

REPORT ON THE STATE FINANCES *2019-2020*

INCORPORATING THE

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



**KEEPING PEOPLE IN JOBS
and BUSINESSES IN BUSINESS**

Report on State Finances

2019-2020



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1. ABOUT THIS REPORT

The 2019-20 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 2019-20.
- the audited Consolidated Financial Statements of the General Government and Total State Sectors for 2019-20, including a full set of note disclosures required by Australian Accounting Standards.
- 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 2019-20, 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 (TSS) is made up of the General Government Sector (GGS), the state's Public Non-Financial Corporations (PNFCs) and Public Financial Corporations (PFCs) whereby:

- GGS 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 and corrections of prior period errors. Material changes are highlighted in Note 32: Restatement / Corrections to Prior Years.

Acknowledgement of Country

NSW Treasury acknowledges that Aboriginal and Torres Strait Islander peoples are the First Peoples and Traditional Custodians of Australia, and recognises their continued custodianship of Country - land, seas and skies. We acknowledge the diversity of First Nations cultures, histories and peoples, recognise their enduring connection to our State, and we pay our deepest respects to Elders past, present and emerging.

Michael Pratt AM
Secretary
NSW Treasury
17 November 2020

2. GENERAL GOVERNMENT SECTOR RESULTS

2.1 Operating Statement

The 2019-20 Budget Result for the General Government Sector (GGS) was a deficit of \$6.9 billion, a reduction of \$7.6 billion compared to the Half-Yearly Review expected surplus of \$0.7 billion. The lower than expected result since the Half-Year Review was impacted by significant and unexpected events including the summer 2019-20 bushfires and the COVID-19 pandemic.

Table 2.1: General Government Sector Key Financial Indicators – Performance on Operating Result

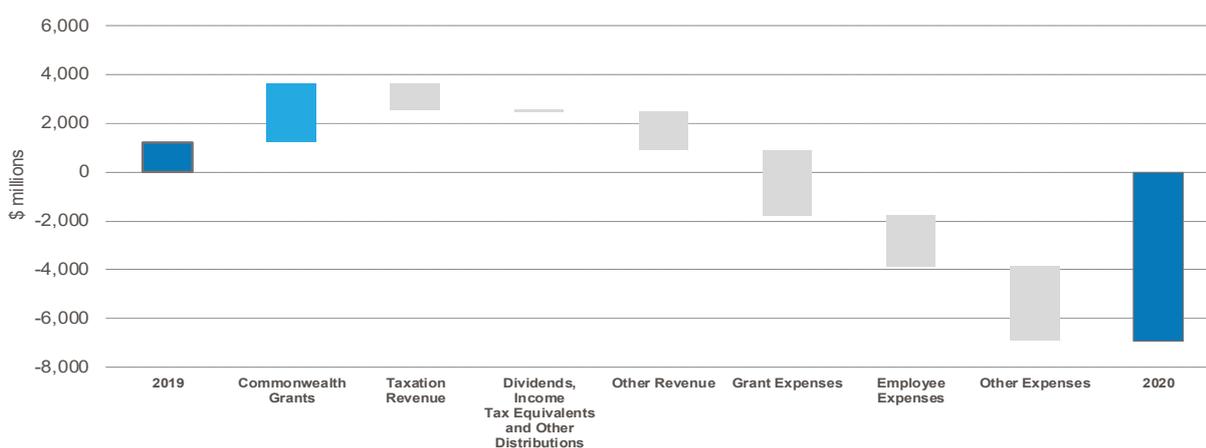
Key Financial Indicators (GGS) - Statement of Comprehensive Income				
	Actual 2018-19 Restated ^(a) \$b	Original Budget 2019-20 \$b	Published HYR ^(b) 2019-20 \$b	Actual 2019-20 \$b
General Government Sector				
Revenue	81.7	84.3	84.2	81.4
Expenses	80.5	83.3	83.5	88.3
Budget Result (Net Operating Balance)	1.2	1.0	0.7	(6.9)
Comprehensive Result	(2.1)	4.9	0.9	(10.4)
Gross Capital Expenditure	16.6	22.3	23.7	21.0
Cash Result	(10.3)	(12.7)	(14.2)	(17.3)
Net Lending/(Borrowing)	(9.3)	(14.5)	(16.4)	(22.1)

(a) Refer Note 32 of the TSSA Restatement/Corrections to Prior Years, for details of corrections to prior period.

(b) Published Half-Yearly Review 2019-20

The \$6.9 billion deficit reflects \$81.4 billion in revenue, a decrease from the previous year of \$0.3 billion, offset by expenses of \$88.3 billion, an increase from 2018-19 of \$7.8 billion.

Chart 2.1: Key Changes in Budget Result in 2019-20



Revenue

Marginally lower revenues of \$288 million relative to 2018-19 were primarily driven by:

- decrease in state taxation of \$1,085 million including reduced payroll tax (\$849 million) in response to weaker employment outcomes and the impact of relief measures, stamp duty (\$430 million) in response to a lower transfer duty outcome, and gambling taxes (\$427 million) as a consequence of mandated venue closures from March to June 2020;

- reduced agency sales of goods and services of \$1,032 million mainly as a result of a decrease in fee for service revenue for major rail projects (\$269 million) and passenger revenues due to the change in the recognition of passenger service revenue as per AASB 15 (\$112 million), reduced level of activity across the healthcare system impacted by COVID-19 restrictions, requiring some regular activities to be placed on hold (\$106 million) and a further \$94 million decrease due to reasons other than COVID-19, including decreased patient fees as a result of the private health funds paying reduced room rates for single rooms;
- interest revenue in 2019-20 of \$364 million, was \$127 million lower than 2018-19 mainly as a result of the decrease of interest revenue on Treasury Corporation (TCorp) investment management funds in Restart, NSW Generations Fund (NGF) and Social & Affordable Housing Fund (SAHF) due to the current market conditions;
- fines, regulatory fees and other revenue in 2019-20 at \$4,262 million in total were \$418 million lower than the prior year, this was primarily due to a \$410 million fall in mining royalties, driven by continued declines in thermal coal prices; and
- partially offset by \$2,412 million increase in Commonwealth grants received including the recognition of an additional \$490 million National Land Transport revenue for Transport for NSW due to implementation of AASB 1058, \$675 million bushfire-related grants from the Commonwealth, \$925 million to the Ministry of Health due to COVID-19 and \$209 million increase in the National Education Reform Agreement.

Expenses

Compared to the prior year, expenses were heavily impacted by responses to drought, the 2019-20 bushfires and COVID-19 pandemic. Expenditure on these responses, together with increased investments in frontline services led to an overall increase in expenses of \$7,833 million largely driven by:

- growth in employee cost of \$2,104 million included:
 - wage inflation increases (\$762 million);
 - the Ministry of Health’s salaries and wages further increased by \$428 million mainly due to FTE growth, and additional resources and overtime payments as a result of the COVID-19 public health response;
 - the Department of Education salaries and wages increased by a further \$454 million due to a one-off pay rise of 11% for school administrative staff (\$160 million), additional leave including an extra day (\$80 million), Workers Compensation claims (\$60 million) and the remainder due to growth in full time employees; and
 - increases across several agencies mainly due to frontline services and other policy measures.
- higher grants and subsidies of \$2,670 million reflecting:
 - an increase of \$741 million in Department of Communities and Justice including \$229 million in Disaster response service related to bushfires, \$184 million increase in National Disability Insurance Scheme (NDIS) and \$101 million increase in contracted out of home care services;
 - an increase of \$541 million in Transport for NSW grants primarily driven by non-cash grants to third parties (\$500 million) including transfer of assets to local councils relating to Sydney Light Rail (\$355 million);
 - increase of \$539 million related to approved Small Business Grant programs and quarantine package as part of the COVID-19 stimulus programs;
 - grants and subsidies to NSW Rural Fire Service of \$351 million, higher predominantly due to increase in expenditure for goods and services consumed by Natural Disasters (\$368 million); and
 - increase of \$124 million in New South Wales Rural Assistance Authority grants due to the Emergency Drought Relief Package and Bushfire Industry Recovery Package.
- higher other operating expenses of \$2,010 million included increases in NSW Self Insurance Corporation of \$2,024 million mainly due to the first time inclusion of \$828 million for sensitive claims relating to historical abuse, \$551 million impact in the workers compensation portfolio largely from continuing cost increases for certain claim types, \$507 million losses related to the bushfire disaster and \$343 million additional insurance claim costs due to COVID-19 impact; and
- higher depreciation of \$777 million mainly due to the changes in accounting standard AASB 16 Leases, that has resulted in leased assets being recognised as right-of-use assets (PP&E) which would incur depreciation expense.

Capital Expenditure

Capital expenditure was \$20,985 million in 2019-20, \$4,362 million higher than the prior year (\$16,623 million). This represents the fifth 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.

Major projects progressed during 2019-20 included:

- Sydney Metro City and Southwest (\$1,672 million);
- Pacific Highway Upgrade Woolgoolga to Ballina (\$980 million);
- Randwick Campus Reconfiguration and Expansion (Prince of Wales) - Stage 1 (\$720 million); and
- Campbelltown Hospital Stage 2 (\$632 million).

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

- CBD and South East Light Rail (\$2.9 billion capitalised);
- Gosford Hospital Redevelopment (\$348 million); and
- New and upgraded schools, including Ultimo Public (\$31 million), Oran Park High (\$57 million), Arthur Philip High (\$109 million) and Queanbeyan High (\$13 million).

2.2 Balance Sheet

Table 2.2: General Government Sector Key Financial Indicators – Balance Sheet Performance

Key Financial Indicators (GGS) - Statement of Financial Position				
	Actual 2019 Restated ^(a) \$b	Original Budget 2020 \$b	Published HYR ^(b) 2019-20 \$b	Actual 2020 \$b
Total Assets	401.2	420.3	421.9	425.7
Total Liabilities	152.1	153.3	170.8	187.0
Net Worth	249.1	266.9	251.1	238.7
Net Debt	(10.4)	12.4	12.9	19.3
Net Debt as a % of GSP ^(c)	-1.7%	1.9%	2.0%	3.0%
Net Financial Liabilities (NFL)	81.2	92.5	105.1	111.9
NFL as a % of GSP ^(c)	13.0%	14.3%	16.2%	17.3%

(a) Refer Note 32 Restatement/Corrections to Prior Years, for details of corrections to Prior Period.

(b) Published Half-Yearly Review 2019-20

(c) GSP actuals for 2019-20 not released at the time of publication. Numbers reflect 2019-20 GSP forecasts from the 2019-20 HYR.

Net Debt

General Government Sector net debt was \$19.3 billion at 30 June 2020, compared to a negative net debt of \$10.4 billion in 2018-19. This significant increase in net debt was mainly driven by the Government's commitments in delivering its record infrastructure investment program and the negative operating conditions due to the COVID-19 pandemic, drought response and bushfire emergencies. This increase in net debt was made up of:

- an increase in borrowings of \$30,230 million to \$67,885 million. This increase includes \$22,817 million related to new TCorp borrowings in the Crown Finance Entity and \$7,640 million in non-cash debt movements including \$5,847 million mainly due to the adoption of AASB 16 Leases and \$1,793 million for the Sydney Light Rail Public Private Partnership liability;
- \$3,516 million decrease in Investments, Loans and Placements primarily due to \$4,334 million of withdrawals from the NSW Infrastructure Investment Fund to fund Restart NSW funded infrastructure projects offset by returns on TCorp managed investment funds; and
- partially offset by an increase of \$4,165 million in cash and cash equivalents associated with higher liquidity holdings during COVID-19.

Net Worth

The net worth of the General Government Sector for the year ended 30 June 2020 was \$10.4 billion less than the prior year – this was made up of:

- increased assets of \$24.5 billion including increases in financial assets (\$5.8 billion), property plant and equipment (\$10.7 billion) and right-of-use-assets (\$6.5 billion); and
- increased liabilities of \$34.9 billion driven by an increase in borrowings (\$30.2 billion), other provisions (\$2.5 billion) and employee provisions (\$1.8 billion).

3. TOTAL STATE SECTOR RESULTS

The Total State Sector (TSS) comprises the GGS, PNFC and PFC sectors. Therefore, the TSS results reflect the outcome of the General Government Sector's operations and the outcome of all Government businesses and State-Owned Corporations.

3.1 Operating Statement

Table 3.1: Total State Sector Key Financial Indicators – Statement of Comprehensive Income

Key Financial Indicators (TSS) - Statement of Comprehensive Income			
	Actual 2018-19 Restated ^(a) \$b	Original Budget 2019-20 \$b	Actual 2019-20 \$b
Total State Sector			
Revenue	86.1	88.0	86.3
Expenses	87.8	90.8	96.0
Budget Result (Net Operating Balance)	(1.7)	(2.8)	(9.7)
Comprehensive Result	(2.1)	4.9	(10.4)
Gross Capital Expenditure	21.8	27.7	25.3
Cash Result	(14.0)	(18.0)	(21.5)
Net Lending/(Borrowing)	(14.6)	(20.1)	(26.1)

(a) Refer Note 32 of the TSSA Restatement/Corrections to Prior Years, for details of corrections to Prior Period.

The Net Operating Balance in 2019-20 was a deficit of \$9.7 billion, representing a decrease of \$8.0 billion compared to 2018-19. This lower budget result reflects impacts in the GGS of COVID-19 and natural disaster emergencies, including increased expenditure on frontline service delivery, recurrent grants and subsidies and in other operating costs in the General Government Sector.

Total State Sector revenue for 2019-20 was \$86.3 billion, \$0.2 billion higher than the prior year, primarily due to higher Commonwealth grants and subsidies received (\$2.4 billion), offset against lower taxation revenue (\$1.1 billion) and lower sales of goods and services (\$1.1 billion).

Higher expenses of \$8.2 billion resulted from increases in grants and subsidies (\$2.5 billion), increases in employee related costs, including superannuation (\$2.3 billion), increases in other operating costs (\$2.2 billion) and increases in depreciation and amortisation (\$1.2 billion).

Capital expenditure of \$25.3 billion was \$3.5 billion higher than in 2018-19. This mainly reflects the level of capital spend in the General Government sector.

3.2 Balance Sheet

Net debt of the Total State Sector as at 30 June 2020 was \$55.4 billion or 8.6 per cent of forecast GSP. This compares to net debt at 30 June 2019 of \$23.9 billion or 3.8 per cent of GSP.

The increase in net debt is largely the result of higher borrowings and derivatives at fair value. This is driven by Crown's increased borrowing profile to fund various relief and stimulus packages in response to the widespread bushfires and COVID-19 pandemic, and an increase in non-cash borrowings at amortised cost due to adoption of AASB 16 Leases.

Net worth of the Total State Sector for the year ended 30 June 2020 was \$238.7 billion which was \$10.4 billion lower than the prior year. This net decrease was the result of the Comprehensive Income in 2019-20 for the Total State Sector, reflecting a combination of both operating results and balance sheet movements.

Total State Sector Accounts
2019 – 2020

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
Chief Financial and Operations Officer
Treasury

17 November 2020



INDEPENDENT AUDITOR'S REPORT

New South Wales General Government Sector and Total State Sector

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the New South Wales General Government Sector and Total State Sector (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 2020, the NSW Consolidated Statement of Financial Position as at 30 June 2020, the NSW Consolidated Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the Total State Sector Accounts. The Total State Sector Accounts comprises the entities the New South Wales Government controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements 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 (including Independence Standards)' (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.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for year ended 30 June 2020. I determined the key audit matters after considering the:

- areas I identified as being of higher risk of material misstatement, or significant risks
- areas where I applied significant judgement, which related to areas in the financial report where management also exercised significant judgement, such as accounting estimates with a high degree of estimation uncertainty
- significant events or transactions that occurred during the period including bushfire and flood emergencies and the COVID-19 pandemic, and their effect on the financial statements.

These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the matter
Fair value measurement of property, plant and equipment	
<p>At 30 June 2020, the Total State Sector Accounts reported \$365 billion in property, plant and equipment measured at fair value. The closing balance of property, plant and equipment includes a net revaluation increment of \$4.5 billion recorded during the year ended 30 June 2020.</p> <p>I considered this to be a key audit matter because of the:</p> <ul style="list-style-type: none"> • financial significance of the property, plant and equipment balances to the Consolidated Statement of Financial Position • extent of significant management judgements underpinning key assumptions used in the valuation process • sensitivity of fair value to changes in key assumptions • specialised and unique nature of the assets impacting on judgement and complexities in applying AASB 13 'Fair Value Measurement' requirements. <p>Details of the valuation techniques, inputs and processes for major asset classes are disclosed in Note 14 Property, Plant and Equipment.</p>	<p>Key audit procedures included the following:</p> <ul style="list-style-type: none"> • obtained an understanding of management's approach to estimating the fair value of Property, Plant & Equipment • assessed the accuracy and completeness of assets included in the revaluation • assessed the competence, capability and objectivity of experts engaged by management • assessed significant judgements made in determining the valuation approach for specialised and unique assets, including impairment • reviewed the reasonableness of key assumptions and sensitivity of the conclusions to changes in those assumptions • assessed the sufficiency and appropriateness of the valuation methodologies and management's fair value assessments against the requirements of applicable Australian Accounting Standards • assessed the sufficiency and appropriateness of financial statement disclosures against the requirements of applicable Australian Accounting Standards.

Key Audit Matter**How my audit addressed the matter****Implementation of AASB 16 Leases**

The Total State Sector Accounts adopted new Australian Accounting Standard AASB 16 *Leases* for the first time in 2019–20. The Total State Sector Accounts reported:

- right-of-use assets of \$9.3 billion and lease liabilities of \$9.8 billion, and finance lease receivables of \$1.5 billion at 30 June 2020
- a \$478 million impairment loss against its right-of-use assets in 2019–20.

I considered this to be a key audit matter because:

- right-of-use assets and lease liabilities are financially significant to the Consolidated Statement of Financial Position
- the recognition and measurement of leases including lease payments, lease extension options, discount rates, and impairment involved significant management judgements and assumptions
- of the effect from the COVID-19 pandemic on the rental market and its impact on impairment assessments
- of the extent of leasing information that impacts on the complete and accurate recognition and measurement of leases.

Further information on leases is included in Note 28 Leases.

Key audit procedures included the following:

- evaluated the design and implementation of key controls over processes and systems for recording leases
- tested the completeness, validity and accuracy of lease data in the lease calculations
- reviewed the reasonableness of methodologies, management judgements and assumptions in the lease calculations, including impairment
- tested the mathematical accuracy of the calculations of right of use assets, lease liabilities and lease receivables, including impairment
- confirmed lease receivables on a sample basis
- assessed the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards.

Valuation of defined benefit superannuation and long service leave liabilities

At 30 June 2020, the Total State Sector Accounts reported net defined benefit superannuation liabilities totalling \$71.0 billion and employee long service leave liabilities totalling \$12.6 billion.

I considered this to be a key audit matter because:

- the defined benefit superannuation and long service leave liabilities are financially significant to the Consolidated Statement of Financial Position
- the underlying models used to value the liabilities are complex due to a high level of judgement and estimation involved in the valuation assumptions, including discount rates, salary inflation and other assumptions
- the total value of the liabilities is sensitive to small changes in key valuation inputs.

Further information on the valuation of long service leave and defined benefit superannuation liabilities is included in Note 22 Employee Provisions and Note 23 Superannuation Provisions.

Key audit procedures included the following:

- assessed the key controls supporting the data used in the defined benefit superannuation and long services leave liability valuation models (the models)
- assessed the completeness and mathematical accuracy of the data used in the models
- obtained management’s actuarial report and year-end adjustments, and engaged a qualified actuary (‘auditor’s expert’) to:
 - assess the appropriateness of the models
 - confirm the reasonableness of key assumptions by comparing against accepted industry benchmarks
 - assess the reasonableness of the reported liability values
- assessed the adequacy of the financial statement disclosures against the requirements of applicable Australian accounting standards.

Key Audit Matter

How my audit addressed the matter

Valuation of financial instruments

At 30 June 2020, the Total State Sector Accounts held financial instruments measured at fair value; being \$67.7 billion in financial assets and \$108 billion in financial liabilities.

I consider the valuation of financial instruments measured at fair value a key audit matter because:

- financial assets and financial liabilities measured at fair value are significant to the Consolidated Statement of Financial Position
- small changes to market observable inputs and assumptions can significantly impact the fair value of these financial assets and financial liabilities
- management applies significant judgement in the selection of assumptions used to value offshore borrowings issued in foreign currencies for which there is limited trading activity (\$1.1 billion in Note 26). These are classified as 'level 3' according to the fair value hierarchy under Australian Accounting Standards (i.e. where significant unobservable inputs are used in the valuation).

Further information on the valuation of financial instruments is disclosed in Note 26.

Key audit procedures included the following:

- obtained an understanding of, and assessed the valuation models applied to each category of financial instrument
- assessed the design and tested the operating effectiveness of the key operational and information technology controls supporting the valuation of financial instruments
- tested the inputs to the valuation system by comparing them to independent market observable data
- compared the calculations of fair value to independent recalculations across a sample of financial instruments
- reviewed the key valuation inputs and significant assumptions used by management to value 'level 3' financial instruments for reasonableness, and where data was available, agreed these inputs to market observable data
- confirmed the existence and completeness of balances at 30 June 2020 with external counterparties
- assessed the adequacy of financial statement disclosures against the requirements of applicable Australian Accounting Standards.

Valuation of outstanding claims liabilities

At 30 June 2020, the Total State Sector Accounts recorded \$5.9 billion in self-funded worker's compensation liabilities and \$15.7 billion in other outstanding claims liabilities totalling \$21.6 billion.

The valuation of the outstanding claims liabilities involves significant judgement in determining the timing and value of expected future payments for claims incurred and related costs to settle the claims. In determining the valuation of the liabilities, management engages actuarial specialists to model and develop assumptions to estimate the outstanding claims liabilities.

Valuation judgements at 30 June 2020 were impacted by bushfires, the COVID-19 pandemic and government responses to the pandemic. As the impact of the COVID-19 pandemic continues, there is heightened uncertainty with the financial outlook. This includes factors such as employment and salary levels, access to medical services, further government restrictions, the severity and duration of the economic recession and volatility in the investment markets.

Key audit procedures included the following:

- with the assistance of our actuarial expert ('auditor's expert'):
 - evaluated the competence, capabilities and objectivity of management's actuaries
 - gained an understanding of the work of the management's actuaries and evaluated the appropriateness of their work, including their models
 - assessed the valuation methods and approach used by management's actuaries against the requirements of accounting standards and industry practice
 - assessed the assumptions used as inputs into the valuation models
 - reviewed the results of the claims history investigations carried out by management's actuaries, to determine how they inform the assumptions used
 - evaluated the process undertaken by management in determining estimates of notified losses arising from 2019–20 NSW bushfires, relied upon by the actuaries

Key Audit Matter

I considered this to be a key audit matter because:

- the outstanding claims liabilities are financially significant to the Consolidated Statement of Financial Position
- the degree of judgement in developing assumptions and the complexity of valuation models.

The level of judgement means that the valuation of the outstanding claims liabilities may change significantly and unexpectedly due to changes in assumptions.

Further information on the valuation techniques, inputs and assumptions used to value outstanding claims liabilities is included in Note 22 Employee Provisions and Note 24 Other Provisions.

How my audit addressed the matter

- evaluated the judgements made by management's actuaries in assessing the impact of the COVID-19 pandemic and natural disasters on assumptions used in estimating the total outstanding claims liability
- assessed the adequacy of the related financial statement disclosures against the requirements of applicable Australian Accounting Standards.

Taxation and statutory revenue

The Total State Sector Accounts reported \$32.4 billion of taxation and statutory revenue (fines, mining royalties and regulatory fees) in 2019–20, \$4.5 billion of taxation and statutory receivables (excluding \$987 million Goods and Services Tax receivable) and \$454 million in an allowance for impairment for taxation and statutory receivables.

The Total State Sector Accounts adopted AASB 1058 *Income of Not-for-Profit Entities* and AASB 9 *Financial Instruments* for taxation and statutory revenue and receivables in 2019–20. The effect of adopting AASB 1058 and AASB 9 resulted in an increase in taxation and statutory revenue of \$234 million in 2019–20.

I consider this to be a key audit matter because:

- of the financial significance of taxation and statutory revenue and receivables
- the adoption of the new standards changed the timing of when taxation revenue is recognised
- recognition and measurement of taxation and statutory revenue was significantly affected by the COVID-19 stimulus measures implemented by the NSW Government including deferral of lodgements in returns for self-assessed taxes
- the calculation of the allowance related to taxation receivable requires significant judgements and assumptions.

Further information on the impact of adopting AASB 1058 on taxation and statutory revenue is included in Note 2 Revenue.

Key audit procedures included the following:

- evaluated the design and tested operating effectiveness of controls over key revenue streams, including land tax, payroll tax, duties, gaming machine taxes and mineral royalties
- recalculated key revenue streams for reasonableness against the requirements of the relevant taxation legislation
- tested the adjustments of payroll tax revenue resulting from the adoption of AASB 1058 and AASB 9; ensuring adjustments captured material deferrals in lodgements of returns for self-assessed taxes as part of the COVID-19 stimulus packages up until the date of signing the financial statements
- assessed the methodology and assumptions used to estimate the allowance related to taxation receivable against historical recoverability rates and write-off of debt for reasonableness
- recalculated the allowance for impairment recognised for mathematical accuracy
- assessed the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards.

Key Audit Matter

How my audit addressed the matter

Authorisation to incur expenditure

The *COVID-19 Legislation Amendment (Emergency Measures – Treasurer) Act 2020* amended the State's financial management and reporting legislation to ensure agency funding is available until the NSW Budget and Appropriation Bill for 2020–21 is passed, planned for 17 November 2020.

I consider this to be a key audit matter because:

- use of the State's funds must be legally authorised
- funding is required to ensure the State continues to meet its debts as and when they fall due.

Key audit procedures included the following:

- ensuring funds spent by the State were legally authorised.

Other Information

The New South Wales Report on State Finances for the year ended 30 June 2020 includes other information in addition to 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 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/ar5.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

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



Margaret Crawford
Auditor-General for New South Wales

17 November 2020
SYDNEY

	Note	General		Total State Sector	
		Government Sector 2019-20	2018-19 Restated ^(a)	2019-20	2018-19 Restated ^(a)
FROM CONTINUING OPERATIONS		\$m	\$m	\$m	\$m
Revenue from Transactions					
Taxation ^(a)	2	29,941	31,026	29,939	31,040
Grants and Subsidies					
Commonwealth General Purpose	2	18,073	17,907	18,073	17,907
Commonwealth Specific Purpose Payments	2	11,278	10,224	11,278	10,224
Commonwealth National Partnership Payments	2	3,886	2,737	3,886	2,737
Other Grants and Subsidies	2	1,068	981	990	900
Sale of Goods and Services ^(a)	2	8,713	9,745	14,155	15,225
Interest	2	364	491	610	801
Dividend and Income Tax Equivalents from Other Sectors	2	1,354	1,932	...	...
Other Dividends and Distributions	2	2,426	1,934	2,641	2,025
Fines, Regulatory Fees and Other ^(a)	2	4,262	4,679	4,729	5,234
Total Revenue from Transactions		81,367	81,655	86,302	86,093
Expenses from Transactions					
Employee	3	35,555	33,158	38,112	35,544
Superannuation					
Superannuation Interest Cost	3	882	1,412	927	1,466
Other Superannuation	3	3,288	3,052	3,517	3,250
Depreciation and Amortisation ^(a)	3	5,948	5,171	9,159	7,964
Interest	3	2,084	1,812	3,197	3,137
Other Operating Expense	3	23,156	21,146	26,961	24,805
Grants and Subsidies					
Recurrent Grants and Subsidies	3	16,369	13,595	13,299	10,921
Capital Grants	3	1,001	1,105	839	741
Total Expenses from Transactions		88,283	80,450	96,011	87,828
Transactions from Discontinuing Operations	5	...	...	...	8
NET RESULT FROM TRANSACTIONS - NET OPERATING BALANCE (BUDGET RESULT FOR THE GENERAL GOVERNMENT SECTOR)		(6,916)	1,206	(9,709)	(1,727)

(a) Refer Note 32: Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

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

	Note	General		Total State Sector	
		Government Sector 2019-20	2018-19 Restated ^(a)	2019-20	2018-19 Restated ^(a)
		\$m	\$m	\$m	\$m
NET OPERATING BALANCE		(6,916)	1,206	(9,709)	(1,727)
OTHER ECONOMIC FLOWS - INCLUDED IN THE OPERATING RESULT					
Gain/(Loss) from Liabilities	4	(201)	(2,500)	(626)	(3,218)
Other Net Gains/(Losses)	4	(2,553)	13,700	(4,603)	11,332
Share of Earnings/(Losses) from Equity Investments (excl. Dividends)	4	46	(1)	45	(1)
Dividends from Asset Sale Proceeds	4	31	(0)	...	...
Deferred Income Tax from Other Sectors	4	(123)	(97)	...	...
Other	4	(212)	14	(218)	10
Discontinuing Operations - Other Economic Flows	5	...	(0)	...	(0)
Other Economic Flows - included in Operating Result		(3,013)	11,117	(5,402)	8,123
OPERATING RESULT		(9,929)	12,322	(15,111)	6,395
OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME					
Items that will not be Reclassified to Operating Result					
Revaluations ^(a)	14	4,263	7,154	4,540	7,275
Share of Associate's Other Comprehensive Income/(Loss) that will not be Reclassified Subsequently to Operating Result		...	(10)	...	(10)
Actuarial Gain/(Loss) from Superannuation	23	(673)	(13,364)	(690)	(14,120)
Net Gain/(Loss) on Equity Instruments at Fair Value through Other Comprehensive Income ^(a)		(4,979)	(7,950)	(0)	(618)
Deferred Tax Direct to Equity		15	151	...	...
Items that may be Reclassified Subsequently to Operating Result					
Net Gain/(Loss) on Financial Instruments at Fair Value		(8)	19	(14)	16
Share of Associate's Other Comprehensive Income/(Loss) that may be Reclassified Subsequently to Operating Result		(243)	(538)	(243)	(538)
Other		1,171	165	1,136	(450)
Other Economic Flows - Other Comprehensive Income		(454)	(14,372)	4,729	(8,446)
COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS		(10,382)	(2,050)	(10,382)	(2,050)
KEY FISCAL AGGREGATES					
COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS		(10,382)	(2,050)	(10,382)	(2,050)
Less: Net Other Economic Flows		3,466	3,256	673	323
NET OPERATING BALANCE		(6,916)	1,206	(9,709)	(1,727)
Less: Net Acquisition of Non-Financial Assets					
Purchases of Non-Financial Assets		18,070	16,464	22,283	21,668
Sales of Non-Financial Assets		(639)	(966)	(903)	(1,317)
Less: Depreciation and Amortisation ^(a)		(5,948)	(5,171)	(9,159)	(7,964)
Plus: Change in Inventories		839	38	927	(34)
Plus: Other Movements in Non-Financial Assets					
Assets Acquired Using Leases		2,915	159	2,990	159
Other ^(a)		(92)	(38)	259	357
Equals Total Net Acquisition of Non-Financial Assets		15,145	10,485	16,396	12,868
EQUALS: NET LENDING/(BORROWING)		(22,061)	(9,280)	(26,105)	(14,595)

(a) Refer Note 32: Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

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

2019-20	Equity at 1 July 2019 \$m	Correction to Prior Period ^(a) \$m	Equity at 1 July 2019 Restated ^(a) \$m	Changes in Accounting Standards and Policy at 1 July 2019 ^(b) \$m	Comprehensive Result ^(b) \$m	Transfers between equity classes \$m	Equity at 30 June 2020 \$m
General Government Sector							
Accumulated Funds	75,368	355	75,722	1,103	(10,518)	1,172	67,478
Reserves							
Asset Revaluation Surplus	97,202	(1,039)	96,163	...	4,263	(1,172)	99,254
Equity Investment Revaluation Surplus/Hedge Reserve in Associate	(556)	...	(556)	...	(243)	(0)	(799)
Hedging Reserve	1	...	1	...	(8)	0	(7)
Financial Assets at Fair Value through Other Comprehensive Income	78,155	(417)	77,738	(66)	(4,913)	...	72,759
Other	0	...	0	...	...	(0)	...
	250,172	(1,102)	249,070	1,037	(11,419)	...	238,688
Total State Sector							
Accumulated Funds	92,438	66	92,503	1,061	(15,702)	2,187	80,048
Reserves							
Asset Revaluation Surplus	158,293	(1,167)	157,126	(24)	4,540	(2,221)	159,421
Equity Investment Revaluation Surplus/Hedge Reserve in Associate	(556)	...	(556)	...	(243)	(0)	(799)
Hedging Reserve	(1)	...	(1)	...	(14)	0	(15)
Financial Assets at Fair Value through Other Comprehensive Income	...	...	...	...	(0)	...	(0)
Other	...	...	...	...	...	34	34
	250,172	(1,102)	249,070	1,037	(11,419)	...	238,688

2018-19	Equity at 1 July 2018 \$m	Correction to Prior Period ^(a) \$m	Equity at 1 July 2018 Restated ^(a) \$m	Changes in Accounting Standards and Policy at 1 July 2018 ^(b) \$m	Comprehensive Result ^(b) \$m	Transfers between equity classes \$m	Equity at 30 June 2019 \$m
General Government Sector							
Accumulated Funds ^(a)	76,243	367	76,610	14	(715)	(187)	75,722
Reserves							
Asset Revaluation Surplus ^(a)	90,248	(988)	89,260	...	7,154	(250)	96,163
Equity Investment Revaluation Surplus/Hedge Reserve in Associate	25	...	25	...	(548)	(33)	(556)
Hedging Reserve	(17)	...	(17)	...	19	(0)	1
Available for Sale Reserve	85,597	...	85,597	(85,597)	...	...	...
Financial Assets at Fair Value through Other Comprehensive Income ^(a)	...	(355)	(355)	85,573	(7,950)	470	77,738
Other	...	...	...	...	...	0	0
	252,095	(976)	251,119	(10)	(2,040)	...	249,070
Total State Sector							
Accumulated Funds ^(a)	99,680	12	99,692	(1)	(8,165)	977	92,502
Reserves							
Asset Revaluation Surplus ^(a)	152,341	(988)	151,353	...	7,275	(1,503)	157,126
Equity Investment Revaluation Surplus/Hedge Reserve in Associate	25	...	25	...	(548)	(33)	(556)
Hedging Reserve	(135)	...	(135)	...	16	118	(1)
Available for Sale Reserve	157	...	157	(157)	...	...	...
Financial Assets at Fair Value through Other Comprehensive Income	...	...	...	148	(618)	470	...
Other	28	...	28	...	...	(28)	...
	252,095	(976)	251,119	(10)	(2,040)	...	249,070

(a) Refer Note 32: Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

(b) The Consolidated Statement of Comprehensive Income includes AASB 15, AASB 16 and AASB 1058 (2018-19: AASB 9) transition adjustments in 'other comprehensive income'.

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

	Note	General Government Sector			Total State Sector		
		2019-20	2018-19	1 July 2018	2019-20	2018-19	1 July 2018
		\$m	Restated ^(a)	Restated ^(a)	\$m	Restated ^(a)	Restated ^(a)
ASSETS							
Financial Assets							
Cash and Cash Equivalents	6	6,134	1,969	5,417	10,717	8,979	13,969
Receivables	7	11,281	7,491	6,721	11,146	7,527	6,547
Investments, Loans and Placements							
Financial Assets at Fair Value	9	40,874	43,333	32,578	45,909	44,560	37,643
Other Financial Assets	9	1,533	2,591	5,556	1,784	2,793	4,456
Advances Paid	10	1,239	1,193	1,017	776	715	644
Tax Equivalents Receivable	17	15	32	128	...	...	...
Deferred Tax Equivalents Asset	17	2,127	2,245	2,192	...	...	...
Equity Investments							
Investments in Other Public Sector Entities ^(a)	11	100,249	98,573	112,556	0	0	...
Investments in Associates	11	11,866	12,055	5,987	11,866	12,057	5,988
Other Equity Investments	11	7	8	722	21,741	24,468	20,420
Total Financial Assets		175,326	169,490	172,873	103,940	101,099	89,666
Non-Financial Assets							
Contract Assets	8	24	...	...	24	...	...
Inventories	12	1,188	399	327	1,743	873	826
Forestry Stock and Other Biological Assets		14	10	9	841	1,181	993
Assets Classified as Held for Sale	13	286	222	320	335	283	430
Investment Properties		...	...	...	676	648	644
Property, Plant and Equipment							
Land and Buildings ^(a)	14	94,822	90,748	84,084	168,502	166,346	161,627
Plant and Equipment ^(a)	14	12,538	12,162	11,007	16,657	18,075	17,367
Infrastructure Systems ^(a)	14	124,406	118,190	101,171	180,197	166,835	157,182
Right-of-Use Assets	28	6,503	...	...	9,349	...	...
Intangibles	15	3,686	3,694	3,691	4,768	4,809	4,745
Other Non-Financial Assets ^(a)	16	6,858	6,266	7,021	7,547	6,449	6,594
Total Non-Financial Assets		250,325	231,690	207,630	390,640	365,499	350,408
TOTAL ASSETS		425,651	401,181	380,503	494,580	466,598	440,075
LIABILITIES							
Deposits Held	18	69	67	130	144	293	385
Payables	19	7,031	7,079	7,251	8,148	8,357	8,833
Contract Liabilities	8	1,156	...	...	1,259	...	...
Liabilities Directly Associated with Assets Held for Sale		...	...	...	...	...	...
Borrowings and Derivatives at Fair Value	20	392	207	5	98,358	72,757	63,836
Borrowings at Amortised Cost	21	67,885	37,656	32,441	15,425	7,151	7,457
Advances Received		696	756	797	696	756	797
Employee Provisions	22	22,566	20,802	18,015	23,817	21,969	19,106
Superannuation Provision	23	67,890	67,696	54,200	70,951	70,711	56,421
Tax Equivalents Payable	17	80	3	3	...	...	...
Deferred Tax Equivalent Provision	17	82	108	112	...	...	...
Other Provisions	24	14,101	11,604	10,210	21,786	18,185	15,400
Other Liabilities	25	5,015	6,134	6,223	15,307	17,350	16,721
TOTAL LIABILITIES		186,964	152,110	129,385	255,892	217,528	188,956
NET ASSETS		238,688	249,070	251,119	238,688	249,070	251,119
NET WORTH							
Accumulated Funds ^(a)		67,479	75,722	76,610	80,048	92,503	99,692
Reserves ^(a)		171,209	173,348	174,509	158,639	156,567	151,427
TOTAL NET WORTH		238,688	249,070	251,119	238,688	249,070	251,119
OTHER FISCAL AGGREGATES							
Net Debt		19,261	(10,401)	(11,195)	55,437	23,909	15,762
Net Financial Liabilities		111,887	81,194	69,068	151,953	116,429	99,289

(a) Refer Note 32: Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

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

	Note	General		Total State Sector ^(a)	
		Government Sector 2019-20	2018-19	2019-20	2018-19
		\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts					
Taxation ^(a)		28,346	30,603	28,370	30,636
Sale of Goods and Services ^(a)		8,878	9,908	14,167	15,752
Grants and Subsidies		33,775	31,810	33,710	31,723
Interest		291	518	674	862
Dividends and Income Tax Equivalents from Other Sectors		1,139	1,897	0	(0)
Other ^(a)		12,559	12,094	13,914	13,581
Total Receipts		84,988	86,830	90,835	92,554
Payments					
Employee Related		(34,083)	(31,896)	(36,542)	(34,235)
Superannuation		(4,649)	(4,325)	(4,893)	(4,542)
Payments for Goods and Services		(21,291)	(20,874)	(24,779)	(23,747)
Grants and Subsidies		(16,180)	(13,739)	(12,988)	(10,701)
Interest		(1,839)	(1,455)	(2,806)	(2,897)
Other		(7,231)	(7,213)	(9,207)	(7,914)
Total Payments		(85,272)	(79,502)	(91,216)	(84,037)
NET CASH FLOWS FROM OPERATING ACTIVITIES	6	(284)	7,328	(381)	8,517
CASH FLOWS FROM INVESTING ACTIVITIES					
Non-Financial Assets					
Proceeds from Sale of Non-Financial Assets		223	452	487	807
Purchases		(17,252)	(18,087)	(21,557)	(23,298)
Net Cash Flows from Investments in Non-Financial Assets		(17,029)	(17,635)	(21,070)	(22,492)
Financial Assets (Policy Purposes)					
Receipts		2,768	18,026	2,711	17,995
Payments		(4,739)	(2,341)	(2,775)	(1,679)
Net Cash Flows from Investments in Financial Assets (Policy Purposes)		(1,971)	15,685	(63)	16,316
Financial Assets (Liquidity Purposes)					
Proceeds from Sale of Investments		6,131	10,029	4,298	12,618
Purchase of Investments ^(b)		(4,313)	(23,904)	(2,749)	(28,126)
Net Cash Flows from Investments in Financial Assets (Liquidity Purposes)^(b)		1,818	(13,875)	1,549	(15,508)
NET CASH FLOWS FROM INVESTING ACTIVITIES^(b)		(17,181)	(15,825)	(19,584)	(21,684)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances Received		21	56	21	56
Advances Repaid		(98)	(125)	(98)	(125)
Proceeds from Borrowings		22,943	5,561	102,751	64,090
Repayments of Borrowings		(1,253)	(612)	(80,950)	(55,885)
Deposits Received/(Paid) - Net		2	19	(47)	(2)
Other - Net		15	151	(4)	30
NET CASH FLOWS FROM FINANCING ACTIVITIES		21,630	5,050	21,672	8,164
NET INCREASE IN CASH AND CASH EQUIVALENTS^(b)		4,165	(3,448)	1,708	(5,003)
Opening Cash and Cash Equivalents		1,969	5,417	8,979	13,969
Reclassification of Cash Equivalents and Other Adjustments		(0)	(1)	30	12
CLOSING CASH AND CASH EQUIVALENTS^(b)	6	6,134	1,969	10,717	8,979
DERIVATION OF CASH RESULT					
Net Cash Flows from Operating Activities		(284)	7,328	(381)	8,517
Net Cash Flows from Investments in Non-Financial Assets		(17,029)	(17,635)	(21,070)	(22,492)
CASH SURPLUS/(DEFICIT)		(17,312)	(10,307)	(21,451)	(13,975)

(a) The Consolidated Statement of Cash Flows is presented to include both continuing and discontinued operations; amounts related to discontinued operations are disclosed in Note 5: Discontinued Operations.

(b) Refer Note 32: Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

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

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Note 1: Statement of Significant Accounting Policies

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.

The New South Wales Total State Sector and General Government Sector have applied, where appropriate, not-for-profit Australian accounting standards.

The financial statements of the Total State Sector and General Government Sector for the year ended 30 June 2020 were authorised for issue by the Treasurer on 17 November 2020. 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 not measured at amortised cost 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 38: 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.

Significant Changes in the 2019-20 Reporting Period

The consolidated financial position and comprehensive result of the State were particularly affected by the following events occurring during the 2019-20 reporting period:

- The coronavirus (COVID-19) outbreak which developed rapidly during 2019-20 with devastating impacts on communities within the State and across the globe. Measures taken by the State to contain COVID-19 affected economic activity and as a result have had a pervasive impact on the recognition and measurement of financial report transactions and balances.
- Natural disaster events (including bushfires) which resulted in revaluation losses and impairment of assets; and
- The adoption of new accounting standards for leases, revenue and non-for-profit income.

The Report on State Finances chapters on the General Government Sector Results and Total State Sector Results provide a detailed review on the State's financial position and comprehensive result for the 2019-20 financial year.

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, the General Government Sector financial statements are not required to apply the full requirements of AASB 10 and AASB 9 *Financial Instruments* (AASB 9). 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. The 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 9. The General Government Sector has irrevocably elected to account for the change in the carrying amount of these investments in a manner consistent with the treatment of equity instruments measured at fair value through other comprehensive income (FVOCI) in AASB 9 that would otherwise be measured at fair value through profit or loss (FVTPL).

Entities which are not controlled by the State, including local government bodies, universities, certain reserve trusts created under the *Crown Land Management Act 2016*, 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 the operating result. Any investment retained is recognised at fair value.

Details of consolidated entities are included in Note 37: Details of Consolidated Entities.

Presentation in the 2019-20 Financial Statements

All amounts are rounded to the nearest one million dollars and are expressed in Australian currency, which is the State's presentation and functional currency.

Previous year balances have been reclassified in a number of notes to better reflect the nature of the transactions.

Consolidated 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 and AASB 1049.

'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 in other comprehensive income.

Revenue

Revenues are transactions that result in increases of net worth. 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. The specific policies adopted for the recognition of significant categories of expenses are discussed in Note 3: Expenses.

Volunteer Services

Under AASB 1058 *Income of Not-for-Profit Entities* (AASB 1058), receipt of volunteer services is recognised as an asset or expense when the fair value of those services can be reliably measured, and the services would have been purchased if not donated.

The operations of volunteer services are dependent on the services provided by volunteer firefighters, emergency service volunteers, and other volunteers. Their contributions are essential to the provision of comprehensive, efficient and effective emergency services throughout NSW.

The contribution and cost of these volunteer services have not been recognised by the State as the services donated would not have been purchased. The State does not currently purchase alternative services when volunteer numbers fluctuate.

Consolidated Statement of Financial Position Presentation

Assets

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

Liabilities

Liabilities in the Consolidated Statement of Financial Position are presented in order of liquidity.

Current/Non-Current Classification

Assets and liabilities are classified as either 'current' or 'non-current' in the associated notes of the Statement of Financial Position.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or the controlled entity does not have an unconditional right to defer settlement to beyond 12 months after the reporting date.

All other assets and liabilities are classified as non-current.

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).

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

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 State categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the State 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 notes 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 14: Property, Plant and Equipment and Note 26: Financial Instruments.

Significant Accounting Estimates and Judgements

The Total State Sector Accounts are prepared in accordance with Australian Accounting Standards. Judgement, estimates and assumptions are required to be made that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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. The results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from market observable data. 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:

- the recognition and classification of transactions that are/contain a donation or a contract with a customer (refer to Note 2: Revenue);
- the recognition of revenue and allocation of the transaction price for contracts with customers (refer to Note 2: Revenue);
- the accounting of equity investments (refer to Note 11: Equity Investments);
- the classification of non-current assets (or disposal groups) as held for sale (refer to Note 13: Assets Classified as Held for Sale);
- the fair value and useful lives of land, buildings, infrastructure systems, plant and equipment where applicable (refer to Note 14: Property, Plant and Equipment);
- recognition of impairment for non-financial assets (refer to Note 14: Property, Plant and Equipment and Note 15: 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 22: Employee Provisions and Note 23: Superannuation Provisions);
- the estimation of provisions for outstanding claims (refer to Note 24: Other Provisions);
- the estimation of fair value for certain financial assets and financial liabilities and the estimation of expected credit losses (ECLs) for receivables and other financial assets at amortised cost (refer to Note 26: Financial Instruments);
- the estimation of uncertainties made in relation to lease accounting (refer to Note 28: Leases);
- recognition and classification of finance and operating leases by the State in its capacity as a lessor (refer to Note 28: Leases); and
- an assessment of contingent liabilities, commitments and guarantees (refer to Note 30: Contingent Assets and Contingent Liabilities).

Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods that are affected by the revision. Estimates and judgements are continually evaluated.

Impact of Natural Disaster Events and COVID-19

The State of NSW has been impacted by bushfires, drought, and the global COVID-19 pandemic throughout the 2019-20 financial year.

The developing nature of the economic, societal, and policy outcomes that will arise from natural disaster and COVID-19 events has required the State to re-evaluate balances requiring the use of judgement, estimates and assumptions. Revisions to judgements and estimates from this review have been applied in the recognition and measurement of the State's assets and liabilities for conditions that existed at the end of the reporting period and may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

The areas involving significant estimates or judgements that have been impacted by natural disaster events and COVID-19 are as follows:

Financial Assets Receivables, Advances Paid, and Other Financial Assets

Credit risk has increased in the current environment. Government responses to natural disaster events and COVID-19, including the deferral of payments of statutory receivables, have also impacted expected credit losses (ECLs) of the State. In response to these events, the State completed credit risk reviews of its receivables, advances paid and other financial assets at amortised cost including the ECLs recognised for each of these balances.

The methodology employed to calculate ECLs has remained unchanged from previous reporting periods. The inputs into these calculations, including forward-looking information on macroeconomic factors affecting the ability of debtors to settle outstanding amounts, have however been revised. There is no material impact on ECLs due to COVID-19 as at 30 June.

Financial Assets at Fair Value, and Borrowings and Derivatives at Fair Value

COVID-19 has resulted in changes in market prices and cash flows forecasts, as well as greater risks and uncertainties in financial markets. In response, the State has reviewed the appropriateness of inputs used in the valuation of financial assets and liabilities measured at fair value. Increased uncertainty in valuation assumptions due to COVID-19 has also required the State to consider the classification and transfer of financial assets and liabilities within the fair value hierarchy and level 3 movement reconciliation.

Inventories

Inventories have increased by \$870 million for the State, primarily due to the Ministry of Health's increase in surgical supplies to prepare, test and treat suspected and confirmed COVID-19 patients. Inventories held for distribution for COVID-19 are also consumed as part of the normal services provided by the Ministry of Health.

Market demand has increased the weighted average cost of inventories in medical and surgical supplies due to COVID-19. The State assessed whether inventories held for distribution experienced any loss of service potential as a result of COVID-19. This assessment was completed by reviewing the current replacement cost and functional / technical obsolescence of inventories on hand. Market demand for these items is expected to continue and as a result the carrying amount and current replacement cost are aligned, and no material loss of service potential was evident for the State.

Forestry Stock and Other Biological Assets

During the 2019-20 bushfires, approximately 57,000 hectares of softwood plantations, 5,000 hectares of hardwood plantations and 831,000 hectares of native forests was burnt. Given the impacts of these events, these assets were revalued to their fair value less costs to sell in accordance with *AASB 13 Fair Value Measurement* (AASB 13) and *AASB 141 Agriculture* (AASB 141) as at 30 June 2020. Losses recognised in 'other economic flows included in the operating result' due to forestry stock revaluations as a result of bushfire related damage totalled \$371 million for the Total State Sector.

Property, Plant and Equipment

Some property, plant and equipment of the State were destroyed or damaged by bushfire events occurring throughout the 2019-20 financial year. Additional stock-taking procedures were completed to identify and dispose of destroyed assets. Impairment testing and revaluations reviews were performed to recalculate the carrying amount of damaged property, plant and equipment where service potential was reduced by bushfire activity. No material adjustments have been recorded in 2019-20.

In response to COVID-19, the State also reviewed the continual appropriateness of property, plant and equipment valuation approaches and techniques in the current recessionary environment.

Right-of-Use Assets

The State's right-of-use assets include a portfolio of leased office and commercial building assets. COVID-19 impacted market rentals across the State and the value of these leased assets. The State performed impairment testing to assess whether the carrying amount of these assets exceeded their recoverable amount.

Property NSW manages a large portion of the States leases and sub-leases them to other NSW government agencies. To assess whether right-of-use assets were impaired, Property NSW calculated the net replacement cost of these assets based on the market rent forecasts from JLL Real Estate Intelligence Services (REIS) or Property NSW's historical rent data for regional markets at the valuation date where the market rent forecast at 30 June 2019 was the base year. Impairment losses of \$459 million in the General Government Sector and \$478 million in the Total State Sector have been recognised in 'other economic flows included in the operating result' due to the impairment assessment.

Employee, Superannuation and Other Provisions

Given recent market volatility, the State assessed the continued appropriateness of inputs, including actuarial assumptions, used in the measurement of employee, superannuation and other provisions. This included a review of discount rates, inflation, salary increases, employee departures / period of service, and mortality rate assumptions. The State has disclosed sensitivity analysis, where required, in response to the increased uncertainties relating to these assumptions. For superannuation provisions, the State has also reviewed the reasonableness of inputs used in the valuation of unlisted plan assets.

NSW Government remains committed to fully funding its superannuation liabilities and is reviewing the timing of contributions to achieve full funding. Reprofitting the Government's contributions to the State's defined benefits superannuation schemes is one of the fiscal repair initiatives being considered in response to COVID-19 impacts.

Onerous Contracts

In the economic climate created by COVID-19, the State undertook a review of whether existing contracts had become onerous. This review also included identifying and assessing the impact of any force majeure clauses. The present obligations under onerous contracts identified from this review have been recognised and measured as provisions. There is no material impact due onerous contracts due to COVID-19 as at 30 June.

Going Concern and Funding Considerations

The financial statements continue to be prepared on a going concern basis.

The State has entered into new National Partnership Agreements with the Commonwealth Government in response to COVID-19. These agreements, along with pre-existing funding arrangements, continue to deliver funding to the State for public services. The State has also maintained its triple-A credit rating and accordingly continues to have access to funding through debt markets for its infrastructure asset construction programs at the lowest interest rate possible.

Other Significant Accounting Policies

Financial Instruments

Recognition and Initial Measurement

All 'regular way' purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

A financial asset, unless it is a trade receivable without a significant financing component, or financial liability, is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets - Classification and Subsequent Measurement

Financial assets of the State are classified at initial recognition under AASB 9 as either measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI) – debt investment;
- fair value through other comprehensive income (FVOCI) – equity investment; or
- fair value through profit or loss (FVTPL).

Financial assets are classified and measured at amortised cost if they are held for the collection of contractual cash flows solely representing payments of principal and interest.

The State measures debt investments at FVOCI when they are held for both collection of contractual cash flows and for selling the financial asset, and where the asset's cash flows represent solely payments of principal and interest.

The State may irrevocably elect to classify equity investments at FVOCI, that would otherwise be measured at FVTPL. These equity investments meet the definition of equity instruments under AASB 132 *Financial Instruments: Presentation* (AASB 132) and are not held for trading. The classification is determined on an instrument-by-instrument basis. Equity investments are designated at FVOCI when the State intends to hold these investments for the medium to long-term or for policy purposes.

