



2012-13 Financial Report

(incorporating Quarterly Financial Report No. 4)

Presented by The Hon. Michael O'Brien MP
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Treasurer of the State of Victoria
for the information of Honourable Members

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CHAPTER 1 – FOREWORD

Purpose

The *2012-13 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 2012-13 results. Chapter 2 analyses the results for the general government sector, comparing them to the revised estimates presented in the *2013-14 Budget*. Chapter 3 presents the 2012-13 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*.

Economic context

Victoria's economic fundamentals are strong. Employment is growing, inflation is low and the unemployment rate, while having increased slightly over the past year, remains at historically low levels. Victoria continues to have the highest labour participation rate of all the non-mining states while net migration supports population growth.

Victorian state final demand for 2012-13 grew close to the rate expected in the most recent estimates (prepared for the *2013-14 Budget*), but economic conditions remain mixed and performance varies across sectors.

Conditions in the Victorian property market improved slightly in the second half of 2012-13 with increases in Melbourne auction clearance rates and total sales. Dwelling investment in 2012-13 grew at a marginally faster pace than expected at the time of the *2013-14 Budget*.

The Victorian economy also benefitted from a stronger than expected labour market in the second half of 2012-13, with employment growth slightly above, and the unemployment rate slightly below, their most recent respective forecasts in the *2013-14 Budget*. During 2012-13, growth in people employed was strongest in the service industries, led by gains in health care and social assistance; retail trade; and professional, scientific and technical services. While a comparatively smaller industry, mining employment also grew strongly in 2012-13.

Victoria continued to face a number of economic challenges. Business conditions and confidence were both below their long-term averages in 2012-13.

Household consumption was also subdued during the year, consistent with below average growth in real employment income and despite a solid rise in household wealth and successive interest rate cuts.

Merchandise exports grew in line with expectations for 2012-13 driven by exports of passenger motor vehicles, meat, refined petroleum, pharmaceuticals, fruit and vegetables and oil seeds (such as canola). The sustained high exchange rate remained a challenge for many sectors during 2012-13 including textiles, motor vehicles, education and tourism. The fall in the exchange rate towards the end of the financial year is likely to provide some relief to Victorian businesses in these sectors during 2013-14.

The Government continues to strengthen Victoria's fiscal position in order to improve the State's resilience to challenging economic conditions. The Government delivered its commitment to prudent expenditure restraint during 2012-13 against a backdrop of weaker revenue growth. Victoria is now the only jurisdiction in Australia forecasting a budget surplus in every year over the forward estimates period. As a result, Victoria's public finances are now the strongest in Australia. This is reflected by Victoria holding a triple-A credit rating with a stable outlook from both major international credit rating agencies, the only state in Australia to do so.

The Government's commitment to a strong financial position provides a foundation for ongoing investment in Victorian infrastructure. In 2012-13, the Government continued to make significant investments to deliver high quality services to the community, particularly in the transport, health and education sectors.

Fiscal outcomes

The net result from transactions for the general government sector was a surplus of \$316 million in 2012-13, \$139 million higher than the revised 2012-13 estimate.

Total revenue from transactions for the year was \$48.6 billion, which represents modest growth of 1.5 per cent compared to 2011-12. State taxation revenue was \$15.5 billion, \$91 million lower than the revised estimate for the year. This outcome was due to lower than expected gambling and payroll tax revenues. However, an improvement in the Victorian property market in the second half of 2012-13 meant that land transfer duty was stronger than expected.

Total expenses from transactions of \$48.3 billion was broadly consistent with the revised estimate for the year and represents an increase of 2.1 per cent compared to the previous year, contrasting with the average annual expense growth of 7.3 per cent over the decade to 2010-11.

Net investment in infrastructure by the general government sector of \$5.2 billion in 2012-13 was equal to 1.5 per cent of gross state product (GSP)¹.

¹ The ratio to GSP for 2012-13 is calculated using an estimate of nominal GSP prepared for the *2013-14 Budget*. Future publications may show revised ratios following release of actual 2012-13 GSP outcomes by the Australian Bureau of Statistics.

CHAPTER 2 – GENERAL GOVERNMENT SECTOR OUTCOME

- The Government has met its target of a budget surplus of at least \$100 million a year. The surplus for 2012-13 was \$316 million. Victoria is the only Australian jurisdiction forecasting a budget surplus in 2013-14 and every year over the forward estimates.
- Strong fiscal discipline and constrained cost control delivered a modest increase in expenses of 2.1 per cent since 2011-12.
- Net debt for the general government sector of \$19.8 billion at 30 June 2013, was in line with revised budget estimates published in the *2013-14 Budget*.
- General government net infrastructure investment was \$5.2 billion for 2012-13, consistent with 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 2012-13 year saw continued economic growth and lower revenue growth compared to recent years. Against the backdrop of weaker revenue growth, the Government continued to deliver its commitment to prudent expenditure restraint.

The Government's commitment to responsible expenditure restraint is evident in the operating surplus and net debt level in 2012-13. These results provide a foundation for improved investment in infrastructure and service delivery. Victoria's public finances are the strongest in Australia and it is the only jurisdiction to be forecasting a budget surplus in the budget year and over the forward estimates. 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.

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

Table 2.1: Key fiscal aggregates

(\$ million)

	2012-13 Actual	2012-13 Revised	2011-12 Actual
Operating fiscal aggregates			
Net result from transactions – net operating balance	316.4	177.0	571.2
Net result	7 413.8	3 384.7	(9 652.9)
Net borrowing	(2 367.6)	(2 289.6)	(1 710.5)
Comprehensive result – total change in net worth	8 193.5	4 263.2	(7 960.6)
Cash deficit	(2 192.9)	(1 957.2)	(640.3)
Balance sheet aggregates			
Net worth	119 957.2	114 979.1	111 763.7
Net financial worth	17 864.7	13 916.2	12 777.7
Net financial liabilities	51 624.7	55 835.9	54 736.1
Net debt	19 822.1	19 840.4	15 236.9

Source: Department of Treasury and Finance

The Government achieved its **net result from transactions** target of at least \$100 million with a surplus of \$316 million, \$139 million higher than the revised 2012-13 estimate.

The **net result** is a further measure of financial performance for the period, including the impact of financial market movements on the measurement of assets and liabilities. The 2012-13 outcome shows that the performance of the general government sector using this measure has improved since 2011-12, moving from a deficit of \$9.7 billion to a surplus of \$7.4 billion. This was mainly driven by other economic flows, in particular net gains of superannuation defined benefits plans.

The **net 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. Net borrowing for 2012-13 was \$2.4 billion, in line with revised budget expectations and \$657 million higher than the 2011-12 financial year result, reflecting the Government's commitment to infrastructure investment to meet community needs.

The **comprehensive result – total change in net worth** in 2012-13 was a gain of \$8.2 billion, compared to a loss of \$8.0 billion for the 2011-12 financial year. This mainly reflects the impact of financial market conditions (bond rates) on the valuation of the State's superannuation liabilities at the respective reporting dates. Compared to the 2012-13 revised budget, the result is \$4.0 billion higher than expected, primarily due to favourable bond rate movements.

The **cash deficit** reflects the sum of net cash flows from operating and capital investing activities. In 2012-13 it was broadly in line with the revised budget and \$1.5 billion higher than 2011-12. The increase since the previous year was driven by net cash flows from operating activities.

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 \$8.2 billion since 30 June 2012. The movement in net worth was significantly influenced by the increase in **net financial worth**, which is equal to total financial assets less total liabilities. During 2012-13, net financial worth increased by \$5.1 billion to \$17.9 billion, primarily driven by a reduction in the superannuation liability.

Net financial liabilities are total liabilities less financial assets (excluding investments in other sector entities). Net financial liabilities were \$51.6 billion as at 30 June 2013, decreasing by \$3.1 billion compared to the 2011-12 result. This was due largely to the same factors that impacted on the net financial worth and the factors impacting net debt.

Net debt is gross debt less liquid financial assets. The net debt outcome is consistent with the revised budget expectations for 2012-13 at \$19.8 billion. The increase in net debt in the year was driven by additional borrowings required to finance the Government's significant infrastructure program and the impact of recognising the finance leases for Peninsula Link and Biosciences Research Centre.

FINANCIAL PERFORMANCE

Table 2.2 shows that the Government achieved its net result from transactions target of at least \$100 million, delivering a surplus of \$316 million in 2012-13, compared with the revised 2012-13 estimate of \$177 million.

Table 2.2: Summary of operating statement

	(\$ million)				
	2012-13 Actual	2012-13 Revised	Revised Variance	%	2011-12 Actual
Revenue from transactions					
Taxation revenue	15 530.7	15 621.4	(90.8)	(0.6)	15 026.9
Interest revenue	700.7	672.6	28.1	4.2	412.6
Dividends and income tax equivalent and rate equivalent revenue	1 341.7	1 232.7	109.0	8.8	939.1
Sales of goods and services	6 869.3	6 916.7	(47.4)	(0.7)	6 267.2
Grants	21 902.2	21 693.0	209.2	1.0	22 599.8
Other revenue	2 268.3	1 969.2	299.1	15.2	2 636.7
Total revenue from transactions	48 612.9	48 105.6	507.3	1.1	47 882.3
Expenses from transactions					
Employee expenses	17 788.5	17 546.3	242.2	1.4	17 120.1
Superannuation interest expense	446.3	446.3	..	..	808.6
Other superannuation	1 924.0	1 923.1	0.9	..	1 823.8
Depreciation	2 254.3	2 264.9	(10.7)	(0.5)	2 126.5
Interest expense	1 775.3	1 750.6	24.7	1.4	1 242.6
Grants and other transfers	8 013.9	7 703.7	310.3	4.0	8 233.8
Other operating expenses	16 094.1	16 293.7	(199.5)	(1.2)	15 955.6
Total expenses from transactions	48 296.4	47 928.6	367.9	0.8	47 311.0
Net result from transactions – net operating balance	316.4	177.0	139.4	78.7	571.2
Total other economic flows included in net result	7 097.4	3 207.6	3 889.8	121.3	(10 224.2)
Net result	7 413.8	3 384.7	4 029.2	119.0	(9 652.9)

Source: Department of Treasury and Finance

Revenue

Total revenue from transactions for the year was \$48.6 billion, \$507 million (or 1.1 per cent) higher than the revised estimate and \$731 million (or 1.5 per cent) higher than the previous year. The year-on-year growth rate in 2012-13 is the lowest since 1999-2000.

Interest revenue in 2012-13 was in line with the revised estimate and was \$288 million higher than in 2011-12. The increase relates to interest revenue received as part of the back-to-back finance lease arrangement between the Government and Melbourne Water Corporation for the desalination plant which was commissioned in December 2012, and is matched by a corresponding increase in interest expenses.

Grants revenue was \$209 million higher than the revised estimate. The variance is largely due to the timing of grants revenue for on-passing from the Commonwealth Government for financial assistance and local roads grants to local government. It therefore does not impact on the net result from transactions as it is matched by expenses.

Grants revenue declined by \$698 million (or 3.1 per cent) year on year, mainly reflecting the receipt in 2011-12 of Commonwealth Government grants for Nation Building road and rail investment, Victorian Comprehensive Cancer Centre project, and the winding up of *Building the Education Revolution*.

Table 2.3 shows that State taxation revenue in 2012-13 was broadly in line with revised expectations with the slightly lower final result being driven by lower gambling tax and payroll tax. This was partially offset by land transfer duty revenue which was higher than anticipated, driven by a stronger than expected property market towards the later part of 2012-13.

Taxation was \$504 million (or 3.4 per cent) higher than in 2011-12. This was impacted by the biennial land tax revaluation cycle, and an increase in motor vehicle taxes. The latter largely reflects the increase in the registration fee and stamp duty rates as announced in the *2011-12 Budget Update*.

Table 2.3: Taxation

(\$ million)

	2012-13 Actual	2012-13 Revised	Revised variance	% Change
Taxes on employers' payroll and labour force	4 750.9	4 815.9	(65.0)	(1.3)
Taxes on immovable property				
Land tax	1 589.2	1 587.3	1.9	0.1
Congestion levy	48.2	48.1	0.1	0.3
Metropolitan improvement levy	136.8	136.0	0.8	0.6
Property owner contributions to fire brigades	37.8	37.8	..	..
Total taxes on immovable property	1 812.0	1 809.2	2.8	0.2
Financial and capital transactions				
Land transfer duty	3 276.1	3 172.1	104.0	3.3
Other property duties	6.6	7.9	(1.3)	(16.1)
Financial accommodation levy	96.9	97.7	(0.8)	(0.8)
Growth areas infrastructure contribution	56.4	70.9	(14.5)	(20.4)
Total financial and capital transactions	3 436.0	3 348.5	87.4	2.6
Total taxes on property	5 247.9	5 157.7	90.2	1.7
Taxes on the provision of goods and services				
Gambling taxes				
Private lotteries	428.9	428.2	0.7	0.2
Electronic gaming machines	1 009.9	1 076.8	(66.9)	(6.2)
Casino	200.8	216.3	(15.4)	(7.1)
Racing	87.5	91.5	(4.1)	(4.4)
Other	18.2	18.4	(0.1)	(0.7)
Total gambling taxes	1 745.3	1 831.2	(85.9)	(4.7)
Levies on statutory corporations	69.4	70.2	(0.7)	(1.0)
Taxes on insurance	1 627.5	1 627.1	0.4	..
Total taxes on the provision of goods and services	3 442.3	3 528.5	(86.2)	(2.4)
Taxes on the use of goods and performance of activities				
Motor vehicle taxes				
Vehicle registration fees	1 174.7	1 183.9	(9.1)	(0.8)
Duty on vehicle registrations and transfers	636.1	644.3	(8.2)	(1.3)
Total motor vehicle taxes	1 810.8	1 828.2	(17.4)	(0.9)
Franchise taxes	22.8	22.9	(0.1)	(0.5)
Other	255.9	268.2	(12.3)	(4.6)
Total taxes on the use of goods and performance of activities	2 089.5	2 119.3	(29.8)	(1.4)
Total taxation revenue	15 530.7	15 621.4	(90.8)	(0.6)

Source: Department of Treasury and Finance

The *2012-13 Financial Report* reflects the final year of the insurance-based fire services levy as it has been replaced by the Fire Services Property Levy (FSPL). Insurance-based contributions were \$572 million in 2012-13, represented as a component of taxes on insurance. In addition, the Metropolitan Fire and Emergency Services Board received \$38 million in 2012-13 from property owner contributions, reported under taxes on immovable property as shown in Table 2.3. As announced in the *2013-14 Budget*, the FSPL replaces insurance and property owner contributions and future publications will report the FSPL under taxes on immovable property.

Revenue from the sale of goods and services of \$6.9 billion was consistent with the revised budget estimate and \$602 million (or 9.6 per cent) higher than in 2011-12. The year-on-year increase primarily relates to higher revenues related to the commissioning of the desalination plant and inter-sector capital asset charge for increased capital asset holdings in VicTrack.

Other revenue showed a \$299 million positive variance compared to the revised estimate, this was in part due to income received free of charge by VicRoads and by Public Transport Victoria to recognise capital improvements made to bus shelters, and the higher than expected revenue relating to the sale of land in Kew.

Over the year, other revenue was \$368 million lower, reflecting increased revenue in 2011-12 from the impact of housing portfolio reforms, non-government sources received by health services and the receipt of assets from local government. This was partially offset by an increase in 2012-13 in fines revenue, in particular police traffic camera office and on the spot fines.

Dividends, income tax and rate equivalent revenue was \$109 million (or 8.8 per cent) higher than the revised estimate, reflecting the receipt of a special dividend from Snowy Hydro Limited and better than expected operating results from water businesses.

Expenses

The *2011-12 Budget* announced measures to reduce unsustainable expenditure growth and in line with forecast revenue growth. Total expenses for the year were \$48.3 billion, \$368 million (or 0.8 per cent) higher than the revised estimate and \$985 million (or 2.1 per cent) higher than the previous year. The growth in 2012-13 was well below the annual average of 8.0 per cent over the decade to 2009-10.

Employee expenses for 2012-13 were slightly higher than anticipated in the revised budget and 3.9 per cent higher than in 2011-12. The variance to the revised budget largely relates to the reclassification of expenditure to employee expenses to reflect actual service provision by hospitals, the successful recruitment outcomes for police and Protective Services Officers and employee expenses in the State's schools. The growth since 2011-12 is related to the result of enterprise bargaining agreements, growth in frontline staff such as police, Protective Services Officers and hospital staff, voluntary departure packages payments associated with previously announced measures to manage public sector workforce growth and general wage increases.

Superannuation interest expense for 2012-13 was consistent with expectations in the revised budget and \$362 million lower than 2011-12. This decrease was due to a reduction in the superannuation discount rate as a result of lower bond yields, which fell from 5.3 per cent at 30 June 2011 to 3.4 per cent at 30 June 2012.

Depreciation expense was broadly in line with revised budget expectations, with the variance from 2011-12 primarily reflecting an increase in the asset base, as roads and road infrastructure was re-valued.

Interest expense of \$1.8 billion was consistent with the revised budget, and \$533 million higher than the 2011-12 outcome. This was driven by the recognition in 2012-13 of the desalination plant finance lease (as referred above) and higher borrowings to fund the Government's significant capital expenditure program.

Grants and other transfers expense was \$310 million higher than expected in the revised budget due to earlier than anticipated receipt of Commonwealth Government grants payments for local government. Compared to 2011-12, grant and other transfer expenses decreased by \$220 million (or 2.7 per cent). This was driven by the scheduled completion of the first home owner bonus program in 30 June 2012.

Other operating expenses for 2012-13 were \$16.0 billion, broadly in line with the revised budget and 0.9 per cent higher than 2011-12.

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 such as actuarial gains and losses on the superannuation liability. Actuarial gains and losses on superannuation arise due to variations between actual experience and the assumptions used to determine the superannuation expense from transactions. These assumptions include the rate of future salary increases, the length of employee tenure, the expected rate of return on superannuation assets and the discount rate that is used to determine the present value of the superannuation liability.

The discount rate used to value the superannuation liability is based on Commonwealth Government bond yields. Movements in these bond yields can have a significant impact on the valuation of the superannuation liability. Commonwealth Government bond yields fell markedly over the course of 2011-12, which greatly increased the reported superannuation liability. Conversely, bond yields increased in 2012-13 thereby significantly reducing the superannuation liability. It is important to note that changes in the reported superannuation liability that arise due to movements in the bond yields that are used for superannuation valuation purposes have no impact on the amount of cash required to fund this liability over time.

Other economic flows included in the net result for 2012-13 totalled a net gain of \$7.1 billion, largely due to a \$7.3 billion actuarial gain on superannuation. This actuarial gain was primarily due to favourable movements in the bond yields that are used to value this liability, as well as higher than expected investment returns on superannuation assets. Overall, the reported net result for the year was a gain of \$7.4 billion, compared to a revised estimate of \$3.4 billion. This increase was due to the actuarial gain for 2012-13 being higher than forecast as a result of subsequent increases in the bond yields that are used for superannuation valuation purposes.

FINANCIAL POSITION

Table 2.4 shows that general government sector net assets increased by \$8.2 billion (or 7.3 per cent) to \$120 billion in the 2012-13 financial year. This was \$5.0 billion (or 4.3 per cent) higher than expected in the 2012-13 revised budget.

Table 2.4: Summary balance sheet

(\$ million)

	Actual 2012-13	Revised variance	Revised 2012-13	Actual movement	Actual 2011-12
Assets					
Financial assets	17 082.6	968.8	16 113.9	5 681.7	11 400.9
Non-financial assets	102 092.5	1 029.5	101 063.0	3 106.5	98 986.0
Investments in other sector entities					
Public non-financial corporations	67 540.2	(607.1)	68 147.3	1 063.5	66 476.7
Public financial corporations	1 949.3	344.5	1 604.7	912.2	1 037.1
Total assets	188 664.6	1 735.7	186 928.9	10 763.9	177 900.7
Liabilities					
Superannuation	25 142.5	(3 725.0)	28 867.5	(7 455.0)	32 597.5
Borrowings	31 345.3	(113.3)	31 458.6	8 951.4	22 393.9
Other liabilities	12 219.6	595.9	11 623.6	1 074.0	11 145.6
Total liabilities	68 707.4	(3 242.4)	71 949.7	2 570.4	66 137.0
Net assets	119 957.2	4 978.1	114 979.1	8 193.5	111 763.7

Source: Department of Treasury and Finance

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 increased by \$5.7 billion to \$17.1 billion during the financial year. This is primarily due to the recognition in 2012-13 of the desalination plant finance lease arrangements and recognising a receivable for electronic gaming machine revenue raised from the pre-auction club offer of entitlements in October/November 2009 and the auction of entitlements in April/May 2010.

