accounting standards to apply the recoverable amount test to the valuation of these assets. The recoverable amount is the present value of future cash flows expected to be generated from these assets and is considerably lower than written down replacement cost. Accordingly, in 1999-2000 the rail infrastructure net assets were written down by a significant expense of \$564 million.
- (d) Olympic and Paralympic Games' Organising Committees:

The Olympic and Paralympic Games were held in Sydney during September and October 2001. Revenues and expenditure associated with the Games have been recognised in the preceding and current years 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.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

5. RECEIVABLES	Total State Sector		General Government Sector	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m
Current Receivables				
Debtors and Accruals				
- Sale of Goods and Services	1,774	1,664	503	377
- Asset Sales	21	21	14	56
- Taxation	287	237	371	237
- Tax Equivalent	...	...	155	225
- Dividends	...	...	630	742
- Interest	178	186	19	21
Advances Receivable	48	83	74	112
Other	1,442	1,241	1,068	764
	3,750	3,432	2,834	2,534
Less Provision for Doubtful Debts	(573)	(505)	(431)	(382)
Total Current	3,177	2,927	2,403	2,152
Non-Current Receivables				
Advances Receivable	182	181	1,312	1,534
Provision for deferred income tax	...	...	1,035	1,033
Other	185	211	140	149
Less Provision for Doubtful Debts	(7)	(8)	(7)	(8)
Total Non-Current	360	384	2,480	2,708
6. OTHER FINANCIAL ASSETS				
Current	3,041	2,567	767	688
Non-current	3,827	4,033	3,258	3,341
	6,868	6,600	4,025	4,029
Other financial assets comprise:				
Fiduciary investments administered by NSW Treasury Corporation ^(a)	2,801	2,486	2,620	2,349
Securities and placements held by NSW Treasury Corporation	2,236	2,031	...	...
Investments accounted for using the equity method	33	...	...	...
Other	1,798	2,083	1,405	1,680
	6,868	6,600	4,025	4,029

^(a) refer Note 22 Financial Instruments



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

7. INVENTORIES	Total State Sector		General Government Sector	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m
Current				
Raw Materials	157	125	20	13
Work in Progress	101	107	23	16
Finished Goods	65	62	29	23
Consumable Stores	248	248	65	69
Land Held for Resale ^(a)	115	76	17	24
	686	618	154	145
Non-Current				
Land Held for Resale ^(a)	312	285	21	46
Other	42	32	21	22
	354	317	42	68
<i>^(a) Land held for resale has been recorded at:</i>				
<i>Acquisition Cost</i>	<i>242</i>	<i>213</i>	<i>27</i>	<i>61</i>
<i>Development Cost</i>	<i>172</i>	<i>137</i>	<i>11</i>	<i>9</i>
<i>Other Costs</i>	<i>13</i>	<i>11</i>	<i>...</i>	<i>...</i>
	<i>427</i>	<i>361</i>	<i>38</i>	<i>70</i>

8. PROPERTY, PLANT AND EQUIPMENT

Land and Buildings				
At cost	5,289	6,569	4,432	6,065
At valuation	63,230	59,958	37,786	35,576
Accumulated depreciation at cost	(403)	(778)	(338)	(730)
Accumulated depreciation at valuation	(10,851)	(9,965)	(9,715)	(8,965)
	57,265	55,784	32,165	31,946
Plant and Equipment (includes Collections)				
At cost	5,020	4,481	3,443	3,144
At valuation	10,063	9,881	3,038	3,088
Accumulated depreciation at cost	(2,646)	(2,263)	(1,921)	(1,682)
Accumulated depreciation at valuation	(4,009)	(3,843)	(378)	(440)
	8,428	8,256	4,182	4,110
Infrastructure Systems				
At cost	7,561	6,989	2,547	2,097
At valuation	66,300	62,896	38,862	37,322
Accumulated depreciation at cost	(880)	(745)	(38)	(50)
Accumulated depreciation at valuation	(13,582)	(13,340)	(12,125)	(11,413)
	59,399	55,800	29,246	27,956
Total Property, Plant and Equipment at Net Book Value	125,092	119,840	65,593	64,012



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

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 2000	55,784	8,256	55,800
Additions	1,641	847	2,633
Disposals	(303)	(100)	(55)
Net Revaluation increments/(decrements)	1,400	52	2,286
Depreciation expense	(836)	(791)	(1,126)
Other movements	(421)	164	(139)
Carrying amount at 30 June 2001	57,265	8,428	59,399
GENERAL GOVERNMENT SECTOR			
Carrying amount at 1 July 2000	31,946	4,110	27,956
Additions	967	354	1,308
Disposals	(107)	(27)	(15)
Acquisitions through administrative restructures	140	1	5
Net Revaluation increments/(decrements)	716	51	532
Depreciation expense	(583)	(383)	(354)
Other movements	(914)	76	(186)
Carrying amount at 30 June 2001	32,165	4,182	29,246



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

9. OTHER ASSETS	Total State Sector		General Government Sector	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m
Current	313	600	61	94
Non current	1,281	1,190	854	760
	1,594	1,790	915	854
Other Assets include:				
Emerging interest in the Sydney Harbour Tunnel	517	517	517	517
Right to receive M2/M4/M5 Motorways and the Eastern Distributor	192	151	192	151
Prepayments	126	373	62	96
Prepaid superannuation contributions ^(a)	245	295	...	...
Other	514	454	144	90
	1,594	1,790	915	854

^(a) refer note 12 Energy Industries Superannuation Scheme

10. PAYABLES

Interest on borrowings and advances	428	385	163	274
Other	2,785	3,104	1,317	1,250
	3,213	3,489	1,480	1,524

11. INTEREST BEARING LIABILITIES

Current	5,326	2,166	2,066	4,165
Non current	21,802	25,837	11,501	12,938
	27,128	28,003	13,567	17,103
Interest bearing liabilities comprise:				
Liability to Commonwealth Government ^(b)	1,851	1,940	1,851	1,940
Domestic and foreign borrowings	24,077	25,244	11,419	14,852
Bank overdraft	722	315	40	33
Finance leases ^(a)	478	504	257	278
	27,128	28,003	13,567	17,103