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value under AASB 9. Financial assets are held for trading if acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial Assets - Subsequent Measurement and Gains and Losses

Financial assets at amortised cost are subsequently measured using the effective interest rate method, less any impairment. Impairment losses are presented in 'other economic flows – included in the operating result'. Any gain or loss arising on derecognition is also recognised in 'other economic flows – included in the operating result' together with foreign exchange gains and losses. Interest is presented as 'revenue in transactions' and included in the 'net operating balance'.

Debt investments at FVOCI are subsequently measured at fair value. Movements in the carrying amount are taken through 'other economic flows - other comprehensive income', except for the recognition of impairment and foreign exchange gains and losses which are recognised in 'other economic flows - included in the operating result' and interest revenue which is recognised using the effective interest method as 'revenue from transactions'. When the financial asset is derecognised, the cumulative gain or loss previously recognised in 'other economic flows - other comprehensive income' is reclassified from equity to 'other economic flows - included in the operating result'.

Equity investments at FVOCI are subsequently measured at fair value. Movements in the carrying amount are taken through 'other economic flows - other comprehensive income'. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as income as part of 'revenues from transactions' when the right of payment has been established.

Financial assets at FVTPL are subsequently measured at fair value. A gain or loss on a financial asset that is subsequently measured at FVTPL is recognised in 'other economic flows – included in the operating result'. A change in fair value excludes interest and distributions, which are recognised as income and included as part of 'revenues from transactions'.

Financial Assets - Impairment

The State recognises an allowance for expected credit losses (ECLs) for all financial assets, contract assets, guarantees and loan commitments not held at fair value through profit and loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the State expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For receivables (including leases receivable) and contract assets, the State applies a simplified approach in calculating ECLs. The State recognises a loss allowance based on lifetime ECLs at each reporting date. The State has established a provision matrix based on its historical credit loss experience for these receivables, adjusted for forward looking factors specific to the receivable.

Where the State has no reasonable expectation of recovering an amount owed by a debtor, the debt is written-off by directly reducing the receivable against the loss allowance. This occurs when the State has ceased enforcement activity.

ECLs for all other debt investments not held at fair value through profit or loss are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The State considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The State recognises impairment for statutory receivables when there is objective evidence that the State will not be able to collect all amounts due.

Equity instruments designated at FVOCI are not subject to impairment assessments.

Financial Liabilities – Classification, Subsequent Measurement, and Gains and Losses

Financial liabilities are initially measured at fair value, net of directly attributable transactions costs. Financial liabilities are subsequently classified either as measured at amortised cost or at FVTPL.

A financial liability is classified as FVTPL if it is held-for-trading, it is a derivative, or it is designated as such on initial recognition. Fair value changes of borrowings designated at FVTPL are recorded in 'other economic flows – included in the operating result', except for movements in fair value due to changes in the State's own credit risk which are recorded in 'other economic flows – other comprehensive income' and are not recycled to the operating result. Interest expense is recorded as 'expenses from transactions' and reported in the 'net operating balance'.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in 'other economic flows – included in the operating result' when the liabilities are derecognised. Interest expense is recorded as 'expenses from transactions' and reported in the 'net operating balance'.

Derivative Financial Instruments and Hedge Accounting

Derivatives are initially recognised at fair value and are recognised on the Consolidated Statement of Financial Position at trade date (the date the State becomes party to the contractual provisions of the financial instrument concerned).

Derivatives are classified as held for trading unless they are designated as effective hedging instruments.

Where an active market exists, fair values are determined by reference to the specific market quoted prices/yields at reporting date. 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 derivatives mandatorily classified as held for trading are recognised in 'other economic flows – included in operating result'.

Derivatives designated as 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 in 'other economic flows – included in operating result'. Gains or losses on the effective portion of cash flow hedges are recognised in 'other economic flows – other comprehensive income', until the forecast transaction affects profit or loss and is then recycled into 'other economic flows – included in operating result'. The ineffective portion of cash flow hedges is also recognised in 'other economic flows – included in operating result'.

Financial Assets and Financial Liabilities - Derecognition

A financial asset (or a part of a financial asset or part of a group of similar financial assets) is derecognised when either the contractual rights to the cash flows from the financial asset expire, if the State transfers its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- the State has transferred substantially all the risks and rewards of the asset; or
- the State has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control.

When the State has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the State has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the State's continuing involvement in the asset. In that case, the State also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the State has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the State could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in 'other economic flows – included in the operating result'.

Forestry Stock

Forestry stock is measured on initial recognition and in subsequent periods at fair value less costs to sell in accordance with AASB 141 and AASB 13. The State's forestry stock primarily consists of plantation timber (softwood). The plantation estate valuation was independently valued this year. The independent valuer has applied a market-based valuation approach, which involves a combination of the sales comparison method and income approach under a discounted cash flow.

Hardwood assets are currently impaired, and the tree crop value is not recognised in the financial statements.

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 property, plant and equipment, instead of investment properties:

- public housing is treated as property plant and equipment because the properties are held to provide a social service rather than for investment purposes; and
- properties sub-leased within the NSW public sector held by Property NSW are treated as property plant and equipment 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 Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated 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.

Foreign Currency Translation

Transactions in foreign currencies are recorded using the spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the end of the reporting date. Differences arising on settlement or translation of monetary items are recognised in 'other economic flows – included in the operating result'.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or 'other economic flows – included in the operating result' are also recognised in other comprehensive income or 'other economic flows – included in the operating result', respectively).

Changes in Accounting Policy, including New and Amended Standards and Interpretations

The State applied AASB 15 *Revenue from Contracts with Customers* (AASB 15), AASB 1058 and AASB 16 *Leases* (AASB 16) for the first time in the current reporting period. The nature and effect of the changes as a result of adopting these new accounting standards are described below and in the relevant notes.

Due to the transition methods chosen by the State in applying these new standards, comparative information has not been restated to reflect the requirements of the new standards.

Several other amendments and interpretations apply for the first time in the 2019-20 financial year, but do not have a material impact on the financial statements of the State.

Apart from standards specified below, the State has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which the State expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires the State to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

In accordance with the transition provisions in AASB 15, the State has adopted AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, i.e. 1 July 2019. The State has also used the transitional practical expedients permitted by the standard to reflect the aggregate effect of all the modifications that occur before 1 July 2018 when:

- identifying the satisfied and unsatisfied performance obligations;
- determining the transaction price; and
- allocating the transaction price to the satisfied and unsatisfied performance obligations.

The impact of applying these practical expedients is not expected to significantly affect the financial statements. Refer to Note 2: Revenue for information on the effect of adopting AASB 15 on the financial report for the 2019-20 financial year.

AASB 1058 *Income of Not-for-Profit Entities*

AASB 1058 replaces most of the existing requirements in AASB 1004 *Contributions*. The scope of AASB 1004 is now limited mainly to contributions by owners, administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, that is transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives, and volunteer services. AASB 1058 adopts a residual approach, meaning that the State must first apply other applicable Australian Accounting Standards (e.g. AASB 15, AASB 16, AASB 9, and AASB 137) to a transaction before recognising income. Not-for-profit entities, such as the State, need to determine whether a transaction is / contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15). AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

- when the obligations under the transfer is satisfied, for transfers to enable the State to acquire or construct a recognisable non-financial asset that will be controlled by the State; or
- immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, the State has adopted the accounting requirements of AASB 1058 retrospectively with the cumulative effect of initially applying the standard at the date of initial application, being 1 July 2019. The State has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the entity to further its objectives, are not restated to their fair value. Refer to Note 2: Revenue for information on the impacts of adopting AASB 1058 on the financial report for the 2019-20 financial year.

AASB 16 *Leases*

AASB 16 supersedes AASB 117 *Leases* (AASB 117), Interpretation 4 *Determining whether an Arrangement contains a Lease* (Interpretation 4), Interpretation 115 *Operating Leases – Incentives* (Interpretation 115) and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* (Interpretation 127). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor Accounting

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. The State, in its capacity as a lessor, will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. From 1 July 2019, subleases are classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

Lessee Accounting

AASB 16 requires the State to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As the lessee, the State recognises a lease liability and right-of-use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right-of-use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

The State has adopted the partial retrospective transition option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the 30 June 2019 comparatives are not restated.

In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the State's incremental borrowing rate at the date of initial application.

The corresponding right-of-use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Consolidated Statement of Financial Position as at 30 June 2019. The exception is right-of-use assets that are subject to accelerated depreciation. These assets are measured at their fair value at 1 July 2019.

For leases previously classified as finance leases, the State recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

The State elected to use the practical expedient to expense lease payments for lease contracts that, at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at \$10,000 or under when new (low-value assets).

In applying AASB 16 for the first time, the State has used the following practical expedients permitted by the standard:

- the State has not reassessed whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and Interpretation 4;
- a single discount rate has been applied to a portfolio of leases with reasonably similar characteristics;
- relying on its previous assessment on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- not recognising a lease liability and right-of-use-asset for short-term leases that end within 12 months of the date of initial application;
- excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The State has also adopted the option to not apply AASB 16 to assets that would be classified as service concession assets in accordance with AASB 1059 *Service Concession Arrangements: Grantors* (AASB 1059). The State continues to apply its existing accounting policy to these assets until AASB 1059 is applied.

Refer to Note 28: Leases for information on the effect of adopting AASB 16 on the financial report at 1 July 2019.

AASB 2019-7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations

AASB 2019-7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations (AASB 2019-7) makes amendments to AASB 1049. It provides optional relief for the General Government Sector and Total State Sector financial statements from:

- disclosure of the key fiscal aggregates measured in accordance with the ABS GFS Manual where they differ from the key fiscal aggregates measured consistently with Australian Accounting Standards; and
- a reconciliation of the two measures of key fiscal aggregates.

This Standard applies to annual periods beginning on or after 1 January 2020, with earlier application permitted.

The State has elected to early adopt the optional relief requirements of this standard for the 2019-20 financial year. Additional disclosures have been included in Note 36: Key Fiscal Aggregates and Reconciliations to Government Finance Statistics explaining how each key fiscal aggregate is derived and how it differs from its corresponding GFS measure.

New Accounting Standards Issued but Not Effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period. The possible impacts of these Standards in the period of initial application are detailed below.

AASB 1059 *Service Concession Arrangements: Grantors*

AASB 1059 *Service Concession Arrangements: Grantor* (AASB 1059) is effective for financial reporting periods commencing on or after 1 January 2020. Therefore, for the State AASB 1059 will be effective from 1 July 2020.

At the same time NSW Treasury Policy and Guideline Paper TPP 06-8: *Accounting for Privately Financed Projects* (TPP 06-8) will be withdrawn effective from 1 July 2020.

Service concession arrangements (SCAs) are contracts between a grantor and an operator where an operator provides public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and manages at least some of those services.

The State will adopt AASB 1059 retrospectively by recognising and measuring service concession assets and related liabilities, with any net adjustments to the amounts of assets and liabilities recognised in accumulated funds at the date of initial application of 1 July 2019.

The State estimates that adoption of AASB 1059 will impact the transactions and balances recognised in its statements in future reporting periods as follows.

For the General Government Sector, service concession assets of \$40,182 million and associated liabilities of \$23,178 million will be evident. This includes the reclassification of \$22,440 million of existing property plant and equipment and intangible assets and a reclassification of \$7,603 million of existing liabilities. This will result in a net increase in accumulated funds of \$2,167 million at 1 July 2020. For the period ending 30 June 2021, the total comprehensive result is expected to decrease by \$552 million.

For the Total State Sector, service concession assets of \$42,707 million and associated liabilities of \$24,515 million will be evident. This includes the reclassification of \$24,213 million of existing property plant and equipment and intangible assets and a reclassification of \$8,072 million of existing liabilities. This will result in a net increase in accumulated funds of \$2,050 million at 1 July 2020. For the period ending 30 June 2021, the total comprehensive result is expected to decrease by \$506 million.

In 2021, TPP 06-8 will be withdrawn alongside the introduction of AASB 1059. The State estimates that withdrawal of TPP 06-8 will impact the transactions and balances recognised in its statements in future reporting periods as follows.

For the General Government Sector and Total State Sector, additional assets of \$1,971 million and liabilities of \$1,129 million will be evident. This includes the reclassification of \$1,866 million of existing property plant and equipment, intangible assets and reclassification of \$1,129 million of existing liabilities. This will result in a net increase in accumulated funds of \$105 million at 1 July 2020. For the period ended 30 June 2021, the total comprehensive result is expected to decrease by \$15 million.

The impact represents the State's current best estimate and is still under review. It is possible that the amount recognised in the Consolidated Statement of Financial Position as at 1 July 2020 and the Consolidated Statement of Comprehensive Income for the period ended 30 June 2021 will differ from this estimate as a result of further review of underlying SCAs data and contractual arrangements. In particular, the State is still clarifying how the transitional provisions of AASB 1059 apply to certain complex arrangements.

There are no other standards that are not yet effective and that are 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

State taxation is recognised under AASB 1058 from 1 July 2019. Government-assessed and taxpayer-assessed taxation income is recognised when the underlying taxable event that results in a right to receive income has occurred, unless it cannot be measured reliably until after the financial statements are authorised for issue.

State taxation is recognised under AASB 1004 until 30 June 2019. Government-assessed taxation income (mainly land tax) is recognised when the underlying event that results in a right to receive income has occurred and assessments have been issued, or when the amount can be reliably measured. Taxpayer-assessed taxation income (including payroll tax and stamp duty) is recognised when the funds are received by the State as this is when the revenues can be reliably measured. Adjustments to revenue, identified after review of taxpayer returns, are recognised upon amended assessment.

	General Government Sector		Total State Sector	
	2019-20	2018-19 Restated ^(a)	2019-20	2018-19 Restated ^(a)
	\$m	\$m	\$m	\$m
Taxation - Non-Contractual Income from Statutory Requirements				
Payroll Tax	8,508	9,357	8,342	9,203
Stamp Duties	8,815	9,245	8,815	9,245
Land Tax	4,477	4,216	4,430	4,167
Gambling and Betting	2,207	2,634	2,207	2,634
Motor Vehicle Taxes ^(a)	2,344	2,302	2,344	2,302
Other ^(a)	3,590	3,272	3,801	3,488
	29,941	31,026	29,939	31,040

(a) Refer to Note 32: Restatement / Corrections to Prior Years for details of restatements to the prior period.

Grants and Subsidies

From 1 July 2019, grants and subsidies are recognised in accordance with the requirements of AASB 15 or AASB 1058, dependent on whether there is a contract with a customer defined by AASB 15.

Revenue from grants with sufficiently specific performance obligations (SSPOs) is recognised under AASB 15 when the State satisfies a performance obligation by transferring the promised goods or services. Grant agreements with SSPOs include certain Commonwealth specific purpose and national partnership agreements (including National Health Reform Funding agreements). The State's obligations under these agreements primarily relate to the delivery of public health services including clinical trials, research, screening programs, disease surveillance, dental services, immunisation programs and other community health projects. These contractual services are to be provided by the State over the next one to four years.

Revenue from each distinct performance obligation in the contract agreement is primarily recognised over time based on the progress towards satisfaction of the performance obligation. Various methods are employed to recognise revenue over time, depending on the nature and terms and conditions of the grant contract. The most common method applied is the output method which is based on the milestones reached. Payments are provided upon completion of each milestone and submission of the performance report for each completed milestone by the due dates stipulated in the contract agreements and/or its schedules.

Revenue from grants with SSPOs is recognised based on the grant amount specified in the funding agreement/funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied.

Refer to Note 8: Contract Balances for the transaction price allocated to the performance obligations that have not been satisfied at the end of the year and the time periods when it is expected to be recognised as revenue.

Income from grants to acquire/construct a recognisable non-financial asset to be controlled by the State is recognised under AASB 1058 when the State satisfies the obligation under the grant transfer. The State primarily satisfies performance obligations under these transfers over time as the non-financial assets are being constructed. The percentage of cost incurred approach is used most often to recognise income, because this most closely reflects the progress of non-financial asset construction and completion. Grants to acquire/construct recognisable non-financial assets primarily relate to Commonwealth funding received for the construction and upgrade of road and transport infrastructure assets.

Income from grants without sufficiently specific performance obligations is recognised under AASB 1058 when the State obtains control over the granted assets recognised under applicable accounting standards (e.g. cash). Such funding includes GST funding, National Partnership Payments, and certain recurrent Specific Purpose payments received from the Commonwealth.

Prior to 1 July 2019, income from grant and subsidies was recognised under AASB 1004 when the State obtained control over the contribution. The State is deemed to have assumed control when the grant is received or receivable. Control is normally obtained when the cash is received.

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Grants and Subsidies Revenue				
Commonwealth General Purpose	18,073	17,907	18,073	17,907
Commonwealth Specific Purpose Payments	11,278	10,224	11,278	10,224
Commonwealth National Partnership Payments	3,886	2,737	3,886	2,737
Other Grants and Subsidies	1,068	981	990	900
	34,306	31,848	34,228	31,768
Grants Dissected into Current and Capital Components				
Current Grants and Subsidies Revenue from the Commonwealth				
General Purpose ^(a)	18,073	17,907	18,073	17,907
Specific Purpose	11,278	10,224	11,278	10,224
National Partnership Payments	1,746	1,027	1,746	1,027
Other Commonwealth Payments	454	410	455	410
Current Grants from the Commonwealth	31,551	29,568	31,552	29,568
Other Grants and Subsidies	601	500	531	429
Total Current Grant Revenue	32,152	30,068	32,083	29,997
Capital Grant Revenue from the Commonwealth				
National Partnership Payments	2,140	1,710	2,140	1,710
Other Commonwealth Payments	2	4	5	6
Capital Grants from the Commonwealth	2,142	1,714	2,145	1,716
Other Grants and Subsidies	12	66	(0)	55
Total Capital Grant Revenue	2,154	1,780	2,145	1,771
	34,306	31,848	34,228	31,768
Grants and Subsidies Revenue and Income Recognition Approaches				
Grants and Subsidies with Sufficiently Specific Performance Obligations	7,244	...	7,186	...
Grants and Subsidies Relating to the Acquisition or Construction of Recognisable Non-Financial Assets to be Controlled by the State	2,187	...	2,187	...
Grants and Subsidies without Sufficiently Specific Performance Obligations	24,875	...	24,855	...
Grant and Subsidies Recognised under AASB 1004	...	31,848	...	31,768
	34,306	31,848	34,228	31,768

(a) General purpose recurrent grants mainly comprise the State's share of GST funding.

Transfer Payments from the Commonwealth

Grant revenue and expenses exclude the following transfer payments from the Commonwealth that the State on-passes to third parties. They are not recorded as the State's 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	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Transfer Receipts				
Transfer Receipts for Specific Purposes	5,500	4,845	5,500	4,845
	5,500	4,845	5,500	4,845
Transfer Payments				
Transfer Payments to Local Government	796	778	796	778
Transfer Payments to the Private and Not-For-Profit Sector	4,704	4,067	4,704	4,067
	5,500	4,845	5,500	4,845

Sale of Goods and Services

Sale of goods and rendering of other services are recognised in accordance with the requirements of AASB 15 from 1 July 2019. Revenue is recognised when the State satisfies a performance obligation by transferring the promised goods or services. Revenue is measured based on the consideration specified in the contract with a customer.

The transaction price for sales of goods and rendering of services takes into account estimates of variable consideration such as discounts and refunds. The State does not expect to have any significant contracts where the period between the transfer of promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the State does not adjust transaction prices for the time value of money for most revenues from contracts with customers.

Non-intellectual property licence fees arising from statutory requirements, excluding short-term and low value licences, are recognised as revenue under AASB 15 when the licence is issued. The State has elected to not apply the requirements of AASB 15 and accompanying application guidance to short-term licences and licences for which the transaction price is of low value. Revenue for these licences is recognised on a straight-line basis or another systemic basis over the licence period.

Refer to Note 8: Contract Balances for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and the time periods when the State expects to recognise the unsatisfied portion as revenue.

Rental revenue arising from operating leases is recognised on a straight-line basis over the lease term under AASB 16 (2019: AASB 117).

Until 30 June 2019, revenue from the sale of goods was recognised under AASB 118 as revenue when the State transferred the significant risks and rewards of ownership of the goods, usually on delivery of the goods. Revenue from rendering of services was recognised under AASB 118 when the service was provided or by reference to the stage of completion.

	General Government Sector		Total State Sector	
	2019-20	2018-19 Restated ^(a)	2019-20	2018-19 Restated ^(a)
	\$m	\$m	\$m	\$m
Sale of Goods and Services Comprise Revenue from:				
Revenue from Contracts with Customers				
Sale of Goods and Rendering of Other Services ^{(a)(b)(c)(d)}	7,463	8,525	12,036	13,087
Licence Fees ^(a)	655	623	655	623
Rental Income				
Rentals from Public Housing and Non-Investment Properties ^{(a)(e)}	375	401	1,224	1,298
Rentals from Investment Properties	6	3	63	59
Other ^(c)	215	193	177	159
	8,713	9,745	14,155	15,225
 (e) Includes revenues from the provision of public housing:				
Market Rent and Other Tenant Charges	85	83	1,983	2,104
Less: Rental Subsidies to Tenants	(29)	(28)	(1,185)	(1,234)
	56	55	799	870

(a) Refer to Note 32: Restatement / Corrections to Prior Years for details of restatements to the prior period.

(b) Sale of goods of \$362 million for the General Government Sector and \$3,663 million for the Total State Sector were separately presented from rendering of other services of \$8,370 million for the General Government Sector and \$9,944 million for the Total State Sector in the 2018-19 TSSA.

(c) Sale of goods and services (other) includes premiums and contributions charged for providing insurance coverage services. \$193 million for the General Government Sector and \$159 million for the Total State Sector of these revenues have been reclassified from sale of goods and rendering of other services to other for 2018-19.

(d) In 2019-20, there was \$1,428 million revenue (2018-19: \$1,733 million) in the General Government Sector related to RailCorp (TAHE) recognised in sale of goods and rendering of other services.

The following table provides information about the nature and timing of the satisfaction of performance obligations, significant payment terms and revenue recognition approaches for the State's key revenues generated from the sale of goods and rendering of other services.

Type of Service	Nature of Timing of Satisfaction of Performance Obligation, Including Significant Payment Terms	Revenue Recognition Policies
Electricity Distribution Services	<p>The State provides electricity distribution, meter reading, and public lighting services. Customers simultaneously receive and consume distribution services as the State provides the service.</p> <p>Distribution services are billed to retailers based on energy consumption and tariff rates determined by the regulator. Invoices are issued monthly and are usually payable within 15-30 days.</p>	<p>Revenue is recognised over time as electricity distribution services are provided. Unbilled services are accrued based on the historical consumption of customers and prices per customer class.</p>
Health Services	<p>The State recognises revenue from health patient and non-patient services with performance obligations being fulfilled at health service completion.</p> <p>Customers of health services are either billed at the time of service delivery or in accordance with contractual agreements. The payments for these services are typically due when invoiced.</p>	<p>Revenue for patient services is recognised on the date on which the services are provided to the patient.</p> <p>Revenue from non-patient services are recognised when the service is provided by reference to the type and stage of services provided to date.</p>
Transport Passenger Services	<p>The State recognises revenue from passenger services including train, bus and ferries trips. These revenues include proceeds from OPAL cards and ticket sales. Passenger services revenue is measured at the transaction price which is the price per passenger trip and includes any discounts provided to customers.</p> <p>Payments from customers are received either in advance or at the time of service provision.</p>	<p>Revenue is recognised when passenger services are provided to the customer.</p>
Water and Water Related Services	<p>The State recognises revenue from water retail, wastewater and trade waste services consisting primarily of volumetric and fixed availability charges. Customers simultaneously consume those services when provided by the State.</p> <p>Water services are billed to customers based on water consumption and prices determined by the regulator or customer agreement. Invoices are issued monthly or quarterly and are usually payable within 30 days.</p>	<p>Revenue from volumetric charges is recognised over time with the transfer and consumption of water and water related services. The State recognises an estimate for the accrued revenue earned from unbilled consumption when meters have not been read as at the reporting date.</p> <p>Revenue from fixed service availability charges received in advance is recognised evenly over time as customers receive service connections.</p>
Services - Other	<p>The State recognises revenue from other services rendered including education, road tolls and transportation access charges, court and tribunal administration services, wharfage and pilotage services, event entry and management, and auxiliary administration support.</p> <p>Revenue is measured at the transaction price agreed under the contract. Payments are due either at service provision date, within agreed billing terms, or on key contract milestone dates.</p>	<p>Revenues from other services are recognised when the service is provided by reference to the type and stage of services provided to date.</p>
Sale of Goods	<p>The State sells goods including forestry products, vehicle plates, pharmaceutical supplies and prosthesis. The State typically satisfies its performance obligations when customers obtain control of the goods.</p> <p>Payments are typically due when invoiced or within agreed billing terms.</p>	<p>Revenue is recognised when the customer obtains control of the goods, typically when the goods are delivered to the customer.</p>

Interest

Interest revenue is recognised under AASB 9 by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For financial assets that become credit impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

Gains and losses on the revaluation of investments do not form part of 'revenue from transactions' but are reported as part of 'other economic flows – included in the operating result' in the Consolidated Statement of Comprehensive Income.

Refer to Note 26: Financial Instruments for further information on interest income classified by financial instrument measurement categories.

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Interest Revenue comprises:				
Interest from TCorpIM Cash Funds	4	13	...	...
Interest from Deposits with TCorp	5	42	...	...
Interest from Other Financial Assets ^{(a)(b)}	355	437	610	801
	364	491	610	801

(a) Includes interest from finance lease receivables of \$79 million (2018-19: \$66 million) for the General Government Sector and \$97 million (2018-19: \$85 million) for the Total State Sector.

(b) Interest from deposits of \$278 million for the General Government Sector and \$581 million for the Total State Sector presented separately in the 2018-19 TSSA have been reclassified to interest from other financial assets for 2018-19.

Dividend and Income Tax Equivalents from Other Sectors

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 PNFC and PFC agencies. On consolidation, dividend and income tax equivalent entries are eliminated for the Total State Sector.

Dividend income is recognised under AASB 9 as 'revenue from transactions' in the period when the General Government Sector's right to receive the payment has been 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 under AASB 1058 as 'revenue from transactions' when the underlying taxable event that results in a right to receive income has occurred, unless it cannot be measured reliably until after the financial statements are authorised for issue.

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Dividend and Income Tax Equivalents from Other Sectors:				
Dividends from the PNFC Sector	1,047	1,321	...	...
Dividends from the PFC Sector	76	266	...	...
Income Tax Equivalents from the PNFC Sector	210	309	...	...
Income Tax Equivalents from the PFC Sector	22	37	...	...
	1,354	1,932	...	...

Other Dividends and Distributions

Distributions from managed funds are mainly from the State's investment in TCorpIM Funds. Other dividends include dividends received from investments in entities other than the PNFC and PFC sectors. Dividend income is recognised under AASB 9 as 'revenue from transactions' in the period when the State's right to receive the payment have been established.

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Other Dividends and Distributions:				
Distributions from Managed Funds	2,339	1,715	2,554	1,806
Dividends from Associates	87	219	87	219
	2,426	1,934	2,641	2,025

Fines, Regulatory Fees and Other Revenues

Fines, regulatory fees and other revenues are recognised throughout the 2019-20 financial year as follows:

- Industry and developer contributions are recognised as revenue under AASB 15 (2019: AASB 118) at a point in time, being the time that the State takes control of the contribution / asset or when the customer is connected to a network.
- Royalties are recognised under AASB 1058 (2019: AASB 1004) when the underlying event that results in a right to receive income has occurred, unless it cannot be measured reliably until after the financial statements are authorised for issue.
- Fines issued by the courts are recognised as income under AASB 1058 (2019: AASB 1004) when the fine is issued. Traffic infringement fines are recognised when the cash is received. Revenue from enforcement orders is regarded as being reliably measured when the order is issued.
- Donations and other volunteer contributions without SSPOs are recognised as income under AASB 1058 (2019: AASB 1004) when the State obtains control over the financial or non-financial asset.
- Emerging rights to receive privately financed infrastructure at the end of the service period are recognised as income and a non-current asset throughout the concession period in accordance with TPP 06-8. Refer to Note 16: Other Non-Financial Assets for further information on privately finance projects and service concession arrangements.

Other revenues (including fines and regulatory revenue) were primarily recognised throughout the 2018-19 financial year when earned if the monetary amounts could be determined reliably.

	General Government Sector		Total State Sector	
	2019-20	2018-19 Restated ^(a)	2019-20	2018-19 Restated ^(a)
	\$m	\$m	\$m	\$m
Fines, Regulatory Fees and Other Revenues comprise^(a):				
Revenue from Contracts with Customers				
Developer Contributions ^(b)	...	...	351	408
Non-Contractual Income Arising from Statutory Requirements				
Royalties from Mining	1,684	2,093	1,684	2,093
Fines	596	653	596	653
Regulatory Fees	174	117	182	125
Other Incomes				
Donations and Other Contributions ^(b)	502	660	504	675
Emerging Right to Receive Privately Financed Infrastructure ^(a)	456	280	464	288
Other Revenue ^(a)	850	876	948	992
	4,262	4,679	4,729	5,234

(a) Refer to Note 32: Restatement / Corrections to Prior Years for details of restatements to prior period.

(b) Developer contributions and donations and other contributions were previously presented together as developer, industry and other contributions in 2018-19.

Disaggregation of Revenue from Contracts with Customers

Revenue from contracts with customers is disaggregated by NSW Government function (policy area) in the following tables.

General Government Sector

2019-20	Grants and Subsidies with Sufficiently Specific Performance Obligations \$m	Sale of Goods and Rendering of Other Services \$m	Licence Fees \$m	Developer Contributions \$m	Total \$m
Disaggregation of Revenue from Contracts with Customers by Function (Policy Area)					
General Public Services	1	335	49	...	384
Defence	...	...	...	...	...
Public Order and Safety	81	403	15	...	499
Economic Affairs	...	122	...	...	122
Environment Protection	5	113	...	...	118
Housing and Community Amenities	310	486	0	...	796
Health	6,758	2,422	9	...	9,188
Recreation, Culture and Religion	1	114	0	...	115
Education	13	708	...	...	721
Social Protection	...	17	...	...	17
Transport	76	2,743	582	...	3,401
Total	7,244	7,463	655	...	15,361

Total State Sector

2019-20	Grants and Subsidies with Sufficiently Specific Performance Obligations \$m	Sale of Goods and Rendering of Other Services \$m	Licence Fees \$m	Developer Contributions \$m	Total \$m
Disaggregation of Revenue from Contracts with Customers by Function (Policy Area)					
General Public Services	1	505	49	...	554
Defence	...	...	...	...	...
Public Order and Safety	81	396	15	...	492
Economic Affairs	...	2,369	...	104	2,472
Environment Protection	5	115	...	...	120
Housing and Community Amenities	253	3,116	0	248	3,618
Health	6,757	2,422	9	...	9,187
Recreation, Culture and Religion	1	496	0	...	496
Education	13	707	...	...	721
Social Protection	...	20	...	...	20
Transport	76	1,890	582	...	2,549
Total	7,186	12,036	655	351	20,229

Transition Impacts of Adopting AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-For-Profit Entities*

The effects of adopting AASB 15 and AASB 1058 has resulted in an increase to accumulated funds as at 1 July 2019 is set out below:

General Government Sector

1 July 2019	AASB 15 \$m	AASB 1058 \$m	Total \$m
NET WORTH			
Accumulated Funds	347	758	1,104
TOTAL NET WORTH	347	758	1,104

Total State Sector

1 July 2019	AASB 15 \$m	AASB 1058 \$m	Total \$m
NET WORTH			
Accumulated Funds	343	758	1,100
TOTAL NET WORTH	343	758	1,100

The effect of adopting AASB 15 and AASB 1058 on the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position for the year ended 30 June 2020 is set out below:

General Government Sector

30 June 2020	Adjustments			Amounts without AASB 15 and AASB 1058
	As Reported \$m	AASB 15 \$m	AASB 1058 \$m	1058 \$m
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME				
Revenue from Transactions				
Taxation	29,941	...	(274)	29,667
Grants and Subsidies	34,306	24	(900)	33,430
Sales of Goods and Services	8,713	135	...	8,848
Fines, Regulatory Fees and Other	4,262	(0)	42	4,303
Others	4,145	...	...	4,145
Total Revenue from Transactions	81,367	159	(1,132)	80,393
Expenses from Transactions				
Other Operating Expenses	23,156	126	...	23,283
Others	65,127	...	...	65,127
Total Expenses from Transactions	88,283	126	...	88,409
NET RESULT FROM TRANSACTIONS - NET OPERATING BALANCE				
	(6,916)	33	(1,132)	(8,016)
Net Other Economic Flows - Included in the Operating Result	(3,013)	(0)	...	(3,013)
OPERATING RESULT	(9,929)	33	(1,132)	(11,028)
Net Other Economic Flows - Other Comprehensive Income	(454)	...	...	(454)
COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS				
	(10,382)	33	(1,132)	(11,482)
KEY FISCAL AGGREGATES				
COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS				
	(10,382)	33	(1,132)	(11,482)
Less: Net Other Economic Flows	3,466	...	...	3,466
NET OPERATING BALANCE	(6,916)	33	(1,132)	(8,016)
Less: Net Acquisition of Non-Financial Assets	15,145	...	...	15,145
EQUALS: NET LENDING/(BORROWING)	(22,061)	33	(1,132)	(23,160)

30 June 2020	Adjustments			Amounts without AASB 15 and AASB 1058
	As Reported	AASB 15	AASB 1058	
	\$m	\$m	\$m	\$m
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
ASSETS				
Financial Assets				
Receivables	11,281	(7)	(1,989)	9,286
Others	164,045	...	...	164,045
Total Financial Assets	175,326	(7)	(1,989)	173,330
Non-Financial Assets				
Contract Assets	24	(24)	...	...
Others	250,301	...	...	250,301
Total Non-Financial Assets	250,325	(24)	...	250,301
TOTAL ASSETS	425,651	(31)	(1,989)	423,631
LIABILITIES				
Contract Liabilities	1,156	(1,156)	...	...
Other Liabilities	5,015	1,439	(98)	6,356
Others	180,793	...	...	180,793
TOTAL LIABILITIES	186,964	283	(98)	187,148
NET ASSETS	238,688	(314)	(1,891)	236,483
NET WORTH				
Accumulated Funds	67,479	(314)	(1,891)	65,274
Reserves	171,209	...	...	171,209
TOTAL NET WORTH	238,688	(314)	(1,891)	236,483
OTHER FISCAL AGGREGATES				
Net Debt	19,261	...	...	19,261
Net Financial Liabilities	111,887	290	1,891	114,067

Total State Sector

30 June 2020	Adjustments			Amounts without AASB 15 and AASB 1058
	As Reported \$m	AASB 15 \$m	AASB 1058 \$m	
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME				
Revenue from Transactions				
Taxation	29,939	...	(276)	29,663
Grants and Subsidies	34,228	24	(900)	33,351
Sales of Goods and Services	14,155	135	...	14,290
Fines, Regulatory Fees and Other	4,729	(0)	42	4,771
Others	3,251	...	...	3,251
Total Revenue from Transactions	86,302	159	(1,134)	85,326
Expenses from Transactions				
Other Operating Expenses	26,961	126	...	27,088
Others	69,050	...	...	69,050
Total Expenses from Transactions	96,011	126	...	96,137
NET RESULT FROM TRANSACTIONS - NET OPERATING BALANCE				
	(9,709)	33	(1,134)	(10,811)
Other Economic Flows - Included in the Operating Result	(5,402)	(0)	...	(5,402)
OPERATING RESULT	(15,111)	33	(1,134)	(16,213)
Other Economic Flows - Other Comprehensive Income	4,729	...	...	4,729
COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS				
	(10,382)	33	(1,134)	(11,484)
KEY FISCAL AGGREGATES				
COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS				
	(10,382)	33	(1,134)	(11,484)
Less: Net Other Economic Flows	673	...	...	673
NET OPERATING BALANCE	(9,709)	33	(1,134)	(10,811)
Less: Net Acquisition of Non-Financial Assets	16,396	...	...	16,396
EQUALS: NET LENDING/(BORROWING)	(26,105)	33	(1,134)	(27,207)

30 June 2020	Adjustments			Amounts without AASB 15 and AASB 1058
	As Reported	AASB 15	AASB 1058	
	\$m	\$m	\$m	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
ASSETS				
Financial Assets				
Receivables	11,146	(9)	(1,991)	9,146
Others	92,794	...	...	92,794
Total Financial Assets	103,940	(9)	(1,991)	101,940
Non-Financial Assets				
Contract Assets	24	(24)	...	...
Others	390,616	...	...	390,616
Total Non-Financial Assets	390,640	(24)	...	390,616
TOTAL ASSETS	494,580	(34)	(1,991)	492,555
LIABILITIES				
Contract Liabilities	1,259	(1,259)	...	...
Other Liabilities	15,307	1,535	(98)	16,745
Others	239,326	...	...	239,326
TOTAL LIABILITIES	255,892	276	(98)	256,071
NET ASSETS	238,688	(310)	(1,893)	236,484
NET WORTH				
Accumulated Funds	80,048	(310)	(1,893)	77,845
Reserves	158,639	...	...	158,639
TOTAL NET WORTH	238,688	(310)	(1,893)	236,484
OTHER FISCAL AGGREGATES				
Net Debt	55,437	...	...	55,437
Net Financial Liabilities	151,953	286	1,893	154,131

The nature of the above adjustments is described below.

AASB 15

Grants and Subsidies

Under AASB 1004, income from grants and subsidies was recognised when the State obtained control over the contribution. The State deemed to have assumed control when the grant was received or receivable. Under AASB 15, revenue from grants with SSPOs is recognised when the State satisfies a performance obligation by transferring the promised goods or services that the State has promised to transfer. Under AASB 15, the State predominately satisfies its performance obligations over time as services are provided to the NSW public on behalf of granting bodies.

Therefore, for grants and subsidies with SSPOs revenue is deferred under AASB 15 compared to AASB 1004. The impact of these changes on items other than income is an increase in deferred revenue, which is included in a new balance named contract liabilities in Note 8: Contract Balances.

Sale of Goods and Services

Under AASB 118, revenue from the sale of goods and services was recognised based on when risks and rewards were transferred to the customer. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires revenue to be recognised when the control over goods or services is passed to the customer. The application of requirements in AASB 15 did not result in a significant change to the recognition or measurement of revenue from the sale of goods and services.

Therefore, for sale of goods and services revenue recognition is largely aligned between AASB 15 and AASB 118. Revenue deferred from the sale of goods and services is however included in the new balance contract liabilities under AASB 15 in Note 8: Contract Balances which were previously presented as part of other liabilities under AASB 118 as per Note 25: Other Liabilities.

Licence Fees

Under AASB 118, revenue from non-intellectual property (non-IP) licences, including non-contractual licences, was deferred and recognised in accordance with the relevant agreement. For most arrangements, revenue recognition was initially deferred with revenue subsequently recognised over the licence period. Under AASB 15, revenue recognised from non-IP licences is recognised at the point of time when the license is issued.

Therefore, for non-IP licences revenue is recognised sooner under AASB 15 than under AASB 118. The impact of these changes on items other than revenue is a decrease in deferred revenue.

The State has elected to not apply the requirements of AASB 15 and accompanying application guidance to short-term licences and licences for which the transaction price is of low value. Revenue for these licences continues to be deferred and subsequently recognised on a straight-line basis or on another systemic basis over the licence period.

Other Comprehensive Income and Consolidated Statement of Cash Flows

The adoption of AASB 15 did not have any impacts on other comprehensive income and the Consolidated Statement of Cash Flows of the State for the financial year ended 30 June 2020.

AASB 1058

Taxation

Under AASB 1004, income from taxpayer-assessed taxation revenues was recognised when the funds were received by the State as this was when the income could be reliably measured. From 1 July 2019, AASB 9 requires statutory receivables, including taxation receivables, to be recognised when the underlying event that results in a right to receive income has occurred, unless it cannot be measured reliably until after the financial statements are authorised for issue. Taxation income is correspondingly recognised, as reference by AASB 1058, when the taxable event occurs.

Therefore, taxpayer-assessed taxation income is now recognised earlier under AASB 9 / AASB 1058 when the taxable event occurs compared to AASB 1004 where income was recognised on control of funds. The impact of these changes on items other than income is an increase in receivables from taxation, which is presented as part of statutory receivables in Note 7: Receivables.

Grants and Subsidies

Under AASB 1004, income from grants and subsidies was recognised when the State obtained control over the contribution. The State deemed to have assumed control when the grant was received or receivable.

Under AASB 1058, income from grants to acquire/construct a recognisable non-financial asset to be controlled by the State is recognised when the State satisfies the obligation under the transfer. Under AASB 1058, income is primarily recognised over time as the relevant non-financial assets are being constructed.

Therefore, for transfers to acquire/construct a recognisable non-financial asset to be controlled by the State income is accrued under AASB 1058 compared to AASB 1004. The impact of these changes on items other than income is an increase in deferred income, which is presented as part of Note 25: Other Liabilities as liabilities arising from transfers to acquire or construct non-financial assets to be controlled by the State, and an increase in receivables in Note 7: Receivables for grant funding received in arrears of asset acquisition / construction.

Other Comprehensive Income and Consolidated Statement of Cash Flows

The adoption of AASB 1058 did not have any impacts on other comprehensive income and the Consolidated Statement of Cash Flows of the State for the financial year ended 30 June 2020.

Note 3: Expenses

Employee Expenses (excluding Superannuation)

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Employee Expenses Comprise:				
Salaries and Wages (including Recreation Leave)	32,572	30,478	34,823	32,569
Long Service Leave	1,195	1,202	1,288	1,297
Workers' Compensation	1,251	908	1,282	935
Other	536	570	719	743
	35,555	33,158	38,112	35,544

The recognition and measurement policy for employee expenses is detailed in Note 22: Employee Provisions. 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	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Superannuation Interest Costs Comprise:				
Net Interest ^(a)	882	1,412	927	1,466
	882	1,412	927	1,466
Other Superannuation Expenses Comprise:				
Defined Benefit Plans, excluding Actuarial Gains/Losses ^(a)	400	411	436	445
Defined Contribution Plans	2,887	2,641	3,081	2,805
	3,288	3,052	3,517	3,250

(a) Refer to Note 23: Superannuation Provisions for a dissection of defined benefit superannuation expense by component.

Depreciation and Amortisation Expense

	General Government Sector		Total State Sector	
	2019-20	2018-19 Restated ^(a)	2019-20	2018-19 Restated ^(a)
	\$m	\$m	\$m	\$m
Depreciation and Amortisation Expense Comprise:				
Depreciation on ^{(b)(c)(d)}				
Buildings	1,742	1,794	2,683	2,732
Plant and Equipment	901	882	1,251	1,260
Infrastructure Systems	1,893	1,868	3,450	3,212
Right-of-Use Assets ^(e)	773	...	980	...
Amortisation of ^{(b)(c)(d)}				
Capital Prepayments - Right to Receive	23	20	23	17
Intangibles	616	608	771	743
	5,948	5,171	9,159	7,964

- (a) Refer to Note 32: Restatement/Correction to Prior Year Comparatives, for details of correction to prior period.
- (b) Refer to Note 14: Property, Plant and Equipment and Note 28: Leases for the basis of useful lives applied to calculate depreciation of PP&E and Right-of-Use Assets. Refer to Note 15: Intangibles for the basis of useful lives applied to calculate amortisation of Intangibles.
- (c) \$138 million for the General Government Sector and \$153 million for the Total State Sector relating to depreciation on finance lease assets was reclassified from Amortisation Expense to Depreciation Expense for 2018-19.
- (d) Refer to Note 32 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.
- (e) Right-of-use assets depreciation expense is presented by class of underlying asset in Note 28: Leases, and amounts in Note 3 and Note 28 are different due to capitalisation of depreciation.

Interest Expense

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

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Interest Expenses Comprise:				
Interest on Borrowings	1,622	1,331	2,386	2,299
Interest on Lease Liabilities ^{(a)(b)}	308	213	594	478
Unwinding of Discounts on Provision Liabilities	154	267	216	360
	2,084	1,812	3,197	3,137

- (a) The State continues to apply the principles of AASB 117 Finance Lease Liabilities and associated Interest Expense for several PFPs accounted for in accordance with TPP06-8. Interest on Lease Liabilities for 2019-20 includes Interest on Finance Lease Liabilities recognised for PFP arrangements of \$130 million for the General Government Sector and \$214 million for the Total State Sector. Refer to Note 16: Other Non-Financial Assets for recognition and measurement policies applied for PFPs accounted for under TPP06-8.
- (b) In 2018-19, this expenditure item relates to Interest on Finance Lease Liabilities recognised under AASB 117.

Refer to Note 26: Financial Instruments for information on interest expense by financial instrument measurement categories.

Other Operating Expense

	General Government Sector		Total State Sector	
	2019-20	2018-19 Restated ^(b)	2019-20	2018-19 Restated ^(b)
	\$m	\$m	\$m	\$m
Other Operating Expenses Comprise:				
Lease Expenses ^(a)	332	841	408	1,059
Contractor Fees ^(b)	1,244	1,354	2,220	2,354
Consultancy Fees ^(b)	121	151	155	198
Inventories Used Up	10	14	149	239
Audit Fees ^(c)	...	...	...	...
Insurance Claims	2,749	754	3,597	1,579
Supplies, Services and Other ^{(b)(d)}	16,625	16,015	16,876	15,997
External Maintenance (excluding Employee Costs associated with Maintenance)	2,075	2,016	3,557	3,379
	23,156	21,146	26,961	24,805

- (a) For 2019-20, lease expenses include lease payments not included in the measurement of lease liabilities recognised under AASB 16. Expenses include payments for short-term leases, low-value leases and variable lease payments that do not depend on an index or rate. In 2018-19, this expenditure item relates to operating lease payments recognised as expense under AASB 117.
- (b) In 2018-19, \$155 million 'Contractor Fees' were reclassified from 'Consultancy Fees' in the General Government Sector and the Total State Sector, and \$131 million 'Contractor Fees' were reclassified from 'Supplies, Services and Other' in the Total State Sector.
- (c) Fees to the Audit Office of New South Wales have not been recognised as expenses because they have been eliminated in the consolidation of the NSW Total State and General Government sectors. The fees eliminated are for financial audits: \$26 million to the General Government Sector (2018-19: \$22 million), and \$32 million to the Total State Sector (2018-19: \$28 million). In addition, \$14 million for General Government and Total State Sectors performance and other audits (2018-19: \$17 million) have been eliminated.
- (d) In 2019-20, there was \$1,428 million expenses (2018-19: \$1,733 million) in the General Government Sector related to RailCorp (TAHE) in 'Supplies, Services and Other'.

Grants and Subsidies

Grants and subsidy expenses are generally comprised of 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.

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Grants, Subsidies and Transfers for				
Recurrent Purposes	16,369	13,595	13,299	10,921
Capital Purposes	1,001	1,105	839	741
	17,369	14,700	14,137	11,662
Recurrent and Capital Grants and Subsidies are Provided for^{(a)(b)}				
General Public Services	797	1,362	796	1,028
Public Order and Safety	172	162	172	162
Economic Affairs	1,799	673	1,718	579
Environmental Protection	293	147	278	142
Housing and Community Amenities	355	511	149	308
Health	1,433	1,344	1,433	1,344
Recreation, Culture and Religion	458	351	387	276
Education	2,078	2,032	1,984	1,942
Social Protection	6,610	5,286	6,127	5,076
Transport	3,372	2,832	1,094	804
	17,369	14,700	14,137	11,662

- (a) Refer to Note 35: Disaggregated Financial Statements for information on total expenses (excluding losses) by function.
- (b) For 2018-19, functions were not restated to reflect an impact of the revised outcome budgeting programs by agencies.

Note 4: Other Economic Flows Included in the Operating Result

Other Economic Flows mainly comprise of 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'.

Refer to Note 26: Financial Instruments for information on fair value adjustments to financial instruments by financial instrument measurement categories.

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Gain/(Loss) from Liabilities				
Changes in Discount Rates for Long Service Leave Liabilities ^(a)	(468)	(1,499)	(475)	(1,532)
Changes in Discount and Inflation Rates for Insurance Liabilities ^(b)	267	(1,001)	(151)	(1,685)
	(201)	(2,500)	(626)	(3,218)
Other Net Gains/(Losses) in the Operating Result				
Net Gains / (Losses) on Financial Assets at Fair Value through Profit and Loss ^(c)	...	13,201	...	13,225
Disposal of Property, Plant and Equipment	(140)	(304)	(145)	(405)
Disposal of Intangible Assets	(0)	(1)	(10)	(3)
Fair Value Adjustments to:				
Investment Property	...	...	37	29
Impairment Losses on Right-of-Use Assets ^{(d)(e)}	(459)	...	(478)	...
Net Gain / (Losses) on Forestry Stock and Other Biological Assets ^{(e)(f)}	...	...	(346)	177
Financial Instruments ^(g)	(2,082)	1,060	(3,574)	(1,349)
Assets Recognised for First Time	127	131	129	133
Infrastructure and Other Assets Written Off	(139)	(237)	(345)	(326)
Other ^(e)	141	(150)	129	(150)
	(2,553)	13,700	(4,603)	11,332
Share of Earnings from Equity Investments (excluding Dividends)	46	(1)	45	(1)
Dividends from Asset Sales Proceeds	31	(0)	...	...
Deferred Income Tax from Other Sectors	(123)	(97)	...	...
Other Economic Flows				
Impairment Losses on Financial Assets	(212)	(69)	(218)	(74)
Other	...	84	...	84
	(212)	14	(218)	10
Discontinuing Operations	...	(0)	...	(0)
Other Economic Flows - included in Operating Result	(3,013)	11,117	(5,402)	8,123

- (a) The loss on revaluation of long service leave liabilities was lower in the 2019-20 financial year due to smaller reductions in the Commonwealth bond rate compared to last year. The Commonwealth Government 10-year bond rate decreased by 0.45 per cent from 1.32 per cent at 1 July 2019 to 0.87 per cent at 30 June 2020, compared to 2.65 per cent at 1 July 2018 to 1.32 per cent at 30 June 2019.
- (b) Relates to changes in the discount rate used on outstanding claims liabilities for the NSW Self Insurance Corporation, and Lifetime Care and Support Schemes.
- (c) The comparative 2018-19 financial year includes \$13.2 billion in gains in relation to the WestConnex Group transaction. Refer to Note 5 – Discounted Operations for further information.
- (d) The impairment loss on right-of-use assets is due to COVID-19 restrictions decreasing market rent and the recoverable amount of these assets. There are no prior year comparatives as the State has adopted AASB 16 at 1 July 2019 using the partial retrospective transition approach.
- (e) Impairment of right-of-use assets and revaluation losses on forestry stock and other biological assets resulting from COVID-19 and natural disaster events have been separately disclosed in 2019-20. Comparative amounts for the 2018-19 financial year have also been reclassified.
- (f) Forestry stock was revalued downwards in the 2019-20 financial year due primarily to severe bushfire damage.
- (g) The \$3,142 million General Government Sector decrease in fair value adjustments to financial instruments is mainly driven by the Crown Finance Entity's market valuation losses on TCorpIM Fund investments. The reduction of \$2,225 million for the Total State Sector in the 2019-20 financial year is due primarily to the reduction in market yields resulting in unrealised valuation losses on NSW TCorp bonds and borrowings liabilities.

Note 5: Discontinued Operations

In 2019-20, no operations were classified as discontinuing.

During the 2018-19 year, the State of NSW disposed of its controlling interest in the WestConnex Group. These operations were classified as discontinuing.

The WestConnex Group transaction was finalised as follows:

Operation	Purchaser	Sale Consideration \$m	Transaction Stamp Duty \$m
WestConnex Group	Sydney Transport Partners (51 per cent)	8,731	555

WestConnex Group

WestConnex is the largest road infrastructure project in Australia, linking Western and South-Western Sydney with the City, airport and port in a 33-kilometre continuous motorway. The WestConnex Group is constructing and operating the road network under concession agreements expiring in 2060.

During the comparative 2018-19 financial year a sale and purchase agreement was executed between Sydney Transport Partners (STP) and the State of NSW for the sale of 51 per cent of the State's interests in the WestConnex Group. The sale transaction was completed on the 27 September 2018. The State retains a 49 per cent interest in the WestConnex Group via a controlled entity, Roads Retained Interest Pty Ltd, a corporation constituted under the Corporations Act 2001.

The Government received cash of \$8,731 million for the WestConnex Group transaction from Sydney Transport Partners. Additionally, stamp duty of \$555 million was paid to the Office of State Revenue on behalf of the purchaser, resulting in total cash proceeds on the sale of \$9,286 million.

As the activities of the WestConnex Group ceased, it was treated as a discontinued operation in the comparative 2018-19 financial year. The results of the WestConnex Group's discontinued operations for the 2018-19 financial year are presented below.

Gain/(Loss) from WestConnex Group	General Government Sector		Total State Sector	
	2019-20 \$m	2018-19 \$m	2019-20 \$m	2018-19 \$m
Cash Proceeds from Sale	...	8,731	...	8,731
Fair Value of the State's retained interest held in Roads Retained Interest Pty Ltd	...	7,549	...	7,549
Less:				
Net investment attributed to sold operations	...	(3,079)	...	(3,055)
Gain/(Loss) Recognised in the Comprehensive Result	...	13,201	...	13,225

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Net Operating Result of the Discontinued Operation				
Revenues from Discontinued Operation				
Sale of Goods and Services	48
Other Income	4
	52
Expenses from Discontinued Operation				
Expenses	44
	44
Net Operating Balance from Discontinued Operation				
	8
Other Economic Flows of the Discontinued Operation				

Cash Flows of WestConnex Group Discontinued Operation				
Operating Activities	7
Investing Activities	(1,239)
Financing Activities

Note 6: Cash and Cash Equivalents

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash at bank and in hand, short term deposits and other investments with an original maturity of three months or less (which are subject to an insignificant risk change in value), 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	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Cash administered by NSW Treasury Corporation TCorpIM Funds	191	279	...	...
Cash and Deposits held at other Financial Institutions	5,944	1,690	10,717	8,979
	6,134	1,969	10,717	8,979

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.