Non-financial assets increased by \$3.1 billion during the year which is mainly due to increases in the value of land, buildings and infrastructure. This included assets associated with the commissioning of the Peninsula Link, Ararat Prison as well as the revaluation of land and buildings throughout the year.

General government investments in other sector entities increased by \$2.0 billion in the year. This included increased investment in:

- public non-financial corporations of \$1.1 billion, which is primarily driven by the transfer of transport assets from the Department of Transport, Planning and Local Infrastructure to VicTrack including Regional Rail Link and assets from the Public Transport Ticketing Authority; and
- public financial corporations of \$912 million, which was largely driven by a reported increase in the net result by the State's insurance agencies.

Liabilities

Total liabilities as at 30 June 2013 were \$3.2 billion lower than the 2012-13 revised budget, driven by a decrease in the superannuation liability due to favourable bond yield movements. 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 \$2.6 billion to \$68.7 billion in the 2012-13 financial year. The increase is primarily related to recognising finance lease liabilities for the desalination plant, Peninsula Link and Biosciences Research Centre, and an increase in borrowings required to finance the Government's infrastructure investment. The variance was partially offset by a decrease in the superannuation liability primarily due to increases in the bond yields that are used for valuation purposes.

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 statement of cash flows is provided in Chapter 4. In the 2012-13 financial year, approximately one third 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)

	2012-13 Actual	2012-13 Revised
Net result from transactions – Net operating balance	316.4	177.0
Add back: Non-cash revenues and expenses (net) ^(a)	1 375.9	1 548.6
Net cash flow from operating activities	1 692.3	1 725.6
Less:		
Net investment in fixed assets		
Expenditure on approved projects	5 450.0	5 610.2
Sale of non-financial assets	248.0	405.7
Net investment in fixed assets	5 202.0	5 204.5
Finance leases ^(b)	1 064.8	1 055.3
Other investment activities (net)	10.7	69.2
Increase in net debt	(4 585.2)	(4 603.4)

Source: Department of Treasury and Finance

Notes:

(a) Includes depreciation and non-cash movements in liabilities such as superannuation and employee benefits.

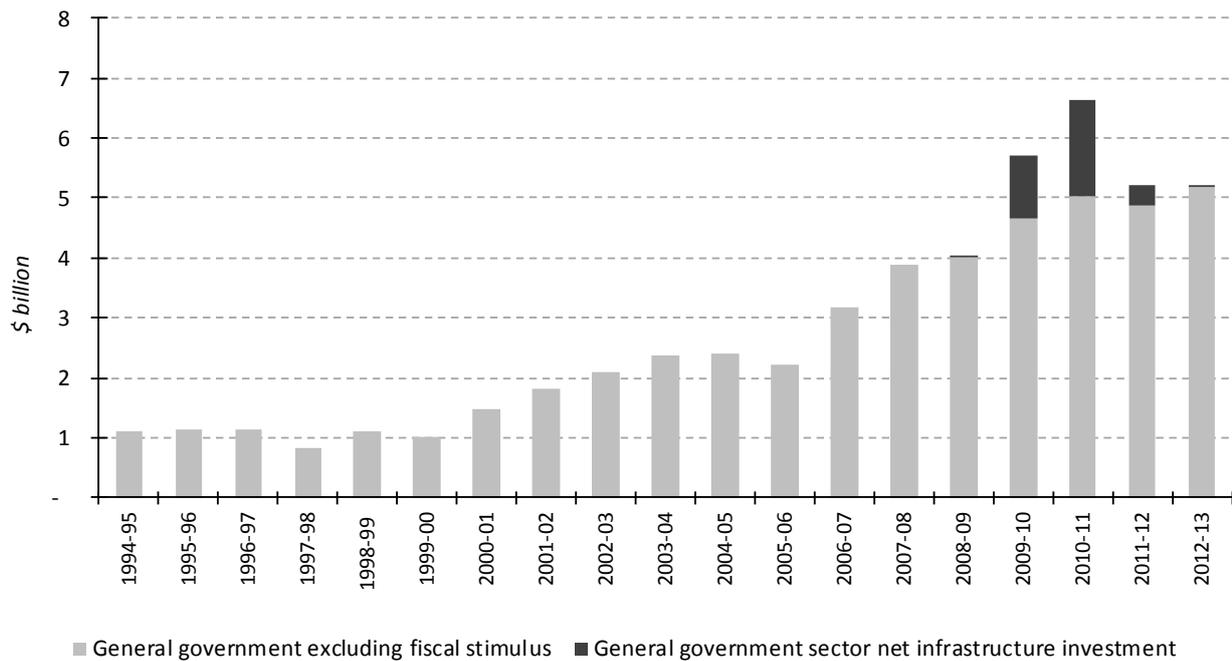
(b) Includes amounts related to the Peninsula Link and the Biosciences Research Centre projects.

INFRASTRUCTURE INVESTMENT

Infrastructure provides the platform for delivering high quality services to the community. It has a significant impact on state and national productivity and has the ability to generate significant employment.

Chart 2.1 shows the trend in net infrastructure investment by the general government sector since 1995. General government net infrastructure investment was \$5.2 billion for 2012-13, consistent with revised budget expectations.

Chart 2.1: Net infrastructure investment^(a)



Note:

(a) Excludes the proceeds from privatisation.

The general government sector's infrastructure investment program in 2012-13, which includes 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), is \$5.2 billion, with the majority invested in the transport, health and education sectors.

The Government's infrastructure scorecard 2012-13

Major projects completed during the year include:

- schools land acquisition, modernisation, regeneration and construction;
- Ballarat Base Hospital;
- Arts Centre Melbourne; and
- Southbank Cultural Precinct – redevelopment.

Major projects already in progress include:

- Box Hill Hospital;
- Bendigo Hospital;
- redevelopment of Melbourne Park;
- procurement of new trams, metropolitan and regional rolling stock, including supporting infrastructure;
- Regional Rail Link;
- M80 upgrade; and
- Victorian Comprehensive Cancer Centre.

Major projects started in 2012-13:

- Monash Children's Hospital;
- Royal Victorian Eye and Ear Hospital;
- Geelong Hospital upgrade;
- increased prison capacity;
- metro level crossings removal (Mitcham and Springvale);
- Shrine of Remembrance; and
- Koo Wee Rup bypass.

CHAPTER 3 – STATE OF VICTORIA OUTCOME

- The State of Victoria net result from transactions for 2012-13 was a deficit of \$2.5 billion which reflects an improvement compared to the revised 2012-13 forecast deficit of \$2.7 billion published in the *2013-14 Budget*.
- The overall net result for the State for 2012-13 was a net surplus of \$9.5 billion. This included significant valuation gains on the State's financial assets and liabilities as financial market conditions continued to recover.
- The State's balance sheet was affected by the commissioning of the desalination plant, which resulted in significant equivalent increases in both non-financial assets and borrowings (finance leases) during the year. The rise in borrowings raised to finance infrastructure investment was largely offset by a decline in the superannuation liability, as a result of valuation gains associated with rising bond rates and stronger than expected investment returns.
- The State's finances remain in a strong and sustainable position.

This chapter sets out the financial results for the State of Victoria for 2012-13.

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, achieving cost recovery through user charges and fees.

When considering the State of Victoria results, it is important to note the elimination of transactions between the sectors 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

The operating performance for the State of Victoria is summarised in Table 3.1. This table shows that the State recorded a net deficit from transactions of \$2.5 billion in 2012-13. After including other economic flows, the State recorded a net surplus of \$9.5 billion, which contrasts to a \$16.0 billion deficit recorded in 2011-12.

Operating statement

Table 3.1: 2012-13 summary operating statement – State of Victoria

	(\$ million)				
	2012-13 Actual	2012-13 Revised	Revised variance	% Change	2011-12 Actual
Revenue					
Taxation revenue	15 184.7	15 284.1	(99.5)	(0.7)	14 775.9
Interest	970.4	1 012.4	(42.0)	(4.1)	1 215.8
Dividends, income tax and rate equivalent revenue	610.9	494.7	116.3	23.5	571.1
Sales of goods and services	12 896.9	12 969.3	(72.3)	(0.6)	12 609.6
Grants	21 790.4	21 601.5	188.9	0.9	22 476.7
Other revenue	2 749.6	2 372.5	377.0	15.9	2 808.6
Total revenue	54 203.0	53 734.6	468.4	0.9	54 457.8
Expenses					
Employee expenses	18 794.9	18 531.2	263.7	1.4	18 057.2
Superannuation ^(a)	2 483.9	2 478.4	5.5	0.2	2 769.7
Depreciation	4 131.6	4 193.1	(61.4)	(1.5)	3 880.4
Interest expense	2 538.6	2 537.0	1.6	0.1	2 129.6
Other operating expenses	23 342.6	23 606.0	(263.4)	(1.1)	23 233.0
Grants and other transfers	5 398.3	5 124.2	274.1	5.3	5 635.4
Total expenses	56 689.8	56 469.8	220.0	0.4	55 705.3
Net result from transactions – net operating balance	(2 486.8)	(2 735.2)	248.4	(9.1)	(1 247.6)
Total other economic flows included in net result	12 012.6	6 899.1	5 113.4	74.1	(14 714.3)
Net result	9 525.8	4 163.9	5 361.8	128.8	(15 961.9)

Note:

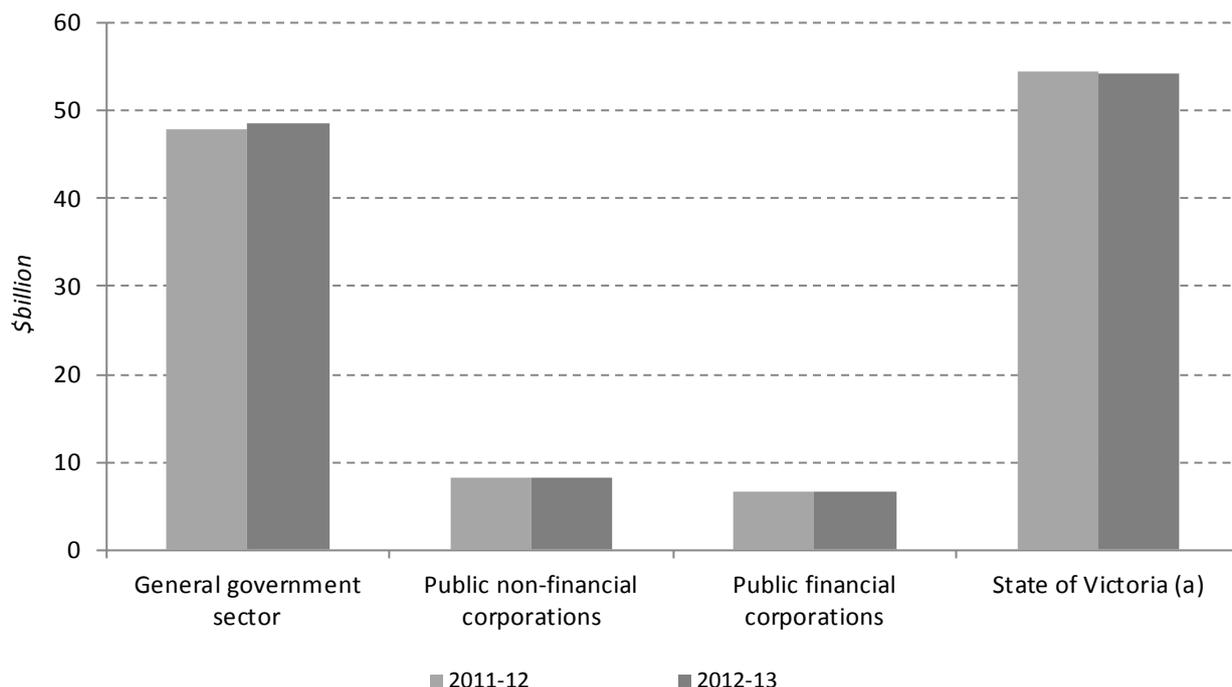
(a) Includes superannuation interest expense and other superannuation expenses.

Revenue

Total revenue of the State declined 0.5 per cent in 2012-13 to \$54.2 billion and was 0.9 per cent higher than the revised budget estimate. This was primarily due to movements in the general government sector revenue discussed in Chapter 2.

As shown in Chart 3.1, the general government sector accounts for 89.7 per cent of total state 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 intersector eliminations.

In the PNFC sector, total revenue increased by \$34 million (or 0.4 per cent) from 2011-12 and was \$68 million (0.8 per cent) higher than the revised 2012-13 estimate. The improvement compared to the revised estimate largely reflects higher than forecast investment income.

In the PFC sector, the largest revenue item is income from sales of goods and services of \$3.7 billion, which was 2.6 per cent higher than 2011-12 and 0.7 per cent higher than the revised 2012-13 estimate. The variance to 2011-12 mainly reflects increased premium revenue from the Transport Accident Commission (TAC) due to higher numbers of registered motor vehicles and inflation, which influence TAC premium revenue. This was partly offset by lower sales income from the Victorian WorkCover Authority (VWA) due to a 3 per cent reduction in the premium rate for the 2012-13 year.

Expenses

At the consolidated State level, expenses increased by 1.8 per cent to \$56.7 billion, and were 0.4 per cent higher than the revised budget estimate.

In the PNFC sector, total expenses increased 3.3 per cent from 2011-12 but were 2.6 per cent lower than the revised budget estimate. The increase since 2011-12 reflects:

- a significant increase in depreciation and amortisation costs associated with the large capital expenditure program, and the commissioning of the desalination plant in December 2012; and
- an increase in interest expenses reflecting the rise in borrowings to finance infrastructure, and interest on the finance lease for the desalination plant.

Within the PFC sector, total expenses increased \$94 million from 2011-12 and were \$138 million higher than the revised budget estimate. The increase from 2011-12 was mainly due to a rise in interest costs on the higher borrowing levels maintained by Treasury Corporation of Victoria, and increases in insurance claims costs of the VWA.

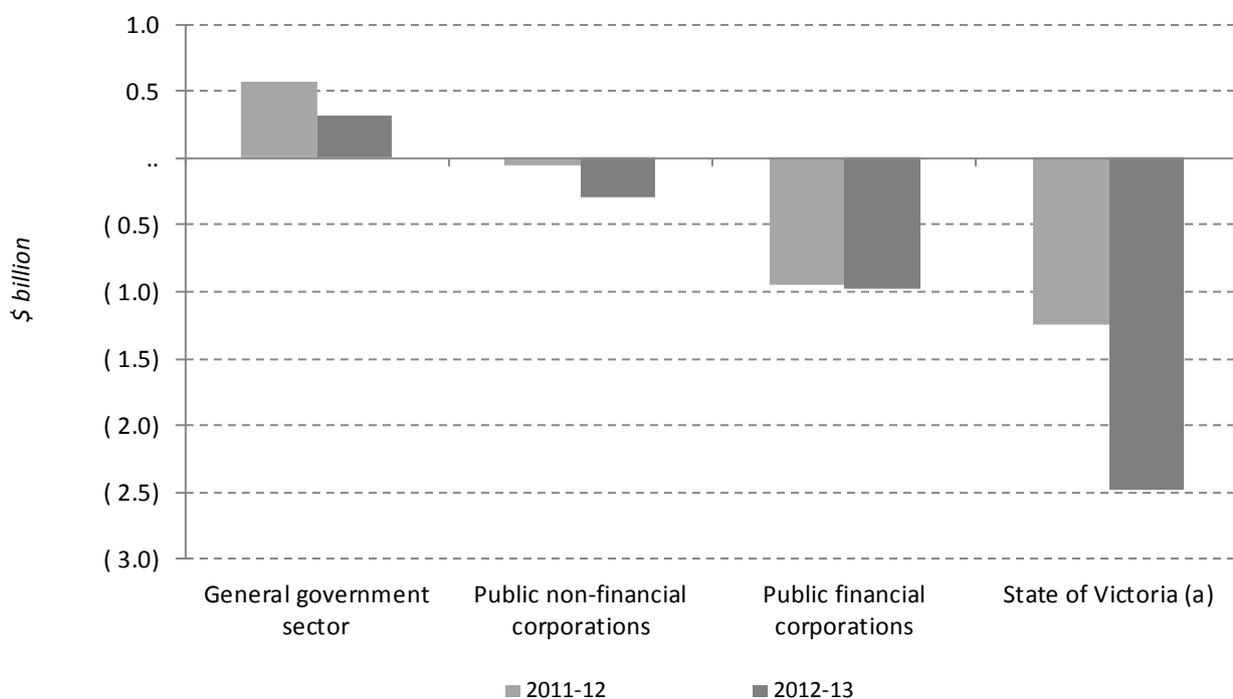
Net result from transactions

As shown in chart 3.2, the PNFC and PFC sectors both contributed deficits towards the State's net result from transactions. It is important to note that due to inter-sector transactions, the State result is not equal to the sum of the aggregated results of the general government, PNFC and PFC sectors.

The PNFC sector incurred a deficit from transactions of \$298 million during 2012-13 compared to a deficit in 2011-12 of \$60 million. The 2012-13 result was stronger than the revised budget estimate deficit of \$598 million, largely due to higher than expected investment income, and a stronger performance from the water sector.

The PFC sector recorded a net deficit from transactions of \$979 million during 2012-13. This is higher than the 2011-12 net deficit of \$940 million and also the revised budget estimate of \$860 million. These movements are small compared to the total revenue of the sector, and the change relative to the revised budget estimate largely reflect higher insurance claims costs.

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 intersector eliminations.

While the PFC sector recorded a net deficit from transactions of \$979 million in 2012-13, 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. These gains amounted to \$2.3 billion in 2012-13 and are classified as other economic flows. Other economic flows are added to the net result from transactions to obtain the net result.

Net result

At the consolidated State level, the net result was a surplus of \$9.5 billion. This contrasts to the \$16.0 billion deficit recorded in 2011-12, and the revised budget estimate of a surplus of \$4.2 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 \$12.0 billion towards the 2012-13 net result of a \$9.5 billion surplus, and were driven by:

- an actuarial gain of \$7.4 billion on defined benefit superannuation plans. Of this gain, approximately \$6.1 billion was due to favourable movements in bond rates and other assumptions with the remainder attributable to better than expected investment returns on superannuation assets. Actuarial gains and losses associated with bond rate movements arise solely due to the application of Australian Accounting Standards and do not affect the amount of cash required to fund the superannuation liability; and
- gains of \$4.2 billion in the PFC sector, as a recovery in financial markets led to improved investment returns and also valuation gains on financial liabilities.

FINANCIAL POSITION

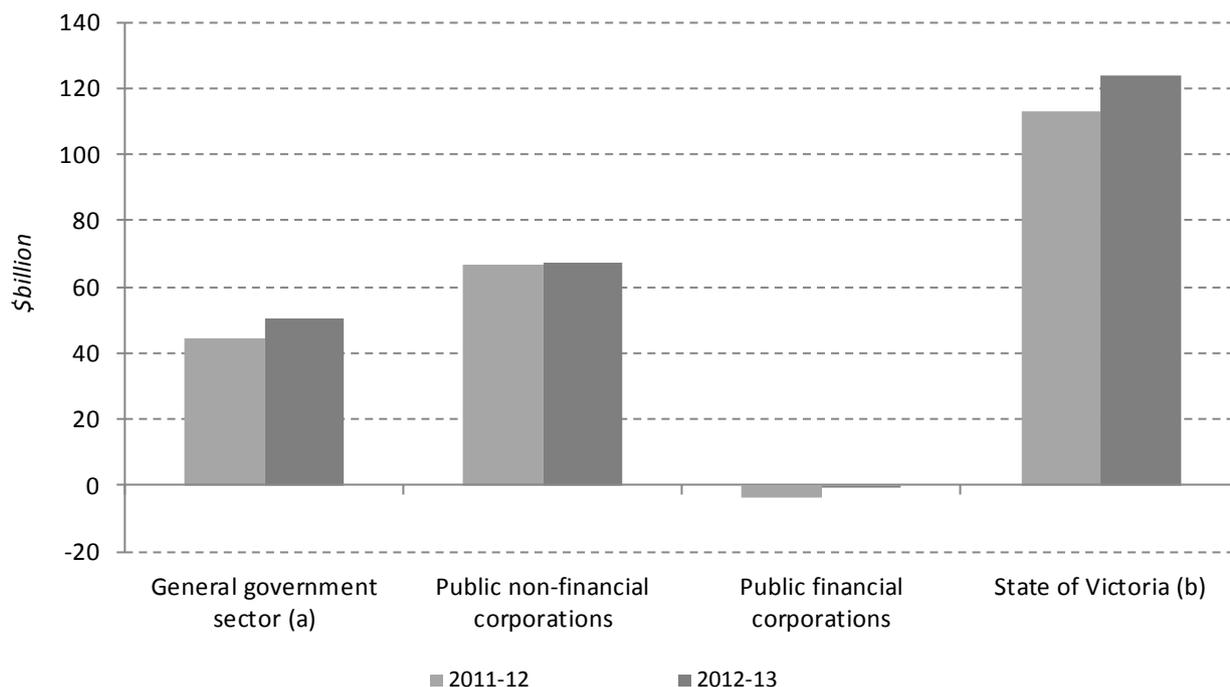
As shown in table 3.2, the State's net assets increased by \$10.8 billion to \$123.6 billion at 30 June 2013. This was \$6.1 billion higher than revised 2012-13 estimate in the *2013-14 Budget*. Approximately \$50 billion of the State's net assets are held within the general government sector, and were discussed in Chapter 2.