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

<i>Not later than one year</i>	<i>50</i>	<i>47</i>	<i>47</i>	<i>46</i>
<i>Between one and five years</i>	<i>337</i>	<i>175</i>	<i>316</i>	<i>148</i>
<i>Later than five years</i>	<i>507</i>	<i>415</i>	<i>308</i>	<i>215</i>
<i>Minimum lease payments</i>	<i>894</i>	<i>637</i>	<i>671</i>	<i>409</i>
<i>Less: Future finance charges</i>	<i>(416)</i>	<i>(133)</i>	<i>(414)</i>	<i>(131)</i>
<i>Finance lease liability</i>	<i>478</i>	<i>504</i>	<i>257</i>	<i>278</i>



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

(b) LOAN LIABILITIES TO THE COMMONWEALTH

	<i>Loan 00-01 \$m</i>	<i>Annual Interest 00-01 \$m</i>	<i>Loan 99-00 \$m</i>	<i>Annual Interest 99-00 \$m</i>
<i>Loan Liability under the Financial Agreement</i>				
<i>Liability at 1 July 2000</i>	206	12	281	22
<i>Debt Retirement Revenue Trust Account - repurchases and redemptions of loans outstanding in respect of the State</i>	47	3	74	10
<i>Liability at 30 June 2001</i>	159	9	207	12
<i>Commonwealth Specific Purpose Advances</i>				
<i>Liability at 30 June 2001 (refer below for detail)</i>	1,692	78	1,733	80
<i>Total Liability to the Commonwealth at 30 June 2001</i>	1,851	87	1,940	92

INDEBTEDNESS OF THE STATE OUTSIDE THE FINANCIAL AGREEMENT

	Balance at 30-June-00 Capital Value \$m	Advances/ (Repayments) 2000-01 Capital Value \$m	Amortisation 2000-01 \$m	Balance at 30-June-2001 Capital Value \$m
Commonwealth Specific Purpose Advances				
Housing	1,646	(34)	...	1,612
Backlog Sewerage Scheme	66	(2)	...	64
Rural Assistance Schemes	8	(2)	...	6
Other	13	(3)	...	10
	1,733	(41)	...	1,692
Crown Entity Loan with TCorp	13,499	(3,608)	83	9,974
Roads and Traffic Authority	1,045	40	4	1,089
Others	134	(12)	...	122
Total Debt Outside the Financial Agreement	16,411	(3,621)	87	12,877



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

12. EMPLOYEE ENTITLEMENTS AND OTHER PROVISIONS

	Total State Sector		General Government Sector	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Current	2,852	2,817	2,101	2,145
Non current	15,777	12,295	14,321	10,981
	18,629	15,112	16,422	13,126
These comprise:				
Employee Entitlements				
Unfunded superannuation ^(a)	8,226	5,579	8,127	5,686
Long service leave and other leave entitlements	4,600	4,439	3,616	3,473
Salary accruals and other	1,046	1,131	434	477
Total Provision for Employee Entitlements	13,872	11,149	12,177	9,636
Other Provisions				
Obligations of the Insurance Ministerial Corporation for closed insurance schemes	2,742	2,595	2,742	2,595
Outstanding claims:				
- Workers' Compensation (Dust Diseases) Board	381	344	381	344
HIH loss compensation	567	...	567	...
Building and Construction Industry Long Service Payments Scheme	302	297	302	297
Coal Compensation Board claims	25	12	25	12
Provision for future HomeFund restructure costs	7	10	7	10
Other	733	705	221	232
Total Other Provisions	4,757	3,963	4,245	3,490
Total Employee Entitlements and Other Provisions	18,629	15,112	16,422	13,126

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

Pooled Fund

- State Authorities Superannuation Scheme	2,478	1,881	2,045	1,513
- State Authorities Non Contributory Superannuation Scheme	899	756	835	727
- State Superannuation Scheme	2,264	1,029	2,662	1,533
- Police Superannuation Scheme	2,311	1,688	2,311	1,688
Judges' Pension Scheme	234	221	234	221
Parliamentary Contributory Superannuation Scheme	40	4	40	4
Unfunded Superannuation Liability	8,226	5,579	8,127	5,686
Less: Prepaid superannuation contributions of the Energy Industries Superannuation Scheme ^(b)	(245)	(295)	...	...
Net Superannuation Liabilities	7,981	5,284	8,127	5,686

^(b) Refer Note 9 Other Assets.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

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 SAS Trustee Corporation's actuary, W M Mercer, calculated the unfunded liabilities of NSW state public sector superannuation schemes for the year ended 30 June 2001.

Actuarial calculations were generally based on membership data as at 28 February 2001 extrapolated to 30 June 2001 for the Pooled Fund schemes, and membership data captured as at 30 June 2000 projected forward to 30 June 2001 for the EISS.

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

	2001-02	2002-03	Thereafter
Pooled Fund Schemes			
Investment return rate	7.0%pa	7.0%pa	7.0%pa
Salary growth rate	4.0% pa	6.5% pa	4.0% pa
CPI growth rate	2.5%pa	2.5%pa	2.5%pa

	2001-2002	Thereafter
EISS		
Investment return rate	6.0%pa	7.5%pa
Salary growth rate	5.5%pa	4.0%pa
CPI growth rate	2.5%pa	2.5%pa

EISS

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 2001 is largely explained by several factors:

- A change in actuarial demographic assumptions resulting from reduced mortality rates and higher Police disablement retirement levels (refer Note 4 Significant Items)
- Crown employer contribution "funding holiday" as a result of the prepayment of employer contributions in 1999
- The actual investment performance of the Pooled Fund was 5.2% in 2000-01, which is lower than the long term actuarially applied rate of 7% per annum.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

13. OTHER LIABILITIES	Total State Sector		General Government Sector	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m
Current	413	703	345	391
Non-current	862	863	1,005	1,038
	1,275	1,566	1,350	1,429
Other Liabilities comprise:				
The Sydney Harbour Tunnel Agreement obligations	406	417	406	417
Future income tax benefit	...	...	336	341
Crown's assumption of SRA Workers' Compensation	...	...	141	147
Other ^(a)	869	1,149	467	524
	1,275	1,566	1,350	1,429

^(a) The Total State Sector 2000 balance includes net deferred income and expenditure incurred by the Sydney Organising Committee for the Olympic Games and the Sydney Paralympic Organising Committee which was deferred until the year ending 30 June 2001 being the financial year in which the event took place.

