Building for Growth

2013-14 Financial Report
(incorporating Quarterly Financial Report No. 4)

Presented by The Hon. Michael O'Brien MP
Treasurer of the State of Victoria

The Secretary
Department of Treasury and Finance
1 Treasury Place
Melbourne Victoria, 3002
Australia
Telephone: +61 3 9651 5111
Facsimile: +61 3 9651 2062
dtf.vic.gov.au

Authorised by the Victorian Government
1 Treasury Place, Melbourne, 3002

Printed by On Demand, Port Melbourne

ISSN 1440-6969

Published October 2014

Printed on recycled paper

Financial Report
(incorporating Quarterly Financial Report No. 4)

2013-14

Presented by

The Hon. Michael O'Brien MP

Treasurer of the State of Victoria

for the information of Honourable Members

Ordered to be printed

October 2014

No 382, Session 2010-14

TABLE OF CONTENTS

CHAPTER 1 – FOREWORD

Purpose

The *2013-14 Financial Report for the State of Victoria* presents the consolidated financial outcomes for the State of Victoria, including the general government sector, the public non-financial corporations sector and the public financial corporations sector.

This chapter outlines the economic and fiscal context for the State's financial performance and position, and summarises the 2013-14 results. Chapter 2 analyses the results for the general government sector, comparing them with the revised estimates for the year presented in the *2014-15 Budget*. Chapter 3 presents the 2013-14 results for the State of Victoria.

Chapter 4 contains the audited financial statements as required under the *Financial Management Act 1994*. These are presented in line with applicable Australian accounting standards and pronouncements, in particular AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. Chapter 5 provides supplementary information required under the Uniform Presentation Framework, as agreed under the Australian Loan Council arrangements. Appendix A includes the Quarterly Financial Report for the general government sector as required by Section 26 of the *Financial Management Act 1994*.

The *Financial Management Act 1994* requires the relevant Minister to prepare an annual financial report for each financial year. Since the first audited annual financial statements for the State of Victoria prepared in 1996-97 under the *Financial Management Act 1994*, they have been prepared and certified by the Department of Treasury and Finance for the relevant Minister(s), given the highly technical nature of the document. This long-standing administrative arrangement was formalised in 2009 by the then Treasurer and Minister for Finance under delegation authority provided by the Act. Notwithstanding this arrangement, the *2013-14 Financial Report for the State of Victoria* remains a document within the Treasurer's responsibility and accountability, duly prepared in accordance with the requirements of the *Financial Management Act 1994*.

Economic context

Victoria's economy grew steadily in 2013-14 despite challenging conditions.

State final demand grew by 2.5 per cent over the year to June 2014. This growth was driven by improved business investment and household consumption, including stronger retail trade underpinned by higher consumer sentiment and a moderation in households' savings rate over the first half of the year. Rising property and stock prices in a low interest rate environment buoyed household wealth.

Demand for new housing increased in 2013-14, consistent with rising property prices. Residential building approvals rose markedly in the first half of 2013-14 and remained at elevated levels throughout the year. While dwelling investment was unchanged in 2013-14 overall, it was stronger over the second half of the year as the rise in approvals flowed through to increased construction.

Employment expanded modestly in 2013-14, and Victoria's growth exceeded that of the other non-mining states. The national unemployment rate rose, and the rise in the year-average unemployment rate in Victoria was consistent with the national trend. Victoria's participation rate continued to be the highest of the non-mining states.

Population growth was strong over the year to December 2013, with Victoria seeing the largest gains from net interstate migration in over three decades.

Business investment activity strengthened towards the end of 2013-14, consistent with higher levels of business conditions and confidence reported over the year.

A lower exchange rate provided some relief for Victoria's merchandise exporters in 2013-14, but remained high compared with historical levels. Victoria is benefiting from rising demand from Asia, particularly for agricultural goods. Improving economic conditions in the US also led to a sharp increase in demand for Victorian products over the year.

Victoria is the only state holding both a triple-A credit rating with a stable outlook from both major international credit rating agencies and also forecasting strong budget surpluses each year over the budget and forward estimates. A strong ongoing financial position allows more of the State's investment in infrastructure to be funded through cash surpluses, rather than unsustainable levels of debt.

Fiscal outcomes

The net result from transactions for the general government sector was a surplus of $2.0 billion in 2013-14, $1.0 billion higher than the revised estimate for the year. The difference was mainly due to the early receipt of Commonwealth grants payments which were not known or reflected in the revised estimate for 2013-14 prepared at the time of the State's *2014-15 Budget*.

Total revenue from transactions for the year was $52.4 billion, which represents growth of 7.7 per cent compared with 2012-13. State taxation revenue was $16.9 billion, consistent with the revised 2013-14 estimate and $1.4 billion more than in 2012-13. This increase was partly due to higher land transfer duty reflecting a stronger property market, and higher payroll tax due to growth in aggregate employment and wages over the year. Grants revenue was $3.2 billion higher in 2013-14 than in 2012-13, mainly reflecting higher specific purpose grants from the Commonwealth, including for the East West Link and Regional Rail Link projects.

Grants revenue was $1.1 billion higher than the revised estimate. The variance is largely due to the early receipt of grants revenue from the Commonwealth for the East West Link.

Total expenses for the year were $50.4 billion, $229.6 million higher than the revised estimate. This represents an increase of 3.0 per cent compared with the previous year.

Net investment in infrastructure by the general government sector of $5.2 billion in 2013-14 was equal to 1.5 per cent of gross state product (GSP)[1]. Net debt for the general government sector increased moderately by 6.8 per cent to $21.2 billion, in line with the *2014-15 Budget* estimates. Non-financial public sector net debt to GSP remained at 10.2 per cent, the same ratio as 2012-13.

[1] Ratios to GSP for 2013-14 are calculated using an estimate of nominal GSP prepared for the *2014-15 Budget*. Future publications may show revised ratios following release of actual 2013-14 GSP outcomes by the Australian Bureau of Statistics.

Valuation of education assets

The Victorian Auditor-General has issued a modified audit report on the State's 2013-14 *Annual Financial Report* (per Chapter 4), reflecting a difference in opinion on the valuation of the State's school building assets.

The State's school building assets are measured at fair value in accordance with Australian Accounting Standard AASB 13 *Fair Value Measurement*, taking into account the direct relationship between the assets required to deliver educational outcomes and the number of students expected to benefit from the education services provided by the State at each school. This underlying principle has remained unchanged since 2005 and is also supported by the Victorian Valuer-General, the State's valuation specialist, and external accounting expert advice.

The State's valuation methodology also reflects the key objective of its school assets – to educate Victoria's children. Current and forecast student enrolment data provides information on the capacity required of the school buildings to fulfil this objective, and the enrolment data used as part of the valuation is consistently tested and applied by the State for key planning, project and funding initiatives. This also ensures schools in growth areas are appropriately valued to reflect their service potential to the community for the delivery of educational outcomes.

The Auditor-General has expressed an opinion that the State's valuation methodology is not appropriate. On the contrary, the State is firmly of the view that its valuation methodology fairly represents the realisable benefits these assets provide for achieving the State's objective of providing educational outcomes to the Victorian community, as required by Australian Accounting Standards and other mandatory professional reporting requirements.

The State further believes that without the appropriate valuation adjustment, the State's school building assets, and consequently the State's net assets position, would be overstated by approximately $1.6 billion as at 30 June 2014. It is important to note that the materiality of this valuation adjustment represents less than one per cent of the relevant asset class' total value of $197.1 billion as at 30 June 2014.

CHAPTER 2 – GENERAL GOVERNMENT SECTOR OUTCOME

- The operating surplus for 2013-14 was $1 976 million. Victoria is forecasting a surplus in every year over the budget and forward estimates.
- Strong fiscal discipline has led to a modest increase in expenses of 3.0 per cent since 2012-13, contributing to the year's strong operating outcome.
- Net debt for the general government sector of $21.2 billion at 30 June 2014 was in line with the revised budget estimates published in the *2014-15 Budget*.
- General government net infrastructure investment was $5.2 billion for 2013-14, $356 million higher than the revised budget expectations, and comparable to the previous year.
- Victoria is the only Australian state to hold a triple-A credit rating with a stable outlook from both major international credit rating agencies.

FISCAL OBJECTIVES

The Government established a medium term fiscal strategy in 2010 to set Victoria's finances on a sustainable path, to enable investment in new infrastructure and services, while keeping taxes competitive and sustainably managing debt. The Government has met the goals it set in each of the past four years. Victoria is now in a strong financial position, the strongest of all the states and territories. Victoria is the only Australian state to hold a triple-A credit rating with a stable outlook from both major international credit rating agencies, recognising the Government's disciplined approach to fiscal management. Since November 2010, there have been 11 ratings downgrades amongst the Australian states, affecting every state except Victoria.

Fiscal aggregates are useful for assessing the impact of the financial transactions of government and its controlled agencies on the economy. These measures, derived from the audited financial statements in Chapter 4, are shown in Table 2.1.

Table 2.1: Key fiscal aggregates for general government sector

($ million)

	2012-13 Actual	2013-14 Actual	2013-14 Revised
Net result from transactions – net operating balance as published in accordance with the accounting standards applying at the time of publication[a]	**316.4**[a]		
Less impact of the revised accounting standard, AASB 119 *Employee Benefits* applied in 2013-14, which changed the way defined benefit superannuation expenses are presented in the comparative year	(633.0)[a]		
Restated net result from transactions – net operating balance[a]	(316.6)[a]	1 976.2	934.7
Net result[a]	(533.9)	773.1	(106.9)
Net lending (borrowing)	(1 832.9)	1 259.0	310.6
Comprehensive result – total change in net worth	8 506.0	7 304.5	5 191.5
Cash surplus/(deficit)	(2 192.9)	216.2	(377.2)
Balance sheet aggregates			
Net worth	120 182.6	127 486.9	125 359.4
Net financial worth	18 090.1	22 318.8	22 640.6
Net financial liabilities	51 624.7	53 550.4	51 452.7
Net debt	19 822.1	21 174.6	21 515.0

Source: Department of Treasury and Finance

Note:

(a) In 2013-14, the State applied the revised AASB 119 Employee Benefits *for the first time as required by the revised accounting standard, which changed the way defined benefit superannuation expenses are presented. Part of the actuarial gains, which had previously contributed to the State's operating surplus in 2012-13 are now reported as a remeasurement item under other comprehensive income, and are no longer included in the State's operating surplus. The revised requirements have been applied retrospectively as required by the revised accounting standard and the operating statement of the earliest comparative period presented (30 June 2013) has been restated accordingly. This revision only affected the presentation of these gains in the operating statement and continue to have no impact on the State's cash requirements or net debt.*

The Government achieved a **net result from transactions** of a surplus of $2.0 billion, $1.0 billion higher than the revised 2013-14 estimate. The difference was mainly due to the early unexpected receipt of Commonwealth grants payments which were not known or reflected in the revised estimate for 2013-14 at the time of the state's *2014-15 Budget*.

The **net result** is a further measure of financial performance for the period, including the impact of financial market movements on the valuation of assets and liabilities. The net result improved from a deficit of $533.9 million in 2012-13 to a surplus of $773.1 million in 2013-14. This was mainly due to the improvement in the net result from transactions largely reflecting an increase in Commonwealth grants, partially offset by the accounting impact of deconsolidating four dual sector TAFE divisions of universities from 1 January 2014. The control of these reporting entities was transferred from the State to the relevant universities.

The **net lending (borrowing)** measure broadly reflects the net impact of the general government sector on the economy and financial markets, including the impact of operating and capital investing transactions. This measure has moved from a net borrowing position of $1.8 billion in 2012-13 to a net lending position of $1.3 billion in 2013-14, mainly due to the significant improvement in the operating result of the general government sector in 2013-14.

The 2013-14 **comprehensive result – total change in net worth** was a gain of $7.3 billion, compared with $8.5 billion for the 2012-13 financial year, a decrease of $1.2 billion across the years. The movement was attributed to an $8.2 billion reduction in the remeasurement gain on superannuation due to lower bond yields, partially offset by a $4.3 billion net gain in equity investments in other sectors reflecting revaluation gains of the housing assets in the public non-financial corporation sector and an improved net asset position of the public financial corporation sector. The non-financial assets revaluation surplus also increased by $1.5 billion mainly due to the building revaluation gains in the health sector. The improvement in the net result as explained above also affected this measure.

The **cash surplus/(deficit)** reflects the sum of net cash flows from operating and capital investing activities. The improvement from deficit positions in both the 2012-13 actual outcome and the 2013-14 revised estimate to a surplus position in the 2013-14 actual outcome was due to higher Commonwealth grants and taxation revenue.

Net worth is a measure of economic wealth and is equal to net assets outlined in Table 2.4. The general government sector net worth increased by $7.3 billion since 30 June 2013. The increase in net worth was mainly caused by the increase in **net financial worth**, which is equal to total financial assets less total liabilities. During 2013-14, net financial worth increased by $4.2 billion to $22.3 billion. This was primarily due to an increase in the value of investments in the non-financial public sector relating to revaluation gains of housing assets and the transfer of rail infrastructure assets to Victorian Rail Track by Public Transport Victoria, partially offset by increased borrowings in 2013-14 to fund capital expenditure programs. Further to net financial worth, net worth reflected an additional increase of $2.8 billion mainly reflecting new infrastructure investments and revaluation gains on hospital land and buildings in the general government sector.

Net financial liabilities are total liabilities less financial assets (excluding investments in other sector entities). Net financial liabilities were $53.6 billion as at 30 June 2014, increasing by $1.9 billion compared with 2012-13. This was due largely to the same factors that affected on the net financial worth and net debt.

Net debt is gross debt less liquid financial assets. Net debt for 2013-14 was consistent with the revised budget expectations at $21.2 billion. The increase in net debt year on year was driven by additional borrowings required to finance the Government's infrastructure program.

FINANCIAL PERFORMANCE

Table 2.2 shows that the Government delivered an operating surplus of $2.0 billion in 2013-14, compared with the revised 2013-14 estimate of $935 million.

Table 2.2: Summary of operating statement

($ million)

	2013-14 Actual	*2013-14 Revised*	*Revised variance*	*% Revised variance*	*2012-13 Actual*
Revenue from transactions					
Taxation revenue	16 900.9	16 857.5	43.4	0.3	15 530.7
Interest revenue	831.2	843.7	(12.5)	(1.5)	700.7
Dividends and income tax equivalent and rate equivalent revenue	445.9	646.0	(200.1)	(31.0)	1 341.7
Sales of goods and services	6 724.8	6 569.9	154.9	2.4	6 869.3
Grants	25 144.9	24 082.3	1 062.6	4.4	21 902.2
Other revenue	2 316.9	2 094.1	222.8	10.6	2 268.3
Total revenue from transactions	**52 364.7**	**51 093.5**	**1 271.2**	**2.5**	**48 612.9**
Expenses from transactions					
Employee expenses	18 012.0	18 106.5	(94.5)	(0.5)	17 788.5
Superannuation interest expense(a)	1 052.1	1 052.1	..	..	1 079.3
Other superannuation	1 876.4	1 823.4	53.0	2.9	1 924.0
Depreciation	2 363.8	2 418.1	(54.4)	(2.2)	2 254.3
Interest expense	2 138.5	2 171.5	(33.0)	(1.5)	1 775.3
Other operating expenses	17 360.1	16 687.8	672.4	4.0	16 094.1
Grants and other transfers	7 585.6	7 899.5	(313.8)	(4.0)	8 013.9
Total expenses from transactions(a)	**50 388.5**	**50 158.8**	**229.6**	**0.5**	**48 929.4**
Net result from transactions – net operating balance(a)	**1 976.2**	**934.7**	**1 041.5**	**111.4**	**(316.6)(a)**
Total other economic flows included in net result(a)	**(1 203.1)**	**(1 041.6)**	**(161.5)**	**15.5**	**(217.4)**
Net result(a)	**773.1**	**(106.9)**	**880.0**	**(823.0)**	**(533.9)**

Source: Department of Treasury and Finance

Note:

(a) In 2013-14, the State applied the revised AASB 119 Employee Benefits *for the first time as required by the revised accounting standard, which changed the way defined benefit superannuation expenses are presented. Part of the actuarial gains, which had previously contributed to the State's operating surplus in 2012-13 are now reported as a remeasurement item under other comprehensive income, and no longer included in the State's operating surplus. The revised requirements have been applied retrospectively as required by the revised accounting standard and the operating statement of the earliest comparative period presented (30 June 2013) has been restated accordingly. This revision only impacted the presentation of these gains in the operating statement and continue to have no impact on the State's cash requirements or net debt.*

Revenue

Total revenue from transactions for the year was $52.4 billion, $1.3 billion (2.5 per cent) higher than the revised estimate and $3.8 billion (7.7 per cent) more than the previous year.

Table 2.3 shows that in 2013-14, taxation revenue was consistent with the revised estimates, with the slightly stronger outcome due to property and payroll taxes.

Taxation revenue increased by $1.4 billion compared to 2012-13. This was mainly due to higher land transfer duty reflecting a stronger property market, and higher payroll tax due to growth in aggregate employment and wages over the year.

Table 2.3: Taxation

($ million)

	2013-14 Actual	2013-14 Revised	Revised variance	% Change
Taxes on employers' payroll and labour force	**4 949.1**	**4 930.0**	**19.1**	**0.4**
Taxes on immovable property				
Land tax	1 658.7	1 627.8	30.8	1.9
Fire Service Property Levy	630.6	631.2	(0.6)	(0.1)
Congestion Levy	83.9	92.6	(8.7)	(9.4)
Metropolitan improvement levy	151.0	147.1	3.9	2.6
Total taxes on immovable property	**2 524.1**	**2 498.7**	**25.4**	**1.0**
Financial and capital transactions				
Land transfer duty	4 167.5	4 189.2	(21.7)	(0.5)
Other property duties	4.1	6.8	(2.7)	(40.2)
Financial accommodation levy	115.3	115.1	0.3	0.2
Growth areas infrastructure contribution	93.1	83.1	10.0	12.0
Total financial and capital transactions	**4 380.0**	**4 394.1**	**(14.1)**	**(0.3)**
Total taxes on property	**6 904.1**	**6 892.9**	**11.3**	**0.2**
Taxes on the provision of goods and services				
Gambling taxes				
Private lotteries	394.1	398.5	(4.4)	(1.1)
Electronic gaming machines	967.1	967.2	..	..
Casino	208.7	208.0	0.7	0.3
Racing	82.5	85.7	(3.2)	(3.7)
Other	19.9	19.1	0.7	3.9
Total gambling taxes	**1 672.2**	**1 678.5**	**(6.3)**	**(0.4)**
Levies on statutory corporations	**112.0**	**112.5**	**(0.5)**	**(0.5)**
Taxes on insurance	**1 066.6**	**1 048.8**	**17.8**	**1.7**
Total taxes on the provision of goods and services	**2 850.8**	**2 839.8**	**11.1**	**0.4**
Taxes on the use of goods and performance of activities				
Motor vehicle taxes				
Vehicle registration fees	1 232.8	1 244.3	(11.5)	(0.9)
Duty on vehicle registrations and transfers	663.1	656.9	6.2	0.9
Total motor vehicle taxes	**1 895.9**	**1 901.2**	**(5.3)**	**(0.3)**
Liquor licence fees	**23.3**	**23.1**	**0.2**	**0.7**
Other	**277.7**	**270.5**	**7.2**	**2.6**
Total taxes on the use of goods and performance of activities	**2 196.9**	**2 194.9**	**2.0**	**0.1**
Total taxation revenue	**16 900.9**	**16 857.5**	**43.4**	**0.3**

Source: Department of Treasury and Finance

The *2013-14 Financial Report* reflects the first year of the Fire Services Property Levy which replaces the previous insurance-based levy in accordance with recommendation 64 of the Victorian Bushfires Royal Commission.

Dividends, income tax and rate equivalent revenue was $200.1 million (31 per cent) lower than the revised estimate. This largely reflects the timing of dividends, with interim dividends from the water sector to now be paid in 2014-15.

On a year-on-year basis, dividends, income tax and rate equivalent revenue declined by $896 million, to $446 million. In particular, the State's insurance agencies paid lower dividends as a result of their reduced profitability in 2012-13, which was largely attributed to adverse claims experiences. The 2012-13 financial year also included a one-off dividend paid from the State Electricity Commission of Victoria.

Revenue from the sale of goods and services was $155 million higher than the revised estimates, mainly due to a higher than expected increase in land registration title revenue. The result was slightly lower than in 2012-13 by $144 million (2.1 per cent), mainly due to higher one-off revenue recognised in 2012-13 associated with the commissioning of the desalination plant, partially offset by a higher capital asset charge for increased capital asset holdings in Victorian Rail Track in 2013-14.

Grants revenue was $1.1 billion higher than the revised estimate. The variance was largely due to the earlier than expected receipt of grants revenue from the Commonwealth for East West Link.

Other revenue was $223 million higher than the revised estimate. This was in part due to the recognition of resources received free of charge by Public Transport Victoria for its use of the *myki* assets held by Victorian Rail Track and higher than expected other revenue from retail activities in hospitals.

Expenses

Total expenses for the year were $50.4 billion, $230 million (0.5 per cent) higher than the revised estimate and $1.5 billion (3.0 per cent) more than the previous year.

Employee expenses for 2013-14 were broadly consistent with the revised budget and $224 million (1.3 per cent) higher than in 2012-13. The growth since 2012-13 was driven mainly by a general increase in enterprise bargaining agreement wages and increased activity in health agencies.

Superannuation interest expense for 2013-14 was consistent with expectations in the revised budget and $27 million lower than in 2012-13. This decrease was primarily attributable to increases in the bond yields that underlie the key superannuation valuation assumptions.

Other superannuation expenses for 2013-14 were $53 million higher than expected in the revised budget due to an increase in employer contributions to defined contribution funds. However, this expense was $48 million lower than in 2012-13 due to a reduction in the defined benefit service cost that arose as a result of an increase in the bond yields that underlie the key superannuation valuation assumptions. This reduction in the service cost more than offset the increase in employer contributions to defined contribution funds.

Depreciation expense was slightly lower than the revised budget and relatively consistent with the 2012-13 outcome. This decrease relative to the revised budget was due to lower than expected depreciation of hospital buildings.

Interest expense was consistent with the revised budget, and reflected an increase of $363 million compared to the 2012-13 outcome. This year-on-year increase was driven by the full-year recognition of the desalination plant and Peninsula Link finance leases and higher borrowings in 2013-14, in line with 2014-15 Budget estimates, to support funding the Government's capital expenditure program.

Other operating expenses for 2013-14 were $17.4 billion, $672 million (4.0 per cent) higher than the revised budget and $1.3 billion (7.9 per cent) higher than 2012-13. The reason for the increase over the revised budget was the payment to Tatts Group of $540 million in satisfaction of a Supreme Court judgement. The increase since the 2012-13 result was predominantly due to the payment to Tatts Group and the spending on health service activities.

Grants and other transfers expense was broadly in line with the revised budget. Compared with 2012-13, grant and other transfer expenses decreased by $428 million (5.3 per cent), mainly driven by a decrease in grants to local government. The reduction in Commonwealth grants on-passed to local government was due to the advance payment of 2013-14 grants in the 2012-13 year in line with timing of Commonwealth payments to the State.

Other economic flows included in the net result

The net result from transactions is the Government's net surplus measure for the purposes of its fiscal strategy.

The overall net result is a different measure. The net result and the net result from transactions differ due to other economic flows, which includes various revaluation gains and losses recognised for the period.

Other economic flows included in the net result for 2013-14 totalled a net loss of $1.2 billion, mainly driven by the deconsolidation of the four dual sector TAFE divisions of universities from 1 January 2014, as reflected in the revised estimates.

FINANCIAL POSITION

Table 2.4 shows that general government sector net assets increased by $7.3 billion (6.1 per cent) to $127 billion in the 2013-14 financial year. This was $2.1 billion (1.7 per cent) higher than expected in the 2013-14 revised budget.

Table 2.4: Summary balance sheet

($ million)

	Actual 2013-14	*Revised variance*	*Revised 2013-14*	*Actual movement*	*Actual 2012-13*
Assets					
Financial assets	17 190.1	210.0	16 980.2	107.5	17 082.6
Non-financial assets	105 168.0	2 449.3	102 718.8	3 075.5	102 092.5
Investments in other sector entities					
Public non-financial corporations[(a)]	72 973.2	1 594.7	71 378.5	5 207.7	67 765.5
Public financial corporations	2 896.1	181.2	2 714.8	946.8	1 949.3
Total assets[(a)]	**198 227.4**	**4 435.2**	**193 792.2**	**9 337.5**	**188 889.9**
Liabilities					
Superannuation	25 680.7	2 453.3	23 227.4	538.2	25 142.5
Borrowings	32 953.6	(178.5)	33 132.1	1 608.3	31 345.3
Other liabilities	12 106.3	32.8	12 073.4	(113.3)	12 219.6
Total liabilities	**70 740.6**	**2 307.7**	**68 432.9**	**2 033.2**	**68 707.4**
Net assets[(a)]	**127 486.9**	**2 127.5**	**125 359.4**	**7 304.3**	**120 182.6**

Source: Department of Treasury and Finance

Note:
(a) June 2013 comparative figures have been restated. See Chapter 4 Note 37.

Assets

Financial assets in Table 2.4 include cash assets, investments and loans and placements. The value of the financial assets held by the general government sector was relatively constant with a slight increase of $108 million to $17.2 billion during the financial year. The actual outcome was also in line with revised estimates.

Non-financial assets increased by $3.1 billion during the year which is mainly due to the revaluation increase of land and buildings in the health sector.

General government investments in other sector entities increased by $6.2 billion in the year. This included investments in:

- public non-financial corporations of $5.2 billion, which was primarily the revaluation gains on housing assets and the transfer of infrastructure assets and funding to Victorian Rail Track by Public Transport Victoria; and
- public financial corporations of $947 million reflecting an improved net asset position associated with strong investment returns achieved by the Victorian WorkCover Authority and Traffic Accident Commission.

Liabilities

Total liabilities as at 30 June 2014 were $2.3 billion higher than the 2013-14 revised budget. This increase was largely attributable to an increase in the reported value of the superannuation liability due to reduced bond yields. The superannuation liability relates to public sector defined benefit superannuation schemes and represents the present value of expected future benefits that scheme members have accrued to date, less the value of superannuation assets.

Total general government sector liabilities increased by $2.0 billion to $70.7 billion in 2013-14, mainly as a result of borrowings required to finance the Government's infrastructure investment. Additionally, a $538 million increase in the superannuation liability between 30 June 2013 and 30 June 2014 was attributable to a net remeasurement loss on superannuation in 2013-14 of $286 million. This loss was primarily attributable to a reduction in the bond yields that underlie the key superannuation valuation assumptions, partially offset by the investment return on superannuation assets exceeding that allowed for in interest income.

CASH FLOWS

Table 2.5 outlines the use of cash resources to fund Victoria's infrastructure investment program. It summarises cash generated through the operations of Victorian government departments and other general government sector agencies, and how that cash is invested in infrastructure.

A detailed cash flow statement is provided in Chapter 4. In the 2013-14 financial year, approximately 76 per cent of the general government sector infrastructure investment program of $5.2 billion was funded from net cash flows from operating activities.

Table 2.5: Application of cash resources

($ million)

	2013-14 Actual	*2013-14 Revised*
Net result from transactions – net operating balance	1 976.2	934.7
Add back: Non-cash revenues and expenses (net)[(a)]	1 966.3	2 348.0
Net cash flow from operating activities	**3 942.5**	**3 282.7**
Less:		
Net investment in fixed assets		
Expenditure on approved projects	5 475.6	5 152.8
Sale of non-financial assets	270.9	304.2
Net investment in fixed assets	**5 204.7**	**4 848.6**
Finance leases[(b)]	109.5	111.0
Other investment activities (net)	(18.2)	16.0
(Increase) in net debt	**(1 353.4)**	**(1 692.9)**

Source: Department of Treasury and Finance

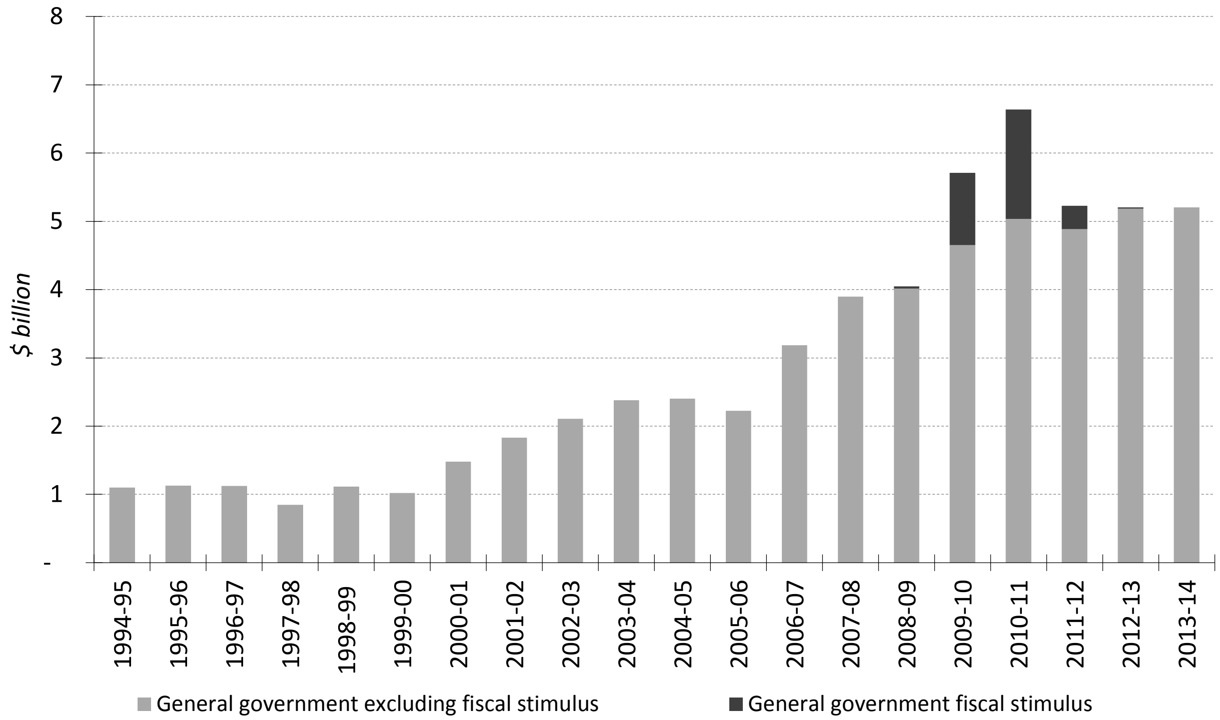
Notes:
(a) Includes depreciation and movements in liabilities such as superannuation and employee benefits.
(b) Reflects the recognition of new finance lease arrangements in the general government sector, which are being delivered under the Partnerships Victoria *model, with an equivalent increase in fixed assets following completion and commissioning of the assets.*

INFRASTRUCTURE INVESTMENT

Infrastructure enables high-quality services to be delivered to the community. It has a significant impact on state and national productivity and has the ability to generate significant direct and indirect employment, and wider economic benefits.

Chart 2.1 shows the trend in net infrastructure investment by the general government sector since 1994-95. General government net infrastructure investment was $5.2 billion for 2013-14, which was broadly consistent with revised 2013-14 budget.

Chart 2.1: Net infrastructure investment[(a)]



Note:
(a) Fiscal stimulus infrastructure investment ceased in 2013-14. The fiscal stimulus package included infrastructure investment under Social Housing and Building the Education Revolution programs for which the State of Victoria received funding from the Commonwealth.

The general government sector's infrastructure investment program in 2013-14, which included capital purchases by the general government sector and contributions by the general government sector to other sectors of government for capital purposes (net of assets sales), was $5.2 billion, with the majority invested in the health and transport sectors.

The Government's infrastructure scorecard 2013-14

Major projects completed during the year include:

- Dandenong Hospital – mental health redevelopment and expansion;
- Geelong Hospital;
- Mitcham Road and Rooks Road, Mitcham level crossing removal project;
- Olivia Newton-John Cancer and Wellness Centre – Stage 2A and 2B;
- Springvale Road, Springvale level crossing removal project; and
- Sunshine Hospital – expansion and redevelopment – Stage 3.

Major projects in progress include:

- Box Hill Hospital;
- Bendigo Hospital;
- Victorian Comprehensive Cancer Centre;
- redevelopment of Melbourne Park;
- Koo Wee Rup bypass;
- M80 upgrade;
- new trains, trams and associated infrastructure for Melbourne commuters;
- regional rolling stock;
- Regional Rail Link;
- Ravenhall Prison;
- Melbourne Wholesale Markets – redevelopment; and
- Shrine of Remembrance.

Major projects started in 2013-14:

- Monash Children's Hospital;
- Royal Victorian Eye and Ear Hospital; and
- Road Safety Strategy 2013-2022.

CHAPTER 3 – STATE OF VICTORIA OUTCOME

- The State of Victoria net result from transactions for 2013-14 was a surplus of $857 million.
- The overall net result for the State for 2013-14 was a surplus of $1.7 billion. This included significant gains on the State's financial assets which were mainly driven by favourable conditions in global equity markets.
- The State's finances remain in a strong and sustainable position. The State's balance sheet has strengthened, as the $6.9 billion operating cash flow surplus has largely funded the State's investment in infrastructure, reducing the reliance on debt funding.

This chapter sets out the financial results for the State of Victoria for 2013-14.

The State comprises the general government sector, which has been discussed in Chapter 2, the public non-financial corporations (PNFC) sector and the public financial corporations (PFC) sector.

The PNFC and PFC sectors, which are discussed in this chapter, comprise a wide range of entities that generally provide goods and services on a commercial basis, primarily funded from user charges and fees.

When considering the State of Victoria results, it is important to note that transactions between the sectors are eliminated in arriving at the consolidated position. These eliminations mean that the State of Victoria result is not necessarily the sum of results and variations from each individual sector.

The full financial statements for the State of Victoria are provided in Chapter 4. Sector contributions to the State's outcome are also shown.

FINANCIAL PERFORMANCE

Table 3.1 summarises the operating performance for the State of Victoria. This table shows that the State recorded a net surplus from transactions of $857 million, significantly improving on both the 2012-13 result, and also the revised estimate in the *2014-15 Budget*.

Operating statement

Table 3.1: 2013-14 summary operating statement – State of Victoria

($ million)

	2013-14 Actual	*2013-14 Revised*	*Revised variance*	*% Revised variance*	*2012-13 Actual*
Revenue from transactions					
Taxation revenue	16 490.4	16 447.5	42.9	0.3	15 184.7
Interest	938.6	1 128.6	(190.0)	(16.8)	970.4
Dividends, income tax and rate equivalent revenue	914.7	534.4	380.3	71.2	610.9
Sales of goods and services	14 233.3	13 821.5	411.8	3.0	12 896.9
Grants	25 019.1	24 000.3	1 018.8	4.2	21 790.4
Other revenue	2 750.2	2 510.4	239.8	9.6	2 749.6
Total revenue from transactions	**60 346.3**	**58 442.6**	**1 903.6**	**3.3**	**54 203.0**
Expenses from transactions					
Employee expenses	19 037.6	19 114.3	(76.7)	(0.4)	18 794.9
Superannuation interest expense[(a)]	1 054.7	1 052.1	2.7	0.3	1 076.8
Other superannuation	1 998.9	1 933.1	65.8	3.4	2 040.1
Depreciation	4 294.1	4 359.6	(65.4)	(1.5)	4 131.6
Interest expense	2 954.4	2 870.4	84.0	2.9	2 538.6
Other operating expenses	25 113.5	24 532.7	580.8	2.4	23 342.6
Grants and other transfers	5 036.5	5 099.2	(62.8)	(1.2)	5 398.3
Total expenses from transactions[(a)]	**59 489.7**	**58 961.3**	**528.4**	**0.9**	**57 322.8**
Net result from transactions – net operating balance[(a)]	**856.6**	**(518.7)**	**1 375.2**	**(265.1)**	**(3 119.8)**
Total other economic flows included in net result[(a)]	**802.7**	**2 426.8**	**(1 624.1)**	**(66.9)**	**4 655.8**
Net result[(a)]	**1 659.3**	**1 908.2**	**(248.9)**	**(13.0)**	**1 536.0**

Note:

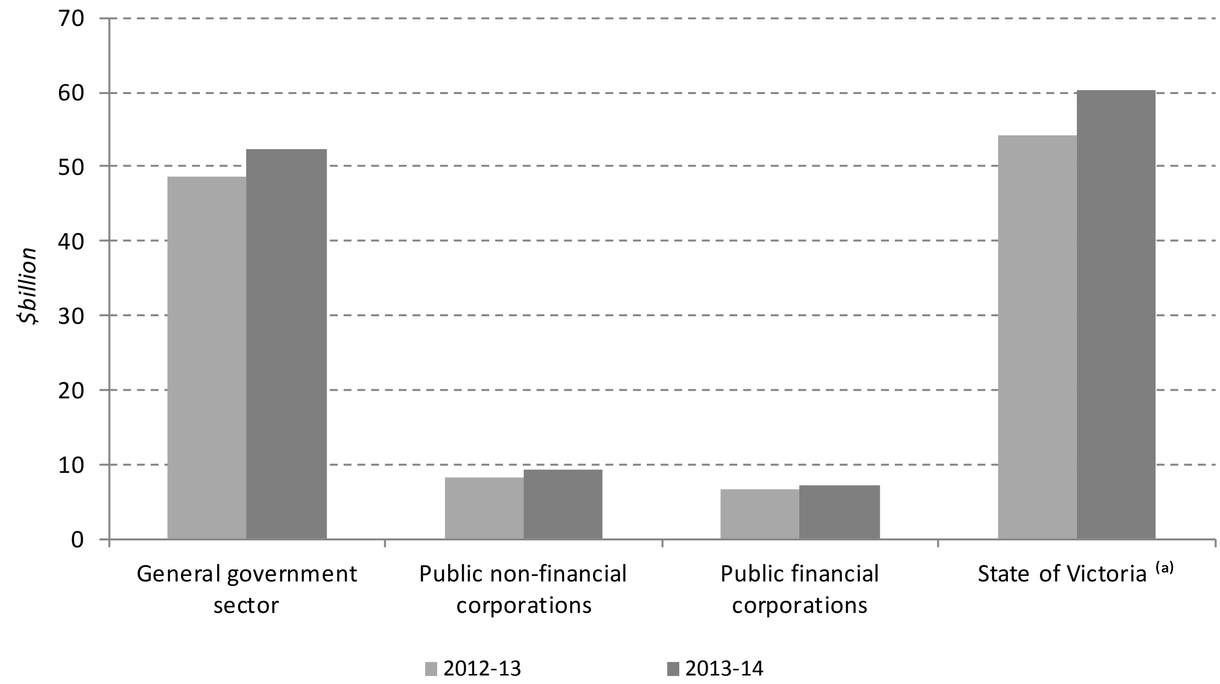
(a) *In 2013-14, the State applied the revised AASB 119* Employee Benefits *for the first time as required by the revised accounting standard, which changed the way defined benefit superannuation expenses are presented. Part of the actuarial gains, which had previously contributed to the State's operating surplus in 2012-13 are now reported as a remeasurement item under other comprehensive income, and no longer included in the State's operating surplus. The revised requirements have been applied retrospectively as required by the revised accounting standard and the operating statement of the earliest comparative period presented (30 June 2013) has been restated accordingly. This revision only affected the presentation of these gains in the operating statement and continues to have no impact on the State's cash requirements or net debt.*

Revenue

Total state revenue increased by 11.3 per cent during 2013-14 to $60.3 billion. This was $1.9 billion higher than the revised estimate reflected in the *2014-15 Budget.* The general government sector, which accounts for 87 per cent of total state revenue, was the main contributor towards this increase. The performance of the general government sector has been discussed in Chapter 2.

As shown in Chart 3.1, both the PNFC and PFC sectors also achieved strong growth in revenue.

Chart 3.1: Revenue contributions by sector



Source: Department of Treasury and Finance

Note:
(a) State of Victoria will not equal the sum of the general government, PNFC and PFC sectors due to inter-sector eliminations.

Within the PNFC sector, total revenue increased by $1.1 billion to $9.4 billion in 2013-14, which was $204 million higher than estimated in the *2014-15 Budget.* The increase since 2012-13 largely reflects:

- growth in sales of goods and services within the water sector, attributed to growth in sales volumes associated with the relatively warm and dry conditions, as well as the impact of higher water, sewerage, and waterways prices consistent with the 2013 Essential Services Commission price decisions. This is compared with the price freeze and rebates in 2012-13 which were implemented to achieve the return of early recovered desalination plant costs; and
- strong sales at Places Victoria's residential estates, stage releases at the Dandenong LOGIS eco-industrial park, as well as divestment of the entity's non-core assets.

In the PFC sector, revenue increased by 9.5 per cent to $7.2 billion during 2013-14, $107 million higher than estimated in the *2014-15 Budget.* The increase since 2012-13 included steady growth in premium revenue for both the Transport Accident Commission (TAC) and the Victorian WorkCover Authority (VWA) reflecting a combination of factors, including scheduled rises in premium rates as well as growth in vehicle numbers (affecting TAC) and employment (affecting VWA).

The PFC sector also benefited from stronger investment returns, from favourable conditions in global equity markets, with the TAC and the VWA recording returns of 14.7 and 14.6 per cent respectively on their investment portfolios.

Expenses

At the consolidated state level, expenses increased by 3.8 per cent during 2013-14 to $59.5 billion, $528 million higher than forecast in the *2014-15 Budget*.

In the PNFC sector, total expenses increased by 9.0 per cent to $9.3 billion, $67 million lower than the revised budget estimates. The increase since 2012-13 includes costs associated with Places Victoria's divestment of estates, and also includes a full 12 months of expenses associated with the Victorian Desalination Plant, which was commissioned in December 2012.

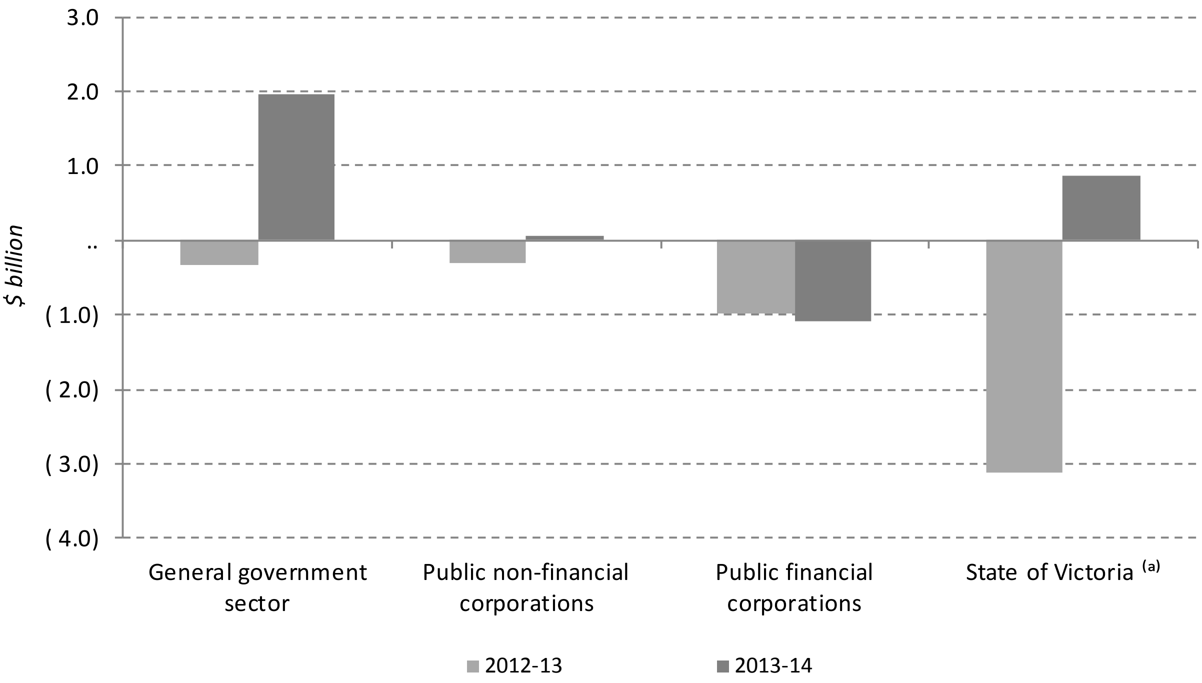
Within the PFC sector, total expenses increased by 9.8 per cent to $8.3 billion, and included higher claims costs incurred by the State's insurance agencies, as well as higher interest costs on Treasury Corporation of Victoria's external borrowings.

Net result from transactions

As shown in chart 3.2, the PNFC sector recorded a $52 million net surplus from transactions, significantly improving on the $298 million deficit incurred in 2012-13. This primarily reflects the improving performance across a range of entities, including:

- within the water sector, from a rise in sales and also increases to water prices in line with the Essential Services Commission pricing decisions; and
- a significant turnaround in the performance of Places Victoria, which benefited from strong sales at Places Victoria's residential estates, successful stage releases at the Dandenong LOGIS eco-industrial park, as well as divestment of the entity's non-core assets.

Chart 3.2: Net result from transactions by sector



Source: Department of Treasury and Finance

Note:
(a) The State of Victoria result will not equal the sum of the general government, PNFC and PFC sectors due to inter-sector eliminations.

While the PFC sector recorded a net deficit from transactions of $1.1 billion, it should be noted that this excludes gains in the value of the investment portfolios of the insurance agencies which will be used to fund their claims liabilities over time. After including other economic flows, the PFC sector recorded a net surplus of $675 million.

Net result

At the consolidated State level, the net result for 2013-14 was a surplus of $1.7 billion. The difference between the net result and net result from transactions comprises 'other economic flows', and includes the impact of valuation movements and actuarial assumptions on the State's financial assets and liabilities. Other economic flows contributed $803 million towards the State's net surplus, and mainly comprised:

- stronger investment returns for the State's insurance agencies, attributed to the favourable conditions in global equity markets, with the TAC and the VWA recording returns of 14.7 and 14.6 per cent respectively on their investment portfolios; and
- net losses arising from valuation changes on the State's insurance, superannuation and external borrowing liabilities.

FINANCIAL POSITION

As shown in table 3.2, the State's net assets increased by $7.5 billion during 2013-14 to $131.1 billion. Non-financial assets were $3.3 billion higher than the revised estimate, mainly reflecting revaluation gains within the general government sector.

More than $50 billion of the State's net assets are held within the general government sector, and were discussed in Chapter 2.

Table 3.2: Summary balance sheet – State of Victoria

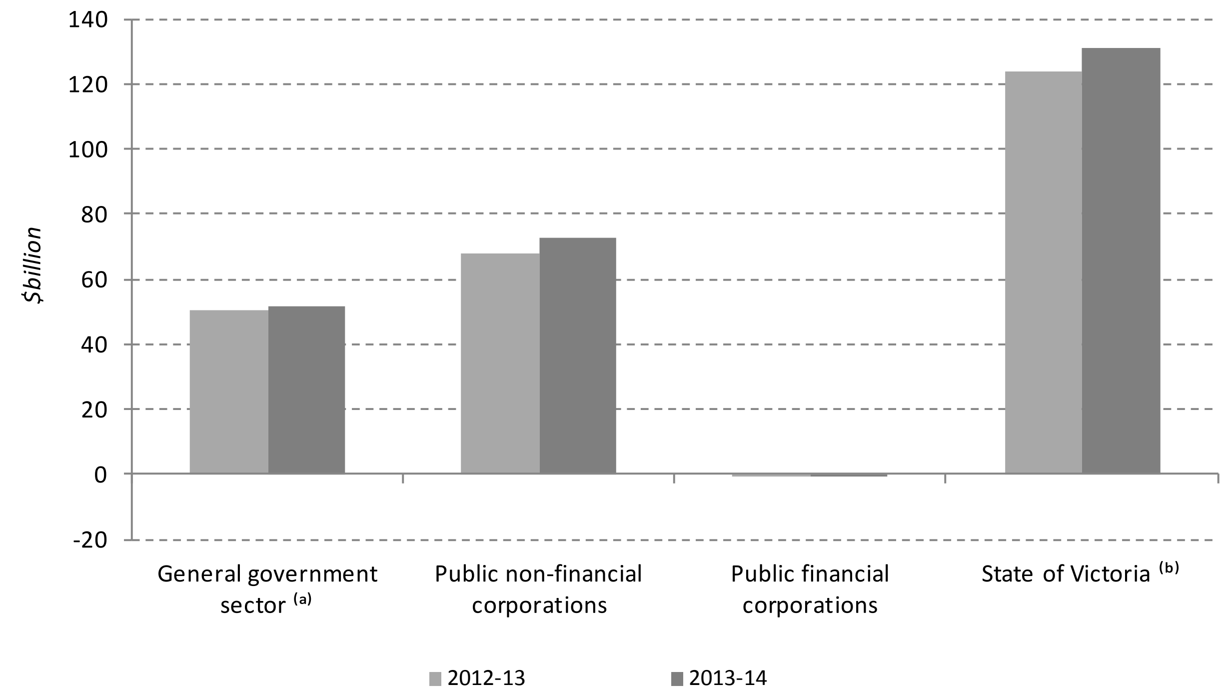
($ million)

	2014 Actual	*Revised variance*	*2014 Revised*	*Actual movement*	*2013[a] Actual*
Assets					
Financial assets	47 716.2	(195.1)	47 911.3	4 538.5	43 177.7
Non-financial assets	200 563.9	3 349.9	197 213.9	7 993.8	192 570.0
Total assets	**248 280.1**	**3 154.8**	**245 125.3**	**12 532.3**	**235 747.8**
Liabilities				..	
Superannuation	25 729.0	2 432.5	23 296.5	503.5	25 225.4
Borrowings	51 277.4	(671.8)	51 949.2	3 840.4	47 437.0
Other liabilities	40 181.0	513.5	39 667.5	727.8	39 453.2
Total liabilities	**117 187.4**	**2 274.2**	**114 913.2**	**5 071.8**	**112 115.7**
Net assets	**131 092.7**	**880.6**	**130 212.1**	**7 460.5**	**123 632.1**

Source: Department of Treasury and Finance

Note:
(a) June 2013 comparative figures were restated to more accurately reflect the balances.

Chart 3.3: Net assets by sector as at 30 June



Source: Department of Treasury and Finance

Notes:
(a) General government net assets excludes investments in other sector entities.
(b) State of Victoria will not equal the sum of the general government, PNFC and PFC sectors due to the inter sector eliminations.

As shown in Chart 3.3, the increase in net assets was largely driven by the general government and PNFC sectors. Within the PNFC sector, the growth in net assets includes the impact of significant revaluation gains on the sector's housing assets.

The net asset position for the PFC sector improved slightly, as the strong investment returns achieved by both VWA and TAC resulted in improved balance sheet positions. This was partly offset by the impact of lower interest rates on the valuation of financial liabilities of Treasury Corporation of Victoria (TCV) and the State's insurance agencies. For reporting purposes of the AFR, the bulk of TCV's assets are measured at book value rather than market value, whereas its liabilities are reported at market value. This creates a valuation difference that is ultimately eliminated at the whole of state level.

CASH FLOWS

After excluding non-cash items such as asset revaluations and depreciation, the change in operating receipts and payments for the State broadly reflects the same factors underpinning the operating income and expense movements already discussed in this chapter.

Importantly, the State's operating cash flow surplus increased to $6.9 billion compared with the $2.8 billion achieved in 2012-13. This has reduced the reliance of the non-financial public sector on debt to fund infrastructure investment.

Infrastructure investment

Total infrastructure investment for the state was $6.8 billion, of which $3.0 billion was invested by the PNFC sector, particularly in the water and transport sectors.

Key projects in the PNFC sector included constructing Regional Rail Link, purchasing rolling stock, water sector projects related to customer growth and renewal of existing assets, and the Goulburn Murray Water's Connections Project, which will connect irrigators to a modernised main system of irrigation channels.

FINANCIAL SUSTAINABILITY (NON-FINANCIAL PUBLIC SECTOR)

The sustainability of the non-financial public sector (NFPS) is significant for the State's credit rating. The NFPS comprises the general government sector and PNFC sector. In determining financial sustainability, the credit rating agencies consider the levels of net debt and net financial liabilities and the state's capacity to service these liabilities.

As shown in Table 3.3, NFPS net debt increased by $1.3 billion in 2013-14 to $35.9 billion, $961 million lower than the revised estimate of $36.9 billion. This mainly reflects the stronger than expected performance within the general government and PNFC sectors, which contributed towards a reduced borrowing requirement for the year.

Net debt for the year was $35.9 billion. This represents an increase of 3.9 per cent compared with the previous year.

Table 3.3: Non-financial public sector net debt and net financial liabilities as at 30 June 2014

($ million)

	Actual 2014	*Revised variance*	*Revised 2014*	*Actual movement*	*Actual 2013*
Assets					
Cash and deposits	5 485.4	747.0	4 738.4	725.5	4 759.9
Advances paid	86.1	5.6	80.6	14.1	72.1
Investments, loans and placements	4 096.6	(196.7)	4 293.3	(343.0)	4 439.6
Total	**9 668.1**	**555.9**	**9 112.3**	**396.6**	**9 271.5**
Liabilities					
Deposits held and advances received	541.5	44.9	496.6	(41.9)	583.4
Borrowings	45 052.5	(450.0)	45 502.4	1 779.6	43 272.9
Total	45 594.0	(405.1)	45 999.1	1 737.7	43 856.3
Net debt	**35 925.9**	**(960.9)**	**36 886.8**	**1 341.1**	**34 584.8**
Superannuation	25 729.0	2 432.5	23 296.5	503.5	25 225.4
Net debt plus superannuation liabilities	**61 654.9**	**1 471.6**	**60 183.3**	**1 844.7**	**59 810.2**
Other liabilities (net)[(a)]	6 346.6	(34.9)	6 381.4	(246.7)	6 593.3
Net financial liabilities	**68 001.5**	**1 436.7**	**66 564.7**	**1 597.9**	**66 403.5**
	(per cent)				
Net debt to GSP	**10.2**		**10.4**		**10.2**
Net debt plus superannuation liabilities to GSP	**17.4**		**17.0**		**17.7**
Net financial liabilities to GSP	**19.2**		**18.8**		**19.7**

Source: Department of Treasury and Finance

Note:
(a) Other net liabilities includes other employee entitlements, provisions and other non-equity liabilities, less other non-equity assets.

Indicators of financial condition

Table 3.4 shows some key financial indicators for the NFPS. These indicators are also quoted within Budget Paper No. 2 of *2014-15 Budget* and are important benchmarks for NFPS sustainability.

The operating cash flow surplus to revenue ratio has improved significantly, while debt growth has fallen, as the NFPS continues to reduce its reliance on debt to fund infrastructure.

Debt servicing costs increased slightly, which reflects the full year's contribution of the Victorian Desalination Plant which was commissioned in December 2012.

Table 3.4: Indicators of financial condition for NFPS

(per cent)

	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual
Financial sustainability							
Operating cash flow surplus to revenue	12.1	6.8	9.8	8.6	7.6	4.9	10.1
Gross debt[(a)] to revenue	34.5	43.8	48.6	57.2	66.5	86.5	81.4
Interest expense to revenue	2.0	2.7	2.9	3.3	3.8	4.8	5.0

Source: Department of Treasury and Finance

Note:
(a) Gross debt comprises borrowings and deposits held and advances received.

CHAPTER 4 – ANNUAL FINANCIAL REPORT

This chapter contains the audited 2013-14 financial report for the State of Victoria and the Victorian general government sector.

Report of the Auditor General

VAGO
Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Treasurer

The Financial Report

The accompanying financial report for the year ended 30 June 2014 of the State of Victoria (the State) and the Victorian General Government Sector has been audited. The Annual Financial Report comprises a consolidated comprehensive operating statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity, notes comprising a summary of significant accounting policies and other explanatory information contained in Chapter 4 of the Annual Financial Report, and the certification by the Department of Treasury and Finance. The financial report is the consolidated financial statements of the State, comprising the State of Victoria and the Victorian General Government Sector and the entities they controlled at the year's end or from time to time during the financial year as disclosed in note 42 to the consolidated financial statements.

The original General Government Sector budget estimates disclosed in Note 32 were subject to a review by my office as required by Section 16B of the *Audit Act 1994* upon which I issued an unqualified review report on 2 May 2014.

The Treasurer's Responsibility

The Treasurer of Victoria is responsible for the preparation and fair presentation of the financial report in accordance with applicable Australian Accounting Standards, and the manner and form of the financial statements determined by the Treasurer of Victoria as required by the *Financial Management Act 1994*, and for such internal control as the Treasurer determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

For some years, the Treasurer of Victoria has not signed the certification of the financial report and has delegated this responsibility to specified officers of the Department of Treasury and Finance. Consequently, the Treasurer has not signed the certification of the 2013–14 financial report.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entities' preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entities' internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Treasurer of Victoria as well as evaluating the overall presentation of the financial report.

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

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Auditing in the Public Interest

Independent Auditor's Report (continued)

Basis for Qualified Opinion

As set out in Note 1(M) and the Certification by the Department of Treasury and Finance, the State measures the fair value of school buildings at depreciated replacement cost adjusted for economic obsolescence where floor space is assessed to be permanently in excess of teaching requirements by reference to long term enrolment trend data.

I disagree with the appropriateness and application of this accounting policy. The State's policy for measuring fair value of school buildings, specifically the economic obsolescence adjustment, is not appropriate as it does not result in financial information that is relevant and reliable. It is my opinion that any adjustment to the fair value of the school buildings due to economic obsolescence should not be based on student enrolment data alone. Further, the State has not complied with AASB 127 *Consolidated and Separate Financial Statements* as it has not prepared the Annual Financial Report using a uniform accounting policy for measuring economic obsolescence adjustments to the fair value of all public sector non-financial physical assets, including school buildings.

The State's approach to the assessment of economic obsolescence of school buildings results in the significant write down of taxpayer investments in school buildings which are continuing to deliver educational outcomes and significantly less funding for the renewal of school buildings.

The State was also unable to provide me with sufficient appropriate audit evidence to fully support the appropriateness of some of its key valuation assumptions and judgements that it and the Victorian Valuer-General have used to adjust the fair value of school buildings due to economic obsolescence.

Consequently, the State has not fully substantiated that the total economic obsolescence adjustment of $1.58 billion to the carrying value of school buildings at 30 June 2014 is fairly presented. It is therefore not practicable to determine whether this adjustment to the fair value of school buildings, and consequential adjustments to the related depreciation charges, the accumulated depreciation and the property, plant and equipment revaluation surplus reserve are fairly stated.

Note 22(f) to the financial statements and the Certification by the Department of Treasury and Finance discloses that the State has reclassified the prior year impairment to fair value under AASB 13 *Fair Value Measurement* to represent the economic obsolescence adjustment for school buildings. This contrasts with the State's prior period accounting policy which recognised and measured the impairment of school buildings in accordance with AASB 136 *Impairment of Assets*. In my opinion, reclassifying the total prior period's impairment of $2.15 billion as a fair value adjustment in the financial statements means the comparative figures are not presented fairly in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, which requires the State to correct material prior period errors retrospectively by restating the comparative amounts.

Further, I disagree with the statement in the Certification by the Department of Treasury and Finance that the underlying principle of adjusting for obsolescence has remained unchanged since 2005. In my opinion, the application of economic obsolescence under AASB 13 *Fair Value Measurement* in the current period and impairment under AASB 136 *Impairment of Assets* in prior periods, are different accounting concepts which have different recognition and measurement requirements under their respective Australian Accounting Standards.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs above, the financial report presents fairly, in all material respects, the consolidated financial positions of the State of Victoria and the Victorian General Government Sector as at 30 June 2014 and their consolidated financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the manner and form of the financial statements determined by the Treasurer of Victoria as required by the *Financial Management Act 1994*.

Report of the Auditor General *(continued)*

Independent Auditor's Report (continued)

Other Matter

Without further qualification to the audit opinion expressed above, I draw attention to the commentary in relation to the valuation of education assets on page 3 of Chapter 1 of the *2013–14 Financial Report,* which contains a material inconsistency with Note 22(f) of the financial statements. In Chapter 1, the Department of Treasury and Finance states that the underlying principle of adjusting for obsolescence has remained unchanged since 2005. However, Note 22(f) of the financial statements states that the economic obsolescence adjustment recognised for school building assets has been reclassified from impairment under AASB 136 *Impairment of Assets* in prior periods to economic obsolescence under AASB 13 *Fair Value Measurement* in the current period. As noted in my Basis for Qualified Opinion above, these are different accounting concepts which have different recognition and measurement requirements under their respective Australian Accounting Standards.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report published in Chapter 4 of the 2013–14 Annual Financial Report for the State of Victoria and on the website of the Department of Treasury and Finance. The Secretary of the Department of Treasury and Finance is responsible for the integrity of the Department of Treasury and Finance's website. I have not been engaged to report on the integrity of the Department of Treasury and Finance's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
2 October 2014

John Doyle
Auditor-General

3
Auditing in the Public Interest

Certification by the Department of Treasury and Finance

The *Annual Financial Report* has been prepared by the Department of Treasury and Finance through the consolidation of financial information provided by the Victorian public sector reporting entities listed herein.

In our opinion, the *Annual Financial Report*, which comprises of the consolidated comprehensive operating statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity, and notes to the financial statements of the State and the Victorian general government sector as at 30 June 2014:

(a) presents fairly the State and the Victorian general government sector's financial positions as at 30 June 2014 and their financial performance and cash flows for the financial year ended on that date; and

(b) has been prepared in accordance with Australian Accounting Standards and pronouncements, in particular AASB 1049 *Whole of Government and General Government Sector Financial Reporting* and the financial reporting requirements contained in Part 5 of the *Financial Management Act 1994*.