TCorpIM Fund 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.

Total State Sector cash and deposits held at banks and other financial institutions include consolidated TCorpIM Fund Trust holdings in cash and short-term deposits amounting to \$2,103 million (2019: \$2,817 million).

Reconciliation of Operating Result to Net Cash Flows from Operating Activities

	General		Total	
	Government Sector 2019-20	2018-19 Restated ^(a)	State Sector 2019-20	2018-19 Restated ^(a)
	\$m	\$m	\$m	\$m
Operating result for the year	(9,929)	12,322	(15,111)	6,395
Adjust for:				
Non-cash Items Added Back:				
Depreciation and Amortisation ^(a)	5,948	5,171	9,159	7,964
Donations and Contributions	95	190	398	577
Capital Grant Expense	638	508	597	508
Right to Receive Privately Financed Infrastructure	456	280	464	288
Other Non Cash Operating Activities	212	288	328	65
Other Economic Flows - included in the Operating Result ^(b)	3,013	(11,117)	5,402	(8,123)
Net Change in Operating Assets and Liabilities	(716)	(315)	(1,617)	842
Net Cash Flows from Operating Activities	(284)	7,328	(381)	8,517

(a) Refer to Note 32: Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

(b) The movements of the Other Economic Flows in 2018-19 were mainly due to the \$13.2 billion gain from the WestConnex Group transaction.

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

Cash assets in the Statement of Financial Position comprise of cash, deposits at call, and other investments. Deposits in TCorpIM Funds and TCorp deposits with a maturity of less than 90 days are reported as cash and deposits at call. Other investments readily convertible to a known cash amount, subject to an insignificant risk of changes in value, and with maturity of less than 90 days are reported as cash. Cash and cash equivalents recognised in the Statement of Financial Position are agreed at the end of the financial year to the Statement of Cash Flows, and are as follows:

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Cash and Deposits	6,134	1,969	10,717	8,979
	6,134	1,969	10,717	8,979

Restricted Cash Assets

Cash assets in the Consolidated Statement of Financial Position also comprise cash and term deposits held in Crown Special Deposit Accounts (SDA) for Restart NSW of \$1,204 million (2018-19: \$707 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 and/or New South Wales Generation Fund (NGF), to fund the delivery of major capital infrastructure projects across the State. Funds were withdrawn from the TCorpIM Fund investments and deposited into the Restart SDA bank account for anticipated infrastructure spend during the year 2020. The increase relates to a higher than expected cash balance remaining in the SDA due to project expenditure not being incurred within the expected profile. Term deposits disclosed in Note 9: Investments, Loans and Placements form part of the Crown Special Deposit Accounts.

Acquisition and Disposal of Entities

There were no acquisitions or disposals of entities throughout the current financial year ended 30 June 2020.

Note 5: Discontinued Operations details information on the proceeds from sale of the WestConnex Group received in the comparative financial year ended 30 June 2019.

Non-Cash Financing and Investing Activities

During 2019-20:

- Assets acquired through leasing arrangements totalled \$2,915 million for the General Government Sector and \$2,990 million for the Total State Sector. In the comparative 2018-19 financial year, property, plant and equipment acquired through finance leases totalled \$159 million for both the General Government Sector and Total State Sector. Further information on leasing arrangements, including the effects of initially applying AASB 16 for the current financial year, are disclosed in Note 28: Leases.
- In the General Government Sector, a total of \$456 million (2018-19: \$280 million) was recognised for emerging interests in the private sector provided infrastructure. A total of \$464 million (2018-19: \$288 million) was recognised in the Total State Sector. It includes \$181 million recognised for various road projects (2018-19: \$263 million).
- Other assets acquired free of cost in the Total State Sector amounted to \$398 million (2018-19: \$577 million). In the General Government Sector, these assets amounted to \$95 million (2018-19: \$190 million). They include sub-divider/developer contributions of water assets of \$240 million (2018-19: \$277 million) and electricity assets of \$80 million in 2019-20 (2018-19: \$104 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.

Reconciliation of Movements of Liabilities to Cash Flows Arising from Financing Activities

The tables below reconcile movements of financial liabilities to cash flows arising from financing activities.

General Government Sector

30 June 2020							
	Note	Deposits Held 18 \$m	Other Fair Value Borrowings 20 \$m	Lease Liabilities ^(a) 21 \$m	Other Borrowings at Amortised Cost 21 \$m	Advances Received \$m	Total \$m
Balance at 30 June 2019		67	...	2,590	35,066	756	38,478
Amounts Restated on Adoption of AASB 16		...	...	3,997	...	...	3,997
Balance at 1 July 2019		67	...	6,586	35,066	756	42,474
Net Financing Cash Flows	2	...	...	(803)	22,507	(76)	21,630
Non-Cash Items:							
Lease/Non Financial Asset Additions	...	...	...	2,740	1,937	...	4,678
Other Movements	(0)	...	...	(86)	(62)	16	(132)
Balance at 30 June 2020		69	...	8,438	59,448	696	68,650

- (a) The State continues to apply the principles of AASB 117 Finance Lease Liabilities for several PFPs accounted for in accordance with TPP06-8. Lease Liabilities for 2019-20 includes Finance Lease Liabilities recognised for PFP arrangements of \$1,352 million for the General Government Sector. Refer to Note 16: Other Non-Financial Assets for recognition and measurement policies applied for PFPs accounted for under TPP06-8.

30 June 2019							
	Note	Deposits Held 18 \$m	Other Fair Value Borrowings 20 \$m	Finance Lease Liabilities 21 \$m	Other Borrowings at Amortised Cost 21 \$m	Advances Received \$m	Total \$m
Balance at 1 July 2018		130	3	2,984	29,457	797	33,370
Net Financing Cash Flows	19	...	...	(202)	5,150	(69)	4,899
Non-Cash Items:							
Lease/Non Financial Asset Additions	...	...	...	159	...	...	159
Valuation Adjustments	...	...	...	...	147	...	147
Other Movements	(82)	...	(3)	(352)	312	28	(97)
Balance at 30 June 2019		67	...	2,590	35,066	756	38,478

Total State Sector

30 June 2020							
Note	Deposits Held 18 \$m	Bonds and Other Borrowings Issued by TCorp 20 \$m	Other Fair Value Borrowings 20 \$m	Lease Liabilities ^(a) 21 \$m	Other Borrowings at Amortised Cost 21 \$m	Advances Received \$m	Total \$m
Balance at 30 June 2019	293	71,777	...	5,287	1,864	756	79,976
Amounts Restated on Adoption of AASB 16	...	...	...	4,651	...	...	4,651
Balance at 1 July 2019	293	71,777	...	9,938	1,864	756	84,628
Net Financing Cash Flows	(47)	22,888	...	(918)	(174)	(77)	21,672
Non-Cash Items:							
Lease/Non Financial Asset Additions	...	...	...	2,818	1,937	...	4,756
Valuation Adjustments	...	2,117	...	...	...	...	2,117
Other Movements	(101)	187	...	(75)	34	18	63
Balance at 30 June 2020	144	96,970	...	11,764	3,662	696	113,236

(a) The State continues to apply the principles of AASB 117 Finance Lease Liabilities for several PFPs accounted for in accordance with TPP06-8. Lease Liabilities for 2019-20 includes Finance Lease Liabilities recognised for PFP arrangements of \$1,994 million for the Total State Sector. Refer to Note 16: Other Non-Financial Assets for recognition and measurement policies applied for PFPs accounted for under TPP06-8.

30 June 2019							
Note	Deposits Held 18 \$m	Bonds and Other Borrowings Issued by TCorp 20 \$m	Other Fair Value Borrowings 20 \$m	Finance Lease Liabilities 21 \$m	Other Borrowings at Amortised Cost 21 \$m	Advances Received \$m	Total \$m
Balance at 1 July 2018	385	62,039	1,133	5,302	2,155	797	71,810
Net Financing Cash Flows	(2)	6,716	...	(269)	1,758	(69)	8,134
Lease/Non Financial Asset Additions	...	...	...	159	...	...	159
Non-Cash Items:							
Gain/Loss on Sale of PNFC/PFC Sector Entities	...	...	(1,096)	...	(2,149)	...	(3,245)
Valuation Adjustments	...	3,128	...	...	...	...	3,128
Other Movements	(89)	(106)	(38)	94	100	28	(11)
Balance at 30 June 2019	293	71,777	...	5,287	1,864	756	79,976

Note 7: Receivables

Receivables are recognised initially at fair value plus any directly attributable transaction costs. Receivables that do not contain a significant financial component are measured at the transaction price. Receivables are subsequently measured at amortised cost using the effective interest method, less any impairment.

Statutory receivables, including taxation, fines and levy receivables, are not classified as financial instruments for financial reporting purposes.

Refer to Note 26: Financial Instruments for details regarding the credit risk of receivables.

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Current	8,904	5,838	8,965	6,058
Non-current	2,378	1,653	2,181	1,469
	11,281	7,491	11,146	7,527
Receivables Comprise:				
Contractual Receivables:				
Sale of Goods and Services ^(a)	1,449	1,527	1,869	1,810
Dividends from the PNFC and PFC Sectors	1,122	844	...	...
Asset Sales	1,095	679	1,096	680
Interest	10	15	54	39
Other	1,817	1,346	2,542	2,124
Statutory Receivables:				
Taxation ^(b)	4,967	2,284	4,792	2,103
Dust Disease Insurance Levies Accrued ^(c)	805	615	805	615
Fines ^(d)	674	662	674	662
	11,938	7,972	11,832	8,033
Less: Loss Allowance ^(e)	(657)	(481)	(686)	(506)
	11,281	7,491	11,146	7,527

(a) Sale of goods and services comprise receivables from contracts with customers as per AASB 15.

(b) Increases to taxation receivables have been driven by stimulus measures implemented due to COVID-19 including the option to defer taxpayer-assessed taxation, that is payroll tax payments to October 2020 for the periods March to June.

(c) 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.

(d) In 2019-20, 'fines' receivables have been separately disclosed. In the 2018-19 comparative, \$662 million has been reclassified from 'other' receivables to 'fines' receivables to ensure consistent presentation of receivable balances across the reporting periods.

(e) The allowance for impairment in the Total State Sector mainly comprises doubtful debts related to the sales of goods and services of \$147 million (2018-19: \$157 million), the collection of fees and fines of \$334 million (2018-19: \$266 million) and payroll tax of \$102 million (2018-19: \$36 million).

Note 8: Contract Balances

The following information represents contract assets and contract liabilities from contracts with customers accounted for under AASB 15 *Revenue from Contract with Customers*.

Contract Assets

Contract assets relate to the State's right to consideration in exchange for goods transferred to customers/works completed, but right to payment is conditional on performance of other obligations. The balance of contract assets at 30 June 2020 primarily relates to revenue recognised from the sale of goods and services and grants and subsidies. Contract assets are transferred to receivables when the rights become unconditional. This occurs when the State has completed a contractual obligation and issues an invoice.

	General Government Sector		Total State Sector	
	2019-20 \$m	1 July 2019 \$m	2019-20 \$m	1 July 2019 \$m
Current	24	10	24	10
Non-Current	...	...	...	...
	24	10	24	10
Contract Assets Recognised for:				
Sales of Goods of Services Revenue	18	10	18	10
Grants and Subsidies Revenue	4	0	4	0
Other Revenues	2	...	2	...
	24	10	24	10
Less: Loss Allowance	...	...	...	...
	24	10	24	10

Contract assets increased throughout the reporting period by \$14 million for the General Government Sector and the Total State Sector. The growth in contract assets was primarily due to changes in the time frame for rights to consideration to become unconditional.

Refer to Note 26: Financial Instruments for disclosures regarding contract asset impairment.

Contract Liabilities

Contract liabilities primarily relate to consideration received in advance from customers in respect of revenues recognised from the sale of goods and services and grants and subsidies with sufficiently specific performance obligations.

	General Government Sector		Total State Sector	
	2019-20 \$m	1 July 2019 \$m	2019-20 \$m	1 July 2019 \$m
Current	893	516	958	586
Non-Current	263	267	301	292
	1,156	782	1,259	878
Contract Liabilities Relate to:				
Sales of Goods of Services Revenue	766	411	812	447
Grants and Subsidies Revenue	390	372	390	372
Other	...	...	56	60
	1,156	782	1,259	878

Contract liabilities increased throughout the reporting period by \$374 million for the General Government Sector and \$381 million for the Total State Sector. The growth in contract liabilities was primarily due to changes in the time frame for performance obligations to be satisfied for sales of goods and services recognised within the Education and Transport cluster.

The following table provides information on contract liabilities from contracts with customers.

	General Government Sector 2019-20 \$m	Total State Sector 2019-20 \$m
Revenue Recognised that was Included in the Contract Liability Balance (Adjusted for AASB 15) at the Beginning of the Year	488	540
Revenue Recognised from Performance Obligations Satisfied in Previous Periods	6	18
Transaction Price Allocated to the Remaining Performance Obligations from Contracts with Customers	846	919

The transaction price allocated to the remaining performance obligations relates primarily to sales of goods and services revenue. For the General Government Sector, 84% is expected to be recognised as revenue in the next financial year ending 30 June 2021 and 16% in subsequent financial years. For the Total State Sector, 82% is expected to be recognised as revenue in the next financial year ending 30 June 2021 and 18% in subsequent financial years.

No information is provided about remaining performance obligations at 30 June 2020 for contracts that have an original expected duration of one year or less. The disclosed amounts also do not include variable consideration which is constrained.

Note 9: Investments, Loans and Placements

Financial Assets at Fair Value

Investments, loans and placements measured at fair value comprise of debt investments, managed fund investments (including TCorpIM Funds) and derivative assets.

The State's debt investments and managed fund investments are classified, at initial recognition as amortised cost, and subsequently measured at FVTPL.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Debt and managed funds investments are managed, and their performance is evaluated on a fair value basis and therefore the business model is neither to hold to collect contractual cash flows or sell the financial asset. Hence these investments are mandatorily required to be measured at FVTPL.

Derivative assets are classified as held for trading and are measured at FVTPL unless they are designated as effective hedging instruments.

TCorpIM Funds are restricted to NSW public authorities, including universities and local councils. 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. Thus, the TCorpIM Funds' assets and liabilities are consolidated into the Statement of Financial Position of the Total State Sector. The State has invested a major component of Restart NSW money and the established New South Wales Generation Fund (NGF) in TCorpIM Fund Trust investments.

Refer to Note 11: Equity Investments for the carrying amounts of equity securities at fair value. Further information regarding fair value measurement, credit risk, and market risk arising from financial assets at fair value are described in Note 26: Financial Instruments.

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Current ^(a)	1,788	1,897	42,564	40,617
Non-current ^(a)	39,086	41,436	3,345	3,943
	40,874	43,333	45,909	44,560
Financial Assets at Fair Value comprise:				
Financial Assets Held for Trading				
Derivative Assets	4	3	1,340	845
	4	3	1,340	845
Designated and Effective Hedging Instruments				
Derivative Assets	0	21	1	25
	0	21	1	25
Financial Assets at FVTPL^(b)				
Interest Bearing Securities ^(c)	250	267	30,708	31,891
TCorpIM Funds	40,571	42,984	...	...
Managed Funds and Other Investments	48	56	13,860	11,798
	40,870	43,308	44,568	43,689
Total Financial Assets at Fair Value	40,874	43,333	45,909	44,560

(a) The current and non-current classification is different in the General Government Sector and Total State Sector due to different investment objectives.

(b) The State's financial assets at FVTPL are mandatorily measured at FVTPL under AASB 9.

(c) Interest bearing securities are debt investments and include bonds, certificates of deposit, floating rate notes and other debt securities.

Other Financial Assets

Other financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity, comprising predominately of term deposits and leases receivable under finance lease arrangements. Other financial assets are initially measured at fair value plus any transaction costs and are subsequently measured at amortised cost using the effective interest method.

Amounts due from lessees under finance leases are classified at amortised cost and recognised at the amount of the State's net investment in the lease. Finance income is allocated to accounting periods so as to reflect a constant periodic rate of return on the State's net investment outstanding in respect of the leases.

The majority of term deposits are 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 classified as Cash and Cash Equivalents (Note 6: Cash and Cash Equivalents).

Further information regarding fair value measurement, credit risk, and market risk of other financial assets are described in Note 26: Financial Instruments.

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Current	212	1,482	294	1,353
Non-current	1,322	1,109	1,490	1,440
	1,533	2,591	1,784	2,793
Financial Assets at Amortised Cost Comprise:				
Term Deposits - Maturity Greater Than 3 Months	157	1,462	230	1,274
Leases Receivable ^(a)	1,285	1,058	1,456	1,441
Other	92	71	98	78
	1,533	2,591	1,784	2,793

(a) Refer to Note 28: Leases for further details regarding lease receivables recognised under AASB 16 in the current reporting period and under AASB 117 in the comparative reporting period.

Note 10: Advances Paid

Advances paid are loans provided for government policy purposes rather than for liquidity management and are made with contractual interest rates intentionally set below the market interest rate that would otherwise apply.

Advances are initially measured at fair value (estimated as the present value of all future cash receipts discounted using Government bond rate) plus any transactions costs. The difference between the nominal value of the loan and its estimated fair value is recognised as the discount component, which is expensed immediately. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method, less impairment.

Further information regarding credit risk and market risk of advances paid are described in Note 26: Financial Instruments.

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Current	105	116	89	101
Non-current	1,134	1,077	687	614
	1,239	1,193	776	715
Advances Comprise:				
Treasury Advances for Public Housing and Other Purposes	493	543	30	65
Loans for Rural Assistance	554	473	554	473
Loans for Road Transport Infrastructure	192	178	192	178
	1,239	1,193	776	715

Note 11: 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 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.

The General Government Sector has irrevocably elected to account for the change in the carrying amount of these investments in a manner consistent with the treatment of equity instruments measured at FVOCI in AASB 9 that would otherwise be measured at FVTPL.

Movements in the carrying amount are taken through 'Other Economic Flows - Other Comprehensive Income'. These gains and losses on these investments are never reclassified to the 'Operating Result'. Dividends are recognised as income as part of 'Revenues from Transactions' when the right of payment has been established.

Note 37: Details of Consolidated Entities details the entities of which the Government has control.

The carrying amounts of the investments at year end is summarised below:

	General Government Sector		Total State Sector	
	2019-20	2018-19 Restated ^(a)	2019-20	2018-19
	\$m	\$m	\$m	\$m
Investments in Other Public Sector Entities				
Investments in Public Non-Financial Corporations (PNFC)	107,193	103,568	...	...
Less Investment in PNFC by Public Financial Corporations	...	...	...	...
Net Investments in Public Non-Financial Corporations	107,193	103,568	...	...
Consolidation Adjustment to Investment in Net Assets	(197)	(260)	...	...
Investments in Public Financial Corporations	(51)	855	...	...
Consolidation Adjustment to Investment in Net Assets	(6,696)	(5,590)	...	...
	100,249	98,573	...	...

The annual movements of the investments are summarised below:

	General Government Sector	
	2019-20	2018-19 Restated ^(a)
	\$m	\$m
Investment in Other Public Sector Entities at Beginning of Year	98,573	112,556
Net Contributions to/(Returns from) Other Sectors by/(to) Owner	6,655	(6,627)
Revaluation Gain/(Loss) for Period in Other Sectors	(3,936)	(4,340)
Movement for the Period in the Consolidation Adjustment	(1,043)	(3,016)
Total Investments in Other Sector Entities at End of Year	100,249	98,573

(a) Refer Note 32: Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

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 Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Ausgrid ^(a)	3,624	3,643	3,624	3,643
Endeavour Energy ^(a)	1,919	1,978	1,919	1,978
West Connex Group ^(b)	6,323	6,424	6,323	6,424
Other Entities	...	10	...	12
	11,866	12,055	11,866	12,057

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

(b) This represents the State's retained interest of 49.0% in this entity.

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.

The State holds 49.6 per cent of Ausgrid via a corporation constituted under the Electricity Retained Interest Corporations Act 2015, named Electricity Retained Interest Corporation - Ausgrid. The remaining 50.4 per cent is owned by the private sector by IFM Investors and Australian Super in equal shares, operating the network under a 99-year lease.

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

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
The State's share of Ausgrid's assets and liabilities				
Current Assets	395	321	395	321
Non-Current Assets	10,921	10,537	10,921	10,537
Current Liabilities	(279)	(354)	(279)	(354)
Non-Current Liabilities	(7,413)	(6,861)	(7,413)	(6,861)
Net Assets^(a)	3,624	3,643	3,624	3,643
The State's share of Ausgrid's profit				
Revenue	1,136	1,289	1,136	1,289
Profit/(Loss) Before Income Tax	95	80	95	80
Distribution Income Recognised	...	(166)	...	(166)
Profit After Income Tax	95	(86)	95	(86)
Other Comprehensive Income	(114)	(246)	(114)	(246)
Total Comprehensive Income	(19)	(332)	(19)	(332)

(a) During 2019-20, the State invested an additional \$14.88 million in Ausgrid (2018-19: \$21 million).

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 per cent 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 per cent is owned by the private sector by the Edwards partner consortium, operating the network under a 99-year lease.

As the State 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.

	General Government Sector		Total State Sector	
	2019-20 \$m	2018-19 \$m	2019-20 \$m	2018-19 \$m
The State's share of Endeavour's assets and liabilities				
Current Assets	298	272	298	272
Non-Current Assets	5,173	5,000	5,173	5,000
Current Liabilities	(177)	(171)	(177)	(171)
Non-Current Liabilities	(3,375)	(3,122)	(3,375)	(3,122)
Net Assets	1,919	1,978	1,919	1,978
The State's share of Endeavour's profit				
Revenue	667	633	667	633
Profit/(Loss) Before Income Tax	113	142	113	142
Distribution income recognised	(85)	(33)	(85)	(33)
Profit After Income Tax	28	108	28	108
Other Comprehensive Income	(86)	(163)	(86)	(163)
Total Comprehensive Income	(58)	(55)	(58)	(55)

WestConnex Group

WestConnex is the largest road infrastructure project in Australia, linking Western and South-Western Sydney with the City, airport and port in a 33-kilometre continuous motorway.

The State holds 49 per cent of the WestConnex Group via a corporation constituted under the Corporations Act 2001, named Roads Retained Interest Pty Ltd. The remaining 51 per cent is owned by the private sector by Sydney Transport Partners Consortium. The WestConnex Group is constructing and operating the road network under a concession agreement expiring in 2060.

The State's share of WestConnex's assets and liabilities and profits in the State's results to 30 June 2019 represents the period from 27 September 2018 when the State's interest was acquired by Retained Roads Interest Pty Ltd.

As the State does not control the entity, it has applied the equity method to account for its investment in the WestConnex Group. The following table summarises information on the State's investment in the WestConnex Group.

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
The State's share of WestConnex Group's assets and liabilities				
Current Assets	495	684	495	684
Non-Current Assets	10,218	9,798	10,218	9,798
Current Liabilities	(103)	(149)	(103)	(149)
Non-Current Liabilities	(4,287)	(3,909)	(4,287)	(3,909)
Net Assets	6,323	6,424	6,323	6,424
The State's share of WestConnex's profit				
Revenue	705	929	705	929
Profit/(Loss) Before Income Tax	(68)	(1)	(68)	(1)
Income Tax Expense	(7)	(4)	(7)	(4)
Distribution income recognised	...	(19)	...	(19)
Profit After Income Tax	(75)	(24)	(75)	(24)
Other Comprehensive Income	(43)	(139)	...	(139)
Total Comprehensive Income	(118)	(163)	(75)	(163)

Other Equity Investments

The State's other equity investments comprise of investments in listed and unlisted equity securities measured at FVTPL.

Other equity investments are classified at initial recognition as either measured at FVTPL or are irrevocably elected by the State to be measured at FVOCI. These equity investments are measured at their fair value plus, in the case of an equity investments not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the instrument. The State has not elected to measure any of these equity investments at FVOCI throughout the 2019-20 financial year (30 June 2019: Nil).

Other equity investments held by the Total State Sector predominately comprise of TCorpIM Fund Trust investments in equity securities. In total, TCorpIM Fund Trusts have investments in equity securities amounting to \$21,741 million (2018-19: \$24,468 million). Since 2016-17, the State has invested a major component of the Restart NSW money in TCorpIM Fund Trust investments.

Further information regarding fair value measurement and market risk of other equity investments are described in Note 26: Financial Instruments.

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Other Equity Investments Comprise:				
Other Equity Investments - At Fair Value Through Profit and Loss ^{(a)(b)}	7	8	21,741	24,468
	7	8	21,741	24,468

- (a) Other equity investments are mandatorily measured at FVTPL. A portion of equity investments held within TCorpIM Fund Trusts are expected to be realised within 12 months. However, an estimate of that amount cannot be reliably determined as at the reporting date.
- (b) A portion of equity investments held within TCorpIM Fund Trusts are expected to be realised within 12 months. However, an estimate of that amount cannot be reliably determined as at the reporting date.

Note 12: Inventories

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.

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 cost is lower than the carrying amount.

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

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Current	1,062	261	1,251	481
Non-current	126	138	492	392
	1,188	399	1,743	873
Inventories Comprise^(a):				
Raw Materials	11	10	49	43
Work in Progress	7	13	11	17
Finished Goods	29	39	29	41
Consumable Stores ^(b)	3	5	92	136
Land Held for Resale	118	132	485	435
Inventories Held for Distribution				
Consumables ^{(b)(c)}	1,021	199	1,077	202
	1,188	399	1,743	873

(a) Comparatives for inventories have been restated, to be consistent with changes in presentation for the current reporting period.

(b) \$177 million of medical inventories for the General Government Sector and Total State Sector have been reclassified from consumable stores inventories to inventories held for distribution (consumables) for 2018-19.

(c) The increase in consumables held for distribution primarily relate to medical and drug supplies used in the provision of public health services, firefighting consumables, and protective and operational clothing required due to COVID-19 and natural disaster events.

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

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Acquisition Cost	27	81	135	185
Development Cost	90	51	349	250
	118	132	485	435

Note 13: 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.

The assets classified as held for sale at 30 June 2020 were:

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Non-Current Assets Held for Sale				
Land and Buildings	286	213	335	274
Plant and Equipment	1	2	1	2
Infrastructure Systems	...	7	...	7
	286	222	335	283

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Non-Current Assets Held for Sale				
Infrastructure NSW ^(a)	165	71	165	71
Ministry of Health	9	56	9	56
Transport for NSW ^(b)	40	15	40	15
Sydney Metro ^(b)	16	17	16	17
New South Wales Land and Housing Corporation	...	...	41	56
Department of Communities and Justice	27	...	27	...
Department of Customer Service ^(c)	19	26	19	26
Other ^(b)	11	38	19	42
	286	222	335	283

- (a) In 2018-19, \$71 million was reported by Barangaroo Delivery Authority. The agency was abolished on 1 July 2019 under the *Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2019*. On abolition, the assets, rights and liabilities (including Non-Current Assets Held for Sale) were transferred to Infrastructure NSW.
- (b) In 2018-19, assets classified as held for sale by Transport for NSW and Sydney Metro were reported in Other.
- (c) In 2018-19, \$26 million was reported by the Department of Finance, Services and Innovation. The agency was abolished on 1 July 2019 under the *Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2019*. On abolition, the assets, rights and liabilities (including Non-Current Assets Held for Sale) were transferred to the newly established Department of Customer Services.

Note 14: Property, Plant and Equipment

Property, plant and equipment comprises 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 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. Assets are not recognised where they cannot be reliably measured.

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.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at the reporting date. Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from the carrying value.

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 a market approach, based on a valuation per hectare per each land category type.
- 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, including water and energy distribution networks, 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.

The cost approach (i.e. current 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, 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 re-values non-current assets using the cost approach, the gross amount and accumulated depreciation are separately restated.

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, the remaining balance in the revaluation surplus is transferred to accumulated funds.

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

As a not-for-profit entity, impairment under AASB 136 *Impairment of Assets* (AASB 136) arises for the State in rare circumstances.

The State assesses at each reporting date whether there is any indication that property, plant and equipment may be impaired, in accordance with AASB 136. If such an indication exists, or when annual impairment testing for an asset is required, the State estimates the recoverable amount of the asset. An impairment loss is recognised where the carrying amount of property, plant and equipment exceeds the recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued under AASB 13.

Impairment losses are recognised in 'other economic flows – included in operating result' or in 'other economic flows – other comprehensive income' to the extent that an impairment loss on a revalued asset reduces the revaluation surplus for that asset.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in 'other economic flows – included in operating result' unless the asset is carried at revalued amount. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase in accordance with AASB 116.

Assets Acquired by Leases

From 1 July 2019, AASB 16 requires a lessee to recognise a right-of-use asset for most leases. The State has elected to present right-of-use assets separately in the Statement of Financial Position.

Therefore at that date property, plant and equipment under leases previously treated as finance leases under AASB 117 are derecognised. The right-of-use assets arising from these leases are recognised and included in the separate line item together with those arising from leases previously treated as operating leases under AASB 117.

Until 30 June 2019, AASB 117 distinguished between finance leases that effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets, and operating leases under which the lessor does not transfer substantially all the risks and rewards.

Property, plant and equipment at 30 June 2019 includes non-current assets acquired under finance leases only. The assets are recognised at fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. Property, plant and equipment does not include amounts in respect of operating leases.

Property, plant and equipment acquired under finance leases are depreciated over the asset's useful life. However, if there is no reasonable certainty that the State will obtain ownership at the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Further information on leases is contained in Note 28: Leases.

Privately Financed Project Assets Accounted for as Leased Assets

The State has adopted the option to not apply AASB 16 to assets that would be classified as service concession assets in accordance with AASB 1059. The State continues to apply its existing accounting policy TPP06-8 to these assets until AASB 1059 is applied. Leased assets covered by this accounting policy continue to apply the principles of AASB 117.

Further information on privately finance projects (PFP) is contained in Note 16: Other Non-Financial Assets and Note 28: Leases.

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. Depreciation is generally allocated on a straight-line basis.

Land is not a depreciable asset. 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. The decision not to recognise depreciation for these assets is reviewed annually.

The residual values, residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end.

Average useful lives for major assets (for both property, plant and equipment held and used by the State and where the State is a lessor under operating leases) are as follows^(a):

Buildings	
Public Housing	50 years
Schools and Colleges	20-105 years
Hospitals and Health Buildings	40 years
Plant and Equipment	
Computer Hardware	2-5 years
Rail Rolling Stock (leased and non-leased)	30-42 years
Infrastructure	
Electricity System Assets	1-50 years
Water System Assets	3-200 years
Roads Pavements	4-100 years
Roads Earthworks	50 years
Roads Earthworks (other) – not depreciated	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, structural components generally have a longer useful life than electrical and mechanical components.

General Government Sector

Total Property, Plant and Equipment

Fair Value	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
At 30 June 2019^(a)				
Gross Carrying Amount	122,980	18,751	161,887	303,618
Accumulated Depreciation and Impairment	(32,232)	(6,589)	(43,697)	(82,518)
Net Carrying Amount	90,748	12,162	118,190	221,100
At 30 June 2020				
Gross Carrying Amount	128,410	18,782	158,956	306,148
Accumulated Depreciation and Impairment	(33,587)	(6,244)	(34,550)	(74,382)
Net Carrying Amount	94,822	12,538	124,406	231,766

Reconciliation:	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
Year Ended 30 June 2020				
Net Carrying Amount at Start of Year^(a)	90,748	12,162	118,190	221,100
Opening Balance Adjustments ^(b)	35	28	14	77
Derecognition of Finance Lease Assets on Initial Application of AASB 16	(651)	(701)	(1)	(1,353)
Adjusted Net Carrying Amount at Start of Year	90,132	11,489	118,202	219,824
Additions	5,380	1,213	11,234	17,828
Assets Reclassified To Held for Sale	(129)	1	0	(128)
Disposals	(195)	(114)	(1,072)	(1,381)
Net Revaluations Recognised In Reserves ^(c)	1,590	124	2,550	4,263
Depreciation Expense	(1,742)	(901)	(1,893)	(4,536)
Other Movements	(215)	726	(4,616)	(4,105)
Net Carrying Amount at End of Year	94,822	12,538	124,406	231,766

Fair Value	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
At 30 June 2018^(a)				
Gross Carrying Amount	116,183	16,737	143,048	275,967
Accumulated Depreciation and Impairment	(32,099)	(5,729)	(41,876)	(79,704)
Net Carrying Amount	84,084	11,007	101,171	196,263
At 30 June 2019^(a)				
Gross Carrying Amount	122,980	18,751	161,887	303,618
Accumulated Depreciation and Impairment	(32,232)	(6,589)	(43,697)	(82,518)
Net Carrying Amount	90,748	12,162	118,190	221,100

Reconciliation:	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
Year Ended 30 June 2019				
Net Carrying Amount at Start of Year	83,390	10,941	102,147	196,479
Corrections to Prior Period ^(a)	694	66	(976)	(216)
Restated Net Carrying Amount at Start of Year	84,084	11,007	101,171	196,263
Additions	5,474	1,320	9,779	16,743
Assets Reclassified To Held for Sale	(49)	(2)	...	(50)
Disposals	(188)	(142)	(1,382)	(1,712)
Net Revaluations Recognised In Reserves ^(a)	2,370	(28)	4,813	7,155
Depreciation Expense ^(a)	(1,668)	(872)	(1,868)	(4,408)
Other Movements	723	878	5,675	7,276
Net Carrying Amount at End of Year^(a)	90,748	12,162	118,190	221,100

(a) Refer to Note 32 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior periods.

(b) These adjustments have been made due to information becoming available after the release of the 2018-19 Total State Sector Accounts.

(c) Includes revaluations of \$4.5 billion and impairment of \$332 million recognised in reserves for the current reporting period. Due to the current economic environment fewer revaluation increments were reported and as such this movement is expected.

Property, Plant and Equipment Held and Used by the GGS

Fair Value	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
At 30 June 2019				
Gross Carrying Amount	117,501	18,671	161,788	297,960
Accumulated Depreciation and Impairment	(31,827)	(6,586)	(43,695)	(82,108)
Net Carrying Amount	85,674	12,085	118,093	215,852
At 30 June 2020				
Gross Carrying Amount	121,773	18,550	158,486	298,809
Accumulated Depreciation and Impairment	(32,867)	(6,096)	(34,540)	(73,504)
Net Carrying Amount	88,906	12,454	123,946	225,306

Reconciliation:	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
Year Ended 30 June 2020				
Net Carrying Amount at Start of Year	85,674	12,085	118,093	215,852
Opening Balance Adjustments ^(a)	35	28	14	77
Derecognition of Finance Lease Assets on Initial Application of AASB 16	(651)	(701)	(1)	(1,353)
Adjusted Net Carrying Amount at Start of Year	85,058	11,413	118,105	214,576
Additions	5,358	1,197	11,222	17,777
Assets Reclassified To Held for Sale	(129)	1	0	(128)
Disposals	(181)	(114)	(1,072)	(1,367)
Net Revaluations Recognised In Reserves	1,563	122	2,562	4,247
Depreciation Expense	(1,648)	(891)	(1,892)	(4,431)
Other Movements	(1,116)	726	(4,979)	(5,370)
Net Carrying Amount at End of Year	88,906	12,454	123,946	225,306

(a) These adjustments have been made due to information becoming available after the release of the 2018-19 Total State Sector Accounts.

Property, Plant and Equipment Where the GGS is the Lessor Under Operating Leases

Fair Value	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
At 30 June 2019				
Gross Carrying Amount	5,479	80	99	5,658
Accumulated Depreciation and Impairment	(405)	(3)	(2)	(410)
Net Carrying Amount	5,074	77	97	5,248
At 30 June 2020				
Gross Carrying Amount	6,637	232	470	7,338
Accumulated Depreciation and Impairment	(720)	(148)	(10)	(878)
Net Carrying Amount	5,917	84	460	6,460

Reconciliation:	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
Year Ended 30 June 2020				
Net Carrying Amount at Start of Year	5,074	77	97	5,248
Additions	22	16	12	50
Assets Reclassified To Held for Sale	(0)	...	...	(0)
Disposals	(14)	...	...	(14)
Net Revaluations Recognised In Reserves	26	2	(12)	16
Depreciation Expense	(93)	(10)	(1)	(105)
Other Movements	902	...	363	1,265
Net Carrying Amount at End of Year	5,917	84	460	6,460

Total State Sector

Total Property, Plant and Equipment

Fair Value	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
At 30 June 2019^(a)				
Gross Carrying Amount	204,036	29,668	237,619	471,323
Accumulated Depreciation and Impairment	(37,690)	(11,594)	(70,784)	(120,068)
Net Carrying Amount	166,346	18,075	166,835	351,255
At 30 June 2020				
Gross Carrying Amount	208,637	27,877	255,544	492,058
Accumulated Depreciation and Impairment	(40,134)	(11,220)	(75,347)	(126,701)
Net Carrying Amount	168,502	16,657	180,197	365,357

Reconciliation:	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
Year Ended 30 June 2020				
Net Carrying Amount at Start of Year^(a)	166,346	18,075	166,835	351,255
Opening Balance Adjustments ^(b)	(8)	104	18	115
Derecognition of Finance Lease Assets on Initial Application of AASB 16	(961)	(2,608)	(1)	(3,570)
Adjusted Net Carrying Amount at Start of Year	165,378	15,571	166,851	347,800
Additions	6,362	1,538	14,393	22,293
Assets Reclassified To Held for Sale	(173)	1	0	(171)
Disposals	(429)	(120)	(1,107)	(1,657)
Net Revaluations Recognised In Reserves ^(c)	641	128	3,773	4,542
Depreciation Expense	(2,674)	(1,251)	(3,459)	(7,384)
Other Movements	(602)	791	(255)	(66)
Net Carrying Amount at End of Year	168,502	16,657	180,197	365,357

Fair Value	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
At 30 June 2018^(a)				
Gross Carrying Amount	199,388	28,949	225,268	453,605
Accumulated Depreciation and Impairment	(37,761)	(11,581)	(68,087)	(117,429)
Net Carrying Amount	161,627	17,367	157,182	336,176
At 30 June 2019^(a)				
Gross Carrying Amount	204,036	29,668	237,619	471,323
Accumulated Depreciation and Impairment	(37,690)	(11,594)	(70,784)	(120,068)
Net Carrying Amount	166,346	18,075	166,835	351,255

Reconciliation:	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
Year Ended 30 June 2019				
Net Carrying Amount at Start of Year	161,627	17,367	158,158	337,152
Corrections to Prior Period ^(a)	...	...	(976)	(976)
Restated Net Carrying Amount at Start of Year	161,627	17,367	157,182	336,176
Additions	6,431	2,120	13,457	22,008
Assets Reclassified To Held for Sale	(401)	(24)	...	(425)
Disposals	(507)	(173)	(1,465)	(2,146)
Net Revaluations Recognised In Reserves ^(a)	2,484	(576)	5,367	7,275
Depreciation Expense ^(a)	(2,582)	(1,257)	(3,212)	(7,051)
Other Movements	(706)	618	(4,496)	(4,585)
Net Carrying Amount at End of Year^(a)	166,346	18,075	166,835	351,256

(a) These adjustments have been made due to information becoming available after the release of the 2018-19 Total State Sector Accounts.

(b) Includes revaluations of \$4.8 billion and impairment of \$335 million recognised in reserves for the current reporting period. Due to the current economic environment fewer revaluation increments were reported and as such this movement is expected.

(c) Includes revaluations of \$4.8b and impairment of \$335m recognised in reserves in the current reporting period. Due to the current economic environment fewer revaluation increments were reported and as such this movement is expected.

Property, Plant and Equipment Held and Used by the TSS

Fair Value	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
At 30 June 2019				
Gross Carrying Amount	144,968	29,373	237,520	411,861
Accumulated Depreciation and Impairment	(37,088)	(11,370)	(70,782)	(119,241)
Net Carrying Amount	107,880	18,003	166,738	292,621
At 30 June 2020				
Gross Carrying Amount	151,209	27,555	255,074	433,838
Accumulated Depreciation and Impairment	(39,478)	(10,980)	(75,337)	(125,794)
Net Carrying Amount	111,731	16,576	179,738	308,044

Reconciliation:	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
Year Ended 30 June 2020				
Net Carrying Amount at Start of Year	107,880	18,003	166,738	292,621
Opening Balance Adjustments ^(a)	(8)	104	18	115
Derecognition of Finance Lease Assets on Initial Application of AASB 16	(961)	(2,608)	(1)	(3,570)
Adjusted Net Carrying Amount at Start of Year	106,912	15,499	166,754	289,165
Additions	6,141	1,518	14,381	22,039
Assets Reclassified To Held for Sale	(134)	1	0	(132)
Disposals	(257)	(120)	(1,107)	(1,485)
Net Revaluations Recognised In Reserves	2,364	128	3,785	6,276
Depreciation Expense	(2,082)	(1,239)	(3,458)	(6,779)
Other Movements	(1,213)	789	(618)	(1,042)
Net Carrying Amount at End of Year	111,731	16,576	179,738	308,044

(a) These adjustments have been made due to information becoming available after the release of the 2018-19 Total State Sector Accounts.

Property, Plant and Equipment Where the TSS is the Lessor Under Operating Leases

Fair Value	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
At 30 June 2019				
Gross Carrying Amount	59,068	295	99	59,462
Accumulated Depreciation and Impairment	(602)	(223)	(2)	(827)
Net Carrying Amount	58,466	72	97	58,635
At 30 June 2020				
Gross Carrying Amount	57,428	322	470	58,220
Accumulated Depreciation and Impairment	(657)	(240)	(10)	(907)
Net Carrying Amount	56,771	82	460	57,313
Reconciliation:				
	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
Year Ended 30 June 2020				
Net Carrying Amount at Start of Year	58,466	72	97	59,635
Additions	221	21	12	254
Assets Reclassified To Held for Sale	(39)	...	...	(39)
Disposals	(172)	...	...	(172)
Net Revaluations Recognised In Reserves	(1,722)	0	(12)	(1,734)
Depreciation Expense	(592)	(13)	(1)	(606)
Other Movements	611	2	363	976
Net Carrying Amount at End of Year	56,771	82	460	57,313

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 2020	Level 1 \$m	Level 2 \$m	Level 3 \$m	Historical Cost \$m	Total \$m
Fair Value Hierarchy					
Property, Plant and Equipment					
Land and Buildings	...	15,104	79,718	...	94,822
Plant and Equipment ^(a)	...	3,898	4,629	4,012	12,538
Infrastructure Systems	...	123	124,282	...	124,406
Assets Held for Sale (Note 13)	...	260	26	...	286
	...	19,385	208,656	4,012	232,053

(a) Assets measured using depreciated historical cost as a surrogate for fair value do not require fair value hierarchy disclosures under AASB 13.

30 June 2019	Level 1 \$m	Level 2 \$m	Level 3 \$m	Historical Cost \$m	Total \$m
Fair Value Hierarchy^(a)					
Property, Plant and Equipment					
Land and Buildings	...	15,366	75,383	...	90,748
Plant and Equipment ^(b)	...	3,704	4,513	3,945	12,162
Infrastructure Systems	...	145	118,045	...	118,190
Assets Held for Sale (Note 13)	...	204	19	...	222
	...	19,418	197,960	3,945	221,322

(a) Refer to Note 32 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior periods.

(b) Assets measured using depreciated historical cost as a surrogate for fair value do not require fair value hierarchy disclosures under AASB 13.

Total State Sector

30 June 2020	Level 1 \$m	Level 2 \$m	Level 3 \$m	Historical Cost \$m	Total \$m
Fair Value Hierarchy					
Property, Plant and Equipment					
Land and Buildings	...	16,978	151,525	...	168,502
Plant and Equipment ^(a)	...	3,943	8,163	4,551	16,657
Infrastructure Systems	...	123	180,074	...	180,197
Assets Held for Sale (Note 13)	...	259	75	...	335
	...	21,303	339,838	4,551	365,690

30 June 2019	Level 1 \$m	Level 2 \$m	Level 3 \$m	Historical Cost \$m	Total \$m
Fair Value Hierarchy^(a)					
Property, Plant and Equipment					
Land and Buildings	...	17,386	148,960	...	166,346
Plant and Equipment ^(b)	...	3,733	9,875	4,467	18,075
Infrastructure Systems	...	145	166,690	...	166,835
Assets Held for Sale (Note 13)	...	205	78	...	283
	...	21,468	325,603	4,467	351,538

(a) Assets measured using depreciated historical cost as a surrogate for fair value do not require fair value hierarchy disclosures under AASB 13.

(b) Refer to Note 32 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior periods.

Reconciliation of Recurring Level 3 Fair Value Measurements for Non-Financial Assets

General Government Sector

	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Assets Held for Sale \$m	Total Recurring Level 3 Fair Value \$m
Year Ended 30 June 2020					
Fair Value at Start of Year^(a)	75,383	4,513	118,046	19	197,961
Opening balance fair value adjustments ^(b)	879	12	(269)	...	622
Derecognition of Finance Lease Assets on Initial Application of AASB 16	(344)	(701)	(1)	...	(1,046)
Adjusted Fair Value at Start of Year	75,918	3,824	117,775	19	197,537
Additions	5,179	275	11,679	0	17,134
Revaluations Recognised in Other Comprehensive Income	1,443	35	2,468	...	3,946
Transfers into Level 3	448	0	(46)	...	402
Transfers out of Level 3	(414)	(40)	(8)	(16)	(478)
Disposals	(155)	(4)	(1,091)	(4)	(1,254)
Depreciation Expense	(1,644)	(128)	(1,920)	...	(3,692)
Other Movements	(1,057)	666	(4,575)	27	(4,939)
Fair Value at End of Year	79,718	4,629	124,282	26	208,656

	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Assets Held for Sale \$m	Total Recurring Level 3 Fair Value \$m
Year Ended 30 June 2019					
Fair Value at Start of Year	67,654	3,182	101,883	111	172,830
Corrections to Prior Period ^(a)	694	66	(976)	...	(216)
Restated Fair Value at Start of Year	68,348	3,248	100,907	111	172,614
Additions	3,708	266	9,841	10	13,824
Revaluations Recognised in Other Comprehensive Income ^(a)	2,825	73	2,978	...	5,877
Transfers into Level 3	532	(0)	(1)	...	531
Transfers out of Level 3	(98)	(1)	0	...	(99)
Disposals	(207)	(1)	(1,141)	(2)	(1,351)
Depreciation Expense ^(a)	(1,570)	(174)	(1,867)	...	(3,611)
Other Movements	1,843	1,102	7,327	(100)	10,173
Fair Value at End of Year^(a)	75,383	4,513	118,046	19	197,961

(a) Refer to Note 32 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior periods.

(b) These adjustments have been made due to information becoming available after the release of the 2018-19 Total State Sector Accounts.

Total State Sector

	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Assets Held for Sale \$m	Total Recurring Level 3 Fair Value \$m
Year Ended 30 June 2020					
Fair Value at Start of Year^(a)	148,961	9,875	166,691	78	325,605
Opening balance fair value adjustments ^(b)	1,634	86	(264)	...	1,457
Derecognition of Finance Lease Assets on Initial Application of AASB 16	(654)	(2,594)	(1)	...	(3,249)
Adjusted Fair Value at Start of Year	149,941	7,367	166,425	78	323,812
Additions	6,035	472	14,987	0	21,494
Revaluations Recognised in Other Comprehensive Income	286	35	3,690	...	4,011
Transfers into Level 3	448	0	(46)	...	402
Transfers out of Level 3	(414)	(75)	(8)	(16)	(512)
Disposals	(342)	(8)	(1,126)	(59)	(1,535)
Depreciation Expense	(2,564)	(398)	(3,523)	0	(6,485)
Other Movements	(1,864)	769	(327)	71	(1,351)
Fair Value at End of Year	151,525	8,163	180,074	75	339,838

	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Assets Held for Sale \$m	Total Recurring Level 3 Fair Value \$m
Year Ended 30 June 2019					
Fair Value at Start of Year	144,080	9,150	157,862	218	311,309
Corrections to Prior Period ^(a)	...	...	(976)	...	(976)
Restated Fair Value at Start of Year	144,080	9,150	156,886	218	310,333
Additions	5,828	893	13,702	10	20,433
Revaluations Recognised in Other Comprehensive Income ^(a)	2,606	(472)	3,511	...	5,645
Transfers into Level 3	527	...	21	...	549
Transfers out of Level 3	(98)	(1)	...	...	(99)
Disposals	(522)	(12)	(1,225)	(78)	(1,837)
Depreciation Expense ^(a)	(2,405)	(481)	(3,249)	...	(6,136)
Other Movements	(1,056)	798	(2,955)	(71)	(3,284)
Fair Value at End of Year^(a)	148,961	9,875	166,691	78	325,605

(a) Refer to Note 32 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior periods.

(b) These adjustments have been made due to information becoming available after the release of the 2018-19 Total State Sector Accounts.

Valuation techniques, inputs and processes

Land and Buildings

Most 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 current 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 current 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 was higher/(lower). The estimated fair value of buildings would increase/(decrease) if the replacement cost per square metre for the asset components was higher/(lower).
Hospitals	The estimated fair value of land would increase/(decrease) if the value per square metre was higher/(lower). The estimated fair value of buildings would increase/(decrease) if the replacement cost per square metre for the asset components was 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 are adjusted for the size of the land and the long-term land appreciated rate. Discounts are applied as necessary, especially to land within waterways and those under undeveloped crown roads to reflect value in use. The estimated fair value would increase/(decrease) if the comparable land values increase/(decrease).

Plant and Equipment

Plant and equipment comprise 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.

Rail Rolling Stock

Rolling stock is valued using a current 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

Public 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 current 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. In most instances, 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 replacement cost rates 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 or recollection cost rates increased/(decreased).

Infrastructure Systems

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

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 technique is used to perform the income approach valuation 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 current 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 current 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. Most assets are classified at Level 2 as their value has been determined on market observable inputs.

Note 15: Intangibles

Intangible assets are measured initially at cost, in accordance with AASB 138 *Intangible Assets* (AASB 138). 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 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 the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognised in 'other economic flows – included in the operating result'.

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

Assumptions

	Computer Software	Easements	Other
Useful lives	Finite (2-10 years)	Indefinite	Finite (4-10 years)
Amortisation method	Straight line	Not amortised	Various
Internally Generated/Acquired	Both	Acquired	Both
Impairment test/Recoverable amount testing	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 ^(a) \$m	Other \$m	Total \$m
At 1 July 2019				
Cost (Gross Carrying Amount)	5,930	349	(0)	6,279
Accumulated Amortisation and Impairment	(2,577)	(8)	0	(2,585)
Net Carrying Amount	3,352	342	0	3,694
At 30 June 2020				
Cost (Gross Carrying Amount)	6,223	408	2	6,633
Accumulated Amortisation and Impairment	(2,933)	(17)	3	(2,947)
Net Carrying Amount	3,290	391	5	3,686
Reconciliation:				
Year ended 30 June 2020				
Net Carrying Amount at Start of Year	3,352	342	0	3,694
Additions	568	...	37	605
Disposals	(8)	...	(13)	(21)
Reclassification (to) / from Property, Plant and Equipment	(33)	51	(4)	15
Impairment	(4)	...	...	(4)
Amortisation	(612)	(3)	(1)	(616)
Other Movements	26	2	(15)	12
Net Carrying Amount at End of Year	3,290	391	5	3,686

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

	Computer Software \$m	Easements ^(a) \$m	Other \$m	Total \$m
At 1 July 2018				
Cost (Gross Carrying Amount)	5,608	333	0	5,941
Accumulated Amortisation and Impairment	(2,250)	...	...	(2,250)
Net Carrying Amount	3,358	333	0	3,691
At 30 June 2019				
Cost (Gross Carrying Amount)	5,930	349	(0)	6,279
Accumulated Amortisation and Impairment	(2,577)	(8)	0	(2,585)
Net Carrying Amount	3,352	342	0	3,694
Reconciliation:				
Year ended 30 June 2019				
Net Carrying Amount at Start of Year	3,358	333	0	3,691
Additions	601	0	140	741
Disposals	(14)	(0)	(20)	(34)
Reclassification (to) / from Property, Plant and Equipment	43	(0)	(121)	(78)
Impairment	(26)	...	...	(26)
Amortisation	(609)	...	0	(608)
Other Movements	(1)	9	0	8
Net Carrying Amount at End of Year	3,352	342	0	3,694

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

Total State Sector

	Computer Software \$m	Easements ^(a) \$m	Other \$m	Total \$m
At 1 July 2019				
Cost (Gross Carrying Amount)	7,917	455	71	8,443
Accumulated Amortisation and Impairment	(3,614)	(8)	(11)	(3,634)
Net Carrying Amount	4,302	447	60	4,809
At 30 June 2020				
Cost (Gross Carrying Amount)	8,244	515	97	8,856
Accumulated Amortisation and Impairment	(4,055)	(18)	(15)	(4,088)
Net Carrying Amount	4,189	497	81	4,768
Reconciliation:				
Year ended 30 June 2020				
Net Carrying Amount at Start of Year	4,302	447	60	4,809
Additions	629	1	94	724
Disposals	(20)	...	(13)	(32)
Reclassification (to) / from Property, Plant and Equipment	(19)	52	(4)	29
Impairment	(4)	(0)	2	(2)
Amortisation	(760)	(3)	(8)	(771)
Other Movements	61	2	(51)	12
Net Carrying Amount at End of Year	4,189	497	81	4,768

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

	Computer Software \$m	Easements ^(a) \$m	Other \$m	Total \$m
At 1 July 2018				
Cost (Gross Carrying Amount)	7,558	434	0	7,992
Accumulated Amortisation and Impairment	(3,246)	(1)	(0)	(3,247)
Net Carrying Amount	4,312	433	(0)	4,745
At 30 June 2019				
Cost (Gross Carrying Amount)	7,917	455	71	8,443
Accumulated Amortisation and Impairment	(3,614)	(8)	(11)	(3,634)
Net Carrying Amount	4,302	447	60	4,809
Reconciliation:				
Year ended 30 June 2019				
Net Carrying Amount at Start of Year	4,312	433	(0)	4,745
Additions	711	0	258	970
Disposals	(14)	(0)	(20)	(34)
Reclassification (to) / from Property, Plant and Equipment	12	3	(121)	(108)
Impairment	(26)	0	(4)	(30)
Amortisation	(732)	(0)	(11)	(743)
Other Movements	40	11	(42)	9
Net Carrying Amount at End of Year	4,302	447	60	4,809

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

Note 16: 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*. SCAs are defined as 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.

