

Report on State Finances

2016-17



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1. FOREWORD

The 2016-17 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 2016-17; and
- The audited Consolidated Financial Statements of the General Government and Total State Sectors for 2016-17, including a full set of note disclosures required by Australian Accounting Standards; and
- The Outcomes Report on Government Finances for the general government sector, public non-financial corporations sector, public financial corporations sector and the non-financial public sector for 2016-17, prepared in accordance with the Uniform Presentation Framework adopted by all Australian governments. This report includes the Loan Council Allocation Outcome for NSW.

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

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

- General Government Sector agencies carry out policy, regulatory and service delivery functions.
- PNFCs, other than in the transport and housing sectors, are largely self-funded from user charges and in most cases have been given a specific charter to run their businesses on commercial lines, including the achievement of a commercial rate of return on the resources employed. PNFCs, also known as Public Trading Enterprises (PTEs), are responsible for supplying public infrastructure services, including electricity, water and public transport.
- PFCs may accept demand, time or savings deposits and/or have the authority to incur liabilities and acquire financial assets in the market on their own account. An example of a PFC is the New South Wales Treasury Corporation.

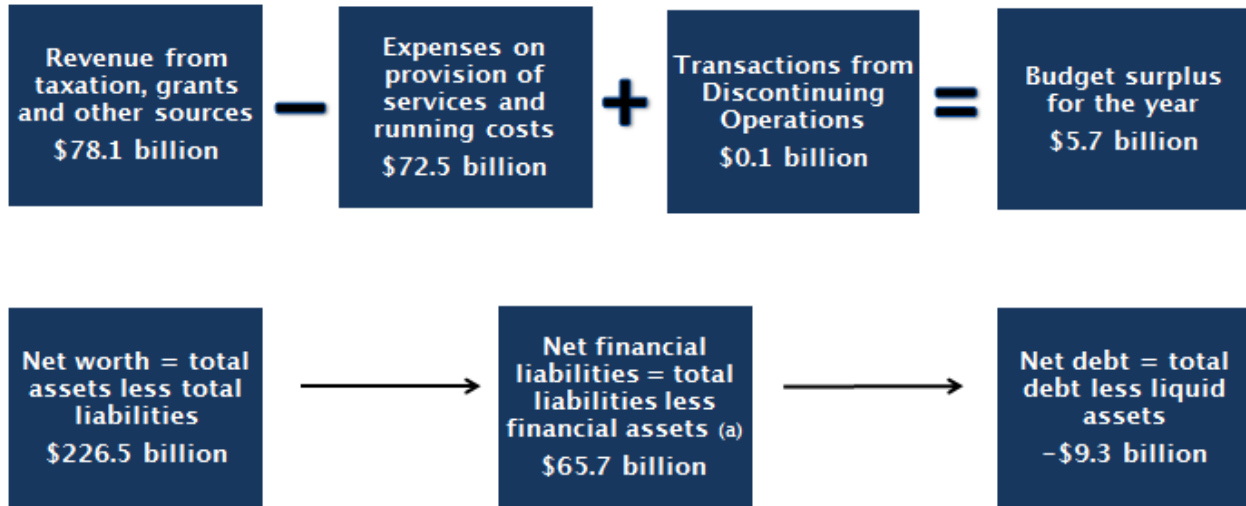
Throughout this report:

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

2. 2016-17 OVERVIEW

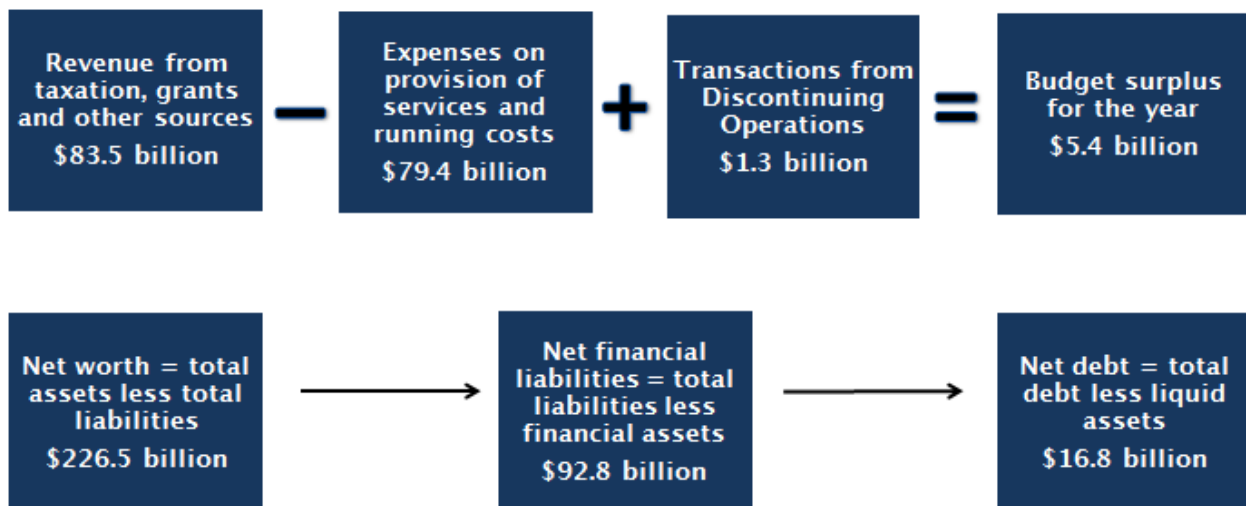
The following overview highlights the key financial results for the General Government Sector and Total State Sector for 2016-17. These are discussed in more detail in the subsequent chapters.

General Government Sector



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

Total State Sector



3. NSW FISCAL CONTEXT

3.1 Fiscal Targets and Principles

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

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

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

3.2 Economic Context

The NSW economy performed strongly in 2016-17, continuing to outperform the nation. Construction activity and employment in the State has lifted to record levels, with business investment, public infrastructure and dwelling construction all exhibited strength. Service exports also contributed strongly to economic growth, underpinned by overseas visitors and international student enrolments expanding at double digit rates.

Low interest rates and above-trend population growth have provided support for dwelling investment, while overseas service exports have benefited from the lower Australian dollar and strong demand from Asia. The State's infrastructure program has also been a key driver of economic growth.

NSW real State Final Demand (SFD), the major component of Gross State Product (GSP) and most timely indicator of state economic activity, grew by an above-trend 3.3 per cent in 2016-17.¹ This result is somewhat below the 3½ per cent growth expected at the time of the 2016-17 Budget, due to softening in household spending.

The NSW labour market softened in 2016-17 after performing strongly over 2015-16, with employment growing by 0.9 per cent in 2016-17, after growth of 3.8 per cent in 2015-16. This result was significantly weaker than the 1¾ per cent anticipated at the time of the 2016-17 Budget. Nevertheless, looking through this volatility, NSW employment has grown at an annual average rate of 2.3 per cent over the last two years, well above its long run average of 1.5 per cent and consistent with above-trend economic growth.

The unemployment rate fell by more than expected, declining to 5.0 per cent in 2016-17 to be below the 5¼ per cent Budget forecast.

For 2017–18, the outlook for economic growth remains strong. The NSW economy will continue to benefit from low interest rates, a lower exchange rate, rising demand from Asia, solid population growth and a significant pipeline of infrastructure and residential construction. Dwelling construction will continue to contribute to growth, with 2017-18 expected to become the sixth consecutive year of growth. Business investment is forecast to become a stronger driver of growth, fuelled in part by overseas demand for NSW services. Public infrastructure is anticipated to add about ½ a percentage point to economic growth. A broader recovery in the rest of Australia is expected to support interstate exports, which are expected to contribute to GSP growth for the first time in many years.

¹ ABS State Accounts, which contain GSP for 2016-17, were not released at the time of publication.

4. GENERAL GOVERNMENT SECTOR RESULTS

- Y The General Government sector results reflect a continuation of strong financial performance and the Government's commitment to effective financial management.
- Y Significant events in 2016-17 included the successful long-term lease of Ausgrid and Endeavour Energy network assets generating gross proceeds of \$20.2 billion and \$9.6 billion respectively. Also significant was the 35 year concession for the provision of land titling and registry services for which the State received an upfront contribution of \$2.6 billion. By convention in NSW, the impacts of transactions are not included in the Budget and only recorded on completion.
- Y The 2016-17 Budget Result for the General Government Sector (GGS) was a surplus of \$5.7 billion, \$1.2 billion higher than the revised estimates published in the 2017-18 Budget. This was due to higher revenues of \$0.1 billion, lower expenses of \$1.0 billion and \$0.1 billion from discontinuing operations. The improved result was mainly due to agency expenditure being less than forecast for grants, subsidies and other operating expenses.
- Y The \$5.7 billion surplus was an improvement of \$1.0 billion over the prior year. This improvement reflects increases in revenue of \$4.0 billion (5.4 per cent), partially offset by increases in expenses of \$2.9 billion (4.2 per cent).
- Y Higher revenue relative to the 2015-16 result was primarily driven by an increase in State tax revenues of \$1.7 billion. State taxes increased due to a number of factors including receipt of \$0.7 billion in transfer duty from the Ausgrid and Endeavour Energy transactions, \$0.6 billion increase in underlying commercial and residential property transfer duty and higher payroll tax of \$0.4 billion, reflecting continued growth in the NSW employment market. Higher revenue was also driven by increases in Commonwealth grant payments (\$1.6 billion), higher revenues from fines, regulatory fees and other revenue (\$0.7 billion) and increases in dividends, income tax equivalents and distributions (\$0.4 billion). This was partially offset by a reduction in other grants and subsidies and other revenue categories (\$0.4 billion).
- Y Increased expenses over the prior year were mainly due to investment in front line services leading to growth in employee costs (\$1.0 billion) associated with more service delivery hours and the impact of the regulated wage increase, higher other operating expenses (\$1.5 billion) and higher grants and subsidies (\$0.4 billion).
- Y Capital expenditure was \$10.5 billion, which was \$1.2 billion higher than the prior year (\$9.3 billion). This represents the third year of record annual spend in New South Wales and reflects the Government's commitment to increased infrastructure spending and strong economic growth.
- Y As at 30 June 2017 GGS net debt was negative \$9.3 billion, an increase in net negative position from negative \$57 million as at 30 June 2016. Lower net debt reflects both the improved operating results, reduced level of borrowings and higher value of financial assets supported by the proceeds of business asset transactions, which are now being progressively invested in new infrastructure.
- Y Net financial liabilities decreased by \$21.9 billion to \$65.7 billion at 30 June 2017. This change is primarily due to decreases in the defined benefit superannuation liabilities affected by higher discount rates, and increases in financial assets as a result of the asset transactions of Ausgrid, Endeavour Energy and Land and Property Information in 2016-17.

4.1 Operating Result

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

	Key Financial Indicators (GGS) Statement of Comprehensive Income				
		Actual 2015-16 Restated	Original Budget 2016-17	Revised Estimate ^(a) 2016-17	Actual 2016-17
General Government Sector					
Revenue	\$b	74.1	77.0	78.0	78.1
Expenses	\$b	69.6	73.3	73.5	72.5
Transactions from Discontinued Operations	\$b	0.1	-	-	0.1
Budget Result (Net Operating Balance)	\$b	4.7	3.7	4.5	5.7
Comprehensive Result	\$b	0.5	17.9	43.1	36.2
Gross Capital Expenditure	\$b	9.3	12.5	10.9	10.5
Cash Result	\$b	2.9	(3.4)	(0.6)	3.6
Net Lending/(Borrowing)	\$b	0.4	(3.6)	1.8	3.0

(a) Revised Estimate for 2016-17 as presented in the 2017-18 Budget Papers.

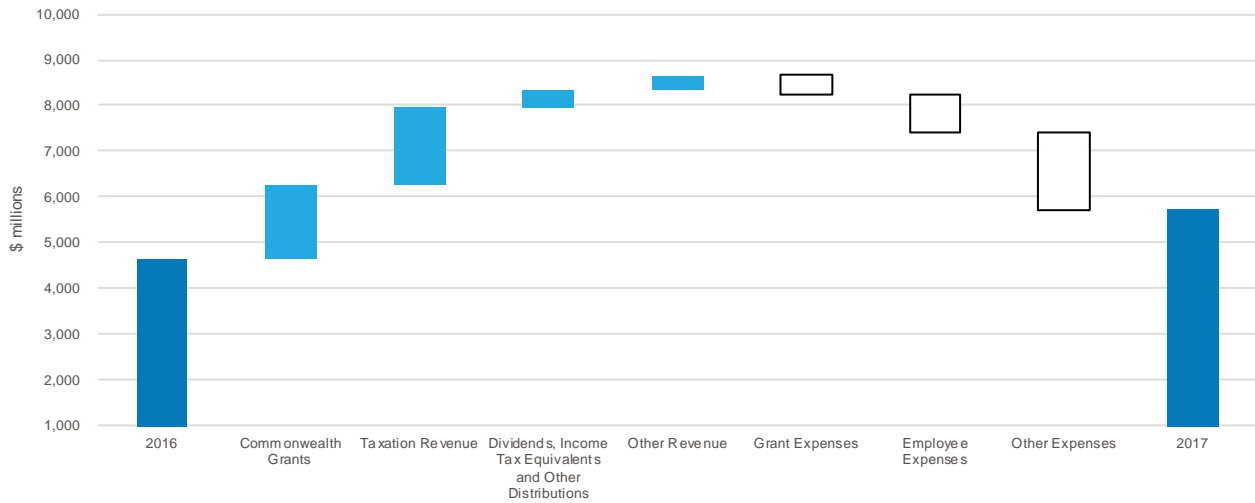
4.2 Budget Result

The Budget Result was a surplus of \$5,724 million, an improvement of \$1,065 million over 2015-16. An overview of the Budget Result compared to the original budget estimates is outlined in detail in Note 33 Budgetary Information on 2016-17 General Government Sector Financial Statements to the Audited Consolidated Financial Statements.

The Budget Result was also \$1,252 million better than the revised estimate for 2016-17 as presented in the 2017-18 Budget Papers. The improved result was mainly due, in net terms, to agency expenditure being less than forecast for grants, subsidies and other operating expenses. Revenues increased by \$131 million (0.2 per cent) and expenses improved by \$985 million (1.3 per cent). Transactions from discontinuing operations contributed a further \$136 million to the Budget Result variance. The improvements in revenues were mainly due to higher taxes and levies (\$359 million), other dividends and distributions (\$205 million) and fines, fees and other revenue (\$347 million) largely offset by lower grants and subsidies revenue (\$399 million) and lower sales of goods and services (\$316 million). The reduction in expenses were in large part due to lower grants and subsidies expenditure across a range of agencies (\$666 million) and lower other operating expenses (\$212 million), particularly in SiCorp due to lower claims expenses and in Transport for NSW due to re-profiling of rail projects.

Chart 4.1 shows the main changes between the 2015-16 Budget Result and the 2016-17 Budget Result.

Chart 4.1: Key Changes in Budget Result on 2016-17



The improvement in revenue in 2016-17 compared to the 2015-16 outcome was primarily driven by increases in state tax revenue of \$1,708 million, increases in Commonwealth grant payments of \$1,586 million, increases in fines, regulatory fees and other revenue of \$660 million and increases in dividends, income tax equivalents and other distributions of \$415 million. These increases were partially offset by a reduction in other grants and subsidies revenue of \$333 million and decreases in the other revenue categories combined (sales of goods and services and interest revenue) of \$37 million.

The Ausgrid and Endeavour transactions provided \$718 million in extra revenue which, by convention, was not included in the 2016-17 Budget and which was \$280 million higher than the extra revenue from electricity asset (TransGrid) transactions recorded in the previous year. Payroll tax increased by \$358 million (4.5 per cent) due to continued strength of NSW employment. Land tax increased by \$424 million (15.4 per cent).

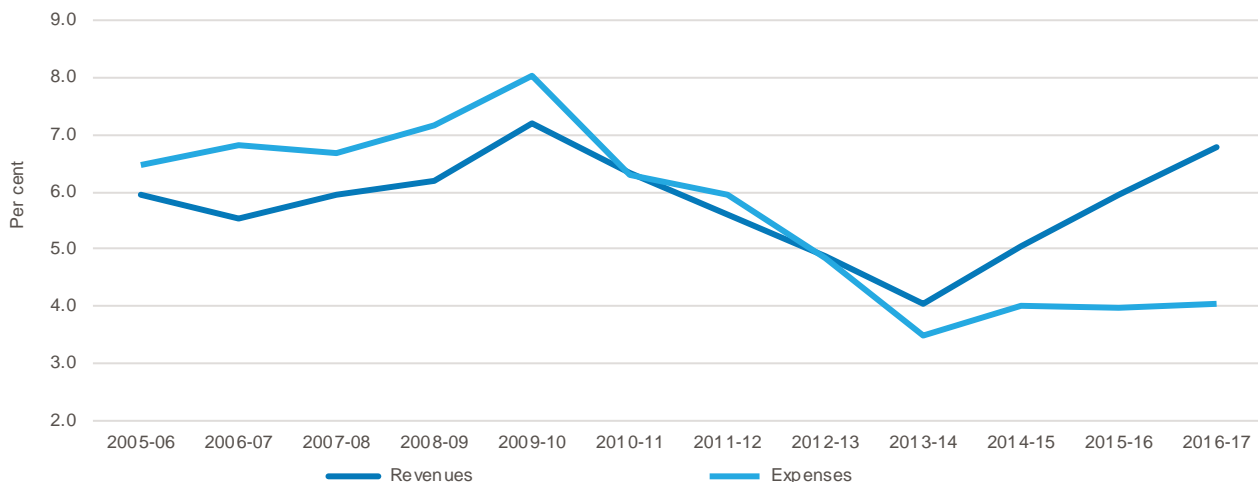
The rise in expenses was driven by investment in front line staff, resulting in growth of employee costs of \$1,003 million (3.4 per cent), an increase in other operating expenses of \$1,472 million (8.7 per cent), increases in grants and subsidies of \$411 million (3.4 per cent) and increased depreciation and amortisation \$233 million (5.3 per cent). These increases were partially offset by a decrease in Superannuation related costs of \$112 million (2.5 per cent) and decreased interest expense of \$57 million (2.6 per cent).

Significant events in 2016-17 included the successful completion of a number of large transactions which, by convention in NSW, are not included in the Budget and only recorded on completion. These included:

- The long-term lease of the Ausgrid network assets which generated gross proceeds of \$20,150 million, including an investment by the Government of \$3,924 for the retained interest of 49.6% in Ausgrid;
- The long-term lease of the Endeavour Energy network assets which generated gross proceeds of \$9,590 million, including an investment by the Government of \$1,946 for the retained interest of 49.6 per cent in Endeavour Energy; and
- The 35 year concession for provision of land titling and registry services for which the State received an upfront contribution of \$2,622 million.

The year on year increase in revenues exceeded the year on year increase in expenses. This is consistent with the Government's fiscal strategy that expense growth should be less than long-term revenue growth. The performance in 2016-17 delivers on this commitment, which has been achieved on a four-year average basis since 2012-13, as illustrated in Chart 4.2.

Chart 4.2: Average Revenue and Expense Growth^(a) – 2005-06 to 2016-17 (including the retrospective impact of AASB 119)



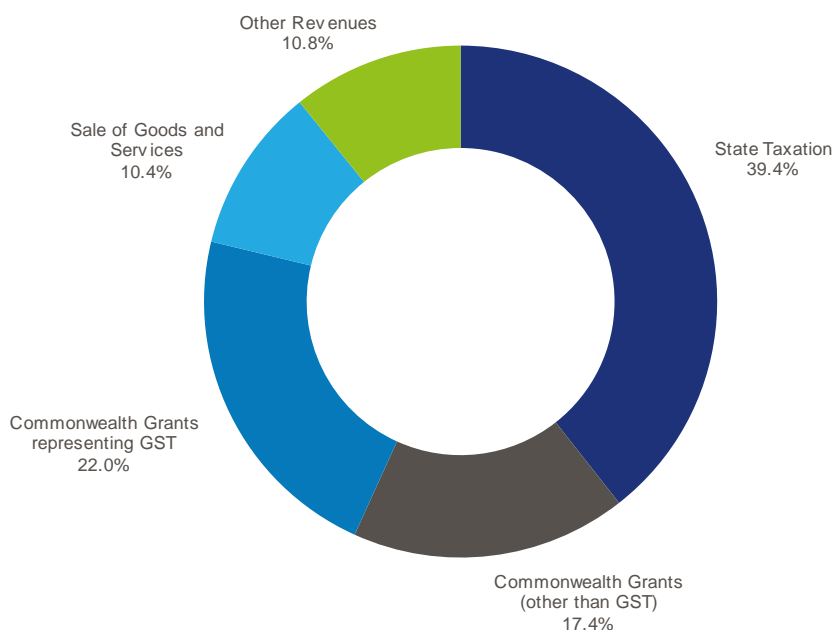
(a) Four-year average per cent change to indicated year.

4.3 Revenue

General Government Sector revenues were \$78,139 million and increased by \$3,999 million (5.4 per cent) over 2015-16.

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

Chart 4.3: Components of General Government Sector Revenue 2016-17



Tax Revenues

The three largest state taxes: stamp duty on property transfers (transfer duty), payroll tax and land tax, together provided around 69 per cent of state taxation revenue in 2016-17. Transfer duty (which is a key component of stamp duty) was marginally higher than expectations reflecting continued strength in the commercial and residential property market supported by historically low interest rates.

Increased transfer duty receipts in 2016-17 were due to the long-term lease of Ausgrid and Endeavour Energy assets which generated \$718 million additional duty. By convention in NSW, the impacts of transactions are not included in Budget estimates and are only recorded once transactions are complete.

Payroll tax increased by \$358 million (4.5 per cent) in 2016-17 reflecting continued growth in NSW employment and moderate growth in average employee compensation.

Taxes received in excess of the 2016-17 Budget are treated as windfall gains and transferred into Restart NSW to finance critical infrastructure, such as projects from the Housing Acceleration Fund.

Commonwealth and Other Grants

New South Wales receives General Purpose Grants, National Partnership payments, Specific Purpose Payments and a small number of other payments from the Commonwealth. Total grants were \$1,253 million (5.4 per cent) higher than the prior year.

General Purpose Grants which are comprised mostly of GST were \$435 million (2.5 per cent) lower than 2015-16. GST revenues from the Commonwealth Government are distributed among States. GST revenues depend on the total amount of GST collected (pool size), population share of NSW and the relativity calculated by the Commonwealth Grants Commission (CGC). Any change in pool size, population share or relativity impacts the State's financial result. GST revenue was marginally lower than expected due to a downward revision to the GST pool forecast in 2016-17 and a minor adjustment payment (\$36 million) made in 2016-17 for an overestimation of the pool in 2015-16.

Grants for National Partnerships and Specific Purpose Payments were \$2,021 million (17.5 per cent) higher than 2015-16 mainly due to asset recycling initiative grants of \$1,008 million, higher national land transport grants of \$720 million, increased grants to Health of \$220 million reflecting increases in services and increased grants to Department of Education of \$279 million relating to the National Education Reform Agreement.

Other grants and subsidies decreased by \$333 million from 2015-16 mainly due to a reclassification by Department of Education. In the 2015-16, revenue earned by schools was classified as 'School generated revenue'. Since schools had been migrated to the centralised finance system, the department was able to disclose these transactions at a more granular level. In 2016-17, these transactions have been classified to lines within 'Sales of Goods and Services', 'Grants and Other Contributions' and 'Other Revenue'.

Other revenues

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

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

Dividends and tax equivalent payments from the water sector were \$569 million in 2016-17 which was \$163 million lower than the prior year reflecting a lower dividend payout ratio and lower distributable profits following the pricing determinations from IPART.

Distributions from electricity network businesses contributed \$260 million in 2016-17 which was \$128 million less than 2015-16. This was mainly due to lower dividends from electricity entities in 2016-17 following the long-term lease agreements entered into for Ausgrid and Endeavour Energy network assets.

Other dividends and distributions relate to TCorp managed investment schemes and dividends from joint ventures. These distributions were \$593 million higher than 2015-16 mainly from the investment of major asset transaction proceeds in the NSW Infrastructure Future Fund, managed by TCorp.

Sales of goods and services in 2016-17 at \$8,159 million were in line with the prior year with a variance of less than 1 per cent. Reclassified revenue from Department of Education of \$196 million was largely offset by marginally lower Transport related charges.

Fines, Fees and other revenue were \$660 million higher than the prior year primarily due to higher mining royalties of \$391 million, due to the higher export price of coal, as well as the reclassification of revenue by the Department of Education of \$206 million, as previously referred to.

4.4 Expenses

General Government Sector expenses were \$72,551 million which was lower than the original estimate set out in the 2016-17 Budget by \$741 million (1.0 per cent). Expenses were \$2,949 million (4.2 per cent) higher than 2015-16.

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

Chart 4.4: General Government Sector Expenses by Class 2016-17

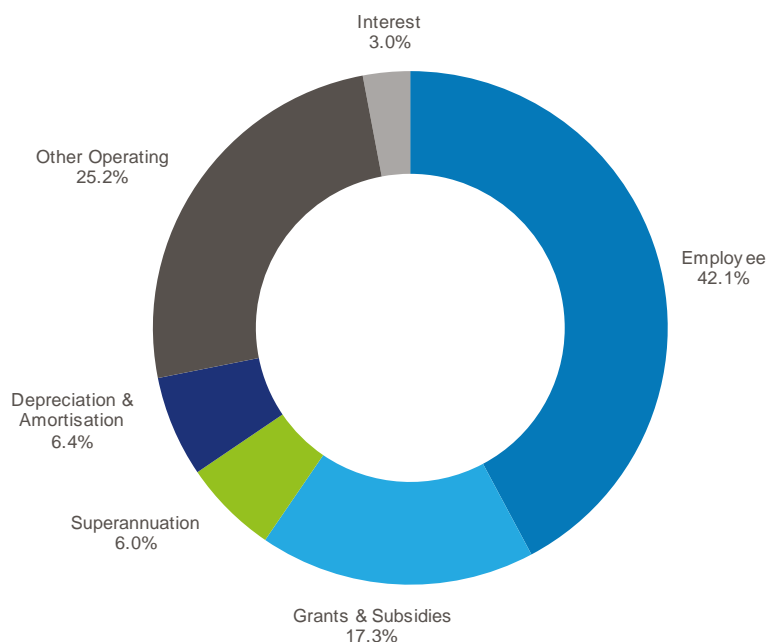
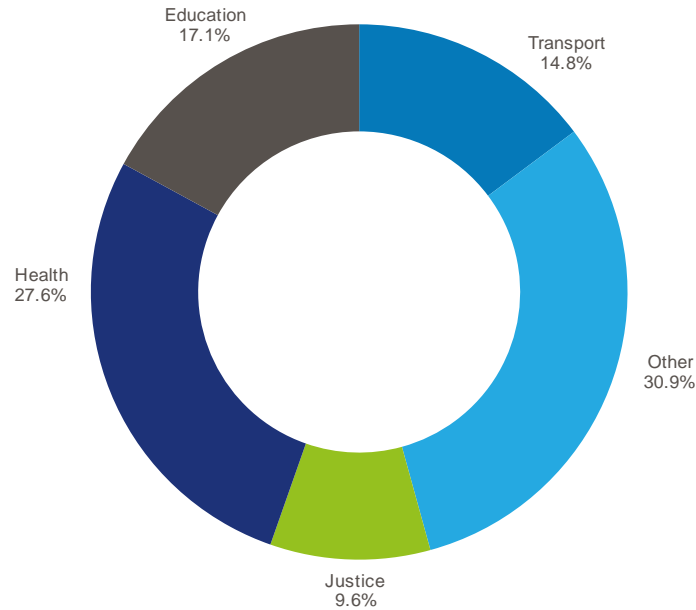


Chart 4.5: General Government Sector Expenses by Cluster 2016-17



Employee expenses

Employee costs were \$1,003 million (3.4 per cent) higher than 2015-16 reflecting government policy decisions to invest in front line services. Government initiatives, spanning 2011 to the present, including the NSW Public Sector Wages Policy and the Labour Expense Cap continue to help manage employee expenses growth. Key components of the increase were:

- Wage inflation increases (\$674 million) in line with the wages policy of 2.5 per cent.
- Increases in frontline services (\$549 million) in Health, Education and Justice.
- Increased workers' compensation and long service leave costs (\$121 million), which can vary significantly year on year reflecting movements in 10-year Government bond rates and workers compensation claims paid.
- Lower direct employee costs relating to homecare services as a result of increased grants to non-government organisations for the delivery of these services.
- Lower employee severance costs compared to the prior year.

Superannuation expenses were \$4,326 million, \$112 million (2.5 per cent) less than 2015-16.

Grant expenses

Recurrent grants and subsidies were \$11,729 million, \$343 million (3.0 per cent) higher than 2015-16 and capital grants and subsidies were \$837 million, \$68 million (8.8 per cent) higher than 2015-16. In total grants and subsidies expenses were \$411 million (3.4 per cent) higher than prior year. This included:

- Increases in grants from Transport for NSW of \$302 million largely for Sydney Trains, NSW Trains and Country Rail Infrastructure Authority.
- Increases in grants paid of \$213 million to non-government organisations for the delivery of aging, disability (including NDIS), homecare, community and public housing services.
- A lower decrease in the outstanding claims liability recognised by Workers Compensation (Dust Diseases) authority compared to the prior year of \$224 million.

Other expenses

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

Other operating expenses were \$18,312 million, \$1,472 million higher than 2015-16. This included:

- Buy back of mining licences (\$482 million) and land remediation costs for decommissioning, demolition & remediation of Wallerawang power station (\$99 million).
- Higher Ministry of Health other operating costs of \$543 million including \$188 million for increased drug supplies, mainly in relation to higher Hepatitis C drugs, and \$208 million for higher spend on other health services including medical and surgical supplies and consultancy fees for visiting medical officers.

4.5 Comprehensive Result

The General Government Sector Comprehensive Result was a surplus of \$36,169 million compared to \$476 million in 2015-16, a change of \$35,693 million over the prior year. The comprehensive result represents the net result of all items of income and expense recognised for the period. It is therefore the aggregate of the operating result and other movements in equity, other than transactions within the total state sector.

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

- An actuarial gain on superannuation compared to a loss in the prior year due to an increase in the discount rates in line with Government bond rates (\$26,342 million) (refer to 4.11 for further details on superannuation liabilities).
- Increases in net gain on Available for sale financial assets (\$7,232 million). The Available for Sale Financial Assets are predominately the State's equity investments in Other Sectors.

These increases were enhanced by an improved Budget surplus (\$1,065 million).

4.6 Capital Expenditure

General Government Sector capital expenditure during 2016-17 was \$10,546 million, higher than the prior year by \$1,210 million or 13.0 per cent. This continues the record level of capital spend in the General Government sector in New South Wales, reflecting the Government's commitment to infrastructure investment.

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

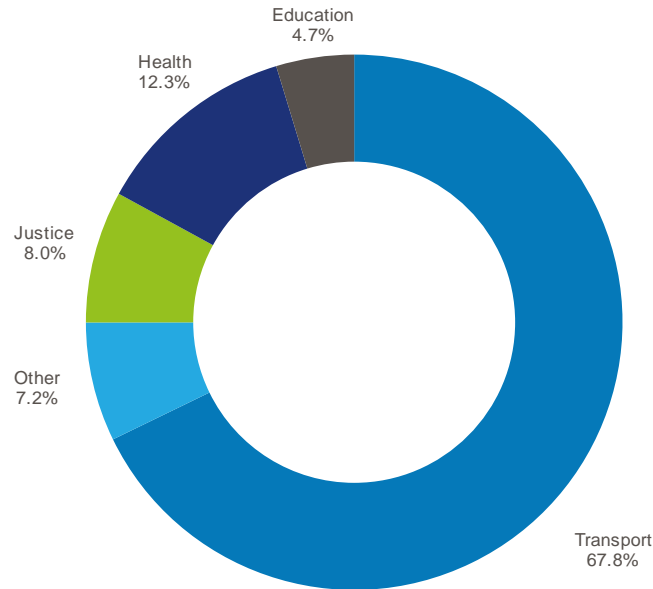
Major projects progressed during 2016-17 included:

- Sydney Metro City and Southwest (\$1,873 million)
- Pacific Highway upgrades (\$1,307 million)

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

- Tamworth Hospital Redevelopment Stage 2
- Richmond Road Stages 2 and 3, Townson Road to North of Garfield Road
- New England Highway - Maitland Roundabout Upgrade
- The Bright Alliance comprising the Nelune Comprehensive Cancer Centre, Scientia, and The Sydney Children's Hospital Network at Randwick campus, Prince of Wales
- Hornsby Ku-ring-gai Hospital Redevelopment Stage 1
- Parks and Forbes Hospitals (Lachlan Health Service – including planning).

Chart 4.6: Distribution of Capital Expenditure for 2016-17



In 2016-17, \$2,504 million in General Government capital expenditure was funded from the Restart NSW Fund (Restart NSW). In 2011, the Government established Restart NSW to improve the economic growth and productivity of the State by enabling high priority infrastructure projects to be funded and delivered. Restart NSW is the vehicle for the delivery of the Rebuilding NSW plan, which is the Government's 10-year plan to invest \$20 billion in new infrastructure funded by the lease of 49 per cent of the NSW electricity network businesses, Commonwealth Government Asset Recycling Initiative payments, and investment earnings.

In 2016-17, Restart NSW was significantly bolstered by the successful completion of the Ausgrid, Endeavour Energy, and Land and Property Information transactions, with funds deposited into Restart NSW since 2011 totalling \$29.8 billion as at 30 June 2017. Other sources of Restart NSW inflows include proceeds from other asset recycling transactions, Commonwealth Government Asset Recycling Initiative payments, proceeds from Waratah Bonds, windfall tax revenue, and investment earnings.

As at the 2017-18 Budget, a total of \$17.5 billion was committed, and budgeted, for infrastructure projects from Restart NSW. A further \$12.1 billion was reserved in Restart NSW for identified project and programs. The balance of \$0.2 billion was yet to be committed.

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

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

4.7 Net Lending

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

The General Government Sector Net Lending Result was a net lending position of \$3,040 million in 2016-17 compared to a net lending position of \$389 million in 2015-16 representing an improvement of \$2,651 million over 2015-16. This was mainly due to lower net acquisition of non-financial assets of \$1,586 million and the increase in the Budget Result of \$1,065 million.

4.8 Cash Result

The Cash Result was a surplus of \$3,573 million, an improvement of \$679 million over the prior year surplus of \$2,894 million. The improved cash result reflects the higher budget surplus as well as the reduction in the net acquisition costs of non-financial assets.

4.9 Balance Sheet

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

	Key Financial Indicators (GGS) Statement of Financial Position				
		Actual 2016	Original Budget 2017	Revised Estimate ^(a) 2017	Actual 2017
Total Assets	\$b	316.5	327.9	348.9	354.4
Total Liabilities	\$b	134.7	122.9	123.9	127.9
Net Worth	\$b	181.8	205.0	224.9	226.5
Net Unfunded Superannuation Liability	\$b	67.9	55.5	53.7	56.3
Net Debt	\$b	(0.1)	7.5	(7.8)	(9.3)
Net Debt as a % of GSP ^(b)	%	0.0%	1.3%	-1.4%	-1.6%
Net Financial Liabilities (NFL)	\$b	87.6	81.9	64.3	65.7
NFL as a % of GSP ^(b)	%	16.4%	14.4%	11.3%	11.5%

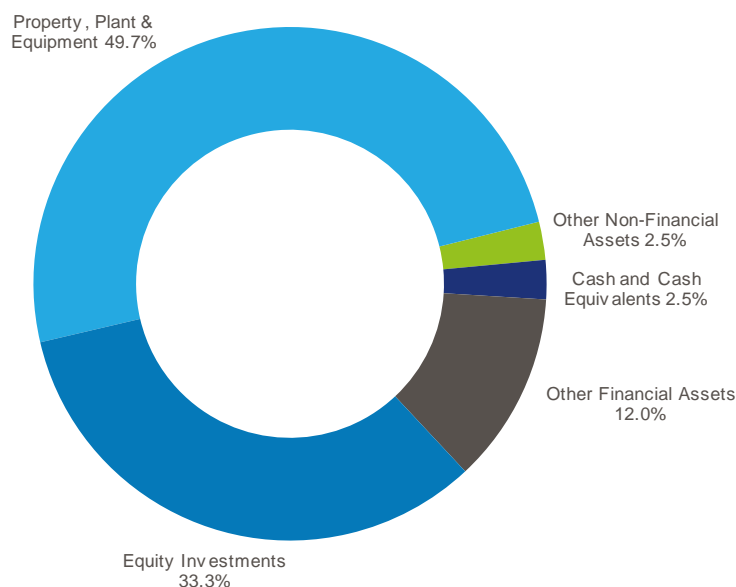
(a) Revised Estimate for 2016-17 as presented in the 2017-18 Budget Papers.

(b) GSP actuals for 2016-17 not released at the time of publication. Numbers reflect 2016-17 GSP forecasts from the 2017-18 Budget.

4.10 Total Assets

Assets comprise non-financial and financial assets. The graph below illustrates the breakdown of General Government asset holdings as at 2016-17.

Chart 4.7: Distribution of Total Assets as at 30 June 2017



Non-Financial Assets

The main components of the non-financial assets at 30 June 2017 are Property Plant and Equipment (PP&E) and Intangible Assets. These accounted for 50.7 per cent of the General Government total assets at 30 June 2017. The value of PP&E increased by a net amount of \$11,785 million relative to June 2016. This reflects additions of \$10,233 million, revaluations of \$2,354 million, depreciation of \$4,078 million and other movements of \$3,276 million.

Increases in revaluations in 2016-17 of \$2,354 million were lower than the prior year mainly driven by lower valuations of land and building assets in Department of Education. Revaluations in 2016-17 were driven by valuation increases in land and buildings together with infrastructure and included:

- An increase in the value of land and buildings held by Ministry of Health (\$303 million), Property NSW (\$121 million), Minister Administering the Environmental Planning and Assessment Act (\$155 million) and Aboriginal Housing Office (\$135 million); and
- An increase in the value of infrastructure assets held by Transport for NSW (\$664 million) and Roads and Maritime Services (\$706 million).

Financial Assets

Cash and cash equivalents were \$8,731 million in 2016-17 (2015-16: \$5,260 million). This included \$8,426 million of Restart NSW money (2015-16: \$12,932 million). The low level of cash reflects the actions the Government has taken to improve its cash and asset management as set out in Chapter 7 in Budget Paper 1 of the 2017-18 Budget. Effective management of the State's liquidity is part of the Government's strategy of effective and efficient balance sheet management. Strategies being employed ensure that the State continues to hold and is able to access an adequate level of liquidity against its future obligations, and any surplus holdings are put to better use.

Major transactions during the 2016-17 year that impacted on cash position include the acquisition of the ANZ stadium business, 99-year partial lease of Ausgrid and Endeavour Energy, disposal of Pillar Administration, and the 35-year concession of Land and Property Information's (LPI) titling and registry services.

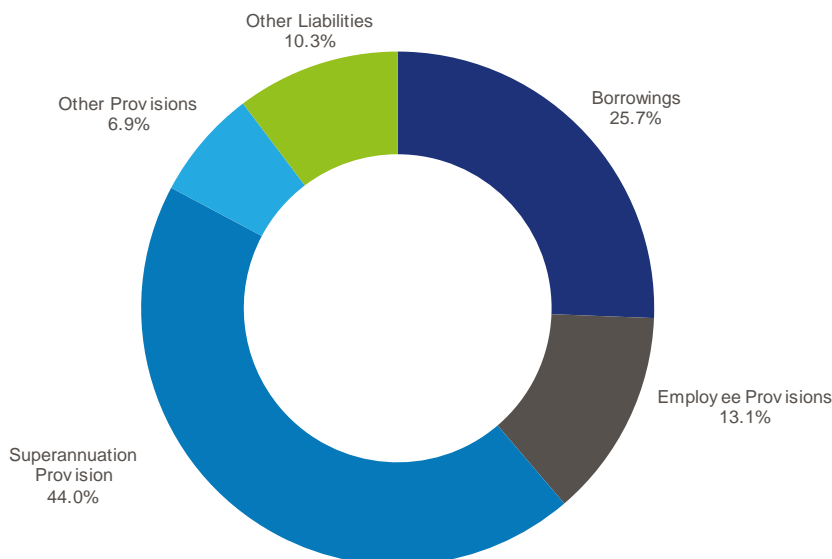
Sales proceeds from major asset transactions are deposited in the State's dedicated infrastructure fund Restart NSW, to fund the delivery of major capital infrastructure projects across the State. At 30 June 2017, there was \$23,106 million invested in Restart NSW (30 June 2016: \$12,932 million). Of this, \$8,426 million (2016: \$12,932 million) was held in cash and \$14,681 million (2016: \$nil) invested in the NSW Infrastructure Future Fund.

Equity investments were \$117,883 million at 30 June 2017, which was \$15,745 million higher than the prior year. The increase is mainly due to the increased net worth in PNFCs and PFCs held in the General Government sector and the new investment representing the State's retained interest in Ausgrid and Endeavour Energy as a result of their partial long term leases. (Refer to Note 10 Equity Investments.)

4.11 Total Liabilities

The graph below displays the distribution of the GG's liabilities by class. The majority of these liabilities relate to employee and superannuation provisions, which together accounted for 57.1 per cent of the GG's obligations at 30 June 2017. Additionally, the GG's borrowings contributed 25.7 per cent.

Chart 4.8: *Distribution of Total Liabilities as at 30 June 2017*



Superannuation Liabilities

Superannuation liabilities represent the actuarially assessed obligations for past and present employees less the net market value of scheme assets set aside to meet these obligations. During 2016-17, net unfunded superannuation liabilities decreased by \$11,577 million to \$56,285 million. In accordance with AASB 119 *Employee Benefits*, the State uses the 10-year Commonwealth Government bond yields at 30 June (discount rate) to revalue the superannuation liabilities. The decrease in the superannuation liabilities was largely due to an increase in the discount rate from 1.99 per cent at 30 June 2016 to 2.62 per cent at 30 June 2017. This change resulted in a reduction in the superannuation liabilities of \$8,596 million. The superannuation liabilities are very sensitive to changes in the discount rate. A 1% increase in the discount rate can reduce the liabilities by around \$11.9 billion.

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

A triennial review of the State's superannuation liabilities was performed in 2015 with the next actuarial review due as at 30 June 2018. This review determines the sufficiency of funding for the State's defined benefit schemes based on the latest demographic and economic assumptions. The 2015 review concluded the Government's current contribution plan appears reasonable to deliver full funding by 2030.

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

Employee Provisions and Other Provisions

Employee provisions included annual and long service leave and self-funded obligations for workers compensation. The total provision in 2016-17 (\$16,842 million) is broadly in line with the prior year (2016: \$16,794 million). The movement in employee provisions was mainly impacted by the bond yield used to value liabilities.

Other provisions were \$8,815 million in 2016-17. This primarily comprises insurance obligations, liabilities for dust disease claims, university superannuation, and provisions for land remediation and restoration costs.

4.12 Net Worth

Net worth is the difference between total assets and total liabilities. Net worth of the General Government Sector for the year ended 30 June 2017 was \$226,471 million which grew by 24.6 per cent from the prior year (2016: \$181,799 million).

The increase in net worth is mainly due to increases in the value of financial and non-financial assets as outlined above as well as decreases in the superannuation defined benefit liabilities due to increased Commonwealth bond rates.

4.13 Net Debt

The General Government Sector net debt was negative \$9,344 million at 30 June 2017 or negative 1.6 per cent of GSP. At 30 June 2016 net debt was negative \$57 million. This net debt result was supported by the successful asset transactions of Ausgrid, Endeavour Energy and LPI, as well as the Commonwealth funding received and the more efficient use of the balance sheet as detailed above.

The continued use of innovative financing strategies has allowed the State to access funding for infrastructure investments in an economically efficient manner without significantly increasing borrowings. The Government’s significant asset recycling program has converted the proceeds gained from transactions to deliver much-needed infrastructure investments.

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

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

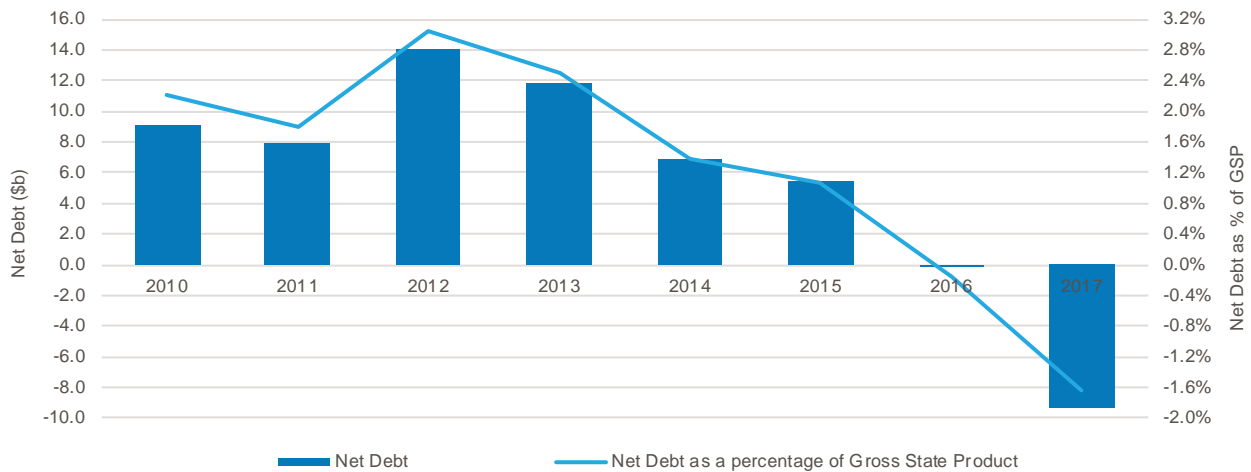


Table 4.3: General Government Sector – Net Debt

	Actual June 2016	Actual June 2017
	\$b	\$b
Cash and Cash Equivalents	5.3	8.7
Investments, Loans and Placements	26.5	33.3
Advances Paid	1.1	1.0
Deposits Held	(0.1)	(0.1)
Borrowings and Derivatives at Fair Value	(0.0)	(0.9)
Borrowings at Amortised Cost	(31.8)	(31.9)
Advances Received	(0.9)	(0.8)
Net Debt	(0.1)	(9.3)
Net Debt as a % of GSP^(a)	0.0%	-1.6%

(a) GSP actuals for 2016-17 not released at the time of publication. Numbers reflect 2016-17 GSP forecasts from the 2017-18 Budget.

4.14 Net Financial Liabilities

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

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

Net financial liabilities at 30 June 2017 were \$65,690 million, which was \$21,892 million lower than the prior year. This decrease was primarily due to the decrease in superannuation liabilities of \$11,577 million impacted by the increased discount rates, together with the increases in financial assets supported by the asset transactions.

As a percentage of forecast GSP, net financial liabilities decreased to 11.5 per cent at 30 June 2017, from 16.4 per cent at 30 June 2016 (refer Table 4.4).

Table 4.4: General Government Sector – Net Financial Liabilities

	Actual June 2016	Actual June 2017
	\$b	\$b
Net Debt	(0.1)	(9.3)
Superannuation Provision	67.9	56.3
Employee Provisions	16.8	16.8
Insurance Obligations and Other Provisions	8.4	8.8
Other Net Liabilities / (Assets)	(5.4)	(6.9)
Net Financial Liabilities (NFL)	87.6	65.7
NFL as a % of GSP^(a)	16.4%	11.5%

(a) GSP actuals for 2016-17 not released at the time of publication. Numbers reflect 2016-17 GSP forecasts from the 2017-18 Budget.

