



# REPORT ON STATE FINANCES 2018-19



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## INCORPORATING THE

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

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# **Report on State Finances**

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**2018-19**



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# 1. ABOUT THIS REPORT

The 2018-19 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 2018-19
- the audited Consolidated Financial Statements of the General Government and Total State Sectors for 2018-19, including a full set of note disclosures required by Australian Accounting Standards
- the Outcomes Report on Government Finances for the general government sector, public non-financial corporations sector, public financial corporations sector and the non-financial public sector for 2018-19, prepared in accordance with the Uniform Presentation Framework adopted by all Australian governments.

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

The New South Wales total state sector is made up of the general government sector (GGS), the state's public non-financial corporations (PNFCs) and public financial corporations (PFCs) whereby:

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

Throughout this report:

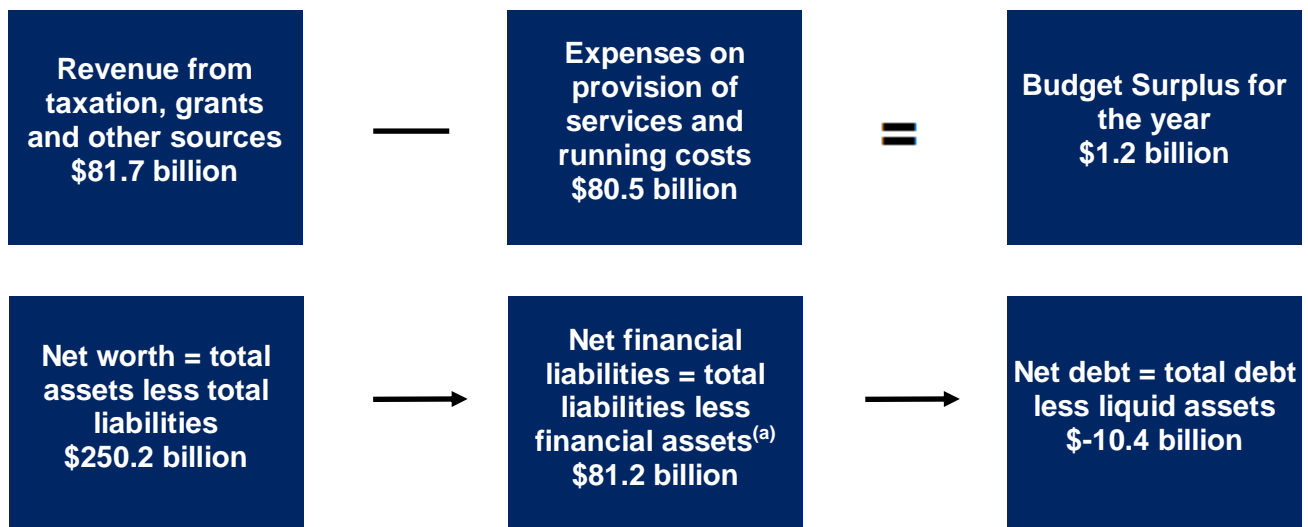
- A reference to one billion dollars is one thousand million dollars.
- All figures in tables, charts and text are rounded to the nearest million dollars, except when otherwise indicated. Discrepancies between totals and the sum of components reflect rounding. Percentages are based on the underlying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

## 2. 2018-19 OVERVIEW

The NSW government continues its strong financial performance in 2018-19, with a continuation of strong surpluses, low General Government Sector net debt (negative \$10.4 billion) and a net worth above \$250 billion.

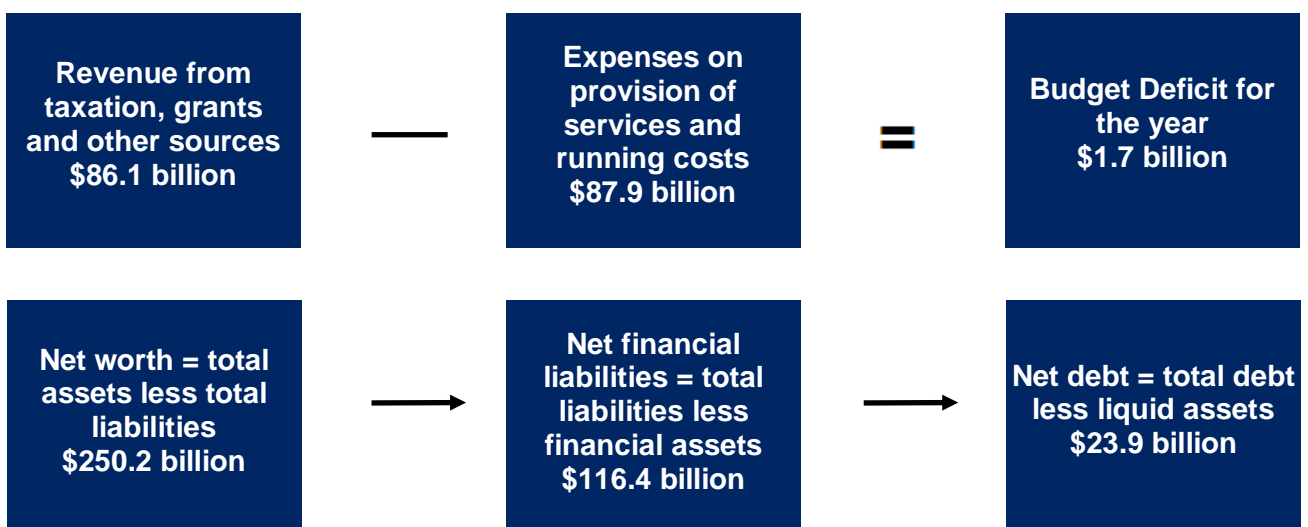
The following overview highlights the key financial results for the General Government Sector and Total State Sector for 2018-19. These are discussed in more detail in the subsequent chapters.

### General Government Sector



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

### Total State Sector



## 3. NSW FISCAL CONTEXT

### 3.1 Fiscal Targets and Principles

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The Government's fiscal strategy is underpinned by the *Fiscal Responsibility Act 2012* (the Act). The object of the Act is to maintain the State's triple-A credit rating. This objective is supported by two fiscal targets:

- Maintaining general government sector annual expense growth below long-term average revenue growth
- 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.

In 2018, the Treasurer undertook a statutory review of the Act to ensure that its policy objective remains valid and the terms remain appropriate for achieving the objective. The review was tabled in each House of Parliament in 2018 and found:

- the objective to maintain the State's triple-A credit rating remains valid
- the Government has met the Act's objective and targets
- a Commonwealth downgrade remains a risk to maintaining the State's triple-A credit rating because, there would be a flow on down grade effect
- the current targets support the objective of the Act, but the government should also continue to maintain a strong operating position and sustainable levels of debt
- the Government should continue to pursue the principles of sound financial management to support the objective of the Act.

The Government continues to meet the objective, targets and principles of the Act, with both major credit rating agencies – S&P Global and Moody's – reaffirming the State's triple-A credit rating in September 2019. The State has maintained strong fiscal discipline in 2018-19 as evidenced by:

- its continued triple-A credit rating
- a General government Sector surplus of \$1.2 billion
- annual expense growth below the long-term average revenue growth rate
- negative net debt for the fourth consecutive year (negative \$10.4 billion).

These financial results have been achieved whilst concurrently increasing expenditure in government service delivery and continued delivery of a record infrastructure program.

Further information about the Government's performance against the Act is outlined in Section 6 - Annexures.



## 3.2 Economic Context

The New South Wales economy has recorded impressive growth in recent years. Gross state product (GSP) grew by an above-trend<sup>1</sup> rate averaging around 3 per cent a year over the four years to 2017-18 and experienced the fastest per capita growth of any state, averaging 1.6 per cent a year.

Economic growth eased in 2018-19, driven by softer household income growth, the drought and an easing in the housing market. These conditions have principally manifested as weakness in household consumption growth, particularly discretionary spending, and a moderation in dwelling investment. State final demand (SFD) growth, the major component of GSP growth and most timely broad indicator of state economic activity was around trend at 2.2 per cent in 2018-19. This result is below the 3 per cent growth expected at the time of the 2018-19 Budget, and down from the 3.5 per cent growth of 2017-18. GSP is expected to have grown by 2¼ per cent in 2018-19.<sup>2</sup>

Growth in the global and national economies has also slowed over the last year, providing a less supportive backdrop for the NSW economy than expected at the time of the 2018-19 Budget. Globally, economic downside risks have become more elevated.

Despite near-term challenges, segments of the NSW economy remain resilient. Solid labour market conditions, the government's record infrastructure program, rising commercial building activity and a solid export sector have underpinned the State's resilience and are expected to partially offset the current weakness in household consumption and a detraction from dwelling investment.

NSW labour market conditions were exceptionally strong in 2018-19, with employment increasing 3.3 per cent, significantly stronger than the 1¼ per cent anticipated at the time of the 2018-19 Budget. This strong performance has fostered record workforce participation and has driven the unemployment rate to around 4¼ per cent. The unemployment rate is close to its lowest level in over four decades, the lowest among the states and consistent with estimates of full-employment.

Wage pressures gained some traction in 2018-19, with the wage price index rising 2.4 per cent, in line with the 2½ per cent forecast at the time of the 2018-19 Budget.

The outlook for the NSW economy is for growth to remain around trend in 2019-20 before returning to growth of 2½ per cent in 2020-21. This will be supported by solid fundamentals, led by exceptionally strong labour market conditions, a wave of policy stimulus (including recent personal income tax and interest rate cuts), above-trend population growth, a lower exchange rate and improving global and national economies. A stabilisation of housing market conditions and a gradual increase in wages growth are also expected to support consumption growth becoming a key driver in returning economic growth to a trend rate.

Solid economic growth is expected to sustain strength in labour market conditions. Over the next two years, employment is expected to grow around 1¼ to 1½ per cent, reflecting improved productivity, while the unemployment rate is expected to remain steady.

<sup>1</sup> Trend economic growth is projected at 2½ per cent a year over the medium term driven by the supply capacity of the economy  
<sup>2</sup> ABS State Accounts, which contains GSP for 2018-19, were not released at the time of publication.

## 4. GENERAL GOVERNMENT SECTOR RESULTS

- The General Government Sector results reflect a continuation of strong financial performance and the Government's commitment to effective financial management.
- Significant events in 2018-19 included the WestConnex transaction, which generated gross cash proceeds including transfer duty to NSW of \$9.3 billion, and the continuation of record investments in infrastructure and other capital projects, which totalled \$16.6 billion in the financial year to June 2019.
- The 2018-19 Budget Result for the General Government Sector (GGS) was a surplus of \$1.2 billion, \$417 million higher than the revised estimates published in the 2019-20 Budget papers. The improved result was mainly due to marginally higher revenues than forecast across a number of sources including taxation, sales of goods and services and dividends and distributions.
- The \$1.2 billion surplus reflects \$81.7 billion in revenue, an increase from the previous year of \$1.0 billion, offset by expenses of \$80.5 billion, an increase from 2017-18 of \$4.2 billion.
- Higher revenues relative to 2017-18 were primarily driven by increases in agency sales of goods and services of \$0.5 billion, including higher grants for major rail projects, mining royalties of \$0.3 billion, dividends, income tax equivalents and distributions of \$0.2 billion.
- Increased expenses over the prior year were mainly due to increased investment in front line services leading to growth in employee costs of \$1.5 billion (which includes the agreed wages policy increase of 2.5 per cent), higher other operating expenses of \$1.5 billion, higher grants and subsidies of \$0.8 billion and higher depreciation of \$0.4 billion.
- Capital expenditure was \$16.6 billion in 2018-19, \$4.5 billion higher than the prior year (\$12.1 billion). This represents the fourth year of record annual spend in New South Wales and reflects the Government's commitment to delivery of infrastructure for NSW communities and strong economic growth.
- The General Government Sector net debt was negative \$10.4 billion at 30 June 2019, compared to negative \$11.2 billion at 30 June 2018. This net debt result was supported by the budget surplus together with the proceeds from the WestConnex transaction.
- Net financial liabilities at 30 June 2019 were \$81.2 billion, which was \$12.1 billion higher than the previous year. This increase was primarily due to the increases in superannuation provisions of \$13.5 billion, resulting from the changes in the discount rate used to calculate the present value of future obligations, partially offset by budget surplus of \$1.2 billion.



## 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 2017-18 Restated <sup>(a)</sup>	Original Budget 2018-19	Revised Estimate <sup>(b)</sup> 2018-19	Actual 2018-19
<b>General Government Sector</b>					
Revenue	\$b	80.7	81.1	81.1	81.7
Expenses	\$b	76.3	79.7	80.3	80.5
Budget Result (Net Operating Balance)	\$b	4.4	1.4	0.8	1.2
Comprehensive Result	\$b	30.6	9.1	7.8	(1.9)
Gross Capital Expenditure	\$b	12.1	17.3	17.9	16.6
Cash Result	\$b	(2.1)	(8.5)	(9.6)	(10.3)
Net Lending/(Borrowing)	\$b	(2.6)	(10.3)	(11.5)	(9.3)

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

(b) Revised Estimate for 2018-19 as presented in the 2019-20 Budget Papers

## 4.2 Budget Result

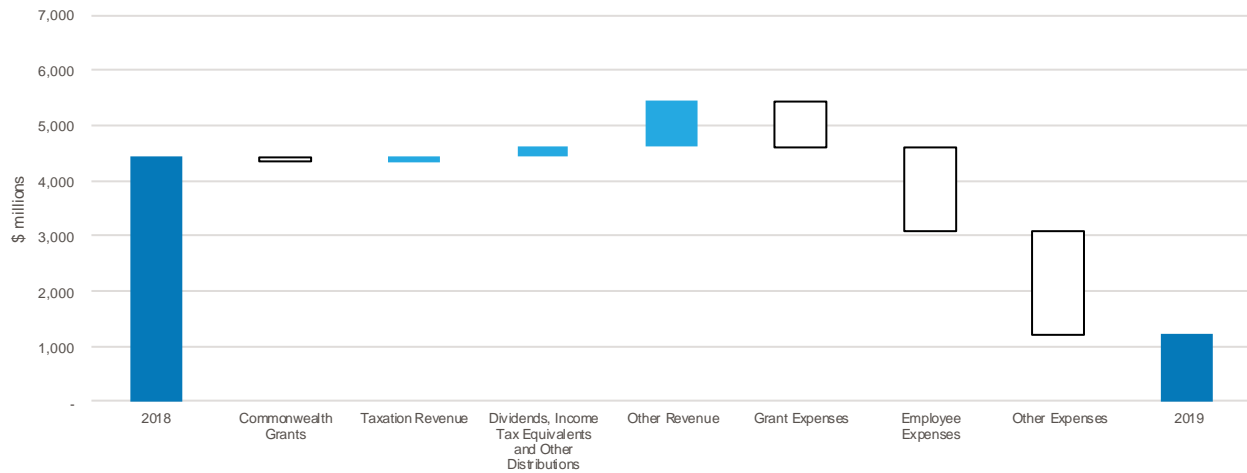
The Budget Result for 2018-19 was a surplus of \$1,219 million, which was \$207 million below the Original Budget and \$3,206 million lower than prior year. The decreased surplus compared to the prior year largely reflects lower transfer duties due to lower activity in the residential property market (\$1.2 billion) and increases, largely as budgeted, in frontline service costs across several agencies as reflected in higher employee and grant expenses, which together increased by \$2.3 billion.

The Budget Result was \$416 million better than the revised estimate for 2018-19 as presented in the 2019-20 Budget Papers. Revenues were \$562 million higher and expenses \$145 million higher than the revised estimate. Marginally higher revenues, compared to the revised estimate, were achieved across a number of categories including state taxation (\$180 million), agencies' own source revenues for sale of goods and services (\$193 million), fines, fees and other revenues (\$89 million) and other dividends and distributions (\$138 million).

An overview of the Budget Result compared to the Original Budget estimates is outlined in detail in Note 33: 'Budgetary Information on 2018-19 General Government Sector Financial Statements', in the Total State Sector Accounts.

Chart 4.1 shows the main changes between the 2017-18 Budget Result and the 2018-19 Budget Result.

Chart 4.1: Key Changes in Budget Result in 2018-19



Total revenues in 2018-19 increased by \$1,018 million (1.3 per cent) compared to the 2017-18 outcome. The increase in revenues compared to the prior year were mainly due to increases in sale of goods and services (\$482 million), mining royalties (\$330 million) and taxation revenues (\$117 million).

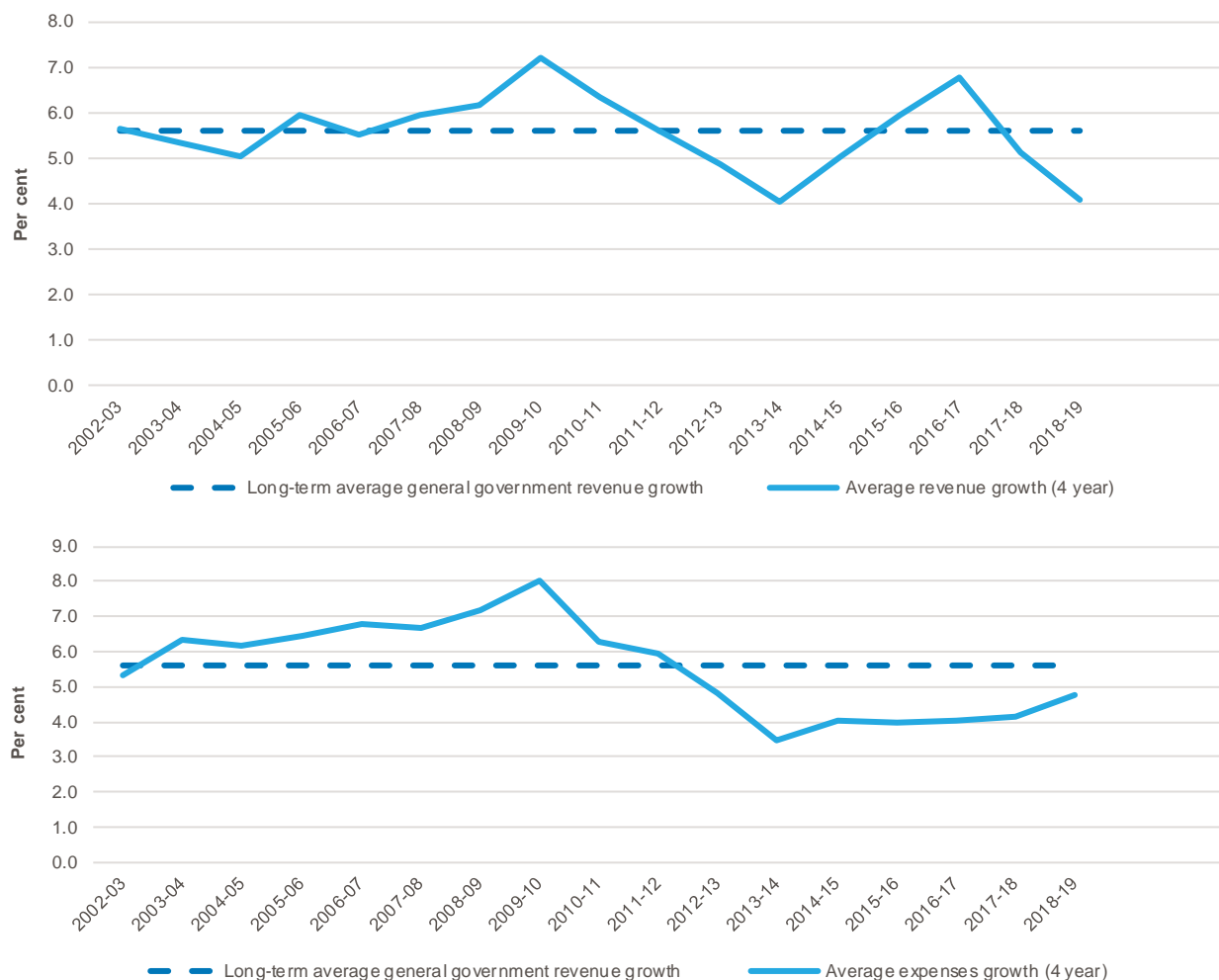
The increase in sales of goods and services were mainly the result of increases in revenues generated by Transport for NSW (\$251 million) and Sydney Metro (\$211 million) for major rail projects.

The increase in mining royalties of \$330 million was due to the depreciation of the Australian dollar, which increases the Australian dollar value of exports, and higher coal export volumes.

The rise in expenses was primarily driven by a growth in employee costs of \$1,514 million, mainly due to increases in front line staff, higher other operating expenses of \$1,494 million, higher grants and subsidies of \$837 million and increased depreciation and amortisation of \$381 million.

The year-on-year increase in expenses was 5.5% in 2018-19, which is consistent with the Government’s fiscal target of maintaining annual expense growth below the long-term average revenue growth rate of 5.6%. As illustrated in chart 4.2 average expense growth rate has remained below the long-term average revenue growth rate since 2012-13.

Chart 4.2: Average Revenue and Expense Growth<sup>(a)</sup> – 2002-03 to 2018-19 (including the retrospective impact of AASB 119)



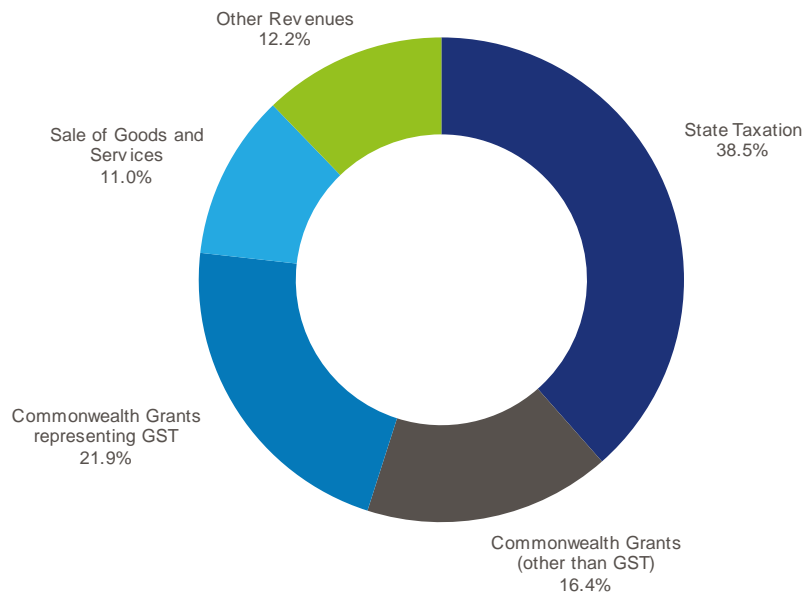
(a) Four-year average per cent change to indicated year.

### 4.3 Revenue

General Government Sector revenues were \$81,690 million and increased by \$1,018 million (1.3 per cent) over 2017-18.

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 2018-19



### Tax Revenues

Tax revenues in 2018-19 were \$31,443 million, \$117 million higher than 2017-18. Transfer duties decreased by \$1,237 million compared to the prior year reflecting the slowdown in the residential property market. The decrease in transfer duty revenues was offset by increases in payroll tax of \$522 million, land tax of \$481 million, gambling and betting taxes of \$284 million and other taxes and levies of \$67 million.

The three largest state taxes: stamp duty on property transfers (transfer duty), payroll tax and land tax, together provided around 73 per cent of state taxation revenue in 2018-19. Transfer duty in 2018-19 (which is a key component of stamp duty) was lower (-3.4 per cent) than expected in the 2018-19 Budget and \$1,237 million lower than 2017-18 reflecting reductions in residential property transaction volumes and prices, partially offset by one-off additional transfer duty due to the WestConnex transaction.

Payroll tax increased by \$522 million (5.9 per cent) in 2018-19, in comparison to 2017-18, reflecting continuation of strong NSW employment growth, particularly in full time employment.

### Commonwealth and Other Grants

New South Wales receives General Purpose Grants (GST), National Partnership Payments, Specific Purpose Payments and a small number of other payments from the Commonwealth. Total Commonwealth grants were \$31,282 million in 2018-19, \$91 million lower (0.3 per cent) than the prior year.

General Purpose Grants, which are comprised mostly of GST, were \$17,907 million in 2018-19, \$48 million (0.3 per cent) lower than 2017-18. 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 2018-19 and minor adjustments to NSW's population share.

Grants for National Partnerships and Specific Purpose Payments were \$12,961 million in total and broadly in line with \$12,974 million in 2017-18. Grants for National Partnerships were lower by \$393 million primarily due to lower grants for disability care (\$217 million) consistent with the Commonwealth-NSW NDIS agreement and reprofiling of major road projects (\$187 million). Special Purpose grants increased by \$380 million mainly due to increased payments under the National Health Reform Agreement.

Other grants and subsidies (excluding Commonwealth grants) were \$566 million in 2018-19, which was \$78 million higher than the prior year mainly due to increases in grants and subsidies received by Ministry of Health.

## Other Revenues

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

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

In total, dividends, tax equivalent payments and other distributions of \$3,866 million in 2018-19, were \$174 million higher than the prior year. This included:

- returns from TCorp IM Funds schemes were \$1,715 million, which was \$29 million higher than the prior year (\$1,686 million in 2017-18)
- dividends and tax equivalent distributions from TCorp were \$155 million, \$128 million higher than the prior year. The timing and quantum of TCorp's dividends is determined in consultation with NSW Treasury, who take into account returns across all of the State's commercial assets
- dividends and tax equivalent payments from the water sector were \$1,290 million, \$337 million higher than the prior year mainly due to higher dividends and tax distribution from Sydney Water of \$330 million
- total distributions from Landcom were \$202 million (\$316 million in 2017-18)
- dividends and tax distributions from the retained interests in Ausgrid and Endeavour Energy and Essential Energy were \$267 million in 2018-19 which was \$34 million lower than the prior year distributions from energy investments
- dividends from Sydney Motorway Corporation and the State's retained interest in WestConnex was \$167 million in 2018-19 (\$Nil 2017-18).

Sales of goods and services in 2018-19 at \$8,990 million were \$482 million or 5.7 per cent higher than the prior year, in part reflecting higher fees for services provided by Transport for NSW to Railcorp to produce plant and equipment.

Fines, Regulatory fees and other revenue in 2018-19 at \$5,051 million in total were \$321 million higher than the prior year, primarily due to the increase in mining royalties of \$330 million.

## 4.4 Expenses

General Government Sector expenses were \$80,471 million which was higher than the original estimate set out in the 2018-19 Budget by \$815 million (1 per cent). Expenses were \$4,223 million (5.5 per cent) higher than 2017-18.

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

Chart 4.4: General Government Sector Expenses by Class 2018-19

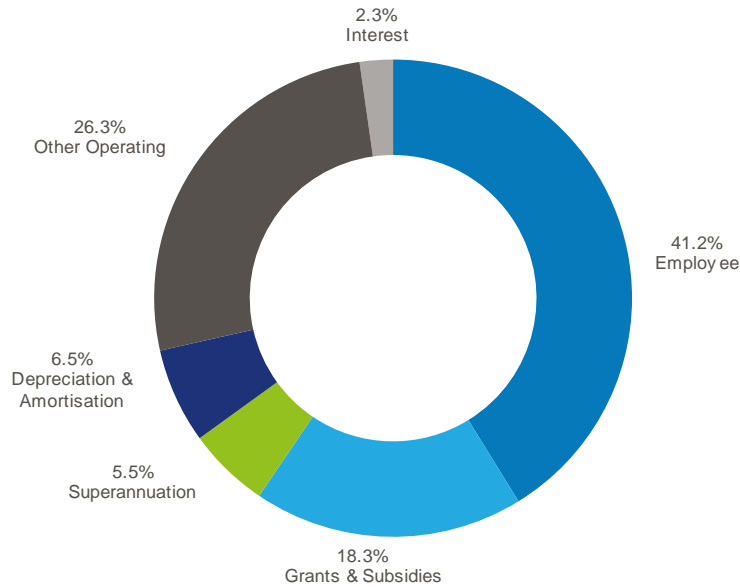
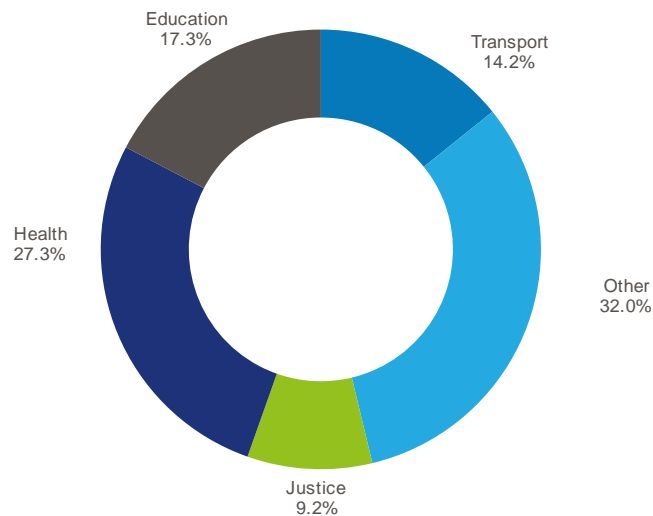


Chart 4.5: General Government Sector Expenses by Cluster 2018-19





## Employee Expenses

Employee related costs were \$1,514 million (4.8 per cent) higher than 2017-18 reflecting government policy decisions to invest more 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 (\$725 million) in line with the wages policy of 2.5 per cent
- increase in frontline services (\$789 million) particularly in Health, Education, Justice and Service NSW
- increased workers' compensation and long service leave costs (\$148 million), which can vary significantly year on year reflecting the expenses in workers compensation claims paid
- partially offset by lower restructuring and short-term staff costs (\$124 million) across a number of agencies
- superannuation expenses were \$4,464 million in 2018-19, which was in line with the prior year (\$4,467 million).

## Grant Expenses

Recurrent grants and subsidies were \$13,595 million, \$687 million (5.3 per cent) higher than 2017-18 and capital grants and subsidies were \$1,105 million, \$150 million higher than 2017-18. In total grants and subsidies expenses were \$837 million (6 per cent) higher than prior year. This reflected:

- higher grants paid by Family and Community Services of \$274 million for services provided by non-government organisations for the delivery of aging, disability (including NDIS), out of home care and other community services
- grants from Sydney Metro of \$357 million for the transfer of assets to local councils
- increased grants from Department of Education of \$126 million for the new non-government schools funding agreement with Commonwealth
- increased grants from NSW Rural Assistance Authority of \$110 million as part of the Emergency Drought Relief Package.

## Other Expenses

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

Depreciation and amortisation expenses were \$5,192 million, \$381 million in total higher than in 2017-18. Depreciation expenses of \$4,429 million relate to property, plant and equipment assets with a net carrying value at 30 June 2019 of \$221.8 billion.

Interest expenses in 2018-19 of \$1,812 million were in line with 2017-18.

Other operating expenses were \$21,146 million, \$1,494 million higher than 2017-18. This reflected:

- increases incurred by Transport for NSW of \$616 million, mainly in relation to increases in major rail projects in 2018-19
- Sydney Metro of \$229 million (first year operating expenses) mainly due to Railcorp funded projects
- increases incurred by Ministry of Health of \$253 million as a result of higher activity and inflation, with resulting increases in visiting medical officer costs, medical and surgical supplies and information management expenses
- increase of \$213 million incurred by Department of Education reflecting increased investment in school operating expenses including teaching tools and information technology resources
- General price and volume increases across a range of agencies.

## 4.5 Comprehensive Result

The General Government Sector Comprehensive Result was a loss of \$1,924 million compared to \$30,595 million in 2017-18, a reduction of \$32,519 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, within the General Government Sector.

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

- a large superannuation actuarial loss in 2018-19 compared to an actuarial gain in the prior year leading to a year on year change of negative \$15,780 million. In 2018-19, decreases in the discount rate, in line with Government bond rates, used to value superannuation liabilities resulted in a large actuarial loss compared to a relatively small actuarial gain in the prior year (refer to 4.11 for further details on superannuation liabilities)
- a loss on equity investments and investments in other sectors in 2018-19 of \$7,888 million, compared to a gain in the prior year of \$6,296 million reflecting:
  - the 2018-19 loss of \$7,888 million, primarily driven by decrease in net worth valuations across a number of PNFC and PFC entities including TCorp (\$2,936 million), Rail Corporation NSW (\$1,433 million), Sydney Trains (\$754 million) and City West Housing (\$680 million)
  - the prior year gain of \$6,296 million, primarily driven by increase in gains in New South Wales Land and Housing Corporation (\$4,781 million), TCorp (\$594 million) and Sydney Water Corporation (\$508 million).
- a reduction in the Budget Surplus (\$3,206 million)
- increased losses on liabilities (\$2,087 million) due to actuarial adjustments on liabilities for long service and recreation leave and insurance claim provisions
- a reduction in the gain on revaluations of property, plant and equipment assets (\$10,383 million)
- an increase in other net gains in the Operating result (\$13,629 million) primarily due to the gain on sale of WestConnex, of \$13,201 million.

## 4.6 Capital Expenditure

General Government Sector capital expenditure during 2018-19 was \$16,623 million. This is \$4,502 million higher than the prior year, an increase of 37.1 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 capital 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.

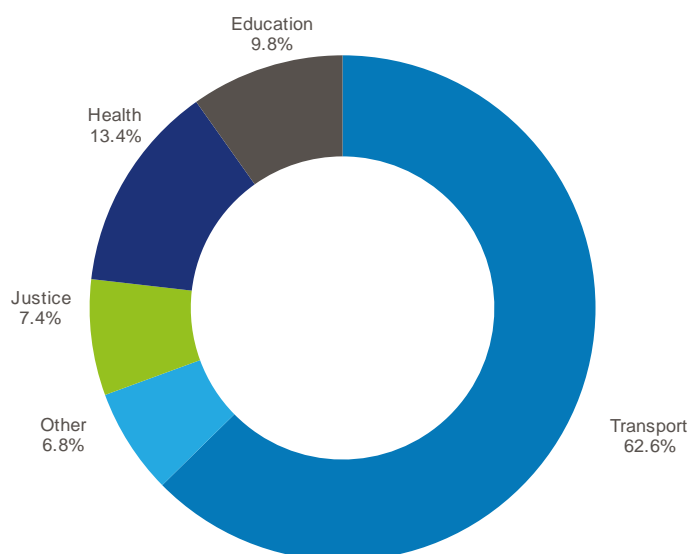
Major projects progressed during 2018-19 included:

- Sydney Metro City and Southwest (\$1,841 million)
- Pacific Highway - Woolgoolga to Ballina (\$1,268 million)
- Westmead Hospital Redevelopment Stage 1 (\$264 million).

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

- North West Metro
- Newcastle Light Rail
- Broken Hill Water Pipeline
- Northern Beaches Hospital
- Western Sydney Stadium

Chart 4.6: Distribution of Capital Expenditure for 2018-19



In 2018-19, \$5,646 million (\$3,593 million in 2017-18) 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 by the proceeds of asset sales. Restart NSW is the vehicle for the delivery of the Rebuilding NSW plan, which is the Government's 10-year plan to invest \$20 billion in new infrastructure funded by the lease of 49 per cent of the NSW electricity network businesses, Commonwealth Government Asset Recycling Initiative payments, and investment earnings.

Restart NSW had received \$33.3 billion in inflows as at 30 June 2019, an increase of \$2.5 billion since 30 June 2018. The increase in inflows is primarily due to investment earnings and receipts from Waratah Bonds. Other sources of Restart NSW inflows include proceeds from asset recycling transactions and GST refunds.

As at the 2019-20 Budget, a total of \$24.8 billion was committed for infrastructure projects from Restart NSW, including \$17.3 billion for the Rebuilding NSW plan. A further \$8.3 billion was reserved in Restart NSW for identified project and programs. For further information on Restart, refer to Section 3 of 2019-20 Budget Paper 2.

## 4.7 Net Lending

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

The General Government Sector Net Lending/(Borrowing) Result was a borrowing position of \$9,280 million in 2018-19 compared to a net borrowing position of \$2,580 million in 2017-18 representing an increase in net borrowing of \$6,700 million from the prior year. This was mainly due to higher net acquisition of non-financial assets of \$3,493 million and the lower budget surplus of \$3,206 million relative to 2017-18.

## 4.8 Cash Result

The Cash Result was a deficit of \$10,307 million, a decrease of \$8,211 million over the prior year deficit of \$2,096 million. The decrease in the cash result reflects the lower budget surplus and higher net purchases of non-financial assets due to the commitment to expenditure on key infrastructure investment.

## 4.9 Balance Sheet

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

Key Financial Indicators (GGS) - Statement of Financial Position					
		Actual 2018 Restated <sup>(a)</sup>	Original Budget 2019	Revised Estimate <sup>(b)</sup> 2019	Actual 2019
Total Assets	\$b	381.5	389.6	403.9	402.3
Total Liabilities	\$b	129.4	119.5	141.9	152.1
Net Worth	\$b	252.1	270.1	262.0	250.2
Net Unfunded Superannuation Liability	\$b	54.2	45.6	61.0	67.7
Net Debt	\$b	(11.2)	2.6	(8.8)	(10.4)
Net Debt as a % of GSP <sup>(c)</sup>	%	-1.9%	0.4%	-1.4%	-1.7%
Net Financial Liabilities (NFL)	\$b	69.1	71.1	73.6	81.2
NFL as a % of GSP <sup>(c)</sup>	%	11.4%	11.3%	11.8%	13.0%

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

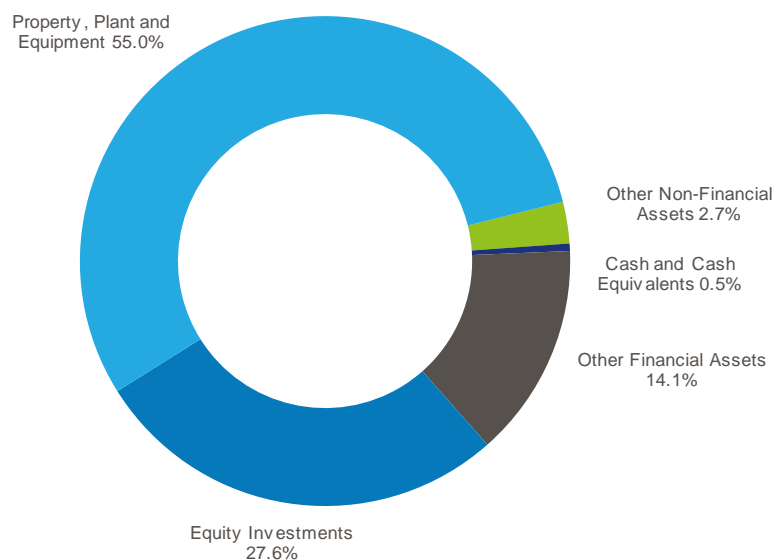
(b) Revised Estimate for 2018-19 as presented in the 2019-20 Budget Papers.

(c) GSP actuals for 2018-19 not released at the time of publication. Numbers reflect 2018-19 GSP forecasts from the 2019-20 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 2018-19.

Chart 4.7: *Distribution of Total Assets as at 30 June 2019*



### Non-Financial Assets

The main components of the non-financial assets at 30 June 2019 are Property Plant and Equipment (PP&E). These accounted for 55 per cent of the General Government total assets at 30 June 2019. The value of PP&E increased by a net amount of \$24,864 million relative to 30 June 2018. This mainly reflects additions of \$16,574 million, assets transferred from other sectors of \$5,514 million and revaluations of \$7,205 million, partially offset by depreciation of \$4,429 million.

Revaluations in 2018-19 of \$7,205 million were driven by revaluations of assets which increased the fair value of the assets.

- Infrastructure Systems held by Roads and Maritime Services (\$3,508 million), Sydney Metro (\$560 million) and Office of Environment and Heritage (\$471 million).
- Land and Buildings held by Ministry of Health (\$1,839 million), Fire and Rescue (\$147 million), Property NSW (\$101 million) and Department of Industry (\$95 million).

### Financial Assets

Cash and cash equivalents were \$1,969 million in 2018-19 (2017-18: \$5,417 million). The lower level of cash reflects the actions the Government has taken to improve its cash and asset management as set out in Chapter 7 in Budget Paper 1 of the 2018-19 Budget. Effective management of the State's liquidity is part of the Government's strategy of effective and efficient balance sheet management. Strategies being employed ensure that the State continues to hold and is able to access an adequate level of liquidity against its future obligations, and any surplus holdings are put to better use.

Major transactions during the 2018-19 year that impacted on the cash position include the continued record investment in NSW infrastructure projects, investment in Restart NSW, and Social and Affordable Housing Fund (SAHF).

The proceeds from certain 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 2019, there was \$18,984 million held in Restart NSW (30 June 2018: \$21,054 million). Of this, \$707 million (2018: \$1,607 million) was held in cash and \$18,277 million (2018: \$19,447 million) invested in the NSW Infrastructure Future Fund. The lower holdings in Restart NSW/NIFF are primarily due to funds being drawn down in support delivery of the Restart NSW/Rebuilding NSW programs/projects.

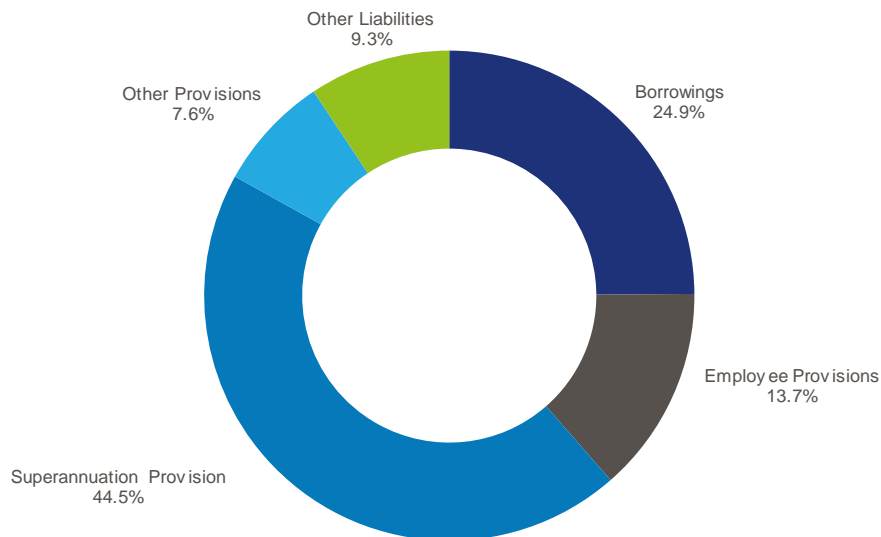
In November 2018, the Government established the NSW Generations Fund (NGF), which was seeded with \$10 billion through a combination of WestConnex transaction proceeds and balance sheet reserves. At 30 June 2019, the NGF balance was \$10,884 million.

Equity investments were \$111,053 million at 30 June 2019, which was \$8,567 million lower than the prior year. The decrease is mainly due to the decreased net worth in PNFCs and PFCs held in the General Government sector, partially offset by the State's retained interest in the WestConnex Group. (Refer to Note 10 Equity Investments)

#### 4.11 Total Liabilities

The graph below displays the distribution of the General Government's liabilities by class. The majority of these liabilities relate to employee and superannuation provisions, which together accounted for 58.2 per cent of the General Government's obligations at 30 June 2019. Additionally, the General Government's borrowings contributed 24.9 per cent.

Chart 4.8: *Distribution of Total Liabilities as at 30 June 2019*



#### 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 2018-19, net unfunded superannuation liabilities increased by \$13,496 million to \$67,696 million. The increase in the superannuation liabilities was driven by a significant fall in the 10-year Commonwealth Government bond rate, from 2.65% on 30 June 2018 to 1.32% on 30 June 2019. This was partially offset by the Government's funding contributions and higher than expected investment returns on the fund's assets.

In accordance with the accounting standard 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 superannuation liabilities are very sensitive to changes in the discount rate. At 30 June 2019, interest rate level 1 per cent increase in the discount rate can reduce the valuation of the liabilities by around \$14,229 million while a 1 per cent decrease in the discount rate would increase the valuation by an estimated \$17,494 million.

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



The most recent triennial review of the State's superannuation liabilities was completed in October 2018 by PWC, with the next actuarial review due before the end of 2021. This review determines the sufficiency of funding for the State's defined benefit schemes based on the latest demographic and economic assumptions. The 2018 review concluded the Government's current contribution plan is on track to be fully funded by 2030.

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

## Employee Provisions and Other Provisions

Employee provisions include annual and long service leave and self-funded obligations for workers compensation. The total provision in 2018-19 (\$20,802 million) is higher by \$2,787 million than the prior year (2018: \$18,015 million). The movement in employee provisions was impacted by the increase in long service leave provisions of \$1,701 million and an increase in the provisions for Self Funded Workers Compensation by \$654 million. The increase in long service leave provisions was primarily due to changes in discount rates used to calculate the present value of anticipated future payments.

Other provisions in 2018-19 were \$11,604 million, an increase of \$1,394 million compared to 2017-18. Other provisions primarily comprise insurance obligations, liabilities for dust disease claims, university superannuation, and provisions for land remediation and restoration costs. The increase in other provisions compared to the prior year is largely due to changes to discount rates used to calculate the present value of future payments.

## 4.12 Net Worth

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Net worth is the difference between total assets and total liabilities. Net worth of the General Government Sector for the year ended 30 June 2019 was \$250,172 million, a decrease of \$1,923 million (0.8 per cent) from the prior year (2018: \$252,095 million).

The decrease in net worth is equal to the Comprehensive result of the General Government Sector for 2018-19. As outlined in section 4.5 in this document, the Comprehensive Result was mainly driven by:

- net losses of \$23,752 million, driven by Superannuation actuarial adjustments (\$13,364 million), equity investments in the non-GG sector due to fair-value adjustments (\$7,888 million), and long service, recreation leave and insurance claim provisions (\$2,500 million) due to actuarial adjustments
- net gains of \$20,406 million from the sale of WestConnex (\$13,201 million), and revaluations of property, plant and equipment assets (\$7,205 million)
- the Budget Result surplus of \$1,219 million for the year.

## 4.13 Net Debt

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The General Government Sector net debt was negative \$10,401 million at 30 June 2019, or negative 1.7 per cent of GSP. The negative net debt result was supported by the WestConnex transaction that was concluded in September 2018 and an increase in financial assets due to better than expected returns from the State's investment funds. At 30 June 2018 net debt was negative \$11,195 million.

The Government's strategy for funding its infrastructure program helps ensure that the State maintains sustainable levels of debt consistent with a triple-A credit rating. This is achieved by utilising a mix of non-debt funding sources such as net operating cash and the proceeds from asset recycling. In addition, the continued implementation of the Government's balance sheet reform agenda ensures it has been able to minimise the state's reliance upon borrowings to fund infrastructure.

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

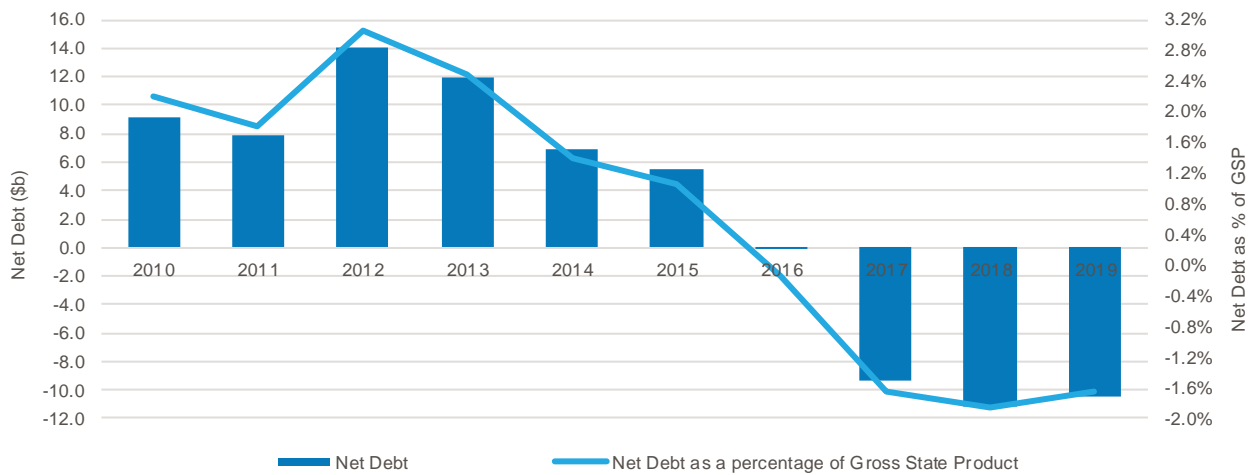


Table 4.3: General Government Sector – Net Debt

	Actual June 2018 Restated <sup>(a)</sup>	Actual June 2019
	\$b	\$b
Cash and Cash Equivalents	5.4	2.0
Investments, Loans and Placements	38.1	45.9
Advances Paid	1.0	1.2
Deposits Held	(0.1)	(0.1)
Borrowings and Derivatives at Fair Value	(0.0)	(0.2)
Borrowings at Amortised Cost	(32.4)	(37.7)
Advances Received	(0.8)	(0.8)
<b>Net Debt</b>	<b>(11.2)</b>	<b>(10.4)</b>
<b>Net Debt as a % of GSP<sup>(b)</sup></b>	<b>-1.9%</b>	<b>-1.7%</b>

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

(b) GSP actuals for 2018-19 not released at the time of publication. Numbers reflect 2018-19 GSP forecasts from the 2019-20 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 other net liabilities and financial assets.

Net financial liabilities at 30 June 2019 were \$81,194 million, which was \$12,126 million higher than the prior year. This increase was primarily due to the increases in superannuation provisions of \$13,496 million, borrowings of \$5,215 million and employee provisions of \$2,787 million as explained in Total Liabilities section of this report, partially offset by increases in financial assets other than equity in publicly owned corporations of \$10,600 million.

As a percentage of forecast GSP, net financial liabilities increased to 13.0 per cent at 30 June 2019, from 11.4 per cent at 30 June 2018 (refer Table 4.4).

Table 4.4: General Government Sector – Net Financial Liabilities

	Actual June 2018 Restated <sup>(a)</sup>	Actual June 2019
	\$b	\$b
Net Debt	(11.2)	(10.4)
Superannuation Provision	54.2	67.7
Employee Provisions	18.0	20.8
Insurance Obligations and Other Provisions	10.2	11.6
Other Net Liabilities / (Assets)	(2.1)	(8.5)
<b>Net Financial Liabilities (NFL)</b>	<b>69.1</b>	<b>81.2</b>
<b>NFL as a % of GSP<sup>(b)</sup></b>	<b>11.4%</b>	<b>13.0%</b>

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

(b) GSP actuals for 2018-19 not released at the time of publication. Numbers reflect 2018-19 GSP forecasts from the 2019-20 Budget.

## 5. TOTAL STATE SECTOR RESULTS

- The Total State Sector (TSS) comprises the GGS, PNFC and PFC sectors. TSS results reflect the Government's ongoing commitment to effective financial management.
- The Net Operating Balance in 2018-19 was a deficit of \$1.8 billion, representing a decrease of \$4.6 billion compared to 2017-18. This lower budget result was primarily due to increased expenditure on frontline service delivery and increases in other operating costs in the general government sector.
- Total State Sector revenue for 2018-19 was \$86.1 billion, \$0.6 billion (0.6 per cent) lower than the prior year, primarily due to lower Sales of Goods and Services (\$0.4 billion) and lower interest revenue (\$0.3 billion).
- Higher expenses of \$4.0 billion resulted from increases in employee related costs of \$1.5 billion, increases in other operating costs of \$1.5 billion, increases in grants and subsidies of \$0.8 billion and increases in depreciation and amortisation of \$0.4 billion.
- Capital expenditure of \$21.8 billion was \$3.9 billion higher than in 2017-18. In addition to the record level of capital spend in the General Government sector, spend in the PNFC sector reflected significant investments in major rail projects of \$2.1 billion, water utilities of \$1.3 billion and Sydney Motor Corporation spend on WestConnex Motorway of \$0.6 billion.
- Net debt of the Total State Sector as at 30 June 2019 was \$23.9 billion or 3.8 per cent of forecast GSP. This compares to net debt at 30 June 2018 of \$15.8 billion or 2.6 per cent of GSP. The increase in net debt is largely driven by pre-funding future borrowing requirements for infrastructure investment to take advantage of historically low interest rates.
- Net financial liabilities at 30 June 2019 were \$116.4 billion, or 18.6 per cent of forecast GSP, which was \$17.1 billion higher than in 30 June 2018 of \$99.3 billion (16.4 per cent of GSP). This was primarily due to the increase in superannuation provisions of \$14.3 billion resulting from the changes in the discount rate used to calculate the present values of future obligations at 30 June 2019 and the increases in 2018-19 of employee and other provisions of \$5.6 billion, which were also impacted by the change in discount rates. These increases were partially offset by the state's investment in WestConnex Motorway (pre sale) of \$6.4 billion.
- Net worth of the Total State Sector for the year ended 30 June 2019 was \$250.2 billion which was marginally lower than the prior year by \$1.9 billion (2018: \$252.1 billion). This net decrease was the result of the Comprehensive Income in 2018-19 for the Total State Sector.

## 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 2017-18 Restated <sup>(a)</sup>	Original Budget 2018-19	Revised Estimate <sup>(b)</sup> 2018-19	Actual 2018-19
<b>Total State Sector</b>					
Revenue	\$b	86.7	84.8	85.0	86.1
Expenses	\$b	83.9	87.0	87.3	87.9
Transactions from Discontinued Operations	\$b	...	...	(0.0)	0.0
Budget Result (Net Operating Balance)	\$b	2.8	(2.2)	(2.3)	(1.8)
Comprehensive Result	\$b	30.6	9.1	7.8	(1.9)
Gross Capital Expenditure	\$b	17.9	24.5	23.2	21.8
Cash Result	\$b	(1.6)	(13.5)	(11.5)	(14.0)
Net Lending/(Borrowing)	\$b	(6.7)	(17.8)	(17.0)	(14.6)

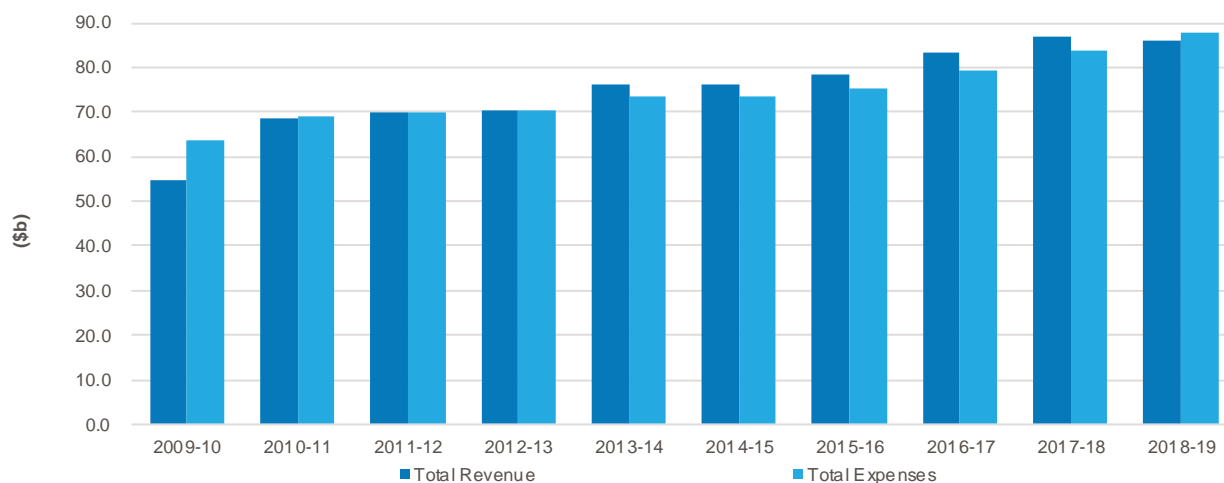
(a) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to Prior Period.

(b) Revised Estimate for 2018-19 as presented in the 2019-20 Budget Submissions.

## 5.2 Net Operating Balance

The Net Operating Balance for the Total State Sector was a deficit of \$1,780 million. The Net Operating Balance comprises State revenues less expenses from transactions prepared in accordance with Australian Accounting Standards.

Chart 5.1: Total State Sector Revenue and Expenses – 2009-10 to 2018-19

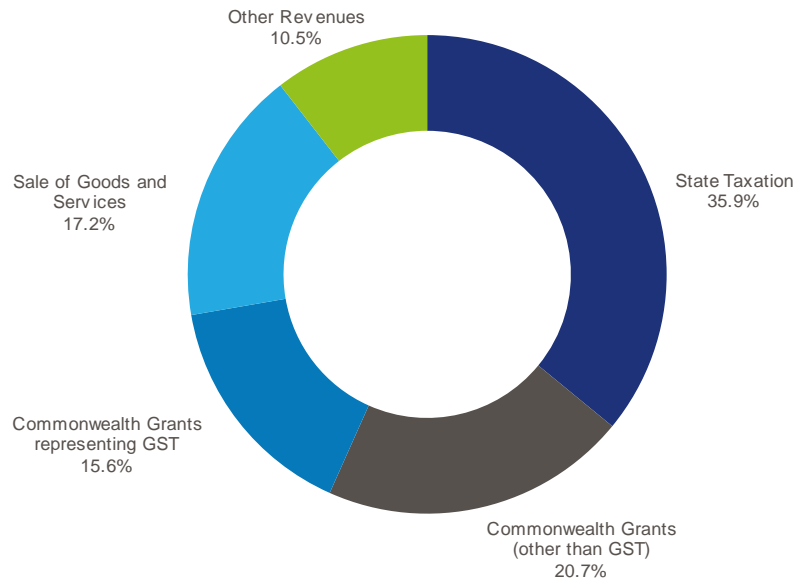


Note: Historic expenditure figures between 2009-10 and 2012-13 have been adjusted to incorporate the retrospective application of the revised standard on employee benefits (AASB 119).

### 5.3 Revenue

Total State Sector revenue for 2018-19 was \$86,093 million, \$604 million (0.6 per cent) lower than 2017-18. Total State Sector revenues comprised: revenues from taxation \$30,940 million; grants from the Commonwealth Government \$31,285 million; sales of goods and services \$14,819 million; and other revenues \$9,049 million.

Chart 5.2: Total State Sector Revenue 2018-19



Taxation revenues were \$30,940 million, \$99 million higher than 2017-18. The key drivers behind this were:

- an increase in payroll tax of \$517 million reflecting stronger employment growth particularly in full-time employment and wages growth,
- an increase in land tax of \$469 million reflecting growth in land values supported by the three year averages utilised for land valuation assessments,
- an increase in gambling, motor vehicle and other taxes of \$349 million,
- stamp duty significantly decreased in 2018-19 reflecting lower transaction volumes and prices. The impact of this was reduced by the transfer duty received on the WestConnex transaction resulting in a net decrease for the year of \$1,237 million.

Commonwealth grants were \$31,285 million, a decrease of \$92 million (0.3 per cent) on 2017-18. This variation was related to decreases in National Partnership Payments of \$393 million, mainly due to reduced grants to Department of Family and Community Services for the transfer of care responsibilities, reprofiling of major Transport projects, decreases in GST revenues of \$60 million and decreases in other Commonwealth payments of \$30 million, largely offset by increases in Specific Purpose grants of \$380 million due to higher grants to Ministry of Health in line with increased activity and Education under the National Education Reform Agreement.

Sales of goods and services were \$395 million lower than in 2017-18. This mainly reflects lower revenues in the PNFC sector of \$795 million, mainly due to Westconnex transaction. This loss of revenue was partially offset by increases in the General Government sector of \$482 million.