The State has adopted the option to not apply AASB 16 to assets that would be classified as service concession assets in accordance with AASB 1059. The State continues to apply its existing accounting policy to these assets until AASB 1059 is applied.

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 or AASB 117; 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 leasing accounting standards.

	General Government Sector		Total State Sector	
	2019-20	2018-19 ^(a)	2019-20	2018-19 ^(a)
	\$m	\$m	\$m	\$m
Current	982	630	1,137	725
Non-current	5,876	5,635	6,410	5,724
	6,858	6,266	7,547	6,449
Other Non-Financial Assets Comprise:				
Right to Receive Privately Financed Infrastructure	2,969	2,521	3,074	2,607
Prepayments	3,852	3,697	3,999	3,788
Other	37	48	474	54
	6,858	6,266	7,547	6,449

(a) Right to receive privately financed infrastructure and prepayments of the General Government Sector have been reduced respectively by \$412 million and \$30 million in the comparative 2018-19 financial year for the revision in accounting approach applied for ANZ Stadium. Refer to Note 32: Restatement / Corrections to Prior Years for further information.

	Total State Sector	
	2019-20	2018-19
	\$m	\$m
Right to Receive Infrastructure and Prepaid Assets comprise^(a):		
WestConnex - Stage 1	760	417
WestConnex - Stage 3	1,150	692
NorthConnex	814	820
M7 Motorway - Westlink	720	646
Sydney Light Rail ^(b)	...	1,057
Other	3,629	2,763
	7,073	6,395

(a) Refer to Note 32 Restatement/Corrections to Prior Year Comparatives, for details of correction of prior period error reclassifying ANZ Stadium to Property Plant and Equipment.

(b) As at 30 June 2020, Transport for NSW has capitalised the Sydney Light as rail systems infrastructure following the First Passenger Service Stage 1 (Randwick to Circular Quay) opening on 14 December 2019 and First Passenger Service Stage 2 (Kingsford to Circular Quay) opening on 3 April 2020.

Infrastructure subject to the arrangement	Concession period (duration in years and final year)
Transport	
• M5	34 / 2026
• Sydney Harbour Tunnel	30 / 2022
• Parramatta Transport Interchange	23 / 2030
• Airport Line Railway Stations	30 / 2030
• Sydney Light Rail	17 / 2036
• Sydney Metro Northwest, 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	28 / 2048
• Eastern Distributor	48 / 2048
• WestConnex – Stage 1	43 / 2060
• WestConnex – Stage 2	40 / 2060
• WestConnex – Stage 3	38 / 2060
• Chatswood Transport Interchange	50 / 2064
Health	
• 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
Utilities	
• 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
Other	
• Qudos Bank Arena	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. 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 17: 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 Government Sector		Total State Sector	
	2019-20 \$m	2018-19 \$m	2019-20 \$m	2018-19 \$m
Tax Equivalents Receivable	15	32	...	...
Deferred Tax Equivalents Receivable	2,127	2,245	...	...
Receivable from the PNFC/PFC Sectors	2,143	2,277	...	...
Tax Equivalents Payable	80	3	...	...
Deferred Tax Equivalents Provision	82	108	...	...
Payable to the PNFC/PFC Sectors	162	111	...	...

Note 18: Deposits Held

Deposits held represent liabilities for deposits and security deposits held on behalf of entities and individuals external to the State.

Deposits held by Public Financial Corporations are monies deposited with TCorp on an unsecured basis either at call or for fixed terms of one year or less, with interest payable at maturity. Deposits held by Public Financial Corporations are designated at FVTPL at initial recognition as they are managed on a fair value basis in accordance with a documented risk management strategy.

Other 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. Other deposits held are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. Deposits are recognised at no less than the amount payable on demand. Other deposits held are subsequently measured at amortised cost using the effective interest method.

Further information regarding fair value measurement, liquidity risk, including a maturity analysis of the above deposits held, and market risk are disclosed in Note 26: Financial Instruments.

	General Government Sector		Total State Sector	
	2019-20 \$m	2018-19 \$m	2019-20 \$m	2018-19 \$m
Current	69	67	144	293
Non-current	...	...	...	...
	69	67	144	293
Deposits are Held for the Purposes of:				
Held by Public Financial Corporations	...	...	55	156
Other	69	67	89	137
	69	67	144	293

Note 19: Payables

Payables represent liabilities for goods and services provided to the State. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are initially measured at fair value, net of directly attributable transaction costs. Payables are subsequently measured at amortised cost using the effective interest method.

Further information regarding liquidity risk, including a maturity analysis of the below payables are disclosed in Note 26: Financial Instruments.

	General Government Sector		Total State Sector	
	2019-20 \$m	2018-19 \$m	2019-20 \$m	2018-19 \$m
Current	6,913	6,966	8,030	8,244
Non-current	118	113	118	113
	7,031	7,079	8,148	8,357
Payables Comprise:				
Payables Of A Capital Nature	906	1,222	1,117	1,454
Accrued Employee Benefits	900	657	998	734
Interest On Borrowings & Advances	398	308	2	3
Settlement Of Borrowings & Other Financial Instruments	...	...	1	...
Creditors & Other Accruals	4,827	4,892	6,031	6,166
	7,031	7,079	8,148	8,357

Note 20: Borrowings and Derivative Liabilities at Fair Value

Borrowings at fair value are initially and subsequently measured at fair value with transaction costs recognised in the 'net operating balance'. Borrowings at fair value primarily consist of domestic and overseas interest-bearing loans and bonds raised by NSW TCorp. These borrowings are designated at FVTPL at initial recognition as they are managed on a fair value basis in accordance with a documented risk management strategy.

Derivative liabilities are classified as held for trading and are measured at FVTPL unless they are designated as effective hedging instruments.

Further information regarding fair value measurement, liquidity risk, including a maturity analysis, and market risk are disclosed in Note 26: Financial Instruments.

	General Government Sector		Total State Sector	
	2019-20 \$m	2018-19 \$m	2019-20 \$m	2018-19 \$m
Current	19	11	15,167	9,690
Non-current	373	196	83,191	63,067
	392	207	98,358	72,757
Borrowings and Derivative Liabilities at Fair Value Comprise:				
Borrowings at Fair Value				
Bonds and Other Borrowings Issued by TCorp ^(a)	...	...	96,970	71,777
	...	...	96,970	71,777
Financial Liabilities Held For Trading				
Derivative Liabilities	392	207	1,380	977
	392	207	1,380	977
Designated And Effective Hedging Instruments				
Derivative Liabilities	...	...	8	3
	...	...	8	3
Total Borrowings and Derivative Liabilities at Fair Value	392	207	98,358	72,757

(a) Bonds and borrowings issued by TCorp have increased throughout 2019-20 primarily to fund infrastructure investment of the State and COVID-19 response and recovery measures.

Note 21: Borrowings at Amortised Cost

Borrowings at amortised cost comprise of interest-bearing liabilities including General Government Sector borrowings with TCorp, lease liabilities and other interest-bearing arrangements.

Borrowings classified as financial liabilities at amortised cost are initially recognised at fair value net of directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method.

Lease liabilities are determined in accordance with AASB 16 (2018-19: AASB 117). Refer to Note 28: Leases for further information on leases.

Further information regarding fair value measurement, liquidity risk, including a maturity analysis, and market risk of borrowings at amortised cost are disclosed in Note 26: Financial Instruments.

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Current	3,639	897	1,887	326
Non-current	64,246	36,759	13,538	6,825
	67,885	37,656	15,425	7,151
Borrowings at Amortised Cost Comprise:				
Other Borrowings at Amortised Cost ^(a)	55,821	33,233	35	31
Lease Liabilities ^{(b)(c)}	8,437	2,590	11,764	5,287
Financial Liabilities arising from Public Private Partnerships (PPP) ^(d)	3,627	1,834	3,627	1,834
	67,885	37,656	15,425	7,151

(a) Other borrowings at amortised cost for the General Government Sector comprise of borrowings with NSW TCorp. These borrowings have increased throughout 2019-20 primarily to fund infrastructure investment of the General Government Sector and COVID-19 response and recovery measures.

(b) The State continues to recognise finance lease liabilities for several PFPs accounted for in accordance with TPP06-8. Lease liabilities for 2019-20 includes finance lease liabilities recognised for PFP arrangements of \$1,352 million for the General Government Sector and \$1,994 million for the Total State Sector. Refer to Note 16: Other Non-Financial Assets for recognition and measurement policies applied for PFPs accounted for under TPP06-8.

(c) The 2018-19 balance relates to finance lease liabilities that continue to apply the principles of AASB 117.

(d) This also includes a future commitment, to be financed by the private sector, recognised under a PFP for future capital payments on assets constructed by the private sector in accordance with NSW Treasury Policy TPP06-8.

Note 22: 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* (AASB 119) (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, workers 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, with terms to maturity that match, as closely as possible, the estimated future cash outflow.

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 or by the State's self-insurance scheme, known as the Treasury Managed Fund.

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 0.2 per cent (2018-19: 0.7 to 0.9 per cent) and a future inflation rate of 0.8 to 2.5 per cent (2018-19: 1.6 to 2.5 per cent) and a superimposed inflation rate of 0.1 to 0.7 per cent (2018-19: 0.1 to 0.7 per cent).

In addition to the movement in the discount rate, the movement in the provision has been impacted due to the growth in volume and duration of claims as a result of the NSW bushfire events and COVID-19.

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Current	16,351	15,000	17,403	15,978
Non-current	6,215	5,802	6,414	5,991
	22,566	20,802	23,817	21,969
Employee Provisions Comprise:				
Long Service Leave	11,833	10,962	12,584	11,677
Annual and Other Leave Entitlements	4,264	3,849	4,584	4,130
Self Funded Worker's Compensation	5,806	5,270	5,915	5,372
Other	663	721	734	790
	22,566	20,802	23,817	21,969

Note 23: Superannuation Provisions

Superannuation provisions comprise unfunded superannuation liabilities recognised in the State's defined benefit schemes, in accordance with AASB 119.

The liability, or asset, recognised in the Statement of Financial Position of defined benefit schemes is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets plus the impact of asset ceiling.

The defined benefit obligation is calculated annually by independent actuaries (Mercer Consulting (Australia) Pty Ltd) using the projected unit credit method. The liability is assessed using the latest triennial review of actuarial economic and demographic assumptions and subsequent economic and market forecasts. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the 10-year Commonwealth government bond rate as at 30 June.

The present value of the defined benefit obligation is based on future payments arising from service of current and past scheme members up to the reporting date. It is calculated using 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.

Net interest expense is calculated by applying the discount rate to the net defined benefit liability or asset. Net interest and other expenses related to the defined benefit plans are recognised in 'expenses from transactions'.

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'.

Refer to Note 3: Expenses for information on net interest expense and refer to the Other Economic Flows – Other Comprehensive Income in the Statement of Comprehensive Income for information on actuarial gain and losses.

Net Liability recognised on Statement of Financial Position

	General Government Sector		Total State Sector	
	2019-20 \$m	2018-19 \$m	2019-20 \$m	2018-19 \$m
Current	99	1,735	99	1,740
Non-current	67,791	65,961	70,852	68,970
Total	67,890	67,696	70,951	70,711

State Public Sector Superannuation Schemes

The State public sector superannuation liability comprises the following schemes:

- State Sector Schemes^{(a)(d)}:
 - State Authorities Superannuation Scheme (SASS)
 - State Authorities Non-Contributory Superannuation Scheme (SANCS)
 - State Superannuation Scheme (SSS)
 - Police Superannuation Scheme (PSS)
 - Parliamentary Contributory Superannuation Scheme (PCSS)^{(b)(d)}
 - Judges' Pension Scheme (JPS)^{(c)(d)}
 - Energy Industries Superannuation Schemes (EISS)^(e)
- (a) 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 SAS Trustee Corporation (STC) is responsible for the governance of the State Sector Schemes.
- (b) The Parliamentary Contributory Superannuation Scheme (PCSS) was established by and is governed by the *Parliamentary Contributory Superannuation Act 1971* and its associated regulations. The PCSS trustee is a statutory body comprising of two trustees from the Legislative Council, five trustees from the Legislative Assembly, and the Treasury Secretary (or Treasury official appointed in their absence).
- (c) Judges' Pension Scheme (JPS), was established by and is governed by *Judges' Pensions Act 1953 No 41*. JPS does not have a trustee.
- (d) The State Sector Schemes, PCSS and JPS are exempt public sector superannuation schemes under the *Superannuation Industry (Supervision) Act 1993 (Cth) (the SIS Act)*. The SIS Act treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.
- (e) 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 *Superannuation Industry (Supervision) Act 1993 (Cth) (the SIS Act)*, but is also subject to regulation under the *Superannuation Administration Act 1996 (NSW)*. The Energy Industries Superannuation Scheme Pty Limited, as trustee, is responsible for the governance of the EISS.

These schemes are all defined benefit schemes, whereby at least a part 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. Except for JPS, all of the above schemes are closed to new entrants.

The NSW Government:

- ensures 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.
- prudentially monitors and audits the State Sector Schemes and PCSS and the activities of each of the Trustees in a manner consistent with the prudential controls of the SIS Act. These activities are in addition to other legislative obligations on the Trustees.
- remains committed to fully funding its superannuation liabilities and is reviewing the timing of contributions to achieve full funding. Reprofitting the Government's contributions to the State's defined benefits superannuation schemes is one of the fiscal repair initiatives being undertaken by the Government to respond to the unprecedented pressure on Government Finances as a result of the COVID-19 pandemic. *The Fiscal Responsibility Act 2012* includes a fiscal target to fully fund the State's superannuation liabilities by 2030 – this fiscal repair initiative will require amendment to the Act committed under the *Fiscal Responsibility Act 2012* to fully fund the State Sector Schemes.

The Trustees of the schemes:

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

Regulatory Framework

The *Superannuation Industry (Supervision) Act 1993 (Cth)* (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 2018 for the State Sector Schemes, at 30 June 2017 for PCSS, and at 1 January 2018 for JPS. 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 2018.

Scheme Member Numbers

Scheme membership numbers are as follows:

General Government Sector Member Numbers	NSW Public Sector Superannuation Schemes						
	SASS	SANCS	SSS	PSS	PCSS	JPS	EISS
For the 2019-20 Financial Year							
Contributors	13,627	15,691	1,427	637	14	129	...
Deferred Benefits	9,052	9,711	568	20	3	...	18
Pensioners	3,539	...	47,155	6,709	267	233	585
Pensions Fully Commuted	...	...	13,520	...	...	...	...
For the 2018-19 Financial Year							
Contributors	15,158	17,847	1,915	775	14	129	...
Deferred Benefits	9,347	11,016	650	24	2	...	19
Pensioners	3,483	...	47,383	6,664	277	233	584
Pensions Fully Commuted	...	...	13,655	...	...	...	...

Total State Sector Member Numbers	NSW Public Sector Superannuation Schemes						
	SASS	SANCS	SSS	PSS	PCSS	JPS	EISS
For the 2019-20 Financial Year							
Contributors	15,463	17,624	1,524	637	14	129	306
Deferred Benefits	9,052	9,711	621	20	3	...	19
Pensioners	4,483	...	49,405	6,709	267	233	695
Pensions Fully Commuted	...	...	14,499	...	...	...	...
For the 2018-19 Financial Year							
Contributors	17,195	20,006	2,037	775	14	129	336
Deferred Benefits	9,347	11,016	712	24	2	...	20
Pensioners	4,379	...	49,646	6,664	277	233	692
Pensions Fully Commuted	...	...	14,646	...	...	...	...

Net Liability Recognised in the Statement of Financial Position

The net liability recognised in the Statement of Financial Position comprises the following Scheme net defined benefit obligation balances.

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
SASS				
Present Value of Defined Benefit Obligation	15,226	15,281	17,853	17,996
Plan Assets	(9,753)	(10,054)	(11,177)	(11,572)
Impact of Asset Ceiling	17	17	18	17
Net Liability	5,491	5,243	6,693	6,441
SANCS				
Present Value of Defined Benefit Obligation	2,355	2,434	2,563	2,649
Plan Assets	(1,535)	(1,682)	(1,632)	(1,783)
Impact of Asset Ceiling	0	0	0	0
Net Liability	820	752	931	866
SSS				
Present Value of Defined Benefit Obligation	64,193	65,393	67,264	68,503
Plan Assets	(20,381)	(21,125)	(21,850)	(22,661)
Impact of Asset Ceiling	0	0	21	19
Net Liability	43,812	44,268	45,435	45,861
PSS				
Present Value of Defined Benefit Obligation	20,241	20,187	20,241	20,187
Plan Assets	(5,036)	(5,113)	(5,036)	(5,113)
Net Liability	15,205	15,074	15,205	15,074
PCSS				
Present Value of Defined Benefit Obligation	1,009	980	1,009	980
Plan Assets	(328)	(336)	(328)	(336)
Net Liability	681	643	681	643
JPS				
Present Value of Defined Benefit Obligation	1,601	1,455	1,601	1,455
Net Liability	1,601	1,455	1,601	1,455
EISS				
Present Value of Defined Benefit Obligation	732	744	1,130	1,146
Plan Assets	(452)	(484)	(726)	(777)
Net Liability	280	260	404	369
Total				
Present Value of Defined Benefit Obligation ^(a)	105,357	106,474	111,662	112,916
Plan Assets	(37,484)	(38,795)	(40,749)	(42,242)
Impact of Asset Ceiling ^(b)	17	17	39	37
Total Net Liability	67,890	67,696	70,951	70,711

(a) The defined benefit obligation 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%. The PCSS assets and defined benefit obligation are based on 2020 data (2019: from 2018 data). The JPS defined benefit obligation is projected from 2018 data (2019: from 2018 data).

(b) The Future Service Liability (FSL) used to determine if an asset ceiling limit should be imposed does not have to be recognised by the State in accordance with AASB 119.

The increase in net liabilities over the 12 months to 30 June 2020 of \$194 million (2018-19: \$13.5 billion) for the General Government Sector and \$240 million (2018-19: \$14.3 billion) for the Total State Sector is largely as a result of the decrease in the liability discount rate for the State Sector Schemes and EISS from 1.32 per cent to 0.87 per cent (2018-19: decrease from 2.65 per cent to 1.32 per cent).

Reconciliation of the Net Defined Benefit Obligation

The movements in the net defined benefit obligation over the year are as follows:

General Government Sector

	Present Value of Obligation \$m	Fair Value of Plan Assets \$m	Total \$m	Impact of Asset Ceiling \$m	Total Net Liability \$m
Balance at 1 July 2019	106,474	(38,795)	67,679	17	67,696
Current Service Cost	400	...	400	...	400
Net Interest Expense (Interest Expense/(Income))	1,376	(494)	882	0	882
Superannuation Interest Cost - Expenses from Transactions	1,777	(494)	1,283	0	1,283
Remeasurements:					
Actual Return on Fund Assets Excluding Interest Income	...	(346)	(346)	...	(346)
Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	(0)	...	(0)	...	(0)
Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	1,204	...	1,204	...	1,204
Actuarial (Gains)/Losses Arising from Liability Experience	(185)	...	(185)	...	(185)
Change in Asset Ceiling Excluding Interest Expense	...	...	...	0	0
Superannuation Recognised in Other Economic Flows - Other Comprehensive Income	1,019	(346)	673	0	673
(Gains)/Losses Arising from Settlements	(0)	...	(0)	...	(0)
Contributions:					
Employer Contributions	...	(1,761)	(1,761)	...	(1,761)
Contributions by Participants	144	(144)	...	...	...
Payments:					
Benefits Paid	(3,914)	3,914	...	...	...
Taxes, Premiums & Expenses Paid	(142)	142	...	...	...
Effects of Transfers In/Out Due to Business Combinations and Disposals	(2)	...	(2)	...	(2)
Balance at 30 June 2020	105,357	(37,484)	67,873	17	67,890

	Present Value of Obligation \$m	Fair Value of Plan Assets \$m	Total \$m	Impact of Asset Ceiling \$m	Total Net Liability \$m
Balance at 1 July 2018	92,591	(38,406)	54,185	16	54,200
Current Service Cost	411	...	411	...	411
Net Interest Expense (Interest Expense/(Income))	2,394	(982)	1,411	0	1,412
Superannuation Interest Cost - Expenses from Transactions	2,804	(982)	1,822	0	1,822
Remeasurements:					
Actual Return on Fund Assets Excluding Interest Income	...	(2,067)	(2,067)	...	(2,067)
Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	17	...	17	...	17
Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	15,885	...	15,885	...	15,885
Actuarial (Gains)/Losses Arising from Liability Experience	(471)	...	(471)	...	(471)
Change in Asset Ceiling Excluding Interest Expense	...	...	...	1	1
Superannuation Recognised in Other Economic Flows - Other Comprehensive Income	15,430	(2,067)	13,363	1	13,364
(Gains)/Losses Arising from Settlements	(9)	...	(9)	...	(9)
Contributions:					
Employer Contributions	...	(1,681)	(1,681)	...	(1,681)
Contributions by Participants	165	(165)	...	...	...
Payments:					
Benefits Paid	(4,606)	4,606	...	...	...
Taxes, Premiums & Expenses Paid	100	(100)	...	...	...
Effects of Transfers In/Out Due to Business Combinations and Disposals	(1)	...	(1)	...	(1)
Balance at 30 June 2019	106,474	(38,795)	67,679	17	67,696

Total State Sector

	Present Value of Obligation \$m	Fair Value of Plan Assets \$m	Total \$m	Impact of Asset Ceiling \$m	Total Net Liability \$m
Balance at 1 July 2019	112,915	(42,242)	70,673	37	70,711
Current Service Cost	436	...	436	...	436
Net Interest Expense (Interest Expense/(Income))	1,465	(538)	927	0	927
Superannuation Interest Cost - Expenses from Transactions	1,901	(538)	1,363	0	1,364
Remeasurements:					
Actual Return on Fund Assets Excluding Interest Income	...	(374)	(374)	...	(374)
Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	(0)	...	(0)	...	(0)
Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	1,306	...	1,306	...	1,306
Actuarial (Gains)/Losses Arising from Liability Experience	(244)	...	(244)	...	(244)
Change in Asset Ceiling Excluding Interest Expense	...	...	...	2	2
Superannuation Recognised in Other Economic Flows - Other Comprehensive Income	1,063	(374)	688	2	690
(Gains)/Losses Arising from Settlements	(7)	6	(1)	...	(1)
Contributions:					
Employer Contributions	...	(1,810)	(1,810)	...	(1,810)
Contributions by Participants	161	(161)	...	...	...
Payments:					
Benefits Paid	(4,212)	4,212	...	...	...
Taxes, Premiums & Expenses Paid	(157)	157	...	...	...
Effects of Transfers In/Out Due to Business Combinations and Disposals	(2)	...	(2)	...	(2)
Balance at 30 June 2020	111,662	(40,749)	70,912	39	70,951

	Present Value of Obligation \$m	Fair Value of Plan Assets \$m	Total \$m	Impact of Asset Ceiling \$m	Total Net Liability \$m
Balance at 1 July 2018	98,154	(41,772)	56,382	38	56,421
Current Service Cost	445	...	445	...	445
Net Interest Expense (Interest Expense/(Income))	2,535	(1,068)	1,467	(1)	1,466
Superannuation Interest Cost - Expenses from Transactions	2,980	(1,068)	1,912	(1)	1,911
Remeasurements:					
Actual Return on Fund Assets Excluding Interest Income	...	(2,252)	(2,252)	...	(2,252)
Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	19	...	19	...	19
Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	16,819	...	16,819	...	16,819
Actuarial (Gains)/Losses Arising from Liability Experience	(466)	...	(466)	...	(466)
Change in Asset Ceiling Excluding Interest Expense	...	...	...	...	...
Superannuation Recognised in Other Economic Flows - Other Comprehensive Income	16,372	(2,252)	14,120	...	14,120
(Gains)/Losses Arising from Settlements	(22)	11	(11)	...	(11)
Contributions:					
Employer Contributions	...	(1,734)	(1,734)	...	(1,734)
Contributions by Participants	183	(183)	...	...	...
Payments:					
Benefits Paid	(4,866)	4,866	...	...	...
Taxes, Premiums & Expenses Paid	110	(110)	...	...	...
Effects of Transfers In/Out Due to Business Combinations and Disposals	4	...	4	...	4
Balance at 30 June 2019	112,915	(42,242)	70,673	37	70,711

Significant Actuarial Assumptions

The significant defined benefit liability actuarial assumptions at the reporting dates are as per the following table.

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

Significant Actuarial Assumptions	At 30 June 2020		At 30 June 2019	
	State Super Schemes, JPS, PCSS	EISS	State Super Schemes, JPS, PCSS	EISS
Discount Rate	0.87% pa	0.87% pa	1.32% pa	1.32% pa
CPI Growth Rate	1.00% pa ^(a)	1.00% pa ^(a)	1.75% pa	1.75% pa
Salary Growth Rate	3.20% pa	2.20% pa ^(b)	3.20% pa	2.50% pa
Pensioner Mortality Rate	As per the 30 June 2018 triennial valuation for State Super Schemes, as per 1 January 2018 triennial valuation for JPS, as per 2017 triennial actuarial valuation for PCSS, as per 2018 triennial actuarial valuation for EISS		As per the 30 June 2018 triennial valuation for State Super Schemes, as per 1 January 2018 triennial valuation for JPS, as per 2017 triennial actuarial valuation for PCSS, as per 2018 triennial actuarial valuation for EISS	

(a) Rate of CPI increase for State Super Funds Schemes and EISS in forward years are: 0.25% for 2020-21; 1.50% for 2021-22; 1.25% for 2022-23; 1.75% for 2023-24; 2.00% for 2024-25 and 2025-26; 2.25% pa to 2029-30; 2.50% pa thereafter.

(b) Salary increase rate (excluding promotional increases) for EISS is for Essential Energy only. Salary increase rate until 30 June 2021 is 2.20%; then 2.50% pa thereafter.

Sensitivity Analysis

There is increased volatility in terms of expected outcomes, especially in the short to medium term, in the current environment due to COVID-19. Information on sensitivities provides a guide to how this could affect the defined benefit obligation.

The State's total defined benefit obligation is presented below under several scenarios. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2020.

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.

30 June 2020	Base Case	Scenario A	Scenario B	Scenario C	Scenario D	Scenario E	Scenario F	Scenario G	Scenario H
		-0.5% Discount Rate	+0.5% Discount Rate	+0.5% rate of CPI increase	-0.5% rate of CPI increase	+0.5% Salary Increase Rate	-0.5% Salary Increase Rate	Lower Pensioner Mortality Rates	Higher Pensioner Mortality Rates
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m

Defined Benefit Obligation Value

State Sector Schemes ^(a)	107,920	115,821	100,843	115,364	101,183	108,312	107,540	109,970	106,649
EISS ^(b)	1,130	1,196	1,069	1,187	1,078	1,142	1,119	1,145	1,118
JPS ^{(c)(d)}	1,601	1,701	1,488	-	-	1,721	1,473	1,669	1,522
PCSS ^{(c)(d)}	1,009	1,109	924	-	-	1,103	925	1,044	973

(a) For State Sector Schemes and EISS, the lower pensioner mortality rate sensitivity assumes that State Sector Scheme (EISS) short term pensioner mortality improvement factors continue into the long term after 2023 (EISS: 2024). The higher pensioner mortality rate sensitivity assumes that State Sector Scheme (EISS) long term pensioner mortality improvement factors for years post 2023 (EISS: 2024) are also applicable for years in the short term.

(b) For EISS, the lower mortality demographic assumption sensitivity assumes that the short term pensioner mortality improvement factors for years 2018 to 2024 also apply for years after 2024. The higher mortality demographic assumption sensitivity assumes that long term pensioner mortality improvement factors for years post 2024 also apply for years 2018 to 2024.

(c) For JPS and PCSS, the lower pensioner mortality sensitivity assumes a 10 per cent decrease in pensioner mortality rates. The higher pensioner mortality sensitivity assumes a 10 per cent increase in pensioner mortality rates.

(d) CPI sensitivity analysis information is not available for these funds.

30 June 2019	Base Case	Scenario A	Scenario B	Scenario C	Scenario D	Scenario E	Scenario F	Scenario G	Scenario H
		-1.0% Discount Rate	+1.0% Discount Rate	+0.5% rate of CPI increase	-0.5% rate of CPI increase	+0.5% Salary Increase Rate	-0.5% Salary Increase Rate	Lower Pensioner Mortality Rates	Higher Pensioner Mortality Rates
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m

Defined Benefit Obligation Value

State Sector Schemes ^(a)	109,334	126,290	95,569	116,773	102,419	109,680	108,810	111,167	108,009
EISS ^(b)	1,146	1,291	1,026	1,207	1,090	1,157	1,136	1,161	1,134
JPS ^{(c)(d)}	1,455	1,646	1,267	-	-	1,562	1,337	1,515	1,381
PCSS ^{(c)(d)}	980	1,182	824	-	-	1,071	898	1,013	946

- (e) For State Sector Schemes and EISS, the lower pensioner mortality rate sensitivity assumes that State Sector Scheme (EISS) short term pensioner mortality improvement factors continue into the long term after 2023 (EISS: 2024). The higher pensioner mortality rate sensitivity assumes that State Sector Scheme (EISS) long term pensioner mortality improvement factors for years post 2023 (EISS: 2024) are also applicable for years in the short term.
- (f) For EISS, the lower mortality demographic assumption sensitivity assumes that the short term pensioner mortality improvement factors for years 2018 to 2024 also apply for years after 2024. The higher mortality demographic assumption sensitivity assumes that long term pensioner mortality improvement factors for years post 2024 also apply for years 2018 to 2024.
- (g) For JPS and PCSS, the lower pensioner mortality sensitivity assumes a 10 per cent decrease in pensioner mortality rates. The higher pensioner mortality sensitivity assumes a 10 per cent increase in pensioner mortality rates.
- (h) CPI sensitivity analysis information is not available for these funds.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit net liability recognised in the Statement of Financial Position.

Fair Value of Fund Assets

The major categories of plan assets for the State Sector Schemes are as follows:

Asset Category	2019-20				2018-19			
	Quoted \$m	Unquoted \$m	Total \$m	in %	Quoted \$m	Unquoted \$m	Total \$m	in %
Short Term Securities	1,890	2,207	4,097	10.2%	2,136	1,907	4,042	9.6%
Australian Fixed Interest	...	1,066	1,066	2.7%	5	2,290	2,295	5.4%
International Fixed Interest	30	1,879	1,909	4.8%	7	1,961	1,968	4.7%
Australian Equities	6,902	392	7,294	18.1%	7,818	551	8,369	19.8%
International Equities	11,487	463	11,950	29.7%	8,795	2,592	11,387	27.0%
Property	645	2,708	3,352	8.3%	699	2,890	3,588	8.5%
Alternatives	23	10,499	10,523	26.2%	327	10,231	10,558	25.0%
Total^(a)	20,977	19,215	40,192	100.0%	19,787	22,421	42,208	100.0%

- (a) Additional to the assets disclosed above, at 30 June 2020 the State Sector Schemes Pooled Fund has provisions for receivables / (payables) estimated to be around \$1.69 billion (2018-19: \$1.63 billion). This gives total estimated assets of \$41.88 billion (2018-19: \$43.84 billion). The total includes assets for schemes outside NSW government.

The State Sector Schemes' assets are invested at arm's length through independent fund managers and have a diversified asset mix. The assets of the State Sector Schemes are pooled together in the Pooled Fund and are not separately invested for each scheme. It is therefore not possible or appropriate to disaggregate and attribute fund assets to individual schemes. The fair value of the Pooled Fund assets as at 30 June 2020 includes \$36.9 million (2019: \$100 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 \$340 million (30 June 2019: \$316 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value of \$343 million (30 June 2019: \$331 million).

The major categories of plan assets for EISS are as follows:

Asset Category	2019-20				2018-19			
	Quoted \$m	Unquoted \$m	Total \$m	in %	Quoted \$m	Unquoted \$m	Total \$m	in %
Australian Equities	...	262	262	14.3%	...	329	329	16.0%
International Equities	...	464	464	25.3%	...	515	515	25.0%
Property	...	235	235	12.8%	...	226	226	11.0%
Private Equity	...	17	17	0.9%	...	41	41	2.0%
Infrastructure	...	139	139	7.6%	...	123	123	6.0%
Alternatives	...	147	147	8.0%	...	82	82	4.0%
Fixed Income	...	332	332	18.1%	...	638	638	31.0%
Cash	...	239	239	13.0%	...	103	103	5.0%
Total	...	1,835	1,835	100.0%	...	2,058	2,058	100.0%

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

There are no assets in the JPS. The State makes regular contributions to meet the scheme's obligations. For PCSS the asset categories split was not available at 30 June 2020.

Description of the Risks Arising from the Schemes

There are a number of risks arising from the schemes. The more significant risks 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.

The major potential for volatility arises from movements in the fair value of plan assets and the risk-free rate which is used to discount defined benefit obligations.

Plan assets are invested with independent fund managers and have a diversified asset mix. The Schemes do not have significant concentrations of investment risk or liquidity risk.

For State Sector Schemes, the Trustee monitors asset-liability risk continuously in setting its investment strategy. It also monitors cashflows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

Derivative instruments may be used by investment managers in the management of the portfolio but must not be used for speculative purposes, investment portfolio gearing or to create net short positions.

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	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Accrued Benefits	52,216	52,019	55,625	55,471
Net Market Value of Fund assets	(37,484)	(38,795)	(40,749)	(42,242)
Net (Surplus)/Deficit	14,731	13,225	14,875	13,228

The primary difference between the net deficit calculated in accordance with AASB 1056 compared with AASB 119 (and brought to account in the TSSA's Consolidated Statement of Financial Position) is that the accrued benefits discount rate is based on the more volatile and currently significantly lower 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 current long term earning rate exceeds the Commonwealth government bond rate by a large margin, liabilities valued under AASB 1056 are significantly lower than liabilities valued under AASB 119.

Economic assumptions adopted for the 30 June 2020 AASB 1056 valuation are as follows:

	At 30 June 2020		At 30 June 2019	
	Pooled Fund	EISS	Pooled Fund	EISS
Expected Rate of Return on Assets Backing Current Pension Liabilities	7.00% pa	5.00% pa	7.40% pa	5.50% pa
Expected Rate of Return on Assets Backing Other Liabilities	6.00% pa	5.00% pa	6.40% pa	5.50% pa
Expected Salary Increase Rate	3.20% pa	2.30% pa ^(a)	3.20% pa	2.60% pa
Expected Rate of CPI Increase	2.00% pa	1.90% pa	2.20% pa	2.30% pa

(a) EISS (for Essential Energy only) salary increase rate until 30 June 2021 is 2.30% pa; 2.40% for 2021-22; 2.50% for 2022-23; then 2.90% pa thereafter.

Separate sensitivities are not included for the AASB 1056 measurement of the accrued benefits. However, the assumptions for CPI, salary and demographics are broadly the same under both AASB 119 and AASB 1056. Whilst the underlying liability amounts for AASB 1056 are lower than for AASB 119, the sensitivity of results under AASB 119 gives an indication to the directional and proportional impact of the changes in these assumptions.

The one assumption that differs substantially under the two standards is the expected rate of return on the fund assets (discount rate). Due to this variation and the potential for material variation in the rate of return on fund assets in current financial conditions, the sensitivities to this assumption for the AASB 1056 measured accrued benefits is provide in the tables below.

30 June 2020	Base Case	Scenario A	Scenario B
		-0.5% Discount Rate	+0.5% Discount Rate
	\$m	\$m	\$m
Defined Benefit Obligation Value			
State Sector Schemes	53,702	55,766	51,793
EISS	704	736	675
JPS	783	834	735
PCSS	435	460	412

30 June 2019	Base Case	Scenario A	Scenario B
		-0.5% Discount Rate	+0.5% Discount Rate
	\$m	\$m	\$m
Defined Benefit Obligation Value			
State Sector Schemes	53,571	55,636	51,662
EISS	719	750	688
JPS	755	804	708
PCSS	426	450	404

Funding Levels

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. Funding positions are reviewed annually, and funding arrangements may be adjusted as required after each annual review. Contribution rates are set after discussions between the employer, Trustees and the State.

The State makes regular contributions for the JPS to meet the scheme's obligations as it holds no assets.

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 State. Employer contributions rates are 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.

The table below summarises the expected contributions to each plan for the next annual reporting period and the maturity profile of the defined benefit obligation of the plans.

	Expected Contributions		Maturity Profile		Recommended Contribution Rates
	2019-20 ^(a)	2018-19 ^(b)	2019-20	2018-19	
	\$m	\$m	Years	Years	
SASS	60	328	14.0	12.4	multiple of member contributions
SANCS	18	68	14.0	12.4	% member salary
SSS	2	1,016	14.0	12.4	multiple of member contributions
PSS	...	331	14.0	12.4	% of member salary
PCSS	12	16	17.0	17.0	multiple of member contributions
JPS	52	50	14.0	14.0	% member salary
EISS	4	5	12.8	11.8	multiple of member contributions / % of member salary

(a) Represents expected contributions to the financial year ending 30 June 2021.

(b) Represents expected contributions to the financial year ending 30 June 2020.

The NSW Government's commitment under the Fiscal Responsibility Act 2012 to fully fund the State Sector Schemes, is measured in accordance with AASB 1056.

Note 24: 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.

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. When discounting is used, the unwinding of the discount rate in the current period is recognised as interest expense in 'Expenses from Transactions'. The impact of any discount rate changes on the provisions at the end of the period, due to the revaluation of future liabilities, is recognised in 'Other Economic Flows'.

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.

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	
	2019-20 \$m	2018-19 \$m	2019-20 \$m	2018-19 \$m
Current	3,743	2,890	4,119	3,295
Non-current	10,358	8,715	17,667	14,890
	14,101	11,604	21,786	18,185

Other Provisions Comprise:

Outstanding Claims:

Self Insurance Corporation (Excluding Self Funded Worker's Compensation) ^(a)	6,011	4,102	6,011	4,102
Workers' Compensation (Dust Diseases)	2,084	1,949	2,084	1,949
Lifetime Care And Support Scheme	...	...	7,354	6,186
State Insurance Regulatory Authority	290	258	290	258
Long Service Corporation Schemes	1,662	1,458	1,662	1,458
HIH Loss Compensation	4	7	4	7
Victims Support Fund	193	135	193	135
NSW Share of University Superannuation	1,381	1,442	1,381	1,442
Provision for Land Remediation, Restoration Costs and Other Claims	2,477	2,253	2,808	2,647
	14,101	11,604	21,786	18,185

Insurance Recoveries Receivable Include those Accrued by:

Self Insurance Corporation - for Reinsurance and Other Recoveries Receivable	303	251	303	251
Workers' Compensation (Dust Diseases) Authority - Insurance Levies Accrued	805	615	805	615
	1,107	866	1,107	866

(a) The increase in the provision for outstanding claims liabilities included in Self Insurance Corporation provisions is due to the inclusion of losses related to the NSW bushfire events, the impact of COVID-19 and the inclusion of sensitive claims relating to historical abuse for the first time on the NSW Treasury Managed Fund (TMF) self insurance scheme.

- 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' (refers to inflation above normal inflation, including factors such as trends in court awards). This provision is actuarially assessed in consultation with the claims managers of 'NSW Self Insurance Corporation' (SICorp) at each 30 June. The discount rate used is based on Commonwealth government bond yields. 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 SICorp (excluding worker's compensation) are:

	TMF		GWC		TAC	
	2019-20 %	2018-19 %	2019-20 %	2018-19 %	2019-20 %	2018-19 %
Not Later Than One Year						
Inflation Rate	0.70 - 1.37	1.72 - 2.88	1.05	2.33 - 2.58	0.83 - 1.37	2.32 - 2.88
Discount Rate	0.18 - 0.28	0.92 - 1.09	0.23	1.00	0.18 - 0.28	0.92 - 1.09
Superimposed Inflation ^(a)	1.50 - 3.00	1.50 - 2.50	0.00 - 1.75	0.00 - 1.75	3.50	3.50
Later Than One Year						
Inflation Rate	0.50 - 3.50	0.30 - 3.50	0.58 - 3.50	0.85 - 3.50	0.50 - 3.50	1.30 - 3.50
Discount Rate	0.25 - 4.50	0.89 - 4.50	0.26 - 4.50	0.90 - 4.50	0.25 - 4.50	0.89 - 4.50
Superimposed Inflation ^(a)	1.50 - 3.00	1.50 - 2.50	0.00 - 1.75	0.00 - 1.75	3.50	3.50

(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 2020, 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 2020, 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 2020, liabilities for compensation payments and estimated compensation for future claims were 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 2020, 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 2020, 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 2020 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 30: 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 2020, 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 %	
	2019-20	2018-19	2019-20	2018-19
Claims expected to be paid not later than one year				
Workers' Compensation (Dust Diseases)	0.23	1.00	1.05	2.33
Lifetime Care and Support	0.18 - 0.28	0.92 - 1.09	0.83 - 1.37	2.22 - 2.48
State Insurance Regulatory Authority	0.22	0.93	0.60	2.38
Building and Construction Industry Long Service Payment Scheme	0.90	1.40	3.00	3.00
HIH Loss Compensation	0.19	1.04	0.83	1.83
Claims expected to be paid later than one year				
Workers' Compensation (Dust Diseases)	1.71	1.90	1.73	2.06
Lifetime Care and Support	0.25 - 4.50	0.89 - 4.50	0.50 - 3.00	0.80 - 3.00
State Insurance Regulatory Authority	0.56 - 4.00	0.89 - 5.00	0.59 - 2.90	2.45 - 3.10
Building and Construction Industry Long Service Payments Scheme	0.90	1.40	3.00	3.00
HIH Loss Compensation	0.19	1.04	2.26 - 2.30	2.26 - 2.30

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

2019-20 Movement in Other Provisions

	Carrying Amount 1 July 2019 \$m	Additional Provisions \$m	Amounts Used \$m	Unused Amounts Reversed \$m	Actuarial (Gain)/Loss \$m	Unwinding/ Change In Discount Rate \$m	Carrying Amount 30 June 2020 \$m
Outstanding claims:							
Self Insurance Corporation (excluding Workers Compensation)	4,103	1,432	(671)	...	1,112	36	6,011
Workers' Compensation (Dust Diseases)	1,949	237	(120)	...	...	18	2,084
State Insurance Regulatory Authority	258	70	(23)	...	(18)	2	290
Long Service Corporation	1,458	199	(118)	...	57	66	1,662
HIH Loss Compensation	7	...	(1)	(2)	...	0	4
Victims Support Fund	135	115	(65)	...	7	1	193
NSW Share of University Superannuation	1,442	...	(67)	...	(13)	19	1,381
Land Remediation, Restorations and Other Claims	2,253	616	(306)	(71)	(26)	12	2,477
Total Other Provisions	11,604	2,669	(1,371)	(73)	1,118	153	14,101

2018-19 Movement in Other Provisions

	Carrying Amount 1 July 2018 \$m	Additional Provisions \$m	Amounts Used \$m	Unused Amounts Reversed \$m	Actuarial (Gain)/Loss \$m	Unwinding/ Change In Discount Rate \$m	Carrying Amount 30 June 2019 \$m
Outstanding claims:							
Self Insurance Corporation (excluding Workers Compensation)	3,692	834	(578)	...	91	64	4,103
Workers' Compensation (Dust Diseases)	1,827	209	(119)	...	...	32	1,949
State Insurance Regulatory Authority	144	64	(12)	...	50	12	258
Long Service Corporation	1,226	148	(94)	...	59	120	1,458
HIH Loss Compensation	16	(2)	(3)	(4)	...	0	7
Victims Support Fund	131	86	(58)	...	(26)	2	135
NSW Share of University Superannuation	1,279	186	(56)	...	...	33	1,442
Land Remediation, Restorations and Other Claims	1,895	520	(291)	(43)	152	21	2,253
Total Other Provisions	10,210	2,044	(1,211)	(47)	325	285	11,604

Total State Sector

2019-20 Movement in Other Provisions

	Carrying Amount 1 July 2019 \$m	Additional Provisions \$m	Amounts Used \$m	Unused Amounts Reversed \$m	Actuarial (Gain)/Loss \$m	Unwinding/ Change In Discount Rate \$m	Carrying Amount 30 June 2020 \$m
Outstanding claims:							
Self Insurance Corporation (excluding Workers Compensation)	4,103	1,432	(671)	...	1,112	36	6,011
Workers' Compensation (Dust Diseases)	1,949	237	(120)	...	...	18	2,084
Lifetime Care and Support Scheme	6,186	750	(180)	...	164	434	7,354
State Insurance Regulatory Authority	258	70	(23)	...	(18)	2	290
Long Service Corporation	1,458	199	(118)	...	57	66	1,662
HIH Loss Compensation	7	...	(1)	(2)	...	0	4
Victims Support Fund	135	115	(65)	...	7	1	193
NSW Share of University Superannuation	1,442	...	(67)	...	(13)	19	1,381
Land Remediation, Restorations and Other Claims	2,647	779	(526)	(78)	(26)	13	2,808
Total Other Provisions	18,185	3,582	(1,771)	(81)	1,283	588	21,787

2018-19 Movement in Other Provisions

	Carrying Amount 1 July 2018 \$m	Additional Provisions \$m	Amounts Used \$m	Unused Amounts Reversed \$m	Actuarial (Gain)/Loss \$m	Unwinding/ Change In Discount Rate \$m	Carrying Amount 30 June 2019 \$m
Outstanding claims:							
Self Insurance Corporation (excluding Workers Compensation)	3,692	834	(578)	...	91	64	4,103
Workers' Compensation (Dust Diseases)	1,827	209	(119)	...	...	32	1,949
Lifetime Care and Support Scheme	4,747	757	(161)	...	156	687	6,186
State Insurance Regulatory Authority	144	64	(12)	...	50	12	258
Long Service Corporation	1,226	148	(94)	...	59	120	1,458
HIH Loss Compensation	16	(2)	(3)	(4)	...	0	7
Victims Support Fund	131	86	(58)	...	(26)	2	135
NSW Share of University Superannuation	1,279	186	(56)	...	...	33	1,442
Land Remediation, Restorations and Other Claims	2,338	644	(385)	(127)	154	23	2,647
Total Other Provisions	15,400	2,925	(1,465)	(130)	483	974	18,185

Note 25: Other Liabilities

Other Liabilities

Up-front payments received in respect of privately financed projects are deferred and amortised over the term of the arrangement. Refer to Note 16: Other Non-Financial Assets for further details.

Liabilities arising from transfers to acquire or construct non-financial assets to be controlled by the State are initially recognised at the fair value of the consideration received and are either subsequently amortised over time as the non-financial assets are being constructed, or at a point of time when non-financial assets are acquired. Refer to Note 2: Revenues for further details.

Other liabilities in the Total State Sector are comprised primarily of the interests in TCorpIM Funds of investors that are not controlled by the State such as universities, local government authorities, and the Workers Compensation Nominal Insurer. These interests represent units redeemable at the option of these investors and are classified as financial liabilities. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the reporting date if these investors exercised their right to put the units back to the Funds.

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Current	1,130	1,528	11,345	12,639
Non-current	3,885	4,606	3,962	4,711
	5,015	6,134	15,307	17,350
Other Liabilities Comprise:				
Deferred Revenues ^{(a)(b)(c)(d)}	4,321	5,313	4,509	5,624
Liabilities Arising from Transfers to Acquire or Construct Non-Financial Assets to Be Controlled by the State ^(e)	98	...	98	...
Other ^(f)	596	822	10,701	11,726
	5,015	6,134	15,307	17,350

- (a) Certain revenues deferred under AASB 118 in 2018-19 are now presented as contract liabilities under AASB 15 for 2019-20. Refer to Note 8: Contract Balances for the carrying amount of contract liabilities at 1 July 2019 and 30 June 2020.
- (b) Deferred Revenues of \$5,313 million for the General Government Sector in 2018-19 were separately presented in the 2018-19 TSSA as Deferred Revenue on the Private Provision of Infrastructure of \$512 million and Other Deferred Revenue of \$4,801 million. Deferred Revenues of \$5,624 million for the Total State Sector in 2018-19 were separately presented in the 2018-19 TSSA as Deferred Revenue on the Private Provision of Infrastructure of \$512 million and Other Deferred Revenue of \$5,112 million.
- (c) Deferred Revenues include 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.
- (d) Deferred Revenues also include amounts for the upfront contribution of \$2,479 million (2019: \$2,551 million) for the 35-year concession with the private sector for the provision of land titling and registry services and lease receipts in advance of \$341 million (2019: \$340 million) in relation to Central Barangaroo.
- (e) Liabilities Arising from Transfers to Acquire or Construct Non-Financial Assets to Be Controlled by the State have been initially recognised at 1 July 2019 on transition to AASB 1058. The carrying amount recognised for these liabilities at 1 July 2019 was \$729 million for the General Government Sector and \$729 million for the Total State Sector.
- (f) Other liabilities of the Total State Sector include interests in TCorpIM Funds of investors that are not controlled by the State of \$9,765 million (2019: \$10,289 million).

Reconciliation of Financial Assets and Corresponding Liabilities Arising from Transfers to Acquire or Construct Non-Financial Assets to Be Controlled by the State

A reconciliation of financial assets and corresponding liabilities arising from transfers to acquire or construct non-financial assets to be controlled by the State is provided below for the current reporting period.

	General Government Sector 2019-20 \$m	Total State Sector 2019-20 \$m
Opening Balance Recognised Upon Initial Application of AASB 1058	729	729
Receipt of Cash During the Year	1,336	1,336
Income Recognised During the Year	(1,967)	(1,967)
Closing Balance at 30 June	98	98

The State expects to recognise income for unsatisfied obligations associated with liabilities arising from transfers to acquire or construct non-financial assets to be controlled by the State in future reporting periods as detailed in the table below.

	General Government Sector 2019-20 \$m	Total State Sector 2019-20 \$m
Financial Year which Income will be Recognised		
2020-21	52	52
2021 and Beyond	46	46
Total	98	98

Refer to Note 2: Revenue for a description of the State's obligations under transfers received to acquire or construct non-financial assets to be controlled by the State.

Note 26: Financial Instruments

The principal financial instruments of the State 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 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 Government Sector Finance Act 2018* 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. 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. 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 Government Sector Finance Act 2018*. This includes lease liabilities.

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.

Accounting Classifications and Fair Values

Financial Instrument Categories

The State's financial instruments are classified at 30 June 2020, under AASB 9 Financial Instruments, as follows:

	Category	Note	General		Total	
			Government Sector		State Sector	
			2019-20	2018-19	2019-20	2018-19
			\$m	\$m	\$m	\$m
Financial Assets						
Cash and Cash Equivalents	Amortised Cost	6	6,134	1,969	10,717	8,979
Receivables ^(a)	Amortised Cost	7	5,292	4,234	5,331	4,452
Advances Paid	Amortised Cost	10	1,239	1,193	776	715
Investments, Loans and Placements						
Financial Assets at Fair Value						
Derivatives (Held for Trading)	Mandatorily at FVTPL	9	4	3	1,340	845
Derivatives (Designated Hedging Instrument)	Fair Value - Hedging Instrument	9	...	21	1	25
Interest Bearing Securities	Mandatorily at FVTPL	9	250	267	30,708	31,891
TCorpIM Funds	Mandatorily at FVTPL	9	40,571	42,984	...	...
Managed Funds and Other Investments	Mandatorily at FVTPL	9	48	56	13,860	11,798
Other Financial Assets						
Term Deposits	Amortised Cost	9	157	1,462	230	1,274
Leases Receivable ^(b)	Amortised Cost	9	906	704	1,078	1,087
Other	Amortised Cost	9	92	71	98	78
Equity Investments in Other Public Sector Entities ^{(c)(d)}	Designated at FVOCI	11	100,249	98,573	0	0
Other Equity Investments	Mandatorily at FVTPL	11	7	8	21,741	24,468
Financial Liabilities						
Deposits Held						
	Designated at FVTPL	18	...	...	55	156
	Amortised Cost	18	69	67	89	137
Payables^(e)	Amortised Cost	19	6,812	6,867	7,907	8,123
Advances	Amortised Cost		696	756	696	756
Borrowings						
	Designated at FVTPL	20	...	...	96,970	71,777
	Amortised Cost	21	67,885	37,656	15,425	7,151
Derivatives (Held for Trading)	Mandatorily at FVTPL	20	392	207	1,380	977
Derivatives (Designated Hedging Instrument)	Fair Value - Hedging Instrument	20	0	...	8	3
Other Liabilities						
Interests in TCorpIM Funds of Investors Not Controlled by the State	Designated at FVTPL	25	...	...	9,765	10,289

- (a) Financial instrument disclosures exclude statutory receivables not within the scope of AASB 7. Statutory receivables include taxation, fines and levies receivable totalling \$5,990 million (2018-19: \$3,256 million) for the General Government Sector and \$5,815 million (2018-19: \$3,075 million) for the Total State Sector.
- (b) Financial instrument disclosures exclude lease receivables which only represent the unguaranteed residual value totalling \$378 million (2018-19: \$354 million) for the General Government Sector and Total State Sector.
- (c) Changes in the carrying amount of Equity Investments in Other Public Sector Entities are accounted for in a manner consistent with Equity Investments at FVOCI under AASB 9.
- (d) Financial instrument disclosures exclude Investments in Associates of \$11,866 million (2018-19: \$12,055 million) for the General Government Sector and \$11,866 million (2018-19: \$12,057 million) for the Total State Sector not within the scope of AASB 7.
- (e) Financial instrument disclosures exclude statutory payables not within the scope of AASB 7. Statutory payables include fringe benefits tax, goods and services tax payables and insurance fund scheme balances repayable totalling \$219 million (2018-19: \$212 million) for the General Government Sector and \$241 million (2018-19: \$234 million) for the Total State Sector.