5. TOTAL STATE SECTOR RESULTS

- Y The Total State Sector (TSS) comprises the GG, PNFC and PFC sectors. Strong TSS results reflect the Government's ongoing commitment to effective financial management.
- Y The Net Operating Balance in 2016-17 was a surplus of \$5.4 billion, representing an increase of \$1.0 billion compared to 2015-16. This was driven by an increase in revenue of \$5.3 billion partially offset by an increase in expenses of \$3.9 billion and a decrease in the net profit from discontinuing operations of \$0.3 billion.
- Y Higher revenue of \$5.3 billion reflected an increase in State tax revenue (\$1.8 billion), increases in Commonwealth grant payments (\$1.6 billion), higher revenue from fines, regulatory fees and other revenue (0.7 billion), increases in other dividends and distributions (\$0.5 billion) and increases other revenue (\$0.7 billion) .
- Y Higher expenses of \$3.9 billion resulted from increases in employee related costs \$1.1 billion, increases in grants and subsidies of \$0.3 billion, increases in depreciation and amortisation of \$0.4 billion and increases in other operating costs of \$2.4 billion.
- Y Capital expenditure of the Total State Sector for 2016-17 was \$18.2 billion, an increase of \$2.0 billion on the previous year. In addition to high levels of capital spend within the General Government sector, spend in the PNFC sector also accelerated in 2016-17, reflecting increased spend on major road and rail infrastructure together with expenditure on the Sydney International Convention Exhibition and Entertainment Precinct.
- Y Net debt of the Total State Sector was \$16.8 billion at 30 June 2017, a decrease of \$21.3 billion during the year. The decrease in net debt is largely a result of the reduced level of borrowings, the successful asset transactions of Ausgrid, Endeavour Energy and Land and Property Information in 2016-17, and increased value of financial assets.
- Y Net financial liabilities of the Total State Sector were \$92.8 billion at 30 June 2017, a decrease of \$40.5 billion from the previous year. This was mainly due to the decrease in superannuation liabilities of \$12.6 billion, as a result of the higher discount rates, and the increases in financial assets as a result of the asset transactions during the year.
- Y Net worth of the Total State Sector, at \$226.5 billion for the year ended 30 June 2017, was higher than the previous year by \$44.7 billion (\$181.8 billion in 2016). This reflects increases in the value of financial and non-financial assets and decreases in superannuation liabilities.

5.1 Operating Result

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

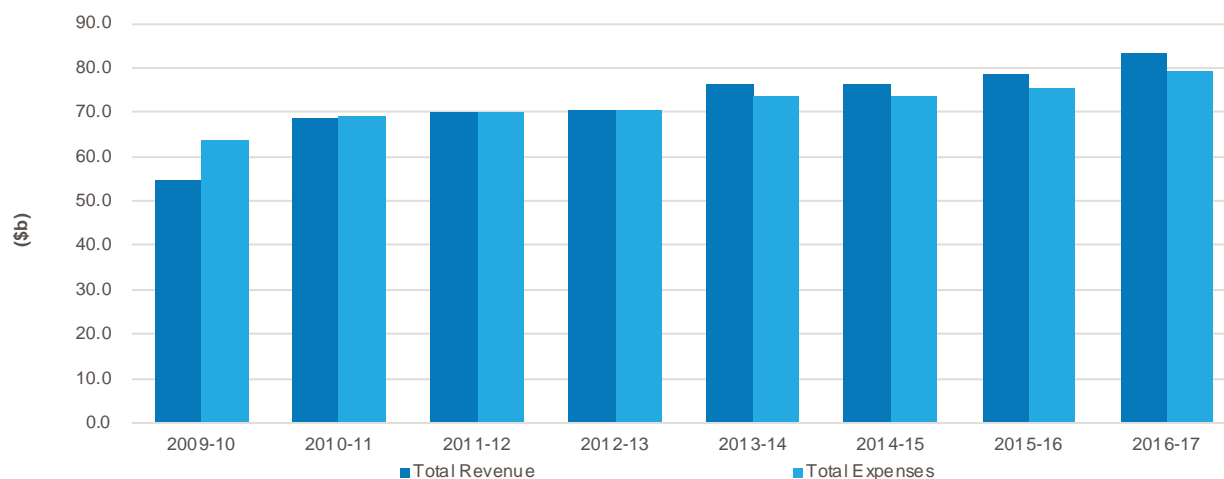
Key Financial Indicators (TSS) Statement of Comprehensive Income					
		Actual 2015-16 Restated	Original Budget 2016- 17	Revised Estimate(a) 2016-17	Actual 2016-17
Total State Sector					
Revenue	\$b	78.2	85.0	82.8	83.5
Expenses	\$b	75.5	83.4	81.6	79.4
Transactions from Discontinued Operations	\$b	1.6	-	1.2	1.3
Net Operating Balance	\$b	4.4	1.6	2.4	5.4
Comprehensive Result	\$b	0.5	17.9	43.1	36.2
Gross Capital Expenditure	\$b	16.2	21.9	18.9	18.2
Cash Result	\$b	(0.4)	(7.7)	(3.1)	4.9
Net Lending/(Borrowing)	\$b	(3.9)	(11.4)	(5.2)	(2.4)

(a) Revised Estimate for 2016-17 as presented in the 2017-18 Budget Papers.

5.2 Net Operating Balance

The Net Operating Balance for the Total State Sector was a surplus of \$5,377 million. The Net Operating Balance comprises State revenues and expenses from transactions prepared in accordance with Australian Accounting Standards.

Chart 5.1: Total State Sector Revenue and Expenses – 2009-10 to 2016-17

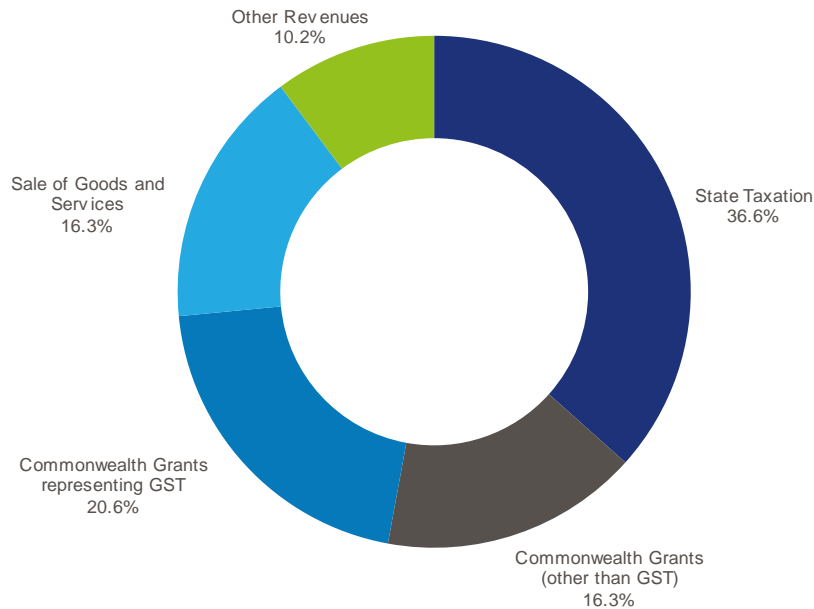


Note: Historic expenditure figures between 2009-10 and 2012-13 have been adjusted to incorporate the retrospective application of the revised standard on employee benefits (AASB 119).

5.3 Revenue

Total State Sector revenue for 2016-17 was \$83,451 million, \$5,259 million (6.7 per cent) higher than 2015-16. Total State Sector revenues comprised: revenues from taxation \$30,556 million; monies from the Commonwealth Government \$30,762 million; sales of goods and services \$13,610 million; and other revenues \$8,523 million.

Chart 5.2: Total State Sector Revenue 2016-17



Taxation revenues were \$30,556 million, \$1,829 million (6.4 per cent) higher than 2015-16 as set out in the results for the General Government sector. The key drivers behind this were:

- An increase from large one-off business asset transactions (including from Ausgrid of \$489 million and Endeavour Energy of \$229m); and
- An increase in payroll tax of \$385 million reflecting robust growth in NSW employment and moderate growth in average employee compensation.

Commonwealth grants were \$30,762 million, an increase of \$1,580 million (5.4 per cent) on 2015-16. GST, the largest element of these grants, however, decreased by \$435 million as a consequence of smaller revised GST pool, which is offset by the new asset recycling initiative grant of \$1,008 million and a net increase in other Commonwealth grants of \$1,093 million.

Sales of goods and services were \$429 million higher than in 2015-16. This reflected higher revenues in the PNFC sector across a number of businesses.

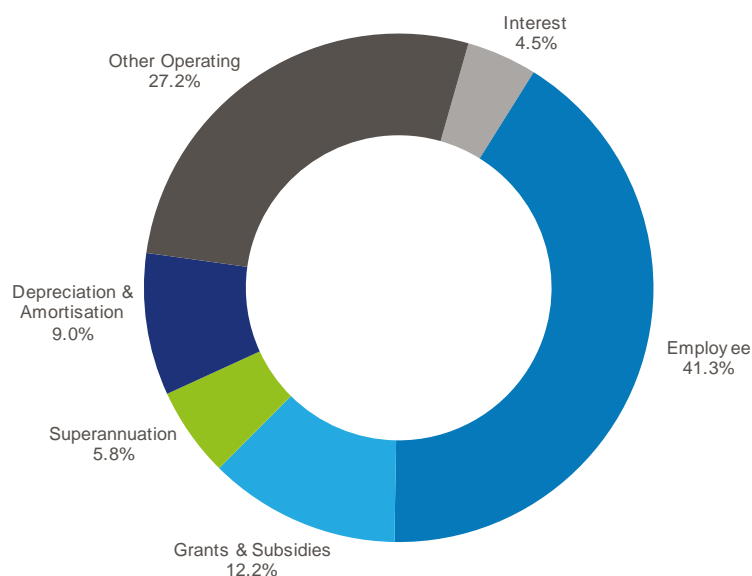
Note 2 Revenue to the Consolidated Financial Statements details the revenues by class and their components, and Note 5 Discontinued Operations to the Consolidated Financial Statements details the discontinued operations.

5.4 Expenses

Total State Sector expenses were \$79,375 million, \$3,907 million (5.2 per cent) higher than in 2015-16.

Employee expenses and superannuation together accounted for almost half of the State's total expenditure. Other operating expenses, which included maintenance expenses, utilities, rent, medical equipment and supplies, accounted for just over a quarter of the State's expenses. The remaining expenses related to grants and subsidies, depreciation and amortisation and interest.

Chart 5.3: Total State Sector Expenses 2016-17



Employee expenses (excluding superannuation) were \$32,813 million, \$1,078 million (3.4 per cent) higher than 2015-16, which was largely attributable to movements in the General Government sector. Increases in employee expenses in 2016-17 were a result of wage increases consistent with the Government's wages policy of 2.5 per cent, increased front line staff due to growth in services particularly in health, education and police and redundancy costs, workers compensation costs and long service leave.

Depreciation and amortisation expense rose by \$403 million (6.0 per cent) to \$7,167 million during 2016-17.

5.5 Sale and Lease of Government Business Assets

In line with Government policy to reinvest the proceeds of business asset sales and leases to fund new infrastructure for the State, the *Electricity Network Assets (Authorised Transactions) Act* (the Act) was passed in 2015. The Act authorises the transfer of electricity network assets and associated rights and liabilities to private sector buyers.

In accordance with this legislation, the partial long-term leases of Ausgrid and Endeavour Energy assets were achieved in 2016-17. By convention in NSW, the impact of these transactions is not included in Budget estimates and only recorded once complete. As a consequence of these transactions, sale consideration of \$29,022 million (Ausgrid: \$19,661 million; Endeavour Energy: \$9,361 million) were received. Transfer duty of \$718 million (Ausgrid: \$489 million, Endeavour Energy: \$229 million) on these transactions was paid to the Office of State Revenue from the proceeds. The State recorded a gain on these two transactions of \$6,545 million. The proceeds from these two transactions were used to pay down debt of \$14,783 million and transfers to Restart NSW of \$8,395 million. Restart NSW also received Commonwealth funding for asset recycling incentives of \$1,008 million. Information on all these transactions is outlined in greater detail in Note 5 Discontinued Operations.

5.6 Comprehensive Result

The Comprehensive Result for 2016-17 was a surplus of \$36,169 million, which was \$35,693 million higher than 2015-16. The increase was primarily due to an actuarial gain in 2016-17 of \$12,852 million compared to a loss in 2015-16 of \$15,589, a change of \$28,441 million on the State's future superannuation obligations (primarily due to a change in discount rates).

The revaluation surpluses in 2016-17 of \$7,650 million were primarily due to increases in the carrying value of PP&E of New South Wales Land and Housing Corporation (\$4,789 million), Roads and Maritime Services (\$930 million), Transport for NSW (\$684 million) and Ministry of Health (\$310 million).

5.7 Capital Expenditure

Capital expenditure of \$18,229 million was \$2,052 million higher than in 2015-16. This increase was driven by the GG sector and included:

- Transport for NSW increase in expenditure of \$1,290 million mainly due to Sydney Metro City and Southwest
- Department of Justice increase of \$316 million in capital expenditure due to the Prison Bed capacity strategy Program.

Other agencies with significant capital expenditure programs in 2016-17 include:

- Roads and Maritime Services (\$4,214 million),
- RailCorp spend on major rail projects (\$1,996 million),
- Sydney Motorway Corporation spend on WestConnex Motorway (\$1,886 million),
- Place Management NSW (\$1,343 million),
- Sydney Water Corporation and Hunter Water Corporation combined spend (\$686 million), and
- NSW Land and Housing Corporation (\$441 million).

5.8 Net Lending/(Borrowing)

In 2016-17 the Net Lending Result was a deficit of \$2,447 million, a decrease in the deficit of \$1,477 million in comparison to 2015-16. This decrease was largely attributable to an increase in the net operating balance of \$1,013 million and a decrease in the net acquisition of non-financial assets of \$464 million.

5.9 Cash Result

In 2016-17, the cash result was a surplus of \$4,871 million, an improvement of \$5,293 million over the prior year. This was a result of higher cash surplus from operating activities of \$4,075 million together with a decrease in the net acquisition of non-financial assets of \$1,218 million.

5.10 Balance Sheet

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

Key Financial Indicators (TSS) Statement of Financial Position					
		Actual 2016	Original Budget 2017	Revised Estimate(a) 2017	Actual 2017
Total Assets	\$b	377.0	392.9	399.7	408.6
Total Liabilities	\$b	195.2	187.9	174.8	182.1
Net Worth	\$b	181.8	205.0	224.9	226.5
Net Unfunded Superannuation Liability	\$b	71.2	58.1	56.0	58.6
Net Debt	\$b	38.1	49.4	23.5	16.8
Net Debt as a % of GSP ^(b)	%	7.1%	8.7%	4.1%	2.9%
Net Financial Liabilities (NFL)	\$b	133.3	130.0	93.1	92.8
NFL as a % of GSP ^(b)	%	24.9%	22.8%	16.3%	16.3%

(a) Revised Estimate for 2016-17 as presented in the 2017-18 Budget Papers.

(b) GSP actuals for 2016-17 not released at the time of publication. Numbers reflect 2016-17 GSP forecasts from the 2017-18 Budget.

5.11 Net Worth

Net worth represents the difference between total assets and total liabilities. Net worth of the Total State Sector for the year ended 30 June 2017 was \$226,471 million which was higher than the prior year by \$44,672 million (2016: \$181,799 million). The change recorded was primarily due to the Comprehensive Result of \$36,169 million. This is reflected in increases to the value of financial assets (largely associated with major business asset sales and lease transactions) and decreases in total liabilities primarily due to the decrease in the superannuation provision.

The Sector's non-financial assets were valued at \$319,256 million at 30 June 2017, an increase of \$4,149 million over 2015-16. This increase was primarily driven by the additions and revaluations to PP&E offset by disposals as detailed in Note 13 Property, Plant and Equipment. Non-financial assets also include infrastructure items such as public schools, hospitals, roads, bridges, transport, public housing, sporting facilities, electricity assets and water assets. During 2016-17, the reduction in the value of the Infrastructure Systems was a direct result from the asset transactions.

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

5.12 Net Debt

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

During 2016-17, the net debt of the Total State Sector decreased by \$21,271 million. At 30 June 2017, the net debt was \$16,782 million or 2.9 per cent of forecast GSP. At 30 June 2016, net debt was \$38,053 million or 7.1 per cent of GSP. The decrease in net debt is largely a result of the improved financial asset position driven by the successful asset transactions in 2016-17, together with reduction in borrowings raised by the New South Wales Treasury Corporation.

Table 5.3: Total State Sector – Net Debt

	Actual June 2016	Actual June 2017
	\$b	\$b
Cash and Cash Equivalents	10.9	13.9
Investments, Loans and Placements	31.7	40.4
Advances Paid	0.7	0.6
Deposits Held	(0.4)	(0.3)
Borrowings and Derivatives at Fair Value	(74.9)	(63.6)
Borrowings at Amortised Cost	(5.2)	(7.0)
Advances Received	(0.9)	(0.8)
Net Debt	38.1	16.8
Net Debt as a % of GSP^(a)	7.1%	2.9%

(a) GSP actuals for 2016-17 not released at the time of publication. Numbers reflect 2016-17 GSP forecasts from the 2017-18 Budget.

5.13 Net Financial Liabilities

Net financial liabilities at 30 June 2017 were \$92,785 million, or 16.3 per cent of forecast GSP, which was \$40,523 million lower than in 30 June 2016 of \$133,308 million (24.9 per cent of GSP). This was primarily due to the increases in financial assets of \$27,465 million and a decrease in borrowings of \$9,504 million as a result of the successful asset transactions during the year and the decreases in superannuation liabilities of \$12,558 million as a result of lower discount rates.

Table 5.4: Total State Sector – Net Financial Liabilities

	Actual June 2016	Actual June 2017
	\$b	\$b
Net Debt	38.1	16.8
Superannuation Liabilities	71.2	58.6
Employment Provision	18.5	18.0
Insurance Obligations and Other Provisions	12.0	12.5
Other Net Liabilities / (Assets)	(6.5)	(13.1)
Net Financial Liabilities	133.3	92.8
NFL as a % of GSP^(a)	24.9%	16.3%

(a) GSP actuals for 2016-17 not released at the time of publication. Numbers reflect 2016-17 GSP forecasts from the 2017-18 Budget.

6. ANNEXURES

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

The financial results for 2016-17 are consistent with the Government's fiscal strategy with a Budget surplus in 2016-17 of \$5,377 million.

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

The 2016-17 actual results have been assessed against the objective, targets and principles of the *Fiscal Responsibility Act 2012* to provide a status update against each measure below.

Object	2017 18 Budget Status	2016 17 State Finances (End of Year Status Update)
Maintain the State's triple-A credit rating.	New South Wales' triple-A credit ratings were reaffirmed by international credit rating agencies Moody's and Standard and Poor's in 2016.	Standard & Poor's reaffirmed the triple-A rating (with negative outlook reflecting that on Australia) on 25 September 2016. Moody's reaffirmed the State's triple-A rating on 8 December 2016.
Hold expense growth below long-run revenue growth	Historical long-term average annual revenue growth was estimated at 5.6 per cent in the 2011-12 Long-Term Fiscal Pressures Report. This amount is prescribed in regulations under the FRA. The 2016 NSW Intergenerational Report reported that historical long run growth in revenue has been 5.7 per cent. The 2017-18 Budget estimated expense growth of 5.0 per cent in 2017-18.	Expense growth was 4.2 per cent in 2016-17, or 1.4 percentage points below the FRA target.
Eliminate the State's unfunded superannuation liabilities by 2030	The most recent triennial actuarial review of superannuation liabilities was completed as at 30 June 2015. The review found that based on the current Crown funding plan, the liabilities were on track to be fully funded by 2030 in line with the target. Treasury in conjunction with the SAS Trustee Corporation (STC) is reviewing the funding plan on an ongoing basis to ensure that it remains on track, taking into account current and future State market conditions and outlook and the Government's risk tolerances.	As per the Budget Status.
Responsible and sustainable spending, taxation and infrastructure investment	The 2017-18 Budget projects significant budget surpluses that can assist in funding the Government's large infrastructure spending program in a sustainable way. Taxation policies remain stable and predictable.	Expenses were maintained below revenue in 2016-17, delivering an operating surplus to assist in funding the State's capital expenditure program.

Object	2017 18 Budget Status	2016 17 State Finances (End of Year Status Update)
Effective financial and asset management	<p>Since coming to office a key objective of the Government has been to improve the financial and asset management of the State. A significant program of reform, initially informed by the Commission of Audit reviews of the State's finances and public sector management, has seen the delivery of:</p> <ul style="list-style-type: none"> • an Asset and Liability Committee, which draws upon the technical and financial market expertise of New South Wales Treasury Corporation and the private sector by including representatives of these groups as members • the Financial Management Transformation program and Data Analytics Centre, which will facilitate increased customer focus and quicker decision making by Government • heightened accountability of ministers and agency CEOs in maintaining their expenses to budget • expense growth brought under control • introduction of contestability in the delivery of services • infrastructure priorities being determined on the basis of the best economic and social outcomes through Infrastructure NSW • better use of existing infrastructure • an active and integrated approach to the management of cash, financial investments and debt, via a whole of state approach to balance sheet and financial risk management • divestment of assets that are not core to the delivery of public services and the sale of surplus property assets. 	As per the Budget Status.
Achieving intergenerational equity	<p>Funding infrastructure by operating surpluses and asset recycling strategies reduces the need for borrowings to be funded by future generations. The effect of government policies on intergenerational equity is also measured by the change in the long term fiscal gap from one budget to the next.</p> <p>As required under the FRA, the five-yearly 2016 Intergenerational Report (the Report) gives a detailed assessment of prospects 40 years ahead. The Report projects that NSW residents in 2055-56 will have significantly higher average life expectancies and much higher average per capita incomes than today.</p> <p>While projecting a larger fiscal gap (3.4 per cent of GDP, compared to 2.8 per cent of GDP in the previous study), the Report highlights ways to close the gap by strengthening the economy, delivering better services and infrastructure and building a more sustainable revenue base.</p> <p>As is required under the FRA, the Report also constitutes Budget Paper No 5 in the 2016-17 Budget.</p> <p>The measures in this Budget do not materially impact on the estimated fiscal gap in the Report. The next full update of the fiscal gap will be provided in the 2017-18 Budget.</p> <p>The Government's success in maintaining operating surpluses indicates that the current generation is funding the cost of its services.</p>	As per the Budget Status.

Total State Sector Accounts
2016 – 2017

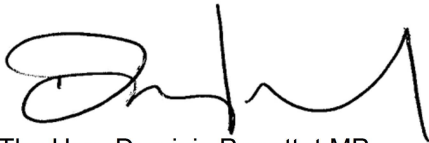
Audited Consolidated Financial Statements
of the NSW General Government
and Total State Sectors

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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
The Treasury



Stewart Walters
Executive Director
The Treasury

19 October 2017



INDEPENDENT AUDITOR'S REPORT

New South Wales General Government and Total State Sectors

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the New South Wales General Government and Total State Sectors (the Total State Sector Accounts), which comprise the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity, statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

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

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

Basis for Opinion

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

I am independent in accordance with the requirements of the:

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

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

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

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

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

Other Information

The Treasurer is responsible for the Other Information, which comprises the information in the New South Wales Report on State Finances for the year ended 30 June 2017, other than the Total State Sector Accounts and my Independent Auditor's Report thereon.

My opinion on the Total State Sector Accounts does not cover the Other Information. Accordingly, I do not express any form of assurance conclusion on the Other Information. However, I must read the Other Information and consider whether it is materially inconsistent with the financial report, the knowledge I obtained during the audit, or 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 Responsibility 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 Total State Sector Accounts, the Treasurer must assess the New South Wales General Government and Total State Sectors' ability to continue as going concerns. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Margaret Crawford
Auditor-General of NSW

19 October 2017
SYDNEY

	Note	General Government Sector		Total State Sector	
		2016-17	2015-16 Restated ^(a)	2016-17	2015-16 Restated ^(a)
FROM CONTINUING OPERATIONS		\$m	\$m	\$m	\$m
Revenue from Transactions					
Taxation	2	30,789	29,081	30,556	28,727
Grants and Subsidies					
Commonwealth General Purpose	2	17,202	17,637	17,202	17,637
Commonwealth Specific Purpose Payments	2	9,435	8,927	9,439	8,937
Commonwealth National Partnership Payments	2	4,121	2,608	4,121	2,608
Other Grants and Subsidies	2	592	925	655	589
Sale of Goods and Services	2	8,159	8,184	13,610	13,181
Interest	2	769	780	1,258	1,061
Dividend and Income Tax Equivalents from Other Sectors	2	1,102	1,280	...	...
Other Dividends and Distributions	2	1,267	674	1,344	864
Fines, Regulatory Fees and Other	2	4,703	4,043	5,265	4,590
Total Revenue from Transactions		78,139	74,140	83,451	78,192
Expenses from Transactions					
Employee	3	30,585	29,582	32,813	31,735
Superannuation					
Superannuation Interest Cost	3	1,334	1,504	1,390	1,561
Other Superannuation	3	2,992	2,934	3,214	3,136
Depreciation and Amortisation	3	4,614	4,381	7,167	6,764
Interest	3	2,149	2,206	3,547	3,658
Other Operating	3	18,312	16,840	21,587	19,211
Grants and Subsidies					
Recurrent Grants and Subsidies	3	11,729	11,386	9,096	8,773
Capital Grants	3	837	769	562	630
Total Expenses from Transactions		72,551	69,602	79,375	75,468
Transactions from Discontinuing Operations	5	136	121	1,302	1,639
NET RESULT FROM TRANSACTIONS - NET OPERATING BALANCE (BUDGET RESULT FOR THE GENERAL GOVERNMENT SECTOR)		5,724	4,659	5,377	4,364

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

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

	Note	General		Total State Sector	
		Government Sector 2016-17 \$m	2015-16 Restated ^(a) \$m	2016-17 \$m	2015-16 Restated ^(a) \$m
NET OPERATING BALANCE		5,724	4,659	5,377	4,364
OTHER ECONOMIC FLOWS - INCLUDED IN THE OPERATING RESULT					
Loss from Liabilities	4	367	(1,037)	370	(1,039)
Other Net Gains/(Losses)	4	12,444	5,870	9,469	2,136
Share of Earnings from Equity Investments (excl. Dividends)	4	48	(61)	48	(61)
Dividends from Asset Sale Proceeds	4	115	...	...	...
Deferred Income Tax from Other Sectors	4	(1,611)	(691)	...	...
Other	4	(78)	(61)	(76)	(63)
Discontinuing Operations - Other Economic Flow s	5	...	(0)	(29)	(13)
Other Economic Flows - included in Operating Result		11,285	4,020	9,783	960
OPERATING RESULT		17,009	8,679	15,160	5,324
OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME					
Items that will not be Reclassified to Operating Result					
Revaluations	13	2,354	2,813	7,650	10,879
Share of Earnings from Associates from Revaluations		361	(106)	380	(106)
Actuarial Gain/(Loss) from Superannuation	22	12,011	(14,331)	12,852	(15,589)
Items that may be Reclassified Subsequently to Operating Result					
Net Gain on Available for Sale Financial Assets		4,381	3,431	64	72
Net Gain/(Loss) on Financial Instruments at Fair Value		...	...	36	(99)
Other		53	(10)	27	(5)
Other Economic Flows - Other Comprehensive Income		19,160	(8,203)	21,009	(4,848)
COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS		36,169	476	36,169	476
KEY FISCAL AGGREGATES					
COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS		36,169	476	36,169	476
Less: Net Other Economic Flow s		(30,445)	4,183	(30,792)	3,888
NET OPERATING BALANCE		5,724	4,659	5,377	4,364
Less: Net Acquisition of Non-Financial Assets					
Purchases of Non-Financial Assets		10,419	9,032	16,763	15,866
Sales of Non-Financial Assets		(3,500)	(892)	(3,985)	(1,713)
Less: Depreciation and Amortisation		(4,614)	(4,381)	(7,167)	(6,764)
Plus: Change in Inventories		7	24	(58)	(48)
Plus: Other Movements in Non-Financial Assets					
Assets Acquired Using Finance Leases		127	304	1,466	311
Other		245	184	805	635
Equals Total Net Acquisition of Non-Financial Assets		2,684	4,271	7,824	8,288
EQUALS: NET LENDING/(BORROWING)		3,040	389	(2,447)	(3,924)

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

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

2016-17	Equity at	Corrections	Equity at	Changes in	Comprehensive	Transfers	Equity at
	1 July	to Prior	1 July				
	2016	Period ^(a)	2016				
	Restated ^(a)		Restated ^(a)	Classification	Result	between	30 June
	\$m	\$m	\$m	\$m	\$m	Equity	2017
						Classes	
							\$m
General Government Sector							
Accumulated Funds	37,478	4,258	41,736	...	29,073	3,652	74,462
Reserves							
Asset Revaluation Surplus	70,117	...	70,117	...	2,354	(535)	71,935
Equity Investment Revaluation Surplus	2,791	...	2,791	(12)	361	(3,103)	37
Hedging Reserve	(22)	...	(22)	12	...	...	(10)
Available for Sale Reserve	71,421	4,245	75,666	0	4,381	...	80,047
Other	14	...	14	...	...	(14)	...
	181,799	8,503	190,302	...	36,169	...	226,471
Total State Sector							
Accumulated Funds	49,918	8,503	58,421	...	28,038	9,745	96,205
Reserves							
Asset Revaluation Surplus	129,134	...	129,134	...	7,650	(6,601)	130,183
Equity Investment Revaluation Surplus	2,791	...	2,791	(12)	380	(3,121)	38
Hedging Reserve	(167)	...	(167)	12	100	(64)	(119)
Available for Sale Reserve	72	...	72	0	...	64	136
Other	51	...	51	...	...	(23)	28
	181,799	8,503	190,302	...	36,169	...	226,471

2015-16	Equity at	Corrections	Equity at 1	Changes in	Comprehensive	Transfers	Equity at
	1 July	to Prior	July 2015				
	2015	Period ^(a)	Restated ^(a)				
	\$m	\$m	\$m	\$m	\$m	\$m	30 June
							2016
							\$m
General Government Sector							
Accumulated Funds	19,601	23,351	42,952	...	(5,661)	187	37,478
Reserves							
Asset Revaluation Surplus	67,504	...	67,504	...	2,813	(200)	70,117
Equity Investment Revaluation Surplus	2,887	...	2,887	9	(106)	1	2,791
Hedging Reserve	(14)	...	(14)	(9)	1	...	(22)
Available for Sale Reserve	91,341	(23,351)	67,990	...	3,431	...	71,421
Other	4	...	4	...	(2)	12	14
	181,323	...	181,323	...	476	...	181,799
Total State Sector							
Accumulated Funds	57,498	...	57,498	...	(10,265)	2,685	49,918
Reserves							
Asset Revaluation Surplus	120,964	...	120,964	8	10,879	(2,717)	129,134
Equity Investment Revaluation Surplus	2,893	...	2,893	2	(106)	2	2,791
Hedging Reserve	(59)	...	(59)	(10)	(98)	...	(167)
Available for Sale Reserve	...	...	...	...	72	...	72
Other	28	...	28	...	(6)	29	51
	181,323	...	181,323	...	476	...	181,799

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

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

	Note	General Government Sector			Total State Sector	
		2017	2016	1 July 2015	2017	2016
		\$m	\$m	Restated	\$m	\$m
ASSETS						
Financial Assets						
Cash and Cash Equivalents	6	8,731	5,260	12,433	13,855	10,874
Receivables	7	6,216	5,853	7,355	6,722	6,117
Investments, Loans and Placements						
Financial Assets at Fair Value	8	26,561	10,545	10,487	32,557	19,115
Other Financial Assets	8	6,778	16,016	3,231	7,923	12,650
Advances Paid	9	1,005	1,064	928	616	659
Tax Equivalents Receivable	16	91	104	156	...	...
Deferred Tax Equivalents Asset	16	2,049	3,919	4,659	...	...
Equity Investments						
Investments in Other Public Sector Entities	10	107,117	97,750	91,341	...	...
Investments in Associates	10	5,870	3,783	3,949	5,872	3,785
Other Equity Investments	10	700	605	10	17,617	8,693
Equity Investments Held for Sale	12	4,196	...	...	4,196	...
Total Financial Assets		169,315	144,899	134,549	89,358	61,893
Non-Financial Assets						
Inventories	11	296	263	239	838	962
Forestry Stock and Other Biological Assets		10	11	9	1,003	956
Assets Classified as Held for Sale	12	155	432	349	338	607
Investment Properties		...	...	...	534	507
Property, Plant and Equipment						
Land and Buildings	13	72,752	70,617	67,821	143,394	135,532
Plant and Equipment	13	11,300	11,408	10,929	16,831	17,261
Infrastructure Systems	13	92,147	82,389	79,590	146,985	151,454
Intangibles	14	3,448	3,093	2,904	4,423	4,157
Other Non-Financial Assets	15	4,935	3,418	2,512	4,909	3,670
Total Non-Financial Assets		185,043	171,631	164,353	319,256	315,107
TOTAL ASSETS		354,358	316,530	298,902	408,614	377,000
LIABILITIES						
Deposits Held	17	106	126	126	328	397
Payables	18	6,385	5,617	5,720	8,118	6,989
Liabilities Directly Associated with Assets Held for Sale	12	...	...	...	4	0
Borrowings and Derivatives at Fair Value	19	905	8	11	63,630	74,921
Borrowings at Amortised Cost	20	31,909	31,836	31,500	6,963	5,176
Advances Received		812	857	903	812	857
Employee Provisions	21	16,842	16,794	15,313	17,953	18,537
Superannuation Provision	22	56,285	67,862	52,498	58,601	71,159
Tax Equivalents Payable	16	18	3	10	...	...
Deferred Tax Equivalent Provision	16	59	337	406	...	...
Other Provisions	23	8,815	8,429	8,234	12,525	11,979
Other Liabilities	24	5,752	2,861	2,858	13,209	5,186
TOTAL LIABILITIES		127,887	134,731	117,579	182,143	195,201
NET ASSETS		226,471	181,799	181,323	226,471	181,799
NET WORTH						
Accumulated Funds ^(a)		74,462	37,478	42,952	96,205	49,918
Reserves ^(a)		152,009	144,321	138,371	130,267	131,881
TOTAL NET WORTH		226,471	181,799	181,323	226,471	181,799
OTHER FISCAL AGGREGATES						
Net Debt		(9,344)	(57)	5,461	16,782	38,053
Net Financial Liabilities		65,690	87,582	74,371	92,785	133,308

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

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

	Note	General		Total State Sector	
		2016-17	2015-16	2016-17	2015-16
		\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts					
Taxation		31,291	29,640	30,389	28,834
Sale of Goods and Services		8,487	8,990	16,305	18,302
Grants and Subsidies		31,202	30,211	31,054	29,873
Interest		698	575	1,044	908
Dividends and Income Tax Equivalents from Other Sectors		1,321	2,248	...	...
Other		10,333	8,006	12,262	10,278
Total Receipts		83,332	79,670	91,055	88,194
Payments					
Employee Related		(30,232)	(29,394)	(32,586)	(32,320)
Superannuation		(3,898)	(3,874)	(4,359)	(4,369)
Payments for Goods and Services		(20,751)	(18,886)	(24,383)	(22,080)
Grants and Subsidies		(10,599)	(10,216)	(7,382)	(7,152)
Interest		(1,642)	(1,690)	(3,161)	(3,289)
Other		(5,645)	(4,762)	(1,520)	(5,396)
Total Payments		(72,767)	(68,822)	(73,391)	(74,606)
NET CASH FLOWS FROM OPERATING ACTIVITIES	6	10,565	10,848	17,663	13,588
CASH FLOWS FROM INVESTING ACTIVITIES					
Non-Financial Assets					
Proceeds from Sale of Non-Financial Assets		3,262	903	3,740	1,723
Purchases		(10,255)	(8,857)	(16,532)	(15,733)
Net Cash Flows from Investments in Non-Financial Assets		(6,992)	(7,954)	(12,792)	(14,010)
Financial Assets (Policy Purposes)					
Receipts		14,185	6,314	29,311	9,964
Payments		(2,917)	(3,576)	(344)	(280)
Net Cash Flows from Investments in Financial Assets (Policy Purposes)		11,268	2,738	28,967	9,683
Financial Assets (Liquidity Purposes)					
Proceeds from Sale of Investments		21,112	9,531	20,709	9,541
Purchase of Investments		(33,262)	(22,174)	(39,594)	(23,566)
Net Cash Flows from Investments in Financial Assets (Liquidity Purposes)		(12,150)	(12,643)	(18,886)	(14,025)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(7,874)	(17,859)	(2,710)	(18,352)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances Received		...	45	32	45
Advances Repaid		(70)	(134)	(70)	(134)
Proceeds from Borrowings		4,040	435	68,491	57,747
Repayments of Borrowings		(3,411)	(487)	(80,640)	(57,431)
Deposits Received/(Paid) - Net		(21)	(1)	(22)	(63)
Other - Net		(0)	0	0	3
NET CASH FLOWS FROM FINANCING ACTIVITIES		538	(141)	(12,208)	166
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,228	(7,153)	2,745	(4,598)
Opening Cash and Cash Equivalents		5,260	12,433	10,874	15,534
Reclassification of Cash Equivalents and Other Adjustments		243	(21)	236	(63)
CLOSING CASH AND CASH EQUIVALENTS	6	8,731	5,260	13,855	10,874
DERIVATION OF CASH RESULT					
Net Cash Flows from Operating Activities		10,565	10,848	17,663	13,588
Net Cash Flows from Investments in Non-Financial Assets		(6,992)	(7,954)	(12,792)	(14,010)
CASH SURPLUS/(DEFICIT)	33	3,573	2,894	4,871	(422)

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

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Note 1: Statement of Significant Accounting Policies

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 2005 (cat. No.5514)* (ABS GFS Manual) as amended from time to time.

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

The financial statements of the Total State Sector and General Government Sector for the year ended 30 June 2017 were authorised for issue by the Treasurer on 19 October 2017. This report was issued from:

The Treasury
52 Martin Place
Sydney NSW 2000
AUSTRALIA

Basis of Preparation

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

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

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

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

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

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

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

Tables may not add in all instances due to rounding.

Principles of Consolidation

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

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

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

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

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

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

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

Presentation Changes in the 2016-17 Financial Statements

There are no changes in the presentation of the 2016-17 Financial Statements compared to the previous year. There are reclassifications in a number of notes to better reflect the nature of the transactions. These reclassifications do not have an impact on the presentation of the primary financial statements. The 2015-16 comparatives have been restated for consistency purpose.

Revenue

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

Expenses

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

Statement of Comprehensive Income Presentation

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

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

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

Assets

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

Liabilities

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

Valuation Techniques, Inputs and Processes

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

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

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

Level 1 – quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

Level 3 – inputs that are not based on observable market data (unobservable inputs).

The State recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Refer to the relevant note for further disclosures regarding fair value measurements of financial and non-financial assets.

Transfers between levels within the fair value hierarchy during the year were not material (2016: not material).

Significant Accounting Judgements and Estimates

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

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

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

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

Other Significant Accounting Policies

Forestry Stock

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

Investment Properties

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

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

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

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

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

Accounting for the Goods and Services Tax (GST)

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

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

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

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

Changes in Accounting Policy and Revisions to Estimates

In 2016-17, there were no voluntary changes in accounting policy that materially impacted the financial statements. Changes in accounting estimates are recognised in the period when the estimate is revised. Such changes are applied prospectively to the financial statements.

Impact of New and Revised Accounting Standards

The State applied for the first time standards and amendments, which are effective for annual periods beginning on or after 1 July 2016. The State has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Beginning 1 July 2016, AASB 124 *Related Party Disclosures* (AASB 124) has been extended to not-for-profit public sector entities. As a result, all NSW public sector entities have adopted the related party disclosure requirements of AASB 124. Refer to Note 32 - Related Party Disclosures. Except for AASB 124, there were no new or amended standards adopted by the State that had a material impact in the Total State Sector financial statements.

New Accounting Standards Issued but Not Effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. The State has identified that the following new/amended standards and interpretations have the potential to have a significant impact on the State's financial statements. The State is making assessments of the potential impacts and the outcome of these assessments is not yet known.

- AASB 9 *Financial Instruments* and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* - AASB 9 will become effective from reporting periods commencing on or after 1 January 2018. AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. As the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the potential impacts will not be available until closer to that time.
- AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income for Not-for-Profits* and AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* - AASB 15 will become effective from reporting periods commencing on or after 1 January 2018. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.
- AASB 1058 simplify the income recognition requirements of not-for-profit entities and replace most of the existing requirements in AASB 1004 *Contributions (AASB 1004)*. The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners. AASB 1058 will be effective for annual periods beginning on or after 1 January 2019.
- AASB 16 *Leases* - AASB 16 will become effective from reporting periods commencing on or after 1 January 2019. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is largely removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
- Depending on the specific leases arrangements, the new requirements may potentially result in the majority of what are currently classified as operating leases being reported on the Statement of Financial Position, hence a significant increase in assets and liabilities for the State.
- AASB 1059 *Service Concession Arrangements: Grantors* - AASB 1059 will become effective from reporting periods commencing on or after 1 January 2019. This standard will mean that the costs, benefits and risks of infrastructure and other public service projects will be more transparently and consistently reported to taxpayers.
- There are no other standards that are not yet effective and that would be expected to have a material impact on the State's financial statements in the current or future reporting periods and on foreseeable future transactions.
- It is considered impracticable to presently determine the impact of adopting the accounting standards listed above, that are issued but not yet effective.

Note 2: Revenue

Taxation

	General			
	Government Sector		Total State Sector	
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Taxation				
Payroll Tax	8,282	7,924	8,124	7,739
Stamp Duties	11,482	10,836	11,482	10,836
Land Tax	3,171	2,747	3,116	2,690
Gambling and Betting	2,271	2,251	2,271	2,251
Motor Vehicle Taxes	2,541	2,434	2,541	2,405
Other	3,042	2,889	3,022	2,806
Total Taxation Revenue	30,789	29,081	30,556	28,727

State taxation is recognised upon assessment as follows:

- Government-assessed revenues (mainly land tax) are recognised at the time the assessments are issued.
- Taxpayer-assessed revenues (including payroll tax and stamp duty) are recognised when the funds are received by the tax collecting agency as this is when the revenues can be reliably measured. Additional revenues, identified after review of taxpayer returns, are recognised upon amended assessment.

Grants and Subsidies

	General			
	Government Sector		Total State Sector	
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Grants and Subsidies Revenue				
Commonwealth General Purpose	17,202	17,637	17,202	17,637
Commonwealth Specific Purpose Payments	9,435	8,927	9,439	8,937
Commonwealth National Partnership Payments	4,121	2,608	4,121	2,608
Other Grants and Subsidies	592	925	655	589
Total Grants and Subsidies Revenue	31,350	30,098	31,417	29,771
Grants dissected into Current and Capital Components				
Current Grants and Subsidies Revenue from the Commonwealth				
General Purpose	17,202	17,637	17,202	17,637
Specific Purpose	9,435	8,927	9,435	8,927
National Partnership Payments	809	994	809	994
Current Grants from the Commonwealth	27,446	27,557	27,446	27,558
Other Grants and Subsidies	545	909	590	558
Total Current Grant Revenue	27,991	28,467	28,037	28,116
Capital Grant Revenue from the Commonwealth				
Specific Purpose	...	...	4	10
National Partnership Payments	3,312	1,615	3,312	1,615
Capital Grants from the Commonwealth	3,312	1,615	3,316	1,625
Other Grants and Subsidies	47	16	65	31
Total Capital Grant Revenue	3,359	1,631	3,380	1,655
Total Grants and Subsidies Revenue	31,350	30,098	31,417	29,771

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

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

Transfer Payments from the Commonwealth Government on passed by New South Wales to Third Parties	General Government Sector		Total State Sector	
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Transfer Receipts				
Recurrent Transfer Receipts for Specific Purposes	4,663	4,085	4,663	4,085
Total Receipts	4,663	4,085	4,663	4,085
Transfer Payments				
Current Transfer Payments to Local Government	1,080	712	1,080	712
Current Transfer Payments to the Private and Not-For-Profit Sector	3,583	3,373	3,583	3,373
Total Payments	4,663	4,085	4,663	4,085

Sale of Goods and Services

	General Government Sector		Total State Sector	
	2016-17	2015-16 Restated ^(c)	2016-17	2015-16 Restated ^(c)
	\$m	\$m	\$m	\$m
Sale of Goods and Services comprise Revenue from:				
Sale of Goods	157	178	3,268	3,368
Rentals from Public Housing and Other Non-Investment Properties ^(a)	236	215	1,183	1,129
Rentals from Investment Properties	11	7	66	64
Rendering of Other Services ^(b)	7,756	7,784	9,092	8,620
Total Sale of Goods and Services	8,159	8,184	13,610	13,181

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

Market Rent and Other Tenant Charges	80	79	2,090	2,027
Less: Rental Subsidies to Tenants	(26)	(25)	(1,208)	(1,147)
Rentals from Public Housing	54	54	882	880

(b) Rendering of other services includes fee for services provided to TAHE (Railcorp) to produce property plant and equipment.

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

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

Interest

	General Government Sector		Total State Sector	
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Interest Revenue comprises:				
Interest from Managed Fixed Interest Facility	13	...	53	121
Interest from Hour-Glass Cash Managed Funds	13	7	...	...
Interest from Other Financial Institutions	743	773	1,206	940
	769	780	1,258	1,061

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

Dividend and Income Tax Equivalents from other sectors

	General Government Sector		Total State Sector	
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Dividend and Income Tax Equivalents from Other Sectors:				
Dividends from the PNFC Sector	474	717	...	...
Dividends from the PFC Sector	80	21	...	...
Income Tax Equivalents from the PNFC Sector	505	510	...	...
Income Tax Equivalents from the PFC Sector	43	31	...	...
	1,102	1,280	...	...

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

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

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

Other Dividend and Distributions

	General Government Sector		Total State Sector	
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Other Dividends and Distributions:				
Distributions from Managed Funds	1,037	570	1,114	759
Dividends from Associates	230	104	230	104
	1,267	674	1,344	864

Other dividends include dividends received from investments in entities other than the PNFC and PFC sectors and are recognised when the right to receive payment is established.

Fines, Regulatory Fees and Other Revenues

	General Government Sector		Total State Sector	
	2016-17	2015-16	2016-17	2015-16 Restated ^(a)
	\$m	\$m	\$m	\$m
Other Revenue comprise:				
Royalties from Mining	1,580	1,189	1,580	1,189
Fines	584	587	584	587
Fees	173	220	173	220
Licences	163	300	163	300
Emerging Right to Receive Privately Financed Infrastructure Developer, Industry and Other Contributions	277	254	284	260
Other Revenue	793	705	1,046	987
	1,132	789	1,435	1,047
	4,703	4,043	5,265	4,590

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

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

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

Contributions from the Commonwealth

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

Conditional Contributions with no Designated Future Expenditure Timetable that were Recognised as Revenue in 2016-17 and not fully spent

Policy Area	Balance \$m	
	2016-17	2015-16
Education and Communities	139	312
Health	...	16
Water Initiatives	43	31
Total	182	359

Conditional Contributions as at 30 June 2017 with a Designated Future Expenditure Timetable for the Provision of Goods and Services (and not included in the above table)

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

Conditional Contributions as at 30 June 2016 with a Designated Future Expenditure Timetable for the Provision of Goods and Services

Policy Area	Conditional Contribution				
	Balance	Period to which the amounts relate			
	June 2016	2016-17	2017-18	2018-19	Beyond
	\$m	\$m	\$m	\$m	\$m
Transport (Restated) ^{(a) (b)}	1,368	1,004	364	...	...
Family and Community Services	48	16	32	...	...
Total	1,416	1,020	396	...	...