14. ASSET REVALUATION RESERVE

Opening Balance	40,838	32,641	14,982	10,987
Net transfer from/(to) accumulated funds ^(a)	(3,942)	15	(120)	(92)
Net valuation increment ^(b)	4,015	8,182	1,483	4,087
Closing Balance	40,911	40,838	16,345	14,982

^(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) 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 (2000 \$3,567 million). In 2000, the net valuation increment also included \$3,636 million of valuation increments of the Department of Housing's residential properties.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

15. ACCUMULATED FUNDS	Total State Sector		General Government Sector	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Opening balance	46,718	45,829	26,222	26,177
Adjustments due to changes in accounting policy ^(a)	186	(4,604)	...	(4,533)
Contributions by Owners made to Wholly-Owned Public Sector Agencies (Urgent Issues Group UIG38)				
- Equity Restructure payments from Public Trading Enterprises	...	...	3,203	...
- Other	...	...	(865)	15
Net transfer from (to) Asset Revaluation Reserve	3,942	(15)	120	92
Other net adjustments	(25)	12	...	...
Add: Surplus/(Deficit) for the year	(576)	5,496	(1,197)	4,471
Closing Balance	50,245	46,718	27,483	26,222

^(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 arising from the revaluation and initial recognition of library, museum and archival collections	...	(192)	...	(192)
- Adoption by the Roads and Traffic Authority of Urgent Issues Group Abstract 30 regarding depreciation methodologies	...	(4,341)	...	(4,341)
- Adjustment by the State Rail Authority to the book value of inventories and spares	...	(71)	...	...
	186	(4,604)	...	(4,533)



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

16. CASH FLOW INFORMATION	Total State Sector 00-01	99-00	General Government Sector 00-01	99-00
	\$m	\$m	\$m	\$m
RECONCILIATION OF OPERATING RESULT TO NET CASH FLOWS FROM OPERATING ACTIVITIES EXCLUDING FINANCIAL INSTITUTIONS				
Surplus/(Deficit) for the year	(576)	5,496	(1,197)	4,471
Add back:				
- Deficit /(Surplus) of financial institutions	(376)	(438)	...	...
- Operating cash flow of financial institutions eliminated on consolidation	1,512	1,836	...	...
Non-cash items added back:				
- Depreciation and amortisation	2,823	2,810	1,332	1,411
- Loss/(Gain) on asset disposals	25	(46)	9	43
- Other	756	372	764	(186)
Change in operating assets and liabilities	3,162	(2,183)	3,200	(2,026)
Net cash flows from operating activities	7,326	7,847	4,108	3,713

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	1,846	1,717	1,035	418
Bank overdraft	(722)	(315)	(40)	(33)
	1,124	1,402	995	385

Balances of \$269 million were held by government schools with the Commonwealth Bank at 30 June 2001 (2000 \$244 million). These funds, 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 and Public Accounts.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

DISPOSAL OF ENTITIES

On 9 June 2000 the Government placed into local ownership Coleambally Irrigation Limited (CIL) for nil consideration.

The amount of cash held at the date of placement was \$20 million. The CIL also held other assets of \$35 million and liabilities of \$6 million at the date of placement.

On 25 November 1999 the NSW Financial Institutions Commission (FINCOM) was dissolved and residual cash of \$1 million was transferred to Commonwealth authorities which assumed the responsibilities of the former FINCOM.

Pacific Power's former subsidiary companies Eraring Holdings Pty Limited and Eraring Power Company of NSW Ltd were wound up during 1999-2000. In addition Pacific Power's three other subsidiaries – Powercoal-Everest Pty Ltd, Everest Coal Management Pty Ltd and Everest Coal Sales Pty Ltd – were sold as shelf companies during 1999-2000.

ACQUISITION OF ENTITIES

On 13 December 1999 the State Transit Authority (STA) acquired 100% of the shares of North and Western Coaches Pty Ltd for a cash consideration of \$14 million. The STA further acquired on 29 February 2000 100% of the shares of Riverside Bus and Coach Services Unit Trust for a cash consideration of \$5 million.

NON CASH FINANCING AND INVESTING ACTIVITIES

General Government

During 2000-01 the Roads and Traffic Authority recognised an emerging interest in private sector provided infrastructure of \$41 million (2000 \$39 million).

During 2000-01 the Crown Entity assumed \$421 million of debt from Eraring Energy following its corporatisation, and forgave \$200 million of advances to the Department of Housing. Land and infrastructure with a value of \$32 million was transferred from State Forests to the National Parks and Wildlife Service in 2000-01 for nil consideration. The above three transactions have a nil impact on the Total State Sector.

During 1999-2000 the Department of Transport received shares in the National Rail Corporation for nil consideration and recorded them at a book value of \$15 million.

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.

Public Trading Enterprises & Public Financial Enterprises

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 \$159 million (2000 \$80 million).

This includes assets from the Rouse Hill Development for which a provision of \$47 million (2000 \$14 million) has been recognised in the statement of financial position.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

NET CASH OF FINANCIAL INSTITUTIONS

	00-01	Total State Sector	99-00	99-00
	\$m	00-01	\$m	\$m
		(a) Net of		(a) Net of
	Gross	Elimination	Gross	Elimination
CASH INFLOWS (OUTFLOWS) FROM OPERATING ACTIVITIES				
Receipts				
Finance	1,897	330	2,089	...
Other	13	13	11	197
Total Receipts	1,910	343	2,100	197
Payments				
Employee Related	(8)	(8)	(7)	(7)
Finance	(1,701)	(1,672)	(1,880)	(1,832)
Other	(40)	(14)	(30)	(11)
Total Payments	(1,749)	(1,694)	(1,917)	(1,850)
NET CASH FLOW FROM OPERATING ACTIVITIES	161	(1,351)	183	(1,653)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale of Investments	6	6	485	485
Purchase of Property, Plant & Equipment	(2)	(2)	(2)	(2)
Purchase of Investments & Loans to Authorities Made	(7,634)	(1)	(7,329)	...
Loans to Authorities Repaid & Other Investing	8,387	...	9,192	...
Net Cash Flows From Investing Activities	757	3	2,346	483
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from Borrowings	17,700	17,700	18,121	18,121
Repayments of Borrowings	(18,962)	(18,958)	(21,060)	(21,023)
Other	(22)	...	(184)	...
NET CASH FROM FINANCING ACTIVITIES	(1,284)	(1,258)	(3,123)	(2,902)
NET CASH FLOWS FROM FINANCIAL INSTITUTIONS	(366)	(2,606)	(594)	(4,072)