At the time of signing, we are not aware of any circumstances which would render any particulars included in the *Annual Financial Report* to be misleading or inaccurate.

Valuation of education assets

Particular attention is drawn to Note 1(M) to the Annual Financial Report which describes the State's accounting policy relating to the valuation of non-financial physical assets. The State measures all its non-financial physical assets at fair value and applies this accounting policy consistently to all of its non-financial physical assets, taking into account the specific characteristics and considerations as appropriate and relevant to the asset. More specifically, the State, through the Department of Education and Early Childhood Development, recognises in its financial statements the fair value of school buildings consistent with the requirements of Australian Accounting Standard AASB 13 *Fair Value Measurement* (AASB 13), with the valuation methodology affirmed by the Valuer-General of Victoria.

This methodology includes an adjustment for economic obsolescence as required under AASB 13 to recognise expected permanent excess capacity in the government school system measured with reference to long-term student enrolment data. The underlying principle of adjusting for obsolescence has remained unchanged since 2005 and is supported by both the Victorian Valuer-General, the State's valuation specialist, and external professional accounting advice. The State's valuation methodology ensures that the value of its school building assets presents fairly the realisable economic benefit and service potential for achieving the State's objective of delivering educational outcomes to the Victorian community, with direct reference to the number of students expected to benefit from the education services provided by the State. The fair value adjustment for obsolescence in relation to school building assets amounts to $1.6 billion as at 30 June 2014. In the context of the State's total 'land, buildings, infrastructure, plant and equipment' of $197.1 billion as at 30 June 2014, the materiality of this valuation adjustment represents less than one per cent of the relevant asset class's total value.

With the introduction of AASB 13 from 1 July 2013, the State has updated its accounting policy to recognise economic obsolescence as a fair value adjustment, rather than as an impairment adjustment as had been the policy in previous years. The retrospective application of this policy has resulted in a reclassification of the relevant comparative information for the 2012-13 reporting period, which has no impact on the 'net result from transactions' or the financial position of the State.

The Auditor-General has proposed to include in his audit report his disagreement with the State's application of AASB 13 with regards to the methodology used to value school building assets.

The State is of the view that its valuation methodology of school building assets remains appropriate and is in accordance with Australian Accounting Standards and other mandatory professional reporting requirements. The State is also firmly of the view that the valuation of its school building assets fairly presents the remaining realisable service potential of these assets for achieving the State's objective of providing education outcomes to the Victorian community, through the provision of education services to students. The State further believes that a failure to adjust for the identified economic obsolescence in its school building assets would overstate their fair value, and the State's net assets position, by approximately $1.6 billion as at 30 June 2014.

Steve Mitsas, FCPA
Principal Accounting Officer

Melissa Skilbeck
Deputy Secretary
Budget and Finance

David Martine
Secretary

Authorised for issue on:

29 September 2014

Consolidated comprehensive operating statement for the financial year ending 30 June

($ million)

	Notes	State of Victoria 2014	State of Victoria 2013	General government sector 2014	General government sector 2013
Revenue from transactions					
Taxation revenue	3	16 490.4	15 184.7	16 900.9	15 530.7
Interest revenue		938.6	970.4	831.2	700.7
Dividends and income tax equivalent and rate equivalent revenue	4	914.7	610.9	445.9	1 341.7
Sales of goods and services	5	14 233.3	12 896.9	6 724.8	6 869.3
Grants	6	25 019.1	21 790.4	25 144.9	21 902.2
Other revenue	7	2 750.2	2 749.6	2 316.9	2 268.3
Total revenue from transactions		**60 346.3**	**54 203.0**	**52 364.7**	**48 612.9**
Expenses from transactions					
Employee expenses		19 037.6	18 794.9	18 012.0	17 788.5
Superannuation interest expense[(a)]	8	1 054.7	1 076.8	1 052.1	1 079.3
Other superannuation	8	1 998.9	2 040.1	1 876.4	1 924.0
Depreciation	9	4 294.1	4 131.6	2 363.8	2 254.3
Interest expense	10	2 954.4	2 538.6	2 138.5	1 775.3
Other operating expenses	11	25 113.5	23 342.6	17 360.1	16 094.1
Grants and other transfers	12	5 036.5	5 398.3	7 585.6	8 013.9
Total expenses from transactions[(a)]	13	**59 489.7**	**57 322.8**	**50 388.5**	**48 929.4**
Net result from transactions – net operating balance[(a)]		**856.6**	**(3 119.8)[(a)]**	**1 976.2**	**(316.6)[(a)]**
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	14	(12.7)	21.0	(25.0)	20.8
Net gain/(loss) on financial assets or liabilities at fair value		1 159.0	3 168.5	52.6	19.3
Share of net profit/(loss) from associates/joint venture entities, excluding dividends		35.6	(83.4)	..	4.8
Other gains/(losses) from other economic flows	15	(379.2)	1 549.7	(1 230.7)	(262.3)
Total other economic flows included in net result[(a)]		**802.7**	**4 655.8**	**(1 203.1)**	**(217.4)**
Net result[(a)]		**1 659.3**	**1 536.0**	**773.1**	**(533.9)**
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus[(b)]		5 211.5	514.5	2 228.8	720.7
Remeasurement of superannuation defined benefits plans[(a)]	8	(261.9)	7 989.8	(286.2)	7 947.8
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets[(b)]	19	..	..	3 813.8	(497.7)
Other movements in equity[(b)]		860.4	650.2	780.1	849.1
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value		(8.6)	84.0	(5.2)	20.1
Total other economic flows – other comprehensive income [(a)(b)]		**5 801.4**	**9 238.5**	**6 531.4**	**9 040.0**
Comprehensive result – total change in net worth[(b)]		**7 460.7**	**10 774.5**	**7 304.5**	**8 506.0**
KEY FISCAL AGGREGATES					
Net operating balance[(a)]		**856.6**	**(3 119.8)[(a)]**	**1 976.2**	**(316.6)[(a)]**
Less: Net acquisition of non-financial assets from transactions[(c)]	2	2 861.9	8 586.3	717.2	1 516.4
Net lending/(borrowing)		**(2 005.3)**	**(11 706.1)**	**1 259.0**	**(1 832.9)**

The accompanying notes form part of these financial statements.

Notes:

(a) *In 2013-14, the State applied the revised AASB 119* Employee Benefits *for the first time as required by the revised accounting standard, which changed the way defined benefit superannuation expenses are presented. Part of the actuarial gains, which had previously contributed to the State's operating surplus in 2012-13 are now reported as a remeasurement item under other comprehensive income, and no longer included in the State's operating surplus. The revised requirements have been applied retrospectively as required by the revised accounting standard and the operating statement of the earliest comparative period presented (30 June 2013) has been restated accordingly. This revision only affected the presentation of these gains in the operating statement and continue to have no impact on the State's cash requirements or net debt.*

(b) *June 2013 comparative figures have been restated. See Note 37.*

(c) *June 2013 comparative figures have been restated to include the fixed asset transfers to and from the general government sector.*

Consolidated balance sheet as at 30 June

($ million)

	Notes	State of Victoria 2014	State of Victoria 2013	General government sector 2014	General government sector 2013
Assets					
Financial assets					
Cash and deposits	30(a)	8 200.7	6 252.9	4 500.9	3 962.0
Advances paid	16	1 795.1	1 727.3	4 586.9	4 626.8
Receivables[(a)]	17	6 396.5	7 402.9	4 940.6	5 061.0
Investments, loans and placements[(a)]	16	29 768.8	26 128.7	3 117.6	3 383.4
Investments accounted for using the equity method	18	1 555.1	1 666.1	44.1	49.4
Investments in other sector entities[(a)]	19	..	..	75 869.2	69 714.8
Total financial assets[(a)]		**47 716.2**	**43 177.7**	**93 059.4**	**86 797.4**
Non-financial assets					
Inventories	20	802.2	871.0	176.6	192.1
Non-financial assets held for sale	21	166.6	173.0	142.5	142.1
Land, buildings, infrastructure, plant and equipment	22	197 137.0	189 473.0	103 644.2	100 804.0
Other non-financial assets	23	2 458.1	2 053.1	1 204.8	954.3
Total non-financial assets		**200 563.9**	**192 570.0**	**105 168.0**	**102 092.5**
Total assets[(a)]	24	**248 280.1**	**235 747.8**	**198 227.4**	**188 889.9**
Liabilities					
Deposits held and advances received		2 070.7	2 088.9	426.5	449.0
Payables[(a)]	25	7 732.2	8 197.2	5 746.5	5 958.4
Borrowings	26	51 277.4	47 437.0	32 953.6	31 345.3
Employee benefits	27	5 745.1	5 624.7	5 302.7	5 208.8
Superannuation	8	25 729.0	25 225.4	25 680.7	25 142.5
Other provisions	28	24 632.9	23 542.4	630.6	603.3
Total liabilities		**117 187.4**	**112 115.7**	**70 740.6**	**68 707.4**
Net assets[(a)]		**131 092.7**	**123 632.1**	**127 486.9**	**120 182.6**
Accumulated surplus/(deficit)[(a)]	29	46 211.3	43 565.1	44 410.0	43 174.7
Reserves[(a)]	29	84 831.3	80 017.0	83 026.9	76 957.9
Non-controlling interest	29	50.0	50.0	50.0	50.0
Net worth[(a)]		**131 092.7**	**123 632.1**	**127 486.9**	**120 182.6**
FISCAL AGGREGATES					
Net financial worth		(69 471.2)	(68 937.9)	22 318.8	18 090.1
Net financial liabilities		69 471.2	68 937.9	53 550.4	51 624.7
Net debt		13 583.6	15 417.1	21 174.6	19 822.1

The accompanying notes form part of these financial statements.

Note:
(a) June 2013 comparative figures have been restated. See Note 37.

Consolidated cash flow statement for the financial year ended 30 June

($ million)

	Notes	State of Victoria 2014	State of Victoria 2013	General government sector 2014	General government sector 2013
Cash flows from operating activities					
Receipts					
Taxes received		16 308.9	14 872.0	16 719.4	15 231.9
Grants		25 045.5	21 899.6	25 140.4	21 991.9
Sales of goods and services[a]		15 898.4	13 548.2	7 381.1	7 132.3
Interest received[b]		853.9	938.8	807.8	674.8
Dividends and income tax equivalent and rate equivalent receipts[c]		914.6	610.8	591.8	1 198.9
Other receipts[b]		2 151.9	2 146.5	1 803.8	1 728.8
Total receipts[c]		**61 173.2**	**54 015.9**	**52 444.2**	**47 958.7**
Payments					
Payments for employees		(18 924.3)	(18 551.6)	(17 926.6)	(17 563.6)
Superannuation		(2 812.0)	(2 652.5)	(2 676.5)	(2 510.5)
Interest paid		(2 895.8)	(2 384.2)	(2 081.6)	(1 702.6)
Grants and subsidies		(5 037.3)	(5 619.5)	(7 647.0)	(8 196.5)
Goods and services[a]		(23 785.5)	(21 399.7)	(16 949.3)	(15 692.1)
Other payments		(818.3)	(596.0)	(1 220.6)	(601.2)
Total payments		**(54 273.2)**	**(51 203.4)**	**(48 501.7)**	**(46 266.4)**
Net cash flows from operating activities[c]	30(b)	**6 900.0**	**2 812.4**	**3 942.5**	**1 692.3**
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets	24	(7 306.0)	(7 597.8)	(3 997.3)	(4 133.2)
Sales of non-financial assets		496.4	406.3	270.9	248.0
Net cash flows from investments in non-financial assets		**(6 809.6)**	**(7 191.5)**	**(3 726.4)**	**(3 885.2)**
Cash flows from investments in financial assets for policy purposes					
Cash inflows		920.0	1 056.4	3.2	463.0
Cash outflows		(958.5)	(793.8)	(1 481.5)	(1 779.7)
Net cash flows from investments in financial assets for policy purposes		**(38.5)**	**262.6**	**(1 478.3)**	**(1 316.8)**
Net cash flows from investments in financial assets for liquidity management purposes[c][d][e]		(1 851.4)	767.5	331.8	(1 174.0)
Net cash flows from investing activities		**(8 699.5)**	**(6 161.4)**	**(4 872.8)**	**(6 375.9)**
Cash flows from financing activities					
Advances received		31.0	304.5	..	..
Advances repaid		(0.6)	(9.7)	..	(0.2)
Advances received (net)		30.4	294.8	..	(0.2)
Borrowings received		13 748.6	12 076.4	2 851.3	3 672.1
Borrowings repaid		(9 986.7)	(9 501.8)	(1 359.5)	(110.6)
Net borrowings[e]		3 761.9	2 574.6	1 491.8	3 561.5
Deposits received		818.8	508.9	373.1	301.5
Deposits repaid		(867.6)	167.9	(395.8)	(218.5)
Deposits received (net)		(48.7)	676.8	(22.7)	82.9
Other financing inflows		..	..	..	..
Other financing outflows		3.0	..	..	..
Other financing (net)		3.0	..	..	..
Net cash flows from financing activities		**3 746.6**	**3 546.2**	**1 469.2**	**3 644.2**
Net increase/(decrease) in cash and cash equivalents		**1 947.1**	**197.2**	**538.9**	**(1 039.4)**
Cash and cash equivalents at beginning of the financial year		6 252.9	6 055.6	3 962.0	5 001.3
Cash and cash equivalents at end of the financial year[f]	30(a)	**8 199.9**	**6 252.9**	**4 500.9**	**3 962.0**
FISCAL AGGREGATES					
Net cash flows from operating activities		**6 900.0**	**2 812.4**	**3 942.5**	**1 692.3**
Net cash flows from investments in non-financial assets		**(6 809.6)**	**(7 191.5)**	**(3 726.4)**	**(3 885.2)**
Cash surplus/(deficit)		**90.4**	**(4 379.1)**	**216.2**	**(2 192.9)**

The accompanying notes form part of these financial statements.

Notes:

(a) These items are inclusive of goods and services tax.
(b) 2012-13 comparative cash flows have been restated to more accurately reflect the classification of interest cash flows.
(c) 2012-13 comparative cash flows have been restated to reflect the reallocation of investments sold but not yet settled.
(d) The cash flows for this item are presented net of inflows due to the high volume and short-term nature of these transactions.
(e) Cash flows associated with derivatives in insurance public financial corporations are included under net cash flows from investments in financial assets for liquidity management purposes. See Notes 16 and 26 for balance sheet classification.
(f) Cash and cash equivalents at the end of the reporting period does not equal cash and deposits on the balance sheet. This is due to overdrafts being included in the cash flow statement. See Note 30(a).

Consolidated statement of changes in equity for the financial year ending 30 June

($ million)

State of Victoria	*Accumulated surplus/(deficit)*	*Non-controlling Interest*
2014		
Balance at 1 July 2013	43 565.1	50.0
Net result for the year	1 659.3	..
Other comprehensive income for the year	987.0	..
Transactions with owners in their capacity as owners	..	
Total equity as at 30 June 2014	**46 211.3**	**50.0**
2013[a]		
Balance at 1 July 2012	32 522.9	50.0
Net result for the year[b]	1 536.0	..
Other comprehensive income for the year[b]	9 506.1	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2013	**43 565.1**	**50.0**

The accompanying notes form part of these financial statements.

Notes:

(a) *The comparative figures have been restated due to the reclassification of deferred tax liability balances. See Note 37.*

(b) *In 2013-14, the State applied the revised AASB 119* Employee Benefits *for the first time as required by the revised accounting standard, which changed the way defined benefit superannuation expenses are presented. Part of the actuarial gains, which had previously contributed to the State's operating surplus in 2012-13 are now reported as a remeasurement item under other comprehensive income, and no longer included in the State's operating surplus. The revised requirements have been applied retrospectively as required by the revised accounting standard and the operating statement of the earliest comparative period presented (30 June 2013) has been restated accordingly. This revision only affected the presentation of these gains in the operating statement and continue to have no impact on the State's cash requirements or net debt.*

($ million)

General government sector	*Accumulated surplus/(deficit)*	*Non-controlling Interest*
2014		
Balance at 1 July 2013	43 174.7	50.0
Net result for the year	773.1	..
Other comprehensive income for the year	462.3	..
Transactions with owners in their capacity as owners		..
Total equity as at 30 June 2014	**44 410.0**	**50.0**
2013[a]		
Balance at 1 July 2012	34 808.2	50.0
Net result for the year[b]	(533.9)	..
Other comprehensive income for the year[b]	8 900.4	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2013	**43 174.7**	**50.0**

The accompanying notes form part of these financial statements.

Notes:

(a) *The comparative figures have been restated due to the reclassification of deferred tax liability balances. See Note 37.*

(b) *In 2013-14, the State applied the revised AASB 119* Employee Benefits *for the first time as required by the revised accounting standard, which changed the way defined benefit superannuation expenses are presented. Part of the actuarial gains, which had previously contributed to the State's operating surplus in 2012-13 are now reported as a remeasurement item under other comprehensive income, and no longer included in the State's operating surplus. The revised requirements have been applied retrospectively as required by the revised accounting standard and the operating statement of the earliest comparative period presented (30 June 2013) has been restated accordingly. This revision only affected the presentation of these gains in the operating statement and continue to have no impact on the State's cash requirements or net debt.*

Land, buildings, infrastructure, plant and equipment revaluation surplus	Other reserves	Total
78 459.3	1 557.8	123 632.1
..	..	1 659.3
5 211.5	(397.1)	5 801.4
..	..	..
83 670.8	**1 160.5**	**131 092.7**
77 944.7	2 340.0	112 857.6
..	..	1 536.0
514.5	(782.2)	9 238.5
..	..	..
78 459.3	**1 557.8**	**123 632.1**

Land, buildings, infrastructure, plant and equipment revaluation surplus	Investment in other sector entities revaluation surplus	Other reserves	Total
37 970.4	38 373.5	614.0	120 182.6
..	..	..	773.1
2 228.8	3 813.8	26.4	6 531.4
			..
40 199.2	**42 187.3**	**640.3**	**127 486.9**
37 249.6	38 871.2	697.4	111 676.5
..	..	..	(533.9)
720.8	(497.7)	(83.4)	9 040.0
..	..	..	..
37 970.4	**38 373.5**	**614.0**	**120 182.6**

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Summary of significant accounting policies

This Annual Financial Report presents the audited general purpose consolidated financial statements of the State of Victoria (the State) and the Victorian general government sector for the year ended 30 June 2014. The report provides users with information about the Government's stewardship of the resources entrusted to it.

(A) Statement of compliance

These general purpose financial statements have been prepared in the manner and form as determined by the Treasurer, in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AASs) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Except as identified in Note 32 *Explanations of material variances between budget and actual outcomes*, the accounting policies applied are also consistent with those applied for the *2013-14 Budget*, subject to the latter report being prospective in nature and requiring application of estimation techniques to future amounts.

The Government Finance Statistics (GFS) information included in this report is based on the GFS manual published by the Australian Bureau of Statistics (ABS) (refer to Note 1(E)).

To gain a better understanding of the terminology and key aggregates used in these financial statements, a glossary of terms can be found in Note 40 *Glossary of technical terms* and Note 41 *Government purpose classification*.

The annual financial statements were authorised for issue by the Secretary of the Department of Treasury and Finance on 29 September 2014.

(B) Basis of accounting, preparation and measurement

The accrual basis of accounting has been applied in preparing these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

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

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 by management in applying AASs that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 1(M));
- superannuation expense and liability (refer to Note 1(N) and Note 8 *Superannuation*);
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(N));
- provisions for outstanding insurance claims (refer to Note 1(N) and Note 28 *Other provisions*); and
- equities and managed investment schemes classified at level 3 of the fair value hierarchy (refer to Note 33(M)).

Note 1: Summary of significant accounting policies *(continued)*

These financial statements are in Australian dollars, and historical cost convention is used except for:

- general government sector investments in other sector entities which are measured at net asset value;
- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value;
- productive trees in commercial native forests, which are measured at their fair value less costs to sell;
- derivative financial instruments, managed investment schemes, certain debt securities and investment properties after initial recognition, which are measured at fair value with changes reflected in the consolidated comprehensive operating statement (fair value through profit and loss);
- certain liabilities, most notably unfunded superannuation and insurance claim provisions, which are subject to an actuarial assessment; and
- available-for-sale investments which are measured at fair value with movements reflected in 'Other economic flows – other comprehensive income'.

(C) Reporting entity

The State of Victoria reporting entity, includes government departments, public non-financial corporations (PNFCs), public financial corporations (PFCs) and other government controlled entities (refer to Note 42 *Controlled entities*). The State and most of its subsidiary entities are not-for-profit entities. These entities are classified into sectors according to the System of National Accounts described below.

System of National Accounts

(i) General government

The Victorian general government sector includes all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. The general government sector is not a separate entity but represents a sector within the State of Victoria reporting entity, and is reported in accordance with AASB 1049.

The primary function of entities within the general government sector is to provide public services (outputs), which are mainly non-market in nature for the collective consumption of the community, and involve the transfer or redistribution of revenue which is financed mainly through taxes and other compulsory levies.

(ii) Public non-financial corporations

The primary function of entities in the government PNFC sector is to provide goods and services in a competitive market that is non-regulatory and non-financial in nature. Such entities are financed mainly through sales to the consumer of these goods and services.

Note 1: Summary of significant accounting policies *(continued)*

(iii) Public financial corporations

The government-controlled PFC sector comprises entities engaged primarily in providing financial intermediation services or auxiliary financial services and which have one or more of the following characteristics:

- they perform a central borrowing function;
- they provide insurance services;
- they accept call, term or savings deposits; or
- they have the ability to incur liabilities and acquire financial assets in the market on their own account.

Disaggregated information about these sectors is presented in Note 2 *Disaggregated information*. This information is provided because there are differences between general government activities and those of the public sector entities in the PNFC and the PFC sectors. Disclosing this information assists users of the financial statements to determine the effects of differing activities on the financial position of the State. It also assists users to identify the resources used in providing a range of goods and services, and the extent to which the State has recovered the costs of those resources from revenues attributable to those activities.

(D) Basis of consolidation

In accordance with AASB 1049 and AASB 127 *Consolidated and Separate Financial Statements*:

- The consolidated financial statements of the State incorporates assets and liabilities of all reporting entities that are controlled by the State as at 30 June 2014 and the revenue and expenses of entities controlled by the State for the part of the reporting period in which control existed.
- The consolidated financial statements of the Victorian general government sector incorporates assets and liabilities, revenue and expenses of entities classified as general government. Entities in the PNFC and PFC sectors are not consolidated into the financial statements of the general government sector, but are accounted for as equity investments measured at the Government's proportional share of the carrying amount of net assets of the PNFC and PFC sector entities before consolidation eliminations. Where the carrying amount of the entity's net assets before consolidation eliminations of an entity within the sectors is less than zero, the amount is not included at the general government sector, but the net liabilities will be consolidated at the State level. Any change in the carrying amount of the investment from period to period is accounted for as if the change in carrying amount is a change in fair value and accounted for in a manner consistent with AASB 139 *Financial Instruments: Recognition and Measurement*.

Entities which are not controlled by the State, including local government authorities, universities and denominated hospitals, are not consolidated into the financial statements for the State.

Where control of an entity is obtained during the financial period, its results are included in the consolidated comprehensive operating statement from the date on which control commenced. Where control ceases during a financial period, the entity's results are included for that part of the period in which control existed. Where entities adopt dissimilar accounting policies and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

In preparing consolidated financial statements for reporting the State and the Victorian general government sector, all material transactions and balances between consolidated government controlled entities are eliminated.

Note 1: Summary of significant accounting policies *(continued)*

Although certain entities prepare their audited financial statements on a calendar year basis, their information on transactions and balances supplied for consolidation purposes reflect adjusted audited figures that relate to the following financial year ending 30 June.

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the revenues and expenses of the relevant sectors of government.

Significant entities consolidated by the State are shown in Note 42 *Controlled entities*.

Funds held in trust

The State has responsibility for transactions and balances relating to trust funds held on behalf of third parties external to the State, such as the 2009 Victorian Bushfire Appeal Trust Account. The funds managed on behalf of third parties are not recognised in these financial statements as they are managed on a fiduciary and custodial basis, and therefore are not controlled by the State. Funds under management, including those relating to the 2009 Victorian Bushfire Appeal Trust Fund, are reported in Note 36 *Funds under management* and within Note 39 *Public account disclosure*.

(E) Scope and presentation of financial statements

Consolidated comprehensive operating statement

Revenues and expenses in the consolidated comprehensive operating statement are classified according to whether or not they arise from 'Transactions' or 'Other economic flows'. This classification is consistent with that required under AASB 1049.

'Transactions' and 'Other economic flows' are defined in *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005* and *Amendments to Australian System of Government Finance Statistics, 2005* (ABS Catalogue No. 5514.0) (the GFS Manual).

Note 31 *Reconciliations* identifies and reconciles unconverged differences between GFS and the AASs.

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement, and also flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the Government and taxpayers. 'Transactions' can be cash or in kind (e.g. assets provided/given free of charge or for nominal consideration).

'Other economic flows' are changes arising from market remeasurements. They include:

- gains and losses from disposals;
- revaluations and impairments of non-financial physical and intangible assets;
- remeasurement arising from defined benefit superannuation plans;
- fair value changes of financial instruments and agricultural assets; and
- depletion of natural assets (non-produced) from their use or removal.

The net result is equivalent to profit or loss derived in accordance with AASs.

Key fiscal aggregates presented in the statement are:

- net result from transactions – net operating balance;
- comprehensive result – total change in net worth; and
- net lending/(borrowing).

Note 1: Summary of significant accounting policies *(continued)*

Consolidated balance sheet

Assets and liabilities are presented in a manner consistent with the GFS Manual and the *Uniform Presentation Framework 2008*.

Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period, and for non-current liabilities, the State has unconditional right to defer the liabilities) are disclosed in the notes, where relevant.

Key fiscal aggregates presented are:

- net financial worth;
- net financial liabilities; and
- net debt.

Consolidated cash flow statement

Cash flows are classified according to whether they arise from operating activities, investing activities, or financing activities. This classification is consistent with the requirements under AASB 107 *Statement of Cash Flows*.

Investing activities are split between investment for liquidity management purposes and for policy purposes.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet.

The key fiscal aggregate presented is the cash surplus/(deficit).

Consolidated statement of changes in equity

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balances at the beginning of the reporting period to the closing balances at the end of the reporting period. It also shows separately changes due to amounts recognised in 'Comprehensive result' and amounts related to 'Transactions with owners in their capacity as owners'.

Rounding

All amounts in the financial statements have been rounded to the nearest $100 000 except in Note 39 which is rounded to the nearest $1 000.

Note 1: Summary of significant accounting policies *(continued)*

(F) Changes in accounting policies

The following new and revised Standards have been adopted in the current period with their financial impact detailed below.

AASB 13 *Fair Value Measurement*

The State has reviewed the fair value principles as well as its current valuation methodologies applied in assessing fair value, and the assessment has not materially changed the fair values recognised.

AASB 13 has only affected the reporting disclosures of the State.

The disclosure requirements of AASB 13 apply prospectively and need not be applied in comparative information before first application. Consequently, the 2012-13 comparatives of these disclosures have not been provided, except for financial instruments, of which the fair value disclosures are required under AASB 7 *Financial Instruments: Disclosures.*

AASB 119 *Employee benefits*

In 2013-14, the State has applied the revised AASB 119 *Employee benefits* for the first time. In accordance with the transitional provisions set out in the revised standard, the revised requirements have been applied retrospectively and the operating statement of the earliest comparative period presented (30 June 2013) have accordingly been restated.

The revised AASB 119 has changed the way in which the defined benefit superannuation expenses are presented in the comprehensive operating statement. The net superannuation interest expense is now calculated using the discount rate (a long-term Government bond rate) without reference to the expected rate of investment return on plan assets, as was previously the case. As a result, the net superannuation interest expense reported in the comparative year of 2013 has been adjusted upwards. A corresponding upward adjustment has also been made to the remeasurement of superannuation defined benefits plans to take into account the expected return on plan assets, which is now reported as part of other comprehensive income rather than as part of the net result. The estimated superannuation liabilities remained unchanged under the revised standard.

Impact on the comprehensive income statement

($ million)

	As reported in 2013	*Adjustment by AASB 119*	*Revised*
Net result from transactions – net operating balance			
Net superannuation interest expense	443.8	633.0	1 076.8
Other economic flows included in net result			
Net actuarial gain/(loss) of superannuation defined benefit plans	7 356.8	(7 356.8)	n.a.
Other economic flows – other comprehensive income			
Remeasurements of superannuation defined benefits plans	n.a.	7 989.8	7 989.8

The revised Standard also changes the definition of short-term employee benefits. These were previously benefits that were expected to be settled within 12 months after the end of the reporting period in which the employees render the related service. However, short-term employee benefits are now defined as benefits expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances which were previously classified by the State as short-term employee benefits no longer meet this definition and are now classified as long-term employee benefits. Note that this has resulted in an immaterial change of measurement for the annual leave provision from an undiscounted to discounted basis. As a result, no disclosures have been provided here.

Note 1: Summary of significant accounting policies *(continued)*

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosure – Offsetting Financial Assets and Financial Liabilities and AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Instruments

To ensure compliance with AASB 2012-2 (effective from 1 January 2013), the State elected to early adopt AASB 2012-3. The Standard clarifies that the right of set-off available under AASB 132 *Financial Instruments: Presentation* must not be contingent on a future event and be legally enforceable in the normal course of business.

The adoption of the above two standards have mainly affected the disclosures for financial instruments (see Note 33(N)).

(G) Revenue from transactions

Revenue from transactions is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured at fair value.

Taxation revenue

State taxation revenue is recognised upon the earlier of either the receipt by the State of a taxpayer's self-assessment or the time when the taxpayer's obligation to pay arises, pursuant to the issue of an assessment.

Upfront concession fees, such as those for toll roads and gambling licence fees, are recognised progressively over the term of the applicable concession.

Interest revenue

Interest revenue includes interest received on bank term deposits and other investments and the unwinding over time of the discount on financial assets. Interest revenue is recognised using the effective interest method which allocates the interest over the relevant period.

Net realised and unrealised gains and losses on the revaluation of investments do not form part of revenue from transactions, but are reported either as part of revenue from other economic flows in the net result or as unrealised gains or losses taken direct to equity, forming part of the total change in net worth in the comprehensive result.

Dividends and income tax equivalent and rate equivalent revenue

General government sector dividends, income tax equivalent and rate equivalent revenue, represents revenue received from other sectors of government. Such revenue for the general government sector is recognised when the right to receive the payment is established, and is eliminated on consolidation into the financial statements of the State.

Dividends earned from non-state sources are also reflected in the financial statements.

Note 1: Summary of significant accounting policies *(continued)*

Sales of goods and services

Revenue from supply of services

Revenue from the supply of services is recognised by reference to the stage of completion of the services being performed. The revenue is recognised when:

- the amount of the revenue, stage of completion and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the entity.

Under the stage of completion method, revenue is recognised by reference to labour hours supplied or to labour hours supplied as a percentage of total services to be performed in each annual reporting period.

Revenue from the sale of goods

Revenue from the sale of goods is recognised when:

- the State no longer has any of the significant risks and rewards of ownership of the goods transferred to the buyer;
- the State no longer has continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the amount of revenue, and the costs incurred or to be incurred in respect of the transactions, can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the State.

Sale of goods and services includes regulatory fees which are recognised at the time the regulatory fee is billed.

Grants

Revenue from grants is recognised when the State obtains control over the contribution.

Grants mainly comprise contributions provided by the Commonwealth to assist the State in meeting general or specific service delivery obligations, primarily for the purpose of aiding in the financing of the operations of the recipient, capital purposes and/or for on passing to other recipients. Grants also include grants from other jurisdictions.

Other revenue

Other revenue includes non-property rental, fines, assets received free of charge, royalties, donations and other miscellaneous non-operating revenue.

Contributions of resources received free of charge or for nominal consideration are recognised at fair value when the State obtains control over them, irrespective of whether these contributions are subject to restrictions or conditions over their use. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not received as a donation.

Note 1: Summary of significant accounting policies *(continued)*

(H) Expenses from transactions

Expenses from transactions are recognised as they are incurred, and reported in the financial year to which they relate.

Employee expenses

Refer to the section in Note 1(N) regarding 'Employee benefits'.

Superannuation interest expense and other superannuation expenses

The superannuation expense from transactions is determined on the following basis:

- in relation to defined contribution (i.e. accumulation) superannuation plans, the associated expense is simply the employer contributions that are paid or payable in respect of employees who are members of these plans during the reporting period; and
- for defined benefit plans, the superannuation expense reflects the employer financed component of defined benefits that are expected to accrue over the reporting period (i.e. service cost), along with the superannuation interest expense.

Depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Refer to Note 1(M) for the depreciation policy for leasehold improvements.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

The following are typical estimated useful lives for the different asset classes for current and prior years.

Asset	*Useful life*
Buildings	20 to 100 years
Leasehold buildings	2 to 60 years
Infrastructure systems:	
– water infrastructure – storage facilities	25 to 300 years
– water infrastructure – other	25 to 100 years
– rail infrastructure	2 to 50 years
– other infrastructure	10 to 32 years
Plant, equipment and vehicle (incl. leased assets)	3 to 10 years
Road and road networks (incl. bridges)	60 to 90 years
Cultural assets (with finite useful lives)	100 years
Intangible produced assets:	
– capitalised software development costs	3 to 5 years

Note 1: Summary of significant accounting policies *(continued)*

Land, earthworks, land under declared roads, and core cultural assets, which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

Intangible produced assets with finite useful lives are depreciated as an expense from transactions on a systematic (typically straight line) basis over the asset's useful life. Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

All intangible assets are tested for impairment whenever there is an indication that the asset may be impaired (refer to Note 1(I)).

The consumption of intangible non-produced assets with finite useful lives is not classified as a transaction, but as amortisation and included in the net result as an other economic flow.

Intangible assets with indefinite useful lives are not depreciated or amortised, but are tested annually for impairment.

Interest expense

Interest expense represents costs incurred in connection with borrowings. 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.

Refer to Note 10 *Interest Expense*.

Grants and other transfers

Grants and other transfers to third parties are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies, personal benefit payments made in cash to individuals; other transfer payments made to local government, non-government schools and community groups; and for the general government sector, grants and transfer payments to PNFCs and PFCs.

Other operating expenses

Other operating expenses generally represent the day-to-day running costs incurred in normal operations and includes:

- supplies and services costs which are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed; and
- bad and doubtful debts.

Note 1: Summary of significant accounting policies *(continued)*

(I) Other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions.

Other economic flows included in net result

Net gain/(loss) on disposal of non-financial assets

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is determined after deducting from the proceeds the carrying value of the asset at that time.

Net gain/(loss) on financial assets or liabilities at fair value

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments at fair value through profit or loss;
- impairment and reversal of impairment for financial instruments at amortised cost; and
- disposal of financial assets and derecognition of financial liabilities.

Revaluations of financial instruments at fair value through profit or loss

Refer to Note 1(K).

Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
- valuation changes associated with the indemnity for the electricity supply arrangements to the aluminium smelters at Portland and Point Henry.

Impairment of non-financial assets

Goodwill and intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment (as described below) and whenever there is an indication that the asset may be impaired.

All other assets are assessed annually for indications of impairment, except for:

- inventories (refer Note 1(M));
- non-financial physical assets held for sale (refer Note 1(M));
- certain biological assets related to agricultural activity (refer Note 1(M));
- investment properties that are measured at fair value (refer Note 1(M)); and
- assets arising from construction contracts (refer Note 1(M)).

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an other economic flow, except to the extent that the write down can be debited to an asset revaluation surplus amount applicable to that class of asset.

Note 1: Summary of significant accounting policies *(continued)*

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Refer to Note 1(M) in relation to the recognition and measurement of non-financial physical assets.

Other economic flows – other comprehensive income

Remeasurements of the net superannuation liability

Remeasurements of the net superannuation liability comprise:

- actuarial gains and losses which reflect the change in the defined benefit obligation that has arisen due to differences between actual outcomes and the assumptions used to calculate the superannuation expense from transactions; and
- the return on plan assets, excluding amounts included in the net superannuation interest expense.

The effect of any change in actuarial assumptions during the period is also included and the associated net actuarial gains or losses are fully recognised, as other comprehensive income, in the period in which they occur.

(J) Measurement of fair values

In accordance with AASB 13 *Fair Value Measurement,* the State determines the policies and procedures for both financial and non-financial assets and liabilities that are measured at fair value, including:

- financial assets and liabilities at fair value through profit and loss (refer to Note 1 (K));
- available-for-sale financial assets (refer to Note 1 (K));
- land, buildings, infrastructure, plant and equipment (refer to Note 1 (M));
- investment properties (refer to Note 1 (M)); and
- biological assets (refer to Note 1 (M)).

For the purpose of fair value disclosures, the State has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

In addition, the State determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Note 1: Summary of significant accounting policies *(continued)*

(K) Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the State's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract. However, guarantees issued on behalf of the State are financial instruments because although authorised under statute, the terms and conditions for each financial guarantee may vary and are subject to an agreement.

Where relevant, for note disclosure purposes, a distinction has been made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits, term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

Available-for-sale financial assets

Available-for-sale financial instrument assets are those designated as available-for-sale or not classified in any other category of financial instrument asset.

Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value, recognised in 'Other economic flows – other comprehensive income' until the investment is disposed. Movements resulting from impairment and foreign currency changes are recognised in the net result as other economic flows. On disposal, the cumulative gain or loss previously recognised in 'Other economic flows – other comprehensive income' is transferred to other economic flows in the net result.

Fair value is determined in the manner described in Note 33 *Financial instruments*.

Available-for-sale category includes certain equity investments and those debt securities that are designated as available-for-sale.

Note 1: Summary of significant accounting policies *(continued)*

Held to maturity financial assets

If the State has the positive intent and ability to hold nominated investments to maturity, then such financial assets may be classified as held to maturity. Held to maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held to maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

The State makes limited use of this classification because any sale or reclassification of more than an insignificant amount of held to maturity investments not close to their maturity, would result in the whole category being reclassified as available-for-sale. The State would also be prevented from classifying investment securities as held to maturity for the current and the following two financial years.

The held to maturity category includes certain term deposits and debt securities for which the State intends to hold to maturity.

Financial assets and liabilities at fair value through profit and loss

Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by the State based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

The State's public borrowings, mainly raised through the Treasury Corporation of Victoria, are designated at fair value through profit or loss on trade date on the basis that the financial liability forms a group of financial liabilities which are managed on a fair value basis in accordance with documented risk strategies.

Financial instruments at fair value through profit or loss are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. Any dividend or interest on a financial asset is recognised in the net result from transactions.

Financial assets and liabilities at fair value through profit or loss include the majority of the State's equity investments, debt securities, and borrowings.

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method (refer to Note 26).

Financial instrument liabilities measured at amortised cost include all of the State's payables, deposits held and advances received, and interest bearing arrangements other than those designated at fair value through profit or loss.

Derivative financial instruments

Derivative financial instruments are classified as held for trading financial assets and liabilities, except for derivatives held by insurance entities which are designated at fair value. They are initially recognised at fair value on the date on which a derivative contract is entered into. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives after initial recognition, are recognised in the consolidated comprehensive operating statement as an other economic flow included in the net result.

Note 1: Summary of significant accounting policies *(continued)*

Offsetting financial instruments

A master netting arrangement or similar arrangement can be set up with counterparties where required by general market practice. To the extent that these arrangements meet the criteria for offsetting in the consolidated balance sheet, they are reported on a net basis.

Financial instrument assets and liabilities are offset, with the net amount reported in the consolidated balance sheet only where there is a currently legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where the State does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

Reclassification of financial instruments

Subsequent to initial recognition and under rare circumstances, non-derivative financial instruments assets that have been designated at fair value through profit or loss upon recognition, may be reclassified out of the fair value through profit or loss category, if they are no longer held for the purpose of selling or repurchasing in the near term.

Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit and loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be classified as fair value through profit and loss. In these cases, the financial instrument assets may be reclassified out of the fair value through profit and loss category, if there is the intention and ability to hold them for the foreseeable future or until maturity.

Available-for-sale financial instrument assets that meet the definition of loans and receivables may be reclassified into the loans and receivables category if there is the intention and ability to hold them for the foreseeable future or until maturity.

(L) Financial assets

Cash and deposits

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short-term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Advances paid

Advances paid represent inter sector loans and advances, initially measured at fair value and subsequently measured at amortised cost, made by the Victorian general government sector to the PNFC and PFC sectors, for policy rather than liquidity management purposes. They exclude equity contributions, and are eliminated on consolidation of the State's position.

Note 1: Summary of significant accounting policies *(continued)*

Receivables

Receivables consist of:

- contractual receivables, such as debtors in relation to goods and services, loans to third parties and accrued investment revenue; and
- statutory receivables, such as taxes, fines and goods and services tax (GST) input tax credits recoverable.

Contractual receivables are classified as financial instruments and categorised as loans and receivables (refer to Note 1(K)) for recognition and measurement). Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are subject to impairment testing as described below. A provision for doubtful receivables is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when identified.

Investments, loans and placements

Investments are classified in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held to maturity; and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Any dividend or interest earned on the financial asset is recognised in the consolidated comprehensive operating statement as a transaction.

Investments accounted for using the equity method

Associates are those entities over which the State exercises significant influence, but not control.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the State's share of the post-acquisition profits or losses of associates is recognised in the net result as other economic flows. The share of post-acquisition movements in revaluation surpluses and any other reserves is recognised in both the comprehensive operating statement and the statement of changes in equity. The cumulative post-acquisition movements are adjusted against the cost of the investment.

Joint ventures are contractual arrangements between the State or a subsidiary entity and one or more other parties to undertake an economic activity that is subject to joint control. Joint control only exists when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Interests in jointly controlled entities are accounted for in the consolidated financial statements using the equity method, as applied to investments in associates.

Note 1: Summary of significant accounting policies *(continued)*

Investments in jointly controlled assets and operations

In respect of its interest in jointly controlled assets, the State recognises in the consolidated financial statements:

- its share of jointly controlled assets;
- any liabilities that it had incurred;
- its share of liabilities incurred jointly by the joint venture;
- any income earned from the selling or using of its share of the output from the joint venture; and
- any expenses incurred in relation to being an investor in the joint venture.

For jointly controlled operations the State recognises: the assets that it controls and the liabilities that it incurs; expenses that it incurs; and its share of income that it earns from selling outputs of the joint venture.

Investments in other sector entities

Refer to Note 1(D).

Derecognition of financial assets

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 rights to receive cash flows from the asset have expired; or
- the State retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the State has transferred its rights to receive cash flows from the asset and either:
  (a) has transferred substantially all the risks and rewards of the asset; or
  (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the State has retained substantially all the risks and rewards and not transferred control, the asset is recognised to the extent of the State's continuing involvement in the asset.

Impairment of financial assets

At the end of each reporting period, the State assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as other economic flows in the net result.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

Note 1: Summary of significant accounting policies *(continued)*

(M) Non-financial physical assets

Inventories

Inventories include goods and other property held either for sale, or for distribution at zero or nominal cost, or for consumption in the ordinary course of business operations.

Inventories held for distribution are measured at cost, adjusted for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

Cost includes an appropriate portion of fixed and variable overhead expenses. Cost is assigned to land held for sale (undeveloped, under development and developed) and to other high value, low volume inventory items on a specific identification of cost basis. Cost for all other inventory is measured on the basis of weighted average cost.

Bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

Non-financial physical assets held for sale

Non-financial physical assets (including disposal group assets) are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when:

- the asset is available for immediate use in the current condition; and
- the sale is highly probable and the asset's sale is expected to be completed within 12 months from the date of classification.

These non-financial physical assets, related liabilities and financial assets are measured at the lower of carrying amount and fair value less costs to sell, and are not subject to depreciation or amortisation.

Land, buildings, infrastructure, plant and equipment

All non-financial physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

The initial cost for non-financial physical assets under a finance lease (refer to Note 1(O)) is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Non-financial physical assets, including national parks, other Crown land and heritage assets, are measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that the restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

Note 1: Summary of significant accounting policies *(continued)*

The fair value of cultural assets and collections, heritage assets and other non-financial physical assets (including Crown land and infrastructure assets) that the State intends to preserve because of their unique historical, cultural or environmental attributes, is measured at the replacement cost of the asset less, where applicable, accumulated depreciation (calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset) and any accumulated impairment. These policies and any legislative limitations and restrictions imposed on their use and/or disposal may impact their fair value.

School building assets are measured initially at cost and subsequently revalued at fair value. School buildings are specialised assets that are restricted to providing education services. As there is no readily available market for these specialised assets, school buildings and other improvements are valued using the cost approach under AASB 13 *Fair Value Measurement* by the Valuer-General Victoria (VGV).

The cost approach reflects the amount that would be required currently to replace the service capacity of an asset (also referred to as current replacement cost).

The VGV measures the current replacement cost and takes into account accumulated depreciation and any obsolescence which may exist in line with the requirements of AASB 13 *Fair Value Measurement*. Current replacement cost is derived based on the physical inspection the school buildings by VGV every five years and adjusted for physical deterioration and functional obsolescence which may exist. Economic obsolescence is also considered as part of the valuation where floor space is assessed to be permanently in excess of teaching requirements by reference to long-term enrolment data. This methodology reflects that for the State, the economic benefit and service capacity of school assets is assessed by the contribution of these assets towards achieving the State's objective of providing education. Where the floor space is in excess of the teaching space required to deliver such an objective, the fair value of the school assets is adjusted to reflect this permanent excess.

Road network assets (including earthworks of the declared road networks) are measured at fair value, determined by reference to the asset's depreciated replacement cost.

Land under declared roads acquired prior to 1 July 2008 is measured at fair value. Land under declared roads acquired on or after 1 July 2008 is measured initially at cost of acquisition and subsequently at fair value. The fair value methodology applied by the Valuer-General Victoria is based on discounted site values for relevant municipal areas applied to land area under the arterial road network, including related reservations.

Infrastructure assets of water, rail and port authorities within the PNFC sector are measured at fair value.

The fair value of infrastructure systems and plant, equipment and vehicles, is normally determined by reference to the asset's depreciated replacement cost, or where the infrastructure is held by a for profit entity, the fair value may be derived from estimates of the present value of future cash flows.

Certain assets are acquired under finance leases, which may form part of a service concession arrangement. Refer to Notes 1(Q) and 1(S) for more information.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project, and an appropriate proportion of variable and fixed overheads.

For the accounting policy on impairment of non-financial physical assets, refer to impairment of non-financial assets under Note 1(I).

Leasehold improvements

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

Note 1: Summary of significant accounting policies *(continued)*

Revaluations of non-financial physical assets

Non-financial physical assets are measured on a cyclical basis in accordance with the Financial Reporting Directions (FRDs) issued by the Minister for Finance. A full revaluation normally occurs every five years, based upon the asset's government purpose classification (refer to Note 41), but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are generally used to conduct these scheduled revaluations. Certain infrastructure assets are revalued using specialised advisors. Any interim revaluations are determined in accordance with the requirements of the FRDs.

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in 'Other economic flows – other comprehensive income' and accumulated in equity under the asset revaluation surplus. However, the net revaluation increase is recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result.

Net revaluation decreases are recognised in 'Other economic flows – other comprehensive income' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment. Otherwise, the net revaluation decreases are recognised immediately as other economic flows in the net result. The net revaluation decrease recognised in 'Other economic flows – other comprehensive income' reduces the amount accumulated in equity under the asset revaluation surplus.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class but are not offset in respect of assets in different classes. Any asset revaluation surplus is not normally transferred to accumulated funds on derecognition of the relevant asset.

Other non-financial assets

Where an asset is received for no or nominal consideration the cost is the asset's fair value at the date of acquisition.

Intangible assets

Purchased intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the State.

When the recognition criteria in AASB 138 *Intangible Assets* is met, internally generated intangible assets are recognised and measured at cost less accumulated amortisation and impairment.

Refer to Note 1(H) for the policy on the depreciation of produced intangible assets, amortisation of non-produced intangible assets and Note 1(I) for impairment of intangible assets.

Investment properties

Investment properties represent properties held to earn rentals or for capital appreciation, or both. Investment properties exclude properties held to meet service delivery objectives of the State.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the State.

Note 1: Summary of significant accounting policies *(continued)*

Subsequent to initial recognition at cost, investment properties are revalued to fair value with changes in the fair value recognised as other economic flows in the comprehensive operating statement in the period that they arise. These properties are neither depreciated nor tested for impairment. Fair values are determined based on a market comparable approach, that reflects recent transaction prices for similar properties.

Rental revenue from the leasing of investment properties is recognised in the comprehensive operating statement on a straight line basis over the lease term.

Biological assets

Productive trees in commercial native forests and breeding livestock are recognised as biological assets. These biological assets are measured at fair value less costs to sell and are revalued at 30 June each year.

For breeding livestock, fair value is based on the amount that could be expected to be received from the disposal of livestock with similar attributes.

For productive trees, revaluation to fair value is determined using a discounted cash flow method based on expected net future cash flows, discounted by a current market determined rate. After harvest, productive trees are treated as inventories (refer to Note 1(M)).

An increase or decrease in the fair value of these biological assets is recognised in the consolidated comprehensive operating statement as an 'Other economic flow'.

Other assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

(N) Liabilities

Deposits held and advances received

Deposits held include deposits, security deposits, and trust fund provisions held on behalf of public or private sector bodies. Advances received include loans and other repayable funds from public sector bodies for policy purposes.

Deposits held and advances received are categorised as financial liabilities at amortised cost (refer to Note 1(K)).

Payables

Payables consist of:

- contractual payables, such as accounts payable, and unearned revenue liability including deferred revenue from concession notes. Accounts payable represent liabilities for goods and services provided to the State prior to the end of the financial year that are unpaid, and arise when the State becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as GST and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (refer to Note 1(K)). Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

Note 1: Summary of significant accounting policies *(continued)*

Borrowings

The State (consistent with the paragraphs of AASB 123 *Borrowing Costs* for not-for-profit public sector entities) recognises borrowing costs immediately as an expense, even where they are directly attributable to the acquisition, construction or production of a qualifying asset.

All interest bearing liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether the State has categorised its interest bearing liabilities as either financial liabilities designated at fair value through profit or loss, or financial liabilities at amortised cost. The classification depends on the nature and purpose of the interest bearing liabilities. The State determines the classification of its interest bearing liabilities at initial recognition.

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave are recognised in the provision for employee benefits, classified as current liabilities, because the State does not have an unconditional right to defer settlements of these liabilities.

(ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability; even where the State does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value – if the State expects to wholly settle within 12 months; or
- present value – if the State does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow in the net result.

(iii) Employee benefits on costs

Employee benefits on costs such as payroll tax, workers compensation and superannuation are recognised separately from the provision for employee benefits.

Note 1: Summary of significant accounting policies *(continued)*

Superannuation

Defined benefit superannuation plans provide benefits based on years of service and final average salary. At each reporting date, a liability or asset in respect of defined benefit superannuation obligations is recognised. This is measured as the difference between the present value of accrued liabilities at the reporting date and the net market value of the superannuation plan's assets at that date.

The present value of accrued liabilities is based upon future payments which are expected to arise due to membership of the superannuation plan taking into account the taxes payable by the plan, including imputation tax credits. Consideration is given to expected future salary levels and the experience of employee departures. In accordance with prevailing accounting standards, expected future payments are discounted to present values using rates applying to long-term Commonwealth Government Bonds. Furthermore, the inflation assumption is based upon the relationship between nominal and index linked bond yields of similar duration. This approach ensures that the inflation assumption reflects market expectations and is compatible with the market based discount rate that is used to value the outstanding liability.

Other provisions

Other provisions are recognised when the State has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Other provisions include a liability for outstanding insurance claims, which is independently assessed by actuaries. This liability covers claims reported but not yet paid, claims incurred but not yet reported, and the anticipated costs of settling those claims. Due to the inherent uncertainty in the estimate of the outstanding insurance claims, a risk margin is included. The risk margin is set to increase the probability that the liability estimate will be sufficient.

The actuaries take into account projected inflation and other factors to arrive at expected future payments. These are then discounted at the reporting date using a market determined, risk-free discount rate.

Onerous contracts

An onerous contract is considered to exist when the unavoidable cost of meeting the contractual obligations exceeds the estimated economic benefits to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the estimated economic benefits to be received.

The State's major onerous contractual obligation is for the supply of electricity to the aluminium smelters at Portland and Point Henry. A yearly review of the contract is undertaken to remeasure the liability, taking into account the effects of market changes during the year relating to the National Electricity Market and assumptions including aluminium prices, with reference to electricity prices.

Note 1: Summary of significant accounting policies *(continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'Other economic flow' in the consolidated comprehensive operating statement.

(O) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of infrastructure, property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

Finance leases

State as lessor

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recorded at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease receipts are apportioned between periodic interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

State as lessee

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The leased asset is accounted for as a non-financial physical asset and depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

Minimum finance lease payments are apportioned between the reduction of the outstanding lease liability and the periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the consolidated comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

Note 1: Summary of significant accounting policies *(continued)*

Operating leases

State as lessor

Rental revenue from operating leases is recognised on a straight line basis over the term of the relevant lease.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are given to the lessee, the aggregate cost of incentives are recognised as a reduction of rental revenue over the lease term on a straight line basis, unless another systematic basis is more representative of the time pattern over which the economic benefit of the leased asset is diminished.

State as lessee

Operating lease payments, including any contingent rentals, are recognised as an expense from transactions in the consolidated comprehensive operating statement on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are received to enter into operating leases, the aggregate benefit of incentives are recognised as a reduction of rental expense over the lease term on a straight line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(P) Budgetary information for the Victorian general government sector

Note 32 presents the original and revised published budget estimates for the Victorian general government sector, and explains material variances between the budget estimates and actual outcomes as presented in these annual financial statements.

(Q) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 34 *Commitments*) at their nominal value and inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the consolidated balance sheet.

Note 1: Summary of significant accounting policies *(continued)*

(R) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed by way of a note (refer to Note 35 *Contingent assets and contingent liabilities (State of Victoria)*), and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(S) Service concession arrangements

The State sometimes enters into certain arrangements with private sector participants to design and construct or upgrade assets used to provide public services. These arrangements are typically complex and usually include the provision of operational and maintenance services for a specified period of time. These arrangements are often referred to as either public private partnerships (PPPs) or service concession arrangements (SCAs).

These SCAs usually take one of two main forms. In the more common form, the State pays the operator over the period of the arrangement, subject to specified performance criteria being met. At the date of commitment to the principal provisions of the arrangement, these estimated periodic payments are allocated between a component related to the design and construction or upgrading of the asset and components related to the ongoing operation and maintenance of the asset. The former component is accounted for as a lease payment in accordance with the lease policy (see Note 1(O)). The remaining components are accounted for as commitments for operating costs which are expensed in the comprehensive operating statement as they are incurred.

The other, less common form of SCA, is one in which the State grants to an operator, for a specified period of time, the right to collect fees from users of the SCA asset, in return for which the operator constructs the asset and has the obligation to supply agreed upon services, including maintenance of the asset for the period of the concession. These private sector entities typically lease land, and sometimes State works, from the State and construct infrastructure. At the end of the concession period, the land and state works, together with the constructed facilities, will be returned to the State.

Such service concession arrangements include the CityLink network, which has a nominal term of 33.5 years expiring 15 January 2034 and EastLink, which is also a tollway, with a nominal term of 35 years expiring 30 November 2043.

There is currently no authoritative accounting guidance applicable to grantors (the State) on the recognition and measurement of the right of the State to receive assets from such concession arrangements. Due to the lack of such guidance, there has been no change to existing policy and those assets are not currently recognised.

Note 1: Summary of significant accounting policies *(continued)*

(T) Accounting for the goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated GST, except where the GST incurred is not recoverable from the taxation authority. In this case the GST payable is recognised as part of the cost of acquisition of an asset or part of an item of expense.

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as an operating cash flow.

Commitments and contingent assets and liabilities are also stated inclusive of GST.

(U) Foreign currency balances/transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items existing at the end of the reporting period are translated at the closing rate at the date of the end of the reporting period. Non-monetary assets carried at fair value that are denominated in foreign currencies are translated to the functional currency at the rates prevailing at the date when the fair value was determined.

Foreign currency translation differences are recognised in other economic flows in the consolidated comprehensive operating statement and accumulated in a separate component of equity, in the period in which they arise.

(V) Australian Accounting Standards issued that are not yet effective

The following AASs have been issued by the AASB but are not yet effective. They become effective for the first consolidated financial statements for reporting periods commencing after the operative dates stated as follows:

- AASB 10 *Consolidated Financial Statements*, operative for reporting periods beginning from 1 January 2014. This Standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities and replaces those requirements in AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation – Special Purpose Entities*. AASB 10 builds on the control guidance that existed in AASB 127 and Interpretation 112 and is not expected to change which entities need to be consolidated.
- AASB 11 *Joint Arrangements*, operative for reporting periods beginning from 1 January 2014. This Standard requires entities that have an interest in arrangements that are controlled jointly to assess whether the arrangement is a joint operation or joint venture. If the arrangement is assessed to be a joint operation, it shall be accounted for as per AASB 11. If the arrangement is assessed to be a joint venture, it shall be accounted for as per AASB 128 *Investments in Associates and Joint Ventures* (see below). AASB 11 replaces those requirements in AASB 131 *Interests in Joint Ventures*. Based on current assessment, entities already apply the equity method when accounting for joint ventures. It is anticipated that there would be no material impact from this standard.

Note 1: Summary of significant accounting policies *(continued)*

- AASB 12 *Disclosure of Interests in Other Entities*, operative for reporting periods beginning from 1 January 2014. This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 *Separate Financial Statements* and AASB 131 *Interests in Joint Ventures*. The new standard will require additional disclosures for reporting entities with unconsolidated structured entities.
- AASB 127 *Separate Financial Statements*, operative for reporting periods beginning from 1 January 2014. This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The current assessment indicates that there is limited impact on Victorian Public Sector (VPS) entities.
- AASB 128 *Investments in Associates and Joint Ventures*, operative for reporting periods beginning from 1 January 2014. This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The current assessment indicates that there is limited impact on VPS entities.
- AASB 1055 *Budgetary Reporting*, operative for reporting periods beginning from 1 January 2014. AASB 1055 extends the scope for budget reporting that is currently applicable for the whole of government and general government sector to NFP entities within the general government sector, to the extent that the entities provide separate budgeted information to the parliament. Where an entity presents a budget separately to the Parliament, the entity will be required to restate in the financial statements the budgetary information in accordance with the presentation format prescribed in Australian Accounting Standards and explain the significant variances from the original budget. However, where no separate budget is presented to the parliament, this Standard would not be applicable.
- AASB 1056 *Superannuation Entities* replaces AAS 25 *Financial Reporting by Superannuation Plans* and is operative from 1 January 2016. The standard was developed in light of changes in recent years, developments in the superannuation industry and Australia's adoption of IFRS. The preliminary assessment has not identified any material impact arising from AASB 1056.
- AASB 9 *Financial Instruments*, operative for reporting periods beginning from 1 January 2017. This standard simplifies requirements for the classification and measurement of financial assets and replaces these requirements in AASB 139 *Financial Instruments: Recognition and Measurement*. The preliminary assessment has identified that for investments in equity instruments that are not held for trading, an irrevocable election must be made to present all gains and losses on that investment in other comprehensive income, otherwise the gains and losses will be recognised in profit or loss.

Several other amending standards have been issued that are applicable for future reporting periods which have insignificant impacts on public sector reporting.

At this stage, there is no intention to early adopt the above accounting standards.

Note 1: Summary of significant accounting policies *(continued)*

(W) Events after the reporting period

Assets, liabilities, revenues or expenses arise from past transactions or other past events. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting period and before the date the statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. If required, note disclosure is made about events that occur between the end of the reporting period and the date the statements are authorised for issue where the events relate to conditions which arose after the reporting period that are considered to be of material interest (refer to Note 38 *Subsequent events*).