(a) There has been a restatement of balances to reflect revised information available after the release of the 2015-16 Total State Sector Accounts.

(b) The conditional contribution balance of \$1,368 million at June 2016 consists of the 2014-15 balance of \$1,379 million plus contributions received in 2015-16 of \$957 million, less total contributions spent of \$968 million.

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

Contributions Spent in the 2016-17 Financial Year from the previous 30 June Balance^(a)

Policy Area	General			
	Government Sector		Total State Sector	
	Balance	Spent in	Balance	Spent in
	as at June 2016	2016-17	as at June 2016	2016-17
	\$m	\$m	\$m	\$m
Education and Communities	320	188	320	188
Health	19	19	19	19
Family and Community Services	54	5	54	5
Police and Emergency Services	5	9	5	9
Transport (Restated) ^(b)	1,368	1,038	1,368	1,140
Water Initiatives	5	...	5	...
Total	1,771	1,259	1,771	1,361

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

(b) There has been a restatement of balances to reflect revised information available after the release of the 2015-16 Total State Sector Accounts.

Contributions Spent in the 2015-16 Financial Year from the previous 30 June Balance^(a)

Policy Area	General Government Sector		Total State Sector	
	Balance as at June 2015	Spent in 2015-16	Balance as at June 2015	Spent in 2015-16
	\$m	\$m	\$m	\$m
Education and Communities	458	233	458	233
Health	111	108	111	108
Family and Community Services	69	33	69	33
Police and Emergency Services	6	1	6	1
Transport	1,379	873	1,379	968
Water Initiatives	44	43	44	43
Total	2,067	1,291	2,067	1,386

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

Note 3: Expenses**Employee Expenses (excluding Superannuation)**

	General Government Sector		Total State Sector	
	2016-17	2015-16 Restated ^(a)	2016-17	2015-16 Restated ^(a)
	\$m	\$m	\$m	\$m
Employee Expenses comprise:				
Salaries and Wages (including recreation leave)	28,030	26,968	30,028	28,828
Long Service Leave	1,035	1,041	1,058	1,146
Workers' Compensation	590	463	608	483
Other	931	1,110	1,119	1,278
	30,585	29,582	32,813	31,735

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

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

Superannuation Expense

	General Government Sector		Total State Sector	
	2016-17	2015-16 Restated ^(b)	2016-17	2015-16 Restated ^(b)
	\$m	\$m	\$m	\$m
Superannuation Interest Costs comprise:				
Net Interest	1,334	1,504	1,390	1,561
	1,334	1,504	1,390	1,561
Other Superannuation Expenses comprise:				
Defined Benefit Plans, excluding Actuarial Gains/Losses ^(a)	670	669	729	721
Defined Contribution Plans	2,322	2,265	2,485	2,415
	2,992	2,934	3,214	3,136

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

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

Depreciation and Amortisation Expense

	General Government Sector		Total State Sector	
	2016-17	2015-16 Restated ^(b)	2016-17	2015-16 Restated ^(b)
	\$m	\$m	\$m	\$m
Depreciation and Amortisation Expense comprise:				
Depreciation on ^(a)				
Buildings	1,418	1,328	2,289	2,076
Plant and Equipment	775	779	1,055	1,092
Infrastructure Systems	1,884	1,818	3,045	2,899
Amortisation of ^(a)				
Leased Property, Plant and Equipment	156	132	276	240
Intangibles	380	323	502	457
	4,614	4,381	7,167	6,764

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

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

Interest Expense

	General Government Sector		Total State Sector	
	2016-17	2015-16	2016-17	2015-16 Restated ^(a)
	\$m	\$m	\$m	\$m
Interest Expenses comprise:				
Interest on Borrowings	1,470	1,546	2,432	2,655
Interest on Finance Leases	223	214	484	393
Unwinding of Discounts on Provision Liabilities	456	447	631	611
	2,149	2,206	3,547	3,658

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

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

Other Operating Expense

	General Government Sector		Total State Sector	
	2016-17	2015-16 Restated ^(b)	2016-17	2015-16 Restated ^(b)
	\$m	\$m	\$m	\$m
Other Operating Expenses comprise:				
Operating Lease Rentals - Minimum Lease Payments	664	586	871	757
Contractor Fees	1,813	1,981	2,617	2,619
Consultancy Fees	210	213	327	240
Inventories Used Up	9	22	496	386
Audit Fees ^(a)	...	...	...	...
Insurance Claims	476	448	832	728
Supplies, Services and Other	13,218	11,815	13,052	11,347
External Maintenance (excluding Employee Costs associated with Maintenance)	1,923	1,775	3,390	3,133
	18,312	16,840	21,587	19,211

- (a) Fees to the Audit Office of New South Wales have not been recognised as expenses because they have been eliminated in consolidation of the NSW Total State and General Government sectors. The fees eliminated are for financial audits: \$21 million to the General Government sector (2016: \$23 million), and \$27 million to the Total State sector (2016: \$29 million). In addition, \$9 million for General Government and Total State sector performance audits and Auditor-General's Reports to Parliament (2016: \$8 million) have been eliminated.
- (b) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

Grants and Subsidies

	General Government Sector		Total State Sector	
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Grants, Subsidies and Transfers for				
Recurrent purposes	11,729	11,386	9,096	8,773
Capital purposes	837	769	562	630
	12,565	12,155	9,658	9,403
Recurrent and Capital Grants Subsidies and Transfers are provided for^(a):				
Education and Training	1,525	1,376	1,525	1,376
Human Services (Ageing, Disability and Home Care Services, Community Services and Public Housing)	4,035	3,835	3,884	3,659
Health	1,265	1,249	1,265	1,249
Public Transport	2,558	2,256	130	32
First Home Owners Scheme	202	211	202	211
Other Purposes	2,980	3,228	2,652	2,877
	12,565	12,155	9,658	9,403

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

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

Note 4: Other Economic Flows Included in the Operating Result

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

	General		Total State Sector	
	Government Sector 2016-17	2015-16 Restated ^(a)	2016-17	2015-16 Restated ^(a)
	\$m	\$m	\$m	\$m
Loss from Liabilities				
Changes in Discount Rates for Long Service Leave Liabilities	425	(703)	429	(705)
Changes in Discount and Inflation Rates for Insurance Liabilities	(58)	(334)	(58)	(334)
Other Net Gains/(Losses) from Liabilities	...	...	...	...
	367	(1,037)	370	(1,039)
Other Net Gains/(Losses) in the Operating Result				
From the derecognition of Available for Sale financial assets ^(b)	12,279	5,997	...	...
From the Sale of Discontinuing Operations (excludes GFS transactions) ^(c)	...	...	6,552	3,606
From Disposal of Property, Plant and Equipment	182	(78)	241	43
From Disposal of Intangible Assets	(10)	(10)	(12)	(29)
From Fair Value Adjustments to:				
Investment Property	...	...	59	65
Non-Current Assets Classified as Held for Sale	(4)	(2)	(9)	(3)
Financial Instruments	130	(234)	2,641	(1,914)
Assets recognised for first time	130	204	171	223
Other				
Infrastructure and Other Assets Written Off	(274)	(7)	(500)	(117)
Other	11	(0)	326	261
	12,444	5,870	9,469	2,136
Share of Earnings from Equity Investments (excluding Dividends)	48	(61)	48	(61)
Dividends from Asset Sales Proceeds	115	...	...	...
Deferred Income Tax from Other Sectors	(1,611)	(691)	...	...
Other Economic Flows				
Allowance for Impairment of Receivables	(84)	(67)	(82)	(69)
Other	6	6	6	6
	(78)	(61)	(76)	(63)
Discontinuing Operations^(c)	...	(0)	(29)	(13)

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

(b) The gains/(losses) from the derecognition of Available for Sale financial assets in 2016-17 comprised a gain from Ausgrid of \$8,800 million, Endeavour Energy of \$4,329 million, Superannuation Administration Corporation of \$7 million and a loss on Delta Electricity of \$857 million. In 2015-16, this primarily comprised a gain from TransGrid of \$5,474 million.

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

Note 5: Discontinued Operations

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

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

In 2015-16, two operations were classified as discontinuing, being the operations of:

- TransGrid; and
- Delta Coast (Vales Point).

The combined results of the discontinued operations included in the operating results for the year are set out below. The comparative operating results and cash flows from discontinued operations have been restated to include those operations classified as discontinued in the current year. (Refer Note 31 – Restatement/Corrections to Comparative Financial Statements).

	General		Total State Sector	
	Government Sector	2015-16	2016-17	2015-16
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Net Operating Result of the Discontinued Operations				
Ausgrid	...	...	612	1,030
Endeavour Energy	...	...	572	612
Superannuation Administration Corporation (trading as Pillar Administration)	...	...	(18)	8
Land and Property Registration (LPI)	136	121	136	121
TransGrid	...	...	...	(120)
Delta Coast (Vales Point)	...	...	...	(13)
	136	121	1,302	1,639
Other Economic Flows of the Discontinued Operations				
Ausgrid	...	...	(13)	(8)
Endeavour Energy	...	...	(16)	6
Superannuation Administration Corporation (trading as Pillar Administration)	...	...	...	0
Land and Property Registration (LPI)	...	0	...	0
TransGrid	...	...	...	(2)
Delta Coast (Vales Point)	...	...	...	(9)
	...	0	(29)	(13)
Cash Flows of the Discontinued Operations				
Operating Activities	24	65	1,134	2,330
Investing Activities	(10)	(13)	(569)	(682)
Financing Activities	...	...	(18)	(1)

The Total State Sector accounting position from the sale transactions are shown below:

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

During 2015-16, two energy transactions were finalised as follows:

Operation	Purchaser	Sale Consideration \$m	Transaction Stamp Duty \$m	Gain/(Loss) recognised in the comprehensive result \$m
Transgrid	NSW Electricity Networks Operations Pty Limited	9,835	438	3,608
Delta Coast (Vales Point)	Sunset Power International Pty Ltd	21	0	(2)
Total		9,856	438	3,606

Electricity Transactions

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

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

Ausgrid

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

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

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

	General		Total State Sector	
	Government Sector	2015-16	2016-17	2015-16
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Net Operating Result of the Discontinued Operation				
Revenues from Discontinued Operation				
Sale of Goods and Services	998	2,305
Other Income	184	238
	1,182	2,543
Expenses from Discontinued Operation				
Expenses	570	1,513
	570	1,513
Net Operating Balance from Discontinued Operation	612	1,030
Other Economic Flows of the Discontinued Operation	(13)	(8)
Cash Flows of Ausgrid Discontinued Operation				
Operating Activities	593	1,564
Investing Activities	(322)	(394)
Financing Activities	(3)	(3)

	General		Total State Sector	
	Government Sector	2015-16	2016-17	2015-16
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Gain/(Loss) from Ausgrid				
Proceeds from Lease and Sale of assets	19,661	...
Less:
Book Value of Net Assets disposed/derecognised	(15,330)	...
Gain/(Loss) recognised in the Comprehensive Result	4,331	...

	2016-17	2015-16
	\$m	\$m
The carrying amounts of assets and liabilities as at the date of sale were:		
Derecognised under 99 year finance lease:		
Property, Plant and Equipment and Other Non-Current Assets	15,149	...
Disposed through sale:		
Property, Plant and Equipment and Other Non-Current Assets	413	...
Trade Receivables and Other Current Assets	511	...
Trade Creditors and Other Payables	(154)	...
Provision for Employee Benefits	(589)	...
Net Assets Attributable to Ausgrid	15,330	...

Endeavour Energy

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

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

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

	General			
	Government Sector		Total State Sector	
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Net Operating Result of the Discontinued Operation				
Revenues from Discontinued Operation				
Sale of Goods and Services	1,106	1,262
Other Income	321	139
	1,427	1,401
Expenses from Discontinued Operation				
Expenses	855	789
	855	789
Net Operating Balance from Discontinued Operation	572	612
Other Economic Flows of the Discontinued Operation	(16)	6
Cash Flows of Endeavour Discontinued Operation				
Operating Activities	515	695
Investing Activities	(223)	(232)
Financing Activities	(15)	2

	General		Total State Sector	
	Government Sector 2016-17	2015-16	2016-17	2015-16
Gain/(Loss) from Endeavour Energy	\$m	\$m	\$m	\$m
Proceeds from Sale	9,361	...
Less:				
Book Value of Net Assets Disposed	(7,147)	...
Gain/(Loss) recognised in the Comprehensive Result	2,214	...
			2016-17 \$m	2015-16 \$m
The carrying amounts of assets and liabilities as at the date of sale were:				
Derecognised under 99 year finance lease:				
Property, Plant and Equipment and Other Non-Current Assets			7,060	...
Disposed through sale:				
Property, Plant and Equipment			106	...
Trade Receivables and Other Current Assets			366	...
Trade Creditors and Other Payables			(99)	...
Provision for Employee Benefits			(286)	...
Net Assets Attributable to Endeavour Energy			7,147	...

TransGrid

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

The Government received \$9,835 million for the lease of TransGrid's assets. Stamp duty of \$438 million was paid to the Office of State Revenue on behalf of the purchaser and an additional \$15.1 million purchase price adjustment was receipted directly in the Restart NSW Fund, resulting in total proceeds on the sale of \$10,288 million.

On 15 December 2015 a number of statutory vesting orders under the *Electricity Network Assets (Authorised Transactions) Act 2015* were received from the Treasurer of New South Wales. The vesting orders became effective on 16 December 2015 and on the same date, the network assets were leased under a 99 year finance lease to the successful bidder. Thereafter TransGrid ceased to be a State owned Corporation, and became the Electricity Transmission Ministerial Holding Corporation (ETMHC) with the residual assets and liabilities being transferred into it. The principal activity of ETMHC is to act as the lessor of the network assets. As the activities of TransGrid have ceased, it is treated as a discontinued operation.

The results of TransGrid discontinued operations for the year are presented below.

	General			
	Government Sector		Total State Sector	
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Net Operating Result of the Discontinued Operation				
Revenues from Discontinued Operation				
Sale of Goods and Services	37
Other Income	27
	65
Expenses from Discontinued Operation				
Expenses	185
	185
Net Operating Balance from Discontinued Operation	(120)
Other Economic Flows of the Discontinued Operation	(2)
Cash Flows of TransGrid Discontinued Operation				
Operating Activities	13
Investing Activities	2
Financing Activities

	General			
	Government Sector		Total State Sector	
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Gain/(Loss) from TransGrid				
Proceeds from Sale	9,835
Less:				
Book Value of Net Assets Disposed	(6,227)
Gain/(Loss) recognised in the Comprehensive Result	3,608

	2016-17	2015-16
	\$m	\$m
The carrying amounts of assets and liabilities as at the date of sale were:		
Derecognised under 99 year finance lease:		
Property, Plant and Equipment and Other Non-Current Assets	...	6,191
Disposed through sale:		
Property, Plant and Equipment	...	218
Trade Receivables and Other Current Assets	...	39
Trade Creditors and Other Payables	...	(42)
Provision for Employee Benefits	...	(179)
Net Assets Attributable to TransGrid	...	6,227

Delta Coast (Vales Point)

On 17 December 2015 Delta Electricity sold the power station at Vales Point to Sunset Power International Pty Ltd and a joint venture between Vales Point Investments Pty Ltd and Waratah Energy Pty Ltd. The consideration received was \$21 million which included \$1 million net purchase price and \$20 million post completion adjustments.

The results of Delta's sale transaction for the 2015-16 year are presented below.

	General		Total State Sector	
	Government Sector 2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Net Operating Result of the Discontinued Operation				
Revenues from Discontinued Operation				
Sale of Goods and Services	137
Other Income	1
	138
Expenses from Discontinued Operation				
Expenses	151
	151
Net Operating Balance from Discontinued Operation	(13)
Other Economic Flows of the Discontinued Operation	(9)
Cash Flows of Delta Coast (Vales Point) Discontinued Operation				
Operating Activities	(13)
Investing Activities	(21)
Financing Activities
	General		Total State Sector	
	Government Sector 2016-17	2015-16	2016-17	2015-16
Gain/(Loss) from Delta Coast (Vales Point)	\$m	\$m	\$m	\$m
Proceeds from Sale	21
Less:				
Book Value of Net Assets Disposed	(23)
Gain/(Loss) recognised in the Comprehensive Result	(2)
			2016-17	2015-16
			\$m	\$m
The carrying amounts of assets and liabilities as at the date of sale were:				
Property, Plant and Equipment			...	31
Trade Receivables and Other Current Assets			...	110
Trade Creditors and Other Payables			...	(118)
Provision for Employee Benefits		
Net Assets Attributable to Delta Coast (Vales Point)			...	23

Other Transactions

Superannuation Administration Corporation (trading as Pillar Administration)

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

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

	General			
	Government Sector		Total State Sector	
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Net Operating Result of the Discontinued Operation				
Revenues from Discontinued Operation				
Sale of Goods and Services	34	78
Other Income	4	22
	38	100
Expenses from Discontinued Operation				
Expenses	56	92
	56	92
Net Operating Balance from Discontinued Operation	(18)	8
Other Economic Flows of the Discontinued Operation	0
Cash Flows of Pillar				
Operating Activities	2	6
Investing Activities	(14)	(24)
Financing Activities
Gain/(Loss) from Pillar				
Proceeds from Sale	37	...
Less:				
Book Value of Net Assets Disposed	(30)	...
Gain/(Loss) recognised in the Comprehensive Result	7	...
			2016-17	2015-16
			\$m	\$m
The carrying amounts of assets and liabilities as at the date of sale were:				
Property, Plant and Equipment			18	...
Trade Receivables and Other Current Assets			42	...
Trade Creditors and Other Payables			(15)	...
Provision for Employee Benefits			(15)	...
Net Assets Attributable to Pillar			30	...

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

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

	General			
	Government Sector		Total State Sector	
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Net Operating Result of the Discontinued Operation				
Revenues from Discontinued Operation				
Sale of Goods and Services	201	194	201	194
Other Income	0	...	0	...
	201	194	201	194
Expenses from Discontinued Operation				
Expenses	65	73	65	73
	65	73	65	73
Net Operating Balance from Discontinued Operation	136	121	136	121
Other Economic Flows of the Discontinued Operation	...	0	...	0
Cash Flows of LPI				
Operating Activities	24	65	24	65
Investing Activities	(10)	(13)	(10)	(13)
Financing Activities	...	...	...	...

Note 6: Cash and Cash Equivalents

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand, short term deposits with an original maturity of three months or less, and deposits in New South Wales 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		Total State Sector	
	Government Sector 2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Cash administered by NSW Treasury Corporation				
TCorpIM Funds	392	253	...	...
Cash and Deposits Held at Other Financial Institutions	8,339	5,007	13,855	10,874
	8,731	5,260	13,855	10,874

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

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

In total, TCorpIM Funds have cash and deposits with other financial institutions amounting to \$1,285 million (2016: \$1,120 million).

Reconciliation of Operating Result to Net Cash Flows from Operating Activities

	General		Total State Sector	
	Government Sector 2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Operating result for the year	17,009	8,679	15,160	5,324
Adjust for:				
Non-cash items added back:				
Depreciation and Amortisation	4,614	4,381	7,167	6,764
Other	(245)	(184)	(805)	(635)
Other Economic Flows - included in the Operating Result	(11,285)	(4,020)	(9,783)	(960)
Net Change in Operating Assets and Liabilities	473	1,991	5,925	3,095
Net Cash Flows from Operating Activities	10,565	10,848	17,663	13,588

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

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

	General		Total State Sector	
	Government Sector		2017	2016
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Cash and Deposits at Call	8,731	5,260	13,855	10,874
	8,731	5,260	13,855	10,874

Restricted Cash Assets

Cash and term deposits held in Crown Special Deposit Accounts for Restart NSW of \$8,426 million (2016: \$12,932 million) can only be used in accordance with the legislation that established the Account. Sales proceeds from major asset transactions are deposited in the State's dedicated infrastructure fund Restart NSW, to fund the delivery of major capital infrastructure projects across the State. Conditional contributions disclosed in Note 2 - Revenue are also considered restricted assets. Term deposits disclosed in Note 8 - Investments, Loans and Placements form part of the Crown Special Deposit Accounts.

Acquisition and Disposal of Entities

During 2016-17, the State acquired the ANZ stadium business for \$154 million, returning the stadium to public ownership 15 years ahead of schedule.

Note 5 - Discontinued Operations, details information on the proceeds from Ausgrid, Endeavour Energy, Superannuation Administration Corporation and Land and Property Information's (LPI) titling and registry services.

Non-Cash Financing and Investing Activities

During 2016-17:

- A total of \$284 million (2016: \$260 million) was recognised in the Total State Sector for emerging interests in the private sector provided infrastructure. In the General Government Sector, a total of \$277 million was recognised (2016: \$254 million). It includes \$233 million recognised for roads (2016: \$221 million) and \$37 million for Olympic Park infrastructure (2016: \$28 million).
- Other assets acquired free of cost in the Total State Sector amounted to \$647 million (2016: \$600 million). In the General Government Sector, they amounted to \$94 million (2016: \$95 million). They include sub-divider/developer contributions of water assets of \$162 million (2016: \$150 million) and electricity assets of \$363 million in 2017 (2016: \$330 million).
- It is impracticable to report on the numerous other assets donated to NSW public sector agencies particularly dedicated for transport, health, education and cultural purposes. They are generally reported in individual agency financial statements.
- The Total State Sector Statement of Cash Flows excludes new assets acquired under finance leases with a value of \$1,466 million (2016: \$311 million). The increase mainly comprises the lease on the International Convention Centre Sydney. For the General Government Sector, excluded new finance lease assets amounted to \$127 million (2016: \$304 million). This is mainly comprised of additional finance leased buses being recognised, resulting from new rural and regional bus service contracts.

Note 7: Receivables

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

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

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

	General		Total State Sector	
	Government Sector 2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Current	5,109	4,761	5,799	5,239
Non-current	1,107	1,092	923	878
	6,216	5,853	6,722	6,117
Receivables comprise:				
Debtors and accruals from:				
Sale of Goods and Services	1,443	1,575	1,921	2,401
Dust Disease Insurance Levies Accrued ^(a)	526	673	526	673
Taxation	1,873	1,714	1,785	1,420
Dividends from Public Corporations	514	738	...	...
Settlements Receivable on New Borrowings and Other Financial Instruments ^(b)	...	...	234	112
Asset Sales	252	14	261	16
Interest	222	203	227	177
Other	1,859	1,351	2,270	1,771
	6,687	6,268	7,224	6,570
Less Allowance for Impairment ^(c)	(471)	(416)	(502)	(452)
	6,216	5,853	6,722	6,117

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

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

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

Note 8: Investments, Loans and Placements

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

Financial Assets at Fair Value

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

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

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

Financial Assets at Fair Value

	General			
	Government Sector		Total State Sector	
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Current	2,414	1,364	29,454	16,174
Non-current	24,148	9,181	3,103	2,940
	26,561	10,545	32,557	19,115
Financial Assets at Fair Value comprise:				
Financial Assets Held for Trading				
Derivative Assets ^(a)				
Sw aps	...	...	19	36
Futures	48	28	49	28
Other	0	0	2	19
	48	28	70	83
Designated and Effective Hedging Instruments				
Derivative Assets ^(a)				
Sw aps	...	...	503	786
Other	0	0	0	3
	0	0	504	789
Financial Assets Designated at Fair Value through Profit or Loss				
Fiduciary Investments Administered by NSW Treasury Corporation				
TCorp IM Funds (formerly known as Hour-Glass Managed Funds) ^(b)	24,863	9,675	...	...
Securities and Placements Held by NSW Treasury Corporation	...	...	6,275	5,545
Held with Other Financial Institutions ^(b)	1,651	842	25,708	12,697
	26,513	10,517	31,983	18,242
Total Financial Assets at Fair Value	26,561	10,545	32,557	19,115

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

(b) The substantial increase in the Financial Assets were due to the investment of the asset sales proceeds received into Restart NSW, in TCorp IM Funds.

Other Financial Assets

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

	General			
	Government Sector		Total State Sector	
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Current	4,228	11,160	5,097	7,409
Non-current	2,550	4,856	2,826	5,241
	6,778	16,016	7,923	12,650

Financial Assets at Amortised Cost Comprise:

Term Deposits - Maturity Greater Than 3 Months	5,610	15,085	6,438	11,307
Finance Leases Receivable ^(a)	932	703	1,250	1,115
Other	236	228	236	228
	6,778	16,016	7,923	12,650

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

Note 9: Advances Paid

Advances paid are initially measured at fair value plus transaction costs and are generally contracted at interest rates that are below market rates. The difference between the market and the contracted interest rates is recognised in the operating result.

Advances paid consist of non-derivative financial assets with fixed or determinable payments that are intended to be held to maturity or are not quoted in an active market. These financial assets are subsequently measured at amortised cost using the effective interest method, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. Changes in advances paid are accounted for when impaired ('other economic flows – included in the operating result'), derecognised ('other economic flows – included in the operating result') or through an amortisation process ('transaction').

	General			
	Government Sector		Total State Sector	
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Current	67	161	52	146
Non-current	938	903	564	514
	1,005	1,064	616	659

Advances Comprise:

Treasury Advances for Public Housing and Other Purposes	522	637	132	232
Loans for Rural Assistance	327	279	327	279
Loans for Road Transport Infrastructure	155	145	155	145
Other	1	2	1	2
	1,005	1,064	616	659

Note 10: Equity Investments

Equity Investments in Other Public Sector Entities

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

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

Non Current Equity Investments	General		Total State Sector	
	Government Sector		2017	2016
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Investments in Other Public Sector Entities				
Investments in Public Non-Financial Corporations	104,969	100,290	...	...
Investments in Public Financial Corporations	5,396	4,174	...	...
Consolidation Adjustment to Investment in Net Assets	(3,247)	(6,714)	...	...
	107,117	97,750	...	...

Investments in Associates

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

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

Investments in Associates Accounted for Using the Equity Method comprise the State's share in:	General		Total State Sector	
	Government Sector		2017	2016
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Snowy Hydro Ltd	...	3,783	...	3,783
Ausgrid ^(a)	3,924	...	3,924	...
Endeavour Energy ^(a)	1,946	...	1,946	...
Other Entities	...	...	2	2
	5,870	3,783	5,872	3,785

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

Snowy Hydro Ltd

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

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

As at 30 June 2017, the investment in SHL has been reclassified as an equity investment held-for-sale. Refer to Note 12 - Assets Classified as Held for Sale. Prior to reclassification, as New South Wales did not control the entity, it applied the equity method to account for its investment in SHL.

The following table summarises information on New South Wales' investment in SHL. The State's share of SHL's profit has been accounted for in the State's result to 30 June 2017. SHL was subsequently reclassified as an asset held for sale as at 30 June 2017.

	General Government Sector		Total State Sector	
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
The State's share of SHL's assets and liabilities				
Current Assets	...	515	...	515
Non-Current Assets	...	4,193	...	4,193
Current Liabilities	...	(323)	...	(323)
Non-Current Liabilities	...	(602)	...	(602)
Net Assets	...	3,783	...	3,783
The State's share of SHL's profit				
Revenue	1,504	1,284	1,504	1,284
Profit/(Loss) Before Income Tax	209	53	209	53
Income Tax Expense	(63)	(9)	(63)	(9)
Profit After Income Tax	146	44	146	44
Other Comprehensive Income	5	(9)	5	(9)
Total Comprehensive Income	151	35	151	35

Ausgrid

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

New South Wales holds 49.6 percent of Ausgrid via a corporation constituted under the *Electricity Retained Interest Corporations Act 2015*. The remaining 50.4 percent is owned by an all-Australian consortium of long-term investors in the private sector operating the network under a 99-year lease.

As New South Wales does not control the entity, it has applied the equity method to account for its investment in Ausgrid.

Endeavour Energy

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

New South Wales holds 49.6 percent of Endeavour Energy via a corporation constituted under the *Electricity Retained Interest Corporations Act 2015*. The remaining 50.4 percent is owned by a consortium of long-term investors in the private sector operating the network under a 99-year lease.

As New South Wales does not control the entity, it has applied the equity method to account for its investment in Endeavour Energy.

Other Equity Investments

	General Government Sector		Total State Sector	
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Other Equity Investments				
Other Equity Investments - Available for Sale Financial Assets	700	605	700	605
Other Equity Investments - At Fair Value through Profit and Loss	...	...	16,917	8,088
	700	605	17,617	8,693

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

As the majority unit holder in the TCorpIM Funds (approximately 98 per cent is owned), the State has been assessed to control the Funds under AASB 10 *Consolidated Financial Statements*. Thus, the TCorpIM Funds' assets and liabilities are consolidated into the State accounts.

In total, TCorpIM Funds have investments in listed equity securities amounting to \$16,917 million (2016: \$8,088 million). In 2016-17, the State has invested a major component of the Restart NSW money in TCorpIM Funds. The equity investment in the General Government Sector is City West Housing Limited.

Note 11: Inventories

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

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

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

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

	General		Total State Sector	
	Government Sector 2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Current	238	228	546	613
Non-current	58	35	292	350
	296	263	838	962

Inventories Comprise:

Materials Held at Cost				
Raw Materials	11	9	11	9
Work in Progress	6	8	10	11
Finished Goods	21	16	22	16
Consumable Stores	198	192	278	322
Consumable Stores Held for Distribution	1	2	2	2
Finished Goods at Net Realisable Value	2	2	2	2
Consumable Stores Held for Distribution at Current Replacement Cost	...	...	3	1
Land Held for Resale	57	34	510	599
	296	263	838	962

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

	General		Total State Sector	
	Government Sector 2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Acquisition Cost	55	32	202	260
Development Cost	2	2	308	339
	57	34	510	599

Note 12: Assets Classified as Held for Sale

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

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

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

	General		Total State Sector	
	Government Sector	2016	2017	2016
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Equity Investments Held for Sale				
Equity Investment Held for Sale	4,196	...	4,196	...
	4,196	...	4,196	...

	General		Total State Sector	
	Government Sector	2016	2017	2016
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Assets Held for Sale				
Land and Buildings	155	432	300	562
Plant and Equipment	...	...	7	0
Infrastructure Systems	...	0	31	45
	155	432	338	607

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

Equity Investments Held for Sale

Snowy Hydro Limited

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

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

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

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

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

	2017
	\$m
Equity Investments Held for Sale	
Equity Investment Held for Sale	4,196
	4,196

Assets Held for Sale

Property NSW

Property NSW's core operations is management of the NSW Government's owned and leased real property portfolio. As at 30th June 2017, Property NSW has reclassified various Land and Buildings to assets held for sale as their value will be recovered principally through sale. The largest of the portfolio is 43-61 Waterloo Rd, Macquarie Park at \$35.0 million.

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

Barangaroo Delivery Authority

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

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

Other

Other land and buildings, plant and equipment and infrastructure systems held for sale as at 30 June 2017 include surplus properties to be sold through various agency sale programs. Assets held for sale are expected to be sold in the following financial year.

The key assets classified as held for sale at 30 June 2016 were:

Roads and Maritime Services

Roads and Maritime Services reclassified its Wentworth Point Land Asset of \$229 million to asset held for sale in 2016. Wentworth Point Land was reclassified as it was identified as no longer required to fulfil long term plans for road development or administrative needs. The sales process concluded on 2nd September 2016.

	2016
	\$m
Assets	
Land and Buildings	229
Assets Classified as Held for Sale	229
Liabilities	
Liabilities	...
Liabilities Classified as Held for Sale	...
Net Assets of Roads and Maritime Services Held for Sale	229

Note 13: Property, Plant and Equipment

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

Property, plant and equipment is initially recognised at cost, in accordance with AASB 116 *Property, Plant and Equipment* (AASB 116). Those assets acquired at no cost or for nominal consideration are initially recognised at their fair value at the date of acquisition. The cost of assets constructed for own use includes the cost of materials, direct labour, and foreign exchange gains and losses arising during construction, as well as an appropriate proportion of variable and fixed overhead costs that can be reliably attributed to the assets.

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

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

Revaluation of Property, Plant and Equipment

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

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

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

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

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

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

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

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

Assets are not recognised where they cannot be reliably measured.

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

Impairment of Property, Plant and Equipment

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

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

Depreciation of Property, Plant and Equipment

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

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

Average useful lives for major assets are as follows^(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	1-70 years
Water System Assets	3-200 years
Roads Pavements	4-100 years
Roads Earthworks	50 years
Roads Earthworks (other)	indefinite life
Bridges and Tunnels	100 years

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

General Government Sector

Fair Value	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
At 30 June 2016				
Gross Carrying Amount	101,933	16,032	121,788	239,753
Accumulated Depreciation and Impairment	(31,316)	(4,625)	(39,398)	(75,339)
Net Carrying Amount	70,617	11,408	82,389	164,414

At 30 June 2017				
Gross Carrying Amount	105,448	16,574	138,728	260,750
Accumulated Depreciation and Impairment	(32,696)	(5,274)	(46,581)	(84,551)
Net Carrying Amount	72,752	11,300	92,147	176,199

Reconciliation:	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
Year Ended 30 June 2017				
Net Carrying Amount at Start of Year	70,617	11,408	82,389	164,414
Corrections to Prior Period ^(a)	...	...	4,258	4,258
Restated Net Carrying Amount at Start of Year	70,617	11,408	86,647	168,672
Additions	2,894	1,000	6,339	10,234
Assets Reclassified To Held for Sale	(132)	...	...	(132)
Disposals	(239)	(123)	(9)	(370)
Net Revaluations Recognised In Reserves	1,087	(136)	1,403	2,354
Depreciation Expense	(1,418)	(775)	(1,884)	(4,078)
Other Movements	(58)	(75)	(350)	(480)
Net Carrying Amount at End of Year	72,752	11,300	92,147	176,199

Fair Value	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
At 30 June 2015				
Gross Carrying Amount	96,058	15,586	117,472	229,116
Accumulated Depreciation and Impairment	(28,237)	(4,658)	(37,882)	(70,777)
Net Carrying Amount	67,821	10,929	79,590	158,340

At 30 June 2016				
Gross Carrying Amount	101,933	16,032	121,788	239,753
Accumulated Depreciation and Impairment	(31,316)	(4,625)	(39,398)	(75,339)
Net Carrying Amount	70,617	11,408	82,389	164,414

Reconciliation:	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
Year Ended 30 June 2016				
Net Carrying Amount at Start of Year	67,821	10,929	79,590	158,340
Additions	2,791	1,284	4,891	8,966
Assets Reclassified to Held for Sale	(529)	(4)	(0)	(533)
Disposals	(236)	(138)	(148)	(522)
Net Revaluations Recognised In Reserves	2,970	(127)	(30)	2,813
Depreciation Expense	(1,328)	(779)	(1,818)	(3,925)
Other Movements	(871)	243	(96)	(723)
Net Carrying Amount at End of Year	70,617	11,408	82,389	164,414

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

Total State Sector

Fair Value	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
At 30 June 2016				
Gross Carrying Amount	172,030	28,342	217,894	418,266
Accumulated Depreciation and Impairment	(36,497)	(11,080)	(66,440)	(114,018)
Net Carrying Amount	135,532	17,261	151,454	304,248
At 30 June 2017				
Gross Carrying Amount	181,457	28,004	218,800	428,261
Accumulated Depreciation and Impairment	(38,063)	(11,173)	(71,815)	(121,050)
Net Carrying Amount	143,394	16,831	146,985	307,211

Reconciliation:	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
Year Ended 30 June 2017				
Net Carrying Amount at Start of Year	135,532	17,261	151,454	304,248
Corrections to Prior Period ^(a)	...	...	8,503	8,503
Restated Net Carrying Amount at Start of Year	135,532	17,261	159,957	312,751
Additions	5,500	1,269	11,288	18,057
Assets Reclassified to Held for Sale	(234)	(6)	(0)	(240)
Disposals	(523)	(137)	(57)	(717)
Net Revaluations Recognised in Reserves	6,443	(136)	1,344	7,650
Depreciation Expense	(2,289)	(1,055)	(3,045)	(6,389)
Other Movements ^(b)	(1,035)	(364)	(22,500)	(23,900)
Net Carrying Amount at End of Year	143,394	16,831	146,985	307,210

Fair Value	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
At 30 June 2015				
Gross Carrying Amount	160,027	28,474	221,020	409,521
Accumulated Depreciation and Impairment	(33,262)	(11,084)	(72,672)	(117,018)
Net Carrying Amount	126,765	17,390	148,349	292,504
At 30 June 2016				
Gross Carrying Amount	172,030	28,342	217,894	418,266
Accumulated Depreciation and Impairment	(36,497)	(11,080)	(66,440)	(114,018)
Net Carrying Amount	135,532	17,261	151,454	304,248

Reconciliation:	Land and Buildings	Plant and Equipment	Infrastructure Systems	Total
	\$m	\$m	\$m	\$m
Year Ended 30 June 2016				
Net Carrying Amount at Start of Year	126,765	17,390	148,349	292,504
Additions	3,680	1,561	10,767	16,008
Assets Classified to Held for Sale	(650)	(5)	(73)	(728)
Disposals	(548)	(167)	(224)	(939)
Net Revaluations Recognised in Reserves	9,244	(155)	1,791	10,879
Depreciation Expense	(2,076)	(1,092)	(2,899)	(6,067)
Other Movements ^(b)	(883)	(270)	(6,257)	(7,409)
Net Carrying Amount at End of Year	135,532	17,261	151,454	304,248

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

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

Fair Value Measurement of Non-Financial Assets

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

Fair Value Hierarchy of Non-Financial Assets

General Government Sector

30 June 2017	Level 1	Level 2	Level 3	Historical Cost	Total
	\$m	\$m	\$m	\$m	\$m
Fair Value Hierarchy					
Property, Plant and Equipment					
Land and Buildings	...	18,701	54,052	...	72,752
Plant and Equipment ^(a)	...	6,334	1,637	3,329	11,300
Infrastructure Systems	...	117	92,030	...	92,147
Non-current Assets Held for Sale (Note 12)	...	155	...	...	155
	...	25,307	147,718	3,329	176,354

30 June 2016	Level 1	Level 2	Level 3	Historical Cost	Total
	\$m	\$m	\$m	\$m	\$m
Fair Value Hierarchy					
Property, Plant and Equipment					
Land and Buildings	...	17,375	53,242	...	70,617
Plant and Equipment ^(a)	...	6,421	693	4,293	11,408
Infrastructure Systems	...	1,433	80,957	...	82,389
Non-current Assets Held for Sale (Note 12)	...	419	13	...	432
	...	25,648	134,905	4,293	164,846

Total State Sector

30 June 2017	Level 1	Level 2	Level 3	Historical Cost	Total
	\$m	\$m	\$m	\$m	\$m
Fair Value Hierarchy					
Property, Plant and Equipment					
Land and Buildings	...	20,503	122,892	...	143,394
Plant and Equipment ^(a)	...	6,371	6,537	3,923	16,831
Infrastructure Systems	...	214	146,771	...	146,985
Non-current Assets Held for Sale (Note 12)	...	255	83	...	338
	...	27,343	276,283	3,923	307,549

30 June 2016	Level 1	Level 2	Level 3	Historical Cost	Total
	\$m	\$m	\$m	\$m	\$m
Fair Value Hierarchy					
Property, Plant and Equipment					
Land and Buildings	...	20,550	114,983	...	135,532
Plant and Equipment ^(a)	...	6,478	5,704	5,080	17,261
Infrastructure Systems	...	1,536	149,918	...	151,454
Non-current Assets Held for Sale (Note 12)	...	504	104	...	607
	...	29,067	270,708	5,080	304,855

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

Reconciliation of Recurring Level 3 Fair Value Measurements

General Government Sector

	Land and Buildings	Plant and Equipment	Infrastructure Systems	Assets Held for Sale	Total Recurring Level 3 Fair Value
	\$m	\$m	\$m	\$m	\$m
Fair Value as at 1 July 2016	53,242	693	80,957	13	134,905
Corrections to Prior Period ^(a)	...	...	4,258	...	4,258
Restated Fair Value as at 1 July 2016	53,242	693	85,215	13	139,163
Additions	1,438	18	6,307	...	7,763
Revaluations Recognised in Other Comprehensive Income	629	12	1,454	...	2,095
Transfers into Level 3	160	974	569	...	1,703
Transfers out of Level 3	(33)	(30)	(523)	...	(585)
Disposals	(49)	(1)	(8)	(15)	(74)
Depreciation Expense	(1,321)	(29)	(1,884)	...	(3,234)
Other Movements	(14)	(1)	900	2	886
Fair Value as at 30 June 2017	54,052	1,637	92,030	0	147,718

	Land and Buildings	Plant and Equipment	Infrastructure Systems	Assets Held for Sale	Total Recurring Level 3 Fair Value
	\$m	\$m	\$m	\$m	\$m
Fair value as at 1 July 2015	50,480	639	78,151	18	129,289
Additions	1,521	19	3,806	...	5,345
Revaluations Recognised in Other Comprehensive Income	2,781	47	(30)	...	2,798
Transfers into Level 3	891	3	2,903	...	3,796
Transfers out of Level 3	(447)	(2)	(2,517)	...	(2,966)
Disposals	(188)	(2)	(132)	(6)	(328)
Depreciation Expense	(1,224)	(36)	(1,818)	...	(3,078)
Other Movements	(570)	26	594	1	50
Fair Value as at 30 June 2016	53,242	693	80,957	13	134,905

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

Total State Sector

	Land and Buildings	Plant and Equipment	Infrastructure Systems	Assets Held for Sale	Total Recurring Level 3 Fair Value
	\$m	\$m	\$m	\$m	\$m
Fair Value as at 1 July 2016	114,983	5,704	149,918	104	270,708
Corrections to Prior Period ^(a)	...	...	8,503	...	8,503
Restated Fair Value as at 1 July 2016	114,983	5,704	158,421	104	279,211
Additions	4,078	111	11,249	...	15,439
Revaluations Recognised in Other Comprehensive Income	5,916	11	1,396	(1)	7,322
Transfers into Level 3	332	1,104	612	...	2,049
Transfers out of Level 3	(76)	(30)	(628)	...	(733)
Disposals	(310)	(4)	(57)	(91)	(462)
Depreciation Expense	(2,181)	(243)	(3,045)	...	(5,469)
Other Movements	150	(117)	(21,175)	71	(21,073)
Fair Value as at 30 June 2017	122,892	6,537	146,771	83	276,283

	Land and Buildings	Plant and Equipment	Infrastructure Systems	Assets Held for Sale	Total Recurring Level 3 Fair Value
	\$m	\$m	\$m	\$m	\$m
Fair value as at 1 July 2015	105,775	5,979	146,814	126	258,693
Additions	2,362	97	9,728	...	12,188
Revaluations Recognised in Other Comprehensive Income	9,234	32	1,737	(1)	11,002
Transfers into Level 3	1,622	145	3,017	...	4,784
Transfers out of Level 3	(458)	(106)	(2,908)	...	(3,472)
Disposals	(492)	(9)	(207)	(158)	(866)
Depreciation Expense	(1,950)	(280)	(3,647)	...	(5,877)
Other Movements	(1,111)	(155)	(4,616)	137	(5,745)
Fair Value as at 30 June 2016	114,983	5,704	149,918	104	270,708

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

Valuation techniques, inputs and processes

Land and Buildings

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

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

Public Housing

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

Schools and Education Facilities

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

Hospitals

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

Roads

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

Sensitivity of the fair value measurement

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

Crown land

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

Plant and Equipment

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

Rail rolling stock

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

Public buses

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

Ferries

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

Collection assets

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

Sensitivity of the fair value measurement

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

Infrastructure Systems

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

Electricity systems

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

Dams and water system assets

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

Road infrastructure

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

Rail infrastructure

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

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

Non-current Assets Held for Sale

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

Note 14: Intangibles

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

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

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

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

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

Assumptions

	Computer Software	Easements	Other
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 2016				
Cost (Gross Carrying Amount)	4,541	334	1	4,876
Accumulated Amortisation and Impairment	(1,783)	...	...	(1,783)
Net Carrying Amount	2,758	334	1	3,093
At 30 June 2017				
Cost (Gross Carrying Amount)	5,129	330	2	5,461
Accumulated Amortisation and Impairment	(2,013)	...	...	(2,013)
Net Carrying Amount	3,116	330	2	3,448
Reconciliation:				
Year ended 30 June 2017				
Net Carrying Amount at Start of Year	2,758	334	1	3,093
Additions	786	0	1	786
Disposals	(6)	...	...	(6)
Reclassification from Property, Plant and Equipment	63	...	0	63
Impairment	(17)	0	...	(16)
Amortisation	(380)	...	...	(380)
Other Movements	(88)	(4)	...	(92)
Net carrying amount at end of year	3,116	330	2	3,448

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

	Computer Software \$m	Easements ^(a) \$m	Other \$m	Total \$m
At 1 July 2015				
Cost (Gross Carrying Amount)	4,278	311	5	4,594
Accumulated Amortisation and Impairment	(1,691)	...	...	(1,691)
Net Carrying Amount	2,588	311	5	2,904
At 30 June 2016				
Cost (Gross Carrying Amount)	4,541	334	1	4,876
Accumulated Amortisation and Impairment	(1,783)	...	...	(1,783)
Net Carrying Amount	2,758	334	1	3,093
Reconciliation:				
Year ended 30 June 2016				
Net Carrying Amount at Start of Year	2,588	311	5	2,904
Additions	804	...	1	805
Disposals	(3)	...	...	(3)
Reclassification from Property, Plant and Equipment	16	...	...	16
Impairment	(28)	21	...	(7)
Amortisation	(323)	...	(7)	(330)
Other Movements	(295)	2	2	(291)
Net carrying amount at end of year	2,758	334	1	3,093

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

Total State Sector

	Computer Software \$m	Easements ^(a) \$m	Other \$m	Total \$m
At 1 July 2016				
Cost (Gross Carrying Amount)	6,872	576	81	7,529
Accumulated Amortisation and Impairment	(3,349)	(5)	(18)	(3,371)
Net carrying amount	3,523	571	63	4,157
At 30 June 2017				
Cost (Gross Carrying Amount)	6,821	431	76	7,327
Accumulated Amortisation and Impairment	(2,894)	(0)	(10)	(2,904)
Net Carrying Amount	3,926	431	66	4,423

Reconciliation:

Year Ended 30 June 2017				
Net Carrying Amount at Start of Year	3,523	571	63	4,157
Additions	1,108	1	7	1,116
Disposals	(124)	(141)	(0)	(265)
Reclassification from Property, Plant and Equipment	64	...	0	64
Impairment	(26)	(1)	(0)	(27)
Amortisation	(502)	(0)	(4)	(505)
Other Movements	(117)	1	(0)	(116)
Net Carrying Amount at End of Year	3,926	431	66	4,423

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

	Computer Software \$m	Easements ^(a) \$m	Other \$m	Total \$m
At 1 July 2015				
Cost (Gross Carrying Amount)	6,443	1,111	83	7,637
Accumulated Amortisation and Impairment	(3,188)	0	(15)	(3,203)
Net Carrying Amount	3,255	1,111	68	4,434
At 30 June 2016				
Cost (Gross Carrying Amount)	6,872	576	81	7,529
Accumulated Amortisation and Impairment	(3,349)	(5)	(18)	(3,371)
Net Carrying Amount	3,523	571	63	4,157

Reconciliation:

Year Ended 30 June 2016				
Net Carrying Amount at Start of Year	3,255	1,111	68	4,434
Additions	1,115	10	15	1,140
Disposals	(42)	(569)	...	(611)
Reclassification from Property, Plant and Equipment	33	0	...	33
Impairment	(32)	21	(15)	(26)
Amortisation	(457)	...	(2)	(459)
Other Movements	(350)	(2)	(3)	(355)
Net Carrying Amount at End of Year	3,523	571	63	4,157

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

Note 15: Other Non-Financial Assets

Privately Financed Projects and Service Concession Arrangements

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

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

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

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

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

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

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

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

	General		Total State Sector	
	Government Sector 2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Current	457	325	643	521
Non-current	4,478	3,094	4,266	3,149
	4,935	3,418	4,909	3,670
Other Non-Financial Assets comprise:				
Right to Receive Privately Financed Infrastructure	2,330	2,053	2,056	2,116
Prepayments	778	454	961	627
Emission Rights	...	...	1	1
Other	1,827	911	1,891	926
	4,935	3,418	4,909	3,670

The following SCA are in place:

Infrastructure subject to the arrangement	Concession period (duration in years and final year)
Transport	
• M4 Service Centre	25 / 2017
• Sydney Harbour Tunnel	30 / 2022
• M5	34 / 2026
• Parramatta Transport Interchange	23 / 2029
• Airport Line railway stations	30 / 2030
• Sydney Light Rail	15 / 2034
• North West Rail Link, Operations, Trains and Systems (OTS)	15 / 2034
• Cross City Tunnel	30 / 2035
• Waratah Rolling Stock	33 / 2044
• Lane Cove Tunnel	41 / 2048
• M7	43 / 2048
• M2	51 / 2048
• NorthConnex	29 / 2048
• Eastern Distributor	48 / 2048
• WestConnex – Stage 1	43 / 2060
• WestConnex – Stage 2	41 / 2060
• Chatswood Transport Interchange	50 / 2064
Health	
• NSW Health Retrieval Network	10 / 2027
• Newcastle Community Health Centre	20 / 2027
• Newcastle Maternity Hospital Redevelopment	28 / 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	30 / 2032
• New Schools Project 2	30 / 2035
• New Grafton Correctional Centre	20 / 2040
• Sydney International Convention, Exhibition and Entertainment Precinct	25 / 2041
• Opera House car park	50 / 2043

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

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

Note 16: Income Tax Equivalents

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

	General		Total State Sector	
	Government Sector		2017	2016
	2017	2016	\$m	\$m
	\$m	\$m	\$m	\$m
Tax Equivalents Receivable	91	104	...	...
Deferred Tax Equivalents Receivable (a)	2,049	3,919	...	...
Tax Equivalents Payable	(18)	(3)	...	...
Deferred Tax Equivalents Provision	(59)	(337)	...	...
Net Balances Receivable from the PNFC/PFC Sectors	2,063	3,683	...	...

