

# REPORT ON STATE FINANCES 2017-18



## INCORPORATING THE

Consolidated Financial Statements  
of the New South Wales General  
Government and Total State Sectors

Outcomes Report

NSW Treasury  
52 Martin Place  
Sydney NSW 2000

[www.treasury.nsw.gov.au](http://www.treasury.nsw.gov.au)

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**Front cover images from left to right:**

Destination NSW

NSW Health – Parkes Hospital

Sydney Metro – the start of Australia’s longest railway tunnel at Bella Vista

NSW Department of Education – Nowra East Public School

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# **Report on State Finances**

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**2017-18**





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# 1. ABOUT THIS REPORT

The 2017-18 New South Wales Report on State Finances includes:

- An overview of the financial performance and position of the General Government and Total State Sectors for 2017-18; and
- The audited Consolidated Financial Statements of the General Government and Total State Sectors for 2017-18, including a full set of note disclosures required by Australian Accounting Standards; and
- The Outcomes Report on Government Finances for the general government sector, public non-financial corporations sector, public financial corporations sector and the non-financial public sector for 2017-18, prepared in accordance with the Uniform Presentation Framework adopted by all Australian governments.

These reports and associated commentary provide a comprehensive analysis and review of the State's financial performance and position.

The New South Wales Total State Sector is made up of the General Government Sector (GGS), the State's Public Non-Financial Corporations (PNFCs) and Public Financial Corporations (PFCs) whereby:

- General Government Sector agencies carry out policy, regulatory and service delivery functions.
- PNFCs, other than in the transport and housing sectors, are largely self-funded from user charges and in most cases 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. PNFCs are responsible for supplying public infrastructure services, including electricity, water and public transport.
- PFCs 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 PFC is the New South Wales Treasury Corporation.

Throughout this report:

- A reference to one billion dollars is one thousand million dollars.
- All figures in tables, charts and text are rounded to the nearest million dollars, except when otherwise indicated. Discrepancies between totals and the sum of components reflect rounding. Percentages are based on the underlying unrounded amounts.
- Prior year comparatives have been restated to take account of changes to accounting standards, reclassifications to the Operating Result for entities that were discontinued in the current period, and corrections of prior period errors (if applicable).

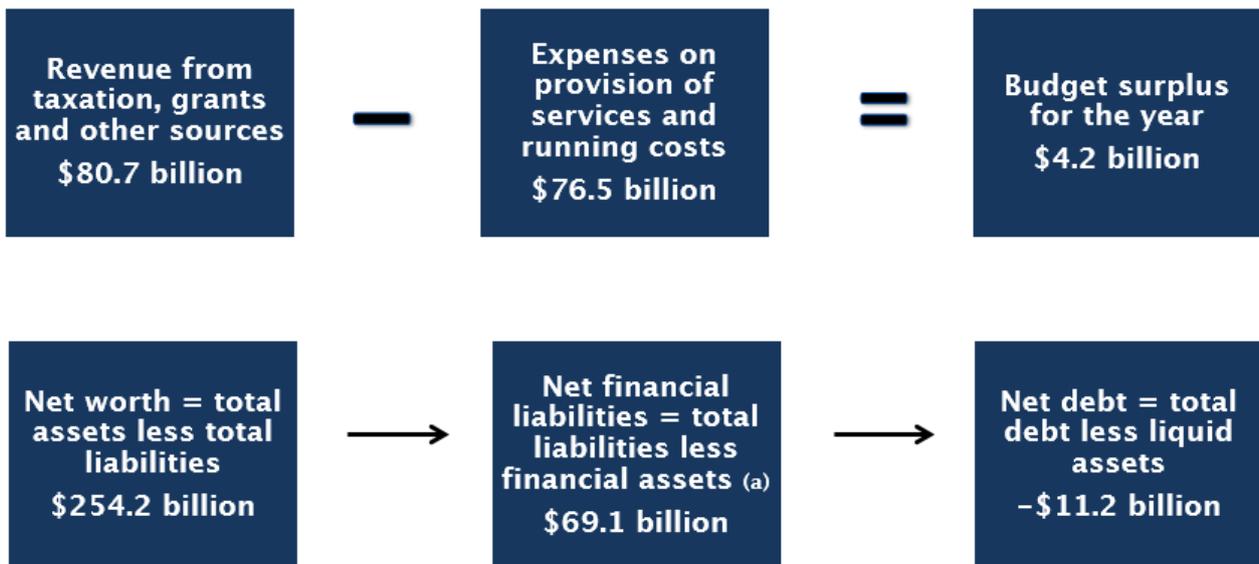


## 2. 2017-18 OVERVIEW

NSW government continues its strong financial performance in 2017-18, with a strong surplus and record low General Government Sector net debt (negative \$11.2 billion) as well as record net worth of \$254.2 billion.

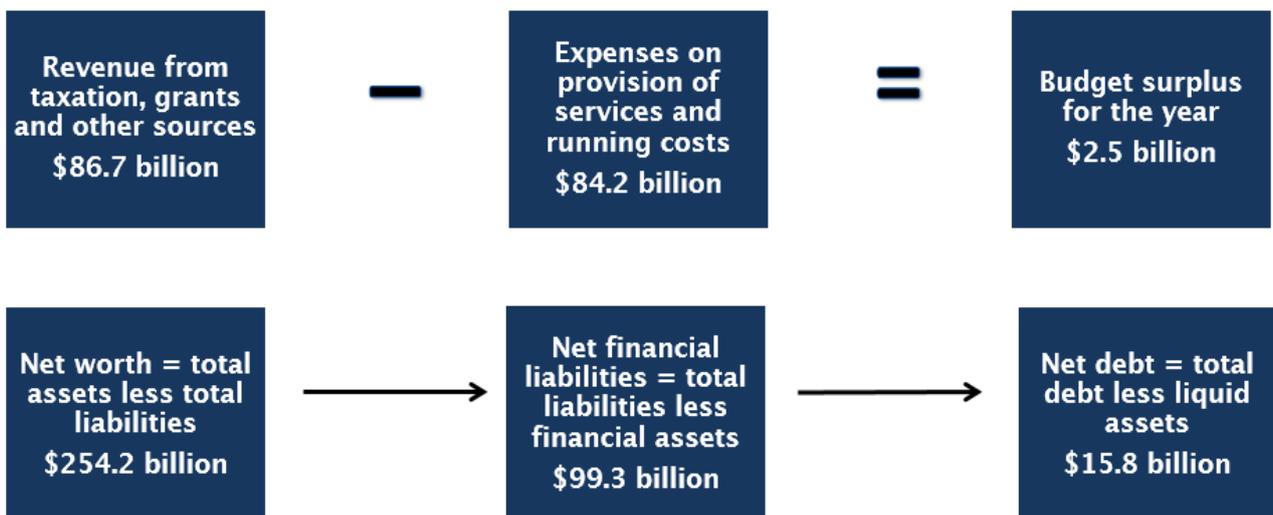
The following overview highlights the key financial results for the General Government Sector and Total State Sector for 2017-18. These are discussed in more detail in the subsequent chapters.

### General Government Sector



(a) Financial assets exclude the State's investment in Other Public Sector entities.

### Total State Sector





## 3. NSW FISCAL CONTEXT

### 3.1 Fiscal Targets and Principles

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The Government's fiscal targets and principles are articulated in the *Fiscal Responsibility Act 2012* (the Act). The key objective of the Act is to maintain the State's triple-A credit rating. This objective is supported by two fiscal targets: holding General Government Sector expense growth below long-term average revenue growth and eliminating the State's unfunded superannuation liabilities by 2030.

The Act also requires the Government to pursue its objective in accordance with the following principles of sound financial management: responsible and sustainable spending, taxation and infrastructure investment; effective financial and asset management; and achieving intergenerational equity.

The Government continues to meet the objective, targets and principles of the Act. Fiscal discipline has been maintained in 2017-18 as evidenced by maintenance of a triple-A credit rating, a strong General Government Sector surplus of \$4.2 billion, an expense growth rate below the regulatory limit and record low net debt (negative \$11.2 billion). These financial results have been achieved whilst concurrently increasing expenditure in government service delivery and continued delivery of record infrastructure programs. The maintenance of a triple-A credit rating has been an important component of this success, providing an independent assessment of the State's economic and fiscal quality to investors and the people of New South Wales.

Further information about the Government's performance against the Act is outlined in Annex 1.

### 3.2 Economic Context

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The NSW economy has performed strongly over the last three years, with per capita Gross State Product (GSP) growth averaging 1.7 per cent a year since 2014-15, by far the strongest among the states.

NSW real State Final Demand (SFD), the major component of GSP and most timely indicator of state economic activity, grew by an above-trend 2.9 per cent over the year to the March quarter 2018.<sup>1</sup> GSP is expected to have grown at an above trend pace of 3 per cent in 2017-18.

This strength has been underpinned by households through dwelling investment and household consumption. This has been supported by strong gains in dwelling prices, above-trend population growth and low interest rates. Public investment has also made an impressive contribution, reflecting the Government's asset recycling strategy, with positive impacts for business investment and employment. Service exports are another highlight, with relatively broad-based growth across tourism, education and professional and technical business services.

The NSW labour market is experiencing strong momentum, with employment increasing 3.1 per cent in 2017-18, in line with the 3 per cent forecast at 2018-19 Budget. This strong performance has fostered near record workforce participation, which combined with above-trend population growth is expected to see the unemployment rate stabilise at around 4¾ per cent over the forward estimates.

A tightening national labour market, rising advertised salaries and emerging wage pressures in certain industries set the preconditions for a modest rise in wages growth over the next few years.

The outlook for economic activity remains favourable despite some emerging headwinds from a softening housing market. External demand conditions are likely to improve as the national and global economies strengthen. Growing Asian demand for commodities and services, low interest rates, a lower Australian dollar, above-trend population growth, and a historically large infrastructure and residential construction pipeline continue to provide support.

Consequently, the economy is forecast to maintain above-trend growth for the next two years. The pace is expected to ease and the composition of growth shift towards exports and business investment and away from household consumption and dwelling investment.

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<sup>1</sup> ABS State Accounts, which contain GSP for 2017-18, were not released at the time of publication.



## 4. GENERAL GOVERNMENT SECTOR RESULTS

- The General Government sector results reflect a continuation of strong financial performance and the Government's commitment to effective financial management.
- Significant events in 2017-18 included the transfer of NSW's share of Snowy Hydro Ltd to the Commonwealth, which generated net proceeds to NSW of \$4.2 billion, and the continuation of record investments in infrastructure and other capital projects, which totalled \$12.1 billion in the financial year to June 2018.
- The 2017-18 Budget Result for the General Government Sector (GGS) was a surplus of \$4.2 billion, \$242 million higher than the revised estimates published in the 2018-19 Budget. The improved result was mainly due to higher than forecast revenues from investment returns.
- The \$4.2 billion surplus reflects \$80.7 billion in revenue, an increase from the previous year of \$2.6 billion, offset by expenses of \$76.5 billion, an increase from the previous year of \$3.9 billion.
- Higher revenues relative to the prior year were primarily driven by increases in dividends, income tax equivalent and other distributions of \$1.3 billion resulting from strong investment returns including those related to the reinvestment of funds generated from major infrastructure recycling transactions. State tax revenues increased by \$0.5 billion, including from higher payroll tax of \$0.6 billion, and Commonwealth grants increased by \$0.4 billion.
- Increased expenses over the prior year were mainly due to investment in front line services leading to growth in employee costs of \$1.1 billion (included impact of regulated wage increases), higher other operating expenses of \$1.3 billion and higher grants and subsidies of \$1.3 billion.
- Capital expenditure was \$12.1 billion, which was \$1.6 billion higher than the prior year (\$10.5 billion). This represents the third year of record annual spend in New South Wales and reflects the Government's commitment to delivery of infrastructure for NSW communities and strong economic growth.
- The General Government Sector net debt was negative \$11.2 billion at 30 June 2018, representing a further decrease of \$1.9 billion in net debt since 30 June 2017. This net debt result was supported by the continued strong budget surplus, the proceeds from the successful transfer of Snowy Hydro Ltd to the Commonwealth and increased returns from investments.
- Net financial liabilities at 30 June 2018 were \$69.1 billion, which was \$2.5 billion higher than the previous year. This increase was primarily due to the increase in employee provisions of \$0.9 billion, an increase in accounts payable of \$0.9 billion and a \$0.4 billion increase in Self-funded (excluding workers compensation) insurance liabilities and other insurance liabilities.

## 4.1 Operating Result

Table 4.1: General Government Sector Key Financial Indicators – Performance on Operating Result

Key Financial Indicators (GGS) - Statement of Comprehensive Income					
		Actual 2016-17 Restated <sup>(a)</sup>	Original Budget 2017-18	Revised Estimate <sup>(b)</sup> 2017-18	Actual 2017-18
<b>General Government Sector</b>					
Revenue	\$b	78.1	79.9	80.5	80.7
Expenses	\$b	72.5	77.2	76.5	76.5
Transactions from Discontinued Operations	\$b	0.1	-	-	-
Budget Result (Net Operating Balance)	\$b	5.7	2.7	3.9	4.2
Comprehensive Result	\$b	36.5	12.9	34.6	30.5
Gross Capital Expenditure	\$b	10.5	14.5	12.3	12.1
Cash Result	\$b	3.6	(6.5)	(3.4)	(2.1)
Net Lending/ <i>(Borrowing)</i>	\$b	3.0	(6.4)	(3.0)	(2.8)

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to Prior Period.

(b) Revised Estimate for 2017-18 as presented in the 2018-19 Budget Papers.

## 4.2 Budget Result

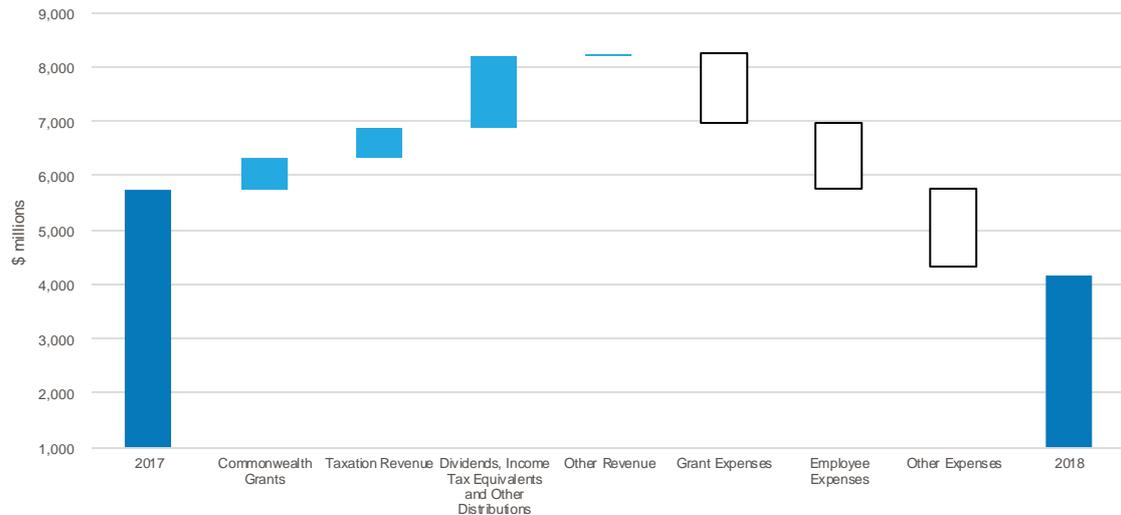
The Budget Result for 2017-18 was a surplus of \$4,181 million, which was \$1,483 million above the Original Budget and \$1,543 million lower than prior year.

The Budget Result was \$242 million better than the revised estimate for 2017-18 as presented in the 2018-19 Budget Papers. Revenues were \$211 million higher and expenses \$31 million lower than the revised estimate. The improvements in revenue were mainly due to higher investment returns from NSW Self Insurance Corporation of \$125 million.

An overview of the Budget Result compared to the Original Budget estimates is outlined in detail in Note 33: "Budgetary Information on 2017-18 General Government Sector Financial Statements", in the Total State Sector Accounts.

Chart 4.1 shows the main changes between the 2016-17 Budget Result and the 2017-18 Budget Result.

Chart 4.1: Key Changes in Budget Result in 2017-18



The improvement in revenue in 2017-18 of \$2,533 million (3.2 per cent) compared to the 2016-17 outcome was primarily driven by increases in dividends, income tax equivalents and other distributions of \$1,323 million, state tax revenue of \$537 million, Commonwealth grant payments of \$448 million, sales of goods and services of \$349 million, and other revenue categories combined (other grants and subsidies and fines, fees and other revenues) of \$87 million. These increases were partially offset by a reduction in interest revenues of \$211 million.

The increase in dividends, income tax equivalents and other distributions of \$1,323 million was largely driven by higher returns from TCorpIM Funds (\$620 million), including from increased returns on the investment of major asset transaction proceeds in the NSW Infrastructure Future Fund, and increased dividends from Sydney Water (\$255 million), Newcastle Port Corporation (\$200 million) and Landcom (\$200 million).

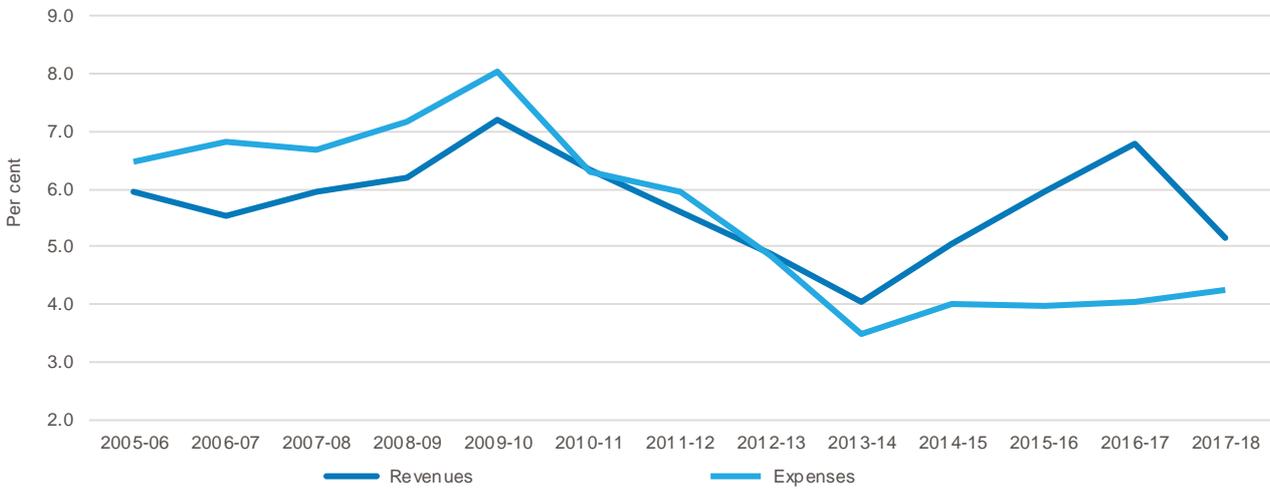
The increase in total state tax revenue of \$537 million reflected higher payroll tax (\$553 million), land tax (\$564 million) and other taxes (\$431 million) partially offset by a decrease in transfer duty (\$1,012 million).

Increases in Commonwealth grant payments of \$448 million reflected higher GST revenue of \$753 million, partially offset by reductions in National Partnerships and Specific Purpose Payments (\$305 million).

The rise in expenses was driven by investment in front line staff, resulting in growth of employee costs of \$1,059 million, higher other operating expenses of \$1,340 million, higher grants and subsidies of \$1,296 million, increased depreciation and amortisation of \$259 million and higher superannuation related costs of \$141 million. These increases were partially offset by a decrease in interest expense of \$155 million as a result of lower net debt.

The year on year increase in expenses was 5.4%, which is consistent with the Government's fiscal strategy that expense growth should be less than the long-term revenue growth rate of 5.6%. The performance in 2017-18 delivers on this commitment. The Government's commitment to managing expenses is also evident in expense growth remaining below revenue growth since 2012-13, measured on a four-year average basis (as illustrated in Chart 4.2).

Chart 4.2: Average Revenue and Expense Growth<sup>(a)</sup> – 2005-06 to 2017-18 (including the retrospective impact of AASB 119)



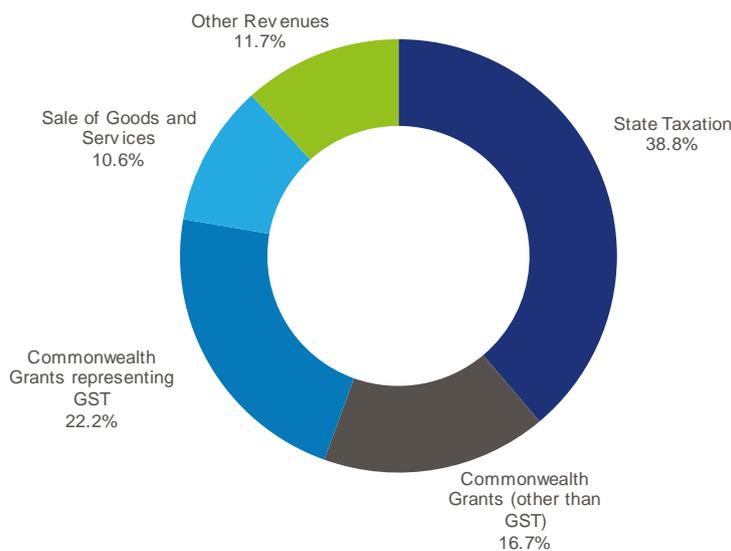
(a) Four-year average per cent change to indicated year.

### 4.3 Revenue

General Government Sector revenues were \$80,672 million and increased by \$2,533 million (3.2 per cent) over 2016-17.

Taxation revenues and Commonwealth grants represent approximately 40 per cent of total revenues each, with the remaining 20 per cent split between sale of goods and services and other revenues. The makeup of total revenues is illustrated in Chart 4.3 and has remained broadly the same compared to the prior year.

Chart 4.3: Components of General Government Sector Revenue 2017-18



## Tax Revenues

Tax revenues in 2017-18 were \$31,326 million and \$537 million higher than 2016-17 reflecting marginal increases in payroll tax, land and other taxes partially offset by reduced stamp duties.

The three largest state taxes: stamp duty on property transfers (transfer duty), payroll tax and land tax, together provided around 68 per cent of state taxation revenue in 2017-18. Transfer duty (which is a key component of stamp duty) was lower (10.7 per cent) than anticipated in the 2017-18 Budget reflecting lower than expected growth in property market transaction volumes and prices, and a significant shift in the composition of transactions away from investors and towards first home buyers.

Transfer duty receipts in 2017-18 were \$1,012 million lower than 2016-17 reflecting:

- The lower than expected growth in transaction volumes and prices in 2017-18 and
- The one-off additional transfer duties in 2016-17 of \$718 million due to the long-term leases of Ausgrid and Endeavour Energy assets.

Payroll tax increased by \$553 million (6.7 per cent) in 2017-18 reflecting strong NSW employment growth, particularly in full time employment.

## Commonwealth and Other Grants

New South Wales receives General Purpose Grants, National Partnership payments, Specific Purpose Payments and a small number of other payments from the Commonwealth. Total grants were \$510 million (1.6 per cent) higher than the prior year.

General Purpose Grants, which are comprised mostly of GST, were \$753 million (4.4 per cent) higher than 2016-17. GST revenues from the Commonwealth Government are distributed among States. GST revenues depend on the total amount of GST collected (pool size), population share of NSW and the relativity calculated by the Commonwealth Grants Commission (CGC). Any change in pool size, population share or relativity impacts the State's financial result. GST revenue was marginally higher than expected due to an upward revision to the GST pool forecast in 2017-18 and minor adjustments to NSW's population share.

Grants for National Partnerships and Specific Purpose Payments were \$305 million (2.3 per cent) lower than 2016-17 mainly due to lower national land transport grants of \$759 million relating to reprofiling of major road projects including Pacific Highway (Woolgoolga to Ballina), WestConnex and Western Sydney Infrastructure Program. This was partially offset by an increase in Commonwealth Health Reform Agreement funding of \$338 million.

Other grants and subsidies were \$931 million in 2017-18, which was \$61 million higher than the prior year due to minor increases in grants and subsidies received across a number of agencies.

## Other revenues

Other revenues include the sales of goods and services, dividends from government businesses, other dividends and distributions, interest, fines and fees.

Dividends received from government businesses are a return on investment in those businesses. Government businesses also make tax equivalent payments to the State, which ensure competitive neutrality with businesses in the private sector.

In total, dividends, tax equivalent payments and other distributions of \$3,692 million in 2017-18 were \$1,323 million higher than the prior year. This included:

- Dividends and tax equivalent payments from the water sector were \$953 million in 2017-18, which was \$384 million higher than the prior year mainly due higher dividends from Sydney Water of \$255 million and from Water NSW of \$60 million. Higher water sector dividend payments in 2017-18 were in response to revised capital structure and financial distribution policies for General Government businesses aimed at taking capital structures towards private sector benchmarks while maintaining a strong investment grade credit rating.
- Newcastle Port Corporation total distributions in 2017-18 of \$208 million represented an increase of \$196 million compared to the prior year in line with updated capital structure and distribution policies, thereby improving capital efficiency and returns to the Government.

- Total distributions from Landcom were \$316 million in 2017-18 which was \$229 million higher than the previous year. Landcom resumed paying dividends in 2017-18 whereas in the prior year profits had been retained in order to provide project funding for the Major Urban Transformation Projects.
- Dividends and distributions from the retained interests in Ausgrid and Endeavour Energy and Essential Energy were \$304 million in 2017-18 which was \$54 million lower than the prior year distributions from energy investments.
- Dividends and tax equivalent distributions from TCorp were \$96 million lower in 2017-18 compared to the prior year. The timing and quantum of TCorp’s dividends is determined in consultation with NSW Treasury, who takes into account returns across all of the State’s commercial assets. As a result, no dividend was required to be declared by TCorp for 2017-18.
- Returns from TCorpIM Funds schemes were \$620 million higher than the prior year mainly resulting from higher returns on the investment of major asset transaction proceeds in the NSW Infrastructure Future Fund, managed by TCorp.

Sales of goods and services in 2017-18 at \$8,508 million were \$349 million or 4.3 per cent higher than the prior year, in part reflecting marginally higher fees for services provided to Railcorp to produce property plant and equipment.

Fines, Regulatory fees and other revenue in 2017-18 at \$4,730 million in total were \$27 million higher than the prior year, with marginal increases in mining royalties, fines and licences largely offset by decreases in developer and industry contributions and other revenues.

#### 4.4 Expenses

General Government Sector expenses were \$76,491 million which was lower than the original estimate set out in the 2017-18 Budget by \$695 million (0.9 per cent). Expenses were \$3,940 million (5.4 per cent) higher than 2016-17.

Employee expenses and superannuation together accounted for almost half of the Sector’s total expenditure. Other operating expenses, which include maintenance expenses, costs incurred by Transport for NSW for the delivery of major rail projects, utilities, rent, hospital medical equipment and supplies, accounted for around a quarter of the Sector’s expenses. The remaining expenses related to grants and subsidies, depreciation and amortisation, and interest.

Chart 4.4: General Government Sector Expenses by Class 2017-18

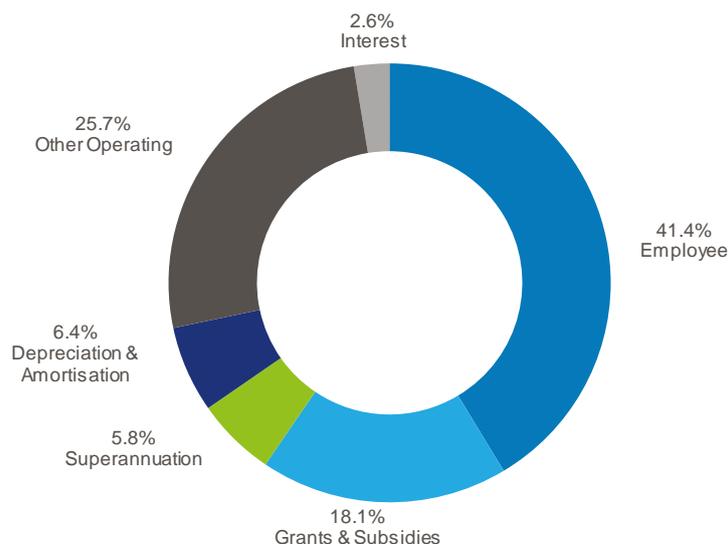
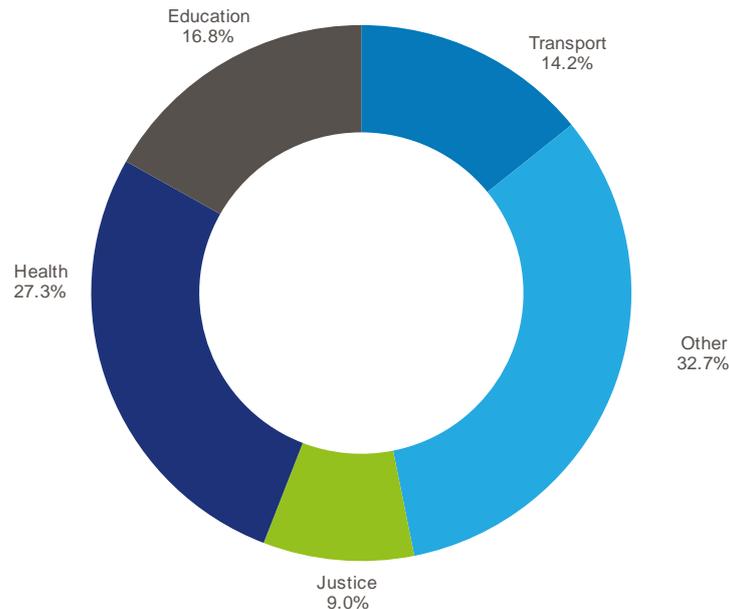


Chart 4.5: General Government Sector Expenses by Cluster 2017-18



### Employee expenses

Employee costs were \$1,059 million (3.5 per cent) higher than 2016-17 reflecting government policy decisions to invest in front line services. Government initiatives, spanning 2011 to the present, including the NSW Public Sector Wages Policy and the Labour Expense Cap continue to help manage employee expenses growth. Key components of the increase were:

- Wage inflation increases (\$701 million) in line with the wages policy of 2.5 per cent.
- Increases in frontline services (\$514 million) particularly in Health.
- Increased workers' compensation and long service leave costs (\$337 million), which can vary significantly year on year reflecting movements in 10-year Government bond rates and workers compensation claims paid.
- Partially offset by lower direct employee costs relating to homecare services as a result of increased grants to non-government organisations for the delivery of these services and lower costs related to temporary and short term staff (\$243 million) across a number of agencies.
- Superannuation expenses were \$4,467 million, \$141 million (3.3 per cent) higher than 2016-17 mainly due to higher net interest on obligations.

### Grant expenses

Recurrent grants and subsidies were \$12,908 million, \$1,179 million (10.1 per cent) higher than 2016-17 and capital grants and subsidies were \$955 million, \$118 million (14.0 per cent) higher than 2016-17. In total grants and subsidies expenses were \$1,296 million (10.3 per cent) higher than prior year. This reflected:

- Increases in grants paid of \$588 million to non-government organisations for the delivery of aging, disability (including NDIS), homecare, community and public housing services.
- Increased grants from Department of Planning and Environment of \$377 million primarily reflecting higher grants to local councils and cultural institutions.
- Increased grants from Roads and Maritime Services of \$241 million relating to transfer of road and bridge assets to local councils and increased spending on natural disaster and black spot remediation works.
- Increased payments by Office of Local Government of \$101 million primarily for Stronger Communities Grants.

## Other expenses

Other expenses comprise depreciation and amortisation, interest and other operating expenses.

Depreciation and amortisation expenses were \$4,873 million and \$259 million in total higher than in 2016-17. Depreciation expenses of \$4,258 million relate to property, plant and equipment assets with a gross carrying value at 30 June 2018 of \$288.3 billion.

Interest expenses in 2017-18 of \$1,994 million were \$155 million lower than the prior year mainly due to lower applicable interest rates driven by progressively lengthening the State's debt portfolio.

Other operating expenses were \$19,652 million, \$1,340 million higher than 2016-17. This reflected:

- Increases incurred by Transport for NSW (\$283 million) in relation to major rail projects and campaign works for WestConnex, B-Line and new Rail timetable.
- Increases incurred by Department of Education (\$165 million) mainly due to addressing maintenance backlog and higher school operating expenses.
- Increased energy and water scheme rebates (\$163 million) from Department of Planning and Environment.
- Increase of \$141 million incurred by Infrastructure NSW for project management services provided on behalf of other agencies.
- General price and volume increases across a range of agencies.

## 4.5 Comprehensive Result

The General Government Sector Comprehensive Result was a surplus of \$30,534 million compared to \$36,475 million in 2016-17, a reduction of \$5,941 million over the prior year. The comprehensive result represents the net result of all items of income and expense recognised for the period. It is therefore the aggregate of the operating result and other movements in equity, other than transactions within the total state sector.

Significant changes in the comprehensive result compared to the prior year were due to:

- A reduction in other net gains in the operating result relating to available for sale assets. In 2017-18 there were no gains from derecognition of available for sale assets whereas in 2016-17 there were gains from Ausgrid and Endeavour Energy and other assets which totalled \$12,279 million.
- A decrease in the actuarial gain from superannuation of \$9,595 million. In the prior year, a larger increase in the discount rate, in line with Government bond rates, used to value superannuation liabilities resulted in a higher actuarial gain (refer to 4.11 for further details on superannuation liabilities).
- A reduction in the Budget surplus (\$1,543 million).
- An increase in the gain on revaluations of property, plant and equipment assets (\$15,234 million) primarily due to revaluation increments by Department of Education (\$8,501 million), Roads and Maritime Services (\$7,419 million) and Ministry of Health (\$1,005 million).

## 4.6 Capital Expenditure

General Government Sector capital expenditure during 2017-18 was \$12,121 million, higher than the prior year by \$1,575 million or 14.9 per cent. This continues the record level of capital spend in the General Government sector in New South Wales, reflecting the Government's commitment to infrastructure investment.

The investment program is designed to provide a strong foundation for economic growth and to maintain and improve the standard of public services provided to New South Wales residents. Adding to infrastructure allows New South Wales to better manage the increase in population and economic activity over the coming decades. The investment also supports jobs and delivers productivity enhancements over the longer term.

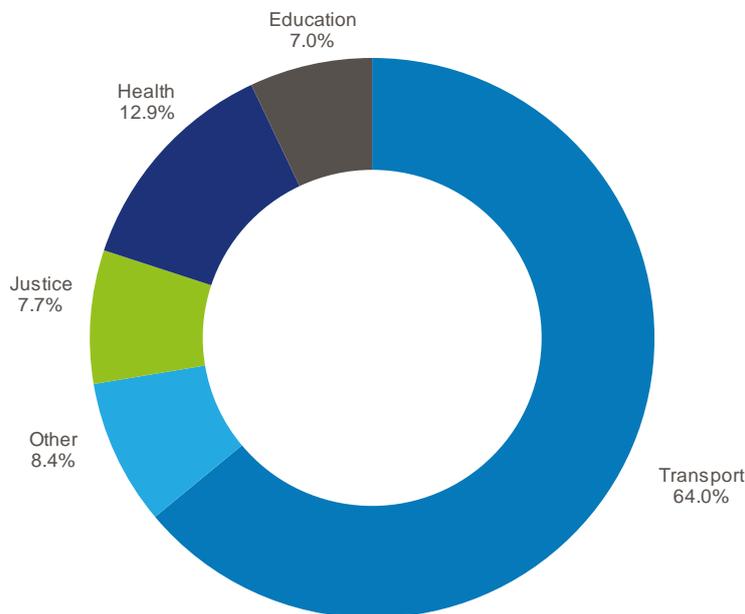
Major projects progressed during 2017-18 included:

- Sydney Metro City and Southwest (\$1,599 million)
- Pacific Highway upgrades (\$1,466 million).

In addition, a number of major projects were completed in the year. These included:

- St George Hospital redevelopment
- Sutherland hospital redevelopment
- Pacific Highway, Warrell Creek to Nambucca Heads
- Pacific Highway, Oxley Highway to Kundabung
- Foxground and Berry bypass.

Chart 4.6: *Distribution of Capital Expenditure for 2017-18*



In 2017-18, \$2,969 million in General Government capital expenditure was funded from the Restart NSW Fund (Restart NSW). In 2011, the Government established Restart NSW to improve the economic growth and productivity of the State by enabling high priority infrastructure projects to be funded and delivered. Restart NSW is the vehicle for the delivery of the Rebuilding NSW plan, which is the Government's 10-year plan to invest \$20 billion in new infrastructure funded by the lease of 49 per cent of the NSW electricity network businesses, Commonwealth Government Asset Recycling Initiative payments, and investment earnings.

Restart NSW had received \$30.8 billion in inflows as at 30 June 2018, an increase of \$1.1 billion since 30 June 2017. The increase in inflows is primarily due to investment earnings and receipts from Waratah Bonds. Other sources of Restart NSW inflows include proceeds from asset recycling transactions, Commonwealth Government Asset Recycling Initiative payments and windfall tax revenue.

As at the 2018-19 Budget, a total of \$22.4 billion was committed for infrastructure projects from Restart NSW, including \$15.7 billion for the Rebuilding NSW plan. A further \$10.4 billion was reserved in Restart NSW for identified project and programs.

The Government has implemented a strong governance framework to ensure that Restart NSW funds are effectively invested into infrastructure projects that enhance the State's economic growth and productivity. The *Restart NSW Fund Act 2011* (the Restart Act) is central to this governance framework. It provides the Government, with enhanced oversight of Restart NSW expenditure and sets out the process for the allocation of funds. To ensure sound investment decisions are made, the Restart Act confers on Infrastructure NSW the responsibility for independently assessing projects and making recommendations to the Treasurer for the use of Restart NSW funds.

New infrastructure projects considered for Restart NSW funding are subject to a comprehensive selection process. Projects selected for delivery must be supported by a sound business case showing the project is financially and economically justifiable.

In June 2018, the Snowy Hydro Legacy Fund was established in accordance with the Snowy Hydro Legacy Fund Act 2018. The Snowy Hydro Legacy Fund will facilitate the reinvestment of the \$4.2 billion in proceeds received from the transfer of the State's share of Snowy Hydro Limited. The projects and programs funded from the Snowy Hydro Legacy Fund will be major state-building infrastructure and must be for the primary benefit of regional New South Wales. The 2018-19 Budget appropriated \$40 million in 2018-19 to investigate and plan for state-building infrastructure projects.

## 4.7 Net Lending

The Net Lending Result is a proxy for the financing requirement of the Government, taking into account both recurrent and capital transactions.

The General Government Sector Net Lending/(Borrowing) Result was a borrowing position of \$2,762 million in 2017-18 compared to a net lending position of \$3,040 million in 2016-17 representing an increase in net borrowing of \$5,802 million from the prior year. This was mainly due to higher net acquisition of non-financial assets of \$4,259 million and the lower budget surplus of \$1,543 million.

## 4.8 Cash Result

The Cash Result was a deficit of \$2,096 million, a decrease of \$5,669 million over the prior year surplus of \$3,573 million. The decrease in the cash result reflects the marginally lower budget surplus and higher net purchases of non-financial assets due to the commitment to expenditure on key infrastructure investment.

## 4.9 Balance Sheet

Table 4.2: General Government Sector Key Financial Indicators – Balance Sheet Performance

Key Financial Indicators (GGS) - Statement of Financial Position					
		Actual 2017 Restated <sup>(a)</sup>	Original Budget 2018	Revised Estimate <sup>(b)</sup> 2018	Actual 2018
Total Assets	\$b	352.5	357.5	382.9	383.6
Total Liabilities	\$b	128.9	119.7	121.8	129.4
Net Worth	\$b	223.6	237.9	261.1	254.2
Net Unfunded Superannuation Liability	\$b	56.3	49.5	49.5	54.2
Net Debt	\$b	(9.3)	(0.5)	(9.8)	(11.2)
Net Debt as a % of GSP <sup>(c)</sup>	%	-1.6%	-0.1%	-1.6%	-1.8%
Net Financial Liabilities (NFL)	\$b	66.6	67.9	62.9	69.1
NFL as a % of GSP <sup>(c)</sup>	%	11.5%	11.2%	10.4%	11.4%

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to Prior Period.

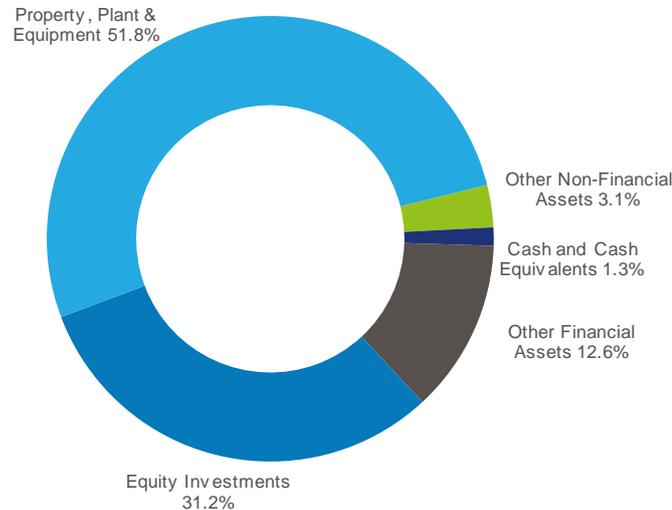
(b) Revised Estimate for 2017-18 as presented in the 2018-19 Budget Papers.

(c) GSP actuals for 2017-18 not released at the time of publication. Numbers reflect 2017-18 GSP forecasts from the 2018-19 Budget.

## 4.10 Total Assets

Assets comprise non-financial and financial assets. The graph below illustrates the breakdown of General Government asset holdings as at 2017-18.

Chart 4.7: Distribution of Total Assets as at 30 June 2018



### Non-Financial Assets

- The main components of the non-financial assets at 30 June 2018 are Property Plant and Equipment (PP&E) and Intangible Assets. These accounted for 52.7 per cent of the General Government total assets at 30 June 2018. The value of PP&E increased by a net amount of \$23,486 million relative to June 2017. This reflects additions of \$11,758 million, increase in revaluations of \$17,588 million, offset by depreciation of \$4,258 million and other movements of \$1,602 million.
- Increases in revaluations in 2017-18 of \$17,588 million were higher than the prior year mainly driven by higher valuations of land and building assets in Department of Education (\$8,501 million), Roads and Maritime Services (\$7,419 million) and Ministry of Health (\$1,005 million).

### Financial Assets

Cash and cash equivalents were \$5,417 million in 2017-18 (2016-17: \$8,731 million). This included \$1,607 million of Restart NSW money (2016-17: \$8,426 million). The low level of cash reflects the actions the Government has taken to improve its cash and asset management as set out in Chapter 7 in Budget Paper 1 of the 2018-19 Budget. Effective management of the State's liquidity is part of the Government's strategy of effective and efficient balance sheet management. Strategies being employed ensure that the State continues to hold and is able to access an adequate level of liquidity against its future obligations, and any surplus holdings are put to better use.

Major transactions during the 2017-18 year that impacted on cash position include the continued record investment in NSW infrastructure projects, investment in the NSW Infrastructure Future Fund (NIFF), Social Affordable Housing Fund (SAHF) and the successful transfer of NSW's share in Snowy Hydro Ltd to the Commonwealth Government.

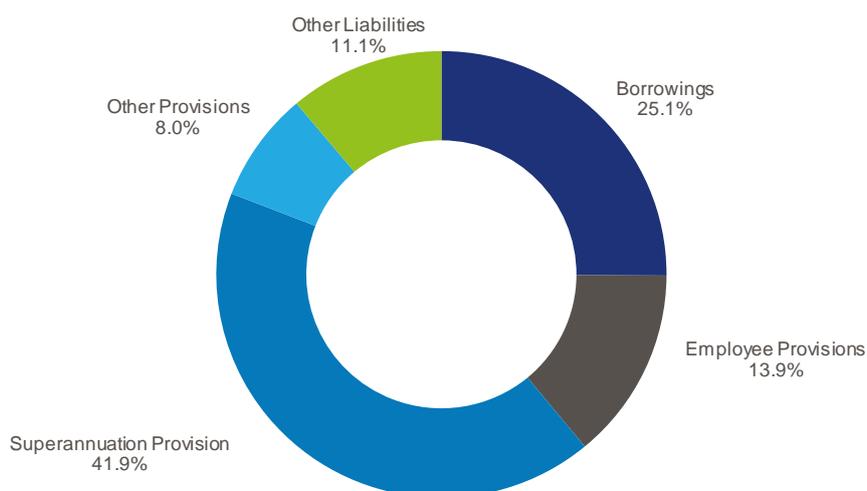
The proceeds from major asset transactions are deposited in the State's dedicated infrastructure fund Restart NSW, to fund the delivery of major capital infrastructure projects across the State. At 30 June 2018, there was \$21,054 million held in Restart NSW (30 June 2017: \$23,106 million). Of this, \$1,607 million (2017: \$8,426 million) was held in cash and \$19,447 million (2017: \$14,680 million) invested in the NSW Infrastructure Future Fund.

Equity investments were \$119,620 million at 30 June 2018, which was \$2,499 million higher than the prior year. The increase is mainly due to the increased net worth in PNFCs and PFCs held in the General Government sector and the investment representing the State's retained interest in Ausgrid and Endeavour Energy as a result of their partial long-term leases. (Refer to Note 10 Equity Investments) result.

#### 4.11 Total Liabilities

The graph below displays the distribution of the GG's liabilities by class. The majority of these liabilities relate to employee and superannuation provisions, which together accounted for 55.8 per cent of the GG's obligations at 30 June 2018. Additionally, the GG's borrowings contributed 25.1 per cent.

Chart 4.8: Distribution of Total Liabilities as at 30 June 2018



#### Superannuation Liabilities

Superannuation liabilities represent the actuarially assessed obligations for past and present employees less the net market value of scheme assets set aside to meet these obligations. During 2017-18, net unfunded superannuation liabilities decreased by \$2,085 million to \$54,200 million. In accordance with AASB 119 Employee Benefits, the State uses the 10-year Commonwealth Government bond yields at 30 June (discount rate) to revalue the superannuation liabilities. The decrease in the superannuation liabilities was largely due to higher return on fund assets and an increase in the discount rate from 2.62 per cent at 30 June 2017 to 2.65 per cent at 30 June 2018. The superannuation liabilities are very sensitive to changes in the discount rate. A 1 per cent increase in the discount rate can reduce the liabilities by around \$11,484 million and a discount rate decrease of 1 per cent would increase accrued liabilities by an estimated \$13,991 million.

Fund assets are invested for the longer term with the expectation that, while there may be short term volatility, over time returns will be enhanced.

A triennial review of the State's superannuation liabilities was performed in 2015 with the next actuarial review due before the end of 2018. This review determines the sufficiency of funding for the State's defined benefit schemes based on the latest demographic and economic assumptions. The 2015 review concluded the Government's current contribution plan is on track to deliver full funding by 2030.

The Government will keep the current funding plan under review to ensure the commitment is met.

#### Employee Provisions and Other Provisions

Employee provisions included annual and long service leave and self-funded obligations for workers compensation. The total provision in 2017-18 (\$18,015 million) is higher by \$869 million than the prior year (2017: \$17,145 million). The movement in employee provisions was impacted by the increase in long service leave provisions of \$418 million, mainly in the Crown Finance Entity and an increase in the provisions for Self Funded Workers Compensation by \$579 million.

Other provisions were \$10,210 million in 2017-18. This primarily comprises insurance obligations, liabilities for dust disease claims, university superannuation, and provisions for land remediation and restoration costs.

## 4.12 Net Worth

Net worth is the difference between total assets and total liabilities. Net worth of the General Government Sector for the year ended 30 June 2018 was \$254,179 million which grew by \$30,534 million (13.7 per cent) from the prior year (2017: \$223,645 million).

The increase in net worth is mainly due to increases in the value of financial and non-financial assets as outlined in 4.10.

## 4.13 Net Debt

The General Government Sector net debt was negative \$11,195 million at 30 June 2018 or negative 1.8 per cent of GSP. At 30 June 2017 net debt was negative \$9,344 million. This net debt result was supported by the proceeds from the successful transfer of Snowy Hydro Ltd to the Commonwealth, improved cash received from operating activities and reprofiling of capital expenditure into forward years.

The continued use of innovative financing strategies has allowed the State to access funding for infrastructure investments in an economically efficient manner without significantly increasing borrowings. The Government's significant asset recycling program, including investment of sale proceeds in the NIFF, and continued implementation of its balance sheet reform agenda ensure the Government continues to responsibly fund much-needed infrastructure investments.

The Government is also using Public Private Partnerships to access private capital to finance infrastructure projects and manage project risk, particularly in the transport sector. Public Private Partnerships provide an efficient blend of public and private sector expertise to deliver innovative and cost effective infrastructure for the State. Public Private Partnerships are being used in the delivery of key projects including Sydney Metro NorthWest, Sydney Light Rail and WestConnex.

Chart 4.9: Net Debt and Net Debt as a percentage of GSP

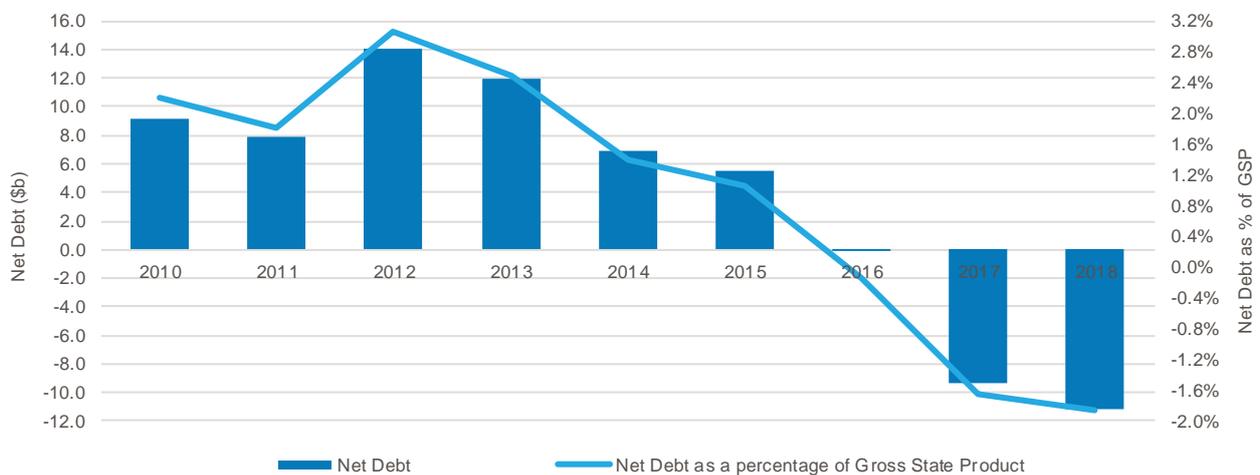


Table 4.3: General Government Sector – Net Debt

	Actual June 2017 Restated <sup>(a)</sup>	Actual June 2018
	\$b	\$b
Cash and Cash Equivalents	8.7	5.4
Investments, Loans and Placements	33.3	38.1
Advances Paid	1.0	1.0
Deposits Held	(0.1)	(0.1)
Borrowings and Derivatives at Fair Value	(0.0)	(0.0)
Borrowings at Amortised Cost	(32.8)	(32.4)
Advances Received	(0.8)	(0.8)
<b>Net Debt</b>	<b>(9.3)</b>	<b>(11.2)</b>
<b>Net Debt as a % of GSP<sup>(b)</sup></b>	<b>-1.6%</b>	<b>-1.8%</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to Prior Period.

(b) GSP actuals for 2017-18 not released at the time of publication. Numbers reflect 2017-18 GSP forecasts from the 2018-19 Budget.

#### 4.14 Net Financial Liabilities

Net financial liabilities represent total liabilities less financial assets, other than equity in publicly owned corporations.

This comprises net debt, unfunded superannuation liabilities, employee provisions and other provisions, including insurance obligations and land remediation, after deducting receivables and other financial assets.

Net financial liabilities at 30 June 2018 were \$69,068 million, which was \$2,436 million higher than the prior year. This increase was primarily due to the increase in employee provisions of \$869 million and Other provisions of \$757 million as explained in Total Liabilities section of this report.

As a percentage of forecast GSP, net financial liabilities decreased to 11.4 per cent at 30 June 2018, from 11.5 per cent at 30 June 2017 (refer Table 4.4).

Table 4.4: General Government Sector – Net Financial Liabilities

	Actual June 2017 Restated <sup>(a)</sup>	Actual June 2018
	\$b	\$b
Net Debt	(9.3)	(11.2)
Superannuation Provision	56.3	54.2
Employee Provisions	17.1	18.0
Insurance Obligations and Other Provisions	9.5	10.2
Other Net Liabilities / (Assets)	(7.0)	(2.1)
<b>Net Financial Liabilities (NFL)</b>	<b>66.6</b>	<b>69.1</b>
<b>NFL as a % of GSP<sup>(b)</sup></b>	<b>11.5%</b>	<b>11.4%</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to Prior Period.

(b) GSP actuals for 2017-18 not released at the time of publication. Numbers reflect 2017-18 GSP forecasts from the 2018-19 Budget.

## 5. TOTAL STATE SECTOR RESULTS

- The Total State Sector (TSS) comprises the GG, PNFC and PFC sectors. TSS results reflect the Government's ongoing commitment to effective financial management.
- The Net Operating Balance in 2017-18 was a surplus of \$2.5 billion, representing a lower budget surplus of \$2.9 billion compared to 2016-17. This lower budget surplus was primarily due to increased expenditure on front line service delivery and related costs in the general government sector and the lower earnings following the disposal in 2016-17 of Ausgrid and Endeavour Energy.
- Total State Sector revenue for 2017-18 was \$86.7 billion, \$3.2 billion (3.9 per cent) higher than the prior year.
- Higher revenue of \$3.2 billion reflected an increase in State tax revenue (\$0.7 billion), increase in Commonwealth grant payments (\$0.4 billion), higher revenue from Sales of Goods and Services (\$1.1 billion), higher income in other dividends and distributions (\$0.8 billion) and increase in fines, regulatory fees and other revenue (\$0.2 billion).
- Higher expenses of \$4.8 billion resulted from increases in employee related costs \$1.3 billion, increases in grants and subsidies of \$1.2 billion, increases in depreciation and amortisation of \$0.5 billion and increases in other operating costs of \$1.7 billion.
- Capital expenditure of the Total State Sector for 2017-18 was \$17.9 billion, a decrease of \$0.3 billion on the previous year. In addition to the record level of capital spend in the General Government sector, spend in the PNFC sector reflected significant investments in major road projects (\$2.0 billion), primarily WestConnex Motorway, major rail projects (\$1.7 billion) and water corporations (\$1.2 billion).
- Net debt of the Total State Sector decreased by \$1.0 billion. At 30 June 2018, the net debt was \$15.8 billion or 2.6 per cent of forecast GSP. At 30 June 2017, net debt was \$16.8 billion or 2.9 per cent of GSP. The decrease in net debt is largely the result of an improved financial asset position driven by continued positive net operating balances.
- Net financial liabilities at 30 June 2018 were \$99.3 billion, or 16.4 per cent of forecast GSP, which was \$4.8 billion higher than in 30 June 2017 of \$94.5 billion (16.4 per cent of GSP). This was primarily due to the increase in Other Provisions, resulting from a change in the discount rate used to value the provisions to the Commonwealth 10 Year Bond Rate from the TCorp 10 Year Bond Yield rate (refer note 31) and the increase in the investment in the TCorpIM Funds by investors who are not controlled by the State.
- Net worth of the Total State Sector for the year ended 30 June 2018 was \$254.2 billion which was higher than the prior year by \$30.6 billion (2017: \$223.6 billion). The increase in net worth is due to the Comprehensive result of \$30,534 million, which was driven by the strong operating result and higher revaluations of the State's Non-Financial Assets.

## 5.1 Operating Result

Table 5.1: Total State Sector Key Financial Indicators – Statement of Comprehensive Income

Key Financial Indicators (TSS) - Statement of Comprehensive Income					
		Actual 2016-17 Restated <sup>(a)</sup>	Original Budget 2017-18	Revised Estimate <sup>(b)</sup> 2017-18	Actual 2017-18
<b>Total State Sector</b>					
Revenue	\$b	83.5	84.7	85.9	86.7
Expenses	\$b	79.4	84.9	84.6	84.2
Transactions from Discontinued Operations	\$b	1.3	-	-	-
Budget Result (Net Operating Balance)	\$b	5.4	(0.2)	1.3	2.5
Comprehensive Result	\$b	36.5	13.7	34.6	30.5
Gross Capital Expenditure	\$b	18.2	22.3	18.4	17.9
Cash Result	\$b	4.9	(12.3)	(5.4)	(1.6)
Net Lending/ <i>(Borrowing)</i>	\$b	(2.4)	(13.5)	(8.5)	(7.0)

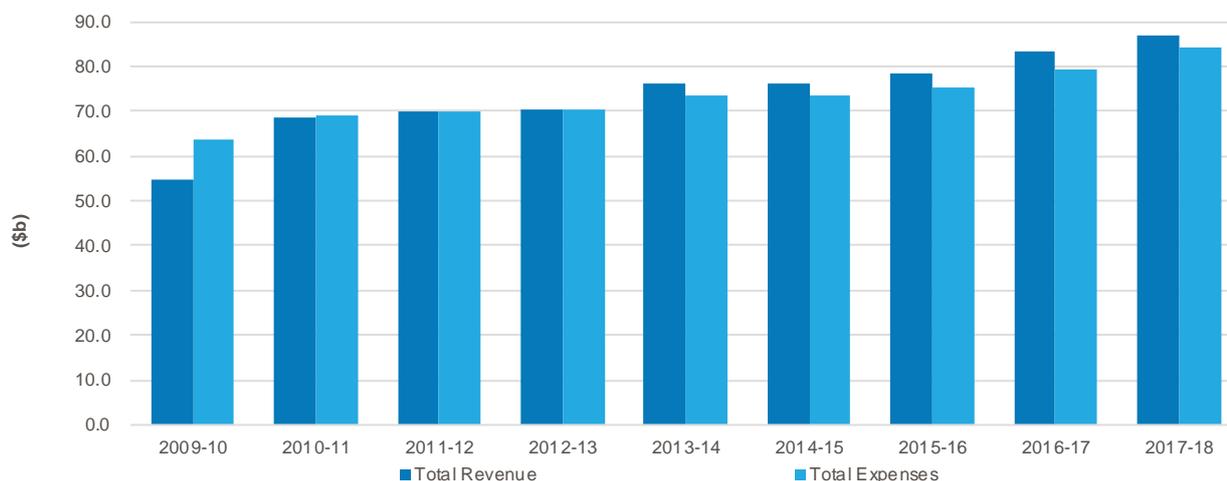
(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to Prior Period.

(b) Revised Estimate for 2017-18 as presented in the 2018-19 Budget Papers.

## 5.2 Net Operating Balance

The Net Operating Balance for the Total State Sector was a surplus of \$2,451 million. The Net Operating Balance comprises State revenues and expenses from transactions prepared in accordance with Australian Accounting Standards.

Chart 5.1: Total State Sector Revenue and Expenses – 2009-10 to 2017-18

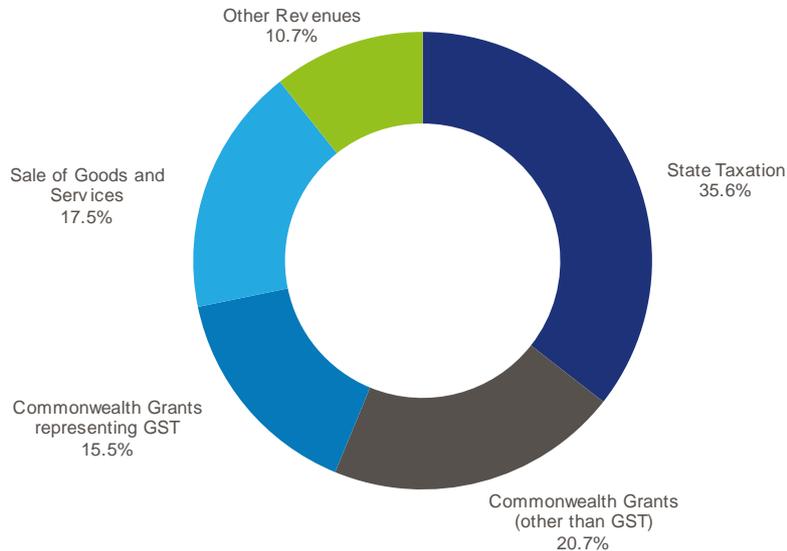


Note: Historic expenditure figures between 2009-10 and 2012-13 have been adjusted to incorporate the retrospective application of the revised standard on employee benefits (AASB 119).

## 5.3 Revenue

Total State Sector revenue for 2017-18 was \$86,697 million, \$3,247 million (3.9 per cent) higher than 2016-17. Total State Sector revenues comprised: revenues from taxation \$30,841 million; monies from the Commonwealth Government \$30,928 million; sales of goods and services \$15,214 million; and other revenues \$9,715 million.

Chart 5.2: Total State Sector Revenue 2017-18



Taxation revenues were \$30,841 million, \$746 million higher than 2016-17. The key drivers behind this were:

- An increase in payroll tax of \$562 million reflecting stronger employment growth particularly in full-time employment and wages growth.
- An increase in land tax of \$582 million reflecting growth in land values supported by the three year averages utilised for land valuation assessments.
- An increase in gambling, motor vehicle and other taxes of \$603 million.
- A decrease in stamp duties, including property transfer duties, of \$1,001 million reflecting lower transaction volumes and prices in 2017-18 and the additional transfer duties in 2016-17 of \$718 million due to the long-term leases of Ausgrid and Endeavour Energy assets.

Commonwealth grants were \$30,928 million, an increase of \$444 million (1.5 per cent) on 2016-17. This was due to increases in GST revenues of \$753 million and increases in special purpose payments of \$683 million, partially offset by the decreases in the National Partnership payment of \$992 million, mainly due to reprofiling of major road projects including Pacific Highway (Woolgoolga to Ballina), WestConnex and Western Sydney Infrastructure Program.

Sales of goods and services were \$1,143 million higher than in 2016-17. This reflected higher revenues in the PNFC sector across a number of businesses.

Other dividends and distributions were \$803 million higher than in 2016-17 mainly reflecting higher investment returns on TCorpIM Fund investments.