Note 2: Disaggregated information

Disaggregated operating statement for the financial year ended 30 June

($ million)

	General government sector		Public non-financial corporations	
	2014	2013	2014	2013
Revenue from transactions				
Taxation revenue	16 900.9	15 530.7	..	..
Interest	831.2	700.7	56.4	77.2
Dividends and income tax equivalent and rate equivalent revenue	445.9	1 341.7	88.0	144.2
Sales of goods and services	6 724.8	6 869.3	6 090.9	4 915.7
Grants	25 144.9	21 902.2	2 646.4	2 654.4
Other revenue	2 316.9	2 268.3	489.1	460.6
Total revenue	**52 364.7**	**48 612.9**	**9 370.9**	**8 252.0**
Expenses from transactions				
Employee expenses	18 012.0	17 788.5	1 058.7	1 039.6
Superannuation interest expense[a]	1 052.1	1 079.3	2.7	(2.5)
Other superannuation	1 876.4	1 924.0	98.8	92.9
Depreciation	2 363.8	2 254.3	1 887.3	1 838.1
Interest expense	2 138.5	1 775.3	1 171.5	1 001.4
Other operating expenses	17 360.1	16 094.1	4 847.0	4 263.0
Grants and other transfers	7 585.6	8 013.9	243.1	206.9
Other property expenses	..	..	10.3	110.9
Total expenses[a]	**50 388.5**	**48 929.4**	**9 319.4**	**8 550.3**
Net result from transactions – net operating balance[a]	**1 976.2**	**(316.6)[a]**	**51.5**	**(298.2)**
Other economic flows included in net result				
Net gain/(loss) on disposal of non-financial assets	(25.0)	20.8	12.8	0.3
Net gain/(loss) on financial assets or liabilities at fair value	52.6	19.3	(116.0)	(48.8)
Share of net profit/(loss) from associates/joint venture entities, excluding dividends	..	4.8	46.3	(77.7)
Other gains/(losses) from other economic flows	(1 230.7)	(262.3)	82.3	47.5
Total other economic flows included in net result[a]	**(1 203.1)**	**(217.4)**	**25.4**	**(78.6)**
Net result[a]	**773.1**	**(533.9)**	**76.9**	**(376.8)**
Other economic flows – other comprehensive income				
Items that will not be reclassified to net result				
Changes in non-financial assets revaluation surplus[b]	2 228.8	720.7	2 821.9	(133.2)
Remeasurement of superannuation defined benefits plans[a]	(286.2)	7 947.8	24.3	42.0
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets[b]	3 813.8	(497.7)	..	..
Other movements in equity[b]	780.1	849.1	34.3	(270.4)
Items that may be reclassified subsequently to net result				
Net gain/(loss) on financial assets at fair value	(5.2)	20.1	(3.4)	63.9
Total other economic flows – other comprehensive income[a][b]	**6 531.4**	**9 040.0**	**2 877.2**	**(297.7)**
Comprehensive result – total change in net worth[b]	**7 304.5**	**8 506.0**	**2 954.1**	**(674.5)**
FISCAL AGGREGATES				
Net operating balance[a]	**1 976.2**	**(316.6)[a]**	**51.5**	**(298.2)**
Net acquisition of non-financial assets				
Purchases of non-financial assets (including change in inventories)	3 997.3	4 133.2	3 271.5	3 702.5
Less: Sales of non-financial assets	(270.9)	(248.0)	(206.4)	(156.4)
Less: Depreciation and amortisation	(2 363.8)	(2 254.3)	(1 887.3)	(1 838.1)
Plus: Other movements in non-financial assets[c]	(645.4)	(114.5)	1 043.1	5 641.0
Less: Net acquisition of non-financial assets[c]	**717.2**	**1 516.4**	**2 221.0**	**7 349.0**
Net lending/(borrowing)	**1 259.0**	**(1 832.9)**	**(2 169.4)**	**(7 647.2)**

Notes:

(a) *In 2013-14, the State applied the revised AASB 119* Employee Benefits *for the first time as required by the revised accounting standard, which changed the way defined benefit superannuation expenses are presented. Part of the actuarial gains, which had previously contributed to the State's operating surplus in 2012-13 are now reported as a remeasurement item under other comprehensive income, and no longer included in the State's operating surplus. The revised requirements have been applied retrospectively as required by the revised accounting standard and the operating statement of the earliest comparative period presented (30 June 2013) has been restated accordingly. This revision only affected the presentation of these gains in the operating statement and continue to have no impact on the State's cash requirements or net debt.*

(b) *June 2013 comparative figures have been restated. See Note 37.*

(c) *June 2013 comparative figures have been restated to include the fixed asset transfers to and from the general government sector.*

Public financial corporations 2014	2013	Inter-sector eliminations 2014	2013	State of Victoria 2014	2013
..	..	(410.5)	(346.0)	16 490.4	15 184.7
2 498.9	2 388.6	(2 448.0)	(2 196.1)	938.6	970.4
805.5	460.1	(424.7)	(1 335.1)	914.7	610.9
3 895.3	3 723.3	(2 477.8)	(2 611.2)	14 233.3	12 896.9
..	2.9	(2 772.2)	(2 769.0)	25 019.1	21 790.4
20.5	20.7	(76.2)	..	2 750.2	2 749.6
7 220.1	**6 595.5**	**(8 609.4)**	**(9 257.4)**	**60 346.3**	**54 203.0**
309.9	302.4	(343.1)	(335.5)	19 037.6	18 794.9
..	..	..	..	1 054.7	1 076.8
23.6	23.3	..	..	1 998.9	2 040.1
43.1	39.3	..	..	4 294.1	4 131.6
2 092.4	1 957.9	(2 447.9)	(2 196.1)	2 954.4	2 538.6
5 507.4	5 234.0	(2 601.0)	(2 248.6)	25 113.5	23 342.6
..	..	(2 792.3)	(2 822.6)	5 036.5	5 398.3
338.7	17.2	(349.0)	(128.1)	..	..
8 315.2	**7 574.0**	**(8 533.3)**	**(7 730.9)**	**59 489.7**	**57 322.8**
(1 095.0)	**(978.5)**	**(76.1)**	**(1 526.5)**	**856.6**	**(3 119.8)**[(a)]
(0.4)	(0.1)	..	..	(12.7)	21.0
1 222.4	3 168.3	..	29.6	1 159.0	3 168.5
..	..	(10.7)	(10.6)	35.6	(83.4)
547.7	1 069.9	221.6	694.6	(379.2)	1 549.7
1 769.6	**4 238.1**	**210.9**	**713.6**	**802.7**	**4 655.8**
674.5	**3 259.7**	**134.8**	**(812.9)**	**1 659.3**	**1 536.0**
(12.9)	(1.0)	173.7	(72.1)	5 211.5	514.5
..	..	..	..	(261.9)	7 989.8
..	..	(3 813.8)	497.7	..	..
12.4	..	33.5	71.6	860.4	650.2
..	..	..	..	(8.6)	84.0
(0.5)	**(1.0)**	**(3 606.6)**	**497.2**	**5 801.4**	**9 238.5**
674.0	**3 258.7**	**(3 471.8)**	**(315.7)**	**7 460.7**	**10 774.5**
(1 095.0)	**(978.5)**	**(76.1)**	**(1 526.5)**	**856.6**	**(3 119.8)**[(a)]
37.3	74.4	..	(312.2)	7 306.0	7 597.8
(19.0)	(1.9)	..	..	(496.4)	(406.3)
(43.1)	(39.3)	..	..	(4 294.1)	(4 131.6)
..	..	(51.4)	..	346.4	5 526.4
(24.9)	**33.2**	**(51.4)**	**(312.3)**	**2 861.9**	**8 586.3**
(1 070.1)	**(1 011.7)**	**(24.8)**	**(1 214.3)**	**(2 005.3)**	**(11 706.1)**

Note 2: Disaggregated balance sheet as at 30 June

($ million)

	General government sector		Public non-financial corporations	
	2014	2013	2014	2013
Assets				
Financial assets				
Cash and deposits	4 500.9	3 962.0	984.5	797.9
Advances paid	4 586.9	4 626.8	53.9	50.4
Receivables[(a)]	4 940.6	5 061.0	1 443.6	1 312.3
Investments, loans and placements[(a)]	3 117.6	3 383.4	979.0	1 056.2
Loans receivable from non-financial public sector[(b)]	..	..	..	..
Investments accounted for using the equity method	44.1	49.4	1 243.2	1 319.2
Investments in other sector entities[(a)]	75 869.2	69 714.8	..	..
Total financial assets[(a)]	**93 059.4**	**86 797.4**	**4 704.2**	**4 536.0**
Non-financial assets				
Inventories	176.6	192.1	625.6	678.9
Non-financial assets held for sale	142.5	142.1	23.1	4.5
Land, buildings, infrastructure, plant and equipment	103 644.2	100 804.0	93 410.2	88 605.2
Other non-financial assets	1 204.8	954.3	1 302.5	1 080.2
Total non-financial assets	**105 168.0**	**102 092.5**	**95 361.4**	**90 368.7**
Total assets[(a)]	**198 227.4**	**188 889.9**	**100 065.6**	**94 904.7**
Liabilities				
Deposits held and advances received	426.5	449.0	401.5	420.0
Payables[(a)]	5 746.5	5 958.4	1 645.7	1 568.6
Borrowings	32 953.6	31 345.3	16 369.6	16 249.7
Employee benefits	5 302.7	5 208.8	354.6	326.4
Superannuation	25 680.7	25 142.5	48.3	83.0
Other provisions	630.6	603.3	8 272.7	8 491.5
Total liabilities	**70 740.6**	**68 707.4**	**27 092.4**	**27 139.2**
Net assets[(a)]	**127 486.9**	**120 182.6**	**72 973.2**	**67 765.5**
Accumulated surplus/(deficit)[(a)]	44 410.0	43 174.7	5 094.5	5 088.6
Other reserves[(a)]	83 026.9	76 957.9	67 878.7	62 676.9
Non-controlling interest	50.0	50.0	..	..
Net worth[(a)(c)]	**127 486.9**	**120 182.6**	**72 973.2**	**67 765.5**
FISCAL AGGREGATES				
Net financial worth	22 318.8	18 090.1	(22 388.3)	(22 603.2)
Net financial liabilities	53 550.4	51 624.7	22 388.3	22 603.2
Net debt	21 174.6	19 822.1	14 753.8	14 765.3

Notes:

(a) June 2013 comparative figures have been restated. See Note 37.

(b) Loans receivable from the non-financial public sector are reported at amortised cost.

(c) The net assets and net worth of the public financial corporations sector incorporates the impact of Treasury Corporation of Victoria's external loan liabilities being reported at market value while the corresponding assets, that is lending to the non-financial public sector, being reported at amortised cost. This mismatch has contributed to the negative net asset position of the sector.

Public financial corporations 2014	2013	Inter-sector eliminations 2014	2013	State of Victoria 2014	2013
5 691.4	4 158.4	(2 976.1)	(2 665.4)	8 200.7	6 252.9
1 727.9	1 674.5	(4 573.7)	(4 624.4)	1 795.1	1 727.3
1 432.1	2 653.3	(1 419.8)	(1 623.7)	6 396.5	7 402.9
27 390.4	24 096.1	(1 718.3)	(2 407.1)	29 768.8	26 128.7
35 585.9	33 501.6	(35 585.9)	(33 501.6)	..	..
..	..	267.8	297.4	1 555.1	1 666.1
..	..	(75 869.2)	(69 714.8)	..	..
71 827.8	**66 083.9**	**(121 875.2)**	**(114 239.6)**	**47 716.2**	**43 177.7**
..	..	..	..	802.2	871.0
1.0	26.4	..	..	166.6	173.0
82.7	63.8	..	..	197 137.0	189 473.0
1 104.8	1 710.2	(1 154.1)	(1 691.6)	2 458.1	2 053.1
1 188.5	**1 800.4**	**(1 154.1)**	**(1 691.6)**	**200 563.9**	**192 570.0**
73 016.4	**67 884.3**	**(123 029.3)**	**(115 931.1)**	**248 280.1**	**235 747.8**
5 926.9	5 986.4	(4 684.3)	(4 766.5)	2 070.7	2 088.9
1 496.0	1 829.7	(1 155.9)	(1 159.6)	7 732.2	8 197.2
42 153.6	38 303.9	(40 199.4)	(38 461.9)	51 277.4	47 437.0
87.8	89.5	..	..	5 745.1	5 624.7
..	..	..	..	25 729.0	25 225.4
23 664.4	22 527.5	(7 934.6)	(8 079.9)	24 632.9	23 542.4
73 328.7	**68 737.1**	**(53 974.3)**	**(52 467.9)**	**117 187.4**	**112 115.7**
(312.3)	**(852.8)**	**(69 055.1)**	**(63 463.2)**	**131 092.7**	**123 632.1**
(749.2)	(1 765.4)	(2 544.0)	(2 932.8)	46 211.3	43 565.1
436.9	912.6	(66 511.1)	(60 530.4)	84 831.3	80 017.0
..	..	..	..	50.0	50.0
(312.3)	**(852.8)**	**(69 055.1)**	**(63 463.2)**	**131 092.7**	**123 632.1**
(1 500.9)	(2 653.2)	(67 900.9)	(61 771.6)	(69 471.2)	(68 937.9)
1 500.9	2 653.2	(7 968.3)	(7 943.2)	69 471.2	68 937.9
(22 315.1)	(19 140.3)	(29.8)	(30.0)	13 583.6	15 417.1

Note 2: Disaggregated cash flow statement for the financial year ended 30 June

($ million)

	General government sector 2014	General government sector 2013	Public non-financial corporations 2014	Public non-financial corporations 2013
Cash flows from operating activities				
Receipts				
Taxes received	16 719.4	15 231.9	..	..
Grants	25 140.4	21 991.9	2 810.3	2 727.2
Sales of goods and services[(a)]	7 381.1	7 132.3	6 659.2	5 490.5
Interest received[(b)]	807.8	674.8	49.3	64.2
Dividends and income tax equivalent and rate equivalent receipts[(c)]	591.8	1 198.9	88.1	144.1
Other receipts[(b)]	1 803.8	1 728.8	131.6	198.9
Total receipts[(c)]	**52 444.2**	**47 958.7**	**9 738.5**	**8 624.8**
Payments				
Payments for employees	(17 926.6)	(17 563.6)	(1 029.9)	(1 035.0)
Superannuation	(2 676.5)	(2 510.5)	(111.9)	(118.7)
Interest paid	(2 081.6)	(1 702.6)	(1 127.8)	(961.6)
Grants and subsidies	(7 647.0)	(8 196.5)	(129.9)	(189.9)
Goods and services[(a)]	(16 949.3)	(15 692.1)	(3 913.4)	(3 375.8)
Other payments	(1 220.6)	(601.2)	(1 484.3)	(1 467.3)
Total payments	**(48 501.7)**	**(46 266.4)**	**(7 797.3)**	**(7 148.3)**
Net cash flows from operating activities[(c)]	**3 942.5**	**1 692.3**	**1 941.2**	**1 476.5**
Cash flows from investing activities				
Purchases of non-financial assets	(3 997.3)	(4 133.2)	(3 271.5)	(3 702.5)
Sales of non-financial assets	270.9	248.0	206.4	156.4
Cash flows from investments in non-financial assets	**(3 726.4)**	**(3 885.2)**	**(3 065.1)**	**(3 546.1)**
Cash flows from investments in financial assets for policy purposes				
Cash inflows	3.2	463.0	110.0	344.6
Cash outflows	(1 481.5)	(1 779.7)	(82.9)	(376.5)
Net cash flows from investments in financial assets for policy purposes	**(1 478.3)**	**(1 316.8)**	**27.2**	**(45.0)**
Net cash flows from investments in financial assets for liquidity management purposes[(c)(d)(e)]	331.8	(1 174.0)	(79.1)	12.3
Net cash flows from investing activities	**(4 872.8)**	**(6 375.9)**	**(3 117.0)**	**(3 578.8)**
Cash flows from financing activities				
Advances received	..	..	1.9	13.5
Advances repaid	..	(0.2)	(0.6)	(6.9)
Advances received (net)	..	(0.2)	1.3	6.6
Borrowings received	2 851.3	3 672.1	2 055.6	2 475.0
Borrowings repaid	(1 359.5)	(110.6)	(1 927.8)	(1 421.7)
Net borrowings [(e)]	1 491.8	3 561.5	127.8	1 053.3
Deposits received	373.1	301.5	47.8	62.4
Deposits repaid	(395.8)	(218.5)	(67.6)	(42.3)
Deposits received (net)	(22.7)	82.9	(19.8)	20.1
Other financing inflows	..	..	1 511.0	1 747.8
Other financing outflows	..	..	(258.7)	(701.4)
Other financing (net)	..	..	1 252.4	1 046.5
Net cash flows from financing activities	**1 469.2**	**3 644.2**	**1 361.7**	**2 126.5**
Net increase/(decrease) in cash and cash equivalents	**538.9**	**(1 039.4)**	**185.8**	**24.1**
Cash and cash equivalents at beginning of the financial year	3 962.0	5 001.3	797.9	773.8
Cash and cash equivalents at end of the financial year[(f)]	**4 500.9**	**3 962.0**	**983.7**	**797.9**
FISCAL AGGREGATES				
Net cash flows from operating activities	3 942.5	1 692.3	1 941.2	1 476.5
Dividends paid	..	..	(84.5)	(720.3)
Net cash flows from investments in non-financial assets	(3 726.4)	(3 885.2)	(3 065.1)	(3 546.1)
Cash surplus/(deficit)	**216.2**	**(2 192.9)**	**(1 208.4)**	**(2 789.9)**

Notes:

(a) These items are inclusive of goods and services tax.

(b) 2012-13 comparative cash flows have been restated to more accurately reflect the classification of interest cash flows.

(c) 2012-13 comparative cash flows have been restated to reflect the reallocation of investments sold but not yet settled.

(d) The cash flows for this item are presented net of inflows due to the high volume and short-term nature of these transactions.

(e) Cash flows associated with derivatives in insurance public financial corporations are included under net cash flows from investments in financial assets for liquidity management purposes. See Notes 16 and 26 for balance sheet classification.

(f) Cash and cash equivalents at the end of the reporting period does not equal cash and deposits on the balance sheet. This is due to overdrafts being included in the cash flow statement. See Note 30(a).

Public financial corporations 2014	2013	*Inter-sector eliminations* 2014	2013	*State of Victoria* 2014	2013
..	..	(410.5)	(360.0)	16 308.9	14 872.0
0.1	2.9	(2 905.3)	(2 822.3)	25 045.5	21 899.6
4 277.2	4 116.4	(2 419.0)	(3 191.1)	15 898.4	13 548.2
2 428.6	2 202.6	(2 431.7)	(2 002.8)	853.9	938.8
805.5	460.1	(570.8)	(1 192.2)	914.6	610.8
285.7	68.4	(69.2)	150.3	2 151.9	2 146.5
7 797.0	**6 850.5**	**(8 806.5)**	**(9 418.1)**	**61 173.2**	**54 015.9**
(310.8)	(288.5)	343.1	335.5	(18 924.3)	(18 551.6)
(23.6)	(23.3)	..	..	(2 812.0)	(2 652.5)
(2 118.1)	(1 954.5)	2 431.7	2 234.5	(2 895.8)	(2 384.2)
..	..	2 739.6	2 766.9	(5 037.3)	(5 619.5)
(3 922.8)	(3 685.9)	1 000.1	1 354.1	(23 785.5)	(21 399.7)
(20.9)	(16.5)	1 907.4	1 488.9	(818.3)	(596.0)
(6 396.1)	**(5 968.6)**	**8 421.9**	**8 179.9**	**(54 273.2)**	**(51 203.4)**
1 400.9	**881.9**	**(384.6)**	**(1 238.2)**	**6 900.0**	**2 812.4**
(37.3)	(74.4)	..	312.2	(7 306.0)	(7 597.8)
19.0	1.9	..	..	496.4	406.3
(18.2)	**(72.5)**	**..**	**312.3**	**(6 809.6)**	**(7 191.5)**
812.3	957.8	(5.4)	(709.0)	920.0	1 056.4
(866.4)	(1 004.4)	1 472.2	2 366.9	(958.5)	(793.8)
(54.1)	**(46.6)**	**1 466.8**	**1 671.0**	**(38.5)**	**262.6**
(3 482.4)	(3 311.2)	1 378.2	5 240.4	(1 851.4)	767.5
(3 554.7)	**(3 430.3)**	**2 845.0**	**7 223.6**	**(8 699.5)**	**(6 161.4)**
55.9	351.3	(26.8)	(60.3)	31.0	304.5
(25.2)	(141.7)	25.2	139.0	(0.6)	(9.7)
30.7	209.6	(1.6)	78.7	30.4	294.8
13 485.1	12 797.9	(4 643.4)	(6 868.6)	13 748.6	12 076.4
(9 605.3)	(10 205.1)	2 905.9	2 235.7	(9 986.7)	(9 501.8)
3 879.8	2 592.8	(1 737.5)	(4 633.0)	3 761.9	2 574.6
25 440.0	32 166.9	(25 042.1)	(32 021.9)	818.8	508.9
(25 530.2)	(32 863.9)	25 126.0	33 292.7	(867.6)	167.9
(90.2)	(697.0)	83.9	1 270.8	(48.7)	676.8
..	17.7	(1 511.0)	(1 765.5)	..	..
(133.5)	(461.5)	395.2	1 162.8	3.0	..
(133.5)	(443.8)	(1 115.9)	(602.7)	3.0	..
3 686.8	**1 661.7**	**(2 771.1)**	**(3 886.1)**	**3 746.6**	**3 546.2**
1 533.0	**(886.8)**	**(310.7)**	**2 099.2**	**1 947.1**	**197.2**
4 158.4	5 045.2	(2 665.4)	(4 764.7)	6 252.9	6 055.6
5 691.4	**4 158.4**	**(2 976.1)**	**(2 665.4)**	**8 199.9**	**6 252.9**
1 400.9	881.9	(384.6)	(1 238.2)	6 900.0	2 812.4
(136.0)	(440.6)	220.5	1 160.9	..	..
(18.2)	(72.5)	..	312.3	(6 809.6)	(7 191.5)
1 246.7	**368.8**	**(164.0)**	**234.9**	**90.4**	**(4 379.1)**

Note 2: Disaggregated statement of changes in equity for the financial year ended 30 June

($ million)

2014	*Accumulated surplus/(deficit)*	*Contribution by owners*
General government sector		
Balance at 1 July 2013	43 174.7	..
Net result for the year	773.1	..
Other comprehensive income for the year	462.3	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2014	**44 410.0**	**..**
PNFC sector		
Balance at 1 July 2013	5 088.6	30 624.9
Net result for the year	76.9	..
Other comprehensive income for the year	13.5	..
Dividends paid	(84.5)	..
Transactions with owners in their capacity as owners	..	2 338.1
Total equity as at 30 June 2014	**5 094.5**	**32 963.0**
PFC sector		
Balance at 1 July 2013	(1 765.4)	251.8
Net result for the year	674.5	..
Other comprehensive income for the year	477.7	..
Dividends paid	(136.0)	..
Transactions with owners in their capacity as owners	..	2.5
Total equity as at 30 June 2014	**(749.2)**	**254.3**
Eliminations	(2 544.0)	(33 217.2)
Total State of Victoria	**46 211.3**	**..**

Non-controlling Interest	Land, buildings, infrastructure, plant and equipment revaluation surplus	Investment in other sector entities revaluation surplus	Other reserves	Total
50.0	37 970.4	38 373.5	614.0	120 182.6
..	..	..	..	773.1
..	2 228.8	3 813.8	26.4	6 531.4
..	..	..	..	..
50.0	**40 199.2**	**42 187.3**	**640.3**	**127 486.9**
..	31 754.1	..	297.9	67 765.5
..	..	..	..	76.9
..	2 821.9	..	41.8	2 877.2
..	..	..	..	(84.5)
..	..	..	..	2 338.1
..	**34 576.1**	**..**	**339.6**	**72 973.2**
..	15.0	..	645.9	(852.8)
..	..	..	..	674.5
..	(12.9)	..	(465.3)	(0.5)
..	..	..	..	(136.0)
..	..	..	..	2.5
..	**2.1**	**..**	**180.6**	**(312.3)**
..	8 893.5	(42 187.3)	..	(69 055.1)
50.0	**83 670.8**	**..**	**1 160.5**	**131 092.7**

Note 2: Disaggregated statement of changes in equity for the financial year ended 30 June *(continued)*

($ million)

2013	*Accumulated surplus/(deficit)*	*Contribution by owners*
General government sector		
Balance at 1 July 2012[(a)]	34 808.2	..
Net result for the year[(b)]	(533.9)	..
Other comprehensive income for the year[(a)(b)]	8 900.4	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2013	**43 174.7**	**..**
PNFC sector		
Balance at 1 July 2012[(a)]	5 742.8	27 854.1
Net result for the year[(b)]	(376.8)	..
Other comprehensive income for the year[(a)(b)]	442.9	..
Dividends paid	(720.3)	..
Transactions with owners in their capacity as owners	..	2 770.8
Total equity as at 30 June 2013[(a)]	**5 088.6**	**30 624.9**
PFC sector		
Balance at 1 July 2012	(4 675.8)	254.9
Net result for the year	3 259.7	..
Other comprehensive income for the year	91.3	..
Dividends paid	(440.6)	..
Transactions with owners in their capacity as owners	..	(3.2)
Total equity as at 30 June 2013	**(1 765.4)**	**251.8**
Eliminations[(a)]	(2 932.8)	(30 876.7)
Total State of Victoria[(a)]	**43 565.1**	**..**

Notes:

(a) June 2013 comparative figures have been restated. See Note 37.

(b) In 2013-14, the State applied the revised AASB 119 Employee Benefits *for the first time as required by the revised accounting standard, which changed the way defined benefit superannuation expenses are presented. Part of the actuarial gains, which had previously contributed to the State's operating surplus in 2012-13 are now reported as a remeasurement item under other comprehensive income, and no longer included in the State's operating surplus. The revised requirements have been applied retrospectively as required by the revised accounting standard and the operating statement of the earliest comparative period presented (30 June 2013) has been restated accordingly. This revision only affected the presentation of these gains in the operating statement and continue to have no impact on the State's cash requirements or net debt.*

Non-controlling Interest	Land, buildings, infrastructure, plant and equipment revaluation surplus	Investment in other sector entities revaluation surplus	Other reserves	Total
50.0	37 249.6	38 871.2	697.4	111 676.5
..	..	..	..	(533.9)
..	720.8	(497.7)	(83.4)	9 040.0
..	..	..	..	..
50.0	**37 970.4**	**38 373.5**	**614.0**	**120 182.6**
..	31 887.3	..	905.3	66 389.5
..	..	..	..	(376.8)
..	(133.2)	..	(607.5)	(297.7)
..	..	..	..	(720.3)
..	..	..	..	2 770.8
..	**31 754.1**	**..**	**297.9**	**67 765.5**
..	16.0	..	737.2	(3 667.7)
..	..	..	..	3 259.7
..	(1.0)	..	(91.3)	(1.0)
..	..	..	..	(440.6)
..	..	..	..	(3.2)
..	**15.0**	**..**	**645.9**	**(852.8)**
..	8 719.8	(38 373.5)	..	(63 463.2)
50.0	**78 459.3**	**..**	**1 557.8**	**123 632.1**

Note 3: Taxation revenue

($ million)

	State of Victoria		General government sector	
	2014	*2013*	*2014*	*2013*
Taxes on employers' payroll and labour force	**4 882.1**	**4 686.7**	**4 949.1**	**4 750.9**
Taxes on property				
Taxes on immovable property				
Land tax	1 620.6	1 550.4	1 658.7	1 589.2
Fire Services Property Levy	630.6	..	630.6	..
Congestion levy	83.9	48.2	83.9	48.2
Metropolitan improvement levy	151.0	136.8	151.0	136.8
Property owner contributions to fire brigades	..	37.8	..	37.8
Total taxes on immovable property	**2 486.1**	**1 773.2**	**2 524.1**	**1 812.0**
Financial and capital transactions				
Land transfer duty	4 167.5	3 276.1	4 167.5	3 276.1
Other property duties	4.1	6.6	4.1	6.6
Financial accommodation levy	..	..	115.3	96.9
Growth Areas Infrastructure Contribution	93.1	56.4	93.1	56.4
Total financial and capital transactions	**4 264.6**	**3 339.1**	**4 380.0**	**3 436.0**
Total taxes on property	**6 750.8**	**5 112.3**	**6 904.1**	**5 247.9**
Taxes on the provision of goods and services				
Gambling taxes				
Private lotteries	394.1	428.9	394.1	428.9
Electronic gaming machines	967.1	1 009.9	967.1	1 009.9
Casino	208.7	200.8	208.7	200.8
Racing	82.5	87.5	82.5	87.5
Other	19.9	18.2	19.9	18.2
Total gambling taxes	**1 672.2**	**1 745.3**	**1 672.2**	**1 745.3**
Levies on statutory corporations	**..**	**..**	**112.0**	**69.4**
Taxes on insurance	**1 066.6**	**1 627.5**	**1 066.6**	**1 627.5**
Total taxes on the provision of goods and services	**2 738.9**	**3 372.8**	**2 850.8**	**3 442.3**
Taxes on the use of goods and performance of activities				
Motor vehicle taxes				
Vehicle registration fees	1 231.0	1 173.1	1 232.8	1 174.7
Duty on vehicle registrations and transfers	663.1	636.1	663.1	636.1
Total motor vehicle taxes	**1 894.1**	**1 809.2**	**1 895.9**	**1 810.8**
Liquor licence fees	**23.3**	**22.8**	**23.3**	**22.8**
Other	**201.3**	**180.9**	**277.7**	**255.9**
Total taxes on the use of goods and performance of activities	**2 118.7**	**2 012.9**	**2 196.9**	**2 089.5**
Total taxation revenue	**16 490.4**	**15 184.7**	**16 900.9**	**15 530.7**

Note 4: Dividends and income tax equivalent and rate equivalent revenue

(a) Dividends and income tax equivalent and rate equivalent revenue

($ million)

	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Dividends from PFC sector	..	..	136.0	440.7
Dividends from PNFC sector	..	..	84.0	720.3
Dividends from non-public sector	842.2	477.5	21.2	6.6
Dividends	**842.2**	**477.5**	**241.1**	**1 167.5**
Income tax equivalent from PFC sector	..	..	22.2	17.9
Income tax equivalent from PNFC sector	..	..	177.9	153.3
Income tax equivalent	**..**	**..**	**200.1**	**171.2**
Local government rate equivalent revenue	..	..	4.7	3.0
Other dividends	72.5	133.4	..	..
Total dividends and income tax equivalent and rate equivalent revenue	**914.7**	**610.9**	**445.9**	**1 341.7**

(b) Dividends by entity

($ million)

	General government sector	
	2014	*2013*
Public financial corporations		
Victorian WorkCover Authority	59.3	192.5
Transport Accident Commission	..	176.0
Treasury Corporation of Victoria	56.3	54.7
Rural Finance Corporation of Victoria	16.2	15.3
State Trustees Ltd	1.6	..
Victorian Funds Management Corporation	2.6	2.2
Dividends from PFC sector	**136.0**	**440.7**
Public non-financial corporations		
Melbourne Water Corporation	..	94.5
City West Water Corporation	4.7	24.8
South East Water Corporation	16.0	61.5
Yarra Valley Water Corporation	17.7	57.5
Port of Melbourne Corporation	43.7	29.7
State Electricity Commission of Victoria (Shell)	..	413.8
Others	1.8	38.4
Dividends from PNFC sector	**84.0**	**720.3**

Note 5: Sales of goods and services

($ million)

	State of Victoria		General government sector	
	2014	*2013*	*2014*	*2013*
Motor vehicle regulatory fees	222.2	168.6	222.2	168.6
Other regulatory fees	502.4	486.4	485.7	470.3
Sale of goods	643.1	457.6	87.7	83.3
Provision of services	12 579.1	11 557.5	4 287.4	4 614.4
Rental	80.9	77.6	57.5	53.8
Refunds and reimbursements	205.4	149.2	59.8	57.7
Inter-sector capital asset charge	..	..	1 524.4	1 421.2
Total sale of goods and services	**14 233.3**	**12 896.9**	**6 724.8**	**6 869.3**

Note 6: Grants

($ million)

	State of Victoria		General government sector	
	2014	*2013*	*2014*	*2013*
General purpose grants	11 507.4	10 989.5	11 507.4	10 989.5
Specific purpose grants for on-passing	2 704.3	2 746.3	2 704.3	2 746.3
Other specific purpose grants	10 805.8	8 050.2	10 800.8	8 048.5
Total	25 017.5	21 786.0	25 012.5	21 784.3
Other contributions and grants	1.6	4.5	132.4	118.0
Total grants	**25 019.1**	**21 790.4**	**25 144.9**	**21 902.2**

Note 7: Other revenue

($ million)

	State of Victoria		General government sector	
	2014	*2013*	*2014*	*2013*
Fair value of assets received free of charge or for nominal consideration	235.9	259.9	139.4	99.4
Fines	667.2	704.3	663.4	700.3
Royalties	58.3	51.4	52.4	45.1
Donations and gifts	344.0	299.0	311.2	272.3
Other non-property rental	84.0	83.1	26.6	29.4
Other miscellaneous revenue	1 360.8	1 351.9	1 123.8	1 121.9
Total other revenue	**2 750.2**	**2 749.6**	**2 316.9**	**2 268.3**

Note 8: Superannuation

Expense

Superannuation expense includes employer contributions to defined contribution superannuation plans, and the actuarially determined expense for defined benefit superannuation plans.

Liability

The State's public sector superannuation plans are responsible for the liability for employee superannuation entitlements. These plans are not consolidated in the Annual Financial Report as they are not controlled by the State. However, the major proportion of the superannuation liability is the responsibility of the State and is recognised accordingly.

The State's defined benefit plans are:

- State Super Funds (SSF), a collection of defined benefit schemes providing both lump sum and pension benefits (Revised Scheme, New Scheme, State Employees Retirement Benefits Scheme, Transport Scheme, Melbourne Water Corporation Employees Superannuation Scheme and Port of Melbourne Authority Superannuation Scheme). All schemes are now closed to new members;
- Emergency Services Superannuation Scheme Defined Benefit (ESSS DB), a defined benefit lump sum scheme which remains open to new members. It also has a number of pensioners remaining from prior schemes;
- Parliamentary Contributory Superannuation Fund (PCSF), a defined benefit pension scheme closed to new members. The PCSF is part of the SSF from 1 April 2014;
- Judges Pension Scheme, a defined benefit pension scheme which remains open to new members; and
- Health Super Division of First State Super (Health Super), a defined benefit scheme that provides both lump sum and pension benefits. This scheme is closed to new members.

The SSF, ESSS DB, PCSF and Judges Pension Scheme are exempt public sector superannuation schemes. The schemes comply with national superannuation standards under a Heads of Government Agreement and are treated as complying for concessional tax and superannuation guarantee purposes.

The Emergency Services Superannuation Board (the ESSB) is responsible for the governance of the SSF, ESSS DB and PCSF and acts as paying agent for judges' pensions. Judges pensions are governed by Victorian Acts for which the Attorney-General is responsible. The ESSB has the following roles:

- administration of the schemes including payment of benefits to beneficiaries in accordance with the governing rules of the schemes;
- management and investment of the assets of the schemes, the responsibility for which is outsourced to the Victorian Funds Management Corporation; and
- compliance with superannuation law and other applicable regulations in accordance with the Heads of Government Agreement.

First State Super is a regulated public offer superannuation fund. The FSS Trustee Corporation (the FSSTC) is responsible for the governance of First State Super and therefore Health Super. As trustee, the FSSTC has the following roles:

- administration of Health Super including payment of benefits to beneficiaries in accordance with the governing rules;
- management and investment of the assets of Health Super; and
- compliance with superannuation law and other applicable regulations.

Note 8: Superannuation *(continued)*

Each year, an actuarial valuation of members' accrued benefits across all of these defined benefit plans is undertaken as at the reporting date. Accrued benefits are measured as the net present value of estimated future benefit payments to members arising from their membership of the plans up to the reporting date. The deficit of accrued benefits over the net market value of plan assets has been recognised as a liability in the balance sheet.

(a) Superannuation expense recognised in the operating statement[a]

($ million)

	State of Victoria	
	2014	*2013*
Defined benefit plans		
Net superannuation interest expense	1 054.7	1 076.8
Current service cost	729.2	856.8
Remeasurements:		
Expected return on superannuation assets excluding interest income	(541.2)	(633.0)
Other actuarial (gain)/loss on superannuation assets	(762.6)	(1 219.2)
Actuarial and other adjustments to unfunded superannuation liability	1 565.7	(6 137.5)
Total (gain)/expenses recognised in respect of defined benefit plans	**2 045.8**	**(6 056.2)**
Defined contribution plans		
Employer contributions to defined contribution plans	1 197.1	1 111.6
Other (including pensions)	72.6	71.6
Total expense recognised in respect of defined contribution plans	**1 269.7**	**1 183.3**
Total superannuation (gain)/expense recognised in operating statement	**3 315.5**	**(4 872.9)**
Represented by:		
Superannuation interest expense	1 054.7	1 076.8
Other superannuation	1 998.9	2 040.1
Superannuation expense from transactions	**3 053.6**	**3 116.9**
Remeasurement recognised in other comprehensive income	**261.9**	**(7 989.8)**
Total superannuation costs recognised in operating statement	**3 315.5**	**(4 872.9)**

Note:

(a) In 2013-14, the State applied the revised AASB 119 Employee Benefits *for the first time as required by the revised accounting standard, which changed the way defined benefit superannuation expenses are presented. Part of the actuarial gains, which had previously contributed to the State's operating surplus in 2012-13 are now reported as a remeasurement item under other comprehensive income, and no longer included in the State's operating surplus. The revised requirements have been applied retrospectively as required by the revised accounting standard and the operating statement of the earliest comparative period presented (30 June 2013) has been restated accordingly. This revision only affected the presentation of these gains in the operating statement and continue to have no impact on the State's cash requirements or net debt.*

(b) Reconciliation of the present value of the defined benefit obligations

($ million)

	State of Victoria	
	2014	*2013*
Opening balance of defined benefit obligation	**42 803.6**	**48 557.7**
Current service cost	729.2	856.8
Interest cost	1 775.7	1 599.9
Contributions by plan participants	212.9	222.7
Remeasurements:		
Actuarial (gain)/loss arising from change in financial assumptions	1 599.4	(5 297.0)
Actuarial (gain)/loss arising from change in demographic assumptions	..	..
Actuarial (gain)/loss due to other experience	(33.7)	(840.6)
Benefits paid	(2 202.3)	(2 296.0)
Closing balance of defined benefit obligation	**44 884.8**	**42 803.6**

Note 8: Superannuation *(continued)*

(c) Reconciliation of the fair value of superannuation plan assets

($ million)

	State of Victoria	
	2014	*2013*
Opening balance of plan assets	**17 578.1**	**15 806.9**
Interest income	721.0	523.1
Remeasurements:		
Expected return on plan assets excluding interest income	541.2	633.0
Actuarial gain/(loss) relative to expected return	762.6	1 219.3
Employer contributions	1 542.2	1 469.2
Contributions by plan participants	212.9	222.7
Benefits paid (including tax paid)	(2 202.3)	(2 296.0)
Closing balance of plan assets	**19 155.8**	**17 578.1**

(d) Reconciliation of the superannuation liability

($ million)

	State of Victoria	
	2014	*2013*
Emergency Services and State Super[(a)]		
Defined benefit obligation	40 195.0	37 303.3
Tax liability[(b)]	2 294.3	2 550.4
Plan assets	(17 691.5)	(15 811.2)
Net liability/(asset)	**24 797.8**	**24 042.5**
Other funds[(c)]		
Defined benefit obligation	2 404.2	2 956.4
Tax liability[(b)]	(8.7)	(6.5)
Plan assets	(1 464.3)	(1 766.9)
Net liability/(asset)	**931.2**	**1 182.9**
Total superannuation		
Defined benefit obligation	42 599.2	40 259.6
Tax liability[(b)]	2 285.6	2 543.9
Plan assets	(19 155.8)	(17 578.1)
Superannuation liability	**25 729.0**	**25 225.4**
Represented by:		
Current liability	998.6	1 014.5
Non-current liability	24 730.4	24 210.9
Total superannuation liability	**25 729.0**	**25 225.4**

Notes:

(a) From 1 April 2014, Emergency Services and State Super includes the former Parliamentary Contributory Superannuation Fund.

(b) Tax liability represents the present value of future tax payments on investment income generated by superannuation assets plus the present value of future tax payments on expected future employer contributions.

(c) Other funds include constitutionally protected schemes, the Parliamentary Contributory Superannuation Fund and the State's share of liabilities of the Defined Benefit Scheme of the Health Super Fund.

Of the $25.7 billion superannuation liability recognised on the State's balance sheet, more than 99 per cent is recorded in the general government sector. The superannuation liabilities of agencies for which the State is not responsible, such as universities, are not reflected in the balance sheet.

Note 8: Superannuation *(continued)*

Superannuation assumptions

The significant actuarial assumptions used for superannuation reporting purposes are future rates of wages growth, the inflation rate that is used to index pensions and the discount rate, as detailed below.

Victorian statutory superannuation funds	*Actuary*	*Financial assumptions*	*Per cent per annum 2014*	*2013*
Emergency Services and State Super	PwC[(a)]	Expected return on assets[(b)]	8.0	8.0
		Discount rate[(c)]	4.1	4.3
		Wages growth[(d)]	4.0	3.8
		Inflation rate	2.5	2.3
Constitutionally Protected Pensions	PwC[(a)]	Discount rate[(c)]	4.1	4.3
		Wages growth[(d)]	4.0	3.8
		Inflation rate	2.5	2.3
Health Super Fund	Mercer[(e)]	Expected return on assets[(b)]	5.8	7.2
		Discount rate[(c)]	4.1	4.3
		Wages growth[(d)]	4.0	3.8
		Inflation rate	2.5	2.3

Notes:
(a) PricewaterhouseCoopers Securities Ltd.
(b) The expected return on assets stated is gross of tax. This rate is adjusted in the calculation process to reflect the assumed rate of tax payable by each scheme.
(c) In accordance with accounting standards, the discount rate is based on a long term Commonwealth bond rate. The rate stated above is an annual effective rate, gross of tax.
(d) Wages growth in this table are actuarial assumptions and do not reflect the Government's wages policy.
(e) Mercer (Australia) Pty Ltd.

Sensitivity analysis

The key risks associated with the State's defined benefit superannuation plans are:

- investment risk – the risk that investment returns will be lower than assumed and the State employers will need to increase contributions to offset the shortfall;
- wages growth risk – the risk that wages or salaries (on which future benefits are based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions;
- pension growth risk – the risk that CPI and therefore pension increases will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions; and
- longevity risk – the risk that pensioners will live longer than expected, increasing defined benefit amounts and thereby requiring additional employer contributions.

The significant actuarial assumptions are the future rates of salary increases, pension increases and the discount rate.

To illustrate the impact that movements in these assumptions can have on the State's superannuation liability, the defined benefit obligation has been remeasured under the following scenarios:

(a) a 1 per cent a year increase in the discount rate (from 4.1 to 5.1 per cent a year);

(b) a 1 per cent a year increase in the assumed wage growth rate (from 4.0 to 5.0 per cent a year); and

(c) a 1 per cent a year increase in the assumed inflation rate (from 2.5 to 3.5 per cent a year).

Note 8: Superannuation *(continued)*

These scenarios are expected to have the following impact on the State's defined benefit obligation:

	Base case	*Discount rate plus 1 per cent*	*Wage growth plus 1 per cent*	*Inflation rate plus 1 per cent*
Discount rate (per cent a year)	4.1	5.1	4.1	4.1
Wage growth (per cent a year)	4.0	4.0	5.0	4.0
Inflation rate (per cent a year)	2.5	2.5	2.5	3.5
Estimated impact (per cent)	**n.a.**	**(12)**	**2**	**9**
Estimated change in defined benefit obligation ($ million)	**n.a.**	**(5 323)**	**887**	**3 992**

The assumptions above have been changed whilst maintaining all other assumptions as outlined previously. There have been no changes to the methods and assumptions used to prepare this sensitivity analysis since the prior period.

Target asset allocation

(per cent)

Asset class	*2014*	*2013*
Domestic equity	26.8	26.7
International equity	26.8	26.1
Domestic debt assets	17.4	18.9
International debt assets	..	..
Property	7.6	8.2
Cash	4.2	6.0
Other (including private equity, hedge funds and infrastructure)	17.2	14.1
Total	**100.0**	**100.0**

The assets are invested in the asset classes shown above.

The chosen assets are not designed to match the liabilities exactly. However, the nature of the liabilities is considered in setting the investment strategy.

At 30 June 2014, the plans held investments with Treasury Corporation Victoria (TCV) worth $76 042 959.

Funding arrangements

The funding of the defined benefit plans varies by plan as follows:

- SSF – the scheme is partially funded, with participating employers generally contributing the cost of service as it accrues while the State meets the cost of past service.
- ESSS DB – a funded scheme, with a funding target of 110 per cent to 120 per cent of vested benefits. The Board's shortfall limit is 95 per cent of vested benefits.
- PCSF – a funded scheme, with employer contributions set every three years to ensure full funding is maintained.
- Judges Pension Scheme – an unfunded scheme (i.e. there are no assets) and benefits are paid from the Consolidated Fund as they fall due.
- Health Super – a funded scheme where the employers contribute in accordance with the actuary's recommendations which are designed to achieve a target asset level of 107 per cent of the scheme's vested benefits.

Note 8: Superannuation *(continued)*

In the 2014-15 financial year, employer contributions of $1 496 million, in total, are expected to be paid to the defined benefit plans. Of this, $1 billion relates to the funding of the SSF's past service liability.

The weighted average duration of the defined benefit obligation is about 13 years.

Note 9: Depreciation

($ million)

	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Buildings	1 378.2	1 338.3	1 029.7	984.5
Infrastructure systems	1 238.2	1 178.0	45.5	42.8
Plant, equipment and vehicles	877.7	871.4	569.7	564.3
Road and road networks	568.7	543.9	566.3	541.0
Cultural assets	21.1	21.8	21.1	21.8
Intangible produced assets[(a)]	210.3	178.2	131.4	99.9
Total depreciation	**4 294.1**	**4 131.6**	**2 363.8**	**2 254.3**

Note:
(a) Amortisation of intangible non-produced assets is included under 'total other economic flows included in net results'.

Note 10: Interest expense

($ million)

	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Interest on short-term interest-bearing liabilities	63.2	72.7	71.9	46.0
Interest on long-term interest-bearing liabilities	1 992.4	1 793.5	1 244.1	1 135.6
Finance charges on finance leases	847.3	622.7	771.7	542.8
Discount interest on payables	51.6	49.6	50.7	51.0
Total interest expense	**2 954.4**	**2 538.6**	**2 138.5**	**1 775.3**

Note 11: Other operating expenses

($ million)

	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Purchase of supplies and consumables	8 625.7	8 176.0	7 324.9	7 078.1
Cost of goods sold	388.3	231.1	142.9	128.3
Finance expenses and fees	429.8	439.6	24.3	22.1
Purchase of services[(a)]	8 311.3	7 877.1	7 571.6	7 135.0
Insurance claims expense	4 504.1	4 339.7	18.0	20.3
Maintenance	1 237.5	1 253.7	757.9	777.1
Operating lease payments	358.6	355.5	286.0	280.3
Other	1 258.2	669.8	1 234.6	652.8
Total other operating expenses	**25 113.5**	**23 342.6**	**17 360.1**	**16 094.1**

Note:
(a) Includes audit fees of $365 000 ($365 000 in 2013) paid or payable to the Victorian Auditor-General's Office for the audit of the Annual Financial Report of the State of Victoria.

Note 12: Grants and other transfers

($ million)

	State of Victoria		General government sector	
	2014	*2013*	*2014*	*2013*
Current grants expense				
Commonwealth government	208.6	151.7	208.5	151.0
Local government on-passing	635.4	927.8	635.4	927.8
Private sector and not-for-profit on-passing[(a)]	2 405.9	2 216.4	2 405.9	2 216.4
Other private sector and not-for-profit[(a)]	1 593.8	1 671.4	1 568.0	1 649.9
Grants within the Victorian government	..	..	2 581.5	2 645.7
Grants to other state governments	8.2	9.4	8.2	9.3
Total current grants and other transfers	**4 851.8**	**4 976.7**	**7 407.4**	**7 600.2**
Capital grants expense				
Local government on-passing	60.7	162.1	60.7	162.1
Private sector and not-for-profit on-passing	95.2	159.8	89.0	144.8
Other private sector and not-for-profit	0.6	1.0	0.5	0.9
Grants within the Victorian government	..	..	..	7.3
Other grants	28.2	98.7	28.0	98.7
Total capital grants and other transfers	**184.7**	**421.5**	**178.3**	**413.8**
Total grants and other transfers	**5 036.5**	**5 398.3**	**7 585.6**	**8 013.9**

Note:

(a) June 2013 comparative figures have been restated due to a reclassification of grants between 'private sector grants and not-for-profit on-passing' and 'other private sector and not-for-profit'.

Note 13: Expenses by government purpose and by department

(a) Expenses by government purposes classification[(a)]

($ million)

	State of Victoria		General government sector	
	2014	*2013*	*2014*	*2013*
General public services[(b)]	6 182.1	6 789.5	1 050.5	1 342.5
Public order and safety	5 430.6	4 925.5	5 508.5	5 188.5
Education	12 768.6	12 573.1	12 836.9	12 661.5
Health	13 698.5	12 845.3	13 814.6	13 158.2
Social security and welfare	4 087.1	3 780.4	4 111.7	3 868.0
Housing and community amenities	5 740.0	5 782.0	2 444.4	2 543.2
Recreation and culture	1 439.7	1 344.8	687.0	735.7
Fuel and energy[(c)]	134.5	132.4	123.1	115.7
Agriculture, forestry, fishing and hunting[(c)]	474.4	492.6	377.8	404.2
Mining, manufacturing and construction	..	..	..	..
Transport and communications	4 915.7	5 179.3	5 548.1	5 675.8
Other economic affairs	1 083.9	888.0	1 168.5	982.4
Other purposes	3 534.6	2 590.0	2 717.4	2 253.8
Total expenses from transactions[(b)]	**59 489.7**	**57 322.8**	**50 388.5**	**48 929.4**

Notes:

(a) Note 41 provides definitions and descriptions of government purpose classifications.

(b) June 2013 comparative figures have been restated to reflect a revised accounting standard, AASB 119 Employee Benefits*, which changed the way defined benefit superannuation expenses are calculated and presented. Refer to Note 1(F).*

(c) June 2013 comparative figures have been updated to reflect more current information.

Note 13: Expenses by government purpose and by department *(continued)*

(b) Expenses by department

($ million)

	State of Victoria		General government sector	
	2014	*2013*	*2014*	*2013*
Education and Early Childhood Development	14 183.1	14 062.0	14 183.1	14 062.0
Environment and Primary Industries[(a)]	7 935.5	6 558.5	2 323.7	1 850.4
Health	15 559.7	14 753.7	15 472.7	14 674.5
Human Services	4 677.7	4 466.7	3 726.9	3 541.8
Justice	6 122.5	4 627.9	5 966.1	4 486.7
Premier and Cabinet	798.1	775.0	693.2	659.4
State Development, Business and Innovation[(a)]	1 430.4	1 126.8	1 137.5	835.3
Transport, Planning and Local Infrastructure[(a)]	10 222.1	9 476.8	6 791.6	6 210.7
Treasury and Finance[(b)]	14 535.1	14 738.0	6 088.7	6 078.5
Parliament	169.5	165.9	169.5	165.9
Regulatory bodies and other part budget funded agencies	1 984.2	1 987.0	1 984.2	1 987.0
Planning and Community Development[(c)]	..	1 016.5	..	1 016.5
Primary Industries[(c)]	..	536.2	..	536.2
Total[(b)]	**77 617.8**	**74 291.2**	**58 537.2**	**56 104.9**
Less eliminations and adjustments[(d)]	(18 128.1)	(16 968.4)	(8 148.7)	(7 175.4)
Total expenses from transactions[(b)]	**59 489.7**	**57 322.8**	**50 388.5**	**48 929.4**

Notes:

(a) Effective 9 April 2013, several departments were renamed due to machinery of government changes:
- *the Department of Sustainability and Environment became the Department of Environment and Primary Industries;*
- *the Department of Business and Innovation became the Department of State Development, Business and Innovation; and*
- *the Department of Transport became the Department of Transport, Planning and Local Infrastructure.*

(b) June 2013 comparative figures have been restated to reflect a revised accounting standard, AASB 119 Employee Benefits*, which changed the way defined benefit superannuation expenses are calculated and presented. Refer to Note 1(F).*

(c) Effective 1 July 2013, the following departments ceased to exist and had their functions and operations transferred to other Victorian government departments:
- *Department of Planning and Community Development; and*
- *Department of Primary Industries.*

(d) Mainly comprising of payroll tax, capital asset charge and inter-departmental transfers.

Note 14: Net gain/(loss) on disposal of non-financial assets

($ million)

	State of Victoria		General government sector	
	2014	*2013*	*2014*	*2013*
Proceeds from disposal of physical assets	496.3	406.3	270.9	248.0
Written down value of assets sold/(disposed)	(509.0)	(385.2)	(296.0)	(227.2)
Net gain/(loss) on disposal of non-financial assets	**(12.7)**	**21.0**	**(25.0)**	**20.8**

Note 15: Other gains/(losses) from other economic flows

($ million)

	State of Victoria		General government sector	
	2014	2013	2014	2013
Net gain/(loss) from revaluation of biological assets	0.7	0.6	1.2	3.2
Net (increase)/decrease in provision for doubtful receivables	(178.4)	(261.0)	(175.7)	(252.6)
Amortisation of intangible non-produced assets	(10.5)	(23.8)	..	(15.7)
Net swap interest revenue/(expense)	(5.8)	(17.6)	..	(0.1)
Bad debts written off	(195.7)	(177.9)	(174.1)	(162.5)
Other gains/(losses)	10.5	2 029.5	(882.1)	165.3
Total other gains/(losses) from other economic flows	**(379.2)**	**1 549.7**	**(1 230.7)**	**(262.3)**

Note 16: Advances paid and investments, loans and placements

($ million)

	State of Victoria		General government sector	
	2014	2013	2014	2013
Current advances paid and investments, loans and placements				
Loans and advances paid	126.7	74.1	45.1	63.6
Equities and managed investment schemes	1 304.7	628.6	711.2	453.2
Australian dollar term deposits	781.7	897.1	1 862.7	2 453.9
Foreign currency term deposits	..	..	..	..
Debt securities	4 064.7	2 743.7	6.3	1.8
Derivative financial instruments	200.9	428.2	..	..
Total current advances paid and investments, loans and placements	**6 478.7**	**4 771.7**	**2 625.3**	**2 972.4**
Non-current advances paid and investments, loans and placements				
Loans and advances paid	1 668.4	1 653.2	4 541.8	4 563.2
Equities and managed investment schemes	15 467.0	14 510.5	241.0	228.8
Australian dollar term deposits	237.4	200.1	251.7	205.9
Debt securities	7 387.4	6 435.1	44.7	39.9
Derivative financial instruments	325.0	285.5	..	..
Total non-current advances paid and investments, loans and placements	**25 085.2**	**23 084.3**	**5 079.3**	**5 037.8**
Total advances paid and investments, loans and placements	**31 563.8**	**27 855.9**	**7 704.5**	**8 010.2**
Represented by:				
Advances paid	1 795.1	1 727.3	4 586.9	4 626.8
Investments, loans and placements	29 768.8	26 128.7	3 117.6	3 383.4

Note 17: Receivables

(a) Total Receivables

($ million)

	State of Victoria		General government sector	
	2014	2013	2014	2013
Contractual				
Sales of goods and services	1 183.3	1 215.9	647.2	709.8
Accrued investment income(a)	76.8	74.3	22.8	185.3
Other receivables(a)	1 007.6	2 131.7	1 097.7	1 102.1
Provision for doubtful contractual receivables	(144.1)	(145.9)	(72.2)	(68.5)
Statutory				
Sales of goods and services(a)(b)	7.2	3.1	5.6	..
Taxes receivables	2 084.8	2 113.4	2 141.0	2 152.1
Fines and regulatory fees	1 670.4	1 519.9	1 670.4	1 519.9
GST input tax credits recoverable	781.4	727.5	270.9	285.7
Provision for doubtful statutory receivables	(842.9)	(825.5)	(842.9)	(825.5)
Other				
Actuarially determined(b)	572.1	588.5	..	..
Total receivables	**6 396.5**	**7 402.9**	**4 940.6**	**5 061.0**
Represented by:				
Current receivables(a)	5 113.3	5 963.5	4 006.9	3 882.9
Non-current receivables(a)	1 283.2	1 439.3	933.7	1 178.1

Notes:

(a) June 2013 comparative figures have been restated. See Note 37.

(b) June 2013 figures have been restated due to a reclassification of receivables from 'Statutory, Sales of goods and services' to 'Other, Actuarially determined'.

Note 17: Receivables *(continued)*

(b) Ageing analysis of contractual receivables

($ million)

State of Victoria 2014	*Not past due and not impaired*	*Past due and not impaired: Less than 1 month*	*1-3 months*	*3 months-1 year*	*More than 1 year*	*Impaired*	*Total*
Sale of goods and services	696.6	238.4	90.2	78.4	60.9	18.9	1 183.3
Accrued investment income	73.1	3.5	..	0.2	..	..	76.8
Other receivables	653.9	86.3	14.2	186.8	65.3	1.0	1 007.6
	1 423.6	**328.2**	**104.4**	**265.4**	**126.2**	**20.0**	**2 267.7**
2013[(a)]							
Sale of goods and services	764.2	190.3	96.1	92.5	66.0	6.8	1 215.9
Accrued investment income	73.2	0.3	0.3	0.4	..	..	74.3
Other receivables	1 831.0	136.7	36.6	19.2	108.6	(0.5)	2 131.7
	2 668.5	**327.3**	**133.0**	**112.1**	**174.6**	**6.4**	**3 421.9**

Note:
(a) June 2013 comparative figures have been restated. See Note 37.

($ million)

General government sector 2014	*Not past due and not impaired*	*Past due and not impaired: Less than 1 month*	*1-3 months*	*3 months-1 year*	*More than 1 year*	*Impaired*	*Total*
Sale of goods and services	368.2	110.4	61.0	45.4	47.5	14.7	647.2
Accrued investment income	19.0	3.6	..	0.2	..	..	22.8
Other receivables	811.6	66.4	10.6	202.3	5.8	1.1	1 097.7
	1 198.9	**180.4**	**71.6**	**247.9**	**53.3**	**15.7**	**1 767.8**
2013[(a)]							
Sale of goods and services	433.1	76.8	73.9	63.1	60.3	2.7	709.9
Accrued investment income	184.0	0.4	0.4	0.4	..	..	185.3
Other receivables	900.3	112.4	40.8	10.2	38.8	(0.5)	1 102.1
	1 517.4	**189.6**	**115.2**	**73.7**	**99.2**	**2.2**	**1 997.3**

Note:
(a) June 2013 comparative figures have been restated to reflect the more accurate aging of receivables.

(c) Movement in provision of doubtful contractual receivables

($ million)

	State of Victoria 2014	*State of Victoria 2013*	*General government sector 2014*	*General government sector 2013*
Balance at start of the year	145.9	134.0	68.5	63.0
Reversal of unused provision recognised in the Operating Statement	(8.2)	0.9	(5.3)	(1.3)
Increase in provision recognised in the comprehensive operating statement	27.1	27.8	19.9	15.9
Receivables written off during the year as uncollectible	(20.8)	(16.8)	(10.8)	(9.1)
Balance at the end of the year	**144.1**	**145.9**	**72.2**	**68.5**

Note 18: Joint ventures

(a) Investments accounted for using the equity method

($ million)

	2014	*2013*
The Australian Regenerative Medicine Institute	35.0	35.0
Property Exchange Australia Limited	9.0	14.4
Total general government sector	**44.1**	**49.4**
Snowy Hydro Limited	1 511.0	1 616.6
Total investments	**1 555.1**	**1 666.1**

($ million)

Movements in carrying amounts	*2014*	*2013*
The Australian Regenerative Medicine Institute		
Carrying amount at the beginning of the period	35.0	35.0
Share of profit after income tax	..	..
Dividends received/receivable	..	..
Carrying amount at the end of the period	**35.0**	**35.0**
Property Exchange Australia Limited		
Carrying amount at the beginning of the period	14.4	9.2
Joint venture undertaken during the year	..	1.2
Share of profit after income tax	(5.4)	4.0
Net loss on financial asset at fair value	..	..
Carrying amount at the end of the period	**9.0**	**14.4**
Snowy Hydro Limited		
Carrying amount at the beginning of the period	1 616.6	1 620.5
Share of profit/(loss) after income tax	141.9	45.0
Dividends received/receivable	(72.5)	(133.4)
Other	..	..
Share of increment on revaluation of property, plant and equipment	(175.0)	84.5
Carrying amount at the end of the period	**1 511.0**	**1 616.6**

Note 18: Joint ventures *(continued)*

The Australia Regenerative Medicine Institute

The Department of State Development, Business and Innovation (DSDBI) has a joint venture interest with Monash University in the Australian Regenerative Medicine Institute (ARMI). ARMI was established to construct and operate a facility which will promote Victoria as a global leader in regenerative medical research, foster and develop existing research collaboration on both domestic and overseas projects and provide a major site for both undergraduate and post graduate training programs.

The following table provides information on Victoria's share of ARMI:

($ million)

Balance sheet	*2014*	*2013*
Current assets	..	..
Non-current assets	35.0	35.0
Total assets	**35.0**	**35.0**
Current liabilities	..	..
Non-current liabilities	..	..
Total liabilities	**..**	**..**
Net assets	**35.0**	**35.0**

The Victorian Government's ownership interest of ARMI at 30 June 2014 was 20.2 per cent (20.2 per cent in 2013).

Property Exchange Australia Limited

The Department of Transport, Planning and Local Infrastructure (DTPLI) has an investment in an associate entity, Property Exchange Australia Limited (PEXA), formerly known as National E-Conveyancing Development Limited (NECDL) (the name change occurred on 3 March 2014). PEXA was established in January 2010 to develop a single national electronic conveyancing system for settling property transactions.

PEXA was transferred to DTPLI as part of the machinery of government change that resulted in the transfer of functions of Land Victoria from the Department of Environment and Primary Industries (DEPI) on 1 July 2013.

The carrying value of the investment has been adjusted to reflect DTPLI's share of the carrying value of PEXA's net assets.