(a) Following the recognition in 2016-17 of the proceeds from the long-term partial lease of Ausgrid and Endeavour Energy network assets, deferred tax equivalent receivables of \$1,089 million in relation to Ausgrid and \$681 million in relation to Endeavour Energy were derecognised. In 2015-16 \$711 million was derecognised in relation to the TransGrid lease.

Note 17: Deposits Held

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

	General		Total State Sector	
	Government Sector		2017	2016
	2017	2016	\$m	\$m
	\$m	\$m	\$m	\$m
Current	106	126	328	395
Non-current	...	...	...	2
	106	126	328	397
Deposits are Held for the Purposes of:				
Electricity Supply	...	...	0	19
Held by Public Financial Corporations for Other Agencies	...	...	190	237
Other	106	126	138	140
	106	126	328	397

Note 18: Payables

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

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

	General		Total State Sector	
	Government Sector 2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Current	6,290	5,617	7,966	6,989
Non-current	95	...	153	...
	6,385	5,617	8,118	6,989
Payables comprise:				
Payables Of A Capital Nature	1,191	1,044	1,476	1,263
Accrued Employee Benefits	516	525	573	594
Interest On Borrowings & Advances	321	344	17	3
Settlement Of Borrowings & Other Financial Instruments	...	...	236	4
Creditors & Other Accruals ^(a)	4,357	3,705	5,817	5,127
	6,385	5,617	8,118	6,989

(a) Includes trade creditors.

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

Note 19: Borrowings and Derivative Liabilities at Fair Value

Borrowings

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

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

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

General Government Sector borrowings are direct loans with no market value and are recognised at amortised cost using the effective interest method, in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. Amortised cost is the face value of the debt less unamortised discount or plus unamortised premiums. The discount or premiums are treated as finance charges and amortised using the effective interest rate method over the term of the debt. Refer to Note 20 - Borrowings at Amortised Cost for further details.

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

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

Derivative Liabilities

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

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

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

Other derivatives are categorised as held for trading financial instruments.

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

Borrowings and Derivative Liabilities at Fair Value

	General		Total State Sector	
	Government Sector 2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Current	902	3	12,984	19,881
Non-current	3	5	50,646	55,039
	905	8	63,630	74,921
Borrowings and Derivative Liabilities at Fair Value Comprise:				
Borrowings at Fair Value				
Bonds and Other Borrowings Issued by Tcorp	...	...	62,439	73,930
Other Fair Value Borrowings	903	6	587	6
	903	6	63,026	73,936
Derivatives Held For Trading				
Swaps	...	...	48	156
Futures	...	...	0	3
Other	1	2	30	72
	1	2	78	231
Designated And Effective Hedging Instruments				
Swaps	...	...	525	749
Other	1	1	1	4
	1	1	526	754
Total Borrowings and Derivative Liabilities at Fair Value	905	8	63,630	74,921

Note 20: Borrowings at Amortised Cost

	General		Total State Sector	
	Government Sector 2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Current	907	1,505	219	188
Non-current	31,002	30,331	6,744	4,988
	31,909	31,836	6,963	5,176
Borrowings at Amortised Cost Comprise:				
Other Borrowings at Amortised Cost	28,821	28,672	572	63
Finance Leases	3,088	3,164	6,391	5,113
	31,909	31,836	6,963	5,176

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

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

Note 21: Employee Provisions

Wages and Salaries, Annual Leave and Sick Leave

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

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

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

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

Long Service Leave

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

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

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

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

Self-Funded Worker's Compensation

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

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

	General		Total State Sector	
	Government Sector		2017	2016
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Current	12,371	12,459	13,330	13,891
Non current	4,470	4,335	4,623	4,646
	16,842	16,794	17,953	18,537
These comprise:				
Long Service Leave	8,843	9,103	9,504	10,201
Annual and Other Leave Entitlements	3,297	3,103	3,563	3,419
Self Funded Worker's Compensation	4,037	3,767	4,143	3,920
Other	665	821	743	997
Total Employee Provisions	16,842	16,794	17,953	18,537

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 4.5 per cent (2016: 4.75 per cent) and a future inflation rate of 2.5 to 3.5 per cent (2016: 2.25 to 4 per cent) and a superimposed inflation rate of 0.0 to 4.0 per cent (2016: 2.0 to 4.0 per cent).

Note 22: Superannuation Provisions

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

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

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

The accrued benefits amount is calculated having regard to:

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

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

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

	General		Total State Sector	
	Government Sector 2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Current	1,579	1,562	1,579	1,564
Non-current	54,706	66,300	57,022	69,595
	56,285	67,862	58,601	71,159

The State public sector superannuation liability is made up of the assets and liabilities. This includes a number of State Sector Schemes:

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

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

It also includes the Parliamentary Contributory Superannuation Scheme (PCSS), which is established and governed by the *Parliamentary Contributory Superannuation Act 1971* and its associated regulations, the Judges' Pension Scheme (JPS), which is established and governed by *Judges' Pensions Act 1953 No 41* (as amended to 19 May 2010), and the Energy Industries Superannuation Schemes (EISS).

EISS was established on 30 June 1997 by a Trust Deed made under an Act of the NSW Parliament, for the purpose of providing retirement benefits for employees from certain energy industries bodies in New South Wales. EISS is regulated primarily by the *Superannuation Industry (Supervision) Act 1993* (Cth) (the SIS Act), but is also subject to regulation under the *Superannuation Administration Act 1996* (NSW).

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

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

Regulatory Framework

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

It governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions, unless an exemption has been obtained. The State Sector Schemes, PCSS and JPS have an actuarial investigation performed every three years, with the last actuarial investigation performed at 30 June 2015 for the State Sector Schemes and at 30 June 2014 for PCSS and JPS. The next actuarial investigation for the State Sector Schemes is due as at 30 June 2018. EISS received an exemption from annual actuarial valuation and thus, actuarial valuations are only required triennially. The last actuarial valuation of the Scheme was performed as at 30 June 2015. The next actuarial investigation is due as at 30 June 2018.

Governance of the Schemes

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

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

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

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

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

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

Funding Arrangements for Employer Contributions

Funding arrangements for the State Sector Schemes are reviewed at least every three years following the release of the triennial actuarial review. Contribution rates are set after discussions between the employer, the Trustees and NSW Treasury. Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review. JPS is a pay-as-you-go scheme.

Valuation Method

The Trustees' actuary, Mercer Consulting (Australia) Pty Ltd, calculated the unfunded superannuation liabilities schemes for the years ended 30 June 2017 and 30 June 2016 in accordance with AASB 119 *Employee Benefits* and AASB 1056 *Superannuation Entities*.

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

Actuarial calculations for the unfunded superannuation liabilities schemes were based on the latest scheme membership data, demographic assumptions of the 2015 Triennial Valuation and AASB 119 applying to employee benefits as at 30 June 2017.

Description of the Risks and Significant Events

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

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

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

There were curtailments and settlements during the year due to member exits and the long term lease of Ausgrid and Endeavour Energy's assets. On completion of the 99 year lease transaction Ausgrid was converted into Alpha Distribution Ministerial Holding Corporation (ADMHC) and Endeavour Energy into Epsilon Distribution Ministerial Holding Corporation (EDMHC). All current Ausgrid and Endeavour Energy employees and their respective defined benefit plans were transferred to Ausgrid Management Pty Limited and Endeavour Energy Management Pty Limited. The defined benefit plan remaining with ADMHC and EDMHC relates to the retired Ausgrid and Endeavour Energy employees.

Movement in Unfunded Liabilities and the Impact of Assumptions

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

The decrease of \$11.6 billion in General Government and \$12.6 billion for Total State Sector unfunded liabilities over the 12 months to 30 June 2017, is largely explained by an increase in the liability discount rate for the State Sector Schemes and EISS from 1.99 per cent to 2.62 per cent.

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

Member Numbers and Superannuation Position for AASB 119

General Government Sector

For the year ended 30 June 2017

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

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

For the year ended 30 June 2016

Member Numbers	NSW Public Sector Superannuation Schemes							Total \$m
	SASS	SANCS	SSS	PSS	PCSS	JPS	EISS ^(c)	
Contributors	21,342	27,423	4,935	1,147	28	124	...	
Deferred Benefits	10,160	11,425	1,113	59	2	...	18	
Pensioners	3,396	...	46,187	6,583	285	233	374	
Pensions Fully Commuted	...	...	14,081	...	...	...	...
Superannuation Position for AASB 119 Purposes								
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Accrued Liability ^(a)	15,342	2,663	64,385	19,024	911	1,227	564	104,117
Estimated Reserve Account Balance	(10,043)	(1,668)	(19,485)	(4,479)	(269)	...	(324)	(36,267)
Deficit/(Surplus)	5,300	996	44,900	14,545	643	1,227	239	67,850
Future Service Liability ^(b)	1,559	609	511	36	...	...	...	2,716
Surplus in Excess of Recovery Available	12	0	0	...	...	...	...	13
Net (Asset)/Liability to be Recognised in Statement of Financial Position	5,312	996	44,900	14,545	643	1,227	239	67,862

- (a) The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%. PCSS assets and accrued liability based on 2016 data. JPS accrued liability is projected from 2014 data. The accrued liability includes a contribution tax provision for PCSS. This is calculated based on grossing up the deficit less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%.
- (b) The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the 'surplus in excess of recovery' is zero, no asset ceiling limit is imposed. (Note: this also includes a contribution tax provision.)
- (c) On completion of TransGrid's 99 year lease transaction as at 16th December 2015, the Energy Industries Superannuation Scheme (EISS) Defined Benefit plan of TransGrid's retired employees were transferred over to Electricity Transmission Ministerial Holding Corporation (ETMHC) which is classified as a General Government agency.

Total State Sector

For the year ended 30 June 2017

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

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

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

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

For the year ended 30 June 2016

Member Numbers	NSW Public Sector Superannuation Schemes							Total
	SASS	SANCS	SSS	PSS	PCSS	JPS	EISS ^(c)	
Contributors	24,103	30,445	5,196	1,147	28	124	1,479	
Deferred Benefits	10,160	11,425	1,201	59	2	...	23	
Pensioners	4,090	...	48,430	6,583	285	233	685	
Pensions Fully Commuted	...	...	15,108	...	...	...	...
Superannuation Position for AASB 119 Purposes								Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Accrued Liability ^(a)	17,902	2,903	67,379	19,024	911	1,227	2,034	111,381
Estimated Reserve Account Balance	(11,454)	(1,797)	(20,888)	(4,479)	(269)	...	(1,354)	(40,241)
Deficit/(Surplus)	6,449	1,106	46,491	14,545	643	1,227	680	71,140
Future Service Liability ^(b)	1,664	683	547	36	...	...	(133)	2,796
Surplus In Excess of Recovery Available	12	0	6	...	...	...	...	19
Net (Asset)/Liability to be Recognised in Statement of Financial Position	6,461	1,106	46,497	14,545	643	1,227	680	71,159

(a) Refer to footnote in General Government Sector 30 June 2016 table above.

(b) Refer to footnote in General Government Sector 30 June 2016 table above.

(c) Refer to footnote in General Government Sector 30 June 2016 table above.

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

	General			
	Government Sector		Total State Sector	
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Net Defined Benefit Liability/(Asset) At Beginning of the Period	67,862	52,498	71,159	55,154
Current Service Cost	670	669	729	739
Net Interest on the Net Defined Benefit Liability	1,334	1,504	1,390	1,565
(Gains)/Losses Arising from Settlements	...	...	(13)	(27)
Actual Return on Fund Assets Less Interest Income	(2,600)	(35)	(2,842)	(18)
Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	8	1,993	7	2,201
Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	(8,596)	12,459	(9,178)	13,381
Actuarial (Gains)/Losses Arising from Liability Experience	(823)	(86)	(839)	25
Adjustment For Effect of Asset Ceiling	2	12	15	4
Employer Contributions	(1,538)	(1,561)	(1,618)	(1,667)
Effects of Transfers In/Out Due to Business Combinations and Disposals	(33)	408	(209)	(199)
Net Defined Benefit Liability/(Asset) at end of the Period	56,285	67,862	58,601	71,159

Reconciliation of the Fair Value of Fund Assets

	General			
	Government Sector		Total State Sector	
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Fair Value of Fund Assets at Beginning of the Period	36,267	37,016	40,241	42,149
Interest Income	699	1,090	769	1,229
Actual Return on Fund Assets Less Interest Income	2,600	35	2,843	18
Employer Contributions	1,538	1,561	1,618	1,667
Contributions by Participants	218	231	244	263
Benefits Paid	(3,998)	(3,998)	(4,338)	(4,580)
Taxes, Premiums & Expenses Paid	178	(105)	187	(124)
Transfers In	67	438	(606)	(204)
Settlements	...	...	(46)	(177)
Fair Value of Fund Assets at End of the Period	37,568	36,267	40,912	40,241

Reconciliation of the Present Value of the Defined Benefit Obligations

	General			
	Government Sector		Total State Sector	
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Present Value of Defined Benefit Obligations at Beginning of the Period	104,117	89,514	111,381	97,289
Current Service Cost	670	669	729	739
Interest Cost	2,033	2,594	2,159	2,794
Contributions by Participants	218	231	244	263
Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	8	1,993	7	2,201
Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	(8,596)	12,459	(9,178)	13,381
Actuarial (Gains)/Losses Arising from Liability Experience	(823)	(86)	(839)	25
Benefits Paid	(3,998)	(3,998)	(4,338)	(4,580)
Taxes, Premiums & Expenses Paid	178	(105)	187	(124)
Transfers In	33	845	(814)	(403)
Settlements	...	...	(59)	(204)
Present Value of Defined Benefit Obligations at End of the Period	93,839	104,117	99,478	111,381

Reconciliation of the Asset Ceiling

	General			
	Government Sector		Total State Sector	
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Adjustment for Effect of Asset Ceiling at Beginning of the Period	13	0	19	14
Interest on the Effect of Asset Ceiling	0	0	0	0
Change in the Effect of Asset Ceiling	2	12	15	4
Adjustment for Effect of Asset Ceiling at End of the Period	14	13	34	19

Fair Value of Fund Assets

State Sector Schemes

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

Asset category	2016-17 Total \$m	Quoted prices in active markets for identical assets			Unobservable inputs Level 3 \$m	2016-17	2015-16
		Level 1 \$m	Significant observable inputs Level 2 \$m	Level 3 \$m			
Short Term Securities	3,087	3,077	10	0	7.7%	5.4%	
Australian Fixed Interest	2,501	1	2,500	0	6.2%	7.1%	
International Fixed Interest	481	0	481	0	1.2%	2.2%	
Australian Equities	9,446	8,947	499	0	23.6%	25.5%	
International Equities	12,054	9,033	1,869	1,151	30.1%	31.7%	
Property	3,453	926	533	1,994	8.6%	9.6%	
Alternatives	9,066	391	5,068	3,607	22.6%	18.6%	
Total^(a)	40,088	22,376	10,960	6,752	100.0%	100.0%	

(a) Additional to the assets disclosed above, at 30 June 2017 the Pooled Fund has provisions for receivables/ (payables) estimated to be around \$1.87 billion. This gives total estimated assets of \$41.96 billion.

The fair value of the Pooled Fund assets as at 30 June 2017 includes \$354 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 \$250 million (30 June 2016: \$222 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value of \$261 million (30 June 2016: \$243 million).

EISS

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

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

Asset category	2016-17				2016-17	2015-16
	Total \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m		
Australian Equities	316	...	316	...	16.0%	16.9%
International Equities	514	...	514	...	26.0%	23.3%
Property	79	...	79	...	4.0%	9.6%
Private Equity	20	...	20	...	1.0%	1.8%
Infrastructure	218	...	218	...	11.0%	8.4%
Alternatives	198	...	198	...	10.0%	27.7%
Fixed Income	534	...	534	...	27.0%	0.0%
Cash	99	...	99	...	5.0%	12.4%
Total	1,978	...	1,978	...	100.0%	100.0%

JPS and PCSS

There are no assets in JPS as it is a pay-as-you-go scheme. For PCSS the asset categories split was not available at 30 June 2017.

Significant Actuarial Assumptions

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

Significant Actuarial Assumptions	At 30 June 2017		At 30 June 2016	
	State Super Schemes, JPS, PCSS	EISS	State Super Schemes, JPS, PCSS	EISS
Discount Rate	2.62% pa	2.62% pa	1.99% pa	1.99% pa
Salary Increase Rate	2.50% pa ^(a)	0.00% pa ^(c)	2.50% pa	2.50% pa
Rate of CPI Increase	2.00% pa ^(b)	2.20% pa ^(d)	1.50% pa	2.50% pa
Pensioner Mortality	as per 30 June 2015 triennial valuation for State Super Schemes and EISS, as per 2014 triennial actuarial valuation for JPS and PCSS			

(a) Salary Increase rate (excluding promotional increases) for State Super Funds Schemes and PCSS for forward years are: 2.50% for 2017-18 to 2018-19; 3.50% for 2019-20 and 2020-21, 3.00% pa for 2021-22 to 2025-26 and 3.50% pa onwards.

(b) Rate of CPI increase for State Super Funds Schemes in forward years are: 2.00% for 2017-18; 2.25% for 2018-19; 2.50% pa onwards.

(c) Salary Increase rate (excluding promotional increases) for EISS (excluding Ausgrid and TransGrid) for forward years are: 0% pa for 2017-18 for Essential Energy and 2.50% pa onwards.

(d) Rate of CPI increase for Ausgrid and Transgrid in forward years are: 2.00% for 2017-18; 2.25% for 2018-19; 2.50% pa onwards.

Sensitivity Analysis

The State's total defined benefit obligation as at 30 June 2017 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2017.

There are a number of variables that impact on the valuation of the defined benefit superannuation liabilities including discount rate, future salary increases, future increase in the Consumer Price Index (CPI), and future life expectancy. The key variable relates to movement of the discount rate. For the Total State Sector, sensitivity analysis of a discount rate movement of *plus* 1.0 per cent would reduce accrued liabilities by an estimated \$11,929 million, and a discount rate movement of *minus* 1.0 per cent would increase accrued liabilities by an estimated \$14,689 million.

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

	State Sector Schemes			
	Discount Rate	Rate of CPI Increase	Salary Inflation Rate	Defined Benefit Obligation (\$m)
Base Case	2.62%	base rate	base rate	96,492
Scenario A -1.0% Discount Rate	1.62%	base rate	base rate	110,713
Scenario B +1.0% Discount Rate	3.62%	base rate	base rate	84,949
Base Case	base rate	base rate	base rate	96,492
Scenario C +0.5% rate of CPI increase	base rate	above rates plus 0.5% pa	base rate	102,677
Scenario D -0.5% rate of CPI increase	base rate	less 0.5% pa	base rate	90,800
Base Case	base rate	base rate	base rate	96,492
Scenario E +0.5% Salary Increase Rate	base rate	base rate	above rates plus 0.5% pa	96,971
Scenario F -0.5% Salary Increase Rate	base rate	base rate	above rates less 0.5% pa	95,942
Base Case	N/A	N/A	N/A	96,492
Scenario G Higher Mortality ^(a)	N/A	N/A	N/A	98,115
Scenario H Lower Mortality ^(b)	N/A	N/A	N/A	95,478

(a) Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2017 to 2021.

(b) Assumes the short term pensioner mortality improvement factors for years 2017-2021 also apply for years after 2021.

	EISS			
	Discount Rate	Rate of CPI Increase	Salary Inflation Rate	Defined Benefit Obligation (\$m)
Base Case	2.62%	base rate	base rate	1,032
Scenario A -1.0% Discount Rate	1.62%	base rate	base rate	1,180
Scenario B +1.0% Discount Rate	3.62%	base rate	base rate	911
Base Case	base rate	base rate	base rate	1,032
Scenario C +0.5% rate of CPI increase	base rate	above rates plus 0.5% pa	base rate	1,090
Scenario D -0.5% rate of CPI increase	base rate	less 0.5% pa	base rate	979
Base Case	base rate	base rate	base rate	1,032
Scenario E +0.5% Salary Increase Rate	base rate	base rate	above rates plus 0.5% pa	1,046
Scenario F -0.5% Salary Increase Rate	base rate	base rate	above rates less 0.5% pa	1,020
Base Case	N/A	N/A	N/A	1,032
Scenario G Lower pensioner mortality rates ^(c)	N/A	N/A	N/A	1,050
Scenario H Higher pensioner mortality rates ^(d)	N/A	N/A	N/A	1,021

(c) Assumes the short term pensioner mortality improvement factors for years 2017-2021 also apply for years after 2021.

(d) Assumes the long term pensioner mortality improvement factors for years post 2021 also apply for years 2017 to 2021.

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

	JPS			
	Discount Rate	Rate of CPI Increase	Salary Inflation Rate	Defined Benefit Obligation (\$m)
Base Case	2.62%	N/A	N/A	1,143
Scenario A -1.0% Discount Rate	1.62%	N/A	N/A	1,311
Scenario B +1.0% Discount Rate	3.62%	N/A	N/A	998
Base Case	base rate	N/A	N/A	1,143
Scenario C +0.5% Salary Increase Rate	base rate	N/A	above rates plus 0.5% pa	1,241
Scenario D -0.5% Salary Increase Rate	base rate	N/A	above rates less 0.5% pa	1,055
Base Case	N/A	N/A	N/A	1,143
Scenario E +10% pensioner mortality rates	N/A	N/A	N/A	1,099
Scenario F -10% pensioner mortality rates	N/A	N/A	N/A	1,190

	PCSS			
	Discount Rate	Rate of CPI Increase	Salary Inflation Rate	Defined Benefit Obligation (\$m)
Base Case	2.61%	N/A	N/A	809
Scenario A -1.0% Discount Rate	1.61%	N/A	N/A	962
Scenario B +1.0% Discount Rate	3.61%	N/A	N/A	690
Base Case	base rate	N/A	N/A	809
Scenario C +0.5% Salary Increase Rate	base rate	N/A	above rates plus 0.5% pa	879
Scenario D -0.5% Salary Increase Rate	base rate	N/A	above rates less 0.5% pa	746
Base Case	N/A	N/A	N/A	809
Scenario E +10% pensioner mortality rates	N/A	N/A	N/A	779
Scenario F -10% pensioner mortality rates	N/A	N/A	N/A	842

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	
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Accrued Benefits	52,477	52,233	55,922	56,357
Net Market Value of Fund assets	(37,568)	(36,267)	(40,912)	(40,241)
Net (Surplus)/Deficit	14,909	15,965	15,010	16,116

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

Employer Contributions

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

	Expected contributions		Maturity profile	Recommended contribution rates
	2016-17	2015-16	2016-17	
	\$m	\$m	Years	
Pooled Fund				
SASS	291.3	498.6	13.0	multiple of member contributions
SANCS	78.5	143.7	13.0	% member salary
SSS	921.1	625.7	13.0	multiple of member contributions
PSS	299.7	190.6	13.0	% of member salary
PCSS	17.7	16.8	16.0	multiple of member contributions
JPS	48.5	47.2	14.0	% member salary
EISS	5.9	37.9	13.7	Division B - multiple of member contributions Division C - % member salary Division D - multiple of member contributions

Economic Assumptions

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

Weighted Average Assumption	At 30 June 2017 ^(a)		At 30 June 2016	
	Pooled Fund	EISS	Pooled Fund	EISS
Expected Rate of Return on Assets Backing Current Pension Liabilities	7.4% pa	5.9% pa	7.8% pa	6.3% pa
Expected Rate of Return on Assets Backing Other Liabilities	6.4% pa	5.9% pa	6.8% pa	6.3% pa
Expected salary increase rate ^(b)	2.7% pa	2.5% pa	3.0% pa	2.5% pa
Expected Rate of CPI Increase	2.2% pa	2.2% pa	2.5% pa	2.5% pa

- (a) 2017 assumptions have been updated from the 2015 triennial actuarial review to take into account subsequent economic events.
- (b) Pooled Fund expected salary increase rate until 30 June 2019 is 2.7% then 3.2% pa thereafter. For EISS, Essential Energy expects nil salary increase during 2017-18 but a rate of 2.5% is applied thereafter.

Note 23: Other Provisions

Other Provisions

Other provisions exist when:

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

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

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

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

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

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

	General		Total State Sector	Sector
	Government Sector			
	2017	2016		
	\$m	\$m	\$m	\$m
Current	2,237	1,995	2,622	2,460
Non-current	6,578	6,434	9,903	9,519
	8,815	8,429	12,525	11,979

These comprise:

Outstanding Claims:

Self Insurance Corporation (Excluding Self Funded Worker's Compensation)	3,231	3,039	3,231	3,039
Workers' Compensation (Dust Diseases)	1,679	1,739	1,679	1,739
Lifetime Care And Support Scheme	...	...	3,343	2,939
State Insurance Regulatory Authority	142	140	142	140
Long Service Corporation Schemes	999	927	999	927
HIH Loss Compensation	34	40	34	40
Victims Support Fund	171	219	171	219
NSW Share of University Superannuation	1,056	1,037	1,056	1,037
Provision for Land Remediation, Restoration Costs and Other Claims	1,502	1,287	1,869	1,899
Total Other Provisions	8,815	8,429	12,525	11,979

Insurance Recoveries Receivable Include those Accrued by:

Self Insurance Corporation - for Reinsurance and Other Recoveries Receivable	213	231	213	231
Workers' Compensation (Dust Diseases) Authority - Insurance Levies Accrued	526	673	526	673
	739	904	739	904

- The provision for Self Insurance Corporation (excluding self-funded worker's compensation) exists to provide self-insurance coverage for general government agencies and state owned corporations under the *NSW Self Insurance Corporation Act 2004*. The liabilities for these outstanding claims are measured as the present value of the expected future payments. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors such as normal inflation and 'superimposed inflation' (factors such as trends in court awards). This provision is actuarially assessed in consultation with the claims managers of SICorp at each 30 June. The discount rate used is based on NSW Treasury's estimate of fair value for the 10-year New South Wales 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 Self Insurance Corporation (excluding worker's compensation) are:

	TMF		GWC		TAC	
	2017	2016	2017	2016	2017	2016
	%	%	%	%	%	%
Not Later Than One Year						
Inflation Rate	2.5	2.5	2.5 - 2.7	2.5 - 3	2	3
Discount Rate	4.5	4.8	4.5	4.8	4.5	4.8
Superimposed Inflation ^(a)	0 - 4	0 - 5	0 - 1.5	0 - 1.5	3.5	3.5
Later Than One Year						
Inflation Rate	2.5 - 3.5	2.25 - 4	3.1 - 4	2.8 - 4	3.2 - 4	3.25 - 4
Discount Rate	4.5	4.8	4.5	4.8	4.5	4.8
Superimposed Inflation ^(a)	0 - 4	0 - 5	0 - 1.5	0 - 1.5	3.5	3.5

(a) Dependent on payment type

- The provision for Workers' Compensation (Dust Diseases) covers claims to workers in New South Wales who develop a dust disease from occupational exposure to dust. The Workers' Compensation (Dust Diseases) Authority provides a no-fault compensation scheme to victims under the *Workers' Compensation (Dust Diseases) Act 1942*. As at 30 June 2017, this liability was actuarially assessed by Taylor Fry Pty Ltd.
- 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 2017, this liability was actuarially assessed by PricewaterhouseCoopers Actuarial.
- 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 2017, liabilities for compensation payments and estimated compensation for future claims was actuarially assessed by PricewaterhouseCoopers and Finity Consulting Pty Ltd.
- 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 2017, this liability was actuarially assessed by Professional Financial Solutions.
- 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 2017, these liabilities were actuarially assessed by Finity Consulting Pty Ltd.
- 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 2017 in respect to Lodged But Unresolved Claims. However, the amount attributable for Incurred But Not Reported (IBNR) claims are unable to be reliably estimated by the actuary due to a range of key uncertainties (refer to Note 29 - Contingent Assets and Contingent Liabilities).

- A provision for universities superannuation has been recognised for the funding of staff from NSW universities who are members of State Super's defined benefit schemes (SASS, SANCS and SSS). As at 30 June 2017, this liability for universities superannuation was actuarially assessed by Mercer Actuarial Consulting.

Key actuarial assumptions adopted for other Schemes are as follows:

Scheme	Discount Rate %		Inflation Rate %	
	2017	2016	2017	2016
Claims expected to be paid not later than one year				
Workers' Compensation (Dust Diseases)	1.7	1.6	2.7	2.5
Lifetime Care and Support	6.0	6.0	4.0	4.0
State Insurance Regulatory Authority	1.75	1.6	2.7	2.5
Building and Construction Industry Long Service Payment Scheme	6.0	6.0	3.0	3.0
HIH Loss Compensation	1.7	1.6	2.0	2.5
Claims expected to be paid later than one year				
Workers' Compensation (Dust Diseases)	3.2	2.3	2.9	2.3
Lifetime Care and Support	6.0	6.0	4.0	4.0
State Insurance Regulatory Authority	2.0 - 4.2	1.5 - 3.5	2.5 - 3.1	1.0 - 3.5
Building and Construction Industry Long Service Payments Scheme	6.0	6.0	3.0	3.0
HIH Loss Compensation	1.7	1.6	2.2 - 2.3	1.6

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

2016-17 Movement in Other Provisions

	Carrying Amount 1 July 2016	Additional Provisions	Amounts Used	Unused Amounts Reversed	Actuarial (Gain)/Loss	Unwinding / change in discount rate	Carrying Amount 30 June 2017
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Outstanding claims:							
Self Insurance Corporation							
(excluding Workers Compensation)	3,039	559	(474)	...	(24)	131	3,231
Workers' Compensation (Dust Diseases)	1,739	37	(91)	...	(33)	28	1,679
State Insurance Regulatory Authority	140	19	(15)	...	(5)	3	142
Long Service Corporation	927	89	(73)	...	...	56	999
HH Loss Compensation	40	2	(6)	(2)	...	1	34
Victims Support Fund	219	25	(60)	...	...	(13)	171
NSW Share of University Superannuation	1,037	...	(45)	...	16	48	1,056
Land Remediation, Restorations and Other Claims	1,287	456	(206)	(49)	(8)	22	1,502
Total Other Provisions	8,429	1,186	(971)	(51)	(53)	276	8,815

2015-16 Movement in Other Provisions

	Carrying Amount 1 July 2015	Additional Provisions	Amounts Used	Unused Amounts Reversed	Actuarial (Gain)/Loss	Unwinding / change in discount rate	Carrying Amount 30 June 2016
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Outstanding claims:							
Self Insurance Corporation							
(excluding Workers Compensation)	2,985	314	(459)	...	75	124	3,039
Workers' Compensation (Dust Diseases)	1,845	...	(97)	(183)	...	174	1,739
WorkCover Authority	142	...	(20)	10	...	8	140
Long Service Corporation	868	38	(73)	...	...	94	927
HH Loss Compensation	65	...	(5)	(20)	...	...	40
Victims Support Fund	62	207	(45)	...	...	(5)	219
NSW Share of University Superannuation	998	...	(25)	17	...	47	1,037
Land remediation, Restoration and Other Claims	1,268	282	(103)	(56)	(121)	18	1,287
Total Other Provisions	8,234	841	(827)	(232)	(46)	460	8,429

Total State Sector

2016-17 Movement in Other Provisions

	Carrying Amount 1 July 2016	Additional Provisions	Amounts Used	Unused Amounts Reversed	Actuarial (Gain)/Loss	Unwinding / change in discount rate	Carrying Amount 30 June 2017
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Outstanding claims:							
Self Insurance Corporation (excluding Workers Compensation)	3,039	559	(474)	...	(24)	131	3,231
Workers' Compensation (Dust Diseases)	1,739	37	(91)	...	(33)	28	1,679
Lifetime Care and Support Scheme	2,939	357	(126)	...	...	172	3,343
State Insurance Regulatory Authority	140	19	(15)	...	(5)	3	142
Long Service Corporation	927	89	(73)	...	...	56	999
HIH Loss Compensation	40	2	(6)	(2)	...	1	34
Victims Support Fund	219	25	(60)	...	...	(13)	171
NSW Share of University Superannuation	1,037	...	(45)	...	16	48	1,056
Land Remediation, Restorations and Other Claims	1,899	482	(302)	(227)	(8)	24	1,869
Total Other Provisions	11,979	1,570	(1,192)	(229)	(53)	450	12,525

2015-16 Movement in Other Provisions

	Carrying Amount 1 July 2015	Additional Provisions	Amounts Used	Unused Amounts Reversed	Actuarial (Gain)/Loss	Unwinding / change in discount rate	Carrying Amount 30 June 2016
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Outstanding claims:							
Self Insurance Corporation (excluding Workers Compensation)	2,985	314	(459)	...	75	124	3,039
Workers' Compensation (Dust Diseases)	1,845	...	(97)	(183)	...	174	1,739
Lifetime Care and Support Scheme	2,738	158	(117)	...	...	160	2,939
WorkCover Authority	142	...	(20)	10	(0)	8	140
Long Service Corporation	868	38	(73)	...	...	94	927
HIH Loss Compensation	65	...	(5)	(20)	...	...	40
Victims Support Fund	62	207	(45)	...	...	(5)	219
NSW Share of University Superannuation	998	...	(25)	17	...	47	1,037
Land Remediation, Restorations and Other Claims	1,946	563	(364)	(148)	(121)	23	1,899
Total Other Provisions	11,650	1,280	(1,205)	(324)	(46)	625	11,979

Note 24: Other Liabilities

Other Liabilities

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

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

	General		Total State Sector	
	Government Sector 2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Current	1,105	941	8,417	3,145
Non-current	4,646	1,920	4,792	2,041
	5,752	2,861	13,209	5,186
Other Liabilities Comprise:				
Deferred Revenue on the Private Provision of Infrastructure ^(a)	550	569	550	569
Other Deferred Revenue ^(b)	4,381	1,605	4,490	1,751
Other ^(c)	820	687	8,169	2,865
	5,752	2,861	13,209	5,186

- (a) Payments received by the State for the reimbursement of development costs under various privately financed Infrastructure projects following the letting of the Lane Cove Tunnel, Cross City Tunnel and the Western M7 Motorway contracts. Payments were also received for the Lane Cove Tunnel and M7 Motorway concession payments and the M2 and Eastern Distributor promissory notes. These up-front payments are amortised over the life of the concession period.
- (b) In 2016-17, the State entered into a 35 year concession with the private sector for the provision of land titling and registry services. Under the concession, the State received an upfront contribution of \$2,622 million (refer to Note 5 - Discontinued Operations).
- (c) Majority of the Other Liabilities comprises the interest in TCorp IM Funds of investors such as, universities and local government authorities, that are not controlled by the State.

Note 25: Financial Instruments

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

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

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

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

Risk Management Framework

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

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

Under this Act, the Treasurer is given responsibility for exercising a central supervisory role in respect of the investment and liability management activities of authorities to ensure that the NSW public sector's financial risks and exposures are known, properly assessed and prudently managed.

This role is effected through the requirement to have borrowing, investment and associated activities of each authority approved by the Treasurer.

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

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

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

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

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

The State's financial instruments are classified as follows:

Accounting Classifications and Fair Values

Financial Instrument Categories

	Category	Note	General			
			Government Sector		Total State Sector	
			2017	2016	2017	2016
			\$m	\$m	\$m	\$m
Financial Assets						
Cash and Cash Equivalents	Not Applicable	6	8,731	5,260	13,855	10,874
Receivables ^(a)	Loans and receivables (at amortised cost)	7	3,817	3,466	4,411	4,024
Advances Paid	Loans and receivables (at amortised cost)	9	1,005	1,064	616	659
Investments, Loans and Placements						
Financial Assets at Fair Value						
Derivatives	At fair value through profit and loss - classified as held for trading	8	48	28	70	83
Derivatives	Designated as effective hedging instrument	8	0	0	504	789
Other	Designated at fair value through profit and loss	8	26,513	10,517	31,983	18,242
Other Financial Assets						
Term Deposits	Loans and receivables (at amortised cost)	8	5,610	15,085	6,438	11,307
Finance Leases Receivable	Loans and receivables (at amortised cost)	8	932	703	1,250	1,115
Other	Loans and receivables (at amortised cost)	8	236	228	236	228
Equity Investments in Other Public Sector Entities	Available for Sale Financial Assets	10	107,117	97,750	...	...
Other Equity Investments	Available for Sale Financial Assets	10	700	605	700	605
Other Equity Investments	Designated at fair value through profit and loss	10	...	...	16,917	8,088
Financial Liabilities						
Deposits Held	Financial liabilities measured at amortised cost	17	106	126	328	397
Payables ^(b)	Financial liabilities measured at amortised cost	18	6,297	5,605	7,973	6,850
Advances	Financial liabilities measured at amortised cost		812	857	812	857
Borrowings ^(c)	Financial liabilities measured at fair value	19	903	6	63,026	73,936
	Financial liabilities measured at amortised cost	20	31,909	31,836	6,963	5,176
Derivatives	At fair value through profit and loss - classified as held for trading	19	1	2	78	231
	Designated as effective hedging instruments	19	1	1	526	754

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

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

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

Valuation of Financial Instruments

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

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

Fair Value Hierarchy of Financial Assets and Liabilities

General Government Sector

30 June 2017	Note	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Financial Assets at Fair Value					
Fiduciary Investments Administered by NSW Treasury Corporation					
TCorp IM Managed Funds	8	...	24,863	...	24,863
Derivatives	8	7	(0)	41	48
Other	8	912	739	...	1,651
Other equity investments	10	...	...	700	700
Total		918	25,601	741	27,261
Financial Liabilities at Fair Value					
Borrowings Measured at Fair Value					
Derivatives	19	...	903	...	903
Derivatives	19	...	2	...	2
Total		...	905	...	905
Net Total		918	24,697	741	26,356

Total State Sector

30 June 2017		Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Financial Assets at Fair Value					
Fiduciary Investments Administered by NSW Treasury Corporation					
Securities and Placements Held by NSW Treasury Corporation	8	2,437	3,839	...	6,275
Derivatives	8	8	524	41	574
Other	8	1,055	24,653	...	25,708
Other equity investments	10	16,797	...	820	17,617
Total		20,298	29,015	861	50,174
Financial Liabilities at Fair Value					
Borrowings Measured at Fair Value					
Derivatives	19	56,484	5,921	621	63,026
Derivatives	19	7	596	...	604
Total		56,491	6,517	621	63,630
Net Total		(36,193)	22,498	240	(13,456)

Fair Value Hierarchy of Financial Assets and Liabilities (continued)

General Government Sector

30 June 2016		Level 1	Level 2	Level 3	Total
		\$m	\$m	\$m	\$m
Financial Assets at Fair Value					
Fiduciary Investments Administered by NSW Treasury Corporation					
TCorp IM Managed Funds	8	...	9,675	...	9,675
Derivatives	8	...	0	28	28
Other	8	639	203	...	842
Other equity investments	10	...	...	605	605
Total		639	9,878	633	11,150
Financial Liabilities at Fair Value					
Borrowings Measured at Fair Value	19	...	6	...	6
Derivatives	19	...	2	...	2
Total		...	8	...	8
Net Total		639	9,870	633	11,142

Total State Sector

30 June 2016		Level 1	Level 2	Level 3	Total
		\$m	\$m	\$m	\$m
Financial Assets at Fair Value					
Fiduciary Investments Administered by NSW Treasury Corporation					
Securities and Placements Held by NSW Treasury Corporation	8	2,632	2,914	...	5,545
Derivatives	8	8	836	28	872
Other	8	1,663	11,034	...	12,697
Other equity investments	10	8,088	...	605	8,693
Total		12,391	14,784	633	27,808
Financial Liabilities at Fair Value					
Borrowings measured at Fair Value	19	64,186	9,018	732	73,936
Derivatives	19	136	849	...	985
Total		64,322	9,867	732	74,921
Net Total		(51,931)	4,917	(100)	(47,113)

Financial Instruments Measured at Fair Value – Level 3

Type	Valuation technique	Significant unobservable inputs	Relationship between inputs and fair value
Borrowings Measured at Fair Value	Euro Medium Term Notes held by TCorp are classified at Level 3 in the hierarchy. These are foreign currency denominated fixed interest borrowings. The fair value of these is derived from quoted market prices of the underlying securities and observable inputs.	The quoted prices obtained for these securities are subject to a buy/sell spread (also known as a risk adjustment) in recognition of the limited trading activity of these bonds. This "spread" is unobservable.	There were no significant inter-relationships between unobservable inputs that materially affect fair value.

Annual Movement Reconciliation of Level 3 Fair Value Measurements

	General		Total State Sector	
	Government Sector			
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Opening Balance	28	23	(705)	(783)
Total Gains and (Losses) - Realised	...	...	...	(30)
Total Gains and (Losses) - Unrealised	13	5	125	(123)
Settlements	...	...	...	231
Closing Balance	41	28	(580)	(705)

Measurement of Fair Values

Financial Instruments Measured at Fair Value – Level 2

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

TCorp IM Funds General Government – The value of the TCorp IM investments 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 TCorp IM funds are valued using 'redemption' pricing.

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

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

Other Financial Assets at Fair Value – This comprises mainly of bank deposits from financial institutions that are held by TCorp and Non-TCorp unit trusts/equity held by other agencies.

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

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

Financial Instruments not measured at Fair Value

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

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

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

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

30 June 2017	General Government Sector		Total State Sector	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	\$m	\$m	\$m	\$m
Financial Liabilities				
Borrowings at Amortised Cost	31,909	34,000	6,963	7,088

30 June 2016	General Government Sector		Total State Sector	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	\$m	\$m	\$m	\$m
Financial Liabilities				
Borrowings at Amortised Cost	31,836	35,968	5,176	5,304

Credit Risk of Financial Assets

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

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

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

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

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

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

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

The State holds various security deposits in the General Government Sector to the value of \$106 million (2016: \$126 million) and Total State Sector to the value of \$328 million (2016: \$397 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 \$151.2 million of collateral received under these arrangements at the reporting date (2016: \$152.9 million). The State had paid \$95.2 million of collateral under these arrangements during the year (2016: \$68.7 million).

Cash and Cash Equivalents

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

Receivables and Advances Paid

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

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

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

Movement in Allowance for Impairment

	General			
	Government Sector		Total State Sector	
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Opening Balance at 1 July	161	142	198	177
Amounts Written Off During the Year	(43)	(46)	(51)	(53)
Amounts Previously Provided for Recovered During the Year	(2)	(1)	(3)	(3)
Increase/(Decrease) in Allowance Recognised in Profit or Loss	52	66	54	77
Closing Balance at 30 June^(a)	169	161	199	198

(a) Excludes statutory receivables and prepayments.

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

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

Receivables and advances paid that are not past due (General Government Sector 2017: \$4.4 billion; 2016: \$4.1 billion; Total State Sector 2017: \$4.5 billion; 2016: \$4.0 billion) represent 91.1 per cent of the total receivables and advances paid for the General Government Sector (2016: 91.0 per cent) and 88.2 per cent of the total receivables and advances paid for the Total State Sector (2016: 85.9 per cent). On the basis of materiality, information has not been collated for the State on the quantum of debtors which are currently not past due or impaired whose terms have been renegotiated.

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

Financial Instruments Past Due or Impaired

	General			
	Government Sector		Total State Sector	
	Past due but not impaired	Considered impaired	Past due but not impaired	Considered impaired
	\$m	\$m	\$m	\$m
30 June 2017				
Less than Three Months Overdue	164	7	246	13
Between Three Months and Six Months Overdue	53	14	90	16
Greater than Six Months Overdue	110	104	128	124
Total	326	125	464	153
30 June 2016				
Less than Three Months Overdue	151	10	324	20
Between Three Months and Six Months Overdue	51	16	90	19
Greater than Six Months Overdue	77	105	81	128
Total	279	131	495	166

Each column in the table reports 'gross receivables'.

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

Financial Assets at Fair Value and Other Financial Assets

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

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

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

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

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

Categorisation and Concentration of Credit Risk

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

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

General Government Sector

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

30 June 2016									
Credit Rating ^(a)	Note	AAA	AA+	AA	AA-	A+	A	Other Ratings ^(b)	Total
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Financial Assets at Carrying Amount^(c)									
Derivative Financial Instruments	8	28	...	...	0	...	...	...	28
Other Financial Assets at Fair Value	8	399	...	129	...	...	9	306	842
Term Deposits	8	4,429	...	80	10,525	29	22	...	15,085
Finance Lease Receivable	8	...	...	...	...	...	...	703	703
Other Financial Assets at Amortised Cost	8	...	...	...	...	...	...	228	228
		4,855	...	209	10,525	29	31	1,237	16,885

(a) Amounts are assigned to the credit ratings categories based on information provided by individual agencies who use rankings assigned by S&P or Moody's Investor Services. "AAA", "AA+", "AA", "AA-", "A+", "A" displayed in the column headings are ratings categories by S&P that are comparable with "Aaa", "Aa1", "Aa2", "Aa3", "A1", "A2" ratings given by Moody's.