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



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

17. TRUST FUNDS

	Total State Sector 00-01 \$m	99-00 \$m	General Government Sector 00-01 \$m	99-00 \$m
General Government Sector	2,685	2,596	2,685	2,596
Public Trading Enterprises & Public Financial Enterprises	326	315	...	...
	3,011	2,911	2,685	2,596

Trust monies are held by the trustee on behalf of beneficiaries. Therefore, these monies are not included in the consolidated financial statements assets.

General Government trust monies mainly comprise various forms of estates under management, unclaimed monies and Supreme Court trust funds held in statutory accounts by the:

- Protective Commissioner	1,105	1,087	1,105	1,087
- Office of the Public Trustee	863	846	863	846
- Rental Bond Board	480	446	480	446
- Department of Health	112	117	112	117
- Workers' Compensation (Dust Diseases) Board	50	43	50	43
- Others	75	57	75	57
	2,685	2,596	2,685	2,596

Trust monies held by Non General Government agencies include:

- NSW Treasury Corporation	301	290	...	...
- Others	25	25	...	...
	326	315	...	...



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

18. EXPENDITURE COMMITMENTS	Total State Sector		General Government Sector	
	00-01	99-00	00-01	99-00
	\$m	\$m	\$m	\$m
Capital Expenditure				
General Government	3,516	3,023	3,530	3,035
Public Trading Enterprises & Public Financial Enterprises	1,109	1,434	...	...
	4,625	4,457	3,530	3,035
The above represents capital expenditure contracted for at balance date, including private sector financed infrastructure assets, but not recognised in the financial statements.				
General Government				
Health Department	2,574	1,696	2,574	1,696
Roads and Traffic Authority	514	907	514	907
Olympic Co-ordination Authority	...	218	...	218
Other agencies	428	202	442	214
	3,516	3,023	3,530	3,035
Public Trading Enterprises & Public Financial Enterprises				
State Rail Authority	393	630	...	...
Sydney Water Corporation	190	440	...	...
NSW Land and Housing Corporation	84	20	...	...
Macquarie Generation	75	6	...	...
Landcom	73	64	...	...
State Transit Authority	56	93	...	...
Delta Electricity	47	24	...	...
Transgrid	42	61	...	...
Other agencies	149	96	...	...
	1,109	1,434	...	...
Capital Expenditure Commitments Payable:				
not later than one year	2,065	2,205	1,353	1,451
later than one year and not later than five years	2,059	1,989	1,682	1,496
later than five years	501	263	495	88
	4,625	4,457	3,530	3,035



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

	Total State Sector 00-01	Sector 99-00	General Government Sector 00-01	Sector 99-00
	\$m	\$m	\$m	\$m
Operating Lease Expenditure payable:				
not later than one year	529	640	397	459
later than one year and not later than five years	1,341	1,240	1,000	1,017
later than five years	708	1,283	492	1,120
	2,578	3,163	1,889	2,596

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	93	88	...	...
later than one year and not later than five years	419	388	...	...
later than five years - Net Present Value ^(a)	510	497	...	...
	1,022	973	...	...

^(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.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

19. CONTINGENT LIABILITIES	Total State Sector 00-01 \$m	99-00 \$m	General Government Sector 00-01 \$m	99-00 \$m
<i>(A) QUANTIFIABLE CONTINGENT LIABILITIES comprise:</i>				
General Government				
Attorney General's Department (Victims Compensation and other claims)	117	211	117	211
Home Purchase Assistance Fund (potential income and cash shortfalls in FANMAC Trust system and excess rate caps)	15	16	15	16
Coal Compensation Board (claims for compensation under the Coal Acquisition (Compensation) Arrangements 1985)	300	283	300	283
NSW Police Service (claims including legal proceedings)	62	54	62	54
Roads and Traffic Authority (claims involving legal proceedings)	34	44	34	44
Department of Land and Water Conservation (claims involving legal proceedings)	36	24	36	24
NSW Insurance Ministerial Corporation	8	72	8	72
Other agencies	61	50	61	50
Total – General Government	633	754	633	754
Public Trading Enterprises and Public Financial Enterprises				
Sydney Water Corporation (claims in respect of compensation and litigation)	120	198	...	...
State Rail Authority (commercial disputes, employee disputes) environmental, personal injury and property claims)	72	20	...	...
NSW Treasury Corporation (bonds on loan)	425	1,108	...	...
Less securities held	(92)	...	...	...
Other agencies	43	34	...	...
Total - Public Trading Enterprises and Public Financial Enterprises	568	1,360	...	...
GRAND TOTAL	1,201	2,114	633	754



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

(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:

General Government

- State guarantees are given to various organisations under statute. They mainly relate to certain co-operative housing societies \$117 million (2000 \$127 million).
- The NSW Government has agreed to indemnify TAB Ltd for shareholder related costs incurred by TAB Ltd in 2001 to \$5 million.

The NSW Government has also 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 \$25.8 billion (2000 \$26.4 billion) have been guaranteed by the NSW Government under the Public Authorities (Financial Arrangements) Act 1987.
- The Olympic Co-ordination Authority (OCA) 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 OCA. In the event of a natural disaster OCA 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 2001 the total guaranteed liabilities of the Bank amounted to \$3.5 billion (2000 \$4.8 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 \$80 million (2000 \$103 million).
- 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 2000 \$m	31 December 1999 \$m
General insurance	136	164
Life insurance	271	267
Inward reinsurance	253	203
	<hr/> 660	<hr/> 634

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 \$1,162 million at 31 December 2000 (31 December 1999 \$1,104 million).