The following table provides information on Victoria's share of PEXA:

($ million)

Balance sheet	*2014*	*2013*
Current assets	3.0	9.0
Non-current assets	7.6	6.9
Total assets	**10.6**	**15.9**
Current liabilities	1.5	1.4
Non-current liabilities	0.1	0.1
Total liabilities	**1.6**	**1.5**
Net assets	**9.0**	**14.4**

The Victorian Government's ownership interest of PEXA at 30 June 2014 was 11.9 per cent (14.2 per cent in 2013).

Note 18: Joint ventures *(continued)*

Snowy Hydro Limited

Snowy Hydro Limited is a company jointly owned by the Commonwealth (13 per cent), New South Wales (58 per cent) and Victoria (29 per cent), which owns and operates the Snowy Mountains Hydro Electric Scheme as an independent electricity generator in the National Electricity Market.

The following tables provide information on Victoria's share of Snowy Hydro Limited:

($ million)

Balance sheet	*2014*	*2013*
Current assets	216.2	115.7
Non-current assets	1 459.5	1 680.0
Total assets	**1 675.6**	**1 795.7**
Current liabilities	54.4	174.1
Non-current liabilities	110.1	5.0
Total liabilities	**164.6**	**179.1**
Net assets	**1 511.0**	**1 616.6**

Revenue and profit	*2014*	*2013*
Revenue from ordinary activities	372.8	348.4
Profit from ordinary activities before income tax	158.9	75.9
Income Tax expense relating to ordinary activities	(17.0)	30.9
Net result	**175.9**	**45.0**

Commitments	*2014*	*2013*
Capital expenditure commitments	3.0	7.7
Operating lease commitments	20.0	20.6
Other commitments	2.8	4.7
Total commitments	**25.8**	**33.0**

The Victorian Government's ownership interest of Snowy Hydro Limited at 30 June 2014 was 29.0 per cent (29.0 per cent in 2013).

(b) Jointly controlled assets

Royal Melbourne Showgrounds

The State, represented by the former Department of Primary Industries entered into a joint venture agreement with the Royal Agricultural Society of Victoria (RASV) in October 2003 to redevelop the Royal Melbourne Showgrounds. The agreement came into effect on 30 June 2005. Two joint venture structures have been established, an unincorporated joint venture to carry out and deliver the joint venture project, and an incorporated joint venture entity, Showgrounds Nominees Pty Ltd to hold the assets of the joint venture and to enter into agreements on behalf of the State and RASV.

The State's contribution to the joint venture is $100.7 million (expressed in 2004 dollars) while RASV has contributed its freehold title to the showgrounds land valued at $51 million in June 2005. In June 2006, Showgrounds Nominees Pty Ltd entered into a development and operations agreement (on behalf of the State and RASV) with the concessionaire, PPP Solutions (Showgrounds) Nominee Pty Ltd to design, construct, finance and maintain the new facilities at the Showgrounds. The project operation term is 25 years from the date of commercial acceptance of completed works which occurred in August 2006.

Note 18: Joint ventures *(continued)*

The State of Victoria's interest in the unincorporated joint venture at 30 June 2014 was 50.0 per cent (50.0 per cent in 2013).

($ million)

Balance sheet	*State of Victoria* *2014*	*2013*	*General government sector* *2014*	*2013*
Current assets	6.4	6.4	6.4	6.4
Non-current assets	115.5	121.1	115.5	121.1
Total assets	**121.9**	**127.5**	**121.9**	**127.5**
Current liabilities	3.1	3.0	3.1	3.0
Non-current liabilities	48.2	49.3	48.2	49.3
Total liabilities	**51.3**	**52.3**	**51.3**	**52.3**
Net assets	**70.6**	**75.2**	**70.6**	**75.2**

AgriBio Project

In April 2008, the State, represented by the former Department of Primary Industries entered into a joint venture agreement with La Trobe University to establish a world class research facility on the university's campus in Bundoora. Similar to the Showgrounds, the structure adopted is an unincorporated joint venture to carry out and deliver the project, and an incorporated joint venture entity, AgriBio, Centre for AgriBioscience to hold the assets and to enter into agreements on behalf of the State and the university.

The State's contribution to the joint venture is $227.3 million (expressed in May 2009 dollars), while the university's contribution is $60.4 million (expressed in May 2009 dollars).

On 30 April 2009, AgriBio entered into a project agreement (on behalf of the State and the university) with the concessionaire to design, construct, finance and maintain the AgriBio facility over the project's operating term. The project's operating term is 25 years from the date of commercial acceptance of completed works which occurred on 18 July 2012.

The department pays the quarterly service payment in full each quarter as they fall due, with La Trobe reimbursing the state its agreed share. La Trobe has elected to pay its contribution in part upfront.

In addition, La Trobe contributes on a quarterly basis 25 percent of the general facilities management, maintenance and minor works costs associated with the services.

In accordance with the Joint Venture Agreement the participants are required to fund the administration expenses of the joint venture in equal shares of 50:50.

The State of Victoria's interest in the unincorporated joint venture at 30 June 2014 was 75.0 per cent (75.0 per cent in 2013).

($ million)

Balance sheet	*State of Victoria* *2014*	*2013*	*General government sector* *2014*	*2013*
Current assets	..	5.1	..	5.1
Non-current assets	179.1	185.8	179.1	185.8
Total assets	**179.1**	**190.9**	**179.1**	**190.9**
Current liabilities	7.4	4.2	7.4	4.2
Non-current liabilities	200.8	193.3	200.8	193.3
Total liabilities	**208.2**	**197.5**	**208.2**	**197.5**
Net assets	**(29.1)**	**(6.6)**	**(29.1)**	**(6.6)**

Note 18: Joint ventures *(continued)*

Murray-Darling Basin Authority

On 26 March 2008, the Commonwealth and the basin states – New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory – signed a Memorandum of Understanding for Murray Darling Basin Reform. The Murray Darling Basin Authority (MDBA) was created by the *Water Act 2007* and was established on 3 March 2008, however agreement to the proportional share of assets between the states and Commonwealth did not occur until 2008-09. The functions undertaken by the Murray Darling Basin Council (MDBC) were transferred to the MDBA and the existing MDBC dissolved, with a new Ministerial Council, Basin Officials Committee and Basin Community Committee established for the MDBA. The date of transition was 14 December 2008.

As a result, the State's equity investment in the MDBA was derecognised, with an associated increase in financial and non-financial asset values, but mainly in buildings, plant and equipment classifications in the balance sheet, reflecting the State's direct interest in certain MDBA assets. The venturers have a joint interest in the infrastructure assets themselves and water rights (as opposed to an interest in an entity controlling/holding the assets).

The share in the individually controlled assets was transferred at transition in the original proportions of the share of the entity held by the individual jurisdictions as follows: New South Wales 26.7 per cent; South Australia 26.7 per cent; Victoria 26.7 per cent; the Commonwealth Government 20.0 per cent.

($ million)

Balance sheet	*State of Victoria*		*General government sector*	
	2014	*2013*	*2014*	*2013*
Current assets[(a)]	12.7	13.6	12.7	13.6
Non-current assets[(a)]	791.1	779.1	791.1	779.1
Total assets	**803.8**	**792.7**	**803.8**	**792.7**
Current liabilities	..	..	..	..
Non-current liabilities	..	..	..	..
Total liabilities	**..**	**..**	**..**	**..**
Net assets	**803.8**	**792.7**	**803.8**	**792.7**

Note:
(a) June 2013 comparative figures have been restated to reflect more current information.

Note 19: Investments in other sector entities

($ million)

	2014	*2013[(a)]*
Balance of investment in PNFC and PFC sectors at beginning of period	69 714.8	67 426.6
Net contributions to other sectors by owner	2 340.6	2 785.9
Revaluation gain/(loss) for period	3 813.8	(497.7)
Total investments in other sector entities	**75 869.2**	**69 714.8**

Note:
(a) June 2013 comparative figures have been restated. See Note 37.

Note 20: Inventories

($ million)

	State of Victoria		General government sector	
	2014	2013	2014	2013
At cost				
Raw materials	5.8	5.3	5.3	4.7
Work in progress	47.5	52.7	6.3	4.4
Finished goods	46.5	48.2	5.4	5.4
Consumable stores	160.2	149.7	121.6	113.5
Land and other assets held as inventory[(a)]	532.9	598.6	37.9	60.3
At net realisable value				
Finished goods	4.5	7.9	0.1	0.1
Consumable stores	4.9	4.9	..	..
Land and other assets held as inventory	..	3.8	..	3.8
Total inventories	**802.2**	**871.0**	**176.6**	**192.1**

Note:
(a) Including inventory held for distribution.

Reconciliation of movements in land and other assets held as inventory

($ million)

	State of Victoria		General government sector	
	2014	2013	2014	2013
Opening balance	602.4	626.4	64.1	74.1
Acquisitions	2.3	159.1	2.1	16.4
Assets transferred	2.9	47.6	3.1	24.6
Revaluations	(36.9)	(126.4)	(0.7)	(12.0)
Disposals	(37.8)	(104.4)	(30.6)	(39.0)
Closing balance	**532.9**	**602.4**	**37.9**	**64.1**

Note 21: Non-financial assets held for sale

(a) Total non-financial assets held for sale

($ million)

	State of Victoria		General government sector	
	2014	2013	2014	2013
Land	125.8	87.9	101.8	68.7
Buildings	36.0	12.5	36.0	0.9
Infrastructure, plant, equipment and vehicles	4.7	3.2	4.7	3.2
Other	0.1	69.3	0.1	69.3
Total non-financial assets held for sale	**166.6**	**173.0**	**142.5**	**142.1**

(b) Fair value measurement of non-financial assets held for sale

($ million)

State of Victoria	*Carrying amount as at 30 June*	*Fair value measurement at the end of reporting period using:*		
2014		*Level 1*[(a)]	*Level 2* [(b)]	*Level 3* [(c)]
Land	125.8	..	115.8	10.0
Buildings	36.0	..	6.1	29.9
Infrastructure, plant, equipment and vehicles	4.7	..	2.9	1.7
Other	0.1	..	0.1	..
Closing balance	**166.6**	**..**	**124.9**	**41.6**

General government sector	*Carrying amount as at 30 June*	*Fair value measurement at the end of reporting period using:*		
2014		*Level 1* [(a)]	*Level 2* [(b)]	*Level 3* [(c)]
Land	101.8	..	91.7	10.0
Buildings	36.0	..	6.1	29.9
Infrastructure, plant, equipment and vehicles	4.7	..	2.9	1.7
Other	0.1	..	0.1	..
Closing balance	**142.5**	**..**	**100.9**	**41.6**

Notes:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Inputs based on observable market data (either directly using prices or indirectly derived from prices).

(c) Inputs not based on observable market data.

Note 21: Non-financial assets held for sale *(continued)*

(c) Reconciliation of Level 3 fair value movements

($ million)

State of Victoria	*Land*	*Buildings*	*Infrastructure, plant and equipment*	*Vehicles*	*Other*	*Total*
Opening balance	**1.1**	**2.7**	**0.2**	**1.1**	**..**	**5.1**
Assets reclassified/(sales)	9.0	27.2	(0.1)	0.5	..	36.5
Transfers in/out of Level 3	..	..	..	..	..	..
Impairment loss	..	..	..	..	..	..
Closing balance at 30 June 2014	**10.0**	**29.9**	**0.1**	**1.6**	**..**	**41.6**

General government	*Land*	*Buildings*	*Infrastructure, plant and equipment*	*Vehicles*	*Other*	*Total*
Opening balance	**1.1**	**2.7**	**0.2**	**1.1**	**..**	**5.1**
Assets reclassified/(sales)	9.0	27.2	(0.1)	0.5	..	36.5
Transfers in/out of Level 3	..	..	..	..	..	..
Impairment loss	..	..	..	..	..	..
Closing balance at 30 June 2014	**10.0**	**29.9**	**0.1**	**1.6**	**..**	**41.6**

Transfers between Level 1 and Level 2

There were no transfers identified between Levels 1 and 2.

(d) Description of significant unobservable inputs to Level 3 valuations – non-financial assets held for sale

The description of the significant unobservable inputs to Level 3 assets measured at fair value can be seen below. The disclosure is based on the description associated with the significant asset balances within each of the different Level 3 asset classes as per Note 21(b). These assets are measured at the end of the reporting period using inputs not based on observable market data. The sensitivity of the unobservable input to fair value has been assessed and a significant increase or decrease in the significant unobservable input will result in significant higher or lower valuation of the underlying asset.

Asset class	*Valuation technique*	*Significant unobservable input*	*Range*
Land			
	Market approach	Community service obligation adjustment[(a)]	20–50%
Buildings			
	Depreciated replacement cost	Cost per square metre	$1 650–$3 800
		Useful life	40–60 years
Vehicles			
	Depreciated replacement cost	Useful life	3–5 years

Note:

(a) The community service obligation (CSO) adjustment reflects the specialised nature of the asset being valued through the market approach. The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach takes into account the highest and best use consideration for fair value measurement, and considers the use of the asset that is physically possible, legally permissible, and financially feasible.

Note 22: Land, buildings, infrastructure, plant and equipment

(a) Total land, buildings, infrastructure, plant and equipment

($ million)

	Public Administration			
	State of Victoria		General government sector	
	2014	2013	2014	2013
Buildings (written down value)	2 144.2	2 059.8	1 025.8	1 032.1
Land and national parks	1 468.1	1 402.1	978.3	946.6
Buildings leasehold (written down value)	73.2	72.5	39.7	39.1
Infrastructure systems (written down value)	93.1	81.5	73.6	74.6
Plant, equipment and vehicles (written down value)	466.9	406.2	202.3	235.2
Roads and road infrastructure (written down value)	21.9	22.6	..	..
Earthworks	..	0.5	..	..
Cultural assets (written down value)	323.2	200.7	323.2	200.7
Total land, buildings, infrastructure, plant and equipment	**4 590.6**	**4 245.8**	**2 642.9**	**2 528.3**

	Community Housing			
	State of Victoria		General government sector	
	2014	2013	2014	2013
Buildings (written down value)	8 764.3	8 486.5	..	..
Land and national parks	12 058.3	9 511.6	..	..
Buildings leasehold	3.9	4.1	..	..
Infrastructure systems (written down value)	..	..	..	..
Plant, equipment and vehicles (written down value)	0.7	0.5	..	..
Roads and road infrastructure (written down value)	..	..	..	..
Earthworks	..	..	..	..
Cultural assets (written down value)	..	..	..	..
Total land, buildings, infrastructure, plant and equipment	**20 827.1**	**18 002.7**	**..**	**..**

	Total			
	State of Victoria		General government sector	
	2014	2013[(a)]	2014	2013[(a)]
Buildings (written down value)	40 071.8	37 077.1	24 478.8	21 708.8
Land and national parks	57 072.6	54 364.7	37 648.4	37 465.7
Buildings leasehold	2 445.7	2 339.1	2 400.8	2 291.9
Infrastructure systems (written down value)	54 314.0	52 351.8	1 247.8	1 272.1
Plant, equipment and vehicles (written down value)	7 830.7	8 070.0	2 589.9	2 921.3
Roads and road infrastructure (written down value)	22 172.4	22 116.8	22 103.8	22 046.7
Earthworks	7 685.2	7 639.2	7 685.2	7 638.8
Cultural assets (written down value)	5 544.6	5 514.1	5 489.5	5 458.7
Total land, buildings, infrastructure, plant and equipment	**197 137.0**	**189 473.0**	**103 644.2**	**100 804.0**

Note:

(a) June 2013 figures have been restated due to a reclassification of non-financial assets from 'buildings' to 'land' and from 'plant, equipment and vehicles, and infrastructure systems' to 'roads, road infrastructure and earthworks'.

Education				*Health and Welfare*			
State of Victoria		*General government sector*		*State of Victoria*		*General government sector*	
2014	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*
8 595.6	8 423.1	8 595.6	8 423.1	8 964.5	6 797.0	8 949.5	6 781.6
7 547.6	7 784.5	7 547.6	7 784.5	2 264.7	1 967.1	2 259.5	1 963.2
187.5	216.1	187.5	216.1	1 320.5	1 154.2	1 320.5	1 154.2
..	..	..	..	..	..	..	..
297.6	631.2	297.6	631.2	1 013.6	1 020.9	1 013.6	1 020.9
..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..
4.5	9.5	4.5	9.5	5.3	5.5	5.3	5.5
16 632.7	**17 064.4**	**16 632.7**	**17 064.4**	**13 568.6**	**10 944.7**	**13 548.3**	**10 925.4**

Transportation and Communication				*Public Safety and Environment*			
State of Victoria		*General government sector*		*State of Victoria*		*General government sector*	
2014	*2013*	*2014*	*2013*	*2014*	*2013*[(a)]	*2014*	*2013*[(a)]
4 568.1	4 728.9	507.8	521.1	7 035.0	6 581.9	5 400.1	4 950.8
21 308.1	21 315.1	17 476.5	17 473.9	12 425.9	12 384.3	9 386.6	9 297.5
31.9	42.6	29.2	39.8	828.8	849.5	823.9	842.6
15 795.0	14 252.0	336.7	370.2	38 425.9	38 018.4	837.4	827.4
4 820.4	4 852.6	142.5	143.2	1 231.5	1 158.7	934.0	890.9
21 097.9	21 027.9	21 097.9	21 027.9	1 052.6	1 066.4	1 005.9	1 018.9
7 685.2	7 638.8	7 685.2	7 638.8	..	..	..	..
1.1	1.7	1.1	1.2	5 210.6	5 296.6	5 155.4	5 241.7
75 307.7	**73 859.5**	**47 277.1**	**47 216.1**	**66 210.3**	**65 355.8**	**23 543.3**	**23 069.8**

Note 22: Land, buildings, infrastructure, plant and equipment *(continued)*

(b) Land and buildings

($ million)

	Public Administration			
	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Buildings	2 238.2	2 178.6	1 072.2	1 125.9
Accumulated depreciation	(94.0)	(118.8)	(46.5)	(93.8)
Buildings (written down value)	**2 144.2**	**2 059.8**	**1 025.8**	**1 032.1**
Buildings leasehold (written down value)	**73.2**	**72.5**	**39.7**	**39.1**
Land	1 468.1	1 402.1	978.3	946.6
National parks and other 'land only' holdings	..	..	..	..
Land and national parks	**1 468.1**	**1 402.1**	**978.3**	**946.6**
Total land and buildings	**3 685.5**	**3 534.5**	**2 043.8**	**2 017.8**

	Community Housing			
	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Buildings	8 765.2	9 093.5	..	..
Accumulated depreciation	(0.9)	(607.1)	..	..
Buildings (written down value)	**8 764.3**	**8 486.5**	**..**	**..**
Buildings leasehold (written down value)	**3.9**	**4.1**	**..**	**..**
Land	12 058.3	9 511.6	..	..
National parks and other 'land only' holdings	..	..	..	..
Land and national parks	**12 058.3**	**9 511.6**	**..**	**..**
Total land and buildings	**20 826.4**	**18 002.2**	**..**	**..**

	Total			
	State of Victoria		*General government sector*	
	2014	*2013[(a)]*	*2014*	*2013*
Buildings	41 838.9	40 825.3	25 647.2	24 421.3
Accumulated depreciation	(1 767.1)	(3 748.2)	(1 168.4)	(2 712.5)
Buildings (written down value)	**40 071.8**	**37 077.1**	**24 478.8**	**21 708.8**
Buildings leasehold (written down value)	**2 445.7**	**2 339.1**	**2 400.8**	**2 291.9**
Land	55 387.1	52 679.2	35 962.9	35 780.2
National parks and other 'land only' holdings	1 685.5	1 685.5	1 685.5	1 685.5
Land and national parks	**57 072.6**	**54 364.7**	**37 648.4**	**37 465.7**
Total land and buildings	**99 590.2**	**93 781.0**	**64 528.0**	**61 466.4**

Note:
(a) June 2013 figures have been restated due to a reclassification of non-financial assets from 'buildings' to 'land'.

Education				Health and Welfare			
State of Victoria		General government sector		State of Victoria		General government sector	
2014	2013	2014	2013	2014	2013	2014	2013
8 595.6	8 423.1	8 595.6	8 423.1	9 587.6	9 081.6	9 572.2	9 066.0
..	..	..	..	(623.0)	(2 284.7)	(622.7)	(2 284.4)
8 595.6	**8 423.1**	**8 595.6**	**8 423.1**	**8 964.5**	**6 797.0**	**8 949.5**	**6 781.6**
187.5	**216.1**	**187.5**	**216.1**	**1 320.5**	**1 154.2**	**1 320.5**	**1 154.2**
7 547.6	7 784.5	7 547.6	7 784.5	2 264.7	1 967.1	2 259.5	1 963.2
..	..	..	..	..	..	..	..
7 547.6	**7 784.5**	**7 547.6**	**7 784.5**	**2 264.7**	**1 967.1**	**2 259.5**	**1 963.2**
16 330.6	**16 423.7**	**16 330.6**	**16 423.7**	**12 549.7**	**9 918.3**	**12 529.4**	**9 899.1**

Transportation and Communication				Public Safety and Environment			
State of Victoria		General government sector		State of Victoria		General government sector	
2014	2013	2014	2013	2014	2013(a)	2014	2013
4 869.3	4 926.2	537.9	538.4	7 783.0	7 122.3	5 869.1	5 267.8
(301.2)	(197.3)	(30.1)	(17.3)	(748.0)	(540.4)	(469.1)	(317.0)
4 568.1	**4 728.9**	**507.8**	**521.1**	**7 035.0**	**6 581.9**	**5 400.1**	**4 950.8**
31.9	**42.6**	**29.2**	**39.8**	**828.8**	**849.5**	**823.9**	**842.6**
21 308.1	21 315.1	17 476.5	17 473.9	10 740.4	10 698.8	7 701.1	7 612.0
..	..	..	..	1 685.5	1 685.5	1 685.5	1 685.5
21 308.1	**21 315.1**	**17 476.5**	**17 473.9**	**12 425.9**	**12 384.3**	**9 386.6**	**9 297.5**
25 908.1	**26 086.6**	**18 013.6**	**18 034.9**	**20 289.8**	**19 815.7**	**15 610.5**	**15 090.9**

Note 22: Land, buildings, infrastructure, plant and equipment *(continued)*

(c) Plant, equipment and vehicles, and infrastructure systems

($ million)

	Public Administration			
	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Infrastructure systems	97.4	84.5	75.9	75.7
Accumulated depreciation	(4.3)	(3.0)	(2.3)	(1.1)
Leased infrastructure systems	..	..	..	..
Accumulated depreciation	..	..	..	..
Infrastructure systems (written down value)	**93.1**	**81.5**	**73.6**	**74.6**
Plant, equipment and vehicles	815.8	693.7	406.8	409.2
Accumulated depreciation	(348.9)	(287.5)	(204.5)	(174.0)
Leased plant, equipment and vehicles	..	..	..	..
Accumulated depreciation	..	..	..	..
Plant, equipment and vehicles (written down value)	**466.9**	**406.2**	**202.3**	**235.2**
Total plant, equipment and vehicles, and infrastructure systems	**560.0**	**487.7**	**275.9**	**309.8**

	Community Housing			
	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Infrastructure systems	..	..	..	..
Accumulated depreciation	..	..	..	..
Leased infrastructure systems	..	..	..	..
Accumulated depreciation	..	..	..	..
Infrastructure systems (written down value)	**..**	**..**	**..**	**..**
Plant, equipment and vehicles	8.2	8.1	..	..
Accumulated depreciation	(7.6)	(7.6)	..	..
Leased plant, equipment and vehicles	..	..	..	..
Accumulated depreciation	..	..	..	..
Plant, equipment and vehicles (written down value)	**0.7**	**0.5**	**..**	**..**
Total plant, equipment and vehicles, and infrastructure systems	**0.7**	**0.5**	**..**	**..**

	Total			
	State of Victoria		*General government sector*	
	2014	*2013*[(a)]	*2014*	*2013*[(a)]
Infrastructure systems	54 230.3	51 146.6	1 716.2	1 699.4
Accumulated depreciation	(4 550.1)	(3 521.0)	(468.4)	(427.2)
Leased infrastructure systems	4 799.4	4 809.1	..	..
Accumulated depreciation	(165.6)	(82.8)	..	..
Infrastructure systems (written down value)	**54 314.0**	**52 351.8**	**1 247.8**	**1 272.1**
Plant, equipment and vehicles	11 208.8	10 968.9	5 883.3	5 991.0
Accumulated depreciation	(4 527.4)	(4 001.5)	(3 498.0)	(3 194.2)
Leased plant, equipment and vehicles	1 450.4	1 345.2	405.8	300.6
Accumulated depreciation	(301.2)	(242.7)	(201.2)	(176.1)
Plant, equipment and vehicles (written down value)	**7 830.7**	**8 070.0**	**2 589.9**	**2 921.3**
Total plant, equipment and vehicles, and infrastructure systems	**62 144.6**	**60 421.9**	**3 837.7**	**4 193.5**

Note:

(a) June 2013 figures have been restated due to a reclassification of non-financial assets from 'plant, equipment and vehicles, and infrastructure systems' to 'roads, road infrastructure and earthworks'.

Education				*Health and Welfare*			
State of Victoria		*General government sector*		*State of Victoria*		*General government sector*	
2014	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*
..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..
..	**..**	**..**	**..**	**..**	**..**	**..**	**..**
1 123.3	1 414.0	1 123.3	1 414.0	2 503.0	2 308.7	2 502.6	2 308.1
(825.8)	(782.8)	(825.8)	(782.8)	(1 559.8)	(1 377.2)	(1 559.5)	(1 376.8)
..	..	..	..	96.1	118.4	96.1	118.4
..	..	..	..	(25.7)	(29.0)	(25.7)	(29.0)
297.6	**631.2**	**297.6**	**631.2**	**1 013.6**	**1 020.9**	**1 013.6**	**1 020.9**
297.6	**631.2**	**297.6**	**631.2**	**1 013.6**	**1 020.9**	**1 013.6**	**1 020.9**

Transportation and Communication				*Public Safety and Environment*			
State of Victoria		*General government sector*		*State of Victoria*		*General government sector*	
2014	*2013*	*2014*	*2013*	*2014*	*2013*[(a)]	*2014*	*2013*[(a)]
16 915.6	14 992.2	366.4	384.2	37 217.3	36 069.9	1 274.0	1 239.4
(1 123.4)	(743.6)	(29.6)	(14.0)	(3 422.4)	(2 774.4)	(436.5)	(412.1)
6.7	6.6	..	..	4 792.7	4 802.4	..	..
(3.9)	(3.3)	..	..	(161.7)	(79.5)	..	..
15 795.0	**14 252.0**	**336.7**	**370.2**	**38 425.9**	**38 018.4**	**837.4**	**827.4**
4 293.9	4 230.3	83.9	184.7	2 464.5	2 314.2	1 766.7	1 674.9
(522.0)	(355.6)	(45.4)	(41.5)	(1 263.3)	(1 190.8)	(862.8)	(819.0)
1 156.6	1 044.4	112.2	..	197.7	182.4	197.4	182.1
(108.1)	(66.6)	(8.2)	..	(167.4)	(147.2)	(167.4)	(147.1)
4 820.4	**4 852.6**	**142.5**	**143.2**	**1 231.5**	**1 158.7**	**934.0**	**890.9**
20 615.4	**19 104.6**	**479.2**	**513.4**	**39 657.4**	**39 177.1**	**1 771.4**	**1 718.2**

Note 22: Land, buildings, infrastructure, plant and equipment *(continued)*

(d) Roads, road infrastructure and earthworks

($ million)

	Public Administration			
	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Roads and roads infrastructure	25.9	25.9	..	..
Accumulated depreciation	(3.9)	(3.3)	..	..
Roads and roads infrastructure (written down value)	**21.9**	**22.6**	**..**	**..**
Earthworks	**..**	**0.5**	**..**	**..**
Total roads, road infrastructure and earthworks	**21.9**	**23.0**	**..**	**..**

	Community Housing			
	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Roads and roads infrastructure	..	..	..	..
Accumulated depreciation	..	..	..	..
Roads and roads infrastructure (written down value)	**..**	**..**	**..**	**..**
Earthworks	**..**	**..**	**..**	**..**
Total roads, road infrastructure and earthworks	**..**	**..**	**..**	**..**

	Total			
	State of Victoria		*General government sector*	
	2014	*2013*[(a)]	*2014*	*2013*[(a)]
Roads and roads infrastructure	37 970.1	37 340.8	37 890.9	37 264.1
Accumulated depreciation	(15 797.6)	(15 224.0)	(15 787.1)	(15 217.4)
Roads and roads infrastructure (written down value)	**22 172.4**	**22 116.8**	**22 103.8**	**22 046.7**
Earthworks	**7 685.2**	**7 639.2**	**7 685.2**	**7 638.8**
Total roads, road infrastructure and earthworks	**29 857.6**	**29 756.0**	**29 789.0**	**29 685.5**

Note:

(a) June 2013 figures have been restated due to a reclassification of non-financial assets from 'plant, equipment and vehicles, and infrastructure systems' to 'roads, road infrastructure and earthworks'.

Education				*Health and Welfare*			
State of Victoria		*General government sector*		*State of Victoria*		*General government sector*	
2014	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*
..	..	..	..	..	..	..	..
..	..	..	..	..	..	..	..
..	**..**	**..**	**..**	**..**	**..**	**..**	**..**
..	**..**	**..**	**..**	**..**	**..**	**..**	**..**
..	**..**	**..**	**..**	**..**	**..**	**..**	**..**

Transportation and Communication				*Public Safety and Environment*			
State of Victoria		*General government sector*		*State of Victoria*		*General government sector*	
2014	*2013*	*2014*	*2013*	*2014*	*2013*[(a)]	*2014*	*2013*[(a)]
36 845.8	36 219.2	36 845.8	36 219.2	1 098.4	1 095.8	1 045.1	1 045.0
(15 747.9)	(15 191.3)	(15 747.9)	(15 191.3)	(45.8)	(29.4)	(39.2)	(26.1)
21 097.9	**21 027.9**	**21 097.9**	**21 027.9**	**1 052.6**	**1 066.4**	**1 005.9**	**1 018.9**
7 685.2	**7 638.8**	**7 685.2**	**7 638.8**	**..**	**..**	**..**	**..**
28 783.1	**28 666.6**	**28 783.1**	**28 666.6**	**1 052.6**	**1 066.4**	**1 005.9**	**1 018.9**

Note 22: Land, buildings, infrastructure, plant and equipment *(continued)*

(e) Cultural assets

($ million)

	Public Administration			
	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Cultural assets	346.6	212.3	346.6	212.3
Accumulated depreciation	(23.4)	(11.6)	(23.4)	(11.6)
Total cultural assets	**323.2**	**200.7**	**323.2**	**200.7**

	Community Housing			
	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Cultural assets	..	..	..	..
Accumulated depreciation	..	..	..	..
Total cultural assets	**..**	**..**	**..**	**..**

	Total			
	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Cultural assets	5 666.0	5 625.2	5 610.8	5 569.8
Accumulated depreciation	(121.3)	(111.1)	(121.3)	(111.1)
Total cultural assets	**5 544.6**	**5 514.1**	**5 489.5**	**5 458.7**

Education				Health and Welfare			
State of Victoria		General government sector		State of Victoria		General government sector	
2014	2013	2014	2013	2014	2013	2014	2013
19.3	31.9	19.3	31.9	5.3	5.5	5.3	5.5
(14.8)	(22.4)	(14.8)	(22.4)	..	..	..	..
4.5	**9.5**	**4.5**	**9.5**	**5.3**	**5.5**	**5.3**	**5.5**

Transportation and Communication				Public Safety and Environment			
State of Victoria		General government sector		State of Victoria		General government sector	
2014	2013	2014	2013	2014	2013	2014	2013
1.4	2.0	1.4	1.4	5 293.4	5 373.5	5 238.2	5 318.7
(0.3)	(0.2)	(0.3)	(0.2)	(82.8)	(76.9)	(82.8)	(76.9)
1.1	**1.7**	**1.1**	**1.2**	**5 210.6**	**5 296.6**	**5 155.4**	**5 241.7**

Note 22: Land, buildings, infrastructure, plant and equipment *(continued)*

(f) Reconciliation of movements

Reconciliation of movements in land and buildings

($ million)

	State of Victoria		General government sector	
	2014	*2013*	*2014*	*2013*
Opening balance	93 781.0	92 230.6	61 466.4	60 224.9
Acquisitions	2 421.9	2 742.9	1 931.5	2 058.0
Reclassification	72.3	(515.7)	177.9	(485.9)
Revaluation[(a)]	5 813.8	708.7	2 981.4	802.0
Disposals	(374.0)	(392.5)	(208.9)	(260.6)
Assets recognised for the first time	138.3	398.3	92.8	163.7
Assets provided free of charge	(873.7)	..	(873.7)	..
Impairment[(a)]	(11.2)	(53.0)	(9.7)	(51.4)
Depreciation	(1 378.2)	(1 338.2)	(1 029.7)	(984.5)
Closing balance	**99 590.2**	**93 781.0**	**64 528.0**	**61 466.4**

Note:

(a) $107.4 million has been reclassified from impairment to fair value to represent the economic obsolescence adjustment recognised for school building assets in 2013. The reclassification provides consistency with the current year accounting policy adopted for measuring fair value under AASB 13 Fair Value Measurement *brings clarity to the users of these statements and provides for better understanding.*

Reconciliation of movements in plant, equipment and vehicle, and infrastructure systems

($ million)

	State of Victoria		General government sector	
	2014	*2013*	*2014*	*2013*
Opening balance[(a)]	60 421.9	53 628.5	4 193.5	3 563.1
Acquisitions	4 108.1	9 002.5	689.3	709.9
Reclassification	(422.4)	660.1	(320.6)	604.2
Revaluation	180.3	(278.9)	3.0	6.4
Disposals	(213.6)	(747.0)	(114.0)	(219.0)
Assets recognised for the first time	214.0	233.5	27.8	140.3
Assets provided free of charge	(22.3)	..	(22.3)	..
Impairment	(5.5)	(27.4)	(3.8)	(4.3)
Depreciation	(2 115.9)	(2 049.4)	(615.3)	(607.1)
Closing balance[(a)]	**62 144.6**	**60 421.9**	**3 837.7**	**4 193.5**

Note:

(a) June 2013 figures have been restated due to a reclassification of non-financial assets from 'plant, equipment and vehicles, and infrastructure systems' to 'roads, road infrastructure and earthworks'.

Note 22: Land, buildings, infrastructure, plant and equipment *(continued)*

Reconciliation of movements in roads, road infrastructure and earthworks

($ million)

	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Opening balance[(a)]	29 756.0	28 598.5	29 685.5	28 550.6
Acquisitions	747.9	1 795.8	746.5	1 771.0
Reclassification	(78.6)	(3.4)	(78.3)	(3.2)
Revaluation	1.6	(12.8)	2.0	(13.7)
Disposals	(0.6)	(66.8)	(0.4)	(66.7)
Assets recognised for the first time	..	1.4	..	1.4
Assets provided free of charge	..	..	..	..
Impairment	..	(12.8)	..	(12.8)
Depreciation	(568.7)	(543.9)	(566.3)	(541.0)
Closing balance[(a)]	**29 857.6**	**29 756.0**	**29 789.0**	**29 685.5**

Note:

(a) June 2013 figures have been restated due to a reclassification of non-financial assets from 'plant, equipment and vehicles, and infrastructure systems' to 'roads, road infrastructure and earthworks'.

Reconciliation of movements in cultural assets

($ million)

	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Opening balance	5 514.1	5 513.1	5 458.7	5 458.1
Acquisitions	24.8	18.7	24.5	18.2
Reclassification	39.3	4.1	39.3	4.5
Revaluation	0.3	0.4	0.3	..
Disposals	(3.7)	(0.3)	(3.1)	(0.3)
Assets recognised for the first time	0.1	..	0.1	..
Assets provided free of charge	(8.9)	..	(8.9)	..
Impairment	(0.3)	..	(0.3)	..
Depreciation	(21.1)	(21.8)	(21.1)	(21.8)
Closing balance	**5 544.6**	**5 514.1**	**5 489.5**	**5 458.7**

Note 22: Land, buildings, infrastructure, plant and equipment *(continued)*

(g) Fair value measurement of land, buildings, infrastructure, plant and equipment

($ million)

State of Victoria	*Carrying amount as at 30 June*	*Fair value measurement at the end of reporting period using:*		
2014		*Level 1[(a)]*	*Level 2[(b)]*	*Level 3[(c)]*
Buildings	**36 885.2**	**..**	**10 569.4**	**26 315.7**
Non-specialised buildings	12 231.9	..	9 360.7	2 871.2
Specialised buildings	23 495.9	..	1 208.7	22 287.2
Heritage buildings	1 157.4	..	..	1 157.4
Land and national parks	**57 072.6**	**..**	**14 932.4**	**42 140.2**
Non-specialised land	15 497.5	..	13 548.6	1 948.9
Specialised land	23 996.9	..	1 383.8	22 613.0
Land under roads	15 892.8	..	..	15 892.8
National parks and other ‘land only’ holdings	1 685.5	..	..	1 685.5
Plant, equipment, vehicles and infrastructure systems	**49 407.4**	**..**	**473.2**	**48 934.2**
Infrastructure systems	43 510.8	..	21.4	43 489.4
Rolling stock	2 555.8	..	..	2 555.8
Plant, equipment and vehicles	3 340.8	..	451.8	2 889.0
Roads, road infrastructure and earthworks	**28 676.0**	**..**	**405.3**	**28 270.7**
Roads and roads infrastructure	20 990.8	..	361.0	20 629.8
Earthworks	7 685.2	..	44.3	7 640.9
Cultural assets	**5 544.6**	**..**	**3 398.5**	**2 146.2**
Total land, buildings, infrastructure, plant and equipment[(d)]	**177 585.8**	**..**	**29 778.8**	**147 807.0**

Notes:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Inputs based on observable market data (either directly using prices or indirectly derived from prices).

(c) Inputs not based on observable market data.

(d) The total land, building, infrastructure, plant and equipment excludes leased assets and construction in progress assets at cost of $19 551.2 million.

Note 22: Land, buildings, infrastructure, plant and equipment *(continued)*

(g) Fair value measurement of land, buildings, infrastructure, plant and equipment *(continued)*

($ million)

General government sector	*Carrying amount as at 30 June*	*Fair value measurement at the end of reporting period using:*		
2014		*Level 1[(a)]*	*Level 2[(b)]*	*Level 3[(c)]*
Buildings	**21 579.7**	**..**	**1 689.3**	**19 890.4**
Non-specialised buildings	2 805.1	..	562.1	2 243.0
Specialised buildings	17 617.2	..	1 127.3	16 489.9
Heritage buildings	1 157.4	..	..	1 157.4
Land and national parks	**37 648.4**	**..**	**1 336.8**	**36 311.6**
Non-specialised land	2 718.7	..	889.7	1 829.0
Specialised land	17 351.4	..	447.1	16 904.3
Land under roads	15 892.8	..	..	15 892.8
National parks and other 'land only' holdings	1 685.5	..	..	1 685.5
Plant, equipment, vehicles and infrastructure systems	**3 121.7**	**..**	**256.3**	**2 865.4**
Infrastructure systems	1 134.8	..	9.5	1 125.3
Rolling stock	..	..	..	..
Plant, equipment and vehicles	1 986.9	..	246.8	1 740.1
Roads, road infrastructure and earthworks	**28 607.4**	**..**	**400.4**	**28 207.0**
Roads and roads infrastructure	20 922.2	..	356.1	20 566.1
Earthworks	7 685.2	..	44.3	7 640.9
Cultural assets	**5 489.5**	**..**	**3 343.3**	**2 146.2**
Total land, buildings, infrastructure, plant and equipment[(d)]	**96 446.6**	**..**	**7 026.0**	**89 420.6**

Notes:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Inputs based on observable market data (either directly using prices or indirectly derived from prices).

(c) Inputs not based on observable market data.

(d) The total land, building, infrastructure, plant and equipment excludes leased assets and construction in progress assets at cost of $7 197.5 million.

Note 22: Land, buildings, infrastructure, plant and equipment *(continued)*

(h) Reconciliation of Level 3 fair value movements

($ million)

State of Victoria 2014	*Opening balance*	*Depreciation*	*Impairment*	*Assets recognised for the first time*
Buildings	**24 279.4**	**(1 116.1)**	**(2.2)**	**49.8**
Non-specialised buildings	2 664.1	(185.7)	..	17.7
Specialised buildings	20 430.8	(892.3)	(2.2)	32.0
Heritage buildings	1 184.5	(38.2)	..	..
Land and national parks	**41 561.7**	**(2.8)**	**(0.1)**	**34.4**
Non-specialised land	1 930.8	..	..	22.3
Specialised land	22 053.0	(2.8)	(0.1)	12.1
Land under roads	15 892.4	..	..	..
National parks and other 'land only' holdings	1 685.5	..	..	..
Plant, equipment, vehicles and infrastructure systems	**48 703.1**	**(1 862.0)**	**(2.2)**	**90.3**
Infrastructure systems	43 213.7	(1 161.9)	(1.6)	37.2
Rolling stock	2 481.8	..	(0.2)	..
Plant, equipment and vehicles	3 007.6	(700.1)	(0.4)	53.1
Roads, road infrastructure and earthworks	**27 349.7**	**(567.9)**	**..**	**4.4**
Roads and roads infrastructure	20 097.6	(567.9)	..	3.9
Earthworks	7 252.1	..	..	0.5
Cultural assets	**2 092.0**	**(15.2)**	**..**	**..**
Total	**143 985.9**	**(3 564.0)**	**(4.5)**	**178.8**

General government sector 2014	*Opening balance*	*Depreciation*	*Impairment*	*Assets recognised for the first time*
Buildings	**17 662.3**	**(948.6)**	**(2.0)**	**25.1**
Non-specialised buildings	2 029.3	(166.2)	..	7.8
Specialised buildings	14 448.6	(744.2)	(2.0)	17.3
Heritage buildings	1 184.5	(38.2)	..	..
Land and national parks	**35 726.3**	**(2.8)**	**(0.1)**	**22.1**
Non-specialised land	1 812.6	..	..	22.1
Specialised land	16 335.8	(2.8)	(0.1)	..
Land under roads	15 892.4	..	..	..
National parks and other 'land only' holdings	1 685.5	..	..	..
Plant, equipment, vehicles and infrastructure systems	**2 901.6**	**(496.9)**	**(0.4)**	**22.3**
Infrastructure systems	1 149.7	(33.5)	..	0.4
Rolling stock	..	..	..	..
Plant, equipment and vehicles	1 751.9	(463.4)	(0.4)	21.9
Roads, road infrastructure and earthworks	**27 285.3**	**(566.3)**	**..**	**4.4**
Roads and roads infrastructure	20 033.2	(566.3)	..	3.9
Earthworks	7 252.1	..	..	0.5
Cultural assets	**2 092.0**	**(15.2)**	**..**	**..**
Total	**85 667.4**	**(2 029.8)**	**(2.6)**	**73.9**

Revaluation	Acquisitions/ (Disposals)	Transfers in/out of Level 3	Reclassification	Closing balance
2 247.0	**866.6**	**(1.1)**	**(7.7)**	**26 315.7**
312.5	82.0	24.9	(44.4)	2 871.2
1 934.4	775.8	(26.0)	34.5	22 287.2
..	8.8	..	2.2	1 157.4
380.3	**311.5**	**(36.8)**	**(107.9)**	**42 140.2**
6.3	(1.4)	(16.0)	6.8	1 948.9
374.0	312.9	(21.3)	(114.8)	22 613.0
..	..	0.4	..	15 892.8
..	..	..	..	1 685.5
183.2	**1 764.0**	**9.8**	**47.9**	**48 934.2**
177.2	1 197.9	1.5	25.4	43 489.4
..	74.1	..	..	2 555.8
6.0	492.0	8.3	22.5	2 889.0
12.3	**5.6**	**..**	**1 466.7**	**28 270.7**
12.3	5.6	..	1 078.4	20 629.8
..	..	..	388.3	7 640.9
..	**5.3**	**..**	**64.1**	**2 146.2**
2 822.8	**2 953.0**	**(28.1)**	**1 463.1**	**147 807.0**

Revaluation	Acquisitions/ (Disposals)	Transfers in/out of Level 3	Reclassification	Closing balance
2 247.1	**887.9**	**(1.1)**	**19.7**	**19 890.4**
312.9	79.0	24.9	(44.6)	2 243.0
1 934.2	800.0	(26.0)	62.1	16 489.9
..	8.8	..	2.2	1 157.4
377.8	**319.6**	**(16.6)**	**(114.8)**	**36 311.6**
4.9	(1.5)	(16.0)	6.8	1 829.0
372.9	321.1	(1.1)	(121.6)	16 904.3
..	..	0.4	..	15 892.8
..	..	..	..	1 685.5
6.0	**407.6**	**3.0**	**22.3**	**2 865.4**
..	18.3	(9.6)	..	1 125.3
..	..	..	..	..
6.0	389.3	12.6	22.3	1 740.1
12.3	**4.7**	**..**	**1 466.7**	**28 207.0**
12.3	4.7	..	1 078.4	20 566.1
..	..	..	388.3	7 640.9
..	**5.3**	**..**	**64.1**	**2 146.2**
2 643.3	**1 625.1**	**(14.7)**	**1 458.0**	**89 420.6**

Note 22: Land, buildings, infrastructure, plant and equipment *(continued)*

Transfers between Level 1 and Level 2

There were no transfers identified between Levels 1 and 2.

(i) Description of significant unobservable inputs to Level 3 valuations

The description of the significant unobservable inputs to Level 3 assets measured at fair value can be seen below. The disclosure is based on the description associated with the significant asset balances within each of the different Level 3 asset classes as per Note 22(g). These assets are measured at the end of the reporting period using inputs not based on observable market data. The sensitivity of the unobservable input to fair value has been assessed and a significant increase or decrease in the significant unobservable input will result in significant higher or lower valuation of the underlying asset.

Buildings

Asset class	*Valuation technique*	*Significant unobservable input*	*Range*
Specialised buildings			
Education	Depreciated replacement cost	Cost per square metre	$1 650–$3 800
		Useful life	40–60 years
		Enrolment data	n.a.
Health and welfare	Depreciated replacement cost	Cost per square metre	$125–$5 265
		Useful life	25–70 years
Public safety	Market approach	Community service obligation adjustment[(a)]	20%
	Depreciated replacement cost	*Cost*	
		per unit	$4 000–$6 112 000
		per square metre	$15–$6 793
		Useful life	1–67 years
Environment	Depreciated replacement cost	Cost per square metre	$10–$5 504
		Useful life	33–100 years
Transportation and Communication (PNFC)	Depreciated replacement cost	Ancillary cost	$745–$74 500 per metre $345–$7 499 per square metre $32 756–$558 409 per unit
		Useful life	40–100 years
Non-specialised buildings			
Health and welfare	Depreciated replacement cost	Cost per square metre	$300–$2 100
		Useful life	50–130 years
Heritage buildings			
Public administration	Depreciated replacement cost	Cost per square metre	$190–$21 000
		Useful life	5–200 years
Public safety	Depreciated replacement cost	Cost per square metre	$200–$4 588
		Useful life	1–50 years

Note:

(a) The community service obligation (CSO) adjustment reflects the specialised nature of the asset being valued through a market approach. The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach takes into account the highest and best use consideration for fair value measurement, and considers the use of the asset that is physically possible, legally permissible, and financially feasible.

Note 22: Land, buildings, infrastructure, plant and equipment *(continued)*

(i) Description of significant unobservable inputs to Level 3 valuations *(continued)*

Land and national parks

Asset class	*Valuation technique*	*Significant unobservable input*[(a)]	*Range*
Specialised land			
Education	Market approach	Community service obligation (CSO) adjustment	20–50%
Environment			10–90%
Health and welfare			10–38%
Public safety			20–25%
Public administration			10–61%
Environment (PNFC)			20–90%
Transportation and communication (PNFC)			75%
Non-specialised land			
Transportation and communication	Market approach	CSO adjustment	0–25%
Health and welfare			10–20%
Land under roads			
	Market approach	CSO adjustment	15–80%
		Direct cost per hectare	$918–$34 350 000
National parks			
	Market approach	CSO adjustment	70–90%

Note:

(a) The community service obligation (CSO) adjustment reflects the specialised nature of the asset being valued through a market approach. The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach takes into account the highest and best use consideration for fair value measurement, and considers the use of the asset that is physically possible, legally permissible, and financially feasible.

Note 22: Land, buildings, infrastructure, plant and equipment *(continued)*

(i) Description of significant unobservable inputs to Level 3 valuations *(continued)*

Infrastructure systems and rolling stock

Asset class	*Valuation technique*	*Significant unobservable input*	*Range*
Piers, jetties and river improvements			
	Depreciated replacement cost	Cost per unit	$1 000–$5 300 000
		Useful life	6–100 years
Metropolitan water infrastructure system (PNFC)			
	Income approach	Discount rate	6.0–6.5%
		Inflation rate	2–3%
		Useful life	
		• Melbourne Water	3–200 years
		• Other	3–100 years
Infrastructure systems			
Rail (track)	Depreciated replacement cost	Steel	$1 870 per tonne
		Ancillary cost	$31–$36 per tonne
			$320–$23 950 per day
			$15–$415 per cubic metre
		Useful life	50–100 years
Rail (signals and communications)		Ancillary cost	$160 900–$291 900
		Useful life	30–33 years
Other (PNFC)		Cost per unit	$17 000–$2 022 000
		Useful life	0–32 years
Regional water infrastructure systems (PNFC)			
Sewer collection			
Mains	Depreciated replacement cost	Cost	
		• per station	$50–$4 620
		• square metre	$5–$478
		Useful life	50–110 years
Pump stations		Cost	
		• per station	$86 647
		• square metre	$322 244
		Useful life	10–80 years
Sewer treatment			
Treatment plants		Average cost per unit	$2 733 032–$20 458 750
		Useful life	10–105 years
Treatment plants mechanical/ electrical		Average cost per asset	$62 462
		Useful life	15–20 years
Specialised buildings		Cost per asset	$543 105
		Useful life	80 years
Water distribution			
Mains		Cost	
		• per metre	$50–$1 564
		• per square metre	$156
		• per unit	$178
		Useful life	50–120 years
Meters		Cost per metre	$178 per unit
		Useful life	8–16 years
Pipelines		Cost per metre	$56
		Useful life	10–80 years
Service basins and tanks		Average cost per facility	$791 474
		Useful life	67 years

Note 22: Land, buildings, infrastructure, plant and equipment *(continued)*

(i) Description of significant unobservable inputs to Level 3 valuations *(continued)*

Infrastructure systems and rolling stock (continued)

Asset class	*Valuation technique*	*Significant unobservable input*	*Range*
Regional water infrastructure systems (PNFC) ***(continued)***			
Water quality			
Treatment plants	Depreciated replacement cost	Average cost per unit	$1 032 779–$3 280 266
		Useful life	10–90 years
Treatment plants mechanical/ electrical		Cost per unit	$32 982
		Useful life	15–20 years
Pump stations		Cost per unit	$146 547–$872 547
		Useful life	10–80 years
Water (distribution) pump		Cost per unit	$741 421 per unit
		Useful life	30–80 years
Specialised buildings		Average cost per asset	$175 661 per asset
		Useful life	80 years
Water infrastructure		Useful life	10–150 years
Water harvesting			
Bores		Cost per unit	$29 116–$66 558
		Useful life	2–75 years
Storages		Cost per unit	$112 780–$2 921 593
		Useful life	50–350 years
Channels		Cost	
		• per metre	$14–$1 235
		• per unit	$211
		• per facility	$2 142 299
		Useful life	10–140 years
Other			
Recycled water factory		Cost per unit	$35 328 102
		Useful life	20–80 years
Rolling stock (PNFC)			
	Depreciated replacement cost	Cost per unit	$756 000–$8 300 000
		Useful life	4–45 years
		Qualitative attractiveness[a]	0–20%

Note:
(a) Qualitative attractiveness represents the discount applied to the replacement cost for each type of rolling stock to account for difference in technical specification and functional obsolescence.

Note 22: Land, buildings, infrastructure, plant and equipment *(continued)*

(i) Description of significant unobservable inputs to Level 3 valuations *(continued)*

Plant, equipment and vehicles

Asset class	*Valuation technique*	*Significant unobservable input*	*Range*
Plant and equipment			
	Depreciated replacement cost	Cost per unit	
		• Other	\$1 000–\$1 630 646
		Useful life	
		• Health and welfare	4–10 years
		• Other	1–21 years
Plant and equipment (PNFC)			
	Depreciated replacement cost	Contracted price	\$1 200 000–\$8 300 000
		Contracted price inflation	1.9% a year
Vehicles			
	Depreciated replacement cost	Cost per unit	
		• Health and welfare	\$2 000–\$360 282
		• Public safety	\$1 000–\$1 735 000
		Useful life	
		• Health and welfare	1–10 years
		• Public safety	5–20 years

Roads, road infrastructure and earthworks

Asset class	*Valuation technique*	*Significant unobservable input*	*Range*
Earthworks			
	Depreciated replacement cost	Cost per km	\$119 556–\$2 536 137
Roads and roads infrastructure			
Road pavements	Depreciated replacement cost	Cost per km lane	\$83 025–\$1 960 497
		Useful life of roads	Under 60 years
Bridges		Cost per square metre	\$1 328–\$11 070
		Useful life of bridges	Under 90 years
Other		Cost	
		• per km lane	\$41 011–\$583 511
		• per square metre	\$415–\$908
		• per unit	\$6 642–\$28 285
		Useful life of asset	Under 80 years

Note 22: Land, buildings, infrastructure, plant and equipment *(continued)*

(i) Description of significant unobservable inputs to Level 3 valuations *(continued)*

Cultural assets

Asset class	*Valuation technique*	*Significant unobservable input*	*Range*
State collection of works of art			
	Statistical valuation was used for works of art valued at less than $500 000	Statistical calculation based on extrapolation of sample valuations	Two random sampling errors or ±5.8%
Shaw Research Library collection			
	Professional judgement used for the valuation of books valued at less than $1 000	Valuation of items using professional judgement	$0 to $999
Icons and collections			
	Depreciated replacement cost	Unit value Useful life per item	$12–$3 500 100–200 years
Collections			
	Depreciated replacement cost	Market price Statistically verified random sample	0.02–80.0% Statistically selected sample

Note 23: Other non-financial assets

(a) Other non-financial assets

($ million)

	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Intangible produced assets	2 424.9	1 799.1	1 375.4	1 062.1
Accumulated depreciation	(1 047.5)	(799.0)	(603.7)	(476.3)
Intangible non-produced assets	675.2	813.7	0.3	168.1
Accumulated amortisation	(115.3)	(178.3)	(0.1)	(90.0)
Total intangibles	**1 937.3**	**1 635.4**	**772.0**	**663.8**
Investment properties	143.3	70.6	137.3	53.5
Biological assets[(a)]	38.1	63.8	4.9	41.8
Other assets	339.3	283.2	290.6	195.1
Total other non-financial assets	**2 458.1**	**2 053.1**	**1 204.8**	**954.3**

Note:

(a) The majority of biological assets comprises commercial forests and also includes any living animal, plant or agricultural produce which is the harvested product of biological assets.

Note 23: Other non-financial assets *(continued)*

(b) Reconciliation of movement in intangibles, investment properties and biological assets

($ million)

	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Opening balance	1 769.9	1 614.9	759.2	591.6
Acquisitions	438.2	500.7	295.2	302.6
Reclassification	326.6	29.8	114.8	27.3
Revaluation	(60.0)	7.3	(59.1)	7.1
Disposals	(34.2)	(155.1)	(12.0)	(24.8)
Assets recognised for the first time	22.4	6.9	19.2	2.1
Impairment	(5.7)	(32.7)	(2.7)	(31.0)
Amortisation and depreciation[(a)]	(338.5)	(202.0)	(200.3)	(115.6)
Closing balance[(b)]	**2 118.7**	**1 769.9**	**914.3**	**759.2**

Notes:

(a) For produced and non-produced intangible assets.

(b) Reconciliation does not include movements of 'other assets'.

(c) Fair value measurement of investment properties and biological assets

($ million)

State of Victoria	*Carrying amount as at 30 June*	*Fair value measurement at the end of reporting period using:*		
2014		*Level 1[(a)]*	*Level 2[(b)]*	*Level 3[(c)]*
Investment properties	143.3	9.1	65.7	68.4
Biological assets	38.1	..	38.1	..
Total investment properties and biological assets	**181.4**	**9.1**	**103.9**	**68.4**

General government sector	*Carrying amount as at 30 June*	*Fair value measurement at the end of reporting period using:*		
2014		*Level 1[(a)]*	*Level 2[(b)]*	*Level 3[(c)]*
Investment properties	137.3	9.1	60.5	67.7
Biological assets	4.9	..	4.9	..
Total investment properties and biological assets	**142.3**	**9.1**	**65.4**	**67.7**

Notes:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Inputs based on observable market data (either directly using prices or indirectly derived from prices).

(c) Inputs not based on observable market data.

Note 23: Other non-financial assets *(continued)*

(d) Reconciliation of Level 3 fair value movements

($ million)

State of Victoria	*Investment properties*	*Total*
Opening balance	**0.9**	**0.9**
Assets reclassified/(sales)	96.0	96.0
Transfers in (out) of Level 3	..	..
Revaluation	(28.3)	(28.3)
Reclassification	(0.1)	(0.1)
Closing balance at 30 June 2014	**68.4**	**68.4**

General government sector	*Investment properties*	*Total*
Opening balance	**..**	**..**
Assets reclassified/(sales)	96.0	96.0
Transfers in (out) of Level 3	..	..
Revaluation	(28.3)	(28.3)
Reclassification	..	..
Closing balance at 30 June 2014	**67.7**	**67.7**

Transfers between Level 1 and Level 2

There were no transfers identified between Levels 1 and 2.

(e) Description of significant unobservable inputs to Level 3 valuations

The description of the significant unobservable inputs to Level 3 assets measured at fair value can be seen below. The disclosure is based on the description associated with the significant asset balances within each of the different Level 3 asset classes as per Note 23(c). These assets are measured at the end of the reporting period using inputs not based on observable market data. The sensitivity of the unobservable input to fair value has been assessed and a significant increase or decrease in the significant unobservable input will result in significant higher or lower valuation of the underlying asset.

Asset class	*Valuation technique*	*Significant unobservable input*	*Range*
Investment properties			
	Income approach	Applied value per square metre	13–38% discount rate

Note 24: Assets classified by government purpose classification and department

(a) Purchases of non-financial assets by government purpose classification[(a)]

($ million)

	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
General public services	112.8	260.1	79.3	65.9
Public order and safety	618.0	526.7	618.0	526.7
Education	720.1	676.9	720.1	676.9
Health	899.5	794.9	899.3	794.6
Social security and welfare	36.4	31.9	36.4	31.9
Housing and community amenities	1 630.2	2 181.9	140.5	122.7
Recreation and culture	290.1	211.2	151.6	30.2
Fuel and energy	8.5	..	8.5	..
Agriculture, forestry, fishing, and hunting	33.1	41.3	20.3	35.3
Mining, manufacturing, and construction	..	..	..	..
Transport and communications	2 922.4	2 771.9	1 288.9	1 748.7
Other economic affairs	33.8	99.4	33.8	99.4
Other purposes	1.2	1.7	0.5	0.8
Total purchases of non-financial assets	**7 306.0**	**7 597.8**	**3 997.3**	**4 133.2**

Note:

(a) Note 41 provides definitions and descriptions of government purpose classifications.

(b) Purchase of non-financial assets by department

($ million)

	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Education and Early Childhood Development	521.9	677.2	521.9	677.2
Environment and Primary Industries[(a)]	1 339.8	2 058.8	135.1	141.8
Health	1 032.1	807.8	1 004.6	800.7
Human Services	336.2	338.8	44.6	32.0
Justice	436.8	263.3	436.0	259.3
Premier and Cabinet	72.3	49.2	67.5	25.9
State Development, Business and Innovation[(a)]	66.6	134.2	50.1	120.1
Transport, Planning and Local Infrastructure[(a)]	3 304.3	2 819.5	1 571.2	1 693.8
Treasury and Finance	95.5	162.1	62.6	30.9
Parliament	13.3	12.4	13.3	12.4
Regulatory bodies and other part budget funded agencies	172.9	244.0	172.9	244.0
Planning and Community Development[(b)]	..	62.3	..	62.3
Primary Industries[(b)]	..	33.7	..	33.7
Adjustments[(c)]	(85.6)	(65.5)	(82.5)	(0.9)
Total purchases of non-financial assets	**7 306.0**	**7 597.8**	**3 997.3**	**4 133.2**

Notes:

(a) Effective 9 April 2013, several departments were renamed due to machinery of government changes:
- *the Department of Sustainability and Environment became the Department of Environment and Primary Industries;*
- *the Department of Business and Innovation became the Department of State Development, Business and Innovation; and*
- *the Department of Transport became the Department of Transport, Planning and Local Infrastructure.*

(b) Effective 1 July 2013, the following departments ceased to exist and had their functions and operations transferred to other Victorian government departments:
- *Department of Planning and Community Development; and*
- *Department of Primary Industries.*

(c) Represents adjustments for transfers between portfolio departments.