(b) Short term ratings of A2 or better, when the counterparty has no long term rating or the long term rating is A- or lower.

(c) This table excludes \$8,952 million (2016: \$5,260 million) of cash and cash equivalents held in TCorp IM Fund and other financial institutions with various credit ratings and \$24,863 million (2016: \$9,675 million) of financial assets held in TCorp IM Managed Funds.

Total State Sector

30 June 2017									
Credit Rating ^(a)	Note	AAA	AA+	AA	AA-	A+	A	Other Ratings ^(b)	Total
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Financial Assets at Carrying Amount^(c)									
Securities and Placements	8	1,789	551	96	1,304	742	1,097	695	6,275
Derivative Financial Instruments	8	49	...	...	331	157	...	36	574
Other Financial Assets at Fair Value	8	3,678	...	477	20,244	90	19	1,200	25,708
Term Deposits	8	135	126	...	5,312	469	188	207	6,438
Finance Lease Receivable	8	...	...	...	...	...	...	1,250	1,250
Other Financial Assets at Amortised Cost	8	...	...	...	...	...	...	236	236
		5,652	677	573	27,191	1,459	1,304	3,624	40,480

Other Adjustments for Items not on the Statement of Financial Position^(d)									
Additional Potential Exposure to Derivatives		...	...	...	152	70	2	2	227
Additional Potential Exposure to Financial Instruments		...	2	4	...	3	3	2	14
		5,652	680	577	27,343	1,532	1,309	3,628	40,721

30 June 2016									
Credit Rating ^(a)	Note	AAA	AA+	AA	AA-	A+	A	Other Ratings ^(b)	Total
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Financial Assets at Carrying Amount^(c)									
Securities and Placements	8	1,525	516	...	2,070	743	...	691	5,545
Derivative Financial Instruments	8	28	...	...	544	218	30	53	872
Other Financial Assets at Fair Value	8	2,698	...	235	6,478	2,953	9	324	12,697
Term Deposits	8	410	...	80	10,581	201	35	...	11,307
Finance Lease Receivable	8	...	...	...	...	...	...	1,115	1,115
Other Financial Assets at Amortised Cost	8	...	...	...	...	...	...	228	228
		4,662	516	315	19,673	4,114	74	2,413	31,765

Other Adjustments for Items not on the Statement of Financial Position^(d)									
Additional Potential Exposure to Derivatives		0	...	...	162	31	39	18	250
Additional Potential Exposure to Financial Instruments		...	...	...	7	4	...	3	14
		4,662	516	315	19,843	4,149	113	2,433	32,029

- (a) Refer to footnote in General Government Sector table above.
- (b) Refer to footnote in General Government Sector table above.
- (c) This table excludes \$14,176 million (2016: \$10,874 million) of cash and deposits held in TCorp IM Fund and other financial institutions with various credit ratings.
- (d) These items are additional credit exposures not reported on the Statement of Financial Position. These disclosures represent the market value convention for the calculation of credit exposure for derivative financial instruments. This convention is to add to the market value an amount of potential exposure as determined by reference to the length of time to maturity and face value.

Liquidity Risk

Liquidity Risk of Liabilities

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

The State has a number of financial guarantees outstanding at 30 June 2017 with an estimated amortised value of \$4.4 million (2016: \$6.2 million) recognised in the Statement of Financial Position. The estimated value was calculated by independent valuers based on the probability of these guarantees being exercised.

It comprises three types of guarantees, with the largest one for Public Private Partnership (PPP) guarantees \$5.3 billion (2016: \$5.6 billion). The State has guaranteed that five agencies involved in PPPs will meet their obligations to pay for finance leases and services provided. These are long term agreements involving significant sums. It is very unlikely that the agencies would cease to pay the finance lease contracts on assets or meet payments for services they require for their operations.

Liquidity Risk of Assets

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

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

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

Maturity Analysis of Financial Liabilities

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

General Government Sector

30 June 2017	Contract maturity:			Nominal Amount ^(a) 2017 \$m
	1 year or less	1 to 5 years	Over 5 years	
	2017	2017	2017	
	\$m	\$m	\$m	\$m
Financial Liabilities				
Payables and Other Financial Liabilities	6,163	2	...	6,166
Advances Received	81	440	837	1,358
Domestic and Foreign				
Borrowings	1,912	14,790	21,867	38,568
Finance Leases	516	1,896	3,561	5,973
Derivative Liabilities ^(b)	17	4	...	21
Total Financial Liabilities	8,689	17,132	26,265	52,086

30 June 2016	Contract maturity:			Nominal Amount ^(a) 2016 \$m
	1 year or less	1 to 5 years	Over 5 years	
	2016	2016	2016	
	\$m	\$m	\$m	\$m
Financial Liabilities				
Payables and Other Financial Liabilities	5,749	2	0	5,751
Advances Received	56	338	803	1,198
Domestic and Foreign				
Borrowings	2,698	15,927	21,443	40,068
Finance Leases	465	1,813	3,873	6,151
Derivative Liabilities ^(b)	19	13	...	31
Total Financial Liabilities	8,986	18,093	26,119	53,198

- (a) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities and therefore will not reconcile to the Statement of Financial Position, which is based on fair value or amortised cost. The balances presented here include gross finance lease obligations, contractual amounts to be exchanged in a derivative financial instrument for which gross cash flows are exchanged, and gross loan commitments, i.e. borrowings at face value plus future interest commitments.
- (b) The contract maturity analysis and liquidity risk of derivative liabilities is the best approximation derived from reasonable estimates that were calculated from information sourced from major NSW entities. These balances include estimated interest payments and exclude the impact of offsetting arrangements.

Total State Sector

30 June 2017	Contract maturity:			Nominal Amount ^(a)
	1 year or less	1 to 5 years	Over 5 years	
	2017	2017	2017	
	\$m	\$m	\$m	\$m
Financial Liabilities				
Payables and Other Financial Liabilities	7,339	9	...	7,348
Advances Received	81	440	837	1,358
Domestic and Foreign				
Borrowings	11,652	29,830	31,965	73,447
Finance Leases	815	3,103	11,228	15,146
Derivative Liabilities ^(b)	421	1,010	878	2,309
Total Financial Liabilities	20,309	34,392	44,908	99,608

30 June 2016	Contract maturity:			Nominal Amount ^(a)
	1 year or less	1 to 5 years	Over 5 years	
	2016	2016	2016	
	\$m	\$m	\$m	\$m
Financial Liabilities				
Payables and Other Financial Liabilities	7,429	11	0	7,440
Advances Received	56	338	803	1,198
Domestic and Foreign				
Borrowings	15,875	33,821	35,204	84,899
Finance Leases	614	2,445	9,067	12,126
Derivative Liabilities ^(b)	610	1,058	1,095	2,763
Total Financial Liabilities	24,585	37,673	46,169	108,427

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

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

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The State's exposures to market risk are primarily through:

- interest rate risk on the State's borrowings and investments
- price risks associated with the movement in the unit price of the TCorp IM Investment Funds
- electricity and other price risks that affect specific revenue and expenses, and
- foreign exchange risk that could affect borrowings and the value of overseas purchases.

For interest rate risk and TCorp IM Funds price risk the effect on operating result and equity due to a reasonably possible change in a risk variable is outlined in the information below. A reasonably possible change in a risk variable has been determined after taking into account the economic environment in which the State operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the reporting date.

Interest Rate Risk

Exposure to interest rate risk arises primarily through the State's interest bearing assets and liabilities. This risk is managed by undertaking mainly fixed rate borrowings predominantly through TCorp and entering fixed interest deposits, primarily through TCorp.

TCorp manages the debt portfolio for the majority of the State's entities. A small number of other commercial entities engage private sector financial institutions to manage or advise on the management of their debt portfolios, or manage their own portfolios.

The State's exposure to interest rate risk is set out in the table below. The Interest Rate Risk Table reports the estimated sensitivity of a one per cent movement in interest rates to the operating result of the State.

A reasonably possible change of +/- one per cent is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

TCorp's borrowing and investment activities are disclosed in the following tables of Interest Rate Risk – Sensitivity Analysis. However, instead of applying the plus (or minus) one per cent sensitivity, a Value at Risk (VaR) model is used to measure the market risk exposures of the TCorp borrowings and investments in the Statement of Financial Position. VaR is calculated daily and represents an estimate of the loss that can be expected over a 10-day period, with a one per cent probability that this amount may be exceeded. Given TCorp's financial position at 30 June 2017, the maximum potential loss expected over a 10-day period is \$9.3 million (2016: \$14.6 million), with a one per cent probability that this maximum may be exceeded. The average VaR over the year ended 30 June 2017 was \$11.3 million (2016: \$11.6 million).

Interest Rate Risk – Sensitivity Analysis

Exposure to interest rate risk arises primarily through the State's interest bearing liabilities.

Movements in the sensitivity to interest rates between periods are due to changes in the amount of variable rate borrowings and interest rate contracts.

General Government Sector

	Note	Carrying Amount \$m	-1% Operating Result ^(a) \$m	Equity \$m	1% Operating Result ^(a) \$m	Equity \$m
2017						
Financial Assets						
Cash and Cash Equivalents ^(b)	6	8,731	(83)	...	83	...
Investments, Loans and Placements						
Financial Assets at Fair Value						
- Administered by TCorp ^(c)	8	24,863	...	...	...	...
Other Financial Assets						
- Term Deposits	8	5,610	(56)	...	56	...
- Other	8	236	(2)	...	2	...
Financial Liabilities						
Borrowings - from TCorp	20	28,821	...	...	...	...
2016						
Financial Assets						
Cash and Cash Equivalents ^(b)	6	5,260	(50)	...	50	...
Investments, Loans and Placements						
Financial Assets at Fair Value						
- Administered by TCorp ^(c)	8	9,675	...	...	...	...
Other Financial Assets						
- Term Deposits	8	15,085	(151)	...	151	...
- Other	8	228	(2)	...	2	...
Financial Liabilities						
Borrowings - from TCorp	20	28,672	...	...	...	...

(a) A decrease (increase) of one percentage point in interest rates on variable financial instruments at reporting date would have increased (decreased) the operating result by the amounts shown. This analysis assumes that fixed rate instruments held at 30 June will be reinvested upon maturity in fixed (and not floating) rate instruments, and all other variables remain constant. Where the carrying amount is impacted, this amount is multiplied by +/- one per cent.

(b) Excludes TCorp IM cash fund addressed separately in Price Risk

(c) Excludes TCorp IM Financial Assets at Fair Value addressed separately in Price Risk

Total State Sector

	Note	Carrying Amount \$m	-1% Operating Result ^(a) \$m	Equity \$m	1% Operating Result ^(a) \$m	Equity \$m
2017						
Financial Assets						
Cash and Cash Equivalents ^(b)	6	13,855	(139)	...	139	...
Investments, Loans and Placements						
Financial Assets at Fair Value						
- Administered by TCorp ^(c)	8	6,275	(10)	...	10	...
Other Financial Assets						
- Term Deposits	8	6,438	(64)	...	64	...
- Other	8	236	(2)	...	2	...
Financial Liabilities						
Borrowings - Issued by TCorp	19	62,439	...	...	...	...
2016						
Financial Assets						
Cash and Cash Equivalents ^(b)	6	10,874	(109)	...	109	...
Investments, Loans and Placements						
Financial Assets at Fair Value						
- Administered by TCorp ^(c)	8	5,545	(9)	...	9	...
Other Financial Assets						
- Term Deposits	8	11,307	(113)	...	113	...
- Other	8	228	(2)	...	2	...
Financial Liabilities						
Borrowings - Issued by TCorp	19	73,930	...	...	...	...

(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.

Price Risk

The State's main exposures to price risk result from changes in market prices of its TCorp IM managed funds, and through changes in the spot price for electricity purchases and sales within the National Electricity Market.

TCorp IM Funds

The State holds units in the following TCorp IM Funds, which are held for strategic rather than trading purposes. The funds comprise a series of managed funds which are subject to volatility in their unit prices. Each fund comprises a different underlying type of investment, with associated risks and investment horizons.

Trust	Investment Sectors	Investment Horizon	General			
			Government Sector		Total State	Sector
			2017	2016	2017	2016
			\$m	\$m	\$m	\$m
Cash Fund	Cash, money market instruments	Up to 1.5 years	393	253	...	...
Strategic Cash Fund	Cash, money market instruments	1.5 years to 3 years	4	4	...	...
Medium Term Growth Fund	Cash, money market instruments, Australian and international bonds, listed property, Australian shares	3 years to 7 years	129	128	...	...
Long Term Growth Facility	Cash, money market instruments, Australian and international bonds, listed property, Australian shares	7 years and over	1,971	1,908	...	...
Insurers' Guarantee Fund Investment Trust	Cash, money market instruments, Australian and international bonds, listed property, Australian shares	7 years and over	188	...	...	...
Treasury Managed Fund	Cash, money market instruments, Australian bonds, listed and unlisted property, Australian, international and emerging market shares	Long Term	7,482	7,239	...	...
Australian Shares Sector	Australian shares	5 years and over	107	120	...	...
International Shares Sector	International shares	5 years and over	45	19	...	...
International Shares Hedged Sector	International shares	5 years and over	37	59	...	...
Emerging Markets Shares Sector	Emerging market shares	5 years and over	48	50	...	...
Listed Property Sector	Global Real Estate Investment Trusts	5 years and over	...	6	...	...
Unlisted Property Sector	Retail, office and industrial property assets	10 years and over	122	121	...	...
Unlisted Infrastructure Fund	Unlisted Managed Investment Funds	10 years and over	49	21	...	...
NSW Infrastructure Future Fund	Cash, Australian and international shares, Australian bonds, emerging market equities	Long Term	14,681	...	...	...
The State's TCorp IM Funds			25,255	9,928	...	...

The TCorp IM Investment trusts are designated at fair value through profit or loss and therefore any change in unit price impacts directly on the operating result. The unit price of each trust is equal to the total fair value of the net assets held by the trust divided by the number of units on issue for that trust. Unit prices are calculated and published daily.

For each of the above trusts, as trustee, TCorp has appointed external managers to manage the performance and risks of each trust in accordance with a mandate agreed by the parties. However, TCorp acts as manager for part of the Cash Fund and for the Strategic Cash Fund. The NSW Infrastructure Future Fund consists predominately of Restart NSW monies.

Investment in the TCorp IM Funds limits the State's exposure to risk, as it allows diversification across a pool of funds with different investment horizons and a mix of investments.

The following table provides sensitivity analysis information for each of the TCorp IM trusts, using historically based volatility information collected over a 10 year period, quoted at two standard deviations (i.e. 95 per cent probability).

A reasonably possible change is based on the percentage change in unit price (as advised by TCorp) multiplied by the redemption value at 30 June each year for each trust.

Price Risk Sensitivity Analysis of the TCorp IM Funds

Trust	Change in Unit	Change in Unit	General		Total State Sector	
	Price	Price	Government Sector	2016	2017	2016
	2017	2016	2017	2016	2017	2016
			\$m	\$m	\$m	\$m
Cash Fund	+/-1.0%	+/-1.0%	4	3	...	...
Strategic Cash Fund	+/-0.5%	+/-1.0%	0	0	...	...
Medium Term Growth Fund	+/-7.0%	+/-7.0%	9	9	...	...
Long Term Growth Fund	+/-16.0%	+/-16.0%	315	305	...	...
Insurers' Guarantee Fund Investment Trust	+/-8.0%	...	15	...	...	...
Treasury Managed Fund Facility	+/-10.0%	+/-18.0%	748	1,303	...	...
Australian Shares Sector	+/-28.0%	+/-28.0%	30	34	...	...
International Shares Sector	+/-25.0%	+/-24.0%	11	4	...	...
International Shares Hedged Sector	+/-26.0%	+/-29.0%	11	17	...	...
Emerging Markets Shares Sector	+/-19.0%	+/-20.0%	10	10	...	...
Listed Property Sector	+/-38.0%	+/-38.0%	...	2	...	...
Unlisted Property Sector	+/-5.0%	+/-5.0%	6	6	...	...
Unlisted Infrastructure Fund	+/-10.0%	+/-9.0%	4	2	...	...
NSW Infrastructure Future Fund	+/-8.0%	...	1,174	...	...	...

The table above shows that the State's dollar exposure to TCorp IM Funds price risk can be relatively significant, particularly for its holdings in the Long Term Growth Fund, Treasury Managed Fund Facilities and NSW Infrastructure Future Fund. These funds are underpinned by heavier weightings in share and property growth assets. It should be expected that, while there can be short-term volatility in annual returns, they will return higher long term returns than the Cash or Strategic Cash Funds. In particular, the Treasury Managed Fund and NSW Infrastructure Future Fund investments are held beyond the short-term to reflect the longer-term payment horizon for insurance claims, which can extend beyond a few years.

Foreign Exchange Risk

The State, through its consolidated entities, has policies and procedures in place and utilises foreign exchange derivatives to minimise foreign exchange risk.

Borrowings

In order to achieve the most cost effective funding of the State's debt, TCorp conducts a number of debt issues in foreign currencies in foreign capital markets.

Foreign exchange risk, arising from offshore borrowings undertaken in foreign currencies to fund Australian dollar assets, is covered by entering into Australian dollar cross-currency swaps and forward foreign exchange contracts.

Forward foreign exchange contracts with clients are covered by corresponding forward exchange contracts with market counterparties. In the majority of these arrangements the clients indemnify TCorp for any credit exposure arising from the corresponding transaction with the market counterparty.

Managed Asset Portfolios

TCorp hedges all foreign currency exposure for international fixed interest and listed property unit trust investments and foreign currency denominated bond investments. As at 30 June 2017, the State had no transactional or structural currency exposures associated with these portfolios (2016: nil).

Other Purchase and Sale Commitments

Entities in the NSW Total State Sector enter into forward foreign exchange contracts to hedge certain purchase and sale commitments entered into in the normal course of business. These contracts cover the purchase of capital equipment and supplies for state electricity and transport authorities and arts agencies.

Foreign Exchange Contracts Denominated in their Foreign Currency

Buy Currency	General		Total State Sector	
	Government Sector	Government Sector	Government Sector	Government Sector
	2017	2016	2017	2016
	In Foreign Currency	In Foreign Currency	In Foreign Currency	In Foreign Currency
	Millions	Millions	Millions	Millions
Euro	14	33	16	55
Japanese Yen	7	3	7	3,830
United Kingdom Pound	0	3	2	3
United States Dollar	0	74	19	114

The foreign currency risk is not considered material in terms of a possible impact on the operating result and total equity and, as such, a sensitivity analysis has not been completed. The total exposure in Australian dollars is estimated at \$49 million (2016: \$319 million).

Note 26: Trusts Under Management

Trusts under management are held on behalf of beneficiaries and are not controlled by the State. Therefore, these trusts are not recognised as assets or liabilities on the Statements of Financial Position. Trusts under management mainly comprise various forms of estates under management, unclaimed monies and Supreme Court trust funds held in statutory accounts.

	General		Total State Sector	
	Government Sector	Government Sector	Government Sector	Government Sector
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Trust Funds: ^(a)				
NSW Trustee and Guardian ^(b)	2,896	2,786	2,896	2,786
State Insurance Regulatory Authority	1,376	1,343	1,376	1,343
Rental Bond Board	1,424	1,309	1,424	1,309
NSW Treasury Corporation (fiduciary investments)	...	...	987	212
Department of Industry	181	189	181	189
Ministry of Health	76	74	76	74
Department of Planning and Environment	164	2	164	2
Other	262	256	262	256
	6,379	5,959	7,366	6,171

(a) There have been restatements of the 2016 balances to reflect revised information available after the release of the 2015-16 Total State Sector Accounts.

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

Note 27: Finance and Operating Leases

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

Finance Leases

Finance leases are recognised in the Statement of Financial Position by the lessee as assets and liabilities and measured initially at the fair value, or if lower at the present value, of the minimum lease payments. The leased asset is depreciated on a straight line basis over the shorter of the term of the lease and its useful life or, where it is likely that the entity will obtain ownership of the asset, the useful life of the asset to the entity. The finance lease liability is determined in accordance with AASB 117 *Leases*. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lessor in a finance lease initially recognises a lease receivable for an amount equal to the net investment in the lease, and subsequently recognises finance income based on a pattern reflecting a constant periodic rate of return on the net investment in the lease.

Long term leases of land are classified as finance leases receivable. This recognises that substantially all the risks and rewards incidental to ownership of the land are transferred to the lessee.

Operating Leases

Operating lease payments and receipts are recognised in the Statement of Comprehensive Income by the lessor and charged to the operating result on a straight lines basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Leasehold Improvement

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

Leases as Lessee

Future Minimum Lease Payments

At 30 June the future minimum lease payments under non-cancellable leases were payable as follows:

Finance Lease Commitments - Payables	General			
	Government Sector		Total State Sector	
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Finance Leases	3,088	3,164	6,391	5,113
	3,088	3,164	6,391	5,113

Future Minimum Lease Payments Under Non-Cancellable

Finance Leases:				
Not Later Than One Year	516	465	815	614
Between One and Five Years	1,896	1,813	3,103	2,445
Later Than Five Years	3,561	3,873	11,228	9,067
Minimum Lease Payments	5,973	6,151	15,146	12,126
Less: Future Finance Charges	(2,885)	(2,987)	(8,755)	(7,013)
Present Value of Minimum Lease Payments	3,088	3,164	6,391	5,113
Finance Lease Liabilities Resulting in Contingent Rental Expense	10	166	10	166

Operating Lease Commitments - Payables	General			
	Government Sector		Total State Sector	
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Future Minimum Lease Payments Under Non-Cancellable Operating Leases:				
Not Later Than One Year	876	795	1,018	975
Between One and Five Years	2,176	1,941	2,428	2,278
Later than Five Years	1,518	1,367	1,800	1,669
	4,570	4,103	5,246	4,922

Leases as Lessor

Future Minimum Lease Payments

At 30 June the future minimum lease payments under non-cancellable leases were receivable as follows:

Finance Leases Receivable	General			
	Government Sector		Total State Sector	
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Finance Leases	932	703	1,250	1,115
	932	703	1,250	1,115

Future Minimum Lease Receipts Under Finance Leases are Receivable for each of the Following Periods:

Not Later Than One Year	26	25	71	54
Between One and Five Years	565	384	663	517
Later Than Five Years	52,740	629	60,290	951
Gross Investment in the Lease	53,331	1,037	61,024	1,522
Less: Future Interest Revenues	(52,398)	(334)	(59,775)	(407)
Present Value of Minimum Lease Payments Receivable	932	703	1,250	1,115
Finance Lease Receivables Resulted In:				
The Unguaranteed Residual Values Accruing to Lessors Benefit	32	28	46	28
Contingent Rents Recognised as Income	1	2	1	2

Finance lease receivables includes a residual emerging interest in the port assets amounting to \$203 million (2016: \$190 million) in the General Government Sector and \$287 million (2016: \$268 million) in the Total State Sector and in the electricity network assets amounting to \$105 million (2016: \$28 million) in the General Government Sector and Total State Sector for 2016-17.

Operating Lease - Receivables	General			
	Government Sector		Total State Sector	
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Future Operating Lease Rentals not Provided for in the Financial Statements and Receivable:				
Not Later Than One Year	106	93	174	142
Later Than One Year and Not Later Than Five Years	215	244	346	361
Later Than Five Years	791	687	1,141	1,097
	1,112	1,024	1,661	1,600

Note 28: Expenditure Commitments

The following represents expenditure contracted for at the reporting date, but not recognised in the financial statements.

	General		Total State Sector	
	Government Sector		2017	2016
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Capital Expenditure (including expenditure for private sector financed infrastructure assets)				
Transport for NSW ^(e)	4,874	2,225	4,868	2,225
Roads and Maritime Services	3,642	3,256	3,629	3,250
WCX M5 Pty Limited	...	...	2,693	3,825
WCX M4 Pty Limited	...	...	1,327	2,464
Ministry of Health	1,009	913	1,009	913
Sydney Water Corporation	...	...	926	724
Department of Justice ^(c)	439	38	439	38
Venues NSW ^(d)	...	...	261	...
Department of Education	230	155	230	155
New South Wales Land and Housing Corporation	...	...	107	100
Sydney Opera House Trust	...	...	57	...
Water NSW	...	...	49	28
Department of Family and Community Services	44	80	44	79
Hunter Water Corporation	...	...	42	43
Zoological Parks Board	...	...	37	...
NSW Police Force	36	47	36	47
New South Wales Telecommunications Authority	27	...	27	...
Essential Energy	...	...	19	29
Sydney Trains	...	...	4	37
Department of Industry ^(f)	3	25	3	25
Service NSW	3	39	3	39
Ausgrid ^(a)	...	...	...	94
Endeavour Energy ^(a)	...	...	...	49
Other	67	86	90	135
	10,374	6,864	15,900	14,298
Goods and Services Tax (GST) on Commitments^(b)				
GST input tax credits included in the above Capital Expenditure commitments:	943	623	1,446	1,298
	943	623	1,446	1,298
Capital Expenditure Commitments:				
Not later than one year	6,169	3,625	9,733	6,750
Later than one year and not later than five years	4,201	3,238	5,993	7,446
Later than five years	4	1	174	102
	10,374	6,864	15,900	14,298

(a) Following completion of the long-term partial lease of Ausgrid and Endeavour Energy, capital commitments were de-recognised in 2016-17.

(b) The above expenditure commitments are inclusive of GST. GST input tax credits (debits) are expected to be recoverable from (payable to) the Australian Taxation Office.

(c) Increase due to new prison and corrective centre commitments.

(d) Increase due to the redevelopment of Pirtek Stadium at Parramatta.

(e) Increase due to infrastructure assets under construction including Sydney Metro City, Southwest Road and Rail projects, Parramatta Light Rail, Wickham Transport interchange and Newcastle Light Rail.

(f) Formerly, Department of Industry, Skills and Regional Development.

Note 29: Contingent Assets and Contingent Liabilities

Contingent assets and contingent liabilities are possible future assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly in the control of the State. In this note, contingent assets and liabilities have been classified into quantifiable (where its financial effect is able to be estimated) or non-quantifiable.

Guarantees are provided to facilitate the provision of certain services and the construction of several infrastructure assets may give rise to contingent liabilities.

Contingent Liabilities

Quantifiable Contingent Liabilities

	General		Total State Sector	
	Government Sector		2017	2016
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
Department of Justice ^(a) (Claims in Respect of Compensation and Litigation)	463	405	463	405
Roads and Maritime Services ^(b) (Contractual Claims and Litigation)	701	684	701	684
Transport for NSW (Contractual Claims and Litigation)	3	7	3	7
Other Agencies	9	7	19	28
	1,176	1,103	1,186	1,125

(a) The Victims' Support Scheme (VSS) was created on 3 June 2013 through legislation known as the *Victims' Rights and Support Act 2013*. Given the range of key uncertainties, the amount attributable to IBNR liabilities under the VSS could reasonably lie within the range of \$231 million to \$463 million (2016: \$160 million to \$405 million). As the VSS matures, the Department's actuary will be able to determine a more reliable estimate to be used in future liability provisioning. (Refer Note 23 - Other Provisions).

(b) The majority of this movement relates to outstanding litigation matters regarding large scale property acquisitions as part of the Westconnex project.

Non-quantifiable Contingent Liabilities

Details are summarised below of the most significant contingent liabilities which are all fully disclosed in the accounts of individual agencies.

Unless otherwise stated, the General Government contingent liabilities are also applicable to the Total State Sector. Included in these are:

- The State has a contingent liability under the *Native Title Act 1993 (Cth)* and the *Native Title (New South Wales) Act 1994*. The extent of the liability cannot be quantified. The liability arises because:
 - The State has an obligation to pay compensation to native title holders in respect of past acts and intermediate period acts (i.e. acts undertaken between October 1975 and December 1996 which were invalid because of native title), which were validated by operation of the *Native Title Act 1993* and the *Native Title (New South Wales) Act 1994*, and those arising from the undertaking of future acts (i.e. acts which affect native title undertaken after 1 January 1994 and for which the *Native Title Act 1993* provides that compensation is payable) by the State and its instrumentalities.

The State has an indemnity under Section 104 of the *Native Title (New South Wales) Act 1994* with respect to compensation arising from a compulsory acquisition of native title by an authority which is not the Crown in the right of the State.

- During the 2016-17 year, 638,641 hectares (2015-16: 672,020 hectares) of operational timber reserves were subject to claims under the *Native Title (New South Wales) Act 1994*. The impact of these claims cannot be quantified at this time.

- The assets of the State in the form of reserved Crown land may be reduced in value by operation of the *Aboriginal Land Rights Act 1983* (NSW). Applications may result in land being transferred for no consideration. The State has approximately 32,360 Aboriginal Land Claims to review. These applications have not been finalised and it is therefore not possible to estimate the financial impact or result of the claims.
- Claims have been made against the State for compensation for land acquired under the *Land Acquisition (Just Terms Compensation) Act 1991*. The Land and Environment Court will consider these claims in due course.
- Through the proactive assessment of high risk categories of potentially contaminated land; the State has identified 163 high risk sites (2016: 115 high risk sites and 1 very high risk) on Crown land which are likely to have some degree of contamination. Most of these sites are subject to preliminary site investigations or clean up works which may determine a lower risk rating. Where remediation works are identified a provision is made. It is considered that the existence of contaminated sites will not have a material impact on the overall value of the State's land holdings.
- The State treats the receipt of unclaimed money to the Consolidated Fund as income. However, claims can be legally lodged for several years after the money is paid into the Fund. Future claims for the return of these monies cannot be estimated and thus, is a contingent liability for the State.
- NSW TAB, a wholly owned subsidiary of Tabcorp, holds a 99-year licence to conduct totalizator betting in New South Wales. The licence included a 15-year 'exclusivity period' which expired on 22 June 2013. The State has agreed to extend TAB's exclusivity licence for a further 20 years to 2033 for \$75 million. Under the agreement, the State must compensate Tabcorp if any adverse regulatory event occurs. The amount to be refunded is the initial payment reduced by \$2.5 million for each year between the year of receipt and when the adverse regulatory event occurs.
- The State made a number of warranties in relation to the sale of Delta Electricity's Western Assets, Eraring Energy, Vales Point Power Station, Colongra Power Station, Macquarie Generation and the 99-year Lease of TransGrid, Ausgrid and Endeavour Energy network assets:

Pre-existing contamination liability

- the State retains the costs for remediating pre-existing contamination at the Eraring, Shoalhaven, Mt Piper, Vales Point, Colongra, Bayswater and Liddell power stations sites to minimum legal standards. Contamination is determined by reference to base line study or studies within certain time restrictions.

General warranties

- under the various Sale and Purchase and Lease transactions, the State has potential liabilities under various warranties, indemnities and guarantees provided to the purchaser and lessees. Warranties are subject to various caps, carve-outs and time restrictions.

Coal haul road liability

- if existing Aboriginal land right claims affect Crown Land titles over the coal haul road from Newstan Colliery to the Eraring Power station, compensation will be payable by the State to the native title holders to negotiate a continued right to use. The State's obligations end (in respect of each existing Aboriginal Land Claim): 12 months after the date on which the Minister or Court (as applicable) determines that Crown Land subject to an existing Aboriginal Land Claim is not claimable land or an easement or similar for the purposes of the Coal Haul Road is granted to the indemnified party; or the date on which an existing Aboriginal Land Claim is withdrawn or terminated.

Ash dam liability

- as part of the Eraring Sale, the State will pay half the incremental cost of implementing an alternative arrangement for ash disposal if the existing proposal (as at 1 August 2013) for further backfilling at the ash dam cannot be implemented. The State's liability ceases if the issue is not resolved by 1 August 2023. The State will also retain the costs for remediating ash dam contamination (migration of contamination in water from ash dams) at Vales Point Power Station.
- State agencies and corporations are subject to various claims and litigation in the normal course of operations. The quantum of these claims cannot accurately be determined.

Guarantees and Indemnities

Guarantees have been provided to facilitate the provision of certain services and the construction of several infrastructure assets, which may give rise to contingent liabilities. Unless otherwise stated, the General Government guarantees are also applicable to the Total State Sector.

The major guarantees are:

- State guarantees given to various organisations under statute mainly relate to certain co-operative housing societies. The maximum exposure as at 30 June 2017 is \$26 million (2016: \$26 million).
- Issued securities, borrowings and derivative liabilities of the New South Wales Treasury Corporation with a market value of \$64.9 billion (2016: \$80.1 billion) have been guaranteed by the NSW Government under the *Public Authorities (Financial Arrangements) Act 1987*.
- New South Wales has entered into guarantees, indemnities and deeds as part of the agreements leading to the corporatisation of the Snowy Scheme (New South Wales holds a 58 per cent of issued shares in Snowy Hydro Limited (SHL)). It is not possible to estimate the amount of exposure at this time for the following situations:
 - Under the Snowy Compensation Deed, SHL will be compensated for any variation to, or revocation of, the Snowy Water licence which has an adverse financial impact for SHL. No major amendments to the Snowy Licence are currently proposed. The licence expires June 2077 or, if revoked, earlier.
 - Under the Snowy Scheme Deed of Indemnity, the State will compensate SHL if an instruction from the Water Administration Ministerial Corporation to SHL causes spills or Jindabyne Dam release causes downstream damage. New South Wales will pay 58 per cent of the cost if the Commonwealth and Victoria also agree with the instruction. No claims currently exist. This indemnity lasts while the licence is in place.
- 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 it will provide funding to Cobbora Holding Company Pty Limited to support the costs of its business to the extent that the costs of its business are not funded from other sources. However, as the state will no longer develop the mine, the risk exposure associated with Cobbora has reduced.

A Deed of Indemnity has also been provided to the directors and officers of Cobbora Holding Company Pty Limited against claims, liabilities and other exposures in connection with the Government's Cobbora coal mine development project. It is not possible to estimate the amount of the contingent liability exposure at this time. There are no known or expected claims as at the reporting date.

- The State has guaranteed the obligations and performance of various statutory authorities under contracts with private sector parties. These guarantees are considered unlikely to ever be exercised and, in some cases, are limited to financial obligations only. The current guarantees in place are:
 - North West Rail Link – Operations, Trains and Systems
 - Sydney Light Rail
 - WestConnex Stage 1
 - WestConnex Stage 2
 - NorthConnex
 - Sydney Harbour Tunnel
 - M2 Motorway
 - Eastern Distributor
 - Cross City Tunnel
 - Lane Cove Tunnel
 - Western Sydney Orbital (Westlink M7 Motorway)
 - Eastern Creek Alternative Waste Treatment Plant
 - Macarthur Water Filtration Plant
 - Sydney Growth Trains
 - Sydney Metro City & Southwest: Tunnel and Station Excavation Works
 - Illawarra and Woronora Water Treatment Plant
 - Prospect Water Filtration Plant and Treatment Works
 - Northern Beaches Hospital
 - Long Bay Prison and Forensic Hospital
 - Mater Hospital
 - Orange Hospital Redevelopment
 - Royal North Shore Hospital Redevelopment
 - Olympic Multi-Use Arena
 - Suburban Rolling Stock
 - VISY Mill: Tumut Timber Supply Agreement
 - Sydney International Convention, Exhibition and Entertainment Precinct.
 - Newcastle Integrated Service Operator
 - New Grafton Correctional Centre
 - New Intercity Fleet
- New South Wales Treasury Corporation has undertakings for other government authorities for their performance under contracts with third parties. At the reporting date they were valued at \$103.7 million (2016: \$142.2 million).
- The State bears the risk of the employer's superannuation guarantee contributions being insufficient to fund the defined employee benefits (in respect of past and future service liabilities) for certain ex-public sector employees following the State's decision to sell the businesses. The State must pay the contribution shortfall on an annual basis and is obliged to make good any employer reserve shortfall upon the insolvency of the employer. Indemnities have also been provided to the private sector employer in respect of loss suffered, for example, from non-payment of an unfunded amount or tax losses suffered due to payments by the State.
- The State has provided a Deed of Indemnity to the directors and designated senior management of some state-owned corporations (SOC). This deed indemnifies them against claims and liabilities in connection with the Energy Industry Reform Transactions (Transaction Process).

The SOCs covered in this indemnity are Essential Energy, 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 \$27 million (2016: \$82 million).

Contingent Assets

Contingent assets exist in respect of guarantees received and from pending litigation. These include:

- As a result of the collapse of HIH Insurance Limited, the State assumed liabilities of approximately \$650 million. This was in respect of building warranty and third party motor insurance. An independent actuary estimated the discounted present value of the outstanding liability to be \$33.9 million as at 30 June 2017 (2016: \$40.4 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 2016-17, the State received payments totalling \$5.4 million (2016: \$12.2 million).

Note 30: Events after the Reporting Period

Sale of Sydney Motorway Corporation

On 16th August 2017, the NSW Government confirmed it will pursue sale of a 51 per cent stake in Sydney Motorway Corporation (SMC). The Government has formally launched a competitive process with a call for parties to register their interest in the sale.

The transaction will not affect the WestConnex tolling plan announced in 2013.

An estimate of the financial effect cannot be made at this stage.

Land and Housing Corporation - Transfer of Tenancy Management Responsibilities

The vision of the NSW Government for social housing as set out in its publication Future Directions for Social Housing in NSW requires transferring significant tenancy management responsibility to non-government housing providers, such that the community housing sector will eventually manage up to 35% of all social housing in NSW. To support current government strategy, Land and Housing Corporation (LAHC) is undertaking a management transfer program, to increase the share of its social housing portfolio that is managed by community housing providers, over the next three years. In March 2017, community housing providers were invited to tender for the management of LAHC owned properties. It is expected that contracts will be awarded during the 2017-18 financial year with transfers commencing shortly thereafter and progressively over the next three years. Preliminary indications are that net rental revenues are expected to reduce as a result of the proposed change in tenancy management arrangements. An estimate of the financial effect cannot be made at this stage.

Newcastle Bus and Ferry Operations

Newcastle bus and ferry operations previously carried out by State Transit Authority (STA) under contract with Transport for NSW will be carried out by Keolis Downer Hunter Pty Limited (KD) from 1 July 2017 due to the awarding of an Integrated Service Contract (ISC).

An estimate of the financial effect cannot be made at this stage.

Department of Family and Community Services – Disability Services

The Department of Family and Community Services operates Disability Services that are transitioning to the Non-Government Organisation (NGO) sector as part of the NSW implementation of the National Disability Insurance Scheme during 2017-18.

An estimate of the financial effect cannot be made at this stage.

Department of Industry

In July 2017, media concerns were raised relating to the management of water resources in the Murray Darling Basin. Following this, an interim report on the Independent investigation into NSW water management and compliance was issued by Ken Matthews on 8 September 2017. The final report is due by the end of November 2017. It is possible that if substantiated, these allegations may provide grounds which could give rise to liability under the State's Murray Darling Basin Agreement with the Commonwealth. However at this stage these remain allegations and there is not enough evidence to determine the extent of liability, if any.

Note 31: Restatement/Corrections to Prior Year Comparatives

(a) Discontinuing Operations

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

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

As a result, the comparative operating results from discontinued operations have been restated to include those operations classified as discontinued in the current year. (Refer to Note 5 - Discontinued Operations).

(b) General Government Sector - Gains/losses on de-recognition of Available for Sale Assets

AASB 1049 *Whole of Government and General Government Sector Financial Reporting* requires gains or losses associated with the investment in Other Public Sector Entities that have been classified as Available for Sale financial assets to be recognised in the Available for Sale Reserve consistent with AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139).

AASB 139 requires gains and losses to be reclassified to the operating result on derecognition of the associated financial asset. In previous years, when investments in Other Public Sector Entities were derecognised in the General Government Sector, the accumulated gains and losses were reclassified to Accumulated Funds within Other Economic Flows - Other Comprehensive Income.

As a result, a retrospective adjustment has been made to correct previously reported balances. A total of \$5,997 million previously reported in 'Net Gain on Equity Investments in Other Sectors' within Other Economic Flows - Other Comprehensive Income was adjusted to 'Other Net Gains/(Losses) within Other Economic Flows - Operating Result for the year ended 30 June 2016. The following table reports the restatement of prior year comparatives for each affected financial statement line item:

	Note	General Government Sector			Total State Sector		
		2016 Actual	Adjustment	2016 Restated	2016 Actual	Adjustment	2016 Restated
FROM CONTINUING OPERATIONS		\$m	\$m	\$m	\$m	\$m	\$m
Revenue from Transactions							
Taxation		29,081	...	29,081	28,727	...	28,727
Grants and Subsidies							
Commonwealth General Purpose		17,637	...	17,637	17,637	...	17,637
Commonwealth Specific Purpose Payments		8,927	...	8,927	8,937	...	8,937
Commonwealth National Partnership Payments		2,608	...	2,608	2,608	...	2,608
Other Grants and Subsidies		925	...	925	589	...	589
Sale of Goods and Services	(a)	8,379	(194)	8,184	17,020	(3,839)	13,181
Interest		780	...	780	1,061	...	1,061
Dividend and Income Tax Equivalents from Other Sectors		1,280	...	1,280	...	...	...
Other Dividends and Distributions		674	...	674	864	...	864
Fines, Regulatory Fees and Other	(a)	4,043	...	4,043	4,989	(399)	4,590
Total Revenue from Transactions		74,334	(194)	74,140	82,431	(4,239)	78,192
Expenses from Transactions							
Employee	(a)	29,618	(36)	29,582	32,486	(751)	31,735
Superannuation							
Superannuation Interest Cost	(a)	1,504	...	1,504	1,565	(4)	1,561
Other Superannuation	(a)	2,935	(1)	2,934	3,237	(101)	3,136
Depreciation and Amortisation	(a)	4,394	(13)	4,381	7,559	(795)	6,764
Interest	(a)	2,206	...	2,206	3,659	(1)	3,658
Other Operating	(a)	16,862	(22)	16,840	20,026	(815)	19,211
Grants and Subsidies							
Recurrent Grants and Subsidies		11,386	...	11,386	8,773	...	8,773
Capital Grants		769	...	769	630	...	630
Total Expenses from Transactions		69,675	(73)	69,602	77,935	(2,467)	75,468
Transactions from Discontinuing Operations		...	121	121	(133)	1,772	1,639
NET RESULT FROM TRANSACTIONS - NET OPERATING BALANCE							
(BUDGET RESULT FOR THE GENERAL GOVERNMENT SECTOR)		4,659	...	4,659	4,364	...	4,364

	Note	General Government Sector			Total State Sector		
		2016 Actual	Adjustment	2016 Restated	2016 Actual	Adjustment	2016 Restated
FROM CONTINUING OPERATIONS		\$m	\$m	\$m	\$m	\$m	\$m
NET OPERATING BALANCE		4,659	...	4,659	4,364	...	4,364
OTHER ECONOMIC FLOWS - INCLUDED IN THE OPERATING RESULT							
Loss from Liabilities		(1,037)	...	(1,037)	(1,039)	...	(1,039)
Other Net Gains/(Losses)	(b)	(127)	5,997	5,870	2,136	...	2,136
Share of Earnings from Equity Investments (excl. Dividends)	(b)	11	(72)	(61)	11	(72)	(61)
Dividends from Asset Sale Proceeds		...	...	...	...	...	...
Deferred Income Tax from Other Sectors		(691)	...	(691)	...	...	...
Other	(a)	(61)	...	(61)	(65)	2	(63)
Discontinuing Operations - Other Economic Flows	(a)	...	...	(0)	(12)	(2)	(13)
Other Economic Flows - included in Operating Result		(1,904)	5,925	4,020	1,032	(72)	960
OPERATING RESULT		2,755	5,925	8,679	5,396	(72)	5,324
OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME							
<i>Items that will not be Reclassified to Operating Result</i>							
Revaluations		2,813	...	2,813	10,879	...	10,879
Share of Earnings from Associates from Revaluations		(106)	...	(106)	(106)	...	(106)
Actuarial Gain/(Loss) from Superannuation		(14,331)	...	(14,331)	(15,589)	...	(15,589)
<i>Items that may be Reclassified Subsequently to Operating Result</i>							
Net Gain on Equity Investments in Other Sectors ^(*)	(b)	5,740	(2,309)	3,431	...	72	72
Net Gain on Equity Investments in Other Sectors Discontinue	(b)	3,606	(3,606)	...	...	...	...
Net Gain/(Loss) on Financial Instruments at Fair Value	(b)	1	(1)	...	(98)	(0)	(99)
Other	(b)	(2)	(8)	(10)	(5)	...	(5)
Other Economic Flows - Other Comprehensive Income		(2,279)	(5,925)	(8,203)	(4,920)	72	(4,848)
COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS							
		476	...	476	476	...	476
KEY FISCAL AGGREGATES							
BEFORE TRANSACTIONS WITH OWNERS AS OWNERS							
		476	...	476	476	...	476
Less: Net Other Economic Flow s		4,183	...	4,183	3,888	...	3,888
NET OPERATING BALANCE		4,659	...	4,659	4,364	...	4,364
Less: Net Acquisition of Non-Financial Assets							
Purchases of Non-Financial Assets		9,032	...	9,032	15,866	...	15,866
Sales of Non-Financial Assets		(892)	...	(892)	(1,713)	...	(1,713)
Less: Depreciation and Amortisation	(a)	(4,394)	12	(4,381)	(7,559)	795	(6,764)
Plus: Change in Inventories		24	...	24	(48)	...	(48)
Plus: Other Movements in Non-Financial Assets							
Assets Acquired Using Finance Leases		304	...	304	311	...	311
Other		184	...	184	635	...	635
Equals Total Net Acquisition of Non-Financial Assets		4,258	12	4,271	7,492	795	8,288
EQUALS: NET LENDING(BORROWING)		401	(12)	389	(3,128)	(795)	(3,924)

(*) Consequently changed to "Net Gain/(Loss) on Available for Sale Financial Assets".

(c) Transport – Tunnels and Earthworks

In previous years, Transport for NSW had carried bored and excavated tunnels and earthworks in the Country Regional Network and Rail Corporation New South Wales (RailCorp) had carried bored and excavated tunnels and earthworks entering service prior to 30 June 2000 in at nil value on the basis that the assets could not be reliably measured. In 2016-17, Transport for NSW and RailCorp have valued these assets using advances in technology, improved asset management systems, equipment and technical asset information. On balance, it now appears it may have been possible to reliably value these assets in a prior year. As a result, Transport for NSW and RailCorp have recorded an additional \$971 million in tunnel boring assets and \$7,532 million in earthworks to correct the value of infrastructure assets as at 1 July 2016 with an adjustment to equity. \$4,258 million of this adjustment was made by Transport for NSW, and \$4,245 million by RailCorp. The nature of the inputs to the valuation makes it impractical to retrospectively restate previously reported balances.

(d) General Government Sector - Available for Sale Assets and Reserves

AASB 1049 *Whole of Government and General Government Sector Financial Reporting* requires the General Government Sector to account for its investment in Other Public Sector Entities consistent with AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139). These investments are classified as 'Available for Sale' financial assets.

AASB 139 only permits gains or losses arising from a change in the value of a financial asset to be recognised in the Available for Sale reserve. In previous years, all changes, including contributed capital, were accounted for in the Available for Sale Reserve.