Table 3.2: Summary balance sheet – State of Victoria

	(\$ million)				
	2012-13 Actual	Budget variance	2012-13 Revised	Actual movement	2011-12 Actual
Assets					
Financial assets	43 486.5	831.9	42 654.6	3 561.2	39 925.3
Non financial assets	192 570.0	498.7	192 071.3	9 573.6	182 996.5
Total assets	236 056.6	1 330.7	234 725.9	13 134.7	222 921.8
Liabilities					
Superannuation	25 225.4	(3 770.0)	28 995.5	(7 525.3)	32 750.8
Borrowings	47 437.0	(1 260.4)	48 697.4	6 799.3	40 637.7
Other liabilities	39 762.0	252.8	39 509.2	3 086.3	36 675.7
Total liabilities	112 424.5	(4 777.6)	117 202.1	2 360.3	110 064.2
Net assets	123 632.1	6 108.3	117 523.8	10 774.5	112 857.6

Source: Department of Treasury and Finance

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 intersector eliminations.

As shown in Chart 3.3, the increase in net assets was largely driven by the general government sector, which included the impact of significant actuarial gains on the State's defined benefit superannuation obligations. The PFC sector net asset position improved by \$2.8 billion, largely due to the impact of improved investment returns and valuation gains on the sector's financial liabilities.

Another significant movement on the balance sheet during 2012-13 was the recognition of the desalination plant, which resulted in increased borrowings and non-financial assets. The PNFC sector recognised a total finance lease liability of \$4.3 billion after commercial acceptance of the plant.

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.

Infrastructure investment

Total infrastructure investment for the State was \$6.9 billion. This included \$3.6 billion undertaken 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, the Eastern Treatment Plant tertiary upgrade, water sector projects related to customer growth and renewal of existing assets and Goulburn Murray Water's connections program, connecting 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 to \$34.6 billion as at 30 June 2013, or 10.1 per cent of GSP. The \$10.0 billion increase in net debt reflects the substantial investment in new infrastructure, including the desalination plant finance lease liability of \$4.3 billion as mentioned above.

The NFPS net superannuation liability declined by \$7.5 billion to \$25.2 billion as at 30 June 2013. This was driven by actuarial gains on the superannuation liability that arose due to favourable movements in bond rates, and other valuation assumptions, along with stronger than expected investment returns. As a result, the ratio of net financial liabilities to GSP declined to 19.3 per cent.

Table 3.3: Non-financial public sector net debt and net financial liabilities as at 30 June 2013

	(\$ million)				
	Actual 30 Jun 2013	Revised variance	Revised 30 Jun 2013	Actual Movement	Actual 30 Jun 2012
Assets					
Cash and deposits	4 759.9	(398.0)	5 157.9	(1 015.2)	5 775.1
Advances paid	72.1	(61.4)	133.4	(16.5)	88.6
Investments, loans and placements	4 439.6	911.6	3 528.0	1 157.6	3 282.0
Total	9 271.5	452.2	8 819.3	125.8	9 145.7
Liabilities					
Deposits held and advances received	583.4	111.6	471.8	76.3	507.2
Borrowings	43 272.9	(217.2)	43 490.0	10 013.2	33 259.7
Total	43 856.3	(105.6)	43 961.9	10 089.4	33 766.9
Net debt	34 584.8	(557.8)	35 142.6	9 963.6	24 621.1
Superannuation liability	25 225.4	(3 770.0)	28 995.5	(7 525.3)	32 750.8
Net debt plus superannuation liabilities	59 810.2	(4 327.8)	64 138.1	2 438.3	57 371.9
Other liabilities (net) ^(a)	6 593.3	(19.3)	6 612.6	2.4	6 590.9
Net financial liabilities	66 403.5	(4 347.2)	70 750.7	2 440.7	63 962.8
	(per cent)				
Net debt to GSP	10.1		10.2		7.5
Net debt plus superannuation liabilities to GSP	17.4		18.7		17.5
Net financial liabilities to GSP	19.3		20.6		19.5

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 that the State monitors to ensure its finances continue to be managed in a sustainable manner. The financial sustainability ratios were relatively stable during 2012-13, as increases in borrowings were largely matched by strong growth in assets. Further, the decline in the superannuation liability partly offset the rise in borrowings. This has resulted in a reduction to the ratio of NFPS net debt plus superannuation to GSP in 2012-13.

Debt servicing costs have increased, with the State's borrowing costs rising to 4.7 per cent of revenue in 2012-13. This reflects the underlying profile of debt levels, which has increased due to the significant amount of infrastructure investment in the general government and PNFC sectors in recent years, and in particular following the recognition of the finance lease arrangement for the Victorian desalination plant. A range of savings and efficiency measures have already been implemented, which aim to restrict debt growth and control the interest burden on the State.

Table 3.4: Indicators of financial condition^(a)

	<i>(per cent)</i>						
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
Financial sustainability							
Borrowing to net assets	18.2	19.7	20.4	23.9	26.1	36.0	38.4
NFPS net debt plus superannuation liability to revenue ^(b)	39.2	43.7	75.1	78.8	86.1	113.2	118.2
NFPS net debt plus superannuation liability to GSP ^(b)	5.8	6.4	11.2	12.6	13.5	17.5	17.4
Financial flexibility							
Borrowing costs to revenue	2.7	2.6	3.1	3.0	3.4	3.9	4.7

Source: Department of Treasury and Finance

Notes:

(a) Ratios are for the State of Victoria, unless otherwise specified. From 2008, ratios are calculated under AASB 1049 Whole of Government and General Government Sector Financial Reporting.

(b) In line with Standard & Poor's methodology, NFPS advances paid are excluded from the calculation of net debt.

CHAPTER 4 – ANNUAL FINANCIAL REPORT

This chapter contains the audited 2012-13 financial report for the State of Victoria and the Victorian general government sector.

Report of the Auditor General

VAGO

Victorian Auditor-General's Office

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Melbourne VIC 3000
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INDEPENDENT AUDITOR'S REPORT

To the Responsible Minister

The Financial Report

The accompanying financial report for the year ended 30 June 2013 of the State of Victoria 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 original General Government Sector budget estimates disclosed in Note 31 were subject to a review as required by Section 16B of the *Audit Act 1994* upon which an unqualified review report was issued on 27 April 2012.

The Treasurers' Responsibility

The Treasurer of Victoria, through the Acting Secretary of the Department of Treasury and Finance, is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of 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.

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 entity's 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Acting Secretary of the Department of Treasury and Finance, 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 audit opinion.

Auditing in the Public Interest

Report of the Auditor General (*continued*)

Independent Auditor's Report (*continued*)

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.

Opinion

In my opinion, the Annual Financial Report presents fairly, in all material respects, the financial position of the State of Victoria and the Victorian General Government Sector as at 30 June 2013 and their financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the Annual Financial Report published in Chapter 4 of the 2012-13 Annual Financial Report for the State of Victoria and on the website of the Department of Treasury and Finance. The Acting 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
27 September 2013

J Doyle
Auditor-General

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 audited financial information provided by the Victorian public sector reporting entities listed herein.

In our opinion, the Annual Financial Report:

- (a) presents fairly the consolidated financial statements of the State and the Victorian general government sector as at 30 June 2013; 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.

Steve Mitsas, FCPA
Principal Accounting Officer

Melissa Skilbeck
**Deputy Secretary
Budget and Finance**

David Webster
Acting Secretary

Authorised for issue on:
26 September 2013

Consolidated comprehensive operating statement for the financial year ending 30 June

(\$ million)

	Notes	State of Victoria		General government sector	
		2013	2012	2013	2012
Revenue from transactions					
Taxation revenue	3	15 184.7	14 775.9	15 530.7	15 026.9
Interest revenue		970.4	1 215.8	700.7	412.6
Dividends and income tax equivalent and rate equivalent revenue	4	610.9	571.1	1 341.7	939.1
Sales of goods and services	5	12 896.9	12 609.6	6 869.3	6 267.2
Grants	6	21 790.4	22 476.7	21 902.2	22 599.8
Other revenue	7	2 749.6	2 808.6	2 268.3	2 636.7
Total revenue from transactions		54 203.0	54 457.8	48 612.9	47 882.3
Expenses from transactions					
Employee expenses		18 794.9	18 057.2	17 788.5	17 120.1
Superannuation interest expense	8	443.8	808.4	446.3	808.6
Other superannuation	8	2 040.1	1 961.3	1 924.0	1 823.8
Depreciation	9	4 131.6	3 880.4	2 254.3	2 126.5
Interest expense	10	2 538.6	2 129.6	1 775.3	1 242.6
Other operating expenses	11	23 342.6	23 233.0	16 094.1	15 955.6
Grants and other transfers	12	5 398.3	5 635.4	8 013.9	8 233.8
Total expenses from transactions		56 689.8	55 705.3	48 296.4	47 311.0
Net result from transactions – net operating balance		(2 486.8)	(1 247.6)	316.4	571.2
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets	14	21.0	(101.6)	20.8	(106.0)
Net gain/(loss) on financial assets or liabilities at fair value		3 168.5	(3 249.7)	19.3	(3.5)
Net actuarial gain/(loss) of superannuation defined benefits plans		7 356.8	(9 389.2)	7 314.8	(9 327.0)
Share of net profit/(loss) from associates/joint venture entities, excluding dividends		(83.4)	5.1	4.8	(0.4)
Other gains/(losses) from other economic flows ^(a)	15	1 549.7	(1 979.0)	(262.3)	(787.2)
Total other economic flows included in net result		12 012.6	(14 714.3)	7 097.4	(10 224.2)
Net result		9 525.8	(15 961.9)	7 413.8	(9 652.9)
Other economic flows – other comprehensive income ^{(a)(b)}					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus		795.4	2 030.0	700.5	2 006.2
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets		..	..	( 810.3)	(700.5)
Other movements in equity		369.3	211.7	869.4	401.9
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value		84.0	(22.2)	20.1	(15.3)
Total other economic flows – other comprehensive income		1 248.7	2 219.5	779.7	1 692.3
Comprehensive result – total change in net worth		10 774.5	(13 742.4)	8 193.5	(7 960.6)

**Consolidated comprehensive operating statement for the financial year ending 30 June
(continued)**

(\$ million)

	Notes	State of Victoria		General government sector	
		2013	2012	2013	2012
KEY FISCAL AGGREGATES					
Net operating balance		(2 486.8)	(1 247.6)	316.4	571.2
Less: Net acquisition of non-financial assets from transactions	2	8 586.3	4 664.1	2 684.0	2 281.7
Net lending/(borrowing)		(11 073.1)	(5 911.7)	(2 367.6)	(1 710.5)

The accompanying notes form part of these financial statements.

Notes:

- (a) Restated balances at 30 June 2012. Refer to Note 36 of the financial statements.
- (b) The changed item description 'other economic flows – other comprehensive income' and related inclusion of sub-headings are due to the new requirements of AASB 101 Presentation of Financial Statements and AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Consolidated balance sheet for the financial year ending 30 June

(\$ million)

	Notes	State of Victoria			General government sector		
		2013	2012 ^(a)	2011 ^(a)	2013	2012 ^(a)	2011 ^(a)
Assets							
Financial assets							
Cash and deposits ^(b)	29	6 252.9	6 055.6	5 165.1	3 962.0	5 001.3	3 667.6
Advances paid	16	1 727.3	1 619.5	1 537.6	4 626.8	301.0	289.5
Receivables	17	7 871.9	5 460.2	5 918.6	5 061.0	3 833.5	3 616.0
Investments, loans and placements ^(b)	16	25 968.4	25 125.3	25 502.1	3 383.4	2 220.8	2 367.8
Investments accounted for using the equity method	18	1 666.1	1 664.7	1 401.3	49.4	44.3	35.1
Investments in other sector entities	19	..	..	..	69 489.5	67 513.8	65 763.5
Total financial assets		43 486.5	39 925.3	39 524.8	86 572.1	78 914.7	75 739.5
Non-financial assets							
Inventories	20	871.0	1 000.6	1 041.8	192.1	296.2	273.4
Non-financial assets held for sale	21	173.0	170.3	77.7	142.1	149.2	73.2
Land, buildings, infrastructure, plant and equipment	22	189 473.0	179 970.6	173 681.6	100 804.0	97 796.6	93 935.9
Other non-financial assets	23	2 053.1	1 855.0	1 824.3	954.3	744.0	796.8
Total non-financial assets		192 570.0	182 996.5	176 625.3	102 092.5	98 986.0	95 079.2
Total assets	24	236 056.6	222 921.8	216 150.1	188 664.6	177 900.7	170 818.7
Liabilities							
Deposits held and advances received		2 088.9	1 020.3	1 240.3	449.0	366.2	427.4
Payables		8 506.0	6 294.7	7 082.2	5 958.4	5 100.8	4 929.2
Borrowings	25	47 437.0	40 637.7	32 791.2	31 345.3	22 393.9	17 734.4
Employee benefits	26	5 624.7	5 442.4	4 874.8	5 208.8	5 043.2	4 519.9
Superannuation	8	25 225.4	32 750.8	22 843.2	25 142.5	32 597.5	22 780.3
Other provisions	27	23 542.4	23 918.3	20 719.8	603.3	635.5	704.7
Total liabilities		112 424.5	110 064.2	89 551.6	68 707.4	66 137.0	51 095.9
Net assets		123 632.1	112 857.6	126 598.5	119 957.2	111 763.7	119 722.8
Accumulated surplus/(deficit)	28	45 353.0	34 612.0	50 364.5	43 174.7	34 808.2	44 048.9
Reserves	28	78 229.1	78 195.6	76 185.5	76 732.5	76 905.5	75 625.4
Non-controlling interest	28	50.0	50.0	48.5	50.0	50.0	48.5
Net worth		123 632.1	112 857.6	126 598.5	119 957.2	111 763.7	119 722.8
FISCAL AGGREGATES							
Net financial worth		(68 937.9)	(70 138.9)	(50 026.8)	17 864.7	12 777.7	24 643.6
Net financial liabilities		68 937.9	70 138.9	50 026.8	51 624.7	54 736.1	41 119.9
Net debt		15 577.3	8 857.6	1 826.7	19 822.1	15 236.9	11 836.8

The accompanying notes form part of these financial statements.

Notes:

(a) Restated balances at 30 June 2012 and 1 July 2011. Refer to Note 36 of the financial statements.

(b) Review of Cash Investments in 2012-13 has reclassified some Australian Dollar Term Deposits held in 2011-12 to Cash and Deposits.

Consolidated cash flow statement for the financial year ended 30 June

(\$ million)

	Notes	State of Victoria		General government sector	
		2013	2012	2013	2012
Cash flows from operating activities					
Receipts					
Taxes received		14 872.0	15 358.8	15 231.9	15 609.7
Grants		21 899.6	22 735.6	21 991.9	22 588.8
Sales of goods and services ^{(a)(b)}		13 548.2	14 139.0	7 132.3	7 033.0
Interest received		1 203.0	708.8	674.8	418.5
Dividends and income tax equivalent and rate equivalent receipts		450.6	571.3	1 198.9	919.2
Other receipts ^(b)		1 882.2	2 422.9	1 728.8	1 480.1
Total receipts		53 855.6	55 936.3	47 958.7	48 049.3
Payments					
Payments for employees		(18 551.6)	(17 690.3)	(17 563.6)	(16 790.4)
Superannuation		(2 652.5)	(2 251.4)	(2 510.5)	(2 142.4)
Interest paid		(2 384.2)	(2 102.5)	(1 702.6)	(1 182.0)
Grants and subsidies ^(b)		(5 619.5)	(5 800.4)	(8 196.5)	(8 125.6)
Goods and services ^(a)		(21 399.7)	(23 505.4)	(15 692.1)	(16 549.9)
Other payments		(596.0)	(581.0)	(601.2)	(501.5)
Total payments		(51 203.4)	(51 931.0)	(46 266.4)	(45 291.8)
Net cash flows from operating activities	29(b)	2 652.2	4 005.3	1 692.3	2 757.5
Cash flows from investing activities					
Cash flows from investments in non-financial assets					
Purchases of non-financial assets		(7 597.8)	(7 514.0)	(4 133.2)	(3 564.9)
Sales of non-financial assets		406.3	291.9	248.0	167.1
Net cash flows from investments in non-financial assets		(7 191.5)	(7 222.0)	(3 885.2)	(3 397.9)
Cash flows from investments in financial assets for policy purposes					
Cash outflows		(793.8)	(1 413.1)	(1 779.7)	(2 456.1)
Cash inflows		1 056.4	1 449.4	463.0	625.0
Net cash flows from investments in financial assets for policy purposes		262.6	36.4	(1 316.8)	(1 831.1)
Net cash flows from investments in financial assets for liquidity management purposes ^{(c)(d)}		520.5	191.7	(1 174.0)	126.8
Net cash flows from investing activities		(6 408.4)	(6 994.0)	(6 375.9)	(5 102.1)
Cash flows from financing activities					
Advances received		304.5	2.9	..	..
Advances repaid		(9.7)	(856.6)	(0.2)	(0.5)
Advances received (net)		294.8	(853.7)	(0.2)	(0.5)
Borrowings received		12 483.6	12 595.7	3 672.1	3 837.0
Borrowings repaid		(9 501.8)	(7 759.2)	(110.6)	(97.5)
Net borrowings		2 981.8	4 836.5	3 561.5	3 739.5
Deposits received		508.9	720.8	301.5	417.5
Deposits repaid		167.9	(826.2)	(218.5)	(478.2)

	Notes	State of Victoria		General government sector	
		2013	2012	2013	2012
Deposits received (net)		676.8	(105.4)	82.9	(60.7)
Other financing inflows		..	..	..	..
Other financing outflows		..	1.7	..	..
Other financing (net)		..	1.7	..	..
Net cash flows from financing activities		3 953.4	3 879.1	3 644.2	3 678.3
Net increase/(decrease) in cash and cash equivalents		197.2	890.5	(1 039.4)	1 333.7
Cash and cash equivalents at beginning of the financial year		6 055.6	5 165.1	5 001.3	3 667.6
Cash and cash equivalents at end of the financial year ^(d)	29(a)	6 252.9	6 055.6	3 962.0	5 001.3
FISCAL AGGREGATES					
Net cash flows from operating activities		2 652.2	4 005.3	1 692.3	2 757.5
Net cash flows from investments in non-financial assets		(7 191.5)	(7 222.0)	(3 885.2)	(3 397.9)
Cash surplus/(deficit)		(4 539.3)	(3 216.7)	(2 192.9)	(640.3)

The accompanying notes form part of these financial statements.

Notes:

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

(b) Restatement of previously published information relates to restated balances at 30 June 2012 and 1 July 2011. Refer to Note 36 of the Financial Statements.

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

(d) Review of Cash Investments in 2012-13 has reclassified some Australian Dollar Term Deposits held in 2011-12 to Cash and Deposits.