Note 24: Assets classified by government purpose classification and by department *(continued)*

(c) Total assets by government purpose classification[(a)]

($ million)

	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
General public services	1 262.6	1 414.6	1 168.4	1 256.0
Public order and safety[(b)]	8 376.2	7 452.3	8 376.2	7 452.3
Education	16 907.2	17 352.8	16 907.2	17 352.8
Health	12 865.5	10 398.1	12 845.2	10 378.9
Social security and welfare	1 058.0	855.1	1 058.0	855.1
Housing and community amenities[(b)]	69 762.3	67 247.1	7 225.2	7 364.9
Recreation and culture	12 878.7	12 034.7	8 543.0	8 438.3
Fuel and energy	25.4	16.2	15.3	..
Agriculture, forestry, fishing, and hunting	671.1	895.5	604.4	836.2
Mining, manufacturing, and construction	..	..	..	..
Transport and communications	75 824.7	74 044.7	47 497.0	47 304.2
Other economic affairs	925.8	851.4	925.8	851.4
Other purposes	6.4	7.6	2.4	2.5
Not allocated by purpose[(b)(c)]	47 716.2	43 177.7	93 059.4	86 797.4
Total asset	**248 280.1**	**235 747.8**	**198 227.4**	**188 889.9**

Notes:
(a) Note 41 provides definitions and descriptions of government purpose classifications.
(b) June 2013 comparatives have been updated and now reflect current information.
(c) Represents financial assets which are not able to be allocated by purpose.

Note 25: Payables

($ million)

	State of Victoria		*General government sector*	
	2014	*2013[(a)]*	*2014*	*2013*
Current payables				
Accounts payable and accrued expenses	4 456.9	4 734.4	3 405.2	3 230.1
Accrued taxes payable	85.3	112.0	33.6	34.2
Unearned income	1 512.5	1 512.0	627.7	688.0
Total current payables	**6 054.7**	**6 358.5**	**4 066.5**	**3 952.4**
Non-current payables				
Accounts payable and accrued expenses	136.1	127.0	243.5	383.0
Accrued taxes payable	..	..	..	..
Unearned income	1 541.4	1 711.6	1 436.4	1 623.0
Total non-current payables	**1 677.5**	**1 838.6**	**1 680.0**	**2 006.0**
Total payables	**7 732.2**	**8 197.2**	**5 746.5**	**5 958.4**

Note:
(a) June 2013 comparative figures have been restated. See Note 37.

Note 26: Borrowings

($ million)

	State of Victoria		General government sector	
	2014	2013	2014	2013
Current borrowings				
Domestic borrowings	2 936.9	1 046.6	1 438.8	2 599.8
Foreign currency borrowings	168.4	432.7	..	..
Finance lease liabilities	187.2	135.8	116.1	74.9
Derivative financial instruments	234.6	695.0	..	..
Total current borrowings	**3 527.2**	**2 310.2**	**1 554.8**	**2 674.7**
Non-current borrowings				
Domestic borrowings	38 680.7	35 950.1	23 444.2	20 703.2
Foreign currency borrowings	100.4	98.2	..	..
Finance lease liabilities	8 630.1	8 724.5	7 933.8	7 958.4
Derivative financial instruments	339.1	354.0	20.8	9.0
Total non-current borrowings	**47 750.3**	**45 126.8**	**31 398.8**	**28 670.6**
Total borrowings	**51 277.4**	**47 437.0**	**32 953.6**	**31 345.3**

Note 27: Employee benefits

($ million)

	State of Victoria		General government sector	
	2014	2013	2014	2013
Current				
Accrued salaries and wages[(a)]	1 756.5	1 801.4	1 575.9	1 622.3
Long service leave	3 248.8	3 150.0	3 050.4	2 962.2
Total current employee benefits	**5 005.3**	**4 951.4**	**4 626.3**	**4 584.6**
Non-current				
Long service leave	739.8	673.3	676.5	624.3
Total non-current employee benefits	**739.8**	**673.3**	**676.5**	**624.3**
Total employee benefits	**5 745.1**	**5 624.7**	**5 302.7**	**5 208.8**

Note:
(a) Includes accrued annual leave, payroll tax and other similar on-costs.

Note 28: Other provisions

($ million)

	State of Victoria 2014	State of Victoria 2013	General government sector 2014	General government sector 2013
Provision for insurance claims				
Victorian WorkCover Authority	1 928.1	1 891.8	..	..
Transport Accident Commission	1 079.8	1 063.6	..	..
Victorian Managed Insurance Authority	381.2	375.0	..	..
Other agencies	15.9	17.4	11.7	12.9
Current provision for insurance claims	**3 405.0**	**3 347.8**	**11.7**	**12.9**
Onerous contracts	45.5	126.4	..	..
Other provisions	368.3	297.4	181.3	180.3
Total current other provisions	**3 818.7**	**3 771.6**	**193.0**	**193.2**
Non-current provision for insurance claims				
Victorian WorkCover Authority	8 823.2	8 545.0	..	..
Transport Accident Commission	9 768.6	8 966.8	..	..
Victorian Managed Insurance Authority	1 665.2	1 589.4	..	..
Other agencies	27.5	30.0	26.6	28.5
Non-current provision for insurance claims	**20 284.4**	**19 131.2**	**26.6**	**28.5**
Onerous contracts	69.0	211.5	..	..
Other provisions	460.8	428.2	410.9	381.6
Total non-current other provisions	**20 814.3**	**19 770.9**	**437.5**	**410.1**
Total other provisions	**24 632.9**	**23 542.4**	**630.6**	**603.3**

Reconciliation of movements in insurance claims

($ million)

	State of Victoria 2014	State of Victoria 2013	General government sector 2014	General government sector 2013
Opening balance	22 479.0	22 666.7	41.4	43.8
Effect of changes in assumptions and claims experience	(286.4)	(1 403.0)	(8.5)	(5.2)
Cost of prior year claims (unwinding of discount)	1 060.6	765.2	0.8	1.1
Increase in claims incurred[(a)]	3 774.7	3 768.9	17.0	18.1
Claim payments during the year[(a)]	(2 930.5)	(2 885.6)	(12.5)	(16.3)
Other	(408.0)	(433.3)	..	..
Closing balance	**23 689.4**	**22 479.0**	**38.3**	**41.4**

Note:
(a) Claim payments and claims incurred during the year are net of recoveries.

Note 28: Other provisions *(continued)*

Reconciliation of movements in onerous contracts provisions

($ million)

	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Opening balance	337.9	507.1	..	..
Receipts	347.5	352.9	..	..
Payments	(415.2)	(478.1)	..	..
Discount interest[(a)]	8.0	13.1	..	..
(Gain)/loss on restatement of the liability	(163.7)	(57.1)	..	..
Closing balance	**114.4**	**337.9**	**..**	**..**

Note:
(a) The net change in the present value of assets and liabilities between reporting periods has been recognised as discount interest.

Note 28: Other provisions *(continued)*

2014 Assumptions

Entity	*Actuary*	*Weighted average expected term to settlement*	*Financial assumptions used (not later than 1 year)[(a)]*	*Financial assumptions used (later than 1 year)[(a)]*	*Prudential margin*
Victorian WorkCover Authority	Pricewaterhouse Coopers Actuarial Ltd	5.7 years	AWE inflation rate 3.75 per cent CPI inflation rate 2.50 per cent discount rate 2.47 per cent	AWE inflation rate 3.75 per cent CPI inflation rate 2.50 per cent discount rate 2.62–5.50 per cent	8.0 per cent
Transport Accident Commission	Pricewaterhouse Coopers Actuarial Ltd	15.0 years	inflation rate 3.75 per cent discount rate 2.27 per cent	inflation rate 3.75 per cent discount rate 2.62–5.50 per cent weighted average discount rate = 4.7 per cent	10.0 per cent
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Medical Indemnity)	5.6 years	weighted average inflation rate = 7.8 per cent weighted average discount rate = 3.4 per cent	weighted average inflation rate = 7.8 per cent weighted average discount rate = 3.4 per cent	21.1 per cent of the net central estimate of outstanding claims liability and claims handling expense
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Liability)	3.0 years	weighted average inflation rate = 3.8 per cent weighted average discount rate = 3.0 per cent	weighted average inflation rate = 3.8 per cent weighted average discount rate = 3.0 per cent	32.2 per cent of the net central estimate of outstanding claims liability and claims handling expense
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Property)	0.9 years	weighted average inflation rate = 3.8 per cent weighted average discount rate = 3.0 per cent	weighted average inflation rate = 3.8 per cent weighted average discount rate = 3.0 per cent	24.3 per cent of the net central estimate of outstanding claims liability and claims handling expense
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Other)	3.1 years	weighted average inflation rate = 3.8 per cent weighted average discount rate = 3.0 per cent	weighted average inflation rate = 3.8 per cent weighted average discount rate = 3.0 per cent	30.5 per cent of the net central estimate of outstanding claims liability and claims handling expense
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Dust Diseases and Workers' Compensation)	12.2 years	weighted average inflation rate = 5.8 per cent weighted average discount rate = 4.2 per cent	weighted average inflation rate = 5.8 per cent weighted average discount rate = 4.2 per cent	29.3 per cent of the net central estimate of outstanding claims liability and claims handling expense
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Domestic Building Insurance)	4.5 years	weighted average inflation rate = 3.8 per cent weighted average discount rate = 3.2 per cent	weighted average inflation rate = 3.8 per cent weighted average discount rate = 3.2 per cent	24.1 per cent of the net central estimate of outstanding claims liability and claims handling expense

Note:
(a) The inflation rate assumptions are based on the anticipated rise in costs relevant to a particular entity.

Note 28: Other provisions *(continued)*

2013 Assumptions

Entity	*Actuary*	*Weighted average expected term to settlement*	*Financial assumptions used (not later than 1 year)*[(a)]	*Financial assumptions used (later than 1 year)*[(a)]	*Prudential margin*
Victorian WorkCover Authority	Pricewaterhouse Coopers Actuarial Ltd	5.5 years	inflation rate 3.75 per cent discount rate 2.54 per cent	inflation rate 3.75 per cent discount rate 2.54–5.50 per cent	8.0 per cent
Transport Accident Commission	Pricewaterhouse Coopers Actuarial Ltd	13.9 years	inflation rate 3.75 per cent discount rate 2.54 per cent	inflation rate 3.75 per cent discount rate 5.50 per cent	10.0 per cent
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Medical Indemnity – Public Healthcare Program)	6 years	weighted average inflation rate = 7.8 per cent weighted average discount rate = 3.7 per cent	weighted average inflation rate = 7.8 per cent weighted average discount rate = 3.7 per cent	18.9 per cent of the net central estimate of outstanding claims liability and claims handling expense
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Liability)	3.9 years	weighted average inflation rate = 3.8 per cent weighted average discount rate = 3.2 per cent	weighted average inflation rate = 3.8 per cent weighted average discount rate = 3.2per cent	29.1 per cent of the net central estimate of outstanding claims liability and claims handling expense
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Property)	1.2 years	weighted average inflation rate = 3.8 per cent weighted average discount rate = 3.2 per cent	weighted average inflation rate = 3.8 per cent weighted average discount rate = 3.2 per cent	25.8 per cent of the net central estimate of outstanding claims liability and claims handling expense
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Other)	3.7 years	weighted average inflation rate = 3.8 per cent weighted average discount rate = 3.2 per cent	weighted average inflation rate = 3.8 per cent weighted average discount rate = 3.2 per cent	28.7 per cent of the net central estimate of outstanding claims liability and claims handling expense
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Dust Diseases and Workers Compensation)	12.2 years	weighted average inflation rate = 5.8 per cent weighted average discount rate = 4.5 per cent	weighted average inflation rate = 5.8 per cent weighted average discount rate = 4.5 per cent	28.5 per cent of the net central estimate of outstanding claims liability and claims handling expense
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Domestic Building Insurance)	4.1 years	weighted average inflation rate = 3.8 per cent weighted average discount rate = 3.4 per cent	weighted average inflation rate = 3.8 per cent weighted average discount rate = 3.4 per cent	23.5 per cent of the net central estimate of outstanding claims liability and claims handling expense

Note:
(a) The inflation rate assumptions are based on the anticipated rise in costs relevant to a particular entity.

Note 29: Reserves, accumulated surplus/(deficit) and non-controlling interests

(a) Reserves

($ million)

	State of Victoria		General government sector	
	2014	*2013*	*2014*	*2013*
Land, buildings, infrastructure, plant and equipment revaluation surplus[a]	83 670.8	78 459.3	40 199.2	37 970.4
Available-for-sale investments	91.1	66.2	58.3	51.8
Revaluation surplus for investments in PFC and PNFC entities[a]	..	..	42 187.3	38 373.5
Other reserves[a]	1 069.4	1 491.6	582.0	562.3
Total reserves[a]	**84 831.3**	**80 017.0**	**83 026.9**	**76 957.9**

Note:
(a) June 2013 comparative figures have been restated. See Note 37.

Movements in reserves

Property, plant and equipment revaluation surplus

($ million)

	State of Victoria		General government sector	
	2014	*2013[a]*	*2014*	*2013[a]*
Balance at beginning of reporting period	78 459.3	77 944.7	37 970.4	37 249.6
Revaluation – associate	(174.8)	84.4	..	..
Revaluation – other	5 386.4	430.1	2 228.8	720.7
Balance at the end of the reporting period	**83 670.8**	**78 459.3**	**40 199.2**	**37 970.4**

Note:
(a) June 2013 comparative figures have been restated. See Note 37.

Available for sale investments revaluation surplus

($ million)

	State of Victoria		General government sector	
	2014	*2013*	*2014*	*2013*
Balance at beginning of reporting period	66.2	12.4	51.8	22.7
Revaluation	26.3	55.0	7.9	30.2
Transferred to profit or loss for the period	(1.3)	(1.2)	(1.2)	(1.1)
Balance at the end of the reporting period	**91.1**	**66.2**	**58.3**	**51.8**

Revaluation surplus for investments in PFC and PNFC

($ million)

	State of Victoria		General government sector	
	2014	*2013*	*2014*	*2013[a]*
Balance at beginning of reporting period	..	..	38 373.5	38 871.2
Revaluation – PFC entities	..	..	944.3	897.0
Revaluation – PNFC entities	..	..	2 869.6	(1 394.8)
Balance at the end of the reporting period	**..**	**..**	**42 187.3**	**38 373.5**

Note:
(a) June 2013 comparative figures have been restated. See Note 37.

Note 29: Reserves, accumulated surplus/(deficit) and non-controlling interests *(continued)*

(a) Reserves *(continued)*

Other reserves

($ million)

	State of Victoria		*General government sector*	
	2014	*2013[(a)]*	*2014*	*2013[(a)]*
Balance at beginning of reporting period	1 491.6	2 327.6	562.3	674.8
Transfers to/(from) accumulated surplus	(422.2)	(836.0)	19.8	(112.5)
Balance at the end of the reporting period	**1 069.4**	**1 491.6**	**582.0**	**562.3**

Note:
(a) June 2013 comparative figures have been restated. See Note 37.

(b) Accumulated surplus/(deficit)[(a)]

($ million)

	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Balance at beginning of reporting period	43 565.1	32 522.9	43 174.7	34 808.2
Net result for the period[(b)]	1 659.3	1 536.0	773.1	(533.9)
Other comprehensive income for the year[(b)]	987.0	9 506.1	462.3	8 900.4
Balance at the end of the reporting period	**46 211.3**	**43 565.1**	**44 410.0**	**43 174.7**

Notes:
(a) June 2013 comparative figures have been restated. See Note 37.
(b) In 2013-14, the State applied the revised AASB 119 Employee Benefits *for the first time as required by the revised accounting standard, which changed the way defined benefit superannuation expenses are presented. Part of the actuarial gains, which had previously contributed to the State's operating surplus in 2012-13 are now reported as a remeasurement item under other comprehensive income, and no longer included in the State's operating surplus. The revised requirements have been applied retrospectively as required by the revised accounting standard and the operating statement of the earliest comparative period presented (30 June 2013) has been restated accordingly. This revision only affected the presentation of these gains in the operating statement and continue to have no impact on the State's cash requirements or net debt.*

(c) Non-controlling interest[(a)]

($ million)

	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Balance at beginning of reporting period	50.0	50.0	50.0	50.0
Net contributions during the year	..	..	..	..
Balance at the end of the reporting period	**50.0**	**50.0**	**50.0**	**50.0**

Note:
(a) Non-controlling interest share of contributed capital in the Australian Synchrotron Holding Company as at 30 June 2014.

Note 30: Cash flow information

(a) Reconciliation of cash and cash equivalents

($ million)

	State of Victoria *2014*	*2013*	*General government sector* *2014*	*2013*
Cash	1 872.0	1 822.5	1 538.3	1 381.6
Deposits at call	6 328.8	4 430.4	2 962.5	2 580.4
Cash and cash equivalents	**8 200.7**	**6 252.9**	**4 500.9**	**3 962.0**
Bank overdraft	(0.8)	..	..	..
Balances as per cash flow statement	**8 199.9**	**6 252.9**	**4 500.9**	**3 962.0**

(b) Reconciliation of net result to net cash flows from operating activities

($ million)

	State of Victoria *2014*	*2013*	*General government sector* *2014*	*2013*
Net result[(a)]	**1 659.3**	**1 536.0**	**773.1**	**(533.9)**
Non-cash movements				
Depreciation and amortisation	4 304.7	4 155.4	2 363.8	2 270.0
Revaluation of investments	(1 372.4)	(1 562.9)	(47.6)	(15.8)
Assets (received)/provided free of charge	(189.5)	(140.0)	(34.8)	11.7
Assets not previously/no longer recognised[(b)]	824.2	(231.9)	824.4	(230.2)
Revaluation of assets	60.9	126.0	53.3	113.8
Discount/premium on other financial assets/borrowings	(73.2)	(99.5)	6.7	5.8
Bad/doubtful debts	1.1	..	..	..
Foreign currency dealings	0.2	(0.4)	0.2	(0.3)
Unrealised (gains)/losses on borrowings	877.4	(910.4)	..	..
Discounting of assets and liabilities	..	(1.2)	..	..
Movements included in investing and financing activities				
Net gain/loss from sale of investments	(751.4)	(586.5)	(2.7)	(15.4)
Net gain/loss from sale of plant and equipment	6.9	(21.1)	25.0	(20.8)
Realised gains/losses on borrowings	59.8	(14.6)	..	..
Movements in assets and liabilities				
Increase/(decrease) in provision for doubtful debts	15.9	137.2	21.7	130.7
Increase/(decrease) in payables	90.1	1 443.2	(422.2)	773.2
Increase/(decrease) in employee benefits	120.4	182.3	93.9	165.7
Increase/(decrease) in superannuation[(a)]	241.6	464.4	252.0	492.8
Increase/(decrease) in other provisions	1 112.3	(371.9)	51.9	(51.0)
Increase/(decrease) in other liabilities	..	..	..	..
(Increase)/decrease in receivables	(25.6)	(1 240.4)	83.7	(1 358.7)
(Increase)/decrease in other non-financial assets	(62.8)	(51.3)	(99.9)	(45.5)
Net cash flows from operating activities	**6 900.0**	**2 812.4**	**3 942.5**	**1 692.3**

Notes:

(a) *In 2013-14, the State applied the revised AASB 119* Employee Benefits *for the first time as required by the revised accounting standard, which changed the way defined benefit superannuation expenses are presented. Part of the actuarial gains, which had previously contributed to the State's operating surplus in 2012-13 are now reported as a remeasurement item under other comprehensive income, and no longer included in the State's operating surplus. The revised requirements have been applied retrospectively as required by the revised accounting standard and the operating statement of the earliest comparative period presented (30 June 2013) has been restated accordingly. This revision only affected the presentation of these gains in the operating statement and continue to have no impact on the State's cash requirements or net debt.*

(b) *The enactment of the* Education and Training Reform Amendment (Dual Sector Universities) Act 2013 *resulted in the dual sector TAFEs deconsolidation from the general government sector from 1 January 2014, causing the large movement in 'assets not previously recognised'.*

Note 31: Reconciliations

(a) Reconciliation to GFS net operating balance[a]

($ million)

	General government sector		Public non-financial corporations	
	2014	*2013*	*2014*	*2013*
Net result from transactions – net operating balance[b]	**1 976.2**	**(316.6)[a]**	**51.5**	**(298.2)**
Convergence differences[c]:				
PNFC/PFC dividends	..	..	84.0	720.3
plus total convergence difference:	..	..	(84.0)	(720.3)
GFS net operating balance	**1 976.2**	**(316.6)**	**(32.4)**	**(1 018.5)**

Notes:

(a) *Determined in accordance with the ABS GFS manual.*

(b) *In 2013-14, the State applied the revised AASB 119* Employee Benefits *for the first time as required by the revised accounting standard, which changed the way defined benefit superannuation expenses are presented. Part of the actuarial gains, which had previously contributed to the State's operating surplus in 2012-13 are now reported as a re-measurement item under other comprehensive income, and no longer included in the State's operating surplus. The revised requirements have been applied retrospectively as required by the revised accounting standard and the operating statement of the earliest comparative period presented (30 June 2013) has been restated accordingly. This revision only affected the presentation of these gains in the operating statement and continue to have no impact on the State's cash requirements or net debt.*

(c) *The convergence difference arises because GFS recognised dividends paid/ payable as an expense from transactions on the operating statement whereas, under accounting standards, dividends are classified as after-profit distributions to owner.*

(b) Reconciliation to GFS total change in net worth[a]

($ million)

	General government sector		Public non-financial corporations	
	2014	*2013*	*2014*	*2013*
Comprehensive result – total change in net worth[b]	**7 304.5**	**8 506.0**	**2 954.1**	**(674.5)**
Convergence differences:				
Relating to net operating balance – PNFC/PFC dividends	..	..	84.0	720.3
Relating to other economic flows[c]:				
Contribution by non-controlling interest				
Doubtful receivables of the general government sector[d]	21.1	131.1	..	..
Doubtful receivables of the PNFC/PFC sector	..	..	(0.6)	5.2
Future tax benefits of the PNFC/PFC sector	..	..	13.7	(10.2)
Deferred tax liability of the PNFC/PFC sector[b]	..	..	100.8	(248.0)
Net gain on equity investments in other sector entities measured at proportional share of the carrying amount of net assets/(liabilities)[b][e][f]	628.2	609.8		
Change in shares and other contributed capital	..	..	(3 152.0)	207.2
plus total convergence differences[b]	649.2	740.9	(2 954.1)	674.5
GFS total change in net worth	**7 953.7**	**9 247.0**	**..**	**..**

Notes:

(a) *Determined in accordance with the ABS GFS manual.*

(b) *June 2013 comparative figures have been restated. See Note 37.*

(c) *Excludes transactions with owners as owner, therefore excluding non-controlling interest.*

(d) *The convergence difference arises because GFS does not recognise doubtful receivables, whereas the operating statement recognises it and classifies doubtful receivables as other economic flows.*

(e) *The convergence difference arises because the amount of net assets (and therefore the change in carrying amount of net assets) of other sector entities determined under GFS principles and rules differs from the carrying amount of net assets.*

(f) *Net gain on equity investments in other sector entities includes doubtful receivables, future tax benefits and deferred tax liability of the PNFC and PFC sectors.*

Public financial corporations 2014	Public financial corporations 2013	Eliminations 2014	Eliminations 2013	State of Victoria 2014	State of Victoria 2013
(1 095.0)	**(978.5)**	**(76.1)**	**(1 526.5)**	**856.6**	**(3 119.8)**[(a)]
136.0	440.7	(220.0)	(1 160.9)	..	..
(136.0)	(440.7)	220.0	1 160.9	..	..
(1 231.0)	**(1 419.2)**	**143.9**	**(365.6)**	**856.6**	**(3 119.8)**

Public financial corporations 2014	Public financial corporations 2013	Eliminations 2014	Eliminations 2013	State of Victoria 2014	State of Victoria 2013
674.0	**3 258.7**	**(3 471.8)**	**(315.7)**	**7 460.7**	**10 774.5**
136.0	440.7	(220.0)	(1 160.9)	..	..
..	..	..	..	21.1	131.1
(5.0)	1.3	..	..	(5.6)	6.5
602.3	775.1	(615.9)	(764.9)	..	..
(83.1)	86.4	(17.8)	161.6	..	..
..	..	(628.2)	(609.8)	..	..
(1 324.2)	(4 562.0)	4 476.2	4 354.8	..	..
(674.0)	(3 258.7)	2 994.3	1 980.8	15.5	137.6
..	**..**	**(477.5)**	**1 665.1**	**7 476.2**	**10 912.1**

Note 31: Reconciliations *(continued)*

(c) Reconciliation to GFS net lending/(borrowing)[(a)]

($ million)

	General government sector		*Public non-financial corporations*	
	2014	*2013*	*2014*	*2013*
Net lending/(borrowing)	**1 259.0**	**(1 832.9)**	**(2 169.4)**	**(7 647.2)**
Convergence differences[(b)]*:*				
Relating to net operating balance – PNFC/PFC dividends	..	..	84.0	720.3
plus total convergence difference:	..	..	(84.0)	(720.3)
GFS net lending/(borrowing)	**1 259.0**	**(1 832.9)**	**(2 253.4)**	**(8 367.5)**

Notes:

(a) Determined in accordance with the ABS GFS manual.

(b) The convergence difference arises because GFS recognised dividends paid/ payable as an expense from transactions on the operating statement whereas, under accounting standards, dividends are classified as after-profit distributions to owner.

(d) Reconciliation to GFS net worth[(a)]

($ million)

	General government sector		*Public non-financial corporations*	
	2014	*2013*	*2014*	*2013*
Net worth[(b)]	**127 486.9**	**120 182.6**	**72 973.2**	**67 765.5**
Convergence differences:				
Relating to net operating balance – PNFC/PFC dividends	..	..	84.0	720.3
Non-controlling interest	(50.0)	(50.0)	..	..
Doubtful receivables of the general government sector[(c)]	915.0	894.0	..	..
Doubtful receivables of the PNFC/PFC sector	..	..	21.5	22.1
Future tax benefits of the PNFC/PFC sector[(b)]	..	..	(176.0)	(189.6)
Deferred tax liability of the PNFC/PFC sector[(b)]	..	..	7 927.5	7 826.7
Investments in other sector entities[(b)(d)(e)]	6 930.4	6 302.2	..	..
Shares and other contributed capital	..	..	(80 830.2)	(76 144.9)
plus total convergence difference[(b)]*:*	7 795.4	7 146.2	(72 973.2)	(67 765.5)
GFS net worth	**135 282.3**	**127 328.8**	**..**	**..**

Notes:

(a) Determined in accordance with the ABS GFS manual.

(b) June 2013 comparative figures have been restated due to the reclassification of deferred tax liability balances.

(c) The convergence difference in accounts receivable arises because GFS does not recognise doubtful receivables, whereas a provision for doubtful receivables is recognised in the balance sheet.

(d) The convergence difference arises because the amount of net assets (and therefore the change in carrying amount of net assets of other sector entities determined under GFS principles and rules differs from the carrying amount of net assets.

(e) Investments in other sector entities for general government sector include doubtful receivables, future tax benefits and deferred tax liability of the PNFC and PFC sectors.

Public financial corporations 2014	Public financial corporations 2013	Eliminations 2014	Eliminations 2013	State of Victoria 2014	State of Victoria 2013
(1 070.1)	**(1 011.7)**	**(24.8)**	**(1 214.3)**	**(2 005.3)**	**(11 706.1)**
136.0	440.7	(220.0)	(1 160.9)	..	..
(136.0)	(440.7)	220.0	1 160.9	..	..
(1 206.1)	**(1 452.4)**	**195.2**	**(53.4)**	**(2 005.3)**	**(11 706.1)**

Public financial corporations 2014	Public financial corporations 2013	Eliminations 2014	Eliminations 2013	State of Victoria 2014	State of Victoria 2013
(312.3)	**(852.8)**	**(69 055.1)**	**(63 463.2)**	**131 092.7**	**123 632.1**
136.0	440.7	(220.0)	(1 160.9)	..	..
..	..	..	..	(50.0)	(50.0)
..	..	..	..	915.0	894.0
50.4	55.4	..	..	71.9	77.5
(899.6)	(1 501.9)	1 075.6	1 691.6	..	..
6.5	89.6	(7 934.1)	(7 916.3)	..	..
..	..	(6 930.4)	(6 302.2)	..	..
1 019.0	1 769.1	79 811.2	74 375.9	..	..
312.3	852.8	65 802.4	60 688.0	937.0	921.5
..	**..**	**(3 252.7)**	**(2 775.2)**	**132 029.6**	**124 553.6**

Note 31: Reconciliations *(continued)*

(e) Reconciliation to GFS cash surplus/(deficit)[a]

($ million)

	General government sector		*Public non-financial corporations*	
	2014	*2013*	*2014*	*2013*
Cash surplus/(deficit)	**216.2**	**(2 192.9)**	**(1 208.4)**	**(2 789.9)**
Convergence differences:				
Less: Acquisitions under finance leases and similar arrangements	(109.5)	(1 064.8)	..	(4 369.0)
GFS cash surplus/(deficit)	**106.6**	**(3 257.7)**	**(1 208.4)**	**(7 158.9)**

Note:
(a) Determined in accordance with the ABS GFS manual.

Public financial corporations		Eliminations		State of Victoria	
2014	*2013*	*2014*	*2013*	*2014*	*2013*
1 246.7	**368.8**	**(164.0)**	**234.9**	**90.4**	**(4 379.1)**
..	..	..	..	(109.5)	(5 433.8)
1 246.7	**368.8**	**(164.0)**	**234.9**	**(19.1)**	**(9 812.9)**

Note 32: Explanations of material variances between budget and actual outcomes

The following tables and notes explain material variances between the general government sector original budget as published in Chapter 1 of 2013-14 Budget Paper No. 5 *Statement of Finances* and actual outcomes. The tables also include the revised budget estimates as published in Appendix B of 2014-15 Budget Paper No. 5 *Statement of Finances*.

The budget data is sourced from the estimated financial statements, which were reviewed by the Auditor-General, but not subject to an audit.

For the general government sector comprehensive operating statement, variances are considered to be material where the variance exceeds the greater of 10 per cent of the original budget estimates or $15 million. In regard to the other statements, high level explanations of major variances in the key aggregates, where material, have been provided.

(a) Consolidated comprehensive operating statement for the financial year ending 30 June

($ million)

		General government sector					Revised	
	Notes	Original budget	Revised budget	2014 Actual	Budget variance	%	budget variance	%
Revenue from transactions								
Taxation revenue	(a)	16 454.4	16 857.5	16 900.9	446.5	2.7	43.4	0.3
Interest revenue	(b)	867.0	843.7	831.2	(35.8)	(4.1)	(12.5)	(1.5)
Dividends and income tax equivalent and rate equivalent revenue	(c)	671.5	646.0	445.9	(225.6)	(33.6)	(200.1)	(31.0)
Sales of goods and services	(d)	6 949.5	6 569.9	6 724.8	(224.7)	(3.2)	154.9	2.4
Grants	(e)	23 310.5	24 082.3	25 144.9	1 834.4	7.9	1 062.6	4.4
Other revenue	(f)	2 074.5	2 094.1	2 316.9	242.4	11.7	222.8	10.6
Total revenue from transactions		**50 327.5**	**51 093.5**	**52 364.7**	**2 037.2**	**4.0**	**1 271.2**	**2.5**
Expenses from transactions								
Employee expenses	(g)	17 947.1	18 106.5	18 012.0	64.9	0.4	(94.5)	(0.5)
Superannuation interest expense	(h)	1 129.2	1 052.1	1 052.1	(77.1)	(6.8)	..	..
Other superannuation	(h)	1 901.8	1 823.4	1 876.4	(25.4)	(1.3)	53.0	2.9
Depreciation	(i)	2 377.7	2 418.1	2 363.8	(13.9)	(0.6)	(54.4)	(2.2)
Interest expense	(j)	2 176.9	2 171.5	2 138.5	(38.4)	(1.8)	(33.0)	(1.5)
Other operating expenses	(k)	16 573.0	16 687.8	17 360.1	787.1	4.7	672.4	4.0
Grants and other transfers	(l)	7 997.4	7 899.5	7 585.6	(411.7)	(5.1)	(313.8)	(4.0)
Total expenses from transactions		**50 103.0**	**50 158.8**	**50 388.5**	**285.4**	**0.6**	**229.6**	**0.5**
Net result from transactions – net operating balance		**224.5**	**934.7**	**1 976.2**	**1 751.7**	**780.4**	**1 041.5**	**111.4**
Other economic flows included in net result								
Net gain/(loss) on disposal of non-financial assets		111.3	102.1	(25.0)	(136.3)	n.a.	(127.1)	n.a.
Net gain/(loss) on financial assets or liabilities at fair value		(0.4)	25.7	52.6	53.0	n.a.	26.9	n.a.
Other gains/(losses) from other economic flows		(374.8)	(1 169.4)	(1 230.7)	(855.9)	n.a.	(61.3)	n.a.
Total other economic flows included in net result		**(264.0)**	**(1 041.6)**	**(1 203.1)**	**(939.1)**	**n.a.**	**(161.5)**	**n.a.**
Net result		**(39.6)**	**(106.9)**	**773.1**	**812.6**	**n.a.**	**880.0**	**n.a.**

Note 32: Explanations of material variances between budget and actual outcomes *(continued)*

(a) Consolidated comprehensive operating statement for the financial year ending 30 June *(continued)*

($ million)

	Notes	General government sector Original budget	Revised budget	2014 Actual	Budget variance	%	Revised budget variance	%
Other economic flows – other comprehensive income								
Items that will not be reclassified to net result								
Changes in non-financial assets revaluation surplus		3 918.0	138.4	2 228.8	(1 689.1)	n.a.	2 090.4	n.a.
Remeasurement of superannuation defined benefit plans		593.2	2 142.3	(286.2)	(879.4)	n.a.	(2 428.5)	n.a.
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets		1 559.2	2 394.2	3 813.8	2 254.7	n.a.	1 419.7	n.a.
Other movements in equity		2.3	622.5	780.1	777.8	n.a.	157.6	n.a.
Items that may be reclassified subsequently to net result								
Net gain/(loss) on financial assets at fair value		1.0	1.0	(5.2)	(6.1)	n.a.	(6.1)	n.a.
Total other economic flows – other comprehensive income		**6 073.5**	**5 298.4**	**6 531.4**	**457.9**	**n.a.**	**1 233.0**	**n.a.**
Comprehensive result – total change in net worth		**6 033.9**	**5 191.5**	**7 304.5**	**1 270.5**	**n.a.**	**2 113.0**	**n.a.**

Revenue from transactions

Revenue from transactions was $52.4 billion for the year to 30 June 2014. This was 4.0 per cent higher than estimated in the original budget. The movements in revenue items are discussed below.

(a) Taxation revenue was $447 million higher than the original published estimate, largely driven by the following:

- higher land transfer duty revenue of $708 million due to an improved property market compared to the *2013-14 Budget* estimates; and
- higher land tax revenue of $94 million driven by higher than expected assessments from the State Revenue Office.

These higher than expected outcomes were partially offset by:

- lower taxes on electronic gaming machines of $187 million, due to player loss as a share of consumption declining more quickly than expected; and
- lower payroll taxes of $162 million as growth in taxable wages has not been as strong as forecasted, with employment growth skewed towards part-time jobs and industries typically exempt from payroll tax.

(b) Interest revenue was $36 million lower than the published budget, mainly reflecting lower than expected returns for funds held.

(c) Dividends, income tax and rate equivalent revenue was $226 million (33.6 per cent) lower than budgeted. This largely reflected the timing of dividend payments, with interim dividends from the water sector to now be paid in 2014-15.

Note 32: Explanations of material variances between budget and actual outcomes *(continued)*

(d) Revenue from the sales of goods and services was $225 million lower than the original budget. The decrease was primarily due to reduced public transport fare revenue as part of changes in revenue sharing arrangement with Metro trains and Yarra trams and the deconsolidation of four dual sector TAFE divisions of universities. These TAFE divisions are now controlled by the relevant universities.

(e) Grants revenue was $1.8 billion higher than originally budgeted. This was primarily due to an increase in specific purpose grants for road and rail investments including East West Link and Regional Rail Link, and higher than expected goods and services tax revenue.

(f) Other revenue was $242 million higher than the original budget. This was mainly due to the recognition of resources received free of charge by Public Transport Victoria for its use of the *myki* assets held by Victorian Rail Track and higher than expected other revenue from retail activities in hospitals.

Expenses from transactions

Expenses from transactions were $285 million (0.6 per cent) higher than the original budget. The main movements are outlined below.

(g) Employee expenses were $65 million (0.4 per cent) higher than originally estimated. This was largely due to the actual salaries in health agencies being higher than expected in the published budget.

(h) The fall in the superannuation interest expense of $77 million was primarily due to the net impact of increases in the bond yields that underlie the key superannuation valuation assumptions between 31 March 2013 (the date at which the budget estimates were prepared) and 30 June 2013 (the date at which this expense is determined).

The reduction in other superannuation expenses of $25 million was primarily attributable to a reduction in defined benefit service costs, due to higher bond yields, partially offset by an increase in employer contributions to defined contribution funds.

(i) The decrease in the depreciation expense of $13.9 million compared to the original budget was mainly driven by a lower than original budgeted depreciation expense for hospital buildings.

(j) Interest expense was $38 million lower than the original budget, mainly associated with a reduction in borrowings due to a higher than expected operating cash surplus.

(k) Other operating expenses were $787 million higher than the original budget mainly reflecting the payment to Tatts Group of $540 million in satisfaction of a Supreme Court judgement.

(l) Grants and other transfers were $412 million lower than expected in the *2013-14 Budget*, mainly driven by lower than expected Commonwealth grants to local government. The reduction in Commonwealth grants on-passed to local government was due to the advance payment of 2013-14 grants in the 2012-13 year in line with timing of Commonwealth payments to the State.

Other economic flows included in net result

Total other economic flows included in the net result have decreased by $939 million compared to estimates in the original budget. The decrease was primarily due to the accounting effect of the deconsolidation of the four dual sector TAFE divisions of universities from 1 January 2014.

Note 32: Explanations of material variances between budget and actual outcomes *(continued)*

(b) Consolidated balance sheet as at 30 June

($ million)

	General government sector					*Revised*	
	Original budget	*Revised budget*	*2014 Actual*	*Budget variance*	*%*	*budget variance*	*%*
Assets							
Financial assets							
Cash and deposits	4 897.5	4 100.8	4 500.9	(396.6)	(8.1)	400.1	9.8
Advances paid	4 592.1	4 590.9	4 586.9	(5.2)	(0.1)	(4.0)	(0.1)
Receivables	3 902.6	4 884.6	4 940.6	1 038.0	26.6	56.0	1.1
Investments, loans and placements	2 729.0	3 354.5	3 117.6	388.6	14.2	(236.9)	(7.1)
Investments accounted for using the equity method	47.1	49.4	44.1	(3.0)	(6.3)	(5.3)	(10.7)
Investments in other sector entities	73 591.5	74 093.3	75 869.2	2 277.8	3.1	1 775.9	2.4
Total financial assets	**89 759.9**	**91 073.5**	**93 059.4**	**3 299.5**	**3.7**	**1 985.9**	**2.2**
Non-financial assets							
Inventories	235.9	176.4	176.6	(59.3)	(25.1)	0.2	0.1
Non-financial assets held-for-sale	136.0	108.3	142.5	6.5	4.8	34.1	31.5
Land, buildings, infrastructure, plant and equipment	105 139.7	101 488.0	103 644.2	(1 495.6)	(1.4)	2 156.1	2.1
Other non-financial assets	778.5	946.0	1 204.8	426.3	54.8	258.8	27.4
Total non-financial assets	**106 290.1**	**102 718.8**	**105 168.0**	**(1 122.0)**	**(1.1)**	**2 449.3**	**2.4**
Total assets	**196 049.9**	**193 792.2**	**198 227.4**	**2 177.5**	**1.1**	**4 435.2**	**2.3**
Liabilities							
Deposits held and advances received	377.2	429.1	426.5	49.3	13.1	(2.6)	(0.6)
Payables	5 158.6	5 644.1	5 746.5	587.9	11.4	102.4	1.8
Borrowings	34 824.6	33 132.1	32 953.6	(1 871.0)	(5.4)	(178.5)	(0.5)
Employee benefits	5 412.7	5 374.4	5 302.7	(109.9)	(2.0)	(71.7)	(1.3)
Superannuation	28 657.5	23 227.4	25 680.7	(2 976.8)	(10.4)	2 453.3	10.6
Other provisions	606.3	625.8	630.6	24.3	4.0	4.7	0.8
Total liabilities	**75 036.8**	**68 432.9**	**70 740.6**	**(4 296.3)**	**(5.7)**	**2 307.7**	**3.4**
Net assets	**121 013.1**	**125 359.4**	**127 486.9**	**6 473.8**	**5.3**	**2 127.5**	**1.7**
Accumulated surplus/(deficit)	38 465.8	45 631.8	44 410.0	5 944.2	15.5	(1 221.8)	(2.7)
Reserves	82 497.3	79 677.5	83 026.9	529.5	0.6	3 349.3	4.2
Non-controlling interest	50.0	50.0	50.0	..	..	..	..
Net worth	**121 013.1**	**125 359.4**	**127 486.9**	**6 473.8**	**5.3**	**2 127.5**	**1.7**
FISCAL AGGREGATES							
Net financial worth	14 723.0	22 640.6	22 318.8	7 595.8	51.6	(321.8)	(1.4)
Net financial liabilities	58 868.5	51 452.7	53 550.4	(5 318.0)	(9.0)	2 097.7	4.1
Net debt	22 983.1	21 515.0	21 174.6	(1 808.5)	(7.9)	(340.4)	(1.6)

Note 32: Explanations of material variances between budget and actual outcomes *(continued)*

Net financial worth

Net financial worth is total financial assets less total liabilities. Net financial worth was $7.6 billion higher than the original budget. This was primarily driven by lower liabilities of $4.3 billion and higher financial assets of $3.3 billion.

The decrease in total liabilities was largely attributable to a lower superannuation liability as a result of favourable bond yield movements and better than expected investment returns on superannuation assets. Borrowings were also lower than expected in the original budget due to a higher than expected operating cash surplus.

The increase in total financial assets was driven by high investments in other sectors due to the revaluation gains on housing assets from the public non-financial corporation sector and an improved net asset position associated with strong investment returns from the public financial corporation sector. Receivables were also higher than expected in the original budget due to a lower than expected provision for doubtful debts and collection of taxes.

Net financial liabilities

Net financial liabilities are total liabilities less all financial assets (excluding investments in other sectors). Net financial liabilities were $5.3 billion lower than the original budget. This decrease was explained previously in net financial worth.

Net debt

Net debt equals sum of deposits held, advances received, government securities, loans and other borrowing less the sum of cash and deposits, advances paid and investments, loans and placements. Net debt is $1.8 billion lower when compared to the original budget estimate. The actual cash operating surplus of $3.9 billion was $1.2 billion higher than originally budgeted, which reduced the underlying borrowing requirement for 2013-14.

(c) Consolidated cash flow statement for the year ended 30 June

($ million)

	General government sector						
	Original budget	*Revised budget*	*2014 Actual*	*Budget variance*	*%*	*Revised budget variance*	*%*
Cash flows from operating activities							
Receipts							
Taxes received	16 450.9	16 867.5	16 719.4	268.5	1.6	(148.1)	(0.9)
Grants	23 310.5	24 028.7	25 140.4	1 829.8	7.8	1 111.6	4.6
Sales of goods and services	7 631.3	7 216.2	7 381.1	(250.2)	(3.3)	164.9	2.3
Interest received	844.9	820.8	807.8	(37.2)	(4.4)	(13.0)	(1.6)
Dividends and income tax equivalent and rate equivalent receipts	650.4	788.4	591.8	(58.6)	(9.0)	(196.6)	(24.9)
Other receipts	1 784.9	1 734.4	1 803.8	18.9	1.1	69.4	4.0
Total receipts	**50 672.9**	**51 455.9**	**52 444.2**	**1 771.3**	**3.5**	**988.3**	**1.9**
Payments							
Payments for employees	(17 757.4)	(17 943.3)	(17 926.6)	(169.3)	1.0	16.6	(0.1)
Superannuation	(2 647.9)	(2 648.3)	(2 676.5)	(28.6)	1.1	(28.2)	1.1
Interest paid	(2 133.0)	(2 128.6)	(2 081.6)	51.4	(2.4)	47.0	(2.2)
Grants and subsidies	(8 118.3)	(8 021.5)	(7 647.0)	471.3	(5.8)	374.4	(4.7)
Goods and services	(16 662.0)	(16 808.8)	(16 949.3)	(287.4)	1.7	(140.5)	0.8
Other payments	(622.8)	(622.8)	(1 220.6)	(597.8)	96.0	(597.8)	96.0
Total payments	**(47 941.3)**	**(48 173.2)**	**(48 501.7)**	**(560.4)**	**1.2**	**(328.5)**	**0.7**

Note 32: Explanations of material variances between budget and actual outcomes *(continued)*

(c) Consolidated cash flow statement for the year ended 30 June *(continued)*

($ million)

	General government sector					*Revised*	
	Original budget	*Revised budget*	*2014 Actual*	*Budget variance*	*%*	*budget variance*	*%*
Net cash flows from operating activities	**2 731.6**	**3 282.7**	**3 942.5**	**1 210.9**	**44.3**	**659.8**	**20.1**
Cash flows from investing activities							
Purchases of non-financial assets	(4 868.9)	(3 964.0)	(3 997.3)	871.6	(17.9)	(33.3)	0.8
Sales of non-financial assets	420.2	304.2	270.9	(149.3)	(35.5)	(33.2)	(10.9)
Net Cash flows from investments in non-financial assets	(4 448.7)	(3 659.9)	(3 726.4)	722.4	(16.2)	(66.5)	1.8
Net cash flows from investments in financial assets for policy purposes	(1 377.3)	(1 188.8)	(1 478.3)	(101.0)	7.3	(289.5)	24.4
Sub-total	**(5 826.0)**	**(4 848.6)**	**(5 204.7)**	**621.4**	**(10.7)**	**(356.0)**	**7.3**
Net cash flows from investments in financial assets for liquidity management purposes	(83.1)	56.6	331.8	414.9	n.a.	275.2	n.a.
Net cash flows from investing activities	**(5 909.1)**	**(4 792.0)**	**(4 872.8)**	**1 036.3**	**(17.5)**	**(80.8)**	**1.7**
Cash flows from financing activities							
Net borrowings	3 359.0	1 668.2	1 491.8	(1 867.1)	(55.6)	(176.4)	(10.6)
Deposits received (net)	6.8	(20.0)	(22.7)	(29.4)	n.a.	(2.6)	n.a.
Net cash flows from financing activities	**3 365.7**	**1 648.2**	**1 469.2**	**(1 896.6)**	**(56.3)**	**(179.0)**	**(10.9)**
Net increase/(decrease) in cash and cash equivalents	**188.2**	**138.8**	**538.9**	**350.6**	**n.a.**	**400.1**	**n.a.**
Cash and cash equivalents at beginning of the financial year	4 709.3	3 962.0	3 962.0	(747.3)	(15.9)	..	..
Cash and cash equivalents at end of the financial year	**4 897.5**	**4 100.8**	**4 500.9**	**(396.6)**	**(8.1)**	**400.1**	**9.8**

Net cash flows from operating activities

The major variations between the actual outcomes and the original published budget for net cash flows from operations are largely consistent with the drivers of the movements in the operating statement. A reconciliation of the net result to net cash from operating activities is provided at Note 30(b).

In summary, cash flows from operating activities were $1.2 billion higher than the original published budget. This was driven by higher than total budgeted receipts of $1.8 billion primarily reflecting an increase in specific purpose grants for road and rail investments. This was partially offset by an increase in total payments of $560 million, largely relating to the payment to Tatts Group of $540 million in satisfaction of a Supreme Court judgement.

Net cash flows from investing activities

Net cash flows from investing activities, which includes net cash flows from investments in non-financial assets and net cash flows from investments in financial assets for policy purposes, was $621 million lower than the original budget. This primarily reflects the re-phasing of capital expenditure in public transport infrastructure.

Note 32: Explanations of material variances between budget and actual outcomes *(continued)*

(d) Consolidated statement of changes in equity

($ million)

General government sector	*Accumulated surplus/(deficit)*
2013-14 Original Budget	
Balance at 1 July 2013	37 920.9
Net result	(39.6)
Other comprehensive income for the year	584.4
Total equity at end of period	**38 465.8**
2013-14 Revised Budget	
Balance at 1 July 2013	43 290.6
Net result	(106.9)
Other comprehensive income for the year	2 448.2
Total equity at end of period	**45 631.8**
2013-14 Actual	
Balance at 1 July 2013	43 174.7
Net result for the year	773.1
Other comprehensive income for the year	462.3
Total equity as at 30 June 2014	**44 410.0**
Variance to original budget	
Balance at 1 July 2013	5 253.8
Net result for the year	812.6
Other comprehensive income for the year	(122.1)
Total equity at end of the year	**5 944.3**
Variance to revised budget	
Balance at 1 July 2013	(115.9)
Net result for the year	880.0
Other comprehensive income for the year	(1 985.9)
Total equity at end of the year	**(1 221.8)**

Total major variations between actual outcomes and the original published budget for the statement changes in equity are largely addressed in the explanations provided previously.

Non-controlling Interest	*Property, plant and equipment revaluation surplus*	*Investment in other sector entities revaluation surplus*	*Other reserves*	*Total*
50.0	37 250.8	38 762.6	994.8	114 979.1
..	..	..	..	(39.6)
..	3 918.0	1 559.2	11.9	6 073.5
50.0	**41 168.8**	**40 321.8**	**1 006.7**	**121 013.1**
50.0	37 546.9	38 359.0	921.3	120 167.9
..	..	..	..	(106.9)
..	423.4	2 394.2	32.7	5 298.4
50.0	**37 970.3**	**40 753.2**	**954.0**	**125 359.4**
50.0	37 970.4	38 373.5	614.0	120 182.6
..	..	..	..	773.1
..	2 228.8	3 813.8	26.4	6 531.3
50.0	**40 199.2**	**42 187.3**	**640.3**	**127 486.9**
..	719.5	(389.1)	(380.8)	5 203.4
..	..	..	..	812.6
..	(1 689.1)	2 254.7	14.4	457.8
..	**(969.6)**	**1 865.6**	**(366.4)**	**6 473.8**
..	423.5	14.4	(307.3)	14.7
..	..	..	..	880.0
..	1 805.5	1 419.7	(6.3)	1 232.9
..	**2 228.9**	**1 434.1**	**(313.7)**	**2 127.5**

Note 33: Financial instruments

Financial risk management objectives and policies

The State's principal financial instruments comprise of:

- cash and deposits;
- receivables (excluding statutory and other receivables);
- advances paid and term deposits;
- derivative financial instruments;
- investments in equities and managed investment schemes;
- debt securities;
- deposits held and advances received;
- payables (excluding statutory payables, unearned income and advance premiums); and
- borrowings (including finance lease liabilities).

The main purposes for the State to hold financial instruments are:

- to fund the State's capital expenditure program;
- to meet long-term insurance and superannuation liabilities;
- to manage financial risk; and
- for liquidity management purposes.

(a) Carrying amounts of financial instruments by category

($ million)

	State of Victoria		General government sector	
	2014	2013	2014	2013
Financial assets				
Cash and deposits	8 200.7	6 252.9	4 500.9	3 962.0
Designated at fair value through the operating statement[(a)]	27 758.1	23 826.9	791.2	609.8
Held-for-trading at fair value through the operating statement[(a)]	409.1	711.5	..	..
Loans and receivables	4 204.9	5 517.0	7 212.1	8 123.6
Available-for-sale	557.4	315.4	194.5	93.8
Held-to-maturity	757.9	761.1	1 202.3	1 111.9
Total financial assets[(b)]	**41 888.2**	**37 384.7**	**13 901.0**	**13 901.0**
Financial liabilities				
Designated at fair value through the operating statement[(a)]	43 417.2	39 238.7	404.8	549.4
Held-for-trading at fair value through the operating statement[(a)]	572.5	762.5	20.8	9.0
At amortised cost	13 923.9	14 412.3	36 603.3	34 848.9
Total financial liabilities[(c)]	**57 913.7**	**54 413.4**	**37 028.8**	**35 407.3**

Notes:

(a) June 2013 comparative figures have been restated to reflect derivative financial instruments for insurers as designated at fair value through the operating statement instead of held-for-trading at fair value through the operating statement.

(b) The State's total financial assets in this table exclude statutory and other receivables of $4 272.9 million ($4 126.9 million in 2013) while the General Government's total financial assets exclude statutory receivables of $3 245.0 million ($3 132.2million in 2013).

(c) The State's total financial liabilities exclude statutory taxes payable, unearned income and advance premiums of $ 3 166.7 million ($3 309.8 million in 2013) while the General Government's total financial liabilities exclude statutory taxes payable and unearned income of $2 097.8 million ($2 345.2 million in 2013).

Note 33: Financial instruments *(continued)*

As part of its normal operations, the State is exposed to a number of financial risks including market risk (e.g. interest rate risk, foreign currency risk, and equity price risk), credit risk and liquidity risk through transactions involving its financial instruments. As a whole, the State's financial risk management program seeks to manage these risks and the associated volatility on its financial performance.

Responsible and prudent financial risk management is carried out individually by the State's entities, in accordance with the State's risk management framework, developed by the Department of Treasury and Finance (DTF) and established by the Treasurer. The State's risk management framework comprises the following key components:

- the Treasurer is responsible for approving and establishing the prudential framework containing policies and guidelines on financial risk management;
- the Senior Executive Group of DTF is responsible for advising the Government on the management of the State's financial risks;
- DTF's Balance Sheet Management Committee provides oversight of the State's key financial balance sheet and financial market risks. These risks relate to the State's investments, borrowings, superannuation and insurance claims liabilities, as well as exposures to interest rate, foreign exchange and commodity price volatility and liquidity position;
- the Treasury Corporation of Victoria (TCV) is the State's central borrowing authority and financing advisor. An independent prudential supervisor is appointed by the Treasurer to monitor TCV's compliance with its prudential framework;
- the Victorian Funds Management Corporation (VFMC) acts as the State's central investment fund manager providing expertise in developing investment strategy and delivering funds management services in accordance with each entity's investment objectives. An independent prudential supervisor is appointed by the Treasurer to monitor VFMC's compliance with its prudential framework; and
- the State's entities with gross debt or investments equal to or greater than $20 million, are responsible for setting their own financial risk policy and objectives in accordance with the Treasurer's prudential framework. All entities are responsible for the day-to-day operational management of their financial instruments and associated risks in accordance with the Treasury Management Guidelines.

The prudential framework covers areas such as financial management objectives, responsibility structure and delegation, and policies and guidance on market risk, credit risk, liquidity risk and operational risk. The Chief Executive Officers and executives of the State's entities are responsible for advising their boards, who in turn notify DTF and other stakeholders of any breach by the entities of the prudential standards set by the Treasurer or policies set by their respective boards, including the strategy to remediate the breach.

A number of the State's entities enter into derivative financial instruments in accordance with the Treasurer's prudential and financial management framework, in order to manage their exposure to movements in interest rates, foreign currency exchange rates, and commodity related exposures.

These derivative financial instruments, which include interest rate swaps and futures and forward foreign exchange contracts, are used to manage the risks inherent in either borrowings, financial asset investments or cash flow denominated in foreign currency. Derivative financial instruments are not used to add leverage to the State's financial position.

Note 33: Financial instruments *(continued)*

(b) Breakdown of interest revenue[a]

($ million)

	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Interest revenue from financial assets not at fair value through the operating statement	605.9	806.0	831.2	697.6
Interest revenue from financial assets at fair value through the operating statement[b]	553.6	405.3	..	3.1
Interest revenue from impaired financial assets	..	0.2	..	..
Total	**1 159.5**	**1 211.6**	**831.2**	**700.7**

Notes:

(*a*) *The swap interest revenue from financial assets is included under Other gains/(losses) from other economic flows in the consolidated comprehensive operating statement. Therefore, figures in this table cannot be reconciled to the primary statements.*

(b) June 2013 comparative figures for interest revenue from financial assets at fair value through the operating statement, have been restated to include swap interest revenue by TCV.

(c) Breakdown of interest and fee expense items[a]

($ million)

	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Interest expense from financial liabilities not at fair value through the operating statement	877.3	669.0	2 094.5	1 730.2
Interest expense from financial liabilities at fair value through the operating statement[b]	2 228.9	2 070.1	..	..
Fee expenses from financial liabilities not at fair value through the operating statement	32.1	27.4	24.3	22.1
Fee expenses from financial liabilities at fair value through the operating statement	397.7	412.2	..	..
Total	**3 536.0**	**3 178.7**	**2 118.8**	**1 752.3**

Notes:

(a) The table above does not capture discount interest on non-financial liabilities but includes swap interest expense from financial liabilities which is included under Other gains/(losses) from other economic flows in the consolidated comprehensive operating statement. Therefore, figures in this table cannot be reconciled to the primary statements.

(b) June 2013 comparative figures for interest expense from financial liabilities at fair value through the operating statement, have been restated to include swap interest expense by TCV.

Note 33: Financial instruments *(continued)*

(d) Net gain or loss by category of financial instruments

The net gains or losses on financial assets and liabilities held at 30 June 2014 are determined as follows:

- for loans and receivables and available for sale investments, the net gain or loss is calculated by taking the interest revenue, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result;
- for financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost; and
- for financial assets and liabilities that are held for trading or designated at fair value through profit or loss, the net gain or loss is calculated by taking the movement in the fair value of the financial asset or liability.

($ million)

	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Financial assets				
Cash and deposits	322.6	432.9	715.3	330.1
Designated at fair value through the operating statement	2 065.2	1 334.7	27.7	19.2
Held-for-trading at fair value through the operating statement	22.4	904.4	23.9	(1.3)
Loans and receivables	145.9	108.2	57.7	309.6
Available-for-sale	..	0.8	..	0.8
Total	**2 556.1**	**2 781.1**	**824.6**	**658.4**
Financial liabilities				
Designated at fair value through the operating statement	949.0	854.4	..	..
Held-for-trading at fair value through the operating statement	2.3	70.6	..	..
At amortised cost	..	..	..	..
Total	**951.3**	**925.0**	**..**	**..**

Note 33: Financial instruments *(continued)*

(e) Interest rate risk

Interest risk management

The State is exposed to interest rate risk through borrowings and investments in interest bearing financial assets, such as deposits and debt securities.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The majority of the exposure to interest rate risk on the whole of state balance sheet arises from fair value interest rate risk. Exposure to such risk relates primarily to the State's long-term debt obligations with fixed interest rates, which are measured at fair value. This exposure is partially offset by fixed interest investments held to fund the State's insurance and superannuation liabilities.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Only a small portion of the State's financial instruments are exposed to cash flow interest rate risk. Exposure to such risk arises from financial assets and financial liabilities with floating interest rates, which are measured at amortised cost.

The State's policy for managing interest rate risk on borrowings is to achieve relative certainty of interest cost while seeking to minimise net borrowing cost within portfolio risk management guidelines. Generally, this is achieved by undertaking fixed rate borrowings across a range of maturity profiles.

TCV manages the State's interest risk exposure from borrowings through daily quantification of the risk which assesses the potential loss that the State might incur under various market scenarios. Interest rate risk is managed within an approved limit structure in accordance with TCV's prudential policy and risk management framework, which requires consistency with the Australian Prudential Regulatory Authority prudential statements for banks.

Derivative instruments such as interest rate swaps and futures contracts are used to either change the interest rate between fixed and floating rates of interest or between different floating rates of interest. Disclosed is the notional amounts and periods of expiry for the State's interest rate derivatives.

Interest rate derivatives maturities

($ million)

State of Victoria	*Interest rate swaps*				*Exchange*
		Floating-			*traded futures*
2014	*Indexed*	*for-floating*	*Pay fixed*	*Receive fixed*	*contracts*
Less than 1 year	..	(40.0)	909.0	645.0	555.0
1 year but less than 2 years	..	..	119.1	90.0	..
2 years but less than 3 years	7.8	..	374.3	395.0	..
3 years but less than 4 years	..	..	20.0	20.0	..
4 years but less than 5 years	..	..	..	..	..
5 years or more	(174.1)	..	1 421.9	972.0	..
Total	**(166.3)**	**(40.0)**	**2 844.2**	**2 122.0**	**555.0**
2013					
Less than 1 year	..	1.8	545.0	95.0	1 825.7
1 year but less than 2 years	..	(40.0)	909.0	645.0	..
2 year but less than 3 years	..	..	99.1	90.0	..
3 years but less than 4 years	10.4	..	280.2	220.0	..
4 years but less than 5 years	..	..	..	20.0	..
5 years or more	(200.4)	..	1 781.9	1 291.8	..
Total	**(190.0)**	**(38.2)**	**3 615.2**	**2 361.8**	**1 825.7**

Note 33: Financial instruments *(continued)*

At 30 June 2014, approximately 99 per cent (98 per cent in 2013)of the State's borrowings are at fixed rates of interest. There has been no change in the State's exposure to interest rate risk or the manner in which it manages and measures the risk from the previous reporting period.

There were no interest rate derivative financial instruments for 30 June 2014 and the prior year in the general government sector.

Interest rate exposure

Disclosed is the State's exposure to interest rate risk on classes of financial assets and financial liabilities.

Interest rate sensitivity analysis

The State has analysed the possible effects of feasible changes in interest rates on its financial position and result using the following assumptions:

- the exposure to interest rates for both derivative and non-derivative instruments at the reporting date, and the stipulated change taking place at the beginning of the financial year, are held constant throughout the reporting period; and
- based on historic movements, and in particular, management's knowledge and experience of the recent volatility in global financial markets, the State has assessed that it may be exposed to a reasonably possible increase or decrease of 100 basis points in interest rates (100 basis points in 2013).

With all other variables held constant, the impact of a 100 basis point increase or decrease on the net result and net assets at 30 June 2014 is a $1 715.8 million increase/$1 884.4 million decrease ($1 681.3 million increase/$1 844.8 million decrease in 2013).