As a result, a retrospective adjustment has been made to correct previously reported balances. A total of \$23,351 million of contributed capital previously recorded in the Available for Sale reserve was adjusted into accumulated funds in the General Government Sector as at 1 July 2015.

Note 32: Related Party Disclosures

The scope of AASB 124 *Related Party Disclosures* (AASB 124) has been extended to include not-for-profit public sector entities. The application of AASB 124 has resulted in the disclosure of Key Management Personnel compensation and other related party transactions.

AASB 124 does not impact the measurement and recognition of assets, liabilities, equity, revenue or expenses in the Total State Sector financial statements.

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 2016-17 \$'000
Short-term Employee Benefits	
Salaries	5,718
Other Monetary Allowances	2,673
Non-monetary Benefits	3,543
Other Long-term Employee Benefits	...
Post-employment Benefits	445
Termination Benefits	...
Total KMP Compensation	12,379

Related Party Transactions

As a KMP of the State, each Cabinet Minister is considered a related party to all NSW government controlled entities. The definition of related parties extends to each Cabinet Minister's close family members and entities controlled or jointly controlled by the Cabinet Minister and/or close family members.

During the year, there were no material transactions with the Cabinet Ministers, their close family members or entities controlled or jointly controlled thereof.

Note 33: Budgetary Information on 2016-17 General Government Sector Financial Statements

The budgeted amounts are disclosed for the primary financial statements where they are presented to Parliament. The budget disclosed is the original/first 2016-17 Budget presented to Parliament in respect of the financial year. 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 2017

	Original Budget	Actual	Budget Variance
	\$m	\$m	\$m
FROM CONTINUING OPERATIONS			
Revenue from Transactions			
Taxation	29,759	30,789	1,030
Grants and Subsidies			
Commonwealth General Purpose	17,663	17,202	(461)
Commonwealth Specific Purpose Payments	9,272	9,435	163
Commonwealth National Partnership Payments	4,682	4,121	(561)
Other Grants and Subsidies	727	592	(135)
Sale of Goods and Services	8,296	8,159	(137)
Interest	914	769	(145)
Dividend and Income Tax Equivalents from Other Sectors	1,173	1,102	(71)
Other Dividends and Distributions	441	1,267	826
Fines, Regulatory Fees and Other	4,078	4,703	625
Total Revenue from Transactions	77,005	78,139	1,134
Expenses from Transactions			
Employee	30,058	30,585	527
Superannuation			
Superannuation Interest Cost	1,436	1,334	(102)
Other Superannuation	3,001	2,992	(9)
Depreciation and Amortisation	4,608	4,614	6
Interest	2,165	2,149	(16)
Other Operating	18,656	18,312	(344)
Grants and Subsidies			
Current Grants and Subsidies	12,367	11,729	(638)
Capital Grants	1,000	837	(163)
Total Expenses from Transactions	73,292	72,551	(741)
TRANSACTIONS FROM DISCONTINUING OPERATIONS	...	136	136
NET RESULT FROM TRANSACTIONS			
NET OPERATING BALANCE (BUDGET RESULT FOR THE GENERAL GOVERNMENT SECTOR)	3,713	5,724	2,011

The NSW General Government Statement of Comprehensive Income for the Year Ended 30 June 2017 (continued)

	Original Budget	Actual	Budget Variance
	\$m	\$m	\$m
NET OPERATING BALANCE	3,713	5,724	2,011
OTHER ECONOMIC FLOWS - INCLUDED IN THE OPERATING RESULT			
Gain/(Loss) from Other Liabilities	277	367	90
Other Net Gains/(Losses)	(182)	12,444	12,626
Share of Earnings from Equity Investments (excluding Dividends)	13	48	35
Dividends from Asset Sale Proceeds	271	115	(156)
Deferred Income Tax from Other Sectors	...	(1,611)	(1,611)
Other	63	(78)	(141)
Discontinuing Operations - Other Economic Flow s	...	...	...
Other Economic Flow s - included in Operating Result	443	11,285	10,842
OPERATING RESULT	4,156	17,009	12,853
OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to operating result</i>			
Revaluations	4,161	2,354	(1,807)
Share of Earnings from Associates from Revaluations	...	361	361
Actuarial Gain from Superannuation	8,657	12,011	3,354
<i>Items that may be reclassified subsequently to operating result</i>			
Net Gain on Available for Sale Financial Assets	4,906	4,381	(525)
Net Gain on Financial Instruments at Fair Value	...	...	...
Other	(3,945)	53	3,998
Other Economic Flow s - Other Comprehensive Income	13,778	19,160	5,382
COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS	17,934	36,169	18,235
KEY FISCAL AGGREGATES			
COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS	17,934	36,169	18,235
Less: Net Other Economic Flow s	(14,221)	(30,445)	(16,224)
NET OPERATING BALANCE	3,713	5,724	2,011
Less: Net Acquisition of Non-Financial Assets			
Purchases of Non-Financial Assets	12,358	10,419	(1,939)
Sales of Non-Financial Assets	(663)	(3,500)	(2,837)
Less: Depreciation	(4,608)	(4,614)	(6)
Plus: Change in Inventories	(8)	7	15
Plus: Other Movements in Non-Financial Assets			
Assets Acquired using Finance Leases	156	127	(29)
Other	106	245	139
Equals Total Net Acquisition of Non-Financial Assets	7,341	2,684	(4,657)
EQUALS: NET LENDING/(BORROWING)	(3,628)	3,040	6,668

Analysis of the General Government Sector Results

Net Operating Balance (Budget Result)

The budget result for the financial year ended 30 June 2017 was a surplus of \$5.7 billion, a \$2.0 billion increase on the 2016-17 original budget forecast surplus of \$3.7 billion.

An analysis of the result compared to the original budget is outlined below.

Total Revenues

Total revenues were \$1.1 billion higher than the original budget as outlined below.

Taxation

Taxation was \$1,030 million higher than the original budget.

- Stamp duty was \$895 million higher than original budget forecast. The state received transfer duty of a one off nature as a result of the long-term lease of Ausgrid and Endeavour Energy assets of \$718 million in total. By convention in NSW, the impacts of transactions are not included in the Budget and only recorded on completion.

The higher than expected stamp duty income was also due to transfer duty associated with the continued strength of the property market supported by historically low interest rates, population growth, and strong investor demand.

- Land tax was \$35 million higher than original budget due to higher than expected growth in land values in 2016.
- Payroll tax was broadly in line with the original budget.

Grants and Subsidies

Grants and subsidies received were \$994 million lower than the original budget.

General purpose grants were \$461 million lower due to lower than projected revenue in the Commonwealth's National GST pool. It also includes a reduced payment of \$36 million based on reconciling the 2015- 16 GST pool.

Commonwealth grants and subsidies (other than general purpose grants) were \$398 million lower than budget, mainly reflecting:

- Lower grant payments to Transport for NSW (\$519 million) largely as a result re-profiling of funding over the forward estimates.

Offset by:

- Additional funding for Ministry of Health for various initiatives (\$121 million) including additional funding under the National Health Reform Agreement in line with recent activity levels (\$44 million).

Other grants and subsidies were \$135 million lower than original budget mainly reflecting:

- The reclassification of revenue in the Department of Education (to sales of goods and services and regulatory fees and other revenues) (\$404 million).

Partially offset by:

- Increased other Department of Justice grants and subsidies (\$92 million)
- Variances across all other agencies (\$152 million).

Sale of Goods and Services

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

Sales of goods and services were lower than the original budget estimates by \$137 million, mainly reflecting:

- Decrease in recovery of costs by Transport for NSW largely relating to re-profiling of major rail projects, approximately (\$293 million) including Sydney Metro City and South West projects
- Approximately \$200 million of revenue generated in 2016-17 was reclassified from sales of goods and services to discontinuing operations as a result of the state entering into a 35 year concession with the private sector to facilitate the provision of land titling and registry services.

Partially offset by:

- Increased sales of goods and services for Department of Education (\$196 million) due to a reclassification of other grants and subsidies revenue for services provided by schools.
- Higher revenues recorded by Ministry of Health for Hepatitis C drug treatments (\$131 million)
- Additional revenue of \$57 million due to the introduction of National Heavy Regulation registration by Roads & Maritime Services.

Interest Income

Interest income includes returns on advances to public non-financial corporation enterprises, along with returns on deposits held with New South Wales Treasury Corporation and other financial institutions.

Interest income was lower than the original budget by (\$145 million).

- Crown Finance Entity reported lower interest income (\$96 million) due to the investment of Restart NSW funds in the NSW Infrastructure Future Funds (NIFF). NIFF returns are reported as other dividends and distributions
- There were also lower returns on deposits for NSW Self Insurance Corporation (\$16 million) and Workers Compensation (Dust Diseases) Authority (\$14 million) reflecting current market conditions and reclassifications.

Financial Distributions (Dividends and Income Tax Equivalentents)

Dividends and Income Tax Equivalent payments are paid by commercial government businesses to ensure competitive neutrality with the private sector and encourage these businesses to make commercial investment decisions.

Dividends and Taxes were lower than the original budget by \$71 million in 2016-17. Dividends were lower for a number of reasons including lower dividends collectively from electricity entities, including as a consequence of the Ausgrid and Endeavour Energy transactions. This was partially offset by higher income tax equivalentents.

Other Dividends and Distributions

Other dividends and distributions were \$826 million above the original budget, mainly driven by higher investment income distributions for TCorpIM products (\$650 million) and earnings from equity investments (\$183 million).

Fines, Regulatory Fees and Other

Revenue from fines, regulatory fees and other revenues were \$625 million higher than the original budget.

Revenues (excluding mining royalties) were \$302 million higher, including:

- Higher fees recorded by Department of Education due to a reclassification from other grants and subsidies (\$205 million)
- Developer contributions collected by Department of Planning & Environment exceeding budget estimates (\$54 million).

Mining royalties were higher than budget by \$323 million, largely driven by stronger than expected coal prices.

Expenses

Total expenses were lower than original budget by \$741 million as outlined below.

Employee Expenses (excluding Superannuation)

Employee expenses were \$527 million higher than original budget. This was primarily due to:

- Roads and Maritime Services (\$114 million) due to lower capitalisation of employee expenses from the revised capital works program,
- Transport for NSW (\$84 million) mainly from reclassification of expenses relating to fee for service activities,
- NSW Self Insurance Corporation (\$88 million) largely from the variance in the movement in the actuarially assessed liability of workers compensation schemes and
- Crown Entity (\$81 million) mainly higher long service leave expense due to higher LSL liabilities.

Superannuation Interest Cost and Other Superannuation Expenses

Superannuation interest and other superannuation costs were \$111 million lower than budget mainly due to changes in the discount rate used.

Depreciation and Amortisation Expenses

Depreciation and amortisation had a minor variance of \$6 million higher than budget.

Interest Expenses

Interest expenses were \$16 million lower than budget. This was mainly due to lower borrowings in 2016-17 compared in the budget.

Other Operating Expenses

Other Operating Expenses were \$344 million lower than budget. This was primarily due to:

- Transport for NSW (\$455 million) largely due to reclassifications to employee expenses relating to reprofiling fee for service activities and reprofiling of rail capital projects including Sydney Metro City and South West projects,
- Department of Industry (\$120 million) including savings due to completion of major water projects as outcomes were achieved earlier than budgeted,

- NSW Self Insurance Corporation (\$108 million) due to variance in the movement in the actuarially assessed liabilities of general insurance lines and claims expense and
- TAFE Commission (\$67 million) mainly due to the modernisation program.

Partly offset by the higher than forecast expenses:

- Repurchase of mining licences (\$262 million) and
- Ministry of Health (\$228 million) largely relating to higher Hepatitis C drug treatments (\$131 million) and other high cost drugs expenditure funded by the Commonwealth Government.

Grants and Subsidies Expenses

Current and capital grants, subsidies and other transfers expenses were \$801 million lower than budget. The main contributing factors were:

- Office of Local Government (\$212 million) due to changes in the implementation of the Fit For The Future reform program,
- Crown Finance (\$205 million) mainly due to lower redundancy subsidies to the public non-financial corporation sector and lower grants to local councils from Restart NSW and
- Department of Finance, Services and Innovation (\$183 million) due to lower take up of the payroll tax rebate scheme than expected due to a decline in the number of repeat clients and improved compliance measures.

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 2016-17 was a surplus of \$17.0 billion. This was \$12.9 billion higher than the original budget estimate. The net result, which was \$2.0 billion better than the original budget, was improved by a \$10.8 billion favourable variance in other economic flows included in the operating result.

The changes in other economic flows reflect:

- Other Net Gains/(Losses) of \$12.6 billion due to the gain on sale of Ausgrid and Endeavour Energy following their derecognition as an Available for Sale financial asset.

Partially offset by:

- Lower deferred income tax (\$1,611 million) largely as a result of the long term partial lease of Ausgrid and Endeavour Energy network assets.

Comprehensive Result

The comprehensive result is the operating result plus the sum of other economic flows - other comprehensive income.

The comprehensive result for 2016-17 was a surplus of \$36.2 billion, being \$18.2 billion higher than the budget estimate. This was due to improvement in other economic flows - other comprehensive income of \$5.4 billion and an improvement in the operating result of \$12.9 billion compared to the budget estimate.

The higher than budgeted other economic flows - other comprehensive income includes a higher net gain on available for sale financial assets of \$3.5 billion and superannuation actuarial gain of \$3.4 billion resulting from an increase in the liability discount rate.

The increased net gain on available for sale financial assets of \$3.5 billion largely resulted from the increases in land, housing and infrastructure asset valuations and other net movements in equity investments in other PFC/PNFC sector entities.

Net Lending

The net lending result is the budget result (net operating balance) adjusted for the acquisition and sale of non-financial assets.

Net lending was \$6.7 billion better than the budget estimate primarily due to the \$2.0 billion improvement in the budget result, \$1.9 billion reduction in purchases of non-financial assets and \$2.8 billion additional sales of non-financial assets primarily due to the recognition of upfront contribution on a 35 year concession for the provision of land titling and registry services.

The NSW General Government Sector Statement of Financial Position as at 30 June 2017

	Original Budget	Actual	Budget Variance
	\$m	\$m	\$m
ASSETS			
Financial Assets			
Cash and Cash Equivalent Assets	1,582	8,731	7,149
Receivables	5,885	6,216	331
Tax Equivalents Receivable	98	91	(7)
Investments, Loans and Placements			
Financial Assets at Fair Value	18,613	26,561	7,948
Other Financial Assets	5,087	6,778	1,691
Advances Paid	1,237	1,005	(232)
Deferred Tax Equivalents	3,955	2,049	(1,906)
Equity			
Investments in Other Public Sector Entities	102,380	107,117	4,737
Investments in Associates	3,927	5,870	1,943
Other	562	700	138
Equity Investments Held for Sale	...	4,196	4,196
Total Financial Assets	143,326	169,315	25,989
Non-Financial Assets			
Inventories	232	296	64
Forestry Stock and Other Biological Assets	10	10	...
Assets Classified as Held for Sale	84	155	71
Investment Properties	3	...	(3)
Property, Plant and Equipment			
Land and Buildings	72,032	72,752	720
Plant and Equipment	12,530	11,300	(1,230)
Infrastructure Systems	91,664	92,147	483
Intangibles	3,475	3,448	(27)
Other	4,509	4,935	426
Total Non-financial Assets	184,539	185,043	504
TOTAL ASSETS	327,865	354,358	26,493
LIABILITIES			
Deposits Held	113	106	(7)
Payables	4,917	6,385	1,468
Tax Equivalents Payable	9	18	9
Borrowings and Derivatives at Fair Value	6	905	899
Borrowings at Amortised Cost	33,067	31,909	(1,158)
Advances Received	873	812	(61)
Employee Provisions	16,519	16,842	323
Superannuation Provision	55,510	56,285	775
Deferred Tax Equivalent Provision	280	59	(221)
Other Provisions	8,684	8,815	131
Other	2,910	5,752	2,842
TOTAL LIABILITIES	122,887	127,887	5,000
NET ASSETS	204,978	226,471	21,493

The NSW General Government Sector Statement of Financial Position as at 30 June 2017 (continued)

	Original Budget \$m	Actual \$m	Budget Variance \$m
NET WORTH			
Accumulated Funds	24,536	74,462	49,926
Reserves	180,443	152,009	(28,434)
TOTAL NET WORTH	204,978	226,471	21,493
OTHER FISCAL AGGREGATES			
Net Debt	7,539	(9,344)	(16,883)
Net Financial Liabilities	81,940	65,690	(16,250)

Analysis of the General Government Sector Statement of Financial Position

Net Debt

Net debt was negative \$9.3 billion at 30 June 2017. This is a \$16.9 billion improvement on the original budget primarily due to the improvement in the Budget Result (\$2.0 billion) and the Restart NSW's receipt of funds from the completion of Ausgrid, Endeavour Energy, Pillar and Land and Property Information transactions, and from the Asset Recycling Initiative from Commonwealth Government and windfall tax (\$12.8 billion).

Net Financial Liabilities

Net financial liabilities were \$65.7 billion at 30 June 2017. This is a \$16.2 billion decrease over the budget estimate of \$81.9 billion. This change is primarily driven by the improvement in the net debt of \$16.9 billion, partially offset by a decrease in deferred tax equivalent receivable following the completion of long term partial lease of Ausgrid and Endeavour Energy's network assets (\$1.9 billion), an increase in other liabilities due to recognition of upfront contribution on a 35 year concession with the private sector for the provision of land titling and registry services (\$2.6 billion), and an increase in provision for defined benefit superannuation liabilities of \$0.8 billion driven by fluctuations in bond rates combined with changes in demographic assumptions.

Net Worth

Net worth was \$226.5 billion at 30 June 2017. This is \$21.5 billion higher than the budget of \$205.0 billion.

The increase in net worth was mainly due to the decrease in net financial liabilities of \$16.3 billion and increased investment in other public sector entities driven by increases in assets revaluation.

The NSW General Government Sector Statement of Cash Flows for the Year Ended 30 June 2017

	Original Budget	Actual	Budget Variance
	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Taxation	29,742	31,291	1,549
Sale of Goods and Services	8,776	8,487	(289)
Grants and Subsidies	32,317	31,202	(1,115)
Interest	862	698	(164)
Dividends and Income Tax Equivalents from Other Sectors	1,178	1,321	143
Other	7,535	10,333	2,798
Total Receipts	80,411	83,332	2,921
Payments			
Employee Related	(29,834)	(30,232)	(398)
Superannuation	(3,592)	(3,898)	(306)
Payments for Goods and Services	(21,716)	(20,751)	965
Grants and Subsidies	(10,896)	(10,599)	297
Interest	(1,628)	(1,642)	(14)
Other	(4,616)	(5,645)	(1,029)
Total Payments	(72,282)	(72,767)	(485)
NET CASH FLOWS FROM OPERATING ACTIVITIES	8,129	10,565	2,436
CASH FLOWS FROM INVESTING ACTIVITIES			
Non-financial Assets			
Proceeds from Sale of Non-Financial Assets	663	3,262	2,599
Purchases	(12,235)	(10,255)	1,980
Net Cash Flows from Investments in Non-Financial Assets	(11,572)	(6,992)	4,580
Financial Assets (Policy Purposes)			
Receipts	461	14,185	13,724
Payments	(3,453)	(2,917)	536
Net Cash Flows from Investments in Financial Assets (Policy Purposes)	(2,992)	11,268	14,260
Financial Assets (Liquidity Purposes)			
Proceeds from Sale of Investments	10,595	21,112	10,517
Purchase of Investments	(9,091)	(33,262)	(24,171)
Net Cash Flows from Investments in Financial Assets (Liquidity Purposes)	1,504	(12,150)	(13,654)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(13,061)	(7,874)	5,187

The NSW General Government Sector Statement of Cash Flows for the Year Ended 30 June 2017 (continued)

	Original Budget	Actual	Budget Variance
	\$m	\$m	\$m
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances Received	47	...	(47)
Advances Repaid	(57)	(70)	(13)
Proceeds from Borrowings	1,319	4,040	2,721
Repayments of Borrowings	(547)	(3,411)	(2,864)
Deposits Received (Net)	(11)	(21)	(10)
Other (Net)	...	(0)	(0)
NET CASH FLOWS FROM FINANCING ACTIVITIES	751	538	(213)
NET INCREASE/(DECREASE) IN CASH HELD			
	(4,181)	3,228	7,409
Opening Cash and Cash Equivalents	6,145	5,260	(885)
Reclassification of Cash Equivalents	(383)	243	626
CLOSING CASH BALANCE	1,582	8,731	7,149
DERIVATION OF CASH RESULT			
Net Cash Flows from Operating Activities	8,129	10,565	2,436
Net Cash Flows from Investments in Non-Financial Assets	(11,572)	(6,992)	4,580
CASH SURPLUS/(DEFICIT)	(3,444)	3,573	7,017

Analysis of the General Government Sector Statement of Cash Flows

Cash Result

The cash surplus was \$3.6 billion at 30 June 2017. This was \$7.0 billion higher than the estimated budget cash deficit of \$3.4 billion.

The improvement in the cash result is largely due to the cash impact of the improvement in the Net Cash Flows from Operating Activities as well as a surplus on sale of non-financial assets.

Note 34: Disaggregated Financial Statements

Disaggregated Sector Information

Disaggregated primary financial statements are provided for the General Government Sector and PNFC and PFC sectors as a note to the TSSA. These financial statements are prepared consistent with the accounting policies adopted in the TSSA. This sector information is determined before consolidation eliminations, and includes GFS type fiscal aggregates and reconciliations.

The Total State Sector comprises a consolidation of three sectors:

- General Government (GGS)
- Public Non-Financial Corporations (PNFC), also referred to as the PTE sector, and
- Public Financial Corporations (PFC), also referred to as the PFE sector.

The broad sectors have been determined in accordance with the GFS of the ABS.

The General Government Sector comprises all government agencies that are controlled and mainly financed by taxation that:

- undertake policy and regulatory functions
- redistribute income and wealth
- provide or distribute goods and services on a non-market basis to individuals and the community, and/or
- provide services to General Government agencies.

PNFCs are government controlled entities that are either commercial or non-commercial in nature and largely self-funded from user charges. However, they may also receive funding from the General Government Sector for social programs (non-commercial activities).

PFCs are government controlled entities that perform central bank functions, or accept demand, time or savings deposits, or have the authority to incur liabilities and acquire financial assets in the market on their own account. This sector includes New South Wales 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 Equivalent 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 2016-17 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 General Purpose Classifications.

The NSW Total State Sector Accounts Statement of Comprehensive Income by Sector for the Year Ended 30 June 2017

	General Government		Public Non-financial Corporations	
	2016-17	2015-16 Restated ^(a)	2016-17	2015-16 Restated ^(a)
FROM CONTINUING OPERATIONS	\$m	\$m	\$m	\$m
Revenue from Transactions				
Taxation	30,789	29,081	...	...
Grants and Subsidies				
Commonwealth General Purpose	17,202	17,637	...	...
Commonwealth Specific Purpose Payments	9,435	8,927	4	10
Commonwealth National Partnership Payments	4,121	2,608	...	...
Other Grants and Subsidies	592	925	3,071	2,770
Sale of Goods and Services	8,159	8,184	8,105	7,787
Interest	769	780	115	109
Dividend and Income Tax Equivalents				
from Other Sectors	1,102	1,280	...	...
Other Dividends and Distributions	1,267	674	...	...
Fines, Regulatory Fees and Other	4,703	4,043	629	593
Total Revenue from Transactions	78,139	74,140	11,925	11,269
Expenses from Transactions				
Employee	30,585	29,582	2,644	2,695
Superannuation				
Superannuation Interest Cost	1,334	1,504	56	57
Other Superannuation	2,992	2,934	214	197
Depreciation and Amortisation	4,614	4,381	2,544	2,377
Interest	2,149	2,206	1,060	1,594
Income Tax Equivalents	...	...	343	472
Other Property	...	...	...	...
Other Operating	18,312	16,840	5,656	5,203
Grants and Subsidies				
Current Grants and Subsidies	11,729	11,386	66	312
Capital Grants	837	769	44	62
Total Expenses from Transactions	72,551	69,602	12,627	12,968
TRANSACTIONS FROM DISCONTINUING OPERATIONS	136	121	537	1,393
NET RESULT FROM TRANSACTIONS - NET OPERATING BALANCE (BUDGET RESULT FOR THE GENERAL GOVERNMENT SECTOR)	5,724	4,659	(165)	(307)

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

Public Financial Corporations		Eliminations		Total State Sector	
2016-17	2015-16	2016-17	2015-16	2016-17	2015-16 Restated ^(a)
\$m	\$m	\$m	\$m	\$m	\$m
461	437	(693)	(791)	30,556	28,727
...	...	...	...	17,202	17,637
...	...	(0)	0	9,439	8,937
...	...	...	...	4,121	2,608
...	0	(3,008)	(3,107)	655	589
766	633	(3,421)	(3,423)	13,610	13,181
2,913	3,323	(2,539)	(3,151)	1,258	1,061
1	...	(1,103)	(1,280)	...	...
77	190	(0)	...	1,344	864
42	50	(109)	(96)	5,265	4,590
4,259	4,632	(10,872)	(11,848)	83,451	78,192
143	103	(559)	(645)	32,813	31,735
...	...	...	...	1,390	1,561
9	5	(1)	...	3,214	3,136
9	6	...	...	7,167	6,764
2,593	2,951	(2,255)	(3,093)	3,547	3,658
40	31	(383)	(503)	...	...
1	1	(1)	(1)	...	...
1,059	782	(3,440)	(3,614)	21,587	19,211
10	10	(2,709)	(2,935)	9,096	8,773
...	...	(318)	(201)	562	630
3,863	3,889	(9,666)	(10,991)	79,375	75,468
(24)	7	652	118	1,302	1,639
373	751	(554)	(738)	5,377	4,364

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

The NSW Total State Sector Accounts Statement of Comprehensive Income by Sector for the Year Ended 30 June 2017

	General Government		Public Non-financial Corporations	
	2016-17	2015-16 Restated ^(a)	2016-17	2015-16 Restated ^(a)
	\$m	\$m	\$m	\$m
NET OPERATING BALANCE	5,724	4,659	(165)	(307)
OTHER ECONOMIC FLOWS - INCLUDED IN THE OPERATING RESULT				
Gain/(Loss) from Liabilities	367	(1,037)	4	(2)
Other Net Gains/(Losses)	12,444	5,870	6,801	3,500
Share of Earnings from Equity Investments (excl. Dividends)	48	(61)	...	...
Dividends from Asset Sale Proceeds	115	...	...	...
Deferred Income Tax in the Operating Result	(1,611)	(691)	...	...
Other	(78)	(61)	(33)	(34)
Discontinuing Operations - Other Economic Flow s	...	(0)	(853)	7
Other Economic Flows - included in Operating Result	11,285	4,020	5,920	3,471
OPERATING RESULT	17,009	8,679	5,754	3,164
OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME				
<i>Items that will not be reclassified to operating result</i>				
Revaluations	2,354	2,813	5,104	8,061
Share of Earnings from Associates from Revaluations	361	(106)	...	...
Actuarial Gain/(Loss) from Superannuation	12,011	(14,331)	841	(1,258)
<i>Items that may be reclassified subsequently to operating result</i>				
Deferred Tax Direct to Equity	...	...	1,492	401
Net Gain/(Loss) on Available for Sale Financial Assets	4,381	3,431	...	...
Net Gain/(Loss) on Financial Instruments at Fair Value	...	...	36	(99)
Other	53	(10)	6,815	3,770
Other Economic Flows - Other Comprehensive Income	19,160	(8,203)	14,288	10,875
COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS	36,169	476	20,042	14,039
KEY FISCAL AGGREGATES				
COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS	36,169	476	20,042	14,039
Less: Net Other Economic Flow s	(30,445)	4,183	(20,207)	(14,346)
NET OPERATING BALANCE	5,724	4,659	(165)	(307)
Less: Net Acquisition of Non-Financial Assets				
Purchases of Non-Financial Assets	10,419	9,032	6,312	6,854
Sales of Non-Financial Assets	(3,500)	(892)	(486)	(732)
Less: Depreciation	(4,614)	(4,381)	(2,544)	(2,377)
Plus: Change in inventories	7	24	(65)	(72)
Plus: Other Movements in Non-Financial Assets				
- assets acquired using finance leases	127	304	1,339	7
- other	245	184	560	452
Equals Total Net Acquisition of Non-Financial Assets	2,684	4,271	5,116	4,131
EQUALS: NET LENDING/(BORROWING)	3,040	389	(5,281)	(4,438)

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

Public Financial Corporations		Eliminations		Total State Sector	
2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
\$m	\$m	\$m	\$m	\$m	Restated ^(a) \$m
373	751	(554)	(738)	5,377	4,364
...	...	(0)	0	370	(1,039)
3,483	(936)	(13,259)	(6,299)	9,469	2,136
0	0	...	(0)	48	(61)
...	...	(115)	...	...	...
...	...	1,611	691	...	...
...	...	35	32	(76)	(63)
(4)	(0)	828	(21)	(29)	(13)
3,479	(936)	(10,900)	(5,596)	9,783	960
3,852	(185)	(11,455)	(6,335)	15,160	5,324
(0)	1	193	3	7,650	10,879
...	...	19	...	380	(106)
0	(0)	...	...	12,852	(15,589)
2	(0)	(1,494)	(401)	...	...
...	...	(4,317)	(3,359)	64	72
...	...	0	0	36	(99)
953	1,454	(7,793)	(5,220)	27	(5)
955	1,455	(13,391)	(8,976)	21,009	(4,848)
4,806	1,270	(24,846)	(15,311)	36,169	476
4,806	1,270	(24,846)	(15,311)	36,169	476
(4,433)	(519)	24,294	14,571	(30,792)	3,888
373	751	(552)	(740)	5,377	4,364
34	61	(2)	(81)	16,763	15,866
(4)	(88)	4	(0)	(3,985)	(1,713)
(9)	(6)	...	...	(7,167)	(6,764)
...	...	...	...	(58)	(48)
...	...	...	0	1,466	311
...	...	...	(0)	805	635
22	(33)	3	(81)	7,824	8,288
351	783	(554)	(659)	(2,447)	(3,924)

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

The NSW Total State Sector Accounts Statement of Financial Position by Sector as at 30 June

	General Government		Public Non-financial Corporations	
	2017	2016	2017	2016
	\$m	\$m	\$m	\$m
ASSETS				
Financial Assets				
Cash and Cash Equivalent Assets	8,731	5,260	2,773	2,598
Receivables	6,216	5,853	1,247	1,779
Tax Equivalents Receivable	91	104	17	3
Investments, Loans and Placements				
Financial Assets at Fair Value	26,561	10,545	416	17
Other Financial Assets	6,778	16,016	1,170	1,130
Advances paid	1,005	1,064	...	0
Deferred Tax Equivalents	2,049	3,919	59	330
Equity				
Investments in Other Public Sector Entities	107,117	97,750	...	...
Investments in Associates	5,870	3,783	...	...
Other	700	605	...	...
Equity Investments Held for Sale	4,196	...	...	...
Total Financial Assets	169,315	144,899	5,682	5,859
Non-Financial Assets				
Inventories	296	263	543	699
Forestry Stock and Other Biological Assets	10	11	992	945
Assets Classified as Held for Sale	155	432	183	176
Investment Properties	...	...	534	507
Property, Plant and Equipment				
Land and Buildings	72,752	70,617	70,075	64,889
Plant and Equipment	11,300	11,408	5,513	5,842
Infrastructure Systems	92,147	82,389	54,838	69,065
Intangibles	3,448	3,093	972	1,040
Other	4,935	3,418	272	188
Total Non-financial Assets	185,043	171,631	133,922	143,350
TOTAL ASSETS	354,358	316,530	139,604	149,209
LIABILITIES				
Deposits Held	106	126	33	34
Payables	6,385	5,617	2,199	2,568
Tax Equivalents Payable	18	3	81	89
Liabilities Directly Associated with Assets Held for Sale	...	...	4	0
Borrowings and Derivatives at Fair Value	905	8	677	138
Borrowings at Amortised Cost	31,909	31,836	21,651	32,630
Advances Received	812	857	389	404
Employee Provisions	16,842	16,794	1,088	1,732
Superannuation Provision	56,285	67,862	2,316	3,297
Deferred Tax Equivalent Provision	59	337	2,049	3,919
Other Provisions	8,815	8,429	1,129	1,710
Other	5,752	2,861	450	501
TOTAL LIABILITIES	127,887	134,731	32,067	47,020
NET WORTH	226,471	181,799	107,537	102,189
OTHER FISCAL AGGREGATES				
Net Debt	(9,344)	(57)	18,392	29,460
Net Financial Liabilities	65,690	87,582	26,385	41,162

Public Financial Corporations		Eliminations		Total State Sector	
2017	2016	2017	2016	2017	2016
\$m	\$m	\$m	\$m	\$m	\$m
2,371	3,049	(20)	(34)	13,855	10,874
1,332	1,162	(2,073)	(2,676)	6,722	6,117
2	...	(109)	(107)	...	...
52,836	67,474	(47,256)	(58,922)	32,557	19,115
433	410	(458)	(4,906)	7,923	12,650
...	...	(389)	(404)	616	659
...	7	(2,108)	(4,256)	...	...
2,779	1,898	(109,896)	(99,649)	...	...
2	2	...	...	5,872	3,785
16,917	8,088	...	...	17,617	8,693
...	...	...	...	4,196	...
76,671	82,091	(162,310)	(170,954)	89,358	61,893
...	...	...	(0)	838	962
...	...	0	...	1,003	956
...	...	...	...	338	607
...	...	...	...	534	507
13	26	554	...	143,394	135,532
19	12	...	...	16,831	17,261
...	...	...	...	146,985	151,454
3	23	...	...	4,423	4,157
46	83	(344)	(20)	4,909	3,670
80	145	210	(20)	319,256	315,107
76,751	82,235	(162,100)	(170,974)	408,614	377,000
452	4,691	(262)	(4,454)	328	397
687	286	(1,153)	(1,482)	8,118	6,989
10	15	(109)	(107)	...	...
...	...	...	...	4	0
62,967	74,912	(919)	(138)	63,630	74,921
10	12	(46,608)	(59,302)	6,963	5,176
...	...	(389)	(404)	812	857
41	48	(18)	(36)	17,953	18,537
0	(0)	(0)	0	58,601	71,159
...	1	(2,108)	(4,256)	...	...
3,425	2,965	(844)	(1,124)	12,525	11,979
7,011	1,846	(4)	(21)	13,209	5,186
74,603	84,775	(52,414)	(71,325)	182,143	195,201
2,149	(2,540)	(109,686)	(99,649)	226,471	181,799
7,789	8,682	(54)	(32)	16,782	38,053
710	4,583	(0)	(20)	92,785	133,308

The NSW Total State Sector Accounts Statement of Cash Flows by Sector for the Year Ended 30 June 2017

	General Government		Public Non-financial Corporations	
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Taxation	31,291	29,640	...	...
Sale of Goods and Services	8,487	8,990	10,399	11,807
Grants and Subsidies	31,202	30,211	3,061	2,774
Interest	698	575	109	103
Dividends and Income Tax Equivalents from Other Sectors	1,321	2,248	...	...
Other	10,333	8,006	1,764	1,999
Total Receipts	83,332	79,670	15,333	16,682
Payments				
Employee Related	(30,232)	(29,394)	(2,879)	(3,345)
Superannuation	(3,898)	(3,874)	(475)	(756)
Payments for Goods and Services	(20,751)	(18,886)	(6,707)	(5,716)
Grants and Subsidies	(10,599)	(10,216)	(108)	(314)
Interest	(1,642)	(1,690)	(1,399)	(1,766)
Income Tax Equivalents	...	...	(512)	(538)
Other	(5,645)	(4,762)	(1,135)	(1,394)
Total Payments	(72,767)	(68,822)	(13,214)	(13,829)
NET CASH FLOWS FROM OPERATING ACTIVITIES	10,565	10,848	2,118	2,853
CASH FLOWS FROM INVESTING ACTIVITIES				
Non-financial Assets				
Proceeds from Sale of Non-financial Assets	3,262	903	479	731
Purchases	(10,255)	(8,857)	(6,246)	(6,895)
Net Cash Flows from Investments in Non-financial Assets	(6,992)	(7,954)	(5,767)	(6,164)
Financial Assets (Policy Purposes)				
Receipts	14,185	6,314	15,264	3,568
Payments	(2,917)	(3,576)	(32)	(20)
Net Cash Flows from Investments in Financial Assets (Policy Purposes)	11,268	2,738	15,231	3,548
Financial Assets (Liquidity Purposes)				
Proceeds from Sale of Investments	21,112	9,531	303	75
Purchase of Investments	(33,262)	(22,174)	(561)	(197)
Net Cash Flows from Investments in Financial Assets (Liquidity Purposes)	(12,150)	(12,643)	(258)	(122)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(7,874)	(17,859)	9,206	(2,739)
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances Received	...	45	2,591	3,691
Advances Repaid	(70)	(134)	(175)	(45)
Proceeds from Borrowings	4,040	435	2,087	7,968
Repayments of Borrowings	(3,411)	(487)	(14,922)	(8,890)
Dividends Paid	...	...	(758)	(1,595)
Deposits Received (Net)	(21)	(1)	(1)	(62)
Other (Net)	(0)	0	...	...
NET CASH FLOWS FROM FINANCING ACTIVITIES	538	(141)	(11,178)	1,067
NET INCREASE/(DECREASE) IN CASH HELD	3,228	(7,153)	146	1,182

Public Financial Corporations		Eliminations		Total State Sector	
2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
\$m	\$m	\$m	\$m	\$m	\$m
(4)	(3)	(897)	(804)	30,389	28,834
753	592	(3,334)	(3,086)	16,305	18,302
461	437	(3,669)	(3,549)	31,054	29,873
2,933	3,504	(2,695)	(3,275)	1,044	908
1	...	(1,322)	(2,248)	...	...
69	360	96	(86)	12,262	10,278
4,212	4,890	(11,822)	(13,048)	91,055	88,194
(179)	(130)	703	549	(32,586)	(32,320)
(11)	(11)	26	272	(4,359)	(4,369)
(618)	(655)	3,693	3,177	(24,383)	(22,080)
(5)	(4)	3,330	3,382	(7,382)	(7,152)
(2,737)	(3,026)	2,617	3,193	(3,161)	(3,289)
(47)	(26)	559	565	...	...
5,162	683	97	78	(1,520)	(5,396)
1,566	(3,170)	11,024	11,216	(73,391)	(74,606)
5,778	1,720	(798)	(1,833)	17,663	13,588
4	88	(4)	0	3,740	1,723
(34)	(61)	2	81	(16,532)	(15,733)
(31)	27	(2)	81	(12,792)	(14,010)
37	...	(175)	82	29,311	9,964
(4)	...	2,609	3,315	(344)	(280)
33	...	2,434	3,397	28,967	9,683
17,631	9,235	(18,337)	(9,300)	20,709	9,541
(11,906)	(11,207)	6,135	10,013	(39,594)	(23,566)
5,725	(1,973)	(12,202)	713	(18,886)	(14,025)
5,727	(1,946)	(9,769)	4,191	(2,710)	(18,352)
931	1,454	(3,490)	(5,145)	32	45
...	...	175	45	(70)	(134)
67,349	57,437	(4,984)	(8,094)	68,491	57,747
(80,443)	(57,356)	18,136	9,301	(80,640)	(57,431)
(21)	(80)	779	1,675	...	...
...	...	...	...	(22)	(63)
...	...	0	3	0	3
(12,184)	1,456	10,616	(2,215)	(12,208)	166
(678)	1,230	49	143	2,745	(4,598)

The NSW Total State Sector Accounts Statement of Cash Flows by Sector for the Year Ended 30 June 2017 (continued)

	General Government		Public Non-financial Corporations	
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Opening Cash and Cash Equivalents	5,260	12,433	2,598	1,404
Reclassification of Cash Equivalents	243	(21)	29	12
CLOSING CASH BALANCE	8,731	5,260	2,773	2,598
DERIVATION OF CASH RESULT				
Net Cash Flow s from Operating Activities	10,565	10,848	2,118	2,853
Net Cash Flow s from Investments in Non-Financial Assets	(6,992)	(7,954)	(5,767)	(6,164)
Dividend Distributions	...	...	(758)	(1,595)
CASH SURPLUS/(DEFICIT)	3,573	2,894	(4,407)	(4,906)

Public Financial Corporations		Eliminations		Total State Sector	
2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
\$m	\$m	\$m	\$m	\$m	\$m
3,049	1,767	(34)	(68)	10,874	15,534
...	52	(35)	(106)	236	(63)
2,371	3,049	(20)	(34)	13,855	10,874
5,778	1,720	(798)	(1,833)	17,663	13,588
(31)	27	(2)	81	(12,792)	(14,010)
(21)	(80)	779	1,675	...	...
5,727	1,667	(21)	(77)	4,871	(422)

The NSW Total State Sector Accounts Statement of Changes in Equity for the Whole of Government by Sector for the Year Ended 30 June 2017

	Equity at 1 July 2016 Restated ^(a)	Correction to Prior Period ^(a)	Equity at 1 July 2016 Restated ^(a)	Changes in Classification	Comprehensive Result	Transfers between equity classes	Transactions with owners as owners	Equity at 30 June 2017
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
General Government Sector								
Accumulated Funds	37,478	4,258	41,736	...	29,073	3,652	...	74,462
Reserves								
Asset Revaluation Surplus	70,117	...	70,117	...	2,354	(535)	...	71,935
Equity Investment Revaluation Surplus	2,791	...	2,791	(12)	361	(3,103)	...	37
Hedging Reserve	(22)	...	(22)	12	...	...	...	(10)
Available for Sale Reserve	71,421	4,245	75,666	0	4,381	...	...	80,047
Other	14	...	14	...	...	(14)	...	...
	181,799	8,503	190,302	...	36,169	...	...	226,471
Public Non-Financial Corporation Sector								
Accumulated Funds	47,059	...	47,059	...	14,902	4,420	(14,694)	51,687
Reserves								
Asset Revaluation Surplus	55,218	...	55,218	...	5,104	(4,409)	...	55,913
Equity Investment Revaluation Surplus	...	...	...	...	...	...	...	...
Hedging Reserve	(125)	...	(125)	...	36	(2)	...	(91)
Available for Sale Reserve	...	...	...	...	...	...	...	...
Other	38	...	38	...	...	(9)	...	29
	102,189	...	102,189	...	20,042	...	(14,694)	107,537
Public Financial Corporation Sector								
Accumulated Funds	(2,545)	...	(2,545)	...	4,806	5	(117)	2,149
Reserves								
Asset Revaluation Surplus	5	...	5	...	(0)	(5)	...	(0)
Equity Investment Revaluation Surplus	...	...	...	...	...	...	...	...
Hedging Reserve	...	...	...	...	...	...	...	...
Available for Sale Reserve	...	...	...	...	...	...	...	...
Other	...	...	...	...	...	...	...	...
	(2,542)	...	(2,542)	...	4,806	...	(117)	2,147
Eliminations	(99,649)	...	(99,647)	...	(24,848)	...	14,811	(109,684)
Total State Sector	181,799	8,503	190,302	...	36,169	...	...	226,471

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

The NSW Total State Sector Accounts Statement of Changes in Equity for the Whole of Government by Sector for the Year Ended 30 June 2016

	Equity at 1 July 2015	Correction to Prior Period ^(a)	Equity at 1 July 2015 Restated ^(a)	Changes in Classification	Comprehensive Result ^(a)	Transfers between equity classes	Transactions with owners as owners	Equity at 30 June 2016
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
General Government Sector								
Accumulated Funds	19,601	23,351	42,952	...	(5,661)	187	...	37,478
Reserves								
Asset Revaluation Surplus	67,504	...	67,504	...	2,813	(200)	...	70,117
Equity Investment Revaluation Surplus	2,887	...	2,887	9	(106)	1	...	2,791
Hedging Reserve	(14)	...	(14)	(9)	1	...	...	(22)
Available for Sale Reserve	91,341	(23,351)	67,990	...	3,431	...	...	71,421
Other	4	...	4	...	(2)	12	...	14
	181,323	...	181,323	...	476	...	...	181,799
Public Non-Financial Corporation Sector								
Accumulated Funds	45,812	...	45,812	...	5,979	2,332	(7,063)	47,059
Reserves								
Asset Revaluation Surplus	49,400	...	49,400	...	8,061	(2,243)	...	55,218
Equity Investment Revaluation Surplus	...	...	...	...	...	...	...	...
Hedging Reserve	(21)	...	(21)	...	(5)	(100)	...	(125)
Available for Sale Reserve	...	...	...	...	...	...	...	...
Other	22	...	22	...	4	12	...	38
	95,213	...	95,213	...	14,039	...	(7,063)	102,189
Public Financial Corporation Sector								
Accumulated Funds	(3,810)	...	(3,810)	...	1,269	4	(8)	(2,545)
Reserves								
Asset Revaluation Surplus	8	...	8	...	1	(4)	...	5
Equity Investment Revaluation Surplus	...	...	...	...	...	...	...	...
Hedging Reserve	...	...	...	...	...	...	...	...
Available for Sale Reserve	...	...	...	...	...	...	...	...
Other	...	...	...	...	...	...	...	...
	(3,804)	...	(3,804)	...	1,270	...	(8)	(2,542)
Eliminations	(91,409)	...	(91,409)	...	(15,309)	...	7,071	(99,649)
Total State Sector	181,323	...	181,323	...	476	...	...	181,799

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

Information on Expenses and Assets by Function

	General Government Sector		Total State Sector	
	2016-17	2015-16	2016-17	2015-16
	\$m	\$m	\$m	\$m
Total Expenses by Function (Policy Area)^(a)				
General Public Services	3,418	2,978	3,230	2,927
Public Order and Safety	7,253	7,021	7,255	7,027
Education	15,242	14,658	15,133	14,520
Health	20,731	19,472	20,710	19,450
Social Security and Welfare	6,034	6,368	5,652	5,918
Housing and Community Amenities	2,588	2,562	5,598	5,196
Recreation and Culture	1,294	1,162	1,872	1,573
Fuel and Energy	26	41	625	2,119
Agriculture, Forestry, Fishing and Hunting	695	754	930	935
Mining, Mineral Resources, Manufacturing and Construction	195	150	195	150
Transport and Communications	9,377	8,956	13,685	12,924
Other Economic Affairs	1,313	764	2,301	1,482
Other Purposes	4,449	4,789	3,735	4,050
Total Expenses^(a)	72,616	69,675	80,922	78,272
Total Assets by Function (Policy Area)^(b)				
General Public Services	39,223	31,877	12,776	14,017
Public Order and Safety	8,657	8,157	8,599	8,106
Education	28,927	29,127	28,927	29,127
Health	18,723	17,532	18,420	17,231
Social Security and Welfare	1,904	1,758	1,884	1,722
Housing and Community Amenities	7,641	6,773	82,329	76,373
Recreation and Culture	16,013	15,772	23,610	21,412
Fuel and Energy	6,242	175	13,417	30,640
Agriculture, Forestry, Fishing and Hunting	8,039	8,202	10,126	10,211
Mining, Mineral Resources, Manufacturing and Construction	1,371	1,176	288	38
Transport and Communications	102,952	91,058	149,068	130,484
Other Economic Affairs	3,601	3,731	2,676	3,206
Other Purposes ^(c)	111,066	101,191	56,493	34,433
Total Assets	354,358	316,530	408,614	377,000

- (a) The difference between the Total State Sector Expenses and the Statement of Comprehensive Income relates to expenditure associated with discontinued operations of \$1,547 million (2016: \$2,804 million). The difference between the General Government Sector Expenses and the Statement of Comprehensive Income relates to expenditure associated with discontinued operations of \$65 million (2016: \$73 million).
- (b) 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.
- (c) Other Purposes for the General Government Sector includes the State's equity investment in the PNFC/PFC sectors which is eliminated in Total State Sector assets.