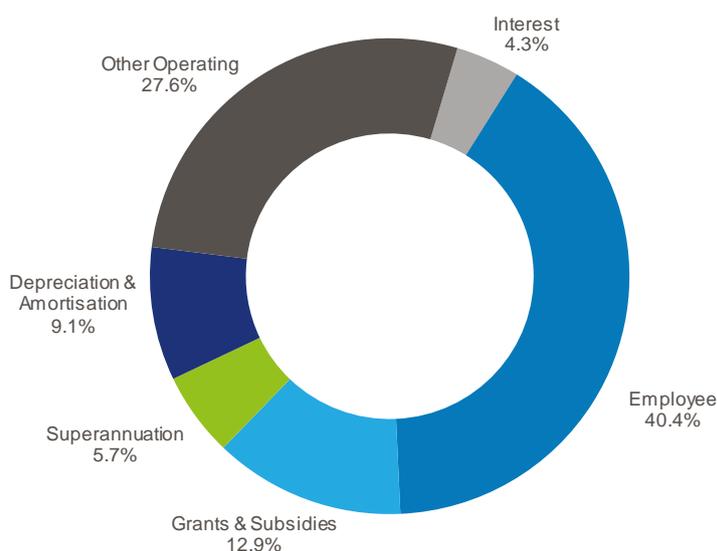
Note 2 Revenue to the Consolidated Financial Statements details the revenues by class and their components.

## 5.4 Expenses

Total State Sector expenses were \$84,246 million, \$4,871 million higher than in 2016-17.

Employee expenses and superannuation together accounted for 46 per cent of the State's total expenditure. Other operating expenses, which included maintenance expenses, utilities, rent, medical equipment and supplies, accounted for 28 per cent of the State's expenses. The remaining expenses related to grants and subsidies, depreciation and amortisation, and interest, accounted for 26 per cent of the State's expenses.

Chart 5.3: Total State Sector Expenses 2017-18



Employee expenses (excluding superannuation) were \$34,067 million, \$1,254 million (3.8 per cent) higher than 2016-17, which was largely attributable to movements in the General Government sector. Increases in employee expenses in 2017-18 were a result of wage increases consistent with the Government's wages policy of 2.5 per cent and increased front line staff due to growth in services, particularly in health, plus increases in workers compensation costs and long service leave.

Depreciation and amortisation expense rose by \$474 million (6.6 per cent) to \$7,641 million during 2017-18.

## 5.5 Comprehensive Result

The Comprehensive Result for 2017-18 was a surplus of \$30,534 million (\$36,475 million in 2016-17). The decrease of \$5,941 million was primarily due to a decrease in the net operating balance of \$2,926 million, lower gains and fair value adjustments of \$8,436 million, primarily reflecting higher gains on disposal of non-current assets in the prior year and a decrease in actuarial gains on superannuation liabilities of \$10,292 million partially offset by the increase in revaluation gains of \$16,888 million.

The increase in revaluation gains was mainly due to revaluation increments by Department of Education (\$8,501 million), Roads and Maritime Services (\$7,419 million), Ministry of Health (\$1,005 million), NSW Land and Housing Corporation (\$5,243 million) and Rail Corporation NSW (\$1,296 million).

## 5.6 Capital Expenditure

- Capital expenditure of \$17,908 million was \$321 million lower than in 2016-17.
- Agencies with significant capital expenditure programs in 2017-18 included:
  - Roads and Maritime Services (\$4,925 million)
  - Transport for NSW (\$2,835 million, including \$1,599 million spend on Sydney Metro City and Southwest)
  - Sydney Motor Corporation spend on WestConnex Motorway (\$2,037 million)

- Rail Corporation NSW spend on major rail projects (\$1,660 million)
- Ministry of Health (\$1,563 million)
- Sydney Water Corporation, Water NSW and Hunter Water Corporation combined spend (\$1,244 million)
- Department of Education (\$849 million)
- Department of Justice (\$642 million)
- NSW Land and Housing Corporation (\$441 million).

## 5.7 Net Lending/(Borrowing)

In 2017-18 the Net Lending Result was a deficit of \$7,010 million, an increase in the deficit of \$4,563 million in comparison to 2016-17. This increase is attributable to the decrease in the net operating balance of \$2,926 million and the increase in net acquisition of non-financial assets of \$1,637 million.

## 5.8 Cash Result

In 2017-18, the cash result was a deficit of \$1,622 million, a decrease of \$6,493 million over the prior year. The deficit in cash result reflects the decrease in net cash flows from operating activities of \$1,354 million and the increase in net acquisition costs of non-financial assets of \$5,139 million due to continued record investment in infrastructure projects.

## 5.9 Balance Sheet

Table 5.2: Total State Sector Key Financial Indicators – Statement of Financial Position

Key Financial Indicators (TSS) - Statement of Financial Position					
		Actual 2017 Restated <sup>(a)</sup>	Original Budget 2018	Revised Estimate <sup>(b)</sup> 2018	Actual 2018
Total Assets	\$b	407.5	410.1	439.6	443.1
Total Liabilities	\$b	183.8	172.2	178.5	189.0
Net Worth	\$b	223.6	237.9	261.1	254.2
Net Unfunded Superannuation Liability	\$b	58.6	51.5	51.6	56.4
Net Debt	\$b	16.8	36.9	18.8	15.8
Net Debt as a % of GSP <sup>(c)</sup>	%	2.9%	6.1%	3.1%	2.6%
Net Financial Liabilities (NFL)	\$b	94.5	100.3	92.4	99.3
NFL as a % of GSP <sup>(c)</sup>	%	16.4%	16.5%	15.3%	16.4%

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to Prior Period.

(b) Revised Estimate for 2017-18 as presented in the 2018-19 Budget Papers.

(c) GSP actuals for 2017-18 not released at the time of publication. Numbers reflect 2017-18 GSP forecasts from the 2018-19 Budget.

## 5.10 Net Worth

Net worth represents the difference between total assets and total liabilities. Net worth of the Total State Sector for the year ended 30 June 2018 was \$254,179 million which was higher than the prior year by \$30,534 million (2017: \$223,645 million) which is equal to the comprehensive result and, in terms of the balance sheet, is reflected in the increase in non-financial assets of \$35,334 million partially offset by the marginal net increase in total liabilities less financial assets of \$4,800 million.

This increase in non-financial assets was primarily driven by the additions and revaluations to property, plant and equipment offset by disposals as detailed in Note 13 Property, Plant and Equipment. Non-financial assets include infrastructure items such as public schools, hospitals, roads, bridges, transport, public housing, sporting facilities, electricity assets and water assets.

As the Total State Sector consolidates the General Government, PFC and PNFC sectors, it results in the net worth of the General Government Sector and the Total State Sector being the same.

## 5.11 Net Debt

Net debt comprised borrowings, advances received and deposits held, less cash and cash equivalent assets, financial assets at fair value, other financial assets and advances paid.

During 2017-18, the net debt of the Total State Sector decreased by \$1,020 million. At 30 June 2018, the net debt was \$15,762 million or 2.6 per cent of forecast GSP. At 30 June 2017, net debt was \$16,782 million or 2.9 per cent of GSP. The decrease in net debt is largely the result of an improved financial asset position driven by continued positive net operating balances.

Table 5.3: Total State Sector – Net Debt

	Actual June 2017 Restated <sup>(a)</sup>	Actual June 2018
	\$b	\$b
Cash and Cash Equivalents	13.9	13.0
Investments, Loans and Placements	40.4	43.1
Advances Paid	0.6	0.6
Deposits Held	(0.3)	(0.4)
Borrowings and Derivatives at Fair Value	(63.6)	(63.8)
Borrowings at Amortised Cost	(7.0)	(7.5)
Advances Received	(0.8)	(0.8)
<b>Net Debt</b>	<b>16.8</b>	<b>15.8</b>
<b>Net Debt as a % of GSP<sup>(b)</sup></b>	<b>2.9%</b>	<b>2.6%</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to Prior Period.

(b) GSP actuals for 2017-18 not released at the time of publication. Numbers reflect 2017-18 GSP forecasts from the 2018-19 Budget.

## 5.12 Net Financial Liabilities

Net financial liabilities at 30 June 2018 were \$99,289 million, or 16.4 per cent of forecast GSP, which was \$4,800 million higher than in 30 June 2017 of \$94,489 million (16.4 per cent of GSP). This was primarily due to the increase in other provisions of \$1,475 million related to NSW Self Insurance Corporation and Lifetime Care and Support Authority of NSW resulting from actuarial assessment performed at 30 June 2018, and the increase in other liabilities of \$3,512 million as a result of increased investment in the TCorpIM Funds by entities not controlled by the State.

Table 5.4: Total State Sector – Net Financial Liabilities

	Actual June 2017 Restated <sup>(a)</sup>	Actual June 2018
	\$b	\$b
Net Debt	16.8	15.8
Superannuation Liabilities	58.6	56.4
Employment Provision	18.3	19.1
Insurance Obligations and Other Provisions	13.9	15.4
Other Net Liabilities / (Assets)	(13.1)	(7.4)
<b>Net Financial Liabilities</b>	<b>94.5</b>	<b>99.3</b>
<b>NFL as a % of GSP<sup>(b)</sup></b>	<b>16.4%</b>	<b>16.4%</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to Prior Period.

(b) GSP actuals for 2017-18 not released at the time of publication. Numbers reflect 2017-18 GSP forecasts from the 2018-19 Budget.



## 6. ANNEXURES

The *Fiscal Responsibility Act 2012* also requires the Budget to include: a fiscal strategy statement; a report on performance against the Act's objective, targets and principles; an explanation of any departures from the objective, targets or principles along with a plan to restore compliance; and an assessment of the impact of Budget measures on the long term fiscal gap. Every five years, the Budget is to include an updated Long Term Fiscal Pressures Report and a reassessment of the long term fiscal gap. The latest report was released on 26 May 2016 and can be found at <http://www.treasury.nsw.gov.au/intergenerational-report>.

The financial results for 2017-18 are consistent with the Government's fiscal strategy with a Budget surplus in 2017-18 of \$4,181 million.

### Performance against the Fiscal Targets and Principles of the *Fiscal Responsibility Act 2012*

The 2017-18 actual results have been assessed against the objective, targets and principles of the *Fiscal Responsibility Act 2012* to provide a status update against each measure below.

Item	2018-19 Budget Status	2017-18 State Finances (End of Year Status Update)
Maintain the State's triple-A credit rating	New South Wales' triple-A credit ratings were reaffirmed by international credit rating agencies Moody's and Standard & Poor's in their latest credit opinions.	Moody's reaffirmed the State's triple-A rating on 13 September 2018. Standard & Poor's reaffirmed the triple-A rating on 26 September 2018.
Hold annual expense growth below long-term average revenue growth	Historical long-term average revenue growth was estimated at 5.6 per cent in the <i>2011-12 Long-Term Fiscal Pressures Report</i> . This amount is prescribed in regulations under the Act.  The <i>2016 NSW Intergenerational Report</i> reported that historical long-run growth in revenue has been 5.7 per cent.  The 2018-19 Budget estimated expense growth of 5.5 per cent in 2017-18.	Expense growth was 5.4 per cent in 2017-18, or 0.2 percentage points below the Act's target.
Eliminate the State's unfunded superannuation liabilities by 2030	The most recent triennial actuarial review of superannuation liabilities was completed as at 30 June 2015. The review found that based on the current Crown funding plan, the liabilities were on track to be fully funded by 2030 in line with the target. The next triennial review will be undertaken in the second half of 2018.  Treasury in conjunction with the SAS Trustee Corporation (STC) reviews the funding plan on an ongoing basis to ensure that it remains on track, taking into account current market conditions and the outlook, and the Government's risk tolerances.	As per the 2018-19 Budget Status.
Responsible and sustainable spending, taxation and infrastructure investment	The 2018-19 Budget projects significant budget surpluses to assist in funding the Government's large infrastructure spending program in a sustainable way. Taxation policies remain stable and predictable, with the ratio of tax receipts to GSP declining from 5.4 per cent in 2015-16 to 4.9 per cent in 2018-19.  The 2018-19 budget projected capital expenditure of \$65.7 billion over the four years to 2021-22 in the General Government Sector. Funding this record infrastructure program while maintaining a sustainable level of net debt consistent with a triple-A credit rating is achieved through delivering budget surpluses and utilising the proceeds from asset recycling.	Expenses were maintained below revenue in 2017-18, delivering an operating surplus to assist in funding the State's capital expenditure program.  General Government Sector capital expenditure was \$12.1 billion in 2017-18, with Restart NSW funding \$3.0 billion of this.

Item	2018-19 Budget Status	2017-18 State Finances (End of Year Status Update)
Effective financial and asset management	<p>Since coming to office, an objective of the Government has been to improve the financial and asset management of the State.</p> <p>A key contributor to this has been the Government's asset recycling program, which has unlocked the value of non-financial assets and created a source of funding for additional investment in infrastructure across New South Wales.</p> <p>The significant program of reform has included the establishment of an Asset and Liability Committee in 2015 as a world's-first for government, providing best-practice advice to the Treasury Secretary on managing the State's balance sheet.</p> <p>This whole-of-government approach to balance sheet management has resulted in the implementation of a number of initiatives included in the 2018-19 Budget:</p> <ul style="list-style-type: none"> <li>• expanded scope of cash management reforms with an additional \$2.0 billion projected to be brought under internalised management, in addition to the \$3.0 billion already centralised to date</li> <li>• introduction of a new whole-of-government foreign exchange risk policy to provide a cost-efficient way to manage the State's foreign exchange risks</li> <li>• further strategic management of the State's debt portfolio to protect against potential future interest rate rises and to reduce interest costs where possible, including extending the average weighted life of the State's debt portfolio.</li> </ul>	<p>During 2017-18, some additional measures were undertaken to further strengthen the State's financial management:</p> <ul style="list-style-type: none"> <li>• the passage of the Government Sector Finance Act 2018 which modernises financial structures and controls across the entire public sector</li> <li>• establishment of the NSW Generations Funds (NGF), a dual purpose sovereign wealth fund that supports the State's triple-A rating through enabling future debt retirement, whilst enabling investment into local communities</li> <li>• enhanced budget reporting and management of the State's contingent assets and liabilities.</li> </ul>
Achieving intergenerational equity	<p>The effect of government policies on intergenerational equity is measured by the change in the long-term fiscal gap from one budget to the next. Each budget reports the impact of budget measures on the long-term fiscal gap, which is a summary indicator of the budget's effect on future generations.</p> <p>The <i>2016 Intergenerational Report</i> gives a detailed assessment of the long-term fiscal gap 40 years ahead, and was forecast to be 3.4 per cent of GDP. The Report outlines that ageing will contribute to higher demand for government services and infrastructure, and this will tend to widen the fiscal gap between revenues and spending requirements.</p> <p>The measures in the 2018-19 Budget do not materially impact on the long-term fiscal gap estimate. Success in restraining an increase in the fiscal gap and in delivering consecutive operating surpluses demonstrate the effectiveness of prudent budget management. This ensures the current generation funds the cost of the services it uses and limits the financial burden shifted from current to future taxpayers.</p> <p>Continuing progress toward the full elimination of unfunded superannuation liabilities by 2030 further enhances intergenerational equity by ensuring the pension liabilities of the current generation are not being funded by future generations.</p>	As per the 2018-19 Budget Status.

Total State Sector Accounts  
2017 – 2018

Audited Consolidated Financial Statements  
of the NSW General Government  
and Total State Sectors

# STATEMENT OF COMPLIANCE

In our opinion the Total State Sector Accounts:

- have been prepared on the basis of the financial reporting requirements as prescribed in the *Public Finance and Audit Act 1983*, and
- are in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting* and all other Australian Accounting Standards.



The Hon. Dominic Perrottet MP  
Treasurer



Michael Pratt AM  
Secretary  
Treasury



Stewart Walters  
Executive Director  
Treasury

5 October 2018



## INDEPENDENT AUDITOR'S REPORT

### New South Wales General Government and Total State Sectors

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of the New South Wales General Government and Total State Sector Accounts (the Total State Sector Accounts), which comprise the NSW Consolidated Statement of Comprehensive Income and NSW Consolidated Statement of Changes in Equity for the year ended 30 June 2018, the NSW Consolidated Statement of Financial Position as at 30 June 2018, the NSW Consolidated Statement of Cash Flows, for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information.

In my opinion, the Total State Sector Accounts are prepared, in all material respects, in accordance with Australian Accounting Standards and section 6 of the *Public Finance and Audit Act 1983* (the PF&A Act).

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

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

## **Other Information**

Other information comprises the Statement of Compliance and other information included in the New South Wales Report on State Finances for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The Treasurer is responsible for the other information.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **Treasurer's Responsibilities for the Financial Statements**

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

In preparing the financial statements, the Treasurer is responsible for assessing the General Government Sector and Total State Sectors' ability to continue as a going concern, disclosing as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the New South Wales General Government Sector and Total State Sectors carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the Total State Sector Accounts
- about the security and controls over the electronic publication of the audited Total State Sector Accounts on any website where they may be presented
- about any other information which may have been hyperlinked to/from the Total State Sector Accounts.



Margaret Crawford  
Auditor-General of NSW

8 October 2018

SYDNEY

	Note	General		Total State Sector	
		2017-18	2016-17 Restated <sup>(a)</sup>	2017-18	2016-17 Restated <sup>(a)</sup>
<b>FROM CONTINUING OPERATIONS</b>		\$m	\$m	\$m	\$m
<b>Revenue from Transactions</b>					
Taxation <sup>(b)</sup>	2	31,326	30,789	30,841	30,095
Grants and Subsidies					
Commonwealth General Purpose	2	17,955	17,202	17,955	17,202
Commonwealth Specific Purpose Payments <sup>(c)</sup>	2	9,844	9,157	9,844	9,161
Commonwealth National Partnership Payments	2	3,129	4,121	3,129	4,121
Other Grants and Subsidies <sup>(c)</sup>	2	931	870	998	933
Sale of Goods and Services <sup>(b)</sup>	2	8,508	8,159	15,214	14,071
Interest	2	558	769	1,072	1,258
Dividend and Income Tax Equivalents from Other Sectors	2	1,578	1,102	...	...
Other Dividends and Distributions	2	2,114	1,267	2,147	1,344
Fines, Regulatory Fees and Other	2	4,730	4,703	5,497	5,265
<b>Total Revenue from Transactions</b>		<b>80,672</b>	<b>78,139</b>	<b>86,697</b>	<b>83,451</b>
<b>Expenses from Transactions</b>					
Employee	3	31,644	30,585	34,067	32,813
Superannuation					
Superannuation Interest Cost	3	1,458	1,334	1,513	1,390
Other Superannuation	3	3,009	2,992	3,222	3,214
Depreciation and Amortisation	3	4,873	4,614	7,641	7,167
Interest	3	1,994	2,149	3,647	3,547
Other Operating Expense	3	19,652	18,312	23,277	21,587
Grants and Subsidies					
Recurrent Grants and Subsidies	3	12,908	11,729	10,304	9,096
Capital Grants	3	955	837	576	562
<b>Total Expenses from Transactions</b>		<b>76,491</b>	<b>72,551</b>	<b>84,246</b>	<b>79,375</b>
<b>Transactions from Discontinuing Operations</b>	5	...	136	...	1,302
<b>NET RESULT FROM TRANSACTIONS - NET OPERATING BALANCE (BUDGET RESULT FOR THE GENERAL GOVERNMENT SECTOR)</b>					
		<b>4,181</b>	<b>5,724</b>	<b>2,451</b>	<b>5,377</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

(b) \$461 million was reclassified from "Taxation" to "Sales of Goods and Services" in the Total State Sector for 2016-17. This has no impact on the overall aggregates.

(c) "Other Grants and Subsidies" includes \$278 million reclassified from "Commonwealth Specific Purpose Payments" in 2016-17.

The Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

	Note	General		Total State Sector	
		Government Sector 2017-18 \$m	2016-17 Restated <sup>(a)</sup> \$m	2017-18 \$m	2016-17 Restated <sup>(a)</sup> \$m
<b>NET OPERATING BALANCE</b>		<b>4,181</b>	<b>5,724</b>	<b>2,451</b>	<b>5,377</b>
<b>OTHER ECONOMIC FLOWS - INCLUDED IN THE OPERATING RESULT</b>					
Gain/(Loss) from Liabilities	4	(231)	519	(379)	538
Other Net Gains/(Losses)	4	71	12,582	1,171	9,607
Share of Earnings from Equity Investments (excl. Dividends)	4	160	48	160	48
Dividends from Asset Sale Proceeds	4	0	115	...	...
Deferred Income Tax from Other Sectors	4	(17)	(1,611)	...	...
Other	4	0	(78)	0	(76)
Discontinuing Operations - Other Economic Flows	5	...	...	...	(29)
<b>Other Economic Flows - included in Operating Result</b>		<b>(16)</b>	<b>11,575</b>	<b>953</b>	<b>10,089</b>
<b>OPERATING RESULT</b>		<b>4,165</b>	<b>17,299</b>	<b>3,404</b>	<b>15,466</b>
<b>OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME</b>					
<i>Items that will not be Reclassified to Operating Result</i>					
Revaluations	13	17,588	2,354	24,538	7,650
Share of Earnings from Associates from Revaluations		(42)	361	(42)	380
Actuarial Gain/(Loss) from Superannuation	22	2,416	12,011	2,560	12,852
<i>Items that may be Reclassified Subsequently to Operating Result</i>					
Deferred Tax Direct to Equity		96	...	...	...
Net Gain on Available for Sale Financial Assets		6,296	4,397	21	64
Net Gain/(Loss) on Financial Instruments at Fair Value		2	...	(6)	36
Other		15	53	60	27
<b>Other Economic Flows - Other Comprehensive Income</b>		<b>26,369</b>	<b>19,176</b>	<b>27,130</b>	<b>21,009</b>
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS</b>		<b>30,534</b>	<b>36,475</b>	<b>30,534</b>	<b>36,475</b>
<b>KEY FISCAL AGGREGATES</b>					
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS</b>		<b>30,534</b>	<b>36,475</b>	<b>30,534</b>	<b>36,475</b>
Less: Net Other Economic Flows		(26,353)	(30,751)	(28,083)	(31,098)
<b>NET OPERATING BALANCE</b>		<b>4,181</b>	<b>5,724</b>	<b>2,451</b>	<b>5,377</b>
<b>Less: Net Acquisition of Non-Financial Assets</b>					
Purchases of Non-Financial Assets		11,969	10,419	17,753	16,763
Sales of Non-Financial Assets		(437)	(3,500)	(1,140)	(3,985)
Less: Depreciation and Amortisation		(4,873)	(4,614)	(7,641)	(7,167)
Plus: Change in Inventories		6	7	(10)	(58)
Plus: Other Movements in Non-Financial Assets					
Assets Acquired Using Finance Leases		152	127	155	1,466
Other		126	245	344	805
<b>Equals Total Net Acquisition of Non-Financial Assets</b>		<b>6,943</b>	<b>2,684</b>	<b>9,461</b>	<b>7,824</b>
<b>EQUALS: NET LENDING/(BORROWING)</b>		<b>(2,762)</b>	<b>3,040</b>	<b>(7,010)</b>	<b>(2,447)</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

The Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

2017-18	Equity at 1 July 2017	Correction to Prior Period <sup>(a)</sup>	Equity at 1 July 2017 Restated <sup>(a)</sup>	Changes in Classification	Comprehensive Result	Transfers between equity classes	Equity at 30 June 2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>General Government Sector</b>							
Accumulated Funds	74,462	(942)	73,520	...	6,691	(1,882)	<b>78,327</b>
Reserves							
Asset Revaluation Surplus	71,936	(1,122)	70,814	...	17,588	1,846	<b>90,248</b>
Equity Investment Revaluation Surplus	37	...	37	...	(42)	30	<b>25</b>
Hedging Reserve	(10)	...	(10)	...	2	(9)	<b>(17)</b>
Available for Sale Reserve	80,048	(762)	79,286	...	6,296	16	<b>85,597</b>
Other	...	...	...	...	...	...	...
	<b>226,471</b>	<b>(2,826)</b>	<b>223,645</b>	...	<b>30,534</b>	...	<b>254,179</b>
<b>Total State Sector</b>							
Accumulated Funds	96,205	(1,704)	94,501	...	6,023	1,240	<b>101,764</b>
Reserves							
Asset Revaluation Surplus	130,183	(1,122)	129,061	...	24,538	(1,259)	<b>152,341</b>
Equity Investment Revaluation Surplus	38	...	38	...	(42)	29	<b>25</b>
Hedging Reserve	(119)	...	(119)	...	(6)	(10)	<b>(135)</b>
Available for Sale Reserve	136	...	136	...	21	...	<b>157</b>
Other	28	...	28	...	...	(0)	<b>28</b>
	<b>226,471</b>	<b>(2,826)</b>	<b>223,645</b>	...	<b>30,534</b>	...	<b>254,179</b>

2016-17	Equity at 1 July 2016	Correction to Prior Period <sup>(a)</sup>	Equity at 1 July 2016 Restated <sup>(a)</sup>	Changes in Classification	Comprehensive Result	Transfers between equity classes	Equity at 30 June 2017 Restated <sup>(a)</sup>
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>General Government Sector</b>							
Accumulated Funds	41,736	(1,232)	40,504	...	29,363	3,652	<b>73,520</b>
Reserves							
Asset Revaluation Surplus	70,117	(1,122)	68,995	...	2,354	(535)	<b>70,814</b>
Equity Investment Revaluation Surplus	2,791	...	2,791	(12)	361	(3,103)	<b>37</b>
Hedging Reserve	(22)	...	(22)	12	...	...	<b>(10)</b>
Available for Sale Reserve	75,666	(778)	74,888	0	4,397	...	<b>79,285</b>
Other	14	...	14	...	...	(14)	...
	<b>190,302</b>	<b>(3,132)</b>	<b>187,170</b>	...	<b>36,475</b>	...	<b>223,645</b>
<b>Total State Sector</b>							
Accumulated Funds	58,421	(2,010)	56,411	...	28,345	9,745	<b>94,501</b>
Reserves							
Asset Revaluation Surplus	129,134	(1,122)	128,012	...	7,650	(6,601)	<b>129,061</b>
Equity Investment Revaluation Surplus	2,791	...	2,791	(12)	380	(3,121)	<b>38</b>
Hedging Reserve	(167)	...	(167)	12	100	(64)	<b>(119)</b>
Available for Sale Reserve	72	...	72	0	...	64	<b>136</b>
Other	51	...	51	...	...	(23)	<b>28</b>
	<b>190,302</b>	<b>(3,132)</b>	<b>187,170</b>	...	<b>36,475</b>	...	<b>223,645</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

The Statements of Changes in Equity should be read in conjunction with the accompanying notes.

	Note	General Government Sector			Total State Sector		
		2018	2017	1 July 2016	2018	2017	1 July 2016
		\$m	Restated <sup>(a)</sup>	Restated <sup>(a)</sup>	\$m	Restated <sup>(a)</sup>	Restated <sup>(a)</sup>
			\$m	\$m		\$m	\$m
<b>ASSETS</b>							
<b>Financial Assets</b>							
Cash and Cash Equivalents	6	5,417	8,731	5,260	12,967	13,855	10,874
Receivables	7	6,721	6,216	5,853	6,547	6,722	6,117
Investments, Loans and Placements							
Financial Assets at Fair Value	8	32,578	26,561	10,545	38,645	32,557	19,115
Other Financial Assets	8	5,556	6,778	16,016	4,456	7,923	12,650
Advances Paid	9	1,017	1,005	1,064	644	616	659
Tax Equivalents Receivable	16	128	91	104	...	...	...
Deferred Tax Equivalents Asset	16	2,192	2,049	3,919	...	...	...
Equity Investments							
Investments in Other Public Sector Entities	10	112,911	106,355	101,217	...	...	...
Investments in Associates	10	5,987	5,870	3,783	5,988	5,872	3,785
Other Equity Investments	10	722	700	605	20,420	17,617	8,693
Equity Investments Held for Sale	12	0	4,196	...	0	4,196	...
<b>Total Financial Assets</b>		<b>173,228</b>	<b>168,553</b>	<b>148,366</b>	<b>89,666</b>	<b>89,358</b>	<b>61,893</b>
<b>Non-Financial Assets</b>							
Inventories	11	327	296	263	826	838	962
Forestry Stock and Other Biological Assets		9	10	11	993	1,003	956
Assets Classified as Held for Sale	12	320	155	432	430	338	607
Investment Properties		...	...	...	644	534	507
Property, Plant and Equipment							
Land and Buildings	13	83,390	72,752	70,617	161,627	143,394	135,532
Plant and Equipment	13	10,941	10,178	10,286	17,367	15,709	16,139
Infrastructure Systems	13	104,232	92,147	86,647	160,242	146,985	159,957
Intangibles	14	3,691	3,448	3,093	4,745	4,423	4,157
Other Non-Financial Assets	15	7,426	4,935	3,418	6,594	4,909	3,670
<b>Total Non-Financial Assets</b>		<b>210,336</b>	<b>183,921</b>	<b>174,767</b>	<b>353,469</b>	<b>318,134</b>	<b>322,488</b>
<b>TOTAL ASSETS</b>		<b>383,564</b>	<b>352,474</b>	<b>323,133</b>	<b>443,135</b>	<b>407,492</b>	<b>384,381</b>
<b>LIABILITIES</b>							
Deposits Held	17	130	106	126	385	328	397
Payables	18	7,251	6,385	5,617	8,833	8,118	6,989
Liabilities Directly Associated with Assets Held for Sale		...	...	...	...	4	0
Borrowings and Derivatives at Fair Value <sup>(b)</sup>	19	5	6	8	63,836	63,630	74,921
Borrowings at Amortised Cost <sup>(b)</sup>	20	32,441	32,808	31,836	7,457	6,963	5,176
Advances Received		797	812	857	797	812	857
Employee Provisions	21	18,015	17,146	17,243	19,106	18,257	18,986
Superannuation Provision	22	54,200	56,285	67,862	56,421	58,601	71,159
Tax Equivalents Payable	16	3	18	3	...	...	...
Deferred Tax Equivalent Provision	16	112	59	337	...	...	...
Other Provisions	23	10,210	9,453	9,212	15,400	13,925	13,540
Other Liabilities	24	6,223	5,752	2,861	16,721	13,209	5,186
<b>TOTAL LIABILITIES</b>		<b>129,385</b>	<b>128,829</b>	<b>135,963</b>	<b>188,956</b>	<b>183,847</b>	<b>197,211</b>
<b>NET ASSETS</b>		<b>254,179</b>	<b>223,645</b>	<b>187,170</b>	<b>254,179</b>	<b>223,645</b>	<b>187,170</b>
<b>NET WORTH</b>							
Accumulated Funds <sup>(a)</sup>		78,327	73,520	40,504	101,764	94,501	56,411
Reserves <sup>(a)</sup>		175,852	150,125	146,666	152,415	129,145	130,759
<b>TOTAL NET WORTH</b>		<b>254,179</b>	<b>223,645</b>	<b>187,170</b>	<b>254,179</b>	<b>223,645</b>	<b>187,170</b>
<b>OTHER FISCAL AGGREGATES</b>							
<b>Net Debt</b>		<b>(11,195)</b>	<b>(9,344)</b>	<b>(57)</b>	<b>15,762</b>	<b>16,782</b>	<b>38,053</b>
<b>Net Financial Liabilities</b>		<b>69,068</b>	<b>66,632</b>	<b>88,814</b>	<b>99,289</b>	<b>94,489</b>	<b>135,318</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

(b) \$899 million was reclassified from "Borrowings and Derivatives at Fair Value" to "Borrowings at Amortised Cost" in the General Government Sector for 2016-17. This has no impact on the overall aggregates.

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

	Note	General			
		Government Sector		Total State Sector	
		2017-18	2016-17	2017-18	2016-17
		\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
Taxation		31,218	31,291	30,740	30,389
Sale of Goods and Services		9,334	8,487	15,902	16,305
Grants and Subsidies		31,852	31,202	31,909	31,054
Interest		457	698	1,288	1,044
Dividends and Income Tax Equivalents from Other Sectors		1,031	1,321	0	...
Other		12,113	10,333	13,423	12,262
<b>Total Receipts</b>		<b>86,006</b>	<b>83,332</b>	<b>93,263</b>	<b>91,055</b>
<b>Payments</b>					
Employee Related		(30,693)	(30,232)	(33,134)	(32,586)
Superannuation		(4,262)	(3,898)	(4,476)	(4,359)
Payments for Goods and Services		(20,027)	(19,988)	(22,244)	(23,620)
Grants and Subsidies		(13,221)	(11,714)	(10,162)	(8,497)
Interest		(1,508)	(1,642)	(3,228)	(3,161)
Other		(5,588)	(5,293)	(3,709)	(1,168)
<b>Total Payments</b>		<b>(75,300)</b>	<b>(72,767)</b>	<b>(76,954)</b>	<b>(73,391)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	6	<b>10,706</b>	<b>10,565</b>	<b>16,309</b>	<b>17,663</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Non-Financial Assets</b>					
Proceeds from Sale of Non-Financial Assets		521	3,262	1,229	3,740
Purchases		(13,323)	(10,255)	(19,160)	(16,532)
<b>Net Cash Flows from Investments in Non-Financial Assets</b>		<b>(12,802)</b>	<b>(6,992)</b>	<b>(17,931)</b>	<b>(12,792)</b>
<b>Financial Assets (Policy Purposes)</b>					
Receipts		808	14,185	78	29,311
Payments		(1,382)	(2,917)	(85)	(344)
<b>Net Cash Flows from Investments in Financial Assets (Policy Purposes)</b>		<b>(574)</b>	<b>11,268</b>	<b>(7)</b>	<b>28,967</b>
<b>Financial Assets (Liquidity Purposes)</b>					
Proceeds from Sale of Investments		9,471	21,112	14,709	20,709
Purchase of Investments		(8,988)	(33,262)	(14,446)	(39,594)
<b>Net Cash Flows from Investments in Financial Assets (Liquidity Purposes)</b>		<b>482</b>	<b>(12,150)</b>	<b>263</b>	<b>(18,886)</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(12,894)</b>	<b>(7,874)</b>	<b>(17,675)</b>	<b>(2,710)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Advances Received		30	...	30	32
Advances Repaid		(70)	(70)	(70)	(70)
Proceeds from Borrowings		957	4,040	67,631	68,491
Repayments of Borrowings		(1,773)	(3,411)	(67,333)	(80,640)
Deposits Received/(Paid) - Net		24	(21)	82	(22)
Other - Net		94	(0)	(55)	0
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(738)</b>	<b>538</b>	<b>285</b>	<b>(12,208)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(2,925)</b>	<b>3,228</b>	<b>(1,080)</b>	<b>2,745</b>
Opening Cash and Cash Equivalents		8,731	5,260	13,855	10,874
Reclassification of Cash Equivalents and Other Adjustments		(388)	243	192	236
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	6	<b>5,417</b>	<b>8,731</b>	<b>12,967</b>	<b>13,855</b>
<b>DERIVATION OF CASH RESULT</b>					
Net Cash Flows from Operating Activities		10,706	10,565	16,309	17,663
Net Cash Flows from Investments in Non-Financial Assets		(12,802)	(6,992)	(17,931)	(12,792)
<b>CASH SURPLUS/(DEFICIT)</b>	34	<b>(2,096)</b>	<b>3,573</b>	<b>(1,622)</b>	<b>4,871</b>

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

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## Note 1: Statement of Significant Accounting Policies

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### Scope

The Total State Sector comprises the General Government Sector, the Public Non-Financial Corporation (PNFC) Sector and the Public Financial Corporation (PFC) Sector. These sectors are determined in accordance with the principles and rules contained in the Australian Bureau of Statistics *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015 (cat. No.5514)* (ABS GFS Manual) as amended from time to time.

For accounting purposes, the New South Wales Total State Sector and General Government Sector are not-for-profit entities.

The financial statements of the Total State Sector and General Government Sector for the year ended 30 June 2018 were authorised for issue by the Treasurer on 5 October 2018. This report was issued from:

Treasury  
52 Martin Place  
Sydney NSW 2000  
AUSTRALIA

## Basis of Preparation

The Total State Sector financial statements are general purpose financial reports. The purpose of these financial statements is to provide users with information about the stewardship of the NSW Government in relation to the Total State Sector and General Government Sector. It also provides information that facilitates assessments of the macroeconomic impact of the State.

The financial statements of the Total State Sector and the General Government Sector have been prepared in accordance with:

- applicable Australian Accounting Standards (which include paragraphs applicable to not-for-profit entities and Australian Interpretations), in particular, AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049); and
- section 6 of the Public Finance and Audit Act 1983.

The financial statements of the Total State Sector and the General Government Sector are prepared using the accrual basis of accounting, which recognises the effect of transactions and events when they occur. Property, plant and equipment, investment property, assets (or disposal groups) held-for-sale and financial instruments at 'fair value through profit or loss' are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention, except where specified otherwise.

In accordance with AASB 1049, the financial statements of the General Government Sector are included as a separate column adjacent to the Total State Sector financial information. AASB 1049 harmonises Government Finance Statistics (GFS) with Generally Accepted Accounting Principles (GAAP) to the extent that GFS does not conflict with GAAP. This requires the selection of options within the Australian Accounting Standards that harmonise with the ABS GFS Manual. A glossary of key technical terms used in the financial statements, including relevant GFS terminology, is included in Note 37 - Key Technical Terms used in the Financial Statements.

The financial statements are presented in Australian dollars and all amounts are rounded to the nearest million dollars (\$m), except when otherwise indicated.

Use of a zero ("0") represents amounts rounded down to zero. Use of three dots ("...") represents nil amounts.

Tables may not add in all instances due to rounding.

## Principles of Consolidation

The Total State Sector Accounts (TSSA) consolidate all assets, liabilities, equities, revenues and expenses of the NSW Government including those of entities controlled by the State, in accordance with AASB 10 *Consolidated Financial Statements* (AASB 10). The General Government Sector financial statements consolidate only those entities within the General Government Sector, using the consolidation procedures specified in AASB 10.

The State controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The State re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control. The financial statements of the controlled entities are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Under AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, the General Government Sector financial statements are not required to apply the full requirements of AASB 10 and AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139). Instead of consolidating the PNFCs and PFCs on a line by line basis, the General Government Sector financial statements recognise an asset, being the equity investment in those entities, and a gain or loss for changes in the carrying amount of the investment from period to period is accounted for as if the change in carrying amount is a change in fair value and accounted for in a manner consistent with AASB 139.

Entities which are not controlled by the State, including local government bodies, universities, certain reserve trusts created under the *Crown Lands Act 1989*, hospitals listed under Schedule 3 of the *Health Services Act 1997*, the State's Superannuation Funds, trust funds under management that are not controlled, the NSW Aboriginal Land Council and most professional registration and marketing authorities, are not consolidated into the financial statements of the State.

In preparing consolidated financial statements, all transactions and balances between NSW government agencies (for the TSSA) and between General Government Sector agencies (for the General Government Sector financial statements) have been eliminated. Where agencies adopt dissimilar accounting policies and their effect is considered material, adjustments are made to ensure consistent policies are adopted.

If the State loses control over an entity, it derecognises the related assets (including goodwill), liabilities and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Details of consolidated entities are included in Note 36 - Details of Consolidated Entities.

## **Presentation Changes in the 2017-18 Financial Statements**

There are no changes in the presentation of the 2017-18 Financial Statements compared to the previous year. There are classification changes in a number of notes to better reflect the nature of the transactions. These reclassifications do not have an impact on the presentation of the primary financial statements. The 2016-17 comparatives have been restated for consistency purposes and more appropriate presentation.

## **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the State and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration or contribution received or receivable, taking into account contractually defined terms of payment. The specific policies adopted for the recognition of significant categories of revenue are discussed in Note 2 - Revenue.

## **Expenses**

Expenses are transactions that result in a reduction of net worth. Expenses are recognised when the transaction occurs. The specific policies adopted for the recognition of significant categories of expenses are discussed in Note 3 - Expenses.

## **Statement of Comprehensive Income Presentation**

All amounts included in the comprehensive result (total change in net worth before transactions with owners as owners) are classified as 'transactions' or 'other economic flows' consistent with the principles in the ABS GFS Manual.

'Transactions' are a result of mutually agreed interactions between parties. 'Other economic flows' result from a change in the volume or value of an asset or liability that does not result from a 'transaction', including revaluations resulting from changes in market prices and other gains and losses that result from changes in the volume of assets.

'Other economic flows' are separated between those recognised in the operating result and those recognised as 'other comprehensive income'. Certain items are split into 'transaction' and 'other economic flow' components as required under Accounting Standards.

## **Assets**

Assets recognised in the Statement of Financial Position are classified into financial and non-financial assets, based on liquidity.

## **Liabilities**

Liabilities in the Statement of Financial Position are presented on a liquidity basis.

## Valuation Techniques, Inputs and Processes

A number of the State's accounting policies and disclosures require the measurement of both financial and non-financial assets and liabilities at fair value. Agencies are responsible for determining the appropriate valuation techniques, inputs and processes to be undertaken to determine the fair value of their financial assets and liabilities in accordance with AASB 13 *Fair Value Measurement* (AASB 13).

When measuring fair value in accordance with AASB 13, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

Under AASB 13, the entity categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).
- The State recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.
- Refer to the relevant note for further disclosures regarding fair value measurements of financial and non-financial assets.
- Transfers between levels within the fair value hierarchy during the year are disclosed in Note 13: Property, Plant and Equipment and Note 25: Financial Instruments.

## Significant Accounting Judgements and Estimates

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience, independent valuations and/or various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Judgements, key assumptions and estimations that have been made in the preparation of the financial statements are outlined below and/or disclosed in the relevant notes to the financial statements.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made in the application of Accounting Standards that have significant effects on the financial statements and estimates relate to:

- the classification of non-current assets (or disposal groups) as held for sale (refer to Note 12 – Assets Classified as Held for Sale);
- the fair value of land, buildings, infrastructure, plant and equipment, and useful lives of property, plant and equipment (PP&E) where applicable (refer to Note 13 – Property, Plant and Equipment);
- the impairment of physical and intangible assets, and the associated recoverable amount (refer to Note 13 – Property, Plant and Equipment and Note 14 - Intangibles);
- actuarial assumptions for employee benefit provisions and superannuation liabilities that are based on the likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 21 – Employee Provisions and Note 22 – Superannuation Provisions);
  - an assessment of contingent liabilities, commitments and guarantees (refer Note 29 - Contingent Assets and Contingent Liabilities); and
- provisions for outstanding claims (refer to Note 23 – Other Provisions);
- the classification of finance and operating leases (refer to Note 27 – Finance and Operating Leases).

## Other Significant Accounting Policies

### Forestry Stock

Forestry stock are measured on initial recognition and at subsequent periods at fair value less costs to sell. The fair value of native forest crops, softwood plantations and hardwood plantations is determined using the appropriate approach in line with AASB 13. The valuation assumes the continuation of existing practices with regard to forest management and silviculture. The valuation is prepared by professional foresters, employed by Forestry Corporation of New South Wales, using techniques/methods published in scientific journals and accepted by the forestry industry.

### Investment Properties

The State owns properties to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date using the valuation technique that maximises the use of relevant observable inputs.

Gains or losses arising from changes in fair value are included in 'other economic flows – included in the operating result' for the period in which they arise. No depreciation is charged on investment properties, however, where material, 'consumption of capital' is recognised as an 'expense from transactions'.

- Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in 'other economic flows – included in the operating result' in the period of de-recognition.

Management has determined that the following be treated as PP&E, instead of investment properties:

- public housing is treated as PP&E because the properties are held to provide a social service rather than for investment purposes; and
- properties leased within the NSW public sector by Government Property NSW are treated as PP&E because the properties are held to provide a service rather than for investment purposes.

### Accounting for the Goods and Services Tax (GST)

In accordance with Interpretation 1031, *Accounting for the Goods and Services Tax*, revenues, expenses and assets are recognised net of the amount of GST, except:

- where the amount of GST incurred as a purchaser is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows. Therefore, cash flows arising from investing and financing activities are included net of GST recoverable from or payable to ATO.

### Changes in Accounting Policy and Revisions to Estimates

The State reassessed its revenue recognition policy for government-assessed tax revenue. The existing accounting policy for government-assessed tax revenue is to recognise revenue at the time assessments are made. This has now been modified to recognising government-assessed revenue when the underlying event that results in a right to receive revenue has occurred and assessments have been issued, or when the amount can be reliably measured. The change has been made to better reflect the underlying events that give rise to control of the associated economic benefits, in accordance with AASB 1004 *Contributions*.

The main impact of this change in accounting policy relates to the Emergency Services Levy received from insurers. Following the introduction of the *Emergency Services Levy Act 2017*, initial assessments are now issued in the financial year preceding the year in which the relevant insurers' premiums are earned. A final assessment is issued in the year following the year in which the relevant insurers' premiums are earned. Application of the previous accounting policy would have led to the recognition of an additional \$0.8 billion of revenue relating to 2018-19 insurers' premiums being recorded in 2017-18 when the initial assessment is made.

The change in accounting policy has reduced revenue from transactions – taxation by \$0.8 billion for 2017-18. In subsequent years, insurers' premiums would have been recorded one year earlier under the previous accounting policy.

### **Revised Australian Bureau of Statistics (ABS) Government Finance Statistics (GFS) Manual**

The GFS reporting framework was revised by the ABS, with the release of the *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015 Cat. No. 5514.0*. The revised GFS framework (AGFS15) took effect on 1 July 2017 and has resulted in some changes to the treatment of stocks and flows. However, the key aggregates in the primary financial statements have not changed.

Implementation of the AGFS15 framework has also required changes in the classification of flows by function. The adoption of COFOG-A (classification of the functions of government – Australia) has led to some changes to the broad categories of functions that were previously reported under the Government Purpose Classification (GPC) hierarchy. This change in classification has resulted in a time series break from 1 July 2017 due to differences in the characterisation of items that are assigned to a function under COFOG-A methodology and items assigned under GPC. For example, public debt transactions are now included as general public services and superannuation expenses will now be allocated based on the employees' industry, resulting in a reallocation of expenditure to industries such as Health and Education.

### **Impact of New and Revised Accounting Standards**

The State applied for the first time standards and amendments, which are effective for annual periods beginning on or after 1 July 2017. The State has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 Statement of Cash Flows* (AASB 2016-2) require entities to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). Refer disclosures in Note 6. Except for AASB 2016-2, there were no new or amended standards adopted by the State that had a material impact in the Total State Sector financial statements.

### **New Accounting Standards Issued but Not Effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods.

- AASB 9 Financial Instruments and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)
  - AASB 9 *Financial Instruments* (AASB 9) is effective from reporting periods commencing on or after 1 January 2018. AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
  - The impact on the State's statement of financial position overall is not expected to be significant.

- *AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15*
  - AASB 15 *Revenue from Contracts with Customers* (AASB 15) is effective from reporting periods commencing on or after 1 January 2018 for for-profit entities and on or after 1 January 2019 for not-for-profit entities. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.
  - Some revenue streams may be impacted by AASB 15 to varying degrees. In particular, the application of AASB 15 may result in the identification of separate performance obligations that could change the timing of the recognition of revenue. The estimated impact of AASB 15 on future estimated financial statements has not been sufficiently quantified at this stage.
- *AASB 1058 Income of Not-for-Profits*
  - AASB 1058 *Income of Not-for-Profits* (AASB 1058) is effective for reporting periods commencing on or after 1 January 2019 and will replace most of the existing requirements in AASB 1004. The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners.
  - Under AASB 15, not-for profit entities will need to determine whether a transaction is a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15). The estimated impact of AASB 1058 on future estimated financial statements has not been sufficiently quantified at this stage.
- *AASB 16 Leases*
  - AASB 16 *Leases* (AASB 16) is effective from reporting periods commencing on or after 1 January 2019. For lessees, AASB 16 will result in most leases being recognised on the statement of financial position, as the distinction between operating and finance leases is largely removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised at the commencement of the lease. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
  - AASB 16 will therefore increase assets and liabilities reported on the balance sheet. It will also increase depreciation and amortisation and interest expenses, and reduce operating lease rental expenses. The estimated impact of AASB 16 on future estimated financial statements has not been sufficiently quantified at this stage.
- *AASB 1059 Service Concession Arrangements: Grantors*
  - AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059) is effective from reporting periods commencing on or after 1 January 2019. Service concession arrangements (SCA) involve a private sector entity operating a service concession asset to deliver public services on behalf of a public sector grantor.
  - Currently, under TPP 06-8 *Privately Financed Projects* (TPP 06-8), most SCA in New South Wales are generally treated as leases or as assets gradually recognised over the concession period.
  - AASB 1059 will require service concession assets to be recognised immediately at the start of the arrangement, with a corresponding liability to reflect any payments due, and/or the grant of a right, to the operator. Further, AASB 1059 has a broader scope than TPP 06-8, possibly resulting in more arrangements being recognised in the State's statement of financial position.
  - These changes are expected to significantly increase assets and liabilities in the State's statement of financial position and impact in the operating statement depreciation and amortisation expenses and income from the amortisation of grant of right liability. The estimated impact of AASB 1059 on future estimated financial statements has not been sufficiently identified and quantified at this stage.
- There are no other standards that are not yet effective and that would be expected to have a material impact on the State's financial statements in the current or future reporting periods and on foreseeable future transactions.

## Note 2: Revenue

### Taxation

	General			
	Government Sector		Total State Sector	
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Taxation</b>				
Payroll Tax	8,835	8,282	8,686	8,124
Stamp Duties	10,482	11,482	10,482	11,482
Land Tax	3,735	3,171	3,698	3,116
Gambling and Betting	2,350	2,271	2,350	2,271
Motor Vehicle Taxes	2,719	2,541	2,719	2,541
Other <sup>(a)</sup>	3,204	3,042	2,907	2,561
<b>Total Taxation Revenue</b>	<b>31,326</b>	<b>30,789</b>	<b>30,841</b>	<b>30,095</b>

(a) \$461 million was reclassified from "Other" to "Sales of Goods and Services - Rendering of Other Services" in the Total State Sector for 2016-17. This has no impact on the overall aggregates.

State taxation is recognised upon assessment as follows:

- Government-assessed revenues (mainly land tax) are recognised when the underlying event that results in a right to receive revenue has occurred and assessments have been issued, or when the amount can be reliably measured.
- Taxpayer-assessed revenues (including payroll tax and stamp duty) are recognised when the funds are received by the tax collecting agency as this is when the revenues can be reliably measured. Additional revenues, identified after review of taxpayer returns, are recognised upon amended assessment.

## Grants and Subsidies

	General			
	Government Sector		Total State Sector	
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Grants and Subsidies Revenue</b>				
Commonwealth General Purpose	17,955	17,202	17,955	17,202
Commonwealth Specific Purpose Payments <sup>(a)</sup>	9,844	9,157	9,844	9,161
Commonwealth National Partnership Payments	3,129	4,121	3,129	4,121
Other Grants and Subsidies <sup>(a)</sup>	931	870	998	933
<b>Total Grants and Subsidies Revenue</b>	<b>31,860</b>	<b>31,350</b>	<b>31,926</b>	<b>31,417</b>
<b>Grants dissected into Current and Capital Components</b>				
Current Grants and Subsidies Revenue from the Commonwealth				
General Purpose	17,955	17,202	17,955	17,202
Specific Purpose <sup>(a)</sup>	9,844	9,157	9,844	9,157
National Partnership Payments	738	809	738	809
Other Commonwealth Payments	444	278	445	278
Current Grants from the Commonwealth	28,981	27,446	28,981	27,446
Other Grants and Subsidies <sup>(a)</sup>	426	545	480	590
Total Current Grant Revenue	29,406	27,991	29,461	28,037
Capital Grant Revenue from the Commonwealth				
Specific Purpose <sup>(a)</sup>	...	...	...	4
National Partnership Payments	2,392	3,312	2,392	3,312
Other Commonwealth Payments	0	...	3	...
Capital Grants from the Commonwealth	2,392	3,312	2,395	3,316
Other Grants and Subsidies <sup>(a)</sup>	62	47	69	65
Total Capital Grant Revenue	2,453	3,359	2,464	3,380
<b>Total Grants and Subsidies Revenue</b>	<b>31,860</b>	<b>31,350</b>	<b>31,926</b>	<b>31,417</b>

(a) "Other Grants and Subsidies" includes \$278 million reclassified from "Commonwealth Specific Purpose Payments" in 2016-17.

Commonwealth General Purpose, Specific Purpose, and National Partnership payments are recognised when the State gains control over the grants and subsidies, which is normally obtained when the cash is received. General Purpose recurrent grants mainly comprise New South Wales' share of the GST.

Grant revenue and expenses exclude the following transfer payments from the Commonwealth that New South Wales on-passes to third parties. They are not recorded as New South Wales' revenue and expenses as the State has no control over the amounts that it on-passes.

Transfer Payments from the Commonwealth Government on-passed by NSW to Third Parties	General			
	Government Sector		Total State Sector	
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Transfer Receipts</b>				
Recurrent Transfer Receipts for Specific Purposes	4,557	4,663	4,557	4,663
<b>Total Receipts</b>	<b>4,557</b>	<b>4,663</b>	<b>4,557</b>	<b>4,663</b>
<b>Transfer Payments</b>				
Current Transfer Payments to Local Government	749	1,080	749	1,080
Current Transfer Payments to the Private and Not-For-Profit Sector	3,808	3,583	3,808	3,583
<b>Total Payments</b>	<b>4,557</b>	<b>4,663</b>	<b>4,557</b>	<b>4,663</b>

## Sale of Goods and Services

	General		Total State Sector	
	Government Sector	2016-17	2017-18	2016-17
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Sale of Goods and Services comprise Revenue from:</b>				
Sale of Goods	359	157	4,046	3,268
Rentals from Public Housing and Other Non-Investment Properties <sup>(a)</sup>	252	236	1,171	1,183
Rentals from Investment Properties	6	11	65	66
Rendering of Other Services <sup>(b) (c)</sup>	7,891	7,755	9,931	9,554
<b>Total Sale of Goods and Services</b>	<b>8,508</b>	<b>8,159</b>	<b>15,214</b>	<b>14,071</b>

(a) Includes revenues from the provision of public housing:

Market Rent and Other Tenant Charges	82	80	2,120	2,090
Less: Rental Subsidies to Tenants	(27)	(26)	(1,232)	(1,208)
<b>Rentals from Public Housing</b>	<b>54</b>	<b>54</b>	<b>889</b>	<b>882</b>

(b) "Rendering of Other Services" includes \$1,206 million (2017: \$1,126 million) fee for services provided to TAHE (Railcorp) to produce property plant and equipment.

(c) \$461 million was reclassified from "Taxation - Other" to "Rendering of Other Services" in the Total State Sector for 2016-17. This has no impact on the overall aggregates.

Sale of goods are recognised when the State transfers to the buyer the significant risks and rewards of ownership of the assets. Revenue from the rendering of services is recognised when the service is provided by reference to the stage of completion. Rental revenue (including from public housing and investment properties) is recognised on a straight-line basis over the lease term (net of rental subsidies) in accordance with AASB 117 *Leases*.

## Interest

	General		Total State Sector	
	Government Sector	2016-17	2017-18	2016-17
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Interest Revenue comprises:</b>				
Interest from Managed Fixed Interest Facility	...	13	...	53
Interest from TCorpIM Funds	15	13	...	...
Interest from Other Financial Institutions	543	743	1,072	1,206
	<b>558</b>	<b>769</b>	<b>1,072</b>	<b>1,258</b>

Interest revenue is recognised as it accrues using the effective interest method in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. Net realised or unrealised gains and losses on the revaluation of investments do not form part of 'Revenue / Expenses from Transactions' but are reported as part of 'Other Economic Flows – included in the Operating Result'.

## Dividend and Income Tax Equivalents from Other Sectors

	General		Total State Sector	
	Government Sector		2017-18	2016-17
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Dividend and Income Tax Equivalents from Other Sectors:</b>				
Dividends from the PNFC Sector	1,113	474	...	...
Dividends from the PFC Sector	...	80	...	...
Income Tax Equivalents from the PNFC Sector	438	505	...	...
Income Tax Equivalents from the PFC Sector	27	43	...	...
	<b>1,578</b>	<b>1,102</b>	...	...

The General Government Sector receives dividends and tax equivalent payments (pursuant to National Competition Policy, the National Tax Equivalent Regime and the Tax Equivalent Regime) from some of the State's PNFCs and PFCs. On consolidation, dividend and income tax equivalent entries are eliminated for the Total State Sector.

Dividends are recognised as revenue when the right to receive payment is established. Dividends paid out of asset sale proceeds are treated as 'other economic flows – included in the operating result'.

Income tax equivalents (represented by the current tax payable/receivable by/from the PNFC and PFC sector) are recognised as 'Revenue from Transactions' in the period when earned. Tax equivalent receivables /payables from/to the PNFC and PFC sector are also recognised in the General Government Sector, when controlled.

## Other Dividend and Distributions

	General		Total State Sector	
	Government Sector		2017-18	2016-17
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Other Dividends and Distributions:</b>				
Distributions from Managed Funds	1,686	1,037	1,720	1,114
Dividends from Associates	428	230	428	230
	<b>2,114</b>	<b>1,267</b>	<b>2,147</b>	<b>1,344</b>

Other dividends include dividends received from investments in entities other than the PNFC and PFC sectors and are recognised when the right to receive payment is established. The increased distribution from the Managed Funds is the result of the State's increased investment in TCorpIM Funds.

## Fines, Regulatory Fees and Other Revenues

	General		Total State Sector	
	Government Sector		2017-18	2016-17
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Other Revenue comprise:</b>				
Royalties from Mining	1,763	1,580	1,763	1,580
Fines	648	584	648	584
Fees	159	173	159	173
Licences	204	163	204	163
Emerging Right to Receive Privately Financed Infrastructure Developer, Industry and Other Contributions	300	277	277	284
Other Revenue	692	793	1,034	1,046
	963	1,132	1,413	1,435
	<b>4,730</b>	<b>4,703</b>	<b>5,497</b>	<b>5,265</b>

Other Revenues (including Fines and Regulatory Revenue) are recognised when earned if the monetary amounts can be determined reliably.

- Fines issued by the Courts are recognised when the fine is issued. Traffic infringement fines, such as those administered by the State Debt Recovery Office, are recognised when the cash is received. Revenue from enforcement orders is regarded as being reliably measured when the order is issued.
- Regulatory fees, royalty revenue and contributions are generally recognised on an accrual basis in accordance with the substance of the relevant agreement.

### Contributions from the Commonwealth

The following contributions received from the Commonwealth for National Partnership and Specific Purpose Payments can only be spent on specific agreed items and to a specific timetable agreed with the Commonwealth (subject to timing variations). Funds not spent as agreed must be returned. These disclosures relate to revenue recognised for both the General Government and the Total State Sectors.

### Conditional Contributions with no Designated Future Expenditure Timetable that were Recognised as Revenue in 2017-18 and not fully spent

Policy Area	Balance \$m	
	2017-18	2016-17 <sup>(a)</sup>
Education	270	409
Police and Emergency Services	11	3
Tourism	5	2
Sport	4	...
Pest, Weed and Plant Management	2	1
Water Initiatives	5	42
<b>Total</b>	<b>297</b>	<b>457</b>

(a) There has been a restatement of balances to reflect revised information available after the release of the 2016-17 Total State Sector Accounts.

### Conditional Contributions as at 30 June 2018 with a Designated Future Expenditure Timetable for the Provision of Goods and Services (and not included in the above table)

Policy Area	Conditional Contribution Balance	Period to which the amounts relate			
		June 2018	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
Transport	909	909	...	...	...
Family and Community Services	39	35	4	...	...
<b>Total</b>	<b>948</b>	<b>944</b>	<b>4</b>	<b>...</b>	<b>...</b>

### Conditional Contributions as at 30 June 2017 with a Designated Future Expenditure Timetable for the Provision of Goods and Services

Policy Area	Conditional Contribution	Period to which the amounts relate			
	Balance	2017-18	2018-19	2019-20	Beyond
	June 2017	2017-18	2018-19	2019-20	Beyond
	\$m	\$m	\$m	\$m	\$m
Transport	1,130	870	260	...	...
Family and Community Services	48	26	22	...	...
<b>Total</b>	<b>1,178</b>	<b>896</b>	<b>282</b>	<b>...</b>	<b>...</b>

Listed below are unspent Commonwealth contributions at previous year end, and amounts spent in the current year from previous year unspent balance.

#### Contributions Spent in the 2017-18 Financial Year from the previous 30 June Balance<sup>(a)</sup>

Policy Area	General			
	Government Sector		Total State Sector	
	Balance as at June 2017	Spent in 2017-18	Balance as at June 2017	Spent in 2017-18
	\$m	\$m	\$m	\$m
Education	520	399	520	399
Family and Community Services	48	7	48	7
Police and Emergency Services	7	7	7	7
Transport	1,130	424	1,130	424
Tourism	2	2	2	2
Pest, Weed and Plant Management	6	2	6	2
Water Initiatives	45	11	45	11
<b>Total</b>	<b>1,758</b>	<b>852</b>	<b>1,758</b>	<b>852</b>

(a) Includes all cumulative prior year balances carried forward as unspent.

#### Contributions Spent in the 2016-17 Financial Year from the previous 30 June Balance<sup>(a)</sup>

Policy Area	General			
	Government Sector		Total State Sector	
	Balance as at June 2016	Spent in 2016-17	Balance as at June 2016	Spent in 2016-17
	\$m	\$m	\$m	\$m
Education <sup>(b)</sup>	602	490	602	490
Health	19	19	19	19
Family and Community Services	54	5	54	5
Police and Emergency Services	5	9	5	9
Transport	1,368	1,038	1,368	1,140
Pest, Weed and Plant Management <sup>(b)</sup>	5	...	5	...
Water Initiatives <sup>(b)</sup>	35	32	35	32
<b>Total</b>	<b>2,088</b>	<b>1,593</b>	<b>2,088</b>	<b>1,695</b>

(a) Includes all cumulative prior year balances carried forward as unspent.

(b) There has been a restatement of balances to reflect revised information available after the release of the 2016-17 Total State Sector Accounts.

## Note 3: Expenses

### Employee Expenses (excluding Superannuation)

	General Government Sector		Total State Sector	
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Employee Expenses comprise:</b>				
Salaries and Wages (including recreation leave)	29,005	28,030	31,123	30,028
Long Service Leave	1,221	1,035	1,293	1,058
Workers' Compensation	741	590	759	608
Other	676	931	892	1,119
	<b>31,644</b>	<b>30,585</b>	<b>34,067</b>	<b>32,813</b>

The recognition and measurement policy for employee expenses is detailed in the associated liability policy note. Some employee-related expenses are capitalised as part of the construction costs of certain non-current physical assets. Payroll tax paid by NSW General Government Sector agencies is eliminated in the General Government Sector financial statements, along with the PNFC and PFC amounts, in the Total State Sector financial statements.