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

(\$ million)

<i>State of Victoria</i>	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling Interest</i>
2013		
Balance at 1 July 2012	34 612.0	50.0
Net result for the year	9 525.8	..
Other comprehensive income for the year	1 215.2	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2013	45 353.0	50.0
2012 ^(a)		
Balance at 1 July 2011	50 364.5	48.5
Net result for the year	(15 961.9)	..
Other comprehensive income for the year	209.4	..
Transactions with owners in their capacity as owners	..	1.5
Total equity as at 30 June 2012	34 612.0	50.0

<i>General government sector</i>	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling Interest</i>
2013		
Balance at 1 July 2012	34 808.2	50.0
Net result for the year	7 413.8	..
Other comprehensive income for the year	952.6	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2013	43 174.7	50.0
2012 ^(a)		
Balance at 1 July 2011	44 048.9	48.5
Net result for the year	(9 652.9)	..
Other comprehensive income for the year	412.2	..
Transactions with owners in their capacity as owners	..	1.5
Total equity as at 30 June 2012	34 808.2	50.0

Note:

(a) Restated balances at 30 June 2012 and 1 July 2011. Refer to Note 36 of the financial statements.

<i>Land, buildings, infrastructure, plant and equipment revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
75 568.6	2 627.0	112 857.6
..	..	9 525.8
795.4	(761.9)	1 248.7
..
76 364.0	1 865.1	123 632.1
73 538.7	2 646.8	126 598.5
..	..	(15 961.9)
2 030.0	(19.8)	2 219.5
..	..	1.5
75 568.6	2 627.0	112 857.6

<i>Land, buildings, infrastructure, plant and equipment revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
36 962.6	38 958.4	984.5	111 763.7
..	..	..	7 413.8
700.5	(810.3)	(63.1)	779.7
..
37 663.1	38 148.1	921.3	119 957.2
34 956.4	39 658.9	1 010.1	119 722.8
..	(9 652.9)
2 006.2	(700.5)	(25.6)	1 692.3
..	1.5
36 962.6	38 958.4	984.5	111 763.7

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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 period ending 30 June 2013. The purpose of the report is to provide 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 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 AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Where appropriate, those AASs paragraphs applicable to not-for-profit (NFP) 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 31 *Explanations of material variances between budget and actual outcomes*, the accounting policies applied are also consistent with those applied for the *2012-13 Budget*, subject to the latter reports 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 aid better understanding the terminology and key aggregates used in these financial statements, a glossary of terms can be found in Note 39 *Glossary of technical terms* and Note 40 *Government purpose classification*.

The annual financial statements were authorised for issue by the Acting Secretary of the Department of Treasury and Finance on 26 September 2013.

(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.

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 the application of 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(K));
- superannuation expense and liability (refer to Note 1(L) 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(L)); and
- provisions for outstanding insurance claims (refer to Note 1(L) and Note 27 *Other provisions*).

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

These financial statements have been presented in Australian dollars, and prepared in accordance with the historical cost convention except for:

- general government sector investments in other sector entities which are measured at the carrying amount of their net assets;
- 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. 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 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 in 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 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 PFC sector comprises entities engaged primarily in the provision of 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 determine the effects of differing activities on the financial position of the State. It also assists users to identify the resources used in the provision of 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 2013 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 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 an entity's net assets before consolidation eliminations is less than zero, the amount is not included. 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 denominational 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 dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

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

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.

Note 1: Summary of significant accounting policies (continued)

Consistent with 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 41 *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 funds under management for the Victorian Bushfire Appeal Fund. The revenue, expenses, assets and liabilities arising from 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 35 *Funds under management* and in Note 38 *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 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, refer to Note 1(A)).

Note 30 *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) or where the final consideration is cash.

'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;
- 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.

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) are disclosed in the notes, where relevant.

Key fiscal aggregates presented:

- 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 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 the 'Comprehensive result' and amounts recognised in 'Other economic flows – other comprehensive income' related to 'Transactions with owner in its capacity as owner'.

Rounding

All amounts in the financial statements have been rounded to the nearest \$100 000 except in Note 38 which is rounded to the nearest \$1 000.

(F) 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.

Taxation revenue

State taxation revenue is recognised on 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 gambling licence fees, are recognised progressively over the term of the applicable concession.

Note 1: Summary of significant accounting policies (continued)

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.

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 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.

Note 1: Summary of significant accounting policies (continued)

Grants

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

Grants mainly comprise contributions provided by the Commonwealth Government 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.

(G) Expenses from transactions

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

Employee expenses

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

Superannuation interest expense and other superannuation expenses

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

- for defined contribution (i.e. accumulation) superannuation plans, the associated expense is 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(K) 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.

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

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

<i>Asset</i>	<i>Useful life</i>
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 (including leased assets)	3 to 10 years
Road and road networks (including bridges)	60 to 90 years
Cultural assets (with finite useful lives)	100 years
Intangible produced assets:	
– capitalised software development costs	3 to 5 years

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.

The consumption of intangible non-produced assets with finite useful lives is not classified as a transaction, but is classified as amortisation and is 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

Refer to Note 1(G) and Note 39.

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 include:

- 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)

(H) Other economic flows included in net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

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 the difference between the proceeds and the carrying value of the asset at the 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(I).

Net actuarial gains/(losses) on superannuation defined benefit plans

Net actuarial gains or losses 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.

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 economic flows, in the period in which they occur.

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 smelters of Alcoa of Australia Limited.

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

Note 1: Summary of significant accounting policies (continued)

School buildings are assessed for impairment annually, using student enrolment data to assess whether there is an indication of impairment due to capacity being in excess of requirements. Under this method, which has been in place for several years, where the area of a school's buildings is 10 per cent greater than a school's entitled area based on student enrolment data, the school buildings are considered to be impaired. The impairment is made at the whole school site level, that is, where a school is considered to be impaired all school buildings on the school site are impaired to an equal amount, regardless of their individual condition. In early 2013–14, the State will review the policy and method for impairing school buildings to ensure it best aligns with the requirements of AASB 136 *Impairment of Assets* and FRD 106 of the same name.

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.

If there is an indication that there has been a reversal 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. The impairment loss is reversed 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(K) in relation to the recognition and measurement of non-financial assets.

(I) 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 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 a contract. However, guarantees issued by the treasury 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.

Note 1: Summary of significant accounting policies (continued)

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 32 *Financial instruments*.

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

Held to maturity financial assets

If the State intends and can 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 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 on 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, 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 39).

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

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. 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.

Offsetting financial instruments

Financial instrument assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the State has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Reclassification of financial instruments

Subsequent to initial recognition and under rare circumstances, non-derivative financial instrument assets that have not been designated at fair value through profit or loss on 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.

(J) 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 refers to loans and other non-equity financial assets acquired for policy rather than liquidity management purposes. From a general government sector perspective, advances paid represent inter-sector loans and advances, initially measured at fair value and subsequently measured at amortised cost, made by the 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 input tax credits recoverable.

Contractual receivables are classified as financial instruments and categorised as loans and receivables (refer to Note 1(I)) 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

The State recognises its interest in jointly controlled assets in the consolidated financial statements as:

- 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 neither transferred nor retained substantially all the risks and rewards or 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.

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

(K) Non-financial 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 assets held for sale

Non-financial 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 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(M)) 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 such as 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 constructive 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.

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

The fair value of cultural assets and collections, heritage assets and other non-financial physical 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.

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 in 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. For plant, equipment and vehicles, existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

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

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.

Revaluations of non-financial physical assets

Non-financial physical assets are revalued 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 40), 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 as required by 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.

Note 1: Summary of significant accounting policies (continued)

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

Subsequent to initial recognition, 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.

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(K)).

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.

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

Other assets

Prepayments

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.

(L) 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(I)).

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 goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (refer to Note 1(I)). 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.

Borrowings

The State 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.

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

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave are recognised in the provision for employee benefits, classified as current liabilities. Those liabilities which are expected to be settled within 12 months of the reporting period, are measured at their nominal values.

Those liabilities that are not expected to be settled within 12 months are also recognised in the provision for employee benefits as current liabilities, but are measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

(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:

- nominal value – component that the State expects to settle within 12 months; and
- present value – component that the State does not expect to 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.

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 assets at that date.

The present value of accrued liabilities is based on future payments which are expected to arise due to membership of the superannuation plan. 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. The inflation assumption is based on 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.

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

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 obligations are for the supply of electricity to Alcoa of Australia Ltd's aluminium smelters at Portland and Point Henry. A yearly review of the contracts are 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.

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.

(M) 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. For service concession arrangements (see Note 1(Q)), the commencement of the lease term is deemed to be the date the asset is commissioned. All other leases are classified as operating leases.

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

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.

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.

Note 1: Summary of significant accounting policies (continued)

(N) Budgetary information for the general government sector

Note 31 presents the original and revised published budget estimates for the general government sector, and explains material variances between the budget estimates and actual outcomes as presented in these annual financial statements.

(O) 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 33 *Commitments*) at their nominal value and inclusive of the goods and services tax (GST) payable. 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.

(P) Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the balance sheet but are disclosed by way of a note (refer to Note 34 *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.

(Q) 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).

The 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, the 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(M)). 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 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.

Significant SCAs include the CityLink network, which has a nominal term of 33.5 years expiring 15 January 2034 and EastLink, 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)

(R) 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.

(S) 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.

(T) 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 9 *Financial Instruments*, operative from 1 January 2015 with early adoption permitted. This standard simplifies requirements for the classification and measurement of financial assets and replaces these requirements in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB is currently considering further changes to AASB 9, and once finalised, the State will assess the reporting impacts.
- AASB 10 *Consolidated Financial Statements*, operative from 1 January 2014 for NFP entities. Once applicable, this Standard replaces those requirements in AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation – Special Purpose Entities*. Similar to AASB 127, the new Standard focuses on ‘control’ in determining whether an entity needs to consolidate another entity. However, the criteria to assess ‘control’ under the new Standard have changed. Three criteria are required to assess whether control exists, being: the entity’s right over an investee; the entity’s exposure, or rights to variable returns from an investee; and the ability to affect those returns through power over an investee. The principles in AASB 10 are now being assessed by the AASB in a NFP context. Once finalised, the State will reassess its relationships with other entities and the potential consolidation implications.

Note 1: Summary of significant accounting policies (continued)

- AASB 11 *Joint Arrangements*, operative from 1 January 2014 for NFP entities. This Standard requires entities that have an interest in arrangements that are jointly controlled 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 in accordance with AASB 11. If the arrangement is assessed to be a joint venture, it shall be accounted for in accordance with AASB 128 *Investments in Associates and Joint Ventures* (see below). AASB 11 replaces those requirements in AASB 131 *Interests in Joint Ventures*. The principles in AASB 11 are now being assessed by the AASB in a NFP context. Once finalised, the State will assess the potential implications of the Standard.
- AASB 12 *Disclosure of Interests in Other Entities*, operative from 1 January 2014 for NFP entities. 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 principles in AASB 12 are now being assessed by the AASB in a NFP context. Once finalised, the State will assess the potential implications of the Standard.
- AASB 13 *Fair Value Measurement*, operative for reporting periods beginning on or after 1 January 2013. This Standard streamlines the guidance for measuring assets and liabilities at fair value as well as the resultant disclosure requirements.

One of the potential impacts relates to the valuation of non-financial physical assets. AASB 13 requires assessing the assets' fair value based on its 'highest and best use' from a market participant's perspective. For example, the current fair value of a building might vary if a market participant is able to identify better uses for the building. On the other hand, for assets subject to restrictive use, such as heritage buildings and botanic gardens, the fair value is unlikely to be affected by the new Standard.

The disclosures on the 'fair value hierarchy' first introduced for financial instruments is now extended to all assets and liabilities. Disclosures for fair value measurements using unobservable inputs are relatively detailed compared to disclosures for fair value measurements using observable inputs. Consequently, the Standard may increase the disclosures required for non-financial physical assets measured using depreciated replacement cost.

- AASB 119 *Employee Benefits*, operative for reporting periods beginning on or after 1 January 2013. This Standard replaces AASB 119 (December 2004, as amended), with revised accounting and disclosure requirements for employee benefits.

The revised Standard changes the way defined benefit superannuation costs are presented in the comprehensive operating statement. More specifically, the revised AASB 119 requires a net interest cost to be calculated using the discount rate (a long-term Commonwealth Government bond rate) without reference to the expected rate of investment return on plan assets, as was previously the case. This increases the reported net superannuation interest associated with the superannuation liabilities, and is estimated to negatively impact on the State and the general government sector's net result from transactions by approximately \$600 million, as estimated in the 2013-14 Budget Paper No. 5 *Statement of Finances*.

However, the overall estimated cost of defined benefit superannuation liabilities will not change, as any increase in net superannuation interest will be offset by a corresponding increase in other comprehensive income to take into account the expected return on plan assets. The estimated superannuation liabilities will remain unchanged under the revised standard.

Note 1: Summary of significant accounting policies (continued)

The revised AASB 119 also tightens the requirements in classifying short-term employee benefits. Currently all annual leave provisions are classified as short-term employee benefits and measured on a non-discounted basis. However, the revised AASB 119 only permits employee benefits that are expected to be settled wholly within 12 months to be classified as short-term employee benefits. As a consequence, employee benefits that are not expected to be settled wholly within 12 months will be classified as long-term employee benefits and will be measured at present value similar to long service leave.

- AASB 127 *Separate Financial Statements*, operative from 1 January 2014 for NFP entities. 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 principles in this revised Standard are now being assessed by the AASB in a NFP context. Once finalised, the State will assess the potential implications of the Standard.
- AASB 128 *Investments in Associates and Joint Ventures*, operative from 1 January 2014 for NFP entities. This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The principles in this revised Standard are now being assessed by the AASB in a NFP context. Once finalised, the State will assess the potential implications of the Standard.
- AASB 1055 *Budgetary Reporting*, operative from 1 January 2014. This Standard sets out the budgetary reporting requirements for the whole of government, the general government sector, as well as for NFP entities in the general government sector to the extent that separate budgetary information is presented to Parliament. From the whole of government and general government sector's perspective, this Standard replicates the budgetary disclosure requirements that currently exist in AASB 1049 and therefore will not result in any impacts on reporting.

Several other amending standards and AASB Interpretations 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.

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 37 *Subsequent events*).

Note 2: Disaggregated Information

Disaggregated operating statement for the financial year ended 30 June

(\$ million)

	General government sector		Public non-financial corporations	
	2013	2012	2013	2012
Revenue from transactions				
Taxation revenue	15 530.7	15 026.9	..	..
Interest	700.7	412.6	77.2	131.7
Dividends and income tax equivalent and rate equivalent revenue	1 341.	939.1	144.2	77.3
Sales of goods and services	6 869.3	6 267.2	4 915.7	4 773.4
Grants	21 902.2	22 599.8	2 654.4	2 517.1
Other revenue	2 268.3	2 636.7	460.6	718.2
Total revenue	48 612.9	47 882.3	8 252.0	8 217.6
Expenses from transactions				
Employee expenses	17 788.5	17 120.1	1 039.6	986.7
Superannuation interest expense	446.3	808.6	(2.5)	(0.2)
Other superannuation	1 924.0	1 823.8	92.9	112.1
Depreciation	2 254.3	2 126.5	1 838.1	1 716.1
Interest expense	1 775.3	1 242.6	1 001.4	702.7
Other operating expenses	16 094.1	15 955.6	4 263.0	4 412.4
Grants and other transfers	8 013.9	8 233.8	206.9	254.1
Other property expenses	..	..	110.9	93.4
Total expenses	48 296.4	47 311.0	8 550.3	8 277.3
Net result from transactions – net operating balance	316.4	571.2	(298.2)	(59.7)
Other economic flows included in net result				
Net gain/(loss) on disposal of non-financial assets	20.8	(106.0)	0.3	4.4
Net gain/(loss) on financial assets or liabilities at fair value	19.3	(3.5)	(48.8)	(671.3)
Net actuarial gain/(loss) of superannuation defined benefits plans	7 314.8	(9 327.0)	42.0	(62.2)
Share of net profit/(loss) from associates/joint venture entities, excluding dividends	4.8	(0.4)	(77.7)	5.6
Other gains/(losses) from other economic flows ^(b)	(262.3)	(787.2)	47.5	557.7
Total other economic flows included in net result	7 097.4	(10 224.2)	(36.6)	(165.8)
Net result	7 413.8	(9 652.9)	(334.8)	(225.5)
Other economic flows – other comprehensive income ^{(a)(b)}				
Items that will not be reclassified to net result				
Changes in non-financial assets revaluation surplus	700.5	2 006.2	(133.2)	(1.7)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	(810.3)	(700.5)	..	..
Other movements in equity	869.4	401.9	(582.9)	(209.7)
Items that may be reclassified subsequently to net result				
Net gain/(loss) on financial assets at fair value	20.1	(15.3)	63.9	(6.9)
Total other economic flows – other comprehensive income	779.7	1 692.3	(652.2)	(218.3)
Comprehensive result – total change in net worth	8 193.5	(7 960.6)	(987.0)	(443.8)
FISCAL AGGREGATES				
Net operating balance	316.4	571.2	(298.2)	(59.7)
Net acquisition of non-financial assets				
Purchases of non-financial assets (including change in inventories)	4 133.2	3 564.9	3 702.5	3 890.5
Less: Sales of non-financial assets	(248.0)	(167.1)	(156.4)	(122.2)
Less: Depreciation and amortisation	(2 254.3)	(2 126.5)	(1 838.1)	(1 716.1)
Plus: Other movements in non-financial assets	1 053.1	1 010.4	4 473.3	312.1
Less: Net acquisition of non-financial assets	2 684.0	2 281.7	6 181.4	2 364.2
Net lending/(borrowing)	(2 367.6)	(1 710.5)	(6 479.6)	(2 423.9)

Notes:

- (a) The changed item description 'other economic flows – other comprehensive income' and related inclusion of sub headings are due to the new requirements of AASB 101 Presentation of Financial Statements and AASB 1049 Whole of Government and General Government Sector Financial Reporting.
- (b) Restated balances at 30 June 2012. Refer to Note 36 of the financial statements.