Other dividends and distributions were \$122 million lower than in 2017-18 mainly reflecting marginally lower investment returns on TCorp IM Fund investments.

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

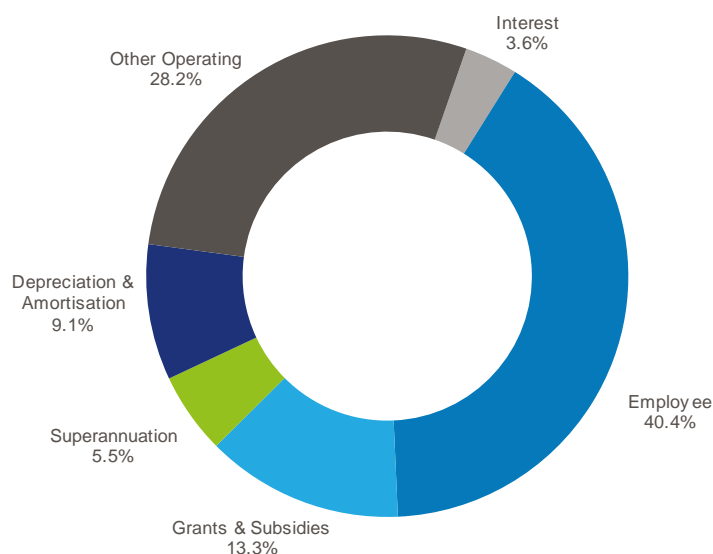


## 5.4 Expenses

Total State Sector expenses were \$87,881 million, \$4,006 million higher than in 2017-18.

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

Chart 5.3: Total State Sector Expenses 2018-19



Employee expenses (excluding superannuation) were \$35,544 million, \$1,477 million (4.3 per cent) higher than 2017-18, which was largely attributable to movements in the General Government sector. Increases in employee expenses in 2018-19 were a result of wage increases consistent with the Government's wages policy of 2.5 per cent and increased front line staff associated with growth in services, particularly in health, plus increases in workers compensation and long service leave costs.

Depreciation and amortisation expense rose by \$437 million (5.8 per cent) to \$8,016 million during 2018-19.

## 5.5 Comprehensive Result

The Comprehensive Result for 2018-19 was a deficit of \$1,924 million (\$30,595 million surplus in 2017-18). The decrease of \$32,519 million was primarily due to a decrease in the net operating balance of \$4,602 million, increased losses on long service leave and insurance liabilities of \$2,530 million due to discount rate changes, lower revaluation gains of \$17,084 million and increased actuarial losses on Superannuation of \$16,680 million, partially offset by the increases in other net gains of \$10,161 million mainly due to the gain on the WestConnex sale, which generated a net gain on sale of \$13,225 million.

Revaluation gains in 2018-19 of \$7,454 million were \$17,084 million lower than the prior year.

2018-19 revaluation gains included:

- Infrastructure Systems held by Roads and Maritime Services (\$3,508 million), Sydney Metro (\$560 million) and Office of Environment and Heritage (\$471 million).
- Land and Buildings held by Ministry of Health (\$1,839 million), Fire and Rescue (\$147 million), Property NSW (\$101 million) and Department of Industry (\$95 million).

## 5.6 Capital Expenditure

Capital expenditure of \$21,827 million was \$3,919 million higher than in 2017-18.

Agencies with significant capital expenditure programs in 2018-19 included:

- Roads and Maritime Services (\$5,515 million), including expenditure on Pacific Highway Woolgoolga to Ballina, WestConnex, M4 Smart Motorway, Western Sydney Infra Package (WSIP) roads and New England highway projects
- Sydney Metro (\$3,720 million)
- Transport for NSW (\$1,187 million)
- Ministry of Health (\$2,222 million)
- Rail Corporation NSW (\$2,105 million)
- Department of Education (\$1,632 million)
- Sydney Water Corporation, Water NSW and Hunter Water Corporation combined spend (\$1,319 million)
- Department of Justice (\$874 million)
- Sydney Motor Corporation spend on the WestConnex Motorway (\$622 million)
- NSW Land and Housing Corporation (\$329 million).

## 5.7 Net Lending/(Borrowing)

In 2018-19 the Net Lending Result was a deficit of \$14,595 million, an increase in the deficit of \$7,894 million in comparison to 2017-18. This increase is attributable to the decrease in the net operating balance of \$4,602 million and the increase in net acquisition of non-financial assets of \$3,293 million.

## 5.8 Cash Result

In 2018-19, the cash result was a deficit of \$13,975 million, an increase in the cash result deficit of \$12,353 million over the prior year. The deficit in cash result reflects the decrease in net cash flows from operating activities of \$7,792 million and the increase in net acquisition costs of non-financial assets of \$4,561 million due to continued record investment in infrastructure projects.

## 5.9 Balance Sheet

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

Key Financial Indicators (TSS) - Statement of Financial Position					
		Actual 2018 Restated <sup>(a)</sup>	Original Budget 2019	Revised Estimate <sup>(b)</sup> 2019	Actual 2019
Total Assets	\$b	441.1	450.6	467.1	467.7
Total Liabilities	\$b	189.0	180.5	205.0	217.5
Net Worth	\$b	252.1	270.1	262.1	250.2
Net Unfunded Superannuation Liability	\$b	56.4	47.3	63.8	70.7
Net Debt	\$b	15.8	34.7	22.4	23.9
Net Debt as a % of GSP <sup>(c)</sup>	%	2.6%	5.5%	3.6%	3.8%
Net Financial Liabilities (NFL)	\$b	99.3	103.6	106.5	116.4
NFL as a % of GSP <sup>(c)</sup>	%	16.4%	16.4%	17.0%	18.6%

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

(b) Revised Estimate for 2018-19 as presented in the 2019-20 Budget Submissions.

(c) GSP actuals for 2018-19 not released at the time of publication. Numbers reflect 2018-19 GSP forecasts from the 2019-20 Budget.

## 5.10 Net Worth

Net worth represents the difference between total assets and total liabilities. Net worth of the Total State Sector for the year ended 30 June 2019 was \$250,172 million which was lower than the prior year by \$1,923 million (2018: \$252,095 million). This variation is equal to the comprehensive result and, in terms of the balance sheet, is reflected in the net increase in total liabilities less financial assets of \$17,140 million offset by the increase in non-financial assets of \$15,216 million.

The net increase in total liabilities less financial assets was largely attributable to the increases in superannuation provisions of \$14,290 million, which was largely the result of changes to discount rates used to calculate the present value of future obligations.

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

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

## 5.11 Net Debt

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

During 2018-19, the net debt of the Total State Sector increased by \$8,147 million. At 30 June 2019, the net debt was \$23,909 million or 3.8 per cent of forecast GSP. At 30 June 2018, net debt was \$15,762 million or 2.6 per cent of GSP. The increase in net debt is largely the result of higher borrowings and derivatives at fair value (\$8.9 billion) driven by pre-funding future borrowing requirements to take advantage of historically low interest rates, additional general government and water utility borrowings and an increase in the market value of borrowings. This has been partially offset by higher investments, loans and placements (\$5.2 billion), largely from the investment of pre-funded amounts.

Table 5.3: Total State Sector – Net Debt

	Actual June 2018 Restated <sup>(a)</sup>	Actual June 2019
	\$b	\$b
Cash and Cash Equivalents	14.0	9.0
Investments, Loans and Placements	42.1	47.4
Advances Paid	0.6	0.7
Deposits Held	(0.4)	(0.3)
Borrowings and Derivatives at Fair Value	(63.8)	(72.8)
Borrowings at Amortised Cost	(7.5)	(7.2)
Advances Received	(0.8)	(0.8)
<b>Net Debt</b>	<b>15.8</b>	<b>24.0</b>
<b>Net Debt as a % of GSP<sup>(b)</sup></b>	<b>2.6%</b>	<b>3.8%</b>

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

(b) GSP actuals for 2018-19 not released at the time of publication. Numbers reflect 2018-19 GSP forecasts from the 2019-20 Budget.

## 5.12 Net Financial Liabilities

Net financial liabilities at 30 June 2019 were \$116,429 million, or 18.6 per cent of forecast GSP, which was \$17,140 million higher than in 30 June 2018 of \$99,289 million (16.4 per cent of GSP). This was primarily due to the increase in superannuation provisions of \$14,290 million resulting from actuarial assessments performed at 30 June 2019 partially offset by the increase of \$10,117 million in equity investments, which increased primarily as a result of the recognition of the State's 49 per cent share of the WestConnex Group (\$6,424 million) and due to the increase in value of the State's equity investment in the TCorp IM Fund Trust (\$4,937 million).

Table 5.4: Total State Sector – Net Financial Liabilities

	Actual June 2018 Restated <sup>(a)</sup>	Actual June 2019
	\$b	\$b
Net Debt	15.8	23.9
Superannuation Liabilities	56.4	70.7
Employment Provision	19.1	22.0
Insurance Obligations and Other Provisions	15.4	18.2
Other Net Liabilities / (Assets)	(7.4)	(18.3)
<b>Net Financial Liabilities</b>	<b>99.3</b>	<b>116.4</b>
<b>NFL as a % of GSP<sup>(b)</sup></b>	<b>16.4%</b>	<b>18.6%</b>

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

(b) GSP actuals for 2018-19 not released at the time of publication. Numbers reflect 2018-19 GSP forecasts from the 2019-20 Budget.



## 6. ANNEXURES

The *Fiscal Responsibility Act 2012* 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 last report was released on 26 May 2016 and can be found at <http://www.treasury.nsw.gov.au/intergenerational-report> - the next report scheduled for release in 2021.

The financial results for 2018-19 are consistent with the Government's fiscal strategy, with a budget surplus in 2018-19 of \$1.2 billion.

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

The 2018-19 actual results have been assessed against the object, targets and principles of the *Fiscal Responsibility Act 2012* to provide a status update against each measure below.

Item	2019-20 Budget Status	2018-19 State Finances (End of Year Status Update)
Maintain the State's triple-A credit rating	New South Wales' triple-A credit ratings were reaffirmed by international credit rating agencies Moody's and Standard & Poor's in their latest credit opinions prior to the 2019-20 Budget released in September 2018.	Moody's reaffirmed the State's triple-A rating on 11 <sup>th</sup> September 2019.  Standard & Poor's reaffirmed the State's triple-A rating on 25 <sup>th</sup> September 2019.
Maintain annual expense growth below long-term average revenue growth	The <i>Fiscal Responsibility Regulation 2013</i> defines long-term average general government revenue growth as 5.6 per cent. The 2019-20 Budget estimated expense growth of 5.0 per cent in 2018-19.	Expense growth was 5.5 per cent in 2018-19, 0.1 percentage points below the Act's target.
Eliminate the State's unfunded superannuation liabilities by 2030	The most recent triennial actuarial review of superannuation liabilities was completed in October 2018 by an independent actuary. The review found that, based on the current Crown funding plan, New South Wales remains on track to fully fund the State's superannuation liabilities by 2030, in line with the target. The next triennial review will be undertaken in the second half of 2021.	As per the 2019-20 Budget Status.
Responsible and sustainable spending, taxation and infrastructure investment	The 2019-20 Budget projects budget surpluses to assist in funding the Government's record infrastructure program in a sustainable way. Taxation policies remain stable and predictable, with the ratio of tax revenue to GSP declining from 5.4 per cent in 2015-16 to 5.0 per cent in 2018-19 and remaining in line with that ratio over the forward estimates.  The 2019-20 budget projected record capital expenditure of \$71.7 billion over the four years to 2022-23 in the General Government Sector. Funding this record infrastructure program while maintaining manageable levels of debt consistent with a triple-A credit rating is achieved through delivering budget surpluses and utilising non-debt funding sources such as the proceeds of asset recycling through Restart NSW.	Expenses were maintained below revenue in 2018-19, delivering an net operating surplus to assist in funding the State's infrastructure program.  General Government Sector capital expenditure was \$16.6 billion in 2018-19, with Restart NSW funding \$5.6 billion of this.

Item	2019-20 Budget Status	2018-19 State Finances (End of Year Status Update)
Effective financial and asset management	<p>The Government has continued its strategy of balance sheet reform, following the successful creation of specific purpose funds such as the NSW Generations Fund (NGF) – the State’s dedicated debt retirement fund, and the NSW Infrastructure Future Fund (NIFF) – the investment vehicle for the State’s asset recycling initiative. These reforms of the State’s financial assets are complemented by further improvements in the management of the State’s borrowings, cash balances and associated financial risks. Key reforms include:</p> <ul style="list-style-type: none"> <li>• the Government has diversified its funding sources by issuing its first green bond in November 2018, raising \$1.8 billion in funding.</li> <li>• implementing a new whole-of-government cash management policy, which complements the whole-of-government foreign exchange risk management policy.</li> <li>• enacting the <i>Government Sector Finance Act 2018</i> which supports balance sheet reforms, including a centralised approach to cash management.</li> <li>• entering into a multi-provider banking services contract that covers all Government transactions including payments, receipts, cross-border banking and purchasing cards.</li> </ul>	<p>As at 30 June 2019, the NGF contained cash and financial assets valued at \$10.9 billion dedicated towards debt retirement.</p>
Achieving intergenerational equity	<p>The effect of government policies on intergenerational equity is measured by the change in the long-term fiscal gap from one budget to the next. Each budget reports the impact of budget measures on the long-term fiscal gap, which is a summary indicator of the budget’s effect on future generations.</p> <p>The <i>2016 Intergenerational Report</i> highlighted that if current trends continue, a widening fiscal gap will emerge where expenditure would exceed revenues resulting in a fiscal gap of 3.4 per cent of GSP by 2055-56. The Report outlines that ageing will contribute to higher demand for government services and infrastructure, and this will tend to widen the fiscal gap between revenues and spending requirements.</p> <p>The measures in the 2019-20 Budget do not materially impact on the long-term fiscal gap estimate. Restraining an increase in the fiscal gap is demonstrated by delivering consecutive operating surpluses and utilising non-debt sources to help fund the infrastructure program. This ensures current generations fund the cost of services used and limits the financial burden shifted from current to future taxpayers.</p> <p>Continuing progress towards fully funding the State’s unfunded superannuation liabilities by 2030 further enhances intergenerational equity by ensuring the pension liabilities of the current generation are not being funded by future generations.</p> <p>To further support intergenerational equity, the Government became the first state in Australia to create a vehicle to support intergenerational equity by establishing the NSW Generations Fund in 2018.</p>	<p>As per the 2019-20 Budget Status.</p>

**Total State Sector Accounts  
2018 – 2019**

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



# STATEMENT OF COMPLIANCE

In our opinion the Total State Sector Accounts:

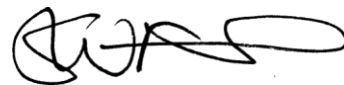
- have been prepared on the basis of the financial reporting requirements as prescribed in the *Public Finance and Audit Act 1983*, and
- are in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting* and all other Australian Accounting Standards.



The Hon. Dominic Perrottet MP  
Treasurer



Michael Pratt AM  
Secretary  
Treasury



Stewart Walters  
Chief Financial and Operations Officer  
Treasury

4 October 2019



## INDEPENDENT AUDITOR'S REPORT

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

To Members of the New South Wales Parliament

#### Opinion

I have audited the accompanying financial statements of the New South Wales General Government and Total State Sector Accounts (the Total State Sector Accounts), which comprise the NSW Consolidated Statement of Comprehensive Income and NSW Consolidated Statement of Changes in Equity for the year ended 30 June 2019, the NSW Consolidated Statement of Financial Position as at 30 June 2019, the NSW Consolidated Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the Total State Sector Accounts. The Total State Sector Accounts comprises the entities the New South Wales Government controlled at the year's end or from time to time during the financial year.

In my opinion, the 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.

## Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for year ended 30 June 2019. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the matter
<p><b>Fair value measurement of property, plant and equipment</b></p> <p>At 30 June 2019, the Total State Sector Accounts reported \$352 billion in property, plant and equipment measured at fair value. The closing balance of property, plant and equipment includes a net revaluation increment of \$7.5 billion recorded during the year ended 30 June 2019.</p> <p>I considered this to be a key audit matter because of the:</p> <ul style="list-style-type: none"> <li>• financial significance of property, plant and equipment to the Statement of Financial Position</li> <li>• extent of significant management judgements underpinning key assumptions used in the valuation process</li> <li>• specialised and unique nature of the assets with limited observable market valuation inputs</li> <li>• small changes to valuation inputs and assumptions can significantly impact the fair value</li> <li>• judgement and complexities associated with the application of AASB 13 Fair Value Measurement requirements.</li> </ul> <p>Further information on the fair value measurement of property, plant and equipment is included in Note 13 Property, Plant and Equipment.</p>	<p>Key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• evaluated the nature and extent of management’s oversight and review of fair values determined by valuation experts</li> <li>• assessed the competence, capability and objectivity of management’s valuation experts</li> <li>• assessed the accuracy and completeness of assets included in the revaluation</li> <li>• assessed significant judgements for unique and specialised assets</li> <li>• assessed the sufficiency and appropriateness of the valuation methodologies against the requirements of applicable Australian Accounting Standards</li> <li>• compared management’s fair value assessments against independent information we obtained and: <ul style="list-style-type: none"> <li>– assessed the appropriateness of the methodology and assumptions adopted, including assets’ useful lives</li> <li>– agreed valuation amounts recorded in the financial statements</li> </ul> </li> <li>• assessed the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards.</li> </ul>
<p><b>Taxation revenue</b></p> <p>For the 2018–19 financial year, the Total State Sector Accounts recorded taxation revenue totalling \$30.9 billion.</p> <p>I consider this to be a key audit matter because:</p> <ul style="list-style-type: none"> <li>• taxation revenue is significant to the Total State Sector Accounts, representing 35.9 per cent of revenue from continuing operations</li> <li>• measurement and recognition of taxation revenue is dependent on the self-assessment process which may significantly affect the revenue recorded</li> <li>• of the complexities and judgement used to estimate the allowance for impairment of taxation receivables.</li> </ul> <p>Further information on taxation revenue is included in Note 2 Revenue.</p>	<p>Key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• assessed the completeness and accuracy of the underlying data and performed: <ul style="list-style-type: none"> <li>– recalculation of the key taxation revenue streams against the requirements of the relevant legislation</li> <li>– tracing a sample of transactions back to supporting evidence</li> </ul> </li> <li>• evaluated key controls over significant taxation revenue streams</li> <li>• reviewed the key controls over taxation compliance programs undertaken</li> <li>• assessed the methodology and assumptions used to estimate the allowance related to taxation receivable against historical recoverability rates and write-off of debt</li> </ul>

## Key Audit Matter

## How my audit addressed the matter

- recalculated the allowance for impairment recognised
- assessed the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards.

### Valuation of defined benefit superannuation and long service leave liabilities

At 30 June 2019, the Total State Sector Accounts reported net defined benefit superannuation liabilities totalling \$70.7 billion and employee long service leave liabilities totalling \$11.7 billion.

I considered this to be a key audit matter because:

- the defined benefit superannuation and long services leave liabilities are financially significant to the Statement of Financial Position
- the underlying models used to value the liabilities are complex
- a significant degree of management judgement is required to determine key assumptions used to value the liabilities
- the total value of the liabilities is sensitive to minor changes in assumptions.

Further information on the valuation of defined benefit superannuation and long service leave liabilities is included in Note 21 Employee Provisions and Note 22 Superannuation Provisions.

Key audit procedures included the following:

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

### Valuation of outstanding claims liabilities

At 30 June 2019, the Total State Sector Accounts recorded \$5.4 billion in self-funded worker's compensation and \$12.5 billion in other outstanding claims liabilities totalling \$17.9 billion.

I considered this to be a key audit matter because:

- the outstanding claims liabilities are financially significant to the Statement of Financial Position
- the underlying models used to value the liabilities are complex
- a significant degree of management judgement is required to determine key assumptions to value the liabilities
- the total value of the liabilities are sensitive to minor changes in assumptions.

Further information on the valuation of provisions for outstanding claims is included in Note 21 Employee Provisions and Note 23 Other Provisions.

Key audit procedures included the following:

- tested key controls supporting claims data used in the provision for outstanding claims valuation models (the models)
- assessed the completeness and accuracy of claims data used in the models
- engaged a qualified actuary ('auditor's expert') to:
  - assess the appropriateness of the models
  - confirm the reasonableness of key assumptions by comparing against claims history and accepted industry benchmarks
  - assess the reasonableness of the key estimates and reported values
- assessed the adequacy of financial statement disclosures against the requirements of applicable Australian Accounting Standards.



## Key Audit Matter

## How my audit addressed the matter

### Valuation of financial instruments

The Total State Sector Accounts' significant financial instruments are disclosed in Note 25 Financial Instruments. These financial instruments included financial assets and financial liabilities, measured at fair value and amortised cost.

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

- financial assets and financial liabilities measured at fair value are quantitatively significant to the Statement of Financial Position
- small changes to market observable inputs and assumptions can significantly impact the fair value of these financial assets and financial liabilities
- financial liabilities include illiquid offshore borrowings, which management uses significant assumptions to value. These are classified as 'level 3' under Australian Accounting Standards (i.e. where key inputs to the valuation require additional judgement as observable inputs are not available in the market due to market illiquidity or complexity of the product).

### Disclosure of contingent liabilities

The Total State Sector Accounts included contingent liabilities for exposures to certain past and future events that were not recognised because, in management's judgement, the range of potential future outcomes meant they could not be reliably estimated.

I consider this to be a key audit matter because of:

- the degree of judgement in arriving at this position
- the judgement applied to the level of disclosure within Note 29: Contingent Assets and Contingent Liabilities
- the exposure may later be confirmed material to the financial statements.

Key audit procedures included the following:

- obtained an understanding of, and assessed the valuation models applied to each category of financial instrument
- assessed the design and tested the operating effectiveness of the key operational and information technology controls supporting the valuation of financial instruments
- tested the inputs to the valuation system by comparing them to independent market observable data
- compared the calculations of fair value to my independent recalculations across a sample of financial instruments
- reviewed the key valuation inputs and significant assumptions used by management to value illiquid offshore borrowings for reasonableness, and where data was available, agreed these inputs to market observable data
- confirmed the existence and completeness of balances at 30 June 2019 with external counterparties
- assessed the adequacy of financial statement disclosures against the requirements of applicable Australian Accounting Standards.

Key audit procedures included the following:

- reviewed management's judgements and estimation models based on a range of possible outcomes, to assess whether liabilities can be reliably measured
- assessed the reasonableness of management's judgement regarding estimation uncertainty
- reviewed actuarial advice provided by management's expert, and assessed the actuary's competence, capabilities and objectivity
- engaged an actuarial specialist ('auditor's expert') to assess management's valuation methodologies, key assumptions and the models used to derive their position
- assessed the adequacy of financial statement disclosures against the requirements of applicable Australian Accounting Standards.

## **Other Information**

The New South Wales Report on State Finances for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Treasurer is responsible for the other information.

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Margaret Crawford  
Auditor-General for NSW

4 October 2019  
SYDNEY

	Note	General		Total State Sector	
		Government Sector 2018-19 \$m	2017-18 Restated <sup>(a)</sup> \$m	2018-19 \$m	2017-18 Restated <sup>(a)</sup> \$m
<b>FROM CONTINUING OPERATIONS</b>					
<b>Revenue from Transactions</b>					
Taxation	2	31,443	31,326	30,940	30,841
Grants and Subsidies					
Commonwealth General Purpose	2	17,907	17,955	17,907	17,955
Commonwealth Specific Purpose Payments	2	10,224	9,844	10,224	9,844
Commonwealth National Partnership Payments	2	2,737	3,129	2,737	3,129
Other Grants and Subsidies	2	981	931	900	998
Sale of Goods and Services	2	8,990	8,508	14,819	15,214
Interest	2	491	558	801	1,072
Dividend and Income Tax Equivalents from Other Sectors	2	1,932	1,578	...	...
Other Dividends and Distributions	2	1,934	2,114	2,025	2,147
Fines, Regulatory Fees and Other	2	5,051	4,730	5,739	5,497
<b>Total Revenue from Transactions</b>		<b>81,690</b>	<b>80,672</b>	<b>86,093</b>	<b>86,697</b>
<b>Expenses from Transactions</b>					
Employee	3	33,158	31,644	35,544	34,067
Superannuation					
Superannuation Interest Cost	3	1,412	1,458	1,466	1,513
Other Superannuation	3	3,052	3,009	3,250	3,222
Depreciation and Amortisation <sup>(a)</sup>	3	5,192	4,811	8,016	7,579
Interest <sup>(a)</sup>	3	1,812	1,812	3,137	3,338
Other Operating Expense	3	21,146	19,652	24,805	23,277
Grants and Subsidies					
Recurrent Grants and Subsidies	3	13,595	12,908	10,921	10,304
Capital Grants	3	1,105	955	741	576
<b>Total Expenses from Transactions</b>		<b>80,471</b>	<b>76,248</b>	<b>87,881</b>	<b>83,875</b>
<b>Transactions from Discontinuing Operations</b>	5	...	...	8	...
<b>NET RESULT FROM TRANSACTIONS - NET OPERATING BALANCE (BUDGET RESULT FOR THE GENERAL GOVERNMENT SECTOR)</b>					
		<b>1,219</b>	<b>4,425</b>	<b>(1,780)</b>	<b>2,822</b>

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

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



	Note	General		Total State Sector	
		Government Sector 2018-19 \$m	2017-18 Restated <sup>(a)</sup> \$m	2018-19 \$m	2017-18 Restated <sup>(a)</sup> \$m
<b>NET OPERATING BALANCE</b>		<b>1,219</b>	<b>4,425</b>	<b>(1,780)</b>	<b>2,822</b>
<b>OTHER ECONOMIC FLOWS - INCLUDED IN THE OPERATING RESULT</b>					
Gain/(Loss) from Liabilities <sup>(a)</sup>	4	(2,500)	(413)	(3,218)	(688)
Other Net Gains/(Losses)	4	13,700	71	11,332	1,171
Share of Earnings/(Losses) from Equity Investments (excl. Dividends)	4	(1)	160	(1)	160
Dividends from Asset Sale Proceeds	4	(0)	0	...	...
Deferred Income Tax from Other Sectors	4	(97)	(17)	...	...
Other	4	14	0	10	0
Discontinuing Operations - Other Economic Flows	5	(0)	...	(0)	...
<b>Other Economic Flows - included in Operating Result</b>		<b>11,117</b>	<b>(198)</b>	<b>8,123</b>	<b>643</b>
<b>OPERATING RESULT</b>		<b>12,335</b>	<b>4,226</b>	<b>6,343</b>	<b>3,465</b>
<b>OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME</b>					
<b>Items that will not be Reclassified to Operating Result</b>					
Revaluations	13	7,205	17,588	7,454	24,538
Share of Associate's Other Comprehensive Income/(Loss) that will not be Reclassified Subsequently to Operating Result		(10)	(42)	(10)	(42)
Actuarial Gain/(Loss) from Superannuation	22	(13,364)	2,416	(14,120)	2,560
Net Gain/(Loss) on Equity Instruments at Fair Value through Other Comprehensive Income		(7,888)	...	(618)	...
Deferred Tax Direct to Equity		151	96	...	...
<b>Items that may be Reclassified Subsequently to Operating Result</b>					
Net Gain/(Loss) on Equity Investments in Other Sectors		...	6,296	...	21
Net Gain/(Loss) on Financial Instruments at Fair Value	19	19	2	16	(6)
Share of Associate's Other Comprehensive Income/(Loss) that may be Reclassified Subsequently to Operating Result		(538)	...	(538)	...
Other		166	15	(450)	60
<b>Other Economic Flows - Other Comprehensive Income</b>		<b>(14,259)</b>	<b>26,369</b>	<b>(8,267)</b>	<b>27,130</b>
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS</b>		<b>(1,924)</b>	<b>30,595</b>	<b>(1,924)</b>	<b>30,595</b>
<b>KEY FISCAL AGGREGATES</b>					
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS</b>		<b>(1,924)</b>	<b>30,595</b>	<b>(1,924)</b>	<b>30,595</b>
Less: Net Other Economic Flows		3,142	(26,171)	144	(27,773)
<b>NET OPERATING BALANCE</b>		<b>1,219</b>	<b>4,425</b>	<b>(1,780)</b>	<b>2,822</b>
<b>Less: Net Acquisition of Non-Financial Assets</b>					
Purchases of Non-Financial Assets		16,464	11,969	21,668	17,753
Sales of Non-Financial Assets		(966)	(437)	(1,317)	(1,140)
Less: Depreciation and Amortisation <sup>(a)</sup>		(5,192)	(4,811)	(8,016)	(7,579)
Plus: Change in Inventories		38	6	(34)	(10)
Plus: Other Movements in Non-Financial Assets					
Assets Acquired Using Finance Leases		159	152	159	155
Other		(4)	126	357	344
<b>Equals Total Net Acquisition of Non-Financial Assets</b>		<b>10,498</b>	<b>7,005</b>	<b>12,816</b>	<b>9,523</b>
<b>EQUALS: NET LENDING/(BORROWING)</b>		<b>(9,280)</b>	<b>(2,580)</b>	<b>(14,595)</b>	<b>(6,701)</b>

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

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

2018-19	Equity at 1 July 2018 \$m	Correction to Prior Period <sup>(a)</sup> \$m	Equity at 1 July 2018 Restated <sup>(a)</sup> \$m	AASB 9 Transition adjustment <sup>(b)</sup> \$m	Comprehensive Result <sup>(b)</sup> \$m	Transfers between equity classes \$m	Equity at 30 June 2019 \$m
<b>General Government Sector</b>							
Accumulated Funds	78,327	(2,084)	76,243	14	(701)	(187)	75,368
Reserves							
Asset Revaluation Surplus	90,248	...	90,248	...	7,205	(250)	97,202
Equity Investment Revaluation							
Surplus/Hedge Reserve in Associate	25	...	25	...	(548)	(33)	(556)
Hedging Reserve	(17)	...	(17)	...	19	(0)	1
Available for Sale Reserve	85,597	...	85,597	(85,597)	...	...	...
Financial Assets at Fair Value through Other Comprehensive Income	...	...	...	85,573	(7,888)	470	78,155
Other	...	...	...	...	...	0	0
	<b>254,179</b>	<b>(2,084)</b>	<b>252,095</b>	<b>(10)</b>	<b>(1,914)</b>	<b>...</b>	<b>250,172</b>
<b>Total State Sector</b>							
Accumulated Funds	101,764	(2,084)	99,680	(1)	(8,217)	977	92,438
Reserves							
Asset Revaluation Surplus	152,341	...	152,341	...	7,454	(1,503)	158,293
Equity Investment Revaluation							
Surplus/Hedge Reserve in Associate	25	...	25	...	(548)	(33)	(556)
Hedging Reserve	(135)	...	(135)	...	16	118	(1)
Available for Sale Reserve	157	...	157	(157)	...	...	...
Financial Assets at Fair Value through Other Comprehensive Income	...	...	...	148	(618)	470	...
Other	28	...	28	...	...	(28)	...
	<b>254,179</b>	<b>(2,084)</b>	<b>252,095</b>	<b>(10)</b>	<b>(1,914)</b>	<b>...</b>	<b>250,172</b>
2017-18	Equity at 1 July 2017 \$m	Correction to Prior Period <sup>(a)</sup> \$m	Equity at 1 July 2017 Restated <sup>(a)</sup> \$m	Comprehensive Result \$m	Transfers between equity classes \$m	Equity at 30 June 2018 Restated <sup>(a)</sup> \$m	
<b>General Government Sector</b>							
Accumulated Funds	73,520	(2,146)	71,374	6,753	(1,882)	76,243	
Reserves							
Asset Revaluation Surplus	70,814	...	70,814	17,588	1,846	90,248	
Equity Investment Revaluation							
Surplus/Hedge Reserve in Associate	37	...	37	(42)	30	25	
Hedging Reserve	(10)	...	(10)	2	(9)	(17)	
Available for Sale Reserve	79,286	...	79,286	6,296	16	85,597	
Other	...	...	...	...	...	...	
	<b>223,645</b>	<b>(2,146)</b>	<b>221,499</b>	<b>30,595</b>	<b>...</b>	<b>252,095</b>	
<b>Total State Sector</b>							
Accumulated Funds	94,501	(2,146)	92,355	6,085	1,240	99,680	
Reserves							
Asset Revaluation Surplus	129,061	...	129,061	24,538	(1,259)	152,341	
Equity Investment Revaluation							
Surplus/Hedge Reserve in Associate	38	...	38	(42)	29	25	
Hedging Reserve	(119)	...	(119)	(6)	(10)	(135)	
Available for Sale Reserve	136	...	136	21	...	157	
Other	28	...	28	...	...	28	
	<b>223,645</b>	<b>(2,146)</b>	<b>221,499</b>	<b>30,595</b>	<b>...</b>	<b>252,095</b>	

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

(b) The Statement of Comprehensive Income includes the AASB 9 transition adjustments in the 'Other Comprehensive Income'.

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

	Note	General Government Sector			Total State Sector		
		2019	2018 Restated <sup>(a)</sup>	1 July 2017 Restated <sup>(a)</sup>	2019	2018 Restated <sup>(a)</sup>	1 July 2017 Restated <sup>(a)</sup>
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<b>Financial Assets</b>							
Cash and Cash Equivalents <sup>(a)</sup>	6	1,969	5,417	8,731	8,979	13,969	13,855
Receivables	7	7,491	6,721	6,216	7,527	6,547	6,722
Investments, Loans and Placements							
Financial Assets at Fair Value <sup>(a)</sup>	8	43,333	32,578	26,561	44,560	37,643	32,557
Other Financial Assets	8	2,591	5,556	6,778	2,793	4,456	7,923
Advances Paid	9	1,193	1,017	1,005	715	644	616
Tax Equivalents Receivable	16	32	128	91	...	...	...
Deferred Tax Equivalents Asset	16	2,245	2,192	2,049	...	...	...
Equity Investments							
Investments in Other Public Sector Entities	10	98,990	112,911	106,355	...	...	...
Investments in Associates	10	12,055	5,987	5,870	12,057	5,988	5,872
Other Equity Investments	10	8	722	700	24,468	20,420	17,617
Equity Investments Held for Sale		...	...	4,196	...	...	4,196
<b>Total Financial Assets</b>		<b>169,907</b>	<b>173,228</b>	<b>168,553</b>	<b>101,099</b>	<b>89,666</b>	<b>89,358</b>
<b>Non-Financial Assets</b>							
Inventories	11	399	327	296	873	826	838
Forestry Stock and Other Biological Assets		10	9	10	1,181	993	1,003
Assets Classified as Held for Sale	12	222	320	155	283	430	338
Investment Properties		...	...	...	648	644	534
Property, Plant and Equipment							
Land and Buildings	13	89,963	83,390	72,752	166,346	161,627	143,394
Plant and Equipment	13	12,088	10,941	10,178	18,075	17,367	15,709
Infrastructure Systems <sup>(a)</sup>	13	119,291	102,147	90,001	167,936	158,158	144,839
Intangibles	14	3,694	3,691	3,448	4,809	4,745	4,423
Other Non-Financial Assets	15	6,707	7,426	4,935	6,449	6,594	4,909
<b>Total Non-Financial Assets</b>		<b>232,375</b>	<b>208,252</b>	<b>181,775</b>	<b>366,601</b>	<b>351,384</b>	<b>315,988</b>
<b>TOTAL ASSETS</b>		<b>402,282</b>	<b>381,480</b>	<b>350,328</b>	<b>467,699</b>	<b>441,051</b>	<b>405,346</b>
<b>LIABILITIES</b>							
Deposits Held	17	67	130	106	293	385	328
Payables	18	7,079	7,251	6,385	8,357	8,833	8,118
Liabilities Directly Associated with Assets Held for Sale		...	...	...	...	...	4
Borrowings and Derivatives at Fair Value	19	207	5	6	72,757	63,836	63,630
Borrowings at Amortised Cost	20	37,656	32,441	32,808	7,151	7,457	6,963
Advances Received		756	797	812	756	797	812
Employee Provisions	21	20,802	18,015	17,146	21,969	19,106	18,257
Superannuation Provision	22	67,696	54,200	56,285	70,711	56,421	58,601
Tax Equivalents Payable	16	3	3	18	...	...	...
Deferred Tax Equivalent Provision	16	108	112	59	...	...	...
Other Provisions	23	11,604	10,210	9,453	18,185	15,400	13,925
Other Liabilities	24	6,134	6,223	5,752	17,350	16,721	13,209
<b>TOTAL LIABILITIES</b>		<b>152,110</b>	<b>129,385</b>	<b>128,829</b>	<b>217,528</b>	<b>188,956</b>	<b>183,847</b>
<b>NET ASSETS</b>		<b>250,172</b>	<b>252,095</b>	<b>221,499</b>	<b>250,172</b>	<b>252,095</b>	<b>221,499</b>
<b>NET WORTH</b>							
Accumulated Funds <sup>(a)</sup>		75,367	76,243	71,374	92,438	99,680	92,355
Reserves		174,804	175,852	150,125	157,734	152,415	129,145
<b>TOTAL NET WORTH</b>		<b>250,172</b>	<b>252,095</b>	<b>221,499</b>	<b>250,172</b>	<b>252,095</b>	<b>221,499</b>
<b>OTHER FISCAL AGGREGATES</b>							
<b>Net Debt</b>		<b>(10,401)</b>	<b>(11,195)</b>	<b>(9,344)</b>	<b>23,909</b>	<b>15,762</b>	<b>16,782</b>
<b>Net Financial Liabilities</b>		<b>81,194</b>	<b>69,068</b>	<b>66,632</b>	<b>116,429</b>	<b>99,289</b>	<b>94,489</b>

(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 <sup>(a)</sup>	
		Government Sector 2018-19	2017-18	2018-19	2017-18 Restated <sup>(b)</sup>
		\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
Taxation		31,020	31,218	30,536	30,740
Sale of Goods and Services		9,360	9,334	15,553	15,902
Grants and Subsidies		31,810	31,852	31,723	31,909
Interest		518	457	862	1,288
Dividends and Income Tax Equivalents from Other Sectors		1,897	1,031	...	...
Other		12,226	12,113	13,880	13,423
<b>Total Receipts</b>		<b>86,830</b>	<b>86,006</b>	<b>92,554</b>	<b>93,263</b>
<b>Payments</b>					
Employee Related		(31,896)	(30,693)	(34,235)	(33,134)
Superannuation		(4,325)	(4,262)	(4,542)	(4,476)
Payments for Goods and Services		(20,874)	(20,027)	(23,747)	(22,244)
Grants and Subsidies		(13,739)	(13,221)	(10,701)	(10,162)
Interest		(1,455)	(1,508)	(2,897)	(3,228)
Other		(7,213)	(5,588)	(7,914)	(3,709)
<b>Total Payments</b>		<b>(79,502)</b>	<b>(75,300)</b>	<b>(84,037)</b>	<b>(76,954)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>6</b>	<b>7,328</b>	<b>10,706</b>	<b>8,517</b>	<b>16,309</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Non-Financial Assets</b>					
Proceeds from Sale of Non-Financial Assets		452	521	807	1,229
Purchases		(18,087)	(13,323)	(23,298)	(19,160)
<b>Net Cash Flows from Investments in Non-Financial Assets</b>		<b>(17,635)</b>	<b>(12,802)</b>	<b>(22,492)</b>	<b>(17,931)</b>
<b>Financial Assets (Policy Purposes)</b>					
Receipts		18,026	808	17,995	78
Payments		(2,341)	(1,382)	(1,679)	(85)
<b>Net Cash Flows from Investments in Financial Assets (Policy Purposes)</b>		<b>15,685</b>	<b>(574)</b>	<b>16,316</b>	<b>(7)</b>
<b>Financial Assets (Liquidity Purposes)</b>					
Proceeds from Sale of Investments		10,029	9,471	12,618	14,709
Purchase of Investments <sup>(b)</sup>		(23,904)	(8,988)	(28,126)	(13,444)
<b>Net Cash Flows from Investments in Financial Assets (Liquidity Purposes)<sup>(b)</sup></b>		<b>(13,875)</b>	<b>482</b>	<b>(15,508)</b>	<b>1,265</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES<sup>(b)</sup></b>		<b>(15,825)</b>	<b>(12,894)</b>	<b>(21,684)</b>	<b>(16,673)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Advances Received		56	30	56	30
Advances Repaid		(125)	(70)	(125)	(70)
Proceeds from Borrowings		5,561	957	64,090	67,631
Repayments of Borrowings		(612)	(1,773)	(55,885)	(67,333)
Deposits Received/(Paid) - Net		19	24	(2)	82
Other - Net		151	94	30	(55)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>5,050</b>	<b>(738)</b>	<b>8,164</b>	<b>285</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS<sup>(b)</sup></b>		<b>(3,448)</b>	<b>(2,925)</b>	<b>(5,003)</b>	<b>(78)</b>
Opening Cash and Cash Equivalents		5,417	8,731	13,969	13,855
Reclassification of Cash Equivalents and Other Adjustments		(1)	(388)	12	192
<b>CLOSING CASH AND CASH EQUIVALENTS<sup>(b)</sup></b>	<b>6</b>	<b>1,969</b>	<b>5,417</b>	<b>8,979</b>	<b>13,969</b>
<b>DERIVATION OF CASH RESULT</b>					
Net Cash Flows from Operating Activities		7,328	10,706	8,517	16,309
Net Cash Flows from Investments in Non-Financial Assets		(17,635)	(12,802)	(22,492)	(17,931)
<b>CASH SURPLUS/(DEFICIT)</b>		<b>(10,307)</b>	<b>(2,096)</b>	<b>(13,975)</b>	<b>(1,622)</b>

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

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

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

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## Note 1: Statement of Significant Accounting Policies

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### Scope

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

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

The financial statements of the Total State Sector and General Government Sector for the year ended 30 June 2019 were authorised for issue by the Treasurer on 4 October 2019. This report was issued from:

Treasury  
52 Martin Place  
Sydney NSW 2000  
AUSTRALIA

## Basis of Preparation

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

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

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

The financial statements of the Total State Sector and the General Government Sector are prepared using the accrual basis of accounting, which recognises the effect of transactions and events when they occur. Property, plant and equipment, investment property, assets (or disposal groups) held-for-sale and financial instruments not measured at amortised cost are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention, except where specified otherwise.

In accordance with AASB 1049, the financial statements of the General Government Sector are included as a separate column adjacent to the Total State Sector financial information. AASB 1049 harmonises Government Finance Statistics (GFS) with Generally Accepted Accounting Principles (GAAP) to the extent that GFS does not conflict with GAAP. This requires the selection of options within the Australian Accounting Standards that harmonise with the ABS GFS Manual. A glossary of key technical terms used in the financial statements, including relevant GFS terminology, is included in Note 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, the General Government Sector financial statements are not required to apply the full requirements of AASB 10, AASB 9 *Financial Instruments* (AASB 9) from 1 July 2019, and AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139) for comparative period ended 30 June 2018. 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 9 from 1 July 2018 and AASB 139 for the comparative period ended 30 June 2018.

Entities which are not controlled by the State, including local government bodies, universities, certain reserve trusts created under the *Crown Land Management Act 2016*, hospitals listed under Schedule 3 of the *Health Services Act 1997*, the State's Superannuation Funds, trust funds under management that are not controlled, the NSW Aboriginal Land Council and most professional registration and marketing authorities, are not consolidated into the financial statements of the State. In preparing consolidated financial statements, all transactions and balances between NSW government agencies (for the TSSA) and between General Government Sector agencies (for the General Government Sector financial statements) have been eliminated. Where agencies adopt dissimilar accounting policies and their effect is considered material, adjustments are made to ensure consistent policies are adopted.

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

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

## Presentation in the 2018-19 Financial Statements

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

Previous year balances have been reclassified in a number of notes to better reflect the nature of the transactions. These reclassifications do not have an impact on the presentation of the primary financial statements.

## 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.

## Volunteer Services

Under AASB 1004 Contributions, contributions of services will be recognised as revenue and expense when the fair value of those services can be reliably measured, and the services would have been purchased if not donated.

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

The contribution and cost of the volunteer services has not been recognised in the financial statements of the States as the services donated would not be purchased. The state does not currently purchase alternative services when volunteer numbers fluctuate.

## Statement of Comprehensive Income Presentation

All amounts included in the comprehensive result (total change in net worth before transactions with owners as owners) are classified as 'transactions' or 'other economic flows' consistent with the principles in the ABS GFS Manual and AASB 1049.

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



'Other economic flows' are separated between those recognised in the operating result and those recognised as 'other comprehensive income'.

## **Assets**

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

## **Liabilities**

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

## **Current/Non-Current Classification**

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

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

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

## **Valuation Techniques, Inputs and Processes**

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

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

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

Transfers between levels within the fair value hierarchy during the year are disclosed in Note 13: Property, Plant and Equipment and Note 25: Financial Instruments.

## Significant Accounting Judgements and Estimates

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from market observable data. 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 accounting of equity investments (refer to Note 10: Equity Investments);
- the classification of non-current assets (or disposal groups) as held for sale (refer to Note 12: Assets Classified as Held for Sale);
- the fair value of land, buildings, infrastructure, plant and equipment, and useful lives of property, plant and equipment (PP&E) where applicable (refer to Note 13: Property, Plant and Equipment);
- the impairment of physical and intangible assets, and the associated recoverable amount (refer to Note 13: Property, Plant and Equipment and Note 14: Intangibles);
- actuarial assumptions for employee benefit provisions and superannuation liabilities that are based on the likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 21: Employee Provisions and Note 22: Superannuation Provisions);
- an assessment of contingent liabilities, commitments and guarantees (refer Note 29: Contingent Assets and Contingent Liabilities);
- provisions for outstanding claims (refer to Note 23: Other Provisions); and
- the classification of finance and operating leases (refer to Note 27: Finance and Operating Leases).

## Other Significant Accounting Policies

### Financial Instruments

#### Recognition and Initial Measurement

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

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

#### Financial Assets - Classification and Subsequent Measurement under AASB 9 (from 1 July 2018)

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

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

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

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

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

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

### **Financial Assets - Subsequent Measurement and Gains and Losses under AASB 9 (from 1 July 2018)**

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

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

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

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

### **Financial Assets - Impairment under AASB 9 (from 1 July 2018)**

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

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

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

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

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

### **Financial Assets - Classification and Subsequent Measurement under AASB 139 (for the Comparative Period Ended 30 June 2018)**

The State classified its financial assets into one of the following categories for the comparative period ending 30 June 2018:

- loans and receivables (at amortised cost);
- available for sale; and
- at FVTPL.

Included within financial assets at FVTPL are financial assets held for trading, derivative hedging instruments and financial assets designated as at FVTPL. Financial assets are classified as 'held-for-trading' if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments under AASB 139. Financial assets designated at FVTPL 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 document risk management strategy, and information about these assets is provided internally on the basis to key management personnel.

### **Financial Assets - Subsequent Measurement and Gains and Losses under AASB 139 (for the Comparative Period Ended 30 June 2018)**

Financial assets classified as loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Changes are recognised in 'other economic flows – included in the operating result' when impaired and derecognised, and in 'net operating balance' through the amortisation process. Interest is presented as 'revenue from transactions' and recognised in the 'net operating balance'.

Equity instruments designated by the State as available for sale financial assets are subsequently measured at fair value. Gains and losses arising from changes in fair value are recognised in 'other economic flows – other comprehensive income' until disposed, at which time the cumulative gain or loss previously recognised in 'other economic flows – other comprehensive income' is recognised in 'other economic flows – included in operating result'. Dividends are recognised as revenue for the year and included in the 'net operating balance'.

Financial assets at FVTPL are measured at fair value. Changes in fair value for assets classified or designated at FVTPL are recognised as 'other economic flows – included in the operating result'. A change in fair value excludes interest and distributions, which are recognised as 'revenue from transactions' in the 'net operating balance'.

### **Financial Assets - Impairment under AASB 139 (for the Comparative Period Ended 30 June 2018)**

Financial assets not classified as FVTPL are subject to an annual review for impairment. Financial assets considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, the estimated future cash flows have been affected.

The State first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for those that are not individually significant. Further, financial assets are assessed for impairment on a collective basis if they were assessed not to be impaired individually.

The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in 'other economic flows - included in the operating result'. Bad debts are written off as incurred and are treated as 'expenses from transactions' and recorded in the 'net operating balance', where mutually agreed.

Any reversals of impairment losses are reversed through 'other economic flows – included in the operating result' for the year, if objectively related to an event occurring after the impairment was recognised. Reversals of impairment losses cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

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

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

A financial liability is classified as FVTPL if it is held-for-trading, it is a derivative or it is designated as such on initial recognition. From 1 July 2018, fair value changes of borrowings designated at FVTPL are recorded in 'other economic flows – included in the operating result', except for movements in fair value due to changes in the State's own credit risk which are recorded in 'other economic flows – other comprehensive income' and are not recycled to the operating result. Interest expense is recorded as 'expenses from transactions' and reported in the 'net operating balance'. Financial liabilities at FVTPL recognised before 1 July 2018 are stated at fair value, with all gains or losses arising on remeasurement, excluding interest, recognised in 'other economic flows – included in the operating result'. Interest expense is recorded as 'expenses from transactions' and reported in the 'net operating balance'.

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

### **Derivative Financial Instruments and Hedge Accounting**

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

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

Where an active market exists, fair values are determined by reference to the specific market quoted prices/yields at reporting date. If no active market exists, judgement is used to select the valuation technique which best estimates fair value by discounting the expected future cash flows arising from the financial instruments to their present value using market yields and margins appropriate to the financial instruments. These margins take into account credit quality and liquidity of the financial instruments.

Gains and losses from derivatives mandatorily classified as held for trading are recognised in 'other economic flows – included in operating result'.

Derivatives designated as hedges are measured at fair value and are accounted for either as a fair value hedge (i.e. hedge of exposures to changes in fair value) or a cash flow hedge (i.e. hedge of exposure to variability in cash flows). Gains or losses on fair value hedges are recognised in 'other economic flows – included in operating result'. Gains or losses on the effective portion of cash flow hedges are recognised as in 'other economic flows – other comprehensive income', until the forecast transaction affects profit or loss and it is recycled into 'other economic flows – included in operating result'. The ineffective portion of cash flow hedges is also recognised in 'other economic flows – included in operating result'.

The policy applied for derivatives financial instruments and hedge accounting in the comparative reporting period ended 30 June 2018 is similar to that applied for the current reporting period ended 30 June 2019.

### **Financial Assets and Financial Liabilities - Derecognition**

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

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

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

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

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

### **Forestry Stock**

Forestry stock 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.

### **Foreign Currency Translation**

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the end of the reporting date.

Differences arising on settlement or translation of monetary items are recognised in 'other economic flows – included in the operating result'.

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

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

The State applied for the first-time standards and amendments which are effective for annual periods beginning on or after 1 July 2018. The State has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### **AASB 9 *Financial Instruments***

The State has adopted AASB 9, which resulted in changes in accounting policies in respect of recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as the revised AASB 7 *Financial Instruments: Disclosures* (AASB 7).

The State applied AASB 9 retrospectively but has not restated the comparative information which is reported under AASB 139. Any differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds and other components of equity as at 1 July 2018.

The State applies the hedge accounting requirements of AASB 9 prospectively.

Refer to Note 25: Financial Instruments for information on the effect of adopting AASB 9 on the statement of financial position as at 1 July 2018.

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

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period.

- AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 and AASB 1058 Income of Not-for-Profits
  - AASB 15 *Revenue from Contracts with Customers* (AASB 15) is effective from reporting periods commencing on or after 1 January 2018 for for-profit entities and on or after 1 January 2019 for not-for-profit entities. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when control of goods or services is transferred to the customer at amounts that reflect the consideration to which the State expects to be entitled in exchange for transferring the goods or services to the customer. Under AASB 118 *Revenue* (AASB 118), revenue recognition is currently based on when risks and rewards are transferred.

- AASB 1058 *Income of Not-for-Profits* (AASB 1058) is effective for reporting periods commencing on or after 1 January 2019 and will replace most of the existing requirements in AASB 1004 *Contributions* (AASB 1004). The scope of AASB 1004 is now limited mainly to parliamentary appropriations, administrative arrangements and contributions by owners. Under AASB 1058, the State will need to determine whether a transaction is consideration received below fair value principally to enable the State to further its objectives (accounted for under AASB 1058) or a revenue contract with a customer (accounted for under AASB 15).
- The revenue streams of the State will be impacted by the adoption of these standards from 1 July 2019. The standards will result in the identification of separate performance obligations that will change the timing of recognition for some revenues, including revenues relating to sales of goods and services and specific purpose grants and subsidies. The adoption of these standards will primarily result in the recognition of increased liabilities reported on the Statement of Financial Position, predominately consisting of contract liabilities.
- Under AASB 1058, the State will recognise as liabilities, obligations for funding received where there is an obligation to construct recognisable non-financial assets controlled by the State.
- The State will adopt AASB 15 and AASB 1058 on 1 July 2019 through application of the full retrospective transition approach. Recognition and measurement principles of the new standards will be applied for the current year and comparative year as though AASB 15 and AASB 1058 had always applied.
- Based on the best available information, the State estimates that the adoption of AASB 15 and AASB 1058 will impact the State at 1 July 2019 as follows:
  - the deferral of revenue and recognition of contractual liabilities and capital grant obligations (unearned revenue) of \$493.1 million for the General Government Sector and \$493.1 million for the Total State Sector, with a corresponding decrease in accumulated funds of \$493.1 million for the General Government Sector and \$493.1 million for the Total State Sector.
  - \$395.9 million reduction in unearned income liabilities which includes long-term licences, and a corresponding increase in accumulated funds of \$395.9 million for the State.

The impacts to other reported balances resulting from the adoption of AASB 15 and AASB 1058 have been assessed by the State as not being significant.

- AASB 16 *Leases*

- AASB 16 *Leases* (AASB 16) is effective from reporting periods commencing on or after 1 January 2019.
- For lessees, AASB 16 will result in most leases being recognised on the Statement of Financial Position, as the distinction between operating and finance leases is largely removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised at the commencement of the lease. The only exceptions are short-term and low-value leases. AASB 16 will therefore increase assets and liabilities reported on the Statement of Financial Position. It will also increase depreciation and interest expenses and reduce operating lease rental expenses on the Statement of Comprehensive Income. Expenses recognised in the earlier years of the lease term will be higher as the interest charges will be calculated on a larger lease liability balance. Existing finance leases are not expected to be significantly impacted from the transition to AASB 16.
- The accounting for lessors under AASB 16 will not significantly change. The State has however reviewed the classification of sub-leases in which the State is a lessor and finance lease receivables will be recognised for sub-leases reclassified as finance leases under AASB 16.
- The State will adopt AASB 16 on 1 July 2019 through application of the partial retrospective approach, where only the current year is adjusted as though AASB 16 had always applied. Comparative information will not be restated. The State will also adopt the practical expedient whereby the fair value of the right-of use asset will be the same as the lease liability at 1 July 2019.



- Based on the best available information, the State estimates that the General Government Sector will recognise additional lease liabilities of \$4.1 billion and right-of-use assets of \$4.1 billion as at 1 July 2019 for leases in which the General Government Sector is a lessee. The State estimates that the Total State Sector will recognise additional lease liabilities of \$4.7 billion and right-of-use assets of \$4.7 billion as at 1 July 2019 for leases in which the Total State Sector is a lessee. Most operating lease expenses will be replaced by depreciation of the right of use asset and interest on the lease liability. The impact on the Statement of Comprehensive Income is expected to decrease by \$80.8 million in the General-Government Sector and \$106.5 million in the Total State Sector. The impact represents management's current best estimate and is still under review. It is possible that the amount recognised at 1 July 2019 in the Statement of Financial Position and Statement of Comprehensive Income will differ from this estimate, as a result of further review of underlying lease data.
- The State will also be required to reclassify sub-leases as either finance leases or operating leases for leases in which the State is a lessor. The State estimates that sub-leases reclassifications will result in the recognition of finance leases receivable of \$151.8 million for the General Government Sector and \$174.7 million for the Total State Sector as at 1 July 2019.
- *AASB 1059 Service Concession Arrangements: Grantors*
  - *AASB 1059 Service Concession Arrangements: Grantors* (AASB 1059) is effective from reporting periods commencing on or after 1 January 2020. Service concession arrangements (SCA) involve an entity operating a service concession asset to deliver public services on behalf of a public sector grantor.
  - Currently, under TPP 06-8 *Privately Financed Projects* (TPP 06-8), most SCA in New South Wales are generally treated as leases or as assets gradually recognised over the concession period.
  - AASB 1059 will require service concession assets to be recognised immediately at the start of the arrangement, with a corresponding liability to reflect any payments due, and/or the grant of a right, to the operator. Further, AASB 1059 has a broader scope than TPP 06-8, possibly resulting in more arrangements being recognised in the State's statement of financial position.
  - These changes are expected to increase assets and liabilities in the State's Statement of Financial Position and impact in the Statement of Comprehensive Income depreciation and amortisation expenses and income from the amortisation of grant of right liability. The estimated impact of AASB 1059 on future estimated financial statements has not been sufficiently identified and quantified at this stage.

There are no other standards that are not yet effective and that would be expected to have a material impact on the State's financial statements in the current or future reporting periods and on foreseeable future transactions.

## Note 2: Revenue

### Taxation

	General			
	Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
<b>Taxation</b>				
Payroll Tax	9,357	8,835	9,203	8,686
Stamp Duties	9,245	10,482	9,245	10,482
Land Tax	4,216	3,735	4,167	3,698
Gambling and Betting	2,634	2,350	2,634	2,350
Motor Vehicle Taxes	2,694	2,719	2,694	2,719
Other	3,296	3,204	2,997	2,907
<b>Total Taxation Revenue</b>	<b>31,443</b>	<b>31,326</b>	<b>30,940</b>	<b>30,841</b>

State taxation is recognised upon assessment as follows:

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

## Grants and Subsidies

	General			
	Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
<b>Grants and Subsidies Revenue</b>				
Commonwealth General Purpose	17,907	17,955	17,907	17,955
Commonwealth Specific Purpose Payments	10,224	9,844	10,224	9,844
Commonwealth National Partnership Payments	2,737	3,129	2,737	3,129
Other Grants and Subsidies	981	931	900	998
<b>Total Grants and Subsidies Revenue</b>	<b>31,848</b>	<b>31,860</b>	<b>31,768</b>	<b>31,926</b>
<b>Grants dissected into Current and Capital Components</b>				
Current Grants and Subsidies Revenue from the Commonwealth				
General Purpose	17,907	17,955	17,907	17,955
Specific Purpose	10,224	9,844	10,224	9,844
National Partnership Payments	1,027	738	1,027	738
Other Commonwealth Payments	411	444	412	445
Current Grants from the Commonwealth	29,568	28,981	29,568	28,981
Other Grants and Subsidies	500	426	428	480
Total Current Grant Revenue	30,068	29,406	29,997	29,461
Capital Grant Revenue from the Commonwealth				
Specific Purpose	...	...	...	...
National Partnership Payments	1,710	2,392	1,710	2,392
Other Commonwealth Payments	3	0	6	3
Capital Grants from the Commonwealth	1,714	2,392	1,716	2,395
Other Grants and Subsidies	66	62	54	69
Total Capital Grant Revenue	1,780	2,453	1,771	2,464
<b>Total Grants and Subsidies Revenue</b>	<b>31,848</b>	<b>31,860</b>	<b>31,768</b>	<b>31,926</b>

Commonwealth General Purpose, Specific Purpose, and National Partnership payments are recognised when the State gains control over the grant or subsidy, it is probable that economic benefits will flow to the State and amounts can be measured reliably. Control is normally obtained when the cash is received. General Purpose recurrent grants mainly comprise New South Wales' share of the GST.