### Superannuation Expense

	General Government Sector		Total State Sector	
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Superannuation Interest Costs comprise:</b>				
Net Interest	1,458	1,334	1,513	1,390
	<b>1,458</b>	<b>1,334</b>	<b>1,513</b>	<b>1,390</b>
<b>Other Superannuation Expenses comprise:</b>				
Defined Benefit Plans, excluding Actuarial Gains/Losses <sup>(a)</sup>	489	670	539	729
Defined Contribution Plans	2,520	2,322	2,683	2,485
	<b>3,009</b>	<b>2,992</b>	<b>3,222</b>	<b>3,214</b>

(a) Refer to Note 22 - Superannuation Provisions for a dissection of Defined Benefit Superannuation Expense by component.

### Depreciation and Amortisation Expense

	General Government Sector		Total State Sector	
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Depreciation and Amortisation Expense comprise:</b>				
Depreciation on <sup>(a)</sup>				
Buildings	1,519	1,418	2,368	2,289
Plant and Equipment	735	775	1,112	1,055
Infrastructure Systems	2,004	1,884	3,328	3,045
Amortisation of <sup>(a)</sup>				
Leased Property, Plant and Equipment	156	156	237	276
Capital Prepayments - Right to Receive	18	0	18	0
Intangibles	440	380	577	502
	<b>4,873</b>	<b>4,614</b>	<b>7,641</b>	<b>7,167</b>

(a) Refer to Note 13 - Property, Plant and Equipment and Note 14 - Intangibles for the basis of useful lives applied to calculate depreciation of Property, Plant and Equipment and amortisation of Intangibles.

## Interest Expense

	Government Sector		Total State Sector	
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Interest Expenses comprise:</b>				
Interest on Borrowings	1,297	1,470	2,453	2,432
Interest on Finance Leases	240	223	539	484
Unwinding of Discounts on Provision Liabilities	456	456	655	631
	<b>1,994</b>	<b>2,149</b>	<b>3,647</b>	<b>3,547</b>

Interest costs, including borrowing costs under AASB 123 *Borrowing Costs*, are recognised as expenses in the period in which they occur.

## Other Operating Expense

	General Government Sector		Total State Sector	
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Other Operating Expenses comprise:</b>				
Operating Lease Rentals - Minimum Lease Payments	712	664	928	871
Contractor Fees <sup>(b)</sup>	783	964	1,770	1,768
Consultancy Fees	186	210	258	327
Inventories Used Up	11	9	496	496
Audit Fees <sup>(a)</sup>	...	...	...	...
Insurance Claims	600	476	1,041	832
Supplies, Services and Other <sup>(b)</sup>	15,291	14,067	15,405	13,901
External Maintenance (excluding Employee Costs associated with Maintenance)	2,069	1,923	3,379	3,390
	<b>19,652</b>	<b>18,312</b>	<b>23,277</b>	<b>21,587</b>

(a) Fees to the Audit Office of New South Wales have not been recognised as expenses because they have been eliminated in consolidation of the NSW Total State and General Government sectors. The fees eliminated are for financial audits: \$22 million to the General Government sector (2017: \$21 million), and \$27 million to the Total State sector (2017: \$27 million). In addition, \$15 million for General Government and Total State sector performance audits and Auditor-General's Reports to Parliament (2017: \$9 million) have been eliminated.

(b) TAHE Capital Program Delivery expenses of \$1,206 million have been reclassified from Contractor Fees and Other Employee Expenses to Supplies, Services and Other in 2017-18. In 2016-17, there was \$849 million in Contractor Fees relating to TAHE. This has been reclassified to Supplies, Services and Other.

## Grants and Subsidies

	General		Total State Sector	
	Government Sector		2017-18	
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Grants, Subsidies and Transfers for</b>				
Recurrent purposes	12,908	11,729	10,304	9,096
Capital purposes	955	837	576	562
	<b>13,862</b>	<b>12,565</b>	<b>10,880</b>	<b>9,658</b>
<b>Recurrent and Capital Grants Subsidies and Transfers are provided for<sup>(a)</sup></b>				
Education and Training	1,535	1,525	1,535	1,525
Human Services (Ageing, Disability and Home Care Services, Community Services and Public Housing)	4,648	4,035	4,525	3,884
Health	1,288	1,265	1,288	1,265
Public Transport	2,452	2,558	30	130
First Home Owners Scheme	134	202	134	202
Other Purposes	3,805	2,980	3,368	2,652
	<b>13,862</b>	<b>12,565</b>	<b>10,880</b>	<b>9,658</b>

(a) Refer to Note 34 - Disaggregated Financial Statements for information on total expenses (excluding losses) by function.

Grants and subsidy expenses generally comprise cash contributions to local government authorities and non-government organisations. They are expensed when the State transfers control of the assets. For the General Government Sector, they also include grants and subsidies paid to PNFCs and PFCs, which are eliminated in the Total State Sector.

## Note 4: Other Economic Flows Included in the Operating Result

Other Economic Flows mainly comprise gains and losses on re-measurement of assets and liabilities. These gains or losses are 'Other Economic Flows', which are included in the 'Operating Result' or 'Other Comprehensive Income', in accordance with AASB 101 *Presentation of Financial Statements*.

	General			
	Government Sector		Total State Sector	
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Gain/(Loss) from Liabilities</b>				
Changes in Discount Rates for Long Service Leave Liabilities	(314)	425	(312)	429
Changes in Discount and Inflation Rates for Insurance Liabilities <sup>(a)</sup>	83	94	(67)	110
	<b>(231)</b>	<b>519</b>	<b>(379)</b>	<b>538</b>
<b>Other Net Gains/(Losses) in the Operating Result</b>				
Derecognition of Available for Sale financial assets <sup>(b)</sup>	...	12,279	...	...
Sale of Discontinuing Operations (excludes GFS transactions) <sup>(c)</sup>	...	...	...	6,552
Disposal of Property, Plant and Equipment	31	182	91	241
Disposal of Intangible Assets	(73)	(10)	(74)	(12)
Fair Value Adjustments to:				
Investment Property	...	...	212	59
Non-Current Assets Classified as Held for Sale	(123)	(4)	(125)	(9)
Financial Instruments	227	130	1,122	2,641
Assets recognised for first time	240	130	241	171
Infrastructure and Other Assets Written Off	(236)	(274)	(288)	(500)
Other	4	149	(6)	464
	<b>71</b>	<b>12,582</b>	<b>1,171</b>	<b>9,607</b>
<b>Share of Earnings from Equity Investments (excluding Dividends)</b>	<b>160</b>	<b>48</b>	<b>160</b>	<b>48</b>
<b>Dividends from Asset Sales Proceeds</b>	<b>0</b>	<b>115</b>	<b>...</b>	<b>...</b>
<b>Deferred Income Tax from Other Sectors</b>	<b>(17)</b>	<b>(1,611)</b>	<b>...</b>	<b>...</b>
<b>Other Economic Flows</b>				
Allowance for Impairment of Receivables	(83)	(84)	(83)	(82)
Other	83	6	83	6
	<b>0</b>	<b>(78)</b>	<b>0</b>	<b>(76)</b>
<b>Discontinuing Operations<sup>(c)</sup></b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>(29)</b>
<b>Other Economic Flows - included in Operating Result</b>	<b>(16)</b>	<b>11,575</b>	<b>953</b>	<b>10,089</b>

(a) Mainly from a change in the discount rate used on outstanding claims liabilities for the NSW Self Insurance Corporation, and Lifetime Care And Support Schemes.

(b) In 2017-18 there were no gains/(losses) from the derecognition of Available for Sale financial assets. During 2016-17 there were gains from Ausgrid of \$8,800 million, Endeavour Energy of \$4,329 million, Superannuation Administration Corporation of \$7 million and a loss on Delta Electricity of \$857 million.

(c) Refer to Note 5 – Discontinued Operations for further information.

## Note 5: Discontinued Operations

During the 2017-18 year, no operations were classified as discontinuing.

In 2016-17, four operations were classified as discontinuing, being the operations of:

- Ausgrid,
- Endeavour Energy,
- Superannuation Administration Corporation (trading as Pillar Administration); and
- Land and Property Information's (LPI) titling and registry services.

The combined results of the discontinued operations included in the operating results for the year are set out below.

	General Government Sector		Total State Sector	
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Net Operating Result of the Discontinued Operations</b>				
Ausgrid	...	...	...	612
Endeavour Energy	...	...	...	572
Superannuation Administration Corporation (trading as Pillar Administration)	...	...	...	(18)
Land and Property Registration (LPI)	...	136	...	136
	...	136	...	1,302
<b>Other Economic Flows of the Discontinued Operations</b>				
Ausgrid	...	...	...	(13)
Endeavour Energy	...	...	...	(16)
Superannuation Administration Corporation (trading as Pillar Administration)	...	...	...	...
Land and Property Registration (LPI)	...	...	...	...
	...	...	...	(29)
<b>Cash Flows of the Discontinued Operations</b>				
Operating Activities	...	24	...	1,134
Investing Activities	...	(10)	...	(569)
Financing Activities	...	...	...	(18)

During 2016-17, four transactions were finalised as follows:

Operation	Purchaser	Sale Consideration \$m	Transaction Stamp Duty \$m	Gain/(Loss) recognised in the comprehensive result \$m
Ausgrid	IFM Investors and AustralianSuper	19,661	489	4,331
Endeavour Energy	Advanced Energy	9,361	229	2,214
Superannuation Administration Corporation	Mercer (Australia) Pty Ltd	37	1	7
Land and Property Registration	First State Super, Hastings Funds Management and Royal Bank of Scotland Pension Fund	2,622	...	...
<b>Total</b>		<b>31,681</b>	<b>719</b>	<b>6,552</b>

## Electricity Transactions

The *Electricity Generator Assets (Authorised Transactions) Act 2012* was passed to authorise the efficient transfer of all electricity generator assets and associated rights and liabilities to private sector buyers.

On 4 June 2015, NSW Parliament passed the *Electricity Network Assets (Authorised Transactions) Act 2015* and the *Electricity Retained Interest Corporations Act 2015*, which enabled the State to proceed with the long term lease of 49 percent of its electricity network businesses. This included leasing 100 percent of TransGrid, one of Australia's largest high-voltage electricity transmission assets and 50.4 percent of Ausgrid's and Endeavour Energy's assets.

## Ausgrid

On 20 October 2016 the Premier and Treasurer of New South Wales entered into a binding agreement with an Australian-owned consortium comprising of IFM Investors and AustralianSuper for the 99 year lease of 50.4 per cent of Ausgrid. The completion date was 1 December 2016. The State retains a 49.6 per cent interest in the lease.

The Government received \$19,661 million for the lease of Ausgrid. Stamp duty of \$489 million was paid to the Office of State Revenue on behalf of the purchaser, resulting in total proceeds on the sale of \$20,150 million.

A number of statutory vesting orders under the *Electricity Network Assets (Authorised Transactions) Act 2015* were received from the Treasurer of New South Wales. The vesting orders became effective on 1 December 2016 and on the same date, the network assets were leased under a 99 year finance lease to the successful bidder. Thereafter, Ausgrid ceased to be a State Owned Corporation, and became the Alpha Distribution Ministerial Holding Corporation (ADMHC) with the residual assets and liabilities being transferred into it. The principal activity of ADMHC is to act as the lessor of the network assets. As the activities of Ausgrid have ceased, it is treated as a discontinued operation. The results of Ausgrid's discontinued operations for the year are presented in the following table.



## Endeavour Energy

On 11 May 2017 the Premier and Treasurer of New South Wales entered into a binding agreement with an Australian-led consortium, Advance Energy, consisting of Macquarie Infrastructure & Real Assets, AMP Capital, British Columbia Investment Management Corporation and Qatar Investment Authority, for the 99 year lease of 50.4 per cent of Endeavour Energy. The completion date was 13 June 2017. The State retains a 49.6 per cent interest in the lease.

The Government received \$9,361 million for the 50.4 per cent of Endeavour Energy. Stamp duty of \$229 million was paid to the Office of State Revenue on behalf of the purchaser, resulting in total proceeds on the sale of \$9,590 million.

A number of statutory vesting orders under the enabling legislation were received from the Treasurer of New South Wales. The vesting orders became effective on 13 June 2017, and on the same date the network assets were leased under a 99 year lease to the successful bidder. Thereafter Endeavour Energy ceased to be a State Owned Corporation, and became Epsilon Distribution Ministerial Holding Corporation (EDMHC), with the residual assets and liabilities being transferred into it. The principal activity of EDMHC is to act as the lessor of the network assets. As the activities of Endeavour Energy have ceased, it is treated as a discontinued operation. The results of Endeavour Energy's discontinued operations for the year are presented below.

	General		Total State Sector	
	Government Sector 2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Net Operating Result of the Discontinued Operation</b>				
<b>Revenues from Discontinued Operation</b>				
Sale of Goods and Services	...	...	...	1,106
Other Income	...	...	...	321
	...	...	...	<b>1,427</b>
<b>Expenses from Discontinued Operation</b>				
Expenses	...	...	...	855
	...	...	...	<b>855</b>
<b>Net Operating Balance from Discontinued Operation</b>	...	...	...	<b>572</b>
<b>Other Economic Flows of the Discontinued Operation</b>				
	...	...	...	<b>(16)</b>
<b>Cash Flows of Endeavour Discontinued Operation</b>				
Operating Activities	...	...	...	515
Investing Activities	...	...	...	(223)
Financing Activities	...	...	...	(15)

	General		Total State Sector	
	Government Sector 2017-18	2016-17	2017-18	2016-17
<b>Gain/(Loss) from Endeavour Energy</b>	\$m	\$m	\$m	\$m
Proceeds from Sale	...	...	...	9,361
<b>Less:</b>				
Book Value of Net Assets Disposed	...	...	...	(7,147)
<b>Gain/(Loss) recognised in the Comprehensive Result</b>	...	...	...	<b>2,214</b>
			2017-18 \$m	2016-17 \$m
The carrying amounts of assets and liabilities as at the date of sale were:				
<b>Derecognised under 99 year finance lease:</b>				
Property, Plant and Equipment and Other Non-Current Assets			...	7,060
<b>Disposed through sale:</b>				
Property, Plant and Equipment			...	106
Trade Receivables and Other Current Assets			...	366
Trade Creditors and Other Payables			...	(99)
Provision for Employee Benefits			...	(286)
<b>Net Assets Attributable to Endeavour Energy</b>			...	<b>7,147</b>

## Other Transactions

### Superannuation Administration Corporation (trading as Pillar Administration)

On 2 December 2016, the State executed a Sale and Purchase Agreement (SPA) with Mercer (Australia) Pty Ltd to effect a sale of Superannuation Administration Corporation (trading as Pillar Administration) (Pillar). The sale completed on 7 December 2016.

The Government received \$37 million from the sale of Pillar. Stamp duty of \$1 million was paid to the Office of State Revenue on behalf of the purchaser, resulting in total proceeds on the sale of \$38 million.

	General		Total State Sector	
	Government Sector 2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Net Operating Result of the Discontinued Operation</b>				
<b>Revenues from Discontinued Operation</b>				
Sale of Goods and Services	...	...	...	34
Other Income	...	...	...	4
	...	...	...	<b>38</b>
<b>Expenses from Discontinued Operation</b>				
Expenses	...	...	...	56
	...	...	...	<b>56</b>
<b>Net Operating Balance from Discontinued Operation</b>	...	...	...	<b>(18)</b>
<b>Other Economic Flows of the Discontinued Operation</b>	...	...	...	...
<b>Cash Flows of Pillar</b>				
Operating Activities	...	...	...	2
Investing Activities	...	...	...	(14)
Financing Activities	...	...	...	...

	General		Total State Sector	
	Government Sector 2017-18	2016-17	2017-18	2016-17
<b>Gain/(Loss) from Pillar</b>	\$m	\$m	\$m	\$m
Proceeds from Sale	...	...	...	37
<b>Less:</b>				
Book Value of Net Assets Disposed	...	...	...	(30)
<b>Gain/(Loss) recognised in the Comprehensive Result</b>	...	...	...	<b>7</b>

	2017-18	2016-17
	\$m	\$m
The carrying amounts of assets and liabilities as at the date of sale were:		
Property, Plant and Equipment	...	18
Trade Receivables and Other Current Assets	...	42
Trade Creditors and Other Payables	...	(15)
Provision for Employee Benefits	...	(15)
<b>Net Assets Attributable to Pillar</b>	...	<b>30</b>

### Land and Property Information (LPI) titling and registry division - 35-year concession

On 12 April 2017, the State entered into a 35 year concession with a consortium of private sector investors consisting of First State Super, Hastings Funds Management and Royal Bank of Scotland Pension Fund to facilitate the provision of land titling and registry services. Under the concession, the State received an upfront contribution of \$2,622 million. As a result, the existing Titling & Registry Services business has been reported as a discontinued operation. However, assets legally transferred to the operator are treated as controlled for accounting purposes by the State and accordingly, are recorded in the State's balance sheet at their carrying values immediately prior to the concession commencement.

	General		Total State Sector	
	Government Sector 2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Net Operating Result of the Discontinued Operation</b>				
<b>Revenues from Discontinued Operation</b>				
Sale of Goods and Services	...	201	...	201
Other Income	...	0	...	0
	...	<b>201</b>	...	<b>201</b>
<b>Expenses from Discontinued Operation</b>				
Expenses	...	65	...	65
	...	<b>65</b>	...	<b>65</b>
<b>Net Operating Balance from Discontinued Operation</b>	...	<b>136</b>	...	<b>136</b>
<b>Other Economic Flows of the Discontinued Operation</b>	...	...	...	...
<b>Cash Flows of LPI</b>				
Operating Activities	...	24	...	24
Investing Activities	...	(10)	...	(10)
Financing Activities	...	...	...	...

## Note 6: Cash and Cash Equivalents

### Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand, short term deposits with an original maturity of three months or less, and deposits in NSW Treasury Corporation's TCorpIM Funds. Cash and cash equivalents are presented net of outstanding bank overdrafts for the purposes of the Statement of Cash Flows.

	General Government Sector		Total State Sector	
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Cash administered by NSW Treasury Corporation				
TCorpIM Funds	298	392	...	...
Cash and Deposits Held at Other Financial Institutions	5,119	8,339	12,967	13,855
	<b>5,417</b>	<b>8,731</b>	<b>12,967</b>	<b>13,855</b>

The State's interest in the TCorpIM Funds is brought to account as cash equivalents because deposits and withdrawals can be made on a daily basis and are not subject to significant risk of a change in value. Cash and deposits include net proceeds of asset sales and leases. In 2016-17, the majority of these monies were being held as part of Restart NSW for infrastructure investment.

TCorpIM Funds investments are available to all NSW public authorities, including universities and local government authorities. Each TCorpIM Funds investment has been established as an individual unit trust and each trust has its own investment objective and strategy.

In total, TCorpIM Funds have cash and deposits with other financial institutions amounting to \$3,339 million (2017: \$1,285 million).

### Reconciliation of Operating Result to Net Cash Flows from Operating Activities

	General Government Sector		Total State Sector	
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
<b>Operating result for the year</b>	4,165	17,299	3,404	15,466
Adjust for:				
Non-cash items added back:				
Depreciation and Amortisation	4,873	4,614	7,641	7,167
Other	(106)	(245)	(325)	(805)
Other Economic Flows - included in the Operating Result	16	(11,575)	(953)	(10,089)
Net Change in Operating Assets and Liabilities	1,758	472	6,542	5,924
<b>Net Cash Flows from Operating Activities</b>	<b>10,706</b>	<b>10,565</b>	<b>16,309</b>	<b>17,663</b>

## Reconciliation of Closing Cash and Cash Equivalents to the Statement of Cash Flows

Cash assets in the statement of financial position comprise cash and deposits at call. Deposits in TCorpIM Funds and other TCorp deposits with a maturity of less than 90 days are reported as cash and deposits at call. Cash and cash equivalents recognised in the statement of financial positions are agreed at the end of the financial year to the Statement of Cash Flows, and are as follows:

	General		Total State Sector	
	Government Sector 2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Cash and Deposits at Call	5,417	8,731	12,967	13,855
	<b>5,417</b>	<b>8,731</b>	<b>12,967</b>	<b>13,855</b>

## Restricted Cash Assets

Cash assets in the statement of financial position also comprise cash and term deposits held in Crown Special Deposit Accounts for Restart NSW of \$1,607 million (2017: \$8,426 million) and can only be used in accordance with the legislation that established the Account. Sales proceeds from major asset transactions are deposited in the State's dedicated infrastructure fund Restart NSW, to fund the delivery of major capital infrastructure projects across the State. The decrease was due to the reinvestment of the cash into the NSW Infrastructure Future Fund. Conditional contributions disclosed in Note 2 - Revenue are also considered restricted assets. Term deposits disclosed in Note 8 - Investments, Loans and Placements form part of the Crown Special Deposit Accounts.

## Acquisition and Disposal of Entities

During 2017-18 there were no major acquisitions or disposals of entities.

In the prior year, the State acquired the ANZ stadium business for \$154 million, returning the stadium to public ownership 15 years ahead of schedule, and the operations of Ausgrid, Endeavour Energy, Superannuation Administration Corporation and Land and Property Information's (LPI) titling and registry services were discontinued (refer to Note 5 – Discontinued Operations).

## Non-Cash Financing and Investing Activities

During 2017-18:

- In the General Government Sector, a total of \$300 million (2017: \$277 million) was recognised for emerging interests in the private sector provided infrastructure. A total of \$277 million (2017: \$284 million) was recognised in the Total State Sector and was lower than the General Government Sector figure due to the elimination of the emerging interest in ANZ Stadium. It includes \$253 million recognised for various road projects (2017: \$233 million) and \$39 million for Olympic Park infrastructure (2017: \$37 million).
- Other assets acquired free of cost in the Total State Sector amounted to \$406 million (2017: \$647 million). In the General Government Sector, they amounted to \$88 million (2017: \$94 million). They include sub-divider/developer contributions of water assets of \$240 million (2017: \$162 million) and electricity assets of \$73 million in 2018 (2017: \$363 million).
- It is impracticable to report on the numerous other assets donated to NSW public sector agencies particularly dedicated for transport, health, education and cultural purposes. They are generally reported in individual agency financial statements.
- The Total State Sector Statement of Cash Flows excludes new assets acquired under finance leases with a value of \$155 million (2017: \$1,466 million). The decrease is mainly attributed to the lease on the International Convention Centre Sydney which was recognised in the prior year. For the General Government Sector, excluded new finance lease assets amounted to \$152 million (2017: \$127 million). This is mainly comprised of additional finance leased buses being recognised, resulting from new rural and regional bus service contracts.

## Note 7: Receivables

Receivables are recognised initially at fair value, based on the transaction cost or face value, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 13 *Fair Value Measurement*.

Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment. Short term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. Statutory receivables, such as taxes receivable, are not classified as financial instruments.

A change in receivables is accounted for when impaired ('Other Economic Flows – included in the Operating Result'), derecognised ('Other Economic Flows – included in the Operating Result') or through the amortisation process ('Transaction').

	General			
	Government Sector		Total State Sector	
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Current	5,641	5,109	5,639	5,799
Non-current	1,080	1,107	908	923
	<b>6,721</b>	<b>6,216</b>	<b>6,547</b>	<b>6,722</b>
<b>Receivables comprise:</b>				
Debtors and accruals from:				
Sale of Goods and Services	1,567	1,443	1,859	1,921
Dust Disease Insurance Levies Accrued <sup>(a)</sup>	584	526	584	526
Taxation	1,881	1,873	1,756	1,785
Dividends from Public Corporations	863	514	...	...
Settlements Receivable on New Borrowings and Other Financial Instruments <sup>(b)</sup>	...	...	...	234
Asset Sales	168	252	172	261
Interest	146	222	182	227
Other	1,991	1,859	2,494	2,270
	<b>7,200</b>	<b>6,687</b>	<b>7,047</b>	<b>7,224</b>
Less Allowance for Impairment <sup>(c)</sup>	(479)	(471)	(500)	(502)
	<b>6,721</b>	<b>6,216</b>	<b>6,547</b>	<b>6,722</b>

(a) Levies receivable under the *Workers' Compensation (Dust Diseases) Act 1942* reflect the full funding of total claim liabilities as estimated by actuaries at the reporting date. This recognises the legislative power given to the State to impose levies to meet the cost of claim obligations under this Act.

(b) Settlements receivable on new borrowings and other financial instruments relates to NSW Treasury Corporation outstanding trade settlements receivable.

(c) The allowance for impairment in the Total State Sector mainly comprises doubtful debts related to the sales of goods and services of \$154 million (2017: \$146 million), the collection of fees and fines of \$271 million (2017: \$258 million) and payroll tax of \$42 million (2017: \$43 million).

## Note 8: Investments, Loans and Placements

Purchases and sales of financial assets under contracts, that require delivery of the asset within the timeframe established by convention or regulation, are recognised on the trade date (i.e. the dates the Government committed to purchase or sell the asset). Changes are recognised in the net result for the year when revalued, impaired, derecognised or through the amortisation process.

### Financial Assets at Fair Value

Financial assets at fair value are recognised in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. Changes in fair value for assets classified or designated at fair value through profit and loss are recognised as 'other economic flows - included in the operating result'. Changes in fair value for available for sale assets are recognised as 'other economic flows - other comprehensive income', until impaired or disposed of.

A change in fair value excludes 'interest' and 'distributions', which are recognised as 'revenue from transactions'.

Financial assets designated at fair value through profit or loss are designated on the basis that these financial assets are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about these assets is provided internally on that basis to key management personnel.

	General			
	Government Sector		Total State Sector	
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Current	1,801	2,414	35,261	29,454
Non-current	30,776	24,148	3,383	3,103
	<b>32,578</b>	<b>26,561</b>	<b>38,645</b>	<b>32,557</b>
<b>Financial Assets at Fair Value comprise:</b>				
<b>Financial Assets Held for Trading</b>				
Derivative Assets <sup>(a)</sup>				
Swaps <sup>(b)</sup>	...	...	456	522
Futures	0	48	49	49
Other	0	0	50	2
	<b>0</b>	<b>48</b>	<b>555</b>	<b>573</b>
<b>Designated and Effective Hedging Instruments</b>				
Derivative Assets <sup>(a)</sup>				
Other	0	0	3	0
	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>
<b>Financial Assets Designated at Fair Value through Profit or Loss</b>				
Fiduciary Investments Administered by NSW Treasury Corporation				
TCorplM Funds (formerly known as Hour-Glass Managed Funds) <sup>(c)</sup>	32,255	24,863	...	...
Securities and Placements Held by NSW Treasury Corporation	...	...	4,969	6,275
Held with Other Financial Institutions <sup>(c)</sup>	322	1,651	33,118	25,708
	<b>32,577</b>	<b>26,513</b>	<b>38,087</b>	<b>31,983</b>
<b>Total Financial Assets at Fair Value</b>	<b>32,578</b>	<b>26,561</b>	<b>38,645</b>	<b>32,557</b>

(a) Refer to Note 25 - Financial Instruments for a description of the major types of derivatives.

(b) \$503 million was reclassified from "Derivative Assets – Designated and Effective Hedging Instruments" to "Derivative Assets – Financial Assets Held for Trading" for 2016-17.

(c) The substantial increase in the Financial Assets were due to the investment of the asset sales proceeds received into NSW Infrastructure Future Fund and the Social and Affordable Housing Fund and the increased investment by the Workers' Compensation Nominal Insurer in the TCorplM Funds.

## Other Financial Assets

Other Financial Assets are non-derivative financial assets with fixed or determinable payments and fixed maturity. These investments are measured at amortised cost using the effective interest method. The majority of term deposit monies are being held as part of Restart NSW for infrastructure investments. Since 2016-17, a substantial part of these funds were reinvested in TCorpIM Funds. Term deposits with a maturity of less than 3 months (including those for Restart NSW) are considered to be part of Cash and Cash Equivalents (Note 6 - Cash and Cash Equivalents).

	General			
	Government Sector		Total State Sector	
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Current	4,548	4,228	3,062	5,097
Non-current	1,007	2,550	1,394	2,826
	<b>5,556</b>	<b>6,778</b>	<b>4,456</b>	<b>7,923</b>
<b>Financial Assets at Amortised Cost Comprise:</b>				
Term Deposits - Maturity Greater Than 3 Months	4,370	5,610	2,840	6,438
Finance Leases Receivable <sup>(a)</sup>	981	932	1,411	1,250
Other	205	236	205	236
	<b>5,556</b>	<b>6,778</b>	<b>4,456</b>	<b>7,923</b>

(a) Refer to Note 27 - Finance and Operating Leases for an overview of finance lease assets.

## Note 9: Advances Paid

Advances paid are initially measured at fair value plus any transaction costs and are generally contracted at interest rates that are below market rates. The difference between the market and the contracted interest rates is recognised as 'expenses from transactions'. These financial assets are subsequently measured at amortised cost using the effective interest method.

	General			
	Government Sector		Total State Sector	
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Current	70	67	54	52
Non-current	947	938	590	564
	<b>1,017</b>	<b>1,005</b>	<b>644</b>	<b>616</b>
<b>Advances Comprise:</b>				
Treasury Advances for Public Housing and Other Purposes	465	522	91	132
Loans for Rural Assistance	385	327	385	327
Loans for Road Transport Infrastructure	166	155	167	155
Other	1	1	1	1
	<b>1,017</b>	<b>1,005</b>	<b>644</b>	<b>616</b>

## Note 10: Equity Investments

### Equity Investments in Other Public Sector Entities

In the General Government Sector financial statements, the interest in the PNFC and PFC sectors is, in the absence of fair value, accounted for as an equity investment based on the State's proportional share of the carrying amount of net assets of those sectors (before consolidation adjustments), in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. Any change in the carrying amount of the investment is accounted for as a change in fair value in a manner consistent with the treatment of 'Available for Sale' financial assets in AASB 139 *Financial Instruments: Recognition and Measurement* and is recognised as an 'Other Economic Flow – Other Comprehensive Income'.

Note 36 - Details of Consolidated Entities details the entities of which the Government has control.

Non-Current Equity Investments	General		Total State Sector	
	Government Sector		2018	2017
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
<b>Investments in Other Public Sector Entities</b>				
Investments in Public Non-Financial Corporations	110,691	104,969	...	...
Investments in Public Financial Corporations	4,874	4,634	...	...
Consolidation Adjustment to Investment in Net Assets	(2,653)	(3,247)	...	...
	<b>112,911</b>	<b>106,355</b>	...	...

### Investments in Associates

Equity investments in associates are accounted for using the Equity Method.

Movements in the State's share of profits are recognised in the operating result, split between dividends recognised as 'Revenue from Transactions' and the share of earnings excluding dividends recognised as 'Other Economic Flows – included in the operating result' based on the State's share of ownership. Revaluation movements in the State's share of equity are recognised as a change to reserves and recognised as 'Other Economic Flows – Other Comprehensive Income'.

Investments in Associates Accounted for Using the Equity Method comprise the State's share in:	General		Total State Sector	
	Government Sector		2018	2017
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Snowy Hydro Ltd	...	...	...	...
Ausgrid <sup>(a)</sup>	3,954	3,924	3,954	3,924
Endeavour Energy <sup>(a)</sup>	2,033	1,946	2,033	1,946
Other Entities	...	...	2	2
	<b>5,987</b>	<b>5,870</b>	<b>5,988</b>	<b>5,872</b>

(a) This represents the State's retained interest of 49.6% in these entities.

### Snowy Hydro Ltd

Snowy Hydro Ltd (SHL) is an unlisted public company limited by guarantee. SHL is mainly involved in generating and marketing renewable electricity, as well as the storage and diversion of bulk water to the Murray and Murrumbidgee Rivers.

New South Wales held a 58 per cent share of SHL, with the Commonwealth and Victorian governments retaining 13 per cent and 29 per cent, respectively.

As part of the 2017-18 Federal Budget announced in May 2017, the Commonwealth Government was open to acquiring a larger share or outright ownership of SHL. The Premier of NSW publicly announced that the State was interested in pursuing the transaction. As at 30 June 2017, the investment in SHL was reclassified as an equity investment held-for-sale consistent with the classification of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

During 2017-18, the sale of SHL was finalised with net sale proceeds of \$4.07 billion received by the State on 29 June 2018. The carrying amount of SHL was written down to the fair value less cost to sell with an impairment loss of \$122.5 million being recognised and classified as Other Gains or Losses in the Statement of Comprehensive Income.

The following table summarises information on New South Wales' investment in SHL. The State's share of SHL's profit had been accounted for in the State's result to 30 June 2017 using the equity method. There is no State's share of SHL's profit in the State's result to 30 June 2018 due to the transaction.

	General			
	Government Sector		Total State Sector	
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
<b>The State's share of SHL's profit</b>				
Revenue	...	1,504	...	1,504
Profit/(Loss) Before Income Tax	...	209	...	209
Income Tax Expense	...	(63)	...	(63)
<b>Profit After Income Tax</b>	<b>...</b>	<b>146</b>	<b>...</b>	<b>146</b>
Other Comprehensive Income	...	5	...	5
<b>Total Comprehensive Income</b>	<b>...</b>	<b>151</b>	<b>...</b>	<b>151</b>

### Ausgrid

Ausgrid is the operator of one of the leading electricity networks in Australia, distributing electricity to the Sydney, Central Coast and Hunter regions of New South Wales.

New South Wales holds 49.6 percent of Ausgrid via a corporation constituted under the *Electricity Retained Interest Corporations Act 2015*, named Electricity Retained Interest Corporation - Ausgrid. The remaining 50.4 percent is owned by the private sector by IFM Investors and AustralianSuper in equal shares, operating the network under a 99-year lease.

As New South Wales does not control the entity, it has applied the equity method to account for its investment in Ausgrid. The following table summarises information on New South Wales' investment in Ausgrid.

	General			
	Government Sector		Total State Sector	
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
<b>The State's share of Ausgrid's assets and liabilities</b>				
Current Assets	343	387	343	387
Non-Current Assets	10,063	9,842	10,063	9,842
Current Liabilities	(329)	(317)	(329)	(317)
Non-Current Liabilities	(6,123)	(5,988)	(6,123)	(5,988)
<b>Net Assets</b>	<b>3,954</b>	<b>3,924</b>	<b>3,954</b>	<b>3,924</b>
<b>The State's share of Ausgrid's profit</b>				
Revenue	1,297	765	1,297	765
Profit/(Loss) Before Income Tax	256	(348)	256	(348)
Stamp Duty	...	481	...	481
Distribution income recognised	(196)	(98)	(196)	(98)
<b>Profit After Income Tax</b>	<b>61</b>	<b>34</b>	<b>61</b>	<b>34</b>
Other Comprehensive Income	(31)	37	(31)	37
<b>Total Comprehensive Income</b>	<b>30</b>	<b>72</b>	<b>30</b>	<b>72</b>

## Endeavour Energy

Endeavour Energy is the operator of the electrical distribution network for western Sydney, the Blue Mountains, the Southern Highlands and the Illawarra region of NSW.

New South Wales holds 49.6 percent of Endeavour Energy via a corporation constituted under the *Electricity Retained Interest Corporations Act 2015*, named Electricity Retained Interest Corporation – Endeavour Energy. The remaining 50.4 percent is owned by the private sector by the Edwards partner consortium, operating the network under a 99-year lease.

As New South Wales does not control the entity, it has applied the equity method to account for its investment in Endeavour Energy. The following table summarises information on New South Wales' investment in Endeavour. The State's share of Endeavour's assets and liabilities and profit in the State's result to 30 June 2018 represents the period from 11 May 2017 when Endeavour Energy commenced the operation under the 99 year lease.

	General			
	Government Sector		Total State Sector	
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
<b>The State's share of Endeavour's assets and liabilities</b>				
Current Assets	211	...	211	...
Non-Current Assets	4,789	...	4,789	...
Current Liabilities	(165)	...	(165)	...
Non-Current Liabilities	(2,802)	...	(2,802)	...
<b>Net Assets</b>	<b>2,033</b>	<b>...</b>	<b>2,033</b>	<b>...</b>
<b>The State's share of Endeavour's profit</b>				
Revenue	750	...	750	...
Profit/(Loss) Before Income Tax	(51)	...	(51)	...
Stamp Duty	225	...	225	...
Distribution income recognised	(74)	...	(74)	...
<b>Profit After Income Tax</b>	<b>100</b>	<b>...</b>	<b>100</b>	<b>...</b>
Other Comprehensive Income	(13)	...	(13)	...
<b>Total Comprehensive Income</b>	<b>87</b>	<b>...</b>	<b>87</b>	<b>...</b>

## Other Equity Investments

	General			
	Government Sector		Total State Sector	
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
<b>Other Equity Investments</b>				
Other Equity Investments - Available for Sale Financial Assets	722	700	889	700
Other Equity Investments - At Fair Value through Profit and Loss	...	...	19,531	16,917
	<b>722</b>	<b>700</b>	<b>20,420</b>	<b>17,617</b>

TCorpIM Funds are available to all NSW public authorities, including universities. Local councils are also eligible to invest in TCorpIM Funds. Each TCorpIM Fund has been established as an individual unit trust and each trust has its own investment objective and strategy.

As the majority unit holder in the TCorpIM Funds, the State has been assessed to control the Funds under AASB 10 *Consolidated Financial Statements*. Thus, the TCorpIM Funds' assets and liabilities are consolidated into the State accounts.

In total, TCorpIM Funds have investments in listed equity securities amounting to \$19,531 million (2017: \$16,917 million). Since 2016-17, the State has invested a major component of the Restart NSW money in TCorpIM Funds. City West Housing Limited accounted for \$679 million (2017: \$659 million) of the equity investment in the General Government Sector.

## Note 11: Inventories

Inventories held for distribution are stated at cost, adjusted when applicable for any loss of service potential, in accordance with AASB 102 *Inventories*. A loss of service potential is identified and measured when current replacement costs is lower than carrying amount.

Inventories (other than those held for distribution) are valued at the lower of cost and net realisable value. Cost is calculated using the weighted average cost or the 'first in first out' method.

Land held for resale, for government authorities that trade in land, is recorded taking account of acquisition costs, development and other costs.

The cost of inventories acquired at no costs or for nominal consideration on the date of acquisition is recognised at current replacement costs. The current replacement cost is the cost the State would incur to acquire the asset on the reporting date.

	General		Total State Sector	
	Government Sector	2017	2018	2017
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Current	263	238	540	546
Non-current	64	58	286	292
	<b>327</b>	<b>296</b>	<b>826</b>	<b>838</b>
<b>Inventories Comprise:</b>				
Materials Held at Cost				
Raw Materials	9	11	9	11
Work in Progress	6	6	10	10
Finished Goods	17	21	18	22
Consumable Stores	211	198	316	278
Consumable Stores Held for Distribution	17	1	18	2
Finished Goods at Net Realisable Value	2	2	2	2
Consumable Stores Held for Distribution at Current Replacement Cost	7	...	8	3
Land Held for Resale	58	57	445	510
	<b>327</b>	<b>296</b>	<b>826</b>	<b>838</b>

Land held for resale, for government agencies that trade in land, has been recorded at:

	General		Total State Sector	
	Government Sector	2017	2018	2017
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Acquisition Cost	53	55	163	202
Development Cost	5	2	282	308
	<b>58</b>	<b>57</b>	<b>445</b>	<b>510</b>

## Note 12: Assets Classified as Held for Sale

Non-current assets (or disposal groups) are classified as held for sale, where their carrying amount will be recovered principally through a sale transaction and not through continuing use.

For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs to sell. These assets are not depreciated while they are classified as held for sale.

	General		Total State Sector	
	Government Sector	2017	2018	2017
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
<b>Equity Investments Held for Sale</b>				
Equity Investment Held for Sale	0	4,196	0	4,196
	<b>0</b>	<b>4,196</b>	<b>0</b>	<b>4,196</b>

	General		Total State Sector	
	Government Sector	2017	2018	2017
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
<b>Assets Held for Sale</b>				
Land and Buildings	320	155	430	300
Plant and Equipment	0	...	0	7
Infrastructure Systems	0	...	0	31
	<b>320</b>	<b>155</b>	<b>430</b>	<b>338</b>

The key assets classified as held for sale at 30 June 2018 were:

### Assets Held for Sale

#### Department of Family and Community Services

Department of Family and Community Services has reclassified land and buildings at Rydalmere, a Disability Services site, as assets held for sale. The sale is expected to be completed by 30 June 2019.

	2018
	\$m
<b>Assets</b>	
Land and Buildings	110
Plant and Equipment	...
<b>Assets Classified as Held for Sale</b>	<b>110</b>
Liabilities	...
<b>Liabilities Classified as Held for Sale</b>	<b>...</b>
<b>Net Assets of Department of Family and Community Services Held for Sale</b>	<b>110</b>

### Barangaroo Delivery Authority

Barangaroo Delivery Authority has classified Block 7 of Central Barangaroo and South Barangaroo Commercial 1 as assets held for sale in 2018 as they are expected to be sold over the next 12 months.

	2018
	\$m
<b>Assets</b>	
Land and Buildings	91
Plant and Equipment	...
<b>Assets Classified as Held for Sale</b>	<b>91</b>
<b>Liabilities</b>	
Liabilities	...
<b>Liabilities Classified as Held for Sale</b>	<b>...</b>
<b>Net Assets of Barangaroo Delivery Authority Held for Sale</b>	<b>91</b>

### Ministry of Health

The North Sydney Local Health District reclassified land and buildings to assets held for sale including the Princess Juliana Lodge (\$18.4 million) and Turramurra Aged Care Services (\$11.8 million). These properties are expected to be sold in the first half of the 2018-19 financial year.

	2018
	\$m
<b>Assets</b>	
Land and Buildings	41
Plant and Equipment	...
<b>Assets Classified as Held for Sale</b>	<b>41</b>
<b>Liabilities</b>	
Liabilities	...
<b>Liabilities Classified as Held for Sale</b>	<b>...</b>
<b>Net Assets of Ministry of Health Held for Sale</b>	<b>41</b>

### Property NSW

Property NSW's core operations is management of the NSW Government's owned and leased real property portfolio. As at 30<sup>th</sup> June 2018, Property NSW has reclassified various Land and Buildings to assets held for sale as their value will be recovered principally through sale. The largest of the portfolio is 35-39 Bridge Street, Sydney at \$18.7 million.

	2018
	\$m
<b>Assets</b>	
Land and Buildings	37
Plant and Equipment	...
<b>Assets Classified as Held for Sale</b>	<b>37</b>
<b>Liabilities</b>	
Liabilities	...
<b>Liabilities Classified as Held for Sale</b>	<b>...</b>
<b>Net Assets of Property NSW Held for Sale</b>	<b>37</b>

**Other**

Other land and buildings, plant and equipment and infrastructure systems held for sale as at 30 June 2018 include surplus properties to be sold through various agency sale programs. Assets held for sale are expected to be sold in the following financial year.

The key assets classified as held for sale at 30 June 2017 were:

**Equity Investments Held for Sale**

**Snowy Hydro Limited**

Snowy Hydro Limited (SHL) is an unlisted public company limited by guarantee. SHL is mainly involved in generating and marketing renewable electricity, as well as the storage and diversion of bulk water to the Murray and Murrumbidgee Rivers.

The New South Wales government holds 58 per cent share in SHL. As part of the 2017-18 Federal Budget announced in May 2017, the Commonwealth Government announced that it is open to acquiring a larger share or outright ownership of SHL. The NSW and VIC Governments are in discussion with the Commonwealth Government regarding the Commonwealth’s possible purchase of New South Wales’ shareholding. On that basis, as at 30th June 2017, this investment has been reclassified to asset held for sale consistent with the requirements of AASB 5 Non-current Assets Held for Sale and Discontinued Operations (AASB 5).

AASB 5 requires that the asset classified as held for sale to be recognised at the lower of its carrying amount and fair value less costs to sell. AASB 13 Fair Value Measurements defines the fair value to be the price (exit price) that would be received to sell the asset. The exit price has been determined by discounting cash flow projections of SHL’s operations out to June 2021. These projections are based on historical cash flow data from 2007 through to the current financial year. Estimated future cash flows are discounted using an appropriate market derived weighted average cost of capital calculated specifically for SHL.

There are other significant estimates and judgements used in determining the fair value of this asset. These include the effect on income of prevailing economic conditions, changes in the productivity of the business and the actions of other participants in the National Energy Market to reduce exposure to electricity wholesale price risk. Management has obtained expert assistance in making these estimates and judgments.

The fair value has been adjusted for the estimated undiscounted costs of sale.

	2017
	\$m
<b>Equity Investments Held for Sale</b>	
Equity Investment Held for Sale	4,196
	<b>4,196</b>

## Assets Held for Sale

### Property NSW

Property NSW had various Land and Buildings classified as assets held for sale in 2017. The largest of the portfolio was 43-61 Waterloo Rd, Macquarie Park at \$35 million.

	2017
	\$m
<b>Assets</b>	
Land and Buildings	88
<b>Assets Classified as Held for Sale</b>	<b>88</b>
<b>Liabilities</b>	
Liabilities	...
<b>Liabilities Classified as Held for Sale</b>	<b>...</b>
<b>Net Assets of Property NSW Held for Sale</b>	<b>88</b>

### Barangaroo Delivery Authority

Barangaroo Delivery Authority has reclassified Block 7 of Central Barangaroo to asset held for sale in 2017 as it is expected to be sold over the next 12 months.

	2017
	\$m
<b>Assets</b>	
Land and Buildings	34
Plant and Equipment	0
<b>Assets Classified as Held for Sale</b>	<b>34</b>
<b>Liabilities</b>	
Liabilities	...
<b>Liabilities Classified as Held for Sale</b>	<b>...</b>
<b>Net Assets of Barangaroo Delivery Authority Held for Sale</b>	<b>34</b>

## Note 13: Property, Plant and Equipment

Property, plant and equipment comprise three asset classes: land and buildings, plant and equipment, and infrastructure systems.

Property, plant and equipment is initially recognised at cost, in accordance with AASB 116 *Property, Plant and Equipment* (AASB 116). Those assets acquired at no cost or for nominal consideration are initially recognised at their fair value at the date of acquisition. The cost of assets constructed for own use includes the cost of materials, direct labour, 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.

Property, plant and equipment is subsequently measured at fair value in accordance with AASB 116, AASB 13 *Fair Value Measurement* and NSW Treasury Policy Paper 14-01 *Accounting Policy: Valuation of Physical Non-Current Assets at Fair Value*.

In general, property, plant and equipment with a value greater than \$5,000 is 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.

## Revaluation of Property, Plant and Equipment

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use.

The market or income approach is used to fair value the following types of property, plant and equipment:

- Land under roads is valued using a market approach at existing use, based on an englobo valuation approach or proxy such as open space land (i.e. as such land generally has no feasible alternative use, is undeveloped and publicly accessible).
- Land under water is valued using a market approach with reference to adjacent land values, having regard to zoning restrictions, access, location, size, topography and other characteristics or with reference to land that has a low economic value adjusted for differences in location, restriction and uses.
- Other land, including Crown leasehold land, is valued using an income approach based on the net present value of the income stream.
- Non-specialised buildings, which include commercial and general purpose buildings for which there is a secondary market, are valued using either approach.
- Certain heritage assets, including artworks, book collections, philately and coin collections are valued using a market or cost approach.
- The fair value of cash generating assets is estimated using an income approach.

For assets valued using the income approach or market approach, any accumulated depreciation is eliminated against the gross carrying amount of the assets to which they relate, and the net asset carrying amount is increased or decreased by the revaluation increment or decrement.

Revaluation increments increase the revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement for that class of asset previously recognised as a loss in the operating result, the increment is recognised as a gain. Revaluation decrements are charged to the revaluation surplus to the extent that a credit exists in the revaluation surplus in respect of the same class of asset. Any remaining decrements are recognised as a loss. Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation surplus in respect of that asset is transferred to accumulated funds.

The cost approach (i.e. depreciated replacement cost) reflects the amount that would be required currently to replace the service capacity of an asset, adjusted for obsolescence. The cost approach is used to fair value the following types of assets:

- Specialised buildings designed for a specific, limited purpose with no feasible alternative use. This includes hospitals, schools, court houses, emergency services buildings and buildings to house specialised plant and infrastructure and some heritage properties.
- Heritage assets, including library and museum collections that are of a specialised nature with no feasible alternative use.

Where the State revalue non-current assets using the cost approach, the gross amount and accumulated depreciation are separately restated.

Assets are not recognised where they cannot be reliably measured.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as an estimate for fair value.

## Impairment of Property, Plant and Equipment

The State assesses at each reporting date whether there is any indication that an asset or a cash generating unit may be impaired, in accordance with AASB 136 *Impairment of Assets*. If such an indication exists, the State estimates the recoverable amount. An impairment loss is recognised where the carrying amount of the asset or cash-generating unit exceeds the recoverable amount. Impairment losses are recognised as 'other economic flows – included in operating result'.

The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs of disposal and its value in use, based on the expected future cash flows.

## Depreciation of Property, Plant and Equipment

Property, plant and equipment is depreciated (net of its residual value) over its useful life, in accordance with AASB 116 *Property, Plant and Equipment*. Depreciation is generally allocated on a straight-line basis.

Certain heritage assets, including original artworks and collections and heritage buildings, may not have a limited useful life because appropriate curatorial and preservation policies are adopted. Such assets are not subject to depreciation. Land is not a depreciable asset.

Average useful lives for major assets are as follows<sup>(a)</sup>:

<b>Buildings</b>	
Public Housing	50 years
Schools and Colleges	20-105 years
Hospitals and Health Buildings	40 years
<b>Plant and Equipment</b>	
Computer Hardware	2-5 years
Rail Rolling Stock (leased and non-leased)	30-42 years
<b>Infrastructure</b>	
Electricity System Assets	1-70 years
Water System Assets	3-200 years
Roads Pavements	4-100 years
Roads Earthworks	50 years
Roads Earthworks (other)	indefinite life
Bridges and Tunnels	100 years

(a) The average useful life of assets can vary depending on the various asset classes, types and components of assets within a category. For example civil components generally have a longer useful life than electrical and mechanical components.

## General Government Sector

Fair Value	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
<b>At 30 June 2017</b>				
Gross Carrying Amount	105,448	15,452	138,728	<b>259,628</b>
Accumulated Depreciation and Impairment	(32,696)	(5,274)	(46,581)	<b>(84,551)</b>
<b>Net Carrying Amount</b>	<b>72,752</b>	<b>10,178</b>	<b>92,147</b>	<b>175,077</b>
<b>At 30 June 2018</b>				
Gross Carrying Amount	115,489	16,671	156,091	<b>288,250</b>
Accumulated Depreciation and Impairment	(32,099)	(5,729)	(51,859)	<b>(89,687)</b>
<b>Net Carrying Amount</b>	<b>83,390</b>	<b>10,941</b>	<b>104,232</b>	<b>198,563</b>
Reconciliation:	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
<b>Year Ended 30 June 2018</b>				
<b>Net Carrying Amount at Start of Year</b>	<b>72,752</b>	<b>10,178</b>	<b>92,147</b>	<b>175,077</b>
Additions	3,496	1,206	7,056	<b>11,758</b>
Assets Reclassified To Held for Sale	(236)	(3)	(0)	<b>(239)</b>
Disposals	(239)	(133)	(321)	<b>(693)</b>
Net Revaluations Recognised In Reserves	9,087	445	8,056	<b>17,588</b>
Depreciation Expense	(1,519)	(735)	(2,004)	<b>(4,258)</b>
Other Movements	50	(16)	(702)	<b>(669)</b>
<b>Net Carrying Amount at End of Year</b>	<b>83,390</b>	<b>10,941</b>	<b>104,232</b>	<b>198,563</b>
Fair Value	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
<b>At 30 June 2016</b>				
Gross Carrying Amount	101,933	16,032	126,046	<b>244,011</b>
Accumulated Depreciation and Impairment	(31,316)	(4,625)	(39,398)	<b>(75,339)</b>
<b>Net Carrying Amount - as originally reported</b>	<b>70,617</b>	<b>11,408</b>	<b>86,647</b>	<b>168,672</b>
<b>At 30 June 2017</b>				
Gross Carrying Amount	105,448	15,452	138,728	<b>259,628</b>
Accumulated Depreciation and Impairment	(32,696)	(5,274)	(46,581)	<b>(84,551)</b>
<b>Net Carrying Amount</b>	<b>72,752</b>	<b>10,178</b>	<b>92,147</b>	<b>175,077</b>
Reconciliation:	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
<b>Year Ended 30 June 2017</b>				
<b>Net Carrying Amount at Start of Year</b>	<b>70,617</b>	<b>11,408</b>	<b>86,647</b>	<b>168,672</b>
Corrections to Prior Period <sup>(a)</sup>	...	(1,122)	...	<b>(1,122)</b>
<b>Restated Net Carrying Amount at Start of Year</b>	<b>70,617</b>	<b>10,286</b>	<b>86,647</b>	<b>167,550</b>
Additions	2,894	1,000	6,339	<b>10,234</b>
Assets Reclassified To Held for Sale	(132)	...	...	<b>(132)</b>
Disposals	(239)	(123)	(9)	<b>(370)</b>
Net Revaluations Recognised In Reserves	1,087	(136)	1,403	<b>2,354</b>
Depreciation Expense	(1,418)	(775)	(1,884)	<b>(4,078)</b>
Other Movements	(58)	(75)	(350)	<b>(480)</b>
<b>Net Carrying Amount at End of Year</b>	<b>72,752</b>	<b>10,178</b>	<b>92,147</b>	<b>175,077</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior periods.

## Total State Sector

Fair Value	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
<b>At 30 June 2017</b>				
Gross Carrying Amount	181,457	26,882	218,800	<b>427,139</b>
Accumulated Depreciation and Impairment	(38,063)	(11,173)	(71,815)	<b>(121,050)</b>
<b>Net Carrying Amount</b>	<b>143,394</b>	<b>15,709</b>	<b>146,985</b>	<b>306,089</b>
<b>At 30 June 2018</b>				
Gross Carrying Amount	199,388	28,949	238,312	<b>466,649</b>
Accumulated Depreciation and Impairment	(37,761)	(11,581)	(78,069)	<b>(127,412)</b>
<b>Net Carrying Amount</b>	<b>161,627</b>	<b>17,367</b>	<b>160,242</b>	<b>339,237</b>
Reconciliation:	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
<b>Year Ended 30 June 2018</b>				
<b>Net Carrying Amount at Start of Year</b>	<b>143,394</b>	<b>15,709</b>	<b>146,985</b>	<b>306,089</b>
Additions	5,328	1,410	10,876	<b>17,615</b>
Assets Reclassified To Held for Sale	(332)	4	(1)	<b>(328)</b>
Disposals	(665)	(164)	(345)	<b>(1,174)</b>
Net Revaluations Recognised In Reserves	15,690	477	8,370	<b>24,538</b>
Depreciation Expense	(2,368)	(1,112)	(3,328)	<b>(6,808)</b>
Other Movements	579	1,042	(2,316)	<b>(694)</b>
<b>Net Carrying Amount at End of Year</b>	<b>161,627</b>	<b>17,367</b>	<b>160,242</b>	<b>339,237</b>
Fair Value	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
<b>At 30 June 2016</b>				
Gross Carrying Amount	172,030	28,341	226,397	<b>426,769</b>
Accumulated Depreciation and Impairment	(36,497)	(11,080)	(66,440)	<b>(114,018)</b>
<b>Net Carrying Amount - as originally reported</b>	<b>135,532</b>	<b>17,261</b>	<b>159,957</b>	<b>312,751</b>
<b>At 30 June 2017</b>				
Gross Carrying Amount	181,457	26,882	218,800	<b>427,139</b>
Accumulated Depreciation and Impairment	(38,063)	(11,173)	(71,815)	<b>(121,050)</b>
<b>Net Carrying Amount</b>	<b>143,394</b>	<b>15,709</b>	<b>146,985</b>	<b>306,089</b>
Reconciliation:	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
<b>Year Ended 30 June 2017</b>				
<b>Net Carrying Amount at Start of Year</b>	<b>135,532</b>	<b>17,261</b>	<b>159,957</b>	<b>312,751</b>
Corrections to Prior Period <sup>(a)</sup>	...	(1,122)	...	<b>(1,122)</b>
<b>Restated Net Carrying Amount at Start of Year</b>	<b>135,532</b>	<b>16,139</b>	<b>159,957</b>	<b>311,629</b>
Additions	5,500	1,269	11,288	<b>18,057</b>
Assets Reclassified To Held for Sale	(234)	(6)	(0)	<b>(240)</b>
Disposals	(523)	(137)	(57)	<b>(717)</b>
Net Revaluations Recognised In Reserves	6,443	(136)	1,344	<b>7,650</b>
Depreciation Expense	(2,289)	(1,055)	(3,045)	<b>(6,389)</b>
Other Movements <sup>(b)</sup>	(1,035)	(364)	(22,500)	<b>(23,900)</b>
<b>Net Carrying Amount at End of Year</b>	<b>143,394</b>	<b>15,709</b>	<b>146,985</b>	<b>306,089</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior periods.

(b) Assets disposed of as part of the discontinued operations have been classified in other movements.

## Fair Value Measurement of Non-Financial Assets

The table below sets out the State's non-financial assets measured at fair value according to the fair value hierarchy at reporting date.

### Fair Value Hierarchy of Non-Financial Assets

#### General Government Sector

30 June 2018	Level 1	Level 2	Level 3	Historical Cost	Total
	\$m	\$m	\$m	\$m	\$m
<b>Fair Value Hierarchy</b>					
<b>Property, Plant and Equipment</b>					
Land and Buildings	...	15,737	67,653	...	<b>83,390</b>
Plant and Equipment <sup>(a)</sup>	...	4,257	3,182	3,501	<b>10,941</b>
Infrastructure Systems	...	265	103,966	...	<b>104,232</b>
<b>Non-current Assets Held for Sale (Note 12)</b>	...	209	111	...	<b>320</b>
	...	<b>20,469</b>	<b>174,913</b>	<b>3,501</b>	<b>198,883</b>

30 June 2017	Level 1	Level 2	Level 3	Historical Cost	Total
	\$m	\$m	\$m	\$m	\$m
<b>Fair Value Hierarchy</b>					
<b>Property, Plant and Equipment</b>					
Land and Buildings	...	18,701	54,052	...	<b>72,752</b>
Plant and Equipment <sup>(a)</sup>	...	5,212	1,637	3,329	<b>10,178</b>
Infrastructure Systems	...	117	92,030	...	<b>92,147</b>
<b>Non-current Assets Held for Sale (Note 12)</b>	...	155	...	...	<b>155</b>
	...	<b>24,185</b>	<b>147,718</b>	<b>3,329</b>	<b>175,232</b>

#### Total State Sector

30 June 2018	Level 1	Level 2	Level 3	Historical Cost	Total
	\$m	\$m	\$m	\$m	\$m
<b>Fair Value Hierarchy</b>					
<b>Property, Plant and Equipment</b>					
Land and Buildings	...	17,547	144,080	...	<b>161,627</b>
Plant and Equipment <sup>(a)</sup>	...	4,292	9,149	3,926	<b>17,367</b>
Infrastructure Systems	...	298	159,945	...	<b>160,242</b>
<b>Non-current Assets Held for Sale (Note 12)</b>	...	211	218	...	<b>430</b>
	...	<b>22,348</b>	<b>313,392</b>	<b>3,926</b>	<b>339,666</b>

30 June 2017	Level 1	Level 2	Level 3	Historical Cost	Total
	\$m	\$m	\$m	\$m	\$m
<b>Fair Value Hierarchy</b>					
<b>Property, Plant and Equipment</b>					
Land and Buildings	...	20,503	122,892	...	<b>143,394</b>
Plant and Equipment <sup>(a)</sup>	...	5,249	6,537	3,923	<b>15,709</b>
Infrastructure Systems	...	214	146,771	...	<b>146,985</b>
<b>Non-current Assets Held for Sale (Note 12)</b>	...	255	83	...	<b>338</b>
	...	<b>26,221</b>	<b>276,283</b>	<b>3,923</b>	<b>306,427</b>

(a) Plant and Equipment at historical cost are measured using depreciated historical cost as an estimate for fair value under AASB 13 *Fair Value Measurement*.

## Reconciliation of Recurring Level 3 Fair Value Measurements

### General Government Sector

	Land and Buildings	Plant and Equipment	Infrastructure Systems	Assets Held for Sale	Total Recurring Level 3 Fair Value
	\$m	\$m	\$m	\$m	\$m
<b>Fair Value as at 1 July 2017</b>	<b>54,052</b>	<b>1,637</b>	<b>92,030</b>	<b>0</b>	<b>147,718</b>
Additions	2,630	256	6,803	...	9,689
Revaluations Recognised in Other Comprehensive Income	8,714	463	8,033	...	17,210
Transfers into Level 3	4,789	840	223	...	5,851
Transfers out of Level 3	(648)	...	(54)	...	(702)
Disposals	(221)	(5)	(16)	...	(242)
Depreciation Expense	(1,421)	(139)	(2,027)	(0)	(3,586)
Other Movements	(241)	130	(1,027)	111	(1,026)
<b>Fair Value as at 30 June 2018</b>	<b>67,654</b>	<b>3,182</b>	<b>103,966</b>	<b>111</b>	<b>174,913</b>

	Land and Buildings	Plant and Equipment	Infrastructure Systems	Assets Held for Sale	Total Recurring Level 3 Fair Value
	\$m	\$m	\$m	\$m	\$m
<b>Fair Value as at 1 July 2016</b>	<b>53,242</b>	<b>693</b>	<b>85,215</b>	<b>13</b>	<b>139,163</b>
Additions	1,438	18	6,307	...	7,763
Revaluations Recognised in Other Comprehensive Income	629	12	1,454	...	2,095
Transfers into Level 3	160	974	569	...	1,703
Transfers out of Level 3	(33)	(30)	(523)	...	(585)
Disposals	(49)	(1)	(8)	(15)	(74)
Depreciation Expense	(1,321)	(29)	(1,884)	...	(3,234)
Other Movements	(14)	(1)	900	2	886
<b>Fair Value as at 30 June 2017</b>	<b>54,052</b>	<b>1,637</b>	<b>92,030</b>	<b>0</b>	<b>147,718</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

*Total State Sector*

	Land and Buildings	Plant and Equipment	Infrastructure Systems	Assets Held for Sale	Total Recurring Level 3 Fair Value
	\$m	\$m	\$m	\$m	\$m
<b>Fair Value as at 1 July 2017</b>	<b>122,892</b>	<b>6,537</b>	<b>146,771</b>	<b>83</b>	<b>276,283</b>
Additions	4,644	1,390	9,906	...	15,940
Revaluations Recognised in Other Comprehensive Income	15,500	454	8,343	...	24,296
Transfers into Level 3	5,293	1,348	301	...	6,941
Transfers out of Level 3	(974)	(14)	(54)	...	(1,041)
Disposals	(926)	(27)	(129)	(65)	(1,147)
Depreciation Expense	(2,329)	(444)	(3,391)	(0)	(6,164)
Other Movements	(20)	(95)	(1,802)	200	(1,717)
<b>Fair Value as at 30 June 2018</b>	<b>144,080</b>	<b>9,150</b>	<b>159,945</b>	<b>218</b>	<b>313,392</b>

	Land and Buildings	Plant and Equipment	Infrastructure Systems	Assets Held for Sale	Total Recurring Level 3 Fair Value
	\$m	\$m	\$m	\$m	\$m
<b>Fair Value as at 1 July 2016</b>	<b>114,983</b>	<b>5,704</b>	<b>158,421</b>	<b>104</b>	<b>279,211</b>
Additions	4,078	111	11,249	...	15,439
Revaluations Recognised in Other Comprehensive Income	5,916	11	1,396	(1)	7,322
Transfers into Level 3	332	1,104	612	...	2,049
Transfers out of Level 3	(76)	(30)	(628)	...	(733)
Disposals	(310)	(4)	(57)	(91)	(462)
Depreciation Expense	(2,181)	(243)	(3,045)	...	(5,469)
Other Movements	150	(117)	(21,175)	71	(21,073)
<b>Fair Value as at 30 June 2017</b>	<b>122,892</b>	<b>6,537</b>	<b>146,771</b>	<b>83</b>	<b>276,283</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

## Valuation techniques, inputs and processes

### Land and Buildings

The majority of the State's Land and Buildings comprise of specialised assets such as public housing, schools, TAFE colleges, hospitals, railway stations and rail associated buildings, justice buildings (including court houses, prisons and juvenile justice centres), the Olympic Stadium and Arena, Sydney Opera House, police stations, Crown land and land under roads.