The State's sensitivity to interest rates is mainly attributable to the revaluation of fixed interest borrowings at fair value and the revaluation of the insurance and superannuation liabilities, however this does not impact on the net result from transactions.

Note 33: Financial instruments *(continued)*

(f) Interest rate exposure

($ million)

State of Victoria *2014*	*Floating*	*Less than 1 year*	*1 year but less than 2 years*
Financial assets			
Cash and deposits	4 104.6	3 955.4	..
Receivables	45.8	362.5	12.4
Advances paid	966.8	138.9	96.7
Term deposits	143.7	828.9	31.4
Derivative financial instruments	69.2	156.1	..
Equities and managed investment schemes	422.4	168.2	..
Debt securities	4 182.9	3 939.6	671.3
Total financial assets	**9 935.4**	**9 549.7**	**811.7**
Financial liabilities			
Payables, deposits held and advances received	1 969.8	646.3	27.5
Derivative financial instruments	8.3	176.2	0.8
Interest-bearing liabilities	119.2	2 816.7	2 373.5
Finance lease liabilities	..	107.9	258.5
Total financial liabilities	**2 097.3**	**3 747.1**	**2 660.2**

2013			
Financial assets			
Cash and deposits	3 115.6	3 074.4	2.2
Receivables[(a)]	65.9	337.8	36.9
Advances paid	886.6	120.8	90.7
Term deposits	121.2	896.7	64.8
Derivative financial instruments	..	438.0	10.1
Equities and managed investment schemes[(a)]	198.8	199.3	19.3
Debt securities[(a)]	3 597.9	2 543.3	705.3
Total financial assets	**7 986.1**	**7 610.4**	**929.3**
Financial liabilities			
Payables, deposits held and advances received[(b)]	2 485.8	477.6	25.3
Derivative financial instruments	117.1	376.9	22.2
Interest-bearing liabilities[(b)]	719.9	1 091.5	2 936.5
Finance lease liabilities	379.9	236.4	164.1
Total financial liabilities	**3 702.6**	**2 182.4**	**3 148.1**

Notes:

(a) June 2013 comparative figures have been restated to reflect the reallocation of investment sold but not yet settled.

(b) June 2013 comparative figures have been restated to reflect a reclassification from 'Interest-bearing liabilities' to 'payables, deposits held and advances received'.

	Interest rate, fixed maturities 2 years but less than 3 years	3 years but less than 4 years	4 years but less than 5 years	5 years or more	Non-interest bearing	Total
	..	..	..	..	140.7	8 200.7
	2.0	1.9	1.4	9.0	1 688.6	2 123.6
	94.2	81.1	75.6	320.1	21.7	1 795.1
	4.5	1.8	4.1	4.3	0.4	1 019.1
	11.1	0.9	10.8	239.4	38.3	525.9
	3.3	..	..	7.1	16 170.7	16 771.7
	164.7	450.7	672.0	1 327.2	43.9	11 452.1
	279.7	**536.4**	**763.9**	**1 907.0**	**18 104.3**	**41 888.2**
	5.9	21.2	35.7	41.4	3 888.4	6 636.2
	11.1	0.3	20.8	215.6	140.5	573.7
	3 823.3	3 399.2	5 141.5	24 213.0	..	41 886.4
	248.2	310.7	377.7	7 500.6	13.7	8 817.3
	4 088.6	**3 731.5**	**5 575.8**	**31 970.6**	**4 042.6**	**57 913.7**

	..	..	..	..	60.7	6 252.9
	0.7	61.6	0.6	16.6	2 755.7	3 275.9
	88.5	89.3	71.4	362.7	17.3	1 727.3
	2.1	4.9	0.6	3.9	2.9	1 097.2
	6.0	8.2	..	240.0	11.4	713.8
	..	1.6	..	..	14 720.0	15 139.0
	317.8	124.3	348.1	1 535.0	6.9	9 178.7
	415.1	**289.9**	**420.7**	**2 158.3**	**17 574.9**	**37 384.7**
	7.7	7.7	7.7	37.9	3 926.9	6 976.4
	6.7	12.9	..	290.1	223.1	1 049.0
	1 570.8	5 335.2	29.9	25 843.9	..	37 527.7
	269.8	251.5	355.2	7 185.1	18.4	8 860.4
	1 854.9	**5 607.2**	**392.8**	**33 357.0**	**4 168.4**	**54 413.4**

Note 33: Financial instruments *(continued)*

(f) Interest rate exposure *(continued)*

($ million)

General government sector 2014	*Floating*	*Less than 1 year*	*1 year but less than 2 years*
Financial assets			
Cash and deposits	3 574.9	767.3	..
Receivables	11.6	154.3	42.4
Advances paid	..	50.4	55.6
Term deposits	335.4	1 730.5	33.5
Derivative financial instruments	..	..	..
Equities and managed investment schemes	348.6	166.1	..
Debt securities	..	2.1	4.5
Total financial assets	**4 270.4**	**2 870.7**	**135.9**
Financial liabilities			
Payables, deposits held and advances received	556.6	399.2	27.7
Derivative financial instruments	..	..	..
Interest-bearing liabilities	35.8	1 120.8	1 439.1
Finance lease liabilities	..	36.3	188.0
Total financial liabilities	**592.4**	**1 556.3**	**1 654.8**

2013			
Financial assets			
Cash and deposits	3 314.1	555.7	2.2
Receivables	33.5	349.7	56.5
Advances paid	4.1	491.8	443.4
Term deposits	206.4	2 369.7	69.3
Derivative financial instruments	..	..	..
Equities and managed investment schemes	194.5	199.1	18.1
Debt securities	27.6	1.2	2.1
Total financial assets	**3 780.2**	**3 967.2**	**591.6**
Financial liabilities			
Payables, deposits held and advances received	610.6	400.0	25.2
Derivative financial instruments	..	..	..
Interest-bearing liabilities	9.4	1 746.1	1 028.7
Finance lease liabilities	379.9	174.4	91.5
Total financial liabilities	**1 000.0**	**2 320.6**	**1 145.4**

Interest rate, fixed maturities 2 years but less than 3 years	3 years but less than 4 years	4 years but less than 5 years	5 years or more	Non-interest bearing	Total
..	..	..	..	158.7	4 500.9
33.8	35.8	37.9	175.4	1 204.4	1 695.6
44.8	54.1	58.2	4 301.4	22.4	4 586.9
4.5	1.8	4.1	4.3	0.3	2 114.4
..	..	..	..	..	..
0.6	..	..	..	436.9	952.2
14.3	5.0	0.6	22.3	2.3	51.0
98.0	**96.7**	**100.8**	**4 503.5**	**1 825.0**	**13 901.0**
5.9	21.2	..	20.4	3 044.2	4 075.2
..	..	..	..	20.8	20.8
1 737.5	1 948.3	2 064.2	16 537.2	..	24 883.0
178.7	181.3	193.3	7 149.5	122.7	8 049.8
1 922.1	**2 150.9**	**2 257.5**	**23 707.1**	**3 187.7**	**37 028.8**

..	..	..	..	90.0	3 962.0
18.6	77.5	14.7	275.8	1 102.6	1 928.8
400.0	340.1	305.8	2 617.8	23.8	4 626.8
2.1	4.9	0.6	3.8	2.9	2 659.7
..	..	..	..	..	..
..	0.6	..	..	269.7	681.9
2.6	5.9	0.5	0.8	0.9	41.7
423.3	**429.1**	**321.6**	**2 898.1**	**1 489.9**	**13 901.0**
7.7	7.7	7.7	37.9	2 965.4	4 062.0
..	..	..	8.9	0.1	9.0
1 472.3	1 739.8	1 692.7	15 614.0	..	23 303.0
198.6	181.4	225.3	6 763.9	18.4	8 033.3
1 678.5	**1 928.9**	**1 925.7**	**22 424.6**	**2 983.8**	**35 407.4**

Note 33: Financial instruments *(continued)*

(g) Foreign currency risk

The State is also exposed to foreign currency risk through investments in foreign currency denominated financial assets, primarily international equities. This exposure is mainly via the major currencies such as United States dollar, Canadian dollar, Japanese yen, Swiss franc, the euro, British pound and the New Zealand dollar.

The carrying amount of the State's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

($ million)

	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Monetary assets				
Cash and deposits	315.2	73.7	..	0.1
Debt securities	..	54.9	..	..
Total monetary assets[(a)]	**315.2**	**128.7**	**..**	**0.1**
Monetary liabilities				
Borrowings	268.8	531.0	..	..
Total monetary liabilities	**268.8**	**531.0**	**..**	**..**

Note:
(*a*) *In addition, the State held $4 856.9 million ($4 703.9 million in 2013) of equities and managed investment schemes denominated in foreign currencies.*

The Victorian Funds Management Corporation (VFMC), the State's fund manager, applies a consolidated approach in managing the foreign currency exposure in accordance with investment risk management plans as approved by the Treasurer. VFMC's approach is to hedge approximately 50 per cent of the foreign currency exposure arising from international equities, and to fully hedge foreign currency exposures arising from other offshore assets such as infrastructure, property and hedge funds.

TCV is the State's central borrowing authority and part of its funding program is comprised of foreign currency borrowings. The State's policy is to hedge any material foreign currency exposures arising from borrowings. TCV uses foreign exchange options, spot and forward foreign exchange rate contracts in the management of offshore borrowings.

There has been no material change in the State's exposure to foreign currency risk or the manner in which it manages and measures the risk from the previous reporting period.

Foreign currency sensitivity analysis

The State has analysed the possible effects of feasible change in exchange rates against the Australian dollar on its financial position and result using the following assumptions:

- exposure to the pool of foreign currencies for both derivative and non-derivative instruments at the reporting date, and the stipulated change taking place at the beginning of the financial year are held constant throughout the reporting period; and
- based on historic movements, future expectations and management's knowledge and experience of the foreign currency markets, the State has assessed that it may be exposed to an increase or decrease of 15 per cent against the Australian dollar (15 per cent in 2013).

With all other variables held constant, the impact of a 15 per cent increase or decrease in exchange rates on economic flows and net assets at 30 June 2014 is $123.8 million decrease/$157.9 million increase ($111.5 million decrease/$143.3 million increase in 2013).

The State's exposure to direct foreign currency risk has no material impact on the net result from transactions.

Note 33: Financial instruments *(continued)*

(h) Equity price risk

Equity price risk management

The State is exposed to equity price risk from Australian and international investments in equities directly and indirectly via managed investment schemes or funds. These investments are selected as part of a diversified portfolio to match investment objectives appropriate to the State's liabilities. The State limits its equity price risk through diversifying its investment portfolio. This is determined by VFMC and reflected in the Investment Risk Management Plan approved by the Treasurer, and in accordance with the *Borrowing and Investments Powers Act 1987* (BIP Act) and the prudential supervisory policies and framework of the State.

Equity price sensitivity analysis

The State has analysed the possible effects of feasible changes in equity prices on its financial position and result using the following assumptions:

- exposure to equity securities for both derivative and non-derivative instruments at the reporting date, and the stipulated change taking place at the beginning of the financial year are held constant throughout the reporting period;
- based on historic movements, future expectations and management's knowledge and experience of the volatility of the equity markets, the State has assessed that it may be exposed to a reasonably possible increase or decrease of 15 per cent to equity prices (increase or decrease of 15 per cent in 2013); and
- with all other variables held constant, the impact of a 15 per cent increase or decrease in listed equities on economic flows and net assets at 30 June 2014 is $505.7 million increase/$505.7 million decrease ($372 million increase/$372 million decrease in 2013) and from unlisted equities is $1 111.2 million increase/$1 204.2 million decrease ($1 036.1 million increase/ $1 136.2 million decrease in 2013).

The State's exposure to equity price sensitivity has no direct impact on the net result from transactions.

There has been no material change in the State's exposure to equity price risk or the manner in which it manages and measures the risk from the previous reporting period.

(i) Credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. The State's exposure to credit risk mainly arises through its investments in fixed interest instruments. Most of the State's investments and derivatives are centrally managed by TCV and VFMC. Limits are set both in terms of the quality and amount of credit exposure in accordance with the BIP Act and the prudential supervisory policies and framework of the State.

The State does not have any significant credit risk exposure to any single counterparty or to any group of counterparties having similar characteristics.

The State's maximum exposure to credit risk, without taking account of the value of any collateral obtained at the reporting date, in relation to each class of recognised financial asset, is the carrying amount of those assets as recognised in the balance sheet.

There has been no material change to the State's credit risk profile in 2013-14.

Note 33: Financial instruments *(continued)*

(j) Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. The State is exposed to liquidity risk mainly through the maturity of its external borrowings raised by TCV and the requirement to fund cash deficits. Liquidity management policy has three main components as follows.

Short-term liquidity management and control

The State's central treasury, TCV, is responsible for ensuring that the State's liquidity requirements can be met at all times.

From 1 June 2012 TCV introduced an enhanced liquidity policy to assist the Government to manage the whole of Victorian government liquidity strategy and improve TCV's operational and medium to long-term liquidity management. The policy introduced daily measurement of the whole of Victorian government liquidity ratio which measures TCV's liquid assets (after discounting to reflect potential loss of value in the event of a quick sale) versus 12 months of debt and interest obligations.

The new policy also introduced daily 'going concern' net and cumulative cash flow limits to manage short-term liquidity exposures during normal operating liquidity conditions and the monitoring of 'going concern' and 'liquidity stress' scenario cash flows out to 12 months.

As at 30 June 2014, the whole of Victorian government liquidity ratio stood at 143 per cent against a limit of 80 per cent (117 per cent against a limit of 80 per cent in 2013).

Long-term liquidity management monitoring

The State's policy on long-term management of liquidity primarily focuses on the diversification of funding sources and maturities.

Managing a liquidity crisis

In the event of a liquidity crisis, the State has in place liquidity crisis management plans to manage liquidity conditions. The liquidity crisis management plans are a set of protocols established to respond to specific conditions during a crisis.

Maturity analysis of financial liabilities

Disclosed are details of the State's maturity analysis for its derivative and non-derivative financial liabilities. The table includes both interest and principal cash flows, and has been based on the undiscounted cash flows of financial liabilities based on the earliest date on which the State may be required to pay.

Note 33: Financial instruments *(continued)*

(k) Undiscounted maturity analysis of financial liabilities

($ million)

State of Victoria			*Contractual maturity*				
2014	*Carrying amount*	*Nominal amount*[(a)]	*0-3 months*	*3 months-1 year*	*1-2 years*	*2-5 years*	*5+ years*
Payables, deposits held and advances received	6 636.2	6 636.2	5 960.9	525.8	38.0	66.6	44.9
Interest-bearing liabilities:							
Domestic borrowings	41 617.6	50 789.0	60.6	4 651.5	4 175.5	16 183.4	25 717.9
Foreign currency borrowings	268.8	300.5	168.5	2.1	2.1	6.4	121.4
Finance lease liabilities	8 817.3	21 602.5	231.6	714.9	1 145.7	2 964.9	16 545.4
Derivative financial liabilities	573.7	366.2	20.7	73.1	90.5	67.2	114.8
Total	**57 913.7**	**79 694.5**	**6 442.3**	**5 967.4**	**5 451.9**	**19 288.4**	**42 544.5**
2013							
Payables, deposits held and advances received[(b)]	6 976.4	7 015.4	6 224.6	568.4	68.4	74.4	79.5
Interest-bearing liabilities:							
Domestic borrowings[(b)]	36 996.7	47 271.2	63.1	2 814.3	4 928.0	10 973.9	28 491.9
Foreign currency borrowings	531.0	579.8	439.8	2.2	2.2	6.7	128.8
Finance lease liabilities[(c)]	8 860.3	22 050.0	217.2	667.2	1 149.8	2 701.4	17 314.4
Derivative financial liabilities	1 049.0	475.6	383.1	31.6	20.3	14.3	26.3
Total	**54 413.4**	**77 391.9**	**7 327.8**	**4 083.8**	**6 168.7**	**13 770.7**	**46 040.9**

Notes:

(a) Represents undiscounted nominal amount.

(b) June 2013 comparative figures have been restated to reflect a reclassification from interest bearing liabilities to payables.

(c) June 2013 comparative figures have been restated to more accurately reflect the minimum lease payments and the future finance charges.

Note 33: Financial instruments *(continued)*

(k) Undiscounted maturity analysis of financial liabilities *(continued)*

($ million)

General government sector 2014	*Carrying amount*	*Nominal amount[(a)]*	*Contractual maturity 0-3 months*	*3 months-1 year*	*1-2 years*	*2-5 years*	*5+ years*
Payables, deposits held and advances received	4 075.2	4 075.2	3 437.7	549.0	33.9	30.7	23.8
Interest-bearing liabilities:							
Domestic borrowings	24 883.0	24 883.0	30.7	1 134.9	1 450.7	5 728.5	16 538.1
Foreign currency borrowings	..	..	..	..	..	..	..
Finance lease liabilities	8 049.8	20 813.4	213.8	657.8	1 072.3	2 573.6	16 295.8
Derivative financial liabilities	20.8	20.8	..	..	..	..	20.8
Total	**37 028.8**	**49 792.4**	**3 682.3**	**2 341.8**	**2 557.0**	**8 332.9**	**32 878.5**
2013							
Payables, deposits held and advances received	4 062.0	4 457.2	3 513.7	468.9	117.6	226.0	131.0
Interest-bearing liabilities:							
Domestic borrowings	23 303.0	23 281.0	1 721.7	13.0	1 030.8	4 908.9	15 606.7
Foreign currency borrowings	..	..	..	..	..	..	..
Finance lease liabilities[(b)]	8 033.3	21 265.4	203.7	619.1	1 077.0	2 424.4	16 941.2
Derivative financial liabilities	9.0	9.0	0.1	..	..	..	8.9
Total	**35 407.3**	**49 012.6**	**5 439.2**	**1 100.9**	**2 225.3**	**7 559.4**	**32 687.8**

Notes:
(a) Represents undiscounted nominal amount.
(b) June 2013 comparative figures have been restated to more accurately reflect the minimum lease payments and the future finance charges.

Finance lease liabilities are payable as follows:

($ million)

	State of Victoria 2014	*State of Victoria 2013[(a)]*	*General government sector 2014*	*General government sector 2013[(a)]*
Less than 1 year	946.5	884.4	871.6	822.8
1 year but less than 5 years	4 110.6	3 851.2	3 645.9	3 501.3
5 years or more	16 545.4	17 314.4	16 295.8	16 941.2
Minimum lease payments	**21 602.5**	**22 050.0**	**20 813.4**	**21 265.4**
Future finance charges	12 785.2	13 189.6	12 763.6	13 232.1
Total finance lease liabilities	**8 817.3**	**8 860.3**	**8 049.8**	**8 033.3**

Note:
(a) June 2013 comparative figures have been restated to more accurately reflect the minimum lease payments and the future finance charges.

Note 33: Financial instruments *(continued)*

(l) Fair value of financial instruments

The fair values of the State's financial assets and liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in an active liquid market are determined with reference to quoted market prices. Financial instruments in this category include investments in equities, managed investment schemes and debt securities;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices from observable current market transactions; and
- the fair value of derivative instruments, such as interest rate futures contracts, are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instrument for non-optional derivatives, and option pricing models for optional derivatives.

Except as detailed in the following table, the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Fair value of financial instruments at amortised cost

($ million)

State of Victoria	*2014*		*2013*	
	Carrying amount	*Fair value*	*Carrying amount*	*Fair value*
Financial assets				
Non-current receivables[(a)]	201.2	117.5	174.6	23.1
Financial liabilities				
Finance lease liabilities	8 817.3	7 138.6	8 860.3	5 508.3

General government sector	*2014*		*2013*	
	Carrying amount	*Fair value*	*Carrying amount*	*Fair value*
Financial assets				
Non-current receivables	648.4	594.9	706.0	4.6
Financial liabilities				
Finance lease liabilities	8 049.8	6 459.0	8 033.3	5 385.6

Note:
(a) June 2013 comparative figures have been restated to more accurately reflect non-current receivables.

Note 33: Financial instruments *(continued)*

(l) Fair value of financial instruments *(continued)*

Credit quality of financial assets that are neither past due nor impaired

($ million)

State of Victoria *2014*	*(AAA credit rating)*	*Other (min BBB credit rating)*	*Other (not rated)*	*Total*
Financial assets				
Cash and deposits	5 481.5	1 880.0	839.2	8 200.7
Receivables	239.4	135.6	1 048.6	1 423.6
Advances paid	4.1	..	1 790.9	1 795.1
Term deposits	563.0	294.4	161.7	1 019.1
Debt securities	3 057.9	8 002.4	391.8	11 452.1
Total financial assets	**9 346.0**	**10 312.4**	**4 232.2**	**23 890.6**
2013				
Financial assets				
Cash and deposits	4 532.3	1 321.1	399.4	6 252.9
Receivables[(a)]	1 059.1	444.7	1 164.6	2 668.5
Advances paid	..	1.0	1 726.3	1 727.3
Term deposits	462.6	511.0	123.6	1 097.2
Debt securities[(a)]	2 582.8	6 356.1	239.9	9 178.7
Total financial assets	**8 636.8**	**8 633.9**	**3 653.8**	**20 924.5**

Note:
(a) June 2013 comparative figures have been restated to reflect the reallocation of investment sold but not yet settled.

($ million)

General government sector *2014*	*Government agencies (AAA credit rating)*	*Government agencies (min BBB credit rating)*	*(AAA credit rating)*	*Other (min BBB credit rating)*	*(not rated)*	*Total*
Financial assets						
Cash and deposits	1 965.1	..	1 355.2	676.3	504.3	4 500.9
Receivables	634.4	..	196.3	11.2	356.9	1 198.9
Advances paid	4 554.8	..	4.1	..	28.0	4 586.9
Term deposits	1 184.8	..	497.0	286.8	145.7	2 114.4
Debt securities	..	..	49.0	1.5	0.5	51.0
Total financial assets	**8 339.1**	**..**	**2 101.6**	**975.9**	**1 035.4**	**12 452.1**
2013						
Financial assets						
Cash and deposits	1 629.8	..	1 479.5	468.5	384.1	3 962.0
Receivables[(a)]	864.3	..	23.2	29.5	600.5	1 517.4
Advances paid	4 604.2	..	..	..	22.6	4 626.8
Term deposits	1 753.3	..	304.3	489.3	112.8	2 659.7
Debt securities	..	..	0.9	40.1	0.7	41.7
Total financial assets	**8 851.6**	**..**	**1 808.0**	**1 027.4**	**1 120.7**	**12 807.7**

Note:
(a) June 2013 comparative figures have been restated to more accurately reflect the receivables that are neither past due nor impaired.

Note 33: Financial instruments *(continued)*

(l) Fair value of financial instruments *(continued)*

Financial assets measured at fair value

($ million)

State of Victoria *2014*	*Carrying amount as at 30 June*	*Fair value measurement at end of reporting period using:* Level 1[(a)]	Level 2[(b)]	Level 3[(c)]
Financial assets				
Cash	4 323.0	4 323.0	..	..
Receivables held in investment schemes	59.1	..	59.1	..
Derivative assets	525.9	14.4	511.0	0.5
Equities and managed investment schemes	16 771.7	4 942.6	7 442.6	4 386.4
Debt securities at fair value	11 452.1	2 038.0	9 170.7	243.4
Total financial assets	**33 131.7**	**11 318.0**	**17 183.3**	**4 630.4**
2013				
Financial assets				
Cash	3 008.2	3 008.2	..	..
Receivables held in investment schemes	415.2	395.0	20.2	..
Derivative assets	713.8	..	713.7	..
Equities and managed investment schemes[(d)]	15 139.0	4 394.0	6 432.1	4 312.9
Debt securities at fair value[(d)]	9 178.7	1 687.8	7 374.9	116.0
Total financial assets	**28 454.9**	**9 485.0**	**14 540.9**	**4 428.9**

Notes:
(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities.
(b) Inputs based on observable market data (either directly using prices or indirectly derived from prices).
(c) Inputs not based on observable market data.
(d) June 2013 comparative figures have been restated to reflect the reallocation of investment sold but not yet settled.

($ million)

General government sector *2014*	*Carrying amount as at 30 June*	*Fair value measurement at end of reporting period using:* Level 1[(a)]	Level 2[(b)]	Level 3[(c)]
Financial assets				
Equities and managed investment schemes	952.2	391.2	553.7	7.3
Debt securities at fair value	51.0	50.5	..	0.5
Total financial assets	**1 003.2**	**441.7**	**553.7**	**7.8**
2013				
Financial assets				
Equities and managed investment schemes	681.9	331.8	307.0	43.2
Debt securities at fair value	41.7	41.1	..	0.6
Total financial assets	**723.7**	**372.9**	**307.0**	**43.8**

Notes:
(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities.
(b) Inputs based on observable market data (either directly using prices or indirectly derived from prices).
(c) Inputs not based on observable market data.

Significant transfers between Level 1 and Level 2

There were no significant transfers identified between Levels 1 and 2.

Note 33: Financial instruments *(continued)*

(l) Fair value of financial instruments *(continued)*

Reconciliation of Level 3 fair value movements

($ million)

	Derivative assets		*Equities and managed investment schemes*		*Debt securities at fair value*	
State of Victoria	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*
Opening balance	**..**	**61.2**	**4 312.9**	**550.8**	**116.0**	**107.2**
Total gains and losses recognised in:						
Net result	0.5	..	(280.9)	6.7	11.3	5.9
Other comprehensive income	..	..	..	96.2	..	5.6
Purchase	..	..	723.7	306.1	2.0	..
Sales	..	..	(325.6)	(113.7)	(59.4)	(0.2)
Settlements	..	..	(22.3)	0.1	(9.1)	(8.2)
Transfers from other levels	..	..	0.2	3 716.6	202.1	8.8
Transfers out of Level 3	..	(61.2)	(21.6)	(249.9)	(19.6)	(3.0)
Closing balance	**0.5**	**..**	**4 386.4**	**4 312.9**	**243.4**	**116.0**
General government sector						
Opening balance	**..**	**..**	**43.1**	**122.2**	**0.6**	**0.8**
Total gains and losses recognised in:						
Net result	..	..	..	3.5	..	..
Other comprehensive income	..	..	..	7.3	..	..
Purchases	..	..	5.5	13.1	..	..
Sales	..	..	..	(41.4)	..	(0.2)
Settlements	..	..	..	..	..	..
Transfers from other levels	..	..	..	2.0	..	..
Transfers out of Level 3	..	..	(41.3)	(63.6)	(0.1)	..
Closing balance	**..**	**..**	**7.3**	**43.1**	**0.5**	**0.6**

(m) Description of Level 3 valuation techniques used and key inputs to valuation

The majority of the State's Level 3 financial assets relate to equities and managed investment schemes that are managed by VFMC on behalf of the State's insurance entities.

The disclosure below provides details of the inputs and assumptions used in the current valuation models. Further detailed information has been provided where available. Given that a significant majority of these investments are held via third party pooled investment vehicles, and the State is not privy to the detailed inputs and assumptions used to value the underlying investment assets, the State is not in a position to provide the sensitivity analysis pertaining to the fair value measurement due to changes in unobservable inputs.

Equities

The State's equity investments comprise Australian and private equity investments. The former are equity investments that are currently on a trading halt or do not have recent trading activity and the latter are externally managed unlisted pooled vehicles and trusts.

The valuations of Australian equities are based on the last trading price of the securities. In contrast, private equity investments are based primarily on multiples of earnings, discounted cash flow, market equivalents and other market accepted methodologies. Key inputs and assumptions which are subject to estimation uncertainty include the identification of appropriate comparables, estimated future profits, risk free discount rate, risk premium, estimated future cash flows and future economic and regulatory conditions.

Note 33: Financial instruments *(continued)*

Managed investment schemes

The State's managed investment schemes include diversified fixed interest investments, infrastructure, non-traditional strategies and property investments.

Diversified fixed interest

The valuations of diversified fixed interest investments are based primarily on third party pricing servicers, brokers, market makers and valuation methodologies determined to be appropriate by the fund manager or their independent valuation agent. Such methodologies applied may include discounted cash flow, amortised cost and direct comparison.

Key inputs and assumptions which are subject to estimation uncertainty include the appropriate credit spread and other risk premium, risk free discount rate, future cash flows, identification of appropriate comparables and future economic and regulatory conditions.

Infrastructure

The valuations of unlisted infrastructure investments are based primarily on the discounted cash flow methodology. Key inputs and assumptions which are subject to estimation uncertainty include the choice of risk free discount rates, in the main ranging between 8.0 per cent a year and 15.0 per cent a year (between 8.8 per cent a year and 11.3 per cent a year in 2013), risk premium, asset utilisation rates, capital expenditure and operating cost forecasts and other estimated future cash flows dependent on the longer term general economic forecasts and the forecast performance of applicable underlying assets.

Insurance investments

The valuation of insurance investments is based on the discounted cash flow methodology, with key assumptions of insures' mortality and premium payments on the valuation date. Other assumptions and interdependencies include the weighted average discount rate of 16.4 per cent a year (16.4 per cent a year in 2013), life expectancy estimates obtained from qualified providers and expected premium payments based on the back solving premiums optimisation method.

Fixed interest investments

The valuation of fixed interest investments are based primarily on prices quoted on an exchange or traded in a dealer market. For less liquid securities, valuation methodologies are set out by each manager. Depending on the investment, the methodologies applied include discounted cash flow, amortised cost, direct comparison and other market accepted methodologies. The fund manager may choose to appoint independent valuation agents to seek independent price verification. Key inputs and assumptions which are subject to estimation uncertainty include the appropriate credit spread and other risk premium, risk free discount rate, future cash flows, identification of appropriate comparables and future economic and regulatory conditions.

Note 33: Financial instruments *(continued)*

Property investments

Property investments comprise externally managed unlisted property trusts with exposure to domestic and international commercial, industrial, retail and development property market.

The valuations of unlisted property investments are primarily based on discounted cash flow, capitalisation and direct comparison methodologies. Assumptions which may be subject to estimation uncertainty would include the identification of appropriate comparables, estimated future profits, risk free rate, risk premium, estimated future cash flows and future economic and regulatory conditions.

(n) Master netting or similar arrangements

Certain financial assets and financial liabilities are presented on a net basis in the consolidated balance sheet where they meet the offsetting criteria (see Note 1(K) *Financial instruments*).

The following table provides information on the impact of offsetting on the consolidated balance sheet and the financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement. It also includes available cash and financial instrument collateral.

The gross and net positions of financial assets and liabilities that have been offset in the consolidated balance sheet as at 30 June are disclosed on the first three columns of the table below.

The fourth column represents the related amounts that do not meet the criteria for offsetting in a normal course of business, but can be offset in certain circumstances, such as bankruptcy, default or insolvency or when the rights to offset is conditional upon the default of the counterparty. The last column 'Net amount' shows the net impact on the State's Consolidated Balance Sheet if all existing rights of offset were exercised.

State of Victoria	*Effects of offsetting on the statement of financial position*				
2014	*Gross amounts*	*Gross amounts set off in the consolidated balance sheet*	*Net amounts presented in the consolidated balance sheet*	*Related amounts not offset*	*Net amount*
Financial assets					
Cash and cash equivalents	8 200.7	..	8 200.7	(1 090.0)	7 110.8
Derivative financial instruments	2 300.8	(1 774.9)	525.9	(407.3)	118.5
Financial liabilities					
Derivative financial instruments	2 348.6	(1 774.9)	573.7	(409.9)	163.8
Interest bearing liabilities	41 886.4	..	41 886.4	..	41 886.4
2013					
Financial assets					
Cash and cash equivalents	6 252.9	..	6 252.9	..	6 252.9
Derivative financial instruments	2 678.4	(1 964.6)	713.8	(673.5)	40.3
Financial liabilities					
Derivative financial instruments	2 990.2	(1 941.2)	1 049.0	(625.0)	424.0
Interest bearing liabilities	37 527.7	..	37 527.7	(11.1)	37 516.6

Note 34: Commitments

(a) Non-public private partnerships[a][b]

($ million)

	State of Victoria 2014 Nominal value	General government sector 2014 Nominal value	State of Victoria 2013 Nominal value	General government sector 2013 Nominal value
Capital expenditure commitments				
Land and buildings	881.1	750.3	1 185.7	1 069.2
Plant, equipment and vehicles	282.0	218.4	332.0	241.2
Infrastructure systems	1 100.6	235.5	1 384.6	1 052.6
Road networks and earthworks	636.1	636.1	792.6	791.4
Other	1 328.9	1 304.2	946.7	943.7
Total capital expenditure commitments	**4 228.6**	**3 144.5**	**4 641.6**	**4 098.0**
Operating and lease commitments				
Rail services	4 559.9	4 559.9	4 807.4	4 807.4
Bus services	3 473.9	3 473.9	4 346.7	4 346.7
Other	2 548.7	1 632.1	3 144.1	2 213.8
Total operating and lease commitments	**10 582.5**	**9 665.9**	**12 298.2**	**11 367.9**
Other commitments				
Building occupancy services	..	72.4	..	78.0
Capital investment commitments	37.9	..	66.7	..
Commercial contracts	137.4	136.2	122.1	116.5
Debt collection services (Traffic camera office)	76.3	76.3	122.7	122.7
Emergency Alert System	51.4	51.4	80.3	80.3
Goulburn-Murray Water Connections Project[c]	34.8	976.9	23.8	1 187.1
Hopkins correctional centre	446.4	446.4	454.4	454.4
Information technology	43.1	35.3	101.5	81.2
New ticketing solution (*myki*)	208.1	208.1	225.6	225.6
Outsourcing of services	363.1	213.0	419.8	241.0
Policing services	76.9	76.9	134.7	134.7
Traffic camera services (Traffic camera office)	76.7	76.7	98.3	98.3
Transport Accident Commission funded medical research	35.3	..	47.6	..
Other	2 066.2	1 905.8	1 940.0	1 836.1
Total other commitments	**3 653.5**	**4 275.3**	**3 837.5**	**4 655.7**
Total commitments	**18 464.5**	**17 085.7**	**20 777.3**	**20 121.5**

Notes:

(a) The figures presented are inclusive of GST.

(b) A number of the 2013 comparatives have been restated to reflect the most current information.

(c) The Goulburn-Murray Water Connections Project was formally known as the Northern Victoria Irrigation Renewal Project.

Note 34: Commitments *(continued)*

(b) Public private partnerships[(a)(b)(c)]

($ million)

	State of Victoria 2014 Other commitments Present value	State of Victoria 2014 Other commitments Nominal value	General government sector 2014 Other commitments Present value	General government sector 2014 Other commitments Nominal value
Commissioned Public Private Partnerships other commitments				
AgriBio Project	117.3	319.1	117.3	319.1
Barwon Water	72.3	130.5	..	..
Casey Hospital	67.5	121.3	67.5	121.3
Central Highlands Water	70.7	86.5	..	..
Coliban Water	86.9	107.9	..	..
County Court	34.4	45.4	34.4	45.4
Emergency Service Telecommunications	51.2	53.9	51.2	53.9
Health Services – Mildura Hospital[(d)]	..	..	..	..
Melbourne Convention Centre	240.1	505.0	240.1	505.0
Peninsula Link	197.8	487.4	197.8	487.4
Partnerships Victoria in Schools	99.8	224.5	99.8	224.5
Prisons	520.7	611.5	520.7	611.5
Royal Children's Hospital	366.3	862.7	366.3	862.7
Royal Melbourne Showgrounds	49.1	79.7	49.1	79.7
Royal Women's Hospital	212.9	431.0	212.9	431.0
Southern Cross Station	234.9	579.4	234.9	579.4
Victorian Desalination Plant	1 532.4	5 100.4	1 532.4	5 100.4
Sub-total	**3 954.1**	**9 746.3**	**3 724.2**	**9 421.5**

	Minimum lease payments Discounted value	Other commitments Present value	Total commitments Nominal value	Minimum lease payments Discounted value	Other commitments Present value	Total commitments Nominal value
Uncommissioned Public Private Partnerships total commitments						
Bendigo Hospital – stage one[(e)]	279.4	1 138.3	2 861.7	279.4	1 138.3	2 861.7
Bendigo Hospital – stage two[(e)]	17.5	46.7	99.6	17.5	46.7	99.6
Victorian Comprehensive Cancer Centre (VCCC)	1 050.4	353.6	3 199.8	1 050.4	353.6	3 199.8
Sub-total	**1 347.3**	**1 538.5**	**6 161.2**	**1 347.3**	**1 538.5**	**6 161.2**
Total commitments for Public Private Partnerships		**5 492.6**	**15 907.5**		**5 262.8**	**15 582.7**
Total commitments (inclusive of GST)[(f)]			**34 372.0**			**32 668.4**
Less GST recoverable from the Australian Tax Office			3 124.7			2 969.9
Total commitments (exclusive of GST)			**31 247.3**			**29 698.5**

Notes:

(a) The minimum lease payments of commissioned Public Private Partnerships (PPPs) are recognised on the balance sheet and are not disclosed as a commitment.

(b) The discounted value of the 'minimum lease payments' has been discounted to the expected date of commissioning, and the present value of 'other commitments' have been discounted to 30 June of the respective financial years. After adjusting for GST, the discounted value of minimum lease payments reflects the expected impact on the balance sheet when the PPP is commissioned.

(c) A number of the 2013 comparatives have been restated to reflect the most current information.

(d) The Mildura Hospital was a privately built and operated facility under a 20 year contract. The long-term lease reverted back to the State following a settlement with the Motor Traders Association of Australia Superannuation Fund Pty Ltd. In-principle agreement was reached in June 2013, however final settlement was delayed until September 2013. The settlement means all existing contracts are terminated with the exception of payments to bondholders which cease in September 2015. The hospital continues to be privately operated by Ramsay Health Care under a separate services contract that is not reflected above.

(e) The liabilities for Bendigo Hospital are required to be split for reporting purposes due to the contracted staged commissioning (Commercial Acceptance to occur in 2016-17 and 2017-18 for Stages 1 and 2 respectively).

(f) Total commitments (inclusive of GST) includes commitments of both PPPs and non PPPs.

	State of Victoria 2013 Other commitments		General government sector 2013 Other commitments	
	Present value	Nominal value	Present value	Nominal value
	113.8	325.7	113.8	325.7
	69.4	129.4	..	..
	71.7	130.7	71.7	130.7
	74.6	93.2	..	..
	67.3	107.8	..	..
	34.9	48.0	34.9	48.0
	86.5	92.6	86.5	92.6
	18.8	19.1	18.8	19.1
	240.9	524.8	240.9	524.8
	162.9	498.2	162.9	498.2
	98.3	229.3	98.3	229.3
	507.9	614.1	507.9	614.1
	353.8	876.2	353.8	876.2
	51.6	86.0	51.6	86.0
	210.3	444.0	210.3	444.0
	210.6	542.1	210.6	542.1
	1 513.9	5 265.4	1 513.9	5 265.4
	3 887.4	**10 026.7**	**3 676.0**	**9 696.3**

Minimum lease payments	Other commitments	Total commitments	Minimum lease payments	Other commitments	Total commitments
Discounted value	Present value	Nominal value	Discounted value	Present value	Nominal value
307.4	1 101.0	2 861.7	307.4	1 101.0	2 861.7
19.2	46.3	99.6	19.2	46.3	99.6
1 050.4	326.4	3 199.8	1 050.4	326.4	3 199.8
1 377.0	**1 473.7**	**6 161.2**	**1 377.0**	**1 473.7**	**6 161.2**
	5 361.1	**16 187.9**		**5 149.7**	**15 857.4**
		36 965.2			**35 979.0**
		3 360.5			3 270.8
		33 604.7			**32 708.2**

Note 34: Commitments *(continued)*

(c) Commitment payables[(a)(b)]

($ million)

Nominal values	*State of Victoria 2014*	*General government sector 2014*	*State of Victoria 2013*	*General government sector 2013*
Capital expenditure commitments payable				
Less than 1 year	3 148.4	2 313.2	3 408.4	2 940.3
1 year but less than 5 years	1 078.7	829.9	1 207.5	1 133.2
5 years or more	1.5	1.4	25.7	24.5
Total capital expenditure commitments	**4 228.6**	**3 144.5**	**4 641.6**	**4 098.0**
Operating and lease commitments payable				
Less than 1 year	3 060.0	2 918.5	3 063.5	2 937.2
1 year but less than 5 years	6 171.7	5 830.5	7 152.9	6 825.4
5 years or more	1 350.8	917.0	2 081.8	1 605.3
Total operating and lease commitments	**10 582.5**	**9 665.9**	**12 298.2**	**11 367.9**
Public Private Partnership commitments				
Less than 1 year	426.8	407.6	407.4	389.4
1 year but less than 5 years	2 771.5	2 688.8	2 556.1	2 477.0
5 years or more	12 709.2	12 486.3	13 224.4	12 991.0
Total Public Private Partnership commitments	**15 907.5**	**15 582.7**	**16 187.9**	**15 857.4**
Total other commitments payable				
Less than 1 year	1 488.1	1 602.5	1 504.8	1 591.5
1 year but less than 5 years	1 531.9	2 008.9	1 782.6	2 486.0
5 years or more	633.4	664.0	550.1	578.1
Total other commitments	**3 653.5**	**4 275.3**	**3 837.5**	**4 655.7**
Total commitments (inclusive of GST)	**34 372.0**	**32 668.4**	**36 965.2**	**35 979.0**

Notes:

(a) A number of the 2013 comparatives have been restated to reflect more current information.

(b) The figures presented above are inclusive of GST.

Note 35: Contingent assets and contingent liabilities (State of Victoria)

Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable. The table below contains quantifiable contingent assets as at 30 June 2014.

Quantifiable contingent assets[(a)]

($ million)

	State of Victoria 2014	2013
General government	14.0	30.5
Public non-financial corporations	146.6	116.6
Public financial corporations	..	..
Total contingent assets – State of Victoria	**160.5**	**147.1**
Guarantees, indemnities and warranties	49.3	35.5
Legal proceedings and disputes	43.7	38.7
Other	67.6	72.9
Total contingent assets – State of Victoria	**160.5**	**147.1**

Note:
(a) Figures reflect contingent assets that arise from outside of government.

Non-quantifiable contingent assets

CityLink compensable enhancement claims

The Melbourne CityLink Concession Deed contains compensable enhancement provisions that enable the State to claim 50 per cent of additional revenue derived by CityLink Melbourne Limited (CML) as a result of certain events that particularly benefit CityLink, including changes to the adjoining road network.

Compensable enhancement claims have previously been lodged in respect of works for improving traffic flows on the West Gate Freeway (between Lorimer and Montague streets), and in the vicinity of the intersection of the Bulla Road and the Tullamarine Freeway. The claims were lodged on 20 May 2005 and 29 September 2006 respectively, and are still outstanding.

Gambling licenses

In 1992, a gaming operator's licence was issued to the Trustees of the Will and Estate of the late George Adams, later succeeded by Tatts Group Limited (Tatts). In 1994, the State issued a coupled wagering licence and gaming licence to Tabcorp Holdings Limited (Tabcorp). These licences expired in August 2012. The *Gambling Regulation Act 2003* specified end of licence arrangements which included compensation provisions for the licensees predicated on the previous licensing arrangements being rolled over beyond their scheduled expiry date.

On 10 April 2008, the previous Government announced a new regulatory and licencing regime would be implemented post August 2012. The main changes included:

- separating the wagering and gaming licence to instead license wagering on a standalone basis; and
- transitioning from the gaming operator duopoly to a system where venue operators are licensed to own and operate gaming machines in their own right.

Note 35: Contingent assets and contingent liabilities (State of Victoria) *(continued)*

After considering the end of licence arrangements in the *Gambling Regulation Act 2003*, the previous Government formed the view that neither Tatts nor Tabcorp were entitled to compensation after the expiration of their licences.

On 16 August 2012, Tatts commenced legal proceedings against the State. Tabcorp commenced legal proceedings against the State on 24 August 2012. Each sought, in essence, to hold the State to an obligation to provide compensation. Tatts claimed $490.5 million, later revised down to $451.2 million, amounting to $540.5 million including interest, and Tabcorp claimed $686.8 million, amounting to $821.2 million including interest.

The Government defended the State against both claims and was successful in relation to the Tabcorp claim but unsuccessful in relation to the Tatts claim.

The State paid Tatts its claimed amount including interest, amounting to $540.5 million. The matter is now on appeal to the Court of Appeal and is due to be heard in October 2014.

Revenue sharing from Monash/CityLink/West Gate Upgrade

On 25 July 2006, CityLink Melbourne Limited (CML), Transurban Infrastructure Management Limited and the State of Victoria entered into the M1 Corridor Redevelopment Deed. Under the terms of this Deed:

- The State of Victoria upgraded the Monash and West Gate Freeways, while CML upgraded the Southern Link section of CityLink; and
- CML agreed that the State of Victoria would be entitled to 50 per cent of the additional CityLink revenue generated by the Monash/CityLink/West Gate Upgrade, above the investment case for the project relating to works on the Southern Link section of CityLink.

The method used to calculate additional CityLink revenue generated from the upgrade involved a comparison of actual CityLink toll revenue (up to and including the financial year ending 30 June 2014) with agreed trends that were set out in the M1 Corridor Redevelopment Deed.

Based on the actual CityLink toll revenue reported by CML up to and including the financial year ending 30 June 2014:

- the additional CityLink revenue generated from the upgrade has not exceeded the investment case for the project relating to works on the Southern Link section of CityLink; and
- as a result, the State of Victoria is not entitled to any revenue sharing payment.

The State of Victoria is undertaking further due diligence to confirm the accuracy of the CityLink toll revenue data provided, on which the initial calculation of the additional CityLink revenue has been based.

Peninsula Link compensable enhancement claim

The EastLink Concession Deed contains compensable enhancement provisions that enable the State of Victoria to claim 50 per cent of any additional revenue derived by ConnectEast Pty Ltd (ConnectEast) as a result of certain events that particularly benefit EastLink, including changes to the adjoining road network.

On 2 January 2014, the State of Victoria lodged a compensable enhancement claim arising as a result of opening of Peninsula Link. The claim remains outstanding.

Note 35: Contingent assets and contingent liabilities (State of Victoria) *(continued)*

Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
  - the amount of the obligations cannot be measured with sufficient reliability.

As with contingent assets, contingent liabilities are also classified as either quantifiable or non-quantifiable. The table below contains quantifiable contingent liabilities as at 30 June 2014.

Quantifiable contingent liabilities[(a)]

($ million)

	State of Victoria	
	2014	*2013*
General government	13 131.1	13 480.7
Public non-financial corporations	226.6	189.8
Public financial corporations	..	..
Eliminations[(b)]	(12 319.4)	(12 137.2)
Total contingent liabilities – State of Victoria	**1 038.3**	**1 533.3**
Guarantees, indemnities and warranties	341.5	735.2
Legal proceedings and disputes	410.4	506.4
Other	286.4	291.8
Total contingent liabilities – State of Victoria	**1 038.3**	**1 533.3**

Notes:
(a) A number of the 2013 comparatives have been updated and now reflect more current information.
(b) Mainly represents the guarantee of borrowings provided by the Treasurer for the public sector borrowings portfolio.

Non-quantifiable contingent liabilities

A number of potential obligations are non-quantifiable at this time arising from:

- indemnities provided in relation to transactions, including financial arrangements and consultancy services, as well as for directors and administrators;
- performance guarantees, warranties, letters of comfort and the like;
- deeds in respect of certain obligations; and
- unclaimed monies, which may be subject to future claims by the general public against the State.

An overview of the more significant non-quantifiable liabilities follows.

AgriBio Project (formerly known as The Biosciences Research Centre)

The service fee payment obligations of the AgriBio Project (refer to note 18) on behalf of the joint venture participants are supported by the State of Victoria via a State Support Deed. Under this Deed, the State ensures that the joint venture participants have the financial capacity to meet their payment obligations to the project, thereby enabling the project to meet its obligations to pay the service fee to the concessionaire pursuant to the project agreement. The State underwrites the risk of any default by the joint venture participants.

Note 35: Contingent assets and contingent liabilities (State of Victoria) *(continued)*

Compulsory property acquisitions

The State has compulsorily acquired a number of properties (residential and commercial) through the *Land Acquisition and Compensation Act 1986* to facilitate delivery of various projects. Possible future claims for compensation arising from the compulsory acquisition of these properties cannot be quantified at this stage.

Department of Education and Early Childhood Development

The Department has a number of unquantifiable contingent liabilities, arising from indemnities provided by it, as follows:

- **volunteer school workers and volunteer student workers**: the *Education and Training Reform Act 2006* provides a specific indemnity for personal injuries suffered by volunteer school workers and volunteer student workers arising out of or in the course of engaging in school work or community work respectively;
- **members of school councils**: the *Education and Training Reform Act 2006* provides an indemnity to members of school councils for any legal liability, whether in contract, negligence, defamation or other; and
- **teachers**: in the event that a teacher is named as a defendant in a student personal injury claim, any costs and damages will generally be paid by the Department provided the teacher was not drunk, under the influence of illicit drugs or engaging in a criminal offence and the behaviour was not outrageous and was related to, or undertaken in, the course of their employment.

Gambling licences

In relation to the 'Gambling licenses' item within non-quantifiable contingent assets, given that the State was successful in the Tabcorp proceeding, it did not need to pay Tabcorp its claimed amount together with interest, which would have amounted to $821.2 million. The matter is now on appeal to the Court of Appeal and is due to be heard in October 2014.

Fiskville firefighting independent investigation

An independent investigation was undertaken into the historical use of chemicals for live firefighting training at Fiskville between 1971 and 1999. The report of the independent investigation has been released and the Country Fire Authority (CFA) has accepted all of the facts, recommendations and conclusions and is committed to implementing all recommendations.

In August 2012, the CFA established a program office to manage the implementation of the report's recommendations and an additional 11 management initiatives to which the CFA Board committed in its response to the report. At this stage it is impractical to quantify the financial effects as a result of the investigation's recommendations.

Health Benefit Levy

Under the *Gambling Regulation Act 2003*, the two former gaming operator licensees, Tabcorp and Tatts were required to pay a Health Benefit Levy.

On 1 May 2013, the Treasurer determined that Tabcorp's and Tatts' 2012-13 levy were $42.1 million and $42.6 million respectively, on the basis that he did not have discretion under the Act to determine a pro-rata based levy amount.

Tabcorp and Tatts subsequently commenced legal proceedings against the Treasurer in the Supreme Court of Victoria. Tabcorp and Tatts claim that the Treasurer had discretion under the Act to determine a pro-rata based levy amount to reflect the 45 days they operated gaming machines in 2012-13.

Note 35: Contingent assets and contingent liabilities (State of Victoria) *(continued)*

On 24 June 2013, a Supreme Court judgement was handed down in favour of Tabcorp and Tatts quashing the Treasurer's determinations. The State appealed to the Court of Appeal, maintaining that the determinations were valid and that the Treasurer did not have discretion to adjust the application of the levy formula under the Act. The State was successful in both appeals and Tatts and Tabcorp have now paid the State the full amounts of the Health Benefit Levies together with interest.

Tatts and Tabcorp have now sought Special Leave to Appeal to the High Court of Australia.

Land remediation – environmental concerns

In addition to properties for which remediation costs have been provided in the State's financial statements, certain other properties have been identified as potentially contaminated sites. The State does not admit any liability in respect of these sites. However, remedial expenditure may be incurred to restore the sites to an acceptable environmental standard in the event that a contamination risk is identified.

Melbourne Park redevelopment

In 2010, the State entered into a capital works agreement with Tennis Australia and the Melbourne and Olympic Park Trust for the Australian Open to remain at Melbourne Park until 2036. The agreement contains a number of conditions including that the government will invest in further improvements to Melbourne Park in three stages or (if an agreed investment threshold is reached), pay a rights fee to retain the Australian Open at Melbourne Park until 2036. The government announced Stage 1 of the Melbourne Park redevelopment with a total estimated investment of $363 million in the *2010-11 Budget*. In January 2014 the Government announced a further $338 million total estimated investment to Stage 2 of the redevelopment.

National Electricity Code Administrator

As part of the wind-up of the National Electricity Code Administrator (NECA) the State of Victoria has undertaken to indemnify the actions of the NECA Directors for a period of seven years, from completion of their tenure in 2008, until 2015.

Native Title

A number of claims have been filed with the Federal Court under the Commonwealth *Native Title Act 1993* that affect Victoria. It is not feasible at this time to quantify any future liability.

Public acquisition overlays for the future development of rail and road infrastructure

Public acquisition overlays are in place in order to reserve certain areas of land for future development of rail and road infrastructure. Under section 98 of the *Planning and Environment Act 1987*, the State has a legislative responsibility to pay compensation to eligible land and property owners who face either:

- loss on sale – an eligible landowner is entitled to compensation for the incremental loss on sale when a property affected by a public acquisition overlay is sold for less than its market value; or
- financial loss – the entitlement to financial loss compensation is triggered when a development permit is refused because the property is required for a public purpose.

Compensation and purchase claims occur as a result of claims by land owners. The quantum of the future liability depends on factors including the number of claims received and the prevailing value of land at the time the claim is made, which cannot be reliably quantified.

Note 35: Contingent assets and contingent liabilities (State of Victoria) *(continued)*

Public transport rail partnership agreements

Public Transport Victoria (PTV) is party to partnership contractual arrangements with franchisees to operate metropolitan rail transport services in the State, operative from 30 November 2009 until 30 November 2017. The following summarises the major contingent liabilities arising from the contractual arrangements in the event of early termination or expiry of the partnership contractual agreement:

- **partnership assets**: to maintain continuity of services, at early termination or expiry of the franchise contract, assets will revert to PTV or a successor. In the case of some assets, a reversion back to PTV would entail those assets being purchased; and
- **unfunded superannuation**: at the early termination or expiry of the contract, PTV will assume any unfunded superannuation amounts (apart from contributions the operator is required to pay over the contract term) to the extent that the State becomes the successor operator.

Royal Melbourne Showgrounds redevelopment

Under the State commitment to the Royal Agriculture Society of Victoria (RASV), the State has agreed to support certain obligations of RASV which may arise out of the joint venture agreement. In accordance with the terms set out in the State commitment to RASV, the State will pay (in the form of a loan) the amount requested by RASV. If any outstanding loan amount remains unpaid at the date which is 25 years after the commencement of the operation term under the development and operation agreement, RASV will be obliged to satisfy and discharge each such outstanding loan amount. This may take the form of a transfer to the State, of the whole of the RASV participating interest in the joint venture.

The State has also entered into an agreement through the State Support Deed – Non-Core Land with Showgrounds Retail Developments Pty Ltd and the RASV whereby the State agrees to support certain payment obligations of the RASV that may arise under the non-core development agreement.

Victorian Managed Insurance Authority – insurance cover

The Victorian Managed Insurance Authority (VMIA) was established in 1996 as an insurer for State Government departments, participating bodies and other entities as defined under the *Victorian Managed Insurance Authority Act 1996*. VMIA provides its clients with a range of insurance cover, including for property, public and products liability, professional indemnity and contract works. VMIA reinsures in the private market for losses above $50 million arising out of any one occurrence, up to a maximum of $750 million for public and products liability, and for losses above $50 million arising out of any one event, up to a maximum of $2.1 billion for property. The risk of losses above these reinsured levels is borne by the State.

VMIA also insures the Department of Health for all public sector medical indemnity claims incurred in each policy year from 1 July 2003, regardless of when claims are finally settled. Under the indemnity deed to provide stop loss protection for VMIA, the Department of Treasury and Finance has agreed to reimburse VMIA if the ultimate claims payouts exceed by more than 20 per cent of the initial estimate on which the risk premium was based.

Note 36: Funds under management

The State has responsibility for transactions and balances relating to trust funds held on behalf of third parties external to the State. The funds managed on behalf of third parties are not recognised in these financial statements as they are managed on a fiduciary and custodial basis, and therefore are not controlled by the State. Funds under management are reported in the table below.

($ million)

	State of Victoria		*General government sector*	
	2014	*2013*	*2014*	*2013*
Investments, real estate, personal and other assets[(a)]	2 338.5	2 338.2	..	..
Cash and investments in common and premium funds	991.7	937.9	..	..
Residential tenancies bond money	806.5	747.3	806.5	747.3
Funds under management by the Senior Master of the Supreme Court	1 479.6	1 377.9	1 479.6	1 377.9
Funds under management by Legal Services Board	637.0	524.7	637.0	524.7
Funds under management for the Victorian Bushfire Appeal Fund[(b)]	14.7	26.4	14.7	26.4
Other funds held	36.6	23.7	9.6	8.7
Total funds under management	**6 304.5**	**5 976.1**	**2 947.3**	**2 684.9**

Notes:

(a) The 2013 comparative has been updated and now reflects more current information.

(b) The Victorian Government has collected appeal proceeds on behalf of the Red Cross Victorian Bushfire Appeal Fund. The purpose of the trust is for the receipt of donations and other contributions, and their disbursement for assistance to individuals and communities in towns, suburbs and rural areas affected by the 2009 Victorian bushfires. Contributions will, inter alia, include funds provided by the Victorian, Commonwealth and other jurisdictions, as well as the general public, for the above purpose.

Note 37: Restatement of certain 2012-13 balances due to item reclassifications

The following outlines restatements of certain 2012-13 previously published balances resulting from new or updated information available subsequent to publication of the *2012-13 Financial Report for the State of Victoria*. The following represent restatements for the consolidated operating statement and balance sheet only, noting that there have been other restatements which have been disclosed in individual notes.

Restatement of financial assets and payables

Certain financial assets (receivables, and investment loans and placements) and payables balances as at 30 June 2013 for the State of Victoria have been restated for comparative purposes in the 2013-14 financial statements. The restatement of these balances, totalling $308.8 million, has no impact on the overall net worth of the State of Victoria.

Restatement of accumulated surplus and reserve balances

$1 787.9 million in accumulated surpluses have been reclassified to reserves for the State of Victoria to effect a restatement of associated tax and revaluation accounts.

In addition, the restatement has the effect of:

- amending the 'Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets' in the general government comprehensive operating statement by $312.5 million for 2012-13;
- amending the 'Investments in other sector entities' by $225.3 million on the consolidated general government balance sheet; and
- reclassifying 'changes in non-financial assets revaluation surplus' to 'other movements in equity' in the State of Victoria comprehensive operating statement by $301.2 million.

There was a further restatement of $20.3 million for the general government sector relating to a classification change between other reserves and accumulated surplus.

The restatement of these balances has no impact on the overall net worth of the State of Victoria.

AASB 119 Employee benefits

In 2013-14, the State applied the revised AASB 119 *Employee benefits* for the first time as required by the accounting standard. Further information regarding the changes can be found in Note 1(F) *Changes in accounting policies*.

Note 37: Restatement of certain 2012-13 balances due to item reclassifications *(continued)*

Restated balance sheet for the year ending 30 June

($ million)

	State of Victoria			*General government sector*		
	As reported in 2013	*Adjustment*	*Restated 2013 Balance*	*As reported in 2013*	*Adjustment*	*Restated 2013 Balance*
Assets						
Financial assets						
Receivables[a]	7 871.9	(469.0)	7 402.9	5 061.0	..	5 061.0
Investments, loans and placements[a]	25 968.4	160.2	26 128.7	3 383.4	..	3 383.4
Investments in other sector entities[b]	..	..	..	69 489.5	225.3	69 714.8
Total financial assets	**43 486.5**	**(308.8)**	**43 177.7**	**86 572.1**	**225.3**	**86 797.4**
Total assets	**236 056.6**	**(308.8)**	**235 747.8**	**188 664.6**	**225.3**	**188 889.9**
Liabilities						
Payables[a]	8 506.0	(308.8)	8 197.2	5 958.4	..	5 958.4
Total liabilities	**112 424.5**	**(308.8)**	**112 115.7**	**68 707.4**	**..**	**68 707.4**
Net assets	**123 632.1**	**..**	**123 632.1**	**119 957.2**	**225.3**	**120 182.6**
Accumulated surplus/(deficit)[b]	45 353.0	(1 787.9)	43 565.1	43 174.7	..	43 174.7
Reserves[b]	78 229.1	1 787.9	80 017.0	76 732.5	225.3	76 957.9
Net worth	**123 632.1**	**..**	**123 632.1**	**119 957.2**	**225.3**	**120 182.6**

Notes:

(a) Adjustments for this line relate to the restatement of financial assets and payables.

(b) Adjustments for this line relate to restatement of accumulated surplus and reserve balances.