- The Ultimo Pyrmont Light Rail Transit system was built at a cost of \$87.5 million upon land leased by the State to the owners/operators of the system, the Sydney Light Rail Company. The project contracts contain certain indemnities and guarantees in the event of enforced termination. It provides that should the termination occur after the first year of start of operations the contingent liability is to be assessed using varying formulas depending on the cause of termination, and based on market valuations. As early termination is considered remote, no attempt has been made to estimate the contingent liability.

Public Trading Enterprises & Public Financial Enterprises

- The NSW Treasury Corporation has issued unconditional payment undertakings on behalf of some New South Wales government authorities participating in the wholesale electricity markets 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 New South Wales government authority participants. This financial accommodation is government guaranteed.

At year-end the agreed aggregate amounts totalled \$458 million (2000 \$309 million).

- EnergyAustralia has fully indemnified issuing financial institutions to the amount of \$231 million (2000 \$151 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 \$55 million (2000 \$40 million).



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

(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 1,954 have been granted either wholly or partly, over lands totalling 69,581 hectares and valued at approximately \$580 million. As at 30 June 2001, there were 938 claims under investigation (2000 998 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 174 applications including 15 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, 94 claims are ongoing. 90 non-claimant applications have been lodged by the NSW Government. 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 which may exist or be formulated between the administering bodies of the organisation and the Department.

- In respect of the Roads and Traffic Authority, 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.
- In March 2001, the Federal Court approved a negotiated settlement of the HomeFund class action litigation. The two representative actions were consequently dismissed.
Only 147 of the 57,000 HomeFund borrowers rejected the settlement terms and thereby retained the right to pursue their claims. Their intent as to future litigation is not known at this time.
The class actions were settled on terms acceptable to Government, and the Department of Housing will administer the implementation of the settlement terms.
A third individual action, which had been heard in conjunction with the class action proceedings, remains unresolved. On 28 June 2001 the Federal Court directed the parties in that matter to participate in a settlement conference.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

The Government's liability from the remaining individual matter or any further action by those 147 borrowers who opted-out of the representative class action is not known but would be substantially less than when the class actions were on foot.

- 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 pursuant to each transaction. The exposure relates in the main 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 arises where the NSW Government has a third party risk in terms of monies being placed on deposit with a counterparty. The total of this contingent liability is estimated at \$926 million. This figure represents a \$88 million increase on the 1999-2000 amount, reflecting the term nature of the deposits and the devaluation of the Australian dollar against the US dollar. NSW Treasury Corporation on behalf of the NSW Government regularly monitors this risk.

During the 2000-01 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 \$312 million at 30 June 2000 (2000 \$338 million).

- National Parks and Wildlife Service (the Service) received two claims 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.

In July 1997, a landslide occurred at the Thredbo Alpine Resort within Kosciuszko National Park resulting in the loss of life and property. As a result of the Coroner's Inquiry, which found the Service, along with others, to have been at fault in relation to the Thredbo landslide, the Service has received claims for compensation.

In June 2000, a fire occurred in the Ku-ring-gai Chase National Park resulting in the loss of life. A Coronial Inquest is being undertaken into the events surrounding this incident. The Service has received notice of one civil claim for damages and may receive others. The Service may also be prosecuted by the NSW WorkCover Authority.

- In relation to 39 former major sites occupied by the Snowy Mountains Scheme from the 1950's to the 1970's, the NSW Crown Solicitor has indicated that there is only a low probability that the Snowy Mountains Hydro-electric Authority has a residual liability for site remediation.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

This obligation rests with the NSW National Parks and Wildlife Service as the land manager. As part of the proposed corporatisation of the Snowy Scheme, the shareholder governments are considering making a financial contribution lowering the risk that any remediable liability will emerge.

- 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 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 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.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

20. EVENTS OCCURRING AFTER REPORTING DATE

- The Home Purchase Assistance Authority ceased to exist as a separate government agency effective 1 July 2001. All of the Authority's net assets, (book value of \$72 million at 30 June 2001) were transferred to the NSW Department of Housing, a Public Trading Enterprise. The transfer has a nil impact on the Total State Sector.
 - Since 30 June 2001 domestic and international share markets have produced negative investment returns, which will increase the amount of unfunded superannuation liabilities. The funds investment strategy focuses on growth assets and is structured to achieve a long term return of 7 percent per annum, despite periodic market volatility.
 - The New South Wales Government announced in August 2001 its intention to commence the process of selling Powercoal Pty Ltd. a wholly owned subsidiary of Pacific Power. Powercoal owns seven underground mines in NSW.
- It is proposed that the sale of Powercoal proceed by way of a trade sale which will conclude in early 2002. As the sale process is in its infancy, the exact timing and the amount of the sale proceeds are unknown.
- The Freight Rail Corporation (Sale) Act 2001 was assented to on 29 June 2001. The Act provides for the sale of the business undertaking of the Freight Rail Corporation. The Government announced on 24 August 2001 that the sale is being carried out in conjunction with the sale of the National Rail Corporation, a jointly owned corporation of the Commonwealth, Victorian and New South Wales Governments. As the sale has not been finalised, details are not available of the value of the sale proceeds.