Non-specialised Land and Buildings are generally classified as Level 2. Specialised Land and Buildings are generally classified as Level 3. Market evidence is used where relevant and then adjusted to take account of factors such as the location, type and constraints around the use of the asset. The valuation approaches for the main types of assets within Land and Buildings are set out below.

#### *Public Housing*

Public Housing (mainly classified as Level 3) is determined by applying a mass appraisal methodology with an annual rolling benchmark valuation approach whereby a third of benchmark properties are valued by accredited property valuers with reference to market sales comparisons to calculate a market movement index. The market movement index is applied to the remaining two-thirds of the benchmark properties. All benchmark properties are grouped within thirteen geographical reporting regions. The median value increase in each geographical group is applied to the respective group of properties within the property portfolio of the group. Adjustments to each property are made for any significant different characteristic from benchmark properties. The rolling benchmark valuation process is performed annually as at 31 December. An uplift market movement factor has been provided from a registered valuer for the six months ended 30 June.

### *Schools and Education Facilities*

School and Education Land and Buildings are mainly classified as Level 3. The valuers use current market sales evidence to determine the market value of land without restrictions and then apply a discount rate to these values, to adjust for the restricted use of the land. The valuations use the weighted average market value per square metre of land. School and TAFE buildings are valued using the depreciated replacement cost method. Due to the size of the portfolio a mass appraisal technique is used. Replacement cost rates for the asset components of a building are determined based on the cost of recently built buildings. The valuation takes account of the weighted average replacement cost per square metre for the building shell, fit-outs, external services, landscaping and demountables. Adjustments are then made for location and special need requirements. Useful lives and depreciated rates are based on internal analysis.

### *Hospitals*

Land is valued using a market approach, comparing similar assets and observable inputs. Where the land is restricted, a discount rate is applied to adjust for the restricted use of the land. The value utilises a market sales comparison approach taking account of recent sales of comparable properties. Hospital buildings are mainly classified as Level 3 and are valued using the depreciated replacement cost method. The current replacement cost per square metre is assessed by reference to external publications with allowances made for regional locations. Remaining economic life is assessed based on physical depreciation and obsolescence.

### *Roads*

Land under roads is valued using the Urban Average Rateable Value (ARV) per hectare within each Local Government Area adjusted by an 'open space' ratio. The valuation takes account of Local Government Area rateable land values and the land area under roads.

#### Sensitivity of the fair value measurement

Public Housing	Higher/(lower) market sales values reflect higher/(lower) valuations
Schools and Education Facilities	The estimated fair value of land would increase/ (decrease) if the value per square metre were higher/ (lower). The estimated fair value of buildings would increase/ (decrease) if the replacement cost per square metre for the asset components were higher/ (lower).
Hospitals	The estimated fair value of land would increase/ (decrease) if the value per square metre were higher/ (lower). The estimated fair value of buildings would increase/ (decrease) if the replacement cost per square metre for the asset components were higher/ (lower).
Land under Roads	The estimated fair value would increase/ (decrease) if the weighted current year Urban Average Rateable Value increases/ (decreases).

### *Crown land*

Crown land is generally classified as Level 2 and is valued using the market value approach by utilising market comparable land. Valuations take account of the sale price of comparable land and adjusted for the size of the land and the long term land appreciated rate. The estimated fair value would increase/ (decrease) if the comparable land values increase/ (decrease).

### **Plant and Equipment**

Plant and Equipment comprises both specialised and non-specialised assets. Non-specialised assets are generally classified as Level 2. The main specialised assets are rail rolling stock, public buses and ferries, and museum and library collections. The specialised assets are generally classified as Level 3. Assets measured using depreciated historical cost as an estimate for fair value do not require fair value hierarchy disclosures under AASB 13 *Fair Value Measurement*.

*Rail rolling stock*

Rolling stock is valued using a depreciated replacement cost method. Replacement cost rates are based on domestic and international vehicles adjusted by an optimisation factor to reflect the technical and functional obsolescence of the fleet sub-types relative to the modern equivalent.

*Public buses*

Finance leased buses are valued using the Optimised Replacement Cost (ORC) which is the minimum that it would cost, in the normal course of business, to replace existing asset with a technologically modern equivalent new asset with the same economic benefits, allowing for any differences in the quantity and quality of input and in operating costs. The ORC estimates are based on the most recent cost prices for the buses and current pricing for Rural and Regional Urban and School bus types, as quoted by numerous chassis and bus providers.

*Ferries*

Ferries are valued using a depreciated replacement cost method. Replacement cost rates are based on the quoted cost for replacing the vessels.

*Collection assets*

Collection assets are classified as either Level 2 or Level 3 based on the level of inputs used in the valuation. Valuation methods vary depending on the type of collection assets. All assets regarded as highly significant are individually valued, with other assets valued by category of item using appropriately sized samples. The sampling techniques are performed by professional statisticians. Market values are based on market evidence with reference to recent sales of items that are similar. Where there is a lack of market based evidence, re-collection costs are used.

Sensitivity of the fair value measurement	
Rolling Stock	The estimated fair value would increase/ (decrease) if the replacement cost rates were higher/ (lower).
Buses	The estimated fair value would increase/ (decrease) if the market prices for buses increased/ (decreased).
Ferries	The estimated fair value would increase/ (decrease) if the replacement cost rates were higher/ (lower).
Collection Assets	The estimated fair value would increase/ (decrease) if the market prices increased/ (decreased).

**Infrastructure Systems**

Infrastructure systems comprise the State’s electricity systems, dams and water system assets, road infrastructure and railway infrastructure. The majority of infrastructure assets are classified as Level 3 because they comprise specialised assets for the delivery of utility and transport services.

*Electricity systems*

The majority of the State’s electricity system assets are valued using an income valuation method. The discounted cash flow model is used to perform the value in use calculation to determine the value of the assets. The valuation is performed taking account of forecast cash inflows and outflows, electricity forward prices and discount rate.

*Dams and water system assets*

The majority of the State's dams and water system assets are valued using an income valuation method. The discounted cash flow model is used to perform the value in use calculation to determine the value of the assets. The Regulatory Asset Based Value, determined by the Independent Pricing and Regulatory Tribunal (IPART), is used in conjunction with forecast cash flows and a discount rate.

*Road infrastructure*

Road infrastructure is valued using the depreciated replacement cost method. Due to the size of the portfolio a mass appraisal technique is used. Replacement cost rates for each significant asset component are determined based on the unit prices quoted in the most recent construction tender documents or road cost index.

*Rail infrastructure*

Track work and related infrastructure is valued using the depreciated replacement cost method. Replacement cost rates for each significant asset component are determined based on the replacement cost of the various asset components.

Sensitivity of the fair value measurement	
Electricity Systems	The higher the future net cash inflows, the higher the fair value. The higher the discount rate, the lower the fair value.
Dams and Water System Assets	The higher the future net cash inflows, the higher the fair value. The higher the discount rate, the lower the fair value.
Road Infrastructure	The estimated fair value would increase/ (decrease) if current replacement cost, road index cost or current unit replacement cost for the component increases/ (decreases).
Railway Infrastructure	The estimated fair value would increase/ (decrease) if the replacement cost rates were higher/ (lower).

**Non-current Assets Held for Sale**

Non-current assets (or disposal groups) held for sale are recognised at the lower of carrying amount and fair value less costs to sell. The majority of assets are classified at Level 2 as their value has been determined on market observable inputs.

## Note 14: Intangibles

Intangible assets are measured initially at cost, in accordance with AASB 138 *Intangible Assets*. Where an asset is acquired free of cost or at nominal cost, the cost is its fair value as at the date of acquisition. The State recognises intangible assets only if it is probable that future economic benefits will flow to the State and the cost of the asset can be measured reliably. All research costs are expensed. Development costs are only capitalised when certain criteria are met.

Intangible assets are subsequently measured at fair value where there is an active market. If there is no active market, the assets are carried at cost less any accumulated amortisation and impairment losses.

Intangible assets with finite lives are amortised under the straight line method and expensed in the statement of comprehensive income for the period, in accordance with AASB 138 *Intangible Assets*. Intangible assets with an indefinite life are not amortised, but are tested for impairment annually either individually or at the cash generating unit level.

Intangible assets are tested for impairment where an indicator of impairment exists. If recoverable amount is less than carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognised.

Easements are treated as having an indefinite life as the access rights are considered to be permanent.

### Assumptions

	Computer Software	Easements	Other
<b>Useful lives</b>	Finite (2-10 years)	Indefinite	Finite (4-10 years)
<b>Amortisation method</b>	Straight line	Not amortised	Various
<b>Internally Generated/Acquired</b>	Both	Acquired	Both
<b>Impairment test/Recoverable amount testing</b>	Where an indicator of impairment exists	Annually and where an indicator of impairment exists	Where an indicator of impairment exists

## General Government Sector

	Computer Software \$m	Easements <sup>(a)</sup> \$m	Other \$m	Total \$m
<b>At 1 July 2017</b>				
Cost (Gross Carrying Amount)	5,129	330	2	<b>5,461</b>
Accumulated Amortisation and Impairment	(2,013)	...	...	<b>(2,013)</b>
<b>Net Carrying Amount</b>	<b>3,116</b>	<b>330</b>	<b>2</b>	<b>3,448</b>
<b>At 30 June 2018</b>				
Cost (Gross Carrying Amount)	5,608	333	0	<b>5,941</b>
Accumulated Amortisation and Impairment	(2,250)	...	...	<b>(2,250)</b>
<b>Net Carrying Amount</b>	<b>3,358</b>	<b>333</b>	<b>0</b>	<b>3,691</b>

### Reconciliation:

#### Year ended 30 June 2018

<b>Net Carrying Amount at Start of Year</b>	<b>3,116</b>	<b>330</b>	<b>2</b>	<b>3,448</b>
Additions	830	1	0	831
Disposals	(88)	(0)	(0)	(88)
Reclassification from Property, Plant and Equipment	...	...	...	...
Impairment	(67)	...	...	(67)
Amortisation	(440)	...	...	(440)
Other Movements	8	2	(2)	8
<b>Net carrying amount at end of year</b>	<b>3,358</b>	<b>333</b>	<b>(0)</b>	<b>3,691</b>

(a) Includes easements over land, and water rights.

	Computer Software \$m	Easements <sup>(a)</sup> \$m	Other \$m	Total \$m
<b>At 1 July 2016</b>				
Cost (Gross Carrying Amount)	4,541	334	1	<b>4,876</b>
Accumulated Amortisation and Impairment	(1,783)	...	...	<b>(1,783)</b>
<b>Net Carrying Amount</b>	<b>2,758</b>	<b>334</b>	<b>1</b>	<b>3,093</b>
<b>At 30 June 2017</b>				
Cost (Gross Carrying Amount)	5,129	330	2	<b>5,461</b>
Accumulated Amortisation and Impairment	(2,013)	...	...	<b>(2,013)</b>
<b>Net Carrying Amount</b>	<b>3,116</b>	<b>330</b>	<b>2</b>	<b>3,448</b>

### Reconciliation:

#### Year ended 30 June 2017

<b>Net Carrying Amount at Start of Year</b>	<b>2,758</b>	<b>334</b>	<b>1</b>	<b>3,093</b>
Additions	786	0	1	786
Disposals	(6)	...	...	(6)
Reclassification from Property, Plant and Equipment	63	...	0	63
Impairment	(17)	0	...	(16)
Amortisation	(380)	...	...	(380)
Other Movements	(88)	(4)	...	(92)
<b>Net carrying amount at end of year</b>	<b>3,116</b>	<b>330</b>	<b>2</b>	<b>3,448</b>

(a) Includes easements over land, and water rights.

**Total State Sector**

	Computer Software \$m	Easements <sup>(a)</sup> \$m	Other \$m	Total \$m
<b>At 1 July 2017</b>				
Cost (Gross Carrying Amount)	6,821	431	76	<b>7,327</b>
Accumulated Amortisation and Impairment	(2,894)	(0)	(10)	<b>(2,904)</b>
<b>Net Carrying Amount</b>	<b>3,926</b>	<b>431</b>	<b>66</b>	<b>4,423</b>
<b>At 30 June 2018</b>				
Cost (Gross Carrying Amount)	7,558	434	0	<b>7,992</b>
Accumulated Amortisation and Impairment	(3,246)	(1)	(0)	<b>(3,247)</b>
<b>Net Carrying Amount</b>	<b>4,312</b>	<b>433</b>	<b>(0)</b>	<b>4,745</b>
<b>Reconciliation:</b>				
<b>Year ended 30 June 2018</b>				
<b>Net Carrying Amount at Start of Year</b>	<b>3,926</b>	<b>431</b>	<b>66</b>	<b>4,423</b>
Additions	1,069	2	0	1,071
Disposals	(91)	1	(0)	(90)
Reclassification from Property, Plant and Equipment	...	...	...	...
Impairment	(81)	0	(0)	(81)
Amortisation	(577)	(0)	0	(577)
Other Movements	66	(0)	(66)	0
<b>Net carrying amount at end of year</b>	<b>4,312</b>	<b>433</b>	<b>(0)</b>	<b>4,745</b>

(a) Includes easements over land, and water rights.

	Computer Software \$m	Easements <sup>(a)</sup> \$m	Other \$m	Total \$m
<b>At 1 July 2016</b>				
Cost (Gross Carrying Amount)	6,872	576	81	<b>7,529</b>
Accumulated Amortisation and Impairment	(3,349)	(5)	(18)	<b>(3,371)</b>
<b>Net Carrying Amount</b>	<b>3,523</b>	<b>571</b>	<b>63</b>	<b>4,157</b>
<b>At 30 June 2017</b>				
Cost (Gross Carrying Amount)	6,821	431	76	<b>7,327</b>
Accumulated Amortisation and Impairment	(2,894)	(0)	(10)	<b>(2,904)</b>
<b>Net Carrying Amount</b>	<b>3,926</b>	<b>431</b>	<b>66</b>	<b>4,423</b>
<b>Reconciliation:</b>				
<b>Year ended 30 June 2017</b>				
<b>Net Carrying Amount at Start of Year</b>	<b>3,523</b>	<b>571</b>	<b>63</b>	<b>4,157</b>
Additions	1,108	1	7	1,116
Disposals	(124)	(141)	(0)	(265)
Reclassification from Property, Plant and Equipment	64	...	0	64
Impairment	(26)	(1)	(0)	(27)
Amortisation	(502)	(0)	0	(502)
Other Movements	(117)	1	(4)	(120)
<b>Net carrying amount at end of year</b>	<b>3,926</b>	<b>431</b>	<b>66</b>	<b>4,423</b>

(a) Includes easements over land, and water rights.

## Note 15: Other Non-Financial Assets

### Privately Financed Projects and Service Concession Arrangements

In a privately financed project (PFP), a public-sector entity (the grantor) arranges for the private sector (the operator) to design, finance and build infrastructure and provide associated operational or management services for an agreed period (the service period).

Many PFPs include a service concession arrangement (SCA) as described in Interpretation 129 *Service Concession Arrangements: Disclosures*. An SCA is an agreement under which the public sector (the grantor) grants a concession to the private sector (the operator) to provide services that give the public access to major economic and social facilities. In effect, the SCA operator (rather than the grantor) is the primary provider of the services with the infrastructure and provides the services to the public.

PFPs are accounted for in three different ways in accordance with TPP 06-8 *Accounting for Privately Financed Projects*, depending on the extent of the grantor's control of the underlying infrastructure, i.e. whether the infrastructure is:

- grantor-controlled from the beginning of the service period
- purchased under a deferred payment arrangement or acquired under a finance lease and is grantor-controlled from the beginning of the service period. This is recognised as property, plant and equipment and depreciated over its useful life or the term of the lease in accordance with AASB 116 *Property, Plant and Equipment* or AASB 117 *Leases*, or
- operator-controlled during the service period and grantor-controlled thereafter.

A right to receive the infrastructure for a nominal sum (including zero) at the end of the service period is recognised as revenue and an asset whose value emerges during that period. The accumulated value of the right at the end of the service period equates to the written down replacement cost of the infrastructure at that time. The value is allocated during the service period as if it were the compound value of an annuity discounted at the NSW government bond rate applicable to the purchaser at the commencement of the service period. Any increase or decrease in the fair value of the right to receive the infrastructure that occurs during the service period is recognised as an asset revaluation, similarly to a revaluation of property plant and equipment.

An up-front contribution by the operator (or grantor) that is substantively part of the PFP is recognised progressively over the period of the concession period, reducing the net cost.

Emerging rights to receive SCA infrastructure are classified as 'other assets' and 'other revenue'. Up-front contributions are classified as 'other liabilities' (if received from the operator) or 'prepayments' (if paid to the operator).

A land lease in connection with a PFP is accounted for in accordance with AASB 117 *Leases*.

	General			
	Government Sector 2018	Government Sector 2017	Total State Sector 2018	Total State Sector 2017
	\$m	\$m	\$m	\$m
Current	538	457	668	643
Non-current	6,887	4,478	5,926	4,266
	<b>7,426</b>	<b>4,935</b>	<b>6,594</b>	<b>4,909</b>
<b>Other Non-Financial Assets comprise:</b>				
Right to Receive Privately Financed Infrastructure	2,615	2,330	2,292	2,056
Prepayments	1,946	778	1,391	961
Emission Rights	...	...	1	1
Other	2,864	1,827	2,910	1,891
	<b>7,426</b>	<b>4,935</b>	<b>6,594</b>	<b>4,909</b>

The Right to Receive Infrastructure and prepaid assets in the Total State Sector, included, \$677 million for NorthConnex (2017: \$238 million), \$643 million for M7 Motorway – Westlink (2017: \$509 million), \$640 million for Sydney Light Rail (2017: \$573 million), \$2,137 million for Sydney Metro (2017: \$1,089 million). Additionally in the General Government Sector, the Right to Receive Infrastructure and prepaid assets included, \$645 million for WestConnex – Stage 1 (2017: \$ nil) and \$471 million for ANZ Stadium and Qudos Bank Arena (2017: \$431 million).

Infrastructure subject to the arrangement	Concession period (duration in years and final year)
<b>Transport</b>	
• M5	34 / 2026
• Sydney Harbour Tunnel	35 / 2027
• Parramatta Transport Interchange	23 / 2029
• Airport Line railway stations	30 / 2030
• Sydney Light Rail	15 / 2034
• North West Rail Link, Operations, Trains and Systems (OTS)	15 / 2034
• Cross City Tunnel	30 / 2035
• Waratah Rolling Stock	30 / 2044
• Lane Cove Tunnel	41 / 2048
• M7	43 / 2048
• M2	51 / 2048
• NorthConnex	29 / 2048
• Eastern Distributor	48 / 2048
• WestConnex – Stage 1	43 / 2060
• WestConnex – Stage 2	40 / 2060
• Chatswood Transport Interchange	50 / 2064
<b>Health</b>	
• Hawkesbury Hospital	26 / 2022
• NSW Health Retrieval Network	10 / 2027
• Newcastle Community Health Centre	20 / 2027
• Newcastle Mater Hospital Redevelopment	25 / 2033
• Long Bay Prison and Forensic Hospital	26 / 2034
• Bathurst, Orange & Associated Health Services	24 / 2035
• Royal North Shore redevelopment	23 / 2037
• Northern Beaches Hospital	20 / 2038
• Chris O'Brien Lifehouse	40 / 2053
• Various hospital car parks	24-25 / various
<b>Utilities</b>	
• Blue Mountain Sewage Transfer Tunnel	35 / 2028
• Macarthur Water Treatment Plant	35 / 2030
• Rosehill Camellia Recycled Water Project	20 / 2031
• Prospect Water Treatment Plant	39 / 2035
• Illawarra/Woronora Water Treatment Plants	40 / 2036
<b>Other</b>	
• Qudos Bank Arena	32 / 2031
• ANZ Stadium	32 / 2031
• New Schools Project	27 / 2032
• New Schools Project 2	25 / 2035
• New Grafton Correctional Centre	20 / 2040
• Sydney International Convention, Exhibition and Entertainment Precinct	25 / 2041
• Opera House car park	50 / 2043

Some arrangements with private sector operators that are not designed, financed and built by the private sector are not in the scope of TPP 06-8 *Accounting for Privately Financed Projects*. Some of these arrangements, for example where the private sector operates an existing asset of the grantor, are in substance service concession arrangements. These service concession arrangements are accounted for as follows:

- Any up-front contributions are classified as other liabilities (if received from the operator) or prepayments (if paid to the operator) and amortised progressively over the concession period as revenue or expenses respectively.
- The existing assets of the grantor provided to the operator as service concession assets are recognised where the grantor controls those assets in accordance with the recognition requirements of the applicable Australian Accounting Standards.

## Note 16: Income Tax Equivalents

Commercial PNFCs and PFCs, excluding NSW Treasury Corporation (TCorp), are part of a National Tax Equivalent Regime (NTER). TCorp is part of a Tax Equivalent Regime (TER). Although exempt from income tax obligations to the Commonwealth, members of the NTER/ TER accrue and pay income tax equivalents to the State and adopt tax effect accounting to maintain competitive neutrality for commercial government entities. The General Government Sector recognises accrued receivables and payables which equate to the amounts accrued by PNFCs and PFCs for income tax equivalents. These amounts are eliminated on consolidation of the Total State Sector.

	General		Total State Sector	
	Government Sector 2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Tax Equivalents Receivable	128	91	...	...
Deferred Tax Equivalents Receivable <sup>(a)</sup>	2,192	2,049	...	...
<b>Receivable from the PNFC/PFC Sectors</b>	<b>2,320</b>	<b>2,140</b>	<b>...</b>	<b>...</b>
Tax Equivalents Payable	3	18	...	...
Deferred Tax Equivalents Provision	112	59	...	...
<b>Payable to the PNFC/PFC Sectors</b>	<b>115</b>	<b>77</b>	<b>...</b>	<b>...</b>

(a) During the year, there were no deferred tax equivalent receivables derecognised. In 2016-17, \$1,089 million in relation to Ausgrid and \$681 million in relation to Endeavour Energy were derecognised.

## Note 17: Deposits Held

Deposits held represent liabilities for customer and contractors' security deposits for utilities such as electricity and water. Customer and contractor deposits can be refunded at any time. These deposits are recognised at no less than the amount payable on demand, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.

	General		Total State Sector	
	Government Sector 2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Current	130	106	385	328
Non-current	...	...	...	...
	<b>130</b>	<b>106</b>	<b>385</b>	<b>328</b>
<b>Deposits are Held for the Purposes of:</b>				
Electricity Supply	...	...	0	0
Held by Public Financial Corporations for Other Agencies	...	...	164	190
Other	130	106	221	138
	<b>130</b>	<b>106</b>	<b>385</b>	<b>328</b>

## Note 18: Payables

Payables are recognised initially at fair value, usually based on the transaction cost or face value, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 13 *Fair Value Measurement*. Subsequent measurement is at amortised cost using the effective interest method.

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

	General		Total State Sector	
	Government 2018	Sector 2017	2018	2017
	\$m	\$m	\$m	\$m
Current	7,119	6,290	8,674	7,966
Non-current	131	95	159	153
	<b>7,251</b>	<b>6,385</b>	<b>8,833</b>	<b>8,118</b>
<b>Payables comprise:</b>				
Payables Of A Capital Nature	1,321	1,191	1,601	1,476
Accrued Employee Benefits	630	516	671	573
Interest On Borrowings & Advances	289	321	17	17
Settlement Of Borrowings & Other Financial Instruments	...	...	0	236
Creditors & Other Accruals	5,011	4,357	6,544	5,817
	<b>7,251</b>	<b>6,385</b>	<b>8,833</b>	<b>8,118</b>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 25 - Financial Instruments.

## Note 19: Borrowings and Derivative Liabilities at Fair Value

### Borrowings

Borrowings are not held for trading and represent funds raised from the following sources:

- loans raised by the Commonwealth on behalf of the State under the previous Financial Agreement;
- domestic and overseas borrowings raised by the NSW Treasury Corporation; and
- borrowings by public sector agencies (including finance leases).

Borrowings include borrowings by and from NSW Treasury Corporation (TCorp). Borrowings from TCorp by other NSW Public Sector entities are eliminated in the Total State Sector.

General Government Sector borrowings are direct loans with no market value and are recognised at amortised cost using the effective interest method, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. Amortised cost 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 using the effective interest rate method over the term of the debt. Refer to Note 20 - Borrowings at Amortised Cost for further details.

Domestic and overseas borrowings are designated at 'fair value through profit or loss' under AASB 139 in the Total State Sector. Overseas borrowings are translated at exchange rates prevailing at the reporting date.

Gains or losses arising from fair value movements in borrowings 'designated at fair value through profit or loss' (excluding interest), foreign exchange and debt restructuring transactions are included as 'other economic flows – included in the operating result' in the period in which they arise.

## Derivative Liabilities

Derivatives are measured at fair value as at reporting date, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 13 *Fair Value Measurement*. Where an active market exists, fair values are determined by reference to the specific market quoted prices/yields at year end. If no active market exists, judgement is used to select the valuation technique which best estimates fair value by discounting the expected future cash flows arising from the financial instruments to their present value using market yields and margins appropriate to the financial instruments. These margins take into account credit quality and liquidity of the financial instruments.

Gains and losses from one valuation date to the next are recognised as 'Other Economic Flows – included in the Operating Result'.

Designated and effective hedges are measured at fair value and are accounted for either as a fair value hedge (i.e. hedge of exposures to changes in fair value) or a cash flow hedge (i.e. hedge of exposure to variability in cash flows). Gains or losses on fair value hedges are recognised as an 'Other Economic Flow – included in the Operating Result'. Gains or losses on the effective portion of cash flow hedges are recognised as an 'Other Economic Flow – Other Comprehensive Income', until the forecast transaction affects profit or loss and it is recycled into 'Other Economic Flows – included in the Operating Result'. The ineffective portion of cash flow hedges is recognised as an 'Other Economic Flow – included in the Operating Result'.

Other derivatives are categorised as held for trading financial instruments.

All derivatives are recognised on the Statement of Financial Position at trade date (the date the State becomes party to the contractual provisions of the financial instrument concerned).

## Borrowings and Derivative Liabilities at Fair Value

	General			
	Government Sector		Total State Sector	
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Current <sup>(a)</sup>	2	3	12,257	12,984
Non-current	3	3	51,579	50,646
	<b>5</b>	<b>6</b>	<b>63,836</b>	<b>63,630</b>
<b>Borrowings and Derivative Liabilities at Fair Value Comprise:</b>				
<b>Borrowings at Fair Value</b>				
Bonds and Other Borrowings Issued by Tcorp	...	...	62,039	62,439
Other Fair Value Borrowings <sup>(a)</sup>	3	4	1,133	587
	<b>3</b>	<b>4</b>	<b>63,172</b>	<b>63,026</b>
<b>Derivatives Held For Trading</b>				
Swaps <sup>(b)</sup>	...	...	463	502
Futures	0	...	4	0
Other	0	1	102	30
	<b>0</b>	<b>1</b>	<b>569</b>	<b>532</b>
<b>Designated And Effective Hedging Instruments</b>				
Swaps <sup>(b)</sup>	...	...	93	71
Other	2	1	2	1
	<b>2</b>	<b>1</b>	<b>95</b>	<b>72</b>
<b>Total Borrowings and Derivative Liabilities at Fair Value</b>	<b>5</b>	<b>6</b>	<b>63,836</b>	<b>63,630</b>

(a) \$899 million was reclassified from "Borrowings and Derivatives at Fair Value" to "Borrowings at Amortised Cost" in the General Government Sector for 2016-17. This has no impact on the overall aggregates.

(b) \$454 million was reclassified from "Designated and Effective Hedging Instruments" to "Derivatives Held for Trading" for 2016-17.

## Note 20: Borrowings at Amortised Cost

Borrowings at amortised cost are recognised initially at fair value and net of directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised and also through the effective interest rate amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of comprehensive income.

	General Government Sector		Total State Sector	
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Current <sup>(a)</sup>	1,314	1,806	250	219
Non-current	31,127	31,002	7,206	6,744
	<b>32,441</b>	<b>32,808</b>	<b>7,457</b>	<b>6,963</b>
<b>Borrowings at Amortised Cost Comprise:</b>				
Other Borrowings at Amortised Cost <sup>(a)</sup>	29,457	29,720	2,155	572
Finance Leases	2,984	3,088	5,302	6,391
	<b>32,441</b>	<b>32,808</b>	<b>7,457</b>	<b>6,963</b>

(a) \$899 million was reclassified from "Borrowings and Derivatives at Fair Value" to "Borrowings at Amortised Cost" in the General Government Sector for 2016-17. This has no impact on the overall aggregates.

A schedule of maturity analysis (of contractual cash flows) including future interest commitments is reported in Note 25 – Financial Instruments. More information on borrowings is included in Note 19 - Borrowings and Derivative Liabilities at Fair Value.

Refer to Note 27 - Finance and Operating Leases for further information on finance leases.

## Note 21: Employee Provisions

### Wages and Salaries, Annual Leave and Sick Leave

Liabilities for salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Annual leave is not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 *Employee Benefits* (although short-cut methods are permitted).

Unused sick leave does not give rise to a liability. It is not considered probable that sick leave taken will be greater than the benefits accrued in the future.

Consequential costs to employment such as payroll tax, worker's compensation insurance premiums and fringe benefits tax are recognised as liabilities and expenses when the employee benefits they relate to are recognised.

### Long Service Leave

A liability for long service leave is measured at the present value of future payments anticipated at the reporting date, using the projected unit credit method. An actuary calculates this using:

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

Estimated future cash outflows are discounted using a discount rate based on the market yield on Commonwealth government bonds as published by the Reserve Bank of Australia, modified to reflect entity/liability specific risks.

A short-hand measurement technique is used as allowed by AASB 119 for leave relating to employees with five and more years of services, where it is not materially different from the present value, as confirmed periodically by an actuary.

### Self-Funded Worker's Compensation

Worker's compensation insurance is provided by the employer, State Regulatory Insurance Authority or by the State's self-insurance scheme, known as the Treasury Managed Fund.

These liabilities are actuarially calculated and measured on a discounted cash flow basis.

	General Government Sector		Total State Sector	
	2018	2017 Restated <sup>(a)</sup>	2018	2017 Restated <sup>(a)</sup>
	\$m	\$m	\$m	\$m
Current	12,980	12,371	13,922	13,330
Non current	5,035	4,775	5,184	4,927
	<b>18,015</b>	<b>17,146</b>	<b>19,106</b>	<b>18,257</b>
<b>These comprise:</b>				
Long Service Leave	9,261	8,843	9,900	9,504
Annual and Other Leave Entitlements	3,566	3,297	3,839	3,563
Self Funded Worker's Compensation	4,616	4,341	4,718	4,447
Other	572	665	649	743
<b>Total Employee Provisions</b>	<b>18,015</b>	<b>17,146</b>	<b>19,106</b>	<b>18,257</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

Self-funded workers' compensation includes liabilities of the Treasury Managed Fund that have been actuarially calculated on a discounted cash flows basis using a 'central' estimate assuming a liability discount rate of 1.8 to 1.9 per cent (2017: 1.6 to 1.7 per cent) and a future inflation rate of 2.2 to 2.7 per cent (2017: 2.5 to 3.4 per cent) and a superimposed inflation rate of 0.0 to 0.6 per cent (2017: 0.0 per cent).

## Note 22: Superannuation Provisions

An unfunded superannuation liability is recognised in respect of the State's defined benefit schemes, in accordance with AASB 119 *Employee Benefits*. It is measured as the difference between the estimated present value of members' accrued benefits at reporting date and the estimated net market value of the superannuation scheme assets at that date.

The actuaries apply estimation techniques to value the unfunded superannuation liability. The liability is assessed annually using the latest triennial review actuarial economic and demographic assumptions and subsequent economic and market forecasts, except for the discount rate. The discount rate is based on the 10-year Commonwealth government bond rate as at 30 June.

The present value of accrued benefits is based on expected future payments that arise from membership of the fund to reporting date in respect of the contributory service of current and past New South Wales State government defined benefit scheme members.

The accrued benefits amount is calculated having regard to:

- expected future wage and salary levels
- expected future inflation levels as per the growth rate in the Consumer Price Index
- superannuation contribution tax, and
- the experience of employee departures and their periods of service.

Detailed information regarding the most recent assumptions from the 2015 triennial review is available from the *'Report on Actuarial Investigation Volume 1 and 2 as at 30 June 2015'* at [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au).

Actuarial gains and losses resulting from changes in measurement assumptions, the return on plan assets in excess of the government bond rate and any change in the effect of the asset ceiling are recognised as re-measurements as part of 'other economic flows – other comprehensive income'. Net interest expense is calculated by applying the discount rate to the net defined benefit liability or asset. Net interest expense and other expenses related to the defined benefit plans are recognised in 'expenses from transactions'.

	General		Total State Sector	
	Government Sector		2018	2017
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Current	1,662	1,579	1,666	1,579
Non-current	52,538	54,706	54,756	57,022
	<b>54,200</b>	<b>56,285</b>	<b>56,421</b>	<b>58,601</b>

The State public sector superannuation liability is made up of the assets and liabilities of the following State Sector Schemes:

- State Authorities Superannuation Scheme (SASS)
- State Authorities Non-Contributory Superannuation Scheme (SANCS)
- State Superannuation Scheme (SSS)
- Police Superannuation Scheme (PSS).

These Schemes are established and governed by the following NSW legislation: Superannuation Act 1916, State Authorities Superannuation Act 1987, Police Regulation (Superannuation) Act 1906, State Authorities Non-Contributory Superannuation Act 1987, and their associated regulations.

The *Superannuation Industry (Supervision) Act 1993* (Cth) (the SIS Act) also includes the Parliamentary Contributory Superannuation Scheme (PCSS), which is established and governed by the *Parliamentary Contributory Superannuation Act 1971* and its associated regulations, the Judges' Pension Scheme (JPS), which is established and governed by *Judges' Pensions Act 1953 No 41* (as amended to 8 December 2016), and the Energy Industries Superannuation Schemes (EISS).

EISS was established on 30 June 1997 by a Trust Deed made under an Act of the NSW Parliament, for the purpose of providing retirement benefits for employees from certain energy industries bodies in New South Wales. EISS is regulated primarily by the SIS Act, but is also subject to regulation under the *Superannuation Administration Act 1996* (NSW).

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. All of the above schemes (except for JPS) are closed to new entrants.

The assets of the State Sector Schemes are pooled together in the Pooled Fund.

## Regulatory Framework

The State Sector Schemes, PCSS and JPS are exempt public sector superannuation schemes under the SIS Act. The SIS Act treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

The SIS Act governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions, unless an exemption has been obtained. The State Sector Schemes, PCSS and JPS have an actuarial investigation performed every three years, with the last actuarial investigation performed at 30 June 2015 for the State Sector Schemes, at 30 June 2017 for PCSS, and at 1 January 2018 for JPS. The next actuarial investigation for the State Sector Schemes as at 30 June 2018 has commenced. EISS received an exemption from annual actuarial valuation and thus, actuarial valuations are only required triennially. The last actuarial valuation of the Scheme was performed as at 30 June 2015. The next actuarial valuation as at 30 June 2018 is expected to be available by November/December 2018.

## Governance of the Schemes

The SAS Trustee Corporation (STC) is responsible for the governance of the State Sector Schemes. The trustee of PCSS is a statutory body which comprises two trustees from the Legislative Council, five trustees from the Legislative Assembly, and the Secretary of the Treasury (or a Treasury official appointed in their absence). The Energy Industries Superannuation Scheme Pty Limited is trustee for EISS and is responsible for the governance of EISS. JPS does not have a trustee.

The Trustees have a legal obligation to act solely in the best interests of fund beneficiaries. The Trustees are responsible for administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules; management and investment of the fund assets; compliance with other applicable regulations; and compliance with the Trust Deeds (EISS).

Under a Heads of Government agreement, the NSW Government undertakes to ensure that the State Sector Schemes and PCSS conform to the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that member benefits are adequately protected.

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

All of the schemes' assets are invested at arm's length through independent fund managers. The Trustees monitor the asset-liability risks continuously in setting investment strategies. The Trustees also monitor cash flows to manage liquidity requirements.

The NSW Government has committed under the *Fiscal Responsibility Act 2012* to fully fund the State Sector Schemes by 2030.

## Funding Arrangements for Employer Contributions

Funding arrangements for the State Sector Schemes are reviewed at least every three years following the release of the triennial actuarial review. Contribution rates are set after discussions between the employer, the Trustees and NSW Treasury. Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review. Under JPS, the State makes contributions to the scheme on a regular basis, to meet the obligations of the scheme, as there are no assets in the scheme.

## Valuation Method

The Trustees' actuary, Mercer Consulting (Australia) Pty Ltd, calculated the unfunded superannuation liabilities schemes for the years ended 30 June 2018 and 30 June 2017 in accordance with AASB 119 *Employee Benefits* and AASB 1056 *Superannuation Entities*.

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligations.

Actuarial calculations for the unfunded superannuation liabilities schemes were based on the latest scheme membership data, demographic assumptions of the 2015 Triennial Valuation and AASB 119 applying to employee benefits as at 30 June 2018.

## Description of the Risks and Significant Events

There are a number of risks to which the schemes expose the employer. The more significant risks relating to the defined benefits are:

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

All of the schemes' defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. There is no significant concentration of investment risk or liquidity risk. There are no assets in JPS.

## Movement in Unfunded Liabilities and the Impact of Assumptions

The major potential for volatility arises from movements in the market prices of plan assets and the 30 June long term Commonwealth government bond rate, which is applied to discount the accrued liabilities.

The decrease of \$2.1 billion in General Government and \$2.2 billion for Total State Sector unfunded liabilities over the 12 months to 30 June 2018, is largely explained by the higher return on fund assets and small increase in the liability discount rate for the State Sector Schemes and EISS from 2.62 per cent to 2.65 per cent.

The future liability value can also be impacted, generally to a lesser degree, by revisions to long term economic and actuarial assumptions including those listed in the previous table, as well as changes to mortality and other actuarially applied rates.

## Member Numbers and Superannuation Position for AASB 119

### General Government Sector

For the year ended 30 June 2018

Member Numbers	----- NSW Public Sector Superannuation Schemes -----							Total \$m
	SASS	SANCS	SSS	PSS	PCSS	JPS	EISS	
Contributors	17,004	20,513	2,553	898	21	129	...	
Deferred Benefits	9,662	10,593	781	34	2	...	19	
Pensioners	3,454	...	47,236	6,623	275	233	593	
Pensions Fully Commuted	...	...	13,813	...	...	...	...	
<b>Superannuation Position for AASB 119 Purposes</b>								
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Accrued Liability <sup>(a)</sup>	14,768	2,384	56,363	16,462	797	1,184	633	<b>92,591</b>
Estimated Reserve Account Balance	(10,401)	(1,719)	(20,630)	(4,874)	(315)	...	(467)	<b>(38,406)</b>
Deficit/(Surplus)	4,367	665	35,732	11,589	482	1,184	166	<b>54,184</b>
Future Service Liability <sup>(b)</sup>	973	404	192	(22)	...	...	...	<b>1,547</b>
Surplus In Excess Of Recovery Available	16	0	0	...	...	...	...	<b>16</b>
<b>Net (Asset)/Liability to be Recognised in Statement of Financial Position</b>	<b>4,382</b>	<b>665</b>	<b>35,732</b>	<b>11,589</b>	<b>482</b>	<b>1,184</b>	<b>166</b>	<b>54,200</b>

- (a) The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%. PCSS assets and accrued liability based on 2018 data. JPS accrued liability is projected from 2014 data. The accrued liability includes a contribution tax provision for PCSS. This is calculated based on grossing up the deficit less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%.
- (b) The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the 'surplus in excess of recovery' is zero, no asset ceiling limit is imposed. (Note: this also includes a contribution tax provision.)

For the year ended 30 June 2017

Member Numbers	----- NSW Public Sector Superannuation Schemes -----							Total \$m
	SASS	SANCS	SSS	PSS	PCSS	JPS	EISS <sup>(c)</sup>	
Contributors	19,077	23,738	3,630	1,031	25	124	...	
Deferred Benefits	9,914	11,016	942	44	2	...	19	
Pensioners	3,407	...	46,807	6,594	281	233	591	
Pensions Fully Commuted	...	...	13,958	...	...	...	...	
<b>Superannuation Position for AASB 119 Purposes</b>								
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Accrued Liability <sup>(a)</sup>	14,793	2,495	57,308	16,625	809	1,155	654	<b>93,839</b>
Estimated Reserve Account Balance	(10,385)	(1,774)	(20,021)	(4,624)	(299)	...	(465)	<b>(37,568)</b>
Deficit/(Surplus)	4,408	721	37,287	12,001	510	1,155	189	<b>56,271</b>
Future Service Liability <sup>(b)</sup>	1,240	501	294	(14)	...	...	...	<b>2,021</b>
Surplus in Excess Of Recovery Available	14	0	0	...	...	...	...	<b>14</b>
<b>Net (Asset)/Liability to be Recognised in Statement of Financial Position</b>	<b>4,422</b>	<b>721</b>	<b>37,287</b>	<b>12,001</b>	<b>510</b>	<b>1,155</b>	<b>189</b>	<b>56,285</b>

- (a) The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%. PCSS assets and accrued liability based on 2017 data. JPS accrued liability is projected from 2014 data. The accrued liability includes a contribution tax provision for PCSS. This is calculated based on grossing up the deficit less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%.
- (b) The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the 'surplus in excess of recovery' is zero, no asset ceiling limit is imposed. (Note: this also includes a contribution tax provision.)
- (c) On completion of Ausgrid and Endeavour Energy's 99 year lease transaction as at 1 December 2016 and 13 June 2017, the Energy Industries Superannuation Scheme (EISS) Defined Benefit plan of Ausgrid and Endeavour Energy's retired employees were transferred over to Alpha Distribution Ministerial Holding Corporation (ADMHC) and Epsilon Distribution Ministerial Holding Corporation (EDMHC) which are classified as General Government agencies.

## Total State Sector

For the year ended 30 June 2018

Member Numbers	NSW Public Sector Superannuation Schemes							Total \$m
	SASS	SANCS	SSS	PSS	PCSS	JPS	EISS	
Contributors	19,226	22,776	2,712	898	21	129	367	
Deferred Benefits	9,662	10,593	854	34	2	...	20	
Pensioners	4,281	...	49,494	6,623	275	233	700	
Pensions Fully Commuted	...	...	14,809	...	...	...	...	
<b>Superannuation Position for AASB 119 Purposes</b>								
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Accrued Liability <sup>(a)</sup>	17,116	2,585	59,013	16,462	797	1,184	996	<b>98,154</b>
Estimated Reserve Account Balance	(11,866)	(1,830)	(22,133)	(4,874)	(315)	...	(754)	<b>(41,772)</b>
Deficit/(Surplus)	5,250	755	36,880	11,589	482	1,184	243	<b>56,382</b>
Future Service Liability <sup>(b)</sup>	1,033	453	209	(22)	...	...	20	<b>1,693</b>
Surplus In Excess of Recovery Available	16	0	22	...	...	...	...	<b>38</b>
<b>Net (Asset)/Liability to be Recognised in Statement of Financial Position</b>	<b>5,266</b>	<b>755</b>	<b>36,902</b>	<b>11,589</b>	<b>482</b>	<b>1,184</b>	<b>243</b>	<b>56,421</b>

(a) Refer to footnote in General Government Sector 30 June 2018 table above.

(b) Refer to footnote in General Government Sector 30 June 2018 table above.

For the year ended 30 June 2017

Member Numbers	NSW Public Sector Superannuation Schemes							Total \$m
	SASS	SANCS	SSS	PSS	PCSS	JPS	EISS <sup>(c)</sup>	
Contributors	21,560	26,431	3,840	1,031	25	124	423	
Deferred Benefits	9,914	11,016	1,023	44	2	...	20	
Pensioners	4,166	...	49,065	6,594	281	233	695	
Pensions Fully Commuted	...	...	14,973	...	...	...	...	
<b>Superannuation Position for AASB 119 Purposes</b>								
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Accrued Liability <sup>(a)</sup>	17,153	2,714	59,990	16,625	809	1,155	1,032	<b>99,478</b>
Estimated Reserve Account Balance	(11,836)	(1,899)	(21,483)	(4,624)	(299)	...	(771)	<b>(40,912)</b>
Deficit/(Surplus)	5,317	815	38,507	12,001	510	1,155	261	<b>58,567</b>
Future Service Liability <sup>(b)</sup>	1,320	561	316	(14)	...	...	(26)	<b>2,158</b>
Surplus In Excess of Recovery Available	17	1	17	...	...	...	...	<b>34</b>
<b>Net (Asset)/Liability to be Recognised in Statement of Financial Position</b>	<b>5,333</b>	<b>816</b>	<b>38,524</b>	<b>12,001</b>	<b>510</b>	<b>1,155</b>	<b>261</b>	<b>58,601</b>

(a) Refer to footnote in General Government Sector 30 June 2017 table above.

(b) Refer to footnote in General Government Sector 30 June 2017 table above.

(c) Refer to footnote in General Government Sector 30 June 2017 table above.

## Reconciliation of the Present Value of the Defined Benefit Liability/ (Asset)

	General			
	Government Sector		Total State Sector	
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Net Defined Benefit Liability/(Asset) At Beginning of the Period</b>	<b>56,285</b>	<b>67,862</b>	<b>58,601</b>	<b>71,159</b>
Current Service Cost	489	670	539	729
Net Interest on the Net Defined Benefit Liability	1,458	1,334	1,513	1,390
(Gains)/Losses Arising from Settlements	...	...	(3)	(13)
Actual Return on Fund Assets Less Interest Income	(2,244)	(2,600)	(2,422)	(2,842)
Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	519	8	579	7
Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	(335)	(8,596)	(351)	(9,178)
Actuarial (Gains)/Losses Arising from Liability Experience	(356)	(823)	(366)	(839)
Adjustment For Effect of Asset Ceiling	2	1	3	15
Employer Contributions	(1,616)	(1,538)	(1,670)	(1,618)
Effects of Transfers In/Out Due to Business Combinations and Disposals	(1)	(33)	(2)	(209)
<b>Net Defined Benefit Liability/(Asset) at end of the Period</b>	<b>54,200</b>	<b>56,285</b>	<b>56,421</b>	<b>58,601</b>

## Reconciliation of the Fair Value of Fund Assets

	General			
	Government Sector		Total State Sector	
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Fair Value of Fund Assets at Beginning of the Period</b>	<b>37,568</b>	<b>36,267</b>	<b>40,912</b>	<b>40,241</b>
Interest Income	952	699	1,036	769
Actual Return on Fund Assets Less Interest Income	2,244	2,600	2,422	2,843
Employer Contributions	1,616	1,538	1,670	1,618
Contributions by Participants	192	218	212	244
Benefits Paid	(4,243)	(3,998)	(4,547)	(4,338)
Taxes, Premiums & Expenses Paid	154	178	162	187
Transfers In	(77)	67	(77)	(606)
Settlements	...	...	(17)	(46)
<b>Fair Value of Fund Assets at End of the Period</b>	<b>38,406</b>	<b>37,568</b>	<b>41,772</b>	<b>40,912</b>

### Reconciliation of the Present Value of the Defined Benefit Obligations

	General		Total State Sector	
	Government Sector	2016-17	2017-18	2016-17
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Present Value of Defined Benefit Obligations at Beginning of the Period</b>	<b>93,839</b>	<b>104,117</b>	<b>99,478</b>	<b>111,381</b>
Current Service Cost	489	670	539	729
Interest Cost	2,410	2,033	2,547	2,159
Contributions by Participants	192	218	212	244
Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	520	8	579	7
Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	(335)	(8,596)	(351)	(9,178)
Actuarial (Gains)/Losses Arising from Liability Experience	(356)	(823)	(366)	(839)
Benefits Paid	(4,243)	(3,998)	(4,547)	(4,338)
Taxes, Premiums & Expenses Paid	154	178	162	187
Transfers In	(78)	33	(80)	(814)
Settlements	...	...	(20)	(59)
<b>Present Value of Defined Benefit Obligations at End of the Period</b>	<b>92,591</b>	<b>93,839</b>	<b>98,154</b>	<b>99,478</b>

### Reconciliation of the Asset Ceiling

	General		Total State Sector	
	Government Sector	2016-17	2017-18	2016-17
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>Adjustment for Effect of Asset Ceiling at Beginning of the Period</b>	<b>14</b>	<b>13</b>	<b>34</b>	<b>19</b>
Interest on the Effect of Asset Ceiling	0	0	1	0
Change in the Effect of Asset Ceiling	2	1	3	15
<b>Adjustment for Effect of Asset Ceiling at End of the Period</b>	<b>16</b>	<b>14</b>	<b>38</b>	<b>34</b>

## Fair Value of Fund Assets

### State Sector Schemes

All of the State Sector Schemes' assets are invested by STC at arm's length through independent fund managers. The Pooled Fund assets are not separately invested for each scheme and it is not possible or appropriate to disaggregate and attribute fund assets to individual schemes.

Asset category	Quoted prices in active markets for identical assets				2017-18	2016-17
	2017-18 Total	Level 1	Significant observable inputs Level 2	Unobservable inputs Level 3		
	\$m	\$m	\$m	\$m		
Short Term Securities	4,401	2,185	2,216	0	10.5%	7.7%
Australian Fixed Interest	2,235	42	2,193	0	5.3%	6.2%
International Fixed Interest	1,396	8	1,388	0	3.3%	1.2%
Australian Equities	9,271	8,719	549	3	22.2%	23.6%
International Equities	10,891	8,499	2,392	0	26.1%	30.1%
Property	3,711	788	609	2,314	8.9%	8.6%
Alternatives	9,895	421	5,333	4,141	23.7%	22.6%
<b>Total<sup>(a)</sup></b>	<b>41,801</b>	<b>20,663</b>	<b>14,679</b>	<b>6,459</b>	<b>100.0%</b>	<b>100.0%</b>

(a) Additional to the assets disclosed above, at 30 June 2018 the Pooled Fund has provisions for receivables/ (payables) estimated to be around \$1.40 billion. This gives total estimated assets of \$43.20 billion. The total includes assets for schemes outside NSW government.

The fair value of the Pooled Fund assets as at 30 June 2018 includes \$98 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$280 million (30 June 2017: \$250 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value of \$287 million (30 June 2017: \$261 million).

### EISS

The fair value of Plan assets includes no amounts relating to any of the entity's own financial instruments, or any property occupied by, or other assets used by, the entity.

Some Pool B assets are invested in accordance with member investment choices. For Pool B assets invested in the Energy Investment Fund but not subject to member investment choice, the percentage invested in each asset class at the reporting date is:

Asset category	2017-18				2017-18	2016-17
	Total	Level 1	Level 2	Level 3		
	\$m	\$m	\$m	\$m		
Australian Equities	356	...	356	...	18.0%	16.0%
International Equities	553	...	553	...	28.0%	26.0%
Property	158	...	158	...	8.0%	4.0%
Private Equity	20	...	20	...	1.0%	1.0%
Infrastructure	138	...	138	...	7.0%	11.0%
Alternatives	99	...	99	...	5.0%	10.0%
Fixed Income	553	...	553	...	28.0%	27.0%
Cash	99	...	99	...	5.0%	5.0%
<b>Total</b>	<b>1,976</b>	<b>...</b>	<b>1,976</b>	<b>...</b>	<b>100.0%</b>	<b>100.0%</b>

## JPS and PCSS

There are no assets in JPS as it is a pay-as-you-go scheme. For PCSS the asset categories split was not available at 30 June 2018.

## Significant Actuarial Assumptions

The principal economic assumptions at the reporting dates are as per the following table.

Significant Actuarial Assumptions	At 30 June 2018		At 30 June 2017	
	State Super Schemes, JPS, PCSS	EISS	State Super Schemes, JPS, PCSS	EISS
Discount Rate	2.65% pa	2.65% pa	2.62% pa	2.62% pa
Salary Increase Rate	2.70% pa <sup>(a)</sup>	1.00% pa <sup>(c)</sup>	2.50% pa	0.00% pa
Rate of CPI Increase	2.25% pa <sup>(b)</sup>	2.50% pa	2.00% pa	2.20% pa
Pensioner Mortality	as part of 30 June 2018 triennial valuation for State Super Schemes and JPS, as per 2017 triennial actuarial valuation for PCSS, as per 2015 triennial actuarial valuation for EISS		as per 30 June 2015 triennial valuation for State Super Schemes and EISS, as per 2014 triennial actuarial valuation for JPS and PCSS	

(a) Salary Increase rate (excluding promotional increases) for forward years are: 2.70% for 2018-19; 3.20% pa onwards.

(b) Rate of CPI increase for State Super Funds Schemes in forward years are: 2.25% for 2018-19 to 2019-20; 2.50% onwards.

(c) Salary Increase rate (excluding promotional increases) for EISS (excluding Ausgrid, Endeavour Energy, and TransGrid) for forward years are: 1.00% pa for 2018-19 for Essential Energy; 2.50%pa onwards.

## Sensitivity Analysis

The State's total defined benefit obligation as at 30 June 2018 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2018.

There are a number of variables that impact on the valuation of the defined benefit superannuation liabilities including discount rate, future salary increases, future increase in the Consumer Price Index (CPI), and future life expectancy. The key variable relates to movement of the discount rate. For the Total State Sector, sensitivity analysis of a discount rate movement of *plus* 1.0 per cent would reduce accrued liabilities by an estimated \$11,484 million, and a discount rate movement of *minus* 1.0 per cent would increase accrued liabilities by an estimated \$13,991 million.

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

	State Sector Schemes			
	Discount Rate	Rate of CPI Increase	Salary Inflation Rate	Defined Benefit Obligation (\$m)
<b>Base Case</b>	2.65%	base rate	base rate	95,177
Scenario A -1.0% Discount Rate	1.65%	base rate	base rate	108,732
Scenario B +1.0% Discount Rate	3.65%	base rate	base rate	84,075
<b>Base Case</b>	base rate	base rate	base rate	95,177
Scenario C +0.5% rate of CPI increase	base rate	above rates plus 0.5% pa	base rate	101,149
Scenario D -0.5% rate of CPI increase	base rate	above rates less 0.5% pa	base rate	89,621
<b>Base Case</b>	base rate	base rate	base rate	95,177
Scenario E +0.5% Salary Increase Rate	base rate	base rate	above rates plus 0.5% pa	95,539
Scenario F -0.5% Salary Increase Rate	base rate	base rate	above rates less 0.5% pa	94,693
<b>Base Case</b>	N/A	N/A	N/A	95,177
Scenario G Higher Mortality <sup>(a)</sup>	N/A	N/A	N/A	94,192
Scenario H Lower Mortality <sup>(b)</sup>	N/A	N/A	N/A	96,469

(a) Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for years 2018 to 2023.

(b) Assumes the short term pensioner mortality improvement factors for years 2018-2023 also apply for years after 2023.

	EISS			
	Discount Rate	Rate of CPI Increase	Salary Inflation Rate	Defined Benefit Obligation (\$m)
<b>Base Case</b>	2.65%	base rate	base rate	996
Scenario A -1.0% Discount Rate	1.65%	base rate	base rate	1,121
Scenario B +1.0% Discount Rate	3.65%	base rate	base rate	892
<b>Base Case</b>	base rate	base rate	base rate	996
Scenario C +0.5% rate of CPI increase	base rate	above rates plus 0.5% pa	base rate	1,047
Scenario D -0.5% rate of CPI increase	base rate	above rates less 0.5% pa	base rate	950
<b>Base Case</b>	base rate	base rate	base rate	996
Scenario E +0.5% Salary Increase Rate	base rate	base rate	above rates plus 0.5% pa	1,007
Scenario F -0.5% Salary Increase Rate	base rate	base rate	above rates less 0.5% pa	987
<b>Base Case</b>	N/A	N/A	N/A	996
Scenario G Lower pensioner mortality rates <sup>(c)</sup>	N/A	N/A	N/A	1,012
Scenario H Higher pensioner mortality rates <sup>(d)</sup>	N/A	N/A	N/A	986

(c) Assumes the short term pensioner mortality improvement factors for years 2016-2021 also apply for years after 2021.

(d) Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2016 to 2021.

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

	JPS			
	Discount Rate	Rate of CPI Increase	Salary Inflation Rate	Defined Benefit Obligation (\$m)
<b>Base Case</b>	2.65%	N/A	N/A	1,184
Scenario A -1.0% Discount Rate	1.65%	N/A	N/A	1,345
Scenario B +1.0% Discount Rate	3.65%	N/A	N/A	1,024
<b>Base Case</b>	base rate	N/A	N/A	1,184
Scenario C +0.5% Salary Increase Rate	base rate	N/A	above rates plus 0.5% pa	1,274
Scenario D -0.5% Salary Increase Rate	base rate	N/A	above rates less 0.5% pa	1,083
<b>Base Case</b>	N/A	N/A	N/A	1,184
Scenario E +10% pensioner mortality rates	N/A	N/A	N/A	1,128
Scenario F-10% pensioner mortality rates	N/A	N/A	N/A	1,221

	PCSS			
	Discount Rate	Rate of CPI Increase	Salary Inflation Rate	Defined Benefit Obligation (\$m)
<b>Base Case</b>	2.65%	N/A	N/A	797
Scenario A -1.0% Discount Rate	1.65%	N/A	N/A	947
Scenario B +1.0% Discount Rate	3.65%	N/A	N/A	680
<b>Base Case</b>	base rate	N/A	N/A	797
Scenario C +0.5% Salary Increase Rate	base rate	N/A	above rates plus 0.5% pa	866
Scenario D -0.5% Salary Increase Rate	base rate	N/A	above rates less 0.5% pa	736
<b>Base Case</b>	N/A	N/A	N/A	797
Scenario E +10% pensioner mortality rates	N/A	N/A	N/A	773
Scenario F-10% pensioner mortality rates	N/A	N/A	N/A	829

### AASB 1056 Valuation

The following is a summary of the 30 June financial position of the fund calculated in accordance with AASB 1056 *Superannuation Entities*.

	General			
	Government Sector		Total State Sector	
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
Accrued Benefits	52,351	52,477	55,779	55,922
Net Market Value of Fund assets	(38,406)	(37,568)	(41,772)	(40,912)
<b>Net (Surplus)/Deficit</b>	<b>13,945</b>	<b>14,909</b>	<b>14,007</b>	<b>15,010</b>

The primary difference between the net deficit above (per AASB 1056) and the net deficit calculated in accordance with AASB 119 (and brought to account in the TSSA's Statement of Financial Position) is that the accrued benefits discount rate is based on the more volatile 30 June long term Commonwealth government bond rate for the AASB 119 calculation, whereas the AASB 1056 calculation uses a less volatile long term earnings rate. As the long term earning rate exceeds the Commonwealth government bond rate, liabilities valued under AASB 1056 are lower than liabilities valued under AASB 119.

## Employer Contributions

The method used to determine the employer contribution recommendations at last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the costs to the employer. Under the Aggregate Funding method, the employer contributions rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets, future contributions and the maturity profile of the funds.

	Expected contributions		Maturity profile	Recommended contribution rates
	2017-18	2016-17	2017-18	
	\$m	\$m	Years	
Pooled Fund				
SASS	304.5	291.3	13.2	multiple of member contributions
SANCS	65.7	78.5	13.2	% member salary
SSS	970.7	921.1	13.2	multiple of member contributions
PSS	314.7	299.7	13.2	% of member salary
PCSS	18.6	17.7	16.0	multiple of member contributions
JPS	49.9	48.5	14.0	% member salary
EISS	5.1	5.9	11.5	Division B - multiple of member contributions Division C - % member salary Division D - multiple of member contributions

## Economic Assumptions

The economic assumptions adopted from the 2015 triennial actuarial reviews of the State Sector Schemes and EISS for the Aggregate Funding Method were:

Weighted-Average Assumption	At 30 June 2018		At 30 June 2017 <sup>(c)</sup>	
	Pooled Fund <sup>(b)</sup>	EISS <sup>(c)</sup>	Pooled Fund	EISS
Expected Rate of Return on Assets Backing Current Pension Liabilities	7.4% pa	5.5% pa	7.4% pa	5.9% pa
Expected Rate of Return on Assets Backing Other Liabilities	6.4% pa	5.5% pa	6.4% pa	5.9% pa
Expected salary increase rate <sup>(a)</sup>	2.7% pa	2.3% pa	2.7% pa	2.5% pa
Expected Rate of CPI Increase	2.2% pa	2.3% pa	2.2% pa	2.2% pa

(a) Pooled Fund expected salary increase rate until 30 June 2019 is 2.7% pa; then 3.2% pa thereafter. For EISS, expected salary increase rate until 30 June 2019 is 2.3% pa; 2.6% pa for 2019-20; 2.8% pa for 2020-21; and 3.3% pa thereafter.