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

Transfer Payments from the Commonwealth Government on-passed by NSW to Third Parties	General			
	Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
<b>Transfer Receipts</b>				
Recurrent Transfer Receipts for Specific Purposes	4,845	4,557	4,845	4,557
<b>Total Receipts</b>	<b>4,845</b>	<b>4,557</b>	<b>4,845</b>	<b>4,557</b>
<b>Transfer Payments</b>				
Current Transfer Payments to Local Government	778	749	778	749
Current Transfer Payments to the Private and Not-For-Profit Sector	4,067	3,808	4,067	3,808
<b>Total Payments</b>	<b>4,845</b>	<b>4,557</b>	<b>4,845</b>	<b>4,557</b>

## Sale of Goods and Services

	General			
	Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
<b>Sale of Goods and Services comprise Revenue from:</b>				
Sale of Goods	362	359	3,663	4,046
Rentals from Public Housing and Other Non-Investment Properties <sup>(a)</sup>	255	252	1,153	1,171
Rentals from Investment Properties	3	6	59	65
Rendering of Other Services <sup>(b)</sup>	8,370	7,891	9,944	9,931
<b>Total Sale of Goods and Services</b>	<b>8,990</b>	<b>8,508</b>	<b>14,819</b>	<b>15,214</b>
(a) Includes revenues from the provision of public housing:				
Market Rent and Other Tenant Charges	83	82	2,104	2,120
Less: Rental Subsidies to Tenants	(28)	(27)	(1,234)	(1,232)
<b>Rentals from Public Housing</b>	<b>55</b>	<b>54</b>	<b>870</b>	<b>889</b>

(b) 'Rendering of Other Services' in the General Government Sector includes \$1,733 million (2018: \$1,206 million) fee for services provided to RailCorp (TAHE) to produce property plant and equipment.

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	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
<b>Interest Revenue comprises:</b>				
Interest from TCorpIM Cash Funds	13	15	...	...
Interest from Deposits with TCorp	42	58	...	...
Interest from Deposits with Other Institutions	278	303	581	723
Interest from Other Financial Assets	159	182	220	349
	<b>491</b>	<b>558</b>	<b>801</b>	<b>1,072</b>

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

Net realised or unrealised gains and losses on the revaluation of investments do not form part of 'Revenue / from Transactions' but are reported as part of 'Other Economic Flows – included in the Operating Result'.

Refer to Note 25: Financial Instruments for further information on interest income by financial instrument measurement categories.

## Dividend and Income Tax Equivalents from Other Sectors

	General			
	Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
<b>Dividend and Income Tax Equivalents from Other Sectors:</b>				
Dividends from the PNFC Sector	1,321	1,113	...	...
Dividends from the PFC Sector	266	...	...	...
Income Tax Equivalents from the PNFC Sector	309	438	...	...
Income Tax Equivalents from the PFC Sector	37	27	...	...
	<b>1,932</b>	<b>1,578</b>	<b>...</b>	<b>...</b>

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

Dividends are recognised as revenue when the right to receive payment is established. Dividends paid out of asset sale proceeds are treated as 'Other Economic Flows – included in the Operating Result'.

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

## Other Dividend and Distributions

	General			
	Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
<b>Other Dividends and Distributions:</b>				
Distributions from Managed Funds	1,715	1,686	1,806	1,720
Dividends from Associates	219	428	219	428
	<b>1,934</b>	<b>2,114</b>	<b>2,025</b>	<b>2,147</b>

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

## Fines, Regulatory Fees and Other Revenues

	General			
	Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
<b>Other Revenue comprise:</b>				
Royalties from Mining	2,093	1,763	2,093	1,763
Fines	653	648	653	648
Fees	117	159	125	159
Licences	207	204	207	204
Emerging Right to Receive Privately Financed Infrastructure Developer, Industry and Other Contributions	315	300	288	277
Other Revenue	660	692	1,083	1,034
	<b>1,008</b>	<b>963</b>	<b>1,291</b>	<b>1,413</b>
	<b>5,051</b>	<b>4,730</b>	<b>5,739</b>	<b>5,497</b>

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

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

### Contributions from the Commonwealth

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

### Conditional Contributions with no Designated Future Expenditure Timetable that were Recognised as Revenue in 2018-19 and not fully spent

Policy Area	Balance \$m	
	2018-19	2017-18
Education	255	270
Police and Emergency Services	17	11
Tourism	...	5
Sport	4	4
Pest, Weed and Plant Management	1	2
Water Initiatives	2	5
<b>Total</b>	<b>279</b>	<b>297</b>

### Conditional Contributions as at 30 June 2019 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 2019	2019-20	2020-21	2021-22	Beyond
	\$m	\$m	\$m	\$m	\$m
Transport	453	453	...	...	...
Health	42	24	12	6	...
Family and Community Services	39	30	9	...	...
<b>Total</b>	<b>534</b>	<b>507</b>	<b>21</b>	<b>6</b>	<b>...</b>

### Conditional Contributions as at 30 June 2018 with a Designated Future Expenditure Timetable for the Provision of Goods and Services<sup>(a)</sup>

Policy Area	Conditional Contribution Balance				
	June 2018 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	Beyond \$m
Transport	721	721	...	...	...
Family and Community Services	55	16	30	9	...
<b>Total</b>	<b>776</b>	<b>737</b>	<b>30</b>	<b>9</b>	<b>...</b>

(a) There has been a restatement of balances to reflect revised information available after the release of the 2017-18 Total State Sector accounts.

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 2018-19 Financial Year from the previous 30 June Balance<sup>(a)</sup>

Policy Area	General			
	Government Sector		Total State Sector	
	Balance as at June 2018 \$m	Spent in 2018-19 \$m	Balance as at June 2018 \$m	Spent in 2018-19 \$m
Education	392	281	392	281
Family and Community Services	55	16	55	16
Police and Emergency Services	11	11	11	11
Transport	721	721	721	721
Tourism	5	...	5	...
Pest, Weed and Plant Management	6	...	6	...
Sport	4	4	4	4
Water Initiatives	39	19	39	19
<b>Total</b>	<b>1,233</b>	<b>1,052</b>	<b>1,233</b>	<b>1,052</b>

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

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

Policy Area	General			
	Government Sector		Total State Sector	
	Balance as at June 2017 \$m	Spent in 2017-18 \$m	Balance as at June 2017 \$m	Spent in 2017-18 \$m
Education	520	399	520	399
Family and Community Services	48	7	48	7
Police and Emergency Services	7	7	7	7
Transport <sup>(b)</sup>	1,380	1,380	1,380	1,380
Tourism	2	2	2	2
Pest, Weed and Plant Management	6	2	6	2
Water Initiatives	45	11	45	11
<b>Total</b>	<b>2,008</b>	<b>1,808</b>	<b>2,008</b>	<b>1,808</b>

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

(b) There has been a restatement of balances to reflect revised information available after the release of the 2017-18 Total State Sector accounts.

## Note 3: Expenses

### Employee Expenses (excluding Superannuation)

	General			
	Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
<b>Employee Expenses comprise:</b>				
Salaries and Wages (including recreation leave)	30,478	29,005	32,569	31,123
Long Service Leave	1,202	1,221	1,297	1,293
Workers' Compensation	908	741	935	759
Other	570	676	743	892
	<b>33,158</b>	<b>31,644</b>	<b>35,544</b>	<b>34,067</b>

The recognition and measurement policy for employee expenses is detailed in Note 21: Employee Provisions. Some employee-related expenses are capitalised as part of the construction costs of certain non-current physical assets. Payroll tax paid by NSW General Government Sector agencies is eliminated in the General Government Sector financial statements, along with the PNFC and PFC amounts, in the Total State Sector financial statements.

### Superannuation Expense

	General			
	Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
<b>Superannuation Interest Costs comprise:</b>				
Net Interest <sup>(a)</sup>	1,412	1,458	1,466	1,513
	<b>1,412</b>	<b>1,458</b>	<b>1,466</b>	<b>1,513</b>
<b>Other Superannuation Expenses comprise:</b>				
Defined Benefit Plans, excluding Actuarial Gains/Losses <sup>(a)</sup>	411	489	445	539
Defined Contribution Plans	2,641	2,520	2,805	2,683
	<b>3,052</b>	<b>3,009</b>	<b>3,250</b>	<b>3,222</b>

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

### Depreciation and Amortisation Expense

	General			
	Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
<b>Depreciation and Amortisation Expense comprise:</b>				
Depreciation on <sup>(a)</sup>				
Buildings	1,637	1,519	2,582	2,368
Plant and Equipment	872	735	1,257	1,112
Infrastructure Systems <sup>(b)</sup>	1,920	1,943	3,264	3,266
Amortisation of <sup>(a)</sup>				
Leased Property, Plant and Equipment	138	156	153	237
Capital Prepayments - Right to Receive	17	18	17	18
Intangibles	608	440	743	577
	<b>5,192</b>	<b>4,811</b>	<b>8,016</b>	<b>7,579</b>

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

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



## Interest Expense

	General			
	Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
<b>Interest Expenses comprise:</b>				
Interest on Borrowings	1,331	1,297	2,299	2,453
Interest on Finance Leases	213	240	478	539
Unwinding of Discounts on Provision Liabilities <sup>(a)</sup>	267	274	360	346
	<b>1,812</b>	<b>1,812</b>	<b>3,137</b>	<b>3,338</b>

(a) \$182 million (General Government Sector) and \$309 million (Total State Sector) was reclassified from 'Interest' expense to 'Gain/(Loss) from Liabilities' for 2017-18.

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

Refer to Note 25: Financial Instruments for information on interest expense by financial instrument measurement categories.

## Other Operating Expense

	General			
	Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
<b>Other Operating Expenses comprise:</b>				
Operating Lease Rentals - Minimum Lease Payments	841	712	1,059	928
Contractor Fees <sup>(a)</sup>	1,199	1,018	2,068	2,005
Consultancy Fees <sup>(a)</sup>	306	318	353	390
Inventories Used Up	14	11	239	496
Audit Fees <sup>(b)</sup>	...	...	...	...
Insurance Claims	754	600	1,579	1,041
Supplies, Services and Other <sup>(a)(c)</sup>	16,015	14,924	16,128	15,038
External Maintenance (excluding Employee Costs associated with Maintenance)	2,016	2,069	3,379	3,379
	<b>21,146</b>	<b>19,652</b>	<b>24,805</b>	<b>23,277</b>

(a) In 2017-18 \$235 million 'Contractor Fees' and \$132 million 'Consultancy Fees' were reclassified from 'Supplies, Services and Other'.

(b) Fees to the Audit Office of New South Wales have not been recognised as expenses because they have been eliminated in the consolidation of the NSW Total State and General Government sectors. The fees eliminated are for financial audits: \$22 million to the General Government sector (2018: \$22 million), and \$28 million to the Total State sector (2018: \$27 million). In addition, \$17 million for General Government and Total State sector performance audits and Auditor-General's Reports to Parliament (2018: \$15 million) have been eliminated.

(c) In 2018-19, there was \$1,733 million expenses (2018: \$1,206 million) in the General Government Sector related to RailCorp (TAHE) mainly in 'Supplies, Services and Other'.

## Grants and Subsidies

	General			
	Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
<b>Grants, Subsidies and Transfers for</b>				
Recurrent purposes	13,595	12,908	10,921	10,304
Capital purposes	1,105	955	741	576
	<b>14,700</b>	<b>13,862</b>	<b>11,662</b>	<b>10,880</b>
<b>Recurrent and Capital Grants Subsidies and Transfers are provided for<sup>(a)</sup></b>				
Education and Training	1,661	1,535	1,649	1,535
Human Services (Ageing, Disability and Home Care Services, Community Services and Public Housing)	4,874	4,648	4,782	4,525
Health	1,339	1,288	1,339	1,288
Public Transport	2,508	2,452	82	30
First Home Owners Scheme	86	134	86	134
Other Purposes	4,231	3,806	3,723	3,367
	<b>14,700</b>	<b>13,862</b>	<b>11,662</b>	<b>10,880</b>

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

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

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

Other Economic Flows mainly comprise gains and losses on re-measurement of assets and liabilities. These gains or losses are 'Other Economic Flows', which are included in the 'Operating Result' or 'Other Comprehensive Income'.

Refer to Note 25: Financial Instruments for information on financial instruments fair value adjustments by financial instrument measurement categories.

	General		Total State Sector	
	Government Sector 2018-19 \$m	2017-18 \$m	2018-19 \$m	2017-18 \$m
<b>Gain/(Loss) from Liabilities</b>				
Changes in Discount Rates for Long Service Leave Liabilities <sup>(a)</sup>	(1,499)	(314)	(1,532)	(312)
Changes in Discount and Inflation Rates for Insurance Liabilities <sup>(b)(c)</sup>	(1,001)	(99)	(1,685)	(376)
	<b>(2,500)</b>	<b>(413)</b>	<b>(3,218)</b>	<b>(688)</b>
<b>Other Net Gains/(Losses) in the Operating Result</b>				
Net Gains / (Losses) on Financial Assets at Fair Value through Profit and Loss <sup>(d)</sup>	13,201	...	13,225	...
Disposal of Property, Plant and Equipment	(304)	31	(405)	91
Disposal of Intangible Assets	(1)	(73)	(3)	(74)
Fair Value Adjustments to:				
Investment Property	...	...	29	212
Non-Current Assets Classified as Held for Sale	5	(123)	7	(125)
Financial Instruments <sup>(e)(f)</sup>	1,060	283	(1,349)	1,178
Assets recognised for first time	131	240	133	241
Infrastructure and Other Assets Written Off	(237)	(236)	(326)	(288)
Other <sup>(f)</sup>	(155)	(52)	21	(62)
	<b>13,700</b>	<b>71</b>	<b>11,332</b>	<b>1,171</b>
<b>Share of Earnings from Equity Investments (excluding Dividends)</b>	<b>(1)</b>	<b>160</b>	<b>(1)</b>	<b>160</b>
<b>Dividends from Asset Sales Proceeds</b>	<b>(0)</b>	<b>0</b>	<b>...</b>	<b>...</b>
<b>Deferred Income Tax from Other Sectors</b>	<b>(97)</b>	<b>(17)</b>	<b>...</b>	<b>...</b>
<b>Other Economic Flows</b>				
Impairment losses on financial assets	(69)	(83)	(74)	(83)
Other	84	83	84	83
	<b>14</b>	<b>0</b>	<b>10</b>	<b>0</b>
<b>Discontinuing Operations</b>	<b>(0)</b>	<b>...</b>	<b>(0)</b>	<b>...</b>
<b>Other Economic Flows - included in Operating Result</b>	<b>11,117</b>	<b>(198)</b>	<b>8,123</b>	<b>643</b>

(a) The increase, during 2018-19, in the loss on revaluation of long service leave liabilities was due to a substantial reduction in the Commonwealth Government 10 Year Bond rate from 2.65 per cent at 30 June 2018 to 1.32 per cent at 30 June 2019.

(b) Change in the discount rate used on outstanding claims liabilities for the NSW Self Insurance Corporation, and Lifetime Care and Support Schemes.

(c) \$182 million (General Government Sector) and \$309 million (Total State Sector) was reclassified from 'Interest' expense to 'Gain/(Loss) from Liabilities' for 2017-18.

(d) \$13.2 billion in relation to the WestConnex Group transaction during the reporting period ended 30 June 2019 - Refer to Note 5 – Discontinued Operations for further information.

(e) The \$777 million (General Government Sector) increase is due to increased investment income, mainly driven by Crown Finance Entity's newly established NSW Generations Fund (NGF). The \$2,527 million (Total State Sector) reduction is due to a reduction in market yields for NSW TCorp bonds.

(f) During 2017-18 Financial instruments gains/losses includes \$56 million reclassified from 'Other'.

## Note 5: Discontinued Operations

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

In 2017-18, no operations were classified as discontinuing.

The WestConnex Group transaction was finalised as follows:

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

### WestConnex Group

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

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

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

As the activities of the WestConnex Group have ceased, it is treated as a discontinued operation. The results of the WestConnex Group's discontinued operations for the year are presented below.

	General		Total State Sector	
	Government Sector 2018-19 \$m	2017-18 \$m	2018-19 \$m	2017-18 \$m
<b>Gain/(Loss) from WestConnex Group</b>				
Cash Proceeds from Sale	8,731	...	8,731	...
Fair Value of the State's retained interest held in Roads Retained Interest Pty Ltd	7,549	...	7,549	...
<b>Less:</b>				
Net investment attributed to sold operations	(3,079)	...	(3,055)	...
<b>Gain/(Loss) recognised in the Comprehensive Result</b>	<b>13,201</b>	<b>...</b>	<b>13,225</b>	<b>...</b>

	General			
	Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
<b>Net Operating Result of the Discontinued Operation</b>				
<b>Revenues from Discontinued Operation</b>				
Sale of Goods and Services	...	...	48	174
Other Income	...	...	4	22
	...	...	<b>52</b>	<b>196</b>
<b>Expenses from Discontinued Operation</b>				
Expenses	...	...	44	313
	...	...	<b>44</b>	<b>313</b>
<b>Net Operating Balance from Discontinued Operation</b>	...	...	<b>8</b>	<b>(117)</b>
<b>Other Economic Flows of the Discontinued Operation</b>	...	...	...	<b>2</b>
<b>Cash Flows of WestConnex Group Discontinued Operation</b>				
Operating Activities	...	...	7	228
Investing Activities	...	...	(1,239)	(2,139)
Financing Activities	...	...	...	2,261

The comparative operating results and cash flows for 2017-18, from discontinued operations have not been restated in the Statement of Comprehensive Income and Statement of Cash Flows as the amounts are not considered material.

## Note 6: Cash and Cash Equivalents

### Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand, short term deposits and other investments with an original maturity of three months or less (which are subject to an insignificant risk change in value), and deposits in NSW Treasury Corporation's TCorpIM Funds. Cash and cash equivalents are presented net of outstanding bank overdrafts for the purposes of the Statement of Cash Flows.

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Cash administered by NSW Treasury Corporation				
TCorpIM Funds	279	298	...	...
Cash and Deposits held at other Financial Institutions <sup>(a)</sup>	1,690	5,119	8,979	13,969
	<b>1,969</b>	<b>5,417</b>	<b>8,979</b>	<b>13,969</b>

(a) TCorp has reassessed its holdings of Reverse Repurchase Agreements which has resulted in a reclassification of \$1,002 million from 'Financial Assets at Fair Value' to 'Cash and Deposits' in 2017-18.

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.

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.

Total State Sector cash and deposits held at banks and other financial institutions include consolidated TCorpIM Fund Trust holdings in cash and short-term deposits amounting to \$2,817 million (2018: \$3,339 million).

Refer to Note 25: Financial Instruments for the effects of initially applying AASB 9 and details regarding credit risk and market risk arising from cash and cash equivalents.

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

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
<b>Operating result for the year</b> <sup>(a)</sup>	12,335	4,226	6,343	3,465
Adjust for:				
Non-cash Items Added Back:				
Depreciation and Amortisation <sup>(a)</sup>	5,192	4,811	8,016	7,579
Donations and Contributions	190	88	577	406
Capital Grant Expense	508	250	508	326
Right to Receive Privately Financed Infrastructure	315	300	288	277
Other Non Cash Operating Activities	286	213	65	74
Other Economic Flows - included in the Operating Result <sup>(b)</sup>	(11,117)	198	(8,123)	(643)
Net Change in Operating Assets and Liabilities	(381)	620	842	4,825
<b>Net Cash Flows from Operating Activities</b>	<b>7,328</b>	<b>10,706</b>	<b>8,517</b>	<b>16,309</b>

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

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

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

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

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Cash and Deposits <sup>(a)</sup>	1,969	5,417	8,979	13,969
	<b>1,969</b>	<b>5,417</b>	<b>8,979</b>	<b>13,969</b>

(a) TCorp has reassessed its holdings of Reverse Repurchase Agreements which has resulted in a reclassification of \$1,002 million from 'Financial Assets at Fair Value' to 'Cash and Deposits' in 2017-18.

## Restricted Cash Assets

Cash assets in the Statement of Financial Position also comprise cash and term deposits held in Crown Special Deposit Accounts for Restart NSW of \$707 million (2018: \$1,607 million) and can only be used in accordance with the legislation that established the Account. Sales proceeds from major asset transactions are deposited in the State's dedicated infrastructure fund Restart NSW and/or New South Wales Generation Fund (NGF), to fund the delivery of major capital infrastructure projects across the State. The decrease was due to the increase of infrastructure investment out of the Restart NSW Fund. Conditional contributions disclosed in Note 2: Revenue are also considered restricted assets. Term deposits disclosed in Note 8: Investments, Loans and Placements form part of the Crown Special Deposit Accounts.

## Acquisition and Disposal of Entities

Note 5: Discontinued Operations details information on the proceeds from sale of the WestConnex Group received in the current reporting period ended 30 June 2019.

There were no major acquisitions or disposals of entities throughout the comparative period ended 30 June 2018.

## Non-Cash Financing and Investing Activities

During 2018-19:

- In the General Government Sector, a total of \$315 million (2018: \$300 million) was recognised for emerging interests in the private sector provided infrastructure. A total of \$288 million (2018: \$277 million) was recognised in the Total State Sector and was lower than the General Government Sector amount due to the elimination of the emerging interest in ANZ Stadium. It includes \$263 million recognised for various road projects (2018: \$253 million).
- Other assets acquired free of cost in the Total State Sector amounted to \$577 million (2018: \$406 million). In the General Government Sector, these assets amounted to \$190 million (2018: \$88 million). They include sub-divider/developer contributions of water assets of \$277 million (2018: \$240 million) and electricity assets of \$104 million in 2019 (2018: \$73 million).
- It is impracticable to report on the numerous other assets donated to NSW public sector agencies particularly dedicated for transport, health, education and cultural purposes. They are generally reported in individual agency financial statements.

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

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

### General Government Sector

30 June 2019						
Note	Deposits Held 17 \$m	Other Fair Value Borrowings 19 \$m	Finance Lease Liabilities 20 \$m	Other Borrowings at Amortised Cost 20 \$m	Advances Received \$m	Total \$m
<b>Balance at 1 July 2018</b>	<b>130</b>	<b>3</b>	<b>2,984</b>	<b>29,457</b>	<b>797</b>	<b>33,370</b>
Net Financing Cash Flows	19	...	(202)	5,150	(69)	<b>4,899</b>
Leases Additions	...	...	159	...	...	<b>159</b>
Valuation Adjustments	...	...	...	147	...	<b>147</b>
Other Movements	(82)	(3)	(352)	312	28	<b>(97)</b>
<b>Balance at 30 June 2019</b>	<b>67</b>	<b>...</b>	<b>2,590</b>	<b>35,066</b>	<b>756</b>	<b>38,478</b>

30 June 2018						
Note	Deposits Held 17 \$m	Other Fair Value Borrowings 19 \$m	Finance Lease Liabilities 20 \$m	Other Borrowings at Amortised Cost 20 \$m	Advances Received \$m	Total \$m
<b>Balance at 1 July 2017</b>	<b>106</b>	<b>4</b>	<b>3,088</b>	<b>29,720</b>	<b>812</b>	<b>33,730</b>
Net Financing Cash Flows	24	...	(225)	(590)	(40)	<b>(831)</b>
Leases Additions	...	...	152	...	...	<b>152</b>
Valuation Adjustments	...	...	...	304	...	<b>304</b>
Other Movements	0	(1)	(31)	23	25	<b>15</b>
<b>Balance at 30 June 2018</b>	<b>130</b>	<b>3</b>	<b>2,984</b>	<b>29,457</b>	<b>797</b>	<b>33,370</b>

## Total State Sector

30 June 2019								
	Note	Deposits Held	Bonds and Other Borrowings Issued Torp	Other Fair Value Borrowings	Finance Lease Liabilities	Other Borrowings at Amortised Cost	Advances Received	Total
		17	19	19	20	20		
		\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Balance at 1 July 2018</b>		<b>385</b>	<b>62,039</b>	<b>1,133</b>	<b>5,302</b>	<b>2,155</b>	<b>797</b>	<b>71,810</b>
Net Financing Cash Flows	(2)		6,716	...	(269)	1,758	(69)	<b>8,134</b>
Leases Additions	...	...	...	...	159	...	...	<b>159</b>
Gain/Loss on Sale of PNFC/PFC Sector Entities	...	...	...	(1,096)	...	(2,149)	...	<b>(3,245)</b>
Valuation Adjustments	...	...	3,128	...	...	...	...	<b>3,128</b>
Other Movements	(89)		(106)	(38)	94	100	28	<b>(11)</b>
<b>Balance at 30 June 2019</b>		<b>293</b>	<b>71,777</b>	<b>...</b>	<b>5,287</b>	<b>1,864</b>	<b>756</b>	<b>79,976</b>

30 June 2018								
	Note	Deposits Held	Bonds and Other Borrowings Issued Torp	Other Fair Value Borrowings	Finance Lease Liabilities	Other Borrowings at Amortised Cost	Advances Received	Total
		17	19	19	20	20		
		\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Balance at 1 July 2017</b>		<b>328</b>	<b>62,439</b>	<b>587</b>	<b>6,391</b>	<b>572</b>	<b>812</b>	<b>71,129</b>
Net Financing Cash Flows	82		(650)	617	(1,259)	1,590	(40)	<b>340</b>
Leases Additions	...	...	...	...	155	...	...	<b>155</b>
Valuation Adjustments	...	...	(399)	...	...	...	...	<b>(399)</b>
Other Movements	(26)		648	(71)	16	(7)	25	<b>585</b>
<b>Balance at 30 June 2018</b>		<b>385</b>	<b>62,039</b>	<b>1,133</b>	<b>5,302</b>	<b>2,155</b>	<b>797</b>	<b>71,810</b>



## Note 7: Receivables

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

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

The effects of initially applying AASB 9 and further information regarding credit risk of receivables are described in Note 25: Financial Instruments.

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Current	5,838	5,641	6,058	5,639
Non-current	1,653	1,080	1,469	908
	<b>7,491</b>	<b>6,721</b>	<b>7,527</b>	<b>6,547</b>
<b>Receivables comprise:</b>				
Debtors and accruals from:				
Sale of Goods and Services	1,527	1,567	1,810	1,859
Dust Disease Insurance Levies Accrued <sup>(a)</sup>	615	584	615	584
Taxation	2,284	1,881	2,103	1,756
Dividends from Public Corporations	844	863	...	...
Asset Sales	679	168	680	172
Interest	15	146	39	182
Other	2,008	1,991	2,786	2,494
	<b>7,972</b>	<b>7,200</b>	<b>8,033</b>	<b>7,047</b>
Less: Loss Allowance <sup>(b)</sup>	(481)	(479)	(506)	(500)
	<b>7,491</b>	<b>6,721</b>	<b>7,527</b>	<b>6,547</b>

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

(b) The allowance for impairment in the Total State Sector mainly comprises doubtful debts related to the sales of goods and services of \$157 million (2018: \$154 million), the collection of fees and fines of \$266 million (2018: \$271 million) and payroll tax of \$36 million (2018: \$42 million).

## Note 8: Investments, Loans and Placements

### Financial Assets at Fair Value

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

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

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Debt and managed funds investments are managed and their performance is evaluated on a fair value basis and therefore the business model is neither to hold to collect contractual cash flows or sell the financial asset. Hence these investments are mandatorily required to be measured at FVTPL under AASB 9 for the current reporting period ended 30 June 2019.

Debt and managed funds investments were designated at FVTPL under AASB 139 in the comparative period ending 30 June 2018. These investments were managed, and their performance was evaluated on a fair value basis, in accordance with a documented risk management strategy with information about these investments provided internally on that basis to the key management personnel.

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

TCorpIM Funds are restricted to NSW public authorities, including universities and local councils. Each TCorpIM Fund has been established as an individual unit trust and each trust has its own investment objective and strategy. As the majority unit holder in the TCorpIM Funds, the State has been assessed to control the Funds under AASB 10. Thus, the TCorpIM Funds' assets and liabilities are consolidated into the Statement of Financial Position of the Total State Sector. The State has invested a major component of Restart NSW money and newly established New South Wales Generation Fund (NGF) in TCorpIM Fund Trust investments.

Refer to Note 10: Equity Investments for the carrying amounts of equity securities at fair value. The effects of initially applying AASB 9 and further information regarding fair value measurement, credit risk, and market risk arising from financial assets at fair value are described in Note 25: Financial Instruments.

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Current <sup>(a)(b)</sup>	1,897	1,801	40,617	34,259
Non-current <sup>(b)</sup>	41,436	30,776	3,943	3,383
	<b>43,333</b>	<b>32,578</b>	<b>44,560</b>	<b>37,643</b>
<b>Financial Assets at Fair Value comprise:</b>				
<b>Financial Assets Held for Trading</b>				
Derivative Assets	3	0	845	551
	<b>3</b>	<b>0</b>	<b>845</b>	<b>551</b>
<b>Designated and Effective Hedging Instruments</b>				
Derivative Assets	21	1	25	6
	<b>21</b>	<b>1</b>	<b>25</b>	<b>6</b>
<b>Financial Assets at FVTPL<sup>(c)</sup></b>				
Interest Bearing Securities <sup>(a)(d)</sup>	267	263	31,891	29,806
TCorpIM Funds <sup>(e)</sup>	42,984	32,255	(0)	...
Managed Funds and Other Investments	56	58	11,798	7,280
	<b>43,308</b>	<b>32,577</b>	<b>43,689</b>	<b>37,086</b>
<b>Total Financial Assets at Fair Value</b>	<b>43,333</b>	<b>32,578</b>	<b>44,560</b>	<b>37,643</b>

(a) TCorp has reassessed its holdings of Reverse Repurchase Agreements which has resulted in a reclassification of \$1,002 million from 'Financial Assets at Fair Value' to 'Cash and Deposits' in 2017-18.

(b) The current and non-current classification is different in the GGS and TSS due to different investment objectives.

(c) The State's financial assets at FVTPL are mandatorily measured at FVTPL under AASB 9 throughout the current reporting period ended 30 June 2019 and designated at FVTPL throughout the comparative reporting period ended 30 June 2018.

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

(e) During 2018-19, the substantial increase of \$10 billion in financial assets is due to the establishment of the NSW Generations Fund (NGF).

## Other Financial Assets

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

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

The majority of term deposits are held as part of Restart NSW for infrastructure investments. Since 2016-17, a substantial part of these funds were reinvested in TCorpIM Funds. Term deposits with a maturity of less than 3 months (including those for Restart NSW) are classified as Cash and Cash Equivalents (Note 6: Cash and Cash Equivalents).

The effects of initially applying AASB 9 and further information regarding fair value measurement, credit risk, and market risk of other financial assets are described in Note 25: Financial Instruments.

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Current	1,482	4,548	1,353	3,062
Non-current	1,109	1,007	1,440	1,394
	<b>2,591</b>	<b>5,556</b>	<b>2,793</b>	<b>4,456</b>
<b>Financial Assets at Amortised Cost Comprise:</b>				
Term Deposits - Maturity Greater Than 3 Months	1,462	4,370	1,274	2,840
Finance Leases Receivable <sup>(a)</sup>	1,058	981	1,441	1,411
Other	71	205	78	205
	<b>2,591</b>	<b>5,556</b>	<b>2,793</b>	<b>4,456</b>

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

## Note 9: Advances Paid

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

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

The effects of initially applying AASB 9 and further information regarding credit risk and market risk of advances paid are described in Note 25: Financial Instruments.

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Current	116	70	101	54
Non-current	1,077	947	614	590
	<b>1,193</b>	<b>1,017</b>	<b>715</b>	<b>644</b>
<b>Advances Comprise:</b>				
Treasury Advances for Public Housing and Other Purposes	543	465	64	91
Loans for Rural Assistance	473	385	473	385
Loans for Road Transport Infrastructure	178	167	178	167
Other	0	0	1	1
	<b>1,193</b>	<b>1,017</b>	<b>715</b>	<b>644</b>

## Note 10: Equity Investments

### Equity Investments in Other Public Sector Entities

In the General Government Sector financial statements, the interest in the PNFC and PFC sectors is accounted for as an equity investment based on the State's proportional share of the carrying amount of net assets of those sectors (before consolidation adjustments), in accordance with AASB 1049.

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

The change in the carrying amount of these investments was 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* for the comparative period ended 30 June 2018.

Movements in the carrying amount are taken through 'Other Economic Flows - Other Comprehensive Income'. Dividends are recognised as income as part of 'Revenues From Transactions' when the right of payment has been established. From 1 July 2018, gains and losses on these investments are never reclassified to the 'Operating Result'. Gains and losses accumulated in equity were recycled to the 'Operating Result' when these investments were derecognised in the comparative reporting period ended 30 June 2018.

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

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

Non-Current Equity Investments	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
<b>Investments in Other Public Sector Entities</b>				
Investments in Public Non-Financial Corporations (PNFC)	103,568	113,348	...	...
Less Investment in PNFC by Public Financial Corporations	...	(2,832)	...	...
Net Investments in Public Non-Financial Corporations	103,568	110,516	...	...
Consolidation Adjustment to Investment in Net Assets	157	175	...	...
Investments in Public Financial Corporations	855	4,874	...	...
Consolidation Adjustment to Investment in Net Assets	(5,590)	(2,653)	...	...
	<b>98,990</b>	<b>112,911</b>	...	...

The annual movements of the investments are summarised below:

	General	
	Government Sector	
	2019	2018
	\$m	\$m
Balance of Investment in Other Public Sector Entities at beginning of Year	112,911	106,355
Net Contributions to/(Returns from) Other Sectors by/(to) Owner	(6,627)	281
Revaluation Gain/(Loss) for Period in Other Sectors	(4,340)	5,506
Movement for the Period in the Consolidation Adjustment	(2,954)	769
<b>Total Investments in Other Sector Entities at end of Year</b>	<b>98,990</b>	<b>112,911</b>

## Investments in Associates

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

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

Investments in Associates Accounted for Using the Equity Method comprise the State's share in:	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Ausgrid <sup>(a)</sup>	3,643	3,954	3,643	3,954
Endeavour Energy <sup>(a)</sup>	1,978	2,033	1,978	2,033
WestConnex Group <sup>(b)</sup>	6,424	...	6,424	...
Other Entities	10	...	11	2
	<b>12,055</b>	<b>5,987</b>	<b>12,057</b>	<b>5,988</b>

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

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

### Ausgrid

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

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

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

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
<b>The State's share of Ausgrid's assets and liabilities</b>				
Current Assets	321	343	321	343
Non-Current Assets	10,537	10,063	10,537	10,063
Current Liabilities	(354)	(329)	(354)	(329)
Non-Current Liabilities	(6,861)	(6,123)	(6,861)	(6,123)
<b>Net Assets<sup>(a)</sup></b>	<b>3,643</b>	<b>3,954</b>	<b>3,643</b>	<b>3,954</b>
<b>The State's share of Ausgrid's profit</b>				
Revenue	1,289	1,297	1,289	1,297
Profit/(Loss) Before Income Tax	80	256	80	256
Distribution income recognised	(166)	(196)	(166)	(196)
<b>Profit After Income Tax</b>	<b>(86)</b>	<b>61</b>	<b>(86)</b>	<b>61</b>
Other Comprehensive Income	(246)	(31)	(246)	(31)
<b>Total Comprehensive Income</b>	<b>(332)</b>	<b>30</b>	<b>(332)</b>	<b>30</b>

(a) During the year, the State invested an additional \$21 million 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 per cent of Endeavour Energy via a corporation constituted under the *Electricity Retained Interest Corporations Act 2015*, named Electricity Retained Interest Corporation – Endeavour Energy. The remaining 50.4 per cent is owned by the private sector by the Edwards partner consortium, operating the network under a 99-year lease.

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

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
<b>The State's share of Endeavour's assets and liabilities</b>				
Current Assets	272	211	272	211
Non-Current Assets	5,000	4,789	5,000	4,789
Current Liabilities	(171)	(165)	(171)	(165)
Non-Current Liabilities	(3,122)	(2,802)	(3,122)	(2,802)
<b>Net Assets</b>	<b>1,978</b>	<b>2,033</b>	<b>1,978</b>	<b>2,033</b>
<b>The State's share of Endeavour's profit</b>				
Revenue	633	750	633	750
Profit/(Loss) Before Income Tax	142	(51)	142	(51)
Stamp Duty	...	225	...	225
Distribution income recognised	(33)	(74)	(33)	(74)
<b>Profit After Income Tax</b>	<b>108</b>	<b>100</b>	<b>108</b>	<b>100</b>
Other Comprehensive Income	(163)	(13)	(163)	(13)
<b>Total Comprehensive Income</b>	<b>(55)</b>	<b>87</b>	<b>(55)</b>	<b>87</b>

## WestConnex Group

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

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

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

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

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
<b>The State's share of WestConnex Group's assets and liabilities</b>				
Current Assets	684	...	684	...
Non-Current Assets	9,798	...	9,798	...
Current Liabilities	(149)	...	(149)	...
Non-Current Liabilities	(3,909)	...	(3,909)	...
<b>Net Assets</b>	<b>6,424</b>	<b>...</b>	<b>6,424</b>	<b>...</b>
<b>The State's share of WestConnex's profit</b>				
Revenue	929	...	929	...
Profit/(Loss) Before Income Tax	(1)	...	(1)	...
Income Tax Expense	(4)	...	(4)	...
Distribution income recognised	(19)	...	(19)	...
<b>Profit After Income Tax</b>	<b>(24)</b>	<b>...</b>	<b>(24)</b>	<b>...</b>
Other Comprehensive Income	(139)	...	(139)	...
<b>Total Comprehensive Income</b>	<b>(163)</b>	<b>...</b>	<b>(163)</b>	<b>...</b>

## Other Equity Investments

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

Other equity investments are classified, at initial recognition, as either measured at FVTPL or are irrevocably elected by the State to be measured at FVOCI (available-for-sale under AASB 139 for the comparative period ended 30 June 2018). Other equity investments are measured at their fair value plus, in the case of an equity investments not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the instrument.

Other equity investments at FVTPL are mandatorily measured at FVTPL under AASB 9 throughout the current reporting period ended 30 June 2019. Other equity investments managed on a fair value basis were designated at FVTPL under AASB 139 throughout the comparative reporting period ended 30 June 2018.

The State has not classified any Other Equity Investments at FVOCI as at 30 June 2019.

Other equity investments held by the Total State Sector predominately comprise of TCorpIM Fund Trust investments in equity securities. In total, TCorpIM Fund Trusts have investments in equity securities amounting to \$24,272 million (2018: \$19,531 million). Since 2016-17, the State has invested a major component of the Restart NSW money in TCorpIM Fund Trust investments.

The effects of initially applying AASB 9 and further information regarding fair value measurement and market risk of other equity investments are described in Note 25: Financial Instruments.

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
<b>Other Equity Investments</b>				
Other Equity Investments - At Fair Value through Profit and Loss <sup>(a)</sup>	8	...	24,468	19,531
Other Equity Investments - Available for Sale Financial Assets	...	722	...	889
	<b>8</b>	<b>722</b>	<b>24,468</b>	<b>20,420</b>

(a) The State's equity investments at FVTPL are mandatorily measured at FVTPL under AASB 9 throughout the current reporting period ended 30 June 2019 and designated at FVTPL throughout the comparative reporting period ended 30 June 2018 under AASB 139.

## 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 its current replacement cost. The current replacement cost is the cost the State would incur to acquire the asset on the reporting date.

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Current	261	263	481	540
Non-current	138	64	392	286
	<b>399</b>	<b>327</b>	<b>873</b>	<b>826</b>
<b>Inventories Comprise:</b>				
Materials Held at Cost				
Raw Materials	10	9	43	9
Work in Progress	13	6	17	10
Finished Goods	38	17	41	18
Consumable Stores	183	211	313	316
Consumable Stores Held for Distribution	15	17	15	18
Finished Goods at Net Realisable Value	1	2	1	2
Consumable Stores Held for Distribution at Current Replacement Cost	6	7	9	8
Land Held for Resale	132	58	435	445
	<b>399</b>	<b>327</b>	<b>873</b>	<b>826</b>

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

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Acquisition Cost	81	53	185	163
Development Cost	51	5	250	282
	<b>132</b>	<b>58</b>	<b>435</b>	<b>445</b>



## Note 12: Assets Classified as Held for Sale

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

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

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

The assets classified as held for sale at 30 June 2019 were:

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
<b>Non-Current Assets Held for Sale</b>				
Land and Buildings	213	320	274	430
Plant and Equipment	2	0	2	0
Infrastructure Systems	7	0	7	0
	<b>222</b>	<b>320</b>	<b>283</b>	<b>430</b>

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
<b>Non-Current Assets Held for Sale</b>				
Barangaroo Delivery Authority	71	91	71	91
New South Wales Land and Housing Corporation	...	...	56	74
Ministry of Health	56	41	56	41
Department of Finance, Services and Innovation	26	7	26	7
Other <sup>(a)</sup>	69	181	75	217
	<b>222</b>	<b>320</b>	<b>283</b>	<b>430</b>

(a) Amounts in 2018 include \$110 million assets held for sale recorded by Department of Family and Community Services for a Disability Services site at Rydalmere.

## 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 a market approach, based on a valuation per hectare per each land category type.
- Non-specialised buildings, which include commercial and general-purpose buildings for which there is a secondary market, are valued using either approach.
- Certain heritage assets, including artworks, book collections, philately and coin collections are valued using a market or cost approach.
- The fair value of cash generating assets is estimated using an income approach.

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

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

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

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

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

Assets are not recognised where they cannot be reliably measured.

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

### Impairment of Property, Plant and Equipment

The State assesses at each reporting date whether there is any indication that property, plant and equipment 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 property, plant and equipment 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 or depreciated replacement cost where the future economic benefits of property, plant and equipment are not primarily dependent on the asset’s ability to generate net cash inflows.

### Depreciation of Property, Plant and Equipment

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

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

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

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

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

## General Government Sector

Fair Value	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
<b>At 30 June 2018</b>				
Gross Carrying Amount	115,489	16,671	144,024	<b>276,183</b>
Accumulated Depreciation and Impairment	(32,099)	(5,729)	(41,876)	<b>(79,704)</b>
<b>Net Carrying Amount</b>	<b>83,390</b>	<b>10,941</b>	<b>102,147</b>	<b>196,479</b>
<b>At 30 June 2019</b>				
Gross Carrying Amount	121,939	18,553	163,905	<b>304,397</b>
Accumulated Depreciation and Impairment	(31,976)	(6,465)	(44,614)	<b>(83,055)</b>
<b>Net Carrying Amount</b>	<b>89,963</b>	<b>12,088</b>	<b>119,291</b>	<b>221,343</b>

Reconciliation:	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
<b>Year Ended 30 June 2019</b>				
<b>Net Carrying Amount at Start of Year</b>	<b>83,390</b>	<b>10,941</b>	<b>102,147</b>	<b>196,479</b>
Additions	5,474	1,320	9,779	<b>16,574</b>
Assets Reclassified To Held for Sale	(49)	(2)	...	<b>(50)</b>
Disposals	(188)	(142)	(1,382)	<b>(1,712)</b>
Net Revaluations Recognised In Reserves	2,250	(36)	4,992	<b>7,205</b>
Depreciation Expense	(1,637)	(872)	(1,920)	<b>(4,429)</b>
Other Movements <sup>(a)</sup>	723	878	5,675	<b>7,276</b>
<b>Net Carrying Amount at End of Year</b>	<b>89,963</b>	<b>12,088</b>	<b>119,291</b>	<b>221,343</b>

Fair Value	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
<b>At 30 June 2017</b>				
Gross Carrying Amount	105,448	15,452	138,728	<b>259,628</b>
Accumulated Depreciation and Impairment	(32,696)	(5,274)	(46,581)	<b>(84,551)</b>
<b>Net Carrying Amount - as originally reported</b>	<b>72,752</b>	<b>10,178</b>	<b>92,147</b>	<b>175,077</b>
<b>At 30 June 2018</b>				
Gross Carrying Amount	115,489	16,671	144,024	<b>276,183</b>
Accumulated Depreciation and Impairment	(32,099)	(5,729)	(41,876)	<b>(79,704)</b>
<b>Net Carrying Amount</b>	<b>83,390</b>	<b>10,941</b>	<b>102,147</b>	<b>196,479</b>

Reconciliation:	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
<b>Year Ended 30 June 2018</b>				
<b>Net Carrying Amount at Start of Year</b>	<b>72,752</b>	<b>10,178</b>	<b>92,147</b>	<b>175,077</b>
Corrections to Prior Period <sup>(b)</sup>	...	...	(2,145)	<b>(2,145)</b>
<b>Net Carrying Amount at Start of Year</b>	<b>72,752</b>	<b>10,178</b>	<b>90,002</b>	<b>172,932</b>
Additions	3,496	1,206	7,056	<b>11,758</b>
Assets Reclassified To Held for Sale	(236)	(3)	(0)	<b>(239)</b>
Disposals	(239)	(133)	(321)	<b>(693)</b>
Net Revaluations Recognised In Reserves	9,087	445	8,056	<b>17,588</b>
Depreciation Expense	(1,519)	(735)	(1,943)	<b>(4,197)</b>
Other Movements	50	(16)	(702)	<b>(669)</b>
<b>Net Carrying Amount at End of Year</b>	<b>83,390</b>	<b>10,941</b>	<b>102,147</b>	<b>196,479</b>

(a) Equity transfers of \$4,612 million from RailCorp have been classified in 'Other Movements'.

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

**Total State Sector**

Fair Value	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
<b>At 30 June 2018</b>				
Gross Carrying Amount	199,388	28,949	226,244	<b>454,582</b>
Accumulated Depreciation and Impairment	(37,761)	(11,581)	(68,087)	<b>(117,429)</b>
<b>Net Carrying Amount</b>	<b>161,627</b>	<b>17,367</b>	<b>158,158</b>	<b>337,153</b>
<b>At 30 June 2019</b>				
Gross Carrying Amount	204,036	29,668	239,638	<b>473,342</b>
Accumulated Depreciation and Impairment	(37,690)	(11,594)	(71,701)	<b>(120,985)</b>
<b>Net Carrying Amount</b>	<b>166,346</b>	<b>18,075</b>	<b>167,936</b>	<b>352,357</b>

Reconciliation:	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
<b>Year Ended 30 June 2019</b>				
<b>Net Carrying Amount at Start of Year</b>	<b>161,627</b>	<b>17,367</b>	<b>158,158</b>	<b>337,153</b>
Additions	6,431	2,120	13,457	<b>22,008</b>
Assets Reclassified To Held for Sale	(401)	(24)	...	<b>(425)</b>
Disposals	(507)	(173)	(1,465)	<b>(2,146)</b>
Net Revaluations Recognised In Reserves	2,484	(576)	5,546	<b>7,454</b>
Depreciation Expense	(2,582)	(1,257)	(3,264)	<b>(7,103)</b>
Other Movements <sup>(a)</sup>	(706)	618	(4,496)	<b>(4,585)</b>
<b>Net Carrying Amount at End of Year</b>	<b>166,346</b>	<b>18,075</b>	<b>167,936</b>	<b>352,357</b>

Fair Value	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
<b>At 30 June 2017</b>				
Gross Carrying Amount	181,457	26,882	218,800	<b>427,139</b>
Accumulated Depreciation and Impairment	(38,063)	(11,173)	(71,815)	<b>(121,050)</b>
<b>Net Carrying Amount - as originally reported</b>	<b>143,394</b>	<b>15,709</b>	<b>146,985</b>	<b>306,089</b>
<b>At 30 June 2018</b>				
Gross Carrying Amount	199,388	28,949	226,244	<b>454,582</b>
Accumulated Depreciation and Impairment	(37,761)	(11,581)	(68,087)	<b>(117,429)</b>
<b>Net Carrying Amount</b>	<b>161,627</b>	<b>17,367</b>	<b>158,158</b>	<b>337,153</b>

Reconciliation:	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Total \$m
<b>Year Ended 30 June 2018</b>				
<b>Net Carrying Amount at Start of Year</b>	<b>143,394</b>	<b>15,709</b>	<b>146,985</b>	<b>306,089</b>
Corrections to Prior Period <sup>(b)</sup>	...	...	(2,145)	<b>(2,145)</b>
<b>Net Carrying Amount at Start of Year</b>	<b>143,394</b>	<b>15,709</b>	<b>144,840</b>	<b>303,944</b>
Additions	5,328	1,410	10,876	<b>17,615</b>
Assets Reclassified To Held for Sale	(332)	4	(1)	<b>(328)</b>
Disposals	(665)	(164)	(345)	<b>(1,174)</b>
Net Revaluations Recognised In Reserves	15,690	477	8,370	<b>24,538</b>
Depreciation Expense	(2,368)	(1,112)	(3,266)	<b>(6,747)</b>
Other Movements	579	1,042	(2,316)	<b>(694)</b>
<b>Net Carrying Amount at End of Year</b>	<b>161,627</b>	<b>17,367</b>	<b>158,158</b>	<b>337,153</b>

(a) Assets disposed of as part of the discontinued operations have been classified in 'Other Movements'.

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

## 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 2019	Level 1 \$m	Level 2 \$m	Level 3 \$m	Historical Cost \$m	Total \$m
<b>Fair Value Hierarchy</b>					
<b>Property, Plant and Equipment</b>					
Land and Buildings	...	15,366	74,598	...	<b>89,963</b>
Plant and Equipment <sup>(a)</sup>	...	3,704	4,439	3,945	<b>12,088</b>
Infrastructure Systems	...	145	119,147	...	<b>119,291</b>
<b>Assets Held for Sale (Note 12)</b>	...	204	19	...	<b>222</b>
	...	<b>19,418</b>	<b>198,203</b>	<b>3,945</b>	<b>221,564</b>

30 June 2018	Level 1 \$m	Level 2 \$m	Level 3 \$m	Historical Cost \$m	Total \$m
<b>Fair Value Hierarchy</b>					
<b>Property, Plant and Equipment</b>					
Land and Buildings	...	15,737	67,653	...	<b>83,390</b>
Plant and Equipment <sup>(a)</sup>	...	4,257	3,182	3,501	<b>10,941</b>
Infrastructure Systems	...	265	101,882	...	<b>102,147</b>
<b>Assets Held for Sale (Note 12)</b>	...	209	111	...	<b>320</b>
	...	<b>20,469</b>	<b>172,829</b>	<b>3,501</b>	<b>196,798</b>

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

#### Total State Sector

30 June 2019	Level 1 \$m	Level 2 \$m	Level 3 \$m	Historical Cost \$m	Total \$m
<b>Fair Value Hierarchy</b>					
<b>Property, Plant and Equipment</b>					
Land and Buildings	...	17,386	148,960	...	<b>166,346</b>
Plant and Equipment <sup>(a)</sup>	...	3,733	9,875	4,467	<b>18,075</b>
Infrastructure Systems	...	145	167,792	...	<b>167,937</b>
<b>Assets Held for Sale (Note 12)</b>	...	205	78	...	<b>283</b>
	...	<b>21,468</b>	<b>326,705</b>	<b>4,467</b>	<b>352,640</b>

30 June 2018	Level 1 \$m	Level 2 \$m	Level 3 \$m	Historical Cost \$m	Total \$m
<b>Fair Value Hierarchy</b>					
<b>Property, Plant and Equipment</b>					
Land and Buildings	...	17,547	144,080	...	<b>161,627</b>
Plant and Equipment <sup>(a)</sup>	...	4,292	9,149	3,926	<b>17,367</b>
Infrastructure Systems	...	298	157,861	...	<b>158,158</b>
<b>Assets Held for Sale (Note 12)</b>	...	211	218	...	<b>430</b>
	...	<b>22,348</b>	<b>311,308</b>	<b>3,926</b>	<b>337,582</b>

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

## Reconciliation of Recurring Level 3 Fair Value Measurements

### General Government Sector

	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Assets Held for Sale \$m	Total Recurring Level 3 Fair Value \$m
<b>Fair Value as at 1 July 2018</b>	<b>67,654</b>	<b>3,182</b>	<b>101,883</b>	<b>111</b>	<b>172,830</b>
Additions	3,708	266	9,841	10	13,824
Revaluations Recognised in Other Comprehensive Income	2,705	65	3,157	...	5,927
Transfers into Level 3	532	(0)	(1)	...	531
Transfers out of Level 3	(98)	(1)	0	...	(99)
Disposals	(207)	(1)	(1,141)	(2)	(1,351)
Depreciation Expense	(1,539)	(174)	(1,919)	...	(3,632)
Other Movements	1,843	1,102	7,327	(100)	10,173
<b>Fair Value as at 30 June 2019</b>	<b>74,598</b>	<b>4,439</b>	<b>119,147</b>	<b>19</b>	<b>198,203</b>

	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Assets Held for Sale \$m	Total Recurring Level 3 Fair Value \$m
<b>Fair Value as at 1 July 2017</b>	<b>54,052</b>	<b>1,637</b>	<b>92,030</b>	...	<b>147,718</b>
Additions	2,630	256	6,803	...	9,689
Revaluations Recognised in Other Comprehensive Income	8,714	463	8,033	...	17,210
Transfers into Level 3	4,789	840	223	...	5,851
Transfers out of Level 3	(648)	...	(54)	...	(702)
Disposals	(221)	(5)	(16)	...	(242)
Depreciation Expense <sup>(a)</sup>	(1,421)	(139)	(1,965)	(0)	(3,525)
Other Movements <sup>(a)</sup>	(241)	130	(3,172)	111	(3,171)
<b>Fair Value as at 30 June 2018</b>	<b>67,654</b>	<b>3,182</b>	<b>101,883</b>	<b>111</b>	<b>172,829</b>

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

*Total State Sector*

	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Assets Held for Sale \$m	Total Recurring Level 3 Fair Value \$m
<b>Fair Value as at 1 July 2018</b>	<b>144,080</b>	<b>9,150</b>	<b>157,862</b>	<b>218</b>	<b>311,309</b>
Additions	5,828	893	13,702	10	20,433
Revaluations Recognised in Other Comprehensive Income	2,606	(472)	3,689	...	5,824
Transfers into Level 3	527	...	21	...	548
Transfers out of Level 3	(98)	(1)	...	...	(99)
Disposals	(522)	(12)	(1,225)	(78)	(1,837)
Depreciation Expense	(2,405)	(481)	(3,302)	...	(6,189)
Other Movements	(1,056)	798	(2,955)	(71)	(3,284)
<b>Fair Value as at 30 June 2019</b>	<b>148,960</b>	<b>9,875</b>	<b>167,792</b>	<b>78</b>	<b>326,705</b>

	Land and Buildings \$m	Plant and Equipment \$m	Infrastructure Systems \$m	Assets Held for Sale \$m	Total Recurring Level 3 Fair Value \$m
<b>Fair Value as at 1 July 2017</b>	<b>122,892</b>	<b>6,537</b>	<b>146,771</b>	<b>83</b>	<b>276,283</b>
Additions	4,644	1,390	9,906	...	15,940
Revaluations Recognised in Other Comprehensive Income	15,500	454	8,343	...	24,296
Transfers into Level 3	5,293	1,348	301	...	6,941
Transfers out of Level 3	(974)	(14)	(54)	...	(1,041)
Disposals	(926)	(27)	(129)	(65)	(1,147)
Depreciation Expense <sup>(a)</sup>	(2,329)	(444)	(3,329)	(0)	(6,102)
Other Movements <sup>(a)</sup>	(20)	(95)	(3,947)	200	(3,862)
<b>Fair Value as at 30 June 2018</b>	<b>144,080</b>	<b>9,150</b>	<b>157,862</b>	<b>218</b>	<b>311,308</b>

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

## Valuation techniques, inputs and processes

### Land and Buildings

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

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

#### *Public Housing*

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



### Schools and Education Facilities

School and Education Land and Buildings are mainly classified as Level 3. The valuers use current market sales evidence to determine the market value of land without restrictions and then apply a discount rate to these values, to adjust for the restricted use of the land. The valuations use the weighted average market value per square metre of land. School and TAFE buildings are valued using the 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. In most instances, the sampling techniques are performed by professional statisticians. Market values are based on market evidence with reference to recent sales of items that are similar. Where there is a lack of market based evidence, re-collection costs are used.

Sensitivity of the fair value measurement	
Rolling Stock	The estimated fair value would increase/ (decrease) if the replacement cost rates were higher/ (lower).
Buses	The estimated fair value would increase/ (decrease) if the 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. Most infrastructure assets are classified as Level 3 because they comprise specialised assets for the delivery of utility and transport services.

*Dams and water system assets*

The majority of the State’s dams and water system assets are valued using an income valuation method. The discounted cash flow 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. Most assets are classified at Level 2 as their value has been determined on market observable inputs.

## Note 14: Intangibles

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

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

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

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognised in 'other economic flows – included in the operating result'.

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

### Assumptions

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

## General Government Sector

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

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

	Computer Software \$m	Easements <sup>(a)</sup> \$m	Other \$m	Total \$m
<b>At 1 July 2017</b>				
Cost (Gross Carrying Amount)	5,129	330	2	<b>5,461</b>
Accumulated Amortisation and Impairment	(2,013)	...	...	<b>(2,013)</b>
<b>Net Carrying Amount</b>	<b>3,116</b>	<b>330</b>	<b>2</b>	<b>3,448</b>
<b>At 30 June 2018</b>				
Cost (Gross Carrying Amount)	5,608	333	0	<b>5,941</b>
Accumulated Amortisation and Impairment	(2,250)	...	...	<b>(2,250)</b>
<b>Net Carrying Amount</b>	<b>3,358</b>	<b>333</b>	<b>0</b>	<b>3,691</b>
<b>Reconciliation:</b>				
<b>Year ended 30 June 2018</b>				
<b>Net Carrying Amount at Start of Year</b>	<b>3,116</b>	<b>330</b>	<b>2</b>	<b>3,448</b>
Additions	830	1	0	831
Disposals	(88)	(0)	(0)	(88)
Reclassification (to) / from Property, Plant and Equipment	...	...	...	...
Impairment	(67)	...	...	(67)
Amortisation	(440)	...	...	(440)
Other Movements	8	2	(2)	8
<b>Net carrying amount at end of year</b>	<b>3,358</b>	<b>333</b>	<b>0</b>	<b>3,691</b>

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

## Total State Sector

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

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

	Computer Software \$m	Easements <sup>(a)</sup> \$m	Other \$m	Total \$m
<b>At 1 July 2017</b>				
Cost (Gross Carrying Amount)	6,821	431	76	<b>7,328</b>
Accumulated Amortisation and Impairment	(2,894)	...	(10)	<b>(2,904)</b>
<b>Net Carrying Amount</b>	<b>3,927</b>	<b>431</b>	<b>66</b>	<b>4,423</b>
<b>At 30 June 2018</b>				
Cost (Gross Carrying Amount)	7,558	434	0	<b>7,992</b>
Accumulated Amortisation and Impairment	(3,246)	(1)	(0)	<b>(3,247)</b>
<b>Net Carrying Amount</b>	<b>4,312</b>	<b>433</b>	<b>(0)</b>	<b>4,745</b>
<b>Reconciliation:</b>				
<b>Year ended 30 June 2018</b>				
<b>Net Carrying Amount at Start of Year</b>	<b>3,927</b>	<b>431</b>	<b>66</b>	<b>4,423</b>
Additions	1,069	2	0	1,071
Disposals	(91)	1	(0)	(90)
Reclassification (to) / from Property, Plant and Equipment	...	...	...	...
Impairment	(81)	0	(0)	(81)
Amortisation	(577)	(0)	0	(577)
Other Movements	66	(0)	(66)	0
<b>Net carrying amount at end of year</b>	<b>4,312</b>	<b>433</b>	<b>(0)</b>	<b>4,745</b>

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

## Note 15: Other Non-Financial Assets

### Privately Financed Projects and Service Concession Arrangements

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

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

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

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

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

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

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

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

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Current	633	538	725	668
Non-current	6,074	6,888	5,724	5,926
	<b>6,707</b>	<b>7,426</b>	<b>6,449</b>	<b>6,594</b>
<b>Other Non-Financial Assets comprise:</b>				
Right to Receive Privately Financed Infrastructure	2,933	2,615	2,607	2,292
Prepayments <sup>(a)</sup>	3,727	4,723	3,788	4,168
Emission Rights	...	...	...	1
Other <sup>(a)</sup>	47	88	54	133
	<b>6,707</b>	<b>7,426</b>	<b>6,449</b>	<b>6,594</b>

(a) 'Prepayments' include \$2,777 million reclassified from 'Other' in 2017-18.