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:



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

	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			
STATE SECTOR								
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	
GENERAL GOVERNMENT SECTOR								
Financial Assets								
Cash ^(a)	16	1,035	...	...	...	...	1,035	
Advances Receivable	5	...	32	138	1,167	49	1,386	4.6
Other Receivables	5	...	...	...	...	3,497	3,497	
Investments								
- Administered by TCorp ^(b)	6	1,618	...	240	762	...	2,620	5.9
- Other	6	550	250	280	...	325	1,405	6.6
Total Financial Assets		3,203	282	658	1,929	3,871	9,943	
Financial Liabilities								
Bank Overdraft	11	40	...	...	...	...	40	
Payables	10	...	...	...	...	1,480	1,480	
Domestic and Foreign								
Borrowings	11	...	1,570	6,344	3,178	327	11,419	6.7
Liability to Commonwealth								
Government	11	...	41	321	1,489	...	1,851	4.7
Finance Leases	11	...	18	121	118	...	257	
Total Financial Liabilities		40	1,629	6,786	4,785	1,807	15,047	



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

	Notes	Floating interest rate 2000 \$m	Fixed interest rate maturing in:			Non- interest bearing 2000 \$m	TOTAL 2000 \$m	Weighted average effective interest 2000 %
			1 year or less 2000 \$m	1 to 5 years 2000 \$m	Over 5 years 2000 \$m			
STATE SECTOR								
Financial Assets								
Cash ^(a)	16	1,717	...	...	...	...	1,717	
Receivables	5	...	...	...	...	3,311	3,311	
Investments								
- Administered by TCorp ^(b)	6	1,728	5	154	599	...	2,486	6.3
- TCorp Placements	6	...	1,572	15	444	...	2,031	7.1
- Other	6	817	549	519	41	157	2,083	6.9
Total Financial Assets		4,262	2,126	688	1,084	3,468	11,628	
Financial Liabilities								
Bank Overdraft	11	315	...	...	...	...	315	
Payables	10	...	...	...	...	3,489	3,489	
Domestic and Foreign								
Borrowings	11	...	1,630	14,609	9,005	...	25,244	6.7
Liability to Commonwealth								
Government	11	...	89	230	1,621	...	1,940	4.8
Finance Leases	11	...	35	141	328	...	504	
Total Financial Liabilities		315	1,754	14,980	10,954	3,489	31,492	
GENERAL GOVERNMENT SECTOR								
Financial Assets								
Cash ^(a)	16	418	...	...	...	...	418	
Advances Receivable	5	...	44	145	1,357	100	1,646	4.8
Other Receivables	5	...	...	...	...	3,214	3,214	
Investments								
- Administered by TCorp ^(b)	6	1,591	5	154	599	...	2,349	6.3
- Other	6	657	308	535	38	142	1,680	6.9
Total Financial Assets		2,666	357	834	1,994	3,456	9,307	
Financial Liabilities								
Bank Overdraft	11	33	...	...	...	...	33	
Payables	10	...	...	...	...	1,524	1,524	
Domestic and Foreign								
Borrowings	11	435	3,349	6,422	4,580	66	14,852	7.4
Liability to Commonwealth								
Government	11	...	89	230	1,621	...	1,940	4.8
Finance Leases	11	...	31	100	147	...	278	
Total Financial Liabilities		468	3,469	6,752	6,348	1,590	18,627	



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

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.

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. 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) 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 (2000 \$109 million, 2001 \$75 million) and New South Wales Lotteries (2000 \$79 million, 2001 \$538 million).

	Total State Sector		General Government Sector	
	2001	2000	2001	2000
	\$m	\$m	\$m	\$m
Hour Glass Cash	604	490	211	150
Hour Glass Cash Plus	227	435	166	150
Special Client Mandate	613	187	538	109
Cash administered by Tcorp	1,444	1,112	915	409
Other ^(#)	402	605	120	9
Total Cash	1,846	1,717	1,035	418

^(#) Other includes cash bank balances adjusted for un-presented 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.

Fixed Interest	90	127	80	58
Medium to Long Term	1,700	1,459	1,529	1,391
Special Client Mandate	1,011	900	1,011	900
Total Investments Administered by TCorp	2,801	2,486	2,620	2,349



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

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 2001 \$m	Aggregate net fair value 2001 \$m	Total carrying amount 2000 \$m	Aggregate net fair value 2000 \$m
STATE SECTOR				
Financial Assets				
Cash	1,846	1,846	1,717	1,717
Receivables	3,537	3,537	3,311	3,311
Investments - Administered by Tcorp	2,801	2,801	2,486	2,486
- TCorp Placements	2,236	2,258	2,031	2,045
- In Associates	33	33	...	...
- Other	1,798	1,798	2,083	2,151
Total Financial Assets	12,251	12,273	11,628	11,710
Financial Liabilities				
Bank Overdraft	722	722	315	315
Payables	3,213	3,213	3,489	3,489
Domestic and foreign borrowings	24,077	24,211	25,244	25,630
Liability to Commonwealth Government	1,851	1,392	1,940	1,519
Finance Leases	478	478	504	504
Total Financial Liabilities	30,341	30,016	31,492	31,457
GENERAL GOVERNMENT SECTOR				
Financial Assets				
Cash	1,035	1,035	418	418
Advances Receivable	1,386	1,026	1,646	1,325
Other Receivables	3,497	3,497	3,214	3,214
Investments - Administered by Tcorp	2,620	2,620	2,349	2,349
- Other	1,405	1,405	1,680	1,680
Total Financial Assets	9,943	9,583	9,307	8,986
Financial Liabilities				
Bank Overdraft	40	40	33	33
Payables	1,480	1,480	1,524	1,524
Domestic and Foreign Borrowings	11,419	11,847	14,852	15,839
Liability to Commonwealth Government	1,851	1,392	1,940	1,519
Finance Leases	257	257	278	278
Total Financial Liabilities	15,047	15,016	18,627	19,193



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

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-STATEMENT OF FINANCIAL POSITION 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.

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.



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

DERIVATIVE FINANCIAL INSTRUMENTS ^(c)

	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			
STATE SECTOR							
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)	...
GENERAL GOVERNMENT SECTOR							
Receivable							
Futures	...	492	434	...	...	926	...
Payable							
Futures	...	...	...	(1)	...	(1)	...

DERIVATIVE FINANCIAL INSTRUMENTS ^(c)

	Floating interest rate 2000 \$m	Fixed interest rate maturing in:			Non-interest bearing 2000 \$m	TOTAL 2000 \$m	Aggregate net fair value 2000 \$m
		1 year or less 2000 \$m	1 to 5 years 2000 \$m	Over 5 years 2000 \$m			
STATE SECTOR							
Receivable							
Swaps	...	286	1,400	634	...	2,320	3
Forward Rate Agreements	534	30	435	209	...	1,208	7
Futures	...	1,160	307	19	...	1,486	...
Payable							
Swaps	(1,920)	(25)	(425)	...	...	(2,370)	(73)
Forward Rate Agreements	...	(399)	(135)	...	...	(534)	...
Futures	...	(6)	(14)	(27)	...	(47)	...
GENERAL GOVERNMENT SECTOR							
Receivable							
Futures	...	399	144	10	...	553	...
Payable							
Futures	...	...	(6)	(25)	...	(31)	...