(b) These assumptions are consistent with the assumptions to be used for the 2018 actuarial investigation of the Pooled Fund.

(c) Assumptions have been updated from the 2015 triennial actuarial review to take into account subsequent economic events.

## Note 23: Other Provisions

### Other Provisions

Other provisions exist when:

- the State has a present legal or constructive obligation as a result of a past event
- it is probable that an outflow of resources will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

Other provisions are recognised in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

In regard to outstanding claims, the liabilities are measured as the present value of the expected future payments, including claims incurred but not yet reported, and the anticipated fund management fees. Expected future payments are estimated on the basis of the ultimate cost of settling claims.

The amount and timing of the actual outflows in relation to the above provisions have a degree of uncertainty. Actual results may depend on a number of factors specific to the type of claim, for example, future economic and environmental conditions may be different to those assumed.

Any change to the liabilities, from the unwinding of the discount rate over time, is recognised as interest in 'expenses from transactions' in the operating result.

Actuarial gains and losses resulting from changes in measurement assumptions are recognised as part of 'other economic flows – included in the operating result'. The other components of the expense are recognised in 'expenses from transactions'.

	General Government Sector		Total State Sector	
	2018	2017 Restated <sup>(a)</sup>	2018	2017 Restated <sup>(a)</sup>
	\$m	\$m	\$m	\$m
Current	2,446	2,384	2,889	2,769
Non-current	7,764	7,069	12,511	11,156
	<b>10,210</b>	<b>9,453</b>	<b>15,400</b>	<b>13,925</b>

#### These comprise:

##### Outstanding Claims:

Self Insurance Corporation (Excluding Self Funded Worker's Compensation)	3,692	3,474	3,692	3,474
Workers' Compensation (Dust Diseases)	1,827	1,679	1,827	1,679
Lifetime Care And Support Scheme	...	...	4,747	4,105
State Insurance Regulatory Authority	144	142	144	142
Long Service Corporation Schemes	1,226	1,146	1,226	1,146
HIH Loss Compensation	16	33	16	34
Victims Support Fund	131	171	131	171
NSW Share of University Superannuation	1,279	1,304	1,279	1,304
Provision for Land Remediation, Restoration Costs and Other Claims	1,895	1,502	2,338	1,869
<b>Total Other Provisions</b>	<b>10,210</b>	<b>9,453</b>	<b>15,400</b>	<b>13,925</b>

#### Insurance Recoveries Receivable Include those Accrued by:

Self Insurance Corporation - for Reinsurance and Other Recoveries Receivable	222	213	222	213
Workers' Compensation (Dust Diseases) Authority - Insurance Levies Accrued	584	526	584	526
	<b>806</b>	<b>739</b>	<b>806</b>	<b>739</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

- The provision for Self Insurance Corporation (excluding self-funded worker's compensation) exists to provide self-insurance coverage for general government agencies and state owned corporations under the *NSW Self Insurance Corporation Act 2004*. The liabilities for these outstanding claims are measured as the present value of the expected future payments. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors such as normal inflation and 'superimposed inflation' (factors such as trends in court awards). This provision is actuarially assessed in consultation with the claims managers of SICorp at each 30 June. The discount rate used was changed from NSW Treasury's estimate of fair value for the 10-year New South Wales government bond yields to Commonwealth government bond yields. As a result, a retrospective adjustment has been made to correct previously reported balances. Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period. The provision comprises outstanding claims from the:
  - NSW Treasury Managed Fund (TMF). This is a self-insurance scheme which protects the insurable assets and exposures of all public hospitals, all public sector agencies that are financially dependent on the Consolidated Fund, and various other statutory authorities.
  - Pre-Managed Fund Reserve (PMF). This is used to fund claims incurred by the NSW Government, prior to 1 July 1989, which were previously in the Fire Risks Account, the Fidelity Fund and the Public Liability Fund.
  - Governmental Workers Compensation Account (GWC). This is used to fund outstanding workers compensation claims liabilities as at 30 June 1989.
  - Transport Accidents Compensation Fund (TAC). This is used to fund motor transport accident claims until 30 June 1987 and TransCover system claims costs from 1 July 1987 to 30 June 1989. This was replaced as of 1 July 1989 by the Motor Accidents Scheme.

Key actuarial assumptions adopted for the provision for outstanding claims in Self Insurance Corporation (excluding worker's compensation) are:

	TMF		GWC		TAC	
	2018	2017	2018	2017	2018	2017
	%	%	%	%	%	%
Not Later Than One Year						
Inflation Rate	2.2 - 2.7	2.5	2.6	2.9	2.2 - 2.7	3.0
Discount Rate	1.8 - 2.0	1.6	2.0	1.6	1.8 - 2.0	1.6
Superimposed Inflation <sup>(a)</sup>	1.5 - 3.5	2.0 - 4.0	0 - 1.5	0 - 1.5	3.5	3.5
Later Than One Year						
Inflation Rate	2.0 - 3.5	2.5 - 3.8	2.2 - 3.6	2.1 - 4.1	2.9 - 3.5	3.3 - 4.0
Discount Rate	1.8 - 2.0	1.8 - 5.5	2.1 - 4.5	1.9 - 5.5	1.8 - 2.0	1.8 - 5.5
Superimposed Inflation <sup>(a)</sup>	1.5 - 3.5	2.0 - 4.0	0 - 1.5	0 - 1.5	3.5	3.5

(a) Dependent on payment type

- The provision for Workers' Compensation (Dust Diseases) covers claims to workers in New South Wales who develop a dust disease from occupational exposure to dust. The Workers' Compensation (Dust Diseases) Authority provides a no-fault compensation scheme to victims under the *Workers' Compensation (Dust Diseases) Act 1942*. As at 30 June 2018, this liability was actuarially assessed by the agencies consulting actuaries.
- The provision for Lifetime Care and Support covers the care and support services for persons catastrophically injured from motor accidents in New South Wales, regardless of who was at fault in the accident, as per the *Motor Accidents (Lifetime Care and Support) Act 2006*. As at 30 June 2018, this liability was actuarially assessed by the agencies consulting actuaries.
- The provision for State Insurance Regulatory Authority (previously WorkCover Authority) covers claims assumed by the State from some failed insurance companies. The liabilities cover claims incurred but not yet paid, incurred but not yet reported and the anticipated fund management fees in respect of the management of those claims. As at 30 June 2018, liabilities for compensation payments and estimated compensation for future claims was actuarially assessed by the agencies consulting actuaries.

- The provision for Long Service Corporation Schemes include the provisions for long service leave levies to be paid under the *Building and Construction Industry Long Service Payments Act 1986* and the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010*. As at 30 June 2018, this liability was actuarially assessed by the agencies consulting actuaries.
- A provision for loss compensation associated with the former HIH Insurance Limited has been raised by the State for building warranty insurance and for motor vehicle claims. As at 30 June 2018, these liabilities were actuarially assessed by the agencies consulting actuaries.
- A provision exists for The Victims' Support Scheme (VSS), which was created on 3 June 2013 through legislation known as the Victims' Rights and Support Act 2013. This Act replaced the Victims' Compensation Scheme (VCS), legislated through the *Victims' Support and Rehabilitation Act 1996*, and was closed to new applications for support on 7 May 2013. The VSS provides victims of violent crime, upon application after 7 May 2013 and within an eligibility period of 2 to 10 years from the date of the occurrence of a violent act of crime, support in the form counselling services, financial assistance and recognition payments. Violent acts can include assault, sexual assault, child sexual assault, domestic violence, robbery, homicide and other eligible violent acts.

The Department of Justice has obtained actuarial advice from an independent actuary to determine a liability provision as at 30 June 2018 in respect to Lodged But Unresolved Claims. However, the amount attributable for Incurred But Not Reported (IBNR) claims are unable to be reliably estimated by the actuary due to a range of key uncertainties (refer to Note 29 - Contingent Assets and Contingent Liabilities).

- A provision for universities superannuation has been recognised for the funding of staff from NSW universities who are members of State Super's defined benefit schemes (SASS, SANCS and SSS). As at 30 June 2018, this liability for universities superannuation was actuarially assessed by the agencies consulting actuaries.

Key actuarial assumptions adopted for other Schemes are as follows:

Scheme	Discount Rate %		Inflation Rate %	
	2018	2017 Restated <sup>(a)</sup>	2018	2017 Restated <sup>(a)</sup>
<b>Claims expected to be paid not later than one year</b>				
Workers' Compensation (Dust Diseases)	2.0	1.7	2.4	2.7
Lifetime Care and Support	1.8 - 2.0	1.6	2.2 - 2.9	1.9 - 3.0
State Insurance Regulatory Authority	2.1	1.8	2.4	2.7
Building and Construction Industry Long Service Payment Scheme	2.6	2.6	3.0	3.0
HIH Loss Compensation	2.0	1.7	2.4	2.0
<b>Claims expected to be paid later than one year</b>				
Workers' Compensation (Dust Diseases)	2.9	3.2	2.5	2.9
Lifetime Care and Support	2.0 - 4.2	1.7 - 5.0	3.0 - 3.8	3.1 - 3.7
State Insurance Regulatory Authority	2.3 - 5.5	2.0 - 4.2	2.5 - 3.5	2.5 - 3.1
Building and Construction Industry Long Service Payments Scheme	2.6	2.6	3.0	3.0
HIH Loss Compensation	2.0	1.7	2.4	2.2 - 2.3

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

The discount rate for each scheme reflects current market assessments of the time value of money, and the risks specific to the liability.

## General Government Sector

### 2017-18 Movement in Other Provisions

	Carrying Amount 1 July 2017 Restated <sup>(a)</sup>	Additional Provisions	Amounts Used	Unused Amounts Reversed	Actuarial (Gain)/Loss	Unwinding/ change in discount rate	Carrying Amount 30 June 2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Outstanding claims:							
Self Insurance Corporation (excluding Workers Compensation)	3,474	668	(519)	...	16	53	3,692
Workers' Compensation (Dust Diseases)	1,679	219	(116)	...	...	44	1,827
State Insurance Regulatory Authority	142	14	(16)	...	(2)	6	144
Long Service Corporation	1,146	129	(79)	...	...	30	1,226
HIH Loss Compensation	34	...	(12)	(6)	(0)	0	16
Victims Support Fund	171	77	(72)	...	...	(44)	131
NSW Share of University Superannuation	1,304	...	(57)	...	(13)	46	1,279
Land Remediation, Restorations and Other Claims	1,502	730	(331)	(36)	7	23	1,895
<b>Total Other Provisions</b>	<b>9,453</b>	<b>1,837</b>	<b>(1,203)</b>	<b>(43)</b>	<b>7</b>	<b>158</b>	<b>10,210</b>

### 2016-17 Movement in Other Provisions

	Carrying Amount 1 July 2016	Correction to Prior Period <sup>(a)</sup>	Carrying Amount 1 July 2016 Restated <sup>(a)</sup>	Additional Provisions	Amounts Used	Unused Amounts Reversed	Actuarial (Gain)/Loss	Unwinding/ change in discount rate	Carrying Amount 30 June 2017 Restated <sup>(a)</sup>
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Outstanding claims:									
Self Insurance Corporation (excluding Workers Compensation)	3,039	250	3,289	606	(474)	...	(9)	63	3,474
Workers' Compensation (Dust Diseases)	1,739	...	1,739	37	(91)	...	(33)	28	1,679
State Insurance Regulatory Authority	140	...	140	19	(15)	...	(5)	3	142
Long Service Corporation	927	168	1,095	89	(73)	...	(21)	56	1,146
HIH Loss Compensation	40	...	40	2	(6)	(2)	...	1	34
Victims Support Fund	219	...	219	25	(60)	...	...	(13)	171
NSW Share of University Superannuation	1,037	365	1,402	...	(45)	...	(101)	48	1,304
Land Remediation, Restorations and Other Claims	1,287	...	1,287	456	(206)	(49)	(8)	22	1,502
<b>Total Other Provisions</b>	<b>8,429</b>	<b>783</b>	<b>9,212</b>	<b>1,233</b>	<b>(970)</b>	<b>(51)</b>	<b>(177)</b>	<b>208</b>	<b>9,453</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

## Total State Sector

### 2017-18 Movement in Other Provisions

	Carrying Amount 1 July 2017 Restated <sup>(a)</sup>	Additional Provisions	Amounts Used	Unused Amounts Reversed	Actuarial (Gain)/Loss	Unwinding/ change in discount rate	Carrying Amount 30 June 2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Outstanding claims:							
Self Insurance Corporation (excluding Workers Compensation)	3,474	668	(519)	...	16	53	3,692
Workers' Compensation (Dust Diseases)	1,679	219	(116)	...	...	44	1,827
Lifetime Care and Support Scheme	4,105	450	(127)	...	126	193	4,747
State Insurance Regulatory Authority	142	14	(16)	...	(2)	6	144
Long Service Corporation	1,146	129	(79)	...	...	30	1,226
HIH Loss Compensation	34	...	(12)	(6)	(0)	0	16
Victims Support Fund	171	77	(72)	...	...	(44)	131
NSW Share of University Superannuation	1,304	...	(57)	...	(13)	46	1,279
Land Remediation, Restorations and Other Claims	1,869	1,045	(567)	(43)	9	25	2,338
<b>Total Other Provisions</b>	<b>13,925</b>	<b>2,602</b>	<b>(1,566)</b>	<b>(50)</b>	<b>135</b>	<b>353</b>	<b>15,400</b>

### 2016-17 Movement in Other Provisions

	Carrying Amount 1 July 2016	Correction to Prior Period <sup>(a)</sup>	Carrying Amount 1 July 2016 Restated <sup>(a)</sup>	Additional Provisions	Amounts Used	Unused Amounts Reversed	Actuarial (Gain)/Loss	Unwinding/ change in discount rate	Carrying Amount 30 June 2017 Restated <sup>(a)</sup>
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Outstanding claims:									
Self Insurance Corporation (excluding Workers Compensation)	3,039	250	3,289	606	(474)	...	(9)	63	3,474
Workers' Compensation (Dust Diseases)	1,739	...	1,739	37	(91)	...	(33)	28	1,679
Lifetime Care and Support Scheme	2,939	778	3,717	357	(126)	...	(16)	172	4,105
State Insurance Regulatory Authority	140	...	140	19	(15)	...	(5)	3	142
Long Service Corporation	927	168	1,095	89	(73)	...	(21)	56	1,146
HIH Loss Compensation	40	...	40	2	(6)	(2)	...	1	34
Victims Support Fund	219	...	219	25	(60)	...	...	(13)	171
NSW Share of University Superannuation	1,037	365	1,402	...	(45)	...	(101)	48	1,304
Land Remediation, Restorations and Other Claims	1,899	...	1,899	482	(302)	(227)	(8)	24	1,869
<b>Total Other Provisions</b>	<b>11,980</b>	<b>1,561</b>	<b>13,540</b>	<b>1,616</b>	<b>(1,192)</b>	<b>(229)</b>	<b>(193)</b>	<b>382</b>	<b>13,925</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

## Note 24: Other Liabilities

### Other Liabilities

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

Up-front payments received in respect of privately financed projects are deferred and amortised over the term of the arrangement. Refer to Note 15 - Other Non-Financial Assets for further details.

Other liabilities include deferred revenue which are initially recognised at the fair value of the consideration received and subsequently amortised over the contract term or when the obligation is satisfied.

	General		Total State Sector	
	Government Sector 2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Current	1,276	1,105	11,716	8,417
Non-current	4,947	4,646	5,006	4,792
	<b>6,223</b>	<b>5,752</b>	<b>16,721</b>	<b>13,209</b>
<b>Other Liabilities Comprise:</b>				
Deferred Revenue on the Private Provision of Infrastructure <sup>(a)</sup>	531	550	531	550
Other Deferred Revenue <sup>(b)</sup>	4,888	4,381	5,090	4,490
Other <sup>(c)</sup>	804	820	11,101	8,169
	<b>6,223</b>	<b>5,752</b>	<b>16,721</b>	<b>13,209</b>

- (a) Payments received by the State for the reimbursement of development costs under various privately financed Infrastructure projects following the letting of the Lane Cove Tunnel, Cross City Tunnel and the Western M7 Motorway contracts. Payments were also received for the Lane Cove Tunnel and M7 Motorway concession payments and the M2 and Eastern Distributor promissory notes. These up-front payments are amortised over the life of the concession period.
- (b) In 2016-17, the State entered into a 35-year concession with the private sector for the provision of land titling and registry services. Under the concession, the State received an upfront contribution of \$2,622 million (refer to Note 5 - Discontinued Operations). Barangaroo Development Authority received an amount of \$425 million as lease receipts in advance which were developer contributions received in relation to Central Barangaroo.
- (c) Majority of the Other Liabilities comprises the interest in TCorpIM Funds of investors that are not controlled by the State such as, universities, local government authorities, and the Workers' Compensation Nominal Insurer. The increase in 2017-18 is mainly due to the increased investment in the TCorpIM Funds by the Workers' Compensation Nominal Insurer.

## Note 25: Financial Instruments

The principal financial instruments of the Total State Sector are outlined below. These financial instruments arise directly from the State's operations or are used to finance the State's operations.

The note reports on the main risks as they affect the State's financial instruments classified into:

- credit risk, which affects financial assets
- liquidity risk, which affects financial assets and liabilities, and
- market risk, which affects financial assets and liabilities because of changes in market prices.

A reference to 'financial instruments' in this note excludes prepayments and statutory receivables/payables in accordance with AASB 7 *Financial Instruments: Disclosures*.

## Risk Management Framework

The Treasury, acting for the Treasurer, has overall responsibility for the establishment and oversight of risk management guidelines for the New South Wales public sector. This includes establishing Treasury Management Policy to strengthen the framework for managing risks associated with public sector agency treasury functions, including borrowings, cash, investments, derivatives, debt and investment management.

As part of this framework, The Treasury administers the *Public Authorities (Financial Arrangements) Act 1987* which is the sole source of legal power for government authorities to enter into financial arrangements.

Under this Act, the Treasurer is given responsibility for exercising a central supervisory role in respect of the investment and liability management activities of authorities to ensure that the NSW public sector's financial risks and exposures are known, properly assessed and prudently managed. This role is affected through the requirement to have borrowing, investment and associated activities of each authority approved by the Treasurer.

NSW Treasury Corporation (TCorp) is the State's central borrowing and investing authority. TCorp holds a level of investments for liquidity management purposes and, as the State's central investing authority, manages the majority of the State's investments. Since June 2015, TCorp has been a top 10 Australian fund manager. TCorp, acting as the State's central borrowing authority, issues bonds to the public. Bondholders include local and overseas individuals and financial institutions. TCorp manages credit risk associated with its financial assets through the selection of counterparties, establishment of minimum credit rating criteria and monitoring of credit utilisation against limits.

TCorp enters into agreements with agencies. Government agencies typically set debt / investment strategies which are then delegated to TCorp to execute on their behalf.

The State also holds borrowings that have not been made through TCorp, but were made directly by individual State agencies under the authority of the *Public Authorities (Financial Arrangements) Act 1987*. This includes finance leases.

The NSW Government Asset and Liability Committee (ALCO) has been established to advise the Treasury Secretary and Government regarding State Significant Financial Risks (SSFRs). SSFRs are financial risks which have the potential to materially impact one or more of the following:

- the State's triple-A credit rating
- the State's reputation, and
- the financial capacity of the State to carry out its commitments.

The State's financial instruments are classified as follows:

## Accounting Classifications and Fair Values

### Financial Instrument Categories

		Note	General		Total State Sector	
			Government Sector		2018	2017
			2018	2017	\$m	\$m
			\$m	\$m	\$m	\$m
<b>Financial Assets</b>	<b>Category</b>					
Cash and Cash Equivalents	Not Applicable	6	5,417	8,731	12,967	13,855
Receivables <sup>(a)</sup>	Loans and receivables (at amortised cost)	7	4,255	3,817	4,207	4,411
Advances Paid	Loans and receivables (at amortised cost)	9	1,017	1,005	644	616
Investments, Loans and Placements						
Financial Assets at Fair Value						
Derivatives <sup>(e)</sup>	At fair value through profit and loss - classified as held for trading	8	0	48	555	573
Derivatives <sup>(e)</sup>	Designated as effective hedging instrument	8	1	0	3	0
Other	Designated at fair value through profit and loss	8	32,577	26,513	38,087	31,983
Other Financial Assets						
Term Deposits	Loans and receivables (at amortised cost)	8	4,370	5,610	2,840	6,438
Finance Leases Receivable	Loans and receivables (at amortised cost)	8	981	932	1,411	1,250
Other	Loans and receivables (at amortised cost)	8	205	236	205	236
Equity Investments in Other Public Sector Entities	Available for Sale Financial Assets	10	112,911	106,355	...	...
Other Equity Investments	Available for Sale Financial Assets	10	722	700	889	700
Other Equity Investments	Designated at fair value through profit and loss	10	...	...	19,531	16,917
<b>Financial Liabilities</b>						
Deposits Held	Financial liabilities measured at amortised cost	17	130	106	385	328
Payables <sup>(b)</sup>	Financial liabilities measured at amortised cost	18	7,155	6,297	8,701	7,973
Advances	Financial liabilities measured at amortised cost		797	812	797	812
Borrowings <sup>(c)(d)</sup>	Financial liabilities measured at fair value	19	3	4	63,172	63,026
	Financial liabilities measured at amortised cost	20	32,441	32,808	7,457	6,963
Derivatives <sup>(f)</sup>	At fair value through profit and loss - classified as held for trading	19	0	1	569	532
	Designated as effective hedging instruments	19	2	1	95	72

(a) Excludes statutory receivables and prepayments (i.e. not within the scope of AASB 7).

(b) Excludes statutory payables and deferred revenue (i.e. not within the scope of AASB 7). Fringe Benefits Tax and Goods and Services Tax payables comprise the difference between the payables and deposits held in the above table and the amounts reported in the Statement of Financial Position.

(c) Borrowings comprise bank overdraft, loans from the Commonwealth, other domestic and foreign borrowings and finance leases.

(d) \$899 million was reclassified from "Borrowings – Financial liabilities measured at fair value" to "Borrowings – Financial liabilities measured at amortised cost" in the General Government Sector for 2016-17.

(e) \$503 million was reclassified from "Derivative assets – Designated as effective hedging instruments" to "Derivative assets – At fair value through profit and loss: classified as held for trading" for 2016-17.

(f) \$454 million was reclassified from "Derivative liabilities – Designated as effective hedging instruments" to "Derivative liabilities – At fair value through profit and loss: classified as held for trading" for 2016-17.

### Valuation of Financial Instruments

Except where specified below, the amortised cost of financial instruments recognised in the Statement of Financial Position approximates the fair value, because of the short-term nature of many of the financial instruments. There are no material differences between the carrying amounts and the fair value of financial instruments.

The following table sets out the State's financial assets and liabilities measured at fair value according to the fair value hierarchy at reporting date.

## Fair Value Hierarchy of Financial Assets and Liabilities

### General Government Sector

30 June 2018	Note	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Financial Assets at Fair Value</b>					
Fiduciary Investments Administered by NSW Treasury Corporation					
TCorpIM Funds	8	...	32,255	...	32,255
Derivatives	8	0	1	...	1
Other	8	12	310	...	322
Other equity investments	10	...	42	680	722
<b>Total</b>		<b>12</b>	<b>32,608</b>	<b>680</b>	<b>33,300</b>
<b>Financial Liabilities at Fair Value</b>					
Borrowings Measured at Fair Value					
Derivatives	19	...	3	...	3
<b>Total</b>		<b>...</b>	<b>5</b>	<b>...</b>	<b>5</b>
<b>Net Total</b>		<b>12</b>	<b>32,603</b>	<b>680</b>	<b>33,295</b>

### Total State Sector

30 June 2018		Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Financial Assets at Fair Value</b>					
Fiduciary Investments Administered by NSW Treasury Corporation					
Securities and Placements Held by NSW Treasury Corporation	8	2,909	2,060	...	4,969
Derivatives	8	11	547	...	558
Other	8	241	29,831	3,046	33,118
Other equity investments	10	19,574	43	803	20,420
<b>Total</b>		<b>22,735</b>	<b>32,481</b>	<b>3,849</b>	<b>59,065</b>
<b>Financial Liabilities at Fair Value</b>					
Borrowings Measured at Fair Value					
Derivatives	19	55,676	6,860	636	63,172
<b>Total</b>		<b>55,705</b>	<b>7,495</b>	<b>636</b>	<b>63,836</b>
<b>Net Total</b>		<b>(32,970)</b>	<b>24,986</b>	<b>3,213</b>	<b>(4,771)</b>

## Fair Value Hierarchy of Financial Assets and Liabilities (continued)

### General Government Sector

30 June 2017	Note	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Financial Assets at Fair Value</b>					
Fiduciary Investments Administered by NSW Treasury Corporation					
TCorpIM Funds	8	...	24,863	...	<b>24,863</b>
Derivatives <sup>(a)</sup>	8	...	7	41	<b>48</b>
Other	8	912	739	...	<b>1,651</b>
Other equity investments <sup>(b)</sup>	10	...	41	659	<b>700</b>
<b>Total</b>		<b>912</b>	<b>25,650</b>	<b>700</b>	<b>27,262</b>
<b>Financial Liabilities at Fair Value</b>					
Borrowings Measured at Fair Value					
	19	...	4	...	<b>4</b>
Derivatives	19	...	2	...	<b>2</b>
<b>Total</b>		<b>...</b>	<b>6</b>	<b>...</b>	<b>6</b>
<b>Net Total</b>		<b>912</b>	<b>25,644</b>	<b>700</b>	<b>27,256</b>

- (a) After subsequent issue of the financial report, \$7 million of derivative assets were restated from level 1 to level 2 of the fair value hierarchy.  
(b) After subsequent issue of the financial report, \$41 million of other equity investments was restated from level 3 to level 2 of the fair value hierarchy.

### Total State Sector

30 June 2017		Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Financial Assets at Fair Value</b>					
Fiduciary Investments Administered by NSW Treasury Corporation					
Securities and Placements Held by NSW Treasury Corporation	8	2,434	3,841	...	<b>6,275</b>
Derivatives	8	8	525	41	<b>574</b>
Other <sup>(a)</sup>	8	1,055	22,408	2,245	<b>25,708</b>
Other equity investments <sup>(b)</sup>	10	16,797	41	779	<b>17,617</b>
<b>Total</b>		<b>20,294</b>	<b>26,815</b>	<b>3,065</b>	<b>50,174</b>
<b>Financial Liabilities at Fair Value</b>					
Borrowings Measured at Fair Value <sup>(c)</sup>					
	19	56,286	6,119	621	<b>63,026</b>
Derivatives	19	7	597	...	<b>604</b>
<b>Total</b>		<b>56,293</b>	<b>6,716</b>	<b>621</b>	<b>63,630</b>
<b>Net Total</b>		<b>(35,999)</b>	<b>20,099</b>	<b>2,444</b>	<b>(13,456)</b>

- (a) After subsequent issue of the financial report, \$2.25 billion of other financial assets at fair value were restated from level 2 to level 3 of the fair value hierarchy.  
(b) After subsequent issue of the financial report, \$41 million of other equity investments was restated from level 3 to level 2 of the fair value hierarchy.  
(c) After subsequent issue of the financial report, \$197 million of borrowings measured at fair value were restated from level 1 to level 2 of the fair value hierarchy.

*Financial Instruments Measured at Fair Value – Level 3*

Type	Valuation technique	Significant unobservable inputs	Relationship between inputs and fair value
Borrowings Measured at Fair Value	Euro Medium Term Notes held by TCorp are classified at Level 3 in the hierarchy. These are foreign currency denominated fixed interest borrowings. The fair value of these is derived from quoted market prices of the underlying securities and observable inputs.	The quoted prices obtained for these securities are subject to a buy/sell spread (also known as a risk adjustment) in recognition of the limited trading activity of these bonds. This “spread” is unobservable.	There were no significant inter-relationships between unobservable inputs that materially affect fair value.
Other Financial Assets at Fair Value - Unlisted Managed Investment Funds	Unlisted managed investment funds and unit trusts held in TCorpIM Funds classified within Level 3 have significant unobservable inputs as they are infrequently traded. These investments hold direct assets such as unlisted property or unlisted infrastructure which have significant estimation and judgement involved in the valuation of these assets by the fund manager and their valuer.	The Fund's investment in these unlisted managed investment funds is carried at fair value based on redemption value per unit reported by the manager of the funds. The unobservable inputs are published redemption prices.	There were no significant inter-relationships between unobservable inputs that materially affect fair value.
Other Financial Assets at Fair Value - Unlisted Equity and Limited Partnerships	Unlisted equity trusts, equity securities and limited partnerships held in TCorpIM Funds classified within Level 3 have significant unobservable inputs, as they are infrequently traded. As observable prices are not available for these investments, valuation techniques are used to derive fair value. The valuation technique employed in most cases is discounted cashflows (the income approach).	The significant unobservable inputs for these investments is the inflation rate, discount rate and terminal growth rates used in the discounted cashflows valuation.	There were no significant inter-relationships between unobservable inputs that materially affect fair value.

### Annual Movement Reconciliation of Level 3 Fair Value Measurements

	General		Total State Sector	
	Government Sector		2018	2017
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
<b>Opening Balance</b>	700	623	2,444	164
Total Gains and (Losses) recognised in Other Economic Flows Included in the Operating Result (From Fair Value Adjustments to financial Instruments)	21	77	160	183
Purchases	...	...	668	1
Settlements	(41)	...	(59)	13
Transfers in and (Out) of Level 3	...	...	0	2,083
<b>Closing Balance</b>	<b>680</b>	<b>700</b>	<b>3,213</b>	<b>2,444</b>

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the transfer has occurred. There were no transfers between levels of the fair value hierarchy during the year ended 30 June 2018. During the year ended 30 June 2017, there were transfers of \$2.1 billion from Level 2 to Level 3 of the TSS fair value hierarchy. Level 3 assets controlled by the TSS were expanded in this year to capture investments in other funds that hold underlying assets with unobservable valuation inputs.

Valuation policies and procedures of the GGS and TSS are developed, reviewed and enforced by management of respective agencies.

### Measurement of Fair Values

#### Financial Instruments Measured at Fair Value – Level 2

Financial instruments measured at fair value that are classified as Level 2 comprise TCorpIM Funds, Securities and Placements, Derivatives, Other Financial Assets at Fair Value and Borrowings Measured at Fair Value. The valuation techniques for these financial instruments are as follows:

**TCorpIM Funds General Government** – The value of the TCorpIM Funds is based on the State's share of the value of the underlying assets of the fund, based on the market value. All of the TCorpIM Funds are valued using 'redemption' pricing.

**Securities and Placements** – The fair value is based on discounting expected future cash flows from securities to their present value using market yields and margins appropriate to the securities.

**Derivatives** - The fair values are based on market quoted prices/discounted cash flow analysis depending on whether the derivatives are traded in active market.

**Other Financial Assets at Fair Value** – This comprises mainly of bank deposits from financial institutions, Non-TCorp managed investments, interest bearing securities and other investments at fair value.

The fair value of amounts due from financial institutions are determined by discounting the expected future cash flows arising from the deposits to their present value using market yields and margins appropriate to the deposits. The fair value of trusts underlying the TCorpIM Funds/non-TCorp unit trusts/equity are based on unit value using 'redemption' pricing provided by external fund managers.

**Borrowings Measured at Fair Value** – The fair value is determined using the observable yield curves combined with margins derived from appropriate benchmarks or comparisons.

### Financial Instruments not measured at Fair Value

The State has a number of financial assets and liabilities which are not measured at fair value in the Statement of Financial Position but for which the fair value is disclosed in this note.

The carrying amount of cash and cash equivalents, receivables, term deposits, payables and advances received are assumed to approximate fair value due to their short-term nature.

Equity investments in other public sector entities are also assumed to approximate their fair value consistent with treatment of 'available for sale' financial assets in AASB 139 *Financial Instruments: Recognition and Measurement*.

Borrowings at amortised cost are the only financial instrument category whose fair value differs from carrying amount. The fair value is based on the State's share of the value of the underlying assets of the facility, based on the market value. Borrowings at amortised cost are classified as Level 2. The following table shows the difference between the financial instruments' carrying amount and fair value.

30 June 2018	General Government Sector		Total State Sector	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	\$m	\$m	\$m	\$m
<b>Financial Liabilities</b>				
Borrowings at Amortised Cost	32,441	34,493	7,457	7,575

30 June 2017	General Government Sector		Total State Sector	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	\$m	\$m	\$m	\$m
<b>Financial Liabilities</b>				
Borrowings at Amortised Cost <sup>(a)</sup>	32,808	35,310	6,963	7,088

(a) After subsequent issue of the financial report, the 2017 reported carrying amount of \$31.9 billion for GGS borrowings at amortised cost has been revised by \$899 million to \$32.8 billion. The 2017 reported fair value of \$34.0 billion for GGS borrowings at amortised cost has been revised by \$1.3 billion to \$35.3 billion.

### Credit Risk of Financial Assets

Credit risk arises when there is the possibility of the State's counterparties defaulting on their contractual obligations, resulting in a financial loss to the State. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

All financial assets, except for those measured at fair value through profit or loss, are subject to annual review for impairment, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.

An allowance for impairment of receivables is established when there is objective evidence that the State will not be able to collect amounts due.

The amount of the impairment loss is recognised as 'other economic flows - included in the operating result'. Bad debts are written off as incurred and are treated as 'expenses from transactions', where mutually agreed.

Credit risk arises from the financial assets of the State, including cash, deposits, receivables, and financial assets.

The State controls the borrowing and investing powers of its authorities through the *Public Authorities (Financial Arrangement) Act 1987*. The provision for the Treasurer to schedule authorities under this Act restricts the ability and amount that public authorities can borrow and invest, and directs most authorities to finance through TCorp. Agencies with approved investing powers outside of TCorp are restricted to invest in classes of instruments (with varied credit ratings) in accordance with the *Public Authorities (Financial Arrangement) Act 1987*.

The value of securities held are highly managed with reference to levels consistent with triple-A credit rating metrics with credit rating agencies Standard & Poor's Services (S&P) and Moody's. To be eligible for investment, counterparties must satisfy minimum credit worthiness criteria.

The State holds various security deposits in the General Government Sector to the value of \$130 million (2017: \$106 million) and Total State Sector to the value of \$385 million (2017: \$328 million).

The State may obtain, or provide, collateral to support amounts due under derivative transactions with certain counterparties. The collateral may include cash or eligible securities obtained, or provided, when agreed market value thresholds are exceeded. There was \$135.6 million of collateral received under these arrangements at the reporting date (2017: \$151.2 million). The State had paid \$92.5 million of collateral under these arrangements during the year (2017: \$95.2 million).

### Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, cash invested in the TCorpIM Funds, and cash and deposits held at financial institutions. Interest is earned on daily bank balances at agreed rates. The TCorpIM Cash Fund is discussed in the section headed 'Price Risk' as it is affected by market price risk. The credit ratings of the 'other financial institutions' holding the non TCorpIM cash is within acceptable credit risk parameters.

### Receivables and Advances Paid

Debtors exist for the settlement of services that the State provides across the broad spectrum of its public services. In addition, the State has issued low interest or interest free loans for policy purposes, which are known as advances. Advances receivable include amounts provided for assistance to farmers and for certain transport infrastructure.

All debtors are recognised as amounts receivable at reporting date. Sales are made on terms appropriate to the sector providing the public service. Collectability of debtors is reviewed on an ongoing basis. Established procedures are followed to recover outstanding debt amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is evidence that the State will not be able to collect all amounts due.

The annual movement in the allowance for impairment is summarised below.

#### *Movement in Allowance for Impairment*

	General			
	Government Sector		Total State Sector	
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
<b>Opening Balance at 1 July</b>	<b>169</b>	<b>161</b>	<b>199</b>	<b>198</b>
Amounts Written Off During the Year	(55)	(42)	(61)	(50)
Amounts Previously Provided for Recovered During the Year	(1)	(2)	(1)	(3)
Increase/(Decrease) in Allowance Recognised in Profit or Loss	68	52	65	54
<b>Closing Balance at 30 June<sup>(a)</sup></b>	<b>181</b>	<b>169</b>	<b>202</b>	<b>199</b>

(a) Excludes statutory receivables and prepayments.

The State provides services to a broad spectrum of the NSW economy, for example for water and public housing. Debtors include individual households and commercial businesses with various credit ratings.

The State is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors in respect of financial instruments.

Receivables and advances paid that are not past due (General Government Sector 2018: \$4.8 billion; 2017: \$4.4 billion; Total State Sector 2018: \$4.3 billion; 2017: \$4.5 billion) represent 91 per cent of the total receivables and advances paid for the General Government Sector (2017: 91 per cent) and 87 per cent of the total receivables and advances paid for the Total State Sector (2017: 88 per cent). On the basis of materiality, information has not been collated for the State on the quantum of debtors which are currently not past due or impaired whose terms have been renegotiated.

The majority of amounts past due or impaired relate to the sale of goods and services. Therefore, the following analysis has been prepared for all receivables past due or impaired, and has not been dissected by component receivable.

#### *Financial Instruments Past Due or Impaired*

	General Government Sector		Total State Sector	
	Past due but not impaired \$m	Considered impaired \$m	Past due but not impaired \$m	Considered impaired \$m
<b>30 June 2018</b>				
Less than Three Months Overdue	162	14	222	19
Between Three Months and Six Months Overdue	58	17	99	19
Greater than Six Months Overdue	62	150	86	164
<b>Total</b>	<b>282</b>	<b>181</b>	<b>407</b>	<b>202</b>
<b>30 June 2017</b>				
Less than Three Months Overdue	163	7	246	13
Between Three Months and Six Months Overdue	53	14	90	16
Greater than Six Months Overdue	110	104	128	124
<b>Total</b>	<b>326</b>	<b>125</b>	<b>464</b>	<b>153</b>

Each column in the table reports 'gross receivables'.

The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7, and excludes receivables that are not past due and not impaired. Therefore, the total will not reconcile to the amount in the receivables note.

#### **Financial Assets at Fair Value and Other Financial Assets**

Financial assets at fair value include fiduciary activities administered by TCorp including TCorpIM Funds, managed asset portfolios, securities and placements, derivatives and other investments held directly by public sector agencies.

**TCorpIM Funds** – The investments within the TCorpIM Funds are unit holdings in a managed investment pool and, as such, do not give rise to direct credit risk. Credit risk within the TCorpIM Funds is managed through TCorp, as trustee contracting with a spread of managers and requiring in their mandates a series of controls over the concentration and credit quality of assets.

**Managed Asset Portfolios** – TCorp manages risk exposures applicable to specific fixed-interest investments of the State in accordance with an asset portfolio mandate agreed between the two parties. The various risks are managed by TCorp within limits stipulated in the portfolio mandate.

**Securities and Placements** – These include bank bills and certificates of deposit, securities sold under repurchase agreements, and government, semi-government and supranational bonds held by TCorp, mainly to cover the liquidity requirements of the State's borrowings.

**Term Deposits** – Term deposits recognised at amortised cost comprise of deposits with original maturities greater than 90 days and are held with other financial institutions.

## Categorisation and Concentration of Credit Risk

Fixed-interest holdings are categorised for credit risk by S&P or Moody's credit rating applicable to the underlying securities.

Credit risk applicable to investments is detailed in the tables below:

### General Government Sector

30 June 2018									
Credit Rating <sup>(a)</sup>	Note	AAA	AA+	AA	AA-	A+	A	Other Ratings <sup>(b)</sup>	Total
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Financial Assets at Carrying Amount<sup>(c)</sup></b>									
Derivative Financial Instruments	8	0	...	...	1	...	...	0	1
Other Financial Assets at Fair Value	8	213	...	15	...	1	1	92	322
Term Deposits	8	2,304	...	...	1,908	53	...	105	4,370
Finance Lease Receivable	8	...	...	...	...	...	...	981	981
Other Financial Assets at Amortised Cost	8	...	...	...	...	...	...	205	205
		<b>2,517</b>	<b>...</b>	<b>15</b>	<b>1,909</b>	<b>54</b>	<b>1</b>	<b>1,383</b>	<b>5,879</b>

30 June 2017									
Credit Rating <sup>(a)</sup>	Note	AAA	AA+	AA	AA-	A+	A	Other Ratings <sup>(b)</sup>	Total
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Financial Assets at Carrying Amount<sup>(c)</sup></b>									
Derivative Financial Instruments	8	48	...	...	...	...	...	...	48
Other Financial Assets at Fair Value	8	1,231	...	134	250	...	7	29	1,651
Term Deposits	8	135	126	...	5,091	51	...	207	5,610
Finance Lease Receivable	8	...	...	...	...	...	...	932	932
Other Financial Assets at Amortised Cost	8	...	...	...	...	...	...	236	236
		<b>1,414</b>	<b>126</b>	<b>134</b>	<b>5,341</b>	<b>51</b>	<b>7</b>	<b>1,404</b>	<b>8,477</b>

- (a) Amounts are assigned to the credit ratings categories based on information provided by individual agencies who use rankings assigned by S&P or Moody's Investor Services. "AAA", "AA+", "AA", "AA-", "A+", "A" displayed in the column headings are ratings categories by S&P that are comparable with "Aaa", "Aa1", "Aa2", "Aa3", "A1", "A2" ratings given by Moody's.
- (b) Short term ratings of A2 or better, when the counterparty has no long term rating or the long term rating is A- or lower.
- (c) This table excludes \$5,417 million (2017: \$8,731 million) of cash and cash equivalents held in TCorpIM Funds and other financial institutions with various credit ratings and \$32,255 million (2017: \$24,863 million) of financial assets held in TCorpIM Funds.

## Total State Sector

30 June 2018									
Credit Rating <sup>(a)</sup>	Note	AAA	AA+	AA	AA-	A+	A	Other Ratings <sup>(b)</sup>	Total
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Financial Assets at Carrying Amount<sup>(c)</sup></b>									
Securities and Placements	8	1,731	978	202	...	551	646	861	4,969
Derivative Financial Instruments	8	1	...	...	306	176	18	57	558
Other Financial Assets at Fair Value	8	2,585	...	24	25,384	746	13	4,367	33,118
Term Deposits	8	...	...	...	2,688	53	41	58	2,840
Finance Lease Receivable	8	...	...	...	...	...	...	1,411	1,411
Other Financial Assets at Amortised Cost	8	...	...	...	...	...	...	205	205
		<b>4,317</b>	<b>978</b>	<b>226</b>	<b>28,378</b>	<b>1,526</b>	<b>718</b>	<b>6,959</b>	<b>43,101</b>

<b>Other Adjustments for Items not on the Statement of Financial Position<sup>(d)</sup></b>									
Additional Potential Exposure to Derivatives		...	...	...	127	71	3	6	207
Additional Potential Exposure to Financial Instruments		...	0	5	...	1	3	2	11
		<b>4,317</b>	<b>978</b>	<b>231</b>	<b>28,505</b>	<b>1,598</b>	<b>724</b>	<b>6,967</b>	<b>43,319</b>

30 June 2017									
Credit Rating <sup>(a)</sup>	Note	AAA	AA+	AA	AA-	A+	A	Other Ratings <sup>(b)</sup>	Total
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Financial Assets at Carrying Amount<sup>(c)</sup></b>									
Securities and Placements	8	1,789	551	96	1,304	743	1,097	695	6,275
Derivative Financial Instruments	8	50	...	...	331	157	...	36	574
Other Financial Assets at Fair Value	8	3,678	...	477	20,244	90	19	1,200	25,708
Term Deposits	8	135	126	...	5,312	469	188	208	6,438
Finance Lease Receivable	8	...	...	...	...	...	...	1,250	1,250
Other Financial Assets at Amortised Cost	8	...	...	...	...	...	...	236	236
		<b>5,652</b>	<b>677</b>	<b>573</b>	<b>27,191</b>	<b>1,459</b>	<b>1,304</b>	<b>3,625</b>	<b>40,481</b>

<b>Other Adjustments for Items not on the Statement of Financial Position<sup>(d)</sup></b>									
Additional Potential Exposure to Derivatives		...	...	...	153	70	2	2	227
Additional Potential Exposure to Financial Instruments		...	2	4	...	3	3	2	14
		<b>5,652</b>	<b>679</b>	<b>577</b>	<b>27,344</b>	<b>1,532</b>	<b>1,309</b>	<b>3,629</b>	<b>40,722</b>

(a) Refer to footnote in General Government Sector table above.

(b) Refer to footnote in General Government Sector table above.

(c) This table excludes \$12,967 million (2017: \$13,855 million) of cash and deposits held in TCorpIM Funds and other financial institutions with various credit ratings.

(d) These items are additional credit exposures not reported on the Statement of Financial Position. These disclosures represent the market value convention for the calculation of credit exposure for derivative financial instruments. This convention is to add to the market value an amount of potential exposure as determined by reference to the length of time to maturity and face value.

## Liquidity Risk

### Liquidity Risk of Liabilities

Liquidity risk is the risk that the State will be unable to meet its payment obligations when they fall due. The State, through its agencies, continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets.

The State has a number of financial guarantees outstanding at 30 June 2018 with an estimated amortised value of \$3.0 million (2017: \$4.4 million) recognised in the Statement of Financial Position. The estimated value was calculated by independent valuers based on the probability of these guarantees being exercised.

It comprises three types of guarantees, with the largest one for Public Private Partnership (PPP) guarantees \$5.1 billion (2017: \$5.3 billion). The State has guaranteed that five agencies involved in PPPs will meet their obligations to pay for finance leases and services provided. These are long term agreements involving significant sums. It is very unlikely that the agencies would cease to pay the finance lease contracts on assets or meet payments for services they require for their operations.

### Liquidity Risk of Assets

The liquidity of State's investments is assured by the high-credit nature of the fixed interest investments within the TCorpIM Funds. TCorp is required to take market turnover and liquidity risk into account at the time of constructing the State's investment asset allocation.

In addition, Note 29 - Contingent Assets and Contingent Liabilities to these financial statements outlines contingent liabilities in respect of guarantees made to facilitate the provision of certain services, the construction of several infrastructure assets and guarantees associated with the previous disposal of certain assets.

Liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Trade terms vary, depending upon the service performed and the agreement made with the debtor.

### Maturity Analysis of Financial Liabilities

The table below summarises the maturity profile of the State's financial liabilities prepared using contractual undiscounted cash flows. This comprises loan commitments which include both borrowings at face value and future interest commitments.

#### General Government Sector

30 June 2018	Contract maturity:			Nominal Amount <sup>(a)</sup>
	1 year or less	1 to 5 years	Over 5 years	
	2018	2018	2018	
	\$m	\$m	\$m	\$m
<b>Financial Liabilities</b>				
Payables and Other Financial Liabilities	7,024	131	...	<b>7,155</b>
Advances Received	72	315	737	<b>1,124</b>
Domestic and Foreign				
Borrowings	1,656	12,978	23,182	<b>37,815</b>
Finance Leases	933	1,592	3,099	<b>5,624</b>
Derivative Liabilities <sup>(b)</sup>	0	2	...	<b>2</b>
<b>Total Financial Liabilities</b>	<b>9,685</b>	<b>15,018</b>	<b>27,017</b>	<b>51,721</b>
30 June 2017	Contract maturity:			Nominal Amount <sup>(a)</sup>
	1 year or less	1 to 5 years	Over 5 years	
	2017	2017	2017	
	\$m	\$m	\$m	\$m
<b>Financial Liabilities</b>				
Payables and Other Financial Liabilities	6,163	2	...	<b>6,166</b>
Advances Received	81	440	837	<b>1,358</b>
Domestic and Foreign				
Borrowings	1,912	14,790	21,867	<b>38,568</b>
Finance Leases	516	1,896	3,561	<b>5,973</b>
Derivative Liabilities <sup>(b)</sup>	17	4	...	<b>21</b>
<b>Total Financial Liabilities</b>	<b>8,689</b>	<b>17,132</b>	<b>26,265</b>	<b>52,086</b>

(a) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities and therefore will not reconcile to the Statement of Financial Position, which is based on fair value or amortised cost. The balances presented here include gross finance lease obligations, contractual amounts to be exchanged in a derivative financial instrument for which gross cash flows are exchanged, and gross loan commitments, i.e. borrowings at face value plus future interest commitments.

(b) The contract maturity analysis and liquidity risk of derivative liabilities is the best approximation derived from reasonable estimates that were calculated from information sourced from major NSW entities. These balances include estimated interest payments and exclude the impact of offsetting arrangements.

**Total State Sector**

30 June 2018	Contract maturity:			Nominal Amount <sup>(a)</sup> 2018 \$m
	1 year or less	1 to 5 years	Over 5 years	
	2018	2018	2018	
	\$m	\$m	\$m	\$m
<b>Financial Liabilities</b>				
Payables and Other Financial Liabilities	8,542	159	...	<b>8,701</b>
Advances Received	72	315	737	<b>1,124</b>
Domestic and Foreign				
Borrowings	10,821	30,447	33,797	<b>75,065</b>
Finance Leases	720	2,731	8,964	<b>12,415</b>
Derivative Liabilities <sup>(b)</sup>	449	913	768	<b>2,130</b>
<b>Total Financial Liabilities</b>	<b>20,605</b>	<b>34,565</b>	<b>44,265</b>	<b>99,435</b>

30 June 2017	Contract maturity:			Nominal Amount <sup>(a)</sup> 2017 \$m
	1 year or less	1 to 5 years	Over 5 years	
	2017	2017	2017	
	\$m	\$m	\$m	\$m
<b>Financial Liabilities</b>				
Payables and Other Financial Liabilities	7,339	9	...	<b>7,348</b>
Advances Received	81	440	837	<b>1,358</b>
Domestic and Foreign				
Borrowings	11,652	29,830	31,965	<b>73,447</b>
Finance Leases	815	3,103	11,228	<b>15,146</b>
Derivative Liabilities <sup>(b)</sup>	421	1,010	878	<b>2,309</b>
<b>Total Financial Liabilities</b>	<b>20,309</b>	<b>34,392</b>	<b>44,908</b>	<b>99,608</b>

(a) Refer to footnote in General Government Sector table above.

(b) Refer to footnote in General Government Sector table above.

**Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The State's exposures to market risk are primarily through:

- interest rate risk on the State's borrowings and investments
- price risks associated with the movement in the unit price of the TCorpIM Funds
- electricity and other price risks that affect specific revenue and expenses, and
- foreign exchange risk that could affect borrowings and the value of overseas purchases.

For interest rate risk and TCorpIM Funds price risk the effect on operating result and equity due to a reasonably possible change in a risk variable is outlined in the information below. A reasonably possible change in a risk variable has been determined after taking into account the economic environment in which the State operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the reporting date.

**Interest Rate Risk**

Exposure to interest rate risk arises primarily through the State's interest bearing assets and liabilities. This risk is managed by undertaking mainly fixed rate borrowings predominantly through TCorp and entering fixed interest deposits, primarily through TCorp.

TCorp manages the debt portfolio for the majority of the State's entities. A small number of other commercial entities engage private sector financial institutions to manage or advise on the management of their debt portfolios, or manage their own portfolios.

The State's exposure to interest rate risk is set out in the table below. The Interest Rate Risk Table reports the estimated sensitivity of a one per cent movement in interest rates to the operating result of the State.

A reasonably possible change of +/- one per cent is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

TCorp's borrowing and investment activities are disclosed in the following tables of Interest Rate Risk – Sensitivity Analysis. However, instead of applying the plus (or minus) one per cent sensitivity, a Value at Risk (VaR) model is used to measure the market risk exposures of the TCorp borrowings and investments in the Statement of Financial Position. VaR is calculated daily and represents an estimate of the loss that can be expected over a 10-day period, with a one per cent probability that this amount may be exceeded. Given TCorp's financial position at 30 June 2018, the maximum potential loss expected over a 10-day period is \$6.0 million (2017: \$9.3 million), with a one per cent probability that this maximum may be exceeded. The average VaR over the year ended 30 June 2018 was \$7.5 million (2017: \$11.3 million).

### Interest Rate Risk – Sensitivity Analysis

Exposure to interest rate risk arises primarily through the State's interest bearing liabilities.

Movements in the sensitivity to interest rates between periods are due to changes in the amount of variable rate borrowings and interest rate contracts.

#### General Government Sector

	Note	Carrying Amount \$m	-1% Operating Result <sup>(a)</sup> \$m	Equity \$m	1% Operating Result <sup>(a)</sup> \$m	Equity \$m
<b>2018</b>						
<b>Financial Assets</b>						
Cash and Cash Equivalents <sup>(b)</sup>	6	5,417	(54)	(54)	54	54
Investments, Loans and Placements						
Financial Assets at Fair Value						
- Administered by TCorp <sup>(c)</sup>	8	32,255	...	...	...	...
Other Financial Assets						
- Term Deposits	8	4,370	(44)	(44)	44	44
- Other	8	205	(2)	(2)	2	2
<b>Financial Liabilities</b>						
Borrowings - from TCorp	20	29,457	...	...	...	...
<b>2017</b>						
<b>Financial Assets</b>						
Cash and Cash Equivalents <sup>(b)</sup>	6	8,731	(83)	(83)	83	83
Investments, Loans and Placements						
Financial Assets at Fair Value						
- Administered by TCorp <sup>(c)</sup>	8	24,863	...	...	...	...
Other Financial Assets						
- Term Deposits	8	5,610	(56)	(56)	56	56
- Other	8	236	(2)	(2)	2	2
<b>Financial Liabilities</b>						
Borrowings - from TCorp	20	29,720	...	...	...	...

(a) A decrease (increase) of one percentage point in interest rates on variable financial instruments at reporting date would have increased (decreased) the operating result by the amounts shown. This analysis assumes that fixed rate instruments held at 30 June will be reinvested upon maturity in fixed (and not floating) rate instruments, and all other variables remain constant. Where the carrying amount is impacted, this amount is multiplied by +/- one per cent.

(b) Excludes TCorpIM Cash Fund addressed separately in Price Risk.

(c) Excludes TCorpIM Financial Assets at Fair Value addressed separately in Price Risk.

*Total State Sector*

	Note	Carrying Amount \$m	-1% Operating Result <sup>(a)</sup> \$m	Equity \$m	1% Operating Result <sup>(a)</sup> \$m	Equity \$m
<b>2018</b>						
<b>Financial Assets</b>						
Cash and Cash Equivalents <sup>(b)</sup>	6	12,967	(130)	(130)	130	130
Investments, Loans and Placements						
Financial Assets at Fair Value						
- Administered by TCorp <sup>(c)</sup>	8	4,969	(50)	(50)	50	50
Other Financial Assets						
- Term Deposits	8	2,840	(28)	(28)	28	28
- Other	8	205	(2)	(2)	2	2
<b>Financial Liabilities</b>						
Borrowings - Issued by TCorp <sup>(d)</sup>	19	62,039	...	...	...	...
<b>2017</b>						
<b>Financial Assets</b>						
Cash and Cash Equivalents <sup>(b)</sup>	6	13,855	(139)	(139)	139	139
Investments, Loans and Placements						
Financial Assets at Fair Value						
- Administered by TCorp <sup>(c)</sup>	8	6,275	(63)	(63)	63	63
Other Financial Assets						
- Term Deposits	8	6,438	(64)	(64)	64	64
- Other	8	236	(2)	(2)	2	2
<b>Financial Liabilities</b>						
Borrowings - Issued by TCorp <sup>(d)</sup>	19	62,439	...	...	...	...

- (a) Refer to footnote in General Government Sector table above.
- (b) Refer to footnote in General Government Sector table above.
- (c) Refer to footnote in General Government Sector table above.
- (d) Refer to VaR analysis in Interest Rate Risk section.

**Price Risk**

The State's main exposures to price risk result from changes in market prices of its TCorpIM Funds.

*TCorpIM Funds*

The State holds units in the following TCorpIM Funds, which are held for strategic rather than trading purposes. The funds comprise a series of managed funds which are subject to volatility in their unit prices. Each fund comprises a different underlying type of investment, with associated risks and investment horizons.

Trust <sup>(a)</sup>	Investment Sectors	Investment Horizon	General		Total State Sector	
			Government Sector 2018	Government Sector 2017	2018	2017
			\$m	\$m	\$m	\$m
Cash Fund	Cash, money market instruments	Up to 1.5 years	437	393	...	...
Strategic Cash Fund	Cash, money market instruments	1.5 years to 3 years	26	4	...	...
Medium Term Growth Fund	Cash, money market instruments, Australian and International bonds, listed property, Australian shares	3 years to 7 years	282	129	...	...
Long Term Growth Fund	Cash, money market instruments, Australian and international bonds, listed property, Australian shares	7 years and over	1,005	889	...	...
Insurers' Guarantee Fund Investment Trust	Cash, money market instruments, Australian and international bonds, listed property, Australian shares	7 years and over	195	188	...	...
Treasury Managed Fund Investment Portfolio	Cash, money market instruments, Australian bonds, listed and unlisted property, Australian, international and emerging market shares	Long Term	7,937	7,482	...	...
Australian Shares Sector	Listed Australian equities	5 years and over	...	28	...	...
International Share (Hedged) Sector	International shares	5 years and over	...	37	...	...
ICNSW Australian Equities Fund	Listed Australian equities	5 years and over	115	...	...	...
ICNSW International Equities Fund	Listed Global (ex Australia) equities	5 years and over	140	23	...	...
ICNSW International Equities Hedged Fund	Listed Global (ex Australia) equities, FX contracts	5 years and over	47	...	...	...
Emerging Market Shares Fund	Emerging market shares	5 years and over	58	48	...	...
Unlisted Property Sector	Retail, office and industrial property assets	10 years and over	135	122	...	...
Unlisted Infrastructure Fund	Unlisted Managed Investment Funds	10 years and over	62	49	...	...
NSW Infrastructure Future Fund	Cash, Australian shares, International shares, emerging market equities, Australian bonds and investment grade credit	10 years and over	19,447	14,681	...	...
Long Service Corporation Investment Facility Trust	Cash, money market instruments, Australian bonds, listed bonds, listed property, Australian and international shares	7 years and over	1,327	1,082	...	...
Alternatives Risk Premium Fund	Listed Australian and Global equities, Australian and international bonds, currencies, commodities, derivatives	5 years and over	35	...	...	...
Social and Affordable Housing Fund Investment Trust	Cash, Australian shares, International shares, emerging market equities, Australian bonds and investment grade credit	5 years and over	1,084	...	...	...
Cyclical Growth Australian Share Fund	Listed Australian Equities	5 years and over	74	79	...	...
Cyclical Growth International Share Fund	Listed Global (ex Australia) equities	5 years and over	63	22	...	...
Bank Loan Fund	Global bank loans	5 years and over	36	...	...	...
Emerging Market Debt Fund	Emerging market government and corporate bonds	5 years and over	47	...	...	...
The State's TCorpIM Funds			<b>32,553</b>	<b>25,255</b>	...	...

(a) The 2017 comparative trust balances have been restated to ensure consistency with fund categories evident in the 2018 reporting period.

The TCorpIM Investment trusts are designated at fair value through profit or loss and therefore any change in unit price impacts directly on the operating result. The unit price of each trust is equal to the total fair value of the net assets held by the trust divided by the number of units on issue for that trust. Unit prices are calculated and published daily.

For each of the above trusts, as trustee, TCorp has appointed external managers to manage the performance and risks of each trust in accordance with a mandate agreed by the parties. However, TCorp acts as manager for part of the Cash Fund and for the Strategic Cash Fund. The NSW Infrastructure Future Fund consists predominately of Restart NSW monies.

Investment in the TCorpIM Funds limits the State's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

The following table provides sensitivity analysis information for each of the TCorpIM trusts, using historically based volatility information collected over a 10 year period, quoted at two standard deviations (i.e. 95 per cent probability).

A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value at 30 June each year for each trust.

### Price Risk Sensitivity Analysis of the TCorpIM Funds

Trust <sup>(a)</sup>	Change in Unit	Change in Unit	General			
	Price	Price	Government Sector		Total State Sector	
	2018	2017	2018	2017	2018	2017
			\$m	\$m	\$m	\$m
Cash Fund	+/-1.0%	+/-1.0%	4	4	...	...
Strategic Cash Fund	+/-0.3%	+/-0.5%	0	0	...	...
Medium Term Growth Fund	+/-6.0%	+/-7.0%	17	9	...	...
Long Term Growth Fund	+/-15.0%	+/-16.0%	151	142	...	...
Insurers' Guarantee Fund Investment Trust	+/-8.0%	+/-22.0%	16	41	...	...
Treasury Managed Fund Investment Portfolio	+/-16.0%	+/-18.0%	1,270	1,347	...	...
Australian Shares Sector	...	+/-28.0%	...	8	...	...
International Share (Hedged) Sector	...	+/-21.0%	...	8	...	...
ICNSW Australian Equities Fund	+/-17.0%	...	20	...	...	...
ICNSW International Equities Fund	+/-16.0%	+/-17.0%	22	4	...	...
ICNSW International Equities Hedged Fund	+/-13.0%	...	6	...	...	...
Emerging Market Shares Fund	+/-18.0%	+/-19.0%	10	9	...	...
Unlisted Property Sector	+/-5.0%	+/-5.0%	7	6	...	...
Unlisted Infrastructure Fund	+/-9.0%	+/-10.0%	6	5	...	...
NSW Infrastructure Future Fund	+/-4.0%	+/-4.0%	778	587	...	...
Long Service Corporation Investment Facility Trust	+/-14.0%	+/-16.0%	186	173	...	...
Alternatives Risk Premium Fund	+/-6.0%	...	2	...	...	...
Social and Affordable Housing Fund Investment Trust	+/-7.0%	...	76	...	...	...
Cyclical Growth Australian Share Fund	+/-17.0%	+/-19.0%	13	15	...	...
Cyclical Growth International Share Fund	+/-15.0%	+/-18.0%	9	4	...	...
Bank Loan Fund	+/-2.0%	...	1	...	...	...
Emerging Market Debt Fund	+/-0.3%	...	0	...	...	...

(a) 2017 comparative period price risk analysis has been performed on restated trust balances.

The table above shows that the State's dollar exposure to TCorpIM Funds price risk can be relatively significant, particularly for its holdings in the Long Term Growth Fund, Treasury Managed Fund Facilities, NSW Infrastructure Future Fund and Long Service Corporation Investment Facility Trust. These funds are underpinned by heavier weightings in share and property growth assets. It should be expected that, while there can be short-term volatility in annual returns, they will return higher long term returns than the Cash or Strategic Cash Funds. In particular, the Treasury Managed Fund investments are held beyond the short-term to reflect the longer-term payment horizon for insurance claims, which can extend beyond a few years.

## Foreign Exchange Risk

The State, through its consolidated entities, has policies and procedures in place and utilises foreign exchange derivatives to minimise foreign exchange risk.

### *Borrowings*

In order to achieve the most cost-effective funding of the State's debt, TCorp conducts a number of debt issues in foreign currencies in foreign capital markets.