The State determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

Net Gains and Losses by Financial Instrument Measurement Categories

The following table summarises financial instrument net gains and losses ('other economic flows') recognised in the operating result throughout the current reporting period by AASB 9 financial instrument measurement classifications.

	General Government Sector		Total State Sector	
	2019-20 \$m	2018-19 \$m	2019-20 \$m	2018-19 \$m
Non-Derivative Financial Assets				
Mandatorily at FVTPL ^(a)	(1,922)	14,607	(2,197)	15,235
Amortised Cost	...	...	1	...
Total	(1,922)	14,607	(2,196)	15,235
Non-Derivative Financial Liabilities				
Designated at FVTPL	...	...	(1,180)	(3,128)
Amortised Cost	23	(147)	65	2
Total	23	(147)	(1,115)	(3,126)
Derivative Financial Instruments				
FVTPL – Held for Trading	(192)	(203)	(272)	(237)
Fair Value - Hedging Instrument	9	4	9	4
Total	(183)	(199)	(263)	(233)
Net Total^{(b)(c)(d)}	(2,082)	14,261	(3,574)	11,876

(a) The 2018-19 comparative period amount includes \$13.2 billion in relation to the West Connex Group transaction occurring during the comparative 2018-19 financial year. Refer to Note 5: Discontinued Operations for further information.

(b) The net total equates to the sum of 'fair value adjustments to financial instruments' and 'net gains / losses on financial assets at fair value through profit and Loss' amounts reported in Note 4: Other Economic Flows Included in the Operating Result.

(c) Refer to 'other dividends and distributions' in Note 2: Revenue for distributions from managed funds mandatorily measured at FVTPL.

(d) Refer to 'other economic flows – other comprehensive income' in the Consolidated Statement of Comprehensive Income for gains and losses deferred to equity in the hedging reserve for fair value – hedging financial instruments ('net gain/(loss) on financial instruments at fair value') and in the financial assets at fair value through other comprehensive income reserve for equity investments designated at FVOCI ('net gain/(loss) on equity instruments at fair value through other comprehensive income').

Interest Revenue and Interest Expense by Financial Instrument Measurement Category

The following table summarises interest revenue and expense recognised throughout the current reporting period by AASB 9 financial instrument measurement classifications.

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19 Restated ^(b)
	\$m	\$m	\$m	\$m
Interest Income From:^(a)				
Financial Assets at Amortised Cost	359	484	365	464
Financial Assets at FVTPL	5	7	245	338
Total^(a)	364	491	610	801
Interest Expense From:^{(b)(c)}				
Financial Liabilities at Amortised Cost	1,930	1,544	828	623
Financial Liabilities at FVTPL	...	...	2,151	2,154
Total^(c)	1,930	1,544	2,980	2,777

- (a) Interest revenue of \$364 million (2018-19: \$491 million) for the General Government Sector and \$610 million (2018-19: \$801 million) for the Total State Sector equates to total interest revenue reported as part of 'interest' in Note 2: Revenue.
- (b) Total State Sector comparatives for interest expense classifications have been restated on receipt of revised information after the 2018-19 TSSA.
- (c) Interest expense of \$1,930 million (2018-19: \$1,544 million) for the General Government Sector equates to the sum of interest on borrowings of \$1,622 million (2018-19: \$1,331 million) and interest on lease liabilities of \$308 million (2018-19: \$213 million) reported in Note 3: Expenses ('interest expense'). Interest expense of \$2,980 million (2018-19: \$2,777 million) for the Total State Sector equates to the sum of interest on borrowings of \$2,386 million (2018-19: \$2,299 million) and interest on lease liabilities of \$594 million (2018-19: \$478 million) reported in Note 3: Expenses ('interest expense').

Valuation of Financial Instruments

Except where specified below, the amortised cost of financial instruments recognised in the Consolidated Statement of Financial Position approximates the fair value because of the short-term nature of many of the financial instruments.

Fair Value Hierarchy of Financial Assets and Liabilities

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

General Government Sector

30 June 2020	Note	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Financial Assets					
Investments, Loans and Placements					
Derivatives					
Held for Trading	9	4	...	...	4
Financial Assets at Fair Value					
Interest Bearing Securities	9	14	237	...	250
TCorpIM Funds	9	...	40,571	...	40,571
Managed Funds and Other Investments	9	42	6	...	48
Other Equity Investments	11	...	7	0	7
Total		60	40,821	0	40,881
Financial Liabilities					
Derivatives					
Held for Trading	20	18	373	...	392
Total		18	373	0	392
Net Total		41	40,448	(0)	40,489

30 June 2019	Note	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Financial Assets					
Investments, Loans and Placements					
Derivatives					
Held for Trading	9	3	0	...	3
Designated and Effective Hedging Instruments	9	...	20	1	21
Financial Assets at Fair Value					
Interest Bearing Securities	9	8	259	...	267
TCorpIM Funds	9	...	42,984	...	42,984
Managed Funds and Other Investments	9	56	...	...	56
Other Equity Investments	11	...	0	8	8
Total		67	43,263	9	43,339
Financial Liabilities					
Derivatives					
Held for Trading	20	11	196	...	207
Total		11	196	...	207
Net Total		56	43,067	9	43,132

Total State Sector

30 June 2020	Note	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Financial Assets					
Investments, Loans and Placements					
Derivatives					
Held for Trading	9	22	1,317	...	1,340
Designated and Effective Hedging Instruments	9	...	1	...	1
Financial Assets at Fair Value					
Interest Bearing Securities	9	2,860	27,425	423	30,708
Managed Funds and Other Investments	9	1,048	8,679	4,133	13,860
Other Equity Investments	11	21,595	6	140	21,741
Total		25,525	37,428	4,696	67,650
Financial Liabilities					
Deposits Held					
Held by Public Financial Corporations	18	55	...	...	55
Derivatives					
Held for Trading	20	8	1,372	...	1,380
Designated and Effective Hedging Instruments	20	1	7	...	8
Borrowings at Fair Value					
Bonds and Other Borrowings Issued by TCorp	20	80,852	14,984	1,134	96,970
Other Liabilities					
Interests in TCorpIM Funds of Investors Not Controlled by the State	25	...	9,765	...	9,765
Total		80,915	26,128	1,134	108,178
Net Total		(55,390)	11,300	3,563	(40,529)

30 June 2019	Note	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Financial Assets					
Investments, Loans and Placements					
Derivatives					
Held for Trading	9	30	815	...	845
Designated and Effective Hedging Instruments	9	2	22	1	25
Financial Assets at Fair Value					
Interest Bearing Securities	9	7,232	24,524	135	31,891
Managed Funds and Other Investments	9	806	7,792	3,200	11,798
Other Equity Investments	11	24,328	0	140	24,468
Total		32,398	33,153	3,476	69,027
Financial Liabilities					
Deposits Held					
Held by Public Financial Corporations	18	156	...	...	156
Derivatives					
Held for Trading	20	12	965	...	977
Designated and Effective Hedging Instruments	20	2	1	...	3
Borrowings at Fair Value					
Bonds and Other Borrowings Issued by TCorp	20	61,678	9,372	727	71,777
Other Liabilities					
Interests in TCorpIM Funds of Investors Not Controlled by the State	25	...	10,289	...	10,289
Total		61,848	20,627	727	83,202
Net Total		(29,450)	12,526	2,749	(14,175)

Annual Movement Reconciliation of Level 3 Fair Value Measurements

The following tables set out the State's change in exposure throughout the reporting period to financial instruments categorised as Level 3 in the fair value measurement hierarchy.

General Government Sector

	Note	Derivative Assets - Designated and Effective Hedging Instruments		Other Equity Instruments		Total Recurring Level 3 Fair Value	
		9		11			
		2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
		\$m	\$m	\$m	\$m	\$m	\$m
Financial Assets							
Opening Balance		1	...	8	680	10	680
Gains or Loss Recognised in Other Economic Flows							
Included in the Operating Result		(1)	...	(1)	...
Included in Other Comprehensive Income		(1)	...	0	(680)	(1)	(680)
Purchases		0	0	0	0
Transfers into Level 3		...	1	...	8	...	9
Transfers out of Level 3		(7)	...	(7)	...
Closing Balance		...	1	0	8	0	9
Net Total		...	1	0	8	0	9

Total State Sector

	Note	Derivative Assets - Designated and Effective Hedging Instruments		Interest Bearing Securities		Managed Funds and Other Investments		Other Equity Instruments		Bonds and Other Borrowings Issued by TCorp		Total Recurring Level 3 Fair Value	
		9		9		9		11		20			
		2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Financial Assets													
Opening Balance		1	...	135	118	3,200	2,929	140	803	...	...	3,476	3,850
Gains or Loss Recognised in Other Economic Flows													
Included in the Operating Result		(7)	4	(222)	140	7	9	...	...	(222)	153
Included in Other Comprehensive Income		(1)	...	...	...	...	...	...	(680)	...	...	(1)	(680)
Purchases		296	4	1,291	226	0	0	...	...	1,586	230
Sales / Settlements		(1)	(0)	(135)	(95)	...	(0)	...	...	(135)	(96)
Transfers into Level 3		...	1	...	9	...	...	...	8	...	...	...	18
Transfers out of Level 3		(7)	...	...	...	(7)	...
Closing Balance		...	1	423	135	4,133	3,200	140	140	...	...	4,696	3,476
Financial Liabilities													
Opening Balance		727	636	727	636
Gains or Loss Recognised in Other Economic Flows													
Included in the Operating Result		21	104	21	104
Purchases		400	...	400	...
Sales / Settlements		(14)	(13)	(14)	(13)
Closing Balance		1,134	727	1,134	727
Net Total		...	1	423	135	4,133	3,200	140	140	(1,134)	(727)	3,563	2,749

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 into level 3 of the fair value hierarchy for the year ended 30 June 2020. Transfers into level 3 of the fair value hierarchy for the year ended 30 June 2019 totalled \$9 million for the General Government Sector and \$18 million for the Total State Sector. Transfers out of level 3 of the fair value hierarchy for the year ended 30 June 2020 totalled \$7 million for the General Government Sector and Total State Sector (2018-19: Nil).

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

Measurement of Fair Values

Financial Instruments Measured at Fair Value – Level 2

Financial instruments measured at fair value that are classified at level 2 of the fair value hierarchy comprise derivatives, interest bearing securities, TCorpIM Funds, managed funds and other investments, borrowings measured at fair value, and other equity investments. The valuation techniques and inputs for these financial instruments are as follows:

Derivatives (Held for Trading and Effective Hedging Instruments) - The fair values are based on market quoted prices of similar instruments or discounted cash flow analysis depending on whether the derivatives are traded in an active market. Primary valuation inputs include spot FX rates, swap rates and basis curves.

Interest Bearing Securities – The fair value is based on market comparisons of quoted prices of comparable securities or discounting of expected future cash flows to their present value using benchmark market yields and margins appropriate to the securities.

TCorpIM Funds – 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.

Managed Funds and Other Investments – The fair value of unlisted managed fund investments is based on the State's share of the unit values using 'redemption' pricing provided by external fund managers.

Borrowings Measured at Fair Value (Bonds and Other Borrowings Issued by TCorp) – The fair value is based on discounting of expected future cash flows to their present value using benchmark market yields and margins appropriate to the borrowings.

Financial Instruments Measured at Fair Value – Level 3

The valuation techniques and inputs for financial instruments classified at level 3 of the fair value hierarchy are summarised in the following table:

Type	Valuation technique	Significant unobservable inputs	Relationship between inputs and fair value
Managed funds and other investments (Note 9: Investments, Loans and Placements)	Unlisted managed investment funds and unit trusts held in TCorpIM Fund Trusts, that are classified at level 3, are infrequently traded. These investments directly hold assets such as unlisted property or unlisted infrastructure which require significant valuation estimation and judgement by the fund manager and their valuer.	The funds' investment in 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 equity investments (Note 11: Equity Investments) and interest-bearing securities (Note 9: Investments, Loans and Placements)	Unlisted equity securities and loan notes held in TCorpIM Fund Trusts, that are classified at level 3, 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 the discounted cashflows technique (the income approach).	The significant unobservable inputs for these investments are 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.
Borrowings measured at fair value - bonds and other borrowings issued by TCorp (Note 20: Borrowings and Derivative Liabilities at Fair Value)	Euro medium term notes held by TCorp are classified at level 3 in the fair value hierarchy. These instruments are foreign currency denominated fixed interest borrowings. The fair value of these borrowings is derived from quoted market prices of the underlying securities adjusted by unobservable inputs for risk.	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.

Financial Instruments Not Measured at Fair Value

The State has financial assets and liabilities which are not measured at fair value in the Consolidated Statement of Financial Position but for which the fair value is disclosed in this note. The amortised cost of cash and cash equivalents, receivables, advances paid, finance leases receivable, term deposits, other financial assets (other), payables, deposits held, and advances held are assumed to approximate fair value.

The following table details the financial instruments where the fair value differs from the carrying amount.

30 June 2020		General Government Sector		Total State Sector	
	Note	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		\$m	\$m	\$m	\$m
Financial Liabilities					
Borrowings at Amortised Cost					
Other Borrowings at Amortised Cost	21	55,821	60,981	35	35
Lease Liabilities ^(a)	21	8,437	8,437	11,764	12,031
Financial Liabilities Arising from Public Private Partnerships (PPPs)	21	3,627	3,627	3,627	3,627
Total		67,885	73,045	15,425	15,693

(a) The State continues to recognise AASB 117 finance lease liabilities for several PFPs accounted for in accordance with TPP06-8. Lease liabilities for 2019-20 includes finance lease liabilities recognised for PFP arrangements of \$1,352 million for the General Government Sector and \$1,994 million for the Total State Sector. Refer to Note 16: Other Non-Financial Assets for recognition and measurement policies applied for PFPs accounted for under TPP06-8.

30 June 2019		General Government Sector		Total State Sector	
	Note	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		\$m	\$m	\$m	\$m
Financial Liabilities					
Borrowings at Amortised Cost					
Other Borrowings at Amortised Cost	21	33,233	37,392	31	31
Finance Lease Liabilities	21	2,590	2,590	5,287	5,440
Financial Liabilities Arising from Public Private Partnerships (PPPs)	21	1,834	1,834	1,834	1,834
Total		37,656	41,816	7,151	7,304

Other borrowings at amortised cost held by the General Government Sector is the only financial instrument category where fair value significantly differs from the 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. Other borrowings at amortised cost are primarily included in the fair value hierarchy at level 2.

Offsetting Financial Instruments

Financial instruments are offset, and the net amount is reported in the Consolidated Statement of Financial Position if the State currently has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The State also enters into various derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. Under these agreements, the amounts owed by each counterparty in respect of all transactions outstanding are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, such as when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions. The ISDA agreements do not meet the criteria for offsetting in the Consolidated Statement of Financial Position. This is because the State does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events.

The following tables set out the carrying amounts of recognised financial instruments for the Total State Sector that are offset in the Consolidated Statement of Financial Position and those that are not offset but are subject to master netting agreements. The General Government Sector has not offset any material financial instrument balances in the Consolidated Statement of Financial Position or entered into any significant master netting arrangements as at 30 June 2020 (2018-19: Nil).

Total State Sector

30 June 2020	Note	Effects of Offsetting on the Balance Sheet			Related Amounts Not Offset		
		Gross Amounts \$m	Gross Amounts Offset in the Statement of Financial Position \$m	Net Amounts Presented in the Statement of Financial Position \$m	Amounts Subject to Master Netting Arrangements \$m	Financial Instrument Collateral \$m	Net Amount \$m
Financial Assets							
Cash and Cash Equivalents	6	10,717	...	10,717	...	...	10,717
Investments, Loans and Placements							
Financial Assets at Fair Value							
Derivatives - Held for Trading	9	1,361	(21)	1,340	(795)	(152)	393
Receivables							
Other ^(a)	7	2,542	...	2,542	...	(8)	2,534
Total		14,620	(21)	14,599	(795)	(159)	13,645
Financial Liabilities							
Borrowings and Derivatives at Fair Value							
Bonds and Borrowings Issued by TCorp	20	(96,970)	...	(96,970)	...	1,002	(95,968)
Derivatives - Held for Trading	20	(1,401)	21	(1,380)	795	491	(94)
Total		(98,371)	21	(98,350)	795	1,493	(96,062)

(a) Amounts offset as part of Receivables (Other) relate to margin account amounts receivable.

30 June 2019	Note	Effects of Offsetting on the Balance Sheet			Related Amounts Not Offset		
		Gross Amounts \$m	Gross Amounts Offset in the Statement of Financial Position \$m	Net Amounts Presented in the Statement of Financial Position \$m	Amounts Subject to Master Netting Arrangements \$m	Financial Instrument Collateral \$m	Net Amount \$m
Financial Assets							
Cash and Cash Equivalents	6	8,979	...	8,979	...	(1,096)	7,883
Investments, Loans and Placements							
Financial Assets at Fair Value							
Derivatives - Held for Trading	9	848	(3)	845	(632)	(158)	56
Receivables							
Other ^{(a)(b)}	7	2,124	...	2,124	...	(15)	2,109
Total		11,952	(3)	11,949	(632)	(1,270)	10,047
Financial Liabilities							
Borrowings and Derivatives at Fair Value							
Bonds and Borrowings Issued by TCorp	20	(71,777)	...	(71,777)	...	586	(71,191)
Derivatives - Held for Trading	20	(980)	3	(977)	632	246	(99)
Total		(72,757)	3	(72,754)	632	832	(71,290)

(a) Amounts offset as part of receivables (other) relate to margin account amounts receivable.

(b) Receivables (other) have been revised for 2018-19 after subsequent publication of the 2018-19 TSSA. Refer to Note 7: Receivables for further information.

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. Credit risk arises from cash and cash equivalents, contractual cash flows of interest-bearing securities and other financial assets at amortised cost, term deposits with banks and financial institutions, derivative financial assets, as well as credit exposures to commercial entities and individuals, including outstanding receivables and finance leases receivable.

The carrying amount of financial assets and contract assets represents the State's maximum credit exposure (net of any allowance for credit losses or allowance for impairment) at the end of the reporting period.

Credit risk associated with the State's financial assets, other than receivables, is managed through the selection and monitoring of counterparties and establishment of minimum credit rating standards.

All financial assets, except for those measured at FVTPL, are subject to an annual review for impairment.

The State controls the borrowing and investing powers of its authorities through the *Government Sector Finance Act 2018*. 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 investments in accordance with the *Government Sector Finance Act 2018*.

The State holds various security deposits in the General Government Sector to the value of \$69 million (2018-19: \$67 million) and in the Total State Sector to the value of \$144 million (2018-19: \$293 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 \$337.7 million of collateral received under these arrangements at the reporting date (2018-19: \$308.7 million). The State paid \$485.9 million of collateral under these arrangements throughout the year (2018-19: \$239.7 million).

Cash and Cash Equivalents

Cash and cash equivalents (Note 6) 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 market risk below. The credit ratings of other institutions holding non TCorpIM cash is within acceptable credit risk parameters.

Trade Receivables, Contract Assets and Lease Receivables

Receivables (Note 7) and contract assets (Note 8) exist for the settlement of services that the State provides across the range of its public services. 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.

In addition, amounts due from lessees to the State under finance leasing arrangements are recorded as leases receivable (Note 9). The State has issued finance leases over land and buildings and infrastructure property, plant and equipment.

The annual movement in the contractual receivables allowance for expected credit losses for the current reporting period is summarised below.

	General Government Sector		Total State Sector	
	2019-20 \$m	2018-19 \$m	2019-20 \$m	2018-19 \$m
Opening Balance at 1 July	177	168	202	189
Amounts Written Off to the Net Operating Balance During the Year	(64)	(61)	(69)	(66)
Amounts Previously Provided for Recovered During the Year	5	(1)	5	(2)
Increase/(Decrease) in Allowance Recognised in Other Economic Flows - Operating Result	82	71	92	81
Closing Balance at 30 June^(a)	201	177	230	202

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

The State did not recognise any impairment on contract assets throughout the 2019-20 financial year.

The State has assessed that leases receivable are not impaired at 30 June 2020 (2018-19: Nil Impairment). The State's investments in these instruments are low risk and are with counterparties with low levels of default.

The State applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables, contract assets and finance leases receivable.

To measure the expected credit losses, these assets have been grouped based on shared credit risk characteristics and the days past due.

The State determines the expected credit losses for these assets by using a provision matrix, with the expected loss rates based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The State has identified the unemployment rate, wages growth rate and CPI inflation to be the most relevant factors, and has accordingly adjusted the historical loss rates based on expected changes in these factors.

The credit risk profile of these assets is analysed based on their past due status. The majority of impaired receivables as at the 30 June 2020 reporting date have been past due for a period greater than six months.

Receivables, contracts assets and lease receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, a failure to make contractual payments for a period of greater than 90 days past due.

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.

Investments, Loans and Placements and Advances Paid

The State is also subject to credit risk from interest bearing securities, term deposits, advances paid, and other financial assets at amortised cost.

The credit quality of these investments is managed using Standard and Poor's ratings categories. Exposure in each grade is monitored to ensure that it is in accordance with mandated parameters. To be eligible for investment, counterparties must satisfy minimum credit worthiness criteria.

The following tables present an analysis of the credit quality of these investments. The tables also detail whether investments classified at amortised cost were subject to a 12-month expected credit losses allowance or lifetime expected credit losses allowance and, in the latter case, whether they were credit-impaired.

General Government Sector

30 June 2020										
Credit Rating ^(a)	Note	AAA \$m	AA+ \$m	AA \$m	AA- \$m	A+ \$m	A \$m	Other Ratings ^(b) \$m	Loss Allowance \$m	Carrying Amount \$m
Financial Assets at Carrying Amount										
Financial Assets at Fair Value										
Interest Bearing Securities	9	174	57	...	0	...	...	19	...	250
Financial Assets at Amortised Cost with 12-Month ECLs										
Other Financial Assets										
Term Deposits	9	30	...	...	92	32	...	3	...	157
Other	9	4	...	...	...	...	...	88	...	92
Financial Assets at Amortised Cost with Lifetime ECLs										
Advances Paid	10	...	...	...	...	...	...	1,251	(12)	1,239
		208	57	...	92	32	...	1,361	(12)	1,738

30 June 2019										
Credit Rating ^(a)	Note	AAA \$m	AA+ \$m	AA \$m	AA- \$m	A+ \$m	A \$m	Other Ratings ^(b) \$m	Loss Allowance \$m	Carrying Amount \$m
Financial Assets at Carrying Amount										
Financial Assets at Fair Value										
Interest Bearing Securities	9	208	...	40	0	...	...	18	...	267
Financial Assets at Amortised Cost with 12-Month ECLs										
Other Financial Assets										
Term Deposits	9	437	...	...	940	67	...	18	...	1,462
Other		...	...	...	...	...	...	71	...	71
Financial Assets at Amortised Cost with Lifetime ECLs										
Advances Paid	10	...	...	...	...	...	...	1,197	(4)	1,193
		645	...	40	940	67	...	1,305	(4)	2,993

(a) Amounts are assigned to the credit ratings categories based on information provided by individual agencies who use rankings assigned by S&P. '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.

Total State Sector

30 June 2020										
Credit Rating ^(a)	Note	AAA \$m	AA+ \$m	AA \$m	AA- \$m	A+ \$m	A \$m	Other Ratings ^(b) \$m	Loss Allowance \$m	Carrying Amount \$m
Financial Assets at Carrying Amount										
Financial Assets at Fair Value										
Interest Bearing Securities	9	5,304	1,643	2,272	8,872	3,283	1,214	8,119	...	30,708
Financial Assets at Amortised Cost with 12-Month ECLs										
Other Financial Assets										
Term Deposits	9	...	...	...	148	32	...	50	...	230
Other	9	4	...	...	...	...	...	94	...	98
Financial Assets at Amortised Cost with Lifetime ECLs										
Advances Paid	10	...	...	...	...	...	...	788	(12)	776
		5,308	1,643	2,272	9,020	3,316	1,214	9,051	(12)	31,812

30 June 2019										
Credit Rating ^(a)	Note	AAA \$m	AA+ \$m	AA \$m	AA- \$m	A+ \$m	A \$m	Other Ratings ^(b) \$m	Loss Allowance \$m	Carrying Amount \$m
Financial Assets at Carrying Amount										
Financial Assets at Fair Value										
Interest Bearing Securities	9	4,480	2,034	247	10,358	3,010	2,130	9,632	...	31,891
Financial Assets at Amortised Cost with 12-Month ECLs										
Other Financial Assets										
Term Deposits	9	...	...	...	1,090	67	...	117	...	1,274
Other	9	...	...	...	...	...	...	78	...	78
Financial Assets at Amortised Cost with Lifetime ECLs										
Advances Paid	10	...	...	...	...	...	...	719	(4)	715
		4,480	2,034	247	11,447	3,077	2,130	10,546	(4)	33,958

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

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

The State has placed funds on deposit with various financial institutions consisting of money market or bank deposits and can be placed 'at call' or for a fixed term. These term deposits are considered to have low credit risk, and the loss allowance calculated for these investments during the period was therefore limited to 12 months expected credit losses. The State did not recognise any expected credit losses on term deposits for the current reporting period ended 30 June 2020 (2018-19: Nil).

The State has recognised expected credit losses for advances paid in the General Government Sector and Total State Sector to the value of \$12.0 million (2018-19: \$4.0 million). Lifetime expected credit losses have been recognised for advances provided given increases in credit risk since initial recognition. This assessment has been performed based on reviews of actual and expected changes in external market indicators, internal factors and debtor-specific information.

The maximum exposure at the end of the reporting period for interest bearing securities is the fair value carrying amount of the investments.

Derivatives

The majority of derivative financial assets of the State are entered with banking and financial institution counterparties, which are predominately rated AA- to A+, based on Standard and Poor's ratings categories.

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 and planning to ensure adequate holdings of high-quality liquid assets are maintained.

The State is exposed to liquidity risk mainly through the maturity of its external borrowings raised by TCorp. TCorp maintains adequate levels of liquidity within approved minimum prudential and maximum ranges. The minimum prudential level is defined as a percentage of total liabilities and is held to meet unanticipated calls and to cover temporary market disruptions. Additional levels of liquidity are maintained up to the maximum approved range to satisfy a range of circumstances, including agency funding requirements, maturing commitments, and balance sheet management activities.

There were no defaults of borrowings throughout the current and comparative reporting periods.

The State has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2020 and as at 30 June 2019. However, refer to Note 30: Contingent Assets and Contingent Liabilities regarding disclosures on guarantee arrangements.

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 2020	Note	Contract maturity:			Nominal Amount ^(a) \$m	Carrying Amount \$m
		1 year or less \$m	1 to 5 years \$m	Over 5 years \$m		
Contractual Maturities of Financial Liabilities						
Non-Derivatives						
Deposits Held	18	69	0	...	69	69
Payables ^(b)	19	6,812	...	...	6,812	6,812
Advances Received		118	282	576	976	696
Borrowings						
Other Borrowings at Amortised Cost	21	2,800	22,169	40,942	65,912	55,821
Lease Liabilities	21	944	2,905	5,910	9,759	7,085
Finance Lease Liabilities ^(c)	21	235	705	1,830	2,769	1,352
Financial Liabilities arising from Public Private Partnerships (PPP)	21	1,118	2,277	1,921	5,317	3,627
Total Non-Derivatives		12,097	28,337	51,179	91,613	75,462
Derivatives						
Derivative Liabilities ^(d)						
Held for Trading	20	32	77	341	450	392
Total Derivatives		33	77	341	450	392

30 June 2019	Note	Contract maturity:			Nominal Amount ^(a) \$m	Carrying Amount \$m
		1 year or less \$m	1 to 5 years \$m	Over 5 years \$m		
Contractual Maturities of Financial Liabilities						
Non-Derivatives						
Deposits Held	18	67	...	...	67	67
Payables ^(b)	19	6,867	...	...	6,867	6,867
Advances Received		110	296	654	1,060	756
Borrowings						
Other Borrowings at Amortised Cost	21	1,696	12,242	27,751	41,689	33,233
Finance Lease Liabilities	21	448	1,589	3,020	5,057	2,590
Financial Liabilities arising from Public Private Partnerships (PPP)	21	196	793	2,016	3,005	1,834
Total Non-Derivatives		9,383	14,919	33,441	57,744	45,346
Derivatives						
Derivative Liabilities ^(d)						
Held for Trading	20	17	51	201	269	207
Total Derivatives		17	51	201	269	207

(a) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities and therefore will not reconcile to the Consolidated 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) Excludes statutory payables (i.e. not within the scope of AASB 7).

(c) AASB 117 finance lease liabilities are recognised for PFP assets as per the requirements of TPP06-8.

(d) The contractual 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 agencies. These balances include estimated interest payments and exclude the impact of offsetting arrangements.

Total State Sector

30 June 2020	Note	Contract maturity:			Nominal Amount ^(a) \$m	Carrying Amount \$m
		1 year or less \$m	1 to 5 years \$m	Over 5 years \$m		
Contractual Maturities of Financial Liabilities						
Non-Derivatives						
Deposits Held	18	144	0	...	144	144
Payables ^(b)	19	7,907	...	1	7,907	7,906
Advances Received		118	282	576	976	696
Borrowings						
Bonds and Other Borrowings Issued By TCorp	20	16,998	34,302	51,593	102,893	96,970
Other Borrowings at Amortised Cost	21	4	15	15	34	35
Lease Liabilities	21	1,238	3,937	10,379	15,554	9,770
Finance Lease Liabilities ^(c)	21	339	1,109	3,013	4,461	1,994
Financial Liabilities arising from Public Private Partnerships (PPP)	21	1,118	2,277	1,921	5,317	3,627
Other Liabilities						
Interests in TCorpIM Funds of Investors Not Controlled by the State	25	9,765	...	...	9,765	9,765
Total Non-Derivatives		37,632	41,922	67,498	147,052	130,908
Derivatives						
Derivative Liabilities ^{(d)(e)}						
Held for Trading	20	292	782	1,017	2,091	1,380
Designated and Effective Hedging Instruments	20	37	21	...	58	8
Total Derivatives		328	803	1,017	2,149	1,388

30 June 2019	Note	Contract maturity:			Nominal Amount ^(a) \$m	Carrying Amount \$m
		1 year or less \$m	1 to 5 years \$m	Over 5 years \$m		
Contractual Maturities of Financial Liabilities						
Non-Derivatives						
Deposits Held	18	293	0	0	293	293
Payables ^{(b)(e)}	19	8,123	...	...	8,123	8,123
Advances Received		110	296	654	1,060	756
Borrowings						
Bonds and Other Borrowings Issued By TCorp	20	11,636	22,677	44,084	78,396	71,777
Other Borrowings at Amortised Cost and Fair Value	21	6	18	8	32	31
Finance Lease Liabilities	21	736	2,735	8,591	12,063	5,287
Financial Liabilities arising from Public Private Partnerships (PPP)	21	196	793	2,016	3,005	1,834
Other Liabilities						
Interests in TCorpIM Funds of Investors Not Controlled by the State	25	10,289	...	...	10,289	10,289
Total Non-Derivatives		31,388	26,519	55,353	113,261	98,389
Derivatives						
Derivative Liabilities ^{(d)(e)}						
Held for Trading	20	310	808	807	1,925	977
Designated and Effective Hedging Instruments	20	43	14	...	58	3
Total Derivatives		353	823	807	1,982	980

(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 footnote in General Government Sector table above.

(e) Total State Sector derivative liabilities have corresponding contractual undiscounted cash inflows of \$1,770 million (2018-19: \$1,921 million).

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 price of TCorpIM Funds, managed fund investments, and equity instruments; and
- foreign exchange risk that could affect borrowings, investments and the value of overseas purchases.

The State does not have material exposures to commodity price risk.

For market risk, the effect on the 'operating result' and 'net worth' 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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the State's interest-bearing assets and liabilities including interest bearing securities and borrowings.

Total State Sector – TCorp Debt Funding Holdings in Interest Bearing Securities and Borrowings

TCorp manages the debt portfolio for most of the agencies of the State. TCorp measures its exposure to interest rate risk in terms of cash flows or notional cash flows generated from holdings in interest bearing securities (Note 9) and borrowings at fair value (Note 20). The boundaries within which interest rate risk is undertaken and managed are established under approved TCorp policies, management guidelines and client defined mandates. Derivatives are also employed by TCorp to manage interest rate risk for interest bearing assets and liabilities.

TCorp employs a Value at Risk (VaR) model to measure the market risk exposures of TCorp borrowings and investments in the Consolidated 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 2020, the maximum potential loss for the Total State Sector expected over a 10-day period is \$5.6 million (2018-19: \$7.4 million), with a one per cent probability that this maximum may be exceeded. The average VaR over the year ended 30 June 2020 was \$5.8 million (2018-19: \$4.9 million).

Total State Sector – TCorpIM Fund Trust Investments in Interest Bearing Securities

The Total State Sector is exposed to interest rate risk through TCorpIM Fund Trust investments in interest bearing securities (Note 9). Interest rate risk exposures arising from these investments are primarily measured and managed using duration and mandated limits specified in investment agreements.

The Total State Sector's exposure to interest rate risk arising from these investments is set out in the tables below. A reasonably possible change of +/- 1.0 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.

Total State Sector

	2019-20		2018-19	
	-1%	1%	-1%	1%
			Restated ^(a)	Restated ^(a)
	\$m	\$m	\$m	\$m
Operating Result	(345)	345	(283)	283
Net Worth	(345)	345	(283)	283

(a) Comparatives have been restated on receipt of revised information after the 2018-19 TSSA. A sensitivity rate of 0.3 per cent was used in the 2018-19 TSSA. In 2019-20, a sensitivity rate of 1 per cent has been used. The 2018-19 comparative sensitivity analysis has been amended to use 1 per cent to allow for comparison with 2019-20.

General Government Sector and Total State Sector – Other Financial Assets and Liabilities

The State's remaining exposure to interest rate risk is primarily from cash and cash equivalents (Note 6), borrowings at amortised cost (Note 21) and term deposits (Note 9). The State predominately manages this risk by undertaking mainly fixed rate borrowings with TCorp. A small number of agencies 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 from remaining financial assets and liabilities is set out in the tables below. A reasonably possible change of +/- 1 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.

30 June 2020	General Government Sector		Total State Sector	
	-1%	1%	-1%	1%
	\$m	\$m	\$m	\$m
Operating Result	(66)	66	(111)	111
Net Worth	(66)	66	(111)	111

30 June 2019	General Government Sector		Total State Sector	
	-1%	1%	-1%	1%
	\$m	\$m	\$m	\$m
Operating Result	(35)	35	(92)	92
Net Worth	(35)	35	(92)	92

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will change because of movements in market prices. This risk arises from investments held by the State for which prices in the future are uncertain.

Total State Sector – TCorpIM Fund Trust Investments in Equities and Managed Fund Investments

The Total State Sector is primarily subject to price risk from consolidated TCorpIM Fund Trust holdings in managed funds (Note 9) and other equity investments (Note 11). These investments are categorised as financial assets at FVTPL with the carrying amount of these investments representing the State's maximum price risk at the reporting date. Any change in the price of these investments impacts directly on the operating result.

TCorp, as Trustee, mitigates price risk from listed equity instruments by diversifying exposure across a range of investment managers and markets. Benchmarks are established for each investment manager with TCorp monitoring performance relative to those benchmarks. Price risk from holdings in managed investment funds and other unlisted equity investments are managed by ensuring that investments are managed in accordance with stated objectives and by monitoring the performance of the investments.

TCorp examines the sensitivity of the 'operating result' and 'net worth' attributable to price risk from these investments. The Total State Sector's exposure to price risk from these investments is set out in the table below. The table reports the estimated sensitivity of 10 per cent (2019: 10 per cent) movement in price to the 'operating result' and 'net worth' of the Total State Sector.

Total State Sector

	2019-20		2018-19	
	-10%	+10%	-10% Restated ^(a)	+10% Restated ^(a)
	\$m	\$m	\$m	\$m
Operating Result	(3,549)	3,549	(3,517)	3,517
Net Worth	(3,549)	3,549	(3,517)	3,517

(a) Comparatives have been restated on receipt of revised information after the 2018-19 TSSA. A range of sensitivity rates of 5 per cent to 26 per cent was used in the 2018-19 TSSA. In 2019-20 a flat sensitivity rate of 10 per cent has been used. The 2018-19 comparative sensitivity analysis has been amended to use 10 per cent to allow for comparison with 2019-20.

General Government Sector – Unit Holdings in TCorpIM Funds

The General Government Sector is primarily exposed to price risk through its unit holdings in TCorpIM Fund Trusts (Note 9). Investments in TCorpIM Funds 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.

TCorpIM Fund investments held by agencies operating in the Total State Sector are eliminated on consolidation of the sector.

The General Government Sector holds units in the following TCorpIM Funds trusts:

Trust	Investment Sectors	Investment Horizon	General Government Sector	
			2019-20 \$m	2018-19 \$m
Cash Fund	Cash, money market instruments	Up to 1.5 years	195	282
Short Term Income Fund	Cash, money market instruments	1.5 years to 3 years	296	191
Medium Term Growth Fund	Cash, money market instruments, Australian and International bonds, listed property, Australian shares	3 years to 7 years	224	290
Long Term Growth Fund	Cash, money market instruments, Australian and international bonds, listed property, Australian shares	7 years and over	1,146	1,116
Insurers' Guarantee Fund Investment Trust	Cash, money market instruments, Australian and international bonds, listed property, Australian shares	7 years and over	208	206
Treasury Managed Fund Investment Portfolio	Cash, money market instruments, Australian bonds, listed and unlisted property, Australian, international and emerging market shares	Long Term	9,450	8,393
ICNSW Australian Equities Fund	Listed Australian equities	5 years and over	74	113
ICNSW International Equities Fund	Listed Global (ex Australia) equities	5 years and over	144	138
ICNSW International Equities Hedged Fund	Listed Global (ex Australia) equities, FX contracts	5 years and over	47	52
Emerging Market Shares Fund	Emerging market shares	5 years and over	63	63
Unlisted Property Fund	Retail, office and industrial property assets	10 years and over	112	122
Unlisted Infrastructure Fund	Unlisted Managed Investment Funds	10 years and over	66	65
NSW Infrastructure Future Fund	Cash, Australian shares, International shares, emerging market equities, Australian bonds and investment grade credit	10 years and over	13,845	18,277
Long Service Corporation Investment Facility Trust	Cash, money market instruments, Australian bonds, listed bonds, listed property, Australian and International shares	7 years and over	1,782	1,513
Alternatives Risk Premium Fund	Listed Australian and Global equities, Australian and International bonds, currencies, commodities, derivatives	5 years and over	30	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	1,484	1,217
Cyclical Growth Australian Share Fund	Listed Australian Equities	5 years and over	48	77
Cyclical Growth International Share Fund	Listed Global (ex Australia) equities	5 years and over	73	69
Bank Loan Fund	Global bank loans	5 years and over	62	37
Emerging Market Debt Fund	Emerging market government and corporate bonds	5 years and over	48	52
NSW Generations (Debt Retirement) Fund Investment Trust	Cash, Australian shares, International shares, emerging market equities, Australian bonds and investment grade credit	10 years and over	11,262	10,884
Absolute Return Multi Asset Class Fund	Cash, money market instruments, Australian and International bonds, listed property, Australian shares	5 years and over	22	36
Liquidity Cash Fund	Cash, money market instruments and Australian bonds	Up to 1.5 years	68	20
Small Cap Australian Share Fund	Listed Australian equities	5 years and over	11	14
GGs Total TCorpIM Funds^(a)			40,760	43,262

(a) The General Government Sector unit holdings in TCorpIM Funds of \$40.8 billion (2018-19: \$43.3 billion) comprises of TCorpIM Cash Funds of \$191 million (2018-19: \$279 million) presented in Note 6: Cash and Cash Equivalents and \$40.6 billion (2018-19: \$42.9 billion) of TCorpIM Fund investments disclosed as part of Financial Assets at Fair Value included in Note 9: Investments, Loans and Placements.

TCorpIM investment facilities are mandatorily measured at FVTPL by the General Government Sector 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.

TCorp as trustee for each of the above facilities is required to act in the best interest of the unit holders and to administer the trusts in accordance with the trust deeds. As trustee, TCorp has appointed external managers to manage the performance and risks of each facility in accordance with a mandate agreed by the parties. TCorp has also leveraged off internal expertise to manage certain fixed income assets for the TCorpIM Funds facilities. A significant portion of the administration of the facilities is outsourced to an external custodian.

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 General Government Sector's exposure to price risk from these investments is set out in the table below. The table reports the estimated sensitivity of 10 per cent (2019: 10 per cent) movement in price to the value of the investments of the General Government Sector.

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	Change in Unit Price		General Government Sector	
	2019-20	2018-19	2019-20	2018-19
	%	Restated ^(a) %	\$m	Restated ^(a) \$m
Cash Fund	+/-10.0%	+/-10.0%	20	28
Short Term Income Fund	+/-10.0%	+/-10.0%	30	19
Medium Term Growth Fund	+/-10.0%	+/-10.0%	22	29
Long Term Growth Fund	+/-10.0%	+/-10.0%	115	112
Insurers' Guarantee Fund Investment Trust	+/-10.0%	+/-10.0%	21	21
Treasury Managed Fund Investment Portfolio	+/-10.0%	+/-10.0%	945	839
ICNSW Australian Equities Fund	+/-10.0%	+/-10.0%	7	11
ICNSW International Equities Fund	+/-10.0%	+/-10.0%	14	14
ICNSW International Equities Hedged Fund	+/-10.0%	+/-10.0%	5	5
Emerging Market Shares Fund	+/-10.0%	+/-10.0%	6	6
Unlisted Property Fund	+/-10.0%	+/-10.0%	11	12
Unlisted Infrastructure Fund	+/-10.0%	+/-10.0%	7	7
NSW Infrastructure Future Fund	+/-10.0%	+/-10.0%	1,385	1,828
Long Service Corporation Investment Facility Trust	+/-10.0%	+/-10.0%	178	151
Alternatives Risk Premium Fund	+/-10.0%	+/-10.0%	3	4
Social and Affordable Housing Fund Investment Trust	+/-10.0%	+/-10.0%	148	122
Cyclical Growth Australian Share Fund	+/-10.0%	+/-10.0%	5	8
Cyclical Growth International Share Fund	+/-10.0%	+/-10.0%	7	7
Bank Loan Fund	+/-10.0%	+/-10.0%	6	4
Emerging Market Debt Fund	+/-10.0%	+/-10.0%	5	5
NSW Generations (Debt Retirement) Fund Investment Trust	+/-10.0%	+/-10.0%	1,126	1,088
Absolute Return Multi Asset Class Fund	+/-10.0%	+/-10.0%	2	4
Liquidity Cash Fund	+/-10.0%	+/-10.0%	7	2
Small Cap Australian Share Fund	+/-10.0%	+/-10.0%	1	1
Total			4,076	4,327

(a) Comparatives have been restated on receipt of revised information after the 2018-19 TSSA. Sensitivity analysis information for each of the TCorpIM investment trusts, using historically based volatility information collected over a 10-year period quoted at two standard deviations (i.e. 95 per cent probability), was used in the 2018-19 TSSA. In 2019-20 a flat sensitivity rate of 10 per cent has been used. The 2018-19 comparative sensitivity analysis has been amended to use 10 per cent to allow for comparison with 2019-20.

The table above shows that the General Government Sector's dollar exposure to TCorpIM Fund price risk can be relatively significant, particularly for its holdings in the Long Term Growth Fund, Treasury Managed Fund Facilities, NSW Infrastructure Future Fund, NSW Generations Debt Retirement Fund Investment Trust 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 Short Term Income Fund. 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 many years.

Foreign Exchange Risk

The State undertakes transactions denominated in foreign currencies which result in exposures to changes in foreign exchange rates. The State, through its consolidated agencies, has policies and procedures in place and utilises foreign exchange derivatives to minimise foreign exchange risk.

Total State Sector - Securities Denominated in Foreign Currencies

The Total State Sector is exposed to foreign exchange risk through monetary securities denominated in foreign currencies held by TCorpIM Fund Trusts. Foreign exchange risk arises as the value of these securities fluctuate when foreign exchange rates change.

TCorp, as trustee, examines the possible effects of movements in exchange rates against the Australian dollar on the financial position as at the reporting date. The most probable changes in the foreign exchange variables have been selected based on estimations, considering historical changes in the correlation of the Fund's investments with the relevant benchmark and market volatility.

The Total State Sector's exposure to foreign exchange risk from these financial assets and liabilities is set out in the table below. The table reports the estimated sensitivity range of 10 per cent movement in exchange rates to the 'operating result' and 'net worth' of the Total State Sector.

Total State Sector

	2019-20		2018-19	
	-10%	10%	-10% Restated ^(a)	10% Restated ^(a)
	\$m	\$m	\$m	\$m
Operating Result	(35)	35	(33)	33
Net Worth	(35)	35	(33)	33

(a) Comparatives have been restated on receipt of revised information after the 2018-19 TSSA. A sensitivity rate of 8 per cent was used in the 2018-19 TSSA. In 2019-20 a sensitivity rate of 10 per cent has been used. The 2018-19 comparative sensitivity analysis has been amended to use 10 per cent to allow for comparison with 2019-20.

Total State Sector - Borrowings at Fair Value

The Total State Sector is exposed to foreign exchange risk through TCorp borrowings issued in foreign currencies and overseas markets undertaken as part of the funding program of the State's debt.

Foreign exchange risk is managed by TCorp 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.

Other Purchase and Sale Commitments

State agencies enter into forward foreign exchange contracts to hedge certain purchase and sale commitments entered in the normal course of business. These contracts cover the purchase of capital equipment and supplies. The following table summarises foreign currency contract cash flows outstanding in Australian dollars for the State at the reporting date.

Currency	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	Contract Value AUD (\$m)	Contract Value AUD (\$m)	Contract Value AUD (\$m)	Contract Value AUD (\$m)
Euro	1	148	10	160
Japanese Yen	0	0	1	0
British Pounds	...	0	1	1
US Dollars	137	9	178	31
Indian Rupees	...	212	...	212
Chinese Yuan	...	90	...	90
Total	138	460	190	495

This foreign currency risk is not considered to be material in terms of a possible impact on the operating result and total net worth and, as such, a sensitivity analysis has not been completed.

Note 27: 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, \$357 million (2018-19: \$368 million) of these trust funds are invested in TCorpIM Funds.

As the State controls 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 Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Trust Funds^(a):				
NSW Trustee and Guardian ^(b)	2,969	3,077	2,969	3,077
Rental Bond Board	1,673	1,623	1,673	1,623
State Insurance Regulatory Authority	1,430	1,305	1,430	1,305
NSW Treasury Corporation ^(c)	...	...	...	969
The Treasury ^(d)	211	203	211	203
Biodiversity Conservation Trust of NSW	142	122	142	122
Department of Customer Service ^(e)	51	64	51	64
Ministry of Health	51	40	51	40
Other ^(f)	233	160	233	160
	6,760	6,594	6,760	7,563

(a) There have been restatements of the 2018-19 balances to reflect revised information available after the release of the 2018-19 TSSA.

(b) The trust balances exclude certain property assets administered by the NSW Trustee and Guardian as they cannot be reliably measured.

(c) T-Corp is no longer required to manage funds in a fiduciary capacity for NSW State Superannuation and Energy Industries Superannuation Scheme in the 2019-20 financial year.

(d) Retail lease security bonds were held in trust by the Department of Industry in the comparative 2018-19 financial year. Upon dissolution of the Department of Industry, the bonds were subsequently transferred to the management of The Treasury in the current 2019-20 financial year.

(e) Trust funds under the management of the Department of Customer Service were previously managed by the abolished Department of Finance, Services and Innovation in the comparative 2018-19 financial year.

(f) Other^(f) includes trust funds under the management of the Department of Communities and Justice, NSW Police Force, Transport for NSW, Department of Planning, Industry and Environment, Crown Solicitor's Office, Regional NSW and Sydney Metro.

Note 28: Leases

State as a Lessee

Lessee Arrangements Under AASB 16 (from 1 July 2019)

The State has leases of various land, buildings, infrastructure, equipment and motor vehicles. Lease contracts of the State range from periods of 3 to 15 years and may also include extension and termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets generally may not be used as security for borrowing purposes.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the State and not by the respective lessor. In determining the lease term, the State considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

The State assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Under AASB 16, the State must now recognise lease liabilities (which are reflected as Borrowings on the balance sheet) to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

The State recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability, adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

Right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and Buildings 1 to 100 years
- Plant and Equipment 1 to 43 years
- Infrastructure Systems 12 to 20 years

If ownership of the leased asset transfers to the State at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are also subject to impairment. The State assesses, at each reporting date, whether there is an indication that right-of-use assets may be impaired. If any indication exists, or when annual impairment testing of the asset is required, the State estimates the asset's recoverable amount. When the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversals are recognised in the operating result.

Right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the State to further its objectives, are also measured at cost. These right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, subject to impairment. These arrangements are not significant in number or value for the State.

At the commencement date of the lease, the State recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase options reasonably certain to be exercised by the entity; and
- payments of penalties for lease termination, if the lease term reflects exercising the termination option.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce/construct recognisable non-financial assets) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the State's leases, the State's incremental borrowing rate is used, being the rate that the State would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a lease modification, including a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The State's lease liabilities are included in Note 21: Borrowings at Amortised Cost.

The above does not apply to the State's short-term lease liabilities of property, plant and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of property plant and equipment that are considered to be low value. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense in 'expenses from transactions' on a straight-line basis over the lease term.

Right-of-Use Assets

The following tables present right-of-use assets that do not meet the definition of investment property.

General Government Sector

	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
Net Carrying Amount at 1 July 2019 on Adoption of AASB 16	3,722	1,293	...	5,015
Additions	2,656	260	...	2,915
Disposals	(142)	(9)	...	(152)
Net Impairment Recognised In the Operating Result	(459)	(0)	...	(459)
Depreciation Expense ^(a)	(539)	(260)	...	(799)
Other Movements	(13)	(2)	...	(17)
Net Carrying Amount at 30 June 2020	5,225	1,282	...	6,503

Total State Sector

	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
Net Carrying Amount at 1 July 2019 on Adoption of AASB 16	4,536	3,271	185	7,992
Additions	2,709	282	...	2,991
Disposals	(142)	(10)	...	(152)
Net Impairment Recognised In the Operating Result	(478)	(0)	...	(478)
Depreciation Expense ^(a)	(629)	(362)	(15)	(1,006)
Other Movements	(14)	13	2	2
Net Carrying Amount at 30 June 2020	5,982	3,194	172	9,349

(a) Amounts are different from Depreciation expenses disclosed in Note 3: Expenses due to capitalisation of depreciation.

Lease Liabilities

The following table presents liabilities under leases accounted for under AASB 16.

	General Government Sector		Total State Sector	
	2019-20 \$m	1 July 2019 \$m	2019-20 \$m	1 July 2019 \$m
Lease Liabilities				
Current	756	392	863	511
Non-Current	6,329	4,748	8,907	7,323
	7,085	5,140	9,770	7,834

The total cash outflow for leases accounted for under AASB16 and AASB117 in 2019-20 is \$1,414 million for the General Government Sector and \$1,863 million for the Total State Sector.

Potential undiscounted future cash outflows relating to extension and termination options of \$1,067 million for the General Government Sector and Total State Sector have not been included in the carrying amounts of lease liabilities because it is not reasonably certain that the leases will be extended (or not terminated). During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of \$364 million for the General Government Sector and Total State Sector.

The State in limited circumstances provides residual value guarantees in relation to leases to optimise lease costs throughout the lease term. The State initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. When the expected residual value at lease commencement is equal to or higher than the guaranteed amount, the State estimates that it will not pay any amounts under the guarantees. The expected residual values are reviewed to reflect actual residual values achieved on comparable assets and expectations about future prices at the end of each reporting period.

The State is committed to short-term leases at 30 June 2020. These commitments do not expose the State to any material exposures at the 30 June reporting date.

Refer to Note 3: Expenses for interest expense on lease liabilities and expenditure amounts recognised for lease payments not recognised in the carrying amount of lease liabilities.

Further information regarding liquidity risk, including a maturity analysis of lease liabilities is disclosed in Note 26: Financial Instruments.

Sales and Leaseback Transactions

The State has not entered into any significant sale and leaseback transactions in the current financial year ending 30 June 2020 (2018-19: Nil).

Lessee Accounting for Privately Financed Projects

The State has adopted the option to not apply AASB 16 to assets that would be classified as service concession assets in accordance with AASB 1059. The State continues to apply its existing accounting policy TPP06-8 to PFP assets until AASB 1059 becomes effective. Some PFP assets continue to apply the principles of AASB 117 accordingly to TPP06-8.

The following table presents finance lease assets that are included in the carrying amount of Property, Plant and Equipment at Note 14: Property, Plant and Equipment for the 2019-20 reporting period.