	Total State Sector	
	2019	2018
	\$m	\$m
<b>Right to Receive Infrastructure and Prepaid Assets comprise:</b>		
WestConnex - Stage 1	417	645
WestConnex - Stage 3	692	...
ANZ Stadium and Qudos Bank Arena	514	471
NorthConnex	820	677
M7 Motorway - Westlink	646	576
Sydney Light Rail	1,057	640
Sydney Metro Northwest <sup>(a)</sup>	...	2,137
Other	2,249	1,314
	<b>6,395</b>	<b>6,460</b>

(a) Transport for NSW entered into a PPP with Northwest Rapid Transit for the construction of the Sydney Metro Northwest. In 2017-18, the costs incurred prior to completion of the construction phase were recognised as a Prepaid Asset in accordance with NSW Treasury Policy TPP 06-8 'Accounting for Privately Financed Projections'. Upon completion in 2018-19, the Prepaid Assets of \$2,137 million were transferred to property, plant and equipment of Sydney Metro, and form part of the cost base of the overall Metro Northwest assets.

Infrastructure subject to the arrangement	Concession period (duration in years and final year)
<b>Transport</b>	
• M5	34 / 2026
• Sydney Harbour Tunnel	30 / 2022
• Parramatta Transport Interchange	23 / 2030
• Airport Line Railway Stations	30 / 2030
• Sydney Light Rail	17 / 2036
• Sydney Metro Northwest, Operations, Trains and Systems (OTS)	15 / 2034
• Cross City Tunnel	30 / 2035
• Waratah Rolling Stock	30 / 2044
• Lane Cove Tunnel	41 / 2048
• M7	43 / 2048
• M2	51 / 2048
• NorthConnex	28 / 2048
• Eastern Distributor	48 / 2048
• WestConnex – Stage 1	43 / 2060
• WestConnex – Stage 2	40 / 2060
• WestConnex – Stage 3	38 / 2060
• Chatswood Transport Interchange	50 / 2064
<b>Health</b>	
• Hawkesbury Hospital	26 / 2022
• NSW Health Retrieval Network	10 / 2027
• Newcastle Community Health Centre	20 / 2027
• Newcastle Mater Hospital Redevelopment	25 / 2033
• Long Bay Prison and Forensic Hospital	26 / 2034
• Bathurst, Orange & Associated Health Services	24 / 2035
• Royal North Shore redevelopment	23 / 2037
• Northern Beaches Hospital	20 / 2038
• Chris O'Brien Lifehouse	40 / 2053
• Various hospital Car Parks	24-25 / various
<b>Utilities</b>	
• Blue Mountain Sewage Transfer Tunnel	35 / 2028
• Macarthur Water Treatment Plant	35 / 2030
• Rosehill Camellia Recycled Water Project	20 / 2031
• Prospect Water Treatment Plant	39 / 2035
• Illawarra/Woronora Water Treatment Plants	40 / 2036
<b>Other</b>	
• Qudos Bank Arena	32 / 2031
• ANZ Stadium	32 / 2031
• New Schools Project	27 / 2032
• New Schools Project 2	25 / 2035
• New Grafton Correctional Centre	20 / 2040
• Sydney International Convention, Exhibition and Entertainment Precinct	25 / 2041
• Opera House Car Park	50 / 2043



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

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

## Note 16: Income Tax Equivalents

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

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Tax Equivalents Receivable	32	128	...	...
Deferred Tax Equivalents Receivable	2,245	2,192	...	...
<b>Receivable from the PNFC/PFC Sectors</b>	<b>2,277</b>	<b>2,320</b>	...	...
Tax Equivalents Payable	3	3	...	...
Deferred Tax Equivalents Provision	108	112	...	...
<b>Payable to the PNFC/PFC Sectors</b>	<b>111</b>	<b>115</b>	...	...

## Note 17: Deposits Held

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

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

Other deposits held represent liabilities for customer and contractors' security deposits for utilities such as electricity and water. Customer and contractor deposits can be refunded at any time. Other deposits held are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. Deposits are recognised at no less than the amount payable on demand. Other deposits held are subsequently measured at amortised cost using the effective interest method.

The effects of initially applying AASB 9 and further information regarding fair value measurement, liquidity risk, including a maturity analysis of the above deposits held, and market risk are disclosed in Note 25: Financial Instruments.

	General		Total State Sector	
	Government Sector	2018	2019	2018
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Current	67	130	293	385
Non-current	...	...	...	...
	<b>67</b>	<b>130</b>	<b>293</b>	<b>385</b>
<b>Deposits are Held for the Purposes of:</b>				
Held by Public Financial Corporations	...	...	156	164
Other	67	130	137	221
	<b>67</b>	<b>130</b>	<b>293</b>	<b>385</b>

## Note 18: Payables

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

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

The effects of initially applying AASB 9 and further information regarding liquidity risk, including a maturity analysis of the below payables are disclosed in Note 25: Financial Instruments.

	General		Total State Sector	
	Government Sector	2018	2019	2018
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Current	6,966	7,119	8,244	8,674
Non-current	113	131	113	159
	<b>7,079</b>	<b>7,251</b>	<b>8,357</b>	<b>8,833</b>
<b>Payables comprise:</b>				
Payables of a Capital Nature	1,222	1,321	1,454	1,601
Accrued Employee Benefits	657	630	734	671
Interest on Borrowings & Advances	308	289	3	17
Creditors & Other Accruals	4,892	5,011	6,166	6,544
	<b>7,079</b>	<b>7,251</b>	<b>8,357</b>	<b>8,833</b>

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

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

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

The effects of initially applying AASB 9 and further information regarding fair value measurement, liquidity risk, including a maturity analysis, and market risk are disclosed in Note 25: Financial Instruments.

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Current <sup>(a)</sup>	11	2	9,690	8,953
Non-current <sup>(a)</sup>	196	3	63,067	54,883
	<b>207</b>	<b>5</b>	<b>72,757</b>	<b>63,836</b>
<b>Borrowings and Derivative Liabilities at Fair Value Comprise:</b>				
<b>Borrowings at Fair Value</b>				
Bonds and Other Borrowings Issued by TCorp	...	...	71,777	62,039
Other Fair Value Borrowings	...	3	...	1,133
	<b>...</b>	<b>3</b>	<b>71,777</b>	<b>63,172</b>
<b>Financial Liabilities Held For Trading</b>				
Derivative Liabilities <sup>(b)</sup>	207	0	977	538
	<b>207</b>	<b>0</b>	<b>977</b>	<b>538</b>
<b>Designated And Effective Hedging Instruments</b>				
Derivative Liabilities <sup>(b)</sup>	...	2	3	126
	<b>...</b>	<b>2</b>	<b>3</b>	<b>126</b>
<b>Total Borrowings and Derivative Liabilities at Fair Value</b>	<b>207</b>	<b>5</b>	<b>72,757</b>	<b>63,836</b>

(a) \$3,304 million was reclassified from Current to Non-current in the Total State Sector for 2018.

(b) \$31 million was reclassified to 'Designated and Effective Hedging Instruments' from 'Financial Liabilities Held for Trading' for 2018.

## Note 20: Borrowings at Amortised Cost

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

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

Finance lease liabilities are determined in accordance with AASB 117 *Leases*. Refer to Note 27: Finance and Operating Leases for further information on finance leases.

The effects of initially applying AASB 9 and further information regarding fair value measurement, liquidity risk, including a maturity analysis, and market risk of borrowings at amortised cost are disclosed in Note 25: Financial Instruments.

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Current	897	1,314	326	250
Non-current	36,759	31,127	6,825	7,207
	<b>37,656</b>	<b>32,441</b>	<b>7,151</b>	<b>7,457</b>
<b>Borrowings at Amortised Cost Comprise:</b>				
Other Borrowings at Amortised Cost	33,233	29,457	31	2,155
Finance Leases	2,590	2,984	5,287	5,302
Financial Liability arising from Public Private Partnership (PPP) <sup>(a)</sup>	1,834	...	1,834	0
	<b>37,656</b>	<b>32,441</b>	<b>7,151</b>	<b>7,457</b>

(a) This also includes a future commitment, to be financed by the private sector, recognised under a PPP for future capital payments on assets constructed by the private sector in accordance with NSW Treasury Policy TPP 06-8 'Accounting for Privately Financed Projects'.

## 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* (AASB 119) (although short-cut methods are permitted).

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

Consequential costs to employment such as payroll tax, 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, with terms to maturity that match, as closely as possible, the estimated future cash outflow.

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

### Self-Funded Worker's Compensation

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

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

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Current	15,000	12,980	15,978	13,922
Non current	5,802	5,035	5,991	5,184
	<b>20,802</b>	<b>18,015</b>	<b>21,969</b>	<b>19,106</b>
<b>These comprise:</b>				
Long Service Leave	10,962	9,261	11,677	9,900
Annual and Other Leave Entitlements	3,849	3,566	4,130	3,839
Self Funded Worker's Compensation	5,270	4,616	5,372	4,718
Other	721	572	790	649
<b>Total Employee Provisions</b>	<b>20,802</b>	<b>18,015</b>	<b>21,969</b>	<b>19,106</b>

Self-funded workers' compensation includes liabilities of the Treasury Managed Fund that have been actuarially calculated on a discounted cash flows basis using a 'central' estimate assuming a liability discount rate of 0.7 to 0.9 per cent (2018: 1.8 to 1.9 per cent) and a future inflation rate of 1.6 to 2.5 per cent (2018: 2.2 to 2.7 per cent) and a superimposed inflation rate of 0.1 to 0.7 per cent (2018: 0.0 to 0.6 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*. The liability is measured as the excess of the present value of members' accrued benefits at reporting date over the fair value of the schemes' assets at that date. A surplus is only recognised if it is recoverable through reduced future contributions or potential future refunds from a scheme.

The State appoints actuaries 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 estimates future payments arising from service of current and past scheme members up to the reporting date. It 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 2018 triennial review is available from the *'Triennial valuation as at 30 June 2018'* at [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au). This report was tabled in Parliament on 22 November 2018.

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

## State Public Sector Superannuation Schemes

The State public sector superannuation liability comprises the following schemes:

- State Sector Schemes <sup>(a),(d)</sup>:
  - State Authorities Superannuation Scheme (SASS)
  - State Authorities Non-Contributory Superannuation Scheme (SANCS)
  - State Superannuation Scheme (SSS)
  - Police Superannuation Scheme (PSS)
- Parliamentary Contributory Superannuation Scheme (PCSS) <sup>(b), (d)</sup>
- Judges' Pension Scheme (JPS) <sup>(c), (d)</sup>
- Energy Industries Superannuation Schemes (EISS) <sup>(e)</sup>

(a) These Schemes are established and governed by the following NSW legislation: *Superannuation Act 1916*, *State Authorities Superannuation Act 1987*, *Police Regulation (Superannuation) Act 1906*, *State Authorities Non-Contributory Superannuation Act 1987*, and their associated regulations. The SAS Trustee Corporation (STC) is responsible for the governance of the State Sector Schemes.

(b) Parliamentary Contributory Superannuation Scheme (PCSS), was established by and is governed by the *Parliamentary Contributory Superannuation Act 1971* and its associated regulations. 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).

(c) Judges' Pension Scheme (JPS), was established by and is governed by *Judges' Pensions Act 1953 No 41*. JPS does not have a trustee.

(d) The State Sector Schemes, PCSS and JPS are exempt public sector superannuation schemes under the *Superannuation Industry (Supervision) Act 1993 (Cth) (the SIS Act)*. The SIS Act treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

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

These schemes are all defined benefit schemes, whereby at least a part of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. With the exception of JPS, all of the above schemes are closed to new entrants.

The NSW Government:

- ensures that the State Sector Schemes and PCSS conform to the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that member benefits are adequately protected.
- prudentially monitors and audits the State Sector Schemes and PCSS and the activities of each of the Trustees in a manner consistent with the prudential controls of the SIS Act. These activities are in addition to other legislative obligations on the Trustees.
- has committed under the *Fiscal Responsibility Act 2012* to fully fund the State Sector Schemes by 2030.

The Trustees of the schemes:

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

## Regulatory Framework

The *Superannuation Industry (Supervision) Act 1993 (Cth) (the SIS Act)* governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions, unless an exemption has been obtained. The State Sector Schemes, PCSS and JPS have an actuarial investigation performed every three years, with the last actuarial investigation performed at 30 June 2018 for the State Sector Schemes, at 30 June 2017 for PCSS, and at 1 January 2018 for JPS. EISS received an exemption from annual actuarial valuation and thus, actuarial valuations are only required triennially. The last actuarial valuation of the Scheme was performed as at 30 June 2018.

## Superannuation interest cost – Expenses from Transactions

	General			
	Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
Interest Cost	1,412	1,458	1,466	1,513
Current Service Cost	411	489	445	539
	<b>1,822</b>	<b>1,947</b>	<b>1,911</b>	<b>2,052</b>

## Superannuation recognised in Other Economic Flows – Other Comprehensive Income

	General			
	Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
Actuarial Gain/(Loss) from Superannuation	(13,364)	2,416	(14,120)	2,560
	<b>(13,364)</b>	<b>2,416</b>	<b>(14,120)</b>	<b>2,560</b>

## Net liability recognised on Statement of Financial Position

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Current	1,735	1,662	1,740	1,666
Non-current	65,961	52,538	68,970	54,756
	<b>67,696</b>	<b>54,200</b>	<b>70,711</b>	<b>56,421</b>

The increase of \$13.5 billion in General Government and \$14.3 billion for Total State Sector net liabilities over the 12 months to 30 June 2019, is largely as a result of a decrease in the liability discount rate for the State Sector Schemes and EISS from 2.65 per cent to 1.32 per cent.

## Member Numbers and Superannuation Position for AASB 119

### General Government Sector

For the year ended 30 June 2019

Member Numbers	----- NSW Public Sector Superannuation Schemes -----							Total \$m
	SASS	SANCS	SSS	PSS	PCSS	JPS	EISS	
Contributors	15,158	17,847	1,915	775	14	129	...	
Deferred Benefits	9,347	11,016	650	24	2	...	19	
Pensioners	3,483	...	47,383	6,664	277	233	584	
Pensions Fully Commuted	...	...	13,655	...	...	...	...	
<b>Superannuation Position for AASB 119 Purposes</b>								
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Accrued Liability <sup>(a)</sup>	15,281	2,434	65,393	20,187	980	1,455	744	<b>106,474</b>
Estimated Reserve Account Balance	(10,054)	(1,682)	(21,125)	(5,113)	(336)	...	(484)	<b>(38,795)</b>
Deficit/(Surplus)	5,227	752	44,268	15,074	643	1,455	260	<b>67,679</b>
Future Service Liability <sup>(b)</sup>	885	398	175	(19)	...	...	...	<b>1,438</b>
Surplus In Excess Of Recovery Available	17	0	0	...	...	...	...	<b>17</b>
<b>Net (Asset)/Liability to be Recognised in Statement of Financial Position</b>	<b>5,243</b>	<b>752</b>	<b>44,268</b>	<b>15,074</b>	<b>643</b>	<b>1,455</b>	<b>260</b>	<b>67,696</b>

For the year ended 30 June 2018

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

- (a) The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%. PCSS assets and accrued liability based on 2018 data. JPS accrued liability is projected from 2018 data (2018: 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.)



## Total State Sector

For the year ended 30 June 2019

Member Numbers	----- NSW Public Sector Superannuation Schemes -----							Total \$m
	SASS	SANCS	SSS	PSS	PCSS	JPS	EISS	
Contributors	17,195	20,006	2,037	775	14	129	336	
Deferred Benefits	9,347	11,016	712	24	2	...	20	
Pensioners	4,379	...	49,646	6,664	277	233	692	
Pensions Fully Commuted	...	...	14,646	...	...	...	...	
<b>Superannuation Position for AASB 119 Purposes</b>								
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Accrued Liability <sup>(a)</sup>	17,996	2,649	68,503	20,187	980	1,455	1,146	<b>112,915</b>
Estimated Reserve Account Balance	(11,572)	(1,783)	(22,661)	(5,113)	(336)	...	(777)	<b>(42,242)</b>
Deficit/(Surplus)	6,424	866	45,841	15,074	643	1,455	369	<b>70,673</b>
Future Service Liability <sup>(b)</sup>	938	448	192	(19)	...	...	18	<b>1,577</b>
Surplus In Excess of Recovery Available	17	0	19	...	...	...	...	<b>37</b>
<b>Net (Asset)/Liability to be Recognised in Statement of Financial Position</b>	<b>6,441</b>	<b>866</b>	<b>45,861</b>	<b>15,074</b>	<b>643</b>	<b>1,455</b>	<b>369</b>	<b>70,711</b>

For the year ended 30 June 2018

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

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

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

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

	General			
	Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
<b>Present Value of Defined Benefit Obligations at Beginning of the Period</b>	<b>92,591</b>	<b>93,839</b>	<b>98,154</b>	<b>99,478</b>
Current Service Cost	411	489	445	539
Interest Cost	2,394	2,410	2,533	2,547
Contributions by Participants	165	192	183	212
Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	17	520	19	579
Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	15,885	(335)	16,819	(351)
Actuarial (Gains)/Losses Arising from Liability Experience	(471)	(356)	(466)	(366)
Benefits Paid	(4,606)	(4,243)	(4,866)	(4,547)
Taxes, Premiums & Expenses Paid	100	154	110	162
Effects of Transfers In/Out Due to Business Combinations and Disposals	(1)	(78)	5	(80)
Settlements	(9)	...	(22)	(20)
<b>Present Value of Defined Benefit Obligations at End of the Period</b>	<b>106,474</b>	<b>92,591</b>	<b>112,915</b>	<b>98,154</b>

## Reconciliation of the Fair Value of Fund Assets

	General			
	Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
<b>Fair Value of Fund Assets at Beginning of the Period</b>	<b>38,406</b>	<b>37,568</b>	<b>41,772</b>	<b>40,912</b>
Interest Income	982	952	1,068	1,036
Actual Return on Fund Assets Less Interest Income	2,067	2,244	2,252	2,422
Employer Contributions	1,681	1,616	1,734	1,670
Contributions by Participants	165	192	183	212
Benefits Paid	(4,606)	(4,243)	(4,866)	(4,547)
Taxes, Premiums & Expenses Paid	100	154	110	162
Effects of Transfers In/Out Due to Business Combinations and Disposals	...	(77)	...	(77)
Settlements	...	...	(11)	(17)
<b>Fair Value of Fund Assets at End of the Period</b>	<b>38,795</b>	<b>38,406</b>	<b>42,242</b>	<b>41,772</b>

## Reconciliation of the Asset Ceiling

	General			
	Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
<b>Adjustment for Effect of Asset Ceiling at Beginning of the Period</b>	<b>16</b>	<b>14</b>	<b>38</b>	<b>34</b>
Interest on the Effect of Asset Ceiling	0	0	1	1
Change in the Effect of Asset Ceiling	1	2	(3)	3
<b>Adjustment for Effect of Asset Ceiling at End of the Period</b>	<b>17</b>	<b>16</b>	<b>37</b>	<b>38</b>

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

	General			
	Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
<b>Net Defined Benefit Liability/(Asset) At Beginning of the Period</b>	<b>54,200</b>	<b>56,285</b>	<b>56,421</b>	<b>58,601</b>
Current Service Cost	411	489	445	539
Net Interest on the Net Defined Benefit Liability	1,412	1,458	1,466	1,513
(Gains)/Losses Arising from Settlements	(9)	...	(11)	(3)
Actual Return on Fund Assets Less Interest Income	(2,067)	(2,244)	(2,252)	(2,422)
Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	17	519	19	579
Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	15,885	(335)	16,819	(351)
Actuarial (Gains)/Losses Arising from Liability Experience	(471)	(356)	(466)	(366)
Adjustment For Effect of Asset Ceiling	1	2	(3)	3
Employer Contributions	(1,681)	(1,616)	(1,734)	(1,670)
Effects of Transfers In/Out Due to Business Combinations and Disposals	(1)	(1)	5	(2)
<b>Net Defined Benefit Liability/(Asset) at end of the Period</b>	<b>67,696</b>	<b>54,200</b>	<b>70,711</b>	<b>56,421</b>

### Valuation Method

The Trustees' actuary, Mercer Consulting (Australia) Pty Ltd, calculated the unfunded superannuation liabilities schemes for the years ended 30 June 2019 and 30 June 2018 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 2018 Triennial Valuation and AASB 119 applying to employee benefits as at 30 June 2019.

### Significant Actuarial Assumptions

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

Significant Actuarial Assumptions	At 30 June 2019		At 30 June 2018	
	State Super Schemes, JPS, PCSS	EISS	State Super Schemes, JPS, PCSS	EISS
Discount Rate	1.32% pa	1.32% pa	2.65% pa	2.65% pa
Salary Increase Rate	3.20% pa	2.50% pa <sup>(a)</sup>	2.70% pa	1.00% pa
Rate of CPI Increase	1.75% pa <sup>(b)</sup>	1.75% pa <sup>(b)</sup>	2.25% pa	2.50% pa
Pensioner Mortality	as part of 30 June 2018 triennial valuation for State Super Schemes, as per 1 January 2018 triennial valuation for JPS, as per 2017 triennial actuarial valuation for PCSS, as per 2018 triennial actuarial valuation for EISS		as part of 30 June 2018 triennial valuation for State Super Schemes and JPS, as per 2017 triennial actuarial valuation for PCSS, as per 2015 triennial actuarial valuation for EISS	

(a) Salary Increase rate (excluding promotional increases) for EISS is for Essential Energy only.

(b) Rate of CPI increase for State Super Funds Schemes, PCSS and EISS in forward years are: 1.75% for 2019-20; 2.00% for 2020-21; 2.25% for 2021-22 and 2022-23; 2.50% pa onwards.

The economic assumptions adopted from the 2018 triennial actuarial reviews of the State Sector Schemes and EISS for the Aggregate Funding Method were:

Weighted-Average Assumption	At 30 June 2019		At 30 June 2018	
	Pooled Fund	EISS	Pooled Fund	EISS
Expected Rate of Return on Assets Backing Current Pension Liabilities	7.40% pa	5.50% pa	7.40% pa	5.50% pa
Expected Rate of Return on Assets Backing Other Liabilities	6.40% pa	5.50% pa	6.40% pa	5.50% pa
Expected salary increase rate	3.20% pa	2.60% pa <sup>(a)</sup>	2.70% pa	2.30% pa
Expected Rate of CPI Increase	2.20% pa	2.30% pa	2.20% pa	2.30% pa

(a) EISS (for Essential Energy only) salary increase rate until 30 June 2020 is 2.60% pa; 2.80% for 2020-21; then 3.30% pa thereafter.

## Funding rates

Funding arrangements are reviewed at least every three years, for JPS, the State makes regular contributions to meet the scheme's obligations as it holds no assets.

The method used to determine the employer contribution recommendations at last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the costs to the State. Employer contributions 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
	2018-19 \$m	2017-18 \$m	2018-19 Years	
Pooled Fund				
SASS	327.6	304.5	12.4	multiple of member contributions
SANCS	68.2	65.7	12.4	% member salary
SSS	1,016.5	970.7	12.4	multiple of member contributions
PSS	331.2	314.7	12.4	% of member salary
PCSS	15.6	18.6	17.0	multiple of member contributions
JPS	50.1	49.9	14.0	% member salary
EISS	4.6	5.1	11.8	Division B - multiple of member contributions Division C - % member salary Division D - multiple of member contributions

## Description of the Risks and Sensitivity Analysis Arising from the Schemes

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

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

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

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 under 'Valuation Method' above.

## Sensitivity Analysis

The State's total defined benefit obligation as at 30 June 2019 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 2019.

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 \$14,229 million, and a discount rate movement of *minus* 1.0 per cent would increase accrued liabilities by an estimated \$17,494 million.

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

	State Sector Schemes			
	Discount Rate	Rate of CPI Increase	Salary Inflation Rate	Defined Benefit Obligation (\$m)
<b>Base Case</b>	1.32%	base rate	base rate	109,334
Scenario A -1.0% Discount Rate	0.32%	base rate	base rate	126,290
Scenario B +1.0% Discount Rate	2.32%	base rate	base rate	95,569
<b>Base Case</b>	base rate	base rate	base rate	109,334
Scenario C +0.5% rate of CPI increase	base rate	above rates plus 0.5% pa	base rate	116,773
Scenario D -0.5% rate of CPI increase	base rate	above rates less 0.5% pa	base rate	102,419
<b>Base Case</b>	base rate	base rate	base rate	109,334
Scenario E +0.5% Salary Increase Rate	base rate	base rate	above rates plus 0.5% pa	109,680
Scenario F -0.5% Salary Increase Rate	base rate	base rate	above rates less 0.5% pa	108,810
<b>Base Case</b>	N/A	N/A	N/A	109,334
Scenario G Lower Mortality <sup>(a)</sup>	N/A	N/A	N/A	111,167
Scenario H Higher Mortality <sup>(b)</sup>	N/A	N/A	N/A	108,009

(a) Assumes the short term pensioner mortality improvement factors for years 2019-2023 also apply for years after 2023.

(b) Assumes the long term pensioner mortality improvement factors for years post 2023 also apply for the years 2019 to 2023.

	EISS			
	Discount Rate	Rate of CPI Increase	Salary Inflation Rate	Defined Benefit Obligation (\$m)
<b>Base Case</b>	1.32% pa	base rate	base rate	1,146
Scenario A -1.0% Discount Rate	0.32% pa	base rate	base rate	1,291
Scenario B +1.0% Discount Rate	2.32% pa	base rate	base rate	1,026
<b>Base Case</b>	base rate	base rate	base rate	1,146
Scenario C +0.5% rate of CPI increase	base rate	above rates plus 0.5% pa	base rate	1,207
Scenario D -0.5% rate of CPI increase	base rate	above rates less 0.5% pa	base rate	1,090
<b>Base Case</b>	base rate	base rate	base rate	1,146
Scenario E +0.5% Salary Increase Rate	base rate	base rate	above rates plus 0.5% pa	1,157
Scenario F -0.5% Salary Increase Rate	base rate	base rate	above rates less 0.5% pa	1,136
<b>Base Case</b>	N/A	N/A	N/A	1,146
Scenario G Lower pensioner mortality rates <sup>(c)</sup>	N/A	N/A	N/A	1,161
Scenario H Higher pensioner mortality rates <sup>(d)</sup>	N/A	N/A	N/A	1,134

(c) Assumes the short term pensioner mortality improvement factors for years 2018-2024 also apply for years after 2024.

(d) Assumes the long term pensioner mortality improvement factors for years post 2024 also apply for years 2018 to 2024.

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

	JPS			
	Discount Rate	Rate of CPI Increase	Salary Inflation Rate	Defined Benefit Obligation (\$m)
<b>Base Case</b>	1.32%	N/A	N/A	1,455
Scenario A -1.0% Discount Rate	0.32%	N/A	N/A	1,646
Scenario B +1.0% Discount Rate	2.32%	N/A	N/A	1,267
<b>Base Case</b>	base rate	N/A	N/A	1,455
Scenario C +0.5% Salary Increase Rate	base rate	N/A	above rates plus 0.5% pa	1,562
Scenario D -0.5% Salary Increase Rate	base rate	N/A	above rates less 0.5% pa	1,337
<b>Base Case</b>	N/A	N/A	N/A	1,455
Scenario E +10% pensioner mortality rates	N/A	N/A	N/A	1,381
Scenario F -10% pensioner mortality rates	N/A	N/A	N/A	1,515

	PCSS			
	Discount Rate	Rate of CPI Increase	Salary Inflation Rate	Defined Benefit Obligation (\$m)
<b>Base Case</b>	1.32%	N/A	N/A	980
Scenario A -1.0% Discount Rate	0.32%	N/A	N/A	1,182
Scenario B +1.0% Discount Rate	2.32%	N/A	N/A	824
<b>Base Case</b>	base rate	N/A	N/A	980
Scenario C +0.5% Salary Increase Rate	base rate	N/A	above rates plus 0.5% pa	1,071
Scenario D -0.5% Salary Increase Rate	base rate	N/A	above rates less 0.5% pa	898
<b>Base Case</b>	N/A	N/A	N/A	980
Scenario E +10% pensioner mortality rates	N/A	N/A	N/A	946
Scenario F -10% pensioner mortality rates	N/A	N/A	N/A	1,013

## Fair Value of Fund Assets

### State Sector Schemes

The schemes' assets are invested at arm's length through independent fund managers and have a diversified asset mix. There is no significant concentration of investment risk or liquidity risk. The Trustees monitor the asset-liability risks in setting investment strategies as well as cash flows to manage liquidity requirements. The assets of the State Sector Schemes are pooled together in the Pooled Fund, and are not separately invested for each scheme. It is therefore not possible or appropriate to disaggregate and attribute fund assets to individual schemes.

Asset category	2018-19 Total \$m	Quoted prices in active markets for identical assets			2018-19	2017-18
		Level 1 \$m	Significant observable inputs Level 2 \$m	Unobservable inputs Level 3 \$m		
Short Term Securities	4,042	2,136	1,907	0	9.6%	10.5%
Australian Fixed Interest	2,295	5	2,290	0	5.4%	5.3%
International Fixed Interest	1,968	7	1,952	9	4.7%	3.3%
Australian Equities	8,369	7,818	548	3	19.8%	22.2%
International Equities	11,387	8,795	2,592	0	27.0%	26.1%
Property	3,588	699	717	2,173	8.5%	8.9%
Alternatives	10,558	327	5,758	4,473	25.0%	23.7%
<b>Total<sup>(a)</sup></b>	<b>42,208</b>	<b>19,787</b>	<b>15,764</b>	<b>6,657</b>	<b>100.0%</b>	<b>100.0%</b>

(a) Additional to the assets disclosed above, at 30 June 2019 the Pooled Fund has provisions for receivables/ (payables) estimated to be around \$1.63 billion. This gives total estimated assets of \$43.84 billion. The total includes assets for schemes outside NSW government.

The fair value of the Pooled Fund assets as at 30 June 2019 includes \$100 million in NSW government bonds.

Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$316 million (30 June 2018: \$280 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value of \$331 million (30 June 2018: \$287 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 assets are invested in accordance with member investment choices. For assets that are not subject to member investment choice, the percentage invested in each asset class at the reporting date is:

Asset category	2018-19				2018-19	2017-18
	Total \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m		
Australian Equities	329	...	329	...	16.0%	18.0%
International Equities	515	...	515	...	25.0%	28.0%
Property	226	...	226	...	11.0%	8.0%
Private Equity	41	...	41	...	2.0%	1.0%
Infrastructure	123	...	123	...	6.0%	7.0%
Alternatives	82	...	82	...	4.0%	5.0%
Fixed Income	638	...	638	...	31.0%	28.0%
Cash	103	...	103	...	5.0%	5.0%
<b>Total</b>	<b>2,058</b>	<b>...</b>	<b>2,058</b>	<b>...</b>	<b>100.0%</b>	<b>100.0%</b>

## JPS and PCSS

There are no assets in JPS. The State makes regular contributions to meet the scheme's obligations. For PCSS the asset categories split was not available at 30 June 2019.

## 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	
	2018-19 \$m	2017-18 \$m	2018-19 \$m	2017-18 \$m
Accrued Benefits	52,019	52,351	55,471	55,779
Net Market Value of Fund assets	(38,795)	(38,406)	(42,242)	(41,772)
<b>Net (Surplus)/Deficit</b>	<b>13,225</b>	<b>13,945</b>	<b>13,228</b>	<b>14,007</b>

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

The NSW Government's commitment under the *Fiscal Responsibility Act 2012* to fully fund the State Sector Schemes by 2030, is measured in accordance with AASB 1056.



## 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.

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the unwinding of the discount rate in the current period is recognised as interest expense in 'Expenses from Transactions'. The impact of any discount rate changes on the provisions at the end of the period, due to the revaluation of future liabilities, are recognised in 'Other Economic Flows'.

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

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

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

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Current	2,890	2,446	3,295	2,889
Non-current	8,715	7,764	14,890	12,511
	<b>11,604</b>	<b>10,210</b>	<b>18,185</b>	<b>15,400</b>
<b>These comprise:</b>				
Outstanding Claims:				
Self Insurance Corporation (Excluding Self Funded Worker's Compensation)	4,102	3,692	4,102	3,692
Workers' Compensation (Dust Diseases)	1,949	1,827	1,949	1,827
Lifetime Care And Support Scheme	...	...	6,186	4,747
State Insurance Regulatory Authority	258	144	258	144
Long Service Corporation Schemes	1,458	1,226	1,458	1,226
HIH Loss Compensation	7	16	7	16
Victims Support Fund	135	131	135	131
NSW Share of University Superannuation	1,442	1,279	1,442	1,279
Provision for Land Remediation, Restoration Costs and Other Claims	2,253	1,895	2,647	2,338
<b>Total Other Provisions</b>	<b>11,604</b>	<b>10,210</b>	<b>18,185</b>	<b>15,400</b>
<b>Insurance Recoveries Receivable Include those Accrued by:</b>				
Self Insurance Corporation - for Reinsurance and Other Recoveries Receivable	251	222	251	222
Workers' Compensation (Dust Diseases) Authority - Insurance Levies Accrued	615	584	615	584
	<b>866</b>	<b>806</b>	<b>866</b>	<b>806</b>

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

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

	TMF		GWC		TAC	
	2019	2018	2019	2018	2019	2018
	%	%	%	%	%	%
Not Later Than One Year						
Inflation Rate	1.7 - 2.9	2.2 - 2.7	2.3 - 2.6	2.6	2.3 - 2.9	2.2 - 2.7
Discount Rate	0.9 - 1.1	1.8 - 2.0	1.0	2.0	0.9 - 1.1	1.8 - 2.0
Superimposed Inflation <sup>(a)</sup>	1.5 - 2.5	1.5 - 3.5	0 - 1.8	0 - 1.5	3.5	3.5
Later Than One Year						
Inflation Rate	0.3 - 3.5	2.0 - 3.5	0.8 - 3.5	2.2 - 3.6	1.3 - 3.5	2.9 - 3.5
Discount Rate	0.9 - 4.5	1.8 - 2.0	0.9 - 4.5	2.1 - 4.5	0.8 - 4.5	1.8 - 2.0
Superimposed Inflation <sup>(a)</sup>	1.5 - 2.5	1.5 - 3.5	0 - 1.8	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 2019, this liability was actuarially assessed by the agencies' consulting actuaries.
- The provision for Lifetime Care and Support covers the care and support services for persons catastrophically injured from motor accidents in New South Wales, regardless of who was at fault in the accident, as per the *Motor Accidents (Lifetime Care and Support) Act 2006*. As at 30 June 2019, this liability was actuarially assessed by the agencies' consulting actuaries.
- The provision for State Insurance Regulatory Authority (previously WorkCover Authority) covers claims assumed by the State from some failed insurance companies. The liabilities cover claims incurred but not yet paid, incurred but not yet reported and the anticipated fund management fees in respect of the management of those claims. As at 30 June 2019, liabilities for compensation payments and estimated compensation for future claims was actuarially assessed by the agencies' consulting actuaries.

- The provision for Long Service Corporation Schemes include the provisions for long service leave levies to be paid under the *Building and Construction Industry Long Service Payments Act 1986* and the *Contract Cleaning Industry (Portable Long Service Leave Scheme) Act 2010*. As at 30 June 2019, this liability was actuarially assessed by the agencies' consulting actuaries.
- A provision for loss compensation associated with the former HIH Insurance Limited has been raised by the State for building warranty insurance and for motor vehicle claims. As at 30 June 2019, these liabilities were actuarially assessed by the agencies' consulting actuaries.
- A provision exists for The Victims' Support Scheme (VSS), which was created on 3 June 2013 through legislation known as the *Victims' Rights and Support Act 2013*. This Act replaced the Victims' Compensation Scheme (VCS), legislated through the *Victims' Support and Rehabilitation Act 1996*, and was closed to new applications for support on 7 May 2013. The VSS provides victims of violent crime, upon application after 7 May 2013 and within an eligibility period of 2 to 10 years from the date of the occurrence of a violent act of crime, support in the form counselling services, financial assistance and recognition payments. Violent acts can include assault, sexual assault, child sexual assault, domestic violence, robbery, homicide and other eligible violent acts.

The Department of Justice has obtained actuarial advice from an independent actuary to determine a liability provision as at 30 June 2019 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 2019, this liability for universities superannuation was actuarially assessed by the agencies consulting actuaries.

Key actuarial assumptions adopted for other Schemes are as follows:

Scheme	Discount Rate %		Inflation Rate %	
	2019	2018	2019	2018
<b>Claims expected to be paid not later than one year</b>				
Workers' Compensation (Dust Diseases)	1.0	2.0	2.3	2.4
Lifetime Care and Support <sup>(a)</sup>	1.0 - 1.1	1.8 - 2.0	2.2 - 2.5	2.2 - 2.9
State Insurance Regulatory Authority	0.9	2.1	2.3	2.4
Building and Construction Industry Long Service Payment Scheme	1.4	2.6	3.0	3.0
HIH Loss Compensation	1.0	2.0	1.8	2.4
<b>Claims expected to be paid later than one year</b>				
Workers' Compensation (Dust Diseases)	1.9	2.9	2.0	2.5
Lifetime Care and Support	0.9 - 3.8	2.0 - 4.2	0.8 - 3.0	3.0 - 3.8
State Insurance Regulatory Authority	0.8 - 5.0	2.3 - 5.5	2.4 - 3.1	2.5 - 3.5
Building and Construction Industry Long Service Payments Scheme	1.4	2.6	3.0	3.0
HIH Loss Compensation	1.0	2.0	2.3	2.4

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

### 2018-19 Movement in Other Provisions

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

### 2017-18 Movement in Other Provisions

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

## Total State Sector

### 2018-19 Movement in Other Provisions

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

### 2017-18 Movement in Other Provisions

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

## Note 24: Other Liabilities

### Other Liabilities

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

Deferred revenues are initially recognised at the fair value of the consideration received and subsequently amortised over the contract term or when the obligation is satisfied.

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

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Current	1,528	1,276	12,639	11,716
Non-current	4,606	4,947	4,711	5,006
	<b>6,134</b>	<b>6,223</b>	<b>17,350</b>	<b>16,721</b>
<b>Other Liabilities Comprise:</b>				
Deferred Revenue on the Private Provision of Infrastructure <sup>(a)</sup>	512	531	512	531
Other Deferred Revenue <sup>(b)</sup>	4,801	4,888	5,112	5,090
Other <sup>(c)</sup>	822	804	11,726	11,101
	<b>6,134</b>	<b>6,223</b>	<b>17,350</b>	<b>16,721</b>

- (a) Payments received by the State for the reimbursement of development costs under various privately financed Infrastructure projects following the letting of the Lane Cove Tunnel, Cross City Tunnel and the Western M7 Motorway contracts. Payments were also received for the Lane Cove Tunnel and M7 Motorway concession payments and the M2 and Eastern Distributor promissory notes. These up-front payments are amortised over the life of the concession period.
- (b) Amounts in 2019 include the upfront contribution of \$2,551 million for the 35-year concession with the private sector for the provision of land titling and registry services, developer contributions of \$340 million in relation to Central Barangaroo and \$661 million relates to different licences.
- (c) Other liabilities of the Total State Sector include interests in TCorpIM Funds of investors that are not controlled by the State of \$10,289 million (2018: \$9,661 million).

## Note 25: Financial Instruments

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

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

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

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

### Risk Management Framework

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

As part of this framework, the Treasury administers the *Government Sector Finance Act 2018 (2018: Public Authorities (Financial Arrangements) Act 1987)* which is the sole source of legal power for government authorities to enter into financial arrangements.

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

NSW Treasury Corporation (TCorp) is the State's central borrowing and investing authority. TCorp holds a level of investments for liquidity management purposes and, as the State's central investing authority, manages the majority of the State's investments. Bondholders include local and overseas individuals and financial institutions. TCorp manages credit risk associated with its financial assets through the selection of counterparties, establishment of minimum credit rating criteria and monitoring of credit utilisation against limits. Government agencies typically set debt / investment strategies which are then delegated to TCorp to execute on their behalf.

The State also holds borrowings that have not been made through TCorp but were made directly by individual State agencies under the authority of the *Government Sector Finance Act 2018 (2018: 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.

## Accounting Classifications and Fair Values

### Financial Instrument Categories

The State's financial instruments are classified at 30 June 2019, under AASB 9 *Financial Instruments*, as follows:

	Category	Note	General	Total State Sector
			Government Sector 2019 \$m	2019 \$m
<b>Financial Assets</b>				
Cash and Cash Equivalents	Amortised Cost	6	1,969	8,979
Receivables <sup>(a)</sup>	Amortised Cost	7	4,234	4,452
Advances Paid	Amortised Cost	9	1,193	715
Investments, Loans and Placements				
Financial Assets at Fair Value				
Derivatives (Held for Trading)	Mandatorily at FVTPL	8	3	845
Derivatives (Designated Hedging Instrument)	Fair Value - Hedging Instrument	8	21	25
Interest Bearing Securities	Mandatorily at FVTPL	8	267	31,891
TCorpIM Funds	Mandatorily at FVTPL	8	42,984	(0)
Managed Funds and Other Investments	Mandatorily at FVTPL	8	56	11,798
Other Financial Assets				
Term Deposits	Amortised Cost	8	1,462	1,274
Finance Leases Receivable	Amortised Cost	8	1,058	1,441
Other	Amortised Cost	8	71	78
Equity Investments in Other Public Sector Entities <sup>(b)(c)</sup>	Designated at FVOCI	10	98,990	...
Other Equity Investments	Mandatorily at FVTPL	10	8	24,468
<b>Financial Liabilities</b>				
Deposits Held	Designated at FVTPL	17	...	156
	Amortised Cost	17	67	137
Payables <sup>(d)</sup>	Amortised Cost	18	6,867	8,123
Advances	Amortised Cost		756	756
Borrowings	Designated at FVTPL	19	...	71,777
	Amortised Cost	20	37,656	7,151
Derivatives (Held for Trading)	Mandatorily at FVTPL	19	207	977
Derivatives (Designated Hedging Instrument)	Fair Value - Hedging Instrument	19	...	3
Other Liabilities				
Interests in TCorpIM Funds of Investors Not Controlled by the State	Designated at FVTPL	24	...	10,289

(a) Financial instrument disclosures exclude statutory receivables not within the scope of AASB 7. Statutory receivables include taxation, fines and levies receivable totalling \$3,256 million for the General Government Sector and \$3,075 million for the Total State Sector.

(b) Changes in the carrying amount of Equity Investments in Other Public Sector Entities are accounted for in a manner consistent with Equity Investments at FVOCI under AASB 9. Whilst this balance is not within the scope of AASB 7, the State has disclosed the 1 July 2018 AASB 9 transition impacts on this balance within Note 25.

(c) Financial instrument disclosures exclude Investments in Associates of \$12,055 million for the General Government Sector and \$12,057 million for the Total State Sector not within the scope of AASB 7.

(d) Financial instrument disclosures exclude statutory payables not within the scope of AASB 7. Statutory payables include fringe benefits tax, goods and services tax payables and insurance fund scheme balances repayable totalling \$212 million for the General Government Sector and \$234 million for the Total State Sector.



The State's financial instruments are classified under AASB 139 *Financial Instruments: Recognition and Measurement* at 30 June 2018 as follows:

	Note	General	
		Government Sector	Total State Sector
		2018	2018
		\$m	\$m
<b>Financial Assets</b>			
<b>Category</b>			
Cash and Cash Equivalents <sup>(a)</sup>	6	5,417	13,969
Receivables <sup>(b)(c)</sup>	7	3,934	3,885
Advances Paid	9	1,017	644
Investments, Loans and Placements			
Financial Assets at Fair Value			
Derivatives (Held for Trading)	8	(0)	551
Derivatives (Designated Hedging Instrument)	8	1	6
Interest Bearing Securities <sup>(a)</sup>	8	263	29,806
TCorpIM Funds	8	32,255	...
Managed Funds and Other Investments	8	58	7,280
Other Financial Assets			
Term Deposits	8	4,370	2,840
Finance Leases Receivable	8	981	1,411
Other	8	205	205
Equity Investments in Other Public Sector Entities <sup>(d)(e)</sup>	10	112,911	...
Other Equity Investments	10	722	889
	10	...	19,531
<b>Financial Liabilities</b>			
Deposits Held	17	...	164
	17	130	221
Payables <sup>(f)(g)</sup>	18	7,027	8,572
Advances		797	797
Borrowings	19	3	63,172
	20	32,441	7,457
Derivatives (Held for Trading)	19	0	538
Derivatives (Designated Hedging Instrument)	19	2	126
Other Liabilities			
Interests in TCorpIM Funds of Investors Not Controlled by the State	24	...	9,661

- (a) TCorp has reassessed its holdings of Reverse Repurchase Agreements which has resulted in a reclassification of \$1,002 million from Interest Bearing Securities, included as part of Note 8: Investments, Loans and Placements, to Note 6: Cash and Cash Equivalents.
- (b) Financial instrument disclosures exclude statutory receivables not within the scope of AASB 7. Statutory receivables include taxation, fines and levies receivable totalling \$2,787 million for the General Government Sector and \$2,662 million for the Total State Sector.
- (c) Receivables of \$321 million for the General Government Sector and Total State Sector were reclassified from Contractual Receivables to Statutory Receivables for 2017-18.
- (d) Changes in the carrying amount of Equity Investments in Other Public Sector Entities were accounted for in a manner consistent with Available for Sale financial assets under AASB 139 for 2017-18. Whilst this balance is not within the scope of AASB 7, the State has disclosed the 1 July 2018 AASB 9 transition impacts on this balance within Note 25.
- (e) Financial instrument disclosures exclude Investments in Associates of \$5,987 million for the General Government Sector and \$5,988 million for the Total State Sector not within the scope of AASB 7.
- (f) Financial instrument disclosures exclude statutory payables not within the scope of AASB 7. Statutory payables include fringe benefits tax, goods and services tax payables and insurance fund scheme balances repayable totalling \$224 million for the General Government Sector and \$261 million for the Total State Sector.
- (g) Payables of \$129 million for the General Government Sector and Total State Sector were reclassified from Contractual Payables to Statutory Payables for 2017-18.

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

## Financial Instruments Net Gains and Losses by Financial Instrument Categories

The following table summarises financial instruments net gains and losses ('other economic flows') recognised in the operating result throughout the current reporting period ended 30 June 2019 by AASB 9 financial instrument measurement classifications.

30 June 2019	General Government Sector \$m	Total State Sector \$m
<b>Non-Derivative Financial Assets</b>		
Mandatorily at FVTPL <sup>(a)</sup>	14,607	15,235
<b>Total</b>	<b>14,607</b>	<b>15,235</b>
<b>Non-Derivative Financial Liabilities</b>		
Designated at FVTPL	...	(3,128)
Amortised Cost	(147)	2
<b>Total</b>	<b>(147)</b>	<b>(3,126)</b>
<b>Derivative Financial Instruments</b>		
FVTPL – Held for Trading	(203)	(237)
Fair Value - Hedging Instrument	4	4
<b>Total</b>	<b>(199)</b>	<b>(233)</b>
<b>Net Total<sup>(b)(c)(d)</sup></b>	<b>14,261</b>	<b>11,876</b>

(a) This amount includes \$13.2 billion in relation to the West Connex Group transaction occurring during the reporting period ended 30 June 2019. Refer to Note 5: Discontinued Operations for further information.

(b) The net total equates to the sum of Fair Value Adjustments to Financial Instruments and Net Gains / Losses on Financial Assets at Fair Value through Profit and Loss amounts reported in Note 4: Other Economic Flows Included in the Operating Result.

(c) Refer to Note 2: Revenue - Other Dividend and Distributions for distributions throughout 2018-19 from Managed Funds mandatorily measured at FVTPL.

(d) Refer to Other Economic Flows – Other Comprehensive Income in the Consolidated Statement of Comprehensive Income for gains and losses deferred to equity in the Hedging Reserve for Fair Value – Hedging Financial Instruments ('Net Gain/(Loss) on Financial Instruments at Fair Value') and in the Financial Assets at Fair Value through Other Comprehensive Income Reserve for Equity Investments designated at FVOCI ('Net Gain/(Loss) on Equity Instruments at Fair Value through Other Comprehensive Income').

The following table summarises financial instruments net gains and losses ('other economic flows') recognised in the operating result throughout the comparative reporting period ended 30 June 2018 by AASB 139 financial instrument measurement classifications.

30 June 2018	General Government Sector \$m	Total State Sector \$m
<b>Non-Derivative Financial Assets</b>		
Designated at FVTPL	528	761
<b>Total</b>	<b>528</b>	<b>761</b>
<b>Non-Derivative Financial Liabilities</b>		
Designated at FVTPL	...	399
Amortised Cost	(304)	1
<b>Total</b>	<b>(304)</b>	<b>400</b>
<b>Derivative Financial Instruments</b>		
FVTPL – Held for Trading	60	17
Fair Value - Hedging Instrument	(1)	0
<b>Total</b>	<b>59</b>	<b>17</b>
<b>Net Total<sup>(a)(b)(c)</sup></b>	<b>283</b>	<b>1,178</b>

- (a) The net total equates to the sum of Fair Value Adjustments to Financial Instruments amounts reported in Note 4: Other Economic Flows Included in the Operating Result.
- (b) Refer to Note 2: Revenue - Other Dividend and Distributions for distributions received throughout 2017-18 from Managed Funds designated at FVTPL.
- (c) Refer to Other Economic Flows – Other Comprehensive Income in the Consolidated Statement of Comprehensive Income for gains and losses deferred to equity in the Hedging Reserve for Fair Value – Hedging Financial Instruments ('Net Gain/(Loss) on Financial Instruments at Fair Value') and in the Available for Sale Reserve for Available for Sale Equity Investments ('Net Gain/(Loss) on Equity Instruments in Other Sectors').

### Interest Revenue and Interest Expense by Financial Instrument Category

The following table summarises interest revenue and expense recognised throughout the current reporting period ended 30 June 2019 by AASB 9 financial instrument measurement classifications.

30 June 2019	General Government Sector \$m	Total State Sector \$m
<b>Interest Revenue From:</b>		
Financial Assets at Amortised Cost	484	464
Financial Assets at FVTPL	7	338
<b>Total<sup>(a)</sup></b>	<b>491</b>	<b>801</b>
<b>Interest Expense From:</b>		
Financial Liabilities at Amortised Cost	1,544	616
Financial Liabilities at FVTPL	...	2,161
<b>Total<sup>(b)</sup></b>	<b>1,544</b>	<b>2,777</b>

- (a) Interest revenue of \$491 million for the General Government Sector and \$801 million for the Total State Sector equates to total interest revenue reported in Note 2: Revenue – Interest.
- (b) Interest expense of \$1,544 million for the General Government Sector equates to the sum of Interest on Borrowings of \$1,331 million and Interest on Finance Leases of \$213 million reported in Note 3: Expenses – Interest Expense. Interest expense of \$2,777 million for the Total State Sector equates to the sum of Interest on Borrowings of \$2,299 million and Interest on Finance Leases of \$478 million reported in Note 3: Expenses – Interest Expense.

The following table summarises interest revenue and expense recognised throughout the comparative reporting period ended 30 June 2018 by AASB 139 financial instrument measurement classifications.

30 June 2018	General Government Sector \$m	Total State Sector \$m
<b>Interest Revenue From:</b>		
Financial Assets at Amortised Cost	548	743
Financial Assets at FVTPL	9	329
<b>Total<sup>(a)</sup></b>	<b>558</b>	<b>1,072</b>
<b>Interest Expense From:</b>		
Financial Liabilities at Amortised Cost	1,537	814
Financial Liabilities at FVTPL	...	2,178
<b>Total<sup>(b)</sup></b>	<b>1,537</b>	<b>2,992</b>

- (a) Interest revenue of \$558 million for the General Government Sector and \$1,072 million for the Total State Sector equates to total interest revenue reported in Note 2: Revenue – Interest.
- (b) Interest expense of \$1,537 million for the General Government Sector equates to the sum of Interest on Borrowings of \$1,297 million and Interest on Finance Leases of \$240 million reported in Note 3: Expenses – Interest Expense. Interest expense of \$2,992 million for the Total State Sector equates to the sum of Interest on Borrowings of \$2,453 million and Interest on Finance Leases of \$539 million reported in Note 3: Expenses – Interest Expense.

## Valuation of Financial Instruments

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

### Fair Value Hierarchy of Financial Assets and Liabilities

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

#### General Government Sector

30 June 2019	Note	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Financial Assets</b>					
Investments, Loans and Placements					
Derivatives					
Held for Trading	8	3	0	...	3
Designated and Effective Hedging Instruments	8	...	20	1	21
Financial Assets at Fair Value					
Interest Bearing Securities	8	8	259	...	267
TCorpIM Funds	8	...	42,984	...	42,984
Managed Funds and Other Investments	8	56	...	...	56
Other Equity Investments	10	...	0	8	8
<b>Total</b>		<b>67</b>	<b>43,263</b>	<b>9</b>	<b>43,339</b>
<b>Financial Liabilities</b>					
Derivatives					
Held for Trading	19	11	196	...	207
<b>Total</b>		<b>11</b>	<b>196</b>	<b>...</b>	<b>207</b>
<b>Net Total</b>		<b>56</b>	<b>43,067</b>	<b>9</b>	<b>43,132</b>

30 June 2018	Note	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Financial Assets</b>					
Investments, Loans and Placements					
Derivatives					
Held for Trading	8	0	0	...	0
Designated and Effective Hedging Instruments	8	...	2	...	2
Financial Assets at Fair Value					
Interest Bearing Securities <sup>(a)</sup>	8	18	245	...	263
TCorpIM Funds	8	...	32,255	...	32,255
Managed Funds and Other Investments <sup>(b)</sup>	8	58	...	...	58
Other Equity Investments	10	(0)	42	680	722
<b>Total</b>		<b>76</b>	<b>32,544</b>	<b>680</b>	<b>33,300</b>
<b>Financial Liabilities</b>					
Derivatives					
Held for Trading	19	...	0	...	0
Designated and Effective Hedging Instruments	19	...	2	...	2
Borrowings at Fair Value					
Other Fair Value Borrowings	19	...	3	...	3
<b>Total</b>		<b>...</b>	<b>5</b>	<b>...</b>	<b>5</b>
<b>Net Total</b>		<b>76</b>	<b>32,539</b>	<b>680</b>	<b>33,295</b>

(a) \$6 million of Interest Bearing Securities have been reclassified from level 2 to level 1 of the fair value hierarchy after subsequent issue of the 2017-18 Total State Sector Accounts.

(b) \$58 million of Managed Funds and Other Investments have been reclassified from level 2 to level 1 of the fair value hierarchy after subsequent issue of the 2017-18 Total State Sector Accounts.

## Total State Sector

30 June 2019	Note	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Financial Assets</b>					
Investments, Loans and Placements					
Derivatives					
Held for Trading	8	30	815	...	845
Designated and Effective Hedging Instruments	8	2	22	1	25
Financial Assets at Fair Value					
Interest Bearing Securities	8	7,232	24,524	135	31,891
Managed Funds and Other Investments	8	806	7,792	3,200	11,798
Other Equity Investments	10	24,328	0	140	24,468
<b>Total</b>		<b>32,398</b>	<b>33,153</b>	<b>3,476</b>	<b>69,027</b>
<b>Financial Liabilities</b>					
Deposits Held					
Held by Public Financial Corporations	17	156	...	...	156
Derivatives					
Held for Trading	19	12	965	...	977
Designated and Effective Hedging Instruments	19	2	1	...	3
Borrowings at Fair Value					
Bonds and Other Borrowings Issued by TCorp	19	61,678	9,372	727	71,777
Other Liabilities					
Interests in TCorpIM Funds of Investors Not Controlled by the State	24	...	10,289	...	10,289
<b>Total</b>		<b>61,848</b>	<b>20,627</b>	<b>727</b>	<b>83,202</b>
<b>Net Total</b>		<b>(29,450)</b>	<b>12,526</b>	<b>2,749</b>	<b>(14,175)</b>

30 June 2018	Note	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Financial Assets</b>					
Investments, Loans and Placements					
Derivatives					
Held for Trading	8	10	541	...	551
Designated and Effective Hedging Instruments	8	1	5	...	6
Financial Assets at Fair Value					
Interest Bearing Securities <sup>(a)(b)</sup>	8	3,477	26,211	118	29,806
Managed Funds and Other Investments <sup>(c)</sup>	8	303	4,049	2,928	7,280
Other Equity Investments	10	19,574	43	803	20,420
<b>Total</b>		<b>23,366</b>	<b>30,849</b>	<b>3,849</b>	<b>58,064</b>
<b>Financial Liabilities</b>					
Deposits Held					
Held by Public Financial Corporations	17	164	...	...	164
Derivatives					
Held for Trading	19	28	511	...	538
Designated and Effective Hedging Instruments	19	1	125	...	126
Borrowings at Fair Value					
Bonds and Other Borrowings Issued by TCorp <sup>(d)</sup>	19	55,348	6,054	636	62,039
Other Fair Value Borrowings	19	...	1,133	...	1,133
Other Liabilities					
Interests in TCorpIM Funds of Investors Not Controlled by the State	24	...	9,661	...	9,661
<b>Total</b>		<b>55,541</b>	<b>17,484</b>	<b>636</b>	<b>73,662</b>
<b>Net Total</b>		<b>(32,176)</b>	<b>13,366</b>	<b>3,213</b>	<b>(15,599)</b>

- (a) TCorp has reassessed its holdings of Reverse Repurchase Agreements which has resulted in a reclassification of \$1,002 million from Interest Bearing Securities, included as part of Note 8: Investments, Loans and Placements, to Note 6: Cash and Cash Equivalents. This adjustment has resulted in a reduction of Interest Bearing Securities included in the fair value hierarchy at level 2 by \$1,002 million.
- (b) \$434 million of Interest Bearing Securities have been reclassified from level 2 to level 1 of the fair value hierarchy after subsequent issue of the 2017-18 Total State Sector Accounts.
- (c) \$196 million of Managed Funds and Other Investments have been reclassified from level 2 to level 1 after the subsequent issue of the 2017-18 Total State Sector Accounts.
- (d) \$323 million of Bonds and Other Borrowings Issued by TCorp have been reclassified from level 1 to level 2 after the subsequent issue of the 2017-18 Total State Sector Accounts.