Foreign exchange risk, arising from offshore borrowings undertaken in foreign currencies to fund Australian dollar assets, is covered by entering into Australian dollar cross-currency swaps and forward foreign exchange contracts.

Forward foreign exchange contracts with clients are covered by corresponding forward exchange contracts with market counterparties. In the majority of these arrangements the clients indemnify TCorp for any credit exposure arising from the corresponding transaction with the market counterparty.

### *Other Purchase and Sale Commitments*

Entities in the NSW Total State Sector enter into forward foreign exchange contracts to hedge certain purchase and sale commitments entered into in the normal course of business. These contracts cover the purchase of capital equipment and supplies for state electricity and transport authorities and arts agencies.

## Foreign Exchange Contracts Denominated in their Foreign Currency

	General Government Sector		Total State Sector	
	2018	2017	2018	2017
<b>Buy Currency</b>	In Foreign Currency Millions			
Euro	17	14	21	16
Japanese Yen	...	7	...	7
United Kingdom Pound	...	0	1	2
United States Dollar	1	0	15	19

The foreign currency risk is not considered material in terms of a possible impact on the operating result and total equity and, as such, a sensitivity analysis has not been completed. The total exposure in Australian dollars is estimated at \$53 million (2017: \$49 million).

## Note 26: Trusts Under Management

Trusts under management are held on behalf of beneficiaries and are not controlled by the State. Therefore, in principle, these trusts are not recognised as assets or liabilities on the Statement of Financial Position. However, \$115 million (2017: \$97 million) of these trusts funds are invested in TCorpIM Funds.

As the State controls the TCorpIM Funds, the portion of these trusts that are invested in TCorpIM Funds are recognised as assets in the State accounts, while liabilities of the same amounts are also recognised to reflect the interest not controlled by the State, as trusts under management are not attributable, directly or indirectly, to the State.

	General		Total State Sector	
	Government Sector 2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Trust Funds:				
NSW Trustee and Guardian <sup>(a)</sup>	2,923	2,896	2,923	2,896
Rental Bond Board	1,523	1,424	1,523	1,424
State Insurance Regulatory Authority	1,298	1,376	1,298	1,376
NSW Treasury Corporation	...	...	1,243	987
Department of Industry	189	181	189	181
Biodiversity Conservation Trust of NSW <sup>(b)</sup>	87	61	87	61
Department of Planning and Environment	67	164	67	164
Department of Finance, Services and Innovation	65	66	65	66
Other <sup>(c)</sup>	118	211	118	211
	<b>6,270</b>	<b>6,379</b>	<b>7,513</b>	<b>7,366</b>

(a) The Trust balances exclude certain property assets administered by NSW Trustee and Guardian as they cannot be reliably measured.

(b) The NSW Biodiversity Conservation Trust (BCT) was legally constituted on 25 August 2017. The management of the Biodiversity Stewardship Payments Fund, formerly known as the Biobanking Trust Fund, was transferred from Environmental Trust to the BCT. The balance of the fund in 2017 (\$61m) was reported within 'Other'.

(c) 'Other' includes Ministry of Health.

## Note 27: Finance and Operating Leases

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

### Finance Leases

Finance leases are recognised in the Statement of Financial Position by the lessee as assets and liabilities and measured initially at the fair value, or if lower at the present value, of the minimum lease payments. The leased asset is depreciated on a straight line basis over the shorter of the term of the lease and its useful life or, where it is likely that the entity will obtain ownership of the asset, the useful life of the asset to the entity. The finance lease liability is determined in accordance with AASB 117 Leases. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lessor in a finance lease initially recognises a lease receivable for an amount equal to the net investment in the lease, and subsequently recognises finance income based on a pattern reflecting a constant periodic rate of return on the net investment in the lease.

Long term leases of land are classified as finance leases receivable. This recognises that substantially all the risks and rewards incidental to ownership of the land are transferred to the lessee.

### Operating Leases

Operating lease payments and receipts are recognised in the Statement of Comprehensive Income by the lessor and charged to the operating result on a straight lines basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### Leasehold Improvement

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.

### Leases as Lessee

#### Future Minimum Lease Payments

At 30 June the future minimum lease payments under non-cancellable leases were payable as follows:

Finance Lease Commitments - Payables	General			
	Government Sector		Total State Sector	
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Finance Leases	2,984	3,088	5,302	6,391
	<b>2,984</b>	<b>3,088</b>	<b>5,302</b>	<b>6,391</b>
<b>Future Minimum Lease Payments Under Non-Cancellable Finance Leases:</b>				
Not Later Than One Year	933	516	720	815
Between One and Five Years	1,592	1,896	2,731	3,103
Later Than Five Years	3,099	3,561	8,964	11,228
Minimum Lease Payments	5,624	5,973	12,415	15,146
Less: Future Finance Charges	(2,640)	(2,885)	(7,113)	(8,755)
<b>Present Value of Minimum Lease Payments</b>	<b>2,984</b>	<b>3,088</b>	<b>5,302</b>	<b>6,391</b>
<b>Finance Lease Liabilities Resulting in Contingent Rental Expense</b>	<b>7</b>	<b>10</b>	<b>7</b>	<b>10</b>

Operating Lease Commitments - Payables	General		Total State Sector	
	Government Sector	2017	2018	2017
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
<b>Future Minimum Lease Payments Under Non-Cancellable</b>				
<b>Operating Leases:</b>				
Not Later Than One Year	833	876	971	1,018
Between One and Five Years	1,980	2,176	2,268	2,428
Later than Five Years	1,248	1,518	1,495	1,800
	<b>4,061</b>	<b>4,570</b>	<b>4,735</b>	<b>5,246</b>

## Leases as Lessor

### Future Minimum Lease Payments

At 30 June the future minimum lease payments under non-cancellable leases were receivable as follows:

Finance Lease Commitments - Receivables	General		Total State Sector	
	Government Sector	2017	2018	2017
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Finance Leases	981	932	1,411	1,250
	<b>981</b>	<b>932</b>	<b>1,411</b>	<b>1,250</b>

### Future Minimum Lease Receipts Under Finance Leases are Receivable for each of the Following Periods:

Not Later Than One Year	32	20	78	65
Between One and Five Years	519	531	602	630
Later Than Five Years	4,030	2,804	11,738	10,363
Gross Investment in the Lease	4,581	3,355	12,417	11,058
Less: Future Interest Revenues	(3,600)	(2,423)	(11,007)	(9,808)
<b>Present Value of Minimum Lease Payments Receivable and Unguaranteed Residual Value</b>	<b>981</b>	<b>932</b>	<b>1,411</b>	<b>1,250</b>

### Finance Lease Receivables Resulted In:

Present value of the Unguaranteed Residual Values Accruing to Lessors Benefit <sup>(a)</sup>	420	387	440	401
Contingent Rents Recognised as Income	1	1	4	1

(a) 2016-17 has been restated to include Unguaranteed Residual Values Accruing to Lessors Benefit not previously identified.

Finance lease receivables includes a residual emerging interest in the port assets amounting to \$217 million (2017: \$203 million) in the General Government Sector and \$307 million (2017: \$287 million) in the Total State Sector and in the electricity network assets amounting to \$115 million (2017: \$105 million) in the General Government Sector and Total State Sector for 2017-18.

Operating Lease - Receivables	General		Total State Sector	
	Government Sector	2017	2018	2017
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
<b>Future Operating Lease Rentals not Provided for in the Financial Statements and Receivable:</b>				
Not Later Than One Year	141	112	200	154
Later Than One Year and Not Later Than Five Years	397	258	503	375
Later Than Five Years	737	579	1,086	929
	<b>1,274</b>	<b>950</b>	<b>1,789</b>	<b>1,458</b>

## Note 28: Expenditure Commitments

The following information represents expenditure contracted for at the reporting date, but not recognised in the financial statements.

	General		Total State Sector	
	Government Sector		2018	2017
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
<b>Capital Expenditure</b> (including expenditure for private sector financed infrastructure assets)				
Transport for NSW	4,657	4,874	4,638	4,868
Roads and Maritime Services	3,256	3,642	3,249	3,629
Ministry of Health <sup>(a)</sup>	2,137	1,009	2,137	1,009
WCX M5 Corporation Proprietary Limited <sup>(b)</sup>	...	...	1,621	2,693
Sydney Water Corporation	...	...	812	926
Department of Justice	568	439	568	439
WCX M4 Corporation Proprietary Limited <sup>(b)</sup>	...	...	317	1,327
Water NSW	...	...	280	49
Venues NSW	...	...	174	261
New South Wales Telecommunications Authority	104	27	104	27
NSW Police Force	91	36	91	36
New South Wales Land and Housing Corporation	...	...	73	107
Department of Industry	52	3	52	3
Zoological Parks Board	...	...	52	37
Essential Energy	...	...	47	19
Hunter Water Corporation	...	...	40	42
Department of Education	39	230	39	230
Sydney Opera House Trust	...	...	35	57
Other	77	115	137	140
	<b>10,981</b>	<b>10,374</b>	<b>14,466</b>	<b>15,900</b>
<b>Goods and Services Tax (GST) on Commitments<sup>(c)</sup></b>				
GST input tax credits included in the above Capital Expenditure commitments:	998	943	1,315	1,446
	<b>998</b>	<b>943</b>	<b>1,315</b>	<b>1,446</b>
<b>Capital Expenditure Commitments:</b>				
Not later than one year	5,275	6,169	7,550	9,733
Later than one year and not later than five years	5,631	4,201	6,827	5,993
Later than five years	75	4	89	174
	<b>10,981</b>	<b>10,374</b>	<b>14,466</b>	<b>15,900</b>

(a) Capital commitments include reconfiguration of the Randwick Campus and redevelopment of Gosford, Westmead and Blacktown/Mount Druitt hospitals.

(b) Reduction in the capital commitments as at 30 June 2018 reflects the progress in project activities for M4 and M5 made during FY18.

(c) The above expenditure commitments are inclusive of GST. GST input tax credits (debits) are expected to be recoverable from (payable to) the Australian Taxation Office.

## Note 29: Contingent Assets and Contingent Liabilities

Contingent assets and contingent liabilities are possible future assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly in the control of the State. In this note, contingent assets and liabilities have been classified into quantifiable (where its financial effect is able to be estimated) or non-quantifiable.

Guarantees are provided to facilitate the provision of certain services and the construction of several infrastructure assets may give rise to contingent liabilities.

### Contingent Liabilities

#### Quantifiable Contingent Liabilities

	General		Total State Sector	
	Government Sector		2018	2017
	2018	2017	2018	2017
	\$m	\$m	\$m	\$m
Department of Justice <sup>(a)</sup> (Claims in Respect of Compensation and Litigation)	492	463	492	463
Roads and Maritime Services <sup>(b)</sup> (Contractual Claims and Litigation)	892	701	892	701
Transport for NSW (Contractual Claims and Litigation)	0	3	0	3
Other Agencies	13	9	24	19
	<b>1,397</b>	<b>1,176</b>	<b>1,408</b>	<b>1,186</b>

(a) The Victims' Support Scheme (VSS) was created on 3 June 2013 through legislation known as the *Victims' Rights and Support Act 2013*. Given the range of key uncertainties, the amount attributable to IBNR liabilities under the VSS could reasonably lie within the range of \$282 million to \$492 million (2017: \$231 million to \$463 million). As the VSS matures, the Department's actuary will be able to determine a more reliable estimate to be used in future liability provisioning.

(b) The majority of this movement relates to outstanding litigation matters regarding large scale property acquisitions as part of various projects.

#### Non-quantifiable Contingent Liabilities

Details are summarised below of the most significant contingent liabilities which are all fully disclosed in the accounts of individual agencies.

Unless otherwise stated, the General Government contingent liabilities are also applicable to the Total State Sector. Included in these are:

- The State has a contingent liability under the *Native Title Act 1993 (Cth)* and the *Native Title (New South Wales) Act 1994*. The extent of the liability cannot be quantified. The liability arises because:
  - The State has an obligation to pay compensation to native title holders in respect of past acts and intermediate period acts (i.e. acts undertaken between October 1975 and December 1996 which were invalid because of native title), which were validated by operation of the *Native Title Act 1993* and the *Native Title (New South Wales) Act 1994*, and those arising from the undertaking of future acts (i.e. acts which affect native title undertaken after 1 January 1994 and for which the *Native Title Act 1993* provides that compensation is payable) by the State and its instrumentalities.

The State has an indemnity under Section 104 of the *Native Title (New South Wales) Act 1994* with respect to compensation arising from a compulsory acquisition of native title by an authority which is not the Crown in the right of the State.

  - During the 2017-18 year, 837,065 hectares (2016-17: 638,641 hectares) of operational timber reserves were subject to claims under the *Native Title (New South Wales) Act 1994*. The impact of these claims cannot be quantified at this time.

- The assets of the State in the form of reserved Crown land may be reduced in value by operation of the *Aboriginal Land Rights Act 1983* (NSW). Applications may result in land being transferred for no consideration. The State has approximately 33,452 Aboriginal Land Claims to review. These applications have not been finalised and it is therefore not possible to estimate the financial impact or result of the claims.
- There are a number of significant disputes which have been notified to and by Transport for NSW in relation to its activities. There is significant uncertainty as to whether any future liability will arise in respect of these disputes. The amount of the liability that may arise in relation to these disputes cannot be measured reliably at this time.
  - A contractor engaged by the ALTRAC Light Rail Consortium has started proceedings in the Supreme Court of NSW against Transport for NSW alleging misleading or deceptive conduct. Transport for NSW denies that it engaged in any such conduct and will defend the proceedings. As the outcome of these proceedings are uncertain, it is not possible to estimate any potential financial effect.
  - After balance date, a statement of claim was filed in the Supreme Court of NSW alleging public and private nuisance as a result of the Sydney Light Rail project. The proceedings have been brought as representative proceedings. It is not possible to at this stage to estimate any potential financial effect from these proceedings.
  - Apart from the above matters, there are a number of other disputes related to property acquisitions and contractual claims subject to litigation. The amount of the liability, if any, that may arise in relation to the majority of these disputes cannot be reliably measured at this time.
- Claims have been made against the State for compensation for land acquired under the *Land Acquisition (Just Terms Compensation) Act 1991*. The Land and Environment Court will consider these claims in due course.
- Through the proactive assessment of high risk categories of potentially contaminated land; the State has identified 164 high risk sites (2017: 163 high risk sites) on Crown land which are likely to have some degree of contamination. Most of these sites are subject to preliminary site investigations or clean up works which may determine a lower risk rating. Where remediation works are identified a provision is made. It is considered that the existence of contaminated sites will not have a material impact on the overall value of the State's land holdings.
- The State treats the receipt of unclaimed money to the Consolidated Fund as income. However, claims can be legally lodged for several years after the money is paid into the Fund. Future claims for the return of these monies cannot be estimated and thus, is a contingent liability for the State.
- NSW TAB, a wholly owned subsidiary of Tabcorp, holds a 99-year licence to conduct totalizator betting in New South Wales. The licence included a 15-year 'exclusivity period' which expired on 22 June 2013. The State has agreed to extend TAB's exclusivity licence for a further 20 years to 2033 for \$75 million. Under the agreement, the State must compensate Tabcorp if any adverse regulatory event occurs. The amount to be refunded is the initial payment reduced by \$2.5 million for each year between the year of receipt and when the adverse regulatory event occurs.
- The State made a number of warranties in relation to the sale of Delta Electricity's Western Assets, Eraring Energy, Vales Point Power Station, Colongra Power Station, Macquarie Generation and the 99-year leases of TransGrid, Ausgrid and Endeavour Energy network assets:

*Pre-existing contamination liability*

- the State retains the costs for remediating pre-existing contamination at the Eraring, Shoalhaven, Mt Piper, Vales Point, Colongra, Bayswater and Liddell power stations sites to minimum legal standards. Contamination is determined by reference to base line study or studies within certain time restrictions.

*General warranties*

- under the various Sale and Purchase and Lease transactions, the State has potential liabilities under various warranties, indemnities and guarantees provided to the purchaser and lessees. Warranties are subject to various caps, carve-outs and time restrictions.

*Coal haul road liability*

- if existing Aboriginal land right claims affect Crown Land titles over the coal haul road from Newstan Colliery to the Eraring Power station, compensation will be payable by the State to the native title holders to negotiate a continued right to use. The State's obligations end (in respect of each existing Aboriginal Land Claim): 12 months after the date on which the Minister or Court (as applicable) determines that Crown Land subject to an existing Aboriginal Land Claim is not claimable land or an easement or similar for the purposes of the Coal Haul Road is granted to the indemnified party; or the date on which an existing Aboriginal Land Claim is withdrawn or terminated.

*Ash dam liability*

- as part of the Eraring Sale, the State will pay half the incremental cost of implementing an alternative arrangement for ash disposal if the existing proposal (as at 1 August 2013) for further backfilling at the ash dam cannot be implemented. The State's liability ceases if the issue is not resolved by 1 August 2023. The State will also retain the costs for remediating ash dam contamination (migration of contamination in water from ash dams) at Vales Point Power Station.
- State agencies and corporations are subject to various claims and litigation in the normal course of operations. The quantum of these claims cannot accurately be determined.

**Guarantees and Indemnities**

Guarantees have been provided to facilitate the provision of certain services and the construction of several infrastructure assets, which may give rise to contingent liabilities. Unless otherwise stated, the General Government guarantees are also applicable to the Total State Sector.

The major guarantees are:

- State guarantees given to various organisations under statute mainly relate to certain co-operative housing societies. The maximum exposure as at 30 June 2018 is \$23 million (2017: \$26 million).
- Issued securities, borrowings and derivative liabilities of the NSW Treasury Corporation with a market value of \$65.5 billion (2017: \$64.9 billion) have been guaranteed by the NSW Government under the *Public Authorities (Financial Arrangements) Act 1987*.
- In addition to the warranties, the State made the following guarantees and indemnities in relation to the sale of Vales Point Power Station, Colongra Power Station and Macquarie Generation:

*Vales Point Hand Back Deed*

- where an option is exercised under the Hand Back Deed, the State will be responsible for the demolition and remediation of Vales Point and the Site Land.

*Land remediation indemnity*

- the State has indemnified the purchasers in relation to the cost to remediate land at the various power station sites, subject to various conditions and time frames.

*Barnard River Scheme native title indemnity*

- the State has indemnified AGL for costs related to any native title claims affecting a parcel of Crown land related to the Barnard River Scheme.

- The State has guaranteed the obligations and performance of various statutory authorities under contracts with private sector parties. These guarantees are considered unlikely to ever be exercised and, in some cases, are limited to financial obligations only. The current guarantees in place are:
  - North West Rail Link – Operations, Trains and Systems
  - Sydney Light Rail
  - WestConnex
  - NorthConnex
  - Sydney Harbour Tunnel
  - M2 Motorway
  - Eastern Distributor
  - Cross City Tunnel
  - Lane Cove Tunnel
  - Western Sydney Orbital (Westlink M7 Motorway)
  - Eastern Creek Alternative Waste Treatment Plant
  - Macarthur Water Filtration Plant
  - Sydney Metro City & Southwest: Tunnel and Station Excavation Works
  - New Grafton Correctional Centre
  - Illawarra and Woronora Water Treatment Plant
  - Prospect Water Filtration Plant and Treatment Works
  - Northern Beaches Hospital
  - Long Bay Prison and Forensic Hospital
  - Mater Hospital
  - Orange Hospital Redevelopment
  - Royal North Shore Hospital Redevelopment
  - Olympic Multi-Use Arena
  - Suburban Rolling Stock
  - VISY Mill: Tumut Timber Supply Agreement
  - Sydney International Convention, Exhibition and Entertainment Precinct.
  - Newcastle Integrated Service Operator
  - New Intercity Fleet
  - Sydney Growth Trains
  
- NSW Treasury Corporation has undertakings for other government authorities for their performance under contracts with third parties. At the reporting date they were valued at \$84 million (2017: \$103.7 million).
- The State bears the risk of the employer's superannuation guarantee contributions being insufficient to fund the defined employee benefits (in respect of past and future service liabilities) for certain ex-public sector employees following the State's decision to sell the businesses. The State must pay the contribution shortfall on an annual basis and is obliged to make good any employer reserve shortfall upon the insolvency of the employer. Indemnities have also been provided to the private sector employer in respect of loss suffered, for example, from non-payment of an unfunded amount or tax losses suffered due to payments by the State.
- The State has provided a Deed of Indemnity to the directors and designated senior management of some state-owned corporations (SOC). This deed indemnifies them against claims and liabilities in connection with the Energy Industry Reform Transactions (Transaction Process).
 

The directors and designated senior management covered by this indemnity are the directors and designated senior management of Essential Energy and the former directors and designated senior management of Eraring Energy, Ausgrid, Macquarie Generation, Endeavour Energy and Delta Electricity. To the extent permitted by law, the indemnity covers each indemnified party, in their capacity as directors or senior management, against:

  - civil liability arising in respect of the Transaction Process if such liability is or was not due to conduct which involved a lack of good faith on the part of the indemnified party, and
  - costs in defending proceedings, whether civil or criminal, in which judgement is or was given in favour of the indemnified party or in which the indemnified party is or was acquitted or where the proceedings are discontinued or in connection with any application in relation to a proceeding in which a court grants or granted relief to the indemnified party.

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

- the completion of the Transaction Process, and
- for seven years following the completion of the Transaction Process for any acts or omissions of the indemnified party occurring before completion of the Transaction Process.

The indemnity does not apply in respect of a liability which arises out of any act or omission on the part of the indemnified party that involves, among others as detailed in the Deed of Indemnity, gross negligence, recklessness and conduct contrary to any written direction or instructions to the indemnified party made by or on behalf of the State.

It is not possible to estimate the amount of contingent liability exposure at this time. There are no known claims as at the reporting date.

- In entering the 99-year lease of land and fixtures at Port Kembla, Port Botany and Enfield and 98-year lease at Port of Newcastle:
  - the State has indemnified the Port lessees in respect of pre-existing environmental damage or contamination at relevant sites (no known claims as at the reporting date) and
  - the State has guaranteed limited compensation to financiers if the Port Leases are terminated for any reason.
- State owned electricity distributors provide guarantees to regulatory and statutory authorities to the value of \$23.8 million (2017: \$27 million).

### **Contingent Assets**

Contingent assets exist in respect of guarantees received and from pending litigation. These include:

- As a result of the collapse of HIH Insurance Limited, the State assumed liabilities of approximately \$650 million. This was in respect of building warranty and third party motor insurance. An independent actuary estimated the discounted present value of the outstanding liability to be \$15.7 million as at 30 June 2018 (2017: \$33.9 million). The liquidators of HIH Insurance Limited currently intend to distribute various percentages up to 'more than 50 per cent' depending upon the scheme company. In 2017-18, the State received no payments. (2017: \$5.4 million).

## Note 30: Events after the Reporting Period

### Sale of Sydney Motorway Corporation

On 16th August 2017, the NSW Government confirmed it would pursue a sale of a 51 per cent stake in Sydney Motorway Corporation (SMC). The NSW Government undertook a competitive process for the sale of SMC.

On 31st August 2018, the NSW Government announced it had signed with the preferred bidder, Sydney Transport Partners. The consortium paid \$9.26 billion, to the State, for the stake on 27 September 2018.

### Land and Housing Corporation - Transfer of Tenancy Management Responsibilities

The vision of the NSW Government for social housing as set out in its Future Directions for Social Housing in NSW publication requires the transfer of significant tenancy management responsibility to non-government housing providers. Land and Housing Corporation (LAHC) is undertaking a management transfer program to increase the share of its social housing portfolio that is managed by community housing providers (CHPs). The tenancy management of around 14,000 properties will be transferred to these providers over the next 3 years, such that the community housing sector will eventually manage up to 35% of all social housing in NSW. The management transfer program will lead to a reduction in both net rental and property related expenditure, however the properties will remain owned and controlled by LAHC. Preliminary indications are that net rental revenues are expected to reduce because of the proposed change in tenancy management arrangements. An estimate of the financial effect cannot be made at this stage.

### Newcastle Bus and Ferry Operations

The Sydney Metropolitan Bus Service Contract for the Southern region expired on 30 June 2018. A new private sector operator has commenced service of this region from 1 July 2018. The transfer of assets, excluding cash, order by the Minister for Transport and Infrastructure was completed on 1 July 2018, for approximately \$722 million.

### Department of Family and Community Services – Disability Services

The Department of Family and Community Services operates Disability Services that are transitioning to the Non-Government Organisation (NGO) sector as part of the NSW implementation of the National Disability Insurance Scheme during 2018-19. An estimate of the financial effect cannot be made at this stage.

### Rural Assistance Authority

On 30 July 2018 and 7 August 2018, the NSW Government announced an Emergency Drought Relief Package. Included in this package is interest relief for holders of a Farm Innovation Fund loans for the period 1 July 2017 to 30 June 2019. This relief will be granted through a refund of the interest paid by farmers on their Farm Innovation Fund loans as well as no further interest charges for this period. For the period 1 July 2017 to 30 June 2018, the interest to subsequently be refunded is approximately \$3.4 million. Also part of this announced package is approximately \$190 million for the introduction of Drought Transport Subsidies. This relief measure will be back-dated so farmers can access subsidies for freight expenses incurred since 1 January 2018. Based on the uncertainty of the number of submissions, the State is unable to measure the financial impact of grant claims from farmers for the period 1 January 2018 to 30 June 2018.

### Transport for NSW

On 3 July 2018 Transport for NSW entered into an agreement that provides a guarantee of up to \$500 million against a borrowing facility provided by some of the private sector debt providers to ALTRAC Light Rail Consortium (ALTRAC), which is currently constructing the Sydney Light Rail. ALTRAC's borrowing facility has three tranches totalling \$500 million. The first tranche of \$100 million was advanced by those lenders to ALTRAC on 3 July 2018. The second tranche of \$100 million has been made available to be drawn down by ALTRAC from 20 September 2018 once certain conditions have been met. The remaining tranche cannot be advanced to ALTRAC by its lenders unless certain conditions are met, including the agreement of Transport for NSW. As this guarantee is a contingent liability, there is no impact to the financial position of Transport for NSW as a result of providing this guarantee. The extent to which the guarantee may be called upon will depend on a number of factors, including the ultimate resolution of various commercial disputes between Transport for NSW and ALTRAC.

## Note 31: Restatement/Corrections to Prior Years

### (a) Library Council of News South Wales

The Pictorial Collection of the Library Council of NSW (the Library) was revalued as at 31 January 2018 as part of the Library's rolling revaluation plan. During the valuation process the Library identified prior period errors. In accordance with the accounting standard AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, corrections have been made for the current and prior year.

The errors were a result of:

- Inconsistencies in the definition of how one unit of value was counted. Using the value of an entire portfolio of drawings, instead of the average value of one of the drawings in the portfolio resulted in a material overstatement of \$583 million.
- Double counting individually valued Works on Paper (WoP) and the photographs asset class. This resulted in an error of \$376 million.
- Population sizes being historically over-estimated in prior valuations. This resulted in an error of \$164 million in the 2015 valuation.

The following tables disclose the restatement of line items in the statement of financial position impacted by the prior period error for the year ended 30 June 2017 and 30 June 2016.

### (b) Crown Finance Entity, Long Service Corporation, NSW Self Insurance Corporation and Lifetime Care and Support Authority of NSW

Discounting of liabilities under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*

Various liabilities across the State, including claims liabilities of the Lifetime Care and Support Authority of New South Wales, NSW Self Insurance Corporation and Long Service Corporation Investment Fund, are measured in accordance with AASB 137. AASB 137 requires provisions to be measured at "the best estimate of the expenditure required to settle the present obligation at the end of the reporting period" using a discount rate "that reflect(s) current market assessments of the time value of money and the risks specific to the liability".

In previous years there have been different discount rates used for different provisions including the estimated long-term fair value of 10-year TCorp bond yields and an assumed long-term investment return rate.

Major professional services firms have interpreted the "market assessments of the time value of money" to equate to a 'risk-free rate'. It is generally accepted that the reference source for risk-free rates should be a Commonwealth government bond with a similar remaining term as the provision. Management has reassessed these discount rates and has determined the market yield on Commonwealth Bonds best meet the requirements of AASB 137. For consistency, this has been applied to all provisions across the State.

The impact of this change is to increase provisions by \$942 million at 30 June 2017 and \$1,232 million at 30 June 2016 in the General Government Sector and \$1,704 million at 30 June 2017 and \$2,010 million at 30 June 2016 in the Total State Sector. This interpretation of AASB 137 would have been applicable to previous financial years. Therefore, in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the liabilities at 30 June 2017 and 1 July 2017 have been corrected. The following tables disclose the restatement of line items in the statement of financial position impacted by the prior period error for the year ended 30 June 2017 and 30 June 2016.

	Note	General Government Sector			Total State Sector		
		1 July 2016 Actual	Adjustment	1 July 2016 Restated	1 July 2016 Actual	Adjustment	1 July 2016 Restated
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<b>Financial Assets</b>							
Equity Investments							
Investments in Other Public Sector Entities	(b)	101,995	(778)	101,217	...	...	...
<b>Total Financial Assets</b>		<b>149,144</b>	<b>(778)</b>	<b>148,366</b>	<b>61,893</b>	<b>...</b>	<b>61,893</b>
<b>Non-Financial Assets</b>							
Property, Plant and Equipment							
Plant and Equipment	(a)	11,408	(1,122)	10,286	17,261	(1,122)	16,139
<b>Total Non-Financial Assets</b>		<b>175,889</b>	<b>(1,122)</b>	<b>174,767</b>	<b>323,610</b>	<b>(1,122)</b>	<b>322,488</b>
<b>TOTAL ASSETS</b>		<b>325,033</b>	<b>(1,900)</b>	<b>323,133</b>	<b>385,503</b>	<b>(1,122)</b>	<b>384,381</b>
<b>LIABILITIES</b>							
Employee Provisions	(b)	16,794	449	17,243	18,537	449	18,986
Other Provisions	(b)	8,429	783	9,212	11,979	1,561	13,540
<b>TOTAL LIABILITIES</b>		<b>134,731</b>	<b>1,232</b>	<b>135,963</b>	<b>195,201</b>	<b>2,010</b>	<b>197,211</b>
<b>NET ASSETS</b>		<b>190,302</b>	<b>(3,132)</b>	<b>187,170</b>	<b>190,302</b>	<b>(3,132)</b>	<b>187,170</b>
<b>NET WORTH</b>							
Accumulated Funds	(b)	41,736	(1,232)	40,504	58,421	(2,010)	56,411
Reserves	(a)	148,566	(1,900)	146,666	131,881	(1,122)	130,759
<b>TOTAL NET WORTH</b>		<b>190,302</b>	<b>(3,132)</b>	<b>187,170</b>	<b>190,302</b>	<b>(3,132)</b>	<b>187,170</b>
<b>OTHER FISCAL AGGREGATES</b>							
Net Debt		(57)	...	(57)	38,053	...	38,053
Net Financial Liabilities		87,582	1,232	88,814	133,308	2,010	135,318

	Note	General Government Sector			Total State Sector		
		2016 -17 Actual	Adjustment	2016 -17 Restated	2016 -17 Actual	Adjustment	2016 -17 Restated
		\$m	\$m	\$m	\$m	\$m	\$m
<b>FROM CONTINUING OPERATIONS</b>							
<b>OTHER ECONOMIC FLOWS - INCLUDED IN THE OPERATING RESULT</b>							
Loss from Liabilities	(b)	367	152	519	370	168	538
Other Net Gains/(Losses)	(b)	12,444	138	12,582	9,469	138	9,607
<b>Other Economic Flows - included in Operating Result</b>		<b>11,285</b>	<b>290</b>	<b>11,575</b>	<b>9,783</b>	<b>306</b>	<b>10,089</b>
<b>OPERATING RESULT</b>		<b>17,009</b>	<b>290</b>	<b>17,299</b>	<b>15,160</b>	<b>306</b>	<b>15,466</b>
<b>OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME</b>							
<i>Items that will not be Reclassified to Operating Result</i>							
Revaluations		2,354	...	2,354	7,650	...	7,650
<i>Items that may be Reclassified Subsequently to Operating Result</i>							
Net Gain on Available for Sale Financial Assets	(b)	4,381	16	4,397	64	...	64
<b>Other Economic Flows - Other Comprehensive Income</b>		<b>19,160</b>	<b>16</b>	<b>19,176</b>	<b>21,009</b>	<b>...</b>	<b>21,009</b>
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS</b>		<b>36,169</b>	<b>306</b>	<b>36,475</b>	<b>36,169</b>	<b>306</b>	<b>36,475</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS</b>		<b>36,169</b>	<b>306</b>	<b>36,475</b>	<b>36,169</b>	<b>306</b>	<b>36,475</b>
Less: Net Other Economic Flows		(30,445)	(306)	(30,751)	(30,792)	(306)	(31,098)

	Note	General Government Sector		Total State Sector			
		1 July 2017 Actual	Adjustment	1 July 2017 Restated	1 July 2017 Actual	Adjustment	1 July 2017 Restated
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<b>Financial Assets</b>							
Equity Investments	(b)	107,117	(762)	106,355	...	...	...
<b>Total Financial Assets</b>		<b>169,315</b>	<b>(762)</b>	<b>168,553</b>	<b>89,358</b>	<b>...</b>	<b>89,358</b>
<b>Non-Financial Assets</b>							
Property, Plant and Equipment							
Plant and Equipment	(a)	11,300	(1,122)	10,178	16,831	(1,122)	15,709
<b>Total Non-Financial Assets</b>		<b>185,043</b>	<b>(1,122)</b>	<b>183,921</b>	<b>319,256</b>	<b>(1,122)</b>	<b>318,134</b>
<b>TOTAL ASSETS</b>		<b>354,358</b>	<b>(1,884)</b>	<b>352,474</b>	<b>408,614</b>	<b>(1,122)</b>	<b>407,492</b>
<b>LIABILITIES</b>							
Employee Provisions	(b)	16,842	304	17,146	17,953	304	18,257
Other Provisions	(b)	8,815	638	9,453	12,525	1,400	13,925
<b>TOTAL LIABILITIES</b>		<b>127,887</b>	<b>942</b>	<b>128,829</b>	<b>182,143</b>	<b>1,704</b>	<b>183,847</b>
<b>NET ASSETS</b>		<b>226,471</b>	<b>(2,826)</b>	<b>223,645</b>	<b>226,471</b>	<b>(2,826)</b>	<b>223,645</b>
<b>NET WORTH</b>							
Accumulated Funds	(b)	74,462	(942)	73,520	96,205	(1,704)	94,501
<b>TOTAL NET WORTH</b>		<b>226,471</b>	<b>(2,826)</b>	<b>223,645</b>	<b>226,471</b>	<b>(2,826)</b>	<b>223,645</b>
<b>OTHER FISCAL AGGREGATES</b>							
Net Debt		(9,344)	...	(9,344)	16,782	...	16,782
Net Financial Liabilities		65,690	942	66,632	92,785	1,704	94,489

## Note 32: Related Party Disclosures

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the State. As New South Wales (NSW) Cabinet is the decision making body for the State, all NSW Cabinet Ministers are considered KMP of the State. Information on KMP of each individual agency can be found in individual agency accounts. Only Cabinet exercises the role of KMP over the whole State.

### Key Management Personnel Compensation

KMP compensation is as follows:

	Total State Sector 2017-18 \$000	Total State Sector 2016-17 \$000
Short-term Employee Benefits		
Salaries	6,139	5,718
Other Monetary Allowances	2,758	2,673
Non-monetary Benefits	1,897	3,543
Other Long-term Employee Benefits	...	...
Post-employment Benefits	635	445
Termination Benefits	...	...
<b>Total KMP Compensation</b>	<b>11,429</b>	<b>12,379</b>

### Related Party Transactions

As a KMP of the State, each Cabinet Minister is considered a related party to all NSW government controlled entities. The definition of related parties extends to each Cabinet Minister's close family members and entities controlled or jointly controlled by the Cabinet Minister and/or close family members.

During the year, there were no material transactions with the Cabinet Ministers, their close family members or entities controlled or jointly controlled thereof.

## Note 33: Budgetary Information on 2017-18 General Government Sector Financial Statements

The budgeted amounts are drawn from the original 2017-18 Budget presented, on 20 June 2017, to Parliament. The budgeted financial statements are presented consistent with AASB 1055 *Budgetary Reporting*.

### The NSW General Government Statement of Comprehensive Income for the Year Ended 30 June 2018

	Original Budget	Actual	Budget Variance
	\$m	\$m	\$m
<b>FROM CONTINUING OPERATIONS</b>			
<b>Revenue from Transactions</b>			
Taxation	31,560	31,326	(234)
Grants and Subsidies			
Commonwealth General Purpose	17,592	17,955	363
Commonwealth Specific Purpose Payments	9,824	9,844	20
Commonwealth National Partnership Payments	3,470	3,129	(341)
Other Grants and Subsidies	974	931	(43)
Sale of Goods and Services	8,976	8,508	(468)
Interest	413	558	145
Dividend and Income Tax Equivalents from Other Sectors	1,620	1,578	(42)
Other Dividends and Distributions	1,016	2,114	1,098
Fines, Regulatory Fees and Other	4,439	4,730	291
<b>Total Revenue from Transactions</b>	<b>79,885</b>	<b>80,672</b>	<b>787</b>
<b>Expenses from Transactions</b>			
Employee	31,483	31,644	161
Superannuation			
Superannuation Interest Cost	1,465	1,458	(7)
Other Superannuation	3,009	3,009	...
Depreciation and Amortisation	4,937	4,873	(64)
Interest	2,094	1,994	(100)
Other Operating	19,627	19,652	25
Grants and Subsidies			
Recurrent Grants and Subsidies	13,359	12,908	(451)
Capital Grants	1,212	955	(257)
<b>Total Expenses from Transactions</b>	<b>77,186</b>	<b>76,491</b>	<b>(695)</b>
<b>TRANSACTIONS FROM DISCONTINUING OPERATIONS</b>			
	...	...	...
<b>NET RESULT FROM TRANSACTIONS</b>			
<b>NET OPERATING BALANCE (BUDGET RESULT FOR THE GENERAL GOVERNMENT SECTOR)</b>			
	<b>2,698</b>	<b>4,181</b>	<b>1,483</b>

## The NSW General Government Statement of Comprehensive Income for the Year Ended 30 June 2018 (continued)

	Original Budget \$m	Actual \$m	Budget Variance \$m
<b>NET OPERATING BALANCE</b>	<b>2,698</b>	<b>4,181</b>	<b>1,483</b>
<b>OTHER ECONOMIC FLOWS - INCLUDED IN THE OPERATING RESULT</b>			
Gain/(Loss) from Other Liabilities	159	(231)	(390)
Other Net Gains/(Losses)	236	71	(165)
Share of Earnings from Equity Investments (excluding Dividends)	6	160	154
Dividends from Asset Sale Proceeds	193	0	(193)
Deferred Income Tax from Other Sectors	(11)	(17)	(6)
Other	43	0	(43)
Discontinuing Operations - Other Economic Flows	...	...	...
<b>Other Economic Flows - included in Operating Result</b>	<b>627</b>	<b>(16)</b>	<b>(643)</b>
<b>OPERATING RESULT</b>	<b>3,326</b>	<b>4,165</b>	<b>839</b>
<b>OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME</b>			
<i>Items that will not be reclassified to operating result</i>			
Revaluations	4,054	17,588	13,534
Share of Earnings from Associates from Revaluations	...	(42)	(42)
Actuarial Gain from Superannuation	4,316	2,416	(1,900)
<i>Items that may be reclassified subsequently to operating result</i>			
Deferred Tax Direct to Equity	83	96	13
Net Gain on Available for Sale Financial Assets	1,194	6,296	5,102
Net Gain on Financial Instruments at Fair Value	(0)	2	2
Other	(33)	15	48
<b>Other Economic Flows - Other Comprehensive Income</b>	<b>9,613</b>	<b>26,369</b>	<b>16,756</b>
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS</b>	<b>12,939</b>	<b>30,534</b>	<b>17,595</b>
<b>KEY FISCAL AGGREGATES</b>			
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS</b>	<b>12,939</b>	<b>30,534</b>	<b>17,595</b>
Less: Net Other Economic Flows	(10,240)	(26,353)	(16,113)
<b>NET OPERATING BALANCE</b>	<b>2,698</b>	<b>4,181</b>	<b>1,483</b>
<b>Less: Net Acquisition of Non-Financial Assets</b>			
Purchases of Non-Financial Assets	14,325	11,969	(2,356)
Sales of Non-Financial Assets	(526)	(437)	89
Less: Depreciation	(4,937)	(4,873)	64
Plus: Change in Inventories	(22)	6	28
Plus: Other Movements in Non-Financial Assets			
Assets Acquired using Finance Leases	190	152	(38)
Other	116	126	10
<b>Equals Total Net Acquisition of Non-Financial Assets</b>	<b>9,146</b>	<b>6,943</b>	<b>(2,203)</b>
<b>EQUALS: NET LENDING/(BORROWING)</b>	<b>(6,447)</b>	<b>(2,762)</b>	<b>3,685</b>

## Analysis of the General Government Sector Results

Significant variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below.

### Net Operating Balance (Budget Result)

The budget result for the financial year ended 30 June 2018 was a surplus of \$4.2 billion, this was a \$1.5 billion improvement on the 2017-18 original budget forecast surplus of \$2.7 billion.

An analysis of the result compared to the original budget is outlined below.

### Total Revenues

Total revenues were \$787 million higher than the original budget as outlined below.

#### *Taxation*

Taxation was \$234 million lower than the original budget mainly due to:

- Stamp duty was \$978 million lower than the original budget due to lower than expected growth in property market transaction volumes and prices, and a significant shift in the composition of transactions away from investors and toward first home buyers.

Partially offset by:

- Payroll tax was \$200 million higher than the original budget due to stronger than expected employment growth, particularly in full-time employment.
- Other Taxes and Levies were higher than expected by \$505 million. This was mainly due to higher than expected Waste and Environment Levy revenue of \$203 million due to strong construction sector activity, \$136 million higher recoverable levies for Workers Compensation (Dust Disease) Authority and \$103 million higher than expected activity resulting in greater Motor Vehicles Tax.

#### *Grants and Subsidies*

Commonwealth General Purpose grants were higher than the original budget by \$363 million predominately made up of higher GST revenue grants of \$357 million due to an increase in the projected revenue in the Commonwealth's National GST pool.

Commonwealth National Partnership payments were \$341 million lower than budget, mainly reflecting lower grant payments to Transport for NSW (\$441 million) largely as a result of the re-profiling of funding over the forward estimates offset by additional funding received by Crown Finance Entity (\$106 million) from the Commonwealth for various government initiatives.

#### *Sale of Goods and Services*

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

Sales of goods and services were lower than the original budget estimates by \$468 million, mainly reflecting:

- Decrease in fee for services relating to recovery of costs by Transport for NSW largely relating to re-profiling of major rail projects, approximately \$721 million.

Partially offset by:

- Increased sales of goods and services for Department of Education (\$308 million) due to a reclassification of other grants and subsidies revenue for services provided by schools.

*Interest Income*

Interest income includes returns on advances to public non-financial corporation enterprises, along with returns on deposits held with NSW Treasury Corporation and other financial institutions.

Interest income was higher than the original budget by \$145 million. Crown Finance Entity reported higher interest income (\$102 million) resulting from higher cash balances due to major asset sales of Ausgrid and Endeavour Energy in 2016-17 and lower than budgeted expenditure.

*Financial Distributions (Dividends and Income Tax Equivalent)*

Dividends and Income Tax Equivalent payments are paid by commercial government businesses to ensure competitive neutrality with the private sector and encourage these businesses to make commercial investment decisions.

Dividends and Taxes were lower than the original budget by \$42 million. Dividends were lower mainly due to NSW Treasury Corporation re-profiling the dividend payments through to the 2020 financial year. The timing and quantum of NSW Treasury Corporation's dividends is determined in consultation with NSW Treasury, who takes into account returns across all of the State's commercial assets.

*Other Dividends and Distributions*

Other dividends and distributions were \$1,098 million above the original budget, mainly driven by higher than expected investment income from:

- NSW Treasury Corporation products (\$555 million)
- NSW Self Insurance Corporation (\$367 million) due to improved financial market performance; and
- Dividends from the retained interest in the electricity entities (\$112 million).

*Fines, Regulatory Fees and Other*

Revenue from fines, regulatory fees and other revenues were \$291 million higher than the original budget primarily due to:

- Increases in donations received from school community programs and reclassification from other grants and subsidies by Department of Education of \$166 million
- Mining royalties were \$98 million higher than budget, largely driven by stronger than expected coal prices.

**Expenses**

Total expenses were lower than the original budget by \$695 million as outlined below.

*Employee Expenses (excluding Superannuation)*

Employee expenses were \$161 million higher than the original budget. This was primarily due to NSW Self Insurance Corporation (\$197 million) relating to an increase in the actuarially assessed liability of workers compensation schemes.

*Superannuation Interest Cost and Other Superannuation Expenses*

Superannuation interest cost and other superannuation costs had a minor variance of \$7 million lower than budget.

*Depreciation and Amortisation Expenses*

Depreciation and amortisation was \$64 million lower than budget largely due to re-profiling of capital expenditure across the forward years primarily within Justice and Transport agencies.

### *Interest Expenses*

Interest expenses were \$100 million lower than budget. This was mainly due to lower interest rates partly driven by the progressive lengthening of the State's debt portfolio.

### *Other Operating Expenses*

Other Operating Expenses had a minor variance of \$25 million higher than budget.

### *Grants and Subsidies Expenses*

Current and capital grants, subsidies and other transfers expenses were \$708 million lower than budget.

The main contributing factors were re-profiling of grants across the forwards estimates by Department of Industry (\$174 million), Office of Environment and Heritage (\$167 million), Department of Justice (\$126 million) and Crown Finance Entity (\$206 million) resulting in lower grants to local councils from Restart NSW and lower redundancy subsidies to the public non-financial corporation sector.

## **Operating Result**

The Operating Result is the budget result (net operating balance) plus the sum of other economic flows included in the operating result.

The Operating Result for 2017-18 was a surplus of \$4.2 billion. This was \$839 million higher than the original budget estimate. The net result was \$1.5 billion better than the original budget as explained above, offset by a \$643 million unfavourable variance in other economic flows included in the operating result.

## **Comprehensive Result**

The comprehensive result is the operating result plus the sum of other economic flows - other comprehensive income.

The comprehensive result for 2017-18 was a surplus of \$30.5 billion, being \$17.6 billion higher than the budget estimate due to improvement in other economic flows - other comprehensive income of \$16.8 billion.

- The higher than budgeted other economic flows - other comprehensive income includes an increase in the value of the General Government's investments in the Non-Financial Public Sector (\$5.1 billion) due to an increase in the total net asset of the Non-Financial Public Sector predominately driven by increased value in land, housing and infrastructure assets.
- The increase in the value of property, plant and equipment of \$13.5 billion mainly due to the comprehensive revaluation on road and bridge infrastructure assets.

Partially offset by lower than expected superannuation actuarial gains of \$1.9 billion resulting from a smaller increase in the liability discount rate than budgeted.

## **Net Lending**

The net lending result is the budget result (net operating balance) adjusted for the net acquisition and sale of non-financial assets.

Net lending was \$3.7 billion better than the budget estimate primarily due to the \$1.5 billion improvement in the budget result and \$2.4 billion reduction in purchases of non-financial assets, due to capital expenditure being re-profiled to forward estimates.

## The NSW General Government Sector Statement of Financial Position as at 30 June 2018

	Original Budget \$m	Actual \$m	Budget Variance \$m
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and Cash Equivalent Assets	2,494	5,417	2,923
Receivables	5,544	6,721	1,177
Tax Equivalents Receivable	109	128	19
Investments, Loans and Placements			
Financial Assets at Fair Value	27,254	32,578	5,324
Other Financial Assets	2,972	5,556	2,584
Advances Paid	1,054	1,017	(37)
Deferred Tax Equivalents	2,216	2,192	(24)
Equity			
Investments in Other Public Sector Entities	109,535	112,911	3,376
Investments in Associates	9,438	5,987	(3,451)
Other	674	722	48
<b>Total Financial Assets</b>	<b>161,289</b>	<b>173,228</b>	<b>11,939</b>
<b>Non-Financial Assets</b>			
Inventories	263	327	64
Forestry Stock and Other Biological Assets	11	9	(2)
Assets Classified as Held for Sale	228	320	92
Property, Plant and Equipment			
Land and Buildings	77,158	83,390	6,232
Plant and Equipment	12,599	10,941	(1,658)
Infrastructure Systems	96,240	104,232	7,992
Intangibles	3,495	3,691	196
Other	6,242	7,426	1,184
<b>Total Non-financial Assets</b>	<b>196,235</b>	<b>210,336</b>	<b>14,101</b>
<b>TOTAL ASSETS</b>	<b>357,525</b>	<b>383,564</b>	<b>26,039</b>
<b>LIABILITIES</b>			
Deposits Held	104	130	26
Payables	5,309	7,251	1,942
Tax Equivalents Payable	3	3	...
Borrowings and Derivatives at Fair Value	5	5	...
Borrowings at Amortised Cost	32,566	32,441	(125)
Advances Received	578	797	219
Employee Provisions	16,806	18,015	1,209
Superannuation Provision	49,491	54,200	4,709
Deferred Tax Equivalent Provision	105	112	7
Other Provisions	8,620	10,210	1,590
Other	6,079	6,223	144
<b>TOTAL LIABILITIES</b>	<b>119,665</b>	<b>129,385</b>	<b>9,720</b>
<b>NET ASSETS</b>	<b>237,859</b>	<b>254,179</b>	<b>16,320</b>

## The NSW General Government Sector Statement of Financial Position as at 30 June 2018 (continued)

	Original Budget \$m	Actual \$m	Budget Variance \$m
<b>NET WORTH</b>			
Accumulated Funds	44,106	78,327	34,221
Reserves	193,754	175,852	(17,902)
<b>TOTAL NET WORTH</b>	<b>237,859</b>	<b>254,179</b>	<b>16,320</b>
<b>OTHER FISCAL AGGREGATES</b>			
<b>Net Debt</b>	<b>(521)</b>	<b>(11,195)</b>	<b>(10,674)</b>
<b>Net Financial Liabilities</b>	<b>67,910</b>	<b>69,068</b>	<b>1,158</b>

### Analysis of the General Government Sector Statement of Financial Position

#### Net Debt

Net debt was negative \$11.2 billion at 30 June 2018. This is a \$10.7 billion improvement on the original budget primarily due to the improvement in cash from operating activities (\$3.5 billion), higher financial assets held due to re-profiling of capital expenditure into the forward estimates (\$2.4 billion) and proceeds from the sale of NSW's share in Snowy Hydro Ltd to the Commonwealth Government (\$4.2 billion).

#### Net Financial Liabilities

Net financial liabilities were \$69.1 billion at 30 June 2018. This is a \$1.2 billion increase over the budget estimate of \$67.9 billion. This change is primarily driven by an increase of \$7.5 billion in employee related, defined benefit superannuation and other provision mainly due to lower than budgeted discount rates used to calculate the liabilities, partially offset by improvement in financial assets due to lower capital expenditure (\$2.4 billion) and proceeds from the sale of NSW's share in Snowy Hydro Ltd (\$4.2 billion).

#### Net Worth

Net worth was \$254.2 billion at 30 June 2018. This is \$16.3 billion higher than the budget estimate of \$237.9 billion.

The increase in net worth was mainly due to the increase in total assets of \$26.0 billion driven by strong investment returns, increased investment in other public sector entities and higher asset revaluations, offset by higher employee related, superannuation and other provisions mainly resulting from lower than budgeted discount rates used.

## The NSW General Government Sector Statement of Cash Flows for the Year Ended 30 June 2018

	Original Budget	Actual	Budget Variance
	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Taxation	31,538	31,218	(320)
Sale of Goods and Services	9,743	9,334	(409)
Grants and Subsidies	31,860	31,852	(8)
Interest	404	457	53
Dividends and Income Tax Equivalents from Other Sectors	1,037	1,031	(6)
Other	8,822	12,113	3,291
<b>Total Receipts</b>	<b>83,403</b>	<b>86,006</b>	<b>2,603</b>
<b>Payments</b>			
Employee Related	(31,401)	(30,693)	708
Superannuation	(4,518)	(4,262)	256
Payments for Goods and Services	(20,478)	(20,027)	451
Grants and Subsidies	(12,943)	(13,221)	(278)
Interest	(1,518)	(1,508)	10
Other	(5,315)	(5,588)	(273)
<b>Total Payments</b>	<b>(76,174)</b>	<b>(75,300)</b>	<b>874</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>7,229</b>	<b>10,706</b>	<b>3,477</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Non-financial Assets</b>			
Proceeds from Sale of Non-Financial Assets	601	521	(80)
Purchases	(14,358)	(13,323)	1,035
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>(13,757)</b>	<b>(12,802)</b>	<b>955</b>
<b>Financial Assets (Policy Purposes)</b>			
Receipts	818	808	(10)
Payments	(2,535)	(1,382)	1,153
<b>Net Cash Flows from Investments in Financial Assets (Policy Purposes)</b>	<b>(1,717)</b>	<b>(574)</b>	<b>1,143</b>
<b>Financial Assets (Liquidity Purposes)</b>			
Proceeds from Sale of Investments	11,527	9,471	(2,056)
Purchase of Investments	(5,856)	(8,988)	(3,132)
<b>Net Cash Flows from Investments in Financial Assets (Liquidity Purposes)</b>	<b>5,671</b>	<b>482</b>	<b>(5,189)</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(9,803)</b>	<b>(12,894)</b>	<b>(3,091)</b>

## The NSW General Government Sector Statement of Cash Flows for the Year Ended 30 June 2018 (continued)

	Original Budget \$m	Actual \$m	Budget Variance \$m
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Advances Received	12	30	18
Advances Repaid	(58)	(70)	(12)
Proceeds from Borrowings	1,002	957	(45)
Repayments of Borrowings	(1,699)	(1,773)	(74)
Deposits Received (Net)	(12)	24	36
Other (Net)	230	94	(136)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(525)</b>	<b>(738)</b>	<b>(213)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
	<b>(3,098)</b>	<b>(2,925)</b>	<b>173</b>
Opening Cash and Cash Equivalents	5,576	8,731	3,155
Reclassification of Cash Equivalents	17	(388)	(405)
<b>CLOSING CASH BALANCE</b>	<b>2,494</b>	<b>5,417</b>	<b>2,923</b>
<b>DERIVATION OF CASH RESULT</b>			
Net Cash Flows from Operating Activities	7,229	10,706	3,477
Net Cash Flows from Investments in Non-Financial Assets	(13,757)	(12,802)	955
<b>CASH SURPLUS/(DEFICIT)</b>	<b>(6,527)</b>	<b>(2,096)</b>	<b>4,431</b>

### Analysis of the General Government Sector Statement of Cash Flows

#### Cash Result

The cash deficit was \$2.1 billion at 30 June 2018. This was a \$4.4 billion improvement on the estimated budget cash deficit of \$6.5 billion.

The improvement in the cash result is largely due to the cash impact of the improvement in the Net Cash Flows from Operating Activities as well as a surplus on investments in non-financial assets.

## Note 34: Disaggregated Financial Statements

### Disaggregated Sector Information

Disaggregated primary financial statements are provided for the General Government Sector and PNFC and PFC sectors as a note to the TSSA. These financial statements are prepared consistent with the accounting policies adopted in the TSSA. This sector information is determined before consolidation eliminations, and includes GFS type fiscal aggregates and reconciliations.

The Total State Sector comprises a consolidation of three sectors:

- General Government (GGS)
- Public Non-Financial Corporations (PNFC), also referred to as the PTE sector, and
- Public Financial Corporations (PFC), also referred to as the PFE sector.

The broad sectors have been determined in accordance with the GFS of the ABS.

The General Government Sector comprises all government agencies that are controlled and mainly financed by taxation that:

- undertake policy and regulatory functions
- redistribute income and wealth
- provide or distribute goods and services on a non-market basis to individuals and the community, and/or
- provide services to General Government agencies.

PNFCs are government controlled entities that are either commercial or non-commercial in nature and largely self-funded from user charges. However, they may also receive funding from the General Government Sector for social programs (non-commercial activities).

PFCs are government controlled entities that 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. This sector includes NSW Treasury Corporation. This note presents statements of:

- comprehensive income
- financial position
- cash flows, and
- changes in equity

for each sector, including the Total State Sector.

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

Pursuant to National Competition Policy, the State has implemented a National Tax Equivalents Regime (NTER) for Public Corporations and some General Government agencies.

Tax effect accounting principles have therefore been adopted by all agencies that are part of the NTER. On consolidation, all NTER related income tax entries are eliminated for the Total State Sector.

The comparative year columns in the following tables have been restated for any corrections of errors and changes in accounting policies, for consistency with the 2017-18 presentation.

In addition, this note also presents information on total expenses and total assets by function for the General Government and Total State Sectors. 'Functions' are broad policy areas, which the ABS refers to as Classifications of the Functions of Government (COFOG)<sup>1</sup>.

<sup>1</sup> The Australian system of Government Finance Statistics(GFS) was revised by the Australian Bureau of Statistics, with the release of the *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015 Cat. No. 5514.0*. Implementation of the updated GFS manual has resulted in the 'classification of the functions of government' (COFOG) framework replacing the former 'government purpose classification' (GPC) framework, with effect from the 2018-19 financial year for financial reporting under AASB 1049.

## The NSW Total State Sector Accounts Statement of Comprehensive Income by Sector for the Year Ended 30 June 2018

	General Government		Public Non-financial Corporations	
	2017-18	2016-17 Restated <sup>(a)</sup>	2017-18	2016-17
FROM CONTINUING OPERATIONS	\$m	\$m	\$m	\$m
<b>Revenue from Transactions</b>				
Taxation <sup>(b)</sup>	31,326	30,789	...	...
Grants and Subsidies				
Commonwealth General Purpose	17,955	17,202	...	...
Commonwealth Specific Purpose Payments <sup>(c)</sup>	9,844	9,157	...	4
Commonwealth National Partnership Payments	3,129	4,121	...	...
Other Grants and Subsidies <sup>(c)</sup>	931	870	3,176	3,071
Sale of Goods and Services <sup>(b)</sup>	8,508	8,159	9,024	8,105
Interest	558	769	109	115
Dividend and Income Tax Equivalents from Other Sectors	1,578	1,102	...	...
Other Dividends and Distributions	2,114	1,267	...	...
Fines, Regulatory Fees and Other	4,730	4,703	811	629
<b>Total Revenue from Transactions</b>	<b>80,672</b>	<b>78,139</b>	<b>13,120</b>	<b>11,925</b>
<b>Expenses from Transactions</b>				
Employee	31,644	30,585	2,802	2,644
Superannuation				
Superannuation Interest Cost	1,458	1,334	54	56
Other Superannuation	3,009	2,992	202	214
Depreciation and Amortisation	4,873	4,614	2,758	2,544
Interest	1,994	2,149	1,285	1,060
Income Tax Equivalents	...	...	438	343
Other Property	...	...	...	...
Other Operating	19,652	18,312	5,974	5,656
Grants and Subsidies				
Current Grants and Subsidies	12,908	11,729	134	66
Capital Grants	955	837	76	44
<b>Total Expenses from Transactions</b>	<b>76,491</b>	<b>72,551</b>	<b>13,725</b>	<b>12,627</b>
<b>TRANSACTIONS FROM DISCONTINUING OPERATIONS</b>				
	...	136	...	537
<b>NET RESULT FROM TRANSACTIONS - NET OPERATING BALANCE (BUDGET RESULT FOR THE GENERAL GOVERNMENT SECTOR)</b>				
	<b>4,181</b>	<b>5,724</b>	<b>(605)</b>	<b>(165)</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

(b) \$461 million was reclassified from "Taxation" to "Sales of Goods and Services" in the Total State Sector for 2016-17. This has no impact on the overall aggregates.

(c) "Other Grants and Subsidies" includes \$278 million reclassified from "Commonwealth Specific Purpose Payments" in 2016-17.

Public Financial Corporations		Eliminations		Total State Sector	
2017-18	2016-17	2017-18	2016-17	2017-18	2016-17 Restated <sup>(a)</sup>
\$m	\$m	\$m	\$m	\$m	\$m
(0)	461	(484)	(693)	30,841	30,095
...	...	...	...	17,955	17,202
...	...	...	(0)	9,844	9,161
...	...	...	...	3,129	4,121
...	...	(3,110)	(3,008)	998	933
1,266	766	(3,584)	(3,421)	15,214	14,071
740	1,799	(336)	(1,425)	1,072	1,258
...	1	(1,578)	(1,103)	...	...
1,708	1,191	(1,675)	(1,114)	2,147	1,344
39	42	(82)	(109)	5,497	5,265
<b>3,753</b>	<b>4,259</b>	<b>(10,848)</b>	<b>(10,872)</b>	<b>86,697</b>	<b>83,451</b>
194	143	(573)	(559)	34,067	32,813
...	...	...	...	1,513	1,390
12	9	(1)	(1)	3,222	3,214
10	9	0	...	7,641	7,167
2,378	2,593	(2,010)	(2,255)	3,647	3,547
27	40	(465)	(383)	...	...
...	1	...	(1)	...	...
1,105	1,059	(3,454)	(3,440)	23,277	21,587
15	10	(2,754)	(2,709)	10,304	9,096
...	...	(455)	(318)	576	562
<b>3,741</b>	<b>3,863</b>	<b>(9,711)</b>	<b>(9,666)</b>	<b>84,246</b>	<b>79,375</b>
...	(24)	...	652	...	1,302
<b>12</b>	<b>373</b>	<b>(1,137)</b>	<b>(554)</b>	<b>2,451</b>	<b>5,377</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

(b) \$461 million was reclassified from "Taxation" to "Sales of Goods and Services" in the Total State Sector for 2016-17. This has no impact on the overall aggregates.

(c) "Other Grants and Subsidies" includes \$278 million reclassified from "Commonwealth Specific Purpose Payments" in 2016-17.