	General Government Sector 2019-20 \$m	Total State Sector 2019-20 \$m
Classes of Property, Plant and Equipment		
Land and Buildings	2,215	3,320
Plant and Equipment	0	0
Infrastructure Systems	1,021	1,393
	3,236	4,714

Future minimum lease payments for these PFP arrangements at 30 June 2020 are as follows:

	General Government Sector 2019-20 \$m	Total State Sector 2019-20 \$m
Finance Lease Liabilities	1,352	1,994
	1,352	1,994
Future Minimum Lease Payments Under Non-Cancellable Finance Leases:		
Not Later Than One Year	235	339
Between One and Five Years	705	1,109
Later Than Five Years	1,830	3,013
Minimum Lease Payments	2,769	4,461
Less: Future Finance Charges	(1,417)	(2,467)
Present Value of Minimum Lease Payments	1,352	1,994

Comparative figures for these arrangements are included below as part of finance lease lessee arrangement disclosures provided for the comparative 2018-19 reporting period.

Lessee Arrangements Under AASB 117 (for the Comparative Period Ended 30 June 2019)

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Until 30 June 2019, a lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the State was classified as a finance lease.

Where a non-current asset was acquired by means of a finance lease, at the commencement of the lease, the asset was recognised at its fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability was established at the same amount. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognised as Interest in 'expenses from transactions' as part of the Statement of Comprehensive Income.

PP&E acquired under finance leases was depreciated over the useful life of the asset. However, if there was no reasonable certainty that the State would obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments were recognised as an operating expense in 'expenses from transactions' on a straight-line basis over the lease term.

Finance Leases

The following table presents finance lease assets as at 30 June 2019 that are included in the carrying amounts of property plant and equipment in Note 14: Property, Plant and Equipment.

	General Government Sector 2018-19 \$m	Total State Sector 2018-19 \$m
Class of Property, Plant and Equipment		
Land and Buildings	2,772	4,157
Plant and Equipment	701	2,610
Infrastructure Systems	1,014	1,391
	4,486	8,157

Future minimum lease payments payable under non-cancellable finance leases at 30 June 2019 are as follows:

	General Government Sector 2018-19 \$m	Total State Sector 2018-19 \$m
Finance Lease Liabilities	2,590	5,287
	2,590	5,287
Future Minimum Lease Payments Under Non-Cancellable Finance Leases:		
Not Later Than One Year	448	736
Between One and Five Years	1,589	2,735
Later Than Five Years	3,020	8,591
Minimum Lease Payments	5,057	12,063
Less: Future Finance Charges	(2,467)	(6,776)
Present Value of Minimum Lease Payments	2,590	5,287

Operating Leases

Future minimum lease payments payable under non-cancellable operating leases at 30 June 2019 are as follows:

	General Government Sector 2018-19 Restated \$m	Total State Sector 2018-19 Restated \$m
Future Minimum Lease Payments Under Non-Cancellable Operating Leases:		
Not Later Than One Year	747	864
Between One and Five Years	1,581	1,903
Later than Five Years	509	933
	2,837	3,700

State as a Lessor

The State leases out its infrastructure, land and buildings under finance and operating leases with rentals typically payable monthly. Lease payments for contracts include CPI increases, and in limited circumstances variable lease payments may be evident that depend on an index or rate.

Leases that the State transfers substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. From 1 July 2019, subleases are classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

At the lease commencement date, the State recognises a receivable for assets held under a finance lease in the Statement of Financial Position at an amount equal to the net investment in the lease. The net investment in leases is classified as a financial asset measured at amortised cost and equals the lease payments receivable by a lessor and the unguaranteed residual value, plus initial direct costs, discounted using the interest rate implicit in the lease. Finance leases receivable also include residual emerging interests in port and electricity network assets where payment have been received upfront by the State. Where considered necessary to reduce credit risk, the State may obtain guarantees or deposits for the lease term.

Although the State is exposed to changes in the residual value at the end of the current leases, the State typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the carrying amount of the underlying leased asset. Payment has also been received upfront for finance lease arrangements where the State has exposure to unguaranteed residual values.

Finance income arising from finance leases is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. Refer to Note 2: Revenue for interest income recognised for finance leases receivable.

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in 'revenue from transactions' in the Statement of Comprehensive Income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and depreciated over the lease term on the same basis as rental income. Contingent rents are recognised as 'Revenue From Transactions' in the period in which they are earned.

Finance Leases

The following table sets out a maturity analysis of leases receivable under finance lease arrangements, showing the undiscounted lease payments to be received after the 30 June 2020 reporting date.

	General Government Sector 2019-20 \$m	Total State Sector 2019-20 \$m
Finance Leases Receivable	1,285	1,456
	1,285	1,456
Future Minimum Lease Receipts Under Non-Cancellable Finance Leases:		
Less Than One Year	47	53
One to Two Years	51	42
Two to Three Years	534	562
Three to Four Years	37	23
Four to Five Years	37	8,599
More Than Five Years	3,409	3,586
Total	4,115	12,865
Unguaranteed Residual Values - Undiscounted	181,272	181,282
(Less) Unearned Finance Income	(184,102)	(192,691)
Net Investment In Finance Leases	1,285	1,456
Unguaranteed Residual Values - Discounted	396	398

The net investment in finance leases increased by \$227 million (2018-19: \$77 million increase) for the General Government Sector and by \$15 million (2018-19: \$30 million increase) for the Total State Sector. The change was driven by the recognition of additional finance leases receivable amounts for sub-leasing arrangements on transition to AASB 16 and by continual increases to residual emerging interests in leased port and electricity network assets.

The discounted value of unguaranteed residual values at 30 June 2020 is \$396 million (2018-19: \$426 million) for the General Government Sector and \$398 million (2018-19: \$463 million) for the Total State Sector. Residual emerging interests in port assets amounted to \$249 million (2018-19: \$232 million) for the General Government Sector and Total State Sector, and in electricity network assets amounted to \$130 million (2018-19: \$122 million) for the General Government Sector and Total State Sector for 2019-20.

Gross investment in leases and the present value of minimum lease payments receivable under non-cancellable finance leases as at 30 June 2019 are, as follows:

	General Government Sector 2018-19 \$m	Total State Sector 2018-19 \$m
Finance Leases Receivable	1,058	1,441
	1,058	1,441
Future Minimum Lease Receipts Under Finance Leases are Receivable for each of the Following Periods:		
Not Later Than One Year	17	86
Between One and Five Years	566	602
Later Than Five Years	3,407	12,195
Gross Investment in the Lease	3,990	12,883
Less: Future Interest Revenues	(2,932)	(11,442)
Present Value of Minimum Lease Payments Receivable and Unguaranteed Residual Value	1,058	1,441
Finance Lease Receivables Resulted In:		
Present value of the Unguaranteed Residual Values Accruing to Lessors Benefit	426	463
Contingent Rents Recognised as Income	2	2

Operating Leases

Future minimum lease payments receivable (undiscounted) under AASB 16 non-cancellable operating leases as at 30 June 2020 are as follows:

	General Government Sector 2019-20 \$m	Total State Sector 2019-20 \$m
Future Operating Lease Rentals not Recognised in the Financial Statements and Receivable:		
Not Later Than One Year	231	1,058
One to Two Years	217	1,018
Two to Three Years	197	1,005
Three to Four Years	168	947
Four to Five Years	172	1,068
More Than Five Years	1,752	6,845
	2,736	11,940

Future minimum lease payments receivable (undiscounted) under AASB 117 operating leases as at 30 June 2019 are, as follows:

	General Government Sector 2018-19 Restated ^(a) \$m	Total State Sector 2018-19 Restated ^(a) \$m
Future Operating Lease Rentals not Recognised in the Financial Statements and Receivable:		
Not Later Than One Year	255	1,062
Later Than One Year and Not Later Than Five Years	764	3,937
Later Than Five Years	1,229	6,479
	2,248	11,478

(a) The 2018-19 amounts for the General Government Sector have been restated to include The Aboriginal Housing Office and the Total State Sector have been restated to include The Aboriginal Housing Office and New South Wales Land and Housing Corporation.

Refer to Note 2: Revenue for operating lease income recognised throughout the reporting period.

Transition Impacts of Adopting AASB 16 Leases

The effect of adopting AASB 16 as at 1 July 2019 (increase/(decrease)) is as follows:

1 July 2019	General Government Sector \$m	Total State Sector \$m
ASSETS		
Financial Assets		
Receivables	(9)	(8)
Investments, Loans and Placements		
Other Financial Assets ^(a)	282	114
Total Financial Assets	273	106
Non-Financial Assets		
Property, Plant And Equipment		
Land and Buildings	(651)	(961)
Plant and Equipment	(701)	(2,608)
Infrastructure Systems	(1)	(1)
Right-of-Use Assets	5,015	7,992
Total Non-Financial Assets	3,662	4,422
Total Assets	3,935	4,528
LIABILITIES		
Borrowings at Amortised Cost	3,997	4,651
Other Provisions	6	6
Other Liabilities ^(b)	(66)	(66)
Total Liabilities	3,937	4,591
Net Assets	(1)	(63)
NET WORTH		
Total Net Worth	(1)	(63)
Other Fiscal Aggregates		
Net Debt	3,715	4,537
Net Financial Liabilities	3,663	4,485

(a) Finance leases receivable are included in the Statement of Financial Position as part of Other Financial Assets (Note 9: Investments, Loans and Placements).

(b) Leasehold incentive liabilities were included in the Statement of Financial Position for the 2018-19 comparative period as part of Other Liabilities (Note 25: Other Liabilities).

The State recognised right-of-use assets and additional lease liabilities and finance leases receivable, recognising the impact on net assets in accumulated funds on transition to AASB 16 as at 1 July 2019.

Property plant and equipment under leases previously treated as finance leases under AASB 117 were derecognised. The right-of-use assets arising from these leases were recognised and included in the separate line item together with those arising from leases previously treated as operating leases under AASB 117.

Leasehold incentive liabilities previously recognised under Interpretation 115 were derecognised against the initial carrying amounts recognised for right-of-use assets at 1 July 2019.

Lease liabilities recognised as at 1 July 2019 under AASB 16 can be reconciled to operating lease commitments as of 30 June 2019 as follows:

1 July 2019	General Government Sector \$m	Total State Sector \$m
Restated Operating Lease Commitments as at 30 June 2019 (GST Included)	2,837	3,700
(Less): GST Included in Operating Lease Commitments	(235)	(281)
Operating Lease Commitments as at 30 June 2019 (GST Excluded)	2,601	3,418
Discounting Adjustment as at 1 July 2019	(76)	(216)
Discounted Operating Lease Commitments as at 1 July 2019	2,525	3,202
Add: Finance Lease Liabilities Recognised as at 1 July 2019	2,592	5,281
(Less): Finance Lease Liabilities continued to apply the principles of AASB 117 for PFP Arrangements.	(1,437)	(2,089)
(Less): Recognition Exemption for Leases of Low-Value Assets and Short-Term Leases	(110)	(130)
Add: Extension Options Reasonably Certain to be Exercised	1,483	1,505
Add/(Less): Other Adjustments	87	64
Lease Liabilities under AASB 16 as at 1 July 2019	5,140	7,834

The State discounted lease payments using its incremental borrowing rate at 1 July 2019 when measuring lease liabilities for arrangements previously treated as operating leases under AASB 117. The weighted average incremental borrowing rate applied was 1.6 per cent for the General Government Sector and 1.6 per cent for the Total State Sector.

Lease liabilities recognised at 1 July 2019 also include finance lease liabilities previously recognised under AASB 117 and extension / termination option lease payments previously excluded from operating lease commitments as of 30 June 2019.

Payments for short-term leases and leases of low-value items, that were included as part of operating lease commitments as of 30 June 2019, have been excluded from the carrying amount of lease liabilities recognised at 1 July 2019.

Note 29: Expenditure Commitments

The following information represents expenditure contracted for at the reporting date, but not recognised in the financial statements.

	General Government Sector		Total State Sector	
	2019-20	2018-19	2019-20	2018-19
	\$m	\$m	\$m	\$m
Capital Expenditure (including expenditure for private sector financed infrastructure assets):				
Roads and Maritime Services ^(a)	...	7,645	...	7,610
Transport for NSW ^{(a)(b)}	8,269	1,877	8,268	1,866
Sydney Metro ^(c)	4,805	5,234	4,805	5,234
Ministry of Health	2,214	2,363	2,214	2,363
Sydney Water Corporation	...	...	1,306	917
Department of Education	1,194	1,593	1,194	1,593
Infrastructure NSW	734	802	734	802
Roads Retained Interest Pty Ltd ^(d)	709	...	709	...
New South Wales Land and Housing Corporation	...	...	246	165
Water NSW	...	...	143	112
Department of Communities and Justice ^(e)	142	229	142	229
Hunter Water Corporation	...	...	121	70
NSW Police Force	91	100	91	100
Essential Energy	...	...	83	53
New South Wales Government Telecommunications Authority	79	114	79	114
TAFE Commission	70	59	70	59
Royal Botanic Gardens and Domain Trust	39	3	39	3
Place Management NSW	...	...	37	2
Zoological Parks Board of New South Wales	...	...	8	35
Venues NSW	...	...	3	3
Sydney Opera House Trust	...	...	0	30
Other	108	115	133	166
	18,457	20,134	20,427	21,526
Goods and Services Tax (GST) on Commitments: ^(f)				
GST Input Tax Credits Included in the Above Capital Expenditure Commitments: ^(c)	1,678	1,830	1,835	1,942
	1,678	1,830	1,835	1,942
Capital Expenditure Commitments:				
Not Later Than One Year	10,343	10,694	11,546	11,663
Later Than One Year and Not Later Than Five Years	8,112	9,250	8,772	9,574
Later Than Five Years	2	189	110	289
	18,457	20,134	20,427	21,526

- (a) Roads and Maritime Services was abolished on 1 December 2019 by the *Transport Administration Amendment (RMS Dissolution) Act 2019 No 19*. On abolition, the assets, rights and liabilities (including expenditure commitments) were transferred to Transport for NSW.
- (b) Transport for NSW's reduction in capital commitments is due to amounts utilised in 2020 in relation to Rozelle interchange and Western Harbour Tunnel enabling works (\$805m), Albion Park Rail (\$183m) and the Pacific Hwy upgrade of Woolgoolga to Ballina (\$152m).
- (c) Sydney Metro's reduction in capital commitments is due to amounts utilised in 2020 in relation to Metro capital projects such as the City & South West, Northwest, Metro West and Greater West projects. The 2018-19 has been restated to reflect revised information available after the release of the 2018-19 Total State Sector Accounts.
- (d) This item represents Roads Retained Interest's (RRIPL) share of capital commitments related to WestConnex (WCX) project works for WCX Stage 2 and WestConnex Stage 3A.
- (e) The Department of Justice was abolished on 1 July 2019 by *Administrative Arrangements (Administrative Changes – Public Service Statutory Agencies) Order 2019*. On abolition, the assets, rights and liabilities (including expenditure commitments) were transferred to the newly established Department of Communities and Justice.
- (f) Expenditure commitments are inclusive of GST except for NSW Land and Housing Corporation (LAHC). For LAHC they relate primarily to properties used to provide rental accommodation, which are input taxed activity where GST cannot be claimed from the ATO.

Note 30: 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. Contingent liabilities also include present obligations that do not meet the criteria for recognition as liabilities. 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 Government Sector		Total State Sector	
	2019-20 \$m	2018-19 \$m	2019-20 \$m	2018-19 \$m
Roads Retained Interest Pty Ltd ^(a) (Equity Commitment Deed)	655	746	655	746
Transport for NSW ^{(b)(c)}	1,435	...	1,435	...
Roads and Maritime Services ^{(b)(c)} (Land acquisitions, contractual disputes)	...	789	...	789
Department of Communities and Justice ^(d) (Victims Support Scheme, Current Litigation)	566	545	566	545
Other Agencies	220	46	226	60
	2,877	2,126	2,882	2,140

- (a) The Corporation is a party to the Equity Commitment Deed with the WestConnex Group. There is currently no present obligation to contribute to equity. Depending on the extent of the borrowings, and the future construction profile of the WestConnex Group, a call may be made on the Corporation for an equity contribution.
- (b) Transport for NSW has several contractual disputes with an estimated total contingent liability of \$399 million and an estimated \$1,036 million contingent liabilities due to a number of compulsory property acquisition matters currently under litigation where claims differ from the Valuer General's determined amount.
- (c) Roads and Maritime Services was abolished on 1 December 2019 by the *Transport Administration Amendment (RMS Dissolution) Act 2019 No 19*. On abolition, the assets, rights and liabilities (including Contingent Liabilities) were transferred to Transport for NSW.
- (d) The Victims' Support Scheme (VSS) was created on 3 June 2013 through legislation known as the *Victims' Rights and Support Act 2013*. The amount attributable under the VSS could reasonably lie within the range of \$314 million to \$536 million (2018-19: \$300 million to \$525 million).

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). The liability arises because the State has an obligation to pay compensation to native title holders where the State commits an action that extinguishes or impairs the native title holders' rights. There have been a number of claims filed with the Federal Court under the Native Title Act 1993 (Cth), however it is not possible to reliably estimate the State's liability in respect of these and any future claims.

- 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 36,769 Aboriginal Land Claims (ALC) to review (2018-19: 35,855). As at 30 June 2020, 1,505 ALCs were resolved (2019:1,037). Additional resources have been allocated to the assessment of ALCs with a doubling of staff involved in the assessment process. The increased staffing will enable a more proactive and outcomes focused engagement with Local Aboriginal Land Councils to identify and prioritise claims for determination. The detriment in land values due to potentially successful claims cannot be estimated at this point of time.
- There are a number of significant disputes which have been notified to and by Transport for NSW in relation to its activities.
 - Other than the quantifiable contingent liabilities listed above, there are a number of other contractual claims that have arisen from the normal course of business. The amount of the liability that may arise from these claims cannot be measured reliably at this time. There is significant uncertainty as to whether a future liability will arise in respect to these items.
 - A statement of claim was filed on 28 August 2018 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. The project specific insurers are managing the conduct of Transport for NSW's defence. It is not possible at this stage to estimate any potential financial effect in excess of the insurance coverage from these proceedings.
 - Transport for NSW has a number of environmental matters emerging from its normal road construction works. There is significant uncertainty as to whether any future liability will emerge in respect of these matters as they are in early state of works, and 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.
- In accordance with the State's Contaminated Land Management Strategy, the State is proactively assessing high risk categories of potentially contaminated land across the whole Crown land portfolio. This process identifies sites where further investigation is required, leading to remediation plans and where appropriate on ground remediation actions with future management determined by way of long-term management plans. There is an ongoing program for the management of contamination and remediation where required. It is not possible to estimate liabilities reliably, as the need for and the type of management and remediation is dependent on future events that cannot be determined at this time.
- 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.
- Recent bushfires across national parks have resulted in extensive property damages, which are being assessed and will require make safe, rectification and replacement works over the next few years. The potential detriment in property values cannot be estimated at this point of time.
- A targeted review designed to identify and remediate, if necessary, instances of under payment of weekly compensation benefits as a result of issues with the calculation of Pre-Injury Average Weekly Earnings (PIAWE) benefits is being considered for the TMF. As this process is just commencing it is not possible to determine if a liability is required or what the quantum of that liability could be for the TMF as of 30 June 2020. As more information becomes available it may be possible to put an estimate on these latent abuse claim liabilities. It is possible that such an estimate is material to the financial statements.

- The TSS includes a number of cemetery managers. There is a general expectation on the part of the public that the cemeteries managed by them will be maintained in perpetuity and the State is aware that there may be significant on-going cash outflows for this future maintenance. No liability has crystallised for future maintenance, hence no liability has been recognised.
- 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.

Warranties, 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:

- Issued securities, borrowing and derivative liabilities of the New South Wales Treasury Corporation with a market value of \$99.3 billion (2019: \$74.1 billion) have been guaranteed by the NSW Government under the *Government Sector Finance Act 2018*.
- The State Government has also guaranteed TCorp's loan facility to NSW Local councils in connection with the "Fit For The Future" reform program. As at 30 June 2020 these loans were valued at \$842.6 million (2019: \$644.8 million).
- State guarantees given to various organisations under statute mainly relate to certain co-operative housing societies. The maximum exposure as at 30 June 2020 is \$19 million (2018-19: \$21 million).
- 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.
- 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:
 - Cross City Tunnel
 - Eastern Creek Alternative Waste Treatment Plant (The Crown Entity holds a guarantee, a contingent asset, which fully offsets this contingent liability)
 - Eastern Distributor
 - Illawarra and Woronora Water Treatment Plant
 - Lane Cove Tunnel
 - Long Bay Prison and Forensic Hospital
 - M2 Motorway
 - Macarthur Water Filtration Plant
 - Mater Hospital
 - New Grafton Correctional Centre
 - New Intercity Fleet
 - Newcastle Integrated Service Operator
 - North West Rail Link – Operations, Trains and Systems
 - NorthConnex
 - Northern Beaches Hospital
 - Olympic Multi-Use Arena
 - Orange Hospital Redevelopment
 - Prospect Water Filtration Plant and Treatment Works
 - Regional Rail
 - Royal North Shore Hospital Redevelopment
 - Suburban Rolling Stock
 - Sydney Growth Trains
 - Sydney Harbour Tunnel
 - Sydney International Convention, Exhibition and Entertainment Precinct
 - Sydney Light Rail
 - Sydney Metro City & Southwest: Operations, Trains and Systems, Trains & Systems
 - VISY Mill: Tumut Timber Supply Agreement
 - WestConnex
 - Western Sydney Orbital (Westlink M7 Motorway)

- 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 \$65.4 million (2018-19: \$74.7 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 a number of former State controlled public trading enterprises (PTE) in past reporting periods. 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 \$20.9 million (2018-19: \$22.2 million).
- The State Government's motor vehicles are financed by an internal arrangement managed by StateFleet and funded by TCorp. The facility is funded through a portfolio of debt with a modified duration of around 3 years. There is an interest rate exposure on a principal of \$46 million as at 30 June 2020 (2018-19: \$106 million).

- State's Fire and Rescue has undertaken site assessments at its training centres located in Armidale, Albion Park, Deniliquin, Alexandria and Greenacre. The assessment results confirmed the presence of perfluorooctane sulfonate (PFOS), perfluorooctanoic acid (PFOA) and Perfluorohexane Sulfonic Acid (PFHxS) chemicals. Plans for remediation are now in place. Leased properties will be remediated in accordance with these plans and subsequent reimbursement of the costs will be sought from the insurer. The final remediation costs of the impacted properties owned by the State remain uncertain.
- In January 2019, control of Allianz Stadium was handed over to Infrastructure NSW to commence demolition for the redevelopment of a new stadium funded by the NSW Government. As such, events previously hosted at Allianz Stadium have been relocated to either the Sydney Cricket Ground and other venues within NSW. During the redevelopment period of the Sydney Football Stadium the Trust has entered contractual commitments for relocation costs, disruption costs and training facilities for sports partners/tenants and reinstatement of member and ancillary facilities. In June 2018, TCorp approved an increase in the Trust's global borrowing capacity in order to fund these costs.
- On 29 March 2019 the Myuna Bay Sport and Recreation Centre was closed due to safety concerns relating to the nearby Eraring Ash Dam. The Office of Sport has been advised by Origin Energy Limited that if the dam wall breaks in the event of a major earthquake, there is a significant risk to the Myuna Bay Sport and Recreation Centre. The Minister has requested an independent review of the Origin Energy report. On 12 December 2019 it was announced that the decision to close the Centre was reasonable and that the Centre would be permanently closed. This has resulted in the Centre buildings value being impaired to nil (impact \$9.88 million) and the land impaired to \$0.6 million (impact \$2.9 million). The financial impacts of these impairments have been recognised in the financial statements of the State Sporting Venues Authority. Negotiations are continuing with Origin Energy Ltd over compensation related to the closure and building a new facility at a different location. The financial impact on the Office relating to continued operating costs incurred while the new facility is built, related forgone revenue, and costs relating to the environmental management and making good of the closed site are still to be quantified and agreed on with Origin Energy as at 30 June 2020.

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 \$4.1 million as at 30 June 2020 (2018-19: \$7 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 2019-20, the State did not receive liquidators' distributions. (2018-19: Nil).
- As part of the HACP program, there were 15 properties that the AHO does not have definitive control over as at 30 June 2020 (2019 – 40 properties). As a result, they will not be recognised until such time as full control is established. The estimated value of these properties is \$4.8m. (2018-19: \$20.3m).
- The Newcastle Port Corporation has submitted a business interruption claim for the financial impact resulting from Federal and State Government restrictions on the movement of cruise ships and associated businesses due to the COVID-19 pandemic. There are three financial categories being analysed and reviewed (Cruise ship revenues (i.e. pilotage, navigation, site occupancy), rental losses from impacted tenants; and additional costs incurred to manage NSW Health and Safety directives). Based on the preliminary review analysis undertaken by the insurance company, an interim insurance recovery payment has been approved and received by 30 June 2020. In addition to the approved interim insurance recovery payment, the State may receive further insurance recovery payments. However, as the full financial impact of the COVID-19 pandemic is still uncertain, the State is not able to reliably estimate the amount of any future insurance recovery payments which is dependent on the period of the Federal Government ban on cruise ships and any offsetting cost savings the insurer may take into consideration in calculating these future payments. Accordingly, a contingent asset has not been recognised.

Note 31: Events after the Reporting Period

COVID-19

As at 30 June 2020, the State has assessed the impact of COVID-19 on the fair value of its non-current physical and financial assets. These assets include land, buildings, infrastructure, receivables, lease liabilities and lease assets. This was based on historical sales information, expectation of macroeconomic conditions and outlook at the time of assessment. The impact of COVID-19 on the commercial property market has resulted in the impairment of right-of-use assets of \$459 million as shown in note 4: Other Economic Flows Included in the Operating Result. Given the uncertainty around the continued impact of COVID-19, it is possible that post 30 June 2020 there may be some new evidence that impacts this fair value assessment materially.

Wages Policy

On 1st October 2020 the NSW Industrial Relations Commission (IRC) made the determination to award a 0.3% wage increase in FY2020-21 to approximately 170,000 employees on certain awards and a 12-monthly pay pause in 2020-21 for Senior Executives, Members of Parliament and Other Public Office Holders. This matter was being considered by the IRC prior to 30 June 2020. The impact of the IRC decision is a decrease of \$214 million in the defined benefit superannuation liability and a decrease of \$136 million in the long service leave liability as at 30 June 2020. These amounts are not reflected in these accounts, as this change is not material to the State.

In addition to the above, on 3rd November it was announced that the public sector wage increases will be capped at 1.5 per cent which aligns with the average underlying inflation forecast. This does not impact the 30 June 2020 balances as the matter was not being considered at this time, but will be included in the 2021 State Budget.

Sale of WestConnex

On 6 November 2020, the NSW Government approved the sale of the State's remaining 49 per cent stake in WestConnex. An estimate of the financial impact cannot be made at this stage. Proceeds from any potential transaction will be invested into the NSW Generations Fund as required under the *NSW Generations Fund Act 2018*.

Changes to Reporting Entities

There have been several changes to reporting entities as a result of the Administrative change orders. On 1 July 2020 Rail Corporation New South Wales (RailCorp) was renamed as Transport Asset Holding Entity of New South Wales (TAHE) and converted to a statutory State Owned Corporation pursuant to the *Transport Administration Act 1988 (TAA)* and the *State Owned Corporations Act 1989*.

Under the Administrative Arrangements (*Administrative Changes—Regional NSW and Independent Planning Commission*) Order 2020, the Office of the Independent Planning Commission (IPC) was established effective 1 July 2020.

Note 32: Restatement/Corrections to Prior Years

(a) Road Infrastructure Systems

The abolished Roads and Maritime Services recognised a prior period adjustment to revise the fair value of road assets in the comparative 2018-19 financial year. The adjustment was processed due to following:

- Some culverts, a component of the road assets, were duplicated in the 2018-19 valuation as they cover two or more road segments. The duplicate culverts were retrospectively removed from the valuation, and this decreased fair value by \$290 million as at 30 June 2019.
- Retaining walls were valued in the 2017-18 financial year using inventory information from the slope risk management system of the agency. A review performed in the current financial year determined that this inventory information was unsuitable for financial reporting purposes. An alternative percentage cost assumption was used to determine the fair value of the retaining walls retrospectively. This has resulted in the decrease in the fair value of road assets by \$812 million as at 30 June 2019.

For both the General Government Sector and Total State Sector, these adjustments in aggregate for 2018-19 have resulted in the decrease in infrastructure systems property, plant and equipment by \$1,102 million, a cumulated decrease in reserves (asset revaluation reserve) by \$1,167 million and an increase in accumulated funds by \$66 million as a result of decreases in depreciation expense. Total comprehensive income for 2018-19 decreased by \$127 million due to the decrease of depreciation expense of \$52 million offset by decreases in revaluation increments of \$179 million recognised in other comprehensive income – other economic flows. Opening total net worth at 1 July 2018 decreased by \$976 million by this adjustment.

(b) ANZ Stadium

The Sydney Olympic Park Authority (SOPA) revised the accounting treatment applied for ANZ Stadium (the Stadium) during the preparation of its 2019-20 financial statements. The Stadium was originally funded, developed and operated by the private sector. The State acquired ownership of the stadium on 1 July 2016 from the private sector company holding the operating lease for the Stadium. Assets and liabilities were transferred and leased to PNFC agency Venues NSW on the acquisition date.

The Stadium was accounted for as right to receive infrastructure under TPP 06-8 *Accounting for Privately Financed Projects* (TPP 06-8) during the comparative 2018-19 financial year. The prepaid upfront contribution was recognised progressively over the concession period and the emerging right to receive the Stadium was recognised as income and a non-current asset throughout the lease period. On consolidation of the TSS, the emerging right to receive infrastructure was eliminated and re-instated as property plant and equipment in the PNFC sector. SOPA reassessed that as a result of the government buyback at 1 July 2016, a partnership between the public purchaser (SOPA) and the private sector does not exist, and that TPP 06-8 is no longer applicable from that date.

Adjustments to the 2018-19 comparatives of the General Government Sector have resulted in an increase to property, plant and equipment of \$858 million offset by a \$442 million decrease to the right to receive privately financed infrastructure included in other non-financial assets. The above mentioned consolidation adjustment has also been reversed as the General Government Sector is now recognising property, plant and equipment. This has resulted in a decrease to the General Government Sector investment in other public sector entities of \$417 million at 30 June 2019 (due from the difference in the value of right to receive privately financed infrastructure and the fair value of the property plant and equipment previously recognised in the Total State Sector).

These adjustments did not have a net impact on the 2018-19 total comprehensive income and opening net worth at 1 July 2018 for both the General Government Sector and Total State Sector.

(c) Classification of Revenue from Transactions

The State has reviewed the classifications of revenue from transactions as part of the implementation of AASB 15, AASB 1058 and AASB 16 at 1 July 2019. The State has reclassified the following revenues in the Consolidated Statement of Comprehensive Income resulting from this review:

- Licence fees revenue accounted for under AASB 15 have been reclassified as sale of goods and services in 2019-20. The 2018-19 financial year comparatives for the General Government Sector and Total State Sector have been restated for this item with sale of goods and services increasing by \$623 million, taxation income decreasing by \$417 million and fines, regulatory fees and other revenues decreasing by \$207 million.
- AASB 15 and AASB 1058 revenues recognised in fines, regulatory fees and other revenues in the comparative 2018-19 financial year have been reclassified to sale of goods and services in 2019-20. Sale of good and services have increased and other revenue has decreased by \$132 million in the 2018-19 restated comparatives for the General Government Sector and \$299 million for the Total State Sector.
- Levies on compulsory third party insurance premiums collected by licensed insurers were presented with sale of goods and services revenue in the comparative 2018-19 financial year. The State has reclassified these levies as taxation income in 2019-20. The 2018-19 financial year comparatives for the Total State Sector have been restated for this item with taxation income increasing and sale of goods and services revenue decreasing respectively by \$516 million.
- These adjustments did not have a net impact of the Consolidated Statement of Cash Flows with adjustments to 2018-19 operating cash inflows netting off against each other to zero. These reclassifications have been corrected by restating each of the affected financial line items for the prior periods as follow.

Consolidated Statement of Comprehensive Income (Extract)

For the Financial Year Ended 30 June 2019		General Government Sector			Total State Sector		
		2018-19 Actual \$m	Adjustment \$m	2018-19 Restated \$m	2018-19 Actual \$m	Adjustment \$m	2018-19 Restated \$m
FROM CONTINUING OPERATIONS	Note						
Revenue from Transactions							
Taxation	(c)	31,443	(417)	31,026	30,940	100	31,040
Sale of Goods and Services	(c)	8,990	755	9,745	14,819	406	15,225
Fines, Regulatory Fees and Other	(b) (c)	5,051	(371)	4,679	5,739	(505)	5,234
Total Revenue from Transactions		81,690	(34)	81,655	86,093	...	86,093
Expenses from Transactions							
Depreciation and Amortisation	(a) (b)	5,192	(21)	5,171	8,016	(52)	7,964
Total Expenses from Transactions		80,471	(21)	80,450	87,881	(52)	87,828
Transactions from Discontinuing Operations		0	...	0	8	...	8
NET RESULT FROM TRANSACTIONS - NET OPERATING BALANCE							
(BUDGET RESULT FOR THE GENERAL GOVERNMENT SECTOR)							
		1,219	(13)	1,206	(1,780)	52	(1,727)
OTHER ECONOMIC FLOWS - INCLUDED IN THE OPERATING RESULT							
Other Economic Flows - included in Operating Result		11,117	...	11,117	8,123	...	8,123
OPERATING RESULT		12,335	(13)	12,322	6,343	52	6,395
OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME							
Items that will not be Reclassified to Operating Result							
Revaluations	(a) (b)	7,205	(51)	7,154	7,454	(179)	7,275
Net Gain/(Loss) on Equity Instruments at Fair Value through Other Comprehensive Income	(b)	(7,888)	(62)	(7,950)	(618)	...	(618)
Other Economic Flows - Other Comprehensive Income		(14,259)	(113)	(14,372)	(8,267)	(179)	(8,446)
COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS							
		(1,924)	(127)	(2,050)	(1,924)	(127)	(2,050)
KEY FISCAL AGGREGATES							
COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS							
		(1,924)	(127)	(2,050)	(1,924)	(127)	(2,050)
Less: Net Other Economic Flows		3,142	113	3,256	144	179	323
NET OPERATING BALANCE		1,219	(13)	1,206	(1,780)	52	(1,727)
Less: Net Acquisition of Non-Financial Assets							
Less: Depreciation and Amortisation	(a) (b)	(5,192)	21	(5,171)	(8,016)	52	(7,964)
Plus: Other Movements in Non-Financial Assets							
Other	(a)	(4)	(34)	(38)	357	...	357
Equals Total Net Acquisition of Non-Financial Assets		10,498	(13)	10,485	12,816	52	12,868
EQUALS: NET LENDING/(BORROWING)		(9,280)	...	(9,280)	(14,595)	0	(14,595)

Consolidated Statement of Financial Position (Extract)

As at 30 June 2019

30 June 2019		General Government Sector			Total State Sector		
		30 June 2019	30 June 2019	30 June 2019	30 June 2019	30 June 2019	30 June 2019
		Actual	Adjustment	Restated	Actual	Adjustment	Restated
	Note	\$m	\$m	\$m	\$m	\$m	\$m
ASSETS							
Financial Assets							
Equity Investments							
Investments in Other Public Sector Entities	(b)	98,990	(417)	98,573	...	...	...
Total Financial Assets		169,907	(417)	169,490	101,099	...	101,099
Non-Financial Assets							
Property, Plant and Equipment							
Land and Buildings	(b)	89,963	784	90,748	166,346	...	166,346
Plant and Equipment	(b)	12,088	74	12,162	18,075	...	18,075
Infrastructure Systems	(a)	119,291	(1,102)	118,190	167,936	(1,102)	166,835
Other Non-Financial Assets	(b)	6,707	(442)	6,266	6,449	...	6,449
Total Non-Financial Assets		232,375	(685)	231,690	366,601	(1,102)	365,499
TOTAL ASSETS		402,282	(1,102)	401,181	467,699	(1,102)	466,598
TOTAL LIABILITIES		152,110	...	152,110	217,528	...	217,528
NET ASSETS		250,172	(1,102)	249,070	250,172	(1,102)	249,070
NET WORTH							
Accumulated Funds	(a) (b)	75,367	355	75,722	92,438	66	92,503
Reserves	(a) (b)	174,804	(1,456)	173,348	157,734	(1,167)	156,567
TOTAL NET WORTH		250,172	(1,102)	249,070	250,172	(1,102)	249,070
OTHER FISCAL AGGREGATES							
Net Debt		(10,401)	...	(10,401)	23,909	...	23,909
Net Financial Liabilities		81,194	...	81,194	116,429	...	116,429

As at 1 July 2018

1 July 2018	Note	General Government Sector			Total State Sector		
		1 July 2018 Actual \$m	Adjustment \$m	1 July 2018 Restated \$m	1 July 2018 Actual \$m	Adjustment \$m	1 July 2018 Restated \$m
ASSETS							
Financial Assets							
Equity Investments							
Investments in Other Public Sector Entities	(b)	112,911	(355)	112,556	...	...	...
Total Financial Assets		173,228	(355)	172,873	89,666	...	89,666
Non-Financial Assets							
Property, Plant and Equipment							
Land and Buildings	(b)	83,390	694	84,084	161,627	...	161,627
Plant and Equipment	(b)	10,941	66	11,007	17,367	...	17,367
Infrastructure Systems	(a)	102,147	(976)	101,171	158,158	(976)	157,182
Other Non-Financial Assets	(b)	7,426	(405)	7,021	6,594	...	6,594
Total Non-Financial Assets		208,252	(621)	207,630	351,384	(976)	350,408
TOTAL ASSETS		381,480	(976)	380,503	441,051	(976)	440,075
TOTAL LIABILITIES		129,385	...	129,385	188,956	...	188,956
NET ASSETS		252,095	(976)	251,119	252,095	(976)	251,119
NET WORTH							
Accumulated Funds	(a) (b)	76,243	367	76,610	99,680	12	99,692
Reserves	(a) (b)	175,852	(1,343)	174,509	152,415	(988)	151,427
TOTAL NET WORTH		252,095	(976)	251,119	252,095	(976)	251,119
OTHER FISCAL AGGREGATES							
Net Debt		(11,195)	...	(11,195)	15,762	...	15,762
Net Financial Liabilities		69,068	...	69,068	99,289	...	99,289

Consolidated Statement of Cash Flow (Extract)

For the Financial Year Ended 30 June 2019		General Government Sector			Total State Sector		
	Note	2018-19 Actual \$m	Adjustment \$m	2018-19 Restated \$m	2018-19 Actual \$m	Adjustment \$m	2018-19 Restated \$m
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts							
Taxation	(c)	31,020	(417)	30,603	30,536	99	30,636
Sale of Goods and Services	(c)	9,360	548	9,908	15,553	199	15,752
Other	(c)	12,226	(132)	12,094	13,880	(299)	13,581
Total Receipts		86,830	...	86,830	92,554	...	92,554
Total Payments		(79,502)	...	(79,502)	(84,037)	...	(84,037)
NET CASH FLOWS FROM OPERATING ACTIVITIES		7,328	...	7,328	8,517	...	8,517
CASH FLOWS FROM INVESTING ACTIVITIES							
Net Cash Flows from Investments in Non-Financial Assets		(17,635)	...	(17,635)	(22,492)	...	(22,492)
Net Cash Flows from Investments in Financial Assets (Policy Purposes)		15,685	...	15,685	16,316	...	16,316
Net Cash Flows from Investments in Financial Assets (Liquidity Purposes)		(13,875)	...	(13,875)	(15,508)	...	(15,508)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(15,825)	...	(15,825)	(21,684)	...	(21,684)
CASH FLOWS FROM FINANCING ACTIVITIES							
NET CASH FLOWS FROM FINANCING ACTIVITIES		5,050	...	5,050	8,164	...	8,164
NET INCREASE IN CASH AND CASH EQUIVALENTS		(3,448)	...	(3,448)	(5,003)	...	(5,003)
Opening Cash and Cash Equivalents		5,417	...	5,417	13,969	...	13,969
Reclassification of Cash Equivalents and Other Adjustments		(1)	...	(1)	12	...	12
CLOSING CASH AND CASH EQUIVALENTS		1,969	...	1,969	8,979	...	8,979
DERIVATION OF CASH RESULT							
Net Cash Flows from Operating Activities		7,328	...	7,328	8,517	...	8,517
Net Cash Flows from Investments in Non-Financial Assets		(17,635)	...	(17,635)	(22,492)	...	(22,492)
CASH SURPLUS/(DEFICIT)		(10,307)	...	(10,307)	(13,975)	...	(13,975)

Note 33: 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 2019-20 \$000	Total State Sector 2018-19 \$000
KMP Compensation Comprises:		
Short-term Employee Benefits		
Salaries	6,373	6,339
Other Monetary Allowances	2,917	2,880
Non-monetary Benefits	2,111	2,358
Post-employment Benefits	647	673
Total KMP Compensation	12,047	12,249

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 34: Budgetary Information on 2019-20 General Government Sector Financial Statements

The budgeted amounts are drawn from the original 2019-20 Budget presented, on 18 June 2019, 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 2020

	Original Budget \$m	Actual \$m	Budget Variance \$m
Revenue from Transactions			
Taxation	31,841	29,941	(1,900)
Grants and Subsidies			
Commonwealth General Purpose	18,685	18,073	(612)
Commonwealth Specific Purpose Payments	10,431	11,278	847
Commonwealth National Partnership Payments	2,888	3,886	998
Other Grants and Subsidies	999	1,068	69
Sale of Goods and Services	9,762	8,713	(1,049)
Interest	333	364	31
Dividend and Income Tax Equivalents from Other Sectors	1,877	1,354	(523)
Other Dividends and Distributions	2,001	2,426	425
Fines, Regulatory Fees and Other	5,498	4,262	(1,236)
Total Revenue from Transactions	84,316	81,367	(2,949)
Expenses from Transactions			
Employee	34,266	35,555	1,289
Superannuation			
Superannuation Interest Cost	1,079	882	(197)
Other Superannuation	3,151	3,288	137
Depreciation and Amortisation	6,110	5,948	(162)
Interest	2,278	2,084	(194)
Other Operating	20,815	23,156	2,341
Grants and Subsidies			
Recurrent Grants and Subsidies	14,828	16,369	1,541
Capital Grants	773	1,001	228
Total Expenses from Transactions	83,300	88,283	4,983
TRANSACTIONS FROM DISCONTINUING OPERATIONS	...	...	...
NET RESULT FROM TRANSACTIONS			
NET OPERATING BALANCE (BUDGET RESULT FOR THE GENERAL GOVERNMENT SECTOR)	1,016	(6,916)	(7,932)

The NSW General Government Statement of Comprehensive Income for the Year Ended 30 June 2020 (continued)

	Original Budget \$m	Actual \$m	Budget Variance \$m
NET OPERATING BALANCE	1,016	(6,916)	(7,932)
OTHER ECONOMIC FLOWS - INCLUDED IN THE OPERATING RESULT			
Gain/(Loss) from Other Liabilities	11	(201)	(212)
Other Net Gains/(Losses)	435	(2,553)	(2,988)
Share of Earnings/(Losses) from Equity Investments (excluding Dividends)	...	46	46
Dividends from Asset Sale Proceeds	(0)	31	31
Deferred Income Tax from Other Sectors	15	(123)	(138)
Other	40	(212)	(252)
Other Economic Flows - included in Operating Result	501	(3,013)	(3,514)
OPERATING RESULT	1,517	(9,929)	(11,446)
OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to operating result</i>			
Revaluations	2,811	4,263	1,452
Share of Associate's Other Comprehensive Income/(Loss) that will not be Reclassified Subsequently to Operating Result	...	...	...
Actuarial Gain/(Loss) from Superannuation	1,953	(673)	(2,626)
Net Gain/(Loss) on Equity Instruments at Fair Value through Other Comprehensive Income	(1,346)	(4,979)	(3,633)
Deferred Tax Direct to Equity	85	15	(70)
<i>Items that may be reclassified subsequently to operating result</i>			
Net Gain/(Loss) on Financial Instruments at Fair Value	...	(8)	(8)
Share of Associate's Other Comprehensive Income/(Loss) that may be Reclassified Subsequently to Operating Result	...	(243)	(243)
Other	(97)	1,171	1,268
Other Economic Flows - Other Comprehensive Income	3,406	(454)	(3,860)
COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS	4,923	(10,382)	(15,305)
KEY FISCAL AGGREGATES			
COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS	4,923	(10,382)	(15,305)
Less: Net Other Economic Flows	(3,907)	3,466	7,373
NET OPERATING BALANCE	1,016	(6,916)	(7,932)
Less: Net Acquisition of Non-Financial Assets			
Purchases of Non-Financial Assets	19,855	18,070	(1,785)
Sales of Non-Financial Assets	(1,031)	(639)	392
Less: Depreciation	(6,110)	(5,948)	162
Plus: Change in Inventories	(17)	839	856
Plus: Other Movements in Non-Financial Assets			
Assets Acquired using Finance Leases	2,490	2,915	425
Other	336	(92)	(428)
Equals Total Net Acquisition of Non-Financial Assets	15,523	15,145	(378)
EQUALS: NET LENDING/(BORROWING)	(14,507)	(22,061)	(7,554)

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 2020 was a deficit of \$6.9 billion, \$7.9 billion lower than the 2019-20 original budget forecast surplus of \$1.0 billion.

An analysis of the result compared to the original budget is outlined below.

Total Revenues

Total revenues were \$2.9 billion lower than the original budget as outlined below.

Taxation

Taxation was \$1.9 billion lower than the original budget mainly due to:

- Payroll tax, which was \$1.3 billion lower than the original budget, due to employment being weaker than anticipated at Budget as a result of COVID-19 and a 25% discount for taxpayers with payrolls up to \$10 million. The relief measure introduced by the NSW Government to defer annual return lodgement and payments until October 2020 has also impacted the ability to recognise payroll tax in 2019-20. Gambling and betting taxes, which were \$424 million lower than at the 2019-20 Budget, primarily due to venue closures, as a result of COVID-19 Public Health Orders in place from March 2020 through till the end of the financial year.
- A reclassification of certain budgeted taxes, mainly motor vehicles related, from Taxation to Sale of Goods and Services (\$406 million).
- Land tax was \$62 million below expectations at the 2019-20 Budget, reflecting lower than forecast assessment values.

These were offset by higher than expected results in:

- Other taxes and levies, which were higher than in the 2019-20 Budget by \$243 million. This was mainly due to the movement in outstanding contributions to the Dust Diseases Compensation Scheme based on recent liability valuations.
- Transfer duty was \$67 million higher than expected at the 2019-20 Budget, with slightly stronger than anticipated residential transaction volumes and prices growth being partially offset by lower duties on very large commercial property transactions.

Grants and Subsidies

Grants and subsidies revenue was higher than the original budget by \$1.3 billion mainly due to the following:

- Commonwealth national partnership payments, which were \$998 million higher than in the 2019-20 Budget, primarily driven by \$639 million Natural Disaster Relief grant payments, and \$387 million accounting adjustments mainly due to the impact of AASB 1058 – Income Recognition on grants.
- Commonwealth specific purpose and other payments, which were \$847 million higher than in the 2019-20 Budget. This was primarily driven by an \$813 million COVID-19 National Partnership Agreement grant payment to support the Health cluster due to COVID-19 measures.

These increases were partially offset by lower than expected results in:

- Commonwealth general purpose grants, which mainly comprise of GST, were \$612 million lower than expected at the 2019-20 Budget. Lower payments were largely due to downward GST pool revisions forecast in the Commonwealth 2019-20 Mid-Year Economic and Fiscal Outlook.

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.

Sale of goods and services was lower than in the 2019-20 Budget by \$1.0 billion, mainly attributable to:

- Lower fees for service of \$1.1 billion paid to Transport for NSW and Sydney Metro from the Public Non Financial Corporation Sector for major rail projects, due in part to the transfer of Sydney Metro projects into the General Government (GG) Sector. This impact was largely offset by a corresponding decrease in Other Operating Expenses.
- Sale of goods and services in the Education cluster was lower than in the 2019-20 Budget by \$290 million due to lower than expected parental voluntary contributions. These contributions are effectively donations and can therefore be unexpectedly volatile.
- Sale of goods and services in Health was lower than in the 2019-20 Budget by \$187 million due to the COVID-19 impact on activities and the reduced revenue from private health insurers that no longer paying the single room rate.
- These decreases were partially offset by the recognition of regulatory fees and fines (mainly relating to motor vehicles) that had originally been budgeted within Taxation and Fines, Regulatory Fees and Other (\$652 million).

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 in the 2019-20 Budget by \$31 million mainly due to higher than expected cash balances held in the Treasury Banking System.

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 income tax equivalents were lower than expected at the 2019-20 Budget by \$523 million. This variance was mainly driven by the budget dividend from NSW Treasury Corporation of \$231 million which was reduced to \$75m, a dividend holiday being granted to Forestry Corporation due to bushfires and reduced dividends received from Landcom due to COVID-19 impacts on the property industry (\$183 million).

Other Dividends and Distributions

Other dividends and distributions were \$425 million higher than in the 2019-20 Budget, mainly driven by higher than expected investment income from:

- Higher Dividends and Distributions recognised by NSW Self Insurance Corporation (\$226 million) due to improved financial market performance.
- Higher distributions from NSW Treasury Corporation Investment Management funds (\$165 million).

Fines, Regulatory Fees and Other

Revenue from fines, regulatory fees and other revenues were \$1.2 billion lower than the original budget. This was mainly driven by the following reasons:

- Mining royalties, which were \$305 million lower than in the 2019-20 Budget, largely driven by significantly greater declines in thermal coal prices than were anticipated in the 2019-20 Budget.
- Reclassification of budgeted Fines and Regulatory Fees to Sale of Goods and Services (\$245 million).
- Lower Fines of \$214 million driven by the delay in the 'Toward Zero' program commencement.
- Reduced Right to Receive revenue for infrastructure concessions (\$125 million).
- The residual variance was due to additional policy measures and other variances across General Government agencies.

Expenses

Total expenses were higher than the original budget by \$5.0 billion as outlined below.

Employee Expenses (excluding Superannuation)

Employee expenses was \$1.3 billion higher than in the 2019-20 Budget. This was mainly driven by the following reasons:

- NSW Self Insurance Corporation, which was \$479 million higher than in the 2019-20 Budget, primarily due to workers compensation expense as a result of increases in outstanding claim liabilities.
- Ministry of Health, which was \$145 million higher than expected at the 2019-20 Budget, primarily due to additional resources required for the response of COVID-19.
- Department of Communities and Justice, which was \$139 million higher than in the 2019-20 Budget due to additional employee expenditure across corrective services, courts and tribunal services and youth justice and child protection areas.
- Service NSW, which was \$102 million higher than in the 2019-20 Budget, mainly driven by the reclassification from the operating cost, and COVID-19 impact.
- The residual variance was due to additional policy measures impacting employee related costs across a number of agencies.

Superannuation Interest Cost and Other Superannuation Expenses

Superannuation Interest Cost and Other was \$60 million lower than the original budget due to a decrease in interest rates.

Depreciation and Amortisation Expenses

Depreciation and amortisation were \$162 million lower than in the 2019-20 Budget, mainly due to lower than expected completed assets, particularly related to road infrastructure projects.

Interest Expenses

Interest expenses were \$194 million lower than in the 2019-20 Budget, mainly due to the decrease in interest rates as compared to the original budget estimates.

Other Operating Expenses

Other Operating Expenses was \$2.3 billion higher than anticipated at the 2019-20 Budget. This was mainly driven by the following:

- NSW Self Insurance Corporation, which was \$2.1 billion higher than in the 2019-20 Budget driven by \$828 million for sensitive claims in the Treasury Managed Fund (TMF) and the Pre-Managed Fund (PMT) in the June 2020 valuation, \$551 million impact in the other TMF general line liabilities not part of the \$507 million of losses related to the bushfire disaster and \$343 million additional insurance claim costs due to COVID-19 impact.
- Ministry of Health, which was \$409 million higher than the 2019-20 Budget, mainly driven by the costs relating to the procurement of Personal Protective Equipment in response to the COVID-19 pandemic.
- Department of Education, which was \$219 million higher than in the 2019-20 Budget, due to increased cleaning and maintenance expenses due to the COVID-19 pandemic.
- These increases were partially offset by lower costs of \$1.1 billion incurred by Transport for NSW and Sydney Metro for major rail projects. This impact was largely offset by a corresponding decrease in Sale of Goods and Services.
- The remaining variance was due to additional policy measures across a number of agencies.

Grants and Subsidies Expenses

Recurrent and capital grants, subsidies and other transfers expenses was \$1.8 billion higher than the 2019-20 Budget. This was primarily due to:

- Transport for NSW, which was \$1.3 billion higher than the 2019-20 Budget driven by Restart capital grants to Sydney Metro for City to Southwest line, and the grant expenses to other transport agencies to supplement the reduced revenue collected from passengers for use of the public transport system and cleaning expenses due to the COVID-19 pandemic.
- The Treasury, which was \$530 million higher than in the 2019-20 Budget, due to the Small Business Grant program and quarantine package as part of the COVID-19 Stimulus Packages.
- Office of the NSW Rural Fire Service, which was \$355 million higher than the budget primarily due to the expenses incurred for bushfire disaster.

These were offset by lower than expected results in:

- Department of Education, which was \$350 million lower than expected at the Budget driven by the lower grant expenses for capital projects and programs that were delayed due to the COVID-19 pandemic.

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 2019-20 was a deficit of \$9.9 billion, \$11.4 billion lower than the original budget estimate. This result captures the sum of the Budget Result variance of \$7.9 billion and net variances in Other Economic Flows included in the Operating Result of \$3.5 billion, mainly driven by unrealised losses in the Government's managed funds due to the unfavourable market movement.

Comprehensive Result

The comprehensive result is the operating result plus the sum of other economic flows - other comprehensive income.