The aggregate amount of the comprehensive result attributable to the General Government Sector from the PNFC and PFC sector entities in 2016-17 is \$24,846 million net surplus (2015-16 \$15,311 million net surplus). It comprises the sum of General Government Sector inter-sector expenses (grants, interest on borrowings, and purchases) less the sum of General Government Sector revenues (dividends, income and other tax revenues, revenues from sale of goods and services, interest from inter-sector loans, and gains on the equity investment in the PNFC/PFC sectors).

Note 35: Key Fiscal Aggregates and Reconciliations to Government Finance Statistics

	Footnote	General Government Sector 2016-17 \$m	Public Non-Financial Corporations 2016-17 \$m	Public Financial Corporations 2016-17 \$m	Total State Sector 2016-17 \$m
Reconciliation to GFS Net Operating Balance					
Net Result from Transactions - Net Operating Balance		5,724	(165)	373	5,377
Convergence Differences					
Low Interest Loans	a	(7)	15	...	8
PNFC/PFC Dividends Accrued	b	...	(474)	(80)	...
Total Convergence Differences		(7)	(459)	(80)	8
GFS Net Operating Balance		5,717	(625)	293	5,385
Reconciliation to GFS Net Lending/(Borrowing)					
Net Lending/(Borrowing)		3,040	(5,281)	351	(2,447)
Convergence Differences					
Relating to Net Operating Balance as Shown Above		(7)	(459)	(80)	8
Total Convergence Differences		(7)	(459)	(80)	8
GFS Net Lending/(Borrowing)		3,033	(5,741)	271	(2,440)
Reconciliation to GFS Total Change In Net Worth					
Comprehensive Result - Total Change In Net Worth		36,169	20,042	4,806	36,169
Convergence Differences					
In AASB 1049 Comprehensive Result, but Not In GFS Change In Net Worth					
Low Interest Loans	a	1	15	...	16
Allowance for Doubtful Debts	c	55	(6)	(0)	49
Prepaid Licence Income	d	2,682	...	...	2,682
Provision Liabilities for Remediation	e	153	(84)	(1)	68
Assets Associated with Provisions for Remediation	e	(153)	84	1	(68)
Other Settlement Provisions and Obligation Payments	f	(29)	...	...	(29)
Measurement Relating to Assets Held for Sale	g	(21)	(2)	...	(23)
Deferred Tax Assets/Liabilities	h	1,593	(1,599)	6	...
Equity Investment in the PFNC/PFC Sectors for Net Assets Not Recognised Under GFS	i	(1,586)	...	...	...
In GFS Change in Net Worth, but Not In AASB 1049 Comprehensive Result					
Transactions With Owners as Owners	j	...	(14,694)	(117)	...
Classification of GFS PNFC/PFC Net Worth as a Liability	k	...	(3,756)	(4,695)	...
Total Convergence Differences	l	2,696	(20,042)	(4,806)	2,696
GFS Total Change In Net Worth		38,865	(0)	(0)	38,865
Reconciliation to GFS Cash Surplus/(Deficit)					
Cash Surplus/(Deficit)		3,573	(4,407)	5,727	4,871
Convergence Differences					
Finance Leases and Similar Arrangements	m	(54)	(1,398)	...	(1,452)
Total Convergence Differences		(54)	(1,398)	...	(1,452)
GFS Cash Surplus/(Deficit)		3,519	(5,805)	5,727	3,420

	Footnote	General Government Sector 2017 \$m	Public Non- Financial Corporations 2017 \$m	Public Financial Corporations 2017 \$m	Total State Sector 2017 \$m
Reconciliation to GFS Net Worth					
Net Worth		226,471	107,537	2,149	226,471
Convergence Differences					
In AASB 1049 Net Worth, but Not In GFS					
Low Interest Loans	a	(1)	(269)	...	(270)
Allowance for Doubtful Debts	c	472	30	...	503
Prepaid Licence Income	d	2,960	...	...	2,960
Provision Liabilities for Remediation	e	755	177	...	931
Assets Associated with Provisions for Remediation	e	(755)	(177)	...	(931)
Other Settlement Provisions and Obligation Payments	f	1,227	...	...	1,227
Measurement Relating To Assets Held For Sale	g	15	1	...	16
Deferred Tax Assets/Liabilities	h	(1,990)	1,990	...	...
Equity Investment in the PFNC/PFC Sectors for Net Assets	i	1,752	...	...	...
In GFS Net Worth, but Not In AASB 1049					
Classification of GFS PNFC/PFC Net Worth as a Liability	k	...	(109,289)	(2,149)	...
Total Convergence Differences ^(m)		4,436	(107,537)	(2,149)	4,436
GFS Net Worth		230,907	(0)	...	230,907

	Footnote	General Government Sector 2015-16 \$m	Public Non-Financial Corporations 2015-16 \$m	Public Financial Corporations 2015-16 \$m	Total State Sector 2015-16 \$m
Reconciliation to GFS Net Operating Balance					
Net Result from Transactions - Net Operating Balance		4,659	(307)	751	4,364
Convergence Differences					
Low Interest Loans	a	(7)	15	...	8
PNFC/PFC Dividends Accrued	b	...	(717)	(21)	...
Total Convergence Differences		(7)	(702)	(21)	8
GFS Net Operating Balance		4,652	(1,010)	730	4,372
Reconciliation to GFS Net Lending/(Borrowing)					
Net Lending/(Borrowing)		389	(4,438)	783	(3,924)
Convergence Differences					
Relating to Net Operating Balance as Shown Above		(7)	(702)	(21)	8
Total Convergence Differences		(7)	(702)	(21)	8
GFS Net Lending/(Borrowing)		382	(5,140)	762	(3,916)
Reconciliation to GFS Total Change in Net Worth					
Comprehensive Result - Total Change in Net Worth		476	14,039	1,270	476
Convergence Differences					
In AASB 1049 Comprehensive Result, but not in GFS Change in Net Worth					
Low Interest Loans	a	(15)	15	...	0
Allowance for Doubtful Debts	c	2	1	(1)	3
Prepaid Licence Income	d	(18)	...	...	(18)
Other Settlement Provisions and Obligation Payments	f	197	...	...	197
Measurement Relating to Assets Held for Sale	g	35	3	...	39
Deferred Tax Assets/Liabilities	h	670	(670)	(1)	...
Equity Investment in the PNFC/PFC Sectors for Net Assets Not Recognised Under GFS	i	(652)	...	...	...
In GFS Change in Net Worth, but Not In AASB 1049 Comprehensive Result					
Transactions with Owners as Owners	j	...	(7,062)	(8)	...
Classification of GFS PNFC/PFC Net Worth as a Liability	k	...	(6,326)	(1,260)	...
Total Convergence Differences	l	220	(14,039)	(1,270)	220
GFS Total Change in Net Worth		696	...	...	696
Reconciliation to GFS Cash Surplus/(Deficit)					
Cash Surplus/(Deficit)		2,894	(4,906)	1,667	(422)
Convergence Differences					
Finance Leases and Similar Arrangements	m	(490)	37	...	(453)
Total Convergence Differences		(490)	37	...	(453)
GFS Cash Surplus/(Deficit)		2,404	(4,869)	1,667	(876)

	Footnote	General Government Sector 2016 \$m	Public Non-Financial Corporations 2016 \$m	Public Financial Corporations 2016 \$m	Total State Sector 2016 \$m
Reconciliation to GFS Net Worth					
Net Worth		181,799	102,189	(2,540)	181,799
Convergence Differences					
In AASB 1049 Net Worth, but Not in GFS					
Low Interest Loans	a	(2)	(284)	...	(286)
Allowance for Doubtful Debts	c	417	37	0	454
Prepaid Licence Income	d	278	...	...	278
Provision Liabilities for Remediation	e	602	261	1	863
Assets Associated with Provisions for Remediation	e	(602)	(261)	(1)	(863)
Other Settlement Provisions and Obligation Payments	f	1,256	...	...	1,256
Measurement Relating to Assets Held for Sale	g	35	3	...	39
Deferred Tax Assets/Liabilities	h	(3,582)	3,589	(6)	...
Equity Investment in the PFNC/PFC Sectors for Net Assets	i	3,338	...	...	...
In GFS Net Worth, but Not In AASB 1049					
Classification of GFS PNFC/PFC Net Worth as a Liability	k	...	(105,533)	2,546	...
Total Convergence Differences ^(m)		1,740	(102,189)	2,540	1,740
GFS Net Worth		183,539	...	...	183,539

- (a) Under GFS, interest free or low interest loans are recognised based on the original amount lent, and interest is recognised based on any cash interest paid. In contrast, under AGAAP, loans are recognised initially at fair value and thereafter at amortised cost. Any difference between the original amount lent and the fair value is initially recognised to the operating result and subsequently amortised over the life of the loan. This results in the value of GFS advances/(borrowings) being higher/(lower) than AGAAP advances/(borrowings).
- (b) GFS recognises dividends to owners by the PNFC and PFC sectors as a GFS expense, whereas under AGAAP they are treated as a distribution to owners and therefore a direct reduction of accumulated funds. This difference does not flow through to the Total State Sector as dividends are eliminated on consolidation.
- (c) GFS does not recognise an allowance for doubtful debts as it is not a mutually agreed transaction, whereas under AGAAP an allowance for doubtful debts is recognised in the Statement of Financial Position and doubtful debts are recognised in the Statement of Comprehensive Income as 'Other Economic Flows'.
- (d) AGAAP recognises the prepaid income liability for unamortised prepaid licences in the Statement of Financial Position. This liability is excluded from the GFS Statement of Financial Position as the prepaid income is treated as an upfront sale of a non-produced intangible asset for GFS purposes. The change in net worth for prepaid licence income is normally a negative balance due to amortisation of the prepaid licence income.
- (e) GFS does not recognise provisions for restoration and remediation as there is no present counterparty to the transaction. The provision liabilities (and any related capitalised asset values) are therefore lower under GFS as a result of the exclusion.
- (f) GFS does not recognise other settlement provisions and obligation payments as there is no present counterparty to the transaction. The provisions and other liabilities are therefore lower under GFS as a result of the exclusion.
- (g) Measurement difference between AGAAP and GFS for the valuation of Assets Held for Sale. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* requires the valuation at fair value less costs to sell, whereas the GFS valuation is at market value which does not include costs to sell.
- (h) AGAAP adopts tax effect accounting whereby timing differences between accounting profit and tax profit are deferred as future income tax benefit assets or provisions for deferred tax liabilities. GFS does not recognise deferred tax. As the State's PNFCs revalue their infrastructure, this can create large provisions for deferred tax liabilities and result in significant differences between the GFS and the AASB 1049 sector aggregates. This convergence difference also flows through to the GGS, as the GGS is the counterparty to the tax effect accounting entries recognised by the PNFC/PFC entities. However, this difference does not flow through to the Total State Sector as income tax equivalents are eliminated on consolidation.
- (i) In the absence of a market value for PNFC/PFCs, the value of net assets is applied as a surrogate for the General Government's equity investment in other sectors. GFS net assets do not equal AGAAP net assets because GFS Statement of Financial Position exclude certain items such as deferred taxes, allowance for doubtful debts and restoration provisions. This results in differences between the GFS and the AGAAP values for the General Government's equity investment in other sectors.
- (j) Transactions with owners as owners are excluded for the comprehensive result, however are included in the movement in GFS net worth. These type of transactions result in a convergence difference as the total change in net worth under AGAAP is disclosed before transactions with owners as owners, while under GFS, transactions with owners as owners is included in the movement in GFS net worth.
- (k) The PFNC/PFC sectors report zero net worth for GFS purposes as GFS treats the ownership interest (contributed equity) as a liability.
- (l) The convergence differences related to total change in net worth will be either positive or negative in a particular year due to the movement of the balances in the statement of financial position.
- (m) The ABS requires that for the calculation of the GFS cash surplus/deficit an adjustment is made to deduct the value of assets acquired using finance leases to recognise a notional cash outflow relating to new finance leases. Under AGAAP the cash flow statement does not recognise notional cash flows, as these are non-cash transactions.

Reclassifications

The following classification differences exist between lines presented in this AASB 1049 *Whole of Government and General Government Sector Financial Reporting* report and GFS line presentations. While these classification differences do not affect the net operating results nor net worth aggregates, they result in different line presentations between GFS and AASB 1049 (i.e. AGAAP) reports.

2016-17		General Government Sector	Public Non-Financial Corporations	Public Financial Corporations	Total State Sector
		\$m	\$m	\$m	\$m
Items Grossed Up in GFS Operating Statements - Not In AGAAP					
Statements of Comprehensive Income					
Transfer Payments	a	4,663	...	...	4,663
Environmental Levies	b	7	...	...	7
Transport and Energy Subsidies	c	...	...	...	154
Insurance Tax Receipts to GGS	d	461	...	...	461
Items Grossed Up in AGAAP Statements of Comprehensive Income - Not In GFS					
GG Employee Expenses and Revenues - for Services to PNFCs	e	659	4	...	...
Other Reclassifications on the Statements of Comprehensive Income					
Dividends Accrued in GFS Results, but a Direct Movement in AGAAP	f	...	474	80	...
Income Tax Equivalents - Return of Capital in GFS, Deferred Income Tax Equivalent In AGAAP	g	165	162	4	...
Statements of Financial Position					
Deferred Income - Payables in GFS, Other Liabilities in AGAAP	h	2,026	109	...	2,135
Prepaid Expenses - Receivables in GFS, Other Non-Financial Assets in AGAAP	h	778	146	38	961
Rental Bond Assets and Liabilities in GFS, but Off Balance Sheet (Trust Funds) in AGAAP	i	1,443	...	...	1,443
Salaries Accrued & Employee on Costs are Provision Liabilities in GFS, but Payables for AGAAP	j	515	65	5	573
2015-16					
		General Government Sector	Public Non-Financial Corporations	Public Financial Corporations	Total State Sector
		\$m	\$m	\$m	\$m
Items Grossed Up in GFS Operating Statements - Not In AGAAP					
Statements of Comprehensive Income					
Transfer Payments	a	4,085	...	...	4,085
Environmental Levies	b	7	...	...	7
Transport and Energy Subsidies	c	...	...	...	163
Insurance Tax Receipts to GGS	d	437	...	...	437
Items Grossed Up in AGAAP Statements of Comprehensive Income - Not In GFS					
GG Employee Expenses and Revenues - for Services to PNFCs	e	743	4	...	...
Other Reclassifications on the Statements of Comprehensive Income					
Dividends Accrued in GFS Results, but a Direct Movement in AGAAP	f	...	717	21	...
Income Tax Equivalents - Return of Capital in GFS, Deferred Income Tax Equivalent in AGAAP	g	39	39	...	...
Statements of Financial Position					
Deferred Income - Payables in GFS, Other Liabilities in AGAAP	h	1,963	142	11	2,109
Prepaid Expenses - Receivables in GFS, Other Non-Financial Assets in AGAAP	h	454	115	73	627
Rental Bond Assets and Liabilities in GFS, but Off Balance Sheet (Trust Funds) in AGAAP	i	1,318	...	...	1,318
Salaries Accrued & Employee on Costs are Provision Liabilities in GFS, but Payables for AGAAP	j	525	80	6	594

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- (a) New South Wales receives certain transfer payments from the Commonwealth which are required to be on-passed to recipients as determined by the Australian Government. Most of these transfer payments relate to grants from the Australian Government for specific non-government schools or for local government authorities. As New South Wales has no control over the transfer payments, they are not recognised as State revenues and expenses. However, the ABS has determined that for GFS purposes the transfer payments be recognised as GFS revenues and expenses of the States and Territories. New South Wales publishes information on these excluded transfer payments as a footnote to the grants revenue and expense notes to assist users understand the full value of the amounts on-passed. Refer Table 7 of the Outcomes report.
 - (b) GFS requires that certain environmental levies reported by PNFCs be also recognised and grossed up in the GG sector as tax revenue and as an equivalent subsidy expense paid back to the PNFC sector, for GFS purposes only.
 - (c) For Total State reporting purposes only, transport and energy subsidies paid from GGs to PNFCs for students and pensioners are eliminated from AGAAP statements. However, GFS treats the payment by the State as a gross expense, relating to a benefit paid to the household sector, and as gross revenue from the household sector for electricity sales and travel fares.
 - (d) A GGS/PFC classification difference arises in respect of the treatment of tax income. Under GFS, a tax or fine can only be imposed by a unit in the general government sector (GGS). As this income is collected by a PFC due to administrative requirements, it is reclassified as a tax receipt in the GGS and an equivalent subsidy is paid back to the PFC sector for GFS purposes only.
 - (e) Certain staff employed in the GG sector provide services to PNFCs. Under GFS, the employee expense related to these personnel is recognised in the PNFC sector. However, under AGAAP, the employee expense and the revenue recoverable from the PNFC sector is reported in the GG sector.
 - (f) Under AGAAP, dividends accrued are a direct adjustment to equity, whereas under GFS they are reported as an expense for the PNFC and PFC sectors.
 - (g) Under GFS, the component of income tax equivalents related to the disposal of discontinuing operations is reported as a return of capital, rather than as a transaction. Under AGAAP, this is reported as another economic flow, similar to deferred taxes. This reclassification difference impacts both GGS and PNFC entities, as the GGS sector is the counterparty to the entries recognised in the PNFC sector.
 - (h) GFS requires that deferred income and deferred expenses be classified as payables and receivables. However, they are reported as other assets and other liabilities under AASB 1049 and not as receivables/payables, as there is no present obligation to repay the deferred items.
 - (i) New South Wales excludes rental bond assets and an equal value of deposit liabilities from the AGAAP statements of financial position as they are considered to be trust monies. However, the Australian Bureau of Statistics has advised that rental bond monies are to be recognised on Statement of Financial Position for GFS purposes, and not treated off Statement of Financial Position as trust monies. This difference does not impact key fiscal aggregates, however it results in the GFS total assets and total liabilities being grossed up compared to the AGAAP aggregates.
 - (j) Salaries accruals and certain employee on-costs reported as payables under AGAAP are required to be classified as provision liabilities for GFS reporting purposes.

Note 36: Details of Consolidated Entities

The Total State Sector comprises the entities listed below. Unless stated otherwise, the State has a full ownership interest in the controlled entities.

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 Wild Dog Destruction Board is 31 December. The reporting date for the Sydney Cricket and Sports Ground Trust is 28 February as it is aligned to the sporting year associated with its primary activities.

It is considered not material to the results and financial position of the TSSA to attempt to align the reporting period of these reporting entities to 30 June. Accordingly the annual financial results of these reporting entities as at the last reported year (ending December or February) have been consolidated into the 30 June TSSA.

Entities and Staff Agencies identified in italics have been, or are in the process of being abolished.

Changes to Reporting Entities

There have been a number of changes to reporting entities since the last TSSA that affect reporting in this financial year. These changes are as a result of legislative amendments and Administrative Changes Orders which are outlined below:

- The Fair Trading Administration Corporation was abolished under the *Home Building Amendment (Compensation Reform) Act 2017* effective 30 June 2017.
- The Electricity Retained Interest Corporation (ERIC-E) was established under the *Electricity Retained Interest Corporations Act 2015 No 6* effective 2 June 2017 as a result of the wind up of Endeavour Energy and holds the State's retained interest in assets and network business of Endeavour Energy.
- Epsilon Distribution Ministerial Holding Corporation was established under the *Electricity Network Assets (Authorised Transactions) Act 2015* effective 14 June 2017 as a result of the wind up of Endeavour Energy and holds the residual functions of Endeavour Energy.
- The Department of Trade, Skills and Regional Development has been renamed to the Department of Industry under the *Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2017* effective 1 April 2017.
- The Institute of Sport Staff Agency is established as a Public Service executive agency related to the Department of Industry under the *Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2017* effective 1 April 2017.
- The Independent Transport Safety Regulator was abolished under the *Transport Administration Amendment (Independent Transport Safety Regulator) Act* on 31 March 2017 and the assets, rights and liabilities are transferred to Transport for NSW.
- Office of the Law Enforcement Conduct Commission was established as a separate public service agency and the Police Integrity Commission Staff Agency was abolished and transferred to the Department of Justice under the *(Administrative Changes – Law Enforcement Conduct Commission) Order 2017* effective 1 February 2017.
- The Board of Studies, Teaching and Educational Standards was renamed as NSW Education Standards Authority under the *Education and Teaching Legislation Amendment Act 2016 No 50* effective 1 January 2017.
- The New South Wales Institute of Psychiatry was abolished under the *Health Legislation Amendment Act 2016 No 45* effective 1 January 2017.
- The Electricity Retained Interest Corporation (ERIC-A) was established under the *Electricity Retained Interest Corporations Act 2015 No 6* effective 4 November 2016 as a result of the wind up of Ausgrid and holds the State's retained interest in the assets and network business of Ausgrid.

- Alpha Distribution Ministerial Holding Corporation was established under the *Electricity Network Assets (Authorised Transactions) Act 2015* effective 1 December 2016 as a result of the wind up of Ausgrid and holds the residual functions of Ausgrid.
- The Sydney Harbour Foreshore Authority was renamed as Place Management NSW under the *Place Management NSW Act 1998 No 170* effective 25 October 2016.
- Government Property NSW was renamed as Property NSW under the *Property NSW Act 2006 No 40* effective 25 October 2016.
- The Generator Property Management Pty Ltd was established under the *Electricity Generator Assets Authorised Transactions Act 2012* effective 27 September 2016 as a result of the wind up of Delta Electricity.

General Government Sector Agencies

Aboriginal Housing Office	Recreational Fishing (Fresh) Trust Fund
Dunghutti Aboriginal Elders Tribal Council Trust	Recreational Fishing (Salt) Trust Fund
Alpha Distribution Ministerial Holding Corporation ^(a)	Responsible Gambling Fund ^(*)
Art Gallery of New South Wales Trust	Department of Transport
The Australian Institute of Asian Culture and Visual Arts Limited (VisAsia)	Transport for NSW
Art Gallery of New South Wales Trust Staff Agency	Transport Service of New South Wales
Art Gallery of NSW Foundation ^(*)	Roads and Maritime Services
Australian Museum Trust	Destination NSW
Australian Museum Trust Staff Agency	Destination NSW Staff Agency
Barangaroo Delivery Authority	Electricity Assets Ministerial Holding Corporation
Barangaroo Delivery Authority Staff Agency	Electricity Retained Interest Corporation (ERIC-A) ^(e)
Belgenny Farm Agricultural Heritage Centre Trust ^(*)	Electricity Retained Interest Corporation (ERIC-E) ^(f)
Biamanga National Park Board of Management ^{(b)(*)}	Electricity Transmission Ministerial Holding Corporation
Building Insurers' Guarantee Corporation	Environment Protection Authority
C.B. Alexander Foundation ^(*)	Environment Protection Authority Staff Agency
Centennial Park and Moore Park Trust	Environmental Trust
Central Coast Regional Development Corporation ^(*)	Epsilon Distribution Ministerial Holding Corporation ^(g)
Cemeteries and Crematoria NSW ^(*)	Financial Counselling Trust Fund ^(*)
Chief Investigator of the Office of Transport Safety Investigations	Fire and Rescue NSW
Combat Sports Authority of New South Wales ^(*)	Generator Property Management Pty Ltd ^(h)
Corporation Sole 'Minister Administering Environmental Planning and Assessment Act, 1979'	Gaagal Wanggaan (South Beach) National Park Board of Management ^{(b)(*)}
Corporation Sole 'Minister Administering the Heritage Act, 1977' ^(*)	Gulaga National Park Board of Management ^{(b)(*)}
Crown Entity, including the Consolidated Fund and Crown Finance Entity	Health Care Complaints Commission
Crown Solicitor's Office	Health Care Complaints Commission Staff Agency
Department of Education	Historic Houses Trust of New South Wales
Advocate for Children and Young People	Foundation for the Historic Houses Trust of New South Wales
Department of Family and Community Services	Foundation for the Historic Houses Trust of New South Wales Limited
John Williams Memorial Charitable Trust	Hamilton Rouse Hill Trust
Department of Finance, Services and Innovation	Rouse Hill Hamilton Collection Pty Limited
Safe Work NSW	Home Purchase Assistance Fund
Department of Planning and Environment	Hunter Development Corporation
Greater Sydney Commission	Independent Commission Against Corruption
Department of Justice	Independent Liquor and Gaming Authority
Department of Premier and Cabinet	Independent Pricing and Regulatory Tribunal
Department of Industry ^(c)	Independent Pricing and Regulatory Tribunal Staff Agency
Agricultural Scientific Collections Trust	<i>Independent Transport Safety Regulator⁽ⁱ⁾</i>
Aquaculture Trust Fund	<i>Independent Transport Safety Regulator Staff Agency</i>
Charter Fishing Trust Fund	Information and Privacy Commission
Coal Innovation Fund	Infrastructure NSW
Commercial Fishing Trust Fund	Infrastructure NSW Staff Agency
Dams Safety Committee ^(*)	Judicial Commission of New South Wales
Fish Conservation Trust Fund	Lands Administration Ministerial Corporation ^(*)
Game and Pest Management Trust Fund	Bondi Bath Reserve Trust
Jobs for NSW Fund	Yasmar Reserve Trust
Crown Reserves Improvement Fund ^(d)	Rawson Reserve Trust
NSW Skills Board ^(*)	Crown Lands Reserve Trust

Legal Aid Commission of New South Wales	NSW Crown Holiday Parks Trust ^(t)
Legal Aid Commission Staff Agency	NSW Education Standards Authority ^(m)
Liability Management Ministerial Corporation	NSW Education Standards Authority Staff Agency
Library Council of New South Wales	NSW Food Authority
Library Council of New South Wales Staff Agency	NSW Health Foundation ^(t)
State Library of New South Wales Foundation	NSW Police Force
Local Land Services	NSW Self Insurance Corporation
Local Land Services Staff Agency	New South Wales Technical and Further Education
Long Service Corporation	Commission
Lord Howe Island Board ^(t)	TAFE Commission (Senior Executives) Staff Agency
<i>Lotteries Assets Ministerial Holding Corporation</i> ^{(j)(t)}	NSW Trustee and Guardian
Luna Park Reserve Trust	Office of Environment and Heritage
Mental Health Commission of New South Wales	Office of the Law Enforcement Conduct Commission ⁽ⁿ⁾
Mental Health Commission Staff Agency	Office of Local Government
Mine Subsidence Board (trading as	Office of the Children's Guardian
Subsidence Advisory NSW ^(t))	Office of the Director of Public Prosecutions
Ministerial Holding Corporation ^(t)	Office of the NSW Rural Fire Service
Hunter Valley Training Pty Ltd	Office of the NSW State Emergency Services
Ministry of Health ^(k)	Office of the Inspector of the Law Enforcement Conduct
Agency for Clinical Innovation	Commission ^(o)
Albury Base Hospital	Office of Sport
Albury Wodonga Health Employment Division	Ombudsman's Office
Bureau of Health Information	Parliamentary Counsel's Office
Cancer Institute (NSW)	Parramatta Park Trust ^(t)
Central Coast Local Health District	<i>Police Integrity Commission</i> ^(p)
Clinical Excellence Commission	<i>Police Integrity Commission Staff Agency</i> ⁽ⁿ⁾
Far West Local Health District	Ports Assets Ministerial Holding Corporation
Graythwaite Trust	Port of Newcastle Lessor Pty Limited
Health Administration Corporation	Port Botany Lessor Pty Limited
Health Education and Training Institute	Port Kembla Lessor Pty Limited
Hunter New England Local Health District	Property NSW ^(q)
Illawarra Shoalhaven Local Health District	Public Service Commission
Justice Health and Forensic Mental Health Network	Rental Bond Board
Mid North Coast Local Health District	Responsible Gambling Fund ^(t)
Murrumbidgee Local Health District	Royal Botanic Gardens and Domain Trust
Nepean Blue Mountains Local Health District	Service NSW
Northern NSW Local Health District	Sporting Injuries Compensation Authority ^(t)
Northern Sydney Local Health District	State Insurance Regulatory Authority
South Eastern Sydney Local Health District	State Rail Authority Residual Holding Corporation ^(t)
South Western Sydney Local Health District	State Records Authority of New South Wales
Southern NSW Local Health District	State Rescue Board of New South Wales ^(t)
Sydney Local Health District	Sydney Olympic Park Authority
The Agency for Clinical Innovation	Technical Education Trust Fund ^(t)
The Sydney Children's Hospitals Network (Randwick and	The Audit Office of New South Wales
Westmead) (incorporating The Royal Alexandra	The Legislature
Hospital for Children)	The Sesquicentenary of Responsible Government Trust
Western NSW Local Health District	Fund ^(t)
Western Sydney Local Health District	The Treasury
Motor Accidents Authority of New South Wales	Trustees of the Anzac Memorial Building ^(t)
Mt Grenfell Historic Site Board of Management ^{(b)(t)}	Trustees of the Museum of Applied Arts and Sciences
Multicultural NSW	Trustees of the Museum of Applied Arts and Sciences
Multicultural NSW Staff Agency	Staff Agency
Mutawintji Board of Management ^{(b)(t)}	UrbanGrowth NSW Development Corporation
National Art School ^(t)	UrbanGrowth NSW Development Corporation Staff
Natural Resources Commission	Agency
Natural Resources Commission Staff Agency	Australian Technology Park Sydney Limited
New South Wales Crime Commission	Water Administration Ministerial Corporation
New South Wales Crime Commission Staff Agency	Water Investment Trust Fund
New South Wales Electoral Commission	Western Sydney Parklands Trust
New South Wales Electoral Commission Staff Agency	<i>Wild Dog Destruction Board</i> ^{(r)(t)}
New South Wales Government Telecommunications	Worimi Board of Management ^{(b)(t)}
Authority	Workers' Compensation (Dust Diseases) Authority
New South Wales Institute of Sport ^(t)	Workers Compensation Commission of New South Wales
Institute of Sport Staff Agency ^(l)	
New South Wales Rural Assistance Authority	
NSW Ovine Johne's Disease Transaction Based	
Contribution Scheme	

Public Non-Financial Corporations

Ausgrid^(s)

Ausgrid Pty Limited

Catholic Metropolitan Cemeteries Trust

Cobar Water Board^(t)

Cobbora Holding Company Pty Ltd

Cobbora Coal Mine Pty Limited

Cobbora Rail Company Pty Limited

Delta Electricity^(l)

Endeavour Energy^(u)

Essential Energy

NorthPower Energy Services Pty Limited

Forestry Corporation of New South Wales

Hunter Water Corporation

Hunter Water Australia

Jenolan Caves Reserves Trust^(c)

Landcom (trading as UrbanGrowth NSW)

New South Wales Land and Housing Corporation

Rental Housing Assistance Fund

Newcastle Port Corporation

Northern Metropolitan Cemeteries Trust^(t)

Place Management NSW^(v)

Rail Corporation New South Wales^(w)

NSW Trains

Sydney Trains

Rookwood General Cemeteries Reserve Trust^(t)

Rookwood Necropolis Trust^(t)

Southern Metropolitan Cemeteries Trust^(t)

State Sporting Venues Authority

Stadium Holding Pty Ltd^(x)

State Transit Authority of New South Wales

Sydney Cricket and Sports Ground Trust

Sydney Cricket and Sports Ground Trust Staff Agency

Sydney Ferries

Sydney Opera House Trust

Sydney Opera House Trust Staff Agency

Sydney Water Corporation

Teacher Housing Authority of New South Wales

Venues NSW

Newcastle International Sports Centre Club

Water NSW

Waste Assets Management Corporation

WCX M4 Corporation Pty Ltd

WCX M5 PHT Pty Ltd

WCX M5 AHT Pty Ltd

WCX M5 PT Pty Ltd

WCX M5 AT Pty Ltd

WCX M5 Finco Pty Ltd

Wentworth Park Sporting Complex Trust^(t)

Zoological Parks Board of New South Wales

Public Financial Corporations

Fair Trading Administration Corporation^(y)

First Australian Mortgage Acceptance Corporation
(FANMAC) Trusts

TCorpIM Australian Bond Fund

TCorpIM Australian Share Fund

TCorpIM Cash Fund

TCorpIM Cyclical Growth Australian Share Fund

TCorpIM Cyclical Growth International Share Fund

TCorpIM Downside Protection Australian Share Fund

TCorpIM Downside Protection International Share Fund

TCorpIM Global Credit Fund

TCorpIM Liquidity Cash Fund

TCorpIM Emerging Market Share Fund

TCorpIM Indexed Australian Share Fund

TCorpIM Indexed International Share (Unhedged) Fund

Hour-Glass International Bond Fund

TCorpIM International Share (Unhedged) Fund

TCorpIM International Share (Hedged) Fund

TCorpIM Listed Property Fund

TCorpIM Long Term Growth Fund

TCorpIM Medium Term Growth Fund

TCorpIM Multi-Asset Class Fund

TCorpIM Specialist Emerging Market Share Fund

TCorpIM Strategic Cash Fund

TCorpIM Unlisted Infrastructure Fund

TCorpIM Unlisted Property Fund

ICNSW International Equities Hedged Fund

Insurance and Care NSW

Insurer's Guarantee Fund Investment Trust

Long Service Corporation Investment Fund

Lifetime Care and Support Authority of New South Wales

NSW Trustee and Guardian Growth Portfolio

NSW Infrastructure Future Fund

New South Wales Treasury Corporation

Treasury Corporation Division of the Government Service

TCorp Nominees Pty Limited

SAS Trustee Corporation

SAS Trustee Corporation Staff Agency

Superannuation Administration Corporation

Sydney Motorway Corporation

Treasury Managed Fund Investment Portfolio

TCorpIM Direct Infrastructure Fund A

TCorpIM Direct Investment Fund B

ICNSW Australian Equities Fund

ICNSW International Equities Fund

(a) Agency was established 1 December 2016 under the *Electricity Network Assets (Authorised Transactions) Act 2015*

(b) National Park Boards of Management as per the *National Parks and Wildlife Act 1974*

(c) Agency was renamed from Department of Industry, Skills and Regional Development on 1 April 2017 under the *Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2017*

(d) Agency was abolished and funds transferred to the Crown Reserves Improvement Fund from Public Reserves Management Fund on 17 May 2017 under the *Crown Land Legislation Amendment Act 2017*

(e) Agency was established 4 November 2016 under the *Electricity Retained Interest Corporations Act 2015 No 6*

(f) Agency was established 2 June 2017 under the *Electricity Retained Interest Corporations Act 2015 No 6*

(g) Agency was established 14 June 2017 under the *Electricity Network Assets (Authorised Transactions) Act 2015*

(h) Agency was established 27 September 2016 under the *Electricity Generator Assets Authorised Transactions Act 2012* effective 27 September 2016

(i) Agency was abolished on 31 March 2017 under the *Transport Administration Amendment (Independent Transport Safety Regulator) Act*

(j) Agency was abolished on 30 June 2017 under the *Statute Law (Miscellaneous Provisions) Act 2017 No 22*

(k) The special purpose service entities of the local health districts have not been listed

(l) Agency was established 1 April 2017 under the *Administrative Arrangements (Administrative Changes – Public Service Agencies) Order 2017*

- (m) Agency was renamed from Board of Studies, Teaching and Educational Standards on 1 January 2017 under the *Education and Teaching Legislation Amendment Act 2016 No 50*
- (n) Agency was established 1 February 2017 under the *(Administrative Changes – Law Enforcement Conduct Commission) Order 2017* and the Police Integrity Commission Staff Agency was abolished however all functions were transferred 1 July 2017.
- (o) Agency to be established 1 July 2017 under the *Administrative Arrangements (Administrative Changes – Inspector of Law Enforcement Conduct Commission) Order 2017* to transfer staff from the Ombudsman's Office
- (p) Agency was abolished and replaced by the Law Enforcement Conduct Commission on 1 July 2017 under the *Law Enforcement Conduct Commission Act 2016 No 61*
- (q) Agency was renamed from Government Property NSW on 25 October 2016 under the *Property NSW Act No 40*
- (r) Agency to be renamed from Wild Dog Destruction Board on 1 July 2017 to the Border Fence Maintenance Fund under the *Biosecurity Act 2015*
- (s) Agency ceased to be a public non-financial corporation, and converted to Alpha Distribution Ministerial Holding Corporation trading in the general government sector on 1 December 2016 under the *Electricity Network Assets (Authorised Transactions) Act 2015*. Its primary function includes leasing of Ausgrid's assets to the private sector
- (t) Agency was abolished 22 November 2016 under the *Electricity Generator Assets (Authorised Transactions) Amendment (Dissolution of Delta Electricity) Proclamation 2016*
- (u) Agency ceased to be a public non-financial corporation, and converted to Epsilon Distribution Ministerial Holding Corporation trading in the general government sector on 14 June 2017 under the *Electricity Network Assets (Authorised Transactions) Act 2015*. Its primary function includes leasing of Endeavour's assets to the private sector
- (v) Agency was renamed from Sydney Harbour Foreshore Authority on 25 October 2016 under the *Place Management NSW Act 1998 No 170*
- (w) Agency transitioning to Transport Asset Holding Entity; creation of the entity commenced 5 April 2017 under the *Transport Administration Amendment (Transport Entities) Bill 2017* which provides that NSW Trains and Sydney Trains are no longer subsidiaries of Rail Corporation New South Wales and establishes a new corporation named Residual Transport Corporation
- (x) Agency was abolished 13 April 2017 under the *Sporting Venues Authorities Amendment Bill 2017* and assets were transferred to Venues NSW
- (y) Agency abolished 30 June 2017 under the *Home Building Amendment (Compensation Reform) Act 2017*
- (*) These agencies are not considered material for the whole-of-government reporting but are controlled by the NSW Government

Note 37: Key Technical Terms used in the Financial Statements

ABS GFS Manual: The Australian Bureau of Statistics (ABS) publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods* as updated from time to time.

advances: loans acquired or made for policy purposes rather than liquidity management purposes.

capital expenditure: this is expenditure relating to the acquisition or enhancement of property, plant and equipment (including land and buildings, plant and equipment and infrastructure systems) and intangibles (including computer software and easements).

cash surplus/(deficit): net cash flows from operating activities plus net cash flows from acquisition and disposal of non-financial assets (less distributions paid for the public non-financial corporation (PNFC) and public financial corporation (PFC) sectors).

comprehensive result (total change in net worth before transactions with owners as owners): net result of all items of income and expense recognised for the period. It is the aggregate of the operating result and other movements in equity, other than transactions with owners as owners.

convergence difference: the difference between the amounts recognised in the financial statements compared with the amounts determined for GFS purposes as a result of differences in definition, recognition, measurement, classification and consolidation principles and rules.

defined contribution superannuation plans: are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

defined benefit superannuation plans: are post-employment benefit plans other than defined contribution plans.

fair value: the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

fair value hierarchy: categorises into three levels the inputs to valuation techniques used to measure fair value.

level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

level 3 inputs: unobservable inputs for the asset or liability.

financial asset is any asset that is:

- (a) cash
- (b) an equity instrument of another entity
- (c) a contractual right:
 - (i) to receive cash or another financial asset from another entity, or
 - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity, or

- (d) a contract that will or may be settled in the entity's own equity instruments and is:
- (i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments, or
 - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

General Government Sector (GGS): this is an ABS classification of agencies that provide public services (such as health, education and police), carry out policy or perform regulatory functions. General government agencies are funded in the main by taxation (directly or indirectly).

Government Finance Statistics (GFS): a system of financial reporting developed by the International Monetary Fund and used by the Australian Bureau of Statistics to classify the financial transactions of governments and measure their impact on the rest of the economy.

interest expense: costs incurred in connection with the borrowing of funds. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings. Where discounting is used, the carrying amount of a liability increases in each period to reflect the passage of time. This increase is also recognised as an interest expense.

key fiscal aggregates: balances useful for macro-economic analysis purposes, including assessing the impact of a government and its sectors on the economy. AASB 1049 *Whole of Government and General Government Sector Financial Reporting* prescribes: net worth, net operating balance, net lending/(borrowing), total change in net worth, and cash surplus/(deficit).

National Partnership Payments (NPP): an Australian Government grant to States and Territories to support the delivery of specified outputs or projects, to facilitate reforms or to reward the delivery of nationally significant reforms. Each NPP is supported by a National Partnership Agreement which defines mutually agreed objectives, outputs and performance benchmarks.

National Specific Purpose Payments (SPP): an Australian Government grant made to the States and Territories under the associated National Agreement. These grants must be spent in the key service delivery sector (Health, Education, Skills and Workforce, Disability and Indigenous) for which it is provided. States are free to allocate the funds within that sector to achieve the mutually agreed objectives specified in the associated National Agreement.

net acquisition of non-financial assets: This is purchases (or acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Purchases and sales (or net acquisitions) of non-financial assets generally include accrued expenses and payables for capital items. Other movement in non-financial assets include non-cash capital grant revenue/expenses such as developer contribution assets.

net cash flows from investments in financial assets (liquidity management purposes): cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.

net cash flows from investments in financial assets (policy purposes): cash receipts from the repayment and liquidation of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. Acquisition of financial assets for policy purposes is distinguished from investments in financial assets (liquidity management purposes) by the underlying government motivation for acquiring the assets. Acquisition of financial assets for policy purposes is motivated by government policies such as encouraging the development of certain industries or assisting citizens affected by natural disaster.

net debt: equals the sum of financial liabilities (deposits held, borrowings and derivatives and advances received) less the sum of the following financial assets (cash and deposits, advances paid and investments, loans and placements).

net defined benefit superannuation liability (asset): the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

net financial liabilities: calculated as total liabilities, less financial assets, other than equity in PNFCs and PFCs. This measure is broader than net debt as it includes significant liabilities, other than borrowings (for example, accrued employee liabilities such as superannuation and long service leave entitlements).

net interest on the net defined benefit liability/asset: this is the change during the period to the net defined superannuation liability/asset that arises from the passage of time.

net gain on equity investments in other sectors: comprises the net gains relating to the equity held by the GGS in other sector entities. It arises from a change in the carrying amount of net assets of the subsidiaries. The net gains are measured (in the absence of market values) based on the carrying amount of net assets/(liabilities) before elimination of intersector balances.

net lending/(borrowing): the financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. A positive result reflects a net lending position and a negative result reflects a net borrowing position.

net operating balance (net result from transactions): calculated as revenue from transactions minus expenses from transactions. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets.

net worth: an economic measure of wealth and is equal to total assets less total liabilities.

operating result: a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other comprehensive income'.

other economic flows: changes in the volume or value of an asset or liability that do not result from transactions (that is, revaluations and other changes in the volume of assets).

other superannuation expense: it includes all superannuation expenses from transactions except superannuation interest cost. Superannuation actuarial gains/losses are excluded as they are disclosed under 'other economic flows'.

Public Financial Corporations (PFC) sector: an ABS classification of government controlled agencies that have one or more of the following functions:

- that of a central bank
- the acceptance of demand, time or savings deposits, or
- the authority to incur liabilities (such as insurance) and acquire financial assets in the market on their own account.

The sector is also commonly referred to as the Public Financial Enterprise (PFE) sector.

Public Non-Financial Corporations (PNFC) sector: an ABS classification, for GFS purposes, of agencies where user charges represent a significant proportion of revenue and the agencies operate within a broadly commercial orientation. The sector is also commonly referred to as the Public Trading Enterprise (PTE) sector.

superannuation interest cost: this expense is the net interest on the net defined benefit liability/asset which shall be determined by multiplying the net defined liability/asset by the discount rate (government bond rate).

Total State Sector (TSS): represents all agencies and corporations owned and controlled by the NSW Government. It comprises the general government, public trading (also referred to as the public non-financial corporations) and public financial enterprises.

transactions: interactions between two institutional units by mutual agreement or actions within a unit that it is analytically useful to treat as transactions, such as depreciation expense. Unlike revaluations, transactions generally reflect economic events that impact the economy.

End of Audited Financial Statements

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Uniform Presentation Framework:
Outcomes Report
2016 - 2017

UNIFORM PRESENTATION FRAMEWORK: OUTCOMES REPORT

Purpose

The Outcomes Report presents financial aggregates according to the revised Uniform Presentation Framework (UPF) agreed by the Australian Loan Council in March 2008.

The Australian Loan Council includes each state and territory Treasurer and the Commonwealth Treasurer. It monitors public sector finances, particularly the forecast cash surplus/deficit of governments and their future financing/investing requirements. Accordingly, the objective of the UPF is to “facilitate a better understanding of budget papers and provide for more meaningful comparisons of each government’s financial results and projections”.

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.

The format of the aggregates is based on a reporting standard issued by the Australian Accounting Standards Board – AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Several tables in the Outcomes Report are similar with those reported in the Total State Sector Accounts but are repeated here for completeness.

The Outcomes Report compares for 2016-17 the published NSW Budget 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.

Loan Council Reporting

Table 19 compares the Loan Council Allocation (LCA) at the time of the Budget with the 2016-17 result.

The Commonwealth, State and Territory governments nominate a Loan Council Allocation (LCA) each year. The focus of Loan Council reporting in the accrual reporting framework remains on cash measures. A government's cash position will determine the extent to which it must call on financial markets in a given year to meet its budget obligations.

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

Table 19 shows a LCA outcome for 2016-17 of \$24.2 billion surplus compared with the Budget-time estimate deficit of \$13.9 billion. The result exceeds the tolerance limit of \$1.8 billion. This tolerance limit is calculated as 2 per cent of cash receipts from operating activities for the non-financial public sector. The major drivers of the change between the budget time LCA outcome estimate and the actual outcome are outlined below.

The \$38.2 billion improvement in the Loan Council Allocation Outcome is largely due to:

- a \$8.5 billion lower ABS GFS cash deficit in the non-financial public sector from:
 - a \$2.2 billion improvement in sale of non-financial assets primarily from the long term concession of Land and Property Information's titling and registry services
 - higher than forecast tax revenues of \$1.4 billion mainly attributable to increased transfer duty reflecting continued growth in the commercial and residential property markets supported by historically low interest rates and continued high demand. Higher transfer duty also reflected the one-off receipt from the long-term lease of Ausgrid and Endeavour Energy assets
 - a \$3.0 billion improvement in other receipts primarily from higher distributions from TCorp Investments
 - lower than estimated expenditure on purchase of non-financial assets of \$3.4 billion reflecting aggregate variation across range of agencies relating to lower than expected capital expenditure. This also includes a reduction in finance lease and other similar arrangements of \$0.4billion
- Offset by
 - A net decrease in general government grants and subsidies receipt of \$1.1 billion
- a \$29.2 billion improvement in investments in financial assets for policy purposes mainly arising from the proceeds for the long term lease of Ausgrid and Endeavour Energy assets. By convention in NSW, the impacts of transactions are not included in the Budget and only recorded on completion.
- memorandum items being \$0.5 billion lower than the original estimate. Memorandum items were mainly impacted by an increase in the value of financial assets of \$0.7 billion, largely due to the investment and earnings of State Super Schemes and offset by an increase in operating lease of \$0.3 billion.