## The NSW Total State Sector Accounts Statement of Comprehensive Income by Sector for the Year Ended 30 June 2018

	General Government		Public Non-financial Corporations	
	2017-18	2016-17 Restated <sup>(a)</sup>	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>NET OPERATING BALANCE</b>	<b>4,181</b>	<b>5,724</b>	<b>(605)</b>	<b>(165)</b>
<b>OTHER ECONOMIC FLOWS - INCLUDED IN THE OPERATING RESULT</b>				
Gain/(Loss) from Liabilities	(231)	519	5	4
Other Net Gains/(Losses)	71	12,582	201	6,801
Share of Earnings from Equity Investments (excl. Dividends)	160	48	...	...
Dividends from Asset Sale Proceeds	0	115	...	...
Deferred Income Tax in the Operating Result	(17)	(1,611)	35	...
Other	0	(78)	(0)	(33)
Discontinuing Operations - Other Economic Flows	...	...	...	(853)
<b>Other Economic Flows - included in Operating Result</b>	<b>(16)</b>	<b>11,575</b>	<b>240</b>	<b>5,920</b>
<b>OPERATING RESULT</b>	<b>4,165</b>	<b>17,299</b>	<b>(365)</b>	<b>5,754</b>
<b>OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME</b>				
<i>Items that will not be reclassified to operating result</i>				
Revaluations	17,588	2,354	6,744	5,104
Share of Earnings from Associates from Revaluations	(42)	361	...	...
Actuarial Gain/(Loss) from Superannuation	2,416	12,011	144	841
<i>Items that may be reclassified subsequently to operating result</i>				
Deferred Tax Direct to Equity	96	...	(96)	1,492
Net Gain/(Loss) on Available for Sale Financial Assets	6,296	4,397	969	...
Net Gain/(Loss) on Financial Instruments at Fair Value	2	...	(8)	36
Other	15	53	(1,578)	6,815
<b>Other Economic Flows - Other Comprehensive Income</b>	<b>26,369</b>	<b>19,176</b>	<b>6,175</b>	<b>14,288</b>
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS</b>	<b>30,534</b>	<b>36,475</b>	<b>5,811</b>	<b>20,042</b>
<b>KEY FISCAL AGGREGATES</b>				
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS</b>	<b>30,534</b>	<b>36,475</b>	<b>5,811</b>	<b>20,042</b>
Less: Net Other Economic Flows	(26,353)	(30,751)	(6,416)	(20,207)
<b>NET OPERATING BALANCE</b>	<b>4,181</b>	<b>5,724</b>	<b>(605)</b>	<b>(165)</b>
<b>Less: Net Acquisition of Non-Financial Assets</b>				
Purchases of Non-Financial Assets	11,969	10,419	5,759	6,312
Sales of Non-Financial Assets	(437)	(3,500)	(703)	(486)
Less: Depreciation	(4,873)	(4,614)	(2,758)	(2,544)
Plus: Change in inventories	6	7	(16)	(65)
Plus: Other Movements in Non-Financial Assets				
- assets acquired using finance leases	152	127	3	1,339
- other	126	245	258	560
<b>Equals Total Net Acquisition of Non-Financial Assets</b>	<b>6,943</b>	<b>2,684</b>	<b>2,542</b>	<b>5,116</b>
<b>EQUALS: NET LENDING/(BORROWING)</b>	<b>(2,762)</b>	<b>3,040</b>	<b>(3,147)</b>	<b>(5,281)</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

Public Financial Corporations		Eliminations		Total State Sector	
2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
\$m	\$m	\$m	\$m	\$m	Restated <sup>(a)</sup> \$m
12	373	(1,137)	(554)	2,451	5,377
(150)	16	(3)	(0)	(379)	538
899	3,483	...	(13,259)	1,171	9,607
(0)	0	...	...	160	48
...	...	(0)	(115)	...	...
...	...	(18)	1,611	...	...
...	...	...	35	0	(76)
...	(4)	...	828	...	(29)
<b>748</b>	<b>3,495</b>	<b>(20)</b>	<b>(10,900)</b>	<b>953</b>	<b>10,089</b>
<b>761</b>	<b>3,868</b>	<b>(1,158)</b>	<b>(11,455)</b>	<b>3,404</b>	<b>15,466</b>
1	(0)	206	193	24,538	7,650
...	...	...	19	(42)	380
0	0	...	...	2,560	12,852
...	2	(0)	(1,494)	...	...
72	...	(7,316)	(4,333)	21	64
...	...	...	0	(6)	36
...	953	1,623	(7,793)	60	27
<b>73</b>	<b>955</b>	<b>(5,487)</b>	<b>(13,409)</b>	<b>27,130</b>	<b>21,009</b>
<b>834</b>	<b>4,822</b>	<b>(6,645)</b>	<b>(24,864)</b>	<b>30,534</b>	<b>36,475</b>
<b>834</b>	<b>4,822</b>	<b>(6,645)</b>	<b>(24,864)</b>	<b>30,534</b>	<b>36,475</b>
(821)	(4,449)	5,508	24,310	(28,083)	(31,098)
<b>12</b>	<b>373</b>	<b>(1,137)</b>	<b>(554)</b>	<b>2,451</b>	<b>5,377</b>
25	34	...	(2)	17,753	16,763
(0)	(4)	1	4	(1,140)	(3,985)
(10)	(9)	...	...	(7,641)	(7,167)
...	...	...	...	(10)	(58)
...	...	...	...	155	1,466
...	...	(40)	...	344	805
<b>15</b>	<b>22</b>	<b>(39)</b>	<b>3</b>	<b>9,461</b>	<b>7,824</b>
<b>(2)</b>	<b>351</b>	<b>(1,098)</b>	<b>(557)</b>	<b>(7,010)</b>	<b>(2,447)</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

## The NSW Total State Sector Accounts Statement of Financial Position by Sector as at 30 June

	General Government		Public Non-financial Corporations	
	2018	2017	2018	2017
		Restated <sup>(a)</sup>		
	\$m	\$m	\$m	\$m
<b>ASSETS</b>				
<b>Financial Assets</b>				
Cash and Cash Equivalent Assets	5,417	8,731	3,808	2,773
Receivables	6,721	6,216	1,253	1,247
Investments, Loans and Placements				
Financial Assets at Fair Value	32,578	26,561	236	416
Other Financial Assets	5,556	6,778	1,463	1,170
Advances paid	1,017	1,005	1	...
Tax Equivalents Receivable	128	91	3	17
Deferred Tax Equivalents	2,192	2,049	112	59
Equity				
Investments in Other Public Sector Entities	112,911	106,355	...	...
Investments in Associates	5,987	5,870	...	...
Other	722	700	167	...
Equity Investments Held for Sale	0	4,196	...	...
<b>Total Financial Assets</b>	<b>173,228</b>	<b>168,553</b>	<b>7,041</b>	<b>5,682</b>
<b>Non-Financial Assets</b>				
Inventories	327	296	499	543
Forestry Stock and Other Biological Assets	9	10	984	992
Assets Classified as Held for Sale	320	155	110	183
Investment Properties	...	...	644	534
Property, Plant and Equipment				
Land and Buildings	83,390	72,752	77,641	70,075
Plant and Equipment	10,941	10,178	6,397	5,513
Infrastructure Systems	104,232	92,147	55,330	54,838
Intangibles	3,691	3,448	1,050	972
Other	7,426	4,935	226	272
<b>Total Non-financial Assets</b>	<b>210,336</b>	<b>183,921</b>	<b>142,880</b>	<b>133,922</b>
<b>TOTAL ASSETS</b>	<b>383,564</b>	<b>352,474</b>	<b>149,921</b>	<b>139,604</b>
<b>LIABILITIES</b>				
Deposits Held	130	106	91	33
Payables	7,251	6,385	2,516	2,199
Liabilities Directly Associated with Assets Held for Sale	...	...	...	4
Borrowings and Derivatives at Fair Value <sup>(b)</sup>	5	6	1,254	677
Borrowings at Amortised Cost <sup>(b)</sup>	32,441	32,808	24,855	21,651
Advances Received	797	812	374	389
Employee Provisions	18,015	17,146	1,060	1,088
Superannuation Provision	54,200	56,285	2,218	2,316
Tax Equivalents Payable	3	18	119	81
Deferred Tax Equivalent Provision	112	59	2,192	2,049
Other Provisions	10,210	9,453	1,609	1,129
Other	6,223	5,752	287	450
<b>TOTAL LIABILITIES</b>	<b>129,385</b>	<b>128,829</b>	<b>36,574</b>	<b>32,067</b>
<b>NET WORTH</b>	<b>254,179</b>	<b>223,645</b>	<b>113,348</b>	<b>107,537</b>
<b>OTHER FISCAL AGGREGATES</b>				
<b>Net Debt</b>	(11,195)	(9,344)	21,066	18,392
<b>Net Financial Liabilities</b>	69,068	66,632	29,533	26,385

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

(b) \$899 million was reclassified from "Borrowings and Derivatives at Fair Value" to "Borrowings at Amortised Cost" in the General Government Sector for 2016-17. This has no impact on the overall aggregates.

Public Financial Corporations		Eliminations		Total State Sector	
2018	2017	2018	2017	2018	2017
\$m	\$m	\$m	\$m	\$m	Restated <sup>(a)</sup> \$m
3,903	2,371	(161)	(20)	12,967	13,855
924	1,332	(2,350)	(2,073)	6,547	6,722
55,275	52,836	(49,444)	(47,256)	38,645	32,557
211	433	(2,773)	(458)	4,456	7,923
...	...	(374)	(389)	644	616
...	2	(131)	(109)	...	...
...	...	(2,304)	(2,108)	...	...
2,832	2,779	(115,743)	(109,134)	...	...
2	2	...	...	5,988	5,872
19,531	16,917	...	...	20,420	17,617
...	...	...	...	0	4,196
<b>82,676</b>	<b>76,671</b>	<b>(173,279)</b>	<b>(161,548)</b>	<b>89,666</b>	<b>89,358</b>
...	...	...	...	826	838
...	...	...	0	993	1,003
...	...	...	...	430	338
...	...	...	...	644	534
17	13	580	554	161,627	143,394
29	19	...	...	17,367	15,709
...	...	681	...	160,242	146,985
4	3	...	...	4,745	4,423
65	46	(1,122)	(344)	6,594	4,909
<b>114</b>	<b>80</b>	<b>138</b>	<b>210</b>	<b>353,469</b>	<b>318,134</b>
<b>82,791</b>	<b>76,751</b>	<b>(173,141)</b>	<b>(161,338)</b>	<b>443,135</b>	<b>407,492</b>
2,695	452	(2,531)	(262)	385	328
255	687	(1,188)	(1,153)	8,833	8,118
...	...	...	...	...	4
62,578	62,967	(1)	(20)	63,836	63,630
7	10	(49,846)	(47,507)	7,457	6,963
...	...	(374)	(389)	797	812
42	41	(11)	(18)	19,106	18,257
4	0	...	(0)	56,421	58,601
9	10	(130)	(109)	...	...
...	...	(2,304)	(2,108)	...	...
4,750	4,187	(1,168)	(844)	15,400	13,925
10,231	7,011	(19)	(4)	16,721	13,209
<b>80,570</b>	<b>75,365</b>	<b>(57,573)</b>	<b>(52,414)</b>	<b>188,956</b>	<b>183,847</b>
<b>2,220</b>	<b>1,386</b>	<b>(115,568)</b>	<b>(108,923)</b>	<b>254,179</b>	<b>223,645</b>
5,892	7,789	(1)	(54)	15,762	16,782
726	1,472	(37)	(0)	99,289	94,489

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

(b) \$899 million was reclassified from "Borrowings and Derivatives at Fair Value" to "Borrowings at Amortised Cost" in the General Government Sector for 2016-17. This has no impact on the overall aggregates.

## The NSW Total State Sector Accounts Statement of Cash Flows by Sector for the Year Ended 30 June 2018

	General Government		Public Non-financial Corporations	
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Taxation	31,218	31,291	...	...
Sale of Goods and Services	9,334	8,487	9,502	10,399
Grants and Subsidies	31,852	31,202	3,172	3,061
Interest	457	698	99	109
Dividends and Income Tax Equivalents from Other Sectors	1,031	1,321	...	...
Other	12,113	10,333	1,184	1,764
<b>Total Receipts</b>	<b>86,006</b>	<b>83,332</b>	<b>13,957</b>	<b>15,333</b>
<b>Payments</b>				
Employee Related	(30,693)	(30,232)	(2,922)	(2,879)
Superannuation	(4,262)	(3,898)	(206)	(475)
Payments for Goods and Services	(20,027)	(19,988)	(5,439)	(6,707)
Grants and Subsidies	(13,221)	(11,714)	(68)	(108)
Interest	(1,508)	(1,642)	(1,123)	(1,399)
Distributions Paid	...	...	...	(512)
Other	(5,588)	(5,293)	(1,178)	(1,135)
<b>Total Payments</b>	<b>(75,300)</b>	<b>(72,767)</b>	<b>(10,936)</b>	<b>(13,214)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>10,706</b>	<b>10,565</b>	<b>3,021</b>	<b>2,118</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Non-financial Assets</b>				
Proceeds from Sale of Non-financial Assets	521	3,262	709	479
Purchases	(13,323)	(10,255)	(5,649)	(6,246)
<b>Net Cash Flows from Investments in Non-financial Assets</b>	<b>(12,802)</b>	<b>(6,992)</b>	<b>(4,940)</b>	<b>(5,767)</b>
<b>Financial Assets (Policy Purposes)</b>				
Receipts	808	14,185	12	15,264
Payments	(1,382)	(2,917)	53	(32)
<b>Net Cash Flows from Investments in Financial Assets (Policy Purposes)</b>	<b>(574)</b>	<b>11,268</b>	<b>65</b>	<b>15,231</b>
<b>Financial Assets (Liquidity Purposes)</b>				
Proceeds from Sale of Investments	9,471	21,112	166	303
Purchase of Investments	(8,988)	(33,262)	(338)	(561)
<b>Net Cash Flows from Investments in Financial Assets (Liquidity Purposes)</b>	<b>482</b>	<b>(12,150)</b>	<b>(173)</b>	<b>(258)</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(12,894)</b>	<b>(7,874)</b>	<b>(5,048)</b>	<b>9,206</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Advances Received	30	...	1,211	2,591
Advances Repaid	(70)	(70)	(742)	(175)
Proceeds from Borrowings	957	4,040	3,897	2,087
Repayments of Borrowings	(1,773)	(3,411)	(267)	(14,922)
Dividends Paid	...	...	(684)	(758)
Deposits Received (Net)	24	(21)	58	(1)
Other (Net)	94	(0)	(374)	...
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(738)</b>	<b>538</b>	<b>3,100</b>	<b>(11,178)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(2,925)</b>	<b>3,228</b>	<b>1,073</b>	<b>146</b>

Public Financial Corporations		Eliminations		Total State Sector	
2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
\$m	\$m	\$m	\$m	\$m	\$m
(8)	(4)	(470)	(897)	30,740	30,389
1,264	753	(4,197)	(3,334)	15,902	16,305
...	461	(3,115)	(3,669)	31,909	31,054
891	2,933	(159)	(2,695)	1,288	1,044
...	1	(1,031)	(1,322)	0	...
1,845	69	(1,720)	96	13,423	12,262
<b>3,992</b>	<b>4,212</b>	<b>(10,693)</b>	<b>(11,822)</b>	<b>93,263</b>	<b>91,055</b>
(189)	(179)	670	703	(33,134)	(32,586)
(8)	(11)	(0)	26	(4,476)	(4,359)
(873)	(618)	4,096	3,693	(22,244)	(23,620)
(8)	(5)	3,135	3,330	(10,162)	(8,497)
(2,515)	(2,737)	1,919	2,617	(3,228)	(3,161)
...	(47)	...	559	...	...
2,999	5,162	58	97	(3,709)	(1,168)
<b>(596)</b>	<b>1,566</b>	<b>9,878</b>	<b>11,024</b>	<b>(76,954)</b>	<b>(73,391)</b>
<b>3,397</b>	<b>5,778</b>	<b>(815)</b>	<b>(798)</b>	<b>16,309</b>	<b>17,663</b>
0	4	(1)	(4)	1,229	3,740
(25)	(34)	(163)	2	(19,160)	(16,532)
<b>(24)</b>	<b>(31)</b>	<b>(164)</b>	<b>(2)</b>	<b>(17,931)</b>	<b>(12,792)</b>
...	37	(742)	(175)	78	29,311
...	(4)	1,244	2,609	(85)	(344)
<b>...</b>	<b>33</b>	<b>502</b>	<b>2,434</b>	<b>(7)</b>	<b>28,967</b>
8,421	17,631	(3,348)	(18,337)	14,709	20,709
(12,521)	(11,906)	7,402	6,135	(14,446)	(39,594)
<b>(4,100)</b>	<b>5,725</b>	<b>4,054</b>	<b>(12,202)</b>	<b>263</b>	<b>(18,886)</b>
<b>(4,125)</b>	<b>5,727</b>	<b>4,392</b>	<b>(9,769)</b>	<b>(17,675)</b>	<b>(2,710)</b>
86	931	(1,297)	(3,490)	30	32
...	...	742	175	(70)	(70)
68,779	67,349	(6,002)	(4,984)	67,631	68,491
(66,932)	(80,443)	1,638	18,136	(67,333)	(80,640)
(80)	(21)	764	779	...	...
...	...	...	...	82	(22)
(28)	...	253	0	(55)	0
<b>1,825</b>	<b>(12,184)</b>	<b>(3,902)</b>	<b>10,616</b>	<b>285</b>	<b>(12,208)</b>
<b>1,097</b>	<b>(678)</b>	<b>(324)</b>	<b>49</b>	<b>(1,080)</b>	<b>2,745</b>

**The NSW Total State Sector Accounts Statement of Cash Flows by Sector for the Year Ended 30 June 2018 (continued)**

	General Government		Public Non-financial Corporations	
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
Opening Cash and Cash Equivalents	8,731	5,260	2,773	2,598
Reclassification of Cash Equivalents	(388)	243	(38)	29
<b>CLOSING CASH BALANCE</b>	<b>5,417</b>	<b>8,731</b>	<b>3,808</b>	<b>2,773</b>
<b>DERIVATION OF CASH RESULT</b>				
Net Cash Flows from Operating Activities	10,706	10,565	3,021	2,118
Net Cash Flows from Investments in Non-Financial Assets	(12,802)	(6,992)	(4,940)	(5,767)
Dividend Distributions	...	...	(684)	(758)
<b>CASH SURPLUS/(DEFICIT)</b>	<b>(2,096)</b>	<b>3,573</b>	<b>(2,602)</b>	<b>(4,407)</b>

Public Financial Corporations		Eliminations		Total State Sector	
2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
\$m	\$m	\$m	\$m	\$m	\$m
2,371	3,049	(20)	(34)	13,855	10,874
435	...	182	(35)	192	236
<b>3,903</b>	<b>2,371</b>	<b>(161)</b>	<b>(20)</b>	<b>12,967</b>	<b>13,855</b>
3,397	5,778	(815)	(798)	16,309	17,663
(24)	(31)	(164)	(2)	(17,931)	(12,792)
(80)	(21)	764	779	...	...
<b>3,292</b>	<b>5,727</b>	<b>(215)</b>	<b>(21)</b>	<b>(1,622)</b>	<b>4,871</b>

## The NSW Total State Sector Accounts Statement of Changes in Equity for the Whole of Government by Sector for the Year Ended 30 June 2018

	Equity at 1 July 2017	Correction to Prior Period <sup>(a)</sup>	Equity at 1 July 2017 Restated <sup>(a)</sup>	Changes in Classification	Comprehensive Result	Transfers between equity classes	Transactions with owners as owners	Equity at 30 June 2018
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>General Government Sector</b>								
Accumulated Funds	74,462	(942)	73,520	...	6,691	(1,882)	...	78,327
Reserves								
Asset Revaluation Surplus	71,936	(1,122)	70,814	...	17,588	1,846	...	90,248
Equity Investment Revaluation Surplus	37	...	37	...	(42)	30	...	25
Hedging Reserve	(10)	...	(10)	...	2	(9)	...	(17)
Available for Sale Reserve	80,048	(762)	79,286	...	6,296	16	...	85,597
Other	...	...	...	...	...	...	...	...
	<b>226,471</b>	<b>(2,826)</b>	<b>223,645</b>	<b>...</b>	<b>30,534</b>	<b>...</b>	<b>...</b>	<b>254,179</b>
<b>Public Non-Financial Corporation Sector</b>								
Accumulated Funds	51,687	...	51,687	...	(1,895)	1,504	0	51,296
Reserves								
Asset Revaluation Surplus	55,913	...	55,913	...	6,744	(607)	...	62,050
Equity Investment Revaluation Surplus	...	...	...	...	...	...	...	...
Hedging Reserve	(91)	...	(91)	...	(8)	(19)	...	(118)
Available for Sale Reserve	...	...	...	...	969	(961)	...	8
Other	29	...	29	...	...	84	...	112
	<b>107,537</b>	<b>...</b>	<b>107,537</b>	<b>...</b>	<b>5,811</b>	<b>...</b>	<b>...</b>	<b>113,348</b>
<b>Public Financial Corporation Sector</b>								
Accumulated Funds	1,387	762	2,149	...	761	72	(762)	2,220
Reserves								
Asset Revaluation Surplus	(0)	...	(0)	...	1	...	...	1
Equity Investment Revaluation Surplus	...	...	...	...	...	...	...	...
Hedging Reserve	...	...	...	...	...	...	...	...
Available for Sale Reserve	...	...	...	...	72	(72)	...	(0)
Other	...	...	...	...	...	...	...	...
	<b>1,385</b>	<b>762</b>	<b>2,147</b>	<b>...</b>	<b>834</b>	<b>...</b>	<b>(762)</b>	<b>2,219</b>
Eliminations	(108,922)	(762)	(109,684)	...	(6,645)	...	762	(115,566)
<b>Total State Sector</b>	<b>226,471</b>	<b>(2,826)</b>	<b>223,645</b>	<b>...</b>	<b>30,534</b>	<b>...</b>	<b>...</b>	<b>254,179</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

## The NSW Total State Sector Accounts Statement of Changes in Equity for the Whole of Government by Sector for the Year Ended 30 June 2017

	Equity at 1 July 2016	Correction to Prior Period <sup>(a)</sup>	Equity at 1 July 2016 Restated <sup>(a)</sup>	Changes in Classification	Comprehensive Result	Transfers between equity classes	Transactions with owners as owners	Equity at 30 June 2017 Restated <sup>(a)</sup>
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>General Government Sector</b>								
Accumulated Funds	41,736	(1,232)	40,504	...	29,363	3,652	...	73,520
Reserves								
Asset Revaluation Surplus	70,117	(1,122)	68,995	...	2,354	(535)	...	70,814
Equity Investment Revaluation Surplus	2,791	...	2,791	(12)	361	(3,103)	...	37
Hedging Reserve	(22)	...	(22)	12	...	...	...	(10)
Available for Sale Reserve	75,666	(778)	74,888	0	4,397	...	...	79,285
Other	14	...	14	...	...	(14)	...	...
	<b>190,302</b>	<b>(3,132)</b>	<b>187,170</b>	<b>...</b>	<b>36,475</b>	<b>...</b>	<b>...</b>	<b>223,645</b>
<b>Public Non-Financial Corporation Sector</b>								
Accumulated Funds	47,059	...	47,059	...	14,902	4,420	(14,694)	51,687
Reserves								
Asset Revaluation Surplus	55,218	...	55,218	...	5,104	(4,409)	...	55,913
Equity Investment Revaluation Surplus	...	...	...	...	...	...	...	...
Hedging Reserve	(125)	...	(125)	...	36	(2)	...	(91)
Available for Sale Reserve	...	...	...	...	...	...	...	...
Other	38	...	38	...	...	(9)	...	29
	<b>102,189</b>	<b>...</b>	<b>102,189</b>	<b>...</b>	<b>20,042</b>	<b>...</b>	<b>(14,694)</b>	<b>107,537</b>
<b>Public Financial Corporation Sector</b>								
Accumulated Funds	(2,545)	(778)	(3,323)	...	4,822	5	(117)	1,386
Reserves								
Asset Revaluation Surplus	5	...	5	...	(0)	(5)	...	(0)
Equity Investment Revaluation Surplus	...	...	...	...	...	...	...	...
Hedging Reserve	...	...	...	...	...	...	...	...
Available for Sale Reserve	...	...	...	...	...	...	...	...
Other	...	...	...	...	...	...	...	...
	<b>(2,542)</b>	<b>(778)</b>	<b>(3,320)</b>	<b>...</b>	<b>4,822</b>	<b>...</b>	<b>(117)</b>	<b>1,386</b>
Eliminations	(99,647)	778	(98,869)	...	(24,864)	...	14,811	(108,922)
<b>Total State Sector</b>	<b>190,302</b>	<b>(3,132)</b>	<b>187,170</b>	<b>...</b>	<b>36,475</b>	<b>...</b>	<b>...</b>	<b>223,645</b>

(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

## Information on Expenses and Assets by Function<sup>(a)</sup>

	General Government Sector 2017-18 \$m	Total State Sector 2017-18 \$m
<b>Total Expenses by Function (Policy Area)<sup>(b)</sup></b>		
General Public Services	8,586	21,031
Defence	...	...
Public Order and Safety	7,470	7,496
Economic Affairs	2,432	2,207
Environmental Protection	1,015	1,001
Housing and Community Amenities	886	885
Health	21,496	21,483
Recreation, Culture and Religion	1,206	1,057
Education	16,660	16,547
Social Protection	7,601	6,916
Transport	9,140	5,622
<b>Total Expenses<sup>(b)</sup></b>	<b>76,491</b>	<b>84,246</b>
<b>Total Assets by Function (Policy Area)<sup>(c)</sup></b>		
General Public Services <sup>(d)</sup>	155,599	84,247
Defence	...	...
Public Order and Safety	9,173	9,173
Economic Affairs	18,545	22,885
Environmental Protection	738	824
Housing and Community Amenities	3,175	16,048
Health	20,371	20,371
Recreation, Culture and Religion	15,708	22,343
Education	36,776	36,776
Social Protection	6,328	66,447
Transport	117,151	164,021
<b>Total Assets</b>	<b>383,564</b>	<b>443,135</b>

- (a) Data in these tables provides detail of expenses and assets by function. The Australian Bureau of Statistics introduced a revised Classification of the Function of Government Australia Framework (COFOG-A) effective 1 July 2017, which has resulted in some re-classification of expenditure between purposes. Comparatives are not available for the 2016-17 financial year as they were prepared under the former 'Government Purpose Classification' (GPC) framework.
- (b) Data presented in the difference between the Total State Sector Expenses and the Statement of Comprehensive Income relates to expenditure associated with discontinued operations of \$nil (2017: \$1,547 million). The difference between the General Government Sector Expenses and the Statement of Comprehensive Income relates to expenditure associated with discontinued operations of \$0.16 million (2017: \$65 million).
- (c) The aggregate expenses and assets for the General Government Sector can be greater than the Total State Sector aggregates due to the elimination of inter sector expenses and asset balances from the Total State aggregates.
- (d) General Public Services for the General Government Sector includes the State's equity investment in the PNFC/PFC sectors which is eliminated in Total State Sector assets.

The aggregate amount of the comprehensive result attributable to the General Government Sector from the PNFC and PFC sector entities in 2017-18 is \$6,645 million net surplus (2016-17 \$24,864 million net surplus). It comprises the sum of General Government Sector inter-sector expenses (grants, interest on borrowings, and purchases) less the sum of General Government Sector revenues (dividends, income and other tax revenues, revenues from sale of goods and services, interest from inter-sector loans, and gains on the equity investment in the PNFC/PFC sectors).

## Note 35: Key Fiscal Aggregates and Reconciliations to Government Finance Statistics

	Footnote	Government Sector 2017-18 \$m	Public Non-financial Corporations 2017-18 \$m	Public Financial Corporations 2017-18 \$m	Total State Sector 2017-18 \$m
<b>Reconciliation to GFS Net Operating Balance</b>					
<b>Net Result from Transactions - Net Operating Balance</b>		<b>4,181</b>	<b>(605)</b>	<b>12</b>	<b>2,451</b>
Convergence Differences					
Low Interest Loans	a	(6)	15	...	9
PNFC/PFC Dividends Accrued	b	...	(1,113)	...	...
<b>Total Convergence Differences</b>		<b>(6)</b>	<b>(1,098)</b>	<b>...</b>	<b>9</b>
<b>GFS Net Operating Balance</b>		<b>4,175</b>	<b>(1,703)</b>	<b>12</b>	<b>2,461</b>
<b>Reconciliation to GFS Net Lending/(Borrowing)</b>					
<b>Net Lending/(Borrowing)</b>		<b>(2,762)</b>	<b>(3,147)</b>	<b>(2)</b>	<b>(7,010)</b>
Convergence Differences					
Relating to Net Operating Balance as Show n Above		(6)	(1,098)	...	9
<b>Total Convergence Differences</b>		<b>(6)</b>	<b>(1,098)</b>	<b>...</b>	<b>9</b>
<b>GFS Net Lending/(Borrowing)</b>		<b>(2,768)</b>	<b>(4,245)</b>	<b>(2)</b>	<b>(7,001)</b>
<b>Reconciliation to GFS Total Change In Net Worth</b>					
<b>Comprehensive Result - Total Change In Net Worth</b>		<b>30,534</b>	<b>5,811</b>	<b>834</b>	<b>30,534</b>
Convergence Differences					
In AASB 1049 Comprehensive Result, but Not In GFS Change In Net Worth					
Low Interest Loans	a	(6)	15	...	9
Allow ance for Doubtful Debts	c	8	(6)	...	(1)
Prepaid Licence Income	d	(93)	...	...	(93)
Other Settlement Provisions and Obligation Payments	f	182	281	2	182
Measurement Relating to Assets Held for Sale	g	(8)	1	...	(8)
Deferred Tax Assets/Liabilities	h	(90)	90	...	(0)
Equity Investment in the PFNC/PFC Sectors for Net Assets Not Recognised Under GFS	i	99	...	...	...
In GFS Change in Net Worth, but Not In AASB 1049 Comprehensive Result					
Transactions With Ow ners as Ow ners	j	...	(0)	(762)	...
Classification of GFS PNFC/PFC Net Worth as a Liability	k	...	(6,192)	(74)	...
<b>Total Convergence Differences</b>	l	<b>91</b>	<b>(5,811)</b>	<b>(834)</b>	<b>91</b>
<b>GFS Total Change In Net Worth</b>		<b>30,625</b>	<b>...</b>	<b>...</b>	<b>30,625</b>

	Footnote	General Government Sector 2018 \$m	Public Non- Financial Corporations 2018 \$m	Public Financial Corporations 2018 \$m	Total State Sector 2018 \$m
<b>Reconciliation to GFS Net Worth</b>					
<b>Net Worth</b>		<b>254,179</b>	<b>113,348</b>	<b>2,220</b>	<b>254,179</b>
Convergence Differences					
In AASB 1049 Net Worth, but Not In GFS					
Low Interest Loans	a	(7)	(254)	...	(261)
Allowance for Doubtful Debts	c	480	25	...	501
Prepaid Licence Income	d	2,867	...	...	2,867
Other Settlement Provisions and Obligation Payments	f	1,410	281	2	1,410
Measurement Relating To Assets Held For Sale	g	6	2	...	8
Deferred Tax Assets/Liabilities	h	(2,080)	2,080	...	(0)
Equity Investment in the PFNC/PFC Sectors for Net Assets	i	1,851	...	...	...
In GFS Net Worth, but Not In AASB 1049					
Classification of GFS PNFC/PFC Net Worth as a Liability	k	...	(115,481)	(2,223)	...
<b>Total Convergence Differences</b>	l	<b>4,527</b>	<b>(113,348)</b>	<b>(2,220)</b>	<b>4,527</b>
<b>GFS Net Worth</b>		<b>258,706</b>	<b>...</b>	<b>...</b>	<b>258,705</b>

	Footnote	General Government Sector 2016-17 \$m	Public Non-Financial Corporations 2016-17 \$m	Public Financial Corporations 2016-17 \$m	Total State Sector 2016-17 \$m
<b>Reconciliation to GFS Net Operating Balance</b>					
<b>Net Result from Transactions - Net Operating Balance</b>		<b>5,724</b>	<b>(165)</b>	<b>373</b>	<b>5,377</b>
Convergence Differences					
Low Interest Loans	a	(7)	15	...	8
PNFC/PFC Dividends Accrued	b	...	(474)	(80)	...
<b>Total Convergence Differences</b>		<b>(7)</b>	<b>(459)</b>	<b>(80)</b>	<b>8</b>
<b>GFS Net Operating Balance</b>		<b>5,717</b>	<b>(625)</b>	<b>293</b>	<b>5,385</b>
<b>Reconciliation to GFS Net Lending/(Borrowing)</b>					
<b>Net Lending/(Borrowing)</b>		<b>3,040</b>	<b>(5,281)</b>	<b>351</b>	<b>(2,447)</b>
Convergence Differences					
Relating to Net Operating Balance as Shown Above		(7)	(459)	(80)	8
<b>Total Convergence Differences</b>		<b>(7)</b>	<b>(459)</b>	<b>(80)</b>	<b>8</b>
<b>GFS Net Lending/(Borrowing)</b>		<b>3,033</b>	<b>(5,741)</b>	<b>271</b>	<b>(2,440)</b>
<b>Reconciliation to GFS Total Change in Net Worth</b>					
<b>Comprehensive Result - Total Change in Net Worth</b>		<b>36,475</b>	<b>20,042</b>	<b>4,822</b>	<b>36,475</b>
Convergence Differences					
In AASB 1049 Comprehensive Result, but not in GFS Change in Net Worth					
Low Interest Loans	a	1	15	...	16
Allowance for Doubtful Debts	c	55	(6)	(0)	49
Prepaid Licence Income	d	2,682	...	...	2,682
Provisions Liabilities for Remediation	e	153	(84)	(1)	68
Assets Associated with Provisions for Remediation	e	(153)	84	1	(68)
Other Settlement Provisions and Obligation Payments	f	(29)	...	...	(29)
Measurement Relating to Assets Held for Sale	g	(21)	(2)	...	(23)
Deferred Tax Assets/Liabilities	h	1,593	(1,599)	6	...
Equity Investment in the PFNC/PFC Sectors for Net Assets Not Recognised Under GFS	i	(1,586)	...	...	...
In GFS Change in Net Worth, but Not In AASB 1049 Comprehensive Result					
Transactions with Owners as Owners	j	...	(14,694)	(117)	...
Classification of GFS PNFC/PFC Net Worth as a Liability	k	...	(3,756)	(4,695)	...
<b>Total Convergence Differences</b>	l	<b>2,696</b>	<b>(20,042)</b>	<b>(4,806)</b>	<b>2,696</b>
<b>GFS Total Change in Net Worth</b>		<b>38,865</b>	<b>(0)</b>	<b>(0)</b>	<b>38,865</b>

	Footnote	General Government Sector 2017 \$m	Public Non-Financial Corporations 2017 \$m	Public Financial Corporations 2017 \$m	Total State Sector 2017 \$m
<b>Reconciliation to GFS Net Worth</b>					
<b>Net Worth</b>		<b>223,645</b>	<b>107,537</b>	<b>2,149</b>	<b>223,645</b>
Convergence Differences					
In AASB 1049 Net Worth, but Not in GFS					
Low Interest Loans	a	(1)	(269)	...	(270)
Allowance for Doubtful Debts	c	472	30	...	503
Prepaid Licence Income	d	2,960	...	...	2,960
Provision Liabilities for Remediation	e	755	177	...	931
Assets Associated with Provisions for Remediation	e	(755)	(177)	...	(931)
Other Settlement Provisions and Obligation Payments	f	1,227	...	...	1,227
Measurement Relating to Assets Held for Sale	g	15	1	...	16
Deferred Tax Assets/Liabilities	h	(1,990)	1,990	...	...
Equity Investment in the PFNC/PFC Sectors for Net Assets	i	1,752	...	...	...
In GFS Net Worth, but Not In AASB 1049					
Classification of GFS PNFC/PFC Net Worth as a Liability	k	...	(109,289)	(2,149)	...
<b>Total Convergence Differences</b>	<b>l</b>	<b>4,436</b>	<b>(107,537)</b>	<b>(2,149)</b>	<b>4,436</b>
<b>GFS Net Worth</b>		<b>230,907</b>	<b>(0)</b>	<b>...</b>	<b>230,907</b>

- (a) Under GFS, interest free or low interest loans are recognised based on the amount lent, and interest is recognised based on any cash interest paid. In contrast, under AGAAP, loans are recognised initially at fair value and thereafter at amortised cost. Any difference between the original amount lent and the fair value is initially recognised to the operating result and subsequently amortised over the life of the loan. This results in the value of GFS advances/(borrowings) being higher/(lower) than AGAAP advances/(borrowings).
- (b) GFS recognises dividends to owners by the PNFC and PFC sectors as a GFS expense, whereas under AGAAP they are treated as a distribution to owners and therefore a direct reduction of accumulated funds. This difference does not flow through to the Total State Sector as dividends are eliminated on consolidation.
- (c) GFS does not recognise an allowance for doubtful debts as GFS only recognises bad debts when they are written off. Under AGAAP an allowance for doubtful debts is recognised in the Statement of Financial Position and doubtful debts are recognised in the Statement of Comprehensive Income as 'Other Economic Flows'.
- (d) AGAAP recognises the prepaid income liability for unamortised prepaid licences in the Statement of Financial Position. This liability is excluded from the GFS Statement of Financial Position as the prepaid income is treated as an upfront sale of a non-produced intangible asset for GFS purposes. The change in net worth for prepaid licence income is normally a negative balance due to amortisation of the prepaid licence income.
- (e) GFS now aligns the treatment of provision for restoration, decommissioning, and make-good with AGAAP effective from 1 July 2017. The previous GFS framework (AGFS05) did not recognise provisions for restoration, decommissioning, and make-good unless there was an identifiable counterparty.
- (f) GFS does not recognise provisions and obligation payments when there is no present counterparty to the transaction. The balance for provisions and other liabilities is therefore lower under GFS as a result of the exclusion.
- (g) Measurement difference between AGAAP and GFS for the valuation of Assets Held for Sale. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* requires valuation at fair value less costs to sell, whereas GFS valuation is at market value which does not include costs to sell.
- (h) AGAAP adopts tax effect accounting whereby timing differences between accounting profit and tax profit are deferred as future income tax benefit assets or provisions for deferred tax liabilities. GFS does not recognise deferred tax. This convergence difference also flows through to the GGS, as the GGS is the counterparty to the tax effect accounting entries recognised by the PNFC/PFC entities. However, this difference does not flow through to the Total State Sector as income tax equivalents are eliminated on consolidation. Revaluations of infrastructure within the PNFC sector impacts the provisions for deferred tax liabilities and may result in significant differences between the GFS and the AASB 1049 sector aggregates.
- (i) The basis for the valuation of the PNFC/PFC sector is net assets in the absence of a market value for both accounting and GFS purposes. The measurement of net assets differs for GFS in that, for example, allowance for impairment of receivables, onerous contract provisions and deferred income tax balances are not recognised in net worth under GFS. In addition, the negative net worth of the individual public sector entities is included in the GGS valuation of those entities.
- (j) Transactions with owners as owners are excluded for the comprehensive result, however are included in the movement in GFS net worth. These type of transactions result in a convergence difference as the total change in net worth under AGAAP is disclosed before transactions with owners as owners, while under GFS, transactions with owners as owners is included in the movement in GFS net worth.
- (k) The PFNC/PFC sectors report zero net worth for GFS purposes as GFS treats the ownership interest (contributed equity) as a liability.
- (l) The convergence differences related to total change in net worth will be either positive or negative in a particular year due to the movement of the balances in the statement of financial position.

## Reclassifications

The following classification differences exist between lines presented in this AASB 1049 *Whole of Government and General Government Sector Financial Reporting* report and GFS line presentations. While these classification differences do not affect the net operating results nor net worth aggregates, they result in different line presentations between GFS and AASB 1049 (i.e. AGAAP) reports.

The GFS reporting framework was revised by the Australian Bureau of Statistics (ABS), with the release of the *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015 Cat. No. 5514.0*. The revised GFS framework (AGFS15) took effect on 1 July 2017 for the 2017-18 reporting period.

2017-18	Footnote	General	Public Non-	Public	Total State
		Government	Financial	Financial	
		Sector	Corporations	Corporations	Sector
		\$m	\$m	\$m	\$m
<b>Items Grossed Up in GFS Operating Statements - Not In AGAAP</b>					
<b>Statements of Comprehensive Income</b>					
Transfer Payments	a	4,557	...	...	4,557
Environmental Levies	b	6	...	...	6
Transport and Energy Subsidies	c	...	...	...	160
Insurance Tax Receipts to GGS	d	...	...	...	...
<b>Items Grossed Up In AGAAP Statements of Comprehensive Income - Not In GFS</b>					
GG Employees Providing Services to PNFCs	e	705	10	...	...
<b>Other Reclassifications on the Statements of Comprehensive Income</b>					
Dividends Accrued in GFS Results, but a Direct Movement in AGAAP	f	...	1,113	...	...
Discontinuing Operations - Income Tax Equivalents					
Return of Capital in GFS, Deferred Income Tax Equivalent in AGAAP	g	...	...	...	...
<b>Statements of Financial Position</b>					
Deferred Income - Payables in GFS, Other Liabilities in AGAAP	h	5,419	213	5	5,621
Prepaid Expenses - Receivables in GFS, Other Non-Financial Assets in AGAAP	h	1,946	96	64	1,391
Rental Bond Assets and Liabilities in GFS, but Off Balance Sheet (Trust Funds) in AGAAP	i	1,546	...	...	1,546
Salaries Accrued & Employee on Costs are Provision Liabilities in GFS, but Payables for AGAAP	j	630	42	11	671

2016-17	Footnote	General	Public Non-	Public	Total State
		Government	Financial	Financial	State
		Sector	Corporations	Corporations	Sector
		\$m	\$m	\$m	\$m
<b>Items Grossed Up in GFS Operating Statements - Not In AGAAP</b>					
<b>Statements of Comprehensive Income</b>					
Transfer Payments	a	4,663	...	...	4,663
Environmental Levies	b	7	...	...	7
Transport and Energy Subsidies	c	...	...	...	154
Insurance Tax Receipts to GGS	d	461	...	...	461
<b>Items Grossed Up in AGAAP Statements of Comprehensive Income - Not In GFS</b>					
GG Employees Providing Services to PNFCs	e	659	4	...	...
<b>Other Reclassifications on the Statements of Comprehensive Income</b>					
Dividends Accrued in GFS Results, but a Direct Movement in AGAAP	f	...	474	80	...
Discontinuing Operations - Income Tax Equivalents					
Return of Capital in GFS, Deferred Income Tax Equivalent in AGAAP	g	165	162	4	...
<b>Statements of Financial Position</b>					
Deferred Income - Payables in GFS, Other Liabilities in AGAAP	h	2,026	109	...	2,135
Prepaid Expenses - Receivables in GFS, Other Non-Financial Assets in AGAAP	h	778	146	38	961
Rental Bond Assets and Liabilities in GFS, but Off Balance Sheet (Trust Funds) in AGAAP	i	1,443	...	...	1,443
Salaries Accrued & Employee on Costs are Provision Liabilities in GFS, but Payables for AGAAP	j	515	65	5	573

- (a) New South Wales receives certain transfer payments from the Commonwealth which are required to be on-passed to recipients as determined by the Australian Government. Most of these transfer payments relate to grants from the Australian Government for specific non-government schools or for local government authorities. As New South Wales has no control over the transfer payments, they are not recognised as State revenues and expenses. However, the ABS has determined that for GFS purposes the transfer payments be recognised as GFS revenues and expenses of the States and Territories. New South Wales publishes information on these excluded transfer payments as a footnote to the grants revenue and expense notes to assist users understand the full value of the amounts on-passed. Refer Table 7 of the Outcomes report.
- (b) GFS requires that certain environmental levies reported by PNFCs be also recognised and grossed up in the GG sector as tax revenue and as an equivalent subsidy expense paid back to the PNFC sector, for GFS purposes only.
- (c) For Total State reporting purposes only, transport and energy subsidies paid from GGs to PNFCs for students and pensioners are eliminated from AGAAP statements. However, GFS treats the payment by the State as a gross expense, relating to a benefit paid to the household sector, and as gross revenue from the household sector for electricity sales and travel fares.
- (d) A GGS/PFC classification difference arises in respect of the treatment of tax income. Under GFS, a tax or fine can only be imposed by a unit in the general government sector (GGS). As this income is collected by a PFC due to administrative requirements, it is reclassified as a tax receipt in the GGS and an equivalent subsidy is paid back to the PFC sector for GFS purposes only.
- (e) Certain staff employed in the GG sector provide services to PNFCs. Under GFS, the employee expense related to these personnel is recognised in the PNFC sector where the services were provided. However, under AGAAP, the employee expense and the revenue recoverable from the PNFC sector is reported in the GG sector.
- (f) Dividends accrued are a direct adjustment to equity i.e. they are treated as an equity distribution under AGAAP. Dividends accrued are reported as an expense for the PNFC and PFC sectors for GFS purposes.
- (g) The component of income tax equivalents related to the disposal of discontinuing operations is reported as a return of capital, rather than as a transaction under GFS. This is reported as another economic flow, similar to deferred taxes under AGAAP. This reclassification difference impacts both GGS and PNFC entities, as the GGS sector is the counterparty to the entries recognised in the PNFC sector.
- (h) GFS requires that deferred income and deferred expenses be classified as payables and receivables. However, they are reported as other assets and other liabilities under AASB 1049 and not as receivables/payables, as there is no present obligation to repay the deferred items.
- (i) New South Wales excludes rental bond assets and an equal value of deposit liabilities from the AGAAP statements of financial position as they are considered to be trust monies. However, the Australian Bureau of Statistics has advised that rental bond monies are to be recognised on Statement of Financial Position for GFS purposes, and not treated off Balance Sheet as trust monies. This difference does not impact key fiscal aggregates, however it results in the GFS total assets and total liabilities being grossed up compared to the AGAAP aggregates.
- (j) Salaries accruals and certain employee on-costs reported as payables under AGAAP are required to be classified as provision liabilities for GFS reporting purposes.

## Note 36: Details of Consolidated Entities

The Total State Sector comprises the entities listed below.

Four controlled entities have a reporting date other than 30 June. The reporting date for the National Art School, Technical Education Trust Fund and the Border Fence Maintenance Board is 31 December. The reporting date for the Sydney Cricket and Sports Ground Trust is 28 February as it is aligned to the sporting year associated with its primary activities.

It is considered not material to the results and financial position of the TSSA to attempt to align the reporting period of these reporting entities to 30 June. Accordingly the annual financial results of these reporting entities as at the last reported year (ending December or February) have been consolidated into the 30 June TSSA.

Entities and Staff Agencies identified in italics have been, or are in the process of being abolished.

### Changes to Reporting Entities

There have been a number of changes to reporting entities since the last TSSA that affect reporting in this financial year. These changes are as a result of legislative amendments and Administrative Changes Orders which are outlined below:

- The Biodiversity Conservation Trust of New South Wales was created as a statutory body under the *Biodiversity Conservation Act 2016 No 63 effective 25 August 2017*.
- The Greyhound Welfare and Integrity Commission was established as a body corporate under the *Greyhound Racing Act 2017 No 13 effective 3 July 2017*.
- The Natural Resources Access Regulator was established as a NSW Government agency under the *Natural Resources Access Regulator Act 2017 No 64 effective 30 April 2018*.
- The Office of the Inspector of the Law Enforcement Conduct Commission was established as a separate public service agency under the *Administrative Arrangements (Administrative Changes—Inspector of Law Enforcement Conduct Commission) Order 2017 effective 1 July 2017*.
- Wild Dog Destruction Board was renamed to Border Fence Maintenance Board under the *Biosecurity Act 2015 No 24 effective 1 July 2017*.

### General Government Sector Agencies

Aboriginal Housing Office	Chief Investigator of the Office of Transport Safety Investigations
Dunghutti Aboriginal Elders Tribal Council Trust	Combat Sports Authority of New South Wales <sup>(*)</sup>
Alpha Distribution Ministerial Holding Corporation	Corporation Sole 'Minister Administering Environmental Planning and Assessment Act, 1979'
Art Gallery of New South Wales Trust	Corporation Sole 'Minister Administering the Heritage Act, 1977' <sup>(*)</sup>
The Australian Institute of Asian Culture and Visual Arts Limited (VisAsia)	Crown Entity, including the Consolidated Fund and Crown Finance Entity
Art Gallery of New South Wales Trust Staff Agency	Crown Solicitor's Office
Art Gallery of NSW Foundation <sup>(*)</sup>	Department of Education
Australian Museum Trust	Advocate for Children and Young People
Australian Museum Trust Staff Agency	Department of Family and Community Services
Barangaroo Delivery Authority	John Williams Memorial Charitable Trust
Barangaroo Delivery Authority Staff Agency	Department of Finance, Services and Innovation
Belgenny Farm Agricultural Heritage Centre Trust <sup>(*)</sup>	Safe Work NSW
Biamanga National Park Board of Management <sup>(a)(*)</sup>	Department of Justice
Biodiversity Conservation Trust of New South Wales <sup>(b)</sup>	Department of Planning and Environment
Border Fence Maintenance Board <sup>(c)(*)</sup>	Independent Planning Commission
Building Insurers' Guarantee Corporation	Planning Ministerial Corporation
C.B. Alexander Foundation <sup>(*)</sup>	Department of Premier and Cabinet
Cemeteries and Crematoria NSW <sup>(*)</sup>	
Centennial Park and Moore Park Trust	
Central Coast Regional Development Corporation <sup>(*)</sup>	

Department of Industry	Library Council of New South Wales
Aboriginal Fishing Trust Fund	Library Council of New South Wales Staff Agency
Agricultural Scientific Collections Trust	State Library of New South Wales Foundation
Aquaculture Trust Fund	Local Land Services
Charter Fishing Trust Fund	Local Land Services Staff Agency
Coal Innovation Fund	Long Service Corporation
Commercial Fishing Trust Fund	Lord Howe Island Board <sup>(f)</sup>
Crown Reserves Improvement Fund	Luna Park Reserve Trust
Dams Safety Committee <sup>(f)</sup>	Mental Health Commission of New South Wales
Fish Conservation Trust Fund	Mental Health Commission Staff Agency
Game and Pest Management Trust Fund	<i>Mine Subsidence Board (trading as</i>
Greyhound Welfare and Integrity Commission <sup>(d)</sup>	<i>Subsidence Advisory NSW</i> <sup>(f)(*)</sup>
Jobs for NSW Fund	Ministerial Holding Corporation <sup>(*)</sup>
Natural Resources Access Regulator <sup>(e)</sup>	Hunter Valley Training Pty Ltd
NSW Skills Board	Ministry of Health <sup>(h)</sup>
Recreational Fishing (Fresh) Trust Fund	Agency for Clinical Innovation
Recreational Fishing (Salt) Trust Fund	Albury Base Hospital
Responsible Gambling Fund	Albury Wodonga Health Employment Division
Department of Transport	Bureau of Health Information
Transport for NSW	Cancer Institute (NSW)
Transport Service of New South Wales	Central Coast Local Health District
Roads and Maritime Services	Clinical Excellence Commission
Destination NSW	Far West Local Health District
Destination NSW Staff Agency	Graythwaite Trust
Electricity Assets Ministerial Holding Corporation	Health Administration Corporation
Electricity Retained Interest Corporation (ERIC-A)	Health Education and Training Institute
Electricity Retained Interest Corporation (ERIC-E)	Hunter New England Local Health District
Electricity Transmission Ministerial Holding Corporation	Illawarra Shoalhaven Local Health District
Environment Protection Authority	Justice Health and Forensic Mental Health Network
Environment Protection Authority Staff Agency	Mid North Coast Local Health District
Environmental Trust	Murrumbidgee Local Health District
Epsilon Distribution Ministerial Holding Corporation	Nepean Blue Mountains Local Health District
Financial Counselling Trust Fund <sup>(*)</sup>	Northern NSW Local Health District
Fire and Rescue NSW	Northern Sydney Local Health District
Gaalga Wanggaan (South Beach) National Park Board of Management <sup>(a)(*)</sup>	South Eastern Sydney Local Health District
Generator Property Management Pty Ltd <sup>(*)</sup>	South Western Sydney Local Health District
Greater Sydney Commission <sup>(f)</sup>	Southern NSW Local Health District
Gulaga National Park Board of Management <sup>(a)(*)</sup>	Sydney Local Health District
Health Care Complaints Commission	The Agency for Clinical Innovation
Health Care Complaints Commission Staff Agency	The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)
Historic Houses Trust of New South Wales	Western NSW Local Health District
Foundation for the Historic Houses Trust of New South Wales	Western Sydney Local Health District
Foundation for the Historic Houses Trust of New South Wales Limited	Mt Grenfell Historic Site Board of Management <sup>(a)(*)</sup>
Hamilton Rouse Hill Trust	Multicultural NSW
Rouse Hill Hamilton Collection Pty Limited	Multicultural NSW Staff Agency
Home Purchase Assistance Fund	Mutawintji Board of Management <sup>(a)(*)</sup>
Hunter Development Corporation	National Art School <sup>(*)</sup>
Independent Commission Against Corruption	Natural Resources Commission
Independent Liquor and Gaming Authority	Natural Resources Commission Staff Agency
Independent Pricing and Regulatory Tribunal	New South Wales Crime Commission
Independent Pricing and Regulatory Tribunal Staff Agency	New South Wales Crime Commission Staff Agency
Information and Privacy Commission	New South Wales Electoral Commission
Infrastructure NSW	New South Wales Electoral Commission Staff Agency
Infrastructure NSW Staff Agency	New South Wales Government Telecommunications Authority
Judicial Commission of New South Wales	New South Wales Institute of Sport <sup>(*)</sup>
Lands Administration Ministerial Corporation <sup>(*)</sup>	Institute of Sport Staff Agency
Bondi Bath Reserve Trust	New South Wales Rural Assistance Authority
Yasmar Reserve Trust	NSW Ovine Johne's Disease Transaction Based Contribution Scheme
Rawson Reserve Trust	NSW Crown Holiday Parks Trust <sup>(*)</sup>
Crown Lands Reserve Trust	NSW Education Standards Authority
Legal Aid Commission of New South Wales	NSW Education Standards Authority Staff Agency
Legal Aid Commission Staff Agency	NSW Food Authority
Liability Management Ministerial Corporation	NSW Health Foundation <sup>(*)</sup>
	NSW Police Force

NSW Self Insurance Corporation  
 New South Wales Technical and Further Education  
 Commission  
     TAFE Commission (Senior Executives) Staff Agency  
 NSW Trustee and Guardian  
 Office of Environment and Heritage  
 Office of the Law Enforcement Conduct Commission  
 Office of Local Government  
 Office of the Children's Guardian  
 Office of the Director of Public Prosecutions  
 Office of the NSW Rural Fire Service  
 Office of the NSW State Emergency Services  
 Office of the Inspector of the Law Enforcement Conduct  
 Commission<sup>(i)</sup>  
 Office of Sport  
 Ombudsman's Office  
 Parliamentary Counsel's Office  
 Parramatta Park Trust<sup>(\*)</sup>  
 Ports Assets Ministerial Holding Corporation  
     Port of Newcastle Lessor Pty Limited  
     Port Botany Lessor Pty Limited  
     Port Kembla Lessor Pty Limited  
 Property NSW  
 Public Service Commission  
 Rental Bond Board  
 Royal Botanic Gardens and Domain Trust  
 Service NSW  
 Sporting Injuries Compensation Authority<sup>(\*)</sup>  
 State Insurance Regulatory Authority

State Rail Authority Residual Holding Corporation<sup>(\*)</sup>  
 State Archives and Records Authority of New South  
 Wales<sup>(j)</sup>  
 State Rescue Board of New South Wales<sup>(\*)</sup>  
 Sydney Metro<sup>(k)</sup>  
 The Audit Office of New South Wales  
 Sydney Olympic Park Authority  
 Technical Education Trust Fund<sup>(\*)</sup>  
 The Legislature  
 The Sesquicentenary of Responsible Government Trust  
 Fund<sup>(\*)</sup>  
 The Treasury  
 Trustees of the Anzac Memorial Building<sup>(\*)</sup>  
 Trustees of the Museum of Applied Arts and Sciences  
     Trustees of the Museum of Applied Arts and Sciences  
     Staff Agency  
 UrbanGrowth NSW Development Corporation  
     UrbanGrowth NSW Development Corporation Staff  
     Agency  
     Australian Technology Park Sydney Limited  
 Water Administration Ministerial Corporation  
 Water Investment Trust Fund  
 Western Sydney Parklands Trust  
 Worimi Board of Management<sup>(a)(\*)</sup>  
 Workers' Compensation (Dust Diseases) Authority  
 Workers Compensation Commission of New South Wales

## Public Non-Financial Corporations

Catholic Metropolitan Cemeteries Trust  
 Cobar Water Board<sup>(\*)</sup>  
 Essential Energy  
     NorthPower Energy Services Pty Limited  
 Forestry Corporation of New South Wales  
 Hunter Water Corporation  
     Hunter Water Australia  
 Jenolan Caves Reserves Trust<sup>(\*)</sup>  
 Landcom (trading as UrbanGrowth NSW)  
 New South Wales Land and Housing Corporation  
     Rental Housing Assistance Fund  
 Newcastle Port Corporation  
 Northern Metropolitan Cemeteries Trust<sup>(\*)</sup>  
 Place Management NSW  
 Rail Corporation New South Wales<sup>(l)</sup>  
     NSW Trains  
     Sydney Trains  
 Rookwood General Cemeteries Reserve Trust<sup>(\*)</sup>  
 Rookwood Necropolis Trust<sup>(\*)</sup>

Southern Metropolitan Cemeteries Trust<sup>(\*)</sup>  
 State Sporting Venues Authority  
 State Transit Authority of New South Wales  
 Sydney Cricket and Sports Ground Trust  
     Sydney Cricket and Sports Ground Trust Staff Agency  
 Sydney Ferries  
 Sydney Opera House Trust  
     Sydney Opera House Trust Staff Agency  
 Sydney Water Corporation  
 Teacher Housing Authority of New South Wales  
 Venues NSW  
     Newcastle International Sports Centre Club  
 Waste Assets Management Corporation  
 Water NSW  
 WCX M4 Corporation Pty Ltd  
 WCX M4-M5 Link Corporation Pty Ltd<sup>(m)</sup>  
 WCX M5 Corporation Pty Ltd  
 Wentworth Park Sporting Complex Trust<sup>(\*)</sup>  
 Zoological Parks Board of New South Wales

## Public Financial Corporations

First Australian Mortgage Acceptance Corporation (FANMAC) Trusts	TCorpIM Cyclical Growth Australian Share Fund
ICNSW Australian Equities Fund	TCorpIM Cyclical Growth International Share Fund
ICNSW International Equities Fund	TCorpIM Direct Infrastructure Fund A
ICNSW International Equities Hedged Fund	TCorpIM Direct Investment Fund B
Insurance and Care NSW	TCorpIM Direct Investment Fund C
Insurer's Guarantee Fund Investment Trust	TCorpIM Direct Investment Fund D
Lifetime Care and Support Authority of New South Wales	TCorpIM Direct Investment Fund E
Motor Accident Injuries Treatment and Care Benefits Fund	TCorpIM Downside Protection Australian Share Fund
Long Service Corporation Investment Fund	TCorpIM Downside Protection International Share Fund
	TCorpIM Emerging Market Debt Fund
	TCorpIM Emerging Market Share Fund
	TCorpIM Global Credit Fund
	TCorpIM High Yield Fund
NSW Treasury Corporation	TCorpIM Indexed Australian Share Fund
Treasury Corporation Division of the Government Service	TCorpIM Indexed International Share (Unhedged) Fund
TCorp Nominees Pty Limited	TCorpIM International Share (Hedged) Fund
NSW Infrastructure Future Fund	TCorpIM International Share (Unhedged) Fund
NSW Trustee and Guardian Growth Portfolio	TCorpIM Liquidity Australian Bond Fund
SAS Trustee Corporation(*)	TCorpIM Liquidity Cash Fund
SAS Trustee Corporation Staff Agency(*)	TCorpIM Listed Property Fund
Social and Affordable Housing NSW Fund Investment Trust	TCorpIM Long Term Growth Fund
Superannuation Administration Corporation	TCorpIM Medium Term Growth Fund
Sydney Motorway Corporation	TCorpIM Multi-Asset Class Fund
TCorpIM Alternative Risk Premia Fund	TCorpIM Small Cap Australian Share Fund
TCorpIM Australian Bond Fund	TCorpIM Specialist Emerging Market Share Fund
TCorpIM Australian Inflation Linked Bond Fund	TCorpIM Strategic Cash Fund
TCorpIM Australian Share Fund	TCorpIM Unlisted Infrastructure Fund
TCorpIM Bank Loan Fund	TCorpIM Unlisted Property Fund
TCorpIM Cash Fund	Treasury Managed Fund Investment Portfolio

- (a) National Park Boards of Management as per the *National Parks and Wildlife Act 1974*.
- (b) Agency was established 25 August 2017 under the *Biodiversity Conservation Act 2016 No 63*.
- (c) Agency was renamed from Wild Dog Destruction Board to the Border Fence Maintenance Board under the *Biosecurity Act 2015* on 1 July 2017.
- (d) Agency was established 3 July 2017 under the *Greyhound Racing Act 2017 No 13*.
- (e) Agency was established 30 April 2018 under the *Natural Resources Access Regulator Act 2017 No 64*.
- (f) A new agency Greater Sydney Commission Staff Agency was established 1 July 2018 under the *Administrative Arrangements (Administrative Changes—Greater Sydney Commission) Order 2018*.
- (g) Agency was abolished 1 July 2018 under the *Administrative Arrangements (Administrative Changes – NSW State Archives and Subsidence Advisory NSW) Order 2018*.
- (h) The special purpose service entities of the local health districts have not been listed.
- (i) Agency was established 1 July 2017 under the *Administrative Arrangements (Administrative Changes – Inspector of Law Enforcement Conduct Commission) Order 2017*.
- (j) Agency was renamed from State Records NSW under the *Statute Law (Miscellaneous Provisions) Act (No 2) 2016 No 55* on 26 October 2016.
- (k) Agency was established on 1 July 2018 under the *Transport Administration Amendment (Sydney Metro) Act 2018*.
- (l) Agency transitioning to Transport Asset Holding Entity; creation of the entity commenced 5 April 2017 under the *Transport Administration Amendment (Transport Entities) Act 2017* which provides that NSW Trains and Sydney Trains are no longer subsidiaries of Rail Corporation New South Wales and establishes a new corporation named Residual Transport Corporation.
- (m) Established on 16 February 2018.
- (\*) These agencies are not considered material for the whole-of-government reporting but are controlled by the NSW Government

## Note 37: Key Technical Terms used in the Financial Statements

**ABS GFS Manual:** The Australian Bureau of Statistics (ABS) publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods* as updated from time to time.

**advances:** loans acquired or made for policy purposes rather than liquidity management purposes.

**capital expenditure:** this is expenditure relating to the acquisition or enhancement of property, plant and equipment (including land and buildings, plant and equipment and infrastructure systems) and intangibles (including computer software and easements).