## Annual Movement Reconciliation of Level 3 Fair Value Measurements

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

### General Government Sector

	Note	Derivative Assets - Held for Trading		Derivative Assets - Designated and Effective Hedging Instruments		Other Equity Instruments		Total Recurring Level 3 Fair Value	
		8		8		10			
		2019	2018	2019	2018	2019	2018	2019	2018
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Financial Assets</b>									
Opening Balance		...	41	...	...	680	659	<b>680</b>	<b>700</b>
Gains or Loss Recognised in Other Economic Flows									
Included in the Operating Result		...	...	...	...	...	21	...	<b>21</b>
Included in Other Comprehensive Income		...	...	...	...	(680)	...	<b>(680)</b>	...
Sales / Settlements		...	(41)	...	...	...	...	...	<b>(41)</b>
Transfers into Level 3		...	...	1	...	8	...	<b>9</b>	...
<b>Closing Balance</b>		...	...	<b>1</b>	...	<b>8</b>	<b>680</b>	<b>9</b>	<b>680</b>
<b>Net Total</b>		...	...	<b>1</b>	...	<b>8</b>	<b>680</b>	<b>9</b>	<b>680</b>

### Total State Sector

	Note	Derivative Assets - Held for Trading		Derivative Assets - Designated and Effective Hedging Instruments		Interest Bearing Securities		Managed Funds and Other Investments		Other Equity Instruments		Bonds and Other Borrowings Issued by TCorp		Total Recurring Level 3 Fair Value	
		8		8		8		8		10		19			
		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Financial Assets</b>															
Opening Balance		...	41	...	...	118	...	2,929	2,246	803	779	...	...	<b>3,849</b>	<b>3,066</b>
Gains or Loss Recognised in Other Economic Flows															
Included in the Operating Result		...	...	...	...	4	1	140	163	9	24	...	...	<b>154</b>	<b>188</b>
Included in Other Comprehensive Income		...	...	...	...	...	...	...	...	(680)	...	...	...	<b>(680)</b>	...
Purchases		...	...	...	...	4	117	226	550	...	...	...	...	<b>230</b>	<b>668</b>
Sales / Settlements		...	(41)	...	...	(0)	...	(95)	(31)	(0)	...	...	...	<b>(96)</b>	<b>(73)</b>
Transfers into Level 3		...	...	1	...	9	...	...	...	8	0	...	...	<b>18</b>	<b>0</b>
<b>Closing Balance</b>		...	...	<b>1</b>	...	<b>135</b>	<b>118</b>	<b>3,200</b>	<b>2,928</b>	<b>140</b>	<b>803</b>	...	...	<b>3,476</b>	<b>3,849</b>
<b>Financial Liabilities</b>															
Opening Balance		...	...	...	...	...	...	...	...	...	...	636	622	<b>636</b>	<b>622</b>
Gains or Loss Recognised in Other Economic Flows															
Included in the Operating Result		...	...	...	...	...	...	...	...	...	...	103	28	<b>103</b>	<b>28</b>
Sales / Settlements		...	...	...	...	...	...	...	...	...	...	(13)	(14)	<b>(13)</b>	<b>(14)</b>
<b>Closing Balance</b>		...	...	...	...	...	...	...	...	...	...	<b>727</b>	<b>636</b>	<b>727</b>	<b>636</b>
<b>Net Total</b>		...	...	<b>1</b>	...	<b>135</b>	<b>118</b>	<b>3,200</b>	<b>2,928</b>	<b>140</b>	<b>803</b>	<b>(727)</b>	<b>(636)</b>	<b>2,749</b>	<b>3,213</b>

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the transfer has occurred. Transfers into level 3 of the fair value hierarchy for the year ended 30 June 2019 totalled \$9 million for the General Government Sector and \$18 million for the Total State Sector (2018: Nil).

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

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## Measurement of Fair Values

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

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

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

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

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

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

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



*Financial Instruments Measured at Fair Value – Level 3*

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

Type	Valuation technique	Significant unobservable inputs	Relationship between inputs and fair value
Managed Funds and Other Investments (Note 8)	Unlisted managed investment funds and unit trusts held in TCorpIM Fund Trusts, that are classified at Level 3, are infrequently traded. These investments directly hold assets such as unlisted property or unlisted infrastructure which require significant valuation estimation and judgement by the fund manager and their valuer.	The Fund's investment in unlisted managed investment funds is carried at fair value based on redemption value per unit reported by the manager of the funds. The unobservable inputs are published redemption prices.	There were no significant inter-relationships between unobservable inputs that materially affect fair value.
Other Equity Investments (Note 10) and Interest-Bearing Securities (Note 8)	Unlisted equity securities and loan notes held in TCorpIM Fund Trusts, that are classified at Level 3, are infrequently traded. As observable prices are not available for these investments, valuation techniques are used to derive fair value. The valuation technique employed in most cases is discounted cashflows (the income approach).	The significant unobservable inputs for these investments are the inflation rate, discount rate and terminal growth rates used in the discounted cashflows valuation.	There were no significant inter-relationships between unobservable inputs that materially affect fair value.
Borrowings Measured at Fair Value - Bonds and Other Borrowings Issued by TCorp (Note 19)	Euro Medium Term Notes held by TCorp are classified at Level 3 in the fair value hierarchy. These instruments are foreign currency denominated fixed interest borrowings. The fair value of these borrowings is derived from quoted market prices of the underlying securities adjusted by unobservable inputs for risk.	The quoted prices obtained for these securities are subject to a buy/sell spread (also known as a risk adjustment) in recognition of the limited trading activity of these bonds. This 'spread' is unobservable.	There were no significant inter-relationships between unobservable inputs that materially affect fair value.

### Financial Instruments Not Measured at Fair Value

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

The amortised cost of cash and cash equivalents, receivables, advances paid, finance leases receivable, term deposits, payables, deposits held, and advances held are assumed to approximate fair value.

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

30 June 2019		General Government Sector		Total State Sector	
		Note	Carrying Amount \$m	Fair Value \$m	Carrying Amount \$m
<b>Financial Assets</b>					
Investments, Loans and Placements					
Other Financial Assets					
Other	8	71	144	78	151
<b>Total</b>		<b>71</b>	<b>144</b>	<b>78</b>	<b>151</b>
<b>Financial Liabilities</b>					
Borrowings at Amortised Cost					
Other Borrowings at Amortised Cost	20	33,233	37,392	31	31
Finance Leases	20	2,590	2,590	5,287	5,440
Financial Liability arising from Public Private Partnership (PPP)	20	1,834	1,834	1,834	1,834
<b>Total</b>		<b>37,656</b>	<b>41,816</b>	<b>7,151</b>	<b>7,304</b>

30 June 2018		General Government Sector		Total State Sector	
		Note	Carrying Amount \$m	Fair Value \$m	Carrying Amount \$m
<b>Financial Assets</b>					
Investments, Loans and Placements					
Other Financial Assets					
Other	8	205	261	205	262
<b>Total</b>		<b>205</b>	<b>261</b>	<b>205</b>	<b>262</b>
<b>Financial Liabilities</b>					
Borrowings at Amortised Cost					
Other Borrowings at Amortised Cost <sup>(a)</sup>	20	29,457	31,521	2,155	2,155
Finance Leases	20	2,984	2,984	5,302	5,421
<b>Total<sup>(a)</sup></b>		<b>32,441</b>	<b>34,505</b>	<b>7,457</b>	<b>7,576</b>

(a) The 2017-18 reported fair value of \$34.49 billion for Other Borrowings at Amortised Cost has been revised and increased by \$12 million to \$34.51 billion after subsequent issue of the 2017-18 Total State Sector Accounts.

Other borrowings at amortised cost held by the General Government Sector is the only financial instrument category where fair value significantly differs from the carrying amount. The fair value is based on the State's share of the value of the underlying assets of the facility, based on the market value. Other borrowings at amortised cost are included in the fair value hierarchy at level 2.

## Offsetting Financial Instruments

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

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

The following tables set out the carrying amounts of recognised financial instruments for the Total State Sector that are offset in the Statement of Financial Position and those that are not offset but are subject to master netting agreements. The General Government Sector has not offset any material financial instrument balances in the Statement of Financial Position or entered into any significant master netting arrangements as at 30 June 2019 (2018: Nil).

### Total State Sector

30 June 2019	Note	Effects of Offsetting on the Balance Sheet			Related Amounts Not Offset		
		Gross Amounts \$m	Gross Amounts Offset in the Statement of Financial Position \$m	Net Amounts Presented in the Statement of Financial Position \$m	Amounts Subject to Master Netting Arrangements \$m	Financial Instrument Collateral \$m	Net Amount \$m
<b>Financial Assets</b>							
Cash and Cash Equivalents	6	8,979	...	8,979	...	(1,096)	<b>7,883</b>
Investments, Loans and Placements							
Financial Assets at Fair Value							
Derivatives - Held for Trading	8	848	(3)	845	(632)	(158)	<b>56</b>
Receivables							
Other <sup>(a)</sup>	7	2,786	...	2,786	...	(15)	<b>2,771</b>
<b>Total</b>		<b>12,614</b>	<b>(3)</b>	<b>12,611</b>	<b>(632)</b>	<b>(1,270)</b>	<b>10,709</b>
<b>Financial Liabilities</b>							
Borrowings and Derivatives at Fair Value							
Bonds and Borrowings Issued by TCorp	19	(71,777)	...	(71,777)	...	586	<b>(71,191)</b>
Derivatives - Held for Trading	19	(980)	3	(977)	632	246	<b>(99)</b>
<b>Total</b>		<b>(72,757)</b>	<b>3</b>	<b>(72,754)</b>	<b>632</b>	<b>832</b>	<b>(71,290)</b>

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

30 June 2018	Note	Effects of Offsetting on the Balance Sheet			Related Amounts Not Offset		
		Gross Amounts \$m	Gross Amounts Offset in the Statement of Financial Position \$m	Net Amounts Presented in the Statement of Financial Position \$m	Amounts Subject to Master Netting Arrangements \$m	Financial Instrument Collateral \$m	Net Amount \$m
<b>Financial Assets</b>							
Cash and Cash Equivalents	6	13,969	...	13,969	...	(1,002)	<b>12,967</b>
Investments, Loans and Placements							
Financial Assets at Fair Value							
Derivatives - Held for Trading	8	551	...	551	(316)	(128)	<b>107</b>
Receivables							
Other <sup>(a)</sup>	7	2,494	...	2,494	...	(31)	<b>2,463</b>
<b>Total</b>		<b>17,014</b>	<b>...</b>	<b>17,014</b>	<b>(316)</b>	<b>(1,161)</b>	<b>15,537</b>
<b>Financial Liabilities</b>							
Borrowings and Derivatives at Fair Value							
Bonds and Borrowings Issued by TCorp	19	(62,039)	...	(62,039)	...	...	<b>(62,039)</b>
Derivatives - Held for Trading	19	(538)	...	(538)	316	122	<b>(100)</b>
<b>Total</b>		<b>(62,577)</b>	<b>...</b>	<b>(62,577)</b>	<b>316</b>	<b>122</b>	<b>(62,139)</b>

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

## Credit Risk of Financial Assets

Credit risk arises when there is the possibility of the State's counterparties defaulting on their contractual obligations, resulting in a financial loss to the State. Credit risk arises from cash and cash equivalents, contractual cash flows of interest-bearing securities and other financial assets at amortised cost, term deposits with banks and financial institutions, derivative financial assets, as well as credit exposures to commercial entities and individuals, including outstanding receivables and finance leases receivable.

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

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

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

The State controls the borrowing and investing powers of its authorities through the *Government Sector Finance Act 2018 (2018: 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 investments in accordance with the *Government Sector Finance Act 2018 (2018: Public Authorities (Financial Arrangement) Act 1987)*.

The State holds various security deposits in the General Government Sector to the value of \$67 million (2018: \$130 million) and in the Total State Sector to the value of \$293 million (2018: \$385 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 \$308.7 million of collateral received under these arrangements at the reporting date (2018: \$256.7 million). The State paid \$239.7 million of collateral under these arrangements throughout the year (2018: \$92.5 million).

## Cash and Cash Equivalents

Cash and cash equivalents (Note 6) comprises cash on hand, cash invested in the TCorpIM Funds, and cash and deposits held at financial institutions. Interest is earned on daily bank balances at agreed rates. The TCorpIM Cash Fund is discussed in market risk below. The credit ratings of other institutions holding non TCorpIM cash is within acceptable credit risk parameters.

## Receivables and Finance Leases Receivable

Receivables (Note 7) exist for the settlement of services that the State provides across the range of its public services. All debtors are recognised as amounts receivable at reporting date. Sales are made on terms appropriate to the sector providing the public service. Collectability of debtors is reviewed on an ongoing basis. Established procedures are followed to recover outstanding debt amounts, including letters of demand.

In addition, amounts due from lessees to the State under finance leasing arrangements are recorded as finance leases receivable (Note 8). The State has issued finance leases over infrastructure, and land property, plant and equipment.

*Impairment under AASB 9 (from 1 July 2018)*

The annual movement in the contractual receivables allowance for expected credit losses for the current reporting period ended 30 June 2019 is summarised below.

30 June 2019	General	Total State Sector
	Government Sector	
	2019	2019
	\$m	\$m
<b>Closing Balance at 30 June 2018 under AASB 139</b>	<b>161</b>	<b>182</b>
Amounts Restated Through Opening Accumulated Funds	7	7
<b>Opening Balance at 1 July 2018 under AASB 9</b>	<b>168</b>	<b>189</b>
Amounts Written Off to the Net Operating Balance During the Year	(61)	(66)
Amounts Previously Provided for Recovered During the Year	(1)	(2)
Increase/(Decrease) in Allowance Recognised in Other Economic Flows - Operating Result	71	81
<b>Closing Balance at 30 June 2019<sup>(a)</sup></b>	<b>177</b>	<b>202</b>

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

The State has assessed that finance leases receivable are not impaired at 30 June 2019. The State's investments in these instruments are low risk and are with counterparties with no or very low levels of default.

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

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

The State determines the expected credit losses on receivables by using a provision matrix, with the expected loss rates based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The State has identified that economic conditions of the sector that the debtors participate in and the forecast change in these conditions to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The credit risk profile of receivables is analysed based on their past due status. The majority of impaired receivables as at the 30 June 2019 reporting date have been past due for a period greater than six months.

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

The State provides services to a broad spectrum of the NSW economy, for example for water and public housing. Debtors include individual households and commercial businesses with various credit ratings. The State is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.

*Impairment under AASB 139 (for comparative period end 30 June 2018)*

The annual movement in the contractual receivables allowance for impairment for the comparative period ended 30 June 2018 is detailed in the table below.

30 June 2018	General Government Sector	Total State Sector
	2018 \$m	2018 \$m
<b>Closing Balance at 1 July 2017</b>	<b>169</b>	<b>199</b>
Amounts Written Off to the Net Operating Balance During the Year	(75)	(81)
Amounts Previously Provided for Recovered During the Year	(1)	(1)
Increase/(Decrease) in Allowance Recognised in Other Economic Flows - Operating Result	68	65
<b>Closing Balance at 30 June 2018<sup>(a)(b)</sup></b>	<b>161</b>	<b>182</b>

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

(b) The 2017-18 reported contractual receivable impairment balances of \$181 million for the General Government Sector and \$202 million for the Total State Sector have been revised and reduced by \$20 million to \$161 million for the General Government Sector and \$182 million for the Total State Sector after subsequent issue of the 2017-18 Total State Sector Accounts.

The State did not have any finance leases receivable that were impaired at 30 June 2018. The majority of receivables past due or impaired relate to the sale of goods and services. The majority of the receivables impaired at 30 June 2018 have been overdue for a period of over six months.

### Investments, Loans and Placements and Advances Paid

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

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

The following tables present an analysis of the credit quality of these investments. The tables also detail for the current reporting period ended 30 June 2019 whether investments classified at amortised cost were subject to a 12-month expected credit losses allowance or lifetime expected credit losses allowance and, in the latter case, whether they were credit-impaired.

## General Government Sector

30 June 2019

Credit Rating <sup>(a)</sup>	Note	AAA \$m	AA+ \$m	AA \$m	AA- \$m	A+ \$m	A \$m	Other Ratings <sup>(b)</sup> \$m	Loss Allowance \$m	Carrying Amount \$m
<b>Financial Assets at Carrying Amount</b>										
Financial Assets at Fair Value										
Interest Bearing Securities	8	208	...	40	0	...	...	18	...	<b>267</b>
Financial Assets at Amortised Cost with 12-Month ECLs										
Other Financial Assets										
Term Deposits	8	437	...	...	940	67	...	18	...	<b>1,462</b>
Other	8	...	...	...	...	...	...	71	...	<b>71</b>
Financial Assets at Amortised Cost with Lifetime ECLs										
Advances Paid	9	...	...	...	...	...	...	1,197	(4)	<b>1,193</b>
		<b>645</b>	<b>...</b>	<b>40</b>	<b>940</b>	<b>67</b>	<b>...</b>	<b>1,305</b>	<b>(4)</b>	<b>2,993</b>

30 June 2018

Credit Rating <sup>(a)</sup>	Note	AAA \$m	AA+ \$m	AA \$m	AA- \$m	A+ \$m	A \$m	Other Ratings <sup>(b)</sup> \$m	Loss Allowance \$m	Carrying Amount \$m
<b>Financial Assets at Carrying Amount</b>										
Financial Assets at Fair Value <sup>(c)</sup>										
Interest Bearing Securities	8	213	...	15	...	1	1	34	...	<b>263</b>
Other Financial Assets										
Term Deposits	8	2,304	...	...	1,908	53	...	105	...	<b>4,370</b>
Other	8	...	...	...	...	...	...	205	...	<b>205</b>
Advances Paid	9	...	...	...	...	...	...	1,018	(1)	<b>1,017</b>
		<b>2,517</b>	<b>...</b>	<b>15</b>	<b>1,908</b>	<b>54</b>	<b>1</b>	<b>1,362</b>	<b>(1)</b>	<b>5,856</b>

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

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

(c) 2017-18 comparative period credit ratings for Financial Assets at Fair Value have been revised given the reclassification of financial instrument balances within Note 8: Investments, Loans, and Placements.

## Total State Sector

30 June 2019

Credit Rating <sup>(a)</sup>	Note	AAA \$m	AA+ \$m	AA \$m	AA- \$m	A+ \$m	A \$m	Other Ratings <sup>(b)</sup> \$m	Loss Allowance \$m	Carrying Amount \$m
<b>Financial Assets at Carrying Amount</b>										
Financial Assets at Fair Value										
Interest Bearing Securities	8	4,480	2,034	247	10,358	3,010	2,130	9,632	...	31,891
Financial Assets at Amortised Cost with 12-Month ECLs										
Other Financial Assets										
Term Deposits	8	...	...	...	1,090	67	...	117	...	1,274
Other	8	...	...	...	...	...	...	78	...	78
Financial Assets at Amortised Cost with Lifetime ECLs										
Advances Paid	9	...	...	...	...	...	...	719	(4)	715
		4,480	2,034	247	11,447	3,077	2,130	10,546	(4)	33,958

30 June 2018

Credit Rating <sup>(a)</sup>	Note	AAA \$m	AA+ \$m	AA \$m	AA- \$m	A+ \$m	A \$m	Other Ratings <sup>(b)</sup> \$m	Loss Allowance \$m	Carrying Amount \$m
<b>Financial Assets at Carrying Amount</b>										
Financial Assets at Fair Value <sup>(c)</sup>										
Interest Bearing Securities	8	4,667	1,151	300	9,596	1,289	863	11,940	...	29,806
Other Financial Assets										
Term Deposits	8	...	...	...	2,688	53	41	58	...	2,840
Other	8	...	...	...	...	...	...	205	...	205
Advances Paid	9	...	...	...	...	...	...	645	(1)	644
		4,667	1,151	300	12,285	1,342	904	12,848	(1)	33,496

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

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

(c) 2017-18 comparative period credit rating figures for Financial Assets at Fair Value have been re-stated given revised information available after the release of the 2017-18 Total State Sector Accounts and the reclassification of financial instrument balances within Note 8: Investments, Loans, and Placements (including the \$1,002 million reclassification of Reverse Repurchase Agreements from Interest Bearing Securities, included as part of Note 8, to Note 6: Cash and Cash Equivalents).

The State has placed funds on deposit with various financial institutions consisting of money market or bank deposits and can be placed 'at call' or for a fixed term. These term deposits are considered to have low credit risk, and the loss allowance calculated for these investments during the period was therefore limited to 12 months expected credit losses. The State did not recognise any expected credit losses on term deposits for the current reporting period ended 30 June 2019 (2018: Nil impairment under AASB 139).

The State has recognised expected credit losses for advances paid in the General Government Sector and Total State Sector to the value of \$4.0 million (2018: \$1.0 million under AASB 139). Lifetime expected credit losses has been recognised for advances provided given increases in credit risk since initial recognition. This assessment has been performed based on reviews of actual and expected changes in external market indicators, internal factors and debtor-specific information.

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

## Derivatives

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



**Liquidity Risk of Liabilities**

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

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

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

The State has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at 30 June 2019 and as at 30 June 2018. However, refer to Note 29: Contingent Assets and Contingent Liabilities regarding disclosures on contingent liabilities.

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

30 June 2018		Contract maturity:			Nominal Amount <sup>(a)</sup> 2018 \$m	Carrying Amount 2018 \$m
		1 year or less	1 to 5 years	Over 5 years		
		2018 \$m	2018 \$m	2018 \$m		
<b>Contractual Maturities of Financial Liabilities</b>						
<b>Non-Derivatives</b>						
Deposits Held	17	130	...	...	130	130
Payables <sup>(b)(d)</sup>	18	7,023	4	...	7,027	7,027
Advances Received		72	315	737	1,124	797
Borrowings						
Other Borrowings at Amortised Cost	20	1,656	12,978	23,182	37,815	29,457
Finance Leases	20	933	1,592	3,099	5,624	2,984
<b>Total Non-Derivatives</b>		<b>9,813</b>	<b>14,890</b>	<b>27,017</b>	<b>51,721</b>	<b>40,395</b>
<b>Derivatives</b>						
Derivative Liabilities <sup>(c)</sup>						
Held for Trading	19	...	...	...	...	0
Designated and Effective Hedging Instruments	19	0	2	...	2	2
<b>Total Derivatives</b>		<b>0</b>	<b>2</b>	<b>...</b>	<b>2</b>	<b>2</b>

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

(b) Excludes statutory payables (i.e. not within the scope of AASB 7).

(c) The contractual maturity analysis and liquidity risk of derivative liabilities is the best approximation derived from reasonable estimates that were calculated from information sourced from major NSW agencies. These balances include estimated interest payments and exclude the impact of offsetting arrangements.

(d) Payables of \$129 million for the General Government Sector were reclassified from Contractual Payables to Statutory Payables for 2017-18. The 2017-18 reported Contractual Payables contractual maturities of \$7,155 million have been revised and reduced by \$129 million to \$7,027 million after subsequent issue of the 2017-18 Total State Sector Report.

## Total State Sector

30 June 2019	Contract maturity:			Nominal Amount <sup>(a)</sup> 2019 \$m	Carrying Amount 2019 \$m	
	1 year or less	1 to 5 years	Over 5 years			
	2019 \$m	2019 \$m	2019 \$m			
<b>Contractual Maturities of Financial Liabilities</b>						
<b>Non-Derivatives</b>						
Deposits Held	17	293	0	0	293	293
Payables <sup>(b)</sup>	18	8,123	...	...	8,123	8,123
Advances Received		110	296	654	1,060	756
Borrowings						
Bonds and Other Borrowings Issued By TCorp	19	11,636	22,677	44,084	78,396	71,777
Other Borrowings at Amortised Cost	20	6	18	8	32	31
Finance Leases	20	736	2,735	8,591	12,063	5,287
Financial Liability arising from Public Private Partnership (PPP)	20	196	793	2,016	3,005	1,834
Other Liabilities						
Interests in TCorpIM Funds of Investors Not Controlled by the State	24	10,289	...	...	10,289	10,289
<b>Total Non-Derivatives</b>		<b>31,388</b>	<b>26,519</b>	<b>55,353</b>	<b>113,261</b>	<b>98,389</b>
<b>Derivatives</b>						
Derivative Liabilities <sup>(c)(d)</sup>						
Held for Trading	19	310	808	807	1,925	977
Designated and Effective Hedging Instruments	19	43	14	...	58	3
<b>Total Derivatives</b>		<b>353</b>	<b>823</b>	<b>807</b>	<b>1,982</b>	<b>980</b>

30 June 2018	Contract maturity:			Nominal Amount <sup>(a)</sup> 2018 \$m	Carrying Amount 2018 \$m	
	1 year or less	1 to 5 years	Over 5 years			
	2018 \$m	2018 \$m	2018 \$m			
<b>Contractual Maturities of Financial Liabilities</b>						
<b>Non-Derivatives</b>						
Deposits Held	17	385	0	0	385	385
Payables <sup>(b)(e)</sup>	18	8,540	32	...	8,572	8,572
Advances Received		72	315	737	1,124	797
Borrowings						
Bonds and Other Borrowings Issued By TCorp	19	10,821	28,260	32,039	71,120	62,039
Other Borrowings at Amortised Cost and Fair Value	19 & 20	0	2,187	1,758	3,945	3,288
Finance Leases	20	720	2,731	8,964	12,415	5,302
Other Liabilities						
Interests in TCorpIM Funds of Investors Not Controlled by the State	24	9,661	...	...	9,661	9,661
<b>Total Non-Derivatives</b>		<b>30,200</b>	<b>33,526</b>	<b>43,498</b>	<b>107,222</b>	<b>90,043</b>
<b>Derivatives</b>						
Derivative Liabilities <sup>(c)(d)</sup>						
Held for Trading	19	386	807	757	1,950	538
Designated and Effective Hedging Instruments	19	63	106	10	179	126
<b>Total Derivatives</b>		<b>449</b>	<b>913</b>	<b>768</b>	<b>2,130</b>	<b>665</b>

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

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

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

(d) Total State Sector derivative liabilities have corresponding contractual undiscounted cash inflows of \$1,921 million (2018: \$1,724 million).

(e) Payables of \$129 million for the Total State Sector were reclassified from Contractual Payables to Statutory Payables for 2017-18. The 2017-18 reported Contractual Payables contractual maturities of \$8,701 million have been revised and reduced by \$129 million to \$8,572 million after subsequent issue of the 2017-18 Total State Sector Report.

## Market Risk

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

- interest rate risk on the State's borrowings and investments
- price risks associated with the movement in price of TCorpIM Funds, managed fund investments, and equity instruments; and
- foreign exchange risk that could affect borrowings, investments and the value of overseas purchases.

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

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

## Interest Rate Risk

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

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

TCorp manages the debt portfolio for most of the agencies of the State. TCorp measures its exposure to interest rate risk in terms of cash flows or notional cash flows generated from holdings in interest bearing securities (Note 8) and borrowings at fair value (Note 19). The boundaries within which interest rate risk is undertaken and managed are established under approved TCorp policies, management guidelines and client defined mandates. Derivatives are also employed by TCorp to manage interest rate risk for interest bearing assets and liabilities.

TCorp employs a Value at Risk (VaR) model to measure the market risk exposures of TCorp borrowings and investments in the 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 2019, the maximum potential loss for the Total State Sector expected over a 10-day period is \$7.4 million (2018: \$6.0 million), with a one per cent probability that this maximum may be exceeded. The average VaR over the year ended 30 June 2019 was \$4.9 million (2018: \$7.5 million).

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

The Total State Sector is exposed to interest rate risk through TCorpIM Fund Trust investments in interest bearing securities (Note 8). Interest rate risk exposures arising from these investments are primarily measured and managed using duration and mandated limits specified in investment agreements.

The Total State Sector's exposure to interest rate risk arising from these investments is set out in the tables below. A reasonably possible change of +/- 0.3 per cent is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

#### Total State Sector

Total State Sector	2019		2018	
	-0.3%	0.3%	-0.3%	0.3%
	\$m	\$m	\$m	\$m
Operating Result	(132)	132	(86)	86
Net Worth	(132)	132	(86)	86

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

The State’s remaining exposure to interest rate risk is primarily from cash and cash equivalents (Note 6), borrowings at amortised cost (Note 20) and term deposits (Note 8). The State predominately manages this risk by undertaking mainly fixed rate borrowings with TCorp. A small number of agencies engage private sector financial institutions to manage or advise on the management of their debt portfolios or manage their own portfolios.

The State’s exposure to interest rate risk from remaining financial assets and liabilities is set out in the tables below. A reasonably possible change of +/- 1 per cent is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

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

30 June 2018 <sup>(a)</sup>	General			
	Government Sector		Total State Sector	
	-1%	1%	-1%	1%
	\$m	\$m	\$m	\$m
Operating Result	(98)	98	(161)	161
Net Worth	(98)	98	(161)	161

(a) 2017-18 comparative period sensitivity analysis has been amended given revised information available after the release of the 2017-18 Total State Sector Accounts.

## Price Risk

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

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

The Total State Sector is primarily subject to price risk from consolidated TCorpIM Fund Trust holdings in managed funds (Note 8) and other equity investments (Note 10). These investments are categorised as financial assets at FVTPL with the carrying amount of these investments representing the State's maximum price risk at the reporting date. Any change in the price of these investments impacts directly on the operating result.

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

TCorp examines the sensitivity of the 'operating result' and 'net worth' attributable to price risk from these investments. The reasonably possible movements in the risk variables have been determined based on the TCorp's best estimates, having regard to a number of factors, including historical levels of changes in the correlation of the investments with the relevant benchmark and market volatility.

The Total State Sector's exposure to price risk from these investments is set out in the table below. The table reports the estimated sensitivity range of 5 per cent to 26 per cent (2018: 2 per cent to 36 per cent) movement in price to the 'operating result' and 'net worth' of the Total State Sector.

#### Total State Sector

Total State Sector	2019		2018	
	-5% to -26%	5% to 26%	-2% to -36%	2% to 36%
	\$m	\$m	\$m	\$m
Operating Result	(6,200)	6,200	(4,268)	4,268
Net Worth	(6,200)	6,200	(4,268)	4,268

## General Government Sector – Unit Holdings in TCorpIM Funds

The General Government Sector is primarily exposed to price risk through its unit holdings in TCorpIM Fund Trusts (Note 8). Investments in TCorpIM Funds are held for strategic rather than trading purposes. The funds comprise a series of managed funds which are subject to volatility in their unit prices. Each fund comprises a different underlying type of investment, with associated risks and investment horizons.

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

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

Trust	Investment Sectors	Investment Horizon	General Government Sector	
			2019 \$m	2018 \$m
Cash Fund	Cash, money market instruments	Up to 1.5 years	282	437
Short Term Income Fund <sup>(a)</sup>	Cash, money market instruments	1.5 years to 3 years	191	26
Medium Term Growth Fund	Cash, money market instruments, Australian and International bonds, listed property, Australian shares	3 years to 7 years	290	282
Long Term Growth Fund	Cash, money market instruments, Australian and international bonds, listed property, Australian shares	7 years and over	1,116	1,005
Insurers' Guarantee Fund Investment Trust	Cash, money market instruments, Australian and international bonds, listed property, Australian shares	7 years and over	206	195
Treasury Managed Fund Investment Portfolio	Cash, money market instruments, Australian bonds, listed and unlisted property, Australian, international and emerging market shares	Long Term	8,393	7,937
ICNSW Australian Equities Fund	Listed Australian equities	5 years and over	113	115
ICNSW International Equities Fund	Listed Global (ex Australia) equities	5 years and over	138	140
ICNSW International Equities Hedged Fund	Listed Global (ex Australia) equities, FX contracts	5 years and over	52	47
Emerging Market Shares Fund	Emerging market shares	5 years and over	63	58
Unlisted Property Sector	Retail, office and industrial property assets	10 years and over	122	135
Unlisted Infrastructure Fund	Unlisted Managed Investment Funds	10 years and over	65	62
NSW Infrastructure Future Fund	Cash, Australian shares, International shares, emerging market equities, Australian bonds and investment grade credit	10 years and over	18,277	19,447
Long Service Corporation Investment Facility Trust	Cash, money market instruments, Australian bonds, listed bonds, listed property, Australian and International shares	7 years and over	1,513	1,327
Alternatives Risk Premium Fund	Listed Australian and Global equities, Australian and International bonds, currencies, commodities, derivatives	5 years and over	35	35
Social and Affordable Housing Fund Investment Trust	Cash, Australian shares, International shares, emerging market equities, Australian bonds and investment grade credit	5 years and over	1,217	1,084
Cyclical Growth Australian Share Fund	Listed Australian Equities	5 years and over	77	74
Cyclical Growth International Share Fund	Listed Global (ex Australia) equities	5 years and over	69	63
Bank Loan Fund	Global bank loans	5 years and over	37	36
Emerging Market Debt Fund	Emerging market government and corporate bonds	5 years and over	52	47
NSW Generations (Debt Retirement) Fund Investment Trust	Cash, Australian shares, International shares, emerging market equities, Australian bonds and investment grade credit	10 years and over	10,884	...
Absolute Return Multi Asset Class Fund	Cash, money market instruments, Australian and International bonds, listed property, Australian shares	5 years and over	36	...
Liquidity Cash Fund	Cash, money market instruments and Australian bonds	Up to 1.5 years	20	...
Small Cap Australian Share Fund	Listed Australian equities	5 years and over	14	...
<b>GGG Total TCorpIM Funds<sup>(b)</sup></b>			<b>43,263</b>	<b>32,553</b>

(a) The TCorpIM Short Term Income Fund was previously named the TCorpIM Strategic Cash Fund in the comparative reporting period ended 30 June 2018.

(b) The General Government Sector unit holdings in TCorpIM Funds of \$43.3 billion (2018: \$32.6 billion) comprises of TCorpIM Cash Funds of \$279 million (2018: \$298 million) presented in Note 6: Cash and Cash Equivalents and \$43.3 billion (2018: \$32.3 billion) of TCorpIM Fund investments disclosed as part of Financial Assets at Fair Value included in Note 8: Investments, Loans and Placements.

TCorpIM investment facilities are mandatorily measured at FVTPL by the General Government Sector (2018: Designated at FVTPL under AASB 139) and therefore any change in unit price impacts directly on the operating result. The unit price of each trust is equal to the total fair value of the net assets held by the trust divided by the number of units on issue for that trust. Unit prices are calculated and published daily.

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

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

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

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

### Price Risk Sensitivity Analysis of the TCorpIM Funds

Trust	Change in Unit	Change in Unit	General Government Sector	
	Price 2019	Price 2018 <sup>(a)</sup>	2019 \$m	2018 \$m
Cash Fund	+/-1.0%	+/-1.0%	3	4
Short Term Income Fund <sup>(b)</sup>	+/-1.0%	+/-1.0%	2	0
Medium Term Growth Fund	+/-6.0%	+/-6.0%	17	17
Long Term Growth Fund	+/-14.0%	+/-15.0%	156	151
Insurers' Guarantee Fund Investment Trust	+/-8.0%	+/-8.0%	17	16
Treasury Managed Fund Investment Portfolio	+/-15.0%	+/-16.0%	1,259	1,270
ICNSW Australian Equities Fund	+/-19.0%	+/-17.0%	21	20
ICNSW International Equities Fund	+/-19.0%	+/-16.0%	26	22
ICNSW International Equities Hedged Fund	+/-24.0%	+/-13.0%	12	6
Emerging Market Shares Fund	+/-19.0%	+/-18.0%	12	10
Unlisted Property Sector	+/-6.0%	+/-5.0%	7	7
Unlisted Infrastructure Fund	+/-9.0%	+/-9.0%	6	6
NSW Infrastructure Future Fund	+/-6.0%	+/-4.0%	1,097	778
Long Service Corporation Investment Facility Trust	+/-13.0%	+/-14.0%	197	186
Alternatives Risk Premium Fund	+/-7.0%	+/-6.0%	2	2
Social and Affordable Housing Fund Investment Trust	+/-12.0%	+/-7.0%	146	76
Cyclical Growth Australian Share Fund	+/-20.0%	+/-17.0%	15	13
Cyclical Growth International Share Fund	+/-26.0%	+/-15.0%	18	9
Bank Loan Fund	+/-6.0%	+/-2.0%	2	1
Emerging Market Debt Fund	+/-15.0%	+/-13.0%	8	6
NSW Generations (Debt Retirement) Fund Investment Trust	+/-15.0%	-	1,633	...
Absolute Return Multi Asset Class Fund	+/-5.0%	-	2	...
Liquidity Cash Fund	+/-1.0%	-	0	...
Small Cap Australian Share Fund	+/-24.0%	-	3	...
<b>Total</b>			<b>4,662</b>	<b>2,599</b>

(a) Sensitivity percentages for the comparative period ended 30 June 2018 have been revised by the Trustee for selected TCorpIM Funds.

(b) The TCorpIM Short Term Income Fund was previously named the TCorpIM Strategic Cash Fund in the comparative reporting period ended 30 June 2018.

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



## Foreign Exchange Risk

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

### *Total State Sector - Securities Denominated in Foreign Currencies*

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

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

The Total State Sector's exposure to foreign exchange risk from these financial assets and liabilities is set out in the table below. The table reports the estimated sensitivity range of 8 per cent movement in exchange rates to the 'operating result' and 'net worth' of the Total State Sector.

### *Total State Sector*

Total State Sector	2019		2018	
	-8%	8%	-8%	8%
	\$m	\$m	\$m	\$m
Operating Result	(26)	26	(24)	24
Net Worth	(26)	26	(24)	24

### *Total State Sector - Borrowings at Fair Value*

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

Foreign exchange risk is managed by TCorp by entering into Australian dollar cross-currency swaps and forward foreign exchange contracts. Forward foreign exchange contracts with clients are covered by corresponding forward exchange contracts with market counterparties.

### Other Purchase and Sale Commitments

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

Currency	General Government Sector		Total State Sector	
	2019	2018 <sup>(a)</sup>	2019	2018 <sup>(a)</sup>
	Contract Value AUD (\$m)	Contract Value AUD (\$m)	Contract Value AUD (\$m)	Contract Value AUD (\$m)
Euro	148	26	160	31
Japanese Yen	0	...	0	...
British Pounds	0	...	1	1
US Dollars	9	1	31	20
Indian Rupees	212	0	212	0
Chinese Yuan	90	0	90	0
<b>Total</b>	<b>460</b>	<b>28</b>	<b>495</b>	<b>53</b>

(a) Table values were presented in foreign currency denomination amounts in the 2017-18 Total State Sector Report. The 2017-18 comparative amounts included in the table above have been converted into Australian dollar amounts for the 2018-19 Total State Sector Report.

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

### 1 July 2018 Transition Impacts of Adopting AASB 9 *Financial Instruments*

The effect of adopting AASB 9 on the Statement of Financial Position (increase/(decrease)) as at 1 July 2018 is set out below:

	Note	General Government Sector \$m	Total State Sector \$m
<b>Assets</b>			
Receivables	7	(7)	(7)
Advances Paid	9	(3)	(3)
<b>Total Adjustment to Net Assets</b>		<b>(10)</b>	<b>(10)</b>
Accumulated Funds		14	(1)
FVOCI Reserve		85,573	148
Available for Sale Reserve		(85,597)	(157)
<b>Total Adjustment to Total Net Worth</b>		<b>(10)</b>	<b>(10)</b>

## Classification and Measurement of Financial Instruments

On 1 July 2018 (the date of initial application of AASB 9), the State has assessed which business models apply to financial assets held by the State and has classified its financial instruments into the appropriate AASB 9 categories. The main effects resulting from this reclassification on the financial assets of the State are as follows:

### General Government Sector

	FVTPL <sup>(a)</sup> \$m	Fair Value - Hedging Instrument <sup>(b)</sup> \$m	Equity Instrument - FVOCI <sup>(c)</sup> \$m	Available For Sale <sup>(d)</sup> \$m	Amortised Cost (formerly Loans and Receivable) <sup>(e)</sup> \$m
<b>Closing Balance 30 June 2018 - AASB 139</b>	<b>32,577</b>	<b>1</b>	<b>...</b>	<b>113,633</b>	<b>15,924</b>
Reclassification Adjustments in Relation to Adopting AASB 9					
Other Equity Investments	...	...	722	(722)	...
Investments in Other Public Sector Entities	3,411	...	109,500	(112,911)	...
Recognition of AASB 9 Expected Credit Losses	...	...	...	...	(10)
<b>Opening Balance 1 July 2018 - AASB 9</b>	<b>35,988</b>	<b>1</b>	<b>110,222</b>	<b>0</b>	<b>15,915</b>

- (a) Financial Assets at FVTPL category includes Interest Bearing Securities, TCorpIM Funds, Managed Funds and Other Investments, Equity Investments in Other Public Sector Entities, Other Equity Investments and Derivatives Held for Trading.  
(b) Fair Value - Hedging Instrument category includes Derivatives Held for Hedging Purposes.  
(c) Equity Instrument – FVOCI category includes Equity Investments in Other Public Sector Entities and Other Equity Investments.  
(d) Available for Sale category includes Equity Investments in Other Public Sector Entities and Other Equity Investments.  
(e) Financial Assets at Amortised Cost category includes Cash and Cash Equivalents, Receivables (excluding Statutory Receivables), Advances Paid, Term Deposits, Finance Leases Receivable, and Other Financial Assets - Other.

### Total State Sector

	FVTPL <sup>(a)(b)</sup> \$m	Fair Value - Hedging Instrument <sup>(c)</sup> \$m	Equity Instrument - FVOCI <sup>(d)</sup> \$m	Available For Sale <sup>(e)</sup> \$m	Amortised Cost (formerly Loans and Receivable) <sup>(f)</sup> \$m
<b>Closing Balance 30 June 2018 - AASB 139</b>	<b>57,167</b>	<b>6</b>	<b>...</b>	<b>889</b>	<b>22,954</b>
Reclassification Adjustments in Relation to Adopting AASB 9					
Other Equity Investments	167	...	722	(889)	...
Recognition of AASB 9 Expected Credit Losses	...	...	...	...	(10)
<b>Opening Balance 1 July 2018 - AASB 9</b>	<b>57,334</b>	<b>6</b>	<b>722</b>	<b>...</b>	<b>22,944</b>

- (a) Financial Assets at FVTPL category includes Interest Bearing Securities, Managed Funds and Other Investments, Other Equity Investments and Derivatives Held for Trading.  
(b) TCorp has reassessed its holdings of Reverse Repurchase Agreements which has resulted in a reclassification of \$1,002 million from Interest Bearing Securities, included as part of financial assets at fair value in Note 8: Investments, Loans and Placements, to Note 6: Cash and Cash Equivalents at 30 June 2018.  
(c) Fair Value - Hedging Instrument category includes Derivatives Held for Hedging Purposes.  
(d) Equity Instrument – FVOCI category includes Other Equity Investments.  
(e) Available for Sale category includes Other Equity Investments.  
(f) Financial Assets at Amortised Cost category includes Cash and Cash Equivalents, Receivables (excluding Statutory Receivables), Advances Paid, Term Deposits, Finance Leases Receivable, and Other Financial Assets - Other.

The impact of transition to AASB 9 on equity reserves and accumulated funds is, as follows:

*General Government Sector*

	Effect on Accumulated Funds \$m	Effect on FVOCI Reserve \$m	Effect on Available for Sale Reserve \$m	Effect on Hedging Reserve \$m
<b>Closing Balance 30 June 2018 - AASB 139</b>	<b>76,243</b>	...	<b>85,597</b>	<b>(17)</b>
Reclassification Adjustments in Relation to Adopting AASB 9				
Other Equity Investments	...	148	(148)	...
Investments in Other Public Sector Entities	24	85,425	(85,449)	...
Remeasurement Impacts In Relation to Adopting AASB 9	...	...	...	...
Recognition of AASB 9 Expected Credit Losses	(10)	...	...	...
<b>Opening Balance 1 July 2018 - AASB 9</b>	<b>76,257</b>	<b>85,573</b>	...	<b>(17)</b>

*Total State Sector*

	Effect on Accumulated Funds \$m	Effect on FVOCI Reserve \$m	Effect on Available for Sale Reserve \$m	Effect on Hedging Reserve \$m
<b>Closing Balance 30 June 2018 - AASB 139</b>	<b>99,680</b>	...	<b>157</b>	<b>(135)</b>
Reclassification Adjustments in Relation to Adopting AASB 9				
Other Equity Investments	9	148	(157)	...
Remeasurement Impacts In Relation to Adopting AASB 9	...	...	...	...
Recognition of AASB 9 Expected Credit Losses	(10)	...	...	...
<b>Opening Balance 1 July 2018 - AASB 9</b>	<b>99,678</b>	<b>148</b>	...	<b>(135)</b>

The nature of the above adjustments is described below.

Under AASB 9, subsequent measurement of debt financial assets is based on assessing the contractual cash flow characteristics of the debt instrument and the State's business model for managing the instrument.

The assessment of the State's business models was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact to the State. The State continued measuring at fair value, all financial assets previously held at fair value under AASB 139.

The following are the changes in the classification of the State's financial assets:

- Cash and cash equivalents (Note 6), receivables (Note 7), advances paid (Note 9) and other financial assets (including term deposits and finance leases receivable disclosed within Note 8) classified as 'loans and receivables' under AASB 139 as at 30 June 2018 are held to collect contractual cash flows and represent solely payments of principal and interest. At 1 July 2018, these instruments are classified as 'financial assets at amortised cost'.
- Financial assets at FVTPL (Note 8), excluding derivatives, were managed and their performance evaluated on a fair value basis and accordingly were designated at FVTPL under AASB 139 as at 30 June 2018. The business model of these instruments is neither to hold to collect contractual cash flows or sell the financial asset. Hence, these investments are mandatorily required to be measured at FVTPL under AASB 9. These investments going forward will be mandatorily classified under this category from 1 July 2018 onwards.
- Other equity investments (Note 10) totalling \$722 million in the General Government Sector and \$889 million in the Total State Sector were classified as available-for-sale financial assets under AASB 139 as at 30 June 2018. These investments are required at the transition date of 1 July 2018 to be mandatorily classified at FVTPL under AASB 9. The State has classified \$167 million of other equity investments to FVTPL in the Total State Sector. These investments going forward will be mandatorily classified under this category from 1 July 2018 onwards. The State has made an irrevocable election at 1 July 2018 under AASB 9 to classify the remaining \$722 million of other equity investments, in both the General Government Sector and Total State Sector, at FVOCI. In accordance with AASB 9, the gains or losses of these equity investments will continue to be recognised in 'other economic flows – other comprehensive income' but will never be subsequently recycled to the 'operating result'.
- Other equity investments (Note 10) of \$19.53 billion were managed on a fair value basis and were designated at FVTPL under AASB 139 as at 30 June 2018. These investments are now required at transition date of 1 July 2018 to be mandatorily classified at FVTPL. These investments going forward will be mandatorily classified under this category from 1 July 2018 onwards.

Financial liabilities that have been previously designated at FVTPL under AASB 139 have been reviewed and continue to be designated as such. There are no material changes in the classification and measurement for the State's financial liabilities.

The \$112.9 billion carrying amount for equity investments in other public sector entities (Note 10) was accounted for throughout the comparative period ended 30 June 2018 in a manner consistent with available-for-sale financial assets under AASB 139. Gains or losses were recognised in 'other economic flows – other comprehensive income' until disposed, at which time the cumulative gain or loss previously recognised in 'other economic flows – other comprehensive income' was recognised in 'other economic flows – included in operating result'.

The State has made an irrevocable election at 1 July 2018 to measure \$109.5 billion of equity investments in other public sector entities in a manner consistent with equity investments at FVOCI under AASB 9. These investments are held by the General Government Sector for long-term or policy purposes. Consistent with the requirements of AASB 9, gains or losses of these equity investments will continue to be recognised in 'other economic flows – other comprehensive income' but will never be subsequently recycled to the 'operating result'. The remaining \$3.41 billion carrying amount of these investments has been classified at FVTPL under AASB 9. These investments are held for trading purposes by the General Government Sector as at the 1 July 2018 transition date.

In summary, upon the adoption of AASB 9, the State had the following required or elected reclassifications as at 1 July 2018:

### General Government Sector

			Note	Original Carrying Amount under AASB 139 \$m	New Carrying Amount under AASB 9 \$m	Difference \$m
<b>Financial Assets</b>	<b>AASB 139 Category</b>	<b>AASB 9 Category</b>				
Cash and Cash Equivalents	Loans and Receivables (Amortised Cost)	Amortised Cost	6	5,417	5,417	...
Receivables <sup>(a)</sup>	Loans and Receivables (Amortised Cost)	Amortised Cost	7	3,934	3,926	(7)
Advances Paid	Loans and Receivables (Amortised Cost)	Amortised Cost	9	1,017	1,014	(3)
Investments, Loans and Placements						
Financial Assets at Fair Value						
Derivatives (Held for Trading)	FVTPL - Held for Trading	Mandatorily at FVTPL	8	(0)	(0)	...
Derivatives (Designated Hedging Instrument)	Fair Value - Hedging Instrument	Fair Value - Hedging Instrument	8	1	1	...
Interest Bearing Securities	Designated at FVTPL	Mandatorily at FVTPL	8	263	263	...
TCorplM Funds	Designated at FVTPL	Mandatorily at FVTPL	8	32,255	32,255	...
Managed Funds and Other Investments	Designated at FVTPL	Mandatorily at FVTPL	8	58	58	...
Other Financial Assets						
Term Deposits	Loans and Receivables (Amortised Cost)	Amortised Cost	8	4,370	4,370	...
Finance Leases Receivable	Loans and Receivables (Amortised Cost)	Amortised Cost	8	981	981	...
Other	Loans and Receivables (Amortised Cost)	Amortised Cost	8	205	205	...
Equity Investments in Other Public Sector Entities	Available for Sale	Designated at FVOCI	10	112,911	109,500	(3,411)
		Mandatorily at FVTPL	10	...	3,411	3,411
Other Equity Investments	Available for Sale	Designated at FVOCI	10	722	722	...
<b>Financial Liabilities</b>						
Deposits Held	Amortised Cost	Amortised Cost	17	130	130	...
Payables <sup>(b)</sup>	Amortised Cost	Amortised Cost	18	7,027	7,027	...
Advances	Amortised Cost	Amortised Cost		797	797	...
Borrowings	Designated at FVTPL	Designated at FVTPL	19	3	3	...
	Amortised Cost	Amortised Cost	20	32,441	32,441	...
Derivatives (Held for Trading)	FVTPL - Held for Trading	Mandatorily at FVTPL	19	0	0	...
Derivatives (Designated Hedging Instrument)	Fair Value - Hedging Instrument	Fair Value - Hedging Instrument	19	2	2	...

(a) Financial instrument disclosures exclude statutory receivables not within the scope of AASB 7.

(b) Financial instrument disclosures exclude statutory payables not within the scope of AASB 7.

## Total State Sector

			Note	Original Carrying Amount under AASB 139 \$m	New Carrying Amount Under AASB 9 \$m	Difference \$m
<b>Financial Assets</b>	<b>Original AASB 139 Category</b>	<b>New AASB 9 Category</b>				
Cash and Cash Equivalents	Loans and Receivables (Amortised Cost)	Amortised Cost	6	13,969	13,969	...
Receivables <sup>(a)</sup>	Loans and Receivables (Amortised Cost)	Amortised Cost	7	3,885	3,878	(7)
Advances Paid	Loans and Receivables (Amortised Cost)	Amortised Cost	9	644	640	(3)
Investments, Loans and Placements						
Financial Assets at Fair Value						
Derivatives (Held for Trading)	FVTPL - Held for Trading	Mandatorily at FVTPL	8	551	551	...
Derivatives (Designated Hedging Instrument)	Fair Value - Hedging Instrument	Fair Value - Hedging Instrument	8	6	6	...
Interest Bearing Securities	Designated at FVTPL	Mandatorily at FVTPL	8	29,806	29,806	...
TCorpIM Funds	Designated at FVTPL	Mandatorily at FVTPL	8	7,280	7,280	...
Other Financial Assets						
Term Deposits	Loans and Receivables (Amortised Cost)	Amortised Cost	8	2,840	2,840	...
Finance Leases Receivable	Loans and Receivables (Amortised Cost)	Amortised Cost	8	1,411	1,411	...
Other	Loans and Receivables (Amortised Cost)	Amortised Cost	8	205	205	...
Other Equity Investments						
	Available for Sale	Designated at FVOCI	10	889	722	(167)
	Designated at FVTPL	Mandatorily at FVTPL	10	19,531	19,697	167
<b>Financial Liabilities</b>						
Deposits Held						
	Designated at FVTPL	Designated at FVTPL	17	164	164	...
	Amortised Cost	Amortised Cost	17	221	221	...
Payables <sup>(b)</sup>						
	Amortised Cost	Amortised Cost	18	8,572	8,572	...
Advances	Amortised Cost	Amortised Cost		797	797	...
Borrowings	Designated at FVTPL	Designated at FVTPL	19	63,172	63,172	...
	Amortised Cost	Amortised Cost	20	7,457	7,457	...
Derivatives (Held for Trading)	FVTPL - Held for Trading	Mandatorily at FVTPL	19	538	538	...
Derivatives (Designated Hedging Instrument)	Fair Value - Hedging Instrument	Fair Value - Hedging Instrument	19	126	126	...
Other Liabilities						
Interests in TCorpIM Funds of Investors Not Controlled by the State	Designated at FVTPL	Designated at FVTPL	24	9,661	9,661	...

(a) Financial instrument disclosures exclude statutory receivables not within the scope of AASB 7.

(b) Financial instrument disclosures exclude statutory payables not within the scope of AASB 7.

### Impairment

The adoption of AASB 9 has changed the State's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the State to recognise an allowance for ECLs for all debt investments not held at fair value through profit or loss.

Set out below is the reconciliation of the closing impairment allowances under AASB 139 to the opening loss allowances determined under AASB 9.

### General Government Sector

	Note	Measurement Category		Allowance for Impairment under AASB 139 as at 30 June 2018 \$m	Carrying Amount	
		AASB 139	AASB 9		Re-measurement \$m	ECL under AASB 9 at 1 July 2018 \$m
<b>Financial Asset</b>						
Receivables <sup>(a)</sup>	6	Loans and Receivables	Amortised Cost	(161)	(7)	(168)
Advances Paid	9	Loans and Receivables	Amortised Cost	(1)	(3)	(4)
<b>Total</b>				<b>(162)</b>	<b>(10)</b>	<b>(173)</b>

(a) Financial instrument disclosures exclude impairment on statutory receivables not within the scope of AASB 7.

### Total State Sector

	Note	Measurement Category		Allowance for Impairment under AASB 139 as at 30 June 2018 \$m	Carrying Amount	
		AASB 139	AASB 9		Re-measurement \$m	ECL under AASB 9 at 1 July 2018 \$m
<b>Financial Asset</b>						
Receivables <sup>(a)</sup>	6	Loans and Receivables	Amortised Cost	(182)	(7)	(189)
Advances Paid	9	Loans and Receivables	Amortised Cost	(1)	(3)	(4)
<b>Total</b>				<b>(183)</b>	<b>(10)</b>	<b>(193)</b>

(a) Financial instrument disclosures exclude impairment on statutory receivables not within the scope of AASB 7.



## Note 26: Trusts Under Management

Trusts under management are held on behalf of beneficiaries and are not controlled by the State. Therefore, in principle, these trusts are not recognised as assets or liabilities on the Statement of Financial Position. However, \$368 million (2018: \$115 million) of these trust funds are invested in TCorpIM Funds.

As the State controls the TCorpIM Funds, the portion of these trusts that are invested in TCorpIM Funds are recognised as assets in the State accounts, while liabilities of the same amounts are also recognised to reflect the interest not controlled by the State, as trusts under management are not attributable, directly or indirectly, to the State.

	General			
	Government Sector		Total State Sector	
	2019 \$m	2018 \$m	2019 \$m	2018 \$m
Trust Funds: <sup>(a)</sup>				
NSW Trustee and Guardian <sup>(b)</sup>	2,996	2,955	2,996	2,955
Rental Bond Board	1,623	1,523	1,623	1,523
State Insurance Regulatory Authority	1,305	1,298	1,305	1,298
NSW Treasury Corporation	...	...	969	1,243
Department of Industry	203	189	203	189
Biodiversity Conservation Trust of NSW	122	87	122	87
Department of Planning and Environment	63	67	63	67
Department of Finance, Services and Innovation	64	65	64	65
Other <sup>(c)</sup>	137	118	137	118
	<b>6,513</b>	<b>6,302</b>	<b>7,482</b>	<b>7,545</b>

(a) There have been restatements of the 2018 balances to reflect revised information available after the release of the 2017-18 Total State Sector Accounts.

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

(c) 'Other' includes Ministry of Health, Department of Justice, NSW Police Force and Sydney Metro. Sydney Metro was established on 1 July 2018 and is therefore included for the first time in 2019.

## 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 State, respectively as lessee and lessor, and are 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	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Finance Leases	2,590	2,984	5,287	5,302
	<b>2,590</b>	<b>2,984</b>	<b>5,287</b>	<b>5,302</b>

### Future Minimum Lease Payments Under Non-Cancellable Finance Leases:

Not Later Than One Year	448	933	736	720
Between One and Five Years	1,589	1,592	2,735	2,731
Later Than Five Years	3,020	3,099	8,591	8,964
Minimum Lease Payments	5,057	5,624	12,063	12,415
Less: Future Finance Charges	(2,467)	(2,640)	(6,776)	(7,113)
<b>Present Value of Minimum Lease Payments</b>	<b>2,590</b>	<b>2,984</b>	<b>5,287</b>	<b>5,302</b>
<b>Finance Lease Liabilities Resulting in Contingent Rental Expense</b>	<b>8</b>	<b>7</b>	<b>8</b>	<b>7</b>

Operating Lease Commitments - Payables	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m

### Future Minimum Lease Payments Under Non-Cancellable

<b>Operating Leases:</b>				
Not Later Than One Year	838	833	958	971
Between One and Five Years	1,851	1,980	2,171	2,268
Later than Five Years	758	1,248	1,207	1,495
	<b>3,447</b>	<b>4,061</b>	<b>4,336</b>	<b>4,735</b>

## Leases as Lessor

### Future Minimum Lease Payments

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

Finance Lease Commitments - Receivables	General		Total State Sector	
	Government Sector		2019	2018
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Finance Leases	1,058	981	1,441	1,411
	<b>1,058</b>	<b>981</b>	<b>1,441</b>	<b>1,411</b>
<b>Future Minimum Lease Receipts Under Finance Leases are Receivable for each of the Following Periods:</b>				
Not Later Than One Year	17	32	86	78
Between One and Five Years	566	519	602	602
Later Than Five Years	3,407	4,030	12,195	11,738
Gross Investment in the Lease	3,990	4,581	12,883	12,417
Less: Future Interest Revenues	(2,932)	(3,600)	(11,442)	(11,007)
<b>Present Value of Minimum Lease Payments Receivable and Unguaranteed Residual Value</b>	<b>1,058</b>	<b>981</b>	<b>1,441</b>	<b>1,411</b>
Finance Lease Receivables Resulted In:				
Present value of the Unguaranteed Residual Values Accruing to Lessors Benefit	426	420	463	440
Contingent Rents Recognised as Income	2	1	2	4

Finance lease receivables includes a residual emerging interest in the port assets amounting to \$232 million (2018: \$217 million) in the General Government Sector and \$329 million (2018: \$307 million) in the Total State Sector and in the electricity network assets amounting to \$209 million (2018: \$115 million) in the General Government Sector and Total State Sector for 2018-19.