<i>Public financial corporations</i>		<i>Inter-sector eliminations</i>		<i>Consolidated</i>	
<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
..	..	(346.0)	(251.0)	15 184.7	14 775.9
2 388.6	2 406.7	(2 196.1)	(1 735.2)	970.4	1 215.8
460.1	482.6	(1 335.1)	(927.8)	610.9	571.1
3 723.3	3 628.6	(2 611.2)	(2 059.6)	12 896.9	12 609.6
2.9	1.0	(2 769.0)	(2 641.2)	21 790.4	22 476.7
20.7	20.4	..	(566.7)	2 749.6	2 808.6
6 595.5	6 539.3	(9 257.4)	(8 181.4)	54 203.0	54 457.8
302.4	286.1	(335.5)	(335.7)	18 794.9	18 057.2
..	..	..	..	443.8	808.4
23.3	25.4	..	..	2 040.1	1 961.3
39.3	37.8	..	..	4 131.6	3 880.4
1 957.9	1 856.1	(2 196.1)	(1 671.7)	2 538.6	2 129.6
5 234.0	5 258.6	(2 248.6)	(2 393.5)	23 342.6	23 233.0
..	..	(2 822.6)	(2 852.6)	5 398.3	5 635.4
17.2	15.6	(128.1)	(109.0)	..	..
7 574.0	7 479.5	(7 730.9)	(7 362.5)	56 689.8	55 705.3
(978.5)	(940.3)	(1 526.5)	(818.9)	(2 486.8)	(1 247.6)
(0.1)	..	..	..	21.0	(101.6)
3 168.3	(2 574.9)	29.6	..	3 168.5	(3 249.7)
..	..	..	..	7 356.8	(9 389.2)
..	..	(10.6)	..	(83.4)	5.1
1 069.9	(920.8)	694.6	(828.6)	1 549.7	(1 979.0)
4 238.1	(3 495.7)	713.6	(828.6)	12 012.6	(14 714.3)
3 259.7	(4 436.0)	(812.9)	(1 647.5)	9 525.8	(15 961.9)
(1.0)	3.7	229.1	21.7	795.4	2 030.0
..	..	810.3	700.5	..	..
..	(0.4)	82.9	20.0	369.3	211.7
..	..	..	..	84.0	(22.2)
(1.0)	3.3	1 122.3	742.2	1 248.7	2 219.5
3 258.7	(4 432.7)	309.3	(905.3)	10 774.5	(13 742.4)
(978.5)	(940.3)	(1 526.5)	(818.9)	(2 486.8)	(1 247.6)
74.4	58.6	(312.2)	..	7 597.8	7 514.0
(1.9)	(2.6)	..	..	( 406.3)	(291.9)
(39.3)	(37.8)	..	..	(4 131.6)	(3 880.4)
..	..	..	..	5 526.4	1 322.4
33.2	18.2	(312.2)	..	8 586.3	4 664.1
(1 011.7)	(958.5)	(1 214.3)	(818.9)	(11 073.1)	(5 911.7)

Note 2: Disaggregated balance sheet as at 30 June

(\$ million)

	General government sector			Public non-financial corporations		
	2013	2012 ^(a)	2011 ^(a)	2013	2012 ^(a)	2011 ^(a)
Assets						
Financial assets						
Cash and deposits	3 962.0	5 001.3	3 667.6	797.9	773.8	768.7
Advances paid	4 626.8	301.0	289.5	50.4	46.1	82.9
Receivables	5 061.0	3 833.5	3 616.0	1 312.3	1 375.9	977.6
Investments, loans and placements	3 383.4	2 220.8	2 367.8	1 056.2	1 064.3	1 717.6
Loans receivable from non-financial public sector ^(b)	..	..	..	..	..	..
Investments accounted for using the equity method	49.4	44.3	35.1	1 319.2	1 337.1	1 157.4
Investments in other sector entities	69 489.5	67 513.8	65 763.5	..	..	..
Total financial assets	86 572.1	78 914.7	75 739.5	4 536.0	4 597.2	4 704.2
Non-financial assets						
Inventories	192.1	296.2	273.4	678.9	704.4	768.3
Non-financial assets held for sale	142.1	149.2	73.2	4.5	11.2	3.2
Land, buildings, infrastructure, plant and equipment	100 804.0	97 796.6	93 935.9	88 605.2	82 099.8	79 672.7
Other non-financial assets	954.3	744.0	796.8	1 065.3	1 100.5	1 028.1
Total non-financial assets	102 092.5	98 986.0	95 079.2	90 353.9	83 916.0	81 472.4
Total assets	188 664.6	177 900.7	170 818.7	94 889.9	88 513.1	86 176.5
Liabilities						
Deposits held and advances received	449.0	366.2	427.4	420.0	393.3	363.6
Payables	5 958.4	5 100.8	4 929.2	1 568.6	1 668.3	1 260.1
Borrowings	31 345.3	22 393.9	17 734.4	16 249.7	10 867.7	10 097.9
Employee benefits	5 208.8	5 043.2	4 519.9	326.4	322.1	291.1
Superannuation	25 142.5	32 597.5	22 780.3	83.0	153.3	62.9
Other provisions	603.3	635.5	704.7	8 702.0	8 631.6	9 301.6
Total liabilities	68 707.4	66 137.0	51 095.9	27 349.7	22 036.4	21 377.2
Net assets^(c)	119 957.2	111 763.7	119 722.8	67 540.2	66 476.7	64 799.4
Accumulated surplus/(deficit)	43 174.7	34 808.2	44 048.9	4 863.3	5 830.0	6 583.2
Other reserves	76 732.5	76 905.5	75 625.4	62 676.9	60 646.7	58 216.2
Non-controlling interest	50.0	50.0	48.5	..	..	..
Net worth^(c)	119 957.2	111 763.7	119 722.8	67 540.2	66 476.7	64 799.4
FISCAL AGGREGATES						
Net financial worth	17 864.7	12 777.7	24 643.6	(22 813.7)	(17 439.3)	(16 673.0)
Net financial liabilities	51 624.7	54 736.1	41 119.9	22 813.7	17 439.3	16 673.0
Net debt	19 822.1	15 236.9	11 836.8	14 765.3	9 376.9	7 892.3

Notes:

(a) Restated balances at 30 June 2012 and 1 July 2011. Refer to Note 36 of the financial statements.

(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 corporation sector incorporate 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.

<i>Public financial corporations</i>		<i>Inter-sector eliminations</i>			<i>Consolidated</i>		
2013	2012	2013	2012 ^(a)	2011 ^(a)	2013	2012 ^(a)	2011 ^(a)
4 158.4	5 045.2	(2 665.4)	(4 764.7)	(3 991.6)	6 252.9	6 055.6	5 165.1
1 674.5	1 530.9	(4 624.4)	(258.5)	(272.7)	1 727.3	1 619.5	1 537.6
3 122.3	2 082.2	(1 623.7)	(1 831.4)	(559.6)	7 871.9	5 460.2	5 918.6
23 935.9	24 424.8	(2 407.1)	(2 584.6)	(2 031.8)	25 968.4	25 125.3	25 502.1
33 501.6	28 176.6	(33 501.6)	(28 176.6)	(22 828.2)	..	..	..
..	..	297.4	283.4	208.9	1 666.1	1 664.7	1 401.3
..	..	(69 489.5)	(67 513.8)	(65 763.5)	..	..	..
66 392.7	61 259.7	(114 014.2)	(104 846.2)	(95 238.4)	43 486.5	39 925.3	39 524.8
..	..	..	..	..	871.0	1 000.6	1 041.8
26.4	9.8	..	..	..	173.0	170.3	77.7
63.8	78.4	..	(4.1)	(4.1)	189 473.0	179 970.6	173 681.6
1 710.2	2 452.1	(1 676.7)	(2 441.6)	(1 679.9)	2 053.1	1 855.0	1 824.3
1 800.4	2 540.3	(1 676.7)	(2 445.8)	(1 684.0)	192 570.0	182 996.5	176 625.3
68 193.1	63 800.1	(115 691.0)	(107 292.0)	(96 922.5)	236 056.6	222 921.8	216 150.1
5 986.4	6 376.8	(4 766.5)	(6 116.0)	(4 311.4)	2 088.9	1 020.3	1 240.3
2 138.5	1 492.5	(1 159.6)	(1 966.9)	(569.6)	8 506.0	6 294.7	7 082.2
38 303.9	36 894.2	(38 461.9)	(29 518.1)	(24 846.4)	47 437.0	40 637.7	32 791.2
89.5	77.1	..	..	..	5 624.7	5 442.4	4 874.8
..	..	..	..	..	25 225.4	32 750.8	22 843.2
22 527.5	22 627.1	(8 290.4)	(7 975.9)	(8 206.6)	23 542.4	23 918.3	20 719.8
69 045.9	67 467.7	(52 678.5)	(45 576.9)	(37 934.1)	112 424.5	110 064.2	89 551.6
(852.8)	(3 667.7)	(63 012.5)	(61 715.1)	(58 988.4)	123 632.1	112 857.6	126 598.5
(1 765.4)	(4 675.8)	(919.5)	(1 350.4)	(382.2)	45 353.0	34 612.0	50 364.5
912.6	1 008.1	(62 093.0)	(60 364.7)	(58 606.2)	78 229.1	78 195.6	76 185.5
..	..	..	..	..	50.0	50.0	48.5
(852.8)	(3 667.7)	(63 012.5)	(61 715.1)	(58 988.4)	123 632.1	112 857.6	126 598.5
(2 653.2)	(6 208.0)	(61 335.7)	(59 269.3)	(57 304.4)	(68 937.9)	(70 138.9)	(50 026.8)
2 653.2	6 208.0	(8 153.7)	(8 244.5)	(8 459.1)	68 937.9	70 138.9	50 026.8
(18 980.1)	(15 906.5)	(30.0)	150.2	(33.6)	15 577.3	8 857.6	1 826.7

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

(\$ million)

	General government sector		Public non-financial corporations	
	2013	2012	2013	2012
Cash flows from operating activities				
Receipts				
Taxes received	15 231.9	15 609.7	..	..
Grants	21 991.9	22 588.8	2 727.2	2 626.0
Sales of goods and services ^{(a)(b)}	7 132.3	7 033.0	5 490.5	5 046.6
Interest received	674.8	418.5	64.2	86.0
Dividends and income tax equivalent and rate equivalent receipts	1 198.9	919.2	144.1	76.9
Other receipts ^(b)	1 728.8	1 480.1	198.9	339.4
Total receipts	47 958.7	48 049.3	8 624.8	8 174.9
Payments				
Payments for employees	(17 563.6)	(16 790.4)	(1 035.0)	(962.5)
Superannuation	(2 510.5)	(2 142.4)	(118.7)	(83.6)
Interest paid	(1 702.6)	(1 182.0)	(961.6)	(641.8)
Grants and subsidies ^(b)	(8 196.5)	(8 125.6)	(189.9)	(169.1)
Goods and services ^(a)	(15 692.1)	(16 549.9)	(3 375.8)	(3 270.8)
Other payments ^(b)	(601.2)	(501.5)	(1 467.3)	(1 652.6)
Total payments	(46 266.4)	(45 291.8)	(7 148.3)	(6 780.4)
Net cash flows from operating activities	1 692.3	2 757.5	1 476.5	1 394.6
Cash flows from investing activities				
Purchases of non-financial assets	(4 133.2)	(3 564.9)	(3 702.5)	(3 890.5)
Sales of non-financial assets	248.0	167.1	156.4	122.2
Cash flows from investments in non-financial assets	(3 885.2)	(3 397.9)	(3 546.1)	(3 768.2)
Net cash flows from investments in financial assets for policy purposes	(1 316.8)	(1 831.1)	(45.0)	13.2
Sub-total	(5 202.0)	(5 228.9)	(3 591.1)	(3 755.1)
Net cash flows from investments in financial assets for liquidity management purposes ^(c)	(1 174.0)	126.8	12.3	(91.7)
Net cash flows from investing activities	(6 375.9)	(5 102.1)	(3 578.8)	(3 846.8)
Cash flows from financing activities				
Advances received (net)	(0.2)	(0.5)	6.6	8.1
Net borrowings	3 561.5	3 739.5	1 053.3	822.4
Deposits received (net)	82.9	(60.7)	20.1	21.6
Other financing (net)	..	..	1 046.5	1 605.2
Net cash flows from financing activities	3 644.2	3 678.3	2 126.5	2 457.3
Net increase/(decrease) in cash and cash equivalents	(1 039.4)	1 333.7	24.1	5.1
Cash and cash equivalents at beginning of reporting period	5 001.3	3 667.6	773.8	768.7
Cash and cash equivalents at end of reporting period ^(c)	3 962.0	5 001.3	797.9	773.8
FISCAL AGGREGATES				
Net cash flows from operating activities	1 692.3	2 757.5	1 476.5	1 394.6
Dividends paid	..	..	( 720.3)	(305.9)
Net cash flows from investments in non-financial assets	(3 885.2)	(3 397.9)	(3 546.1)	(3 768.2)
Cash surplus/(deficit)	(2 192.9)	(640.3)	(2 789.9)	(2 679.6)

Note:

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

(b) Restatement of previously published information relates to restated balances at 30 June 2012 and 1 July 2011. Refer to Note 36 of the Financial Statements.

(c) Review of Cash Investments in 2012-13 has reclassified some Australian Dollar Term Deposits held in 2011-12 to Cash and Deposits.

<i>Public financial corporations</i>		<i>Inter-sector eliminations</i>		<i>Consolidated</i>	
2013	2012	2013	2012	2013	2012
..	..	(360.0)	(251.0)	14 872.0	15 358.8
2.9	1.0	(2 822.3)	(2 480.3)	21 899.6	22 735.6
4 116.4	3 418.2	(3 191.1)	(1 358.8)	13 548.2	14 139.0
2 202.6	2 332.7	(1 738.6)	(2 128.3)	1 203.0	708.8
299.9	482.6	(1 192.2)	(907.4)	450.6	571.3
68.4	337.4	(113.9)	265.9	1 882.2	2 422.9
6 690.2	6 571.9	(9 418.1)	(6 859.8)	53 855.6	55 936.3
(288.5)	(273.1)	335.5	335.7	(18 551.6)	(17 690.3)
(23.3)	(25.4)	..	..	(2 652.5)	(2 251.4)
(1 954.5)	(1 851.9)	2 234.5	1 573.1	(2 384.2)	(2 102.5)
..	..	2 766.9	2 494.3	(5 619.5)	(5 800.4)
(3 685.9)	(3 710.7)	1 354.1	26.0	(21 399.7)	(23 505.4)
(16.5)	(14.6)	1 488.9	1 587.6	(596.0)	(581.0)
(5 968.6)	(5 875.6)	8 179.9	6 016.7	(51 203.4)	(51 931.0)
721.6	696.3	(1 238.2)	(843.1)	2 652.2	4 005.3
(74.4)	(58.6)	312.2	..	(7 597.8)	(7 514.0)
1.9	2.6	..	..	406.3	291.9
(72.5)	(56.0)	312.3	..	(7 191.5)	(7 222.0)
(46.6)	(94.6)	1 671.0	1 948.9	262.6	36.4
(119.1)	(150.6)	1 983.2	1 948.9	(6 928.9)	(7 185.7)
(3 558.2)	(5 744.6)	5 240.4	5 901.2	520.5	191.7
(3 677.3)	(5 895.2)	7 223.6	7 850.1	(6 408.4)	(6 994.0)
209.6	99.6	78.7	(960.9)	294.8	(853.7)
3 000.0	4 946.3	(4 633.0)	(4 671.7)	2 981.8	4 836.5
(697.0)	777.4	1 270.8	(843.7)	676.8	(105.4)
(443.8)	(299.7)	(602.7)	(1 303.8)	..	1.7
2 068.9	5 523.6	(3 886.1)	(7 780.1)	3 953.4	3 879.1
(886.8)	324.7	2 099.2	(773.0)	197.2	890.5
5 045.2	4 720.5	(4 764.7)	(3 991.6)	6 055.6	5 165.1
4 158.4	5 045.2	(2 665.4)	(4 764.7)	6 252.9	6 055.6
721.6	696.3	(1 238.2)	(843.1)	2 652.2	4 005.3
(440.6)	(353.4)	1 160.9	659.3	..	..
(72.5)	(56.0)	312.3	..	(7 191.5)	(7 222.0)
208.5	286.9	234.9	(183.8)	(4 539.3)	(3 216.7)

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

(\$ million)

2013	<i>Accumulated surplus/(deficit)</i>	<i>Contribution by owners</i>
General government sector		
Balance at 1 July 2012	34 808.2	..
Net result for the year	7 413.8	..
Other comprehensive income for the year	952.6	..
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	5 830.0	27 854.1
Net result for the year	(334.8)	..
Other comprehensive income for the year	88.4	..
Dividends paid	(720.3)	..
Transactions with owners in their capacity as owners	..	2 770.8
Total equity as at 30 June 2013	4 863.3	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	(919.5)	(30 876.7)
Total whole of government	45 353.0	..

<i>Non-controlling Interest</i>	<i>Land, buildings, infrastructure, plant and equipment revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
50.0	36 962.6	38 958.4	984.5	111 763.7
..	..	..	..	7 413.8
..	700.5	(810.3)	(63.1)	779.7
..
50.0	37 663.1	38 148.1	921.3	119 957.2
..	31 887.3	..	905.3	66 476.7
..	..	..	..	( 334.8)
..	(133.2)	..	(607.5)	(652.2)
..	..	..	..	( 720.3)
..	..	..	..	2 770.8
..	31 754.1	..	297.9	67 540.2
..	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)
..	6 931.8	(38 148.1)	..	(63 012.5)
50.0	76 364.0	..	1 865.1	123 632.1

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

(\$ million)

2012 ^(a)	Accumulated surplus/(deficit)	Contribution by owners
General government sector		
Balance at 1 July 2011	44 048.9	..
Net result for the year	(9 652.9)	..
Other comprehensive income for the year	412.2	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2012	34 808.2	..
PNFC sector		
Balance at 1 July 2011	6 583.2	25 427.1
Net result for the year	(225.5)	..
Other comprehensive income for the year	(221.8)	..
Dividends paid	(305.9)	..
Transactions with owners in their capacity as owners	..	2 427.0
Total equity as at 30 June 2012	5 830.0	27 854.1
PFC sector		
Balance at 1 July 2011	114.6	201.2
Net result for the year	(4 436.0)	..
Other comprehensive income for the year	(1.0)	..
Dividends paid	(353.4)	..
Transactions with owners in their capacity as owners	..	53.7
Total equity as at 30 June 2012	(4 675.8)	254.9
Eliminations	(1 350.4)	(28 109.1)
Total whole of government	34 612.0	..

Note:

(a) Restated balances at 30 June 2012 and 1 July 2011. Refer to Note 36 of the financial statements.

<i>Non-controlling Interest</i>	<i>Land, buildings, infrastructure, plant and equipment revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
48.5	34 956.4	39 658.9	1 010.1	119 722.8
..	..	..	..	(9 652.9)
..	2 006.2	(700.5)	(25.6)	1 692.3
1.5	..	..	..	1.5
50.0	36 962.6	38 958.4	984.5	111 763.7
..	31 888.9	..	900.2	64 799.4
..	..	..	..	( 225.5)
..	(1.7)	..	5.2	(218.3)
..	..	..	..	( 305.9)
..	..	..	..	2 427.0
..	31 887.3	..	905.3	66 476.7
..	12.3	..	736.6	1 064.7
..	..	..	..	(4 436.0)
..	3.7	..	0.6	3.3
..	..	..	..	( 353.4)
..	..	..	..	53.7
..	16.0	..	737.2	(3 667.7)
..	6 702.8	(38 958.4)	..	(61 715.1)
50.0	75 568.6	..	2 627.0	112 857.6

Note 3: Taxation revenue

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Taxes on employers' payroll and labour force	4 686.7	4 633.9	4 750.9	4 695.8
Taxes on property				
Taxes on immovable property				
Land tax	1 550.4	1 366.5	1 589.2	1 401.4
Congestion levy	48.2	46.1	48.2	46.1
Metropolitan improvement levy	136.8	131.5	136.8	131.5
Property owner contributions to fire brigades	37.8	38.2	37.8	38.2
Total taxes on immovable property	1 773.2	1 582.3	1 812.0	1 617.2
Financial and capital transactions				
Land transfer duty	3 276.1	3 307.0	3 276.1	3 307.0
Other property duties	6.6	7.7	6.6	7.7
Financial accommodation levy	..	..	96.9	83.1
Growth Areas Infrastructure Contribution	56.4	72.5	56.4	72.5
Total financial and capital transactions	3 339.1	3 387.2	3 436.0	3 470.3
Total taxes on property	5 112.3	4 969.5	5 247.9	5 087.5
Taxes on the provision of goods and services				
Gambling taxes				
Private lotteries	428.9	384.7	428.9	384.7
Electronic gaming machines	1 009.9	1 013.8	1 009.9	1 013.8
Casino	200.8	194.4	200.8	194.4
Racing	87.5	121.1	87.5	121.1
Other	18.2	16.5	18.2	16.5
Total gambling taxes	1 745.3	1 730.5	1 745.3	1 730.5
Levies on statutory corporations	..	..	69.4	69.4
Taxes on insurance	1 627.5	1 652.1	1 627.5	1 652.1
Total taxes on the provision of goods and services	3 372.8	3 382.6	3 442.3	3 452.0
Taxes on the use of goods and performance of activities				
Motor vehicle taxes				
Vehicle registration fees	1 173.1	1 003.7	1 174.7	1 005.3
Duty on vehicle registrations and transfers	636.1	584.3	636.1	584.3
Total motor vehicle taxes	1 809.2	1 588.0	1 810.8	1 589.6
Franchise taxes	22.8	22.6	22.8	22.6
Other	180.9	179.3	255.9	179.3
Total taxes on the use of goods and performance of activities	2 012.9	1 789.9	2 089.5	1 791.5
Total taxation revenue	15 184.7	14 775.9	15 530.7	15 026.8

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	
	2013	2012	2013	2012
Dividends from PFC sector	..	..	440.7	353.4
Dividends from PNFC sector	..	..	720.3	305.9
Dividends from non-public sector	477.5	496.2	6.6	5.9
Dividends	477.5	496.2	1 167.5	665.2
Income tax equivalent from PFC sector	..	..	17.9	15.2
Income tax equivalent from PNFC sector	..	..	153.3	253.3
Income tax equivalent	..	..	171.2	268.6
Local government rate equivalent revenue	..	5.3	3.0	5.3
Other dividends ^(a)	133.4	69.6	..	..
Total dividends and income tax equivalent and rate equivalent revenue	610.9	571.1	1 341.7	939.1

Note:

(a) Dividends from Snowy Hydro Limited received by SECV – refer to Note 18.