**cash surplus/(deficit):** net cash flows from operating activities plus net cash flows from acquisition and disposal of non-financial assets (less distributions paid for the public non-financial corporation (PNFC) and public financial corporation (PFC) sectors).

**comprehensive result (total change in net worth before transactions with owners as owners):** net result of all items of income and expense recognised for the period. It is the aggregate of the operating result and other movements in equity, other than transactions with owners as owners.

**convergence difference:** the difference between the amounts recognised in the financial statements compared with the amounts determined for GFS purposes as a result of differences in definition, recognition, measurement, classification and consolidation principles and rules.

**defined contribution superannuation plans:** are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**defined benefit superannuation plans:** are post-employment benefit plans other than defined contribution plans.

**fair value:** the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**fair value hierarchy:** categorises into three levels the inputs to valuation techniques used to measure fair value.

**level 1 inputs:** quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

**level 2 inputs:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**level 3 inputs:** unobservable inputs for the asset or liability.

**financial asset** is any asset that is:

- (a) cash
- (b) an equity instrument of another entity
- (c) a contractual right:
  - (i) to receive cash or another financial asset from another entity, or
  - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity, or

- (d) a contract that will or may be settled in the entity's own equity instruments and is:
- (i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments, or
  - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

**General Government Sector (GGS):** this is an ABS classification of agencies that provide public services (such as health, education and police), carry out policy or perform regulatory functions. General government agencies are funded in the main by taxation (directly or indirectly).

**Government Finance Statistics (GFS):** a system of financial reporting developed by the International Monetary Fund and used by the Australian Bureau of Statistics to classify the financial transactions of governments and measure their impact on the rest of the economy.

**interest expense:** costs incurred in connection with the borrowing of funds. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings. Where discounting is used, the carrying amount of a liability increases in each period to reflect the passage of time. This increase is also recognised as an interest expense.

**key fiscal aggregates:** balances useful for macro-economic analysis purposes, including assessing the impact of a government and its sectors on the economy. AASB 1049 *Whole of Government and General Government Sector Financial Reporting* prescribes: net worth, net operating balance, net lending/(borrowing), total change in net worth, and cash surplus/(deficit).

**National Partnership Payments (NPP):** an Australian Government grant to States and Territories to support the delivery of specified outputs or projects, to facilitate reforms or to reward the delivery of nationally significant reforms. Each NPP is supported by a National Partnership Agreement which defines mutually agreed objectives, outputs and performance benchmarks.

**National Specific Purpose Payments (SPP):** an Australian Government grant made to the States and Territories under the associated National Agreement. These grants must be spent in the key service delivery sector (Health, Education, Skills and Workforce, Disability and Indigenous) for which it is provided. States are free to allocate the funds within that sector to achieve the mutually agreed objectives specified in the associated National Agreement.

**net acquisition of non-financial assets:** This is purchases (or acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Purchases and sales (or net acquisitions) of non-financial assets generally include accrued expenses and payables for capital items. Other movement in non-financial assets include non-cash capital grant revenue/expenses such as developer contribution assets.

**net cash flows from investments in financial assets (liquidity management purposes):** cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.

**net cash flows from investments in financial assets (policy purposes):** cash receipts from the repayment and liquidation of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. Acquisition of financial assets for policy purposes is distinguished from investments in financial assets (liquidity management purposes) by the underlying government motivation for acquiring the assets. Acquisition of financial assets for policy purposes is motivated by government policies such as encouraging the development of certain industries or assisting citizens affected by natural disaster.

**net debt:** equals the sum of financial liabilities (deposits held, borrowings and derivatives and advances received) less the sum of the following financial assets (cash and deposits, advances paid and investments, loans and placements).

**net defined benefit superannuation liability (asset):** the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

**net financial liabilities:** calculated as total liabilities, less financial assets, other than equity in PNFCs and PFCs. This measure is broader than net debt as it includes significant liabilities, other than borrowings (for example, accrued employee liabilities such as superannuation and long service leave entitlements).

**net interest on the net defined benefit liability/asset:** this is the change during the period to the net defined superannuation liability/asset that arises from the passage of time.

**net gain on equity investments in other sectors:** comprises the net gains relating to the equity held by the GGS in other sector entities. It arises from a change in the carrying amount of net assets of the subsidiaries. The net gains are measured (in the absence of market values) based on the carrying amount of net assets/(liabilities) before elimination of intersector balances.

**net lending/(borrowing):** the financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. A positive result reflects a net lending position and a negative result reflects a net borrowing position.

**net operating balance (net result from transactions):** calculated as revenue from transactions minus expenses from transactions. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets.

**net worth:** an economic measure of wealth and is equal to total assets less total liabilities.

**operating result:** a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other comprehensive income'.

**other economic flows:** changes in the volume or value of an asset or liability that do not result from transactions (that is, revaluations and other changes in the volume of assets).

**other superannuation expense:** it includes all superannuation expenses from transactions except superannuation interest cost. Superannuation actuarial gains/losses are excluded as they are disclosed under 'other economic flows'.

**Public Financial Corporations (PFC) sector:** an ABS classification of government controlled agencies that have one or more of the following functions:

- that of a central bank
- the acceptance of demand, time or savings deposits, or
- the authority to incur liabilities (such as insurance) and acquire financial assets in the market on their own account.

The sector is also commonly referred to as the Public Financial Enterprise (PFE) sector.

**Public Non-Financial Corporations (PNFC) sector:** an ABS classification, for GFS purposes, of agencies where user charges represent a significant proportion of revenue and the agencies operate within a broadly commercial orientation. The sector is also commonly referred to as the Public Trading Enterprise (PTE) sector.

**superannuation interest cost:** this expense is the net interest on the net defined benefit liability/asset which shall be determined by multiplying the net defined liability/asset by the discount rate (government bond rate).

**Total State Sector (TSS):** represents all agencies and corporations owned and controlled by the NSW Government. It comprises the general government, public non-financial corporations and public financial corporations.

**transactions:** interactions between two institutional units by mutual agreement or actions within a unit that it is analytically useful to treat as transactions, such as depreciation expense. Unlike revaluations, transactions generally reflect economic events that impact the economy.

## End of Audited Financial Statements

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Uniform Presentation Framework:  
Outcomes Report  
2017-2018

# UNIFORM PRESENTATION FRAMEWORK: OUTCOMES REPORT

## Purpose

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The Outcomes Report presents financial aggregates according to the Uniform Presentation Framework (UPF). The UPF is an agreed framework between the Australian, State and Territory governments for the presentation of government financial information on a basis broadly consistent with the Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

The UPF financial aggregates serve a number of purposes including:

- allowing comparisons between the financial position of Australian governments on a consistent basis
- facilitating time series comparisons since they are relatively unaffected by changes in public sector administrative structures, and
- permitting an assessment of the impact of NSW public sector transactions on the economy by providing data classified by economic type.

## Relationship with other reporting

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Information in the Outcomes Report is not audited, however it has been prepared consistent with the audited Total State Sector Accounts.

Several tables in the Outcomes Report are similar with those reported in the Total State Sector Accounts but are repeated here for completeness.

The Outcomes Report compares the published NSW Budget for 2017-18 with the outcome for the year.

Financial aggregates are published for the following:

- general government (GGS) sector
- public non-financial corporation (PNFC) sector
- non-financial public (NFPS) sector
- public financial corporation (PFC) sector.

Budget estimates are not prepared for the NSW Public Financial Corporations Sector. In addition to the reporting requirements, a consolidated NSW Total State Sector Statement of Financial Position by sector (Table 1) has been included. This assists in analysis of the Statement of Financial Position for the Total State Sector.

## Changes to reporting requirements

### Government Finance Statistics

The Australian system of Government Finance Statistics (GFS) was revised by the Australian Bureau of Statistics, with the release of the *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015 Cat. No. 5514.0*. The revised GFS framework (AGFS15) took effect on 1 July 2017 and has resulted in some changes to the treatment of stocks and flows. The key aggregates have not changed. However, the tables that previously showed the derivation of the GFS cash surplus/(deficit) are no longer reported as the distinction between the AASB 1049 and GFS derived cash surplus/(deficit) has been removed.

### Revised Uniform Presentation Framework (UPF)

The UPF is currently under review following the ABS' release of their revised GFS publication. Most of the presentation requirements of the June 2018 draft UPF have been adopted in this chapter as they are more harmonious with AASB1049 and the updated GFS manual (AGFS15). However, NSW will continue to omit the presentation of Budget estimates for the Public Financial Corporation (PFC) sector.

There are few departures from the requirements of the current (2008) UPF which are included in the presentation requirements of the revised (June 2018) UPF. This includes the presentation of taxes in the supplementary tables, the functional allocation tables and loan council allocation, which are explained below.

### Reclassification of taxes

'Taxes on financial institutions transactions' and 'Stamp duties on financial and capital transactions' have been reclassified from 'taxes on property' to 'taxes on the provision of goods and services' in accordance with the classification requirements of the updated GFS manual (AGFS15).

### Classification of the functions of government disclosure (COFOG)

Implementation of the updated GFS manual (AGFS15) has resulted in the 'classification of the functions of government' (COFOG) framework replacing the former 'government purpose classification' (GPC) framework, with effect from 1 July 2017 for financial reporting under AASB 1049.

The COFOG framework disclosures classify expenses, acquisition of non-financial assets of the public sector and total assets of the general government sector in terms of their purposes. This information is presented to facilitate improved inter-jurisdictional comparison of the financial operations of public sector jurisdictions.

The key reporting changes from GPC to COFOG are as follows:

- the number of categories has reduced from 14 under GPC to 11 under COFOG;
- the fuel and energy, agriculture, forestry, fishing and hunting categories have been abolished and are now part of the new economic affairs category. The majority of the outputs in other economic affairs are also included in this new category;
- public debt transactions have moved from the other purposes category (i.e. primarily interest expense on borrowings) to general public services category;
- a new environmental protection category was created to include functions such as waste management, water waste management, pollution and production of biodiversity and landscape, which were previously classified under housing and community amenities category, as well as national and state parks functions from the recreation and culture category; and
- housing functions such as housing assistance and housing concessions are now part of the social protection category.

### Loan Council Allocation

The Loan Council Allocation is no longer reported. The Australian Loan Council unanimously agreed to remove the Australian, State and Territory governments' reporting requirements from the UPF and transfer the administration of the UPF to the Council on Federal Financial Relations (CFFR).

Table 1: NSW Public Sector Statement of Financial Position at 30 June 2018<sup>(a)</sup>

	General Government Sector	Public Non-financial Corporations	Non-financial Public Sector	Public Financial Corporations	Total State Sector
	\$m	\$m	\$m	\$m	\$m
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	5,417	3,808	9,225	3,903	12,806
Receivables	6,721	1,253	6,082	924	6,547
Tax Equivalents Receivable	128	3	9	...	0
Investments, Loans and Placements					
Financial Assets at Fair Value	32,578	236	32,814	55,275	38,645
Other Financial Assets	5,556	1,463	6,616	211	4,456
Advances Paid	1,017	1	644	...	644
Deferred Tax Equivalent Assets	2,192	112	0	...	0
Equity					
Investments in Other Public Sector Entities	112,911	...	2,220	2,832	...
Investments in Associates	5,987	...	5,987	2	5,988
Other Equity Investments	722	167	889	19,531	20,420
Equity Investments Held for Sale	...	...	...	...	...
<b>Total Financial Assets</b>	<b>173,228</b>	<b>7,041</b>	<b>64,484</b>	<b>82,676</b>	<b>89,505</b>
<b>Non-Financial Assets</b>					
Inventories	327	499	826	...	826
Forestry Stock and Other Biological Assets	9	984	993	...	993
Assets Classified as Held for Sale	320	110	430	...	430
Investment Properties	...	644	644	...	644
Property, Plant and Equipment					
Land and Buildings	83,390	77,641	161,611	17	161,627
Plant and Equipment	10,941	6,397	17,338	29	17,367
Infrastructure Systems	104,232	55,330	160,242	...	160,242
Intangibles	3,691	1,050	4,741	4	4,745
Other Non-Financial Assets	7,426	226	6,537	65	6,594
<b>Total Non-Financial Assets</b>	<b>210,336</b>	<b>142,880</b>	<b>353,363</b>	<b>114</b>	<b>353,469</b>
<b>Total Assets</b>	<b>383,564</b>	<b>149,921</b>	<b>417,847</b>	<b>82,791</b>	<b>442,974</b>
<b>Liabilities</b>					
Deposits Held	130	91	221	2,695	385
Payables	7,251	2,516	9,032	255	8,672
Tax Equivalents Payable	3	119	...	9	...
Borrowings and Derivatives at Fair Value	5	1,254	1,259	62,578	63,836
Borrowings at Amortised Cost	32,441	24,855	56,893	7	7,457
Advances Received	797	374	797	...	797
Employee Provisions	18,015	1,060	19,064	42	19,106
Superannuation Provision <sup>(b)</sup>	54,200	2,218	56,418	4	56,421
Deferred Tax Equivalent Provision	112	2,192	0	...	0
Other Provisions	10,210	1,609	10,650	4,750	15,400
Other Liabilities	6,223	287	6,499	10,231	16,721
<b>Total Liabilities</b>	<b>129,385</b>	<b>36,574</b>	<b>160,832</b>	<b>80,570</b>	<b>188,795</b>
<b>NET ASSETS</b>	<b>254,179</b>	<b>113,348</b>	<b>257,016</b>	<b>2,220</b>	<b>254,179</b>

Table 1: NSW Public Sector Statement of Financial Position at 30 June 2018 (cont)

	General Government Sector	Public Non-financial Corporations	Non-financial Public Sector	Public Financial Corporations	Total State Sector
	\$m	\$m	\$m	\$m	\$m
<b>NET WORTH</b>					
Accumulated Funds	77,300	39,471	117,455	(1,167)	116,288
Reserves	175,853	62,053	127,421	1	125,197
Capital	1,027	11,825	12,140	3,387	12,695
<b>TOTAL NET WORTH</b>	<b>254,179</b>	<b>113,348</b>	<b>257,016</b>	<b>2,220</b>	<b>254,179</b>
<b>OTHER FISCAL AGGREGATES</b>					
<b>Net Debt<sup>(c)</sup></b>	<b>(11,195)</b>	<b>21,066</b>	<b>9,871</b>	<b>5,892</b>	<b>15,923</b>
<b>Net Financial Liabilities<sup>(d)</sup></b>	<b>69,068</b>	<b>29,533</b>	<b>98,568</b>	<b>726</b>	<b>99,289</b>
<b>Net Financial Worth<sup>(e)</sup></b>	<b>44,001</b>	<b>(29,533)</b>	<b>(96,189)</b>	<b>2,106</b>	<b>(99,131)</b>

- (a) This table has been presented on a liquidity basis as per AASB 1049. Amounts may not add across due to inter sector eliminations.
- (b) Superannuation liabilities are reported net of the fair value of fund assets.
- (c) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and cash equivalents, advances paid and investments, loans and placements.
- (d) Net financial liabilities equals total liabilities less financial assets excluding equity investments in other public sector entities.
- (e) Net financial worth equals total financial assets minus total liabilities.

Table 2: NSW General Government Sector Statement of Comprehensive Income

	2017-18 Budget \$m	2017-18 Actual \$m
<b>Revenue from Transactions</b>		
Taxation	31,560	31,326
Grants and Subsidies		
- Commonwealth General Purpose	17,592	17,955
- Commonwealth Specific Purpose Payments	9,824	9,844
- Commonwealth National Partnership Payments	3,470	3,129
- Other Commonwealth Payments	251	444
- Other Grants and Subsidies	723	487
Sale of Goods and Services	8,976	8,508
Interest	413	558
Dividend and Income Tax Equivalents from Other Sectors	1,620	1,578
Other Dividends and Distributions	1,016	2,114
Fines, Regulatory Fees and Other	4,439	4,730
<b>Total Revenue from Transactions</b>	<b>79,885</b>	<b>80,672</b>
<b>Expenses from Transactions</b>		
Employee	31,483	31,644
Superannuation		
- Superannuation Interest Cost	1,465	1,458
- Other Superannuation	3,009	3,009
Depreciation and Amortisation	4,937	4,873
Interest	2,094	1,994
Other Operating	19,627	19,652
Grants, Subsidies and Other Transfer Expenses	14,571	13,862
<b>Total Expenses from Transactions</b>	<b>77,186</b>	<b>76,491</b>
Transactions from Discontinuing Operations	...	0
<b>BUDGET RESULT - SURPLUS/(DEFICIT)</b>	<b>2,698</b>	<b>4,181</b>
<b>[Net Operating Balance]</b>		
<b>Other Economic Flows - Included in the Operating Result</b>		
Gain/(Loss) from Other Liabilities	159	(231)
Other Net Gains/(Losses)	236	71
Share of Earnings from Associates (excluding Dividends)	6	160
Dividends from Asset Sale Proceeds	193	...
Allowance for Impairment of Receivables	(38)	(83)
Deferred Income Tax from Other Sectors	(11)	(17)
Other	81	83
Discontinuing Operations - Other Economic Flows	...	...
<b>Other Economic Flows - included in Operating Result</b>	<b>627</b>	<b>(16)</b>
<b>Operating Result</b>	<b>3,326</b>	<b>4,165</b>
<b>Other Economic Flows - Other Comprehensive Income</b>		
<b>Items that will not be Reclassified to Operating Result</b>	<b>8,453</b>	<b>20,057</b>
Revaluations	4,054	17,588
Share of Earnings from Associates from Revaluations	...	(42)
Superannuation Actuarial Gain/(Loss)	4,316	2,416
Deferred Tax Adjustment through Equity	83	96
<b>Items that may be Reclassified Subsequently to Operating Result</b>	<b>1,160</b>	<b>6,312</b>
Net Gain/(Loss) on Equity Investments in Other Sectors	1,194	6,296
Net Gain/(Loss) on Financial Instruments at Fair Value	0	2
Other	(33)	15
<b>Other Economic Flows - Other Comprehensive Income</b>	<b>9,613</b>	<b>26,369</b>
<b>Comprehensive Result - Total Change in Net Worth<sup>(a)</sup></b>	<b>12,939</b>	<b>30,534</b>

Table 2: NSW General Government Sector Statement of Comprehensive Income (cont)

	2017-18 Budget \$m	2017-18 Actual \$m
<b>Key Fiscal Aggregates</b>		
<b>Comprehensive Result - Total Change in Net Worth<sup>(a)</sup></b>	<b>12,939</b>	<b>30,534</b>
Less: Net Other Economic Flows	(10,240)	(26,353)
<b>Equals: Budget Result - Net Operating Balance</b>	<b>2,698</b>	<b>4,181</b>
<b>Less: Net Acquisition of Non-Financials Assets</b>		
Purchases of Non-Financials Assets	14,325	11,969
Sales of Non-Financial Assets	(526)	(437)
Less: Depreciation	(4,937)	(4,873)
Plus: Change in Inventories	(22)	6
Plus: Other Movements in Non-Financials Assets		
- Assets Acquired Using Finance Leases	190	152
- Other	116	126
Equals: Total Net Acquisition of Non-Financial Assets	<b>9,146</b>	<b>6,943</b>
<b>Equals: Net Lending/(Borrowing) [Fiscal Balance]</b>	<b>(6,447)</b>	<b>(2,762)</b>
<b>OTHER FISCAL AGGREGATES</b>		
Capital Expenditure <sup>(b)</sup>	<b>14,515</b>	<b>12,121</b>

(a) 'Total change in net worth' is before transactions with owners as owners, and before revisions to equity from changes to accounting policies. Therefore, it may not equal the movement in balance sheet net worth.

(b) Capital expenditure comprises purchases of non-financial assets plus assets acquired using finance leases.

Table 3: NSW General Government Sector Statement of Financial Position at 30 June<sup>(a)</sup>

	2018 Budget \$m	2018 Actual \$m
<b>Assets</b>		
<b>Financial Assets</b>		
Cash and Cash Equivalents	2,494	5,417
Receivables	5,544	6,721
Tax Equivalents Receivable	109	128
Investments, Loans and Placements		
Financial Assets at Fair Value	27,254	32,578
Other Financial Assets	2,972	5,556
Advances Paid	1,054	1,017
Deferred Tax Equivalent Assets	2,216	2,192
Equity		
Investments in Other Public Sector Entities	109,535	112,911
Investments in Associates	9,438	5,987
Other Equity Investments	674	722
Equity Investments Held for Sale	...	...
<b>Total Financial Assets</b>	<b>161,289</b>	<b>173,228</b>
<b>Non-Financial Assets</b>		
Inventories	263	327
Forestry Stock and Other Biological Assets	11	9
Assets Classified as Held for Sale	228	320
Investment Properties	...	...
Property, Plant and Equipment		
Land and Buildings	77,158	83,390
Plant and Equipment	12,599	10,941
Infrastructure Systems	96,240	104,232
Intangibles	3,495	3,691
Other Non-Financial Assets	6,242	7,426
<b>Total Non-Financial Assets</b>	<b>196,235</b>	<b>210,336</b>
<b>Total Assets</b>	<b>357,525</b>	<b>383,564</b>
<b>Liabilities</b>		
Deposits Held	104	130
Payables	5,309	7,251
Tax Equivalents Payable	3	3
Borrowings and Derivatives at Fair Value	5	5
Borrowings at Amortised Cost	32,566	32,441
Advances Received	578	797
Employee Provisions	16,806	18,015
Superannuation Provision <sup>(b)</sup>	49,491	54,200
Deferred Tax Equivalent Provision	105	112
Other Provisions	8,620	10,210
Other Liabilities	6,079	6,223
<b>Total Liabilities</b>	<b>119,665</b>	<b>129,385</b>
<b>NET ASSETS</b>	<b>237,859</b>	<b>254,179</b>

Table 3: NSW General Government Sector Statement of Financial Position at 30 June (cont)

	2018 Budget \$m	2018 Actual \$m
<b>NET WORTH</b>		
Accumulated Funds	44,106	77,300
Reserves	193,754	176,879
<b>TOTAL NET WORTH</b>	<b>237,859</b>	<b>254,179</b>
<b>OTHER FISCAL AGGREGATES</b>		
<b>Net Debt<sup>(c)</sup></b>	<b>(521)</b>	<b>(11,195)</b>
<b>Net Financial Liabilities<sup>(d)</sup></b>	<b>67,910</b>	<b>69,068</b>
<b>Net Financial Worth<sup>(e)</sup></b>	<b>41,624</b>	<b>44,001</b>

(a) This table has been presented on a liquidity basis as per AASB 1049.

(b) Superannuation liabilities are reported net of the fair value of fund assets.

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

(d) Net financial liabilities equals net financial worth excluding equity investments in other public sector entities.

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

Table 4: NSW General Government Sector Statement of Cash Flows

	2017-18 Budget	2017-18 Actual
	\$m	\$m
<b>Cash Receipts from Operating Activities</b>		
Taxes Received	31,538	31,218
Receipts from Sales of Goods and Services	9,743	9,334
Grant and Subsidies Received	31,860	31,852
Interest Receipts	404	457
Dividends and Income Tax Equivalents	1,037	1,031
Other Receipts	8,822	12,113
<b>Total Cash Receipts from Operating Activities</b>	<b>83,403</b>	<b>86,006</b>
<b>Cash Payments from Operating Activities</b>		
Payments for Employees	(31,401)	(30,693)
Payments for Superannuation	(4,518)	(4,262)
Payments for Goods and Services	(20,478)	(20,027)
Grants and Subsidies Paid	(12,943)	(13,221)
Interest Paid	(1,518)	(1,508)
Other Payments	(5,315)	(5,588)
<b>Total Cash Payments from Operating Activities</b>	<b>(76,174)</b>	<b>(75,300)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>7,229</b>	<b>10,706</b>
<b>Cash Flows from Investments in Non-Financial Assets</b>		
Sales of Non-Financial Assets	601	521
Purchases of Non-Financial Assets	(14,358)	(13,323)
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>(13,757)</b>	<b>(12,802)</b>
<b>Cash Flows from Investments in Financial Assets for Policy Purposes</b>		
Receipts	818	808
Payments	(2,535)	(1,382)
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>(1,717)</b>	<b>(574)</b>
<b>Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>		
Receipts from Sale/Maturity of Investments	11,527	9,471
Payments for the Purchase of Investments	(5,856)	(8,988)
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>5,671</b>	<b>482</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(9,803)</b>	<b>(12,894)</b>
<b>Cash Flows from Financing Activities</b>		
Advances Received	12	30
Advances Repaid	(58)	(70)
Proceeds from Borrowings	1,002	957
Repayment of Borrowings	(1,699)	(1,773)
Deposits Received - Net	(12)	24
Other Financing Receipts/(Payments)	230	94
<b>Net Cash Flows from Financing Activities</b>	<b>(525)</b>	<b>(738)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(3,098)</b>	<b>(2,925)</b>
<b>Derivation of Cash Result</b>		
Net Cash Flows From Operating Activities	7,229	10,706
Net Cash Flows from Investments in Non-Financial Assets	(13,757)	(12,802)
<b>Cash Surplus/(Deficit)</b>	<b>(6,527)</b>	<b>(2,096)</b>

Table 5: NSW General Government Sector Taxes

	2017-18 Budget	2017-18 Actual
	\$m	\$m
<b>Taxes on Employers' Payroll and Labour Force</b>	<b>8,784</b>	<b>9,030</b>
Taxes on Property <sup>(a)</sup>		
Land Taxes	3,685	3,735
Other	166	284
<b>Total Taxes on Property</b>	<b>3,851</b>	<b>4,020</b>
Taxes on the Provision of Goods and Services		
Excises and Levies	...	...
Taxes on Gambling	2,334	2,350
Taxes on Insurance	2,437	2,566
Stamp Duties on Financial and Capital Transactions <sup>(a)</sup>	10,018	8,952
<b>Total Taxes on the Provision of Goods and Services</b>	<b>14,789</b>	<b>13,868</b>
Taxes on Use of Goods and Performance of Activities		
Motor Vehicle Taxes <sup>(b)</sup>	3,518	3,576
Franchise Taxes	13	16
Other	605	816
<b>Total Taxes on Use of Goods and Performance of Activities</b>	<b>4,135</b>	<b>4,408</b>
<b>Total Taxation Revenue</b>	<b>31,560</b>	<b>31,326</b>

(a) Stamp duties on financial and capital transactions have been reclassified from 'taxes on property' to 'taxes on the provision of goods and services' consistent with the classification requirements of AGFS15 and proposed revisions to the UPF. This presentation was implemented in the 2017-18 Budget Papers.

(b) Motor Vehicle Taxes includes vehicle registration and stamp duty

Table 6: NSW General Government Sector Dividend and Income Tax Equivalent Income

	2017-18 Budget	2017-18 Actual
	\$m	\$m
Dividend and Income Tax Revenue from the PNFC Sector	1,543	1,551
Dividend and Income Tax Revenue from the PFC Sector	77	27
Other Dividend Income	1,016	2,114
<b>Total Dividend and Income Tax Equivalent Income</b>	<b>2,636</b>	<b>3,692</b>

Table 7: NSW General Government Sector Grant Revenue and Expense

	2017-18 Budget \$m	2017-18 Actual \$m
<b>Current Grants and Subsidies</b>		
Current Grants from the Commonwealth <sup>(a)</sup>		
General Purpose Grants	17,592	17,955
Specific Purpose Payments	9,824	9,844
National Partnership Payments	646	738
Other Commonwealth Payments	251	444
<b>Total</b>	<b>28,313</b>	<b>28,981</b>
Other Grants and Subsidies	636	426
<b>Total Current Grants and Subsidies Revenue</b>	<b>28,949</b>	<b>29,406</b>
<b>Capital Grants and Subsidies</b>		
Capital Grants from the Commonwealth <sup>(a)</sup>		
General Purpose Payments	...	...
Specific Purpose Payments	...	...
National Partnership Payments	2,824	2,392
<b>Total</b>	<b>2,824</b>	<b>2,392</b>
Other Grants and Subsidies	87	58
<b>Total Capital Grants and Subsidies Revenue</b>	<b>2,912</b>	<b>2,449</b>
<b>Total Grants and Subsidies Revenue</b>	<b>31,860</b>	<b>31,859</b>
<b>Current Grants, Subsidies and Transfer Payments Expense to:</b>		
State/Territory Government	...	12
Local Government <sup>(a)</sup>	950	1,008
Private and Not-for-Profit Sector <sup>(a)</sup>	8,068	7,372
Other Sectors of Government	4,341	4,516
<b>Total Current Grants, Subsidies and Transfer Payments Expense</b>	<b>13,359</b>	<b>12,908</b>
<b>Capital Grants, Subsidies and Transfer Payments to:</b>		
State/Territory Government	...	...
Local Government <sup>(a)</sup>	287	289
Private and Not-for-Profit Sector <sup>(a)</sup>	378	210
Other Sectors of Government	547	455
<b>Total Capital Grants, Subsidies and Transfer Payments Expense</b>	<b>1,212</b>	<b>955</b>
<b>Total Grants and Subsidies Expense</b>	<b>14,571</b>	<b>13,862</b>
<sup>(a)</sup> Grant revenue and expenses above exclude the following transfer payments from the Commonwealth government that New South Wales passes on to third parties. They are not recorded as New South Wales revenue and expense as the State has no control over the amounts that it passes on.		
<b>Transfer Receipts and Payments from the Commonwealth Government on-passed by New South Wales to Third Parties</b>		
<b>Transfer Receipts</b>		
Current Transfer Receipts for Specific Purposes	4,018	4,557
Capital Transfer Receipts for Specific Purposes	...	...
<b>Total Receipts</b>	<b>4,018</b>	<b>4,557</b>
<b>Current Transfer Payments to:</b>		
Local Government	368	749
Private and Not-For-Profit Sector	3,650	3,808
<b>Capital Transfer Payments to:</b>		
Local Government	...	...
Private and Not-For-Profit Sector	...	...
<b>Total Payments</b>	<b>4,018</b>	<b>4,557</b>

Table 8: NSW General Government Sector Expenses by Function<sup>(a)(b)</sup>

	2017-18 Budget	2017-18 Actual
	\$m	\$m
<b>General Public Services</b>		
Executive and legislative organs, financial and fiscal affairs, external affairs	2,843	1,676
General Services	1,395	1,939
Public debt transactions	4,348	3,527
Transfers of a general character between different levels of government	133	84
General public services n.e.c.	792	1,359
<b>Total General Public Services</b>	<b>9,512</b>	<b>8,585</b>
<b>Defence</b>	...	...
<b>Total Defence</b>	...	...
<b>Public Order and Safety</b>		
Police services	2,891	3,337
Civil and Fire protection services	947	1,000
Law courts	1,436	1,358
Prisons	1,666	1,581
Public order and safety n.e.c.	35	194
<b>Total Public Order and Safety</b>	<b>6,974</b>	<b>7,470</b>
<b>Economic Affairs</b>		
General economic, commercial and labour affairs	826	1,038
Agriculture, forestry, fishing and hunting	389	577
Fuel and energy	121	143
Mining, manufacturing and construction	125	88
Communication	66	53
Other industries	494	515
Economic affairs n.e.c.	288	17
<b>Total Economic Affairs</b>	<b>2,310</b>	<b>2,432</b>
<b>Environmental Protection</b>		
Waste management	...	...
Waste water management	...	...
Pollution abatement	...	...
Protection of biodiversity and landscape	935	762
Environmental protection n.e.c.	336	253
<b>Total Environmental Protection</b>	<b>1,271</b>	<b>1,015</b>
<b>Housing and Community Amenities</b>		
Housing development	134	134
Community development	912	612
Water supply	166	139
Street lighting	...	...
Housing and community amenities n.e.c.	...	...
<b>Total Housing and Community Amenities</b>	<b>1,211</b>	<b>886</b>

Table 8: NSW General Government Sector Expenses by Function<sup>(a)(b)</sup> (cont)

	2017-18 Budget	2017-18 Actual
	\$m	\$m
<b>Health</b>		
Medical products, appliances and equipment <sup>(c)</sup>	1,086	579
Outpatient services	2,896	3,053
Hospital services <sup>(c)</sup>	13,111	13,925
Mental health institutions	248	261
Community health services	2,234	2,376
Public health services	393	532
Research & Development Health	270	275
Health n.e.c.	330	494
<b>Total Health</b>	<b>20,569</b>	<b>21,496</b>
<b>Recreation, Culture and Religion</b>		
Recreational and sporting services	695	630
Cultural services	513	551
Broadcasting and publishing services	...	...
Religious and other community services	...	...
Recreation, Culture and Religion n.e.c.	20	26
<b>Total Recreation, culture and religion</b>	<b>1,229</b>	<b>1,206</b>
<b>Education</b>		
Pre-primary and primary education	6,470	5,954
Secondary education	5,586	5,533
Tertiary education	1,603	1,750
Education not definable by level	356	373
Subsidiary services to education	205	1,124
Education n.e.c.	1,440	1,926
<b>Total Education</b>	<b>15,659</b>	<b>16,660</b>
<b>Social Protection</b>		
Sickness and disability	3,186	3,338
Old age	...	196
Survivors	...	...
Family and children	1,933	1,927
Unemployment	...	...
Housing	756	683
Social exclusion n.e.c.	591	493
Social protection n.e.c.	627	964
<b>Total Social Protection</b>	<b>7,092</b>	<b>7,601</b>

Table 8: NSW General Government Sector Expenses by Function<sup>(a)(b)</sup> (cont)

	2017-18 Budget	2017-18 Actual
	\$m	\$m
<b>Transport</b>		
Road transport	213	904
Bus transport	1,253	157
Water transport	34	115
Railway transport	519	3,334
Air transport	...	...
Multi-mode urban transport	1,297	1,677
Pipeline and other transport	...	...
Transport n.e.c.	8,046	2,953
<b>Total Transport</b>	<b>11,361</b>	<b>9,140</b>
<b>Total Expenses</b>	<b>77,186</b>	<b>76,491</b>

## Notes:

n.e.c. not elsewhere classified.

- (a) Data in this table represents the consolidated general government aggregates which may be different to agency totals. The data has been presented on a Classifications of the Functions of Government Australia (COFOG-A) basis as required by the current ABS Government Finance Statistics (GFS) publication.
- (b) The original budget included \$100 million Advance to the Treasurer which was allocated across functions as the funds were spent in the actual year.
- (c) Items classified as pharmaceutical products (0711) at Budget have been reclassified as general hospital services (0731) in the year-end actual.

Table 9: NSW General Government Sector Capital Expenditure by Function <sup>(a)(b)(c)</sup>

	2017-18 Budget	2017-18 Actual
	\$m	\$m
General public services	402	253
Defence	...	...
Public order and safety	2,000	927
Economic affairs	211	139
Environmental protection	12	5
Housing and community amenities	163	75
Health	1,548	1,564
Recreation, culture and religion	225	191
Education	942	986
Social protection	205	221
Transport	8,808	7,760
<b>Total Purchases of Non-Financial Assets</b>	<b>14,515</b>	<b>12,121</b>

- (a) Data in this table represents the consolidated general government aggregates which may be different to agency totals. The data has been presented on a Classifications of the Functions of Government Australia (COFOG-A) basis as required by the current ABS Government Finance Statistics (GFS) publication.
- (b) This table comprises purchases of non-financial assets, including assets acquired under finance lease, and reconciles to the general government sector capital expenditure program.
- (c) The original budget included \$20 million Advance to the Treasurer which was allocated across functions as the funds were spent in the actual year.

Table 10: NSW Public Non-Financial Corporation Sector Statement of Comprehensive Income

	2017-18 Budget \$m	2017-18 Actual \$m
<b>Revenue from Transactions</b>		
Grants and Subsidies		
- Other Commonwealth Payments	...	...
- Other Grants and Subsidies	3,073	3,176
Sale of Goods and Services	8,188	9,304
Interest	82	109
Fines, Regulatory Fees and Other	735	811
<b>Total Revenue from Transactions</b>	<b>12,078</b>	<b>13,400</b>
<b>Expenses from Transactions</b>		
Employee	3,001	2,802
Superannuation		
- Superannuation Interest Cost	55	54
- Other Superannuation	176	202
Depreciation and Amortisation	2,766	2,758
Interest	1,167	1,285
Income Tax Expense	339	438
Other Operating	5,869	5,974
Grants, Subsidies and Other Transfer Expenses	147	211
<b>Total Expenses from Transactions</b>	<b>13,520</b>	<b>13,725</b>
Transactions from Discontinuing Operation	...	...
<b>NET OPERATING BALANCE - SURPLUS AFTER TAX</b>	<b>(1,442)</b>	<b>(326)</b>
<b>Other Economic Flows - Included in the Operating Result</b>		
Gain/(Loss) from Other Liabilities	...	5
Other Net Gains/(Losses)	411	(78)
Allowance for Impairment of Receivables	(2)	0
Deferred Income Tax	14	35
Discontinuing Operations - Other Economic Flows	...	...
<b>Other Economic Flows - included in Operating Result</b>	<b>423</b>	<b>(39)</b>
<b>Operating Result</b>	<b>(1,019)</b>	<b>(365)</b>
<b>Other Economic Flows - Other Comprehensive Income</b>		
<b>Items that will not be Reclassified to Operating Result</b>	<b>2,443</b>	<b>6,792</b>
Revaluations	2,299	6,744
Superannuation Actuarial Gain/(Loss)	292	144
Deferred Tax Adjustment through Equity	(148)	(96)
<b>Items that may be Reclassified Subsequently to Operating Result</b>	<b>(1,977)</b>	<b>(617)</b>
Net Gain/(Loss) on Financial Instruments at Fair Value	1	(8)
Other	(1,978)	(609)
<b>Other Economic Flows - Other Comprehensive Income</b>	<b>466</b>	<b>6,175</b>
<b>Comprehensive Result - Total Change in Net Worth<sup>(a)</sup></b>	<b>(553)</b>	<b>5,811</b>

Table 10: NSW Public Non-Financial Corporation Sector Statement of Comprehensive Income (cont)

	2017-18 Budget \$m	2017-18 Actual \$m
<b>Key Fiscal Aggregates</b>		
<b>Comprehensive Result - Total Change in Net Worth<sup>(a)</sup></b>	<b>(553)</b>	<b>5,811</b>
Less: Net Other Economic Flows	(889)	(6,137)
<b>Equals: Budget Result - Net Operating Balance</b>	<b>(1,442)</b>	<b>(326)</b>
<b>Less: Net Acquisition of Non-Financials Assets</b>		
Purchases of Non-Financials Assets	7,748	5,759
Sales of Non-Financial Assets	(931)	(703)
Less: Depreciation	(2,766)	(2,758)
Plus: Change in Inventories	(155)	(16)
Plus: Other Movements in Non-Financials Assets		
- Assets Acquired Using Finance Leases	11	3
- Other	225	258
Equals: Total Net Acquisition of Non-Financial Assets	<b>4,132</b>	<b>2,542</b>
<b>Equals: Net Lending/(Borrowing) [Fiscal Balance]</b>	<b>(5,574)</b>	<b>(2,867)</b>
<b>OTHER FISCAL AGGREGATES</b>		
Capital Expenditure <sup>(b)</sup>	7,759	5,763
Dividends Accrued	954	863

(a) 'Total change in net worth' is before transactions with owners as owners, and before revisions to equity from changes to accounting policies. Therefore, it may not equal the movement in balance sheet net worth.

(b) Capital expenditure comprises purchases of non-financial assets plus assets acquired using finance leases.

Table 11: NSW Public Non-Financial Corporation Sector Statement of Financial Position at 30 June

	2018 Budget \$m	2018 Actual \$m
<b>Assets</b>		
<b>Financial Assets</b>		
Cash and Cash Equivalents	2,742	3,808
Receivables	1,004	1,253
Tax Equivalents Receivable	3	3
Investments, Loans and Placements		
Financial Assets at Fair Value	14	236
Other Financial Assets	961	1,463
Advances Paid	...	1
Deferred Tax Equivalent Assets	105	112
Equity		
Other Equity Investments	...	167
<b>Total Financial Assets</b>	<b>4,828</b>	<b>7,041</b>
<b>Non-Financial Assets</b>		
Inventories	332	499
Forestry Stock and Other Biological Assets	992	984
Assets Classified as Held for Sale	52	110
Investment Properties	447	644
Property, Plant and Equipment		
Land and Buildings	71,219	77,641
Plant and Equipment	6,217	6,397
Infrastructure Systems	61,369	55,330
Intangibles	999	1,050
Other Non-Financial Assets	146	226
<b>Total Non-Financial Assets</b>	<b>141,774</b>	<b>142,880</b>
<b>Total Assets</b>	<b>146,602</b>	<b>149,921</b>
<b>Liabilities</b>		
Deposits Held	13	91
Payables	2,134	2,516
Tax Equivalents Payable	102	119
Liabilities Directly Associated with Assets Held for Sale	...	...
Borrowings and Derivatives at Fair Value	2,329	1,254
Borrowings at Amortised Cost	24,613	24,855
Advanced Received	374	374
Employee Provisions	1,132	1,060
Superannuation Provision <sup>(a)</sup>	2,027	2,218
Deferred Tax Equivalent Provision	2,216	2,192
Other Provisions	1,464	1,609
Other Liabilities	320	287
<b>Total Liabilities</b>	<b>36,725</b>	<b>36,574</b>
<b>NET ASSETS</b>	<b>109,878</b>	<b>113,348</b>

Table 11: NSW Public Non-Financial Corporation Sector Statement of Financial Position at 30 June (cont)

	2018 Budget \$m	2018 Actual \$m
<b>NET WORTH</b>		
Accumulated Funds	33,637	39,471
Reserves	76,241	73,877
<b>TOTAL NET WORTH</b>	<b>109,878</b>	<b>113,348</b>
<b>OTHER FISCAL AGGREGATES</b>		
<b>Net Debt<sup>(b)</sup></b>	<b>23,612</b>	<b>21,066</b>
<b>Net Financial Liabilities<sup>(c)</sup></b>	<b>31,897</b>	<b>29,533</b>
<b>Net Financial Worth<sup>(d)</sup></b>	<b>(31,897)</b>	<b>(29,533)</b>

(a) Superannuation liabilities are reported net of the fair value of fund assets.

(b) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and cash equivalents, advances paid and investments, loans and placements.

(c) Net financial liabilities equals total liabilities minus total financial assets excluding equity investments in other public sector entities.

(d) Net financial worth equals total financial assets minus total liabilities.

Table 12: NSW Public Non-Financial Corporation Statement of Cash Flows

	2017-18 Budget \$m	2017-18 Actual \$m
<b>Cash Receipts from Operating Activities</b>		
Receipts from Sales of Goods and Services	8,786	9,502
Grant and Subsidies Received	3,058	3,172
Interest Receipts	76	99
Other Receipts	1,027	1,184
<b>Total Cash Receipts from Operating Activities</b>	<b>12,947</b>	<b>13,957</b>
<b>Cash Payments from Operating Activities</b>		
Payments for Employees	(3,096)	(2,922)
Payments for Superannuation	(194)	(206)
Payments for Goods and Services	(5,777)	(5,439)
Grants and Subsidies Paid	(75)	(68)
Interest Paid	(973)	(1,123)
Income Tax Equivalents Paid	...	...
Other Payments	(671)	(1,178)
<b>Total Cash Payments from Operating Activities</b>	<b>(10,787)</b>	<b>(10,936)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>2,161</b>	<b>3,021</b>
<b>Cash Flows from Investments in Non-Financial Assets</b>		
Sales of Non-Financial Assets	931	709
Purchases of Non-Financial Assets	(7,798)	(5,649)
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>(6,867)</b>	<b>(4,940)</b>
<b>Cash Flows from Investments in Financial Assets for Policy Purposes</b>		
Receipts	132	12
Payments	(132)	53
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>...</b>	<b>65</b>
<b>Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>		
Receipts from Sale/Maturity of Investments	83	166
Payments for Purchase of Investments	(37)	(613)
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>46</b>	<b>(448)</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(6,821)</b>	<b>(5,323)</b>
<b>Cash Flows from Financing Activities</b>		
Advances Received	2,459	1,211
Advances Repaid	(31)	(742)
Proceeds from Borrowings	4,303	3,897
Repayment of Borrowings	(973)	(267)
Dividends Paid	(784)	(684)
Deposits Received (net)	(1)	58
Other Financing Receipts/(Payments)	(398)	(374)
<b>Net Cash Flows from Financing Activities</b>	<b>4,575</b>	<b>3,100</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(85)</b>	<b>798</b>
<b>Derivation of Cash Result</b>		
Net Cash Flows from Operating Activities	2,161	3,021
Net Cash Flows from Investments in Non-Financial Assets	(6,867)	(4,940)
Dividends Paid	(784)	(684)
<b>Cash Surplus/(Deficit)</b>	<b>(5,490)</b>	<b>(2,602)</b>

Table 13: NSW Non-Financial Public Sector Statement of Comprehensive Income

	2017-18 Budget \$m	2017-18 Actual \$m
<b>Revenue from Transactions</b>		
Taxation	31,086	30,851
Grants and Subsidies		
- Commonwealth General Purpose	17,592	17,955
- Commonwealth Specific Purpose Payments	9,824	9,844
- Commonwealth National Partnership Payments	3,470	3,129
- Other Commonwealth Payments	251	448
- Other Grants and Subsidies	654	832
Sale of Goods and Services	13,402	14,247
Interest	423	577
Dividend and Income Tax Equivalents from Other Sectors	77	27
Other Dividends and Distributions	1,016	2,114
Fines, Regulatory Fees and Other	5,107	5,459
<b>Total Revenue from Transactions</b>	<b>82,902</b>	<b>85,482</b>
<b>Expenses from Transactions</b>		
Employee	33,863	33,876
Superannuation		
- Superannuation Interest Cost	1,520	1,513
- Other Superannuation	3,185	3,210
Depreciation and Amortisation	7,703	7,631
Interest	3,188	3,189
Other Operating	21,876	22,474
Grants, Subsidies and Other Transfer Expenses	11,543	10,874
<b>Total Expenses from Transactions</b>	<b>82,878</b>	<b>82,766</b>
Transactions from Discontinuing Operations	...	0
<b>NET OPERATING BALANCE - SURPLUS/(DEFICIT)</b>	<b>23</b>	<b>2,716</b>
<b>Other Economic Flows - Included in the Operating Result</b>		
Gain/(Loss) from Other Liabilities	159	(226)
Other Net Gains/(Losses)	647	(8)
Share of Earnings from Associates (excluding Dividends)	6	160
Allowance for Impairment of Receivables	(40)	(83)
Others	81	83
Discontinuing Operations - Other Economic Flows	...	...
<b>Other Economic Flows - included in Operating Result</b>	<b>854</b>	<b>(73)</b>
<b>Operating Result</b>	<b>877</b>	<b>2,643</b>
<b>Other Economic Flows - Other Comprehensive Income</b>		
<b>Items that will not be Reclassified to Operating Result</b>	<b>10,927</b>	<b>27,055</b>
Revaluations	6,384	24,538
Share of Earnings from Associates from Revaluations	...	(42)
Superannuation Actuarial Gain/(Loss)	4,608	2,560
Deferred Tax Adjustment through Equity	(65)	0
<b>Items that may be Reclassified Subsequently to Operating Result</b>	<b>826</b>	<b>893</b>
Net Gain/(Loss) on Equity Investments in Other Sectors	2,694	847
Net Gain/(Loss) on Financial Instruments at Fair Value	0	(6)
Other	(1,868)	52
<b>Other Economic Flows - Other Comprehensive Income</b>	<b>11,753</b>	<b>27,948</b>
<b>Comprehensive Result - Total Change in Net Worth<sup>(a)</sup></b>	<b>12,631</b>	<b>30,591</b>

Table 13: NSW Non-Financial Public Sector Statement of Comprehensive Income (cont)

	2017-18 Budget \$m	2017-18 Actual \$m
<b>Key Fiscal Aggregates</b>		
<b>Comprehensive Result - Total Change in Net Worth<sup>(a)</sup></b>	<b>12,631</b>	<b>30,591</b>
Less: Net Other Economic Flows	(12,607)	(27,875)
<b>Equals: Budget Result - Net Operating Balance</b>	<b>23</b>	<b>2,716</b>
<b>Less: Net Acquisition of Non-Financials Assets</b>		
Purchases of Non-Financials Assets	22,074	17,728
Sales of Non-Financial Assets	(1,435)	(1,140)
Less: Depreciation	(7,703)	(7,631)
Plus: Change in Inventories	(177)	(10)
Plus: Other Movements in Non-Financials Assets		
- Assets Acquired Using Finance Leases	200	155
- Other	294	344
Equals: Total Net Acquisition of Non-Financial Assets	<b>13,252</b>	<b>9,447</b>
<b>Equals: Net Lending/(Borrowing) [Fiscal Balance]</b>	<b>(13,229)</b>	<b>(6,730)</b>
<b>OTHER FISCAL AGGREGATES</b>		
Capital Expenditure <sup>(b)</sup>	22,274	17,884
Dividends Accrued	200	...

(a) 'Total change in net worth' is before transactions with owners as owners, and before revisions to equity from changes to accounting policies. Therefore, it may not equal the movement in balance sheet net worth.

(b) Capital expenditure comprises purchases of non-financial assets plus assets acquired using finance leases.

Table 14: NSW Non-Financial Public Sector Statement of Financial Position at 30 June

	2018 Budget \$m	2018 Actual \$m
<b>Assets</b>		
<b>Financial Assets</b>		
Cash and Cash Equivalents	5,236	9,225
Receivables	4,789	6,082
Tax Equivalents Receivable	6	9
Investments, Loans and Placements		
Financial Assets at Fair Value	27,215	32,814
Other Financial Assets	3,499	6,616
Advances Paid	680	644
Deferred Tax Equivalent Assets	0	0
Equity		
Investments in Other Public Sector Entities	2,708	2,220
Investments in Associates	9,438	5,987
Other Equity Investments	674	889
Equity Investments Held for Sale	...	...
<b>Total Financial Assets</b>	<b>54,245</b>	<b>64,484</b>
<b>Non-Financial Assets</b>		
Inventories	595	826
Forestry Stock and Other Biological Assets	1,003	993
Assets Classified as Held for Sale	280	430
Investment Properties	447	644
Property, Plant and Equipment		
Land and Buildings	148,407	161,611
Plant and Equipment	18,817	17,338
Infrastructure Systems	157,609	160,242
Intangibles	4,494	4,741
Other Non-Financial Assets	6,347	6,537
<b>Total Non-Financial Assets</b>	<b>337,999</b>	<b>353,363</b>
<b>Total Assets</b>	<b>392,244</b>	<b>417,847</b>
<b>Liabilities</b>		
Deposits Held	117	221
Payables	7,033	9,032
Liabilities Directly Associated with Assets Held for Sale	...	...
Borrowings and Derivatives at Fair Value	2,281	1,259
Borrowings at Amortised Cost	56,745	56,893
Advanced Received	578	797
Employee Provisions	17,921	19,064
Superannuation Provision <sup>(a)</sup>	51,518	56,418
Deferred Tax Equivalent Provision	...	...
Other Provisions	8,805	10,650
Other Liabilities	6,332	6,499
<b>Total Liabilities</b>	<b>151,332</b>	<b>160,832</b>
<b>NET ASSETS</b>	<b>240,913</b>	<b>257,016</b>

Table 14: NSW Non-Financial Public Sector Statement of Financial Position at 30 June (cont)

	2018 Budget \$m	2018 Actual \$m
<b>NET WORTH</b>		
Accumulated Funds	78,307	117,455
Reserves	162,605	139,560
<b>TOTAL NET WORTH</b>	<b>240,913</b>	<b>257,016</b>
<b>OTHER FISCAL AGGREGATES</b>		
<b>Net Debt<sup>(b)</sup></b>	<b>23,092</b>	<b>9,871</b>
<b>Net Financial Liabilities<sup>(c)</sup></b>	<b>99,795</b>	<b>98,568</b>
<b>Net Financial Worth<sup>(d)</sup></b>	<b>(97,087)</b>	<b>(96,189)</b>

(a) Superannuation liabilities are reported net of the fair value of fund assets.

(b) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and cash equivalents, advances paid and investments, loans and placements.

(c) Net financial liabilities equals total liabilities less total financial assets excluding equity investments in other public sector entities

(d) Net financial worth equals total financial assets minus total liabilities.

Table 15: NSW Non-Financial Public Sector Statement of Cash Flows

	2017-18 Budget \$m	2017-18 Actual \$m
<b>Cash Receipts from Operating Activities</b>		
Taxes Received	31,072	30,758
Receipts from Sales of Goods and Services	12,571	15,626
Grant and Subsidies Received	31,760	31,911
Interest Receipts	422	471
Dividends and Income Tax Equivalents	103	108
Other Receipts	9,842	13,307
<b>Total Cash Receipts from Operating Activities</b>	<b>85,770</b>	<b>92,181</b>
<b>Cash Payments from Operating Activities</b>		
Payments for Employees	(33,754)	(32,965)
Payments for Superannuation	(4,712)	(4,467)
Payments for Goods and Services	(20,596)	(22,397)
Grants and Subsidies Paid	(9,842)	(10,156)
Interest Paid	(2,433)	(2,546)
Other Payments	(5,978)	(6,715)
<b>Total Cash Payments from Operating Activities</b>	<b>(77,315)</b>	<b>(79,246)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>8,455</b>	<b>12,935</b>
<b>Cash Flows from Investments in Non-Financial Assets</b>		
Sales of Non-Financial Assets	1,510	1,229
Purchases of Non-Financial Assets	(22,256)	(19,136)
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>(20,746)</b>	<b>(17,907)</b>
<b>Cash Flows from Investments in Financial Assets for Policy Purposes</b>		
Receipts	(94)	78
Payments	(320)	(118)
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>(414)</b>	<b>(40)</b>
<b>Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>		
Receipts from Sale/Maturity of Investments	11,662	9,623
Payments for Purchase of Investments	(5,857)	(9,585)
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>5,805</b>	<b>38</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(15,355)</b>	<b>(17,908)</b>
<b>Cash Flows from Financing Activities</b>		
Advances Received	1,019	30
Advances Repaid	(58)	(70)
Proceeds from Borrowings	5,306	4,855
Repayment of Borrowings	(1,740)	(1,997)
Dividends Paid	(100)	...
Deposits Received (net)	(13)	82
Other Financing Receipts/ (Payments)	(696)	(55)
<b>Net Cash Flows from Financing Activities</b>	<b>3,717</b>	<b>2,845</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(3,183)</b>	<b>(2,128)</b>
<b>Derivation of Cash Result</b>		
Net Cash Flows from Operating Activities	8,455	12,935
Net Cash Flows from Investments in Non-Financial Assets	(20,746)	(17,907)
Dividends Paid	(100)	...
<b>Cash Surplus/(Deficit)</b>	<b>(12,391)</b>	<b>(4,971)</b>

Table 16: NSW Public Financial Corporations Statement of Comprehensive Income<sup>(a)</sup>

	2017-18 Actual \$m
<b>Revenue from Transactions</b>	
Grants and Subsidies	
- Other Commonwealth Payments	...
- Other Grants and Subsidies	...
Sale of Goods and Services	1,266
Interest	740
Other Dividends and Distributions	1,708
Fines, Regulatory Fees and Other	39
<b>Total Revenue from Transactions</b>	<b>3,753</b>
<b>Expenses from Transactions</b>	
Employee	194
Superannuation	
- Superannuation Interest Cost	...
- Other Superannuation	12
Depreciation and Amortisation	10
Interest	2,378
Income Tax Expense	27
Other Operating	1,105
Grants, Subsidies and Other Transfer Expenses	15
<b>Total Expenses from Transactions</b>	<b>3,741</b>
Transactions from Discontinuing Operations	...
<b>NET OPERATING BALANCE - SURPLUS AFTER TAX</b>	<b>12</b>
<b>Other Economic Flows - Included in the Operating Result</b>	
Gain/(Loss) from Other Liabilities	(150)
Other Net Gains/(Losses)	899
Allowance for Impairment of Receivables	...
Deferred Income Tax	...
Other	...
Discontinuing Operations - Other Economic Flows	...
<b>Other Economic Flows - included in Operating Result</b>	<b>748</b>
<b>Operating Result</b>	<b>761</b>
<b>Other Economic Flows - Other Comprehensive Income</b>	
<b>Items that will not be Reclassified to Operating Result</b>	<b>1</b>
Revaluations	1
Superannuation Actuarial Gain/(Loss)	0
Deferred Tax Adjustment through Equity	...
<b>Items that may be Reclassified Subsequently to Operating Result</b>	<b>72</b>
Net Gain/(Loss) on Financial Instruments at Fair Value	...
Other	72
<b>Other Economic Flows - Other Comprehensive Income</b>	<b>73</b>

Table 16: NSW Public Financial Corporations Statement of Comprehensive Income (cont)

	2017-18 Actual \$m
<b>Comprehensive Result - Total Change in Net Worth<sup>(b)</sup></b>	<b>834</b>
<b>Key Fiscal Aggregates</b>	
<b>Comprehensive Result - Total Change in Net Worth<sup>(b)</sup></b>	<b>834</b>
Less: Net Other Economic Flows	(821)
<b>Equals: Budget Result - Net Operating Balance</b>	<b>12</b>
<b>Less: Net Acquisition of Non-Financials Assets</b>	
Purchases of Non-Financials Assets	25
Sales of Non-Financial Assets	(0)
Less: Depreciation	(10)
Plus: Change in Inventories	...
Plus: Other Movements in Non-Financials Assets	
- Assets Acquired Using Finance Leases	...
- Other	...
Equals: Total Net Acquisition of Non-Financial Assets	<b>15</b>
<b>Equals: Net Lending/(Borrowing) [Fiscal Balance]</b>	<b>(2)</b>
<b>OTHER FISCAL AGGREGATES</b>	
Capital Expenditure <sup>(c)</sup>	25

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

(b) Total change in net worth<sup>1</sup> is before transactions with owners as owners, and before revisions to equity from changes to accounting policies. Therefore, it may not equal the movement in balance sheet net worth.

(c) Capital expenditure comprises purchases of non-financial assets plus assets acquired using finance leases.

Table 17: NSW Public Financial Corporations Sector Statement of Financial Position at 30 June<sup>(a)</sup>

	2018 Actual \$m
<b>Assets</b>	
<b>Financial Assets</b>	
Cash and Cash Equivalents	3,903
Receivables	924
Tax Equivalents Receivable	...
Investments, Loans and Placements	
Financial Assets at Fair Value	55,275
Other Financial Assets	211
Advances Paid	...
Deferred Tax Equivalent Assets	...
Equity	
Investments in Other Public Sector Entities	2,832
Investments in Associates	2
Other Equity Investments	19,531
<b>Total Financial Assets</b>	<b>82,676</b>
<b>Non-Financial Assets</b>	
Inventories	...
Forestry Stock and Other Biological Assets	...
Assets Classified as Held for Sale	...
Investment Properties	...
Property, Plant and Equipment	
Land and Buildings	17
Plant and Equipment	29
Infrastructure Systems	...
Intangibles	4
Other Non-Financial Assets	65
<b>Total Non-Financial Assets</b>	<b>114</b>
<b>Total Assets</b>	<b>82,791</b>
<b>Liabilities</b>	
Deposits Held	2,695
Payables	255
Tax Equivalents Payable	9
Liabilities Directly Associated with Assets Held for Sale	...
Borrowings and Derivatives at Fair Value	62,578
Borrowings at Amortised Cost	7
Advanced Received	...
Employee Provisions	42
Superannuation Provision <sup>(b)</sup>	4
Deferred Tax Equivalent Provision	...
Other Provisions	4,750
Other Liabilities	10,231
<b>Total Liabilities</b>	<b>80,570</b>
<b>NET ASSETS</b>	<b>2,220</b>

Table 17: NSW Public Financial Corporations Sector Statement of Financial Position at 30 June (cont)

	2018 Actual \$m
<b>NET WORTH</b>	
Accumulated Funds	(1,167)
Reserves	3,388
<b>TOTAL NET WORTH</b>	<b>2,220</b>
<b>OTHER FISCAL AGGREGATES</b>	
<b>Net Debt<sup>(c)</sup></b>	<b>5,892</b>
<b>Net Financial Liabilities<sup>(d)</sup></b>	<b>726</b>
<b>Net Financial Worth<sup>(e)</sup></b>	<b>2,106</b>

- (a) The current Uniform Presentation Framework does not require the publishing of the results of the Public Financial Corporation Sector at budget time and mid-year, therefore a Budget column is not available.
- (b) Superannuation liabilities are reported net of the fair value of fund assets.
- (c) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and cash equivalents, advances paid and investments, loans and placements.
- (d) Net financial liabilities equals total liabilities minus financial assets.
- (e) Net financial worth equals total financial assets minus total liabilities.

Table 18: NSW Public Financial Corporations Sector Statement of Cash Flows<sup>(a)</sup>

	2017-18 Actual \$m
<b>Cash Receipts from Operating Activities</b>	
Receipts from Sales of Goods and Services	1,264
Grant and Subsidies Received	...
Interest Receipts	891
Other Receipts	1,838
<b>Total Cash Receipts from Operating Activities</b>	<b>3,992</b>
<b>Cash Payments from Operating Activities</b>	
Payments for Employees	(189)
Payments for Superannuation	(8)
Payments for Goods and Services	(873)
Grants and Subsidies Paid	(8)
Interest Paid	(2,515)
Income Tax Equivalents Paid	...
Other Payments	2,999
<b>Total Cash Payments from Operating Activities</b>	<b>(596)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>3,397</b>
<b>Cash Flows from Investments in Non-Financial Assets</b>	
Sales of Non-Financial Assets	0
Purchases of Non-Financial Assets	(25)
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>(24)</b>
<b>Cash Flows from Investments in Financial Assets for Policy Purposes</b>	
Receipts	...
Payments	...
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>...</b>
<b>Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	
Receipts from Sale/Maturity of Investments	8,421
Payments for Purchase of Investments	(12,521)
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>(4,100)</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(4,125)</b>
<b>Cash Flows from Financing Activities</b>	
Advances Received	86
Advances Repaid	...
Proceeds from Borrowings	68,779
Repayment of Borrowings	(66,932)
Dividends Paid	(80)
Deposits Received (net)	...
Other Financing Receipts/(Payments)	(28)
<b>Net Cash Flows from Financing Activities</b>	<b>1,825</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>1,097</b>
<b>Derivation of Cash Result</b>	
Net Cash Flows from Operating Activities	3,397
Net Cash Flows from Investments in Non-Financial Assets	(24)
Dividends Paid	(80)
<b>Cash Surplus/(Deficit)</b>	<b>3,292</b>

(a) The current Uniform Presentation Framework does not require the publishing of the Public Financial Corporation Sector at budget time and mid-year, therefore the Budget column is not presented.