Operating Lease - Receivables	General		Total State Sector	
	Government Sector		2019	2018
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
<b>Future Operating Lease Rentals not Recognised in the Financial Statements and Receivable:</b>				
Not Later Than One Year	199	141	261	200
Later Than One Year and Not Later Than Five Years	528	397	666	503
Later Than Five Years	909	737	1,365	1,086
	<b>1,637</b>	<b>1,274</b>	<b>2,292</b>	<b>1,789</b>

## Note 28: Expenditure Commitments

The following information represents expenditure contracted for at the reporting date, but not recognised in the financial statements.

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
<b>Capital Expenditure</b> (including expenditure for private sector financed infrastructure assets)				
Roads and Maritime Services <sup>(a)</sup>	7,645	3,256	7,610	3,249
Sydney Metro <sup>(b)</sup>	7,068	...	7,068	...
Ministry of Health	2,363	2,137	2,363	2,137
Transport for NSW <sup>(c)</sup>	1,877	4,657	1,866	4,638
Department of Education <sup>(d)</sup>	1,593	713	1,593	713
Sydney Water Corporation	...	...	917	812
Infrastructure NSW <sup>(e)</sup>	802	...	802	...
Department of Justice	229	568	229	568
New South Wales Land and Housing Corporation	...	...	165	73
New South Wales Government Telecommunications Authority	114	104	114	104
Water NSW	...	...	112	280
NSW Police Force	100	91	100	91
Hunter Water Corporation	...	...	70	40
TAFE Commission <sup>(d)</sup>	59	92	59	92
Essential Energy	...	...	53	47
Zoological Parks Board of New South Wales	...	...	35	52
Sydney Opera House Trust	...	...	30	35
Venues NSW	...	...	3	174
West Connex Group	...	...	...	1,938
Department of Industry	...	52	...	52
Other	118	77	171	137
	<b>21,968</b>	<b>11,747</b>	<b>23,360</b>	<b>15,232</b>
<b>Goods and Services Tax (GST) on Commitments <sup>(f)</sup></b>				
GST input tax credits included in the above Capital Expenditure commitments:	1,997	1,068	2,109	1,385
	<b>1,997</b>	<b>1,068</b>	<b>2,109</b>	<b>1,385</b>
<b>Capital Expenditure Commitments:</b>				
Not later than one year	10,772	5,936	11,741	8,211
Later than one year and not later than five years	9,579	5,736	9,903	6,932
Later than five years	1,616	75	1,716	89
	<b>21,968</b>	<b>11,747</b>	<b>23,360</b>	<b>15,232</b>

(a) Increase in the capital commitments as at 30 June 2019 reflects project activities for Rozelle Interchange and Western Harbour Tunnel during FY19.

(b) Sydney Metro (previously in Transport) only began operations on 1 July 2018. The commitments relate to Metro capital projects - City & South West, Northwest, Metro West and Greater West. This also includes a financial liability \$1.834 billion (excluding GST) recognised under a PPP for future capital payments on assets constructed by the private sector in accordance with NSW Treasury Policy TPP 06-8 'Accounting for Privately Financed Projections'. Refer to Note 20: Borrowings at Amortised Cost.

(c) Transport for NSW reduction in capital commitments is due to separation of Sydney Metro \$3.9 billion offset by increase due to Parramatta light rail Stage 1 project \$1.3 billion.

(d) There have been restatements of the 2018 balances for Department of Education and TAFE to reflect revised information available after the release of the 2017-18 Total State Sector Accounts.

(e) Infrastructure NSW will be building a new Allianz stadium.

(f) The above expenditure commitments are inclusive of GST except for NSW Land and Housing Corporation (LAHC). For LAHC they relate primarily to properties used to provide rental accommodation, which are input taxed activity where GST cannot be claimed from the ATO. GST input tax credits (debits) are expected to be recoverable from (payable to) the Australian Taxation Office.

## Note 29: Contingent Assets and Contingent Liabilities

Contingent assets and contingent liabilities are possible future assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly in the control of the State. In this note, contingent assets and liabilities have been classified into quantifiable (where its financial effect is able to be estimated) or non-quantifiable.

Guarantees are provided to facilitate the provision of certain services and the construction of several infrastructure assets may give rise to contingent liabilities.

### Contingent Liabilities

#### Quantifiable Contingent Liabilities

	General			
	Government Sector		Total State Sector	
	2019	2018	2019	2018
	\$m	\$m	\$m	\$m
Roads Retained Interest Pty Ltd <sup>(a)</sup> (Equity Commitment Deed)	746	...	746	...
Roads and Maritime Services <sup>(b)</sup> (Land acquisitions, contractual disputes)	789	892	789	892
Department of Justice <sup>(c)</sup> (Victims Support Scheme, Current Litigation)	545	492	545	492
Other Agencies	46	13	60	24
	<b>2,126</b>	<b>1,397</b>	<b>2,140</b>	<b>1,408</b>

(a) The Corporation is a party to the Equity Commitment Deed with the WestConnex Group. There is currently no commitment or obligation to contribute to equity. Depending on the extent of the borrowings, and the future construction profile of the WestConnex Group, a call may be made on the Corporation for an equity contribution.

(b) The majority of this movement relates to outstanding litigation matters regarding large scale property acquisitions as part of various projects.

(c) The Victims' Support Scheme (VSS) was created on 3 June 2013 through legislation known as the Victims' Rights and Support Act 2013. The amount attributable under the VSS could reasonably lie within the range of \$300 million to \$525 million (2018: \$282 million to \$492 million).

#### Non-quantifiable Contingent Liabilities

Details are summarised below of the most significant contingent liabilities which are all fully disclosed in the accounts of individual agencies.

Unless otherwise stated, the General Government contingent liabilities are also applicable to the Total State Sector. Included in these are:

- The State has a contingent liability under the *Native Title Act 1993 (Cth)*. The extent of the liability cannot be quantified. The liability arises because:
  - The State has an obligation to pay compensation to native title holders where they commit an action that extinguishes the native title holder's rights.
  - During the 2018-19 year, 810,564 hectares (2017-18: 837,065 hectares) of operational timber reserves were subject to claims. The State is not aware of any extinguishment of native title holder's rights.
- 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 35,855 Aboriginal Land Claims to review (2018: 33,452). These applications have not been finalised and it is therefore not possible to estimate the financial impact or result of the claims.

- There are a number of significant disputes which have been notified to and by Transport for NSW in relation to its activities. There is significant uncertainty as to whether any future liability will arise in respect of these disputes. The amount of the liability that may arise in relation to these disputes cannot be measured reliably at this time.
  - A statement of claim has been filed in the Supreme Court of NSW alleging public and private nuisance as a result of the Sydney Light Rail project. The proceedings have been brought as representative proceedings. It is not possible to at this stage to estimate any potential financial effect from these proceedings.
  - Apart from the above matters, there are a number of other disputes related to property acquisitions and contractual claims subject to litigation. The amount of the liability, if any, that may arise in relation to the majority of these disputes cannot be reliably measured at this time.
- Claims have been made against the State for compensation for land acquired under the *Land Acquisition (Just Terms Compensation) Act 1991*. The Land and Environment Court will consider these claims in due course.
- Through the proactive assessment of high-risk categories of potentially contaminated land; the State has identified 133 high risk sites (2018: 164 high risk sites) on Crown land which are likely to have some degree of contamination. Most of these sites are subject to preliminary site investigations or clean up works which may determine a lower risk rating. Where remediation works are identified and a present obligation exists to perform these works, a provision is made. It is considered that the existence of contaminated sites will not have a material impact on 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.
- At 30 June 2019 liabilities relating to future reported claims from past exposure periods exist in NSW Self Insurance Corporations relating to incidents of abuse that occurred within NSW Government institutions (referred to as latent abuse claims). Abuse could be sexual, physical, emotional or a combination of these types of abuse. There are two main considerations relevant to estimating the claims incurred to date but not yet reported component of these liabilities. These considerations, which are both subject to significant uncertainty and the unavailability of adequate data, comprise:
  - The number of latent abuse claims incurred to date but not yet reported
  - The average size of payments expected on these claims

A consideration relevant to estimating the incurred but not reported latent abuse claims, is the reduced relevance of historic claims experience given external developments such as relatively recent legislative changes, and the National Redress Scheme. Based on the information available at the balance date it has been determined that a reliable estimate of the liabilities for these latent abuse claims cannot be made. As such the liabilities presented in these accounts do not include an allowance for incurred but not reported latent abuse claims. As more information becomes available it may be possible to put an estimate on these latent abuse claim liabilities. It is possible that such an estimate is material to the financial statements.
- Claims have been made against the State, challenging the constitutional validity of stamp duty on motor vehicles. The proceedings are at an early stage and it is therefore not possible to estimate the financial impact or result of the claims.
- State agencies and corporations are subject to various claims and litigation in the normal course of operations. The quantum of these claims cannot accurately be determined.

## Warranties, Guarantees and Indemnities

Guarantees have been provided to facilitate the provision of certain services and the construction of several infrastructure assets, which may give rise to contingent liabilities. Unless otherwise stated, the General Government guarantees are also applicable to the Total State Sector.

The major guarantees are:

- Issued securities, borrowing and derivative liabilities of the New South Wales Treasury Corporation with a market value of \$74.1 billion (2018: \$65.5 billion) have been guaranteed by the NSW Government under the Public Authorities (Financial Arrangements) Act 1987.
- State guarantees given to various organisations under statute mainly relate to certain co-operative housing societies. The maximum exposure as at 30 June 2019 is \$21 million (2018: \$23 million).
- The State made a number of warranties in relation to the sale of Delta Electricity's Western Assets, Eraring Energy, Vales Point Power Station, Colongra Power Station, Macquarie Generation and the 99-year leases of TransGrid, Ausgrid and Endeavour Energy network assets:

### *Pre-existing contamination liability*

- the State retains the costs for remediating pre-existing contamination at the Eraring, Shoalhaven, Mt Piper, Vales Point, Colongra, Bayswater and Liddell power stations sites to minimum legal standards. Contamination is determined by reference to base line study or studies within certain time restrictions.

### *General warranties*

- under the various Sale and Purchase and Lease transactions, the State has potential liabilities under various warranties, indemnities and guarantees provided to the purchaser and lessees. Warranties are subject to various caps, carve-outs and time restrictions.

### *Coal haul road liability*

- if existing Aboriginal land right claims affect Crown Land titles over the coal haul road from Newstan Colliery to the Eraring Power station, compensation will be payable by the State to the native title holders to negotiate a continued right to use. The State's obligations end (in respect of each existing Aboriginal Land Claim): 12 months after the date on which the Minister or Court (as applicable) determines that Crown Land subject to an existing Aboriginal Land Claim is not claimable land or an easement or similar for the purposes of the Coal Haul Road is granted to the indemnified party; or the date on which an existing Aboriginal Land Claim is withdrawn or terminated.

### *Ash dam liability*

- as part of the Eraring Sale, the State will pay half the incremental cost of implementing an alternative arrangement for ash disposal if the existing proposal (as at 1 August 2013) for further backfilling at the ash dam cannot be implemented. The State's liability ceases if the issue is not resolved by 1 August 2023. The State will also retain the costs for remediating ash dam contamination (migration of contamination in water from ash dams) at Vales Point Power Station.
- In addition to the warranties, the State made the following guarantees and indemnities in relation to the sale of Vales Point Power Station, Colongra Power Station and Macquarie Generation:

### *Vales Point Hand Back Deed*

- where an option is exercised under the Hand Back Deed, the State will be responsible for the demolition and remediation of Vales Point and the Site Land.

### *Land remediation indemnity*

- the State has indemnified the purchasers in relation to the cost to remediate land at the various power station sites, subject to various conditions and time frames.

### *Barnard River Scheme native title indemnity*

- the State has indemnified AGL for costs related to any native title claims affecting a parcel of Crown land related to the Barnard River Scheme.

- The State has guaranteed the obligations and performance of various statutory authorities under contracts with private sector parties. These guarantees are considered unlikely to ever be exercised and, in some cases, are limited to financial obligations only. The current guarantees in place are:
  - Sydney Harbour Tunnel
  - Macarthur Water Filtration Plant
  - M2 Motorway
  - Olympic Multi-Use Arena
  - Eastern Distributor
  - Illawarra and Woronora Water Treatment Plant
  - Prospect Water Filtration Plant and Treatment Works
  - Cross City Tunnel
  - Western Sydney Orbital (Westlink M7 Motorway)
  - Eastern Creek Alternative Waste Treatment Plant (The Crown Entity holds a guarantee, a contingent asset, which fully offsets this contingent liability)
  - Lane Cove Tunnel
  - Mater Hospital
  - Long Bay Prison and Forensic Hospital
  - Suburban Rolling Stock
  - VISY Mill: Tumut Timber Supply Agreement
  - Orange Hospital Redevelopment
  - Royal North Shore Hospital Redevelopment
  - Sydney International Convention, Exhibition and Entertainment Precinct
  - North West Rail Link – Operations, Trains and Systems
  - Northern Beaches Hospital
  - Sydney Light Rail
  - WestConnex
  - NorthConnex
  - Newcastle Integrated Service Operator
  - New Grafton Correctional Centre
  - Sydney Growth Trains
  - New Intercity Fleet
  - Sydney Metro City & Southwest: Tunnel and Station Excavation Works
  - Regional Rail
- NSW Treasury Corporation has undertakings for other government authorities for their performance under contracts with third parties. At the reporting date they were valued at \$74.7 million (2018: \$84 million).
- The State bears the risk of the employer's superannuation guarantee contributions being insufficient to fund the defined employee benefits (in respect of past and future service liabilities) for certain ex-public sector employees following the State's decision to sell the businesses. The State must pay the contribution shortfall on an annual basis and is obliged to make good any employer reserve shortfall upon the insolvency of the employer. Indemnities have also been provided to the private sector employer in respect of loss suffered, for example, from non-payment of an unfunded amount or tax losses suffered due to payments by the State.
- The State has provided a Deed of Indemnity to the directors and designated senior management of some state-owned corporations (SOC). This deed indemnifies them against claims and liabilities in connection with the Energy Industry Reform Transactions (Transaction Process).
 

The directors and designated senior management covered by this indemnity are the directors and designated senior management of Essential Energy and the former directors and designated senior management of Eraring Energy, Ausgrid, Macquarie Generation, Endeavour Energy and Delta Electricity. To the extent permitted by law, the indemnity covers each indemnified party, in their capacity as directors or senior management, against:

  - civil liability arising in respect of the Transaction Process if such liability is or was not due to conduct which involved a lack of good faith on the part of the indemnified party, and
  - costs in defending proceedings, whether civil or criminal, in which judgement is or was given in favour of the indemnified party or in which the indemnified party is or was acquitted or where the proceedings are discontinued or in connection with any application in relation to a proceeding in which a court grants or granted relief to the indemnified party.



The indemnified parties have a duty to maintain in force comprehensive directors' and officers' insurance policies which cover all of the risks indemnified by the State under the indemnities until:

- the completion of the Transaction Process, and
- for seven years following the completion of the Transaction Process for any acts or omissions of the Indemnified Party occurring before completion of the Transaction Process.

The indemnity does not apply in respect of a liability which arises out of any act or omission on the part of the indemnified party that involves, among others as detailed in the Deed of Indemnity, gross negligence, recklessness and conduct contrary to any written direction or instructions to the indemnified party made by or on behalf of the State.

It is not possible to estimate the amount of contingent liability exposure at this time. There are no known claims as at the reporting date.

- In entering the 99-year lease of land and fixtures at Port Kembla, Port Botany and Enfield and 98-year lease at Port of Newcastle
  - the State has indemnified the Port lessees in respect of pre-existing environmental damage or contamination at relevant sites (no known claims as at the reporting date) and
  - the State has guaranteed limited compensation to financiers if the Port Leases are terminated for any reason.
- State owned electricity distributors provide guarantees to regulatory and statutory authorities to the value of \$22.2 million (2018: \$23.8 million).
- The State Government's motor vehicles are financed by an internal arrangement managed by StateFleet and funded by TCorp. The facility is funded through a portfolio of debt with a modified duration of around 3 years. There is an interest rate exposure on a principal of \$106 million as at 30 June 2019 (2018: \$207 million).
- On 18 August 2019, the Barangaroo Delivery Authority settled the sight lines dispute with LendLease (Millers Point) Pty Limited and Crown Sydney Property Pty Limited and withdrew the appeal proceedings. The commercial terms of this settlement are bound by confidentiality requirements. Depending on the outcome of future events, the Barangaroo Delivery Authority may have additional financial commitments.
- State's Fire and Rescue has undertaken site assessments at its training centres located in Armidale, Albion Park, Deniliquin, Alexandria and Greenacre. The assessment results confirmed the presence of perfluorooctane sulfonate (PFOS), perfluorooctanoic acid (PFOA) and Perfluorohexane Sulfonic Acid (PFHxS) chemicals. Plans for remediation are now in place. Leased properties will be remediated in accordance with these plans and subsequent reimbursement of the costs will be sought from the insurer. The final remediation costs of the impacted properties owned by the State remain uncertain.
- State has a potential exposure to risk from contaminated sites, land, buildings and infrastructure that may contain hazardous materials and environmental incidents. There is an ongoing program for the management of contamination and remediation where required. It is not possible to estimate liabilities reliably, as the need for and the type of management and remediation is dependent on future events that cannot be determined at this time.
- In October 2018 control of Allianz Stadium was handed over to Infrastructure NSW to commence demolition for the redevelopment of a new stadium funded by the NSW Government. As such, events previously hosted at Allianz Stadium have been relocated to either the Sydney Cricket Ground or another venue within NSW. Any losses incurred by precinct partners as a result of this relocation will be paid by way of compensation by the State.

- On 29 March 2019 the Myuna Bay Sport and Recreation Centre was closed due to safety concerns relating to the nearby Eraring Ash Dam. The Office of Sport has been advised by Origin Energy Limited that if the dam wall breaks in the event of a major earthquake, there is a significant risk to the Myuna Bay Sport and Recreation Centre. The Minister has requested an independent review of the Origin Energy report and until this review is completed, the financial impact on the State cannot be quantified.

## 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 \$7 million as at 30 June 2019 (2018: \$15.7 million). The liquidators of HIH Insurance Limited currently intend to distribute various percentages up to 'more than 50 per cent' depending upon the scheme company. In 2018-19, the State received no payments. (2018: Nil).
- As part of the HACP program, there were 40 properties that the AHO does not have definitive control over as at 30 June 2019. As a result, they will not be recognised until such time as full control is established. The estimated value of these properties is \$20.3m. (2018 - \$28.7m).

## Note 30: Events after the Reporting Period

### Changes to Reporting Entities

There have been several changes to reporting entities as a result of the Administrative change orders following the 2019 State election.

On 2 April 2019, the Administrative Arrangements (Administrative Changes–Public Service Agencies) Order 2019 was introduced to take effect from 1 July 2019( except for certain clauses which are taken to have commenced on a retrospective date). Following the release, the Administrative Arrangements (Administrative Changes–Public Service Agencies) Order (No. 2) 2019 was introduced on 1 May 2019, repealing the Order of 2 April, to take effect from 1 July 2019.

As part of these revised arrangements these major changes have occurred:

- Department of Finance, Services and Innovation will be abolished, and the Department of Customer Service established;
- Department of Family and Community Services and Department of Justice will be abolished, Department of Communities and Justice will be established;
- Department of Industry and Department of Planning and Environment will be abolished, Department of Planning, Industry and Environment will be established;
- Barangaroo Delivery Authority will be abolished, and functions transferred to Infrastructure NSW;
- Office of Environment and Heritage will be abolished, and functions transferred to the Department of Premier and Cabinet and the Department of Planning, Industry and Environment;
- Office of Local Government will be abolished, and functions transferred to the Department of Planning, Industry and Environment;
- UrbanGrowth NSW Development Corporation will be abolished, and functions transferred to Infrastructure NSW.

These changes will have consequential financial and annual reporting implications whereby transfers of function from the old agency to the new agency will need to be recognised as at 1 July 2019.

## Opal Tower

Opal Tower is located on land formerly known as Site 68 Bennelong Parkway, Sydney which was owned by Sydney Olympic Park Authority (SOPA). On 20 March 2014, SOPA entered into a Project Delivery Agreement with Australia Avenue Developments Pty Ltd (AAD) and Ecove Group Pty Ltd pursuant to which AAD would develop the site, including by designing and constructing Opal Tower as a mixed residential and commercial building. In October 2015, AAD contracted with Icon Co (NSW) Pty Ltd (Icon) to carry out the building works which were completed by August 2018. Contracts for the sale of land occurred after the work was completed. On 24 December 2018 residents reported hearing loud cracking noises within the Opal Tower and visible cracks were identified on Level 10 of the building and subsequently residents were evacuated by emergency services.

On 5 August 2019, SOPA received a Summons from Corrs Chambers Westgarth Lawyers who represent the Opal Tower owners. The Summons commences a Class Action for breach of statutory warranties against SOPA and costs relating to rectification works and relating to diminution in value as well as other costs. Although SOPA was not directly involved in the construction of Opal Tower, they may be deemed a developer under the *Home Building Act 1989* and as such have legal exposure arising from statutory warranties under the Act. Given the Developer and Builder are in the process of rectifying the building defects, it is considered that a successful material claim is unlikely for building damage costs. The other claim for damages relates to diminution of value as a result of the defect. The Builder (Icon) and the Developer (Ecove) are likely to be liable for most of any damages awarded.

Given that Icon, the builder, and/or the designer would appear to be primarily responsible, and that Ecove would bear secondary responsibility, it is likely that SOPA's proportion of liability would be minor unless Icon and the building designer and the developer were to be wound up. In this regard, Icon is a subsidiary of Kajima, a \$7 billion listed Japanese company and Ecove is involved in other developments. There are several insurance policies that SOPA may be entitled to claim under however there are issues as to which policy will respond to indemnify Icon. If favourable indemnity positions can be obtained from the contractors' insurance policies, SOPA may be entitled to pass on the majority of its costs incurred in these proceedings.

## Roads and Maritime Services

On 18 July 2019, a Sydney court ordered the NSW government to pay more than \$50 million compensation to the former owners of a tip site that it acquired to build the WestConnex interchange at St Peters. Alexandria Landfill Pty Ltd and Boiling Pty Ltd argued for a much greater amount of compensation to be paid. It is likely this decision will be appealed by Alexandria Landfill and Boiling.

## Transport for NSW and Rail Corporation New South Wales

Transfer of assets, rights and liabilities relating to the Country Regional Network from Transport for NSW to RailCorp under a ministerial order on 1 July 2019. The fair value of the assets transferred was approximately \$4,508 million.

## NSW Ports

On 20 August 2019, the State has been joined as a respondent in an action taken by the Australian Competition and Consumer Commission (ACCC) against NSW Ports and in NSW Ports' cross-claim against Port of Newcastle. Neither the ACCC nor NSW Ports are seeking any relief (compensation or other orders) against the State.

## Education

On 13 September 2019, the NSW Industrial Relations Commission (the Commission) held a full-bench hearing about the pay equity package for School Administrative and Support (SAS) Staff. The Commission determined that the package satisfies the equal remuneration principle and agreed to it taking effect from 1 July 2019. The determination provides a one-off pay rise to SAS Staff, amends their employment classifications, recruitment and work practices. The Department has quantified the financial impact on its financial statements for the year ended 30 June 2019 and concludes that the impact will not be material.

## Venues NSW

On 8 August 2019, the State conditionally approved the allocation of up to \$810 million to Stadium Australia. The proposed project is a refurbishment/redevelopment that will transform Stadium Australia into a 70,000 seat permanent rectangular stadium. If the conditions for final approval are met and the funding for the refurbishment is approved, this would result in accelerated depreciation and write-offs currently estimated at \$123 million. The timing of these expenses are dependent on the commencement of the project.

## Note 31: Restatement/Corrections to Prior Years

### (a) Earthworks valuation

In previous years, Transport for NSW carried bored and excavated tunnels and earthworks including cuttings and embankments at nil value on the basis that the assets could not be reliably measured. In 2017, Transport for NSW valued these assets using advances in technology, improved asset management systems, equipment and technical asset information. On balance, it appeared it may have been possible to reliably value these assets in a prior year. As a result, Transport for NSW recorded an additional \$29.9 million in tunnel boring assets and \$4,228.8 million in earthworks to correct the value of infrastructure assets with an adjustment to equity in 2017. The nature of the inputs to the valuation made it impractical to retrospectively restate previously reported balances.

Due to concerns around the completeness and the quality of data relating to the earthworks recognised in 2017, Transport for NSW has carried out an extensive process to ensure it has a complete database for all earthworks to support future valuations. Comparing the results of the data collected to the data used in the 2017 earthworks valuation has revealed significant variations, resulting in a decrement in fair value of \$2,145.8 million. Accordingly, the prior year has been restated to recognise the decreased value of the earthworks, and this has been adjusted against equity in line with the 2017 treatment.

The main reason for the prior period adjustment derives from the use of incorrect assumptions in the 2017 valuation, mainly comprising:

- A larger proportion of assets on flatter terrain than originally assumed in 2017
- Lower cutting and embankment heights than assumed in 2017
- Unit rates used in 2017 did not accurately reflect the parameters of the earthworks
- Assumptions on the remaining useful life in 2017 did not accurately reflect the condition of the assets.

Additionally, depreciation in the prior year has been restated to correct the amount of earthworks depreciation in line with the restated fair value (reduction of \$61.5 million).

### (b) Reclassification of Balances

There has been a restatement of balances to reflect revised information available after the publication of the 2017-18 Total State Sector Accounts. \$182 million (General Government Sector) and \$309 million (Total State Sector) was reclassified from 'Interest' expense to 'Gain/(Loss) from Liabilities' for 2017-18.

### (c) TCorp Reclassification of Securities

During the year, TCorp reclassified securities purchased under agreements to resell from 'Due from Financial Institutions' to 'Cash and Liquid Assets' on the balance sheet. This is to better reflect the nature of these liquid holdings. A reclassification of \$1,002 million has also been made to prior period comparative information. As the securities are from external institutions, this reclassification is a Total State Sector impact only.

FROM CONTINUING OPERATIONS	Note	General Government Sector			Total State Sector		
		2017-18 Actual	Adjustment	2017-18 Restated	2017-18 Actual	Adjustment	2017-18 Restated
		\$m	\$m	\$m	\$m	\$m	\$m
<b>Revenue from Transactions</b>							
Total Revenue from Transactions		80,672	...	80,672	86,697	...	86,697
<b>Expenses from Transactions</b>							
Depreciation and Amortisation	(a)	4,873	(61)	4,811	7,641	(61)	7,579
Interest	(b)	1,994	(182)	1,812	3,647	(309)	3,338
Total Expenses from Transactions		76,491	(243)	76,248	84,246	(370)	83,875
Transactions from Discontinuing Operations		...	...	...	...	...	...
<b>NET RESULT FROM TRANSACTIONS - NET OPERATING BALANCE (BUDGET RESULT FOR THE GENERAL GOVERNMENT SECTOR)</b>							
		4,181	243	4,425	2,451	370	2,822
<b>OTHER ECONOMIC FLOWS - INCLUDED IN THE OPERATING RESULT</b>							
Loss from Liabilities	(b)	(231)	(182)	(413)	(379)	(309)	(688)
Other Economic Flows - included in Operating Result		(16)	(182)	(198)	953	(309)	643
<b>OPERATING RESULT</b>							
		4,165	61	4,226	3,404	61	3,465
Other Economic Flows - Other Comprehensive Income		26,369	...	26,369	27,130	...	27,130
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS</b>							
		30,534	61	30,595	30,534	61	30,595
Less: Net Other Economic Flows		(26,353)	182	(26,171)	(28,083)	309	(27,773)
<b>NET OPERATING BALANCE</b>							
		4,181	243	4,425	2,451	370	2,822
<b>Less: Net Acquisition of Non-Financial Assets</b>							
Less: Depreciation and Amortisation	(a)	(4,873)	61	(4,811)	(7,641)	61	(7,579)
<b>Equals Total Net Acquisition of Non-Financial Assets</b>		<b>6,943</b>	<b>61</b>	<b>7,005</b>	<b>9,461</b>	<b>61</b>	<b>9,523</b>
<b>EQUALS: NET LENDING/(BORROWING)</b>							
		<b>(2,762)</b>	<b>182</b>	<b>(2,580)</b>	<b>(7,010)</b>	<b>309</b>	<b>(6,701)</b>

	Note	General Government Sector			Total State Sector		
		1 July 2018 Actual	Adjustment	1 July 2018 Restated	1 July 2018 Actual	Adjustment	1 July 2018 Restated
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<b>Financial Assets</b>							
Cash and Cash Equivalents	(c)	5,417	...	5,417	12,967	1,002	13,969
Investments, Loans and Placements							...
Financial Assets at Fair Value	(c)	32,578	...	32,578	38,645	(1,002)	37,643
<b>Total Financial Assets</b>		<b>173,228</b>	<b>...</b>	<b>173,228</b>	<b>89,666</b>	<b>...</b>	<b>89,666</b>
<b>Non-Financial Assets</b>							
Infrastructure Systems	(a)	104,232	(2,084)	102,147	160,242	(2,084)	158,158
<b>Total Non-Financial Assets</b>		<b>210,336</b>	<b>(2,084)</b>	<b>208,252</b>	<b>353,469</b>	<b>(2,084)</b>	<b>351,384</b>
<b>TOTAL ASSETS</b>							
		<b>383,564</b>	<b>(2,084)</b>	<b>381,480</b>	<b>443,135</b>	<b>(2,084)</b>	<b>441,051</b>
<b>TOTAL LIABILITIES</b>							
		<b>129,385</b>	<b>...</b>	<b>129,385</b>	<b>188,956</b>	<b>...</b>	<b>188,956</b>
<b>NET ASSETS</b>							
		<b>254,179</b>	<b>(2,084)</b>	<b>252,095</b>	<b>254,179</b>	<b>(2,084)</b>	<b>252,095</b>
<b>NET WORTH</b>							
Accumulated Funds <sup>(a)</sup>		78,327	(2,084)	76,243	101,764	(2,084)	99,680
<b>TOTAL NET WORTH</b>							
		<b>254,179</b>	<b>(2,084)</b>	<b>252,095</b>	<b>254,179</b>	<b>(2,084)</b>	<b>252,095</b>
<b>OTHER FISCAL AGGREGATES</b>							
Net Debt		(11,195)	...	(11,195)	15,762	...	15,762
Net Financial Liabilities		69,068	...	69,068	99,289	...	99,289

	Note	2017-18 Actual \$m	Total State Sector <sup>(a)</sup> Adjustment \$m	2017-18 Restated \$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Total Receipts		93,263	...	93,263
Total Payments		(76,954)	...	(76,954)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>16,309</b>	<b>...</b>	<b>16,309</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net Cash Flows from Investments in Non-Financial Assets		(17,931)	...	(17,931)
Net Cash Flows from Investments in Financial Assets (Policy Purposes)		(7)	...	(7)
<b>Financial Assets (Liquidity Purposes)</b>				
Purchase of Investments	(c)	(14,446)	1,002	(13,444)
Net Cash Flows from Investments in Financial Assets (Liquidity Purposes)	(c)	263	1,002	1,265
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	(c)	<b>(17,675)</b>	<b>1,002</b>	<b>(16,673)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>285</b>	<b>...</b>	<b>285</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(c)	<b>(1,080)</b>	<b>1,002</b>	<b>(78)</b>
				...
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	(c)	<b>12,967</b>	<b>1,002</b>	<b>13,969</b>
<b>DERIVATION OF CASH RESULT</b>				
<b>CASH SURPLUS/(DEFICIT)</b>		<b>(1,622)</b>	<b>...</b>	<b>(1,622)</b>

## Note 32: Related Party Disclosures

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the State. As New South Wales (NSW) Cabinet is the decision making body for the State, all NSW Cabinet Ministers are considered KMP of the State. Information on KMP of each individual agency can be found in individual agency accounts. Only Cabinet exercises the role of KMP over the whole State.

### Key Management Personnel Compensation

KMP compensation is as follows:

	Total State Sector 2018-19 \$000	Total State Sector 2017-18 \$000
Short-term Employee Benefits		
Salaries	6,339	6,139
Other Monetary Allowances	2,880	2,758
Non-monetary Benefits	2,358	1,897
Other Long-term Employee Benefits	...	...
Post-employment Benefits	673	635
Termination Benefits	...	...
<b>Total KMP Compensation</b>	<b>12,249</b>	<b>11,429</b>

### Related Party Transactions

As a KMP of the State, each Cabinet Minister is considered a related party to all NSW government controlled entities. The definition of related parties extends to each Cabinet Minister's close family members and entities controlled or jointly controlled by the Cabinet Minister and/or close family members.

During the year, there were no material transactions with the Cabinet Ministers, their close family members or entities controlled or jointly controlled thereof.

## Note 33: Budgetary Information on 2018-19 General Government Sector Financial Statements

The budgeted amounts are drawn from the original 2018-19 Budget presented, on 19 June 2018, to Parliament. The budgeted financial statements are presented consistent with AASB 1055 *Budgetary Reporting*.

### The NSW General Government Statement of Comprehensive Income for the Year Ended 30 June 2019

	Original Budget	Actual	Budget Variance
	\$m	\$m	\$m
<b>FROM CONTINUING OPERATIONS</b>			
<b>Revenue from Transactions</b>			
Taxation	31,146	31,443	297
Grants and Subsidies			
Commonwealth General Purpose	18,475	17,907	(568)
Commonwealth Specific Purpose Payments	9,851	10,224	373
Commonwealth National Partnership Payments	3,043	2,737	(306)
Other Grants and Subsidies	742	981	239
Sale of Goods and Services	9,513	8,990	(523)
Interest	323	491	168
Dividend and Income Tax Equivalents from Other Sectors	1,823	1,932	109
Other Dividends and Distributions	1,322	1,934	612
Fines, Regulatory Fees and Other	4,843	5,051	208
<b>Total Revenue from Transactions</b>	<b>81,081</b>	<b>81,690</b>	<b>609</b>
<b>Expenses from Transactions</b>			
Employee	31,613	33,158	1,545
Superannuation			
Superannuation Interest Cost	1,470	1,412	(58)
Other Superannuation	3,006	3,052	46
Depreciation and Amortisation	4,989	5,192	203
Interest	2,044	1,812	(232)
Other Operating	21,600	21,146	(454)
Grants and Subsidies			
Recurrent Grants and Subsidies	13,852	13,595	(257)
Capital Grants	1,082	1,105	23
<b>Total Expenses from Transactions</b>	<b>79,656</b>	<b>80,471</b>	<b>815</b>
<b>TRANSACTIONS FROM DISCONTINUING OPERATIONS</b>			
	...	...	...
<b>NET RESULT FROM TRANSACTIONS</b>			
<b>NET OPERATING BALANCE (BUDGET RESULT FOR THE GENERAL GOVERNMENT SECTOR)</b>			
	<b>1,425</b>	<b>1,219</b>	<b>(206)</b>



## The NSW General Government Statement of Comprehensive Income for the Year Ended 30 June 2019 (continued)

	Original Budget \$m	Actual \$m	Budget Variance \$m
<b>NET OPERATING BALANCE</b>	<b>1,425</b>	<b>1,219</b>	<b>(206)</b>
<b>OTHER ECONOMIC FLOWS - INCLUDED IN THE OPERATING RESULT</b>			
Gain/(Loss) from Other Liabilities	175	(2,500)	(2,675)
Other Net Gains/(Losses)	493	13,700	13,207
Share of Earnings/(Losses) from Equity Investments (excluding Dividends)	(0)	(1)	(1)
Dividends from Asset Sale Proceeds	81	(0)	(81)
Deferred Income Tax from Other Sectors	(7)	(97)	(90)
Other	47	14	(33)
Discontinuing Operations - Other Economic Flows	0	(0)	...
<b>Other Economic Flows - included in Operating Result</b>	<b>789</b>	<b>11,117</b>	<b>10,328</b>
<b>OPERATING RESULT</b>	<b>2,214</b>	<b>12,335</b>	<b>10,121</b>
<b>OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME</b>			
<b>Items that will not be reclassified to operating result</b>			
Revaluations	2,794	7,205	4,411
Share of Associate's Other Comprehensive Income/(Loss) that will not be Reclassified Subsequently to Operating Result	...	(10)	(10)
Actuarial Gain/(Loss) from Superannuation	4,120	(13,364)	(17,484)
Net Gain/(Loss) on Equity Instruments at Fair Value through Other Comprehensive Income	...	(7,888)	(7,888)
Deferred Tax Direct to Equity	61	151	90
<b>Items that may be reclassified subsequently to operating result</b>			
Net Gain/(Loss) on Equity Investments in Other Sectors	71	...	(71)
Net Gain/(Loss) on Financial Instruments at Fair Value	...	19	19
Share of Associate's Other Comprehensive Income/(Loss) that may be Reclassified Subsequently to Operating Result	...	(538)	(538)
Other	(209)	166	375
<b>Other Economic Flows - Other Comprehensive Income</b>	<b>6,837</b>	<b>(14,259)</b>	<b>(21,096)</b>
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS</b>	<b>9,052</b>	<b>(1,924)</b>	<b>(10,976)</b>
<b>KEY FISCAL AGGREGATES</b>			
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS</b>	<b>9,052</b>	<b>(1,924)</b>	<b>(10,976)</b>
Less: Net Other Economic Flows	(7,626)	3,142	10,768
<b>NET OPERATING BALANCE</b>	<b>1,425</b>	<b>1,219</b>	<b>(206)</b>
<b>Less: Net Acquisition of Non-Financial Assets</b>			
Purchases of Non-Financial Assets	15,405	16,464	1,059
Sales of Non-Financial Assets	(650)	(966)	(316)
Less: Depreciation	(4,989)	(5,192)	(203)
Plus: Change in Inventories	(42)	38	80
Plus: Other Movements in Non-Financial Assets			
Assets Acquired using Finance Leases	1,925	159	(1,766)
Other	40	(4)	(44)
<b>Equals Total Net Acquisition of Non-Financial Assets</b>	<b>11,688</b>	<b>10,498</b>	<b>(1,190)</b>
<b>EQUALS: NET LENDING/(BORROWING)</b>	<b>(10,263)</b>	<b>(9,280)</b>	<b>983</b>

## Analysis of the General Government Sector Results

Significant variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below.

### Net Operating Balance (Budget Result)

The budget result for the financial year ended 30 June 2019 was a surplus of \$1.2 billion, \$206 million lower than the 2018-19 original budget forecast surplus of \$1.4 billion.

An analysis of the result compared to the original budget is outlined below.

### Total Revenues

Total revenues were \$609 million higher than the original budget as outlined below.

#### *Taxation*

Taxation was \$297 million higher than the original budget mainly due to:

- Payroll tax, which was \$207 million higher than the original budget due to stronger than expected employment growth.
- Other Taxes and Levies, which were higher than expected by \$504 million. This was mainly due to higher than expected Waste and Environment Levy revenue of \$199 million due to strong construction sector activity, \$95 million due to the Crown Casino licence fee being brought forward to 2018-19, and \$124 million primarily due to the movement in outstanding contributions to the Dust Diseases Compensation Scheme based on recent liability valuations.

These were offset by lower than expected results in:

- Stamp duty \$278 million lower than the original budget, due to weaker residential property prices and lower than expected residential transaction volumes. This was partially offset by one-off transfer duty payment associated with the WestConnex transaction.
- Land Tax \$78 million lower than original budget, due to a lower 2017-18 outcome than expected at Budget, as well as lower than expected foreign investor land tax surcharge revenue.
- Motor Vehicle Taxes being \$59 million lower than Budget, due to lower than expected growth in total vehicle registrations over the year.

#### *Grants and Subsidies*

Commonwealth General Purpose grants were lower than the original budget by \$568 million due to lower GST revenue grants of \$554 million. This was due to lower GST receipts in 2018-19 following a reduction in the national GST pool and NSW population growth.

Commonwealth National Partnership payments were \$306 million lower than budget, mainly reflecting lower grant payments to Transport for NSW (\$204 million) due to the re-profiling of funding over the forward estimates. Commonwealth National Agreement payments were \$373 million higher than Budget mainly due to the final Commonwealth reconciliation payments for 2016-17 and 2017-18 to Health (\$278 million) under the National Health Reform Agreement.

Other Grants and Subsidies are \$239 million higher than Budget mainly due to a \$149 million reclassification from Fines, Regulatory fees and other, as well as other Commonwealth Payments.

#### *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 \$523 million, mainly due to the transfer of Sydney Metro Northwest into the General Government (GG) Sector, which results in lower services charged to the non-GG Sector to build these assets. TAFE was lower than budget by around \$161 million, mainly due to a shift in student enrolments into subsidised funding streams and away from commercial offerings, causing a significant drop in student enrolments.

These were offset by water management fees recognised from the non-General Government sector not included at budgeted (\$95 million), and higher insurance premiums from the non-General Government sector combined with movements in outstanding insurance recoveries (\$58 million).

#### *Interest Income*

Interest income includes returns on advances to public non-financial corporation enterprises, along with returns on deposits held with NSW Treasury Corporation and other financial institutions.

Interest income was higher than the original budget by \$168 million mainly due to higher cash and investments in term deposits (\$108 million).

#### *Financial Distributions (Dividends and Income Tax Equivalent)*

Dividends and Income Tax Equivalent payments are paid by commercial government businesses to ensure competitive neutrality with the private sector and encourage these businesses to make commercial investment decisions.

Dividends and Taxes were higher than the original budget by \$109 million. Dividends were higher by \$148 million mainly due to the final dividend received from the Sydney Motorway Corporation at the time of the 51 per cent sale to Sydney Transport Partners. This was offset by lower Income Tax equivalents from the PNFC sector due to reductions in profits during the year (\$30 million), and lower Dividends from the PNFC sector (\$21 million) mainly due to higher drought-driven costs of Sydney Water (including associated with desalination).

#### *Other Dividends and Distributions*

Other dividends and distributions were \$612 million above the original budget, mainly driven by higher than expected investment income from:

- NSW Self Insurance Corporation (\$256 million) due to improved financial market performance;
- NSW Treasury Corporation products (\$229 million)

#### *Fines, Regulatory Fees and Other*

Revenue from fines, regulatory fees and other revenues were \$208 million higher than the original budget primarily due to Mining royalties, which were \$189 million higher than budget, largely driven by higher thermal coal prices and a lower than expected exchange rate. General revenue across a number of Agencies was higher than budget by around \$255 million, which was offset by the reclassification of \$215 million as Grants and Subsidies.

### **Expenses**

Total expenses were higher than the original budget by \$815 million as outlined below.

#### *Employee Expenses (excluding Superannuation)*

Employee expenses were \$1.5 billion higher than the original budget. This was primarily due to increases across a number of agencies for additional policy measures (including drought relief), partially offset by reclassifications from other operating expenses and grants and subsidies. Individual material changes include:

- NSW Self Insurance Corporation, which was \$297 million higher than Budget primarily due to updated gross movement in outstanding TMF workers compensation claims based on 30 June 2019 liability valuation.
- Department of Education (\$108 million higher than Budget), reflecting a minor increase in daily teaching costs across all schools and greater utilisation of casual teachers to support permanent staff leave and school-based initiatives. The Department also reclassified costs between employee related and other operating expenses to support school-based programs and reforms, recording savings to Budget in Other Operating expenses of \$550 million.
- Ministry of Health (\$87 million) driven by increased hospital activity and complexity.

- Service NSW (\$72 million) due to higher than expected service centre volumes driven by Cost of Living programs.

#### *Superannuation Interest Cost and Other Superannuation Expenses*

Superannuation interest cost was \$58 million lower than Budget due to updated actuarial valuations and lower discount rate applied in valuing defined benefit plans. Other Superannuation expenses were \$46 million higher than Budget due to increases across a number of Agencies.

#### *Depreciation and Amortisation Expenses*

Depreciation and amortisation was \$203 million higher than budget, driven mainly Roads and Maritime due to higher asset revaluations and associated depreciation of road pavement, traffic signalling and control assets (\$50 million). A further \$49 million is mainly attributable to work in progress at Department of Education that was previously capitalised, while Department of Finance, Services and Innovation was \$38 million higher than budget mainly due to a depreciation policy change for ICT projects.

#### *Interest Expenses*

Interest expenses were \$232 million lower than budget, mainly due to the reduced unwind of discount of outstanding claims liabilities resulting from the change to the risk-free discount rate.

#### *Other Operating Expenses*

Other Operating Expenses were \$454 million lower than Budget, driven by Transport for NSW and Sydney Metro (\$633 million), mainly due to the transfer of Sydney Metro Northwest into the General Government (GG) Sector (resulting in lower capital program delivery expenses to the non-GG sector), along with a decrease in private transport operator expenses. Roads and Maritime expenditure was lower by \$178 million, driven by reduced maintenance activities due to lower weight tax collections, and reprioritisations to fund land bank pressures. There were also broad underspends across a number of Agencies. These were offset by higher incurred insurance claims resulting from the latest actuarial liability valuation, and higher expenditure in Department of Justice (\$102 million) driven by costs in Correctional Centre Management.

#### *Grants and Subsidies Expenses*

Recurrent and capital grants, subsidies and other transfers expenses were \$234 million lower than budget.

This was mainly due to the reprofiling of Restart infrastructure projects to future years (\$528 million), as well as Department of Industry (\$143 million) mainly due to delays in land divestment to Local Aboriginal Land Councils and lower payments to external training providers. These were partly offset by the Government's Emergency drought relief package expenditure of \$110 million, Sydney Metro reclassification of \$200 million as expenditure rather than capitalised expenditure, and \$121 million primarily due to the updated movement in unexpired risk liability provision for the home building compensation fund, based on recent liability valuation.

### **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 2018-19 was a surplus of \$12.3 billion, \$10.1 billion higher than the original budget estimate primarily as a result of the sale of a 51 per cent stake in WestConnex in September 2018.

### **Comprehensive Result**

The comprehensive result is the operating result plus the sum of other economic flows - other comprehensive income.

The comprehensive result for 2018-19 was a deficit of \$1.9 billion, around \$11.0 billion lower than the budget estimate. This result captures a negative variation to budget of \$17.5 billion mainly attributable to actuarial adjustments to Superannuation.

## Net Lending

The net lending result is the budget result (net operating balance) adjusted for the net acquisition and sale of non-financial assets.

Net Lending was lower than Budget by around \$983 million, mainly due to lower capital expenditure of \$707 million during the year, offset by minor changes in inventories.

## The NSW General Government Sector Statement of Financial Position as at 30 June 2019

	Original Budget \$m	Actual \$m	Budget Variance \$m
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and Cash Equivalent Assets	1,593	1,969	376
Receivables	6,738	7,491	753
Tax Equivalents Receivable	116	32	(84)
Investments, Loans and Placements			
Financial Assets at Fair Value	28,374	43,333	14,959
Other Financial Assets	1,330	2,591	1,261
Advances Paid	1,280	1,193	(87)
Deferred Tax Equivalents	2,328	2,245	(83)
Equity			
Investments in Other Public Sector Entities	114,545	98,990	(15,555)
Investments in Associates	5,870	12,055	6,185
Other	746	8	(738)
<b>Total Financial Assets</b>	<b>162,920</b>	<b>169,907</b>	<b>6,987</b>
<b>Non-Financial Assets</b>			
Inventories	270	399	129
Forestry Stock and Other Biological Assets	10	10	...
Assets Classified as Held for Sale	295	222	(73)
Property, Plant and Equipment			
Land and Buildings	88,640	89,963	1,323
Plant and Equipment	11,203	12,088	885
Infrastructure Systems	117,140	119,291	2,151
Intangibles	3,898	3,694	(204)
Other	5,273	6,707	1,434
<b>Total Non-financial Assets</b>	<b>226,728</b>	<b>232,375</b>	<b>5,647</b>
<b>TOTAL ASSETS</b>	<b>389,648</b>	<b>402,282</b>	<b>12,634</b>
<b>LIABILITIES</b>			
Deposits Held	79	67	(12)
Payables	6,412	7,079	667
Tax Equivalents Payable	...	3	3
Borrowings and Derivatives at Fair Value	3	207	204
Borrowings at Amortised Cost	34,376	37,656	3,280
Advances Received	678	756	78
Employee Provisions	17,047	20,802	3,755
Superannuation Provision	45,553	67,696	22,143
Deferred Tax Equivalent Provision	85	108	23
Other Provisions	9,019	11,604	2,585
Other	6,269	6,134	(135)
<b>TOTAL LIABILITIES</b>	<b>119,521</b>	<b>152,110</b>	<b>32,589</b>
<b>NET ASSETS</b>	<b>270,127</b>	<b>250,172</b>	<b>(19,955)</b>

## The NSW General Government Sector Statement of Financial Position as at 30 June 2019 (continued)

	Original Budget \$m	Actual \$m	Budget Variance \$m
<b>NET WORTH</b>			
Accumulated Funds	91,311	75,367	(15,944)
Reserves	178,816	174,804	(4,012)
<b>TOTAL NET WORTH</b>	<b>270,127</b>	<b>250,172</b>	<b>(19,955)</b>
<b>OTHER FISCAL AGGREGATES</b>			
<b>Net Debt</b>	<b>2,559</b>	<b>(10,401)</b>	<b>(12,959)</b>
<b>Net Financial Liabilities</b>	<b>71,146</b>	<b>81,194</b>	<b>10,048</b>

## Analysis of the General Government Sector Statement of Financial Position

### Net Debt

Net debt was negative \$10.4 billion at 30 June 2019. This is a \$13 billion improvement on the original budget primarily due to proceeds from the sale of 51 per cent stake in WestConnex in September 2018.

### Net Financial Liabilities

Net financial liabilities were \$81.2 billion at 30 June 2019. This is a \$10 billion increase over the budget estimate of \$71.1 billion. This change is primarily driven by an increase in the unfunded Superannuation Liability due to changes in the discount rate applied.

### Net Worth

Net worth was \$250.2 billion at 30 June 2019. This is \$20 billion lower than the budget estimate of \$270.1 billion.

The decrease in net worth was mainly due to the increase in higher employee related, superannuation and other provisions (\$28.5 billion) mainly resulting from lower than budgeted discount rates used. This was offset in part by strong investment returns, and higher asset revaluations.

## The NSW General Government Sector Statement of Cash Flows for the Year Ended 30 June 2019

	Original Budget \$m	Actual \$m	Budget Variance \$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Taxation	31,176	31,020	(156)
Sale of Goods and Services	10,014	9,360	(654)
Grants and Subsidies	32,105	31,810	(295)
Interest	342	518	176
Dividends and Income Tax Equivalents from Other Sectors	1,733	1,897	164
Other	9,389	12,226	2,837
<b>Total Receipts</b>	<b>84,760</b>	<b>86,830</b>	<b>2,070</b>
<b>Payments</b>			
Employee Related	(31,155)	(31,896)	(741)
Superannuation	(4,479)	(4,325)	154
Payments for Goods and Services	(22,568)	(20,874)	1,694
Grants and Subsidies	(13,239)	(13,739)	(500)
Interest	(1,467)	(1,455)	12
Other	(5,583)	(7,213)	(1,630)
<b>Total Payments</b>	<b>(78,493)</b>	<b>(79,502)</b>	<b>(1,009)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>6,267</b>	<b>7,328</b>	<b>1,061</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Non-financial Assets</b>			
Proceeds from Sale of Non-Financial Assets	733	452	(281)
Purchases	(15,531)	(18,087)	(2,556)
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>(14,799)</b>	<b>(17,635)</b>	<b>(2,836)</b>
<b>Financial Assets (Policy Purposes)</b>			
Receipts	296	18,026	17,730
Payments	(3,118)	(2,341)	777
<b>Net Cash Flows from Investments in Financial Assets (Policy Purposes)</b>	<b>(2,822)</b>	<b>15,685</b>	<b>18,507</b>
<b>Financial Assets (Liquidity Purposes)</b>			
Proceeds from Sale of Investments	12,619	10,029	(2,590)
Purchase of Investments	(4,377)	(23,904)	(19,527)
<b>Net Cash Flows from Investments in Financial Assets (Liquidity Purposes)</b>	<b>8,242</b>	<b>(13,875)</b>	<b>(22,117)</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(9,379)</b>	<b>(15,825)</b>	<b>(6,446)</b>

## The NSW General Government Sector Statement of Cash Flows for the Year Ended 30 June 2019 (continued)

	Original Budget \$m	Actual \$m	Budget Variance \$m
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Advances Received	15	56	41
Advances Repaid	(98)	(125)	(27)
Proceeds from Borrowings	204	5,561	5,357
Repayments of Borrowings	(609)	(612)	(3)
Deposits Received (Net)	(14)	19	33
Other (Net)	58	151	93
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(443)</b>	<b>5,050</b>	<b>5,493</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
	<b>(3,555)</b>	<b>(3,448)</b>	<b>107</b>
Opening Cash and Cash Equivalents	5,140	5,417	277
Reclassification of Cash Equivalents	8	(1)	(9)
<b>CLOSING CASH BALANCE</b>	<b>1,593</b>	<b>1,969</b>	<b>376</b>
<b>DERIVATION OF CASH RESULT</b>			
Net Cash Flows from Operating Activities	6,267	7,328	1,061
Net Cash Flows from Investments in Non-Financial Assets	(14,799)	(17,635)	(2,836)
<b>CASH SURPLUS/(DEFICIT)</b>	<b>(8,532)</b>	<b>(10,307)</b>	<b>(1,775)</b>

### Analysis of the General Government Sector Statement of Cash Flows

#### Cash Result

The cash deficit was \$10.3 billion at 30 June 2019, \$1.8 billion lower than the estimated budget cash deficit of \$8.5 billion at 2018-19 Budget. The decrease in the cash result reflects a higher net purchases of non-financial assets due to the commitment for expenditure on key infrastructure investment.



## Note 34: Disaggregated Financial Statements

### Disaggregated Sector Information

Disaggregated primary financial statements are provided for the General Government Sector and PNFC and PFC sectors as a note to the TSSA. These financial statements are prepared consistent with the accounting policies adopted in the TSSA. This sector information is determined before consolidation eliminations, and includes GFS type fiscal aggregates and reconciliations.

The Total State Sector comprises a consolidation of three sectors:

- General Government (GGS)
- Public Non-Financial Corporations (PNFC), also referred to as the PTE sector, and
- Public Financial Corporations (PFC), also referred to as the PFE sector.

The broad sectors have been determined in accordance with the GFS of the ABS.

The General Government Sector comprises all government agencies that are controlled and mainly financed by taxation that:

- undertake policy and regulatory functions
- redistribute income and wealth
- provide or distribute goods and services on a non-market basis to individuals and the community, and/or
- provide services to General Government agencies.

PNFCs are government controlled entities that are either commercial or non-commercial in nature and largely self-funded from user charges. However, they may also receive funding from the General Government Sector for social programs (non-commercial activities).

PFCs are government controlled entities that perform central bank functions, or accept demand, time or savings deposits, or have the authority to incur liabilities and acquire financial assets in the market on their own account. This sector includes NSW Treasury Corporation. This note presents statements of:

- comprehensive income
- financial position
- cash flows, and
- changes in equity

for each sector, including the Total State Sector.

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

Pursuant to National Competition Policy, the State has implemented a National Tax Equivalents Regime (NTER) for Public Corporations and some General Government agencies.

Tax effect accounting principles have therefore been adopted by all agencies that are part of the NTER. On consolidation, all NTER related income tax entries are eliminated for the Total State Sector.

The comparative year columns in the following tables have been restated for any corrections of errors and changes in accounting policies, for consistency with the 2017-18 presentation.

In addition, this note also presents information on total expenses and total assets by function for the General Government and Total State Sectors. 'Functions' are broad policy areas, which the ABS refers to as Classifications of the Functions of Government (COFOG).