Note 37: Restatement of certain 2012-13 balances due to item reclassifications *(continued)*

Restated comprehensive operating statement for the financial year ended 30 June

	State of Victoria			*General government sector*		
2013	*Published*	*Effect of change*	*Restated*	*Published*	*Effect of change*	*Restated*
Superannuation interest expense[(a)]	443.8	633.0	1 076.8	446.3	633.0	1 079.3
Net result from transactions – net operating balance[(a)]	**(2 486.8)**	**(633.0)**	**(3 119.8)[(a)]**	**316.4**	**(633.0)**	**(316.6)[(a)]**
Other economic flows included in net result						
Net actuarial gain/(loss) of superannuation defined benefits plans[(a)]	7 356.8	(7 356.8)	..	7 314.8	(7 314.8)	..
Net result[(a)]	**9 525.8**	**(7 989.8)**	**1 536.0**	**7 413.8**	**(7 947.8)**	**(533.9)**
Other economic flows – other comprehensive income						
Items that will not be reclassified to net result						
Changes in non-financial assets revaluation surplus[(b)]	795.4	(280.9)	514.5	700.5	20.3	720.7
Remeasurement of superannuation defined benefits plans[(a)]	..	7 989.8	7 989.8	..	7 947.8	7 947.8
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets[(b)]	..	..	..	(810.3)	312.5	(497.7)
Other movements in equity[(b)]	369.3	280.9	650.2	869.4	(20.3)	849.1
Total other economic flows – other comprehensive income[(a)(b)]	**1 248.7**	**7 989.8**	**9 238.5**	**779.7**	**8 260.3**	**9 040.0**

Notes:

(a) *In 2013-14, the State applied the revised AASB 119* Employee Benefits *for the first time as required by the revised accounting standard, which changed the way defined benefit superannuation expenses are presented. Part of the actuarial gains, which had previously contributed to the State's operating surplus in 2012-13 are now reported as a remeasurement item under other comprehensive income, and no longer included in the State's operating surplus. The revised requirements have been applied retrospectively as required by the revised accounting standard and the operating statement of the earliest comparative period presented (30 June 2013) has been restated accordingly. This revision only affected the presentation of these gains in the operating statement and continue to have no impact on the State's cash requirements or net debt.*

(b) *Adjustments for this line relate to restatement of accumulated surplus and reserve balances.*

Note 38: Subsequent events

Divestment of Rural Finance Corporation commercial business and assets

The Government divested the commercial business and assets of the Rural Finance Corporation (RFC) to Bendigo and Adelaide Bank following a comprehensive independent review. The divestment resulted in a sale of the agri-loanbook and a contract on a fee for service basis for the administration of State programs and schemes of assistance. The sale was completed on 1 July 2014 for $1.78 billion, with the final settlement price subject to the preparation of an adjustment statement which was reviewed by a mutually agreed auditor.

The adjustment statement was determined resulting in RFC paying Bendigo and Adelaide Bank $20 million to bring the net settlement proceeds of the divestment to $1.76 billion. After repaying loans with Treasury Corporation Victoria of $1.31 billion, the net cash proceeds from the sale to the State was approximately $395 million.

RFC is obliged under the *Rural Finance Act 1988* to perform certain non-commercial services such as administration of Commonwealth and Victorian government initiatives which are intended to assist, promote and develop rural industries and regional communities in Victoria. RFC's statutory obligations to perform these non-commercial functions will not be affected by the sale of RFC's commercial business and assets.

As part of the conditions of sale, the Government has ensured that important non-commercial and community service programs such as the Young Farmers' Finance Scheme and Natural Disaster Relief and Recovery Arrangement programs will continue to be maintained on the same terms and conditions through a service contract with Bendigo and Adelaide Bank.

Bendigo and Adelaide Bank will continue to provide commercial products previously provided by RFC, such as loans and credit facilities for a minimum of three years, and will retain the RFC brand for a minimum of three years.

Ravenhall Prison project

The State entered into a contract with the GEO consortium on 15 September 2014 to deliver the Ravenhall Prison project. The GEO consortium will design, build, finance and operate the prison over a contract term of 25 years. This is a significant full-service public private partnership project, and the financial impacts of the contract are being finalised and hence have not been disclosed as at the date of this report.

East West Link project

The State entered into a contract with the East West Connect consortium on 29 September 2014 to deliver the East West Link project – Eastern Section. East West Link – Eastern Section will involve the construction of 6.6 kilometres of freeway standard road connecting the Eastern Freeway at Hoddle Street to CityLink incorporating twin 4.4 kilometre tunnels. After a five year construction period, the East West Connect consortium will take on full responsibility to operate and maintain the road for 25 years. The project will cost $6.8 billion to deliver, with the State Government contributing $2 billion towards its construction, and providing availability-based payments to the consortium over the operating period.

Note 39: Public account disclosure

(a) Consolidated fund receipts and payments for the financial year ended 30 June

($ thousand)

	2014	*2013*
Receipts		
Taxation	16 937 148	14 916 863
Fines and regulatory fees	758 361	680 155
Grants received	18 096 600	16 001 494
Sales of goods and services	5 179 361	5 153 842
Interest received	533 301	367 401
Dividends and income tax equivalent and rate equivalent receipts	571 810	1 340 671
Other receipts	342 431	287 851
Total cash inflows from operating activities	**42 419 011**	**38 748 278**
Total cash inflows from investing and financing activities	**2 300 473**	**3 703 779**
Total consolidated fund receipts	**44 719 484**	**42 452 057**
Payments		
Special appropriations		
Special appropriations (excluding Section 33, *Financial Management Act, No. 18 of 1994*)	3 419 699	2 829 504
Section 28 *Financial Management Act, No. 18 of 1994* (Appropriation for borrowing against future appropriations)	1 600	..
Section 33 *Financial Management Act, No. 18 of 1994*	128 048	142 877
Total special appropriations	**3 549 347**	**2 972 381**
Annual appropriations		
Provision of outputs		
Provision of outputs - net application	32 297 593	30 451 865
Section 29 *Financial Management Act, No. 18 of 1994* (appropriation of annotated receipts)	2 080 794	2 900 179
Section 32 *Financial Management Act, No. 18 of 1994* (prior year unspent appropriations brought forward)	702 568	706 170
Section 35 *Financial Management Act, No. 18 of 1994* (temporary advances)	179 198	199 822
Advance to Treasurer to be sanctioned	292 648	498 598
Total provision of outputs	**35 552 801**	**34 756 634**
Additions to net asset base		
Additions to net asset base – net application	1 349 176	1 394 897
Section 29 *Financial Management Act, No. 18 of 1994* (appropriation of annotated receipts)	1 026 401	560 682
Section 32 *Financial Management Act, No. 18 of 1994* (prior year unspent appropriations brought forward)	567 127	639 470
Section 35 *Financial Management Act, No. 18 of 1994* (temporary advances)	2 500	4 170
Advance to Treasurer to be sanctioned	22 735	780
Total additions to net asset base	**2 967 940**	**2 599 998**
Payments made on behalf of the State		
Payments made on behalf of the State	2 752 421	2 729 763
Section 32 *Financial Management Act, No. 18 of 1994* (prior year unspent appropriations brought forward)	898	6 764
Section 32 *Financial Management Act, No. 18 of 1994*	4 123	
Section 35 *Financial Management Act, No. 18 of 1994* (temporary advances)	25 777	..
Advance to Treasurer to be sanctioned	49 193	3 952
Total payments made on behalf of State	**2 832 413**	**2 740 479**

Note 39: Public account disclosure *(continued)*

(a) Consolidated fund receipts and payments for the financial year ended 30 June *(continued)*

($ thousand)

	2014	*2013*
Other		
Contribution by the State under agreements pursuant to Section 25 of the *Murray-Darling Basin Act 1993*	27 762	30 650
Section 32 Financial Management Act, No. 18 of 1994 – Section 25 of the *Murray-Darling Basin Act 1993*	263	..
Victorian Law Reform Commission – pursuant to Section 17(b) of the *Victorian Law Reform Commission Act 2000*	741	791
Payment to Regional Growth Fund pursuant to Section 4 of the *Regional Growth Fund Act No. 8 of 2011*	136 000	122 000
Total other	**164 766**	**153 441**
Total annual appropriations	**41 517 920**	**40 250 553**
Applied appropriations remaining unspent relating to the 2013-14 appropriations	(560 000)	(573 334)
Total payments	**44 507 266**	**42 649 600**
Consolidated fund balance 1 July	**235 365**	**432 907**
Add total receipts for year	**44 719 484**	**42 452 057**
Less total payments for year	**(44 507 266)**	**(42 649 600)**
Consolidated fund balance 30 June	**447 582**	**235 365**

Notes:

Reconciliation of unspent appropriations:

Applied appropriations unspent at end of year	*5 086 470*	*4 654 518*
add payments made during the year under the Financial Management Act, No. 18 of 1994, *Section 33*	*128 048*	*142 877*
Subtotal	***5 214 518***	***4 797 394***
less applied appropriations unspent at beginning of year	*(4 654 518)*	*(4 224 060)*
Current year appropriations remaining unspent as at 30 June	*560 000*	*573 334*

Note 39: Public account disclosure *(continued)*

(b) Consolidated fund gross receipts for the financial year ended 30 June

($ thousand)

	Estimate 2014	*Actual 2014*	*Actual 2013*
Operating activities			
Taxation			
Payroll Tax	5 648 196	5 480 607	5 278 657
Land tax	1 564 596	1 631 034	1 570 543
Congestion levy	93 505	83 852	48 203
Land transfer duty	3 654 546	4 058 770	2 872 160
Fire Services Property Levy	636 369	630 631	..
Stamp duties	4 023	4 394	3 235
Financial accommodation levy	132 816	115 334	96 902
Growth Areas Infrastructure Contribution	20 369	18 872	16 046
Levies on statutory corporations	117 457	111 980	69 420
Gambling			
Private lotteries	464 563	422 704	464 307
Electronic gaming machines	952 382	767 020	1 138 782
Casino taxes	230 604	208 667	200 815
Racing	57 086	14 184	56 150
Other gambling	118 231	113 947	100 475
Insurance	1 049 719	1 061 025	1 055 795
Motor vehicle			
Registration fees pursuant to the *Road Safety Act, No. 127 of 1986*	1 247 797	1 238 376	1 182 507
Stamp duty on vehicle transfers	661 059	663 093	636 088
Franchise fees			
Liquor	23 491	23 310	22 813
Other taxes	106 792	289 349	103 965
Total taxation	**16 783 601**	**16 937 148**	**14 916 863**
Fines and regulatory fees			
Fines	345 863	232 168	227 721
Regulatory fees	453 548	526 193	452 434
Total fines and regulatory fees	**799 410**	**758 361**	**680 155**
Grants received[(a)]			
Environment and Primary Industries	27 052	45 633	27 520
Primary Industries	..	..	2 779
Health	40 066	40 451	53 664
Human Services	3 497	3 249	11 713
Justice	5 020	2 000	..
State Development, Business and Innovation	5 357	357	1 078
Treasury and Finance	18 046 339	18 004 910	15 904 741
Total grants received	**18 127 331**	**18 096 600**	**16 001 494**
Sales of goods and services			
Capital asset charge	4 238 537	4 212 639	4 023 019
Other sales of goods and services	1 109 146	966 721	1 130 823
Total sales of goods and services	**5 347 683**	**5 179 361**	**5 153 842**
Interest received	**490 052**	**533 301**	**367 401**
Dividends and income tax equivalent and rate equivalent revenue			
Dividends	445 890	383 554	1 144 933
Income tax equivalent revenue	195 660	183 590	192 768
Local government tax equivalent revenue	5 264	4 666	2 971
Total dividends and income tax equivalent and rate equivalent revenue	**646 814**	**571 810**	**1 340 671**

Note 39: Public account disclosure *(continued)*

(b) Consolidated fund gross receipts for the financial year ended 30 June *(continued)*

($ thousand)

	Estimate 2014	*Actual 2014*	*Actual 2013*
Other receipts			
Land rent received	15 194	20 407	21 668
Royalties received	47 147	52 366	45 021
Other	326 048	269 658	221 162
Total other receipts	**388 389**	**342 431**	**287 851**
Total cash inflows from operating activities	**42 583 280**	**42 419 011**	**38 748 277**
Cash inflows from investing activities			
Proceeds from investments	..	1 964	(581)
Proceeds from sale of property, plant and equipment	173 867	136 227	125 069
Total cash inflows from investing activities	**173 867**	**138 192**	**124 488**
Cash inflows from financing activities			
Loans to government agencies	72 147	..	16 318
Other loans	655	162	(40 199)
Borrowings	1 004 590	2 162 119	3 603 172
Total cash inflows from financing activities	**1 077 392**	**2 162 281**	**3 579 291**
Total consolidated fund receipts	**43 834 540**	**44 719 484**	**42 452 057**

Note:

(a) Effective 1 July 2013, the following departments ceased to exist and had their functions and operations transferred to other Victorian government departments:

- *Department of Planning and Community Development; and*
- *Department of Primary Industries.*

Note 39: Public account disclosure *(continued)*

(c) Trust fund cash flow statement for the financial year ended 30 June

($ thousand)

	2014	*2013*
Cash flows from operating activities		
Receipts		
Taxation	346 109	280 549
Regulatory fees and fines	48 307	47 676
Grants received	13 554 392	10 650 201
Sale of goods and services	631 333	704 087
Interest received	86 908	95 196
Dividend received	6 508	..
Net transfers from the consolidated fund	9 459 778	9 963 995
Other receipts	147 673	105 617
Payments		
Payments for employees	(137 211)	(150 353)
Superannuation	(11 462)	(12 182)
Interest paid	(7 654)	(11 292)
Grants and subsidies	(22 318 600)	(20 081 722)
Goods and services	(1 722 219)	(1 492 279)
Net cash flows from operating activities	**83 863**	**99 492**
Cash flows from investing activities		
Purchase of non-financial assets	(58 776)	(42 963)
Sales of non-financial assets	62 495	63 164
Net proceeds from customer loans	(17 896)	(2 095)
Other investing activities	(78 591)	162 101
Net cash flows from investing activities	**(92 768)**	**180 207**
Cash flows from financing activities		
Net borrowings	(471 464)	137 743
Net cash flows from financing activities	**(471 464)**	**137 743**
Net increase / (decrease) in trust fund cash and deposits	**(480 369)**	**417 442**

(d) Reconciliation of cash flows to balances held

($ thousand)

	Balances held at 30 June 2013	*Net movement for year*	*Balances held at 30 June 2014*
Cash and deposits			
Cash balances outside the Public Account	(156)	534	378
Deposits held with the Public Account – specific trusts	544 928	5 190	550 118
Other balances held in the Public Account	2 763 296	(269 501)	2 493 795
Total cash and deposits	**3 308 067**	**(263 777)**	**3 044 291**
Investments			
Investments held with the Public Account – specific trusts			
Investments held with Victorian Funds Management Corporation – specific trusts	586 802	77 526	664 327
Total investments	**586 802**	**77 526**	**664 327**
Total fund balances	**3 894 869**	**(186 251)**	**3 708 618**
Less funds held outside the Public Account			
Cash	(156)	534	378
Total fund balances held outside the Public Account	**(156)**	**534**	**378**
Total funds held in the Public Account[(a)]	**3 895 025**	**(186 785)**	**3 708 240**

Note:
(a) See Note 36 (f) for details of securities and investments including amounts held in the Public Account on behalf of trust accounts.

Note 39: Public account disclosure *(continued)*

(e) Trust fund summary for the financial year ended 30 June

($ thousand)

	Balances held 2014	*Balances held 2013*
State Government funds		
Accounts established to receive levies imposed by Parliament and record the expenditure thereof	451 091	345 682
Accounts established to receive monies provided in the annual budget and record the expenditure thereof	1 187 816	1 207 414
Specific purpose operating accounts established for various authorities	355 045	306 721
Suspense and clearing accounts to facilitate accounting procedures	10 942	457 648
Treasury Trust Fund	269 301	279 917
Agency and deposit accounts	578 785	545 934
Total State Government funds	**2 852 979**	**3 143 316**
Joint Commonwealth and State funds	**202 028**	**329 877**
Commonwealth Government funds		
Commonwealth Grants passed on to individuals and organisations	38 106	8 028
Total Commonwealth Government funds	**38 106**	**8 028**
Prizes, scholarships, research and private donations	**167 544**	**178 439**
Total trust fund	**3 260 657**	**3 659 660**

Note 39: Public account disclosure *(continued)*

(f) Details of securities held and included in the balances at 30 June

($ thousand)

	2014	*2013*
Funds held at 30 June		
Trust accounts		
Amounts invested on behalf of specific trust accounts	1 214 445	1 131 729
General account balances	2 046 212	2 527 931
Total trust accounts	**3 260 657**	**3 659 660**
Consolidated fund account balance	**447 582**	**235 365**
Total funds held in the public account	**3 708 240**	**3 895 025**
Represented by:		
Stocks and securities held with/in –		
Managed Investments	626 305	409 367
Treasury Corporation of Victoria	587 701	722 375
	1 214 005	**1 131 741**
Cash and investments held with/in –		
Treasury Corporation of Victoria	1 870 794	1 850 000
Cash at bank balances held in Australia	408 170	419 110
	2 278 965	**2 269 110**
Total stock, securities, cash and investments	**3 492 970**	**3 400 851**
Add cash advanced pursuant to Sections 36 and 37 of the *Financial Management Act*, No. 18 of 1994	215 270	494 174
Total funds held in the public account	**3 708 240**	**3 895 025**

(g) Amounts paid into working accounts pursuant to Section 23 of the *Financial Management Act 1994* for the year ended 30 June

($ thousand)

	2014	*2013*
Appropriation transfer equivalent to consolidated fund receipts	10 841	8 815
Interest received on credit balances	138	166
Total amounts paid into working accounts	**10 979**	**8 981**

(h) Allocations pursuant to Section 28 of the *Financial Management Act 1994* for the financial year ended 30 June

($ thousand)

	2014	*2013*
Section 28 allocations		
(Appropriation for borrowing against future appropriation)		
Department of Environment and Primary Industries		
Addition to net asset base	1 600	..
Total Section 28 allocations	**1 600**	**..**

Note 39: Public account disclosure *(continued)*

(i) Transfers pursuant to Sections 30 and 31 of the Financial Management Act 1994 for the financial year ended 30 June

($ thousand)

	Decrease	*Increase*
Section 30 transfers		
(Transfers between items of departmental appropriations)		
Department of Education and Early Childhood Development		
Provision of outputs (Section 29 of the *Financial Management Act, No. 18 of 1994* applies)	..	31 717
Additions to the net asset base (Section 29 of the *Financial Management Act, No. 18 of 1994* applies)	31 717	..
Department of Environment and Primary Industries		
Provision of outputs (Section 29 of the *Financial Management Act, No. 18 of 1994* applies)	..	2 699
Additions to the net asset base (Section 29 of the *Financial Management Act, No. 18 of 1994* applies)	4 461	..
Payments made on behalf of the State		1 762
Department of Health		**..**
Provision of outputs (Section 29 of the *Financial Management Act, No. 18 of 1994* applies)	..	225 000
Additions to the net asset base (Section 29 of the *Financial Management Act, No. 18 of 1994* applies)	225 000	..
Department of Human Services		
Provision of outputs (Section 29 of the *Financial Management Act, No. 18 of 1994* applies)	..	27 985
Additions to the net asset base (Section 29 of the *Financial Management Act, No. 18 of 1994* applies)	27 985	..
Department of Justice		
Provision of outputs (Section 29 of the *Financial Management Act, No. 18 of 1994* applies)	..	78 386
Additions to the net asset base (Section 29 of the *Financial Management Act, No. 18 of 1994* applies)	78 386	..
Department of Premier and Cabinet		
Provision of outputs (Section 29 of the *Financial Management Act, No. 18 of 1994* applies)	..	1 993
Additions to the net asset base (Section 29 of the *Financial Management Act, No. 18 of 1994* applies)	1 993	..
Department of State Development, Business and Innovation		
Provision of outputs (Section 29 of the *Financial Management Act, No. 18 of 1994* applies)	..	10 000
Additions to the net asset base (Section 29 of the *Financial Management Act, No. 18 of 1994* applies)	5 000	..
Payments made on behalf of the State	5 000	
Department of Transport, Planning and Local Infrastructure		
Provision of outputs (Section 29 of the *Financial Management Act, No. 18 of 1994* applies)	..	84 962
Additions to the net asset base (Section 29 of the *Financial Management Act, No. 18 of 1994* applies)	84 962	..
Department of Treasury and Finance		
Provision of outputs (Section 29 of the *Financial Management Act, No. 18 of 1994* applies)	..	4 625
Additions to the net asset base (Section 29 of the *Financial Management Act, No. 18 of 1994* applies)	23 625	..
Payments made on behalf of the State	..	19 000
Total Section 30 transfers	**488 129**	**488 129**

Note 39: Public account disclosure *(continued)*

(j) Appropriation of revenue and asset sales proceeds pursuant to Section 29 of the *Financial Management Act 1994* for the financial year ended 30 June 2014

($ thousand)

Department		Source		
	Outputs	Commonwealth	Other	Total
Education and Early Childhood Development	1 150	444 202	80 526	**525 878**
Environment and Primary Industries	113 196	71 143	13 109	**197 448**
Health	295 880	592 446	..	**888 326**
Human Services	14 935	48 862	7 360	**71 157**
Justice	205 689	50 258	10 152	**266 099**
Premier and Cabinet	512	..	..	**512**
State Development, Business and Innovation	773	..	..	**773**
Transport, Planning and Local Infrastructure	37 293	1 089 078	..	**1 126 371**
Treasury and Finance	7 362	..	..	**7 362**
Parliament	23 268	..	..	**23 268**
Total appropriation	**700 058**	**2 295 990**	**111 147**	**3 107 195**

(k) Section 32 carryovers – *Financial Management Act 1994* for the financial year ended 30 June 2014

Amounts approved for carryover from 2012-13 pursuant to Section 32 of the *Financial Management Act 1994*.

($ thousand)

Department	Provision of outputs	Additions to net assets	Payments made on behalf of State	Total carryover
Education and Early Childhood Development	220 031	..	..	**220 031**
Environment and Primary Industries	112 800	69 273	4 386	**186 459**
Health	131 320	96 916	..	**228 236**
Human Services	13 153	20 202	..	**33 355**
Justice	95 595	117 263	..	**212 858**
Premier and Cabinet	16 400	6 450	..	**22 850**
State Development, Business and Innovation	64 285	30 780	..	**95 065**
Transport, Planning and Local Infrastructure	54 350	365 950	..	**420 300**
Treasury and Finance	3 775	741	898	**5 414**
Parliament	3 464	..	..	**3 464**
Total carryovers by department	**715 173**	**707 575**	**5 284**	**1 428 033**

Note 39: Public account disclosure *(continued)*

(k) Section 32 carryovers – *Financial Management Act 1994* for the financial year ended 30 June 2014 *(continued)*

Amounts applied against carryover of appropriations in 2013-14 pursuant to Section 32 of the *Financial Management Act 1994*.

($ thousand)

Department	*Provision of outputs*	*Additions to net assets*	*Payments made on behalf of State*	*Total carryover*
Education and Early Childhood Development	220 031	..	..	**220 031**
Environment and Primary Industries	112 717	60 352	4 386	**177 456**
Health	131 320	..	..	**131 320**
Human Services	13 153	20 202	..	**33 355**
Justice	90 045	117 263	..	**207 308**
Premier and Cabinet	16 397	6 450	..	**22 847**
State Development, Business and Innovation	60 451	30 775	..	**91 226**
Transport, Planning and Local Infrastructure	51 215	332 085	..	**383 300**
Treasury and Finance	3 775	..	898	**4 673**
Parliament	3 464	..	..	**3 464**
Total expenditure by department	**702 568**	**567 127**	**5 284**	**1 274 979**

Amounts approved for carryover to 2014-15 pursuant to Section 32 of the *Financial Management Act 1994*.

($ thousand)

Department	*Provision of outputs*	*Additions to net assets*	*Payments made on behalf of State*	*Total carryover*
Education and Early Childhood Development	229 191	10 184	..	**239 375**
Environment and Primary Industries	153 801	61 212	18 088	**233 101**
Health	74 699	110 061	..	**184 760**
Human Services	25 100	23 537	..	**48 637**
Justice	129 861	105 649	..	**235 510**
Premier and Cabinet	13 900	1 368	..	**15 268**
State Development, Business and Innovation	61 709	35 592	..	**97 301**
Transport, Planning and Local Infrastructure	75 721	480 050	..	**555 772**
Treasury and Finance	1 922	2 757	2 600	**7 279**
Parliament	3 163	..	..	**3 163**
Total carryovers by department	**769 067**	**830 410**	**20 688**	**1 620 165**

Note 39: Public account disclosure *(continued)*

(l) Payments from Advance to Treasurer for the financial year ended 30 June

($ thousand)

Department	*Purpose*	*2013-14*
Education and Early Childhood Development	Utilities maintenance funding associated with Mt Waverley North Primary School	42
	Kindergarten Enrolment Base Funding	743
	Victorian Training Guarantee	201 050
		201 835
Environment and Primary Industries	Bushfire season	67 721
		67 721
Human Services	NDIS launch	4 000
	Research into Mandatory Reporting	80
	Concessions	1 149
		5 229
Justice	PSOs radio black spot funding	4 758
	Bushfire season	4 907
	Arrest Warrants - system improvements	681
		10 346
Premier and Cabinet	Parliamentary and Public Legislation Amendment Act 2013	4 690
	Arts Centre Melbourne financial sustainability	1 000
	Shrine Galleries of Remembrance	22 400
		28 090
State Development, Business and Innovation	Melbourne Convention Centre Development	2 535
		2 535
Treasury and Finance	Rural Finance Corporation and Port of Melbourne transactions	958
	Gaming Indemnity	4 000
	Gambling legal and commercial advice	4 658
	First Home Owners Grant and State First Home Buyers	38 000
	Voluntary departure packages reimbursement	1 204
		48 820
Total Payments from Advance to the Treasurer		**364 576**

Note 39: Public account disclosure *(continued)*

(m) Payments from advances pursuant to Section 35 of the *Financial Management Act 1994* for the financial year ended 30 June

($ thousand)

Department	*Purpose*	*2013-14*
Education and	Bendigo TAFE	6 835
Early Childhood	Income Contingent Loan	6 800
Development	Enrolment based funding	122 074
	Resourcing Schools to Raise Performance	23 913
	Childrens' facilities	15 000
	School Capital Program	2 500
		177 122
Premier and Cabinet	Protective Services Officers	1 366
	Hazelwood Mine Fire Inquiry	1 457
	Parliamentary and Public Legislation Amendment Act 2013	3 210
		6 033
Treasury and Finance	Health Benefit Levy	24 320
		24 320
Total payments from advances pursuant to Section 35 (4) of the *Financial Management Act 1994*.		**207 475**

(n) Unused advances carried forward to 2013-14 pursuant to Section 35(4) of the *Financial Management Act 1994*

There have been no amounts carried forward to 2013-14 under Section 35(4) of the *Financial Management Act, No. 18 of 1994*.

Note 39: Public account disclosure *(continued)*

(o) Parliamentary authority – Parliament

($ thousand)

Legislative Assembly	*Parliamentary authority 2014*	*Amounts applied 2014*	*Amounts applied 2013*
Special appropriations			
Audit Act, No. 2 of 1994 – Audit of the Office of the Auditor-General	17	17	16
Constitution Act, No. 8750 of 1975 – Clerk of the Parliaments	2	2	2
Constitution Act, No. 8750 of 1975 – Legislative Assembly	550	550	550
Parliamentary Salaries and Superannuation Act, No. 7723 of 1968 – Salaries and Allowances	17 657	17 657	15 046
Parliamentary Salaries and Superannuation Act, No. 7723 of 1968 – Section 13(1)(c) Contributions	4 795	4 795	6 394
Total special appropriations	**23 021**	**23 021**	**22 008**
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	4 525	4 519	4 411
Total provision of outputs – gross application	**4 525**	**4 519**	**4 411**
Total annual appropriations – gross application	**4 525**	**4 519**	**4 411**
Total Parliamentary authority	**27 546**	**27 540**	**26 419**
Legislative Council			
Special appropriations			
Audit Act, No. 2 of 1994 – Audit of the Office of the Auditor-General	17	17	16
Constitution Act, No. 8750 of 1975 – Legislative Council	200	200	200
Parliamentary Salaries and Superannuation Act, No. 7723 of 1968 – Salaries and Allowances	8 526	8 526	7 507
Parliamentary Salaries and Superannuation Act, No. 7723 of 1968, Section 13 (1)(c) – Contributions	2 180	2 180	2 906
Total special appropriations	**10 922**	**10 922**	**10 630**
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	3 081	3 076	2 861
Total provision of outputs – gross application	**3 081**	**3 076**	**2 861**
Total annual appropriations gross application	**3 081**	**3 076**	**2 861**
Total Parliamentary authority	**14 003**	**13 998**	**13 490**
Parliamentary Investigatory Committees			
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	7 196	7 040	6 676
Total provision of outputs – gross application	**7 196**	**7 040**	**6 676**
Total annual appropriations – gross application	**7 196**	**7 040**	**6 676**
Total Parliamentary authority	**7 196**	**7 040**	**6 676**
Parliamentary Services			
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	82 130	78 742	69 095
Section 29 *Financial Management Act, No. 18 of 1994*	77	77	75
Section 32 *Financial Management Act, No. 18 of 1994*	3 464	3 464	4 617
Advance to Treasurer	..	..	8 160
Total provision of outputs – gross application	**85 671**	**82 284**	**81 947**
Total annual appropriations – gross application	**85 671**	**82 284**	**81 947**

Note 39: Public account disclosure *(continued)*

(o) Parliamentary authority – Parliament *(continued)*

($ thousand)

Parliamentary Services (continued)	*Parliamentary authority 2014*	*Amounts applied 2014*	*Amounts applied 2013*
Total Parliamentary authority (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**85 671**	**82 284**	**81 947**
Amounts issued under the authority of the *Financial Management Act, No. 18 of 1994,* Section 33 (Special Appropriation) relating to prior year appropriations	**..**	**..**	**3 646**
Total Parliamentary authority	**85 671**	**82 284**	**85 593**
Auditor-General			
Special appropriations			
Constitution Act No. 8750 of 1975 – Auditor-General's salary	495	495	362
Total special appropriations (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**495**	**495**	**362**
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	15 286	15 179	14 661
Section 29 *Financial Management Act, No. 18 of 1994*	23 191	23 191	23 136
Section 32 *Financial Management Act, No. 18 of 1994*	..	..	344
Total provision of outputs – gross application	**38 477**	**38 370**	**38 141**
Total annual appropriations – gross application	**38 477**	**38 370**	**38 141**
Total Parliamentary authority (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**38 972**	**38 865**	**38 503**
Total Parliamentary authority	**38 972**	**38 865**	**38 503**

Note 39: Public account disclosure *(continued)*

(p) Parliamentary authority – Education and Early Childhood Development

($ thousand)

	Parliamentary authority 2014	*Amounts applied 2014*	*Amounts applied 2013*
Special appropriations			
Education and Training Reform Act No. 24/26 of 2006 – Section 5.6.8 – Volunteer Workers Compensation	199	199	227
Section 10 *Financial Management Act, No. 18 of 1994* – Appropriation of Commonwealth grants etc.	..	..	6 243
Total special appropriations (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**199**	**199**	**6 470**
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	9 635 523	9 470 292	9 515 878
Section 29 *Financial Management Act, No. 18 of 1994*	514 204	450 144	513 588
Section 32 *Financial Management Act, No. 18 of 1994*	220 031	220 031	119 734
Section 35 *Financial Management Act, No. 18 of 1994* (temporary advances)	175 001	174 622	..
Advance to Treasurer	204 185	201 835	226 563
Total provision of outputs – gross application	**10 748 944**	**10 516 924**	**10 375 763**
Additions to the net asset base			
Section 29 *Financial Management Act, No. 18 of 1994*	85 919	75 735	1 335
Section 32 *Financial Management Act, No. 18 of 1994*	..	..	34 032
Section 35 *Financial Management Act, No. 18 of 1994* (temporary advances)	2 500	2 500	1 000
Total additions to the net asset base – gross application	**88 419**	**78 235**	**36 367**
Total annual appropriations – gross application	**10 837 362**	**10 595 158**	**10 412 131**
Total Parliamentary authority (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**10 837 561**	**10 595 357**	**10 418 600**
Amounts issued under the authority of the *Financial Management Act, No. 18 of 1994,* Section 33 (Special Appropriation) relating to prior year appropriations	**..**	**..**	**43 448**
Total Parliamentary authority	**10 837 561**	**10 595 357**	**10 462 048**

Note 39: Public account disclosure *(continued)*

(q) Parliamentary authority – Environment and Primary Industries

($ thousand)

	Parliamentary authority 2014	*Amounts applied 2014*	*Amounts applied 2013*
Special appropriations			
Financial Management Act, No.18 of 1994, Section 10	2 040	2 040	14 545
Financial Management Act, No.18 of 1994, Section 28	1 600	1 600	..
Total special appropriations (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**3 640**	**3 640**	**14 545**
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	1 225 244	1 064 866	738 064
Section 29 *Financial Management Act, No. 18 of 1994*	170 285	150 910	106 635
Section 32 *Financial Management Act, No. 18 of 1994*	112 800	112 717	50 843
Section 35 *Financial Management Act, No. 18 of 1994* (temporary advances)	..	..	99 322
Advance to Treasurer	77 200	67 721	32 704
Victorian Water Trust – net application	14	14	2 358
Section 32 *Financial Management Act, No. 18 of 1994* – Victorian Water Trust	..	..	769
Total provision of outputs – gross application	**1 585 544**	**1 396 229**	**1 030 695**
Additions to the net asset base			
Additions to the net asset base – net application	82 381	39 649	..
Section 29 *Financial Management Act, No. 18 of 1994*	46 659	46 538	8 079
Section 32 *Financial Management Act, No. 18 of 1994*	69 273	60 352	99 171
Section 32 *Financial Management Act, No. 18 of 1994* – Victorian Water Trust	..	..	6 949
Total additions to the net asset base – gross application	**198 313**	**146 539**	**114 199**
Payments made on behalf of the State			
Payments made on behalf of the State – net application	893 313	856 805	416 770
Section 32 *Financial Management Act, No. 18 of 1994*	4 123	4 123	**..**
Total for payments made on behalf of the State – gross application	**897 436**	**860 928**	**416 770**
Other			
Section 25 of the *Murray-Darling Basin Act 1993*	27 762	27 762	30 650
Section 32 *Financial Management Act, No. 18 of 1994* – Section 25 of the *Murray-Darling Basin Act 1993*	263	263	..
Total Other	**28 025**	**28 025**	**30 650**
Total annual appropriations – gross application	**2 709 318**	**2 431 721**	**1 592 314**
Total Parliamentary authority (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**2 712 958**	**2 435 361**	**1 606 859**
Amounts issued under the authority of the *Financial Management Act, No. 18 of 1994,* Section 33 (Special Appropriation) relating to prior year appropriations	**..**	**..**	**4 342**
Total Parliamentary authority	**2 712 958**	**2 435 361**	**1 611 201**

Note 39: Public account disclosure *(continued)*

(r) Parliamentary authority – Health

($ thousand)

	Parliamentary authority 2014	*Amounts applied 2014*	*Amounts applied 2013*
Special appropriations			
Casino Control Act No. 47 of 1991, Sections 114 and 114(b)	15 648	15 648	15 375
Financial Management Act, No.18 of 1994, Section 10	149 345	149 345	78 076
Gambling Regulation Act No. 114 of 2003 Section 3.6.4 Contributions – Hospitals and Charities Fund	..	..	42 334
Gambling Regulation Act No. 114 of 2003 Section 3.6.11 Contributions – Hospitals and Charities Fund/Mental Hospitals Fund	727 723	727 723	653 452
Gambling Regulation Act No. 114 of 2003 Sections 4.4.11 and 4.6.8 Contributions – Hospitals and Charities Fund	57 604	57 604	71 510
Gambling Regulation Act No. 114 of 2003 Section 5.4.6 Contributions – Hospitals and Charities Fund/Mental Hospitals Fund	326 819	326 819	355 316
Gambling Regulation Act No. 114 of 2003 Section 6A.4.4 Contributions – Hospitals and Charities Fund/Mental Hospitals Fund	3 636	3 636	3 363
Total special appropriations (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**1 280 774**	**1 280 774**	**1 219 427**
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	7 203 374	7 050 153	6 616 512
Section 29 *Financial Management Act, No. 18 of 1994*	928 865	888 326	1 700 938
Section 32 *Financial Management Act, No. 18 of 1994*	131 320	131 320	130 750
Section 35 *Financial Management Act, No. 18 of 1994* (temporary advances)	..	..	91 000
Advance to Treasurer	..	..	13 639
Total provision of outputs – gross application	**8 263 559**	**8 069 800**	**8 552 840**
Additions to the net asset base			
Additions to the net asset base – net application	70 119	..	..
Section 29 *Financial Management Act, No. 18 of 1994*	209 925	..	..
Section 32 *Financial Management Act, No. 18 of 1994*	96 916	..	..
Total additions to the net asset base – gross application	**376 960**	**..**	**..**
Total annual appropriations gross application	**8 640 518**	**8 069 800**	**8 552 840**
Total Parliamentary authority (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**9 921 292**	**9 350 574**	**9 772 268**
Amounts issued under the authority of the *Financial Management Act, No. 18 of 1994,* Section 33 (Special Appropriation) relating to prior year appropriations	**73 808**	**73 808**	**15 055**
Total Parliamentary authority	**9 995 100**	**9 424 382**	**9 787 323**

Note 39: Public account disclosure *(continued)*

(s) Parliamentary authority – Human Services

($ thousand)

	Parliamentary authority 2014	*Amounts applied 2014*	*Amounts applied 2013*
Special appropriations			
Gambling Regulation Act No. 114 of 2003 Section 5.4.6 Contributions – Hospitals and Charities Fund/Mental Hospitals Fund	63 935	63 935	63 935
Total special appropriations (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**63 935**	**63 935**	**63 935**
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	3 562 561	3 534 864	3 345 821
Section 29 *Financial Management Act, No. 18 of 1994*	55 797	55 797	19 715
Section 32 *Financial Management Act, No. 18 of 1994*	13 153	13 153	20 957
Section 35 *Financial Management Act, No. 18 of 1994* (temporary advances)	..	..	9 500
Advance to Treasurer	5 229	5 229	52 320
Total provision of outputs – gross application	**3 636 740**	**3 609 044**	**3 448 313**
Additions to the net asset base			
Additions to the net asset base – net application	56 022	15 871	38 294
Section 29 *Financial Management Act, No. 18 of 1994*	15 360	15 360	12 574
Section 32 *Financial Management Act, No. 18 of 1994*	20 202	20 202	11 260
Section 35 *Financial Management Act, No. 18 of 1994* (temporary advances)	..	..	500
Total additions to the net asset base – gross application	**91 584**	**51 433**	**62 628**
Total annual appropriations gross application	**3 728 324**	**3 660 477**	**3 510 941**
Total Parliamentary authority (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**3 792 259**	**3 724 412**	**3 574 876**
Amounts issued under the authority of the *Financial Management Act, No. 18 of 1994,* Section 33 (Special Appropriation) relating to prior year appropriations	**2 437**	**2 437**	**15 736**
Total Parliamentary authority	**3 794 696**	**3 726 848**	**3 590 612**

Note 39: Public account disclosure *(continued)*

(t) Parliamentary authority – Justice

($ thousand)

	Parliamentary authority 2014	*Amounts applied 2014*	*Amounts applied 2013*
Special appropriations			
Constitution Act, No. 8750 of 1975 – Chief Justice	633	633	639
Constitution Act, No. 8750 of 1975 – Judges of the Court of Appeal	6 564	6 564	5 922
Constitution Act, No. 8750 of 1975 – President, Court of Appeal	46	46	482
Constitution Act, No. 8750 of 1975 – Judges Supreme Court	18 539	18 539	17 617
County Court Act, No. 6230 of 1958 – Judges	27 808	27 808	27 249
Crown Proceedings Act, No. 6232 of 1958	546 113	546 113	2 339
Victorian Civil and Administrative Tribunal Act 53 of 1998 section 17AA	6 725	6 725	..
Juries Act No.53 of 2000, Section 59 – Compensation to Jurors	20	20	372
Electoral Act, No. 23 of 2002, Section 181 – Electoral Expenses	25 392	25 392	42 489
Electoral Act, No. 23 of 2002, Section 215 – Entitlement	16	16	78
Financial Management Act, No. 18 of 1994, Section 10	1 963	1 963	..
EastLink Project Act No 39 of 2004, Section 26	1 357	1 357	1 142
Magistrates Court Act, No. 51 of 1989	46 861	46 861	44 651
Melbourne City Link Act, No. 107 of 1995, Section 14 (4)	2 584	2 584	2 797
Victims of Crime Assistance Act, No. 81 of 1996 – Tribunal	2 880	2 880	2 365
Victims of Crime Assistance Act, No. 81 of 1996 – Criminal Injuries Compensation	39 122	39 122	41 338
Emergency Management Act No 30/1986 Section 32 – Volunteer Workers Compensation	322	322	134
Victorian State Emergency Services Volunteer Workers Compensation – Act No. 51 of 2005	150	150	135
Work Cover Authority Fund, Corrections Act 1986, Part 9D, S.104ZW	58	58	91
Total special appropriations (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**727 153**	**727 153**	**189 841**
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	4 870 028	4 736 931	3 807 784
Section 29 *Financial Management Act, No. 18 of 1994*	255 947	255 947	238 663
Section 32 *Financial Management Act, No. 18 of 1994*	95 595	90 045	68 018
Advance to Treasurer	10 011	10 011	42 410
Total provision of outputs – gross application	**5 231 581**	**5 092 934**	**4 156 875**
Additions to the net asset base			
Additions to the net asset base – net application	630 508	135 076	64 444
Section 29 *Financial Management Act, No. 18 of 1994*	10 152	10 152	10 090
Section 32 *Financial Management Act, No. 18 of 1994*	117 263	117 263	40 343
Advance to Treasurer	335	335	..
Total additions to the net asset base – gross application	**758 258**	**262 826**	**114 877**
Payments made on behalf of the State			
Payments made on behalf of the State – net application	54 461	28 644	35 420
Total for payments made on behalf of the State – gross application	**54 461**	**28 644**	**35 420**
Other			
Victorian Law Reform Commission – pursuant to Section 17 (b) of the *Victorian Law Reform Commission Act 2000*	747	741	791
Total other	**747**	**741**	**791**
Total annual appropriations gross application	**6 045 047**	**5 385 145**	**4 307 962**
Total Parliamentary authority (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**6 772 200**	**6 112 298**	**4 497 803**
Amounts issued under the authority of the *Financial Management Act, No. 18 of 1994,* Section 33 (Special Appropriation) relating to prior year appropriations	**49 137**	49 137	**11 693**
Total Parliamentary authority	**6 821 337**	**6 161 435**	**4 509 496**

Note 39: Public account disclosure *(continued)*

(u) Parliamentary authority – Planning and Community Development[(a)]

($ thousand)

	Parliamentary authority 2014	*Amounts applied 2014*	*Amounts applied 2013*
Special appropriations			
Payments to Growth Areas Public Transport Fund pursuant to section 46QB of the *Planning and Environment Act No. 45 of 1987*	..	..	7 000
Payments to Building New Communities Fund pursuant to section 46QB of the *Planning and Environment Act No. 45 of 1987*	..	..	7 000
Total special appropriations (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**..**	**..**	**14 000**
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	..	..	298 297
Section 29 *Financial Management Act, No. 18 of 1994*	..	..	465
Section 32 *Financial Management Act, No. 18 of 1994*	..	..	11 649
Advance to Treasurer	..	..	6 494
Total provision of outputs – gross application	**..**	**..**	**316 905**
Additions to the net assets base			
Additions to the net asset base – net application	..	..	126 838
Section 32 *Financial Management Act, No. 18 of 1994*	..	..	9 318
Section 35 *Financial Management Act, No. 18 of 1994* (temporary advances)	..	..	2 670
Total additions to the net asset base – gross application	**..**	**..**	**138 827**
Payments made on behalf of the State			
Payments made on behalf of the State – net application	..	..	156
Total for payments made on behalf of the State – gross application	**..**	**..**	**156**
Other			
Payment to Regional Growth Fund pursuant to Section 4 of the *Regional Growth Fund Act No. 8 of 2011*	..	..	122 000
Total other	**-**	**-**	**122 000**
Total annual appropriations – gross application	**..**	**..**	**577 888**
Total Parliamentary authority (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**..**	**..**	**591 888**
Amounts issued under the authority of the *Financial Management Act, No. 18 of 1994,* Section 33 (Special Appropriation) relating to prior year appropriations	**..**	**..**	**26 200**
Total Parliamentary authority	**..**	**..**	**618 088**

Note:

(a) Effective 1 July 2013 the Department of Planning and Community Development ceased to exist and had its functions and operations transferred to other government departments.

Note 39: Public account disclosure *(continued)*

(v) Parliamentary authority – Premier and Cabinet

($ thousand)

	Parliamentary authority 2014	*Amounts applied 2014*	*Amounts applied 2013*
Special appropriations			
Constitution Act, No. 8750 of 1975 – Executive Council	50	50	50
Constitution Act, No. 8750 of 1975 – Governor's Salary	427	427	418
Ombudsman Act, No. 8414 of 1973	511	511	493
Parliamentary Salaries and Superannuation Act, No. 7723 of 1968	7 663	7 663	7 317
Total special appropriations (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**8 650**	**8 650**	**8 278**
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	563 662	549 210	528 613
Section 29 *Financial Management Act, No. 18 of 1994*	512	512	867
Section 32 *Financial Management Act, No. 18 of 1994*	16 400	16 397	16 350
Section 35 *Financial Management Act, No. 18 of 1994* (temporary advances)	4 576	4 576	..
Advance to Treasurer	5 690	5 690	2 986
Total provision of outputs – gross application	**590 840**	**576 385**	**548 816**
Additions to the net asset base			
Additions to the net asset base – net application	14 244	12 876	13 292
Section 32 *Financial Management Act, No. 18 of 1994*	6 450	6 450	..
Advance to Treasurer	22 400	22 400	780
Total additions to the net asset base – gross application	**43 094**	**41 726**	**14 072**
Payments made on behalf of the State			
Section 35 *Financial Management Act, No. 18 of 1994* (temporary advances)	1 500	1 457	..
Total payments made on behalf of the State – gross application	**1 500**	**1 457**	**..**
Total annual appropriations – gross application	**635 434**	**619 568**	**562 888**
Total Parliamentary authority (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**644 084**	**628 218**	**571 166**
Amounts issued under the authority of the *Financial Management Act, No. 18 of 1994,* Section 33 (Special Appropriation) relating to prior year appropriations	**1 110**	**1 110**	**6 485**
Total Parliamentary authority	**645 194**	**629 328**	**577 651**

Note 39: Public account disclosure *(continued)*

(w) Parliamentary authority – Primary Industries[(a)]

($ thousand)

	Parliamentary authority 2014	*Amounts applied 2014*	*Amounts applied 2013*
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	..	..	316 542
Section 29 *Financial Management Act, No. 18 of 1994*	..	..	65 396
Section 32 *Financial Management Act, No. 18 of 1994*	..	..	57 649
Advance to Treasurer	..	..	12 269
Total provision of outputs – gross application	**..**	**..**	**451 856**
Additions to the net asset base			
Additions to the net asset base – net application	..	..	3 897
Section 29 *Financial Management Act, No. 18 of 1994*	..	..	4
Section 32 *Financial Management Act, No. 18 of 1994*	..	..	24 700
Advance to Treasurer	..	..	..
Total additions to the net asset base – gross application	**..**	**..**	**28 601**
Total annual appropriations – gross application	**..**	**..**	**480 456**
Total Parliamentary authority (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**..**	**..**	**480 456**
Amounts issued under the authority of the *Financial Management Act, No. 18 of 1994,* Section 33 (Special Appropriation) relating to prior year appropriations	**..**	**..**	**8 300**
Total Parliamentary authority	**..**	**..**	**488 756**

Note:

(a) Effective 1 July 2013 the Department of Primary Industries ceased to exist and had its functions and operations transferred to other government departments.

Note 39: Public account disclosure *(continued)*

(x) Parliamentary authority – State Development, Business and Innovation

($ thousand)

	Parliamentary authority 2014	*Amounts applied 2014*	*Amounts applied 2013*
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	625 786	515 000	386 324
Section 29 *Financial Management Act, No. 18 of 1994*	4 823	773	1 078
Section 32 *Financial Management Act, No. 18 of 1994*	64 285	60 451	42 126
Advance to Treasurer	..	..	8 604
Total provision of outputs – gross application	**694 894**	**576 223**	**438 131**
Additions to the net asset base			
Additions to the net asset base – net application	76 367	13 058	117 157
Section 32 *Financial Management Act, No. 18 of 1994*	30 780	30 775	3 354
Total additions to the net asset base – gross application	**107 147**	**43 834**	**120 511**
Payments made on behalf of the State			
Payments made on behalf of the State – net application	59 000	58 343	59 000
Advance to Treasurer	2 535	2 535	..
Total for payments made on behalf of the State – gross application	**61 535**	**60 878**	**59 000**
Other			
Payment to Regional Growth Fund pursuant to Section 4 of the *Regional Growth Fund Act No. 8 of 2011*	136 000	136 000	..
Total other	**136 000**	**136 000**	**..**
Total annual appropriations – gross application	**999 576**	**816 935**	**617 642**
Total Parliamentary authority (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**999 576**	**816 935**	**617 642**
Amounts issued under the authority of the *Financial Management Act, No. 18 of 1994,* Section 33 (Special Appropriation) relating to prior year appropriations	**1 556**	**1 556**	**..**
Total Parliamentary authority	**1 001 132**	**818 491**	**617 642**

Note 39: Public account disclosure *(continued)*

(y) Parliamentary authority – Transport, Planning and Local Infrastructure

($ thousand)

	Parliamentary authority 2014	*Amounts applied 2014*	*Amounts applied 2013*
Special appropriations			
Financial Management Act, No. 18 of 1994, Section 10	..	..	95 067
Transport (Compliance and Miscellaneous) Act 1983, Section 213A (4)	1 690	1 690	1 598
Payments to Growth Areas Public Transport Fund pursuant to Section 30 of the *Planning and Environment (Growth Areas Infrastructure Contribution) Act 2010*	7 500	7 500	..
Payments to Building New Communities Fund pursuant to Section 30 of the *Planning and Environment Act (Growth Areas Infrastructure Contribution) Act 2010*	7 500	7 500	..
Total special appropriations (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**16 690**	**16 690**	**96 665**
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	5 110 796	5 026 180	4 567 773
Section 29 *Financial Management Act, No. 18 of 1994*	279 465	247 755	222 944
Section 32 *Financial Management Act, No. 18 of 1994*	54 350	51 215	181 129
Advance to Treasurer	..	..	83 568
Total provision of outputs – gross application	**5 444 611**	**5 325 149**	**5 055 414**
Additions to the net asset base			
Additions to the net asset base – net application	1 847 305	1 132 645	1 013 471
Section 29 *Financial Management Act, No. 18 of 1994*	1 128 617	878 617	528 600
Section 32 *Financial Management Act, No. 18 of 1994*	365 950	332 085	410 343
Total additions to the net asset base – gross application	**3 341 872**	**2 343 347**	**1 952 414**
Payments made on behalf of the State			
Payments made on behalf of the State – net application	850	155	..
Total for payments made on behalf of the State – gross application	**850**	**155**	**..**
Total annual appropriations – gross application	**8 787 332**	**7 668 651**	**7 007 828**
Total Parliamentary authority (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**8 804 023**	**7 685 341**	**7 104 493**
Amounts issued under the authority of the *Financial Management Act, No. 18 of 1994,* Section 33 (Special Appropriation) relating to prior year appropriations	**..**	**..**	**6 293**
Total Parliamentary authority	**8 804 023**	**7 685 341**	**7 110 786**

Note 39: Public account disclosure *(continued)*

(z) Parliamentary authority – Treasury and Finance

($ thousand)

	Parliamentary authority 2014	*Amounts applied 2014*	*Amounts applied 2013*
Special appropriations			
Constitution Act, No. 8750 of 1975 – Governor's Pension	983	983	946
Constitution Act, No. 8750 of 1975 – Supreme Court Judges	9 561	9 561	9 328
County Court Act, No. 6230 of 1958 – Judges	13 238	13 238	12 915
Financial Management Act, No. 18 of 1994, Section 10	..	..	1 588
Financial Management Act, No. 18 of 1994, Section 39 – Interest on Advances	8 683	8 683	1 152
Gambling Regulation Act No.114 of 2003, Section 3.6.12 – Community Support Fund	93 211	93 211	84 973
Liquor Control Reform Act, No. 94 of 1988, Section 177 (2)	2 487	2 487	3 023
State Electricity Commission Act 1958, Section 85B(2) – Indemnity	104 604	104 604	126 004
State Superannuation Act, No. 50 of 1988, Section 90 (2) – Contributions	1 035 753	1 035 753	934 881
State Owned Enterprises Act, No. 92 of 1992, Section 88 – State equivalent taxation payments	1 039	1 039	835
Taxation (Interest on Overpayments) Act, No. 35 of 1986, Section 11	1 725	1 725	829
Treasury Corporation of Victoria Act No. 80 of 1992, Section 38 – Debt Retirement	14 536	14 536	6 870
Total special appropriations (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**1 285 818**	**1 285 818**	**1 183 343**
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	244 412	241 528	229 404
Section 29 *Financial Management Act, No. 18 of 1994*	7 362	7 362	6 678
Section 32 *Financial Management Act, No. 18 of 1994*	3 775	3 775	1 235
Advance to Treasurer	2 249	2 162	8 881
Total provision of outputs – gross application	**257 798**	**254 827**	**246 198**
Additions to the net asset base			
Additions to the net asset base – net application	2 962	..	17 504
Section 32 *Financial Management Act, No. 18 of 1994*	741	..	..
Total additions to the net asset base – gross application	**3 703**	**..**	**17 504**
Payments made on behalf of the State			
Payments made on behalf of the State – net application	1 811 074	1 808 474	2 218 418
Section 32 *Financial Management Act, No. 18 of 1994*	898	898	6 764
Section 35 *Financial Management Act, No. 18 of 1994* (temporary advances)	24 320	24 320	..
Advance to the Treasurer	47 582	46 658	3 952
Total for payments made on behalf of the State – gross application	**1 883 874**	**1 880 349**	**2 229 134**
Advance to Treasurer to meet urgent claims that may arise before Parliamentary sanction is obtained, which will afterwards be submitted for Parliamentary authority	378 161	364 576	503 331
Payments approved under Advance to Treasurer and brought to account under the relevant departments	(378 161)	(364 576)	(503 331)
Total annual appropriations gross application	**2 145 375**	**2 135 176**	**2 492 836**
Total Parliamentary authority (excluding *Financial Management Act, No. 18 of 1994* Section 33)	**3 431 193**	**3 420 994**	**3 676 179**
Amounts issued under the authority of the *Financial Management Act, No. 18 of 1994,* Section 33 (Special Appropriation) relating to prior year appropriations	**..**	**..**	**1 680**
Total Parliamentary authority	**3 431 193**	**3 420 994**	**3 677 859**

Note 39: Public account disclosure *(continued)*

(aa) Government guarantee

Details of payments made in fulfilment of any guarantee by the Government

There have been no payments made during 2013-14 in fulfilment of any guarantee by the Government.

Money received or recovered in respect of any guarantee payments

There has been no money recovered during 2013-14 in respect of any guarantee payments.

Note 40: Glossary of technical terms

The following is a summary of the major technical terms used in this report.

ABS GFS manual

The ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005* as updated from time to time.

Advances paid

Loans acquired for policy rather than liquidity management purposes. These include long and short-term loans, non-marketable debentures and long and short-term promissory agreements (bonds and bills) issued to public sector units for achieving government policy objectives.

Biological assets

Biological assets may comprise of commercial forests and also any living animal, plant or agricultural produce that is the harvested product of biological assets.

Borrowings

Borrowings refer to interest bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria and finance leases and other interest bearing arrangements. Borrowings exclude liabilities raised from other government entities, which are classified as deposits held and advances received.

Capital grants

Transactions in which the ownership of an asset (other than cash and inventories) is transferred from one institutional unit to another, in which cash is transferred to enable the recipient to acquire another asset or in which the funds realised by the disposal of another asset are transferred, for which no economic benefits of equal value are receivable or payable in return.

Cash surplus/deficit

Net cash flows from operating activities plus net cash flows from investments in non financial assets (less dividends paid for the PNFC and PFC sectors).

Cash surplus/deficit – ABS GFS version

Equal to the cash surplus deficit (above) less the value of assets acquired under finance leases and similar arrangements.

Change in net worth

Change in net worth (comprehensive result) is revenue from transactions less expenses from transactions plus other economic flows and measures the variation in a government's accumulated assets and liabilities.

Comprehensive result

Comprehensive result is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners.

Note 40: Glossary of technical terms *(continued)*

Current grants

Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

Effective interest method

The effective interest method is used to calculate the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

Employee expenses

These expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans and defined contribution superannuation plans.

Financial asset

A financial asset is any asset that is:

(a) cash;

(b) an equity instrument of another entity;

(c) a contractual right:

- to receive cash or another financial asset from another entity; or
- 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:

- 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
- 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.

Fiscal aggregates

Analytical balances that are useful for macroeconomic analysis purposes, including assessing the impact of a government and its sectors on the economy. Key fiscal aggregates defined under ABS GFS manual are required to be disclosed under AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. They are: opening net worth, net operating balance, net lending/(borrowing), change in net worth due to revaluations, change in net worth due to other changes in the volume of assets, total change in net worth, closing net worth, and cash surplus/(deficit). AASB 1049 also allows additional fiscal aggregates to be included such as net financial worth, net financial liabilities and net debt.

Note 40: Glossary of technical terms *(continued)*

General government sector

The general government sector includes all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. General government services include those which are mainly non market in nature, those which are largely for collective consumption by the community and those which involve the transfer or redistribution of income. These services are financed mainly through taxes, other compulsory levies and user charges. A listing of all entities comprising the general government sector is included in Note 42.

Government Finance Statistics

Government Finance Statistics (GFS) enables policymakers and analysts to study developments in the financial operations, financial position and liquidity situation of the Government. More details about the GFS can be found in the Australian Bureau of Statistics (ABS) GFS manual *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005*.

Grants

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be of a current or capital nature (see current grants and capital grants).

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive benefits directly of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non reciprocal transfers.

Grants can be paid as general purpose grants which refers to grants which are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants for on-passing

All grants paid to one institutional sector (e.g. a state-based general government entity) to be passed on to another institutional sector (e.g. local government or a private non profit institution).

Infrastructure systems

Infrastructure systems provide essential services used in the delivery of final services or products. They are generally a complex interconnected network of individual assets and mainly include sewerage systems, water storage and supply systems, and public transport assets owned by the State.

Intangible produced assets

Refer to produced assets in this glossary.

Intangible non-produced assets

Refer to non-produced assets in this glossary.

Note 40: Glossary of technical terms *(continued)*

Interest expense

Interest expense represents costs incurred in connection with borrowings. 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.

Key fiscal aggregates

Referred to as analytical balances in the ABS GFS manual, key fiscal aggregates are data identified as useful for macroeconomic analysis purposes, including assessing the impact of a government and its sectors on the economy. They are:

- opening net worth;
- net operating balance;
- net lending/(borrowing);
- change in net worth due to revaluations;
- change in net worth due to other changes in the volume of assets;
- total change in net worth;
- closing net worth; and
- cash surplus/(deficit).

Net acquisition of non-financial assets (from transactions)

Purchases (and other 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. Includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write offs, impairment write downs and revaluations.

Net cash flows from investments in financial assets (liquidity management purposes)

Net cash flows from investments in financial assets (liquidity management purposes) are 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)

Net cash flows from investments in financial assets (policy purposes) represents cash payments made for acquiring financial assets for policy purposes, less cash receipts from the repayment and liquidation of such investments in financial assets.

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 includes loans made by government that are motivated by Government policies, such as encouraging the development of certain industries or assisting people affected by natural disaster.

For the general government sector, this item also includes cash flows arising from the acquisition and disposal by government of its investments (contributed capital) in entities in the public non-financial corporations and public financial corporations sectors.

Note 40: Glossary of technical terms *(continued)*

Net debt

Net debt equals sum of deposits held, advances received, government securities, loans and other borrowing less the sum of cash and deposits, advances paid and investments, loans and placements. For the PFC sector, this also includes loans receivable from other sector entities.

Net financial liabilities

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 (e.g. accrued employee liabilities such as superannuation and long service leave entitlements). For the PNFC and PFC sectors, it is equal to negative net financial worth.

Net financial worth

Net financial worth is equal to financial assets minus liabilities. It is a broader measure than net debt as it incorporates provisions made (such as superannuation, but excluding depreciation and bad debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities, only some of which are included in net debt.

Net gain on equity investments in other sector entities

Net gain on equity investments in other sector entities measured at proportional share of the carrying amount of net assets/(liabilities) represents the net gains relating to the equity held by the general government sector in other sector entities. It arises from a change in the carrying amount of net assets of the subsidiaries. The net gains are measured based on the proportional share of the subsidiary's carrying amount of net assets/(liabilities) before elimination of inter sector balances.

Net lending/borrowing

The financing requirement of government, calculated as the net operating balance less the net acquisition of non financial assets. It also equals transactions in financial assets less transactions in liabilities. A positive result reflects a net lending position and a negative result reflects a net borrowing position.

Net operating balance – net result from transactions

Net result from transactions or net operating balance is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net result

Net result is 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 non owner movements in equity'.

Net worth

Assets less liabilities, which is an economic measure of wealth.

Note 40: Glossary of technical terms *(continued)*

Non-financial assets

Non-financial assets are all assets that are not financial assets. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, cultural and heritage assets, intangibles and biological assets such as commercial forests.

Non-financial public sector

The non-financial public sector (NFPS) represents the consolidated transactions and assets and liabilities of the general government and PNFC sectors. In compiling statistics for the non-financial public sector, transactions and debtor creditor relationships between sub sectors are eliminated to avoid double counting.

Non-produced assets

Non-produced assets are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets. Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

Operating result

Operating result is 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 non owner movements in equity'. Refer also 'net result'.

Other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. In simple terms, other economic flows are changes arising from market remeasurements. They include gains and losses from disposals, revaluations and impairments of non current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

Other superannuation expense

Includes all superannuation expenses from transactions except superannuation interest cost. Generally includes current service cost, which is the increase in entitlements associated with the employment services provided by employees in the current period. Superannuation actuarial gains/(losses) are excluded as they are considered other economic flows.

Payables

Includes short and long-term trade debt and accounts payable, grants and interest payable.