(b) Dividends by entity

(\$ million)

	General government sector	
	2013	2012
Public financial corporations		
Victorian WorkCover Authority	192.5	147.0
Transport Accident Commission	176.0	140.0
Treasury Corporation of Victoria	54.7	52.6
Rural Finance Corporation of Victoria	15.3	13.8
Victorian Funds Management Corporation	2.2	..
Dividends from PFC sector	440.7	353.4
Public non-financial corporations		
Melbourne Water Corporation	94.5	118.4
City West Water Corporation	24.8	45.2
South East Water Corporation	61.5	50.0
Yarra Valley Water Corporation	57.5	56.1
Port of Melbourne Corporation	29.7	34.4
State Electricity Commission of Victoria (Shell)	413.8	..
Others	38.4	1.8
Dividends from PNFC sector	720.3	305.9

Note 5: Sales of goods and services

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
	Motor vehicle regulatory fees	168.6	158.7	168.6	158.7
Other regulatory fees	486.4	440.3	470.3	425.0
Sale of goods	457.6	528.4	83.3	125.5
Provision of services	11 557.5	11 197.6	4 614.4	4 126.8
Rental	77.6	73.7	53.8	51.4
Refunds and reimbursements	149.2	210.9	57.7	83.7
Inter-sector capital asset charge	..	..	1 421.2	1 296.0
Total sale of goods and services	12 896.9	12 609.6	6 869.3	6 267.2

Note 6: Grants

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
	General purpose grants	10 989.5	10 380.2	10 989.5	10 380.2
Specific purpose grants for on-passing	2 746.3	2 781.4	2 746.3	2 781.4
Other specific purpose grants	8 050.2	9 314.0	8 048.5	9 309.5
Total	21 786.0	22 475.6	21 784.3	22 471.1
Other contributions and grants	4.5	1.2	118.0	128.7
Total grants	21 790.4	22 476.7	21 902.2	22 599.8

Note 7: Other revenue

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
	Fair value of assets received free of charge or for nominal consideration	259.9	468.4	99.4	268.9
Fines	704.3	550.6	700.3	548.0
Royalties	51.4	70.3	45.1	65.6
Donations and gifts	299.0	355.0	272.3	340.7
Other non-property rental	83.1	84.3	29.4	29.6
Other miscellaneous revenue	1 351.9	1 280.1	1 121.9	1 383.9
Total other revenue	2 749.6	2 808.6	2 268.3	2 636.7

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 liability for employee superannuation entitlements is the responsibility of the State's public sector superannuation plans. 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.

Each year, an actuarial valuation of members' accrued benefits 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.

Of the \$25.2 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.

(a) Expense relating to superannuation recognised in the operating statement

(\$ million)

	State of Victoria	
	2013	2012
Defined benefit plans		
Interest cost	1 599.9	1 985.8
Expected return on plan assets (net of expenses)	(1 156.1)	(1 177.4)
Superannuation interest expense	443.8	808.4
Current service cost	856.8	747.6
Net actuarial (gains)/losses	(7 356.8)	9 389.2
Total (gain)/expense recognised in respect of defined benefit plans	(6 056.2)	10 945.2
Defined contribution plans		
Employer contributions to defined contribution plans	1 111.6	1 143.6
Other (including pensions)	71.6	70.1
Total expense recognised in respect of defined contribution plans	1 183.3	1 213.7
Total superannuation (gain)/expense recognised in operating statement	(4 872.9)	12 158.9
Represented by:		
Superannuation interest expense	443.8	808.4
Other superannuation	2 040.1	1 961.3
Superannuation expense from transactions	2 483.9	2 769.7
Net actuarial (gain)/loss of superannuation defined benefits plans included in other economic flows	(7 356.8)	9 389.2
Total superannuation (gain)/expense recognised in operating statement	(4 872.9)	12 158.9

Note 8: Superannuation (*continued*)

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

(\$ million)

	State of Victoria	
	2013	2012
Opening balance of defined benefit obligation	48 557.7	39 175.3
Current service cost	856.8	747.6
Interest cost	1 599.9	1 985.8
Recognition of past service cost	..	..
Contributions by plan participants	222.7	225.7
Actuarial (gains)/losses	(6 137.5)	8 541.1
Benefits paid	(2 296.0)	(2 117.9)
Closing balance of defined benefit obligation	42 803.6	48 557.7

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

(\$ million)

	State of Victoria	
	2013	2012
Opening balance of plan assets	15 806.9	16 332.1
Expected return on plan assets	1 156.1	1 177.4
Actuarial gains/(losses)	1 219.3	(848.1)
Employer contributions	1 469.2	1 037.6
Contributions by plan participants	222.7	225.7
Benefits paid (including tax paid)	(2 296.0)	(2 117.9)
Closing balance of plan assets	17 578.1	15 806.9

Note 8: Superannuation (continued)

(d) Reconciliation of the superannuation liability

The table below shows the financial position of the State's share of liabilities in defined benefit plans for which it is responsible.

(\$ million)

	State of Victoria	
	2013	2012
Emergency Services and State Super		
Defined benefit obligation	37 303.3	42 169.7
Tax liability ^(a)	2 550.4	3 280.6
Plan assets	(15 811.2)	(14 174.7)
Net liability/(asset)	24 042.5	31 275.6
Other funds ^(b)		
Defined benefit obligation	2 956.4	3 100.8
Tax liability ^(a)	(6.5)	6.6
Plan assets	(1 766.9)	(1 632.1)
Net liability/(asset)	1 182.9	1 475.2
Total superannuation		
Defined benefit obligation	40 259.6	45 270.5
Tax liability ^(a)	2 543.9	3 287.2
Plan assets	(17 578.1)	(15 806.9)
Superannuation liability	25 225.4	32 750.8
Represented by:		
Current liability	1 014.5	963.3
Non-current liability	24 210.9	31 787.5
Total superannuation liability	25 225.4	32 750.8

Notes:

- (a) Tax liability represents the present value of future tax payments on expected future employer contributions and the present value of future tax payments on investment income generated by superannuation assets is also included.
- (b) Other funds include constitutionally protected schemes, the Parliamentary Contributory Superannuation Fund and the State's share of liabilities of the Health Super defined benefit division of the First State Super.

Note 8: Superannuation (continued)

Superannuation assumptions

Victorian statutory superannuation funds	Actuary	Financial assumptions	Per cent per annum	
			2013	2012
Emergency Services and State Super	PwC ^(a)	Expected return on assets ^(b)	8.0	8.0
		Discount rate ^(c)	4.3	3.4
		Wages growth ^(d)	3.8	3.9
		Inflation rate	2.3	2.4
Constitutionally Protected Pensions	PwC ^(a)	Discount rate ^(c)	4.3	3.4
		Wages growth ^(d)	3.8	3.9
		Inflation rate	2.3	n/a
Parliamentary Contributory Superannuation Fund ^(e)	PwC ^(a)	Expected return on assets ^(b)	8.0	8.0
		Discount rate ^(c)	4.3	3.4
		Wages growth ^(d)	3.8	3.9
		Inflation rate	2.3	n/a
Health Super Fund	Mercer ^(f)	Expected return on assets ^(b)	7.2	7.2
		Discount rate ^(c)	4.3	3.4
		Wages growth ^(d)	3.8	3.9
		Inflation rate	2.3	2.4

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 government 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) Parliamentary salaries are determined by reference to equivalent salaries in the Commonwealth Parliament.

(f) Mercer (Australia) Pty Ltd.

The expected return on assets, as shown above, is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class, as depicted in the table below.

Target asset allocation

(per cent)

Asset class	2013	2012
Domestic equity	26.7	25.6
International equity	26.1	25.5
Domestic debt assets	18.9	18.9
International debt assets	..	..
Property	8.2	8.2
Cash	6.0	5.0
Other (including private equity, hedge funds and infrastructure)	14.1	16.8
Total	100.0	100.0

Note 9: Depreciation

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Buildings ^(a)	1 338.3	1 275.7	984.5	945.9
Infrastructure systems ^(b)	1 178.0	1 091.9	42.8	37.3
Plant, equipment and vehicles ^(b)	871.4	871.1	564.3	571.6
Road and road networks	543.9	477.7	541.0	476.3
Cultural assets	21.8	15.6	21.8	15.6
Intangible produced assets ^(c)	178.2	148.4	99.9	79.8
Total depreciation	4 131.6	3 880.4	2 254.3	2 126.5

Notes:

(a) Accumulated Depreciation of Buildings Leasehold Assets was reclassified in line with disclosure of Building Leasehold (Written Down Value).

(b) The 2011-12 comparative figures have been restated due to a reclassification of Depreciation – Infrastructure Leasehold from 'lease plant and equipment' to 'infrastructure'.

(c) Amortisation of intangible non-produced assets is included under economic flows.

Note 10: Interest expense

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Interest on short-term interest-bearing liabilities	72.7	118.5	46.0	24.1
Interest on long-term interest-bearing liabilities	1 793.5	1 657.8	1 135.6	986.6
Finance charges on finance leases	622.7	256.7	542.8	175.8
Discount interest on payables	49.6	96.6	51.0	56.0
Total interest expense	2 538.6	2 129.6	1 775.3	1 242.6

Note 11: Other operating expenses

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Purchase of supplies and consumables ^(a)	8 176.0	8 479.4	7 078.1	7 294.6
Cost of goods sold	231.1	201.8	128.3	55.0
Finance expenses and fees	439.6	383.6	22.1	17.3
Purchase of services ^(a)	7 877.1	7 501.6	7 135.0	6 786.2
Insurance claims expense	4 339.7	4 333.9	20.3	25.5
Maintenance	1 253.7	1 367.9	777.1	889.1
Operating lease payments	355.5	350.7	280.3	279.2
Other	669.8	614.1	652.8	608.6
Total other operating expenses	23 342.6	23 233.0	16 094.1	15 955.6

Note:

(a) The 2011-12 comparative figures have been restated due to a reclassification of the GST administration fee from 'purchase of supplies and consumables' to 'purchase of services'.

Note 12: Grants and other transfers

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Current grants expense				
Commonwealth Government	151.7	149.7	151.0	149.2
Local government on-passing	927.8	961.9	927.8	961.9
Private sector and not-for-profit on-passing	3 567.4	3 423.3	3 548.8	3 405.8
Other private sector and not-for-profit	320.4	333.7	317.5	330.7
Grants within the Victorian Government	..	..	2 645.7	2 626.3
Grants to other state governments	9.4	16.4	9.3	16.3
Total current grants and other transfers	4 976.7	4 885.0	7 600.2	7 490.1
Capital grants expense				
Commonwealth Government	..	0.2	..	0.2
Local government on-passing	162.1	181.3	162.1	181.3
Private sector and not-for-profit on-passing	159.8	273.9	144.8	144.9
Other private sector and not-for-profit	1.0	234.3	0.9	234.3
Grants within the Victorian Government	..	..	7.3	10.1
Other grants	98.7	60.7	98.7	173.0
Total capital grants and other transfers	421.5	750.3	413.8	743.7
Total grants and other transfers	5 398.3	5 635.4	8 013.9	8 233.8

Note 13: Total expenses by government purpose classification

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
General public services	6 156.5	6 022.6	1 151.6	808.6
Public order and safety	4 925.5	4 717.7	5 188.5	4 962.0
Education	12 573.1	12 324.9	12 661.5	12 412.1
Health	12 845.3	12 409.1	13 158.2	12 741.3
Social security and welfare	3 780.4	3 689.5	3 868.0	3 768.3
Housing and community amenities	5 782.0	5 480.1	2 543.2	2 869.0
Recreation and culture	1 344.8	1 532.8	735.7	830.1
Fuel and energy	16.6	82.9	..	28.6
Agriculture, forestry, fishing and hunting	608.3	563.6	519.9	449.1
Mining, manufacturing and construction	..	..	..	..
Transport and communications	5 179.3	5 161.6	5 675.8	5 545.1
Other economic affairs	888.0	801.3	982.4	827.1
Other purposes	2 590.0	2 919.3	1 811.7	2 069.7
Total expenses from transactions ^(a)	56 689.8	55 705.3	48 296.4	47 311.0

Note:

(a) Note 40 provides definitions and descriptions of government purpose classification.

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

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Proceeds from disposal of physical assets	406.3	291.8	248.0	167.1
Written down value of assets sold/(disposed)	(385.2)	(393.4)	(227.2)	(273.0)
Net gain/(loss) on disposal of non-financial assets	21.0	(101.6)	20.8	(106.0)

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

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Net gain/(loss) from revaluation of biological assets	0.6	15.9	3.2	19.0
Net (increase)/decrease in provision for doubtful receivables	(261.0)	(267.2)	(252.6)	(266.8)
Amortisation of intangible non-produced assets	(23.8)	(22.0)	(15.7)	(15.1)
Net swap interest revenue/(expense)	(17.6)	(6.9)	(0.1)	..
Bad debts written off	(177.9)	(101.3)	(162.5)	(87.7)
Other gains/(losses) ^(a)	2 029.5	(1 597.5)	165.3	(436.6)
Total other gains/(losses) from other economic flows	1 549.7	(1 979.0)	(262.3)	(787.2)

Note:

(a) The 2011-12 comparative figures have been restated as part of Snowy Hydro Limited's adjustments.

Note 16: Advances paid and investments, loans and placements

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Current advances paid and investments, loans and placements				
Loans and advances receivable	74.1	137.0	63.6	11.3
Equities and managed investment schemes	461.8	218.6	453.2	205.6
Australian dollar term deposits ^(a)	897.1	1 091.9	2 453.9	1 533.5
Foreign currency term deposits	..	0.1	..	..
Debt securities	2 750.2	4 139.7	1.8	7.4
Derivative financial instruments	428.2	1 280.1	..	..
Total current advances paid and investments, loans and placements	4 611.4	6 867.3	2 972.4	1 757.8
Non-current advances paid and investments, loans and placements				
Loans and advances receivable	1 653.2	1 482.5	4 563.2	289.7
Equities and managed investment schemes	14 510.5	10 734.0	228.8	215.8
Australian dollar term deposits	200.1	203.6	205.9	227.9
Foreign currency term deposits	..	..	..	..
Debt securities	6 435.1	7 082.8	39.9	30.6
Derivative financial instruments	285.5	374.6	..	..
Total non-current advances paid and investments, loans and placements	23 084.3	19 877.5	5 037.8	764.1
Total advances paid and investments, loans and placements	27 695.7	26 744.8	8 010.2	2 521.8

Note:

(a) Review of Cash Investments in 2012-13 has reclassified some Australian Dollar Term Deposits held in 2011-12 to Cash and Deposits.

Note 17: Receivables

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Contractual				
Sales of goods and services	1 215.9	1 217.6	709.9	595.0
Accrued investment income	234.5	408.8	185.3	78.2
Other receivables ^{(a)(b)}	2 126.9	692.4	1 102.1	1 180.6
Provision for doubtful contractual receivables	(145.9)	(134.0)	(68.5)	(63.0)
Statutory				
Sales of goods and services ^(b)	905.1	799.4	..	..
Taxes receivables	2 113.4	1 170.5	2 152.1	1 184.5
Fines and regulatory fees	1 519.9	1 299.0	1 519.9	1 299.0
GST input tax credits recoverable	727.5	706.4	285.7	258.9
Provision for doubtful statutory receivables	(825.5)	(699.9)	(825.5)	(699.9)
Total receivables	7 871.9	5 460.2	5 061.0	3 833.5
Represented by:				
Current receivables	5 393.3	4 604.8	3 882.9	3 080.1
Non-current receivables	2 478.6	855.3	1 178.1	753.3

Notes:

(a) Restated balances at 30 June 2012. Refer to Note 36 of the financial statements.

(b) The 2012 figures differ from that presented in the 2011-12 Financial Report to more accurately reflect classification of contractual and statutory receivables.

Ageing analysis of contractual receivables – State of Victoria

(\$ million)

State of Victoria	Not past due	Past due and not impaired			Impaired	Total
	and not impaired	Less than 1 month	1-3 months	3 months- 1 year	More than 1 year	
2013						
Sale of goods and services	764.2	190.3	96.1	92.5	66.0	1 215.9
Accrued investment income	233.4	0.3	0.3	0.4	..	234.5
Other receivables	1 826.3	136.7	36.6	19.2	108.6	2 126.9
	2 823.9	327.3	133.0	112.1	174.6	3 577.3
2012						
Sale of goods and services ^(a)	746.9	214.9	75.7	105.6	70.3	1 217.6
Accrued investment income	407.6	0.3	..	0.9	..	408.8
Other receivables ^(a)	453.8	21.7	91.6	83.3	39.4	692.4
	1 608.3	236.9	167.3	189.8	109.7	2 318.8

Note:

(a) The 2012 figures differ from that presented in the 2011-12 Financial Report to more accurately reflect classification of contractual and statutory receivables.

Note 17: Receivables (continued)

Ageing analysis of contractual receivables – general government sector

(\$ million)

General government sector	Not past due and not impaired	Past due and not impaired				Impaired	Total
		Less than 1 month	1-3 months	3 months- 1 year	More than 1 year		
2013							
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	555.3	112.4	40.8	355.2	38.8	(0.5)	1 102.1
	1 172.4	189.6	115.2	418.7	99.2	2.2	1 997.3
2012^(a)							
Sale of goods and services	292.8	156.9	39.7	56.4	48.5	0.7	595.0
Accrued investment income	77.4	0.2	..	0.6	..	..	78.2
Other receivables ^(b)	793.5	8.9	52.0	33.7	6.6	2.6	897.3
	1 163.8	166.0	91.7	90.7	55.1	3.3	1 570.6

Notes:

(a) Restated balances at 30 June 2012. Refer to Note 36 of the financial statements.

(b) The 2012 figures differ from that presented in the 2011-12 Financial Report to more correctly reflect clarification of contractual and statutory receivables.

Movement in provision for doubtful contractual receivables

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Balance at start of the year	134.0	118.2	63.0	49.0
Reversal of unused provision recognised in the comprehensive operating statement	0.9	(9.2)	(1.3)	(1.2)
Increase in provision recognised in the comprehensive operating statement	27.8	36.3	15.9	22.8
Receivables written off during the year as uncollectible	(16.8)	(11.3)	(9.1)	(7.6)
Balance at the end of the year	145.9	134.0	68.5	63.0

Collateral held

The State did not hold any collateral against any of its contractual receivables during the current and prior periods.

Note 18: Joint ventures

(a) Investments accounted for using the equity method

(\$ million)

	2013	2012
The Australian Regenerative Medicine Institute	35.0	35.0
National E-Conveyancing Development Limited	14.4	9.2
Total general government sector	49.4	44.2
Snowy Hydro Limited ^(a)	1 616.6	1 620.5
Total investments^(a)	1 666.1	1 664.7

Note:

(a) Restated balances at 30 June 2012. Refer to Note 36 of the financial statements.

(\$ million)

Movements in carrying amounts	2013	2012
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
National E-Conveyancing Development Limited		
Carrying amount at the beginning of the period	9.2	..
Joint venture undertaken during the year	1.2	10.8
Share of profit after income tax	4.0	..
Net loss on financial asset at fair value	..	(1.6)
Carrying amount at the end of the period	14.4	9.2
Snowy Hydro Limited^(a)		
Carrying amount at the beginning of the period	1 620.5	1 366.2
Share of profit/(loss) after income tax	45.0	46.0
Dividends received/receivable	(133.4)	(69.6)
Other	..	..
Share of increment on revaluation of property, plant and equipment	84.5	277.9
Carrying amount at the end of the period	1 616.6	1 620.5

Note:

(a) Restated balances at 30 June 2012. Refer to Note 36 of the financial statements.

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 the ARMI.

(\$ million)

<i>Balance sheet</i>	<i>2013</i>	<i>2012</i>
Current assets	..	..
Non-current assets	35.0	35.0
Current liabilities	..	..
Non-current liabilities	..	..
Net assets	35.0	35.0

The Government's ownership interest of ARMI at 30 June 2013 was 20 per cent (2012: 21 per cent).

National E-Conveyancing Development Limited

The Department of Environment and Primary Industries (DEPI) has an investment in an associate entity, National E-Conveyancing Development Limited (NECDL). NECDL was established in January 2010 to develop a single national electronic conveyancing system for settling property transactions.

DEPI participated in an additional share subscription in October 2012 at a cost of \$1.2 million. The subscription in October, plus further subscriptions in February and June 2013 have diluted the department's interest in NECDL. The department still holds significant influence by participating in policy-making processes through its representation on the board of directors, and the provision of essential technical information (being the intellectual property for the Victorian electronic conveyancing system).

(\$ million)

<i>Balance sheet</i>	<i>2013</i>	<i>2012</i>
Current assets	9.0	4.7
Non-current assets	6.9	5.7
Current liabilities	1.4	1.1
Non-current liabilities	0.1	0.1
Net assets	14.4	9.2

The Government's ownership interest of NECDL at 30 June 2013 was 14 per cent (2012: 24 per cent).