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## The NSW Total State Sector Accounts Statement of Comprehensive Income by Sector for the Year Ended 30 June

	General Government 2018-19	General Government 2017-18 Restated <sup>(a)</sup>	Public Non-financial Corporations 2018-19	Public Non-financial Corporations 2017-18
FROM CONTINUING OPERATIONS	\$m	\$m	\$m	\$m
<b>Revenue from Transactions</b>				
Taxation	31,443	31,326	...	...
Grants and Subsidies				
Commonwealth General Purpose	17,907	17,955	...	...
Commonwealth Specific Purpose Payments	10,224	9,844	...	...
Commonwealth National Partnership Payments	2,737	3,129	...	...
Other Grants and Subsidies	981	931	3,022	3,176
Sale of Goods and Services	8,990	8,508	8,229	9,024
Interest	491	558	76	109
Dividend and Income Tax Equivalents from Other Sectors	1,932	1,578	...	...
Other Dividends and Distributions	1,934	2,114	15	...
Fines, Regulatory Fees and Other	5,051	4,730	749	811
<b>Total Revenue from Transactions</b>	<b>81,690</b>	<b>80,672</b>	<b>12,092</b>	<b>13,120</b>
<b>Expenses from Transactions</b>				
Employee	33,158	31,644	2,754	2,802
Superannuation				
Superannuation Interest Cost	1,412	1,458	55	54
Other Superannuation	3,052	3,009	187	202
Depreciation and Amortisation <sup>(a)</sup>	5,192	4,811	2,815	2,758
Interest <sup>(a)</sup>	1,812	1,812	1,042	1,285
Income Tax Equivalents	...	...	309	438
Other Property	...	...	...	...
Other Operating Expense	21,146	19,652	5,852	5,974
Grants and Subsidies				
Recurrent Grants and Subsidies	13,595	12,908	68	134
Capital Grants	1,105	955	12	76
<b>Total Expenses from Transactions</b>	<b>80,471</b>	<b>76,248</b>	<b>13,094</b>	<b>13,725</b>
<b>TRANSACTIONS FROM DISCONTINUING OPERATIONS</b>	...	...	40	...
<b>NET RESULT FROM TRANSACTIONS - NET OPERATING BALANCE (BUDGET RESULT FOR THE GENERAL GOVERNMENT SECTOR)</b>	<b>1,219</b>	<b>4,425</b>	<b>(962)</b>	<b>(605)</b>

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

Public Financial Corporations		Eliminations		Total State Sector	
2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
	Restated <sup>(a)</sup>		Restated <sup>(a)</sup>		Restated <sup>(a)</sup>
\$m	\$m	\$m	\$m	\$m	\$m
...	(0)	(502)	(484)	30,940	30,841
...	...	...	...	17,907	17,955
...	...	...	...	10,224	9,844
...	...	...	...	2,737	3,129
...	...	(3,102)	(3,110)	900	998
1,230	1,266	(3,630)	(3,584)	14,819	15,214
2,263	740	(2,030)	(336)	801	1,072
...	...	(1,932)	(1,578)	...	...
1,715	1,708	(1,639)	(1,675)	2,025	2,147
41	39	(102)	(82)	5,739	5,497
<b>5,249</b>	<b>3,753</b>	<b>(12,937)</b>	<b>(10,848)</b>	<b>86,093</b>	<b>86,697</b>
159	194	(527)	(573)	35,544	34,067
...	...	...	...	1,466	1,513
12	12	...	...	3,250	3,222
9	10	...	0	8,016	7,579
2,299	2,251	(2,016)	(2,010)	3,137	3,338
37	27	(346)	(465)	...	...
...	...	...	...	...	...
3,097	1,105	(5,289)	(3,454)	24,805	23,277
16	15	(2,759)	(2,754)	10,921	10,304
...	...	(376)	(455)	741	576
<b>5,629</b>	<b>3,614</b>	<b>(11,313)</b>	<b>(9,711)</b>	<b>87,881</b>	<b>83,875</b>
122	...	(154)	...	8	...
<b>(258)</b>	<b>139</b>	<b>(1,779)</b>	<b>(1,137)</b>	<b>(1,780)</b>	<b>2,822</b>

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

## The NSW Total State Sector Accounts Statement of Comprehensive Income by Sector for the Year Ended 30 June (continued)

	General Government 2018-19	2017-18 Restated <sup>(a)</sup>	Public Non-financial 2018-19	Corporations 2017-18
	\$m	\$m	\$m	\$m
<b>NET OPERATING BALANCE</b>	<b>1,219</b>	<b>4,425</b>	<b>(962)</b>	<b>(605)</b>
<b>OTHER ECONOMIC FLOWS - INCLUDED IN THE OPERATING RESULT</b>				
Gain/(Loss) from Liabilities <sup>(a)</sup>	(2,500)	(413)	(33)	5
Other Net Gains/(Losses)	13,700	71	(3,146)	201
Share of Earnings/(Losses) from Equity Investments (excl. Dividends)	(1)	160	...	...
Dividends from Asset Sale Proceeds	(0)	0	...	...
Deferred Income Tax from Other Sectors	(97)	(17)	(42)	35
Other	14	0	(5)	(0)
Discontinuing Operations - Other Economic Flows	(0)	...	...	...
<b>Other Economic Flows - included in Operating Result</b>	<b>11,117</b>	<b>(198)</b>	<b>(3,226)</b>	<b>240</b>
<b>OPERATING RESULT</b>	<b>12,335</b>	<b>4,226</b>	<b>(4,188)</b>	<b>(365)</b>
<b>OTHER ECONOMIC FLOWS - OTHER COMPREHENSIVE INCOME</b>				
<i>Items that will not be reclassified to operating result</i>				
Revaluations	7,205	17,588	26	6,744
Share of Associate's Other Comprehensive Income/(Loss) that will not be Reclassified Subsequently to Operating Result	(10)	(42)	...	...
Actuarial Gain/(Loss) from Superannuation	(13,364)	2,416	(756)	144
Net Gain/(Loss) on Equity Instruments at Fair Value through Other Comprehensive Income	(7,888)	...	(0)	...
Deferred Tax Direct to Equity	151	96	(151)	(96)
<i>Items that may be reclassified subsequently to operating result</i>				
Net Gain/(Loss) on Equity Investments in Other Sectors	...	6,296	...	(0)
Net Gain/(Loss) on Financial Instruments at Fair Value	19	2	(3)	(8)
Share of Associate's Other Comprehensive Income/(Loss) that may be Reclassified Subsequently to Operating Result	(538)	...	...	...
Other	166	15	6	295
<b>Other Economic Flows - Other Comprehensive Income</b>	<b>(14,259)</b>	<b>26,369</b>	<b>(879)</b>	<b>7,079</b>
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS<sup>(b)</sup></b>	<b>(1,924)</b>	<b>30,595</b>	<b>(5,066)</b>	<b>6,714</b>
Dividends Distributed	...	...	(1,475)	(1,113)
Net Equity Injections/(Transfers)	...	...	(3,240)	209
<b>Total Change in Net Worth</b>	<b>(1,924)</b>	<b>30,595</b>	<b>(9,781)</b>	<b>5,811</b>
<b>KEY FISCAL AGGREGATES</b>				
<b>COMPREHENSIVE RESULT - TOTAL CHANGE IN NET WORTH BEFORE TRANSACTIONS WITH OWNERS AS OWNERS</b>	<b>(1,924)</b>	<b>30,595</b>	<b>(5,066)</b>	<b>6,714</b>
Less: Net Other Economic Flows	3,142	(26,171)	4,105	(7,319)
<b>NET OPERATING BALANCE</b>	<b>1,219</b>	<b>4,425</b>	<b>(962)</b>	<b>(605)</b>
<b>Less: Net Acquisition of Non-Financial Assets</b>				
Purchases of Non-Financial Assets	16,464	11,969	5,202	5,759
Sales of Non-Financial Assets	(966)	(437)	(368)	(703)
Less: Depreciation <sup>(a)</sup>	(5,192)	(4,811)	(2,815)	(2,758)
Plus: Change in inventories	38	6	(72)	(16)
Plus: Other Movements in Non-Financial Assets				
- assets acquired using finance leases	159	152	...	3
- other	(4)	126	402	258
<b>Equals Total Net Acquisition of Non-Financial Assets</b>	<b>10,498</b>	<b>7,005</b>	<b>2,350</b>	<b>2,542</b>
<b>EQUALS: NET LENDING/(BORROWING)</b>	<b>(9,280)</b>	<b>(2,580)</b>	<b>(3,312)</b>	<b>(3,147)</b>

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

(b) Additional disclosure for the 2018-19 Total State Sector Accounts to disclose transactions with owners in their capacity as owners.

Public Financial Corporations 2018-19	2017-18 Restated <sup>(a)</sup>	Eliminations 2018-19	2017-18 Restated <sup>(a)</sup>	Total State Sector 2018-19	2017-18 Restated <sup>(a)</sup>
\$m	\$m	\$m	\$m	\$m	\$m
(258)	139	(1,779)	(1,137)	(1,780)	2,822
(684)	(277)	...	(3)	(3,218)	(688)
10,867	899	(10,090)	...	11,332	1,171
(0)	(0)	...	...	(1)	160
...	...	0	(0)	...	...
...	...	139	(18)	...	...
...	...	...	...	10	0
...	...	0	...	(0)	...
<b>10,182</b>	<b>621</b>	<b>(9,950)</b>	<b>(21)</b>	<b>8,123</b>	<b>643</b>
<b>9,924</b>	<b>761</b>	<b>(11,729)</b>	<b>(1,157)</b>	<b>6,343</b>	<b>3,465</b>
(0)	1	223	206	7,454	24,538
...	...	...	...	(10)	(42)
(1)	0	...	...	(14,120)	2,560
...	...	7,270	...	(618)	...
...	...	0	(0)	...	...
...	...	...	(6,275)	...	21
...	...	...	...	16	(6)
...	...	...	...	(538)	...
(0)	...	(621)	(250)	(450)	60
<b>(1)</b>	<b>1</b>	<b>6,872</b>	<b>(6,319)</b>	<b>(8,267)</b>	<b>27,130</b>
<b>9,923</b>	<b>762</b>	<b>(4,857)</b>	<b>(7,476)</b>	<b>(1,924)</b>	<b>30,595</b>
(266)	...	1,740	1,113	...	...
(16,612)	72	19,852	(281)	...	...
<b>(6,955)</b>	<b>834</b>	<b>16,735</b>	<b>(6,644)</b>	<b>(1,924)</b>	<b>30,595</b>
<b>9,923</b>	<b>762</b>	<b>(4,857)</b>	<b>(7,476)</b>	<b>(1,924)</b>	<b>30,595</b>
(10,181)	(623)	3,078	6,340	144	(27,773)
<b>(258)</b>	<b>139</b>	<b>(1,779)</b>	<b>(1,137)</b>	<b>(1,780)</b>	<b>2,822</b>
2	25	...	...	21,668	17,753
...	(0)	16	1	(1,317)	(1,140)
(9)	(10)	...	...	(8,016)	(7,579)
...	...	...	...	(34)	(10)
...	...	...	...	159	155
...	...	(42)	(40)	357	344
<b>(7)</b>	<b>15</b>	<b>(26)</b>	<b>(39)</b>	<b>12,816</b>	<b>9,523</b>
<b>(251)</b>	<b>125</b>	<b>(1,753)</b>	<b>(1,098)</b>	<b>(14,595)</b>	<b>(6,701)</b>

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

(b) Additional disclosure for the 2018-19 Total State Sector Accounts to disclose transactions with owners in their capacity as owners.

## The NSW Total State Sector Accounts Statement of Financial Position by Sector as at 30 June

	General Government 2019	General Government 2018 Restated <sup>(a)</sup>	Public Non-financial Corporations 2019	Public Non-financial Corporations 2018
	\$m	\$m	\$m	\$m
<b>ASSETS</b>				
<b>Financial Assets</b>				
Cash and Cash Equivalent Assets <sup>(a)</sup>	1,969	5,417	2,548	3,808
Receivables	7,491	6,721	1,211	1,253
Investments, Loans and Placements				
Financial Assets at Fair Value <sup>(a)</sup>	43,333	32,578	240	236
Other Financial Assets	2,591	5,556	656	1,463
Advances paid	1,193	1,017	0	1
Tax Equivalents Receivable	32	128	9	3
Deferred Tax Equivalents	2,245	2,192	109	112
Equity				
Investments in Other Public Sector Entities	98,990	112,911	...	...
Investments in Associates	12,055	5,987	...	...
Other	8	722	189	167
<b>Total Financial Assets</b>	<b>169,907</b>	<b>173,228</b>	<b>4,963</b>	<b>7,041</b>
<b>Non-Financial Assets</b>				
Inventories	399	327	474	499
Forestry Stock and Other Biological Assets	10	9	1,171	984
Assets Classified as Held for Sale	222	320	61	110
Investment Properties	...	...	648	644
Property, Plant and Equipment				
Land and Buildings	89,963	83,390	75,775	77,641
Plant and Equipment	12,088	10,941	5,968	6,397
Infrastructure Systems <sup>(a)</sup>	119,291	102,147	48,645	55,330
Intangibles	3,694	3,691	1,108	1,050
Other	6,707	7,426	170	226
<b>Total Non-financial Assets</b>	<b>232,375</b>	<b>208,252</b>	<b>134,020</b>	<b>142,880</b>
<b>TOTAL ASSETS</b>	<b>402,282</b>	<b>381,480</b>	<b>138,983</b>	<b>149,921</b>
<b>LIABILITIES</b>				
Deposits Held	67	130	70	91
Payables	7,079	7,251	2,136	2,516
Borrowings and Derivatives at Fair Value	207	5	3	1,254
Borrowings at Amortised Cost	37,656	32,441	24,558	24,855
Advances Received	756	797	478	374
Employee Provisions	20,802	18,015	1,150	1,060
Superannuation Provision	67,696	54,200	3,010	2,218
Tax Equivalents Payable	3	3	32	119
Deferred Tax Equivalent Provision	108	112	2,246	2,192
Other Provisions	11,604	10,210	1,410	1,609
Other	6,134	6,223	322	287
<b>TOTAL LIABILITIES</b>	<b>152,110</b>	<b>129,385</b>	<b>35,415</b>	<b>36,574</b>
<b>NET WORTH</b>	<b>250,172</b>	<b>252,095</b>	<b>103,567</b>	<b>113,348</b>
<b>OTHER FISCAL AGGREGATES</b>				
<b>Net Debt</b>	(10,401)	(11,195)	21,664	21,066
<b>Net Financial Liabilities</b>	81,194	69,068	30,453	29,533

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

Public Financial Corporations		Eliminations		Total State Sector	
2019	2018	2019	2018	2019	2018
	Restated <sup>(a)</sup>		Restated <sup>(a)</sup>		Restated <sup>(a)</sup>
\$m	\$m	\$m	\$m	\$m	\$m
4,701	4,905	(239)	(161)	8,979	13,969
1,154	924	(2,330)	(2,350)	7,527	6,547
56,288	54,273	(55,301)	(49,444)	44,560	37,643
7	211	(461)	(2,773)	2,793	4,456
...	...	(478)	(374)	715	644
...	...	(41)	(131)	...	...
...	...	(2,354)	(2,304)	...	...
...	2,832	(98,990)	(115,743)	...	...
2	2	...	...	12,057	5,988
24,272	19,531	...	...	24,468	20,420
<b>86,424</b>	<b>82,676</b>	<b>(160,195)</b>	<b>(173,279)</b>	<b>101,099</b>	<b>89,666</b>
...	...	...	...	873	826
...	...	...	...	1,181	993
...	...	...	...	283	430
...	...	...	...	648	644
14	17	594	580	166,346	161,627
18	29	...	...	18,075	17,367
...	...	0	681	167,936	158,158
7	4	...	...	4,809	4,745
36	65	(464)	(1,122)	6,449	6,594
<b>75</b>	<b>114</b>	<b>131</b>	<b>138</b>	<b>366,601</b>	<b>351,384</b>
<b>86,499</b>	<b>82,791</b>	<b>(160,064)</b>	<b>(173,141)</b>	<b>467,699</b>	<b>441,051</b>
857	2,695	(700)	(2,531)	293	385
337	255	(1,195)	(1,188)	8,357	8,833
72,783	62,578	(236)	(1)	72,757	63,836
6	7	(55,069)	(49,846)	7,151	7,457
...	...	(478)	(374)	756	797
35	42	(18)	(11)	21,969	19,106
5	4	...	...	70,711	56,421
7	9	(41)	(130)	...	...
...	...	(2,354)	(2,304)	...	...
6,306	4,750	(1,136)	(1,168)	18,185	15,400
10,898	10,231	(4)	(19)	17,350	16,721
<b>91,233</b>	<b>80,570</b>	<b>(61,232)</b>	<b>(57,573)</b>	<b>217,528</b>	<b>188,956</b>
<b>(4,734)</b>	<b>2,220</b>	<b>(98,833)</b>	<b>(115,568)</b>	<b>250,172</b>	<b>252,095</b>
12,650	5,892	(3)	(1)	23,909	15,762
4,809	726	(27)	(37)	116,429	99,289

(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 Cash Flows by Sector for the Year Ended 30 June

	General Government 2018-19	General Government 2017-18	Public Non-financial Corporations <sup>(a)</sup> 2018-19	Public Non-financial Corporations <sup>(a)</sup> 2017-18
	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Taxation	31,020	31,218	...	...
Sale of Goods and Services	9,360	9,334	8,826	9,502
Grants and Subsidies	31,810	31,852	3,017	3,172
Interest	518	457	70	99
Dividends and Income Tax Equivalents from Other Sectors	1,897	1,031	...	...
Other	12,226	12,113	1,670	1,184
<b>Total Receipts</b>	<b>86,830</b>	<b>86,006</b>	<b>13,583</b>	<b>13,957</b>
<b>Payments</b>				
Employee Related	(31,896)	(30,693)	(2,323)	(2,922)
Superannuation	(4,325)	(4,262)	(205)	(206)
Payments for Goods and Services	(20,874)	(20,027)	(6,199)	(5,439)
Grants and Subsidies	(13,739)	(13,221)	(78)	(68)
Interest	(1,455)	(1,508)	(922)	(1,123)
Distributions Paid	...	...	(423)	...
Other	(7,213)	(5,588)	(1,329)	(1,178)
<b>Total Payments</b>	<b>(79,502)</b>	<b>(75,300)</b>	<b>(11,479)</b>	<b>(10,936)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>7,328</b>	<b>10,706</b>	<b>2,104</b>	<b>3,021</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Non-financial Assets</b>				
Proceeds from Sale of Non-financial Assets	452	521	371	709
Purchases	(18,087)	(13,323)	(5,325)	(5,649)
<b>Net Cash Flows from Investments in Non-financial Assets</b>	<b>(17,635)</b>	<b>(12,802)</b>	<b>(4,955)</b>	<b>(4,940)</b>
<b>Financial Assets (Policy Purposes)</b>				
Receipts	18,026	808	0	12
Payments	(2,341)	(1,382)	(810)	53
<b>Net Cash Flows from Investments in Financial Assets (Policy Purposes)</b>	<b>15,685</b>	<b>(574)</b>	<b>(810)</b>	<b>65</b>
<b>Financial Assets (Liquidity Purposes)</b>				
Proceeds from Sale of Investments	10,029	9,471	228	166
Purchase of Investments <sup>(b)</sup>	(23,904)	(8,988)	(22)	(338)
<b>Net Cash Flows from Investments in Financial Assets (Liquidity Purposes)<sup>(b)</sup></b>	<b>(13,875)</b>	<b>482</b>	<b>206</b>	<b>(173)</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES<sup>(b)</sup></b>	<b>(15,825)</b>	<b>(12,894)</b>	<b>(5,559)</b>	<b>(5,048)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Advances Received	56	30	2,025	1,211
Advances Repaid	(125)	(70)	(31)	(742)
Proceeds from Borrowings	5,561	957	2,067	3,897
Repayments of Borrowings	(612)	(1,773)	(211)	(267)
Dividends Paid	...	...	(1,611)	(684)
Deposits Received (Net)	19	24	(21)	58
Other (Net)	151	94	21	(374)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>5,050</b>	<b>(738)</b>	<b>2,238</b>	<b>3,100</b>
n				
<b>NET INCREASE/(DECREASE) IN CASH HELD<sup>(b)</sup></b>	<b>(3,448)</b>	<b>(2,925)</b>	<b>(1,216)</b>	<b>1,073</b>

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

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

Public Financial Corporations <sup>(a)</sup>		Eliminations		Total State Sector <sup>(a)</sup>	
2018-19	2017-18	2018-19	2017-18	2018-19	2017-18 Restated <sup>(b)</sup>
\$m	\$m	\$m	\$m	\$m	\$m
6	(8)	(490)	(470)	30,536	30,740
1,242	1,264	(3,875)	(4,198)	15,553	15,902
...	...	(3,104)	(3,115)	31,723	31,909
2,118	891	(1,844)	(159)	862	1,288
154	...	(2,051)	(1,031)	...	...
1,719	1,845	(1,735)	(1,719)	13,880	13,423
<b>5,239</b>	<b>3,992</b>	<b>(13,098)</b>	<b>(10,692)</b>	<b>92,554</b>	<b>93,263</b>
(175)	(189)	158	670	(34,235)	(33,134)
(13)	(8)	...	...	(4,542)	(4,476)
(2,344)	(873)	5,669	4,095	(23,747)	(22,244)
(8)	(8)	3,124	3,135	(10,701)	(10,162)
(2,358)	(2,515)	1,838	1,918	(2,897)	(3,228)
(39)	...	462	...	...	...
492	2,999	137	58	(7,914)	(3,709)
<b>(4,445)</b>	<b>(596)</b>	<b>11,389</b>	<b>9,878</b>	<b>(84,037)</b>	<b>(76,954)</b>
<b>794</b>	<b>3,397</b>	<b>(1,710)</b>	<b>(815)</b>	<b>8,517</b>	<b>16,309</b>
...	0	(16)	(1)	807	1,229
(2)	(25)	116	(163)	(23,298)	(19,160)
<b>(2)</b>	<b>(24)</b>	<b>100</b>	<b>(165)</b>	<b>(22,492)</b>	<b>(17,931)</b>
...	...	(31)	(742)	17,995	78
(553)	...	2,025	1,244	(1,679)	(85)
<b>(553)</b>	<b>...</b>	<b>1,994</b>	<b>502</b>	<b>16,316</b>	<b>(7)</b>
6,237	8,421	(3,876)	(3,349)	12,618	14,709
(11,417)	(11,519)	7,217	7,401	(28,126)	(13,444)
<b>(5,179)</b>	<b>(3,098)</b>	<b>3,341</b>	<b>4,054</b>	<b>(15,508)</b>	<b>1,265</b>
<b>(5,734)</b>	<b>(3,123)</b>	<b>5,435</b>	<b>4,392</b>	<b>(21,684)</b>	<b>(16,673)</b>
...	86	(2,025)	(1,297)	56	30
...	...	31	742	(125)	(70)
62,561	68,779	(6,098)	(6,002)	64,090	67,631
(57,677)	(66,932)	2,615	1,639	(55,885)	(67,333)
(148)	(80)	1,759	764	...	...
...	...	...	...	(2)	82
...	(28)	(142)	253	30	(55)
<b>4,736</b>	<b>1,825</b>	<b>(3,859)</b>	<b>(3,902)</b>	<b>8,164</b>	<b>285</b>
<b>(204)</b>	<b>2,099</b>	<b>(134)</b>	<b>(325)</b>	<b>(5,003)</b>	<b>(78)</b>

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

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

## The NSW Total State Sector Accounts Statement of Cash Flows by Sector for the Year Ended 30 June (continued)

	General Government 2018-19	General Government 2017-18	Public Non-financial Corporations <sup>(a)</sup> 2018-19	Public Non-financial Corporations <sup>(a)</sup> 2017-18
	\$m	\$m	\$m	\$m
Opening Cash and Cash Equivalents	5,417	8,731	3,808	2,773
Reclassification of Cash Equivalents	(1)	(388)	(43)	(38)
<b>CLOSING CASH BALANCE<sup>(b)</sup></b>	<b>1,969</b>	<b>5,417</b>	<b>2,548</b>	<b>3,808</b>
<b>DERIVATION OF CASH RESULT</b>				
Net Cash Flows from Operating Activities	7,328	10,706	2,104	3,021
Net Cash Flows from Investments in Non-Financial Assets	(17,635)	(12,802)	(4,955)	(4,940)
Dividend Distributions	...	...	(1,611)	(684)
<b>CASH SURPLUS/(DEFICIT)</b>	<b>(10,307)</b>	<b>(2,096)</b>	<b>(4,462)</b>	<b>(2,603)</b>

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

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

Public Financial Corporations <sup>(a)</sup>		Eliminations		Total State Sector <sup>(a)</sup>	
2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
\$m	\$m	\$m	\$m	\$m	\$m
4,905	2,371	(161)	(20)	13,969	13,855
...	435	56	183	12	192
<b>4,701</b>	<b>4,905</b>	<b>(239)</b>	<b>(161)</b>	<b>8,979</b>	<b>13,969</b>
794	3,397	(1,710)	(815)	8,517	16,309
(2)	(24)	100	(165)	(22,492)	(17,931)
(148)	(80)	1,759	764	...	...
<b>644</b>	<b>3,293</b>	<b>150</b>	<b>(216)</b>	<b>(13,975)</b>	<b>(1,622)</b>

- (a) The Statement of Cash Flows is presented to include both continuing and discontinued operations; amounts related to discontinued operations are disclosed in Note 5 Discontinued Operations.
- (b) 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 2019

	Equity at 1 July 2018 \$m	Correction to Prior Period <sup>(a)</sup> \$m	Equity at 1 July 2018 Restated <sup>(a)</sup> \$m	AASB 9 Transition adjustment <sup>(b)</sup> \$m	Comprehensive Result <sup>(b)</sup> \$m	Transfers between equity classes \$m	Transactions with owners as owners \$m	Equity at 30 June 2019 \$m
<b>General Government Sector</b>								
Accumulated Funds	78,327	(2,084)	76,243	14	(701)	(187)	...	75,368
Reserves								
Asset Revaluation Surplus	90,248	...	90,248	...	7,205	(250)	...	97,202
Equity Investment Revaluation Surplus/Hedge Reserve in Associate	25	...	25	...	(548)	(33)	...	(556)
Hedging Reserve	(17)	...	(17)	...	19	(0)	...	1
Available for Sale Reserve	85,597	...	85,597	(85,597)	...	...	...	...
Financial Assets at Fair Value through Other Comprehensive Income	...	...	...	85,573	(7,888)	470	...	78,155
Other	...	...	...	...	...	0	...	0
	<b>254,179</b>	<b>(2,084)</b>	<b>252,095</b>	<b>(10)</b>	<b>(1,914)</b>	<b>...</b>	<b>...</b>	<b>250,172</b>
<b>Public Non-Financial Corporation Sector</b>								
Accumulated Funds	51,296	...	51,296	8	(5,089)	1,151	(4,714)	42,652
Reserves								
Asset Revaluation Surplus	62,050	...	62,050	...	26	(1,207)	...	60,869
Equity Investment Revaluation Surplus/Hedge Reserve in Associate	...	...	...	...	...	...	...	...
Hedging Reserve	(118)	...	(118)	...	(3)	118	...	(3)
Available for Sale Reserve	8	...	8	(8)	...	...	...	...
Financial Assets at Fair Value through Other Comprehensive Income	...	...	...	...	...	...	...	...
Other	112	...	112	...	...	(62)	...	50
	<b>113,348</b>	<b>...</b>	<b>113,348</b>	<b>...</b>	<b>(5,066)</b>	<b>...</b>	<b>(4,714)</b>	<b>103,567</b>
<b>Public Financial Corporation Sector</b>								
Accumulated Funds	2,220	...	2,220	...	9,925	...	(16,878)	(4,733)
Reserves								
Asset Revaluation Surplus	1	...	1	...	(0)	...	...	0
Equity Investment Revaluation Surplus/Hedge Reserve in Associate	...	...	...	...	...	...	...	...
Hedging Reserve	...	...	...	...	...	...	...	...
Financial Assets at Fair Value through Other Comprehensive Income	(0)	...	(0)	...	...	...	...	(0)
Other	...	...	...	...	...	...	...	...
	<b>2,219</b>	<b>...</b>	<b>2,219</b>	<b>...</b>	<b>9,924</b>	<b>...</b>	<b>(16,878)</b>	<b>(4,734)</b>
Eliminations	(115,567)	...	(115,567)	...	(4,858)	...	21,592	(98,833)
<b>Total State Sector</b>	<b>254,179</b>	<b>(2,084)</b>	<b>252,095</b>	<b>(10)</b>	<b>(1,914)</b>	<b>...</b>	<b>...</b>	<b>250,172</b>

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

(b) The Statement of Comprehensive Income includes the AASB9 transition adjustments in the 'Other Comprehensive Income'.

## The NSW Total State Sector Accounts Statement of Changes in Equity for the Whole of Government by Sector for the Year Ended 30 June 2018

	Equity at 1 July 2017 \$m	Correction to Prior Period <sup>(a)</sup> \$m	Equity at 1 July 2017 Restated <sup>(a)</sup> \$m	Comprehensive Result \$m	Transfers between equity classes \$m	Transactions with owners as owners \$m	Equity at 30 June 2018 Restated <sup>(a)</sup> \$m
<b>General Government Sector</b>							
Accumulated Funds	73,520	(2,146)	71,374	6,753	(1,882)	...	76,243
Reserves							
Asset Revaluation Surplus	70,814	...	70,814	17,588	1,846	...	90,248
Equity Investment Revaluation Surplus/Hedge Reserve in Associate	37	...	37	(42)	30	...	25
Hedging Reserve	(10)	...	(10)	2	(9)	...	(17)
Available for Sale Reserve	79,286	...	79,286	6,296	16	...	85,597
Other	...	...	...	...	...	...	...
	<b>223,645</b>	<b>(2,146)</b>	<b>221,499</b>	<b>30,595</b>	<b>...</b>	<b>...</b>	<b>252,095</b>
<b>Public Non-Financial Corporation Sector</b>							
Accumulated Funds	51,687	...	51,687	(30)	543	(904)	51,296
Reserves							
Asset Revaluation Surplus	55,913	...	55,913	6,744	(607)	...	62,050
Equity Investment Revaluation Surplus/Hedge Reserve in Associate	...	...	...	...	...	...	...
Hedging Reserve	(91)	...	(91)	(8)	(19)	...	(118)
Available for Sale Reserve	...	...	...	8	...	...	8
Other	29	...	29	...	84	...	112
	<b>107,537</b>	<b>...</b>	<b>107,537</b>	<b>6,714</b>	<b>...</b>	<b>(904)</b>	<b>113,348</b>
<b>Public Financial Corporation Sector</b>							
Accumulated Funds	1,386	...	1,386	761	...	72	2,220
Reserves							
Asset Revaluation Surplus	(0)	...	(0)	1	...	...	1
Equity Investment Revaluation Surplus/Hedge Reserve in Associate	...	...	...	...	...	...	...
Hedging Reserve	...	...	...	...	...	...	...
Available for Sale Reserve	...	...	...	...	...	...	(0)
Other	...	...	...	...	...	...	...
	<b>2,147</b>	<b>...</b>	<b>2,147</b>	<b>762</b>	<b>...</b>	<b>72</b>	<b>2,219</b>
Eliminations	(109,684)	...	(109,684)	(7,476)	...	831	(115,567)
<b>Total State Sector</b>	<b>223,645</b>	<b>(2,146)</b>	<b>221,499</b>	<b>30,595</b>	<b>...</b>	<b>...</b>	<b>252,095</b>

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

## Information on Expenses and Assets by Function<sup>(a)</sup>

	General Government Sector		Total State Sector	
	2018-19	2017-18	2018-19	2017-18
	\$m	\$m	\$m	\$m
<b>Total Expenses by Function (Policy Area)</b>				
General Public Services	8,310	8,404	6,979	6,967
Defence	...	...	...	...
Public Order and Safety	8,232	7,470	8,246	6,937
Economic Affairs	2,442	2,432	4,341	4,685
Environmental Protection	1,144	1,015	1,139	985
Housing and Community Amenities	1,143	886	3,070	3,136
Health	22,683	21,496	22,671	20,607
Recreation, Culture and Religion	1,249	1,206	1,913	1,737
Education	17,705	16,660	17,596	15,554
Social Protection	7,419	7,601	9,022	8,488
Transport	10,142	9,079	12,906	14,779
<b>Total Expenses<sup>(b)</sup></b>	<b>80,471</b>	<b>76,248</b>	<b>87,881</b>	<b>83,875</b>
<b>Total Assets by Function (Policy Area)<sup>(c)</sup></b>				
General Public Services	143,915	155,599	90,063	84,247
Defence	...	...	...	...
Public Order and Safety	10,053	9,173	10,051	9,173
Economic Affairs	19,332	18,545	23,990	22,885
Environmental Protection	763	738	846	824
Housing and Community Amenities	3,197	3,175	15,401	16,048
Health	23,510	20,371	23,510	20,371
Recreation, Culture and Religion	17,233	15,708	23,890	22,343
Education	37,402	36,776	37,402	36,776
Social Protection	6,256	6,328	66,917	66,447
Transport	140,621	115,067	175,628	161,937
<b>Total Assets</b>	<b>402,282</b>	<b>381,480</b>	<b>467,699</b>	<b>441,051</b>

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

(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) General Public Services for the General Government Sector includes the State's equity investment in the PNFC/PFC sectors which is eliminated in Total State Sector assets.

The aggregate amount of the comprehensive result attributable to the General Government Sector from the PNFC and PFC sector entities in 2018-19 is \$4,857 million net surplus (2018: \$7,476 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 2018-19 \$m	Public Non-financial Corporations 2018-19 \$m	Public Financial Corporations 2018-19 \$m	Total State Sector 2018-19 \$m
<b>Reconciliation to GFS Net Operating Balance</b>					
<b>Net Result from Transactions - Net Operating Balance</b>		<b>1,219</b>	<b>(962)</b>	<b>(258)</b>	<b>(1,780)</b>
Convergence Differences					
Low Interest Loans	a	1	15	...	16
PNFC/PFC Dividends Accrued	b	...	(1,475)	(266)	...
<b>Total Convergence Differences</b>		<b>1</b>	<b>(1,459)</b>	<b>(266)</b>	<b>16</b>
<b>GFS Net Operating Balance</b>		<b>1,219</b>	<b>(2,421)</b>	<b>(524)</b>	<b>(1,764)</b>
<b>Reconciliation to GFS Net Lending/(Borrowing)</b>					
<b>Net Lending/(Borrowing)</b>		<b>(9,280)</b>	<b>(3,312)</b>	<b>(251)</b>	<b>(14,595)</b>
Convergence Differences					
Relating to Net Operating Balance as Shown Above		1	(1,459)	(266)	16
<b>Total Convergence Differences</b>		<b>1</b>	<b>(1,459)</b>	<b>(266)</b>	<b>16</b>
<b>GFS Net Lending/(Borrowing)</b>		<b>(9,279)</b>	<b>(4,771)</b>	<b>(517)</b>	<b>(14,580)</b>
<b>Reconciliation to GFS Total Change In Net Worth</b>					
<b>Comprehensive Result - Total Change In Net Worth</b>		<b>(1,924)</b>	<b>(9,781)</b>	<b>(6,955)</b>	<b>(1,924)</b>
Convergence Differences					
In AASB 1049 Comprehensive Result, but Not In GFS Change In Net Worth					
Low Interest Loans	a	(12)	15	...	3
Allowance for Doubtful Debts	c	5	1	...	9
Prepaid Licence Income	d	(93)	...	...	(93)
Other Settlement Provisions and Obligation Payments	e	167	(56)	0	111
Measurement Relating to Assets Held for Sale	f	(4)	(0)	...	(6)
Deferred Tax Assets/Liabilities	g	(57)	56	...	(0)
Equity Investment in the PFNC/PFC Sectors for					
Net Assets Not Recognised Under GFS	h	18	...	...	...
In GFS Change in Net Worth, but Not In AASB 1049 Comprehensive Result					
Transactions With Owners as Owners	i	...	(0)	(0)	...
Classification of GFS PNFC/PFC Net Worth as a Liability	j	...	9,764	6,954	...
<b>Total Convergence Differences</b>	k	<b>25</b>	<b>9,781</b>	<b>6,955</b>	<b>23</b>
<b>GFS Total Change In Net Worth</b>		<b>(1,899)</b>	<b>...</b>	<b>...</b>	<b>(1,899)</b>



	Footnote	General Government Sector 2019 \$m	Public Non-financial Corporations 2019 \$m	Public Financial Corporations 2019 \$m	Total State Sector 2019 \$m
<b>Reconciliation to GFS Net Worth</b>					
<b>Net Worth</b>		<b>250,172</b>	<b>103,567</b>	<b>(4,734)</b>	<b>250,172</b>
Convergence Differences					
In AASB 1049 Net Worth, but Not In GFS					
Low Interest Loans	a	(19)	(238)	...	(258)
Allowance for Doubtful Debts	c	485	26	...	510
Prepaid Licence Income	d	2,774	...	...	2,774
Other Settlement Provisions and Obligation Payments	e	1,577	224	2	1,804
Measurement Relating To Assets Held For Sale	f	2	1	...	2
Deferred Tax Assets/Liabilities	g	(2,137)	2,136	...	(0)
Equity Investment in the PFNC/PFC Sectors for Net Assets	h	2,152	...	...	...
In GFS Net Worth, but Not In AASB 1049 Classification of GFS PNFC/PFC Net Worth as a Liability	j	...	(105,717)	4,732	...
<b>Total Convergence Differences</b>	k	<b>4,834</b>	<b>(103,567)</b>	<b>4,734</b>	<b>4,834</b>
<b>GFS Net Worth</b>		<b>255,006</b>	<b>...</b>	<b>...</b>	<b>255,006</b>

	Footnote	General Government Sector 2017-18 Restated <sup>(1)</sup> \$m	Public Non-Financial Corporations 2017-18 \$m	Public Financial Corporations 2017-18 Restated <sup>(1)</sup> \$m	Total State Sector 2017-18 Restated <sup>(1)</sup> \$m
<b>Reconciliation to GFS Net Operating Balance</b>					
<b>Net Result from Transactions - Net Operating Balance</b>		<b>4,425</b>	<b>(605)</b>	<b>139</b>	<b>2,822</b>
Convergence Differences					
Low Interest Loans	a	(6)	15	...	9
PNFC/PFC Dividends Accrued	b	...	(1,113)	...	...
<b>Total Convergence Differences</b>		<b>(6)</b>	<b>(1,098)</b>	<b>...</b>	<b>9</b>
<b>GFS Net Operating Balance</b>		<b>4,419</b>	<b>(1,703)</b>	<b>139</b>	<b>2,831</b>
<b>Reconciliation to GFS Net Lending/(Borrowing)</b>					
<b>Net Lending/(Borrowing)</b>		<b>(2,580)</b>	<b>(3,147)</b>	<b>125</b>	<b>(6,701)</b>
Convergence Differences					
Relating to Net Operating Balance as Shown Above		(6)	(1,098)	...	9
<b>Total Convergence Differences</b>		<b>(6)</b>	<b>(1,098)</b>	<b>...</b>	<b>9</b>
<b>GFS Net Lending/(Borrowing)</b>		<b>(2,586)</b>	<b>(4,245)</b>	<b>125</b>	<b>(6,692)</b>
<b>Reconciliation to GFS Total Change in Net Worth</b>					
<b>Comprehensive Result - Total Change in Net Worth</b>		<b>30,595</b>	<b>5,811</b>	<b>834</b>	<b>30,595</b>
Convergence Differences					
In AASB 1049 Comprehensive Result, but not in GFS Change in Net Worth					
Low Interest Loans	a	(6)	15	...	9
Allowance for Doubtful Debts	c	8	(6)	...	(1)
Prepaid Licence Income	d	(93)	...	...	(93)
Other Settlement Provisions and Obligation Payments	e	182	281	2	465
Measurement Relating to Assets Held for Sale	f	(8)	1	...	(8)
Deferred Tax Assets/Liabilities	g	(90)	90	...	(0)
Equity Investment in the PFNC/PFC Sectors for					
Net Assets Not Recognised Under GFS	h	381	...	...	...
In GFS Change in Net Worth, but Not In AASB 1049 Comprehensive Result					
Transactions with Owners as Owners	i	...	(0)	(762)	...
Classification of GFS PNFC/PFC Net Worth as a Liability	j	...	(6,192)	(74)	...
<b>Total Convergence Differences</b>	k	<b>374</b>	<b>(5,811)</b>	<b>(834)</b>	<b>374</b>
<b>GFS Total Change in Net Worth</b>		<b>30,969</b>	<b>...</b>	<b>...</b>	<b>30,969</b>

	Footnote	General Government Sector 2018 Restated <sup>(l)</sup> \$m	Public Non-Financial Corporations 2018 \$m	Public Financial Corporations 2018 \$m	Total State Sector 2018 Restated <sup>(l)</sup> \$m
<b>Reconciliation to GFS Net Worth</b>					
<b>Net Worth</b>		<b>252,095</b>	<b>113,348</b>	<b>2,220</b>	<b>252,095</b>
Convergence Differences					
In AASB 1049 Net Worth, but Not in GFS					
Low Interest Loans	a	(7)	(254)	...	(261)
Allowance for Doubtful Debts	c	480	25	...	501
Prepaid Licence Income	d	2,867	...	...	2,867
Other Settlement Provisions and Obligation Payments	e	1,410	281	2	1,693
Deferred Tax Assets/Liabilities	g	(2,080)	2,080	...	(0)
Equity Investment in the PNFC/PFC Sectors for Net Assets	h	2,134	...	...	...
In GFS Net Worth, but Not In AASB 1049 Classification of GFS PNFC/PFC Net Worth as a Liability					
	j	...	(115,481)	(2,223)	...
<b>Total Convergence Differences</b>	k	<b>4,810</b>	<b>(113,348)</b>	<b>(2,220)</b>	<b>4,808</b>
<b>GFS Net Worth</b>		<b>256,904</b>	<b>...</b>	<b>...</b>	<b>256,904</b>

- (a) Under GFS, interest free or low interest loans are recognised based on the amount lent, and interest is recognised based on any cash interest paid. In contrast, under AGAAP, loans are recognised initially at fair value and thereafter at amortised cost. Any difference between the original amount lent and the fair value is initially recognised to the operating result and subsequently amortised over the life of the loan. This results in the value of GFS advances/(borrowings) being higher/(lower) than AGAAP advances/(borrowings).
- (b) GFS recognises dividends to owners by the PNFC and PFC sectors as a GFS expense, whereas under AGAAP they are treated as a distribution to owners and therefore a direct reduction of accumulated funds. This difference does not flow through to the Total State Sector as dividends are eliminated on consolidation.
- (c) GFS does not recognise an allowance for doubtful debts as GFS only recognises bad debts when they are written off. Under AGAAP an allowance for doubtful debts is recognised in the Statement of Financial Position and doubtful debts are recognised in the Statement of Comprehensive Income as 'Other Economic Flows'.
- (d) AGAAP recognises the prepaid income liability for unamortised prepaid licences in the Statement of Financial Position. This liability is excluded from the GFS Statement of Financial Position as the prepaid income is treated as an upfront sale of a non-produced intangible asset for GFS purposes. The change in net worth for prepaid licence income is normally a negative balance due to amortisation of the prepaid licence income.
- (e) GFS does not recognise provisions and obligation payments when there is no present counterparty to the transaction. The balance for provisions and other liabilities is therefore lower under GFS as a result of the exclusion.
- (f) Measurement difference between AGAAP and GFS for the valuation of Assets Held for Sale. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* requires valuation at fair value less costs to sell, whereas GFS valuation is at market value which does not include costs to sell.
- (g) AGAAP adopts tax effect accounting whereby timing differences between accounting profit and tax profit are deferred as future income tax benefit assets or provisions for deferred tax liabilities. GFS does not recognise deferred tax. This convergence difference also flows through to the GGS, as the GGS is the counterparty to the tax effect accounting entries recognised by the PNFC/PFC entities. However, this difference does not flow through to the Total State Sector as income tax equivalents are eliminated on consolidation. Revaluations of infrastructure within the PNFC sector impacts the provisions for deferred tax liabilities and may result in significant differences between the GFS and the AASB 1049 sector aggregates.
- (h) The basis for the valuation of the PNFC/PFC sector is net assets in the absence of a market value for both accounting and GFS purposes. The measurement of net assets differs for GFS in that, for example, allowance for impairment of receivables, onerous contract provisions and deferred income tax balances are not recognised in net worth under GFS. In addition, the negative net worth of the individual public sector entities is included in the GGS valuation of those entities.
- (i) 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.
- (j) The PNFC/PFC sectors report zero net worth for GFS purposes as GFS treats the ownership interest (contributed equity) as a liability.
- (k) 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.
- (l) Refer Note 31 Restatement/Corrections to Prior Year Comparatives, for details of corrections to prior period.

## 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.

2018-19	Footnote	General Government Sector \$m	Public Non-Financial Corporations \$m	Public Financial Corporations \$m	Total State Sector \$m
<b>Items Grossed Up in GFS Operating Statements - Not In AGAAP</b>					
<b>Statements of Comprehensive Income</b>					
Transfer Payments	a	4,845	...	...	4,845
Environmental Levies	b	8	...	...	8
Transport and Energy Subsidies	c	...	...	...	166
Insurance Tax Receipts to GGS	d	...	...	...	...
<b>Items Grossed Up In AGAAP Statements of Comprehensive Income - Not In GFS</b>					
GG Employees Providing Services to PNFCs	e	659	11	...	...
<b>Other Reclassifications on the Statements of Comprehensive Income</b>					
Dividends Accrued in GFS Results, but a Direct Movement in AGAAP	f	...	1,475	266	...
Discontinuing Operations - Income Tax Equivalents Return of Capital in GFS, Deferred Income Tax Equivalent in AGAAP	g	...	...	...	...
<b>Statements of Financial Position</b>					
Deferred Income - Payables in GFS, Other Liabilities in AGAAP	h	5,313	315	...	5,624
Prepaid Expenses - Receivables in GFS, Other Non-Financial Assets in AGAAP	h	3,727	76	35	3,788
Rental Bond Assets and Liabilities in GFS, but Off Balance Sheet (Trust Funds) in AGAAP	i	1,758	...	...	1,758
Salaries Accrued & Employee on Costs are Provision Liabilities in GFS, but Payables for AGAAP	j	657	75	6	734

2017-18	Footnote	General Government Sector \$m	Public Non-Financial Corporations \$m	Public Financial Corporations \$m	Total State Sector \$m
<b>Items Grossed Up in GFS Operating Statements - Not In AGAAP</b>					
<b>Statements of Comprehensive Income</b>					
Transfer Payments	a	4,557	...	...	4,557
Environmental Levies	b	6	...	...	6
Transport and Energy Subsidies	c	...	...	...	160
Insurance Tax Receipts to GGS	d	...	...	...	...
<b>Items Grossed Up in AGAAP Statements of Comprehensive Income - Not In GFS</b>					
GG Employees Providing Services to PNFCs	e	705	10	...	...
<b>Other Reclassifications on the Statements of Comprehensive Income</b>					
Dividends Accrued in GFS Results, but a Direct Movement in AGAAP	f	...	1,113	...	...
Discontinuing Operations - Income Tax Equivalents Return of Capital in GFS, Deferred Income Tax Equivalent in AGAAP	g	...	...	...	...
<b>Statements of Financial Position</b>					
Deferred Income - Payables in GFS, Other Liabilities in AGAAP	h	5,419	213	5	5,621
Prepaid Expenses - Receivables in GFS, Other Non-Financial Assets in AGAAP	h	1,946	96	64	1,391
Rental Bond Assets and Liabilities in GFS, but Off Balance Sheet (Trust Funds) in AGAAP	i	1,546	...	...	1,546
Salaries Accrued & Employee on Costs are Provision Liabilities in GFS, but Payables for AGAAP	j	630	42	11	671
<p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(e) Certain staff employed in the GG sector provide services to PNFCs. Under GFS, the employee expense related to these personnel is recognised in the PNFC sector where the services were provided. However, under AGAAP, the employee expense and the revenue recoverable from the PNFC sector is reported in the GG sector.</p> <p>(f) Dividends accrued are a direct adjustment to equity i.e. they are treated as an equity distribution under AGAAP. Dividends accrued are reported as an expense for the PNFC and PFC sectors for GFS purposes.</p> <p>(g) The component of income tax equivalents related to the disposal of discontinuing operations is reported as a return of capital, rather than as a transaction under GFS. This is reported as an Other economic flow, similar to deferred taxes under AGAAP. This reclassification difference impacts both GGS and PNFC entities, as the GGS sector is the counterparty to the entries recognised in the PNFC sector.</p> <p>(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.</p> <p>(i) New South Wales excludes rental bond assets and an equal value of deposit liabilities from the AGAAP statements of financial position as they are considered to be trust monies. However, the Australian Bureau of Statistics has advised that rental bond monies are to be recognised on Statement of Financial Position for GFS purposes, and not treated off Balance Sheet as trust monies. This difference does not impact key fiscal aggregates, however it results in the GFS total assets and total liabilities being grossed up compared to the AGAAP aggregates.</p> <p>(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.</p>					

## Note 36: Details of Consolidated Entities

The Total State Sector comprises the entities listed below.

Four controlled entities have a reporting date other than 30 June. The reporting date for the National Art School, Technical Education Trust Fund and the Border Fence Maintenance Board is 31 December. The reporting date for the Sydney Cricket and Sports Ground Trust is 28 February as it is aligned to the sporting year associated with its primary activities.

It is considered not material to the results and financial position of the TSSA to attempt to align the reporting period of these reporting entities to 30 June. Accordingly the annual financial results of these reporting entities as at the last reported year (ending December or February) have been consolidated into the 30 June TSSA.

Entities displayed in italics have been abolished.

### Changes to Reporting Entities

There have been a number of changes to reporting entities since the last TSSA that affect reporting in this financial year. These changes are as a result of legislative amendments and Administrative Changes Orders which are outlined below:

- Regional Growth NSW Development Corporation was established under the Growth Centres (Development Corporations) Amendment (Regional Growth NSW Development Corporation) Order 2019 effective 28 June 2019.
- Sydney Metro was created as a NSW Government agency under the *Transport Administration Amendment (Sydney Metro) Act 2018* effective 1 July 2018.
- Western City and Aerotropolis Authority was established as a NSW Government agency under the *Western City and Aerotropolis Authority Act 2018 No 53* effective 9 November 2018.
- Western City and Aerotropolis Authority Staff Agency was established as a Public Service executive agency related to the Department of Premier and Cabinet under *Administrative Arrangements (Administrative Changes—Western City and Aerotropolis Authority) Order 2018 (2018-624)* effective 9 November 2018.
- Hunter Development Corporation was renamed to Hunter and Central Coast Development Corporation under the *Growth Centres (Development Corporations) Amendment (Hunter and Central Coast Development Corporation) Order 2018* effective 1 November 2018.
- Various reserve trusts were renamed under the *Crown Lands Management Act (2016)* effective 1 July 2018. The reserve trusts for reserved or dedicated Crown Land that have been reconstituted as a statutory land manager had their name to be the former name of the reserve trust (excluding the word 'Trust' if it forms part of its name) and ending with the words 'Land Manager'.

Various changes to consolidated entities under the Administrative Arrangements (Administrative Changes—Public Service Agencies) Order 2019, Administrative Arrangements (Administrative Changes—Public Service Agencies) Amendment Order 2019 and Administrative Arrangements (Administrative Changes—Miscellaneous) Order 2019 effective 1 July 2019 are disclosed in Note 30 – Events After the Reporting Period.

## General Government Sector Agencies

Aboriginal Housing Office	Destination NSW Staff Agency
Dunghutti Aboriginal Elders Tribal Council Trust	Electricity Assets Ministerial Holding Corporation
Alpha Distribution Ministerial Holding Corporation	Electricity Retained Interest Corporation (ERIC-A)
Art Gallery of New South Wales Trust	Electricity Retained Interest Corporation (ERIC-E)
The Australian Institute of Asian Culture and Visual Arts Limited (VisAsia)	Electricity Transmission Ministerial Holding Corporation
Art Gallery of New South Wales Trust Staff Agency	Environment Protection Authority
Art Gallery of NSW Foundation <sup>(*)</sup>	Environment Protection Authority Staff Agency
Australian Museum Trust	Environmental Trust
Australian Museum Trust Staff Agency	Epsilon Distribution Ministerial Holding Corporation
Barangaroo Delivery Authority	Financial Counselling Trust Fund <sup>(*)</sup>
Barangaroo Delivery Authority Staff Agency	Fire and Rescue NSW
Belgenny Farm Agricultural Heritage Centre Trust <sup>(*)</sup>	Gaagal Wanggaan (South Beach) National Park Board of Management <sup>(a)(*)</sup>
Biamanga National Park Board of Management <sup>(a)(*)</sup>	Generator Property Management Pty Ltd <sup>(*)</sup>
Biodiversity Conservation Trust of New South Wales	Greater Sydney Commission
Border Fence Maintenance Board <sup>(*)</sup>	Gulaga National Park Board of Management <sup>(a)(*)</sup>
Building Insurers' Guarantee Corporation	Health Care Complaints Commission
C.B. Alexander Foundation <sup>(*)</sup>	Health Care Complaints Commission Staff Agency
Cemeteries and Crematoria NSW <sup>(*)</sup>	Historic Houses Trust of New South Wales
Centennial Park and Moore Park Trust	Foundation for the Historic Houses Trust of New South Wales
<i>Central Coast Regional Development Corporation</i> <sup>(b)(*)</sup>	Foundation for the Historic Houses Trust of New South Wales Limited
Chief Investigator of the Office of Transport Safety Investigations	Hamilton Rouse Hill Trust
Combat Sports Authority of New South Wales <sup>(*)</sup>	Rouse Hill Hamilton Collection Pty Limited
Corporation Sole 'Minister Administering Environmental Planning and Assessment Act, 1979'	Home Purchase Assistance Fund
Corporation Sole 'Minister Administering the Heritage Act, 1977' <sup>(*)</sup>	Hunter and Central Coast Development Corporation <sup>(c)</sup>
Crown Entity, including the Consolidated Fund and Crown Finance Entity	Independent Commission Against Corruption
Crown Solicitor's Office	Independent Liquor and Gaming Authority
Dams Safety Committee <sup>(*)</sup>	Independent Pricing and Regulatory Tribunal
Department of Education	Independent Pricing and Regulatory Tribunal Staff Agency
Advocate for Children and Young People	Information and Privacy Commission
Department of Family and Community Services	Infrastructure NSW
John Williams Memorial Charitable Trust	Infrastructure NSW Staff Agency
Department of Finance, Services and Innovation	Judicial Commission of New South Wales
Safe Work NSW	Lands Administration Ministerial Corporation <sup>(d)</sup>
Department of Justice	Legal Aid Commission of New South Wales
Department of Planning and Environment	Legal Aid Commission Staff Agency
Coal Innovation Fund	Liability Management Ministerial Corporation
Independent Planning Commission	Library Council of New South Wales
Planning Ministerial Corporation	Library Council of New South Wales Staff Agency
Department of Premier and Cabinet	State Library of New South Wales Foundation
Department of Industry	Local Land Services
Aboriginal Fishing Trust Fund	Local Land Services Staff Agency
Agricultural Scientific Collections Trust	Long Service Corporation
Aquaculture Trust Fund	Lord Howe Island Board <sup>(*)</sup>
Charter Fishing Trust Fund	Luna Park Reserve Trust
Commercial Fishing Trust Fund	Mental Health Commission of New South Wales
Crown Reserves Improvement Fund	Mental Health Commission Staff Agency
Fish Conservation Trust Fund	<i>Mine Subsidence Board (trading as Subsidence Advisory NSW)</i> <sup>(e)(*)</sup>
Game and Pest Management Trust Fund	Ministerial Holding Corporation <sup>(*)</sup>
Greyhound Welfare and Integrity Commission	Hunter Valley Training Pty Ltd
Jobs for NSW Fund	Ministry of Health <sup>(f)</sup>
Natural Resources Access Regulator	Agency for Clinical Innovation
NSW Skills Board	Albury Base Hospital
Recreational Fishing (Fresh) Trust Fund	Albury Wodonga Health Employment Division
Recreational Fishing (Salt) Trust Fund	Bureau of Health Information
Responsible Gambling Fund	Cancer Institute (NSW)
Department of Transport	Central Coast Local Health District
Transport for NSW	Clinical Excellence Commission
Transport Service of New South Wales	Far West Local Health District
Roads and Maritime Services	Graythwaite Trust
Destination NSW	

Health Administration Corporation	Office of the Director of Public Prosecutions
Health Education and Training Institute	Office of the NSW Rural Fire Service
Hunter New England Local Health District	Office of the NSW State Emergency Services
Illawarra Shoalhaven Local Health District	Office of the Inspector of the Law Enforcement Conduct Commission
Justice Health and Forensic Mental Health Network	Office of Sport
Mid North Coast Local Health District	Ombudsman's Office
Murrumbidgee Local Health District	Parliamentary Counsel's Office
Nepean Blue Mountains Local Health District	Parramatta Park Trust <sup>(*)</sup>
Northern NSW Local Health District	Ports Assets Ministerial Holding Corporation
Northern Sydney Local Health District	Port of Newcastle Lessor Pty Limited
South Eastern Sydney Local Health District	Port Botany Lessor Pty Limited
South Western Sydney Local Health District	Port Kembla Lessor Pty Limited
Southern NSW Local Health District	Property NSW
Sydney Local Health District	Public Service Commission
The Sydney Children's Hospitals Network (Randwick and Westmead) (incorporating The Royal Alexandra Hospital for Children)	Regional Growth NSW Development Corporation <sup>(9)</sup>
Western NSW Local Health District	Rental Bond Board
Western Sydney Local Health District	Roads Retained Interest Pty Ltd <sup>(h)</sup>
Mt Grenfell Historic Site Board of Management <sup>(a)(*)</sup>	Royal Botanic Gardens and Domain Trust
Multicultural NSW	Service NSW
Multicultural NSW Staff Agency	Sporting Injuries Compensation Authority <sup>(*)</sup>
Mutawintji Board of Management <sup>(a)(*)</sup>	State Insurance Regulatory Authority
National Art School <sup>(*)</sup>	State Rail Authority Residual Holding Corporation <sup>(*)</sup>
Natural Resources Commission	State Archives and Records Authority of New South Wales
Natural Resources Commission Staff Agency	State Rescue Board of New South Wales <sup>(*)</sup>
New South Wales Crime Commission	Statutory Land Managers (numerous Trust Boards managing Crown Land Reserves) <sup>(i)(*)</sup>
New South Wales Crime Commission Staff Agency	Sydney Metro <sup>(i)</sup>
New South Wales Electoral Commission	The Audit Office of New South Wales
New South Wales Electoral Commission Staff Agency	Sydney Olympic Park Authority
New South Wales Government Telecommunications Authority	Technical Education Trust Fund <sup>(*)</sup>
New South Wales Institute of Sport <sup>(*)</sup>	The Legislature
Institute of Sport Staff Agency	The Sesquicentenary of Responsible Government Trust Fund <sup>(*)</sup>
New South Wales Rural Assistance Authority	The Treasury
NSW Ovine Johne's Disease Transaction Based Contribution Scheme	Trustees of the Anzac Memorial Building <sup>(*)</sup>
NSW Crown Holiday Parks Trust <sup>(*)</sup>	Trustees of the Museum of Applied Arts and Sciences
NSW Education Standards Authority	Trustees of the Museum of Applied Arts and Sciences Staff Agency
NSW Education Standards Authority Staff Agency	UrbanGrowth NSW Development Corporation
NSW Food Authority	UrbanGrowth NSW Development Corporation Staff Agency
NSW Health Foundation <sup>(*)</sup>	Australian Technology Park Sydney Limited
NSW Police Force	Water Administration Ministerial Corporation
NSW Self Insurance Corporation	Water Investment Trust Fund
New South Wales Technical and Further Education Commission	Western City and Aerotropolis Authority <sup>(k)</sup>
TAFE Commission (Senior Executives) Staff Agency	Western City and Aerotropolis Authority Staff Agency <sup>(l)</sup>
NSW Trustee and Guardian	Western Sydney Parklands Trust
Office of Environment and Heritage	Worimi Board of Management <sup>(a)(*)</sup>
Office of the Law Enforcement Conduct Commission	Workers' Compensation (Dust Diseases) Authority
Office of Local Government	Workers Compensation Commission of New South Wales
Office of the Children's Guardian	



## Public Non-Financial Corporations

Catholic Metropolitan Cemeteries Land Manager<sup>(i)(\*)</sup>  
 Cobar Water Board<sup>(\*)</sup>  
 Essential Energy  
     NorthPower Energy Services Pty Limited  
 Forestry Corporation of New South Wales  
 Hunter Water Corporation  
     Hunter Water Australia  
 Jenolan Caves Reserves Trust<sup>(\*)</sup>  
 Landcom (trading as UrbanGrowth NSW)  
 New South Wales Land and Housing Corporation  
     Rental Housing Assistance Fund  
 Newcastle Port Corporation  
 Northern Metropolitan Cemeteries Land Manager<sup>(i)(\*)</sup>  
 Place Management NSW  
 Rail Corporation New South Wales  
     NSW Trains  
     Sydney Trains  
  
 Rookwood General Cemeteries Reserve Land Manager<sup>(i)(\*)</sup>  
 Rookwood Necropolis Land Manager<sup>(i)(\*)</sup>

Southern Metropolitan Cemeteries Land Manager<sup>(i)(\*)</sup>  
 State Sporting Venues Authority  
 State Transit Authority of New South Wales  
 Sydney Cricket and Sports Ground Trust  
     Sydney Cricket and Sports Ground Trust Staff Agency  
 Sydney Ferries  
 Sydney Opera House Trust  
     Sydney Opera House Trust Staff Agency  
 Sydney Water Corporation  
 Teacher Housing Authority of New South Wales  
 Venues NSW  
     Newcastle International Sports Centre Club  
 Waste Assets Management Corporation  
 Water NSW  
     WaterNSW Infrastructure Pty Ltd<sup>(m)</sup>  
 WCX M4 Corporation Pty Ltd<sup>(n)</sup>  
 WCX M4-M5 Link Corporation Pty Ltd<sup>(n)</sup>  
 WCX M5 Corporation Pty Ltd<sup>(n)</sup>  
 Wentworth Park Sporting Complex Trust<sup>(\*)</sup>  
 Zoological Parks Board of New South Wales

## Public Financial Corporations

First Australian Mortgage Acceptance Corporation  
 (FANMAC) Trusts  
 ICNSW Australian Equities Fund  
 ICNSW International Equities Fund  
 ICNSW International Equities Hedged Fund  
 Insurance and Care NSW  
 Insurers Guarantee Fund Investment Trust  
 Lifetime Care and Support Authority of New South Wales  
     Motor Accident Injuries Treatment and Care Benefits Fund  
 Long Service Corporation Investment Fund  
 NSW Generations (Debt Retirement) Fund  
 NSW Infrastructure Future Fund  
 NSW Treasury Corporation  
 NSW Trustee and Guardian Growth Portfolio  
 SAS Trustee Corporation<sup>(\*)</sup>  
     SAS Trustee Corporation Staff Agency<sup>(\*)</sup>  
 Social and Affordable Housing NSW Fund Investment  
     Trust  
 Superannuation Administration Corporation  
 Sydney Motorway Corporation<sup>(n)</sup>  
 TCorpIM Absolute Return Multi-Asset Class Fund  
 TCorpIM Alternative Risk Premia Fund  
 TCorpIM Australian Bond Fund  
 TCorpIM Australian Inflation Linked Bond Fund  
 TCorpIM Australian Share Fund  
 TCorpIM Bank Loan Fund  
 TCorpIM Cash Fund  
 TCorpIM Cyclical Growth Australian Share Fund

TCorpIM Cyclical Growth International Share Fund  
 TCorpIM Direct Infrastructure Fund A  
 TCorpIM Direct Investment Fund B  
 TCorpIM Direct Investment Fund C  
 TCorpIM Direct Investment Fund D  
 TCorpIM Direct Investment Fund E  
 TCorpIM Downside Protection Australian Share Fund  
 TCorpIM Downside Protection International Share Fund  
 TCorpIM Emerging Market Debt Fund  
 TCorpIM Emerging Market Share Fund  
 TCorpIM Global Credit Fund  
 TCorpIM High Yield Fund  
 TCorpIM Indexed Australian Share Fund  
 TCorpIM Indexed International Share (Unhedged) Fund  
 TCorpIM International Share (Hedged) Fund  
 TCorpIM International Share (Unhedged) Fund  
 TCorpIM Liquidity Cash Fund  
 TCorpIM Listed Property Fund  
 TCorpIM Long Term Growth Fund  
 TCorpIM Medium Term Growth Fund  
 TCorpIM Multi-Asset Class Fund  
 TCorpIM Short Term Income Fund  
 TCorpIM Small Cap Australian Share Fund  
 TCorpIM Specialist Emerging Market Share Fund  
 TCorpIM Unlisted Infrastructure Fund  
 TCorpIM Unlisted Property Fund  
 Treasury Managed Fund Investment Portfolio

- (a) National Park Boards of Management as per the *National Parks and Wildlife Act 1974*.  
 (b) Agency was abolished on 1 November 2018 under the *Growth Centres (Development Corporations) Amendment (Hunter and Central Coast Development Corporation) Order 2018* and its assets, rights and liabilities were transferred to the Hunter and Central Coast Development Corporation under the *Growth Centres (Development Corporation) Savings and Transitional Amendment Regulation 2018*.  
 (c) Agency was renamed from Hunter Development Corporation to Hunter and Central Coast Development Corporation under *Growth Centres (Development Corporations) Amendment (Hunter and Central Coast Development Corporation) Order* on 1 November 2018.  
 (d) Including Crown Land reserves under the agency's management.  
 (e) Agency was abolished on 1 July 2018 under the *Administrative Arrangements (Administrative Changes – NSW State Archives and Subsidence Advisory NSW) Order 2018*.  
 (f) The special purpose service entities of the local health districts have not been listed.  
 (g) Agency was established on 28 June 2019 under the *Growth Centres (Development Corporations) Amendment (Regional Growth NSW Development Corporation) Order 2019*.  
 (h) Agency was incorporated on 1 June 2018.  
 (i) Various reserve trusts were renamed under the *Crown Lands Management Act (2016)* effective 1 July 2018. The reserve trusts for reserved or dedicated Crown Land that have been reconstituted as a statutory land manager had their name to be the former name of the reserve trust (excluding the word 'Trust' if it forms part of its name) and ending with the words 'Land Manager'.