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



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

23. CONSOLIDATED FUND TRANSACTIONS	2000-01 \$m	1999-2000 \$m
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
State Taxation, Fines and Regulatory Fees	13,729	13,954
Commonwealth Grants	13,033	11,662
Financial Distributions	1,284	1,432
Other Operating Revenue	584	603
Total Receipts	28,630	27,651
Payments		
Recurrent Appropriations paid to other agencies	(22,414)	(20,745)
Recurrent Appropriations paid to the Crown Transactions Entity (CTE)	(2,910)	(3,345)
Capital Appropriations paid to other agencies	(2,016)	(2,049)
Capital Appropriations paid to CTE	(4,199)	(2,293)
Total Payments	(31,539)	(28,432)
NET CASH FLOW FROM OPERATING ACTIVITIES	(2,909)	(781)
NET CASH FLOW FROM INVESTING ACTIVITIES	3,203	...
CASH FLOWS FROM THE CROWN TRANSACTION ENTITY		
Proceeds from Borrowings	...	102
Crown Property Surplus	...	16
Interest Receipts	101	108
Advance Repayments	123	117
Other Receipts	29	27
NET CASH FLOW FROM CROWN TRANSACTION ENTITY	253	370
NET INCREASE/(DECREASE) IN CASH	547	(411)
OPENING CASH AND CASH EQUIVALENTS	(1,234)	(823)
CLOSING CASH BALANCES	(687)	(1,234)
CONSOLIDATED FUND CASH AND CASH EQUIVALENTS		
Deposit at Call	538	108
Bank Overdraft	(1,225)	(1,342)
	(687)	(1,234)



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

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 standards set out in the Government Financial 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.



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 2001

	General Government		Public Trading Enterprises	
	00-01	99-00	00-01	99-00
	\$m	\$m	\$m	\$m
REVENUES FROM ORDINARY ACTIVITIES				
State Revenues				
Taxation	13,327	15,185	...	...
Commonwealth Grants	12,967	9,460	...	...
Financial Distribution	1,245	1,299	...	...
Fines, Regulatory Fees and Other	918	876	...	...
Total State Revenues	28,457	26,820	...	...
Operating Revenues				
Sale of Goods and Services	2,282	2,143	8,525	8,382
Investment Income	484	492	104	77
Grants and Contributions	366	422	2,700	2,378
Deferred Revenues - Olympic and Paralympic Games	...	...	3,145	...
Other	418	342	562	882
Total Operating Revenues	3,550	3,399	15,036	11,719
EXPENSES FROM ORDINARY ACTIVITIES				
Employee Related				
- Superannuation	3,187	(1,184)	458	(364)
- Other	12,268	12,033	3,231	3,155
Other Operating	7,513	5,795	3,559	4,310
Maintenance	1,035	1,144	826	691
Depreciation and Amortisation	1,332	1,411	1,489	1,398
Grants and Subsidies	6,543	5,056	86	123
Deferred Expenses - Olympic and Paralympic Games	...	...	3,046	...
Borrowing Costs	1,317	1,450	1,082	738
Total Expenses	33,195	25,705	13,777	10,051
Gain/(Loss) on Disposal of Non-Current Assets	(9)	(43)	(16)	95
NET COST OF SERVICES	(29,654)	(22,349)	1,243	1,763
SURPLUS/(DEFICIT) FOR THE YEAR BEFORE FINANCIAL DISTRIBUTIONS				
Income Tax Equivalent Expense	...	...	335	278
Dividend Provisions	...	...	653	887
SURPLUS/(DEFICIT) FOR THE YEAR AFTER FINANCIAL DISTRIBUTIONS	(1,197)	4,471	255	598



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 2001

Public Financial Enterprises		Eliminations		Total State Sector	
00-01	99-00	00-01	99-00	00-01	99-00
\$m	\$m	\$m	\$m	\$m	\$m
...	...	(688)	(645)	12,639	14,540
...	...	...	...	12,967	9,460
...	...	(1,245)	(1,299)	...	...
...	...	3	19	921	895
...	...	(1,930)	(1,925)	26,527	24,895
10	9	44	174	10,861	10,708
2,405	2,075	(2,185)	(1,978)	808	666
15	...	(2,419)	(2,072)	662	728
...	...	...	...	3,145	...
...	...	(6)	(105)	974	1,119
2,430	2,084	(4,566)	(3,981)	16,450	13,221
...	...	...	...	3,645	(1,548)
8	7	(173)	(117)	15,334	15,078
22	...	(626)	(395)	10,468	9,710
...	...	...	...	1,861	1,835
2	1	...	...	2,823	2,810
...	...	(2,431)	(2,136)	4,198	3,043
...	...	...	...	3,046	...
2,011	1,628	(2,257)	(2,078)	2,153	1,738
2,043	1,636	(5,487)	(4,726)	43,528	32,666
...	...	...	(6)	(25)	46
387	448	921	739	(27,103)	(19,399)
387	448	(1,009)	(1,186)	(576)	5,496
11	10	(346)	(288)	...	...
27	22	(680)	(909)	...	...
349	416	17	11	(576)	5,496