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	2013	2012^(a)	2011^(a)
Current assets	115.7	141.7	109.3
Non-current assets	1 680.0	1 634.1	1 381.9
Current liabilities	174.1	154.5	60.3
Non-current liabilities	5.0	0.8	64.7
Net assets	1 616.6	1 620.5	1 366.2
Revenue and profit	2013	2012	
Revenue from ordinary activities	348.4	242.5	
Profit from ordinary activities before income tax	75.9	77.8	
Income Tax expense relating to ordinary activities	30.9	31.8	
Net result	45.0	46.0	
Commitments	2013	2012	
Capital expenditure commitments	7.7	10.7	
Operating lease commitments	20.6	21.4	
Other commitments	4.7	4.7	
	33.0	36.8	

Note:

(a) Restated balances at 30 June 2012 and 1 July 2011. Refer to Note 36 of the financial statements.

The Victorian Government's ownership interest of Snowy Hydro Limited at 30 June 2013 was 29 per cent (2012: 29 per cent).

Note 18: Joint ventures (continued)

(b) Jointly controlled assets

Royal Melbourne Showgrounds

The State 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 the RASV.

In June 2006, Showgrounds Nominees Pty Ltd entered into a development and operations agreement (on behalf of the State and the 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.

The State's interest in the unincorporated joint venture at 30 June 2013 was 50 per cent (2012: 50 per cent).

(\$ million)

<i>Balance sheet</i>	<i>State of Victoria</i>		<i>General government sector</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Current assets	6.4	6.4	6.4	6.4
Non-current assets	121.1	125.8	121.1	125.8
Current liabilities	3.0	2.8	3.0	2.8
Non-current liabilities	49.3	50.4	49.3	50.4
Net assets	75.2	79.0	75.2	79.0

Biosciences Research Centre

In April 2008, the State entered into a joint venture agreement with LaTrobe University (LTU) to establish a world class research facility on the LTU's campus at Bundoora. A similar structure to the Showgrounds joint venture has been adopted comprising an unincorporated joint venture to carry out and deliver the joint venture project, and an incorporated joint venture entity, Biosciences Research Centre Pty Ltd to hold the assets of the joint venture and to enter into agreements on behalf of the State and LTU.

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

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

The State of Victoria's interest in the unincorporated joint venture at 30 June 2013 was 75 per cent (2012: 75 per cent).

Note 18: Joint ventures (continued)

(\$ million)

<i>Balance sheet</i>	<i>State of Victoria</i>		<i>General government sector</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Current assets	5.1	..	5.1	..
Non-current assets	185.8	..	185.8	..
Current liabilities	4.2	..	4.2	..
Non-current liabilities	193.3	..	193.3	..
Net assets	-6.6	..	-6.6	..

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 26.67 per cent, South Australia 26.67 per cent, Victoria 26.67 per cent and the Commonwealth Government 20 per cent.

(\$ million)

<i>Balance sheet</i>	<i>State of Victoria</i>		<i>General government sector</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Current assets	11.9	13.8	11.9	13.8
Non-current assets	793.8	776.7	793.8	776.7
Current liabilities	..	..	..	..
Non-current liabilities	..	..	..	..
Net assets	805.7	790.5	805.7	790.5

Note 19: Investments in other sector entities

(\$ million)

	2013	2012 ^(a)	2011 ^(a)
Balance of investment in PNFC and PFC sectors at beginning of period	67 513.8	65 763.5	60 413.2
Net contributions to other sectors by owner	2 785.9	2 450.9	1 754.6
Revaluation gain/(loss) for period	(810.3)	(700.5)	3 595.6
Total investments in other sector entities	69 489.5	67 513.8	65 763.5

Note:

(a) Restated balances at 30 June 2012 and 1 July 2011. Refer to Note 36 of the financial statements.

Note 20: Inventories

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
At cost				
Raw materials	5.3	36.2	4.7	35.6
Work in progress	52.7	116.0	4.4	66.4
Finished goods	48.2	64.1	5.4	6.1
Consumable stores	149.7	144.9	113.5	113.9
Land and other assets held as inventory ^(a)	598.6	622.3	60.3	70.0
At net realisable value				
Finished goods	7.9	7.9	0.1	0.1
Consumable stores	4.9	5.0	..	..
Land and other assets held as inventory	3.8	4.1	3.8	4.1
Total inventories	871.0	1 000.6	192.1	296.2

Note:

(a) Including inventory held for distribution.

Note 20: Inventories (*continued*)

Reconciliation of movements in land and other assets held as inventory

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Opening balance	626.4	705.9	74.1	79.5
Acquisitions	159.1	83.7	16.4	4.2
Assets transferred	47.6	22.8	24.6	22.7
Revaluations	(126.4)	(48.0)	(12.0)	(5.9)
Disposals	(104.4)	(137.9)	(39.0)	(26.4)
Closing balance	602.4	626.4	64.1	74.1

Note 21: Non-financial assets held for sale

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Land	87.9	90.2	68.7	69.2
Buildings	12.5	69.2	0.9	69.2
Infrastructure, plant, equipment and vehicles	3.2	10.7	3.2	10.7
Other	69.3	0.1	69.3	0.1
Total non-financial assets held for sale	173.0	170.3	142.1	149.2

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	
	2013	2012	2013	2012
Buildings (written down value) ^(a)	2 059.8	1 868.0	1 032.1	990.3
Land and national parks	1 402.1	1 417.9	946.6	957.3
Buildings leasehold (written down value) ^(a)	72.5	75.0	39.1	50.0
Infrastructure systems (written down value)	81.5	242.5	74.6	75.6
Plant, equipment and vehicles (written down value)	406.2	314.9	235.2	165.9
Roads and road networks (written down value)	22.6	22.0	..	..
Earthworks	0.5	0.5	..	..
Cultural assets (written down value)	200.7	206.8	200.7	206.8
Total land, buildings, infrastructure, plant and equipment	4 245.8	4 147.5	2 528.3	2 445.9

	Community Housing			
	State of Victoria		General government sector	
	2013	2012	2013	2012
Buildings (written down value) ^(a)	8 486.5	8 415.9	..	..
Land and national parks	9 511.6	9 552.6	..	..
Buildings leasehold ^(a)	4.1	4.5	..	..
Infrastructure systems (written down value)	..	..	..	..
Plant, equipment and vehicles (written down value)	0.5	1.1	..	..
Roads (written down value)	..	..	..	..
Earthworks	..	..	..	..
Cultural assets (written down value)	..	..	..	..
Total land, buildings, infrastructure, plant and equipment	18 002.7	17 974.2	..	..

	Total			
	State of Victoria		General government sector	
	2013	2012	2013	2012
Buildings (written down value) ^(a)	36 004.9	36 080.0	21 708.8	21 008.0
Land and national parks	55 437.0	53 612.9	37 465.7	36 728.0
Buildings leasehold ^(a)	2 339.1	2 537.6	2 291.9	2 488.8
Infrastructure systems (written down value)	53 370.7	47 543.9	2 291.0	2 296.5
Plant, equipment and vehicles (written down value)	8 070.0	7 103.4	2 921.3	2 285.5
Roads (written down value)	21 097.9	20 299.7	21 027.9	20 252.3
Earthworks	7 639.2	7 279.9	7 638.8	7 279.4
Cultural assets (written down value)	5 514.1	5 513.1	5 458.7	5 458.1
Total land, buildings, infrastructure, plant and equipment	189 473.0	179 970.6	100 804.0	97 796.6

Note:

(a) Accumulated Depreciation of Building Leasehold Assets was reclassified in line with disclosure of Building Leasehold (Written Down Value).

<i>Education</i>				<i>Health and Welfare</i>			
<i>State of Victoria</i>		<i>General government sector</i>		<i>State of Victoria</i>		<i>General government sector</i>	
<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
8 423.1	8 611.3	8 423.1	8 611.3	6 797.0	6 571.5	6 781.6	6 556.2
7 784.5	7 183.5	7 784.5	7 183.5	1 967.1	1 968.0	1 963.2	1 964.1
216.1	201.7	216.1	201.7	1 154.2	1 242.8	1 154.2	1 242.8
..
631.2	417.2	631.2	417.2	1 020.9	1 011.0	1 020.9	1 010.9
..
..
9.5	15.3	9.5	15.3	5.5	5.2	5.5	5.2
17 064.4	16 429.0	17 064.4	16 429.0	10 944.7	10 798.4	10 925.4	10 779.2

<i>Transportation and Communication</i>				<i>Public Safety and Environment</i>			
<i>State of Victoria</i>		<i>General government sector</i>		<i>State of Victoria</i>		<i>General government sector</i>	
<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
4 728.9	4 605.8	521.1	531.8	5 509.6	6 007.6	4 950.8	4 318.5
21 315.1	21 339.4	17 473.9	17 500.1	13 456.6	12 151.5	9 297.5	9 123.0
42.6	56.2	39.8	44.8	849.5	957.5	842.6	949.6
14 252.0	13 184.9	370.2	387.9	39 037.3	34 116.5	1 846.2	1 833.0
4 852.6	4 727.1	143.2	58.2	1 158.7	632.1	890.9	633.3
21 027.9	20 252.3	21 027.9	20 252.3	47.5	25.5	..	..
7 638.8	7 279.4	7 638.8	7 279.4	..	..	..	..
1.7	1.8	1.2	1.3	5 296.6	5 283.9	5 241.7	5 229.5
73 859.5	71 446.9	47 216.1	46 055.7	65 355.8	59 174.6	23 069.8	22 086.8

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

(b) Land and buildings

(\$ million)

	Public Administration			
	State of Victoria		General government sector	
	2013	2012	2013	2012
Buildings	2 178.6	2 155.1	1 125.9	1 059.9
Accumulated depreciation ^(a)	(118.8)	(287.1)	(93.8)	(69.6)
Buildings (written down value) ^(a)	2 059.8	1 868.0	1 032.1	990.3
Buildings leasehold (written down value) ^(a)	72.5	75.0	39.1	50.0
Land	1 402.1	1 417.9	946.6	957.3
National parks and other 'land only' holdings	..	..	..	..
Land and national parks	1 402.1	1 417.9	946.6	957.3
Total land and buildings	3 534.5	3 360.9	2 017.8	1 997.6

	Community Housing			
	State of Victoria		General government sector	
	2013	2012	2013	2012
Buildings	9 093.5	8 860.7	..	..
Accumulated depreciation ^(a)	(607.1)	(444.8)	..	..
Buildings (written down value) ^(a)	8 486.5	8 415.9	..	..
Buildings leasehold (written down value) ^(a)	4.1	4.5	..	..
Land	9 511.6	9 552.6	..	..
National parks and other 'land only' holdings	..	..	..	..
Land and national parks	9 511.6	9 552.6	..	..
Total land and buildings	18 002.2	17 973.0	..	..

	Total			
	State of Victoria		General government sector	
	2013	2012	2013	2012
Buildings	39 753.0	40 288.4	24 421.3	24 264.4
Accumulated depreciation ^(a)	(3 748.2)	(4 208.4)	(2 712.5)	(3 256.4)
Buildings (written down value) ^(a)	36 004.9	36 080.0	21 708.8	21 008.0
Buildings leasehold (written down value) ^(a)	2 339.1	2 537.6	2 291.9	2 488.8
Land	53 751.5	51 924.9	35 780.2	35 040.0
National parks and other 'land only' holdings	1 685.5	1 688.0	1 685.5	1 688.0
Land and national parks	55 437.0	53 612.9	37 465.7	36 728.0
Total land and buildings	93 781.0	92 230.6	61 466.4	60 224.9

Note:

(a) Accumulated Depreciation of Building Leasehold Assets was reclassified in line with disclosure of Building Leasehold (Written Down Value).

<i>Education</i>				<i>Health and Welfare</i>			
<i>State of Victoria</i>		<i>General government sector</i>		<i>State of Victoria</i>		<i>General government sector</i>	
<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
8 423.1	9 387.9	8 423.1	9 387.9	9 081.6	8 783.7	9 066.0	8 767.6
..	(776.7)	..	(776.7)	(2 284.7)	(2 212.2)	(2 284.4)	(2 211.4)
8 423.1	8 611.3	8 423.1	8 611.3	6 797.0	6 571.5	6 781.6	6 556.2
216.1	201.7	216.1	201.7	1 154.2	1 242.8	1 154.2	1 242.8
7 784.5	7 183.5	7 784.5	7 183.5	1 967.1	1 968.0	1 963.2	1 964.1
..
7 784.5	7 183.5	7 784.5	7 183.5	1 967.1	1 968.0	1 963.2	1 964.1
16 423.7	15 996.5	16 423.7	15 996.5	9 918.3	9 782.2	9 899.1	9 763.0

<i>Transportation and Communication</i>				<i>Public Safety and Environment</i>			
<i>State of Victoria</i>		<i>General government sector</i>		<i>State of Victoria</i>		<i>General government sector</i>	
<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
4 926.2	4 723.9	538.4	557.7	6 050.0	6 377.1	5 267.8	4 491.3
(197.3)	(118.1)	(17.3)	(25.8)	(540.4)	(369.5)	(317.0)	(172.8)
4 728.9	4 605.8	521.1	531.8	5 509.6	6 007.6	4 950.8	4 318.5
42.6	56.2	39.8	44.8	849.5	957.5	842.6	949.6
21 315.1	21 339.4	17 473.9	17 500.1	11 771.1	10 463.5	7 612.0	7 435.0
..	..	..	..	1 685.5	1 688.0	1 685.5	1 688.0
21 315.1	21 339.4	17 473.9	17 500.1	13 456.6	12 151.5	9 297.5	9 123.0
26 086.6	26 001.4	18 034.9	18 076.7	19 815.7	19 116.6	15 090.9	14 391.0

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	
	2013	2012	2013	2012
Infrastructure systems ^(a)	84.5	244.5	75.7	75.6
Accumulated depreciation ^(a)	(3.0)	(2.0)	(1.1)	..
Leased infrastructure systems ^(a)	..	..	..	..
Accumulated depreciation	..	..	..	..
Infrastructure systems (written down value)	81.5	242.5	74.6	75.6
Plant, equipment and vehicles	693.7	659.2	409.2	411.1
Accumulated depreciation	(287.5)	(345.2)	(174.0)	(246.1)
Leased plant, equipment and vehicles	..	1.0	..	1.0
Accumulated depreciation	..	(0.2)	..	(0.2)
Plant, equipment and vehicles (written down value)	406.2	314.9	235.2	165.9
Total plant, equipment and vehicles, and infrastructure systems	487.7	557.4	309.8	241.5

	Community Housing			
	State of Victoria		General government sector	
	2013	2012	2013	2012
Infrastructure systems ^(a)	..	..	..	..
Accumulated depreciation ^(a)	..	..	..	..
Leased infrastructure systems ^(a)	..	..	..	..
Accumulated depreciation	..	..	..	..
Infrastructure systems (written down value)	..	..	..	..
Plant, equipment and vehicles	8.1	8.1	..	..
Accumulated depreciation	(7.6)	(7.0)	..	..
Leased plant, equipment and vehicles	..	..	..	..
Accumulated depreciation	..	..	..	..
Plant, equipment and vehicles (written down value)	0.5	1.1	..	..
Total plant, equipment and vehicles, and infrastructure systems	0.5	1.1	..	..

	Total			
	State of Victoria		General government sector	
	2013	2012	2013	2012
Infrastructure systems ^(a)	52 191.5	50 437.0	2 744.4	2 719.6
Accumulated depreciation ^(a)	(3 547.1)	(3 004.3)	(453.3)	(423.1)
Leased infrastructure systems ^(a)	4 809.1	156.5	..	..
Accumulated depreciation	(82.8)	(45.2)	..	..
Infrastructure systems (written down value)	53 370.7	47 543.9	2 291.0	2 296.5
Plant, equipment and vehicles	10 968.9	9 787.3	5 991.0	5 286.3
Accumulated depreciation	(4 001.5)	(3 795.0)	(3 194.2)	(3 145.8)
Leased plant, equipment and vehicles	1 345.2	1 363.0	300.6	363.5
Accumulated depreciation	(242.7)	(251.9)	(176.1)	(218.5)
Plant, equipment and vehicles (written down value)	8 070.0	7 103.4	2 921.3	2 285.5
Total plant, equipment and vehicles, and infrastructure systems	61 440.7	54 647.4	5 212.4	4 582.0

Note:

(a) Restated balances at 30 June 2012. Refer to Note 36 of the Financial Statements.

<i>Education</i>				<i>Health and Welfare</i>			
<i>State of Victoria</i>		<i>General government sector</i>		<i>State of Victoria</i>		<i>General government sector</i>	
<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
..
..
..
..
..
1 414.0	1 198.2	1 414.0	1 198.2	2 308.7	2 230.4	2 308.1	2 229.9
(782.8)	(786.9)	(782.8)	(786.9)	(1 377.2)	(1 322.8)	(1 376.8)	(1 322.3)
..	12.2	..	12.2	118.4	122.0	118.4	122.0
..	(6.3)	..	(6.3)	(29.0)	(18.6)	(29.0)	(18.6)
631.2	417.2	631.2	417.2	1 020.9	1 011.0	1 020.9	1 010.9
631.2	417.2	631.2	417.2	1 020.9	1 011.0	1 020.9	1 010.9

<i>Transportation and Communication</i>				<i>Public Safety and Environment</i>			
<i>State of Victoria</i>		<i>General government sector</i>		<i>State of Victoria</i>		<i>General government sector</i>	
<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
14 992.2	13 561.8	384.2	407.4	37 114.9	36 630.7	2 284.4	2 236.7
(743.6)	(380.2)	(14.0)	(19.5)	(2 800.6)	(2 622.2)	(438.2)	(403.6)
6.6	6.0	..	..	4 802.4	150.5	..	..
(3.3)	(2.7)	..	..	( 79.5)	(42.5)	..	..
14 252.0	13 184.9	370.2	387.9	39 037.3	34 116.5	1 846.2	1 833.0
4 230.3	4 082.8	184.7	156.2	2 314.2	1 608.5	1 674.9	1 290.9
(355.6)	(321.5)	(41.5)	(98.0)	(1 190.8)	(1 011.6)	(819.0)	(692.4)
1 044.4	999.1	..	..	182.4	228.7	182.1	228.2
(66.6)	(33.3)	..	..	( 147.2)	(193.5)	(147.1)	(193.5)
4 852.6	4 727.1	143.2	58.2	1 158.7	632.1	890.9	633.3
19 104.6	17 912.0	513.4	446.0	40 195.9	34 748.6	2 737.1	2 466.3

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

(d) Road networks and earthworks

(\$ million)

	Public Administration			
	State of Victoria		General government sector	
	2013	2012	2013	2012
Roads and roads infrastructure ^(a)	25.9	24.9	..	..
Accumulated depreciation ^(b)	(3.3)	(2.9)	..	..
Roads and roads infrastructure (written down value)	22.6	22.0	..	..
Earthworks	0.5	0.5	..	..
Total road networks and earthworks	23.0	22.5	..	..

	Community Housing			
	State of Victoria		General government sector	
	2013	2012	2013	2012
Roads and roads infrastructure ^(a)
Accumulated depreciation ^(b)
Roads and roads infrastructure (written down value)
Earthworks
Total road networks and earthworks

	Total			
	State of Victoria		General government sector	
	2013	2012	2013	2012
Roads and roads infrastructure ^(a)	36 295.8	34 971.8	36 219.2	34 918.5
Accumulated depreciation ^(b)	(15 197.9)	(14 672.1)	(15 191.3)	(14 666.3)
Roads and roads infrastructure (written down value)	21 097.9	20 299.7	21 027.9	20 252.3
Earthworks	7 639.2	7 279.9	7 638.8	7 279.4
Total road networks and earthworks	28 737.2	27 579.6	28 666.6	27 531.7

Notes:

(a) Roads and Roads Infrastructure have been combined for disclosure purposes since the 2011-12 Financial Report.

(b) Restated balances at 30 June 2012. Refer to Note 36 of the Financial Statements.

<i>Education</i>				<i>Health and Welfare</i>			
<i>State of Victoria</i>		<i>General government sector</i>		<i>State of Victoria</i>		<i>General government sector</i>	
<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
..
..
..
..
..

<i>Transportation and Communication</i>				<i>Public Safety and Environment</i>			
<i>State of Victoria</i>		<i>General government sector</i>		<i>State of Victoria</i>		<i>General government sector</i>	
<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
36 219.2	34 918.5	36 219.2	34 918.5	50.8	28.3	..	..
(15 191.3)	(14 666.3)	(15 191.3)	(14 666.3)	(3.3)	(2.9)	..	..
21 027.9	20 252.3	21 027.9	20 252.3	47.5	25.5	..	..
7 638.8	7 279.4	7 638.8	7 279.4	..	..	..	..
28 666.6	27 531.7	28 666.6	27 531.7	47.5	25.5	..	..