The Comprehensive Result for 2019-20 was a deficit of \$10.4 billion, \$15.3 billion lower than the budget estimate. This result was attributable to the Operating Result variance of \$11.4 billion and the variance in Other Economic Flows – Other Comprehensive Income of \$3.9 billion due mainly to actuarial adjustments to Superannuation and the net movements in equity investments in PFC/PNFC sector entities.

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 lower than the original budget by \$7.6 billion, mainly due to a deteriorated operating position given the impact of and response to the COVID-19 pandemic and the Government's record infrastructure investment in 2019-20.

The NSW General Government Sector Statement of Financial Position as at 30 June 2020

	Original Budget \$m	Actual \$m	Budget Variance \$m
ASSETS			
Financial Assets			
Cash and Cash Equivalent Assets	1,050	6,134	5,084
Receivables	7,069	11,281	4,212
Tax Equivalents Receivable	29	15	(14)
Investments, Loans and Placements			
Financial Assets at Fair Value	34,618	40,874	6,256
Other Financial Assets	1,827	1,533	(294)
Advances Paid	1,265	1,239	(26)
Deferred Tax Equivalents	2,294	2,127	(167)
Equity			
Investments in Other Public Sector Entities	108,612	100,249	(8,363)
Investments in Associates	12,689	11,866	(823)
Other Equity Investments	0	7	7
Total Financial Assets	169,454	175,326	5,872
Non-Financial Assets			
Contract Assets	0	24	24
Inventories	298	1,188	890
Forestry Stock and Other Biological Assets	9	14	5
Assets Classified as Held for Sale	276	286	10
Property, Plant and Equipment			
Land and Buildings	96,897	94,822	(2,075)
Plant and Equipment	11,692	12,538	846
Infrastructure Systems	129,273	124,406	(4,867)
Right-of-Use Assets	(0)	6,503	6,503
Intangibles	3,446	3,686	240
Other Non-Financial Assets	8,936	6,858	(2,078)
Total Non-Financial Assets	250,826	250,325	(501)
TOTAL ASSETS	420,280	425,651	5,371
LIABILITIES			
Deposits Held	93	69	(24)
Payables	7,273	7,031	(242)
Contract Liabilities	0	1,156	1,156
Tax Equivalents Payable	15	80	65
Borrowings and Derivatives at Fair Value	147	392	245
Borrowings at Amortised Cost	50,091	67,885	17,794
Advances Received	783	696	(87)
Employee Provisions	19,820	22,566	2,746
Superannuation Provision	58,731	67,890	9,159
Deferred Tax Equivalent Provision	122	82	(40)
Other Provisions	10,556	14,101	3,545
Other Liabilities	5,701	5,015	(686)
TOTAL LIABILITIES	153,334	186,964	33,630
NET ASSETS	266,946	238,688	(28,258)

The NSW General Government Sector Statement of Financial Position as at 30 June 2020 (continued)

	Original Budget \$m	Actual \$m	Budget Variance \$m
NET WORTH			
Accumulated Funds	87,986	67,479	(20,507)
Reserves	178,960	171,209	(7,751)
TOTAL NET WORTH	266,946	238,688	(28,258)
OTHER FISCAL AGGREGATES			
Net Debt	12,354	19,261	6,907
Net Financial Liabilities	92,493	111,887	19,394

Analysis of the General Government Sector Statement of Financial Position

Net Debt

Net debt was \$19.3 billion at 30 June 2020. This was \$6.9 billion higher than in the 2019-20 Budget, primarily driven by \$17.8 billion increase to borrowings, offset by \$5.1 billion increase in cash to support funding and expenditure as a result of bushfires, drought and COVID-19.

Net Financial Liabilities

Net financial liabilities were \$111.9 billion at 30 June 2020. This was a \$19.4 billion increase over the budget estimate. This change was primarily driven by increased borrowings to fund infrastructure investment of the General Government Sector, unfunded Superannuation Liability due to changes in the discount rate applied and to support Sector stimulus packages and support sector cashflows due to COVID-19. This has been partially offset by the movement of the Equity Investments in Other Public Sector Entities.

Net Worth

Net worth was \$238.7 billion at 30 June 2020. This was \$28.3 billion lower than the original budget. The decrease in net worth was mainly driven by a deteriorated operating position given the impact of the COVID-19 pandemic, increased provisions mainly resulting from lower than budgeted discount rates used and increased borrowings with NSW TCorp to fund infrastructure investment of General Government Sector and to support COVID-19 related funding.

The NSW General Government Sector Statement of Cash Flows for the Year Ended 30 June 2020

	Original Budget \$m	Actual \$m	Budget Variance \$m
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Taxation	31,954	28,346	(3,608)
Sale of Goods and Services	10,249	8,878	(1,371)
Grants and Subsidies	32,859	33,775	916
Interest	235	291	56
Dividends and Income Tax Equivalents from Other Sectors	1,714	1,139	(575)
Other	10,283	12,559	2,276
Total Receipts	87,295	84,988	(2,307)
Payments			
Employee Related	(33,794)	(34,083)	(289)
Superannuation	(4,567)	(4,649)	(82)
Payments for Goods and Services	(20,661)	(21,291)	(630)
Grants and Subsidies	(14,997)	(16,180)	(1,183)
Interest	(1,868)	(1,839)	29
Other	(4,714)	(7,231)	(2,517)
Total Payments	(80,602)	(85,272)	(4,670)
NET CASH FLOWS FROM OPERATING ACTIVITIES	6,693	(284)	(6,977)
CASH FLOWS FROM INVESTING ACTIVITIES			
Non-financial Assets			
Proceeds from Sale of Non-Financial Assets	1,120	223	(897)
Purchases of Non-Financial Assets	(20,525)	(17,252)	3,273
Net Cash Flows from Investments in Non-Financial Assets	(19,404)	(17,029)	2,375
Financial Assets (Policy Purposes)			
Receipts	158	2,768	2,610
Payments	(3,190)	(4,739)	(1,549)
Net Cash Flows from Investments in Financial Assets (Policy Purposes)	(3,032)	(1,971)	1,061
Financial Assets (Liquidity Purposes)			
Proceeds from Sale of Investments	9,145	6,131	(3,014)
Purchase of Investments	(2,727)	(4,313)	(1,586)
Net Cash Flows from Investments in Financial Assets (Liquidity Purposes)	6,417	1,818	(4,599)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(16,019)	(17,181)	(1,162)

The NSW General Government Sector Statement of Cash Flows for the Year Ended 30 June 2020 (continued)

	Original Budget \$m	Actual \$m	Budget Variance \$m
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances Received	170	21	(149)
Advances Repaid	(203)	(98)	105
Proceeds from Borrowings	8,192	22,943	14,751
Repayments of Borrowings	(1,323)	(1,253)	70
Deposits Received (Net)	2	2	...
Other (Net)	85	15	(70)
NET CASH FLOWS FROM FINANCING ACTIVITIES	6,923	21,630	14,707
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,403)	4,165	6,568
Opening Cash and Cash Equivalents	3,438	1,969	(1,469)
Reclassification of Cash Equivalents	15	(0)	(15)
CLOSING CASH BALANCE	1,050	6,134	5,084
DERIVATION OF CASH RESULT			
Net Cash Flows from Operating Activities	6,693	(284)	(6,977)
Net Cash Flows from Investments in Non-Financial Assets	(19,404)	(17,029)	2,375
CASH SURPLUS/(DEFICIT)	(12,711)	(17,312)	(4,601)

Analysis of the General Government Sector Statement of Cash Flows

Cash Result

The cash deficit was \$17.3 billion at 30 June 2020, \$4.6 billion higher than the estimated budget cash deficit of \$12.7 billion at 2019-20 Budget. It was mainly driven by a weak operating position due to the COVID-19 impact and the Government maintaining its record infrastructure investment.

Note 35: 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 2018-19 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).

The NSW Total State Sector Accounts Statement of Comprehensive Income by Sector for the Year Ended 30 June 2020

	General Government 2019-20	General Government 2018-19 Restated ^(a)	Public Non-financial Corporations 2019-20	Public Non-financial Corporations 2018-19 Restated ^(a)
FROM CONTINUING OPERATIONS	\$m	\$m	\$m	\$m
Revenue from Transactions				
Taxation	29,941	31,026	...	...
Grants and Subsidies				
Commonwealth General Purpose	18,073	17,907	...	...
Commonwealth Specific Purpose Payments	11,278	10,224	...	...
Commonwealth National Partnership Payments	3,886	2,737	...	...
Other Grants and Subsidies	1,068	981	3,156	3,022
Sale of Goods and Services	8,713	9,745	7,836	8,357
Interest	364	491	51	76
Dividend and Income Tax Equivalents from Other Sectors	1,354	1,932	...	...
Other Dividends and Distributions	2,426	1,934	6	15
Fines, Regulatory Fees and Other	4,262	4,679	620	621
Total Revenue from Transactions	81,367	81,655	11,669	12,092
Expenses from Transactions				
Employee	35,555	33,158	2,859	2,754
Superannuation				
Superannuation Interest Cost	882	1,412	45	55
Other Superannuation	3,288	3,052	215	187
Depreciation and Amortisation	5,948	5,171	3,206	2,815
Interest	2,084	1,812	1,040	1,042
Income Tax Equivalents	...	...	210	309
Other Property Expense	...	...	...	...
Other Operating Expense	23,156	21,146	5,580	5,852
Grants and Subsidies				
Recurrent Grants and Subsidies	16,369	13,595	60	68
Capital Grants	1,001	1,105	...	12
Total Expenses from Transactions	88,283	80,450	13,215	13,094
TRANSACTIONS FROM DISCONTINUING OPERATIONS	...	...	...	40
NET RESULT FROM TRANSACTIONS -				
NET OPERATING BALANCE (BUDGET RESULT FOR THE GENERAL GOVERNMENT SECTOR)	(6,916)	1,206	(1,546)	(962)

(a) Refer Note 32 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

Public Financial Corporations		Eliminations		Total State Sector	
2019-20	2018-19 Restated ^(a)	2019-20	2018-19 Restated ^(a)	2019-20	2018-19 Restated ^(a)
\$m	\$m	\$m	\$m	\$m	\$m
532	516	(534)	(502)	29,939	31,040
...	...	...	...	18,073	17,907
...	...	...	...	11,278	10,224
...	...	...	...	3,886	2,737
...	...	(3,234)	(3,102)	990	900
871	754	(3,265)	(3,630)	14,155	15,225
2,388	2,263	(2,193)	(2,030)	610	801
...	...	(1,354)	(1,932)	...	...
2,478	1,715	(2,270)	(1,639)	2,641	2,025
1	0	(154)	(68)	4,729	5,234
6,269	5,249	(13,003)	(12,903)	86,302	86,093
207	159	(510)	(527)	38,112	35,544
0	...	...	...	927	1,466
16	12	(1)	...	3,517	3,250
20	9	(14)	(31)	9,159	7,964
2,222	2,299	(2,149)	(2,016)	3,197	3,137
22	37	(232)	(346)	...	...
...
3,832	3,097	(5,607)	(5,289)	26,961	24,805
22	16	(3,152)	(2,759)	13,299	10,921
...	...	(162)	(376)	839	741
6,341	5,629	(11,828)	(11,344)	96,011	87,828
...	122	...	(154)	...	8
(71)	(258)	(1,175)	(1,713)	(9,709)	(1,727)

(a) Refer Note 32 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

The NSW Total State Sector Accounts Statement of Comprehensive Income by Sector for the Year Ended 30 June 2020 (continued)

	General Government 2019-20	General Government 2018-19 Restated ^(a)	Public Non-financial Corporations 2019-20	Public Non-financial Corporations 2018-19 Restated ^(a)
	\$m	\$m	\$m	\$m
NET OPERATING BALANCE	(6,916)	1,206	(1,546)	(962)
OTHER ECONOMIC FLOWS - INCLUDED IN THE OPERATING RESULT				
Gain/(Loss) from Liabilities	(201)	(2,500)	(7)	(33)
Other Net Gains/(Losses)	(2,553)	13,700	(655)	(3,146)
Share of Earnings/(Losses) from Equity Investments (excl. Dividends)	46	(1)	...	...
Dividends from Asset Sale Proceeds	31	(0)	...	...
Deferred Income Tax from Other Sectors	(123)	(97)	120	(42)
Other	(212)	14	(6)	(5)
Discontinuing Operations - Other Economic Flows	...	(0)	...	...
Other Economic Flows - included in Operating Result	(3,013)	11,117	(547)	(3,226)
OPERATING RESULT	(9,929)	12,322	(2,094)	(4,188)
OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME				
<i>Items that will not be reclassified to operating result</i>				
Revaluations	4,263	7,154	278	26
Share of Associate's Other Comprehensive Income/(Loss) that will not be Reclassified Subsequently to Operating Result	...	(10)	...	...
Actuarial Gain/(Loss) from Superannuation	(673)	(13,364)	(17)	(756)
Net Gain/(Loss) on Equity Instruments at Fair Value through Other Comprehensive Income	(4,979)	(7,950)	...	(0)
Deferred Tax Direct to Equity	15	151	(15)	(151)
<i>Items that may be reclassified subsequently to operating result</i>				
Net Gain/(Loss) on Financial Instruments at Fair Value	(8)	19	(6)	(3)
Share of Associate's Other Comprehensive Income/(Loss) that may be Reclassified Subsequently to Operating Result	(243)	(538)	...	...
Other	1,171	165	(96)	6
Other Economic Flows - Other Comprehensive Income	(454)	(14,372)	142	(879)
COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS^(b)	(10,382)	(2,050)	(1,951)	(5,066)
Dividends Distributed	...	...	(1,077)	(1,475)
Net Equity Injections/(Transfers)	...	...	6,654	(3,240)
Total Change in Net Worth	(10,382)	(2,050)	3,626	(9,781)
KEY FISCAL AGGREGATES				
COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS	(10,382)	(2,050)	(1,951)	(5,066)
Less: Net Other Economic Flows	3,466	3,256	405	4,105
NET OPERATING BALANCE	(6,916)	1,206	(1,546)	(962)
Less: Net Acquisition of Non-Financial Assets				
Purchases of Non-Financial Assets	18,070	16,464	4,205	5,202
Sales of Non-Financial Assets	(639)	(966)	(264)	(368)
Less: Depreciation	(5,948)	(5,171)	(3,206)	(2,815)
Plus: Change in inventories	839	38	108	(72)
Plus: Other Movements in Non-Financial Assets				
- assets acquired using leases	2,915	159	75	...
- other	(92)	(38)	357	402
Equals Total Net Acquisition of Non-Financial Assets	15,145	10,485	1,275	2,349
EQUALS: NET LENDING/(BORROWING)	(22,061)	(9,280)	(2,821)	(3,311)

(a) Refer Note 32 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

(b) Additional disclosure for the 2019-20 Total State Sector Accounts to disclose transactions with owners in their capacity as owners.

Public Financial Corporations		Eliminations		Total State Sector	
2019-20	2018-19 Restated ^(a)	2019-20	2018-19 Restated ^(a)	2019-20	2018-19 Restated ^(a)
\$m	\$m	\$m	\$m	\$m	\$m
(71)	(258)	(1,175)	(1,713)	(9,709)	(1,727)
(418)	(684)	...	...	(626)	(3,218)
(1,446)	10,867	51	(10,089)	(4,603)	11,332
(2)	(0)	...	...	45	(1)
...	...	(31)	0	...	...
...	...	3	139	...	...
...	...	...	...	(218)	10
...	...	...	0	...	(0)
(1,866)	10,182	23	(9,950)	(5,402)	8,123
(1,937)	9,924	(1,152)	(11,664)	(15,111)	6,395
(1)	(0)	...	95	4,540	7,275
...	...	...	...	...	(10)
0	(1)	...	...	(690)	(14,120)
...	...	4,979	7,332	(0)	(618)
...	...	...	0	...	...
...	...	...	...	(14)	16
...	...	...	...	(243)	(538)
(0)	(0)	62	(621)	1,136	(450)
(1)	(1)	5,041	6,807	4,729	(8,446)
(1,938)	9,923	3,889	(4,857)	(10,382)	(2,050)
(76)	(266)	1,153	1,740	...	...
...	(16,612)	(6,654)	19,852	...	...
(2,013)	(6,955)	(1,613)	16,735	(10,382)	(2,050)
(1,938)	9,923	3,889	(4,857)	(10,382)	(2,050)
1,866	(10,181)	(5,064)	3,144	673	323
(71)	(258)	(1,175)	(1,713)	(9,709)	(1,727)
8	2	...	...	22,283	21,668
(0)	...	0	17	(903)	(1,317)
(20)	(9)	14	31	(9,159)	(7,964)
...	...	(21)	...	927	(34)
...	...	1	...	2,990	159
...	...	(6)	(7)	259	357
(12)	(7)	(12)	40	16,396	12,868
(59)	(251)	(1,164)	(1,753)	(26,105)	(14,595)

(a) Refer Note 32 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

(b) Additional disclosure for the 2019-20 Total State Sector Accounts to disclose transactions with owners in their capacity as owners.

The NSW Total State Sector Accounts Statement of Financial Position as at 30 June 2020

	General Government 2019-20	2018-19 Restated ^(a)	Public Non-financial 2019-20	Corporations 2018-19 Restated ^(a)
	\$m	\$m	\$m	\$m
ASSETS				
Financial Assets				
Cash and Cash Equivalent Assets	6,134	1,969	2,110	2,548
Receivables	11,281	7,491	1,295	1,211
Investments, Loans and Placements				
Financial Assets at Fair Value	40,874	43,333	243	240
Other Financial Assets	1,533	2,591	421	656
Advances paid	1,239	1,193	0	0
Tax Equivalents Receivable	15	32	77	9
Deferred Tax Equivalents	2,127	2,245	84	109
Equity Investments				
Investments in Other Public Sector Entities	100,249	98,573	...	...
Investments in Associates	11,866	12,055	...	...
Other	7	8	181	189
Total Financial Assets	175,326	169,490	4,411	4,963
Non-Financial Assets				
Contract Assets	24	...	...	...
Inventories	1,188	399	576	474
Forestry Stock and Other Biological Assets	14	10	827	1,171
Assets Classified as Held for Sale	286	222	49	61
Investment Properties	...	...	676	648
Property, Plant and Equipment				
Land and Buildings	94,822	90,748	73,668	75,775
Plant and Equipment	12,538	12,162	4,106	5,968
Infrastructure Systems	124,406	118,190	55,792	48,645
Right-of-Use Assets	6,503	...	2,969	...
Intangibles	3,686	3,694	1,070	1,108
Other	6,858	6,266	629	170
Total Non-financial Assets	250,325	231,690	140,363	134,020
TOTAL ASSETS	425,651	401,181	144,774	138,983
LIABILITIES				
Deposits Held	69	67	21	70
Payables	7,031	7,079	2,005	2,136
Contract Liabilities	1,156	...	108	...
Borrowings and Derivatives at Fair Value	392	207	7	3
Borrowings at Amortised Cost	67,885	37,656	26,707	24,558
Advances Received	696	756	463	478
Employee Provisions	22,566	20,802	1,227	1,150
Superannuation Provision	67,890	67,696	3,057	3,010
Tax Equivalents Payable	80	3	0	32
Deferred Tax Equivalent Provision	82	108	2,129	2,246
Other Provisions	14,101	11,604	1,664	1,410
Other	5,015	6,134	192	322
TOTAL LIABILITIES	186,964	152,110	37,580	35,415
NET WORTH	238,688	249,070	107,193	103,567
OTHER FISCAL AGGREGATES				
Net Debt	19,261	(10,401)	24,424	21,664
Net Financial Liabilities	111,887	81,194	33,170	30,453

(a) Refer Note 32 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

Public Financial Corporations		Eliminations		Total State Sector	
2019-20	2018-19 Restated ^(a)	2019-20	2018-19 Restated ^(a)	2019-20	2018-19 Restated ^(a)
\$m	\$m	\$m	\$m	\$m	\$m
2,797	4,701	(324)	(239)	10,717	8,979
1,211	1,154	(2,641)	(2,330)	11,146	7,527
84,290	56,288	(79,497)	(55,301)	45,909	44,560
11	7	(181)	(461)	1,784	2,793
...	...	(463)	(478)	776	715
...	...	(92)	(41)	...	...
...	...	(2,212)	(2,354)	...	...
...	...	(100,249)	(98,573)	0	0
...	2	...	...	11,866	12,057
21,554	24,272	...	...	21,741	24,468
109,862	86,424	(185,659)	(159,778)	103,940	101,099
...	...	...	...	24	...
...	...	(21)	...	1,743	873
...	...	...	...	841	1,181
...	...	...	...	335	283
...	...	...	...	676	648
12	14	...	(190)	168,502	166,346
13	18	...	(74)	16,657	18,075
...	...	0	(0)	180,197	166,835
63	...	(187)	...	9,349	...
11	7	...	...	4,768	4,809
83	36	(22)	(22)	7,547	6,449
182	75	(230)	(286)	390,640	365,499
110,044	86,499	(185,889)	(160,064)	494,580	466,598
409	857	(354)	(700)	144	293
346	337	(1,233)	(1,195)	8,148	8,357
...	...	(6)	...	1,259	...
98,364	72,783	(405)	(236)	98,358	72,757
80	6	(79,247)	(55,069)	15,425	7,151
...	...	(463)	(478)	696	756
43	35	(19)	(18)	23,817	21,969
5	5	...	...	70,951	70,711
12	7	(92)	(41)	...	...
...	...	(2,211)	(2,354)	...	...
7,432	6,306	(1,410)	(1,136)	21,786	18,185
10,102	10,898	(2)	(4)	15,307	17,350
116,791	91,233	(85,443)	(61,232)	255,892	217,528
(6,747)	(4,734)	(100,446)	(98,833)	238,688	249,070
11,755	12,650	(4)	(3)	55,437	23,909
6,929	4,809	(33)	(27)	151,953	116,429

(a) Refer Note 32 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

The NSW Total State Sector Accounts Statement of Cash Flows by Sector for the Year Ended 30 June 2020

	General Government 2019-20	General Government 2018-19	Public Non-financial Corporations ^(a) 2019-20	Public Non-financial Corporations ^(a) 2018-19
	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Taxation	28,346	30,603	...	...
Sale of Goods and Services	8,878	9,908	7,728	8,954
Grants and Subsidies	33,775	31,810	3,151	3,017
Interest	291	518	51	70
Dividends and Income Tax Equivalents from Other Sectors	1,139	1,897	(0)	...
Other	12,559	12,094	1,119	1,542
Total Receipts	84,988	86,830	12,049	13,583
Payments				
Employee Related	(34,083)	(31,896)	(2,420)	(2,323)
Superannuation	(4,649)	(4,325)	(229)	(205)
Payments for Goods and Services	(21,291)	(20,874)	(6,024)	(6,199)
Grants and Subsidies	(16,180)	(13,739)	(60)	(78)
Interest	(1,839)	(1,455)	(946)	(922)
Distributions Paid	0	(0)	(301)	(423)
Other	(7,231)	(7,213)	(1,067)	(1,329)
Total Payments	(85,272)	(79,502)	(11,046)	(11,479)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(284)	7,328	1,003	2,104
CASH FLOWS FROM INVESTING ACTIVITIES				
Non-financial Assets				
Proceeds from Sale of Non-financial Assets	223	452	264	371
Purchases of Non-Financial Assets	(17,252)	(18,087)	(4,258)	(5,325)
Net Cash Flows from Investments in Non-financial Assets	(17,029)	(17,635)	(3,994)	(4,955)
Financial Assets (Policy Purposes)				
Receipts	2,768	18,026	(26)	0
Payments	(4,739)	(2,341)	...	(810)
Net Cash Flows from Investments in Financial Assets (Policy Purposes)	(1,971)	15,685	(26)	(810)
Financial Assets (Liquidity Purposes)				
Proceeds from Sale of Investments	6,131	10,029	192	228
Purchase of Investments	(4,313)	(23,904)	(5)	(22)
Net Cash Flows from Investments in Financial Assets (Liquidity Purposes)	1,818	(13,875)	186	206
NET CASH FLOWS FROM INVESTING ACTIVITIES	(17,181)	(15,825)	(3,834)	(5,559)
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances Received	21	56	1,964	2,025
Advances Repaid	(98)	(125)	(31)	(31)
Proceeds from Borrowings	22,943	5,561	1,841	2,067
Repayments of Borrowings	(1,253)	(612)	(643)	(211)
Dividends Paid	...	...	(727)	(1,611)
Deposits Received (Net)	2	19	(49)	(21)
Other (Net)	15	151	9	21
NET CASH FLOWS FROM FINANCING ACTIVITIES	21,630	5,050	2,364	2,238
NET INCREASE/(DECREASE) IN CASH HELD	4,165	(3,448)	(468)	(1,216)

(a) The Statement of Cash Flows is presented to include both continuing and discontinued operations; amounts related to discontinued operations are disclosed in Note 5 Discontinued Operations.

Public Financial Corporations ^(a)		Eliminations		Total State Sector ^(a)	
2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
\$m	\$m	\$m	\$m	\$m	\$m
527	522	(503)	(490)	28,370	30,636
866	765	(3,305)	(3,875)	14,167	15,752
...	...	(3,216)	(3,104)	33,710	31,723
2,368	2,118	(2,035)	(1,844)	674	862
...	154	(1,139)	(2,051)	0	(0)
2,668	1,680	(2,433)	(1,735)	13,914	13,581
6,429	5,239	(12,630)	(13,098)	90,835	92,554
(199)	(175)	159	157	(36,542)	(34,235)
(16)	(13)	...	(1)	(4,893)	(4,542)
(3,445)	(2,344)	5,981	5,668	(24,779)	(23,747)
(13)	(8)	3,264	3,124	(12,988)	(10,701)
(2,046)	(2,358)	2,025	1,838	(2,806)	(2,897)
(18)	(39)	318	463	...	...
(1,012)	492	102	136	(9,207)	(7,914)
(6,748)	(4,445)	11,850	11,389	(91,216)	(84,037)
(320)	794	(780)	(1,710)	(381)	8,517
0	...	(0)	(16)	487	807
(8)	(2)	(39)	116	(21,557)	(23,298)
(8)	(2)	(39)	100	(21,070)	(22,492)
...	...	(31)	(31)	2,711	17,995
...	(553)	1,964	2,025	(2,775)	(1,679)
...	(553)	1,933	1,994	(63)	16,316
4,613	6,237	(6,636)	(3,876)	4,298	12,618
(28,657)	(11,417)	30,226	7,217	(2,749)	(28,126)
(24,045)	(5,179)	23,590	3,342	1,549	(15,508)
(24,053)	(5,734)	25,484	5,436	(19,584)	(21,684)
...	...	(1,964)	(2,025)	21	56
...	...	31	31	(98)	(125)
103,028	62,561	(25,060)	(6,098)	102,751	64,090
(80,442)	(57,677)	1,387	2,615	(80,950)	(55,885)
(118)	(148)	844	1,759	...	...
...	...	...	(0)	(47)	(2)
...	...	(28)	(142)	(4)	30
22,468	4,736	(24,790)	(3,860)	21,672	8,164
(1,904)	(204)	(86)	(133)	1,708	(5,003)

(a) The Statement of Cash Flows is presented to include both continuing and discontinued operations; amounts related to discontinued operations are disclosed in Note 5 Discontinued Operations.

The NSW Total State Sector Accounts Statement of Cash Flows by Sector for the Year Ended 30 June 2020 (continued)

	General Government 2019-20	General Government 2018-19	Public Non-financial Corporations ^(a) 2019-20	Public Non-financial Corporations ^(a) 2018-19
	\$m	\$m	\$m	\$m
Opening Cash and Cash Equivalents	1,969	5,418	2,548	3,808
Reclassification of Cash Equivalents	(0)	(1)	29	(43)
CLOSING CASH BALANCE	6,134	1,969	2,110	2,548
DERIVATION OF CASH RESULT				
Net Cash Flows from Operating Activities	(284)	7,328	1,003	2,104
Net Cash Flows from Investments in Non-Financial Assets	(17,029)	(17,635)	(3,994)	(4,955)
Dividend Distributions	...	...	(727)	(1,611)
CASH SURPLUS/(DEFICIT)	(17,312)	(10,307)	(3,718)	(4,462)

(a) The Statement of Cash Flows is presented to include both continuing and discontinued operations; amounts related to discontinued operations are disclosed in Note 5 Discontinued Operations.

Public Financial Corporations ^(a)		Eliminations		Total State Sector ^(a)	
2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
\$m	\$m	\$m	\$m	\$m	\$m
4,701	4,905	(239)	(161)	8,979	13,969
...	...	1	56	30	12
2,797	4,701	(324)	(239)	10,717	8,979
(320)	794	(780)	(1,710)	(381)	8,517
(8)	(2)	(39)	100	(21,070)	(22,492)
(118)	(148)	844	1,759	...	...
(445)	644	25	149	(21,451)	(13,975)

(a) The Statement of Cash Flows is presented to include both continuing and discontinued operations; amounts related to discontinued operations are disclosed in Note 5 Discontinued Operations.

The NSW Total State Sector Accounts Statement of Changes in Equity for the Whole of Government by Sector for the Year Ended 30 June 2020

	Equity at 1 July 2019 \$m	Correction to Prior Period ^(a) \$m	Equity at 1 July 2019 Restated ^(a) \$m	Changes in Accounting Standards and Policy at 1 July 2019 ^(b) \$m	Comprehensive Result ^(b) \$m	Transfers between equity classes \$m	Transactions with owners as owners \$m	Equity at 30 June 2020 \$m
General Government Sector								
Accumulated Funds	75,368	355	75,722	1,103	(10,518)	1,172	...	67,478
Reserves								
Asset Revaluation Surplus	97,202	(1,039)	96,163	...	4,263	(1,172)	...	99,254
Equity Investment Revaluation Surplus/Hedge Reserve in Associate	(556)	...	(556)	...	(243)	(0)	...	(799)
Hedging Reserve	1	...	1	...	(8)	0	...	(7)
Financial Assets at Fair Value through Other Comprehensive Income	78,155	(417)	77,738	(66)	(4,913)	...	...	72,759
Other	0	...	0	...	...	(0)	...	...
	250,172	(1,102)	249,070	1,037	(11,419)	...	...	238,688
Public Non-Financial Corporation Sector								
Accumulated Funds	42,652	...	42,652	(42)	(2,157)	975	5,577	47,006
Reserves								
Asset Revaluation Surplus	60,869	...	60,869	(24)	278	(960)	...	60,163
Equity Investment Revaluation Surplus/Hedge Reserve in Associate	...	...	...	...	...	...	...	...
Hedging Reserve	(3)	...	(3)	...	(6)	...	...	(9)
Financial Assets at Fair Value through Other Comprehensive Income	(0)	...	(0)	...	...	...	...	(0)
Other	50	...	50	...	...	(16)	...	35
	103,567	...	103,567	(66)	(1,885)	...	5,577	107,193
Public Financial Corporation Sector								
Accumulated Funds	(4,733)	...	(4,733)	...	(1,936)	...	(76)	(6,745)
Reserves								
Asset Revaluation Surplus	0	...	0	...	(1)	...	...	(0)
Equity Investment Revaluation Surplus/Hedge Reserve in Associate	...	...	...	...	...	...	...	...
Hedging Reserve	...	...	...	...	...	...	...	...
Financial Assets at Fair Value through Other Comprehensive Income	(0)	...	(0)	...	...	...	...	(0)
Other	...	...	...	...	...	...	...	...
	(4,734)	...	(4,734)	...	(1,937)	...	(76)	(6,747)
Eliminations	(98,833)	...	(98,833)	66	3,822	...	(5,501)	(100,446)
Total State Sector	250,172	(1,102)	249,070	1,037	(11,419)	...	...	238,688

(a) Refer Note 32 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

(b) The Statement of Comprehensive Income includes AASB 15, AASB 16 and AASB 1058 transition adjustments in 'Other Comprehensive Income'.

The NSW Total State Sector Accounts Statement of Changes in Equity for the Whole of Government by Sector for the Year Ended 30 June 2019

	Equity at 1 July 2019 \$m	Correction to Prior Period ^(a) \$m	Equity at 1 July 2019 Restated ^(a) \$m	Changes in Accounting Standards and Policy at 1 July 2019 ^(b) \$m	Comprehensive Result ^(b) \$m	Transfers between equity classes \$m	Transactions with owners as owners \$m	Equity at 30 June 2020 \$m
General Government Sector								
Accumulated Funds	76,243	367	76,610	14	(715)	(187)	...	75,722
Reserves								
Asset Revaluation Surplus	90,248	(988)	89,260	...	7,154	(250)	...	96,163
Equity Investment Revaluation Surplus/Hedge Reserve in Associate	25	...	25	...	(548)	(33)	...	(556)
Hedging Reserve	(17)	...	(17)	...	19	(0)	...	1
Available for Sale Reserve	85,597	...	85,597	(85,597)	...	...	...	...
Financial Assets at Fair Value through Other Comprehensive Income	...	(355)	(355)	85,573	(7,950)	470	...	77,738
Other	...	...	...	...	...	0	...	0
	252,095	(976)	251,119	(10)	(2,040)	...	...	249,070
Public Non-Financial Corporation Sector								
Accumulated Funds	51,296	...	51,296	8	(5,089)	1,151	(4,714)	42,652
Reserves								
Asset Revaluation Surplus	62,050	...	62,050	...	26	(1,207)	...	60,869
Equity Investment Revaluation Surplus/Hedge Reserve in Associate	...	...	...	...	...	...	...	...
Hedging Reserve	(118)	...	(118)	...	(3)	118	...	(3)
Available for Sale Reserve	8	...	8	(8)	...	...	...	...
Financial Assets at Fair Value through Other Comprehensive Income	...	...	...	...	(0)	...	...	(0)
Other	112	...	112	...	...	(62)	...	50
	113,348	...	113,348	...	(5,066)	...	(4,714)	103,567
Public Financial Corporation Sector								
Accumulated Funds	2,220	...	2,220	...	9,925	...	(16,878)	(4,733)
Reserves								
Asset Revaluation Surplus	1	...	1	...	(0)	...	...	0
Equity Investment Revaluation Surplus/Hedge Reserve in Associate	...	...	...	...	...	...	...	...
Hedging Reserve	...	...	...	...	...	...	...	...
Financial Assets at Fair Value through Other Comprehensive Income	(0)	...	(0)	...	...	...	...	(0)
Other	...	...	...	...	...	...	...	...
	2,219	...	2,219	...	9,924	...	(16,878)	(4,734)
Eliminations	(115,567)	...	(115,567)	...	(4,858)	...	21,592	(98,833)
Total State Sector	252,095	(976)	251,119	(10)	(2,040)	...	...	249,070

(a) Refer Note 32 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

(b) The Statement of Comprehensive Income includes AASB 9 transition adjustments in 'Other Comprehensive Income'.

Information on Expenses and Assets by Function

	General Government Sector		Total State Sector	
	2019-20	2018-19 Restated ^{(a)(b)}	2019-20	2018-19 Restated ^{(a)(b)}
	\$m	\$m	\$m	\$m
Total Expenses by Function (Policy Area)				
General Public Services ^{(c)(d)}	10,551	8,310	11,664	8,737
Defence	...	...	...	...
Public Order and Safety	8,643	8,232	8,642	8,246
Economic Affairs ^(e)	5,261	3,097	7,304	4,996
Environmental Protection	1,509	1,144	1,489	1,139
Housing and Community Amenities	995	1,143	2,915	3,070
Health	23,315	22,683	23,303	22,671
Recreation, Culture and Religion	1,097	1,280	1,654	1,913
Education ^(e)	17,024	17,050	16,912	16,941
Social Protection	8,533	7,419	9,814	9,022
Transport ^(d)	11,356	10,090	12,314	11,096
Total Expenses^(f)	88,283	80,450	96,011	87,828
Total Assets by Function (Policy Area)^(e)				
General Public Services	152,019	143,494	97,474	90,063
Defence	...	...	...	...
Public Order and Safety	13,407	10,053	13,398	10,051
Economic Affairs	13,807	19,332	17,691	23,990
Environmental Protection	1,039	763	1,120	846
Housing and Community Amenities	15,121	3,197	27,707	15,401
Health	28,145	23,510	28,145	23,510
Recreation, Culture and Religion	13,112	17,655	19,607	23,890
Education	38,835	37,402	38,835	37,402
Social Protection	4,197	6,256	62,947	66,917
Transport	145,967	139,519	187,655	174,526
Total Assets	425,651	401,181	494,580	466,598

(a) Refer Note 32 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

(b) For 2018-19, functions were not restated to reflect an impact of the revised outcome budgeting programs by agencies.

(c) 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.

(d) For 2018-19, \$1,757 million was reclassified from General Public Services to Transport due to information becoming available after the release of the 2018-19 Total State Sector Accounts.

(e) For 2018-19, \$655 million was reclassified from Education to Economic Affairs due to information becoming available after the release of the 2018-19 Total State Sector Accounts.

(f) 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.

The aggregate amount of the comprehensive result attributable to the General Government Sector from the PNFC and PFC sector entities in 2019-20 is \$3,889 million net deficit (2018-19: \$4,857 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 36: Key Fiscal Aggregates and Reconciliations to Government Finance Statistics

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.

The Australian Bureau of Statistics (ABS) Government Finance Statistics (GFS) Manual provides the basis upon which GFS information contained in this financial report is prepared. The principles and concepts contained in the GFS Manual share many similarities with accounting principles and concepts. Where harmonisation cannot be achieved as a result of differences in definition, recognition, measurement, classification and consolidation principles and rules, a convergence difference arises.

Key Fiscal Aggregates

Fiscal aggregates are useful for assessing the impact of the financial transactions of government-controlled entities on the economy. These measures are derived from the financial statements.

The **net operating balance** is calculated as income from transactions less expenses from transactions for both GFS and GAAP. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. The GFS measure for the net operating balance will differ from the GAAP measurement due to differences in the treatment of revenue and expense items that are included in this fiscal aggregate under the two frameworks.

Net lending/(borrowing) is calculated as the net operating balance, less the net acquisition of non-financial assets. The GFS measure of net lending/(borrowing) will vary from the GAAP measure due to differences in the treatment of items that are recognised as revenues and expenses under GAAP. There will also be variances between the two frameworks arising from the recognition of items that are included in the presentation of the net acquisition of non-financial assets.

The **total change in net worth** reports the movement in the transactions and other economic flows that contribute to the closing balance of net worth reported in the Consolidated Statement of Financial Position (Balance Sheet). For both GFS and GAAP, the change in the net worth is calculated from the prior year's net worth balance presented in NSW's Report on State Finances. Items included in reconciling the change in net worth for a prior period, to the change in net worth for that same period, may include amendments to prior year balances that are permitted under accounting standards. Variances between GFS and GAAP in this fiscal aggregate, relate to the conceptual differences between these two frameworks for items reported in the Consolidated Statement of Comprehensive Income (Operating Statement).

Net worth represents total assets less total liabilities, excluding the State's equity investments in the PNFC and PFC sectors under GFS. GAAP net worth differs from GFS as it includes the GGS equity investments in the PNFC and PFC sector. Under GAAP these equity investments in the PNFC and PFC sector are measured at the fair value of the Government's proportional share of the carrying amount of net assets. GFS differs from GAAP and reports the equity investment in the PNFC and PFC sectors as zero, as the shares and other contributed equity are considered to represent a liability to the State as the owner.

In this publication **net debt** is reported as the sum of deposits held, government securities, loans and other borrowing, less the sum of cash and deposits, advances paid and investments, loans and placements. GFS data published by the ABS presents debt in a matrix form with no single net debt aggregate identified.

The following convergence differences are recognised as at June 2020:

- Under GAAP, loans are recognised initially at fair value and thereafter at amortised cost. 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. 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 GAAP advances/(borrowings).

- Under GAAP, dividends to owners by the PNFC and PFC sectors are treated as distribution to owners and therefore a direct reduction of accumulated funds. Under GSF, these are treated as a GFS expense. This difference does not impact the Total State Sector as dividends are eliminated on consolidation.
- The State receives certain transfer payments from the Australian Government 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 the State 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. The State publishes information on these excluded transfer payments as a footnote to the grants revenue and expense information included in the Uniform Presentation Framework: Outcomes Report to assist users understand the full value of the amounts on-passed. Refer to Note 2: Revenue and Table 7 of the Outcomes report.
- Under GAAP, transport and energy subsidies paid from GGS to PNFCs for students and pensioners are eliminated for total state reporting. However, GFS treats the payment by the State as a gross expense, and a gross revenue for electricity sales and travel fares.
- Under GAAP taxation is recognised in the sector in which it is collected. Under GFS, a tax or fine can only be incurred in the GGS. For GFS reporting, if this income is collected by a PFC/PNFC due to administrative requirements, it is reclassified as a tax receipt in the GGS and an equivalent subsidy is paid back to the PFC/PNFC sector.
- Certain staff employed in the GGS provide services to PNFCs. Under GAAP, the employee expense and the revenue recoverable from the PNFC sector is reported in the GG sector. Under GFS, the revenue and expense are offset in the GGS and the employee expense related to these personnel is recognised in the PNFC sector where the services were provided.
- Some statutory incomes are recognised for GAAP as licence fee revenue under AASB 15. Under GFS these items continue to be recognised as taxation revenue.
- Dividends are treated as an equity distribution under GAAP. Dividends are reported as an expense for the PNFC and PFC sectors for GFS purposes.
- Under GAAP, the component of income tax equivalents related to the disposal of discontinuing operations is reported other economic flows, similar to deferred taxes. Under GFS, this is treated as a return of capital, rather than a transaction.
- Under GAAP an allowance for doubtful debts is recognised in the Consolidated Statement of Financial Position and doubtful debts are recognised in the Consolidated Statement of Comprehensive Income as other economic flows. GFS only recognises bad debts when they are written off as an expense and does not recognise a provision for doubtful debt.
- GAAP recognises a prepaid income liability for unamortised short-term and low value prepaid licences in the Consolidated Statement of Financial Position. This liability is excluded from the GFS Consolidated Statement of Financial Position as the prepaid income is treated as an upfront sale of a non-produced intangible asset (e.g. a permit or licence to engage in an activity over an extended period of time).
- GAAP recognises provisions, whereas GFS does not recognise provisions when the identity of the party to whom the obligation is owed is unknown. The balance for provisions and other liabilities is therefore lower under GFS.
- Measurement differences occur between GAAP 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.
- GAAP 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 is not relevant for the TSS as income tax equivalents are eliminated on consolidation. Revaluations of infrastructure within the PNFC sector represent one of the major drivers impacting the provisions for deferred tax liabilities and are a cause of the significant differences between the GFS and the AASB 1049 sector fiscal aggregates.

- The basis for the valuation of the PNFC/PFC sector is net assets in the absence of a market value for both GAAP 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.
- Under GAAP, the PNFC/PFC sectors report net worth equal to total assets less total liabilities. GFS treats the GGS ownership interest (contributed equity) of these sectors as a liability and reports zero net worth for the PNFC/PFC sectors.
- Deferred income and prepayments are reported as other assets and liabilities under GAAP as there is no present obligation to repay them. Under GFS they are reported as payables and receivables.
- Rental bond assets and liabilities are considered trust monies and are excluded from the Consolidated Statement of Financial Position under GAAP. Under GFS rental bond monies are to be recognised in the Consolidated Statement of Financial Position.
- Land may be treated as inventory under GAAP and measured at the lower of cost and net realisable value. Changes in inventory are presented on a net basis for GAAP. Under GFS, land is classified as a tangible non-financial non-produced asset and recognised at its market value and acquisitions of land are presented separately from disposals of land. These recognition and measurement differences impact both the Consolidated Statement of Comprehensive Income when land inventory is remeasured, and the value of the land inventory assets recorded in the Consolidated Statement of Financial Position. It is not possible to estimate the value that GFS would apply to land that is treated as inventory under GAAP.
- Under AASB16 Leases, the distinction between an operating and a finance lease has been removed from the lessee perspective. Under GAAP, a right-of-use asset is recognised with associated lease liability, interest and depreciation expense. GFS continues to maintain a distinction between operating and finance leases which GAAP based financial systems are now no longer able to replicate. A convergence difference between GAAP and GFS arises in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position, as it is no longer possible to distinguish the flows related to finance leases separately from operating leases under GAAP. Refer to Note 1 for further details of the application of AASB16.

Note 37: 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 displayed in italics have been 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.

On 2 April 2019, the *Administrative Arrangements (Administrative Changes—Public Service Agencies) Order 2019* was introduced to take effect from 1 July 2019 (except for certain clauses which are taken to have commenced on a retrospective date). Following the release, the *Administrative Arrangements (Administrative Changes—Public Service Agencies) Order (No. 2) 2019* was introduced on 1 May 2019, repealing the Order of 2 April, to take effect from 1 July 2019.

As part of these revised arrangements these major changes have occurred:

- Department of Finance, Services and Innovation was abolished, with the Department of Customer Service established;
- Department of Family and Community Services and Department of Justice was abolished, with the Department of Communities and Justice established;
- Department of Industry and Department of Planning and Environment was abolished, with the Department of Planning, Industry and Environment established;
- Barangaroo Delivery Authority and Barangaroo Delivery Authority Staff Agency were abolished, and functions were transferred to Infrastructure NSW;
- Office of Environment and Heritage was abolished, and functions were transferred to the Department of Premier and Cabinet and the Department of Planning, Industry and Environment;
- Office of Local Government was abolished, and functions were transferred to the Department of Planning, Industry and Environment; and
- UrbanGrowth NSW Development Corporation and UrbanGrowth NSW Development Corporation Staff Agency were abolished, and functions transferred to Infrastructure NSW.

The Office of Ageing and Disability Commissioner was created as a NSW Government agency under the *Ageing and Disability Commissioner Act 2019 No 7* effective 1 July 2019.

Road and Maritime Service was abolished, and functions transferred to Transport for NSW under the *Transport Administration Amendment (RMS Dissolution) Act 2019 No 19* effective 1 December 2019.

Aboriginal Languages Trust Board was established as a NSW Government agency under the *Aboriginal Languages Act 2017* effective 5 March 2020.

Regional NSW was established as a separate NSW Government agency under the *Administrative Arrangements (Administrative Changes—Regional NSW and Independent Planning Commission) Order 2020* effective 2 April 2020.

Resilience NSW was established as a NSW Government agency under the *Administrative Arrangements (Administrative Changes—Resilience NSW) Order 2020* effective 1 May 2020.

Various changes to consolidated entities under the *Administrative Arrangements (Administrative Changes—Regional NSW and Independent Planning Commission) Order 2020* effective 1 July 2020 are disclosed in Note 31: Events After the Reporting Period.

General Government Sector Agencies

Aboriginal Housing Office	Electricity Retained Interest Corporation (ERIC-E)
Dunghutti Aboriginal Elders Tribal Council Trust	Electricity Transmission Ministerial Holding Corporation
Aboriginal Languages Trust Board ^(a)	Environment Protection Authority
Alpha Distribution Ministerial Holding Corporation	Environment Protection Authority Staff Agency
Art Gallery of New South Wales Trust	Environmental Trust
The Australian Institute of Asian Culture and Visual Arts Limited (VisAsia)	Epsilon Distribution Ministerial Holding Corporation
Art Gallery of New South Wales Trust Staff Agency	<i>Financial Counselling Trust Fund</i> ^{(f)(*)}
Art Gallery of NSW Foundation ^(*)	Fire and Rescue NSW
Australian Museum Trust	Gaagal Wanggaan (South Beach) National Park Board of Management ^{(c)(*)}
Australian Museum Trust Staff Agency	Generator Property Management Pty Ltd ^(*)
<i>Barangaroo Delivery Authority</i> ^(b)	Greater Sydney Commission
<i>Barangaroo Delivery Authority Staff Agency</i> ^(b)	Greyhound Welfare and Integrity Commission ^(*)
Belgenny Farm Agricultural Heritage Centre Trust ^(*)	Gulaga National Park Board of Management ^{(c)(*)}
Biamanga National Park Board of Management ^{(c)(*)}	Health Care Complaints Commission
Biodiversity Conservation Trust of New South Wales	Health Care Complaints Commission Staff Agency
Border Fence Maintenance Board ^(*)	Historic Houses Trust of New South Wales
Building Insurers' Guarantee Corporation	Foundation for the Historic Houses Trust of New South Wales
C.B. Alexander Foundation ^(*)	Hamilton Rouse Hill Trust
Cemeteries and Crematoria NSW ^(*)	Rouse Hill Hamilton Collection Pty Limited
Centennial Park and Moore Park Trust	Home Purchase Assistance Fund
Chief Investigator of the Office of Transport Safety Investigations	Hunter and Central Coast Development Corporation
Combat Sports Authority of New South Wales ^(*)	Independent Commission Against Corruption
Corporation Sole 'Minister Administering the Heritage Act, 1977' ^(*)	Independent Liquor and Gaming Authority
Crown Entity, including the Consolidated Fund and Crown Finance Entity	Independent Pricing and Regulatory Tribunal
Crown Solicitor's Office	Independent Pricing and Regulatory Tribunal Staff Agency
Dams Safety Committee ^(*)	Information and Privacy Commission
Department of Communities and Justice ^(d)	Infrastructure NSW
John Williams Memorial Charitable Trust	Infrastructure NSW Staff Agency
Department of Customer Service ^(d)	Jobs for NSW Fund ^(*)
Safe Work NSW	Judicial Commission of New South Wales
Department of Education	Lands Administration Ministerial Corporation ^(g)
Advocate for Children and Young People	Legal Aid Commission of New South Wales
<i>Department of Family and Community Services</i> ^(b)	Legal Aid Commission Staff Agency
<i>Department of Finance, Services and Innovation</i> ^(b)	Liability Management Ministerial Corporation
<i>Department of Industry</i> ^(b)	Library Council of New South Wales
<i>Department of Justice</i> ^(b)	Library Council of New South Wales Staff Agency
<i>Department of Planning and Environment</i> ^(b)	State Library of New South Wales Foundation
Department of Planning, Industry and Environment ^(d)	Local Land Services
Aboriginal Fishing Trust Fund	Local Land Services Staff Agency
Agricultural Scientific Collections Trust	Long Service Corporation
Aquaculture Trust Fund	Lord Howe Island Board ^(*)
Charter Fishing Trust Fund	Luna Park Reserve Trust
Coal Innovation Fund	Mental Health Commission of New South Wales
Commercial Fishing Trust Fund	Mental Health Commission Staff Agency
Crown Reserves Improvement Fund	Ministerial Holding Corporation ^(*)
Fish Conservation Trust Fund	Ministry of Health ^(h)
Game and Pest Management Trust Fund	Agency for Clinical Innovation
Independent Planning Commission	Albury Base Hospital
Natural Resources Access Regulator	Albury Wodonga Health Employment Division
Planning Ministerial Corporation	Bureau of Health Information
Recreational Fishing (Fresh) Trust Fund	Cancer Institute (NSW)
Recreational Fishing (Salt) Trust Fund	Central Coast Local Health District
Department of Premier and Cabinet	Clinical Excellence Commission
Department of Transport	Far West Local Health District
Transport for NSW	Graythwaite Trust
Transport Service of New South Wales	Health Administration Corporation
<i>Roads and Maritime Services</i> ^(e)	Health Education and Training Institute
Destination NSW	Hunter New England Local Health District
Destination NSW Staff Agency	Illawarra Shoalhaven Local Health District
Electricity Assets Ministerial Holding Corporation	Justice Health and Forensic Mental Health Network
Electricity Retained Interest Corporation (ERIC-A)	Mid North Coast Local Health District
	Murrumbidgee Local Health District

Nepean Blue Mountains Local Health District	Office of the NSW Rural Fire Service
Northern NSW Local Health District	Office of the NSW State Emergency Services
Northern Sydney Local Health District	Office of the Inspector of the Law Enforcement Conduct Commission
South Eastern Sydney Local Health District	Office of Sport
South Western Sydney Local Health District	Ombudsman's Office
Southern NSW Local Health District	Parliamentary Counsel's Office
Sydney Local Health District	Parramatta Park Trust ^(*)
The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)	Ports Assets Ministerial Holding Corporation
Western NSW Local Health District	Port of Newcastle Lessor Pty Limited
Western Sydney Local Health District	Port Botany Lessor Pty Limited
Mt Grenfell Historic Site Board of Management ^{(c)(*)}	Port Kembla Lessor Pty Limited
Multicultural NSW	Property NSW
Multicultural NSW Staff Agency	Public Service Commission
Mutawintji Board of Management ^{(c)(*)}	Regional Growth NSW Development Corporation
National Art School ^(*)	Regional NSW ^(j)
Natural Resources Commission	Rental Bond Board
Natural Resources Commission Staff Agency	Resilience NSW ^(k)
New South Wales Crime Commission	Responsible Gambling Fund ^(*)
New South Wales Crime Commission Staff Agency	Roads Retained Interest Pty Ltd
New South Wales Electoral Commission	Royal Botanic Gardens and Domain Trust
New South Wales Electoral Commission Staff Agency	Service NSW
New South Wales Government Telecommunications Authority	Sporting Injuries Compensation Authority ^(*)
New South Wales Institute of Sport ^(*)	State Insurance Regulatory Authority
Institute of Sport Staff Agency	State Rail Authority Residual Holding Corporation ^(*)
New South Wales Rural Assistance Authority	State Archives and Records Authority of New South Wales
NSW Ovine Johne's Disease Transaction Based Contribution Scheme	State Rescue Board of New South Wales ^(*)
NSW Crown Holiday Parks Trust ^(*)	Statutory Land Managers (numerous Trust Boards managing Crown Land Reserves) ^(*)
NSW Education Standards Authority	Sydney Metro
NSW Education Standards Authority Staff Agency	The Audit Office of New South Wales
NSW Food Authority	Sydney Olympic Park Authority
NSW Health Foundation ^(*)	Technical Education Trust Fund ^(*)
NSW Police Force	The Legislature
NSW Self Insurance Corporation	The Treasury
NSW Skills Board ^(*)	Trustees of the Anzac Memorial Building ^(*)
New South Wales Technical and Further Education Commission	Trustees of the Museum of Applied Arts and Sciences
TAFE Commission (Senior Executives) Staff Agency	Trustees of the Museum of Applied Arts and Sciences Staff Agency
NSW Trustee and Guardian	<i>UrbanGrowth NSW Development Corporation</i> ^(b)
Office of Aging and Disability Commissioner ^{(i) (*)}	<i>UrbanGrowth NSW Development Corporation Staff Agency</i> ^(b)
<i>Office of Environment and Heritage</i> ^(b)	<i>Australian Technology Park Sydney Limited</i> ^(l)
Office of the Law Enforcement Conduct Commission	Water Administration Ministerial Corporation
<i>Office of Local Government</i> ^(b)	Water Investment Trust Fund
Office of the Children's Guardian	Western City and Aerotropolis Authority
Office of the Director of Public Prosecutions	Western City and Aerotropolis Authority Staff Agency
	Western Sydney Parklands Trust
	Worimi Board of Management ^{(c)(*)}
	Workers' Compensation (Dust Diseases) Authority
	Workers Compensation Commission of New South Wales

Public Non-Financial Corporations

Catholic Metropolitan Cemeteries Land Manager	Rookwood Necropolis Land Manager ^(*)
Cobar Water Board ^(*)	Southern Metropolitan Cemeteries Land Manager ^(*)
Essential Energy	State Sporting Venues Authority
NorthPower Energy Services Pty Limited	State Transit Authority of New South Wales
Forestry Corporation of New South Wales	Sydney Cricket and Sports Ground Trust
Hunter Water Corporation	Sydney Cricket and Sports Ground Trust Staff Agency
Hunter Water Australia	Sydney Ferries
Jenolan Caves Reserves Trust	Sydney Opera House Trust
Landcom	Sydney Opera House Trust Staff Agency
Newcastle Port Corporation	Sydney Trains
New South Wales Land and Housing Corporation	Sydney Water Corporation
Rental Housing Assistance Fund	Teacher Housing Authority of New South Wales
Northern Metropolitan Cemeteries Land Manager	Venues NSW
NSW Trains	Newcastle International Sports Centre Club
Place Management NSW	Waste Assets Management Corporation
Rail Corporation New South Wales	Water NSW
Rookwood General Cemeteries Reserve Land Manager	WaterNSW Infrastructure Pty Ltd
	Wentworth Park Sporting Complex Trust
	Zoological Parks Board of New South Wales

Public Financial Corporations

First Australian Mortgage Acceptance Corporation (FANMAC) Trusts	TCorpIM Direct Infrastructure Fund A
ICNSW Australian Equities Fund	TCorpIM Direct Investment Fund B
ICNSW International Equities Fund (Unhedged)	TCorpIM Direct Investment Fund C
ICNSW International Equities Fund (Hedged)	TCorpIM Direct Investment Fund D
Insurance and Care NSW	TCorpIM Direct Investment Fund E
Insurers' Guarantee Fund Investment Trust	TCorpIM Direct Investment Fund F
Lifetime Care and Support Authority of New South Wales	TCorpIM Direct Investment Fund G
Motor Accident Injuries Treatment and Care Benefits Fund	TCorpIM Direct Investment Fund K
Long Service Corporation Investment Fund	TCorpIM Downside Protection Australian Share Fund
NSW Generations (Debt Retirement) Fund	TCorpIM Downside Protection International Share Fund
NSW Infrastructure Future Fund	TCorpIM Emerging Market Debt Fund
NSW Treasury Corporation	TCorpIM Emerging Market Share Fund
NSW Trustee and Guardian Growth Portfolio	TCorpIM Global Credit Fund
SAS Trustee Corporation	TCorpIM High Yield Fund
SAS Trustee Corporation Staff Agency	TCorpIM Indexed Australian Share Fund
Social and Affordable Housing NSW Fund Investment Trust	TCorpIM Indexed International Share (Unhedged) Fund
Superannuation Administration Corporation	TCorpIM International Share (Hedged) Fund
TCorpIM Absolute Return Multi-Asset Class Fund	TCorpIM International Share (Unhedged) Fund
TCorpIM Alternative Risk Premia Fund	TCorpIM Liquidity Cash Fund
TCorpIM Australian Bond Fund	TCorpIM Listed Property Fund
TCorpIM Australian Inflation Linked Bond Fund	TCorpIM Long Term Growth Fund
TCorpIM Australian Share Fund	TCorpIM Medium Term Growth Fund
TCorpIM Bank Loan Fund	TCorpIM Multi-Asset Class Fund
TCorpIM Cash Fund	TCorpIM Opportunistic Fund A
TCorpIM Cyclical Growth Australian Share Fund	TCorpIM Short Term Income Fund
TCorpIM Cyclical Growth International Share Fund	TCorpIM Small Cap Australian Share Fund
	TCorpIM Specialist Emerging Market Share Fund
	TCorpIM Unlisted Infrastructure Fund
	TCorpIM Unlisted Property Fund
	Treasury Managed Fund Investment Portfolio

- (a) Agency was established on 5 March 2020 under the *Aboriginal Languages Act 2017*.
- (b) Agency was abolished 1 July 2019 under the *Administrative Arrangements (Administrative Changes—Public Service Agencies) Order 2019*.
- (c) National Park Boards of Management as per the *National Parks and Wildlife Act 1974*.
- (d) Agency was established on 1 July 2019 under the *Administrative Arrangements (Administrative Changes—Public Service Agencies) Order 2019*.
- (e) Agency was abolished 1 December 2019 under the *Transport Administration Amendment (RMS Dissolution) Act 2019 No 19*.
- (f) The Trust was terminated effective 30 June 2019 in accordance with the clause 15(a) of the Trust Deed.
- (g) Including Crown Land reserves under the agency's management.
- (h) The special purpose service entities of the local health districts have not been listed.
- (i) Agency was established on 1 July 2019 under the *Ageing and Disability Commissioner Act 2019 No 7*.
- (j) Agency was established 2 April 2020 under the *Administrative Arrangements (Administrative Changes—Regional NSW and Independent Planning Commission) Order 2020*.
- (k) Agency was established 1 May 2020 under the *Administrative Arrangements (Administrative Changes—Resilience NSW) Order 2020*.
- (l) Agency was dissolved and voluntary deregistered on 3 October 2019 under the *Corporations Act 2001 (Commonwealth)*.
- (*) These agencies are not considered material for whole-of-government reporting, so are excluded from individual agency budget reporting in Budget Paper 3. These agencies are however controlled and included in the consolidated financial statements of the State.