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

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

	General Government		Public Trading Enterprises	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Current Assets				
Cash Assets	1,035	418	952	1,324
Receivables	2,403	2,152	1,610	1,813
Other Financial Assets	767	688	786	602
Inventories	154	145	532	473
Other	61	94	252	515
Total Current Assets	4,420	3,497	4,132	4,727
Non-Current Assets				
Receivables	2,480	2,708	163	184
Other Financial Assets	3,258	3,341	273	312
Property, Plant and Equipment				
Land and Buildings	32,165	31,946	25,099	23,838
Plant and Equipment	4,182	4,110	4,243	4,143
Infrastructure Systems	29,246	27,956	30,153	27,844
Forestry Stock	...	...	1,424	1,533
Inventories	42	68	312	249
Other	854	760	763	755
Total Non-Current Assets	72,227	70,889	62,430	58,858
TOTAL ASSETS	76,647	74,386	66,562	63,585
Current Liabilities				
Payables	1,480	1,524	1,758	1,990
Interest Bearing	2,066	4,165	1,645	1,234
Employee Entitlements and Other Provisions	2,101	2,145	1,489	1,592
Other	345	391	138	456
Total Current Liabilities	5,992	8,225	5,030	5,272
Non-Current Liabilities				
Interest Bearing	11,501	12,938	11,024	8,599
Employee Entitlements and Other Provisions	14,321	10,981	2,440	2,291
Other	1,005	1,038	331	313
Total Non-Current Liabilities	26,827	24,957	13,795	11,203
TOTAL LIABILITIES	32,819	33,182	18,825	16,475
NET ASSETS	43,828	41,204	47,737	47,110
Equity				
Asset Revaluation Reserves	16,345	14,982	24,566	25,856
Accumulated Funds	27,483	26,222	23,171	21,254
TOTAL EQUITY	43,828	41,204	47,737	47,110



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	
2001	2000	2001	2000	2001	2000
\$m	\$m	\$m	\$m	\$m	\$m
111	61	(252)	(86)	1,846	1,717
511	541	(1,347)	(1,579)	3,177	2,927
6,204	3,606	(4,716)	(2,329)	3,041	2,567
...	...	...	...	686	618
...	1	...	(10)	313	600
6,826	4,209	(6,315)	(4,004)	9,063	8,429
...	1	(2,283)	(2,509)	360	384
18,452	21,267	(18,156)	(20,887)	3,827	4,033
1	...	...	...	57,265	55,784
3	3	...	...	8,428	8,256
...	...	...	...	59,399	55,800
...	...	...	...	1,424	1,533
...	...	...	...	354	317
...	...	(336)	(325)	1,281	1,190
18,456	21,271	(20,775)	(23,721)	132,338	127,297
25,282	25,480	(27,090)	(27,725)	141,401	135,726
423	390	(448)	(415)	3,213	3,489
5,583	2,122	(3,968)	(5,355)	5,326	2,166
46	46	(784)	(966)	2,852	2,817
...	...	(70)	(144)	413	703
6,052	2,558	(5,270)	(6,880)	11,804	9,175
19,588	23,625	(20,311)	(19,325)	21,802	25,837
51	55	(1,035)	(1,032)	15,777	12,295
...	...	(474)	(488)	862	863
19,639	23,680	(21,820)	(20,845)	38,441	38,995
25,691	26,238	(27,090)	(27,725)	50,245	48,170
(409)	(758)	...	...	91,156	87,556
...	...	...	...	40,911	40,838
(409)	(758)	...	...	50,245	46,718
(409)	(758)	...	...	91,156	87,556



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

25. DETAILS OF CONSOLIDATED ENTITIES

The consolidated financial statements comprise the following entities and the entities that they control:

**General Government
Sector Agencies**

Aboriginal Housing Office
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
Board of Vocational Education and Training
Building and Construction Industry Long Service Leave Payments 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 Transactions 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
Department of Health
Department of Industrial Relations



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

General Government
Sector Agencies
(continued)

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 of Urban Affairs and Planning
Department for Women
Drug Offensive Foundation

Eastern Creek Raceway
Energy and Water Ombudsman
Environmental Trust
Environment Protection Authority
Electricity Tariff Equalisation Ministerial Corporation

Festival Development Corporation
Farrer Memorial Research Scholarship Fund

Greyhound Racing Authority

Harness Racing Authority
Hawkesbury Nepean Catchment Management Trust ^(a)
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
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
Mines Subsidence Board
Minister Administering Environmental Planning and Assessment Act
(incorporating Sydney Region Development Fund and Land
Development Contribution Fund)
Ministerial Development Corporation
Ministry of Energy and Utilities
Ministry for Police
Ministry for the Arts
Motor Accident 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 Meat Industry Authority ^(b)
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
Olympic Roads and Transport Authority ^(c)
Ombudsman's Office

Parliamentary Counsel's Office
Police Integrity Commission
Premier's Department
Psychiatry Institute of NSW
Public Trust Office

Registry of Births, Deaths and Marriages
Rental Bond Board
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 Harbour Foreshore Authority (until 31 December 2000)
Sydney International Aquatic and Athletic Centres

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

Advance Energy ^(d)
Australian Inland Energy ^(e)
Australian Inland Energy Water Infrastructure ^(e)

Broken Hill Water Board ^(e)

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



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

Public Trading Enterprises (continued)

Darling Harbour Authority^(f)
Delta Electricity
Department of Housing – Land and Housing Corporation

EnergyAustralia
Eraring Energy

Fish River Water Supply Authority
Freight Rail Corporation

Great Southern Energy^(d)

Integral Energy

Hunter Water Corporation

Jenolan Caves Reserves Trust

Landcom

Macquarie Generation

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

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

Rail Access Corporation^(g)
Rail Infrastructure Corporation^(g)
Rail Services Australia^(g)

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 (from 1 January 2001)
Sydney Opera House
Sydney Organising Committee for the Olympic Games
Sydney Paralympic Organising Committee Ltd^(h)
Sydney Ports Corporation
Sydney Water Corporation



NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

Public Trading Enterprises (continued)

Teacher Housing Authority
TransGrid

Waste Services of NSW
Wollongong Sports Ground Trust

Zoological Parks Board

Public Financial Enterprises

Fair Trading Administration Corporation
FANMAC Trusts

New South Wales Treasury Corporation

- (a) abolished on 11 April 2001*
- (b) Amalgamated with Safe Food Production NSW on 4 August 2000*
- (c) Ceased to exist 31 May 2001*
- (d) 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*
- (e) Australian Inland Energy and Broken Hill Water Board merged 15 December 2000 to become Australian Inland Energy Water Infrastructure*
- (f) Transferred to the Sydney Harbour Foreshore Authority on 1 January 2001*
- (g) Rail Access Corporation and Rail Services Australia merged to become Rail Infrastructure Corporation 1 January 2001*
- (h) Dissolved on 1 January 2001*

END OF AUDITED FINANCIAL REPORT

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