Table 1: NSW Public Sector Statement of Financial Position at 30 June 2017^(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	8,731	2,773	11,504	2,371	13,855
Receivables	6,216	1,247	6,064	1,332	6,722
Tax Equivalents Receivable	91	17	...	2	...
Investments, Loans and Placements					
Financial Assets at Fair Value	26,561	416	26,977	52,836	32,557
Other Financial Assets	6,778	1,170	7,490	433	7,923
Advances Paid	1,005	...	616	...	616
Deferred Tax Equivalents Asset	2,049	59	...	...	...
Equity					
Investments in Other Public Sector Entities	107,117	...	2,149	2,779	...
Investments in Associates	5,870	...	5,870	2	5,872
Other Equity Investments	700	...	700	16,917	17,617
Equity Investments Held for Sale	4,196	...	4,196	...	4,196
Total Financial Assets	169,315	5,682	65,565	76,671	89,358
Non-Financial Assets					
Inventories	296	543	838	...	838
Forestry Stock and Other Biological Assets	10	992	1,003	...	1,003
Assets Classified as Held for Sale	155	183	338	...	338
Investment Properties	...	534	534	...	534
Property, Plant and Equipment					
Land and Buildings	72,752	70,075	143,382	13	143,394
Plant and Equipment	11,300	5,513	16,813	19	16,831
Infrastructure Systems	92,147	54,838	146,985	...	146,985
Intangibles	3,448	972	4,420	3	4,423
Other Non-Financial Assets	4,935	272	4,863	46	4,909
Total Non-Financial Assets	185,043	133,922	319,176	80	319,256
Total Assets	354,358	139,604	384,741	76,751	408,614
Liabilities					
Deposits Held	106	33	139	452	328
Payables	6,385	2,199	7,961	687	8,118
Tax Equivalents Payable	18	81	...	10	...
Liabilities Directly Associated with Assets					
Held for Sale	...	4	4	...	4
Borrowings and Derivatives at Fair Value	905	677	1,582	62,967	63,630
Borrowings at Amortised Cost	31,909	21,651	53,102	10	6,963
Advances Received	812	389	812	...	812
Employee Provisions	16,842	1,088	17,912	41	17,953
Superannuation Provision ^(b)	56,285	2,316	58,601	0	58,601
Deferred Tax Equivalent Provision	59	2,049	...	...	...
Other Provisions	8,815	1,129	9,180	3,425	12,525
Other Liabilities	5,752	450	6,198	7,011	13,209
Total Liabilities	127,887	32,067	155,491	74,603	182,143
NET ASSETS	226,471	107,537	229,250	2,149	226,471

Table 1: NSW Public Sector Statement of Financial Position at 30 June 2017 (cont)

	General Government Sector	Public Non-Financial Corporations	Non-Financial Public Sector	Public Financial Corporations	Total State Sector
	\$m	\$m	\$m	\$m	\$m
Net Worth					
Accumulated Funds	74,462	51,477	99,613	2,149	96,205
Reserves	152,009	56,060	129,637	...	130,267
TOTAL NET WORTH	226,471	107,537	229,250	2,149	226,471
OTHER FISCAL AGGREGATES					
Net Debt^(c)	(9,344)	18,392	9,048	7,789	16,782
Net Financial Liabilities^(d)	65,690	26,385	92,075	710	92,785
Net Financial Worth^(e)	41,428	(26,385)	(89,926)	2,069	(92,785)

(a) This table has been presented on a liquidity basis as per AASB 1049. Amounts may not add across due to inter sector eliminations.

(b) Superannuation liabilities are reported net of the fair value of fund assets.

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

(d) Net financial liabilities equals total liabilities less financial assets excluding equity investments in other public sector entities.

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

Table 2: NSW General Government Sector Statement of Comprehensive Income

	2016-17 (Budget) \$m	2016-17 (Actual) \$m
Revenue from Transactions		
Taxation	29,759	30,789
Grant and Subsidies		
Commonwealth General Purpose	17,663	17,202
Commonwealth Specific Purpose Payments	9,272	9,435
Commonwealth National Partnership Payments	4,682	4,121
Other Grants and Subsidies	727	592
Sale of Goods and Services	8,296	8,159
Interest	914	769
Dividend and Income Tax Equivalent Income from Other Sectors	1,173	1,102
Other Dividends and Distributions	441	1,267
Fines, Regulatory Fees and Other	4,078	4,703
Total Revenue from Transactions	77,005	78,139
less Expenses from Transactions		
Employee	30,058	30,585
Superannuation		
Superannuation Interest Cost	1,436	1,334
Other Superannuation	3,001	2,992
Depreciation and Amortisation	4,608	4,614
Interest	2,165	2,149
Other Operating	18,656	18,312
Grants and Transfers		
Current Grants and Transfers	12,367	11,729
Capital Grants and Transfers	1,000	837
Total Expenses from Transactions	73,292	72,551
Transactions from Discontinuing Operations	...	136
BUDGET RESULT - SURPLUS/(DEFICIT) [Net Operating Balance]	3,713	5,724
Other Economic Flows included in the Operating Result		
Gain/(Loss) from Other Liabilities	277	367
Other Net Gains/(Losses)	(182)	12,444
Share of Earnings from Associates (excluding Dividends)	13	48
Dividends from Asset Sale Proceeds	271	115
Deferred Income Tax from Other Sectors	...	(1,611)
Other	63	(78)
Operating Result (Accounting Basis)	4,156	17,009
Other Economic Flows - Other Comprehensive Income		
Items that will not be Reclassified to Operating Result		
Superannuation Actuarial Gains/(Loss)	8,657	12,011
Revaluations	4,161	2,354
Share of Earnings from Associates from Revaluations	...	361
Items that may be Reclassified subsequently to Operating Result		
Net Gain on Available for Sale Financial Assets	4,906	4,381
Net Gain/(Loss) on Financial Instruments at Fair Value	...	...
Other	(3,945)	53
COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH	17,934	36,169

Table 2: NSW General Government Sector Statement of Comprehensive Income (cont)

	2016-17 (Budget) \$m	2016-17 (Actual) \$m
KEY FISCAL AGGREGATES		
Comprehensive Result - Total Change in Net Worth	17,934	36,169
Less: Net Other Economic Flow s	(14,221)	(30,445)
Equals: Budget Result - Net Operating Balance	3,713	5,724
Less: Net Acquisition of Non-Financial Assets		
Purchases of Non-Financial Assets	12,358	10,419
Sales of Non-Financial Assets	(663)	(3,500)
less: Depreciation	(4,608)	(4,614)
Plus: Change in Inventories	(8)	7
Plus: Other Movements in Non-Financial Assets		
- Assets Acquired Using Finance Leases	156	127
- Other	106	245
Equals: Total Net Acquisition of Non-Financial Assets	7,341	2,684
Equals: Net Lending/(Borrowing) [Fiscal Balance]	(3,628)	3,040

Table 3: NSW General Government Sector Statement of Financial Position at 30 June^(a)

	2017 (Budget)	2017 (Actual)
	\$m	\$m
Assets		
Financial Assets		
Cash and Cash Equivalent Assets	1,582	8,731
Receivables	5,885	6,216
Tax Equivalents Receivable	98	91
Investments, Loans and Placements		
Financial Assets at Fair Value	18,613	26,561
Other Financial Assets	5,087	6,778
Advances Paid	1,237	1,005
Deferred Tax Equivalents Asset	3,955	2,049
Equity		
Investments in Other Public Sector Entities	102,380	107,117
Investments in Associates	3,927	5,870
Other Equity Investments	562	700
Equity Investments Held for Sale	...	4,196
Total Financial Assets	143,326	169,315
Non-Financial Assets		
Inventories	232	296
Forestry Stock and Other Biological Assets	10	10
Assets Classified as Held for Sale	84	155
Investment Properties	3	...
Property, Plant and Equipment		
Land and Buildings	72,032	72,752
Plant and Equipment	12,530	11,300
Infrastructure Systems	91,664	92,147
Intangibles	3,475	3,448
Other Non-Financial Assets	4,509	4,935
Total Non-Financial Assets	184,539	185,043
Total Assets	327,865	354,358
Liabilities		
Deposits Held	113	106
Payables	4,917	6,385
Tax Equivalents Payable	9	18
Borrowings and Derivatives at Fair Value	6	905
Borrowings at Amortised Cost	33,067	31,909
Advances Received	873	812
Employee Provisions	16,519	16,842
Superannuation Provision ^(b)	55,510	56,285
Deferred Tax Equivalent Provision	280	59
Other Provisions	8,684	8,815
Other Liabilities	2,910	5,752
Total Liabilities	122,887	127,887
NET ASSETS	204,978	226,471

Table 3: NSW General Government Sector Statement of Financial Position at 30 June (cont)

	2017 (Budget)	2017 (Actual)
	\$m	\$m
Net Worth		
Accumulated Funds	24,536	74,462
Reserves	180,443	152,009
TOTAL NET WORTH	204,978	226,471
OTHER FISCAL AGGREGATES		
Net Debt^(c)	7,539	(9,344)
Net Financial Liabilities^(d)	81,940	65,690
Net Financial Worth^(e)	20,440	41,428

(a) This table has been presented on a liquidity basis as per AASB 1049.

(b) Superannuation liabilities are reported net of the fair value of fund assets.

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

(d) Net financial liabilities equals net financial worth excluding equity investments in other public sector entities.

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

Table 4: NSW General Government Sector Statement of Cash Flows

	2016-17 (Budget) \$m	2016-17 (Actual) \$m
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Taxes Received	29,742	31,291
Receipts from Sales of Goods and Services	8,776	8,487
Grants and Subsidies Received	32,317	31,202
Interest Receipts	862	698
Dividends and Income Tax Equivalents	1,178	1,321
Other Receipts	7,535	10,333
Total Receipts	80,411	83,332
Payments		
Payments for Employees	(29,834)	(30,232)
Payments for Superannuation	(3,592)	(3,898)
Payments for Goods and Services	(21,716)	(20,751)
Grants and Subsidies Paid	(10,896)	(10,599)
Interest Paid	(1,628)	(1,642)
Other Payments	(4,616)	(5,645)
Total Payments	(72,282)	(72,767)
NET CASH FLOWS FROM OPERATING ACTIVITIES	8,129	10,565
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Flows from Investments in Non-Financial Assets		
Sales of Non-Financial Assets	663	3,262
Purchases of Non-Financial Assets	(12,235)	(10,255)
Net Cash Flows from Investments in Non-Financial Assets	(11,572)	(6,992)
Cash Flows from Investments in Financial Assets for Policy Purposes		
Receipts	461	14,185
Payments	(3,453)	(2,917)
Net Cash Flows from Investments in Financial Assets for Policy Purposes	(2,992)	11,268
Cash Flows from Investments in Financial Assets for Liquidity Purposes		
Proceeds from Sale of Investments	10,595	21,112
Purchase of Investments	(9,091)	(33,262)
Net Cash flows from Investments in Financial Assets for Liquidity Purposes	1,504	(12,150)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(13,061)	(7,874)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances Received	47	...
Advances Repaid	(57)	(70)
Proceeds from Borrowings	1,319	4,040
Repayments of Borrowings	(547)	(3,411)
Deposits Received / Paid (net)	(11)	(21)
Other (net)	...	(0)
NET CASH FLOWS FROM FINANCING ACTIVITIES	751	538
NET INCREASE/(DECREASE) IN CASH HELD	(4,181)	3,228

Table 4: NSW General Government Sector Statement of Cash Flows (cont)

	2016-17 (Budget) \$m	2016-17 (Actual) \$m
Derivation of Cash Result		
Net Cash Flow s from Operating Activities	8,129	10,565
Net Cash Flow s from Investments in Non-Financial Assets	(11,572)	(6,992)
CASH SURPLUS/(DEFICIT)	(3,444)	3,573
Derivation of ABS GFS General Government Cash Surplus/(Deficit)		
Cash Surplus/(Deficit)	(3,444)	3,573
Assets Acquired under Finance Leases	(156)	(127)
Other Financing Arrangements ^(a)	(123)	73
ABS GFS CASH SURPLUS/(DEFICIT)	(3,722)	3,519

(a) Comprises of movements in payables and receivables of a capital nature.

Table 5: NSW General Government Sector Taxes

	2016-17 (Budget)	2016-17 (Actual)
	\$m	\$m
Taxes on Employers' Payroll and Labour Force	8,247	8,282
Taxes on Property		
Land Taxes	3,136	3,171
Stamp Duties on Financial and Capital Transactions	9,320	10,102
Financial Institutions' Transaction Taxes	...	...
Other	165	298
Total Taxes on Property	12,620	13,571
Taxes on the Provision of Goods and Services		
Excises and Levies	...	...
Taxes on Gambling	2,268	2,271
Taxes on Insurance	2,421	2,358
Total Taxes on the Provision of Goods and Services	4,689	4,629
Taxes on Use of Goods and Performance of Activities		
Motor Vehicle Taxes ^(a)	3,389	3,377
Franchise Taxes	1	0
Other	812	930
Total Taxes on Use of Goods and Performance of Activities	4,202	4,307
Total Taxation Revenue	29,759	30,789

(a) Motor Vehicle Taxes includes vehicle registration and stamp duty

Table 6: NSW General Government Sector Dividend and Income Tax Equivalent Income

	2016-17 (Budget)	2016-17 (Actual)
	\$m	\$m
Dividend and Income Tax Equivalent Income from the PNFC Sector	1,094	979
Dividend and Income Tax Equivalent Income from the PFC Sector	79	123
Other Dividend Income	441	1,267
Total Dividend and Income Tax Equivalent Income	1,614	2,369

Table 7: NSW General Government Sector Grant Revenue and Expense

	2016-17 (Budget) \$m	2016-17 (Actual) \$m
Current Grants and Subsidies		
Current Grants from the Commonwealth ^(a)		
General Purpose Grants	17,663	17,202
Specific Purpose Payments	9,272	9,435
National Partnership Payments	877	809
Total	27,812	27,446
Other Grants and Subsidies	701	545
Total Current Grants and Subsidies Revenue	28,514	27,991
Capital Grants and Subsidies		
Capital Grants from the Commonwealth ^(a)		
General Purpose Grants	...	...
Specific Purpose Payments	0	0
National Partnership Payments	3,805	3,312
Total	3,805	3,312
Other Grants and Subsidies	25	47
Total Capital Grants and Subsidies Revenue	3,831	3,359
Total Grant Revenue	32,344	31,350
Current Grants, Subsidies, and Transfer Payments to:		
State/Territory Government	...	...
Local Government ^(a)	973	624
Private and Not-for-Profit Sector ^(a)	7,607	7,461
Other Sectors of Government	3,787	3,643
Total Current Grants, Subsidies, and Transfer Payments Expense	12,367	11,729
Capital Grants, Subsidies, and Transfer Payments to:		
State/Territory Government	...	...
Local Government ^(a)	344	179
Private and Not-for-Profit Sector ^(a)	370	342
Other Sectors of Government	286	315
Total Capital Grants, Subsidies, and Transfer Payments Expense	1,000	837
Total Grant Expense	13,368	12,565
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	4,156	4,663
Capital Transfer Receipts for Specific Purposes	...	...
Total Receipts	4,156	4,663
Current Transfer Payments to:		
Local Government	712	1,080
Private and Not-for Profit Sector	3,444	3,583
Capital Transfer Payments to:		
Local Government	...	...
Private and Not-for Profit Sector	...	...
Total Payments	4,156	4,663

(a) Grant revenue and expenses above exclude the following transfer payments from the Commonwealth government that New South Wales on-passes 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 on-passes.

Table 8: NSW General Government Sector Expenses by Function^(a)

	2016-17 (Budget)	2016-17 (Actual)
	\$m	\$m
General Public Services		
Government superannuation benefits	12	17
Other general public services	3,473	3,401
Total Other General Public Services	3,484	3,418
Public Order and Safety		
Police and fire protection services		
Police services	3,232	3,261
Fire protection services	985	966
Law courts and legal services	1,453	1,408
Prisons and corrective services	1,497	1,477
Other public order and safety	166	142
Total Public Order and Safety	7,334	7,253
Education		
Primary and secondary education		
Primary education	5,508	5,381
Secondary education	5,390	5,253
Primary and secondary education n.e.c.	210	235
Tertiary education		
University education	...	...
Technical and further education	1,727	1,647
Tertiary education n.e.c.	...	...
Pre-school education and education not definable by level		
Pre-school education	372	385
Special education	1,695	1,633
Other education not definable by level	85	72
Transportation of students		
Transportation of non-urban school children	595	520
Transportation of other students	146	116
Education n.e.c.	...	...
Total Education	15,727	15,242
Health		
Acute care institutions		
Admitted patient services in acute care institutions	11,322	11,423
Non-admitted patient services in acute care institutions	3,729	3,841
Mental health institutions	190	170
Nursing homes for the aged	116	117
Community health services		
Community health services (excluding community mental health)	1,351	1,354
Community mental health	620	634
Patient transport	813	822
Public health services	509	593
Pharmaceuticals, medical aids and appliances	1,521	1,528
Health research	112	113
Health administration n.e.c.	135	136
Total Health	20,417	20,731

Table 8: NSW General Government Sector Expenses by Function^(a) (cont)

	2016-17 (Budget)	2016-17 (Actual)
	\$m	\$m
Social Security		
Social Security	455	435
Welfare services		
Family and children services	1,841	1,946
Welfare services for the aged	241	197
Welfare services for people with a disability	3,269	3,159
Welfare services n.e.c.	68	116
Social security and welfare n.e.c.	242	180
Total Social Security	6,117	6,034
Housing and Community Amenities		
Housing and community development		
Housing	1,309	1,218
Community Development	433	312
Water supply	94	73
Sanitation and protection of the environment	1,104	985
Other community amenities	...	...
Total Housing and Community Amenities	2,941	2,588
Recreation and Culture		
Recreation facilities and services		
National parks and wildlife	467	497
Recreation facilities and services n.e.c.	327	319
Cultural facilities and services	338	443
Broadcasting and film production	...	...
Recreation and culture n.e.c.	37	35
Total Recreation and Culture	1,170	1,294
Fuel and Energy		
Fuel affairs and services		
Coal/Petroleum/Nuclear affairs, Fuel affairs and services n.e.c.	...	...
Gas	...	...
Electricity and other energy		
Electricity	36	26
Other energy	...	...
Fuel and Energy n.e.c.	...	...
Total Fuel and Energy	36	26

Table 8: NSW General Government Sector Expenses by Function^(a) (cont)

	2016-17 (Budget) \$m	2016-17 (Actual) \$m
Agriculture, Forestry, Fishing and Hunting		
Agriculture	638	552
Forestry, fishing and hunting	142	143
Total Agriculture, Forestry, Fishing and Hunting	779	695
Mining and Mineral Resources other than Fossil Fuels; Manufacturing and Construction		
Mining and mineral resources other than fuels	103	100
Manufacturing	...	...
Construction	108	95
Total Mining and Mineral Resources other than Fossil Fuels; Manufacturing and Construction	211	195
Transport and Communications		
Road transport		
Road maintenance	732	701
Road transport n.e.c.	3,145	3,177
Water transport		
Other water transport services	2	3
Urban water transport services	158	162
Rail transport		
Urban rail transport services	3,413	3,229
Non-urban rail transport freight services	...	1
Non-urban rail transport passenger services	112	51
Air transport	...	...
Pipelines	...	...
Other transport		
Multi-mode urban transport	1,581	1,851
Other transport n.e.c.	10	146
Communications	65	55
Total Transport and Communications	9,217	9,377
Other Economic Affairs		
Storage, saleyards and markets	...	...
Tourism and area promotion	264	295
Labour and employment affairs		
Vocational training	388	372
Other labour and employment affairs	206	218
Other economic affairs n.e.c.	432	428
Total Other Economic Affairs	1,291	1,313

Table 8: NSW General Government Sector Expenses by Function^(a) (cont)

	2016-17 (Budget)	2016-17 (Actual)
	\$m	\$m
Other Purposes		
Public debt transactions	3,605	3,480
General purpose inter-government transactions	971	578
Natural disaster relief	132	97
Other purposes n.e.c. ^(b)	(140)	294
Total Other Purposes	4,567	4,449
Total Expenses^(c)	73,292	72,616

Notes:

n.e.c. not elsewhere classified.

- (a) This table has been presented on a Government Purpose Classification (GPC) basis as required by the current ABS Government Finance Statistics (GFS) publication.
- (b) The original budget included \$150 million Advance to the Treasurer which was allocated across functions as the funds were spent in the actual year.
- (c) The difference between this figure and the amount reported in the Statement of Comprehensive Income \$72,551 million relates to expenditure associated with discontinued operations of \$65 million.

Table 9: NSW General Government Sector Capital Expenditure by Function ^{(a) (b)}

	2016-17 (Budget)	2016-17 (Actual)
	\$m	\$m
Purchases of Non-Financial Assets		
General Public Services	224	176
Public Order and Safety	1,574	788
Education	653	562
Health	1,459	1,303
Social Security and Welfare	114	109
Housing and Community Amenities	182	126
Recreation and Culture	213	168
Fuel and Energy	...	2
Agriculture, Forestry, Fishing and Hunting	191	16
Mining, Manufacturing and Construction	8	15
Transport and Communications	7,239	7,071
Other Economic Affairs	37	67
Other Purposes ^(c)	464	15
Total Purchases of Non-Financial Assets	12,358	10,419
Assets Acquired under Finance Leases		
Transport and Communications	156	127
Total Assets Acquired under Finance Leases	156	127
Total Capital Expenditure	12,514	10,546

(a) This table has been presented on a Government Purpose Classification (GPC) basis as required by the current ABS Government Finance Statistics (GFS) publication.

(b) This table comprises purchases of non-financial assets as required by the UPF, effectively excluding assets acquired under finance leases. The following table provides details of the assets acquired under finance leases, sorted by policy areas, for reconciliation to the general government sector capital expenditure program.

(c) The original budget included \$20 million Advance to the Treasurer which was allocated across functions as the funds were spent in the actual year.

Table 10: NSW Public Non-Financial Corporation Sector Statement of Comprehensive Income

	2016-17 (Budget) \$m	2016-17 (Actual) \$m
Revenue from Transactions		
Grant and Subsidies		
Commonwealth Specific Purpose Payments	0	4
Other Grants and Subsidies	2,896	3,071
Sale of Goods and Services	10,903	8,105
Interest	74	115
Fines, Regulatory Fees and Other	990	629
Total Revenue from Transactions	14,863	11,925
Expenses from Transactions		
Employee	3,323	2,644
Superannuation		
Superannuation Interest Cost	66	56
Other Superannuation	256	214
Depreciation and Amortisation	3,330	2,544
Interest	1,616	1,060
Income Tax Expense	416	343
Other Operating	7,162	5,656
Grants and Transfers		
Current Grants and Transfers	305	66
Capital Grants and Transfers	25	44
Total Expenses from Transactions	16,499	12,627
Transactions from Discontinuing Operations	...	537
Net Operating Balance - Surplus After Tax	(1,636)	(165)
Other Economic Flows included in the Operating Result		
Gain/(Loss) from Other Liabilities	...	4
Other Net Gains/(Losses)	672	6,801
Other	0	(33)
Discontinuing Operations	...	(853)
Operating Result (Accounting Basis)	(964)	5,754
Other Economic Flows - Other Comprehensive Income		
Items that will not be reclassified to Operating Result		
Superannuation Actuarial Gains/(Loss)	625	841
Deferred Tax Direct to Equity	(100)	1,492
Revaluations	2,322	5,104
Items that may be reclassified subsequently to Operating Result		
Net Gain/(Loss) on Financial Instruments at Fair Value	3	36
Other	3,057	6,815
Comprehensive Result - Total Change in Net Worth before Transactions with Owners^(a)	4,944	20,042

Table 10: NSW Public Non-Financial Corporation Sector Statement of Comprehensive Income (cont)

	2016-17 (Budget) \$m	2016-17 (Actual) \$m
KEY FISCAL AGGREGATES		
Comprehensive Result - Total Change in Net Worth before Transactions with Owners^(a)	4,944	20,042
Less: Net Other Economic Flow s	(6,580)	(20,207)
Equals: Budget Result - Net Operating Balance	(1,636)	(165)
Less: Net Acquisition of Non-Financial Assets		
Purchases of Non-Financial Assets	7,752	6,312
Sales of Non-Financial Assets	(858)	(486)
less: Depreciation	(3,330)	(2,544)
Plus: Change in Inventories	9	(65)
Plus: Other Movements in Non-Financial Assets		
- Assets Acquired Using Finance Leases	1,570	1,339
- Other	490	560
Equals: Total Net Acquisition of Non-Financial Assets	5,634	5,116
Equals: Net Lending/(Borrowing) [Fiscal Balance]	(7,270)	(5,281)

(a) 'Total change in net worth' is before transactions with owners as owners. Therefore, it may not equal the movement in Statement of Financial Position net worth.

Table 11: NSW Public Non-Financial Corporation Sector Statement of Financial Position at 30 June

	2017 (Budget) \$m	2017 (Actual) \$m
Assets		
Financial Assets		
Cash and Cash Equivalent Assets	2,132	2,773
Receivables	1,505	1,247
Tax Equivalents Receivable	9	17
Investments, Loans and Placements		
Financial Assets at Fair Value	103	416
Other Financial Assets	716	1,170
Advances Paid	0	...
Deferred Tax Equivalents Asset	274	59
Equity		
Investments in Other Public Sector Entities	...	...
Investments in Associates	...	...
Other Equity Investments	152	...
Total Financial Assets	4,890	5,682
Non-Financial Assets		
Inventories	559	543
Forestry Stock and Other Biological Assets	899	992
Assets Classified as Held for Sale	93	183
Investment Properties	527	534
Property, Plant and Equipment		
Land and Buildings	66,608	70,075
Plant and Equipment	6,241	5,513
Infrastructure Systems	74,219	54,838
Intangibles	1,040	972
Other Non-Financial Assets	186	272
Total Non-Financial Assets	150,372	133,922
Total Assets	155,263	139,604
Liabilities		
Deposits Held	34	33
Payables	2,797	2,199
Tax Equivalents Payable	92	81
Liabilities Directly Associated with Assets Held for Sale	...	4
Borrowings and Derivatives at Fair Value	567	677
Borrowings at Amortised Cost	36,151	21,651
Advances Received	389	389
Employee Provisions	1,515	1,088
Superannuation Provision ^(a)	2,582	2,316
Deferred Tax Equivalent Provision	3,955	2,049
Other Provisions	1,351	1,129
Other	317	450
Total Liabilities	49,748	32,067
NET ASSETS	105,514	107,537

Table 11: NSW Public Non-Financial Corporation Sector Statement of Financial Position at 30 June (cont)

	2017 (Budget) \$m	2017 (Actual) \$m
Net Worth		
Accumulated Funds	48,530	51,477
Reserves	56,984	56,060
TOTAL NET WORTH	105,514	107,537
OTHER FISCAL AGGREGATES		
Net Debt^(b)	34,190	18,392
Net Financial Liabilities^(c)	44,858	26,385
Net Financial Worth^(d)	(44,858)	(26,385)

(a) Superannuation liabilities are reported net of the fair value of fund assets.

(b) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and cash equivalents, advances paid and investments, loans and placements.

(c) Net financial liabilities equals total liabilities minus total financial assets.

(d) Net financial worth equals total financial assets minus total liabilities.

Table 12: NSW Public Non-Financial Corporation Statement of Cash Flows

	2016-17 (Budget) \$m	2016-17 (Actual) \$m
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Receipts from Sales of Goods and Services	11,892	10,399
Grants and Subsidies Received	2,896	3,061
Interest Receipts	69	109
Other Receipts	1,754	1,764
Total Operating Receipts	16,611	15,333
Payments		
Payments for Employees	(3,519)	(2,879)
Payments for Superannuation	(246)	(475)
Payments for Goods and Services	(7,186)	(6,707)
Grants and Subsidies Paid	(322)	(108)
Interest Paid	(1,622)	(1,399)
Income Tax Equivalents Paid	(409)	(512)
Other Payments	(1,212)	(1,135)
Total Cash Operating Payments	(14,515)	(13,214)
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,096	2,118
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Flows from Investments in Non-Financial Assets		
Sales of Non-Financial Assets	858	479
Purchases of Non-Financial Assets	(7,702)	(6,246)
Net Cash Flows from Investments in Non-Financial Assets	(6,845)	(5,767)
Cash Flows from Investments in Financial Assets for Policy Purposes		
Receipts	...	15,264
Payments	(6)	(32)
Net Cash Flows from Investments in Financial Assets for Policy Purposes	(6)	15,231
Cash Flows from Investments in Financial Assets for Liquidity Purposes		
Proceeds from Sale of Investments	220	303
Purchase of Investments	(175)	(561)
Net Cash flows from Investments in Financial Assets for Liquidity Purposes	45	(258)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(6,805)	9,206
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances Received	3,057	2,591
Advances Repaid	(302)	(175)
Proceeds from Borrowings	2,414	2,087
Repayments of Borrowings	(130)	(14,922)
Dividends Paid	(717)	(758)
Deposits Received / Paid (net)	(14)	(1)
Other Financing (net)	...	...
NET CASH FLOWS FROM FINANCING ACTIVITIES	4,308	(11,178)
NET INCREASE/(DECREASE) IN CASH HELD	(401)	146

Table 12: NSW Public Non-Financial Corporation Statement of Cash Flows (cont)

	2016-17 (Budget) \$m	2016-17 (Actual) \$m
Derivation of Cash Result		
Net Cash Flow s from Operating Activities	2,096	2,118
Net Cash Flow s from Investments in Non-Financial Assets	(6,845)	(5,767)
Dividends Paid	(717)	(758)
CASH SURPLUS/(DEFICIT)	(5,466)	(4,407)
Derivation of ABS GFS Public Non-financial Sector Cash Surplus/(Deficit)		
Cash Surplus/(Deficit)	(5,466)	(4,407)
Assets Acquired under Finance Leases	(1,570)	(1,339)
Other Financing Arrangements ^(a)	(50)	(59)
ABS GFS CASH SURPLUS/(DEFICIT)	(7,086)	(5,805)

(a) Comprises of movements in payables and receivables of a capital nature.

Table 13: NSW Non-Financial Public Sector Statement of Comprehensive Income

	2016-17 (Budget)	2016-17 (Actual)
	\$m	\$m
Revenue from Transactions		
Taxation	28,931	30,104
Grant and Subsidies		
Commonwealth General Purpose	17,663	17,202
Commonwealth Specific Purpose Payments	9,272	9,439
Commonwealth National Partnership Payments	4,682	4,121
Other Grants and Subsidies	351	655
Sale of Goods and Services	15,831	13,130
Interest	890	789
Dividend and Income Tax Equivalent Income from Other Sectors	79	123
Other Dividends and Distributions	441	1,267
Fines, Regulatory Fees and Other	5,045	5,265
Total Revenue from Transactions	83,185	82,096
Expenses from Transactions		
Employee	32,732	32,671
Superannuation		
Superannuation Interest Cost	1,501	1,390
Other Superannuation	3,256	3,205
Depreciation and Amortisation	7,938	7,158
Interest	3,683	3,113
Other Operating	22,262	20,857
Grants and Transfers		
Current Grants and Transfers	9,686	9,091
Capital Grants and Transfers	727	562
Total Expenses from Transactions	81,786	78,047
Transactions from Discontinuing Operations	...	1,036
Net Operating Balance - Surplus/(Deficit)	1,400	5,085
Other Economic Flows included in the Operating Result		
Gain/(Loss) from Superannuation	...	7
Gain/(Loss) from Other Liabilities	277	370
Other Net Gains/(Losses)	490	6,959
Share of Earnings from Associates (excluding Dividends)	13	48
Dividends from Asset Sale Proceeds	...	...
Other	(37)	(73)
Discontinuing Operations	...	(1,008)
Operating Result (Accounting Basis)	2,143	11,387
Other Economic Flows - Other Comprehensive Income		
Items that will not be Reclassified to Operating Result		
Superannuation Actuarial Gains/(Loss)	9,282	12,852
Deferred Tax Direct to Equity	...	...
Revaluations	6,483	8,029
Items that may be Reclassified subsequently to Operating Result		
Net Gain on Available for Sale Financial Assets	1,859	4,753
Net Gain/(Loss) on Financial Instruments at Fair Value	3	36
Other	(888)	(13)
Comprehensive Result - Total Change in Net Worth	18,882	37,044

Table 13: NSW Non-Financial Public Sector Statement of Comprehensive Income (cont)

	2016-17 (Budget) \$m	2016-17 (Actual) \$m
KEY FISCAL AGGREGATES		
Comprehensive Result - Total Change in Net Worth before Transactions with Owners	18,882	37,044
Less: Net Other Economic Flow s	(17,482)	(31,959)
Equals: Net Operating Balance	1,400	5,085
Less: Net Acquisition of Non-Financial Assets		
Purchases of Non-Financial Assets	20,106	16,732
Sales of Non-Financial Assets	(1,520)	(3,982)
less: Depreciation	(7,938)	(7,158)
Plus: Change in Inventories	2	(58)
Plus: Other Movements in Non-Financial Assets		
- Assets Acquired Using Finance Leases	1,726	1,466
- Other	596	805
Equals: Total Net Acquisition of Non-Financial Assets	12,972	7,806
Equals: Net Lending/(Borrowing) [Fiscal Balance]	(11,572)	(2,721)

Table 14: NSW Non-Financial Public Sector Statement of Financial Position at 30 June

	2017 (Budget) \$m	2017 (Actual) \$m
Assets		
Financial Assets		
Cash and Cash Equivalent Assets	3,714	11,504
Receivables	5,408	6,064
Investments, Loans and Placements		
Financial Assets at Fair Value	18,715	26,977
Other Financial Assets	5,344	7,490
Advances Paid	847	616
Deferred Tax Equivalents Asset	1	...
Equity		
Investments in Other Public Sector Entities	(252)	2,149
Investments in Associates	3,927	5,870
Other Equity Investments	714	700
Equity Investments Held for Sale	...	4,196
Total Financial Assets	38,418	65,565
Non-Financial Assets		
Inventories	791	838
Forestry Stock and Other Biological Assets	909	1,003
Assets Classified as Held for Sale	177	338
Investment Properties	530	534
Property, Plant and Equipment		
Land and Buildings	138,640	143,382
Plant and Equipment	18,771	16,813
Infrastructure Systems	165,883	146,985
Intangibles	4,515	4,420
Other Non-Financial Assets	4,695	4,863
Total Non-Financial Assets	334,911	319,176
Total Assets	373,329	384,741
Liabilities		
Deposits Held	146	139
Payables	6,764	7,961
Liabilities Directly Associated with Assets Held for Sale	...	4
Borrowings and Derivatives at Fair Value	573	1,582
Borrowings at Amortised Cost	68,758	53,102
Advances Received	873	812
Employee Provisions	18,003	17,912
Superannuation Provision ^(a)	58,091	58,601
Deferred Tax Equivalent Provision	6	...
Other Provisions	9,034	9,180
Other Liabilities	3,220	6,198
Total Liabilities	165,468	155,491
NET ASSETS	207,861	229,250

Table 14: NSW Non-Financial Public Sector Statement of Financial Position at 30 June (cont)

	2017 (Budget) \$m	2017 (Actual) \$m
Net Worth		
Accumulated Funds	69,376	99,613
Reserves	138,485	129,637
TOTAL NET WORTH	207,861	229,250
OTHER FISCAL AGGREGATES		
Net Debt^(b)	41,729	9,048
Net Financial Liabilities^(c)	126,798	92,075
Net Financial Worth^(d)	(127,050)	(89,926)

(a) Superannuation liabilities are reported net of the fair value of fund assets.

(b) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and cash equivalents, advances paid and investments, loans and placements.

(c) Net financial liabilities equals total liabilities less total financial assets excluding equity investments in other public sector entities

(d) Net financial worth equals total financial assets minus total liabilities.

Table 15: NSW Non-Financial Public Sector Statement of Cash Flows

	2016-17 (Budget) \$m	2016-17 (Actual) \$m
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Taxes Received	29,001	30,402
Receipts from Sales of Goods and Services	17,207	15,753
Grants and Subsidies Received	32,010	31,054
Interest Receipts	847	724
Dividends and Income Tax Equivalents	48	66
Other Receipts	9,224	12,236
Total Operating Receipts	88,337	90,235
Cash payments for operating activities		
Payments for Employees	(32,541)	(32,410)
Payments for Superannuation	(3,838)	(4,348)
Payments for Goods and Services	(25,407)	(24,011)
Grants and Subsidies Paid	(8,059)	(7,838)
Interest Paid	(3,166)	(2,958)
Other Payments	(5,822)	(6,764)
Total Cash Operating Payments	(78,834)	(78,329)
NET CASH FLOWS FROM OPERATING ACTIVITIES	9,503	11,906
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Flows from Investments in Non-Financial Assets		
Sales of Non-Financial Assets	1,520	3,737
Purchases of Non-Financial Assets	(19,934)	(16,502)
Net Cash Flows from Investments in Non-Financial Assets	(18,413)	(12,765)
Cash Flows from Investments in Financial Assets for Policy Purposes		
Receipts	159	29,274
Payments	(1,349)	(1,271)
Net Cash Flows from Investments in Financial Assets for Policy Purposes	(1,190)	28,002
Cash Flows from Investments in Financial Assets for Liquidity Purposes		
Proceeds from Sale of Investments	10,772	21,194
Purchase of Investments	(9,265)	(33,644)
Net Cash flows from Investments in Financial Assets for Liquidity Purposes	1,507	(12,450)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(18,097)	2,788
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances Received	995	913
Advances Repaid	(57)	(70)
Proceeds from Borrowings	3,733	6,127
Repayments of Borrowings	(635)	(18,292)
Deposits Received / Paid (net)	(25)	(22)
Other (net)	...	(1)
NET CASH FLOWS FROM FINANCING ACTIVITIES	4,011	(11,344)
NET INCREASE/(DECREASE) IN CASH HELD	(4,583)	3,350

Table 15: NSW Non-Financial Public Sector Statement of Cash Flows (cont)

	2016-17 (Budget) \$m	2016-17 (Actual) \$m
Derivation of Cash Result		
Net Cash Flow s from Operating Activities	9,503	11,906
Net Cash Flow s from Investments in Non-Financial Assets	(18,413)	(12,765)
CASH SURPLUS/(DEFICIT)	(8,910)	(859)
Derivation of ABS GFS Public Non-financial Sector Cash Surplus/(Deficit)		
Cash Surplus/(Deficit)	(8,910)	(859)
Assets Acquired under Finance Leases	(1,726)	(1,466)
Other Financing Arrangements ^(a)	(173)	14
ABS GFS CASH SURPLUS/(DEFICIT)	(10,809)	(2,311)

(a) Comprises of movements in payables and receivables of a capital nature.

Table 16: NSW Public Financial Corporations Statement of Comprehensive Income^(a)

	2016-17 (Actual) \$m
Revenue from Transactions	
Grant and Subsidies	...
Sale of Goods and Services	1,227
Interest	2,913
Dividend and Income Tax Equivalent Income from Other Sectors	1
Other Dividends and Distributions	77
Fines, Regulatory Fees and Other	42
Total Revenue from Transactions	4,259
Expenses from Transactions	
Employee	143
Superannuation Interest Cost	...
Other Superannuation	9
Depreciation and Amortisation	9
Interest	2,593
Income Tax Expense	40
Other Property	1
Other Operating	1,059
Current Grants and Transfers	10
Capital Grants and Transfers	...
Total Expenses from transactions	3,863
Transactions from Discontinuing Operations	(24)
Net Operating Balance	373
Other Economic Flows included in the Operating Result	
Other Net Gains/(Losses)	3,483
Share of Earnings from Associates (excluding Dividends)	0
Discontinuing Operations	(4)
Operating Result (Accounting Basis)	3,852
Other Economic Flows - Other Comprehensive Income	
Items that will not be Reclassified to Operating Result	
Superannuation Actuarial Gains/(Loss)	0
Deferred Tax Direct to Equity	2
Revaluations	(0)
Items that may be Reclassified subsequently to Operating Result	
Other	953
Comprehensive Result - Total Change in Net Worth before Transactions with Owners	4,806

Table 16: NSW Public Financial Corporations Statement of Comprehensive Income (cont)

	2016-17 (Actual) \$m
KEY FISCAL AGGREGATES	
Comprehensive Result - Total Change in Net Worth before Transactions with Owners	4,806
Less: Net Other Economic Flow s	(4,433)
Equals: Net Operating Balance	373
Less: Net Acquisition of Non-Financial Assets	
Purchases of Non-Financial Assets	34
Sales of Non-Financial Assets	(4)
less: Depreciation	(9)
Plus: Change in Inventories	...
Plus: Other Movements in Non-Financial Assets	
- Assets Acquired Using Finance Leases	...
- Other	...
Equals: Total Net Acquisition of Non-Financial Assets	22
Equals: Net Lending/(Borrowing) [Fiscal Balance]	351

- (a) The 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.

Table 17: NSW Public Financial Corporations Sector Statement of Financial Position at 30 June^(a)

	2017 (Actual) \$m
Assets	
Financial Assets	
Cash and Cash Equivalent Assets	2,371
Receivables	1,332
Tax Equivalents Receivable	2
Investments, Loans and Placements	
Financial Assets at Fair Value	52,836
Other Financial Assets	433
Advances Paid	...
Deferred Tax Equivalents	...
Equity	
Investments in Other Public Sector Entities	2,779
Investments in Associates	2
Other Equity Investments	16,917
Total Financial Assets	76,671
Non-Financial Assets	
Inventories	...
Investments	...
Property, Plant and Equipment	
Land and Buildings	13
Plant and Equipment	19
Infrastructure Systems	...
Intangibles	3
Other Non-Financial Assets	46
Total Non-Financial Assets	80
Total Assets	76,751
Liabilities	
Deposits Held	452
Payables	687
Tax Equivalents Payable	10
Liabilities Directly Associated with Assets Held for Sale	...
Borrowings and Derivatives at Fair Value	62,967
Borrowings at Amortised Cost	10
Advances Received	...
Employee Provisions	41
Superannuation Provision ^(b)	0
Deferred Tax Equivalent Provision	...
Other Provisions	3,425
Other Liabilities	7,011
Total Liabilities	74,603
NET ASSETS	2,149

Table 17: NSW Public Financial Corporations Sector Statement of Financial Position at 30 June (cont)

	2017 (Actual) \$m
Net Worth	
Accumulated Funds	2,149
Reserves	...
TOTAL NET WORTH	2,149
OTHER FISCAL AGGREGATES	
Net Debt^(c)	7,789
Net Financial Liabilities^(d)	710
Net Financial Worth^(e)	2,069

- (a) The Uniform Presentation Framework does not require the publishing of the results of the Public Financial Corporation Sector at budget time and mid-year, therefore a Budget column is not available.
- (b) Superannuation liabilities are reported net of the fair value of fund assets.
- (c) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and cash equivalents, advances paid and investments, loans and placements.
- (d) Net financial liabilities equals total liabilities minus financial assets.
- (e) Net financial worth equals total financial assets minus total liabilities.

Table 18: NSW Public Financial Corporations Sector Statement of Cash Flows^(a)

	2016-17 (Actual) \$m
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts	
Receipts from Sales of Goods and Services	749
Grants and Subsidies Received	461
Interest Receipts	2,933
Dividends and income tax equivalents	1
Other Receipts	69
Total Receipts	4,212
Payments	
Payments for Employees	(179)
Payments for Superannuation	(11)
Payments for Goods and Services	(618)
Grants and Subsidies	(5)
Interest Paid	(2,737)
Income Tax Equivalents Paid	(47)
Other Payments	5,162
Total Payments	1,566
NET CASH FLOWS FROM OPERATING ACTIVITIES	5,778
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash Flows from Investments in Non-Financial Assets	
Sales of Non-Financial Assets	4
Purchases of Non-Financial Assets	(34)
Net Cash Flows from Investments in Non-Financial Assets	(31)
Cash Flows from Investments in Financial Assets for Policy Purposes	
Receipts	37
Payments	(4)
Cash Flows from Investments in Financial Assets for Policy Purposes	33
Cash Flows from Investments in Financial Assets for Liquidity Purposes	
Proceeds from Sale of Investments	17,631
Purchase of Investments	(11,906)
Net Cash flows from Investments in Financial Assets for Liquidity Purposes	5,725
NET CASH FLOWS FROM INVESTING ACTIVITIES	5,727
CASH FLOWS FROM FINANCING ACTIVITIES	
Advances Received	931
Advances Repaid	...
Proceeds from Borrowings	67,349
Repayments of Borrowings	(80,443)
Dividends Paid	(21)
Deposits Received / Paid (net)	...
Other Financing (net)	...
NET CASH FLOWS FROM FINANCING ACTIVITIES	(12,184)
NET INCREASE/(DECREASE) IN CASH HELD	(678)

Table 18: NSW Public Financial Corporations Sector Statement of Cash Flows (cont)

	2016-17 (Actual) \$m
Derivation of Cash Result	
Net Cash Flow s from Operating Activities	5,778
Net Cash Flow s from Investments in Non-Financial Assets	(31)
Dividends Paid	(21)
CASH SURPLUS/(DEFICIT)	5,727
Derivation of ABS GFS Public Non-financial Sector Cash Surplus/(Deficit)	
Cash Surplus/(Deficit)	5,727
Assets Acquired under Finance Leases	...
Other Financing Arrangements ^(b)	...
ABS GFS CASH SURPLUS/(DEFICIT)	5,727

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

(b) Comprises of movements in payables and receivables of a capital nature.

Table 19: 2016-17 Loan Council Allocation Estimates for NSW

	Budget time Estimate 2016-17 \$m	Actual 2016-17 \$m
General Government Sector Cash (Surplus) / Deficit	3,444	(3,573)
PNFC Sector Cash (Surplus) / Deficit ^(a)	5,466	4,407
Non-Financial Public Sector Cash (Surplus) / Deficit^(b)	8,910	859
Acquisitions under Finance Leases and Similar Arrangements ^(c)	1,899	1,452
Equals ABS GFS Cash (Surplus) / Deficit	10,809	2,311
<i>Minus</i> Net Cash Flows from Investments in Financial Assets for Policy Purposes ^(d)	(1,190)	28,002
<i>Plus</i> Memorandum Items (Surplus) / Deficit ^(e)	1,930	1,467
Loan Council Allocation (LCA) - (Surplus) / Deficit	13,929	(24,225)

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

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

(c) Finance leases and similar arrangements are shown separately as they are deducted from the AASB 1049 cash surplus to derive the ABS GFS cash surplus/deficit.

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

(e) Memorandum items are used to adjust the ABS deficit to include in LCAs certain transactions, such as operating leases, Local Government and University Borrowings that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. They are also used, where appropriate, to deduct from the ABS deficit certain transactions that Loan Council has agreed should not be included in LCAs - for example, the funding of more than employers' emerging costs under public sector superannuation schemes, or borrowings by entities such as statutory marketing authorities.

Private Sector Infrastructure

As approved at the 1997 Loan Council Meeting, States are to report their full contingent exposure to Public Private Partnerships (PPPs) for new contracts entered into, that have not previously been reported, where the financial impact is not already reflected within the Loan Council Allocation estimates. Exposure is to be measured by the Government's termination liabilities in a case of private sector default, and disclosed as a footnote to, rather than a component of Loan Council Allocations.

The financial impact of social infrastructure PPPs and other capital expenditure which is generally on the State's balance sheet is already reflected within the Loan Council Allocation estimates above.

Therefore, in general only new toll road PPPs, which are generally off-balance sheet, need to be reported below as Memo items.

Contracts entered in 2016-17

NIL

Expected Government Contingent Liability	Nil
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