Note 38: 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.

contract asset: an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance).

contract liability: an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

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.

fair value through other comprehensive income: financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

fair value through profit or loss: financial assets are classified and measured at fair value through profit unless it is measured at amortised cost or at fair value through other comprehensive income.

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) or 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 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'.

performance obligation: a promise in a revenue contract with a customer to transfer to the customer either:

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

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.

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.

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).

TCorpIM Funds: are managed investment schemes available to NSW public sector entities, NSW universities and some foundations and charities. They are structured as units trusts and are managed by the New South Wales Treasury Corporation (TCorp).

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

Uniform Presentation Framework:
Outcomes Report
2019 - 2020

UNIFORM PRESENTATION FRAMEWORK: OUTCOMES REPORT

Purpose

The Outcomes Report presents financial aggregates according to the Uniform Presentation Framework (UPF) agreed by the Council on Federal Financial Relations (CFFR) in February 2019.

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*. This framework sets out the minimum information to be reported by governments.

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

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 and are repeated here for completeness.

The Outcomes Report compares the published NSW Budget for 2019-20 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

Revised Uniform Presentation Framework (UPF)

Revisions to the UPF in 2019 largely reflect the 2015 update to the Australian System of Government Financial Statistics (GFS) framework. The update of the Australian GFS aims to better align with the International Monetary Fund's GFS 2014 framework and the System of National Accounts 2008.

Table 1: NSW Public Sector Statement of Financial Position at 30 June 2020^(a)

	General Government Sector \$m	Public Non-financial Corporations \$m	Non-financial Public Sector \$m	Public Financial Corporations \$m	Total State Sector \$m
Assets					
Financial Assets					
Cash and Cash Equivalent Assets	6,134	2,110	8,244	2,797	10,717
Receivables	11,281	1,295	10,578	1,211	11,146
Investments, Loans and Placements					
Financial Assets at Fair Value	40,874	243	41,117	84,290	45,909
Other Financial Assets	1,533	421	1,879	11	1,784
Advances Paid	1,239	0	776	...	776
Tax Equivalents Receivable	15	77	12	...	(0)
Deferred Tax Equivalent Assets	2,127	84	0	...	0
Equity Investments					
Investments in Other Public Sector Entities	100,249	...	(6,747)	...	0
Investments in Associates	11,866	...	11,866	...	11,866
Other	7	181	187	21,554	21,741
Total Financial Assets	175,326	4,411	67,912	109,862	103,940
Non-Financial Assets					
Contract Assets	24	...	24	...	24
Inventories	1,188	576	1,743	...	1,743
Forestry Stock and Other Biological Assets	14	827	841	...	841
Assets Classified as Held for Sale	286	49	335	...	335
Investment Properties	...	676	676	...	676
Property, Plant and Equipment					
Land and Buildings	94,822	73,668	168,490	12	168,502
Plant and Equipment	12,538	4,106	16,644	13	16,657
Infrastructure Systems	124,406	55,792	180,197	...	180,197
Right of Use Assets	6,503	2,969	9,282	63	9,349
Intangibles	3,686	1,070	4,757	11	4,768
Other	6,858	629	7,468	83	7,547
Total Non-Financial Assets	250,325	140,363	390,458	182	390,640
Total Assets	425,651	144,774	458,370	110,044	494,580
Liabilities					
Deposits Held	69	21	90	409	144
Payables	7,031	2,005	8,374	346	8,148
Contract Liabilities	1,156	108	1,259	...	1,259
Borrowings and Derivatives at Fair Value	392	7	399	98,364	98,358
Borrowings at Amortised Cost	67,885	26,707	94,509	80	15,425
Advances Received	696	463	696	...	696
Employee Provisions	22,566	1,227	23,774	43	23,817
Superannuation Provision ^(b)	67,890	3,057	70,947	5	70,951
Tax Equivalents Payable	80	0	...	12	...
Deferred Tax Equivalent Provision	82	2,129	(0)	...	(0)
Other Provisions	14,101	1,664	14,430	7,432	21,786
Other	5,015	192	5,205	10,102	15,307
Total Liabilities	186,964	37,580	219,682	116,791	255,892
NET ASSETS	238,688	107,193	238,688	(6,747)	238,688

Table 1: NSW Public Sector Statement of Financial Position at 30 June 2020 (cont)

	General Government Sector \$m	Public Non-financial Corporations \$m	Non-financial Public Sector \$m	Public Financial Corporations \$m	Total State Sector \$m
NET WORTH					
Accumulated Funds	67,479	47,004	110,728	(6,747)	80,048
Reserves	171,209	60,190	127,959	...	158,639
TOTAL NET WORTH	238,688	107,193	238,688	(6,747)	238,688
OTHER FISCAL AGGREGATES					
Net Debt^(c)	19,261	24,424	43,677	11,755	55,437
Net Financial Liabilities^(d)	111,887	33,170	145,023	6,929	151,953
Net Financial Worth^(e)	(11,638)	(33,170)	(151,770)	(6,929)	(151,953)

- (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) The Superannuation Provision is 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

	2019-20 Budget \$m	2019-20 Actual \$m
Revenue from Transactions		
Taxation ^(a)	31,841	29,941
Grants and Subsidies		
- Commonwealth General Purpose	18,685	18,073
- Commonwealth Specific Purpose Payments	10,431	11,278
- Commonwealth National Partnership Payments	2,888	3,886
- Other Commonwealth Payments ^(b)	372	455
- Other Grants and Subsidies ^(b)	627	613
Sale of Goods and Services ^(a)	9,762	8,713
Interest	333	364
Dividend and Income Tax Equivalents from Other Sectors	1,877	1,354
Other Dividends and Distributions	2,001	2,426
Fines, Regulatory Fees and Other ^(a)	5,498	4,262
Total Revenue from Transactions	84,316	81,367
Expenses from Transactions		
Employee	34,266	35,555
Superannuation		
- Superannuation Interest Cost	1,079	882
- Other Superannuation	3,151	3,288
Depreciation and Amortisation	6,110	5,948
Interest	2,278	2,084
Other Operating Expense	20,815	23,156
Grants, Subsidies and Other Transfers	15,602	17,369
Total Expenses from Transactions	83,300	88,283
Transactions from Discontinuing Operations	...	...
BUDGET RESULT - SURPLUS/(DEFICIT) [Net Operating Balance]	1,016	(6,916)

Table 2: NSW General Government Sector Statement of Comprehensive Income (cont)

	2019-20 Budget \$m	2019-20 Actual \$m
Other Economic Flows - Included in the Operating Result		
Gain/(Loss) from Liabilities	11	(201)
Other Net Gains/(Losses)	434	(2,553)
Share of Earnings/(Losses) from Equity Investments (excl. Dividends)	...	46
Dividends from Asset Sale Proceeds	(0)	31
Allowance for Impairment of Receivables	(38)	(212)
Deferred Income Tax from Other Sectors	15	(123)
Other	78	...
Other Economic Flows - included in Operating Result	501	(3,013)
Operating Result	1,517	(9,929)
Other Economic Flows - Other Comprehensive Income		
Items that will not be Reclassified to Operating Result	3,503	(1,374)
Revaluations	2,811	4,263
Share of Associate's Other Comprehensive Income/(Loss) that will not be Reclassified Subsequently to Operating Result	...	...
Actuarial Gain/(Loss) from Superannuation	1,953	(673)
Net Gain/(Loss) on Financial Assets at Fair Value through Other Comprehensive Income	(1,346)	(4,979)
Deferred Tax Direct to Equity	85	15
Items that may be Reclassified Subsequently to Operating Result	(97)	920
Net Gain/(Loss) on Financial Instruments at Fair Value	...	(8)
Share of Associate's Other Comprehensive Income/(Loss) that may be Reclassified Subsequently to Operating Result	...	(243)
Other	(97)	1,171
Other Economic Flows - Other Comprehensive Income	3,406	(454)
Comprehensive Result - Total Change in Net Worth	4,923	(10,382)
Key Fiscal Aggregates		
Comprehensive Result - Total Change in Net Worth	4,923	(10,382)
Less: Net Other Economic Flows	(3,907)	3,466
Equals: Budget Result - Net Operating Balance	1,016	(6,916)
Less: Net Acquisition of Non-Financial Assets		
Purchases of Non-Financial Assets	19,855	18,070
Sales of Non-Financial Assets	(1,031)	(639)
Less: Depreciation	(6,110)	(5,948)
Plus: Change in Inventories	(17)	839
Plus: Other Movements in Non-Financial Assets		
- Assets Acquired Using Leases	2,490	2,915
- Other	336	(92)
Equals: Total Net Acquisition of Non-Financial Assets	15,523	15,145
Equals: Net Lending/(Borrowing) [Fiscal Balance]	(14,507)	(22,061)
OTHER FISCAL AGGREGATES		
Capital Expenditure ^(c)	22,345	20,985

(a) Certain items have been reclassified from taxation revenue to sales of goods and services, and other revenues, due to the implementation of AASB15: *Revenue from Contracts with Customers* that became effective after the 1920 Budget was compiled.

(b) Other Commonwealth Payments are shown as a separate line in these UPF tables, they are combined with the Other Grants and Subsidies in the Total State Sector Accounts.

(c) Capital expenditure comprises purchases of non-financial assets plus assets acquired using leases.

Table 3: NSW General Government Sector Statement of Financial Position at 30 June^(a)

	2020 Budget	2020 Actual
	\$m	\$m
Assets		
Financial Assets		
Cash and Cash Equivalent Assets	1,050	6,134
Receivables ^(b)	7,069	11,281
Investments, Loans and Placements		
Financial Assets at Fair Value	34,618	40,874
Other Financial Assets	1,827	1,533
Advances Paid	1,265	1,239
Tax Equivalents Receivable	29	15
Deferred Tax Equivalents	2,294	2,127
Equity Investments		
Investments in Other Public Sector Entities	108,612	100,249
Investments in Associates	12,689	11,866
Other	0	7
Total Financial Assets	169,454	175,326
Non-Financial Assets		
Contract Assets ^(b)	...	24
Inventories	298	1,188
Forestry Stock and Other Biological Assets	9	14
Assets Classified as Held for Sale	276	286
Investment Properties	...	...
Property, Plant and Equipment		
Land and Buildings ^(c)	96,897	94,822
Plant and Equipment ^(c)	11,692	12,538
Infrastructure Systems ^(c)	129,273	124,406
Right of Use Assets ^(c)	...	6,503
Intangibles	3,446	3,686
Other	8,936	6,858
Total Non-Financial Assets	250,826	250,325
Total Assets	420,280	425,651
Liabilities		
Deposits Held	93	69
Payables	7,273	7,031
Contract Liabilities ^(d)	...	1,156
Borrowings and Derivatives at Fair Value	147	392
Borrowings at Amortised Cost	50,091	67,885
Advances Received	783	696
Employee Provisions	19,820	22,566
Superannuation Provision ^(e)	58,731	67,890
Tax Equivalents Payable	15	80
Deferred Tax Equivalent Provision	122	82
Other Provisions	10,556	14,101
Other ^(d)	5,701	5,015
Total Liabilities	153,334	186,964
NET ASSETS	266,946	238,688

Table 3: NSW General Government Sector Statement of Financial Position at 30 June (cont)

	2020 Budget	2020 Actual
	\$m	\$m
NET WORTH		
Accumulated Funds	87,986	67,479
Reserves	178,960	171,209
TOTAL NET WORTH	266,946	238,688
OTHER FISCAL AGGREGATES		
Net Debt^(f)	12,354	19,261
Net Financial Liabilities^(g)	92,493	111,887
Net Financial Worth^(h)	16,119	(11,638)

- (a) This table has been presented on a liquidity basis as per AASB 1049.
- (b) Reclassification of Receivables to Contract Assets due to the implementation of AASB15: Revenue from Contracts with Customers that became effective after the 1920 Budget was compiled.
- (c) Reclassification of elements of Property, Plant and Equipment as Right of Use Assets due to the implementation of AASB16: Leases that became effective after the 1920 Budget was compiled.
- (d) Reclassification of Other Liabilities to Contract Liabilities due to the implementation of AASB15: Revenue from Contracts with Customers that became effective after the 1920 Budget was compiled.
- (e) The Superannuation Provision is reported net of the fair value of fund assets.
- (f) 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.
- (g) Net financial liabilities equals net financial worth excluding equity investments in other public sector entities.
- (h) Net financial worth equals total financial assets minus total liabilities.

Table 4: NSW General Government Sector Statement of Cash Flows

	2019-20 Budget \$m	2019-20 Actual \$m
Cash Receipts from Operating Activities		
Taxation ^(a)	31,954	28,346
Sale of Goods and Services ^(a)	10,249	8,878
Grant and Subsidies	32,859	33,775
Interest	235	291
Dividends and Income Tax Equivalents from Other Sectors	1,714	1,139
Other	10,283	12,559
Total Cash Receipts from Operating Activities	87,295	84,988
Cash Payments from Operating Activities		
Employee Related	(33,794)	(34,083)
Personnel Services ^(b)	0	(0)
Superannuation	(4,567)	(4,649)
Payments for Goods and Services ^(b)	(20,661)	(21,291)
Grants and Subsidies	(14,997)	(16,180)
Interest	(1,868)	(1,839)
Other	(4,714)	(7,231)
Total Cash Payments from Operating Activities	(80,602)	(85,272)
Net Cash Flows from Operating Activities	6,693	(284)
Cash Flows from Investments in Non-Financial Assets		
Proceeds from Sale of Non-financial Assets	1,120	223
Purchases of Non-Financial Assets	(20,525)	(17,252)
Net Cash Flows from Investments in Non-Financial Assets	(19,404)	(17,029)
Cash Flows from Investments in Financial Assets for Policy Purposes		
Receipts	158	2,768
Payments	(3,190)	(4,739)
Net Cash Flows from Investments in Financial Assets for Policy Purposes	(3,032)	(1,971)
Cash Flows from Investments in Financial Assets for Liquidity Purposes		
Proceeds from Sale of Investments	9,145	6,131
Purchase of Investments	(2,727)	(4,313)
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	6,417	1,818
Net Cash Flows from Investing Activities	(16,019)	(17,181)
Cash Flows from Financing Activities		
Advances Received	170	21
Advances Repaid	(203)	(98)
Proceeds from Borrowings	8,192	22,943
Repayment of Borrowings	(1,323)	(1,253)
Deposits Received (Net)	2	2
Other (Net)	85	15
Net Cash Flows from Financing Activities	6,923	21,630
Net Increase/(Decrease) in Cash Held	(2,403)	4,165
Opening Cash and Cash Equivalents	3,438	1,969
Reclassification of Cash Equivalents	15	(0)
CLOSING CASH AND CASH EQUIVALENTS	1,050	6,134

(a) Certain items have been reclassified from taxation revenue to sales of goods and services, and other revenues, due to the implementation of AASB15: *Revenue from Contracts with Customers* that became effective after the 1920 Budget was compiled.

(b) Payments for Personnel Services are shown as a separate line in these UPF tables, they are included as Payments for Goods and Services in the Total State Sector Accounts.

Table 5: NSW General Government Sector Taxes

	2019-20 Budget \$m	2019-20 Actual \$m
Taxes on Employers' Payroll and Labour Force	10,008	8,671
Taxes on Property		
Land Taxes	4,538	4,477
Other	128	123
Total Taxes on Property	4,666	4,600
Taxes on the Provision of Goods and Services		
Excises and Levies	...	...
Taxes on Gambling	2,631	2,207
Taxes on Insurance	2,822	3,118
Stamp Duties on Financial and Capital Transactions	7,223	7,278
Total Taxes on the Provision of Goods and Services	12,675	12,603
Taxes on Use of Goods and Performance of Activities		
Motor Vehicle Taxes ^(a)	3,588	3,117
Franchise Taxes ^(b)	5	...
Other ^(c)	899	950
Total Taxes on Use of Goods and Performance of Activities	4,492	4,067
Total Taxation Revenue	31,841	29,941

The following items have been reclassified from taxation revenue to other revenues due to the implementation of AASB15: *Revenue from Contracts with Customers* that became effective after the 1920 Budget was compiled:

- (a) Motor vehicle taxes recognised at Budget of \$401m
- (b) Franchise taxes recognised at Budget of \$5m
- (c) Other taxes recognised at Budget of \$1m

Table 6: NSW General Government Sector Dividend and Income Tax Equivalent Income

	2019-20 Budget \$m	2019-20 Actual \$m
Dividend and Income Tax Revenue from the PNFC Sector	1,549	1,256
Dividend and Income Tax Revenue from the PFC Sector	329	98
Other Dividend Income	2,001	2,426
Total Dividend and Income Tax Equivalent Income	3,878	3,781

Table 7: NSW General Government Sector Grant Revenue and Expense

	2019-20 Budget \$m	2019-20 Actual \$m
Current Grants and Subsidies		
Current Grants from the Commonwealth ^(a)		
General Purpose Grants	18,685	18,073
Specific Purpose Payments	10,431	11,278
National Partnership Payments	1,169	1,746
Other Commonwealth Payments	372	453
Total	30,657	31,551
Other Grants and Subsidies	573	601
Total Current Grants and Subsidies Revenue	31,230	32,152
Capital Grants and Subsidies		
Capital Grants from the Commonwealth ^(a)		
General Purpose Payments	...	...
Specific Purpose Payments	...	...
National Partnership Payments	1,719	2,140
Total	1,719	2,140
Other Grants and Subsidies	54	12
Total Capital Grants and Subsidies Revenue	1,773	2,152
Total Grants and Subsidies Revenue	33,003	34,306
Current Grants, Subsidies and Transfer Payments Expense to:		
State/Territory Government	...	36
Local Government ^(a)	1,353	1,168
Private and Not-for-Profit Sector ^(a)	7,933	9,108
Other Sectors of Government	5,543	6,056
Total Current Grants, Subsidies and Transfer Payments Expense	14,829	16,369
Capital Grants, Subsidies and Transfer Payments to:		
State/Territory Government	...	...
Local Government ^(a)	215	402
Private and Not-for-Profit Sector ^(a)	515	437
Other Sectors of Government	43	162
Total Capital Grants, Subsidies and Transfer Payments Expense	773	1,001
Total Grants and Subsidies Expense	15,602	17,369
(a) 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.		
Transfer Receipts and Payments from the Commonwealth Government on-passed by New South Wales to Third Parties		
Transfer Receipts		
Current Transfer Receipts for Specific Purposes	4,308	5,500
Capital Transfer Receipts for Specific Purposes	...	...
Total Receipts	4,308	5,500
Current Transfer Payments to:		
Local Government	396	796
Private and Not-For-Profit Sector	3,912	4,704
Capital Transfer Payments to:		
Local Government	...	...
Private and Not-For-Profit Sector	...	...
Total Payments	4,308	5,500

Table 8: NSW General Government Sector Expenses by Function^(a)

	2019-20 Budget \$m	2019-20 Actual \$m
General Public Services		
Executive and legislative organs, financial and fiscal affairs, external affairs	2,340	1,330
General Services	1,468	1,176
Public debt transactions	3,211	2,967
Transfers of a general character between different levels of government	122	72
General public services n.e.c.	413	5,003
Total General Public Services	7,554	10,551
Defence	...	...
Total Defence	...	...
Public Order and Safety		
Police services	3,652	3,763
Civil and Fire protection services	1,129	1,233
Law courts	1,466	1,497
Prisons	1,973	2,044
Public order and safety n.e.c.	112	106
Total Public Order and Safety	8,332	8,643
Economic Affairs		
General economic, commercial and labour affairs	709	3,277
Agriculture, forestry, fishing and hunting	987	1,358
Fuel and energy	123	64
Mining, manufacturing and construction	233	201
Communication	85	65
Other industries	471	236
Economic affairs n.e.c.	91	60
Total Economic Affairs	2,700	5,261
Environmental Protection		
Waste management	...	...
Waste water management	...	...
Pollution abatement	...	111
Protection of biodiversity and landscape	1,046	11
Environmental protection n.e.c.	413	1,388
Total Environmental Protection	1,459	1,509
Housing and Community Amenities		
Housing development	74	143
Community development	896	549
Water supply	89	303
Street lighting	...	...
Housing and community amenities n.e.c.	...	...
Total Housing and Community Amenities	1,060	995
Health		
Medical products, appliances and equipment	607	603
Outpatient services	3,474	3,426
Hospital services	15,130	14,939
Mental health institutions	277	271
Community health services	2,650	2,555
Public health services	610	640
Research & Development Health	312	299
Health n.e.c.	581	581
Total Health	23,640	23,315

Table 8: NSW General Government Sector Expenses by Function^(a) (cont)

	2019-20 Budget \$m	2019-20 Actual \$m
Recreation, Culture and Religion		
Recreational and sporting services	949	565
Cultural services	519	504
Broadcasting and publishing services	...	...
Religious and other community services	...	...
Recreation, Culture and Religion n.e.c.	31	28
Total Recreation, culture and religion	1,499	1,097
Education		
Pre-primary and primary education	6,679	6,673
Secondary education	6,097	5,713
Tertiary education	1,712	2,346
Education not definable by level	371	...
Subsidiary services to education	1,201	281
Education n.e.c.	2,106	2,011
Total Education	18,165	17,024
Social Protection		
Sickness and disability	3,185	3,146
Old age	196	169
Survivors	...	...
Family and children	2,123	2,296
Unemployment	...	...
Housing	653	695
Social exclusion n.e.c.	539	590
Social protection n.e.c.	1,016	1,637
Total Social Protection	7,712	8,533
Transport		
Road transport	4,022	3,828
Bus transport	527	...
Water transport	183	89
Railway transport	4,907	4,213
Air transport	...	16
Multi-mode urban transport	1,532	3,180
Pipeline and other transport	...	...
Transport n.e.c.	8	30
Total Transport	11,180	11,356
Total Expenses	83,300	88,283

Notes:

n.e.c. not elsewhere classified.

(a) The original budget included a total of \$120 million State Contingencies (in place of Advance to the Treasurer) which was allocated across functions as the funds were spent in the actual year.

Table 9: NSW General Government Sector Capital Expenditure by Function ^{(a)(b)}

	2019-20 Budget \$m	2019-20 Actual \$m
General public services	1,125	2,126
Defence	...	...
Public order and safety	1,254	1,615
Economic affairs	405	133
Environmental protection	28	17
Housing and community amenities	485	242
Health	2,728	2,525
Recreation, culture and religion	375	238
Education	2,366	2,189
Social protection	143	87
Transport	13,435	11,814
Total Purchases of Non-Financial Assets	22,345	20,985

- (a) This table comprises purchases of non-financial assets, including assets acquired under leases, and reconciles to the general government sector capital expenditure program.
- (b) The original budget included a total of \$120 million State Contingencies (in place of 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

	2019-20 Budget \$m	2019-20 Actual \$m
Revenue from Transactions		
Grants and Subsidies		
- Other Commonwealth Payments ^(a)	3	3
- Other Grants and Subsidies ^(a)	2,574	3,153
Sale of Goods and Services	8,135	7,836
Interest	54	51
Other Dividends and Distributions	...	6
Fines, Regulatory Fees and Other	799	620
Total Revenue from Transactions	11,566	11,669
Expenses from Transactions		
Employee	2,469	2,361
Personnel Services Expense	652	498
Superannuation		
- Superannuation Interest Cost	44	45
- Other Superannuation	224	215
Depreciation and Amortisation	3,457	3,206
Interest	1,111	1,040
Income Tax Equivalents	263	210
Other Operating Expense	5,467	5,580
Grants, Subsidies and Other Transfers	93	60
Total Expenses from Transactions	13,780	13,215
NET OPERATING BALANCE - SURPLUS/(DEFICIT) AFTER TAX	(2,214)	(1,546)

Table 10: NSW Public Non-Financial Corporation Sector Statement of Comprehensive Income (cont)

	2019-20 Budget \$m	2019-20 Actual \$m
Other Economic Flows - Included in the Operating Result		
Gain/(Loss) from Liabilities	...	(7)
Other Net Gains/(Losses)	198	(655)
Allowance for Impairment of Receivables	(2)	(6)
Deferred Income Tax	(15)	120
Other	...	...
Other Economic Flows - included in Operating Result	181	(547)
Operating Result	(2,033)	(2,094)
Other Economic Flows - Other Comprehensive Income		
Items that will not be Reclassified to Operating Result	2,709	245
Revaluations	2,630	278
Actuarial Gain/(Loss) from Superannuation	164	(17)
Deferred Tax Direct to Equity	(85)	(15)
Items that may be Reclassified Subsequently to Operating Result	(0)	(103)
Net Gain/(Loss) on Financial Instruments at Fair Value	...	(6)
Other	(0)	(96)
Other Economic Flows - Other Comprehensive Income	2,709	142
Comprehensive Result - Before Transactions with Owners in their capacity as Owners	675	(1,951)
Dividends Distributed	(1,285)	(1,077)
Net Equity Injections/(Transfers)	9,116	6,654
Comprehensive Result - Total Change in Net Worth	8,506	3,626
Key Fiscal Aggregates		
Comprehensive Result - Before Transactions with Owners in their capacity as Owners	675	(1,951)
Less: Net Other Economic Flows	(2,890)	405
Equals: Net Operating Balance	(2,214)	(1,546)
Less: Net Acquisition of Non-Financial Assets		
Purchases of Non-Financial Assets	5,338	4,205
Sales of Non-Financial Assets	(702)	(264)
Less: Depreciation	(3,457)	(3,206)
Plus: Change in Inventories	239	108
Plus: Other Movements in Non-Financial Assets		
- Assets Acquired Using Leases	56	75
- Other	356	357
Equals: Total Net Acquisition of Non-Financial Assets	1,830	1,275
Equals: Net Lending/(Borrowing) [Fiscal Balance]	(4,044)	(2,821)
OTHER FISCAL AGGREGATES		
Capital Expenditure ^(b)	5,394	4,280
Dividends Accrued	661	1,077

(a) Other Commonwealth Payments are shown as a separate line in these UPF tables, they are combined with the Other Grants and Subsidies in the Total State Sector Accounts

(b) Capital expenditure comprises purchases of non-financial assets plus assets acquired using leases.

Table 11: NSW Public Non-Financial Corporation Sector Statement of Financial Position at 30 June

	2020 Budget	2020 Actual
	\$m	\$m
Assets		
Financial Assets		
Cash and Cash Equivalent Assets	1,519	2,110
Receivables ^(a)	1,250	1,295
Investments, Loans and Placements		
Financial Assets at Fair Value	237	243
Other Financial Assets	429	421
Advances Paid	1	0
Tax Equivalents Receivable	15	77
Deferred Tax Equivalents	122	84
Equity Investments		
Other	167	181
Total Financial Assets	3,739	4,411
Non-Financial Assets		
Contract Assets ^(a)	...	...
Inventories	659	576
Forestry Stock and Other Biological Assets	985	827
Assets Classified as Held for Sale	49	49
Investment Properties	603	676
Property, Plant and Equipment		
Land and Buildings ^(b)	76,744	73,668
Plant and Equipment ^(b)	6,578	4,106
Infrastructure Systems ^(b)	57,971	55,792
Right of Use Assets ^(b)	...	2,969
Intangibles	1,192	1,070
Other	222	629
Total Non-Financial Assets	145,003	140,363
Total Assets	148,742	144,774
Liabilities		
Deposits Held	54	21
Payables	2,076	2,005
Contract Liabilities ^(c)	...	108
Borrowings and Derivatives at Fair Value	2	7
Borrowings at Amortised Cost	27,015	26,707
Advances Received	463	463
Employee Provisions	1,056	1,227
Superannuation Provision ^(d)	2,632	3,057
Tax Equivalents Payable	20	0
Deferred Tax Equivalent Provision	2,294	2,129
Other Provisions	1,194	1,664
Other ^(c)	310	192
Total Liabilities	37,117	37,580
NET ASSETS	111,625	107,193

Table 11: NSW Public Non-Financial Corporation Sector Statement of Financial Position at 30 June (cont)

	2020 Budget	2020 Actual
	\$m	\$m
NET WORTH		
Accumulated Funds	34,642	47,004
Reserves	76,983	60,190
TOTAL NET WORTH	111,625	107,193
OTHER FISCAL AGGREGATES		
Net Debt^(e)	25,349	24,424
Net Financial Liabilities^(f)	33,378	33,170
Net Financial Worth^(g)	(33,378)	(33,170)

- (a) Reclassification of Receivables to Contract Assets due to the implementation of AASB15: *Revenue from Contracts with Customers* that became effective after the 1920 Budget was compiled.
- (b) Reclassification of elements of Property, Plant and Equipment as Right of Use Assets due to the implementation of AASB16: *Leases* that became effective after the 1920 Budget was compiled.
- (c) Reclassification of Other Liabilities to Contract Liabilities due to the implementation of AASB15: *Revenue from Contracts with Customers* that became effective after the 1920 Budget was compiled.
- (d) The Superannuation Provision is reported net of the fair value of fund assets.
- (e) 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.
- (f) Net financial liabilities equals net financial worth excluding equity investments in other public sector entities.
- (g) Net financial worth equals total financial assets minus total liabilities

Table 12: NSW Public Non-Financial Corporation Statement of Cash Flows

	2019-20 Budget \$m	2019-20 Actual \$m
Cash Receipts from Operating Activities		
Sale of Goods and Services	8,207	7,728
Grant and Subsidies	2,574	3,151
Interest	30	51
Other	1,065	1,119
Total Cash Receipts from Operating Activities	11,877	12,049
Cash Payments from Operating Activities		
Employee Related	(2,599)	(2,420)
Personnel Services ^(a)	(652)	(644)
Superannuation	(250)	(229)
Payments for Goods and Services ^(a)	(5,597)	(5,380)
Grants and Subsidies	(90)	(60)
Interest	(982)	(946)
Distributions Paid	(215)	(301)
Other	(647)	(1,067)
Total Cash Payments from Operating Activities	(11,031)	(11,046)
Net Cash Flows from Operating Activities	846	1,003
Cash Flows from Investments in Non-Financial Assets		
Proceeds from Sale of Non-financial Assets	702	264
Purchases of Non-Financial Assets	(5,275)	(4,258)
Net Cash Flows from Investments in Non-Financial Assets	(4,573)	(3,994)
Cash Flows from Investments in Financial Assets for Policy Purposes		
Receipts	...	(26)
Payments	(0)	...
Net Cash Flows from Investments in Financial Assets for Policy Purposes	(0)	(26)
Cash Flows from Investments in Financial Assets for Liquidity Purposes		
Proceeds from Sale of Investments	195	192
Purchase of Investments	(24)	(5)
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	171	186
Net Cash Flows from Investing Activities	(4,402)	(3,834)
Cash Flows from Financing Activities		
Advances Received	2,666	1,964
Advances Repaid	(31)	(31)
Proceeds from Borrowings	1,849	1,841
Repayment of Borrowings	(320)	(643)
Dividends Paid	(1,351)	(727)
Deposits Received (Net)	(15)	(49)
Other (Net)	(88)	9
Net Cash Flows from Financing Activities	2,710	2,364
Net Increase/(Decrease) in Cash Held	(846)	(468)
Opening Cash and Cash Equivalents	2,365	2,548
Reclassification of Cash Equivalents	...	29
CLOSING CASH AND CASH EQUIVALENTS	1,519	2,110
Derivation of Cash Result		
Net Cash Flows from Operating Activities	846	1,003
Net Cash Flows from Investments in Non-Financial Assets	(4,573)	(3,994)
Dividend Distributions	(1,351)	(727)
Cash Surplus/(Deficit)	(5,078)	(3,718)

(a) Payments for Personnel Services are shown as a separate line in these UPF tables, they are included as Payments for Goods and Services in the Total State Sector Accounts.

Table 13: NSW Non-Financial Public Sector Statement of Comprehensive Income

	2019-20 Budget \$m	2019-20 Actual \$m
Revenue from Transactions		
Taxation ^(a)	31,333	29,419
Grants and Subsidies		
- Commonwealth General Purpose	18,685	18,073
- Commonwealth Specific Purpose Payments	10,431	11,278
- Commonwealth National Partnership Payments	2,888	3,886
- Other Commonwealth Payments ^(b)	375	458
- Other Grants and Subsidies ^(b)	528	531
Sale of Goods and Services ^(a)	13,778	13,525
Interest	309	361
Dividend and Income Tax Equivalents from Other Sectors	328	98
Other Dividends and Distributions	2,001	2,432
Fines, Regulatory Fees and Other ^(a)	6,235	4,729
Total Revenue from Transactions	86,891	84,791
Expenses from Transactions		
Employee	36,724	37,905
Superannuation		
- Superannuation Interest Cost	1,123	927
- Other Superannuation	3,373	3,502
Depreciation and Amortisation	9,567	9,139
Interest	3,311	3,069
Other Operating Expense	22,335	25,654
Grants, Subsidies and Other Transfers	12,972	14,124
Total Expenses from Transactions	89,406	94,320
NET OPERATING BALANCE - SURPLUS/(DEFICIT)	(2,514)	(9,529)

Table 13: NSW Non-Financial Public Sector Statement of Comprehensive Income (cont)

	2019-20 Budget \$m	2019-20 Actual \$m
Other Economic Flows - Included in the Operating Result		
Gain/(Loss) from Liabilities	11	(208)
Other Net Gains/(Losses)	633	(3,189)
Share of Earnings/(Losses) from Equity Investments (excl. Dividends)	...	46
Allowance for Impairment of Receivables	(40)	(218)
Other	78	...
Other Economic Flows - included in Operating Result	682	(3,569)
Operating Result	(1,832)	(13,098)
Other Economic Flows - Other Comprehensive Income		
Items that will not be Reclassified to Operating Result	6,853	2,254
Revaluations	5,471	4,541
Share of Associate's Other Comprehensive Income/(Loss) that will not be Reclassified Subsequently to Operating Result	...	...
Actuarial Gain/(Loss) from Superannuation	2,117	(690)
Net Gain/(Loss) on Financial Assets at Fair Value through Other Comprehensive Income	(735)	(1,596)
Deferred Tax Direct to Equity	0	...
Items that may be Reclassified Subsequently to Operating Result	(97)	462
Net Gain/(Loss) on Financial Instruments at Fair Value	...	(14)
Share of Associate's Other Comprehensive Income/(Loss) that may be Reclassified Subsequently to Operating Result	...	(243)
Other	(97)	720
Other Economic Flows - Other Comprehensive Income	6,755	2,716
Comprehensive Result - Total Change in Net Worth	4,923	(10,382)
Key Fiscal Aggregates		
Comprehensive Result - Before Transactions with Owners in their capacity as Owners	4,923	(10,382)
Less: Net Other Economic Flows	(7,438)	853
Equals: Net Operating Balance	(2,514)	(9,529)
Less: Net Acquisition of Non-Financial Assets		
Purchases of Non-Financial Assets	25,193	22,275
Sales of Non-Financial Assets	(1,733)	(903)
Less: Depreciation	(9,567)	(9,139)
Plus: Change in Inventories	222	927
Plus: Other Movements in Non-Financial Assets		
- Assets Acquired Using Leases	2,546	2,988
- Other	655	259
Equals: Total Net Acquisition of Non-Financial Assets	17,315	16,407
Equals: Net Lending/(Borrowing) [Fiscal Balance]	(19,830)	(25,936)
OTHER FISCAL AGGREGATES		
Capital Expenditure ^(c)	27,739	25,264
Dividends Accrued	...	...

(a) Certain items have been reclassified from taxation revenue to sales of goods and services, and other revenues, due to the implementation of AASB15: *Revenue from Contracts with Customers* that became effective after the 1920 Budget was compiled.

(b) Other Commonwealth Payments are shown as a separate line in these UPF tables, they are combined with the Other Grants and Subsidies in the Total State Sector Accounts.

(c) Capital expenditure comprises purchases of non-financial assets plus assets acquired using leases.

Table 14: NSW Non-Financial Public Sector Statement of Financial Position at 30 June

	2020 Budget	2020 Actual
	\$m	\$m
Assets		
Financial Assets		
Cash and Cash Equivalent Assets	2,569	8,244
Receivables ^(a)	6,766	10,578
Investments, Loans and Placements		
Financial Assets at Fair Value	34,855	41,117
Other Financial Assets	2,258	1,879
Advances Paid	802	776
Tax Equivalents Receivable	8	12
Deferred Tax Equivalents	0	0
Equity Investments		
Investments in Other Public Sector Entities	(3,141)	(6,747)
Investments in Associates	12,689	11,866
Other	167	187
Total Financial Assets	56,974	67,912
Non-Financial Assets		
Contract Assets ^(a)	(0)	24
Inventories	957	1,743
Forestry Stock and Other Biological Assets	994	841
Assets Classified as Held for Sale	325	335
Investment Properties	603	676
Property, Plant and Equipment		
Land and Buildings ^(b)	174,234	168,490
Plant and Equipment ^(b)	18,270	16,644
Infrastructure Systems ^(b)	187,243	180,197
Right of Use Assets ^(b)	...	9,282
Intangibles	4,638	4,757
Other	8,668	7,468
Total Non-Financial Assets	395,931	390,458
Total Assets	452,905	458,370
Liabilities		
Deposits Held	147	90
Payables	8,721	8,374
Contract Liabilities ^(c)	...	1,259
Borrowings and Derivatives at Fair Value	150	399
Borrowings at Amortised Cost	77,102	94,509
Advances Received	783	696
Employee Provisions	20,857	23,774
Superannuation Provision ^(d)	61,363	70,947
Other Provisions	10,829	14,430
Other ^(c)	6,006	5,205
Total Liabilities	185,960	219,682
NET ASSETS	266,946	238,688

Table 14: NSW Non-Financial Public Sector Statement of Financial Position at 30 June (cont)

	2020 Budget	2020 Actual
	\$m	\$m
NET WORTH		
Accumulated Funds	116,716	110,728
Reserves	150,230	127,959
TOTAL NET WORTH	266,946	238,688
OTHER FISCAL AGGREGATES		
Net Debt^(e)	37,699	43,677
Net Financial Liabilities^(f)	125,845	145,023
Net Financial Worth^(g)	(128,986)	(151,770)

- (a) Reclassification of Receivables to Contract Assets due to the implementation of AASB15: *Revenue from Contracts with Customers* that became effective after the 1920 Budget was compiled.
- (b) Reclassification of elements of Property, Plant and Equipment as Right of Use Assets due to the implementation of AASB16: *Leases* that became effective after the 1920 Budget was compiled.
- (c) Reclassification of Other Liabilities to Contract Liabilities due to the implementation of AASB15: *Revenue from Contracts with Customers* that became effective after the 1920 Budget was compiled.
- (d) The Superannuation Provision is reported net of the fair value of fund assets.
- (e) 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.
- (f) Net financial liabilities equals net financial worth excluding equity investments in other public sector entities.
- (g) Net financial worth equals total financial assets minus total liabilities.

Table 15: NSW Non-Financial Public Sector Statement of Cash Flows

	2019-20 Budget \$m	2019-20 Actual \$m
Cash Receipts from Operating Activities		
Taxation ^(a)	31,470	27,854
Sales of Goods and Services ^(a)	14,359	13,538
Grant and Subsidies	32,760	33,710
Interest	204	303
Dividends and Income Tax Equivalents	148	135
Other	11,327	13,519
Total Cash Receipts from Operating Activities	90,268	89,059
Cash Payments from Operating Activities		
Employee Related	(36,255)	(36,346)
Payments for Personnel Services ^(b)	0	0
Superannuation	(4,817)	(4,878)
Payments for Goods and Services ^(b)	(22,474)	(23,844)
Grants and Subsidies	(12,367)	(12,975)
Interest	(2,788)	(2,746)
Other	(5,383)	(8,213)
Total Cash Payments from Operating Activities	(84,083)	(89,003)
Net Cash Flows from Operating Activities	6,185	56
Cash Flows from Investments in Non-Financial Assets		
Proceeds from Sale of Non-financial Assets	1,823	487
Purchases of Non-Financial Assets	(25,801)	(21,547)
Net Cash Flows from Investments in Non-Financial Assets	(23,978)	(21,060)
Cash Flows from Investments in Financial Assets for Policy Purposes		
Receipts	127	2,711
Payments	(524)	(2,775)
Net Cash Flows from Investments in Financial Assets for Policy Purposes	(397)	(63)
Cash Flows from Investments in Financial Assets for Liquidity Purposes		
Proceeds from Sale of Investments	9,333	6,309
Purchase of Investments	(2,745)	(4,314)
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	6,587	1,996
Net Cash Flows from Investing Activities	(17,787)	(19,127)
Cash Flows from Financing Activities		
Advances Received	170	21
Advances Repaid	(203)	(98)
Proceeds from Borrowings	10,042	24,784
Repayment of Borrowings	(1,642)	(1,886)
Dividends Paid	0	...
Deposits Received (Net)	(14)	(47)
Other (Net)	0	(4)
Net Cash Flows from Financing Activities	8,353	22,769
Net Increase/(Decrease) in Cash Held	(3,250)	3,698
Opening Cash and Cash Equivalents	5,804	4,517
Reclassification of Cash Equivalents and Other Adjustments	15	29
CLOSING CASH AND CASH EQUIVALENTS	2,569	8,244
Derivation of Cash Result		
Net Cash Flows from Operating Activities	6,185	56
Net Cash Flows from Investments in Non-Financial Assets	(23,978)	(21,060)
Dividends Paid	...	...
Cash Surplus/(Deficit)	(17,793)	(21,004)

(a) Certain items have been reclassified from taxation revenue to sales of goods and services, and other revenues, due to the implementation of AASB15: Revenue from Contracts with Customers that became effective after the 1920 Budget was compiled.

(b) Payments for Personnel Services are shown as a separate line in these UPF tables, they are included as Payments for Goods and Services in the Total State Sector Accounts.

Table 16: NSW Public Financial Corporations Statement of Comprehensive Income^(a)

	2019-20 Actual \$m
Revenue from Transactions	
Sale of Goods and Services ^(b)	1,402
Interest	2,388
Other Dividends and Distributions	2,478
Fines, Regulatory Fees and Other	1
Total Revenue from Transactions	6,269
Expenses from Transactions	
Employee	207
Superannuation	
- Superannuation Interest Cost	0
- Other Superannuation	16
Depreciation and Amortisation	20
Interest	2,222
Income Tax Equivalents	22
Other Operating Expenses	3,832
Grants, Subsidies and Other Transfers	22
Total Expenses from Transactions	6,341
NET OPERATING BALANCE - SURPLUS/(DEFICIT) AFTER TAX	(71)

Table 16: NSW Public Financial Corporations Statement of Comprehensive Income (cont)

	2019-20 Actual \$m
Other Economic Flows - Included in the Operating Result	
Gain/(Loss) from Liabilities	(418)
Other Net Gains/(Losses)	(1,446)
Other Economic Flows - included in Operating Result	(1,866)
Operating Result	(1,937)
Other Economic Flows - Other Comprehensive Income	
Items that will not be Reclassified to Operating Result	(1)
Revaluations	(1)
Actuarial Gain/(Loss) from Superannuation	0
Net Gain/(Loss) on Financial Assets at Fair Value through Other Comprehensive Income	...
Deferred Tax Direct to Equity	...
Items that may be Reclassified Subsequently to Operating Result	(0)
Net Gain/(Loss) on Financial Instruments at Fair Value	...
Other	(0)
Other Economic Flows - Other Comprehensive Income	(1)
Comprehensive Result - Before Transactions with Owners in their capacity as Owners	(1,938)
Dividends Distributed	(76)
Net Equity Injections/(Transfers)	...
Comprehensive Result - Total Change in Net Worth	(2,013)
Key Fiscal Aggregates	
Comprehensive Result - Before Transactions with Owners in their capacity as Owners	(1,938)
Less: Net Other Economic Flows	1,867
Equals: Net Operating Balance	(71)
Less: Net Acquisition of Non-Financial Assets	
Purchases of Non-Financial Assets	8
Sales of Non-Financial Assets	(0)
Less: Depreciation	(20)
Plus: Change in Inventories	...
Plus: Other Movements in Non-Financial Assets	
- Assets Acquired Using Leases	...
- Other	...
Equals: Total Net Acquisition of Non-Financial Assets	(12)
Equals: Net Lending/(Borrowing) [Fiscal Balance]	(59)
OTHER FISCAL AGGREGATES	
Capital Expenditure ^(c)	8
Dividends Accrued	76

(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) Includes Taxation revenue which is shown as a separate line item in the TSSA.

(c) Capital expenditure comprises purchases of non-financial assets plus assets acquired using leases.

Table 17: NSW Public Financial Corporations Sector Statement of Financial Position at 30 June^(a)

	2020 Actual \$m
Assets	
Financial Assets	
Cash and Cash Equivalent Assets	2,797
Receivables	1,211
Investments, Loans and Placements	
Financial Assets at Fair Value	84,290
Other Financial Assets	11
Equity Investments	
Other	21,554
Total Financial Assets	109,862
Non-Financial Assets	
Property, Plant and Equipment	
Land and Buildings	12
Plant and Equipment	13
Right of Use Assets	63
Intangibles	11
Other	83
Total Non-Financial Assets	182
Total Assets	110,044
Liabilities	
Deposits Held	409
Payables	346
Borrowings and Derivatives at Fair Value	98,364
Borrowings at Amortised Cost	80
Employee Provisions	43
Superannuation Provision ^(b)	5
Tax Equivalents Payable	12
Other Provisions	7,432
Other	10,102
Total Liabilities	116,791
NET ASSETS	(6,747)
NET WORTH	
Accumulated Funds	(6,747)
Reserves	...
TOTAL NET WORTH	(6,747)
OTHER FISCAL AGGREGATES	
Net Debt^(c)	11,755
Net Financial Liabilities^(d)	6,929
Net Financial Worth^(e)	(6,929)

(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) The Superannuation Provision is 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^(a)

	2019-20 Actual \$m
Cash Receipts from Operating Activities	
Sales of Goods and Services ^(b)	1,393
Interest	2,368
Other	2,668
Total Cash Receipts from Operating Activities	6,429
Cash Payments from Operating Activities	
Employee Related	(199)
Superannuation	(16)
Payments for Goods and Services	(3,445)
Grants and Subsidies	(13)
Interest	(2,046)
Distributions Paid	(18)
Other	(1,012)
Total Cash Payments from Operating Activities	(6,748)
Net Cash Flows from Operating Activities	(320)
Cash Flows from Investments in Non-Financial Assets	
Proceeds from Sale of Non-financial Assets	0
Purchases of Non-Financial Assets	(8)
Net Cash Flows from Investments in Non-Financial Assets	(8)
Cash Flows from Investments in Financial Assets for Policy Purposes	
Receipts	...
Payments	...
Net Cash Flows from Investments in Financial Assets for Policy Purposes	...
Cash Flows from Investments in Financial Assets for Liquidity Purposes	
Proceeds from Sale of Investments	4,613
Payments for Purchase of Investments	(28,657)
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	(24,045)
Net Cash Flows from Investing Activities	(24,053)
Cash Flows from Financing Activities	
Proceeds from Borrowings	103,028
Repayment of Borrowings	(80,442)
Dividends Paid	(118)
Deposits Received (Net)	...
Other (Net)	...
Net Cash Flows from Financing Activities	22,468
Net Increase/(Decrease) in Cash Held	(1,904)
Opening Cash and Cash Equivalents	4,701
Reclassification of Cash Equivalents and Other Adjustments	...
CLOSING CASH AND CASH EQUIVALENTS	2,797
Derivation of Cash Result	
Net Cash Flows from Operating Activities	(320)
Net Cash Flows from Investments in Non-Financial Assets	(8)
Dividends Paid	(118)
Cash Surplus/(Deficit)	(445)

(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.

(b) Includes Taxation revenue which is shown as a separate line item in the TSSA.