- 
- (j) Agency was established on 1 July 2018 under the *Transport Administration Amendment (Sydney Metro) Act 2018*.
  - (k) Agency was established on 9 November 2018 under the *Western City and Aerotropolis Authority Act 2018 No53*.
  - (l) Agency was established on 9 November 2018 under the *Administrative Arrangements (Administrative Changes—Western City and Aerotropolis Authority) Order 2018*.
  - (m) Agency was incorporated on 5 November 2018.
  - (n) The state control interest was disposed to Sydney Transport Partners effective on 27 September 2018.
  - (\*) These agencies are not considered material for the whole-of-government reporting but are controlled by the NSW Government.

## Note 37: Key Technical Terms used in the Financial Statements

**ABS GFS Manual:** The Australian Bureau of Statistics (ABS) publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods* as updated from time to time.

**advances:** loans acquired or made for policy purposes rather than liquidity management purposes.

**capital expenditure:** this is expenditure relating to the acquisition or enhancement of property, plant and equipment (including land and buildings, plant and equipment and infrastructure systems) and intangibles (including computer software and easements).

**cash surplus/(deficit):** net cash flows from operating activities plus net cash flows from acquisition and disposal of non-financial assets (less distributions paid for the public non-financial corporation (PNFC) and public financial corporation (PFC) sectors).

**comprehensive result (total change in net worth before transactions with owners as owners):** net result of all items of income and expense recognised for the period. It is the aggregate of the operating result and other movements in equity, other than transactions with owners as owners.

**convergence difference:** the difference between the amounts recognised in the financial statements compared with the amounts determined for GFS purposes as a result of differences in definition, recognition, measurement, classification and consolidation principles and rules.

**defined contribution superannuation plans:** are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**defined benefit superannuation plans:** are post-employment benefit plans other than defined contribution plans.

**fair value:** the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

- **fair value through other comprehensive income:** financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- **fair value through profit or loss:** any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

**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).

**TCorpIM Funds:** are managed investment schemes available to NSW public sector entities, NSW Wales universities and some foundations and charities. They are structured as units trusts and are managed by the New South Wales Treasury Corporation (TCorp).

**Total State Sector (TSS):** represents all agencies and corporations owned and controlled by the NSW Government. It comprises the general government, public non-financial corporations and public financial corporations.

**transactions:** interactions between two institutional units by mutual agreement or actions within a unit that it is analytically useful to treat as transactions, such as depreciation expense. Unlike revaluations, transactions generally reflect economic events that impact the economy.

## End of Audited Financial Statements

Uniform Presentation Framework:  
Outcomes Report  
2018 - 2019

# UNIFORM PRESENTATION FRAMEWORK: OUTCOMES REPORT

## Purpose

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The Outcomes Report presents financial aggregates according to the Uniform Presentation Framework (UPF) agreed by the Council on Federal Financial Relations (CFFR) in February 2019.

The UPF is an agreed framework between the Australian, State and Territory governments for the presentation of government financial information on a basis broadly consistent with the Australian Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. This framework sets out the minimum information to be reported by governments.

The UPF financial aggregates serve a number of purposes including:

- allowing comparisons between the financial position of Australian governments on a consistent basis
- facilitating time series comparisons since they are relatively unaffected by changes in public sector administrative structures, and
- permitting an assessment of the impact of NSW public sector transactions on the economy by providing data classified by economic type.

## Relationship with other reporting

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Information in the Outcomes Report is not audited, however it has been prepared consistent with the audited Total State Sector Accounts.

Several tables in the Outcomes Report are similar with those reported in the Total State Sector Accounts and are repeated here for completeness.

The Outcomes Report compares the published NSW Budget for 2018-19 with the outcome for the year.

Financial aggregates are published for the following:

- general government (GGS) sector
- public non-financial corporation (PNFC) sector
- non-financial public (NFPS) sector
- public financial corporation (PFC) sector.

Budget estimates are not prepared for the NSW Public Financial Corporations Sector. In addition to the reporting requirements, a consolidated NSW Total State Sector Statement of Financial Position by sector (Table 1) has been included. This assists in analysis of the Statement of Financial Position for the Total State Sector.

## Changes to reporting requirements

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### Revised Uniform Presentation Framework (UPF)

The revisions to the UPF in 2019 largely reflect the 2015 update to the Australian System of Government Financial Statistics (GFS) framework. The update of the Australian GFS aims to better align with the International Monetary Fund's GFS 2014 framework and the System of National Accounts 2008.

Table 1: NSW Public Sector Statement of Financial Position at 30 June 2019<sup>(a)</sup>

	General Government Sector \$m	Public Non- financial Corporations \$m	Non- financial Public Sector \$m	Public Financial Corporations \$m	Total State Sector \$m
<b>Assets</b>					
<b>Financial Assets</b>					
Cash and Cash Equivalents	1,969	2,548	4,517	4,701	8,979
Receivables	7,491	1,211	6,975	1,154	7,527
Tax Equivalents Receivable	32	9	7	...	(0)
Investments, Loans and Placements					
Financial Assets at Fair Value	43,333	240	43,573	56,288	44,560
Other Financial Assets	2,591	656	3,247	7	2,793
Advances Paid	1,193	0	715	...	715
Deferred Tax Equivalent Assets	2,245	109	0	...	0
Equity					
Investments in Other Public Sector Entities	98,990	...	(4,734)	...	0
Investments in Associates	12,055	...	12,055	2	12,057
Other Equity Investments	8	189	196	24,272	24,468
Equity Investments Held for Sale	...	...	...	...	...
<b>Total Financial Assets</b>	<b>169,907</b>	<b>4,963</b>	<b>66,552</b>	<b>86,424</b>	<b>101,099</b>
<b>Non-Financial Assets</b>					
Inventories	399	474	873	...	873
Forestry Stock and Other Biological Assets	10	1,171	1,181	...	1,181
Assets Classified as Held for Sale	222	61	283	...	283
Investment Properties	...	648	648	...	648
Property, Plant and Equipment					
Land and Buildings	89,963	75,775	166,333	14	166,346
Plant and Equipment	12,088	5,968	18,056	18	18,075
Infrastructure Systems	119,291	48,645	167,936	...	167,936
Intangibles	3,694	1,108	4,802	7	4,809
Other Non-Financial Assets	6,707	170	6,416	36	6,449
<b>Total Non-Financial Assets</b>	<b>232,375</b>	<b>134,020</b>	<b>366,528</b>	<b>75</b>	<b>366,601</b>
<b>Total Assets</b>	<b>402,282</b>	<b>138,983</b>	<b>433,080</b>	<b>86,499</b>	<b>467,699</b>
<b>Liabilities</b>					
Deposits Held	67	70	137	857	293
Payables	7,079	2,136	8,504	337	8,357
Tax Equivalents Payable	3	32	...	7	...
Borrowings and Derivatives at Fair Value	207	3	210	72,783	72,757
Borrowings at Amortised Cost	37,656	24,558	62,213	6	7,151
Advances Received	756	478	756	...	756
Employee Provisions	20,802	1,150	21,934	35	21,969
Superannuation Provision <sup>(b)</sup>	67,696	3,010	70,706	5	70,711
Deferred Tax Equivalent Provision	108	2,246	...	...	...
Other Provisions	11,604	1,410	11,996	6,306	18,185
Other Liabilities	6,134	322	6,453	10,898	17,350
<b>Total Liabilities</b>	<b>152,110</b>	<b>35,415</b>	<b>182,908</b>	<b>91,233</b>	<b>217,528</b>
<b>NET ASSETS</b>	<b>250,172</b>	<b>103,567</b>	<b>250,172</b>	<b>(4,734)</b>	<b>250,172</b>



Table 1: NSW Public Sector Statement of Financial Position at 30 June 2019 (cont)

	General Government Sector \$m	Public Non- financial Corporations \$m	Non- financial Public Sector \$m	Public Financial Corporations \$m	Total State Sector \$m
<b>NET WORTH</b>					
Accumulated Funds	74,341	31,754	109,127	(4,735)	80,460
Reserves	174,804	60,916	129,121	1	157,788
<b>TOTAL NET WORTH</b>	<b>250,172</b>	<b>103,567</b>	<b>250,172</b>	<b>(4,734)</b>	<b>250,172</b>
<b>OTHER FISCAL AGGREGATES</b>					
<b>Net Debt<sup>(c)</sup></b>	<b>(10,401)</b>	<b>21,664</b>	<b>11,263</b>	<b>12,650</b>	<b>23,909</b>
<b>Net Financial Liabilities<sup>(d)</sup></b>	<b>81,194</b>	<b>30,453</b>	<b>111,622</b>	<b>4,809</b>	<b>116,429</b>
<b>Net Financial Worth<sup>(e)</sup></b>	<b>17,797</b>	<b>(30,453)</b>	<b>(116,357)</b>	<b>(4,809)</b>	<b>(116,429)</b>

(a) This table has been presented on a liquidity basis as per AASB 1049. Amounts may not add across due to inter sector eliminations.

(b) Superannuation liabilities are reported net of the fair value of fund assets.

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

(d) Net financial liabilities equals total liabilities less financial assets excluding equity investments in other public sector entities.

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

Table 2: NSW General Government Sector Statement of Comprehensive Income

	2018-19 Budget	2018-19 Actual
	\$m	\$m
<b>Revenue from Transactions</b>		
Taxation	31,146	31,443
Grants and Subsidies		
- Commonwealth General Purpose	18,475	17,907
- Commonwealth Specific Purpose Payments	9,851	10,224
- Commonwealth National Partnership Payments	3,043	2,737
- Other Commonwealth Payments	362	414
- Other Grants and Subsidies	379	567
Sale of Goods and Services	9,513	8,990
Interest	323	491
Dividend and Income Tax Equivalents from Other Sectors	1,823	1,932
Other Dividends and Distributions	1,322	1,934
Fines, Regulatory Fees and Other	4,843	5,051
<b>Total Revenue from Transactions</b>	<b>81,081</b>	<b>81,690</b>
<b>Expenses from Transactions</b>		
Employee Superannuation	31,613	33,158
- Superannuation Interest Cost	1,470	1,412
- Other Superannuation	3,006	3,052
Depreciation and Amortisation	4,989	5,192
Interest	2,044	1,812
Other Operating	21,600	21,146
Grants, Subsidies and Other Transfer Expenses	14,934	14,700
<b>Total Expenses from Transactions</b>	<b>79,656</b>	<b>80,471</b>
Transactions from Discontinuing Operations	...	0
<b>BUDGET RESULT - SURPLUS/(DEFICIT) [Net Operating Balance]</b>	<b>1,425</b>	<b>1,219</b>
<b>Other Economic Flows - Included in the Operating Result</b>		
Gain/(Loss) from Other Liabilities	175	(2,500)
Other Net Gains/(Losses)	493	13,700
Share of Earnings from Associates (excluding Dividends)	(0)	(1)
Dividends from Asset Sale Proceeds	81	(0)
Allowance for Impairment of Receivables	(38)	(69)
Deferred Income Tax from Other Sectors	(7)	(97)
Other	84	84
Discontinuing Operations - Other Economic Flows	...	(0)
<b>Other Economic Flows - included in Operating Result</b>	<b>789</b>	<b>11,117</b>
<b>Operating Result</b>	<b>2,214</b>	<b>12,335</b>
<b>Other Economic Flows - Other Comprehensive Income</b>		
<b>Items that will not be Reclassified to Operating Result</b>	<b>6,975</b>	<b>(13,906)</b>
Revaluations	2,794	7,205
Share of Associate's Other Comprehensive Income/(Loss) that will not be Reclassified Subsequently to Operating Result	...	(10)
Superannuation Actuarial Gain/(Loss)	4,120	(13,364)
Net Gain/(Loss) on Financial Assets at Fair Value through Other Comprehensive Income	...	(7,888)
Deferred Tax Adjustment through Equity	61	151
<b>Items that may be Reclassified Subsequently to Operating Result</b>	<b>(138)</b>	<b>(353)</b>
Net Gain/(Loss) on Equity Investments in Other Sectors (Available for Sale Financial Assets)	71	...
Net Gain/(Loss) on Financial Instruments at Fair Value	...	19
Share of Associate's Other Comprehensive Income/(Loss) that may be Reclassified Subsequently to Operating Result	...	(538)
Other	(209)	166
<b>Other Economic Flows - Other Comprehensive Income</b>	<b>6,837</b>	<b>(14,259)</b>
<b>Comprehensive Result - Total Change in Net Worth</b>	<b>9,052</b>	<b>(1,924)</b>

Table 2: NSW General Government Sector Statement of Comprehensive Income (cont)

	2018-19 Budget \$m	2018-19 Actual \$m
<b>Key Fiscal Aggregates</b>		
<b>Comprehensive Result - Total Change in Net Worth</b>	<b>9,052</b>	<b>(1,924)</b>
Less: Net Other Economic Flows	(7,626)	3,142
<b>Equals: Budget Result - Net Operating Balance</b>	<b>1,425</b>	<b>1,219</b>
<b>Less: Net Acquisition of Non-Financial Assets</b>		
Purchases of Non-Financial Assets	15,405	16,464
Sales of Non-Financial Assets	(650)	(966)
Less: Depreciation	(4,989)	(5,192)
Plus: Change in Inventories	(42)	38
Plus: Other Movements in Non-Financial Assets		
- Assets Acquired Using Finance Leases	1,925	159
- Other	40	(4)
Equals: Total Net Acquisition of Non-Financial Assets	<b>11,688</b>	<b>10,498</b>
<b>Equals: Net Lending/(Borrowing) [Fiscal Balance]</b>	<b>(10,263)</b>	<b>(9,280)</b>
<b>OTHER FISCAL AGGREGATES</b>		
Capital Expenditure <sup>(a)</sup>	<b>17,329</b>	<b>16,623</b>

(a) Capital expenditure comprises purchases of non-financial assets plus assets acquired using finance leases.

Table 3: NSW General Government Sector Statement of Financial Position at 30 June<sup>(a)</sup>

	2019 Budget \$m	2019 Actual \$m
<b>Assets</b>		
<b>Financial Assets</b>		
Cash and Cash Equivalents	1,593	1,969
Receivables	6,738	7,491
Tax Equivalents Receivable	116	32
Investments, Loans and Placements		
Financial Assets at Fair Value	28,374	43,333
Other Financial Assets	1,330	2,591
Advances Paid	1,280	1,193
Deferred Tax Equivalent Assets	2,328	2,245
Equity		
Investments in Other Public Sector Entities	114,545	98,990
Investments in Associates	5,870	12,055
Other Equity Investments	746	8
<b>Total Financial Assets</b>	<b>162,920</b>	<b>169,907</b>
<b>Non-Financial Assets</b>		
Inventories	270	399
Forestry Stock and Other Biological Assets	10	10
Assets Classified as Held for Sale	295	222
Property, Plant and Equipment		
Land and Buildings	88,640	89,963
Plant and Equipment	11,203	12,088
Infrastructure Systems	117,140	119,291
Intangibles	3,898	3,694
Other Non-Financial Assets	5,273	6,707
<b>Total Non-Financial Assets</b>	<b>226,728</b>	<b>232,375</b>
<b>Total Assets</b>	<b>389,648</b>	<b>402,282</b>
<b>Liabilities</b>		
Deposits Held	79	67
Payables	6,412	7,079
Tax Equivalents Payable	...	3
Borrowings and Derivatives at Fair Value	3	207
Borrowings at Amortised Cost	34,376	37,656
Advances Received	678	756
Employee Provisions	17,047	20,802
Superannuation Provision <sup>(b)</sup>	45,553	67,696
Deferred Tax Equivalent Provision	85	108
Other Provisions	9,019	11,604
Other Liabilities	6,269	6,134
<b>Total Liabilities</b>	<b>119,521</b>	<b>152,110</b>
<b>NET ASSETS</b>	<b>270,127</b>	<b>250,172</b>

Table 3: NSW General Government Sector Statement of Financial Position at 30 June (cont)

	2019 Budget \$m	2019 Actual \$m
<b>NET WORTH</b>		
Accumulated Funds	91,311	74,341
Reserves	178,816	174,804
<b>TOTAL NET WORTH</b>	<b>270,127</b>	<b>250,172</b>
<b>OTHER FISCAL AGGREGATES</b>		
<b>Net Debt<sup>(c)</sup></b>	<b>2,559</b>	<b>(10,401)</b>
<b>Net Financial Liabilities<sup>(d)</sup></b>	<b>71,146</b>	<b>81,194</b>
<b>Net Financial Worth<sup>(e)</sup></b>	<b>43,399</b>	<b>17,797</b>

(a) This table has been presented on a liquidity basis as per AASB 1049.

(b) Superannuation liabilities are reported net of the fair value of fund assets.

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

(d) Net financial liabilities equals net financial worth excluding equity investments in other public sector entities.

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

Table 4: NSW General Government Sector Statement of Cash Flows

	2018-19 Budget \$m	2018-19 Actual \$m
<b>Cash Receipts from Operating Activities</b>		
Taxes Received	31,176	31,020
Receipts from Sales of Goods and Services	10,014	9,360
Grant and Subsidies Received	32,105	31,810
Interest Receipts	342	518
Dividends and Income Tax Equivalents	1,733	1,897
Other Receipts	9,389	12,226
<b>Total Cash Receipts from Operating Activities</b>	<b>84,760</b>	<b>86,830</b>
<b>Cash Payments from Operating Activities</b>		
Payments for Employees	(31,155)	(31,896)
Payments for Superannuation	(4,479)	(4,325)
Payments for Goods and Services	(22,568)	(20,874)
Grants and Subsidies Paid	(13,239)	(13,739)
Interest Paid	(1,467)	(1,455)
Distributions Paid	0	(3)
Other Payments	(5,583)	(7,210)
<b>Total Cash Payments from Operating Activities</b>	<b>(78,493)</b>	<b>(79,502)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>6,267</b>	<b>7,328</b>
<b>Cash Flows from Investments in Non-Financial Assets</b>		
Sales of Non-Financial Assets	733	452
Purchases of Non-Financial Assets	(15,531)	(18,087)
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>(14,799)</b>	<b>(17,635)</b>
<b>Cash Flows from Investments in Financial Assets for Policy Purposes</b>		
Receipts	296	18,026
Payments	(3,118)	(2,341)
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>(2,822)</b>	<b>15,685</b>
<b>Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>		
Receipts from Sale/Maturity of Investments	12,619	10,029
Payments for the Purchase of Investments	(4,377)	(23,904)
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>8,242</b>	<b>(13,875)</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(9,379)</b>	<b>(15,825)</b>
<b>Cash Flows from Financing Activities</b>		
Advances Received	15	56
Advances Repaid	(98)	(125)
Proceeds from Borrowings	204	5,561
Repayment of Borrowings	(609)	(612)
Deposits Received - Net	(14)	19
Other Financing Receipts/(Payments)	58	151
<b>Net Cash Flows from Financing Activities</b>	<b>(443)</b>	<b>5,050</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(3,555)</b>	<b>(3,448)</b>
Opening Cash and Cash Equivalents	5,140	5,417
Reclassification of Cash Equivalents and Other Adjustments	8	(1)
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>1,600</b>	<b>1,969</b>
<b>Derivation of Cash Result</b>		
Net Cash Flows From Operating Activities	6,267	7,328
Net Cash Flows from Investments in Non-Financial Assets	(14,799)	(17,635)
<b>Cash Surplus/(Deficit)</b>	<b>(8,532)</b>	<b>(10,307)</b>

Table 5: NSW General Government Sector Taxes

	2018-19 Budget \$m	2018-19 Actual \$m
<b>Taxes on Employers' Payroll and Labour Force</b>	<b>9,307</b>	<b>9,546</b>
Taxes on Property		
Land Taxes	4,293	4,216
Other	307	121
<b>Total Taxes on Property</b>	<b>4,600</b>	<b>4,336</b>
Taxes on the Provision of Goods and Services		
Excises and Levies	...	...
Taxes on Gambling	2,447	2,634
Taxes on Insurance	2,489	2,787
Stamp Duties on Financial and Capital Transactions	8,006	7,732
<b>Total Taxes on the Provision of Goods and Services</b>	<b>12,942</b>	<b>13,153</b>
Taxes on Use of Goods and Performance of Activities		
Motor Vehicle Taxes	3,680	3,491
Franchise Taxes	18	24
Other	598	892
<b>Total Taxes on Use of Goods and Performance of Activities</b>	<b>4,296</b>	<b>4,407</b>
<b>Total Taxation Revenue</b>	<b>31,146</b>	<b>31,443</b>

Table 6: NSW General Government Sector Dividend and Income Tax Equivalent Income

	2018-19 Budget \$m	2018-19 Actual \$m
Dividend and Income Tax Revenue from the PNFC Sector	1,680	1,629
Dividend and Income Tax Revenue from the PFC Sector	143	303
Other Dividend Income	1,322	1,934
<b>Total Dividend and Income Tax Equivalent Income</b>	<b>3,145</b>	<b>3,866</b>



Table 7: NSW General Government Sector Grant Revenue and Expense

	2018-19 Budget \$m	2018-19 Actual \$m
<b>Current Grants and Subsidies</b>		
Current Grants from the Commonwealth <sup>(a)</sup>		
General Purpose Grants	18,475	17,907
Specific Purpose Payments	9,851	10,224
National Partnership Payments	1,198	1,027
Other Commonwealth Payments	362	411
<b>Total</b>	<b>29,886</b>	<b>29,568</b>
Other Grants and Subsidies	371	500
<b>Total Current Grants and Subsidies Revenue</b>	<b>30,257</b>	<b>30,068</b>
<b>Capital Grants and Subsidies</b>		
Capital Grants from the Commonwealth <sup>(a)</sup>		
General Purpose Payments	...	...
Specific Purpose Payments	...	...
National Partnership Payments	1,845	1,710
<b>Total</b>	<b>1,845</b>	<b>1,710</b>
Other Grants and Subsidies	8	66
<b>Total Capital Grants and Subsidies Revenue</b>	<b>1,853</b>	<b>1,776</b>
<b>Total Grants and Subsidies Revenue</b>	<b>32,110</b>	<b>31,848</b>
<b>Current Grants, Subsidies and Transfer Payments Expense to:</b>		
State/Territory Government	...	10
Local Government <sup>(a)</sup>	1,386	1,056
Private and Not-for-Profit Sector <sup>(a)</sup>	7,027	7,044
Other Sectors of Government	5,440	5,485
<b>Total Current Grants, Subsidies and Transfer Payments Expense</b>	<b>13,855</b>	<b>13,595</b>
<b>Capital Grants, Subsidies and Transfer Payments to:</b>		
State/Territory Government	...	...
Local Government <sup>(a)</sup>	369	345
Private and Not-for-Profit Sector <sup>(a)</sup>	349	396
Other Sectors of Government	364	364
<b>Total Capital Grants, Subsidies and Transfer Payments Expense</b>	<b>1,082</b>	<b>1,105</b>
<b>Total Grants and Subsidies Expense</b>	<b>14,934</b>	<b>14,700</b>
(a) Grant revenue and expenses above exclude the following transfer payments from the Commonwealth government that New South Wales passes on to third parties. They are not recorded as New South Wales revenue and expense as the State has no control over the amounts that it passes on.		
<b>Transfer Receipts and Payments from the Commonwealth Government on-passed by New South Wales to Third Parties</b>		
<b>Transfer Receipts</b>		
Current Transfer Receipts for Specific Purposes	4,059	4,845
Capital Transfer Receipts for Specific Purposes	...	...
<b>Total Receipts</b>	<b>4,059</b>	<b>4,845</b>
<b>Current Transfer Payments to:</b>		
Local Government	382	778
Private and Not-For-Profit Sector	3,678	4,067
<b>Capital Transfer Payments to:</b>		
Local Government	...	...
Private and Not-For-Profit Sector	...	...
<b>Total Payments</b>	<b>4,059</b>	<b>4,845</b>

Table 8: NSW General Government Sector Expenses by Function<sup>(a)</sup>

	2018-19 Budget \$m	2018-19 Actual \$m
<b>General Public Services</b>		
Executive and legislative organs, financial and fiscal affairs, external affairs	1,955	1,738
General Services	583	1,776
Public debt transactions	3,593	3,209
Transfers of a general character between different levels of government	122	88
General public services n.e.c.	156	1,498
<b>Total General Public Services</b>	<b>6,408</b>	<b>8,310</b>
<b>Defence</b>	...	...
Total Defence	...	...
<b>Public Order and Safety</b>		
Police services	3,529	3,559
Civil and Fire protection services	1,082	1,233
Law courts	1,382	1,488
Prisons	1,880	1,838
Public order and safety n.e.c.	137	116
<b>Total Public Order and Safety</b>	<b>8,010</b>	<b>8,232</b>
<b>Economic Affairs</b>		
General economic, commercial and labour affairs	847	804
Agriculture, forestry, fishing and hunting	498	628
Fuel and energy	112	119
Mining, manufacturing and construction	125	297
Communication	79	61
Other industries	586	519
Economic affairs n.e.c.	80	15
<b>Total Economic Affairs</b>	<b>2,327</b>	<b>2,442</b>
<b>Environmental Protection</b>		
Waste management	...	...
Waste water management	...	...
Pollution abatement	...	...
Protection of biodiversity and landscape	835	814
Environmental protection n.e.c.	455	330
<b>Total Environmental Protection</b>	<b>1,291</b>	<b>1,144</b>
<b>Housing and Community Amenities</b>		
Housing development	87	86
Community development	797	562
Water supply	297	210
Street lighting	...	...
Housing and community amenities n.e.c.	...	285
<b>Total Housing and Community Amenities</b>	<b>1,180</b>	<b>1,143</b>

Table 8: NSW General Government Sector Expenses by Function<sup>(a)</sup> (cont)

	2018-19 Budget \$m	2018-19 Actual \$m
<b>Health</b>		
Medical products, appliances and equipment	548	586
Outpatient services	3,238	3,298
Hospital services	14,832	14,586
Mental health institutions	276	263
Community health services	2,530	2,524
Public health services	541	580
Research & Development Health	294	301
Health n.e.c.	533	544
<b>Total Health</b>	<b>22,792</b>	<b>22,683</b>
<b>Recreation, Culture and Religion</b>		
Recreational and sporting services	818	727
Cultural services	476	499
Broadcasting and publishing services	...	...
Religious and other community services	...	...
Recreation, Culture and Religion n.e.c.	21	24
<b>Total Recreation, culture and religion</b>	<b>1,315</b>	<b>1,249</b>
<b>Education</b>		
Pre-primary and primary education	6,605	6,585
Secondary education	5,994	5,625
Tertiary education	1,710	1,762
Education not definable by level	398	361
Subsidiary services to education	1,329	1,177
Education n.e.c.	2,114	2,195
<b>Total Education</b>	<b>18,149</b>	<b>17,705</b>
<b>Social Protection</b>		
Sickness and disability	3,017	3,031
Old age	185	185
Survivors	...	...
Family and children	2,020	2,242
Unemployment	...	...
Housing	802	733
Social exclusion n.e.c.	480	488
Social protection n.e.c.	943	740
<b>Total Social Protection</b>	<b>7,447</b>	<b>7,419</b>

Table 8: NSW General Government Sector Expenses by Function<sup>(a)</sup> (cont)

	2018-19 Budget \$m	2018-19 Actual \$m
<b>Transport</b>		
Road transport	900	3,542
Bus transport	389	386
Water transport	59	189
Railway transport	4,348	4,197
Air transport	...	1
Multi-mode urban transport	2,226	1,579
Pipeline and other transport	...	...
Transport n.e.c.	2,815	248
<b>Total Transport</b>	<b>10,737</b>	<b>10,142</b>
<b>Total Expenses</b>	<b>79,656</b>	<b>80,471</b>

## Notes:

n.e.c. not elsewhere classified.

- (a) The original budget included \$100 million Advance to the Treasurer which was allocated across functions as the funds were spent in the actual year.

Table 9: NSW General Government Sector Capital Expenditure by Function <sup>(a)(b)</sup>

	2018-19 Budget \$m	2018-19 Actual \$m
General public services	928	237
Defence	...	...
Public order and safety	1,384	1,219
Economic affairs	316	197
Environmental protection	18	10
Housing and community amenities	456	131
Health	2,164	2,224
Recreation, culture and religion	294	197
Education	1,793	1,780
Social protection	184	207
Transport	9,793	10,421
<b>Total Purchases of Non-Financial Assets</b>	<b>17,331</b>	<b>16,623</b>

- (a) This table comprises purchases of non-financial assets, including assets acquired under finance lease, and reconciles to the general government sector capital expenditure program.
- (b) 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

	2018-19 Budget \$m	2018-19 Actual \$m
<b>Revenue from Transactions</b>		
Grants and Subsidies		
- Other Grants and Subsidies	2,994	3,022
Sale of Goods and Services	8,049	8,229
Interest	61	76
Other Dividends and Distributions	...	15
Fines, Regulatory Fees and Other	790	749
<b>Total Revenue from Transactions</b>	<b>11,894</b>	<b>12,092</b>
<b>Expenses from Transactions</b>		
Employee	2,958	2,754
Superannuation		
- Superannuation Interest Cost	54	55
- Other Superannuation	198	187
Depreciation and Amortisation	2,899	2,815
Interest	1,255	1,042
Income Tax Expense	339	309
Other Operating	5,795	5,852
Grants, Subsidies and Other Transfer Expenses	323	80
<b>Total Expenses from Transactions</b>	<b>13,822</b>	<b>13,094</b>
Transactions from Discontinuing Operation	...	40
<b>NET OPERATING BALANCE - SURPLUS AFTER TAX</b>	<b>(1,927)</b>	<b>(962)</b>
<b>Other Economic Flows - Included in the Operating Result</b>		
Gain/(Loss) from Other Liabilities	...	(33)
Other Net Gains/(Losses)	327	(3,146)
Allowance for Impairment of Receivables	(2)	(5)
Deferred Income Tax	8	(42)
Discontinuing Operations - Other Economic Flows	...	...
<b>Other Economic Flows - included in Operating Result</b>	<b>333</b>	<b>(3,226)</b>
<b>Operating Result</b>	<b>(1,594)</b>	<b>(4,188)</b>
<b>Other Economic Flows - Other Comprehensive Income</b>		
<b>Items that will not be Reclassified to Operating Result</b>	<b>2,241</b>	<b>(881)</b>
Revaluations	1,997	26
Superannuation Actuarial Gain/(Loss)	305	(756)
Deferred Tax Adjustment through Equity	(61)	(151)
<b>Items that may be Reclassified Subsequently to Operating Result</b>	<b>652</b>	<b>4</b>
Net Gain/(Loss) on Financial Instruments at Fair Value	...	(3)
Other	652	6
<b>Other Economic Flows - Other Comprehensive Income</b>	<b>2,893</b>	<b>(879)</b>
<b>Comprehensive Result - Before Transactions with Owners in their capacity as Owners</b>	<b>2,741</b>	<b>(5,066)</b>
Dividends Distributed	(1,441)	(1,475)
Net Equity Injections	...	(3,240)
<b>Comprehensive Result - Total Change in Net Worth</b>	<b>1,299</b>	<b>(9,781)</b>

Table 10: NSW Public Non-Financial Corporation Sector Statement of Comprehensive Income (cont)

	2018-19 Budget \$m	2018-19 Actual \$m
<b>Key Fiscal Aggregates</b>		
<b>Comprehensive Result - Before Transactions with Owners in their capacity as Owners</b>	<b>1,299</b>	<b>(5,066)</b>
Less: Net Other Economic Flows	(3,226)	4,105
<b>Equals: Net Operating Balance</b>	<b>(1,927)</b>	<b>(962)</b>
<b>Less: Net Acquisition of Non-Financials Assets</b>		
Purchases of Non-Financials Assets	7,142	5,202
Sales of Non-Financial Assets	(485)	(368)
Less: Depreciation	(2,899)	(2,815)
Plus: Change in Inventories	120	(72)
Plus: Other Movements in Non-Financials Assets		
- Assets Acquired Using Finance Leases	...	...
- Other	87	402
Equals: Total Net Acquisition of Non-Financial Assets	<b>3,965</b>	<b>2,350</b>
<b>Equals: Net Lending/(Borrowing) [Fiscal Balance]</b>	<b>(5,892)</b>	<b>(3,312)</b>
<b>OTHER FISCAL AGGREGATES</b>		
Capital Expenditure <sup>(a)</sup>	7,142	5,202
Dividends Accrued	747	727

(a) Capital expenditure comprises purchases of non-financial assets plus assets acquired using finance leases.

Table 11: NSW Public Non-Financial Corporation Sector Statement of Financial Position at 30 June

	2019 Budget \$m	2019 Actual \$m
<b>Assets</b>		
<b>Financial Assets</b>		
Cash and Cash Equivalents	2,797	2,548
Receivables	1,099	1,211
Tax Equivalents Receivable	0	9
Investments, Loans and Placements		
Financial Assets at Fair Value	415	240
Other Financial Assets	373	656
Advances Paid	1	0
Deferred Tax Equivalent Assets	85	109
Equity		
Other Equity Investments	...	189
<b>Total Financial Assets</b>	<b>4,770</b>	<b>4,963</b>
<b>Non-Financial Assets</b>		
Inventories	521	474
Forestry Stock and Other Biological Assets	968	1,171
Assets Classified as Held for Sale	48	61
Investment Properties	615	648
Property, Plant and Equipment		
Land and Buildings	75,377	75,775
Plant and Equipment	7,774	5,968
Infrastructure Systems	60,364	48,645
Intangibles	1,192	1,108
Other Non-Financial Assets	243	170
<b>Total Non-Financial Assets</b>	<b>147,102</b>	<b>134,020</b>
<b>Total Assets</b>	<b>151,873</b>	<b>138,983</b>
<b>Liabilities</b>		
Deposits Held	33	70
Payables	2,161	2,136
Tax Equivalents Payable	110	32
Borrowings and Derivatives at Fair Value	3,086	3
Borrowings at Amortised Cost	26,541	24,558
Advanced Received	478	478
Employee Provisions	1,061	1,150
Superannuation Provision <sup>(a)</sup>	1,776	3,010
Deferred Tax Equivalent Provision	2,328	2,246
Other Provisions	1,347	1,410
Other Liabilities	228	322
<b>Total Liabilities</b>	<b>39,149</b>	<b>35,415</b>
<b>NET ASSETS</b>	<b>112,723</b>	<b>103,567</b>



Table 11: NSW Public Non-Financial Corporation Sector Statement of Financial Position at 30 June (cont)

	2019 Budget \$m	2019 Actual \$m
<b>NET WORTH</b>		
Accumulated Funds	35,622	31,754
Reserves	77,101	71,813
<b>TOTAL NET WORTH</b>	<b>112,723</b>	<b>103,567</b>
<b>OTHER FISCAL AGGREGATES</b>		
<b>Net Debt<sup>(b)</sup></b>	<b>26,552</b>	<b>21,664</b>
<b>Net Financial Liabilities<sup>(c)</sup></b>	<b>34,379</b>	<b>30,453</b>
<b>Net Financial Worth<sup>(d)</sup></b>	<b>(34,379)</b>	<b>(30,453)</b>

(a) Superannuation liabilities are reported net of the fair value of fund assets.

(b) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and cash equivalents, advances paid and investments, loans and placements.

(c) Net financial liabilities equals total liabilities minus total financial assets excluding equity investments in other public sector entities.

(d) Net financial worth equals total financial assets minus total liabilities.

Table 12: NSW Public Non-Financial Corporation Statement of Cash Flows

	2018-19 Budget	2018-19 Actual
	\$m	\$m
<b>Cash Receipts from Operating Activities</b>		
Receipts from Sales of Goods and Services	8,476	8,826
Grant and Subsidies Received	2,990	3,017
Interest Receipts	55	70
Other Receipts	1,041	1,670
<b>Total Cash Receipts from Operating Activities</b>	<b>12,563</b>	<b>13,583</b>
<b>Cash Payments from Operating Activities</b>		
Payments for Employees	(3,061)	(2,323)
Payments for Superannuation	(208)	(205)
Payments for Goods and Services	(5,487)	(6,199)
Grants and Subsidies Paid	(66)	(78)
Interest Paid	(1,120)	(922)
Income Tax Equivalents Paid	(0)	(423)
Other Payments	(627)	(1,329)
<b>Total Cash Payments from Operating Activities</b>	<b>(10,570)</b>	<b>(11,479)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>1,993</b>	<b>2,104</b>
<b>Cash Flows from Investments in Non-Financial Assets</b>		
Sales of Non-Financial Assets	485	371
Purchases of Non-Financial Assets	(7,566)	(5,325)
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>(7,082)</b>	<b>(4,955)</b>
<b>Cash Flows from Investments in Financial Assets for Policy Purposes</b>		
Receipts	248	0
Payments	...	(810)
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>248</b>	<b>(810)</b>
<b>Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>		
Receipts from Sale/Maturity of Investments	244	228
Payments for Purchase of Investments	(40)	(22)
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>203</b>	<b>206</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(6,630)</b>	<b>(5,559)</b>
<b>Cash Flows from Financing Activities</b>		
Advances Received	2,627	2,025
Advances Repaid	(112)	(31)
Proceeds from Borrowings	3,395	2,067
Repayment of Borrowings	(234)	(211)
Dividends Paid	(1,557)	(1,611)
Deposits Received (net)	(0)	(21)
Other Financing Receipts/(Payments)	(311)	21
<b>Net Cash Flows from Financing Activities</b>	<b>3,807</b>	<b>2,238</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(830)</b>	<b>(1,216)</b>
Opening Cash and Cash Equivalents	3,627	3,808
Reclassification of Cash Equivalents and Other Adjustments	...	(43)
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>2,797</b>	<b>2,548</b>
<b>Derivation of Cash Result</b>		
Net Cash Flows from Operating Activities	1,993	2,104
Net Cash Flows from Investments in Non-Financial Assets	(7,082)	(4,955)
Dividends Paid	(1,557)	(1,611)
<b>Cash Surplus/(Deficit)</b>	<b>(6,645)</b>	<b>(4,462)</b>

Table 13: NSW Non-Financial Public Sector Statement of Comprehensive Income

	2018-19 Budget	2018-19 Actual
	\$m	\$m
<b>Revenue from Transactions</b>		
Taxation	30,676	30,950
Grants and Subsidies		
- Commonwealth General Purpose	18,475	17,907
- Commonwealth Specific Purpose Payments	9,851	10,224
- Commonwealth National Partnership Payments	3,043	2,737
- Other Commonwealth Payments	366	418
- Other Grants and Subsidies	279	483
Sale of Goods and Services	13,514	13,795
Interest	313	503
Dividend and Income Tax Equivalents from Other Sectors	143	303
Other Dividends and Distributions	1,322	1,949
Fines, Regulatory Fees and Other	5,602	5,701
<b>Total Revenue from Transactions</b>	<b>83,584</b>	<b>84,969</b>
<b>Expenses from Transactions</b>		
Employee	34,071	35,386
Superannuation		
- Superannuation Interest Cost	1,524	1,466
- Other Superannuation	3,203	3,238
Depreciation and Amortisation	7,888	8,008
Interest	3,228	2,789
Other Operating	23,368	23,571
Grants, Subsidies and Other Transfer Expenses	12,142	11,654
<b>Total Expenses from Transactions</b>	<b>85,424</b>	<b>86,111</b>
Transactions from Discontinuing Operations	...	41
<b>NET OPERATING BALANCE - SURPLUS/(DEFICIT)</b>	<b>(1,840)</b>	<b>(1,102)</b>
<b>Other Economic Flows - Included in the Operating Result</b>		
Gain/(Loss) from Other Liabilities	175	(2,533)
Other Net Gains/(Losses)	820	10,554
Share of Earnings from Associates (excluding Dividends)	...	(1)
Allowance for Impairment of Receivables	(40)	(74)
Others	84	84
Discontinuing Operations - Other Economic Flows	...	(0)
<b>Other Economic Flows - included in Operating Result</b>	<b>1,040</b>	<b>8,030</b>
<b>Operating Result</b>	<b>(801)</b>	<b>6,928</b>
<b>Other Economic Flows - Other Comprehensive Income</b>		
<b>Items that will not be Reclassified to Operating Result</b>	<b>9,211</b>	<b>(6,678)</b>
Revaluations	4,786	7,454
Share of Associate's Other Comprehensive Income/(Loss) that will not be Reclassified Subsequently to Operating Result	...	(10)
Superannuation Actuarial Gain/(Loss)	4,425	(14,119)
Net Gain/(Loss) on Financial Assets at Fair Value through Other Comprehensive Income	(0)	...
Deferred Tax Adjustment through Equity	0	(2)
<b>Items that may be Reclassified Subsequently to Operating Result</b>	<b>860</b>	<b>(694)</b>
Net Gain/(Loss) on Equity Investments in Other Sectors (Available for Sale Financial Assets)	948	...
Net Gain/(Loss) on Financial Instruments at Fair Value	0	16
Share of Associate's Other Comprehensive Income/(Loss) that may be Reclassified Subsequently to Operating Result	...	(538)
Other	(88)	(172)
<b>Other Economic Flows - Other Comprehensive Income</b>	<b>10,071</b>	<b>(7,372)</b>
<b>Comprehensive Result - Before Transactions with Owners in their capacity as Owners</b>	<b>8,422</b>	<b>(444)</b>
Dividends Distributed	(100)	(154)
Net Equity Injections	948	(4,161)
<b>Comprehensive Result - Total Change in Net Worth</b>	<b>9,270</b>	<b>(4,759)</b>

Table 13: NSW Non-Financial Public Sector Statement of Comprehensive Income (cont)

	2018-19 Budget \$m	2018-19 Actual \$m
<b>Key Fiscal Aggregates</b>		
<b>Comprehensive Result - Before Transactions with Owners in their capacity as Owners</b>	<b>8,422</b>	<b>(444)</b>
Less: Net Other Economic Flows	(11,111)	(658)
<b>Equals: Net Operating Balance</b>	<b>(1,840)</b>	<b>(1,102)</b>
<b>Less: Net Acquisition of Non-Financial Assets</b>		
Purchases of Non-Financial Assets	22,547	21,667
Sales of Non-Financial Assets	(1,135)	(1,317)
Less: Depreciation	(7,888)	(8,008)
Plus: Change in Inventories	78	(34)
Plus: Other Movements in Non-Financial Assets		
- Assets Acquired Using Finance Leases	1,925	159
- Other	120	357
Equals: Total Net Acquisition of Non-Financial Assets	<b>15,646</b>	<b>12,823</b>
<b>Equals: Net Lending/(Borrowing) [Fiscal Balance]</b>	<b>(17,486)</b>	<b>(13,924)</b>
<b>OTHER FISCAL AGGREGATES</b>		
Capital Expenditure <sup>(a)</sup>	24,471	21,825
Dividends Accrued	100	154

(a) Capital expenditure comprises purchases of non-financial assets plus assets acquired using finance leases.

Table 14: NSW Non-Financial Public Sector Statement of Financial Position at 30 June

	2019 Budget \$m	2019 Actual \$m
<b>Assets</b>		
<b>Financial Assets</b>		
Cash and Cash Equivalents	4,390	4,517
Receivables	6,229	6,975
Tax Equivalents Receivable	6	7
Investments, Loans and Placements		
Financial Assets at Fair Value	28,790	43,573
Other Financial Assets	1,702	3,247
Advances Paid	802	715
Deferred Tax Equivalent Assets	0	0
Equity		
Investments in Other Public Sector Entities	5,121	(4,734)
Investments in Associates	5,870	12,055
Other Equity Investments	746	196
Equity Investments Held for Sale	...	...
<b>Total Financial Assets</b>	<b>53,657</b>	<b>66,552</b>
<b>Non-Financial Assets</b>		
Inventories	791	873
Forestry Stock and Other Biological Assets	977	1,181
Assets Classified as Held for Sale	343	283
Investment Properties	615	648
Property, Plant and Equipment		
Land and Buildings	164,616	166,333
Plant and Equipment	18,977	18,056
Infrastructure Systems	177,997	167,936
Intangibles	5,090	4,802
Other Non-Financial Assets	4,548	6,416
<b>Total Non-Financial Assets</b>	<b>373,955</b>	<b>366,528</b>
<b>Total Assets</b>	<b>427,612</b>	<b>433,080</b>
<b>Liabilities</b>		
Deposits Held	112	137
Payables	8,048	8,504
Liabilities Directly Associated with Assets Held for Sale	...	...
Borrowings and Derivatives at Fair Value	3,090	210
Borrowings at Amortised Cost	60,917	62,213
Advanced Received	678	756
Employee Provisions	18,088	21,934
Superannuation Provision <sup>(a)</sup>	47,329	70,706
Deferred Tax Equivalent Provision	...	...
Other Provisions	9,280	11,996
Other Liabilities	6,476	6,453
<b>Total Liabilities</b>	<b>154,018</b>	<b>182,908</b>
<b>NET ASSETS</b>	<b>273,594</b>	<b>250,172</b>

Table 14: NSW Non-Financial Public Sector Statement of Financial Position at 30 June (cont)

	2019 Budget \$m	2019 Actual \$m
<b>NET WORTH</b>		
Accumulated Funds	126,937	109,127
Reserves	146,657	129,121
<b>TOTAL NET WORTH</b>	<b>273,594</b>	<b>250,172</b>
<b>OTHER FISCAL AGGREGATES</b>		
<b>Net Debt<sup>(b)</sup></b>	<b>29,111</b>	<b>11,263</b>
<b>Net Financial Liabilities<sup>(c)</sup></b>	<b>105,482</b>	<b>111,622</b>
<b>Net Financial Worth<sup>(d)</sup></b>	<b>(100,361)</b>	<b>(116,357)</b>

(a) Superannuation liabilities are reported net of the fair value of fund assets.

(b) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and cash equivalents, advances paid and investments, loans and placements.

(c) Net financial liabilities equals total liabilities less total financial assets excluding equity investments in other public sector entities

(d) Net financial worth equals total financial assets minus total liabilities.

Table 15: NSW Non-Financial Public Sector Statement of Cash Flows

	2018-19 Budget \$m	2018-19 Actual \$m
<b>Cash Receipts from Operating Activities</b>		
Taxes Received	30,715	30,540
Receipts from Sales of Goods and Services	14,402	14,331
Grant and Subsidies Received	32,002	31,723
Interest Receipts	343	539
Dividends and Income Tax Equivalents	24	187
Other Receipts	10,412	13,809
<b>Total Cash Receipts from Operating Activities</b>	<b>87,898</b>	<b>91,129</b>
<b>Cash Payments from Operating Activities</b>		
Payments for Employees	(33,597)	(34,065)
Payments for Superannuation	(4,687)	(4,529)
Payments for Goods and Services	(24,115)	(23,268)
Grants and Subsidies Paid	(10,191)	(10,693)
Interest Paid	(2,533)	(2,328)
Other Payments	(4,883)	(8,229)
<b>Total Cash Payments from Operating Activities</b>	<b>(80,006)</b>	<b>(83,112)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>7,892</b>	<b>8,017</b>
<b>Cash Flows from Investments in Non-Financial Assets</b>		
Sales of Non-Financial Assets	1,217	807
Purchases of Non-Financial Assets	(23,097)	(23,296)
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>(21,880)</b>	<b>(22,490)</b>
<b>Cash Flows from Investments in Financial Assets for Policy Purposes</b>		
Receipts	463	17,995
Payments	(492)	(1,127)
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>(29)</b>	<b>16,869</b>
<b>Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>		
Receipts from Sale/Maturity of Investments	12,863	10,253
Payments for Purchase of Investments	(4,418)	(23,926)
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>8,445</b>	<b>(13,673)</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(13,464)</b>	<b>(19,294)</b>
<b>Cash Flows from Financing Activities</b>		
Advances Received	84	56
Advances Repaid	(198)	(125)
Proceeds from Borrowings	2,258	7,628
Repayment of Borrowings	(842)	(820)
Dividends Paid	(100)	(154)
Deposits Received (net)	(14)	(2)
Other Financing Receipts/ (Payments)	0	30
<b>Net Cash Flows from Financing Activities</b>	<b>1,187</b>	<b>6,613</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(4,385)</b>	<b>(4,664)</b>
Opening Cash and Cash Equivalents	8,768	9,226
Reclassification of Cash Equivalents and Other Adjustments	8	(44)
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>4,397</b>	<b>4,517</b>
Derivation of Cash Result		
Net Cash Flows from Operating Activities	7,892	8,017
Net Cash Flows from Investments in Non-Financial Assets	(21,880)	(22,490)
<b>Dividends Paid</b>	<b>(100)</b>	<b>(154)</b>
<b>Cash Surplus/(Deficit)</b>	<b>(14,088)</b>	<b>(14,627)</b>

Table 16: NSW Public Financial Corporations Statement of Comprehensive Income<sup>(a)</sup>

	2018-19 Actual \$m
<b>Revenue from Transactions</b>	
Sale of Goods and Services	1,230
Interest	2,263
Other Dividends and Distributions	1,715
Fines, Regulatory Fees and Other	41
<b>Total Revenue from Transactions</b>	<b>5,249</b>
<b>Expenses from Transactions</b>	
Employee	159
Superannuation	
- Superannuation Interest Cost	...
- Other Superannuation	12
Depreciation and Amortisation	9
Interest	2,299
Income Tax Expense	37
Other Operating	3,097
Grants, Subsidies and Other Transfer Expenses	16
<b>Total Expenses from Transactions</b>	<b>5,629</b>
Transactions from Discontinuing Operations	122
<b>NET OPERATING BALANCE - SURPLUS AFTER TAX</b>	<b>(258)</b>
<b>Other Economic Flows - Included in the Operating Result</b>	
Gain/(Loss) from Other Liabilities	(684)
Other Net Gains/(Losses)	10,867
<b>Other Economic Flows - included in Operating Result</b>	<b>10,182</b>
<b>Operating Result</b>	<b>9,924</b>
<b>Other Economic Flows - Other Comprehensive Income</b>	
<b>Items that will not be Reclassified to Operating Result</b>	<b>(1)</b>
Revaluations	(0)
Superannuation Actuarial Gain/(Loss)	(1)
Net Gain/(Loss) on Financial Assets at Fair Value through Other Comprehensive Income	...
Deferred Tax Adjustment through Equity	...
<b>Items that may be Reclassified Subsequently to Operating Result</b>	<b>...</b>
Other	(0)
<b>Other Economic Flows - Other Comprehensive Income</b>	<b>(1)</b>
<b>Comprehensive Result - Before Transactions with Owners in their capacity as Owners<sup>(a)</sup></b>	<b>9,923</b>
Dividends Distributed	(266)
Net Equity Injections	(16,612)
<b>Comprehensive Result - Total Change in Net Worth</b>	<b>(6,955)</b>



Table 16: NSW Public Financial Corporations Statement of Comprehensive Income (cont)

	2018-19 Actual \$m
<b>Key Fiscal Aggregates</b>	
<b>Comprehensive Result - Before Transactions with Owners in their capacity as Owners<sup>(a)</sup></b>	<b>9,923</b>
Less: Net Other Economic Flows	(10,181)
<b>Equals: Net Operating Balance</b>	<b>(258)</b>
<b>Less: Net Acquisition of Non-Financials Assets</b>	
Purchases of Non-Financials Assets	2
Sales of Non-Financial Assets	...
Less: Depreciation	(9)
Plus: Change in Inventories	...
Plus: Other Movements in Non-Financials Assets	...
- Assets Acquired Using Finance Leases	...
- Other	...
Equals: Total Net Acquisition of Non-Financial Assets	<b>(7)</b>
<b>Equals: Net Lending/(Borrowing) [Fiscal Balance]</b>	<b>(251)</b>
<b>OTHER FISCAL AGGREGATES</b>	
Capital Expenditure <sup>(b)</sup>	2
Dividends Accrued	118

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

(b) Capital expenditure comprises purchases of non-financial assets plus assets acquired using finance leases.

Table 17: NSW Public Financial Corporations Sector Statement of Financial Position at 30 June<sup>(a)</sup>

	2019 Actual \$m
<b>Assets</b>	
<b>Financial Assets</b>	
Cash and Cash Equivalents	4,701
Receivables	1,154
Investments, Loans and Placements	
Financial Assets at Fair Value	56,288
Other Financial Assets	7
Equity	
Investments in Associates	2
Other Equity Investments	24,272
<b>Total Financial Assets</b>	<b>86,424</b>
<b>Non-Financial Assets</b>	
Property, Plant and Equipment	
Land and Buildings	14
Plant and Equipment	18
Intangibles	7
Other Non-Financial Assets	36
<b>Total Non-Financial Assets</b>	<b>75</b>
<b>Total Assets</b>	<b>86,499</b>
<b>Liabilities</b>	
Deposits Held	857
Payables	337
Tax Equivalents Payable	7
Borrowings and Derivatives at Fair Value	72,783
Borrowings at Amortised Cost	6
Employee Provisions	35
Superannuation Provision <sup>(b)</sup>	5
Other Provisions	6,306
Other Liabilities	10,898
<b>Total Liabilities</b>	<b>91,233</b>
<b>NET ASSETS</b>	<b>(4,734)</b>

Table 17: NSW Public Financial Corporations Sector Statement of Financial Position at 30 June (cont)

	2019 Actual \$m
<b>NET WORTH</b>	
Accumulated Funds	(4,735)
Reserves	1
<b>TOTAL NET WORTH</b>	<b>(4,734)</b>
<b>OTHER FISCAL AGGREGATES</b>	
<b>Net Debt<sup>(c)</sup></b>	<b>12,650</b>
<b>Net Financial Liabilities<sup>(d)</sup></b>	<b>4,809</b>
<b>Net Financial Worth<sup>(e)</sup></b>	<b>(4,809)</b>

- (a) The current Uniform Presentation Framework does not require the publishing of the results of the Public Financial Corporation Sector at budget time and mid-year, therefore a Budget column is not available.
- (b) Superannuation liabilities are reported net of the fair value of fund assets.
- (c) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and cash equivalents, advances paid and investments, loans and placements.
- (d) Net financial liabilities equals total liabilities minus financial assets.
- (e) Net financial worth equals total financial assets minus total liabilities.

Table 18: NSW Public Financial Corporations Sector Statement of Cash Flows<sup>(a)</sup>

	2018-19 Actual \$m
<b>Cash Receipts from Operating Activities</b>	
Receipts from Sales of Goods and Services	1,242
Grant and Subsidies Received	...
Interest Receipts	2,118
Dividends and Income Tax Equivalents	154
Other Receipts	1,726
<b>Total Cash Receipts from Operating Activities</b>	<b>5,239</b>
<b>Cash Payments from Operating Activities</b>	
Payments for Employees	(175)
Payments for Superannuation	(13)
Payments for Goods and Services	(2,344)
Grants and Subsidies Paid	(8)
Interest Paid	(2,358)
Distributions Paid	(39)
Other Payments	492
<b>Total Cash Payments from Operating Activities</b>	<b>(4,445)</b>
<b>Net Cash Flows from Operating Activities</b>	<b>794</b>
<b>Cash Flows from Investments in Non-Financial Assets</b>	
Sales of Non-Financial Assets	...
Purchases of Non-Financial Assets	(2)
<b>Net Cash Flows from Investments in Non-Financial Assets</b>	<b>(2)</b>
<b>Cash Flows from Investments in Financial Assets for Policy Purposes</b>	
Receipts	...
Payments	(553)
<b>Net Cash Flows from Investments in Financial Assets for Policy Purposes</b>	<b>(553)</b>
<b>Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	
Receipts from Sale/Maturity of Investments	6,237
Payments for Purchase of Investments	(11,417)
<b>Net Cash Flows from Investments in Financial Assets for Liquidity Purposes</b>	<b>(5,179)</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(5,734)</b>
<b>Cash Flows from Financing Activities</b>	
Proceeds from Borrowings	62,561
Repayment of Borrowings	(57,677)
Dividends Paid	(148)
Deposits Received (net)	...
Other Financing Receipts/(Payments)	...
<b>Net Cash Flows from Financing Activities</b>	<b>4,736</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(204)</b>
Opening Cash and Cash Equivalents	4,905
Reclassification of Cash Equivalents and Other Adjustments	...
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>4,701</b>
Net Cash Flows from Operating Activities	794
Net Cash Flows from Investments in Non-Financial Assets	(2)
Dividends Paid	(148)
<b>Cash Surplus/(Deficit)</b>	<b>644</b>

(a) The current Uniform Presentation Framework does not require the publishing of the Public Financial Corporation Sector at budget time and mid-year, therefore the Budget column is not presented.