Produced assets

Produced assets include buildings, plant and equipment, inventories, cultivated assets and certain intangible assets. Intangible produced assets may include computer software, motion picture films and research and development costs (which does not include the start up costs associated with capital projects).

Note 40: Glossary of technical terms *(continued)*

Public financial corporations sector

The public financial corporations are bodies primarily engaged in the provision of financial intermediation services or auxiliary financial services. They are able to incur financial liabilities on their own account (e.g. taking deposits, issuing securities or providing insurance services). The public financial corporation sector includes the Treasury Corporation of Victoria and the Transport Accident Commission. Estimates are not published for the public financial corporation sector. A listing of all PFCs controlled by the Victorian Government is included in Note 42.

Public non-financial corporations sector

The public non-financial corporations (PNFC) sector comprises bodies mainly engaged in the production of goods and services (of a non-financial nature) for sale in the market place at prices that aim to recover most of the costs involved (e.g. water and port authorities). In general, PNFCs are legally distinguishable from the governments which own them. A listing of all PNFCs controlled by the Victorian Government is included in Note 42.

Quasi corporation

An unincorporated enterprise that functions as if it were a corporation, has the same relationship with its owner as a corporation, and keeps a separate set of accounts.

Receivables

Includes short and long-term trade credit and accounts receivable, grants, taxes and interest receivable.

Roads

Roads include road pavement and road works in progress. All land under roads is included under the category of 'land'.

Road infrastructure

Road infrastructure mainly includes sound barriers, bridges and traffic signal control systems.

Sale of goods and services

Refers to revenue from the direct provision of goods and services, and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services revenue.

Superannuation interest expense

The expense resulting from the increase in the liability due to the fact that, for all participants in the scheme, retirement (and death) is one year nearer, and so one fewer discount factors must be used to calculate the present value of the benefits for each future year. The net superannuation interest expense is calculated using the discount rate (a long-term Government bond rate) without reference to the expected rate of investment return on plan assets.

Note 40: Glossary of technical terms *(continued)*

Superannuation – other

Includes all superannuation expenses from transactions except superannuation interest cost. It generally includes current service cost, which is the increase in entitlements associated with the employment services provided by employees in the current period. Superannuation actuarial gains/losses are excluded as they are considered other economic flows.

Taxation revenue

Taxation revenue represents revenue received from the State's taxpayers and includes: payroll tax, land tax, duties levied principally on conveyances and land transfers, gambling taxes levied mainly on private lotteries, electronic gaming machines, casino operations and racing, insurance duty relating to compulsory third party, life and non-life policies, insurance company contributions to fire brigades, Fire Services Property Levy, motor vehicle taxes, including registration fees and duty on registrations and transfers, levies (including the environmental levy) on statutory corporations in other sectors of government; and other taxes, including landfill levies, licence and concession fees.

Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset.

Taxation is regarded as mutually agreed interactions between the Government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the Government.

Note 41: Government purpose classification

The Government purpose classification (GPC) classifies expenses and acquisition of non-financial assets of the public sector and general government sector in terms of the purposes for which the transactions are made. As required under AASB 1049, total assets of the State and general government sector are also required to be allocated to purpose classification where possible to do so. The major groups reflect the broad objectives of government and the groups and subgroups detail the means by which these broad objectives are achieved.

General public services

Include legislative and executive affairs, financial and fiscal affairs, external affairs, foreign economic aid, general research, general economic and social services, general statistical services and government superannuation benefits.

Public order and safety

Includes police and fire protection services, law courts and legal services, prisons and corrective services, and control of domestic animals and livestock.

Education

Includes primary and secondary education, university and other higher education, technical and further education, preschool and special education and transportation of students.

Health

Includes general hospitals, repatriation hospitals, mental health institutions, nursing homes, special hospitals, hospital benefits, medical clinics and practitioners, dental clinics and practitioners, maternal and infant health, ambulance services, medical benefits, school and other public health services, pharmaceuticals, medical aids and appliances and health research.

Social security and welfare

Includes sickness benefits; benefits to ex-servicemen and their dependants; invalid and other permanent disablement benefits; old age benefits; widows; deserted wives; divorcee and orphan benefits; unemployment benefits; family and child benefits; sole parent benefits; family and child welfare; and aged and handicapped welfare.

Housing and community amenities

Includes housing and community development, water supply, household garbage and other sanitation, sewerage, urban stormwater drainage, protection of the environment and street lighting.

Recreation and culture

Includes public halls and civic centres, swimming pools and beaches, national parks and wildlife, libraries, creative and performing arts, museums, art galleries, broadcasting and film production.

Fuel and energy

Includes coal, petroleum, gas, nuclear affairs and electricity.

Agriculture, forestry, fishing and hunting

Includes agricultural land management, agricultural water resources management, agricultural support schemes, agricultural research and extension services, forestry, fishing and hunting.

Note 41: Government purpose classification *(continued)*

Mining, manufacturing and construction

Includes activities relating to prospecting, mining and mineral resources development; manufacturing activities and research into manufacturing methods, materials and industrial management; and activities associated with the building and construction industry.

Transport and communications

Includes road construction, road maintenance, parking, water transport, rail transport, air transport, pipelines, multi-mode urban transit systems and communications.

Other economic affairs

Includes storage, saleyards, markets, tourism and area promotion and labour and employment affairs.

Other purposes

Includes public debt transactions, general purpose inter government transactions and natural disaster relief.

Note 42: Controlled entities

The following is a list of significant controlled entities which have been consolidated for the purposes of the financial report. Minor wholly owned subsidiaries of these controlled entities are not separately disclosed in the listing below.

For further details on consolidation policy, refer to Note 1(D) Basis of consolidation in the summary of significant accounting policies. The list provides the names of significant controlled entities in the PNFC and PFC sectors which have been accounted for as equity investments, measured at the proportionate share of the carrying amount of their net assets, refer also Note 1(D). Unless otherwise noted below, all such entities are wholly owned.

		Entities included as investments in other sectors	
Controlled entities[(a)]	*General government*	*Public non-financial corporation*	*Public financial corporation*
Department of Education and Early Childhood Development[(b)]	*		
Adult Community and Further Education Board	*		
Adult Multicultural Education Services	*		
TAFEs including:			
Bendigo Regional Institute of TAFE[(c)]	*		
Box Hill Institute of TAFE	*		
Chisholm Institute of TAFE	*		
Federation Training[(d)]	*		
Gordon Institute of TAFE	*		
Goulburn Ovens Institute of TAFE	*		
Holmesglen Institute of TAFE	*		
International Fibre Centre Limited	*		
Kangan Institute of TAFE	*		
Northern Melbourne Institute of TAFE	*		
South West Institute of TAFE	*		
Sunraysia Institute of TAFE	*		
William Angliss Institute of TAFE	*		
Wodonga Institute of TAFE	*		
Victorian Curriculum and Assessment Authority	*		
Victorian Institute of Teaching	*		
Victorian Registration and Qualifications Authority	*		
Department of Environment and Primary Industries	*		
Catchment Management Authorities including:			
Corangamite Catchment Management Authority	*		
East Gippsland Catchment Management Authority	*		
Glenelg Hopkins Catchment Management Authority	*		
Goulburn Broken Catchment Management Authority	*		
Mallee Catchment Management Authority	*		
North Central Catchment Management Authority	*		
North East Catchment Management Authority	*		
Port Phillip and Westernport Catchment Management Authority	*		
West Gippsland Catchment Management Authority	*		
Wimmera Catchment Management Authority	*		
Commissioner for Environmental Sustainability	*		
Environment Protection Authority	*		
Parks Victoria	*		
Royal Botanic Gardens Board	*		
Sustainability Victoria	*		
Trust for Nature (Victoria)	*		

Note 42: Controlled entities *(continued)*

Controlled entities[a]	*General government*	*Entities included as investments in other sectors* — *Public non-financial corporation*	*Public financial corporation*
Veterinary Practitioners Registration Board of Victoria[e]	*		
Agriculture Victoria Services Pty Ltd[e]	*		
Alpine Resorts Management Board including:			
Alpine Resorts Co-ordinating Council		*	
Falls Creek Alpine Resort Management Board		*	
Lake Mountain Alpine Resort Management Board		*	
Mount Baw Baw Alpine Resort Management Board		*	
Mount Buller and Mount Stirling Alpine Resort Management Board		*	
Mount Hotham Alpine Resort Management Board		*	
Dairy Food Safety Victoria[e]		*	
Murray Valley Citrus Board[e][f]		*	
Murray Valley Wine Grape Industry Development Committee[e]		*	
Northern Victorian Fresh Tomato Industry Development Committee[e]		*	
Phillip Island Nature Parks		*	
Phytogene Pty Ltd[e]		*	
PrimeSafe[e]		*	
VicForests[e]		*	
Victorian Strawberry Industry Development Committee[e]		*	
Waste Management Groups including:			
Barwon Regional Waste Management Group		*	
Calder Regional Waste Management Group		*	
Central Murray Regional Waste Management Group		*	
Desert Fringe Regional Waste Management Group		*	
Gippsland Regional Waste Management Group		*	
Goulburn Valley Regional Waste Management Group		*	
Grampians Regional Waste Management Group		*	
Highlands Regional Waste Management Group		*	
Metropolitan Waste Management Group		*	
Mildura Regional Waste Management Group		*	
Mornington Peninsula Regional Waste Management Group		*	
North East Victorian Regional Waste Management Group		*	
South Western Regional Waste Management Group		*	
Water Authorities including:			
Barwon Region Water Corporation		*	
Central Gippsland Region Water Corporation		*	
Central Highlands Region Water Corporation		*	
City West Water Corporation		*	
Coliban Region Water Corporation		*	
East Gippsland Region Water Corporation		*	
Gippsland and Southern Rural Water Corporation		*	
Goulburn-Murray Rural Water Corporation		*	
Goulburn Valley Region Water Corporation		*	
Grampians Wimmera-Mallee Water Corporation		*	
Lower Murray Urban and Rural Water Corporation		*	
Melbourne Water Corporation		*	
North East Region Water Corporation		*	
South East Water Corporation		*	

Note 42: Controlled entities *(continued)*

Controlled entities[(a)]	*General government*	*Entities included as investments in other sectors* *Public non-financial corporation*	*Public financial corporation*
South Gippsland Region Water Corporation		*	
Wannon Region Water Corporation		*	
Western Region Water Corporation		*	
Westernport Region Water Corporation		*	
Yarra Valley Water Corporation		*	
Zoological Parks and Gardens Board		*	
Department of Health	*		
Health Purchasing Victoria	*		
Hospitals, Health and Ambulance Services including:			
Albury Wodonga Health	*		
Alexandra District Hospital	*		
Alfred Health	*		
Alpine Health	*		
Ambulance Victoria	*		
Austin Health	*		
Bairnsdale Regional Health Service	*		
Ballarat Health Services	*		
Barwon Health	*		
Bass Coast Regional Health	*		
Beaufort and Skipton Health Service	*		
Beechworth Health Service	*		
Benalla Health	*		
Bendigo Health Care Group	*		
Boort District Health	*		
Casterton Memorial Hospital	*		
Castlemaine Health	*		
Central Gippsland Health Service	*		
Cobram District Health	*		
Cohuna District Hospital	*		
Colac Area Health	*		
Dental Health Services Victoria	*		
Djerriwarrh Health Services	*		
Dunmunkle Health Services	*		
East Grampians Health Service	*		
East Wimmera Health Service	*		
Eastern Health	*		
Echuca Regional Health	*		
Edenhope and District Memorial Hospital	*		
Gippsland Southern Health Service	*		
Goulburn Valley Health	*		
Heathcote Health	*		
Hepburn Health Service	*		
Hesse Rural Health Service	*		
Heywood Rural Health	*		
Inglewood and Districts Health Service	*		
Kerang District Health	*		
Kooweerup Regional Health Service	*		
Kyabram and District Health Services	*		
Kyneton District Health Service	*		

Note 42: Controlled entities *(continued)*

Controlled entities[(a)]	General government	Entities included as investments in other sectors Public non-financial corporation	Public financial corporation
Latrobe Regional Hospital	*		
Lorne Community Hospital	*		
Maldon Hospital	*		
Mallee Track Health and Community Service	*		
Mansfield District Hospital	*		
Maryborough District Health Service	*		
Melbourne Health	*		
Monash Health	*		
Moyne Health Services	*		
Nathalia District Hospital	*		
Northeast Health Wangaratta	*		
Northern Health	*		
Numurkah District Health Service	*		
Omeo District Health	*		
Orbost Regional Health	*		
Otway Health[(g)]	*		
Peninsula Health	*		
Peter MacCallum Cancer Institute	*		
Portland District Health	*		
Robinvale District Health Services	*		
Rochester and Elmore District Health Service	*		
Rural Northwest Health	*		
Seymour Health	*		
South Gippsland Hospital	*		
South West Healthcare	*		
Stawell Regional Health	*		
Swan Hill District Health	*		
Tallangatta Health Service	*		
Terang and Mortlake Health Service	*		
The Kilmore and District Hospital	*		
The Royal Children's Hospital	*		
The Royal Victorian Eye and Ear Hospital	*		
The Royal Women's Hospital	*		
Timboon and District Healthcare Service	*		
Upper Murray Health and Community Services	*		
Victorian Assisted Reproductive Treatment Authority	*		
Victorian Institute of Forensic Mental Health	*		
West Gippsland Healthcare Group	*		
West Wimmera Health Service	*		
Western District Health Service	*		
Western Health	*		
Wimmera Health Care Group	*		
Yarram and District Health Service	*		
Yarrawonga Health	*		
Yea and District Memorial Hospital	*		
Victorian Health Promotion Foundation	*		

Note 42: Controlled entities *(continued)*

Controlled entities[a]	*General government*	*Entities included as investments in other sectors* *Public non-financial corporation*	*Public financial corporation*
Cemeteries including:			
Ballaarat General Cemeteries Trust		*	
Bendigo Cemeteries Trust		*	
Geelong Cemeteries Trust		*	
Greater Metropolitan Cemeteries Trust		*	
Mildura Cemetery Trust		*	
Southern Metropolitan Cemeteries Trust		*	
Department of Human Services	*		
Commission for Children and Young People	*		
The Queen Elizabeth Centre	*		
Tweddle Child and Family Health Service	*		
Director of Housing (PNFC)		*	
Queen Victoria Women's Centre Trust		*	
Department of Justice	*		
Country Fire Authority	*		
Emergency Services Telecommunications Authority	*		
Fire Services Levy Monitor	*		
Freedom of Information Commissioner	*		
Independent Broad-Based Anti-Corruption Commission (IBAC)	*		
Judicial College of Victoria	*		
Legal Services Board	*		
Legal Services Commissioner	*		
Metropolitan Fire and Emergency Services Board	*		
Office of Public Prosecutions	*		
Office of the Victorian Privacy Commissioner	*		
Sentencing Advisory Council	*		
Victoria Legal Aid	*		
Victoria Police (Office of the Chief Commissioner of Police)	*		
Victoria State Emergency Service Authority	*		
Victorian Commission for Gambling and Liquor Regulation	*		
Victorian Electoral Commission	*		
Victorian Equal Opportunity and Human Rights Commission	*		
Victorian Inspectorate	*		
Victorian Institute of Forensic Medicine	*		
Victorian Law Reform Commission	*		
Victorian Professional Standards Council	*		
Victorian Responsible Gambling Foundation	*		
Greyhound Racing Victoria		*	
Harness Racing Victoria		*	
Department of Premier and Cabinet	*		
Australian Centre for the Moving Image	*		
Library Board of Victoria	*		
Melbourne Recital Centre Limited	*		
Museums Board of Victoria	*		
National Gallery of Victoria, Council of Trustees	*		
Ombudsman Victoria	*		
Shrine of Remembrance Trustees[h]	*		
Victorian Aboriginal Heritage Council[h]	*		
Victorian Multicultural Commission	*		

Note 42: Controlled entities *(continued)*

Controlled entities[(a)]	General government	Entities included as investments in other sectors: Public non-financial corporation	Public financial corporation
Victorian Public Sector Commission[(i)]	*		
Victorian Veterans Council[(h)]	*		
Geelong Performing Arts Centre Trust		*	
Victorian Arts Centre Trust		*	
VITS Languagelink		*	
Department of State Development, Business and Innovation	*		
Australian Synchrotron Holding Company	*		
CenITex[(j)]	*		
Docklands Studios Melbourne Pty Ltd	*		
Energy Safe Victoria[(k)]	*		
Film Victoria	*		
Major Projects Victoria	*		
Regional Development Victoria[(l)]	*		
Tourism Victoria	*		
Australian Grand Prix Corporation		*	
Emerald Tourist Railway Board		*	
Fed Square Pty Ltd		*	
Melbourne Convention and Exhibition Trust		*	
Melbourne Market Authority		*	
Victorian Major Events Company Limited		*	
Department of Transport, Planning and Local Infrastructure	*		
Architects Registration Board of Victoria[(m)]	*		
Heritage Council[(m)]	*		
Linking Melbourne Authority	*		
Melbourne Cricket Ground Trust[(m)]	*		
Metropolitan Planning Authority[(n)]	*		
Public Transport Development Authority	*		
Roads Corporation	*		
Surveyors Registration Board of Victoria[(o)]	*		
Taxi Services Commission	*		
Victorian Building Authority[(m)(p)(q)]	*		
Victorian Institute of Sport Limited[(m)]	*		
Victorian Institute of Sport Trust[(m)]	*		
Melbourne and Olympic Parks Trust[(m)]		*	
Port of Hastings Development Authority		*	
Port of Melbourne Corporation		*	
State Sport Centres Trust[(m)]		*	
Urban Renewal Authority Victoria (Places Victoria)[(m)]		*	
Victorian Rail Track		*	
Victorian Regional Channels Authority		*	
V/Line Corporation		*	

Note 42: Controlled entities *(continued)*

Controlled entities[(a)]	General government	Entities included as investments in other sectors: Public non-financial corporation	Public financial corporation
Department of Treasury and Finance	*		
Domestic (HIH) Indemnity Fund and Housing Guarantee Claims	*		
Essential Services Commission	*		
Victorian Competition and Efficiency Commission	*		
State Electricity Commission of Victoria		*	
Victorian Plantations Corporation (shell)		*	
Rural Finance Corporation of Victoria			*
State Trustees Limited			*
Transport Accident Commission			*
Treasury Corporation of Victoria			*
Victorian Funds Management Corporation			*
Victorian Managed Insurance Authority			*
Victorian WorkCover Authority			*
Parliament of Victoria	*		
Victorian Auditor-General's Office	*		

Notes:

(a) *Effective 1 July 2013, the following departments ceased to exist and had their functions and operations transferred to other Victorian government departments:*
- *Department of Planning and Community Development; and*
- *Department of Primary Industries.*

(b) *The* Education and Training Reform Amendment (Dual Sector Universities) Act 2013 *was enacted and gave effect to the deconsolidation of the four dual sector TAFE divisions of universities from 1 January 2014:*
- *Royal Melbourne Institute of Technology;*
- *Swinburne University of Technology;*
- *Federation University (formally known as University of Ballarat); and*
- *Victoria University.*

(c) *The Bendigo Kangan Institute was established on 1 July 2014 as a result of a merge between Bendigo Regional Institute of TAFE and Kangan Institute of TAFE.*

(d) *Federation Training was established on 1 May 2014 as a result of a merge between Advance TAFE (formally known as East Gippsland Institute of TAFE) and Central Gippsland Institute of TAFE.*

(e) *Entities transferred portfolios as a result of the machinery of government changes effective 1 July 2013 from the Department of Primary Industries to the Department of Environment and Primary Industries.*

(f) *Effective 28 February 2014, the Murray Valley Citrus Board ceased to exist.*

(g) *Effective 14 May 2014, the Otway Health and Community Services was renamed Otway Health.*

(h) *Entities transferred as a result of the machinery of government changes effective 1 July 2013 from the Department of Planning and Community Development to the Department of Premier and Cabinet.*

(i) *Effective 1 April 2014, the States Services Authority ceased to exist and operations were transferred to the Victorian Public Sector Commission.*

(j) *Effective from 29 August 2013, CenITex was transferred from the Department of Treasury and Finance to the Department of State Development, Business and Innovation.*

(k) *Entity transferred as a result of the machinery of government changes effective 1 July 2013 from the Department of Primary Industries to the Department of State Development, Business and Innovation.*

(l) *Entity transferred as a result of the machinery of government changes effective 1 July 2013 from the Department of Planning and Community Development to the Department of State Development, Business and Innovation.*

(m) *Entity transferred as a result of the machinery of government changes effective 1 July 2013 from the Department of Planning and Community Development to the Department of Transport, Planning and Local Infrastructure.*

(n) *Effective 9 October 2013, the Growth Areas Authority was renamed the Metropolitan Planning Authority.*

(o) *Effective 1 July 2013, Surveyors Registration Board of Victoria was transferred from the Department of Primary Industries to the Department of Transport, Planning and Local Infrastructure.*

(p) *Effective 1 July 2013, the Building Commission and Plumbing Industry Commission ceased to exist and operations were transferred to the Victorian Building Authority.*

(q) *On 1 July 2013, the Victorian Building Authority commenced operations.*

CHAPTER 5 – SUPPLEMENTARY UNIFORM PRESENTATION FRAMEWORK TABLES

THE ACCRUAL GOVERNMENT FINANCE STATISTICS PRESENTATION

The Government Finance Statistics (GFS) system employed by the Australian Bureau of Statistics (ABS) is designed to provide statistics relating to the finances of the Australian public sector. The statistics show consolidated transactions of the various institutional sectors of government from an economic viewpoint, providing details of the revenue, expenses, payments, receipts, assets and liabilities. It includes only those transactions and balances over which a government exercises control under its legislative or policy framework and excludes from the calculation of net operating balance both revaluations (realised and unrealised gains or losses) arising from a change in market prices, and other changes in the volume of assets that result from discoveries, depletion and destruction of assets. These gains and losses are classified as other economic flows.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES/GOVERNMENT FINANCE STATISTICS HARMONISATION

In October 2007, the Australian Accounting Standards Board issued a new standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, applicable from 1 July 2008. The objective as set out by the Financial Reporting Council in December 2002 is 'to achieve an Australian accounting standard for a single set of government reports which are auditable, comparable between jurisdictions, and in which the outcome statements are directly comparable with the relevant budget statements'. This new standard incorporates the major elements of the GFS framework, including the presentation formats and key fiscal aggregates, into a standard based on generally accepted accounting principles (GAAP).

A revised Uniform Presentation Framework (UPF) was agreed by the Australian Loan Council in March 2008, based on AASB 1049, and similarly applicable from the reporting period commencing 1 July 2008. In addition to the audited Annual Financial Report presented in Chapter 4, the following statements are also required to be presented under the UPF.

Financial statements for the non-financial public sector

Table 5.1: Non-financial public sector operating statement for the financial year ended 30 June

($ million)

	2014	*2013*
Revenue from transactions		
Taxation revenue	16 505.3	15 198.9
Interest	401.1	435.0
Dividends and income tax equivalent and rate equivalent revenue	267.4	609.4
Sales of goods and services	11 005.3	9 826.4
Grants	25 124.9	21 879.2
Other revenue	2 729.7	2 728.9
Total revenue from transactions	**56 033.7**	**50 677.8**
Expenses from transactions		
Employee expenses	19 018.6	18 778.0
Net superannuation interest expense[(a)]	1 054.7	1 076.8
Other superannuation	1 975.2	2 016.9
Depreciation	4 251.0	4 092.4
Interest expense	2 823.5	2 433.8
Grants and other transfers	5 041.1	5 399.1
Other operating expenses	20 098.4	18 580.9
Total expenses from transactions[(a)]	**54 262.6**	**52 377.7**
Net result from transactions – net operating balance[(a)]	**1 771.1**	**(1 699.9)**
Other economic flows included in net result		
Net gain/(loss) on sale of non-financial assets	(12.3)	21.1
Net gain/(loss) on financial assets or liabilities at fair value	(63.4)	(29.5)
Share of net profit/(loss) from associates/joint venture entities, excluding dividends	35.6	(83.4)
Other gains/(losses) from other economic flows	(1 124.9)	(381.6)
Total other economic flows included in net result[(a)]	**(1 164.9)**	**(473.4)**
Net result[(a)]	**606.2**	**(2 173.3)**
Other economic flows – other comprehensive income		
Items that will not be reclassified to net result		
Changes in non-financial assets revaluation surplus[(b)]	5 224.5	515.5
Remeasurement of superannuation defined benefits plans[(a)]	(261.9)	7 989.8
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	944.3	897.0
Other movements in equity[(b)]	848.0	676.3
Items that may be reclassified subsequently to net results		
Net gain/(loss) on financial assets at fair value	(8.6)	84.0
Total other economic flows – other comprehensive income[(a)(b)]	**6 746.2**	**10 162.6**
Comprehensive result – total change in net worth[(b)]	**7 352.4**	**7 989.3**

Financial statements for the non-financial public sector *(continued)*

Table 5.1: Non-financial public sector operating statement for the financial year ended 30 June *(continued)*

($ million)

	2014	*2013*
FISCAL AGGREGATES		
Net operating balance[(a)]	**1 771.1**	**(1 699.9)**
Net acquisition of non-financial assets		
Purchases of non-financial assets (including change in inventories)	7 268.8	7 816.6
Less: Sales of non-financial assets	(477.3)	(404.4)
Less: Depreciation	(4 251.0)	(4 092.4)
Plus: Other movements in non-financial assets	346.4	5 526.4
Less: Net acquisition of non-financial assets from transactions	**2 886.8**	**8 846.3**
Net lending/(borrowing)	**(1 115.7)**	**(10 546.2)**

Source: Department of Treasury and Finance

Notes:

(a) In 2013-14, the State applied the revised AASB 119 Employee Benefits *for the first time as required by the revised accounting standard, which changed the way defined benefit superannuation expenses are presented. Part of the actuarial gains, which had previously contributed to the State's operating surplus in 2012-13 are now reported as a remeasurement item under other comprehensive income, and no longer included in the State's operating surplus. The revised requirements have been applied retrospectively as required by the revised accounting standard and the operating statement of the earliest comparative period presented (30 June 2013) has been restated accordingly. This revision only affected the presentation of these gains in the operating statement and continue to have no impact on the State's cash requirements or net debt.*

(b) June 2013 comparative figures have been restated. See Chapter 4, Note 37.

Table 5.2: Non-financial public sector balance sheet for the financial year ended 30 June

($ million)

	2014	2013
Assets		
Financial assets		
Cash and deposits	5 485.4	4 759.9
Advances paid	86.1	72.1
Receivables	5 256.0	4 985.3
Investments, loans and placements	4 096.6	4 439.6
Investments accounted for using the equity method	1 555.1	1 666.1
Investments in other sector entities	2 896.1	1 949.3
Total financial assets	**19 375.3**	**17 872.1**
Non-financial assets		
Inventories	802.2	871.0
Non-financial assets held for sale	165.6	146.6
Land, buildings, infrastructure, plant and equipment	197 054.3	189 409.2
Other non-financial assets	2 252.9	1 844.8
Total non-financial assets	**200 275.0**	**192 271.6**
Total assets	**219 650.2**	**210 143.7**
Liabilities		
Deposits held and advances received	541.5	583.4
Payables	6 525.2	6 604.9
Borrowings	45 052.5	43 272.9
Other employee benefits	5 657.3	5 535.2
Superannuation	25 729.0	25 225.4
Other provisions	975.1	1 104.5
Total liabilities	**84 480.7**	**82 326.4**
Net assets	**135 169.6**	**127 817.4**
Accumulated surplus/(deficit)[(a)]	47 866.7	46 751.3
Other reserves[(a)]	87 252.9	81 016.1
Non-controlling interest	50.0	50.0
Net worth	**135 169.6**	**127 817.4**
FISCAL AGGREGATES		
Net financial worth	(65 105.4)	(64 454.2)
Net financial liabilities	68 001.5	66 403.5
Net debt	35 925.9	34 584.8

Source: Department of Treasury and Finance

Note:
(a) June 2013 comparative figures have been restated. See Chapter 4, Note 37.

Table 5.3: Non-financial public sector cash flow statement for the financial year ended 30 June

($ million)

	2014	*2013*
Cash flows from operating activities		
Receipts		
Taxes received	16 323.8	14 886.3
Grants	25 151.2	21 988.5
Sales of goods and services[(a)]	12 232.8	10 715.9
Interest received	370.4	428.6
Dividends and income tax equivalent and rate equivalent receipts	265.9	607.8
Other receipts	1 884.5	2 097.5
Total receipts	**56 228.6**	**50 724.5**
Payments		
Payments for employees	(18 904.4)	(18 548.6)
Superannuation	(2 788.4)	(2 629.2)
Interest paid	(2 722.9)	(2 343.8)
Grants and subsidies	(5 041.9)	(5 623.2)
Goods and services[(a)]	(20 316.6)	(18 781.6)
Other payments	(818.3)	(300.6)
Total payments	**(50 592.5)**	**(48 227.0)**
Net cash flows from operating activities	**5 636.1**	**2 497.5**
Cash flows from investing activities		
Purchases of non-financial assets	(7 268.8)	(7 816.6)
Sales of non-financial assets	477.3	404.4
Cash flows from investments in non-financial assets	(6 791.4)	(7 412.2)
Net cash flows from investments in financial assets for policy purposes	12.6	319.2
Sub-total	**(6 778.8)**	**(7 093.0)**
Net cash flows from investments in financial assets for liquidity management purposes	235.5	(1 110.1)
Net cash flows from investing activities	**(6 543.4)**	**(8 203.1)**
Cash flows from financing activities		
Advances received (net)	(0.6)	0.5
Net borrowings	1 671.0	4 614.0
Deposits received (net)	(41.4)	75.8
Other financing (net)	3.0	..
Net cash flows from financing activities	**1 632.0**	**4 690.3**
Net increase/(decrease) in cash and cash equivalents	**724.7**	**(1 015.2)**
Cash and cash equivalents at beginning of reporting period	4 759.8	5 775.1
Cash and cash equivalents at end of the financial year[(b)]	**5 484.6**	**4 759.8**
FISCAL AGGREGATES		
Net cash flows from operating activities	5 636.1	2 497.5
Net cash flows from investments in non-financial assets	(6 791.4)	(7 412.2)
Cash surplus/(deficit)	**(1 155.4)**	**(4 914.7)**

Source: Department of Treasury and Finance

Notes:
(a) These items are inclusive of goods and services tax.
(b) June 2013 comparative cash and cash equivalents at the end of the reporting period does not equal cash and deposits on the balance sheet. This is due to overdrafts being included in the cash flow statement.

Table 5.4: Non-financial public sector statement of changes in equity

($ million)

	Accumulated surplus/(deficit)	*Non-controlling Interest*
2014		
Balance at 1 July 2013	46 751.3	50.0
Net result for the year	606.2	..
Other comprehensive income for the year	509.3	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2014	**47 866.7**	**50.0**
2013[(a)]		
Balance at 1 July 2012	39 483.7	50.0
Net result for the year[(b)]	(2 173.3)	..
Other comprehensive income for the year[(b)]	9 440.9	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2013	**46 751.3**	**50.0**

Source: Department of Treasury and Finance

Notes:

(a) *June 2013 comparative figures have been restated. See Chapter 4, Note 37.*

(b) *In 2013-14, the State applied the revised AASB 119* Employee Benefits *for the first time as required by the revised accounting standard, which changed the way defined benefit superannuation expenses are presented. Part of the actuarial gains, which had previously contributed to the State's operating surplus in 2012-13 are now reported as a remeasurement item under other comprehensive income, and no longer included in the State's operating surplus. The revised requirements have been applied retrospectively as required by the revised accounting standard and the operating statement of the earliest comparative period presented (30 June 2013) has been restated accordingly. This revision only affected the presentation of these gains in the operating statement and continue to have no impact on the State's cash requirements or net debt.*

Property, plant and equipment revaluation surplus	Investment in other sector entities revaluation surplus	Other reserves	Total
78 444.3	1 659.9	911.9	127 817.4
..	..	..	606.2
5 224.5	944.3	68.2	6 746.2
..	..	..	..
83 668.6	**2 604.2**	**980.1**	**135 169.6**
77 928.7	762.9	1 602.8	119 828.1
..	..	..	(2 173.3)
515.5	897.0	(690.9)	10 162.6
..	..	..	..
78 444.3	**1 659.9**	**911.9**	**127 817.4**

Table 5.5: Derivation of non-financial public sector GFS cash surplus/(deficit)

($ million)

	2014	*2013*
Cash surplus/(deficit)	**(1 155.4)**	**(4 914.7)**
Less: Acquisitions under finance leases and similar arrangements	(109.5)	(5 433.8)
GFS cash surplus/(deficit)[(a)]	**(1 264.9)**	**(10 348.5)**

Source: Department of Treasury and Finance

Note:
(a) Determined in accordance with ABS GFS manual.

Table 5.6: General government sector detailed expenses by function[(a)]

($ million)

	2013-14	2012-13
General public services[(b)]	**1 050.5**	**1 342.5**
Other general public services	1 050.5	1 342.5
Public order and safety	**5 508.5**	**5 188.5**
Police and fire protection services	3 313.7	3 105.6
Police services	2 159.7	2 020.5
Fire protection services	1 154.0	1 085.1
Law courts and legal services	1 014.7	1 009.3
Prisons and corrective services	815.7	730.8
Other public order and safety	364.3	342.9
Education	**12 836.9**	**12 661.5**
Primary and secondary education	9 326.4	9 014.8
Primary education	4 698.3	4 518.2
Secondary education	4 579.5	4 445.2
Primary and secondary education NEC[(c)]	48.6	51.4
Tertiary education	2 231.7	2 396.7
Technical and further education	2 231.7	2 396.7
Pre-school education and education not definable by level	939.5	911.1
Pre-school education	311.5	323.9
Special education	628.0	587.2
Transportation of students	339.3	338.9
Transportation of non-urban school children	243.7	244.7
Transportation of other students	95.6	94.2
Education NEC[(c)]	..	..
Health	**13 814.6**	**13 158.2**
Acute care institutions	10 303.7	9 732.0
Admitted patient services in acute care institutions	8 530.4	8 035.8
Non-admitted patient services in acute care institutions	1 773.4	1 696.2
Mental health institutions	83.7	72.5
Nursing homes for the aged	509.3	521.7
Community health services	2 112.2	2 047.2
Community health services (excluding community mental health)	789.2	752.6
Community mental health	700.9	682.8
Patient transport	622.1	611.8
Public health services	358.9	358.1
Pharmaceuticals, medical aids and appliances	330.2	309.4
Health research	107.1	109.8
Health administration NEC[(c)]	9.6	7.6
Social security and welfare	**4 111.7**	**3 868.0**
Welfare services	4 111.7	3 868.0
Family and child services	936.2	870.9
Welfare services for the aged	1 002.6	1 117.2
Welfare services for people with a disability	1 516.9	1 440.5
Welfare services NEC[(c)]	655.9	439.5
Housing and community amenities	**2 444.4**	**2 543.2**
Housing and community development	1 902.8	1 958.1
Housing	436.5	414.8
Aboriginal community development	13.5	21.1
Other community development	1 452.8	1 522.2

Table 5.6: General government sector detailed expenses by function[(a)] *(continued)*

($ million)

	2013-14	*2012-13*
Water supply	151.2	208.5
Sanitation and protection of the environment	382.4	369.0
Other community amenities	8.0	7.6
Recreation and culture	**687.0**	**735.7**
Recreation facilities and services	297.4	344.1
National parks and wildlife	80.3	94.1
Recreation facilities and services NEC[(c)]	217.1	250.0
Cultural facilities and services	389.6	391.6
Fuel and energy	**123.1**	**115.7**
Fuel affairs and services	..	..
Gas	..	..
Electricity and other energy	123.1	115.7
Electricity	29.5	..
Fuel and energy NEC[(c)(d)]	93.6	115.7
Agriculture, forestry, fishing and hunting	**377.8**	**404.2**
Agriculture	377.8	291.1
Forestry, fishing and hunting[(d)]	..	113.1
Mining and mineral resources other than fuels; manufacturing; and construction	**..**	**..**
Mining and mineral resources other than fuels	..	..
Transport and communications	**5 548.1**	**5 675.8**
Road transport	2 320.9	2 206.5
Road maintenance	455.1	447.4
Road construction	605.4	645.8
Road transport NEC[(c)]	1 260.3	1 113.3
Water transport	24.9	26.8
Urban water transport services	15.5	17.0
Non-urban water transport services	9.4	9.7
Rail transport	3 107.3	3 120.1
Urban rail transport services	2 396.1	2 427.4
Non-urban rail transport freight services	17.2	19.4
Non-urban rail transport passenger services	694.0	673.3
Other transport	95.1	322.4
Multi-mode urban transport	14.3	14.2
Other transport NEC[(c)]	80.9	308.2
Other economic affairs	**1 168.5**	**982.4**
Tourism and area promotion	218.1	217.8
Labour and employment affairs	9.9	14.3
Other labour and employment affairs	9.9	14.3
Other economic affairs	940.4	750.3
Other purposes	**2 717.4**	**2 253.8**
Public debt transactions	2 138.5	1 775.3
Other purposes NEC[(c)]	578.9	478.5
Total[(b)]	**50 388.5**	**48 929.4**

Source: Department of Treasury and Finance

Notes:
(a) Chapter 4, Note 41 provides definitions and descriptions of government purpose classifications.
(b) June 2013 comparative figures have been restated to reflect a revised accounting standard, AASB 119 Employee Benefits*, which changed the way defined benefit superannuation expenses are calculated and presented. Refer to Chapter 4, Note 1(F).*
(c) NEC: Not elsewhere classified.
(d) June 2013 comparative figures have been updated to reflect more current information.

VICTORIA'S 2013-14 LOAN COUNCIL ALLOCATION

Under the Uniform Presentation Framework (UPF), Victoria is required to publish the Loan Council Allocation (LCA) estimates. The LCA is a measure of each government's net call on financial markets in a given financial year to meet its budget obligations. The method of public release is the responsibility of each jurisdiction. Victoria discloses its LCA information through the Financial Report for the State of Victoria, Budget Paper No. 5 *Statement of Finances* and Budget Update.

Table 5.7 compares the Victorian 2013-14 LCA nomination as published in the *2013-14 Budget* with the 2013-14 outcome.

Table 5.7: Loan Council Allocation 2013-14

($ million)

	2013-14 Budget	*2013-14 Actual*
General government cash deficit(+) or surplus (-)	1 717.1	(216.2)
Public non-financial corporations sector cash deficit(+)	2 383.0	1 208.4
Non-financial public sector cash deficit(+)[(a)]	4 045.7	1 155.4
Acquisitions under finance leases and similar arrangements	..	109.5
ABS GFS cash deficit(+)	4 045.7	1 264.9
Less Net cash flows from investments in financial assets for policy purposes[(b)]	(15.0)	12.6
Plus Memorandum items[(c)]	733.7	462.3
Loan Council Allocation	**4 794.3**	**1 714.6**
Tolerance limit (2 per cent of non-financial public sector cash receipts from operating activities)[(d)]	1 089.5	1 089.5

Source: Department of Treasury and Finance

Notes:

(a) *The sum of the deficit of the general government and public non-financial corporation sector does not directly equal the non-financial public sector cash deficit due to inter-sectoral transfers, which are netted out in the calculation of the non-financial public sector figure. The non-financial public sector cash deficit excludes finance lease acquisitions.*

(b) *The ABS GFS cash deficit is adjusted to include in the LCA the impact of net cash flows from investments in financial assets for policy purposes.*

(c) *The ABS GFS cash deficit is adjusted to include in the LCA the impact of memorandum items, which include certain transactions that have many of the characteristics of public sector borrowings but do not constitute formal borrowings (e.g. operating leases). They also include, where appropriate, transactions that the Loan Council has agreed should not be included in the LCA (e.g. the over/under funding of employers' emerging costs under public sector superannuation schemes, or borrowings by entities such as statutory marketing authorities).*

(d) *A tolerance limit equal to 2 per cent of total non-financial public sector cash receipt from operating activities applies to the movement between a jurisdiction's LCA budget estimate and LCA outcome (calculated using estimates in the* 2013-14 Budget*). The tolerance limit applying to the movement between Victoria's 2013-14 LCA budget estimate and its LCA outcome is $1 089.5 million (2 per cent of $54 473 million).*

As part of the Loan Council arrangements, the Council has agreed that if at any time a state or territory finds that it is likely to exceed its tolerance limit, in either direction, it is required to provide an explanation to the Council and, in line with the emphasis of increased transparency to make the explanation public. Victoria's 2013-14 LCA outcome (a deficit of $1.7 billion) is $3 billion lower than the budgeted LCA and exceeds the 2013-14 tolerance limit. This is primarily due to a $2.9 billion decrease in the non-financial public sector cash deficit largely as a result of increased net cash flows from operating activities and lower net cash flows from investment in non-financial assets.

In the interest of transparency, the State is required to disclose the details of new infrastructure projects with private sector involvement that are expected to be contracted during the LCA year, and to report the full contingent exposure, if any. Exposure is to be measured by the Government's termination liabilities in a case of private sector default and disclosed as a footnote to, rather than a component of the LCA. The amount payable will not exceed the fair market value of the project (which is usually calculated by an independent valuer) less any costs incurred by the Government as a result of the default.

There are no *Partnerships Victoria* contracts that were signed during the 2013-14 financial year.

APPENDIX A – GENERAL GOVERNMENT SECTOR QUARTERLY FINANCIAL REPORT

Table A.1: Operating statement for the past five quarters

($ million)

	2012-13		2013-14		
	Jun	*Sep*	*Dec*	*Mar*	*Jun*
Revenue from transactions					
Taxation revenue	3 546.4	4 300.5	3 803.3	5 092.9	3 704.2
Interest	214.6	204.3	216.5	201.4	209.1
Dividends and income tax equivalent and rate equivalent revenue	607.3	64.5	158.6	107.7	115.1
Sales of goods and services	1 678.9	1 727.2	1 698.0	1 347.8	1 951.8
Grants	5 345.8	5 453.1	5 829.1	6 304.5	7 558.2
Other revenue	726.2	521.5	512.3	487.8	795.3
Total revenue from transactions	**12 119.2**	**12 271.0**	**12 217.8**	**13 542.1**	**14 333.8**
Expenses from transactions					
Employee expenses	4 619.0	4 388.4	4 493.9	4 424.1	4 705.5
Superannuation interest expense[(a)]	269.0	266.7	263.6	259.4	262.3
Other superannuation expenses	474.2	478.7	501.6	441.2	454.9
Depreciation	604.7	611.6	560.1	582.8	609.2
Interest expense	534.0	525.9	536.0	519.6	557.0
Grants and other transfers	1 839.7	2 060.2	1 846.1	2 359.6	1 319.7
Other operating expenses	4 403.4	4 189.1	4 117.9	3 730.4	5 322.7
Total expenses from transactions[(a)]	**12 744.1**	**12 520.6**	**12 319.3**	**12 317.2**	**13 231.3**
Net result from transactions – net operating balance[(a)]	**(624.9)**	**(249.6)**	**(101.5)**	**1 224.8**	**1 102.5**
Other economic flows included in net result					
Net gain/(loss) on sale of non-financial assets	(2.0)	(4.4)	24.8	1.3	(46.6)
Net gain/(loss) on financial assets or liabilities at fair value	17.1	22.2	18.4	5.9	6.1
Share of net profit/(loss) from associates/joint venture entities, excluding dividends	4.6	..	0.1	..	(0.1)
Other gains/(losses) from other economic flows	32.6	(96.5)	(73.7)	(954.7)	(105.8)
Total other economic flows included in net result[(a)]	**52.3**	**(78.7)**	**(30.4)**	**(947.5)**	**(146.4)**
Net result[(a)]	**(572.5)**	**(328.4)**	**(131.9)**	**277.3**	**956.1**

Table A.1: Operating statement for the past five quarters *(continued)*

($ million)

	2012-13	*2013-14*			
	Jun	*Sep*	*Dec*	*Mar*	*Jun*
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	710.2	(73.0)	(224.6)	(383.2)	2 909.5
Remeasurement of superannuation defined benefit plans[(a)]	3 880.7	1 428.4	1 000.8	(421.8)	(2 293.6)
Net gain/(loss) on equity investments in other sector entities at proportional share of net assets[(b)]	(1 806.3)	..	1 110.9	..	2 702.9
Other movements in equity	886.9	(181.5)	172.7	358.7	430.3
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	21.6	3.5	25.7	(0.8)	(33.6)
Total other economic flows – other comprehensive income[(a)(b)]	**3 693.1**	**1 177.5**	**2 085.5**	**(447.2)**	**3 715.6**
Comprehensive result – total change in net worth[(b)]	**3 120.5**	**849.1**	**1 953.6**	**(169.9)**	**4 671.6**
FISCAL AGGREGATES					
Net operating balance	**(624.9)**	**(249.6)**	**(101.5)**	**1 224.8**	**1 102.5**
Less: Net acquisition of non-financial assets from transactions[(c)]	**278.5**	**(769.0)**	**1 355.4**	**(3.2)**	**134.0**
Net lending/(borrowing)[(a)(c)]	**(903.3)**	**519.3**	**(1 456.9)**	**1 228.1**	**968.5**

Notes:

(a) In 2013-14, the State applied the revised AASB 119 Employee Benefits *for the first time as required by the revised accounting standard, which changed the way defined benefit superannuation expenses are presented. Part of the actuarial gains, which had previously contributed to the State's operating surplus in 2012-13 are now reported as a remeasurement item under other comprehensive income, and no longer included in the State's operating surplus. The revised requirements have been applied retrospectively as required by the revised accounting standard and the operating statement of the earliest comparative period presented (30 June 2013) has been restated accordingly. This revision only affected the presentation of these gains in the operating statement and continue to have no impact on the State's cash requirements or net debt.*

(b) June 2013 comparative figures have been restated. See Chapter 4, Note 37.

(c) June 2013 comparative figures have been restated to include the fixed asset transfers to and from the general government sector.

Table A.2: Balance sheet as at the end of the past five quarters

($ million)

	2012-13 Jun	2013-14 Sep	Dec	Mar	Jun
Assets					
Financial assets					
Cash and deposits	3 962.0	3 286.6	3 432.7	3 064.7	4 500.9
Advances paid	4 626.8	4 644.1	4 600.8	4 593.5	4 586.9
Receivables	5 061.0	4 954.7	4 866.1	5 893.4	4 940.6
Investments, loans and placements	3 383.4	3 672.7	3 820.5	4 166.0	3 117.6
Investments accounted for using equity method	49.4	49.4	49.4	49.4	44.1
Investments in other sector entities	69 714.8	70 277.0	71 932.4	72 375.8	75 869.2
Total financial assets	**86 797.4**	**86 884.5**	**88 702.0**	**90 142.8**	**93 059.4**
Non-financial assets					
Inventories	192.1	212.6	183.9	183.2	176.6
Non-financial assets held for sale	142.1	72.2	69.2	55.8	142.5
Land, buildings, infrastructure, plant and equipment	100 804.0	101 082.5	101 318.8	100 550.4	103 644.2
Other non-financial assets	954.3	1 196.4	1 262.0	1 145.9	1 204.8
Total non-financial assets	**102 092.5**	**102 563.7**	**102 834.0**	**101 935.3**	**105 168.0**
Total assets	**188 889.9**	**189 448.2**	**191 535.9**	**192 078.1**	**198 227.4**
Liabilities					
Deposits held and advances received	449.0	422.6	505.8	591.0	426.5
Payables	5 958.4	5 357.8	5 469.6	5 291.8	5 746.5
Borrowings	31 345.3	32 688.2	33 695.2	33 889.6	32 953.6
Employee benefits	5 208.8	5 273.7	5 124.7	5 264.6	5 302.7
Superannuation	25 142.5	23 782.8	22 846.7	23 330.1	25 680.7
Other provisions	603.3	606.6	624.0	611.0	630.6
Total liabilities	**68 707.4**	**68 131.9**	**68 266.0**	**68 978.1**	**70 740.6**
Net assets	**120 182.6**	**121 316.4**	**123 269.9**	**123 100.1**	**127 486.9**
Accumulated surplus/(deficit)	43 174.7	44 361.2	45 457.6	45 667.3	44 410.0
Reserves	76 957.9	76 905.1	77 762.3	77 382.8	83 026.9
Non-controlling interest	50.0	50.0	50.0	50.0	50.0
Net worth	**120 182.6**	**121 316.4**	**123 269.9**	**123 100.1**	**127 486.9**
FISCAL AGGREGATES					
Net financial worth	18 090.1	18 752.7	20 436.0	21 164.7	22 318.8
Net financial liabilities	51 624.7	51 524.3	51 496.4	51 211.0	53 550.4
Net debt	19 822.1	21 507.4	22 347.0	22 656.3	21 174.6

Note:
(a) June 2013 comparative figures have been restated. See Chapter 4, Note 37.

Table A.3: Statement of cash flows for the past five quarters

($ million)

	2012-13	*2013-14*			
	Jun	*Sep*	*Dec*	*Mar*	*Jun*
Cash flows from operating activities					
Receipts					
Taxes received	4 128.0	4 120.9	4 151.7	4 032.7	4 414.2
Grants	5 465.1	5 430.9	5 849.1	6 303.4	7 557.0
Sales of goods and services[(a)]	1 947.0	1 955.1	1 995.5	1 802.0	1 628.4
Interest received	221.6	209.7	202.1	177.2	218.8
Dividends and income tax equivalent and rate equivalent receipts	434.9	209.0	177.9	111.3	93.6
Other receipts	152.8	482.1	82.2	472.1	767.5
Total receipts	**12 349.4**	**12 407.6**	**12 458.5**	**12 898.6**	**14 679.4**
Payments					
Payments for employees	(4 532.1)	(4 313.6)	(4 611.1)	(4 283.0)	(4 718.9)
Superannuation	(622.2)	(676.6)	(700.6)	(639.1)	(660.2)
Interest paid	(500.5)	(497.3)	(523.6)	(523.7)	(537.0)
Grants and subsidies	(1 335.6)	(2 325.4)	(1 732.9)	(2 428.9)	(1 159.8)
Goods and services[(a)]	(4 069.7)	(4 915.6)	(3 974.8)	(4 162.6)	(3 896.3)
Other payments	(133.1)	(181.9)	(152.3)	(147.7)	(738.6)
Total payments	**(11 193.3)**	**(12 910.5)**	**(11 695.4)**	**(12 184.9)**	**(11 710.9)**
Net cash flows from operating activities	**1 156.1**	**(502.9)**	**763.1**	**713.7**	**2 968.5**
Cash flows from investing activities					
Purchases of non-financial assets	(1 814.2)	(600.8)	(1 341.7)	(779.4)	(1 275.4)
Sales of non-financial assets	130.8	24.3	64.1	63.8	118.8
Cash flows from investments in non-financial assets	(1 683.5)	(576.5)	(1 277.6)	(715.6)	(1 156.6)
Net cash flows from investments in financial assets for policy purposes	306.8	(586.7)	(323.3)	(310.4)	(257.8)
Sub-total	**(1 376.7)**	**(1 163.2)**	**(1 601.0)**	**(1 026.0)**	**(1 414.4)**
Net cash flows from investments in financial assets for liquidity management purposes	(905.7)	(208.0)	(103.5)	(340.3)	983.6
Net cash flows from investing activities	**(2 282.3)**	**(1 371.2)**	**(1 704.5)**	**(1 366.4)**	**(430.8)**
Cash flows from financing activities					
Advances received (net)	(3.0)	..	..	..	..
Net borrowings	1 036.9	1 215.1	1 014.3	199.5	(937.2)
Deposits received (net)	49.7	(26.4)	83.1	85.1	(164.5)
Net cash flows from financing activities	**1 083.6**	**1 188.7**	**1 097.4**	**284.7**	**(1 101.6)**
Net increase/(decrease) in cash and cash equivalents	**(42.6)**	**(685.4)**	**156.1**	**(368.0)**	**1 436.1**
Cash and cash equivalents at beginning of reporting period	4 004.6	3 962.0	3 276.6	3 432.7	3 064.7
Cash and cash equivalents at end of the financial year[(b)]	**3 962.0**	**3 276.6**	**3 432.7**	**3 064.7**	**4 500.9**
FISCAL AGGREGATES					
Net cash flows from operating activities	**1 156.1**	**(502.9)**	**763.1**	**713.7**	**2 968.5**
Net cash flows from investments in non-financial assets	**(1 683.5)**	**(576.5)**	**(1 277.6)**	**(715.6)**	**(1 156.6)**
Cash surplus/(deficit)	**(527.4)**	**(1 079.4)**	**(514.5)**	**(1.9)**	**1 811.9**

Notes:

(a) These items are inclusive of goods and services tax.

(b) September 2013 comparative cash and cash equivalents at the end of the reporting period does not equal cash and deposits on the balance sheet. This is due to overdrafts being included in the cash flow statement.

APPENDIX B – *FINANCIAL MANAGEMENT ACT 1994* – COMPLIANCE INDEX

The *Financial Management Act 1994* requires the Minister to prepare an audited annual financial report for tabling in the Parliament. This report has been prepared in accordance with applicable Australian Accounting Standards and the *Financial Management Act 1994*.

The *Financial Management Act 1994* also requires the annual financial report to meet certain requirements. The following compliance index explains how these requirements are met, together with appropriate references in this document.

Financial Management Act 1994 reference	*Requirement*	*Comments/reference*
Section 24(1)	The Minister must prepare an annual financial report for each financial year.	Refer to Chapter 4
Section 24(2)	The annual financial report: (a) must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks;	Manner is in accordance with Australian Accounting Standards and Ministerial Directions. Form is consolidated comprehensive operating statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and accompanying notes. Refer to Chapter 4
	(b) must present fairly the financial position of the State and the Victorian general government sector at the end of the financial year; and	Consolidated balance sheet, page 32
	(i) the transactions of the Public Account;	Refer Chapter 4, Note 39 pages 182–207
	(ii) the transactions of the Victorian general government sector; and	Refer Chapter 4, consolidated comprehensive operating statement page 31, consolidated cash flow statement page 33 and selected notes
	(iii) other financial transactions of the State;	Refer Chapter 4, consolidated comprehensive operating statement page 31, consolidated cash flow statement page 33 and Notes 2–39, pages 66–207

Financial Management Act 1994 reference	Requirement	Comments/reference
	in respect of the financial year;	
	(c) must include details of amounts paid into working accounts under section 23;	Refer Chapter 4, Note 39 Table (g), page 188
	(d) must include details of amounts allocated to departments during the financial year under section 28;	Refer Chapter 4, Note 39 Table (h), page 188
	(e) must include details of money credited under section 29 to an item in a schedule to an appropriation Act for that financial year;	Refer Chapter 4, Note 39 Table (j), page 190
	(f) must include particulars of amounts transferred in accordance with determinations under section 30 or 31;	Refer Chapter 4, Note 39 Table (i), page 189
	(g) must include details of;	
	(i) amounts appropriated in respect of the financial year as a result of a determination under section 32 in respect of unused appropriation for the preceding financial year;	Refer Chapter 4, Note 39 Table (k), page 190
	(ii) the application during the financial year of amounts referred to in subparagraph (i); and	Refer Chapter 4, Note 39 Table (k), page 191
	(iii) amounts appropriated in respect of the next financial year as a result of a determination under section 32 in respect of unused appropriation for the financial year;	Refer Chapter 4, Note 39 Table (k), page 191
	(h) must include;	
	(i) details of expenses and obligations met from money advanced to the Minister under section 35(1) during the financial year; and	Refer Chapter 4, Note 39 Table (m), page 193
	(ii) a statement of the reasons for carrying forward any part of an unused advance to the next financial year under section 35(4);	Refer Chapter 4, Note 39 see (n), page 193
	(i) must include details of payments made during the financial year out of money advanced to the Treasurer in an annual appropriation Act for that year to meet urgent claims;	Refer Chapter 4, Note 39 Table (l), page 192

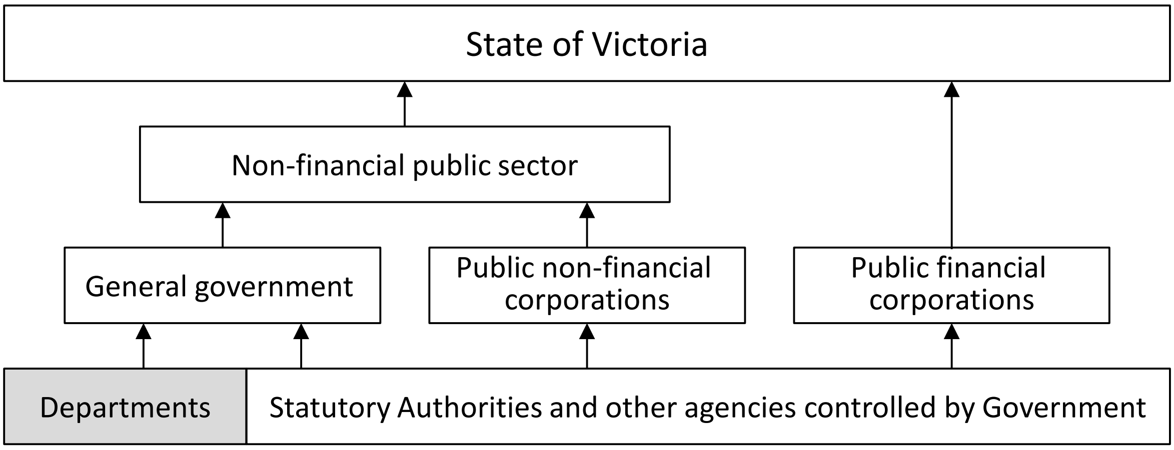
Financial Management Act 1994 reference	*Requirement*	*Comments/reference*
	(j) must include details of;	
	(i) payments made during the financial year in fulfilment of any guarantee by the Government under any Act; and	Refer Chapter 4, Note 39, see (aa), page 207
	(ii) money received or recovered by the Minister or Treasurer during the financial year in respect of any guarantee payments;	Refer Chapter 4, Note 39, see (aa), page 207
	(k) must include details, as at the end of the financial year, of;	
	(i) the liabilities (including contingent liabilities under guarantees and indemnities or in respect of superannuation payments and all other contingent liabilities) and assets of the State; and	Refer Chapter 4, Note 35 pages 171–176, Note 8 pages 79–84 and consolidated balance sheet page 32
	(ii) prescribed assets and prescribed liabilities of prescribed bodies;	Refer Chapter 4, Note 2 pages 66–75, Refer Chapter 5, Table 5.2 page 228
	(m) must be audited by the Auditor-General.	Refer Chapter 4, Report of the Auditor-General, pages 26–28
Section 26(1)	The Minister must prepare a quarterly financial report for each quarter of each financial year.	Refer Appendix A, pages 237–240
Section 26(2)	A quarterly financial report comprises:	
	(a) a statement of financial performance of the Victorian general government sector for the quarter;	Refer Appendix A, pages 237–240
	(b) a statement of financial position of the Victorian general government sector at the end of the quarter;	Refer Appendix A, page 239
	(c) a statement of cash flows of the Victorian general government sector for the quarter; and	Refer Appendix A, page 240
	(d) a statement of the accounting policies on which the statements required by paragraphs (a), (b) and (c) are based.	Refer Chapter 4, Note 1 pages 37–65
Section 26(2A)	A quarterly financial report must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks.	Refer to Appendix A for agreed form, pages 237–240
Section 26(3A)	The quarterly financial report for the quarter ending on 30 June in a financial year must include, in addition to the statements referred to in sub-section (2)(a) to (d) for that quarter, those statements for the period of 12 months ending on that 30 June.	Refer to Chapter 4, consolidated comprehensive operating statement pages 31, consolidated balance sheet page 32, consolidated cash flow statement pages 33 and selected notes

APPENDIX C – SCOPE AND STYLE CONVENTIONS

Scope of the Financial Report for the State of Victoria

- The state financial outcome reflects the consolidation of all entities that are controlled by the Victorian State Government. Entities included in the state outcome include all government departments and other organisations which are legally constituted bodies that are controlled by the State.
- The reporting structure for the entities reported in the *Annual Financial Report for the State of Victoria* is based on that used in the System of National Accounts (SNA), and classifies each entity into either the general government sector, the public non-financial corporation sector or the public financial corporation sector. The chart below provides an overview of this reporting structure as applied in Victoria.

Chart C.1: Entity framework for the State of Victoria



Source: Department of Treasury and Finance

- The general government sector comprises all government departments, offices and other government bodies engaged in providing public services free of charge or at prices significantly below the cost of production. Some of these entities may also earn revenue from commercial activities, however such revenue represents less than half of their total revenue.
- The public non-financial corporation sector provides goods and services (of a non-financial nature) within a competitive market, such as water authorities.
- The public financial corporation sector comprises entities primarily engaged in the provision of financial services, including the Treasury Corporation of Victoria and the Transport Accident Commission.

Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

n.a.	not available or not applicable
1 billion	1 000 million
1 basis point	0.01 per cent
..	zero, or rounded to zero
(x xxx.x)	negative amount
x xxx.0	rounded amount
201x	year period (Chapter 4)
201x-1x	year period (other than in Chapter 4)

The Annual Financial Report is based on the style set in the example of a general purpose financial report for a government in illustrative example A of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The styles used in other chapters of this document are generally consistent with those used in other publications relating to the annual budget papers.

If you would like to receive this publication in an accessible format,
please telephone (03) 9651 0909 or email information@dtf.vic.gov.au

This document is also available in PDF and Word format at dtf.vic.gov.au.

2013-14 Financial Report
(incorporating Quarterly Financial Report No. 4)
dtf.vic.gov.au

Department of **Treasury and Finance**