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

(e) Cultural assets

(\$ million)

	<i>Public Administration</i>			
	<i>State of Victoria</i>		<i>General government sector</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Cultural assets	212.3	207.7	212.3	207.7
Accumulated depreciation	(11.6)	(0.9)	(11.6)	(0.9)
Total cultural assets	200.7	206.8	200.7	206.8

	<i>Community Housing</i>			
	<i>State of Victoria</i>		<i>General government sector</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Cultural assets
Accumulated depreciation
Total cultural assets

	<i>Total</i>			
	<i>State of Victoria</i>		<i>General government sector</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Cultural assets	5 625.2	5 616.7	5 569.8	5 561.6
Accumulated depreciation	(111.1)	(103.6)	(111.1)	(103.6)
Total cultural assets	5 514.1	5 513.1	5 458.7	5 458.1

<i>Education</i>				<i>Health and Welfare</i>			
<i>State of Victoria</i>		<i>General government sector</i>		<i>State of Victoria</i>		<i>General government sector</i>	
<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
31.9	44.3	31.9	44.3	5.5	5.2	5.5	5.2
(22.4)	(29.0)	(22.4)	(29.0)	..	..	..	..
9.5	15.3	9.5	15.3	5.5	5.2	5.5	5.2

<i>Transportation and Communication</i>				<i>Public Safety and Environment</i>			
<i>State of Victoria</i>		<i>General government sector</i>		<i>State of Victoria</i>		<i>General government sector</i>	
<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
2.0	2.4	1.4	1.9	5 373.5	5 357.0	5 318.7	5 302.6
(0.2)	(0.6)	(0.2)	(0.6)	(76.9)	(73.1)	(76.9)	(73.1)
1.7	1.8	1.2	1.3	5 296.6	5 283.9	5 241.7	5 229.5

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	
	2013	2012	2013	2012
Opening balance	92 230.6	88 853.4	60 224.9	58 899.4
Acquisitions	2 742.9	4 483.5	2 058.0	3 738.6
Reclassification	(515.7)	1 476.5	(378.5)	(84.2)
Revaluation	816.1	637.3	802.0	640.8
Disposals	(392.5)	(1 589.8)	(260.6)	(1 419.1)
Assets recognised for the first time	398.3	333.0	163.7	60.0
Impairment	(160.4)	(687.6)	(158.8)	(664.7)
Depreciation	(1 338.2)	(1 275.7)	(984.5)	(945.9)
Closing balance	93 781.0	92 230.6	61 466.4	60 224.9

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

(\$ million)

	State of Victoria		General government sector	
	2013	2012 ^(a)	2013	2012 ^(a)
Opening balance	54 647.4	53 901.4	4 582.0	4 191.2
Acquisitions	9 002.5	5 873.8	709.9	1 065.2
Reclassification ^(a)	660.1	(1 157.4)	604.2	481.0
Revaluation	(278.9)	(178.6)	6.4	4.4
Disposals	(747.0)	(581.2)	(219.0)	(508.7)
Assets recognised for the first time	233.5	(1 197.8)	140.3	3.3
Impairment	(27.4)	(49.8)	(4.3)	(45.5)
Depreciation	(2 049.4)	(1 963.0)	(607.1)	(608.9)
Closing balance	61 440.7	54 647.4	5 212.4	4 582.0

Note:

(a) Restated balances at 30 June 2012. Refer to Note 36 of the Financial Statements.

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

(f) Reconciliation of movements (*continued*)

Reconciliation of movements in road networks and earthworks

(\$ million)

	State of Victoria		General government sector	
	2013	2012 ^(a)	2013	2012 ^(a)
Opening balance	27 579.6	25 539.5	27 531.7	25 512.3
Acquisitions	1 795.8	1 016.2	1 771.0	1 000.4
Reclassification ^(a)	(3.4)	(645.5)	(3.2)	(651.4)
Revaluation	(12.8)	2 353.1	(13.7)	2 352.9
Disposals	(66.8)	(133.3)	(66.7)	(132.9)
Assets recognised for the first time	1.4	0.6	1.4	..
Impairment	(12.8)	(73.2)	(12.8)	(73.2)
Depreciation	(543.9)	(477.7)	(541.0)	(476.3)
Closing balance	28 737.2	27 579.6	28 666.6	27 531.7

Note:

(a) Restated balances at 30 June 2012. Refer to Note 36 of the Financial Statements.

Reconciliation of movements in cultural assets

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Opening balance	5 513.1	5 387.3	5 458.1	5 333.0
Acquisitions	18.7	25.7	18.2	25.0
Reclassification	4.1	36.3	4.5	36.3
Revaluation	0.4	87.9	..	87.9
Disposals	(0.3)	(8.8)	(0.3)	(8.8)
Assets recognised for the first time	..	0.2	..	0.2
Impairment	..	..	..	..
Depreciation	(21.8)	(15.6)	(21.8)	(15.6)
Closing balance	5 514.1	5 513.1	5 458.7	5 458.1

Note 23: Other non-financial assets

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
	Intangible produced assets	1 799.1	1 550.7	1 062.1	895.0
<i>Accumulated depreciation</i>	(799.0)	(554.6)	(476.3)	(394.6)
Intangible non-produced assets	813.7	780.1	168.1	105.5
<i>Accumulated amortisation</i>	(178.3)	(236.7)	(90.0)	(62.6)
Total intangibles	1 635.4	1 539.4	663.8	543.3
Investment properties	70.6	52.2	53.5	42.2
Biological assets ^(a)	63.8	23.3	41.8	6.0
Other assets	283.2	240.1	195.1	152.4
Total other non-financial assets	2 053.1	1 855.0	954.3	744.0

Notes:

(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.

Reconciliation of movement in intangibles, investment properties and biological assets

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
	Opening balance	1 614.9	1 559.2	591.6	604.1
Acquisitions	500.7	360.9	302.6	150.3
Reclassification	29.8	(19.1)	27.3	(0.4)
Revaluation	7.3	(0.3)	7.1	0.6
Disposals	(155.1)	(90.9)	(24.8)	(69.6)
Assets recognised for the first time	6.9	5.9	2.1	4.9
Impairment	(32.7)	(30.3)	(31.0)	(3.5)
Amortisation and depreciation ^(a)	(202.0)	(170.4)	(115.6)	(94.9)
Closing balance ^(b)	1 769.9	1 614.9	759.2	591.6

Notes:

(a) For produced and non-produced assets.

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

Note 24: Assets classified by government purpose classification

(a) Purchases of non-financial assets

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
General public services	260.1	92.2	65.9	30.5
Public order and safety	526.7	348.6	526.7	348.6
Education	676.9	1 312.0	676.9	1 312.0
Health	794.9	632.1	794.6	632.1
Social security and welfare	31.9	41.3	31.9	41.3
Housing and community amenities	2 181.9	2 246.0	122.7	160.4
Recreation and culture	211.2	293.0	30.2	70.4
Fuel and energy	..	2.6	..	2.6
Agriculture, forestry, fishing, and hunting	41.3	16.7	35.3	18.0
Mining, manufacturing, and construction	..	0.1	..	0.1
Transport and communications	2 771.9	2 505.3	1 748.7	924.9
Other economic affairs	99.4	23.4	99.4	23.4
Other purposes	1.7	0.7	0.8	0.7
Total purchases of non-financial assets^(a)	7 597.8	7 514.0	4 133.2	3 564.9

Note:

(a) Note 40 provides definitions and descriptions of government purpose classifications.

(b) Total assets

(\$ million)

	State of Victoria			General government sector		
	2013	2012 ^(a)	2011 ^(a)	2013	2012 ^(a)	2011 ^(a)
General public services	1 414.6	1 159.1	1 192.5	1 256.0	963.5	774.5
Public order and safety	6 893.2	7 220.4	6 813.9	6 893.2	7 220.4	6 813.9
Education	17 352.8	16 732.9	16 922.3	17 352.8	16 732.9	16 922.3
Health	10 398.1	10 211.5	9 453.0	10 378.9	10 211.5	9 453.0
Social security and welfare	855.1	970.4	838.8	855.1	970.4	679.1
Housing and community amenities	67 806.2	60 917.1	60 335.1	7 924.0	6 905.5	7 698.2
Recreation and culture	12 034.7	12 640.0	12 309.4	8 438.3	8 536.8	8 321.5
Fuel and energy	16.2	29.7	32.5	..	5.9	5.1
Agriculture, forestry, fishing, and hunting	895.5	683.9	651.6	836.2	620.2	596.4
Mining, manufacturing, and construction	..	..	..	..	..	..
Transport and communications	74 044.7	71 683.7	67 726.1	47 304.2	46 071.0	43 465.0
Other economic affairs	851.4	745.0	347.1	851.4	745.0	347.1
Other purposes	7.6	2.7	3.0	2.5	2.7	3.0
Not allocated by purpose ^{(b)(c)}	43 486.5	39 925.3	39 524.8	86 572.1	78 914.7	75 739.5
Total asset^(d)	236 056.6	222 921.8	216 150.1	188 664.6	177 900.7	170 818.7

Notes:

(a) Restated balances at 30 June 2012 and 1 July 2011. Refer to Note 36 of the financial statements.

(b) Represents financial assets which are not able to be allocated by purpose.

(c) The 2012 figure has been restated to reflect gross grants from general government.

(d) Note 39 provides definitions and descriptions of government purpose classifications.

Note 25: Borrowings

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Current borrowings				
Domestic borrowings	1 046.6	2 947.2	2 599.8	853.0
Foreign currency borrowings	432.7	1 163.0	..	..
Finance lease liabilities	135.8	105.0	74.9	50.4
Derivative financial instruments	695.0	1 198.4	..	..
Total current borrowings	2 310.2	5 413.6	2 674.7	903.3
Non-current borrowings				
Domestic borrowings	35 950.1	31 285.9	20 703.2	18 826.2
Foreign currency borrowings	98.2	109.8	..	..
Finance lease liabilities	8 724.5	3 406.2	7 958.4	2 628.3
Derivative financial instruments	354.0	422.3	9.0	36.0
Total non-current borrowings	45 126.8	35 224.1	28 670.6	21 490.5
Total borrowings	47 437.0	40 637.7	31 345.3	22 393.9

Note 26: Employee benefits

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Current				
Accrued salaries and wages ^(a)	1 801.4	1 681.5	1 622.3	1 515.1
Long service leave	3 150.0	3 206.8	2 962.2	3 028.8
Total current employee benefits	4 951.4	4 888.3	4 584.6	4 543.9
Non-current				
Long service leave	673.3	554.1	624.3	499.3
Total non-current employee benefits	673.3	554.1	624.3	499.3
Total employee benefits	5 624.7	5 442.4	5 208.8	5 043.2

Note:

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

Note 27: Other provisions

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Provision for insurance claims				
Victorian WorkCover Authority	1 891.8	1 841.5	..	..
Transport Accident Commission	1 063.6	1 001.2	..	..
Victorian Managed Insurance Authority	375.0	370.4	..	..
Other agencies	17.4	19.3	12.9	14.7
Current provision for insurance claims	3 347.8	3 232.4	12.9	14.7
Onerous contracts	126.4	123.6	..	..
Other provisions	297.4	377.7	180.3	238.1
Total current other provisions	3 771.6	3 733.7	193.2	252.8
Non-current provision for insurance claims				
Victorian WorkCover Authority	8 545.0	8 702.4	..	..
Transport Accident Commission	8 966.8	9 101.5	..	..
Victorian Managed Insurance Authority	1 589.4	1 600.4	..	..
Other agencies	30.0	30.1	28.5	29.0
Non-current provision for insurance claims	19 131.2	19 434.3	28.5	29.0
Onerous contracts	211.5	383.5	..	..
Other provisions	428.2	366.8	381.6	353.7
Total non-current other provisions	19 770.9	20 184.6	410.1	382.7
Total other provisions	23 542.4	23 918.3	603.3	635.5

Reconciliation of movements in insurance claims

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Opening balance	22 666.7	19 086.6	43.8	171.8
Effect of changes in assumptions and claims experience	(1 403.0)	2 499.1	(5.2)	(9.9)
Cost of prior year claims (unwinding of discount)	765.2	648.0	1.1	3.2
Increase in claims incurred ^(a)	3 768.9	3 801.6	18.1	20.2
Claim payments during the year ^(a)	(2 885.6)	(2 808.7)	(16.3)	(38.5)
Other	(433.3)	(559.9)	..	(103.1)
Closing balance	22 479.0	22 666.7	41.4	43.8

Note:

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

Reconciliation of movements in onerous contracts provisions

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Opening balance	507.1	891.9	..	..
Receipts	352.9	211.6	..	..
Payments	(478.1)	(263.8)	..	..
Discount interest ^(a)	13.1	48.3	..	..
(Gain)/loss on restatement of the liability	(57.1)	(380.9)	..	..
Closing balance	337.9	507.1	..	..

Note:

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

Note 27: Other provisions (continued)

2013

<i>Entity</i>	<i>Actuary</i>	<i>Weighted average expected term to settlement</i>	<i>Financial assumptions used (not later than 1 year) ^(a)</i>	<i>Financial assumptions used (later than 1 year) ^(a)</i>	<i>Prudential margin</i>
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 = 3.2 per 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

<i>Entity</i>	<i>Actuary</i>	<i>Weighted average expected term to settlement</i>	<i>Financial assumptions used (not later than 1 year) ^(a)</i>	<i>Financial assumptions used (later than 1 year) ^(a)</i>	<i>Prudential margin</i>
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 27: Other provisions (continued)

2012

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	5.8 years	inflation rate	inflation rate	8.5 per cent
			3.75 per cent	3.75 per cent	
			discount rate	discount rate	
			2.79 per cent	2.13 – 5.50 per cent	
Transport Accident Commission	Pricewaterhouse Coopers Actuarial Ltd	14.6 years	inflation rate	inflation rate	10.5 per cent
			4.25 per cent	3.75 per cent	
			discount rate	discount rate	
			2.8 per cent	5.50 per cent	
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Public Healthcare Program)	6.1 years	weighted average inflation rate =	weighted average inflation rate =	11.2 per cent of the net central estimate of outstanding claims liability and claims handling expense
			7.8 per cent	7.8 per cent	
			weighted average discount rate =	weighted average discount rate =	
			3.0 per cent	3.0 per cent	
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (General Government Program)	1.8 years	weighted average inflation rate =	weighted average inflation rate =	21.5 per cent of the net central estimate of outstanding claims liability and claims handling expense
			3.8 per cent	3.8 per cent	
			weighted average discount rate =	weighted average discount rate =	
			2.8 per cent	2.8 per cent	
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Dust Diseases and Workers Compensation or Run-off Program)	12.8 years	weighted average inflation rate =	weighted average inflation rate =	28.5 per cent of the net central estimate of outstanding claims liability and claims handling expense
			5.8 per cent	5.8 per cent	
			weighted average discount rate =	weighted average discount rate =	
			4.00 per cent	4.00 per cent	
Victorian Managed Insurance Authority	Finity Consulting Pty Ltd (Domestic Building Insurance Program)	4.5 years	weighted average inflation rate =	weighted average inflation rate =	23.5 per cent of the net central estimate of outstanding claims liability and claims handling expense
			3.8 per cent	3.8 per cent	
			weighted average discount rate =	weighted average discount rate =	
			2.8 per cent	2.8 per cent	

Note:

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

Note 28: Reserves, accumulated surplus/(deficit) and non-controlling interests

(a) Reserves

(\$ million)

	State of Victoria		General government sector		
	2013	2012 ^(a)	2013	2012 ^(a)	2011 ^(a)
	Land, buildings, infrastructure, plant and equipment surplus	76 364.0	75 568.6	37 663.0	36 962.6	34 956.4
Available-for-sale investments	66.2	12.4	51.8	22.7	38.3
Revaluation reserve for investments in PFC and PNFC entities	..	..	38 148.1	38 958.4	39 658.9
Other reserves	1 798.9	2 614.6	869.6	961.8	971.8
Total reserves	78 229.1	78 195.6	76 732.5	76 905.5	75 625.4

Note:

(a) Restated balances at 30 June 2012 and 1 July 2011. Refer to Note 36 of the financial statements.

Movements in reserves

Property, plant and equipment revaluation surplus

(\$ million)

	State of Victoria		General government sector	
	2013	2012 ^(a)	2013	2012
Balance at beginning of reporting period	75 568.6	73 538.7	36 962.6	34 956.4
Revaluation – associate	84.4	278.9	..	..
Revaluation – other	711.0	1 751.1	700.5	2 006.2
Balance at the end of the reporting period	76 364.0	75 568.6	37 663.0	36 962.6

Note:

(a) Restated balances at 30 June 2012 and 1 July 2011. Refer to Note 36 of the financial statements.

Available-for-sale investments revaluation surplus

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Balance at beginning of reporting period	12.4	41.2	22.7	38.3
Revaluation	55.0	(27.0)	30.2	(13.8)
Transferred to profit or loss for the period	(1.2)	(1.8)	(1.1)	(1.8)
Balance at the end of the reporting period	66.2	12.4	51.8	22.7

Revaluation surplus for investments in PFC and PNFC

(\$ million)

	State of Victoria		General government sector		
	2013	2012	2013	2012 ^(a)	2011 ^(a)
	Balance at beginning of reporting period	38 958.4	39 658.9	36 063.2
Revaluation – PFC entities	..	..	897.0	(81.3)	710.4
Revaluation – PNFC entities	..	..	(1 707.3)	(619.2)	2 885.3
Balance at the end of the reporting period	..	..	38 148.1	38 958.4	39 658.9

Note:

(a) Restated balances at 30 June 2012 and 1 July 2011. Refer to Note 36 of the financial statements.

**Note 28: Reserves, accumulated surplus/(deficit) and non-controlling interests
(continued)**

Other reserves

(\$ million)

	<i>State of Victoria</i>		<i>General government sector</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Balance at beginning of reporting period	2 614.6	2 605.6	961.8	971.8
Transfers to/(from) accumulated surplus	(815.7)	9.0	(92.2)	(10.0)
Balance at the end of the reporting period	1 798.9	2 614.6	869.6	961.8

(b) Accumulated surplus/(deficit)

(\$ million)

	<i>State of Victoria</i>		<i>General government sector</i>	
	<i>2013</i>	<i>2012^(a)</i>	<i>2013</i>	<i>2012^(a)</i>
Balance at beginning of reporting period	34 612.0	50 364.5	34 808.2	44 048.9
Net result for the period	9 525.8	(15 961.9)	7 413.8	(9 652.9)
Other comprehensive income for the year	1 215.2	209.4	952.6	412.2
Balance at the end of the reporting period	45 353.0	34 612.0	43 174.7	34 808.2

Note:

(a) Restated balances at 30 June 2012. Refer to Note 36 of the financial statements.

(c) Non-controlling interest

(\$ million)

	<i>State of Victoria</i>		<i>General government sector</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Balance at beginning of reporting period	50.0	48.5	50.0	48.5
Net contributions during the year ^(a)	..	1.5	..	1.5
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 at 30 June 2013.

Note 29: Cash flow information

(a) Reconciliation of cash and cash equivalents

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Cash	1 822.5	1 284.4	1 381.6	1 058.2
Deposits at call ^(a)	4 430.4	4 771.2	2 580.4	3 943.1
Cash and cash equivalents	6 252.9	6 055.6	3 962.0	5 001.3
Bank overdraft	..	..	..	..
Balances as per cash flow statement	6 252.9	6 055.6	3 962.0	5 001.3

Note:

(a) Review of Cash Investments in 2012-13 has reclassified some Australian Dollar Term Deposits held in 2011-12 to Cash and Deposits.

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

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Net result	9 525.8	(15 961.9)	7 413.8	(9 652.9)
Non-cash movements				
Depreciation and amortisation	4 155.4	3 902.4	2 270.0	2 141.6
Revaluation of investments	(1 562.9)	633.7	(15.8)	8.5
Assets (received)/provided free of charge	(140.0)	(405.3)	11.7	(94.3)
Assets not previously recognised	(231.9)	(81.5)	(230.2)	(79.7)
Revaluation of assets	126.0	145.0	113.8	127.4
Discount/premium on other financial assets/borrowings	(99.5)	(183.9)	5.8	5.4
Bad/doubtful debts	..	(0.1)	..	..
Foreign currency dealings	(0.4)	..	(0.3)	(0.1)
Unrealised (gains)/losses on borrowings	(910.4)	2 436.2	..	..
Discounting of assets and liabilities	(1.2)	(39.0)	..	..
Movements included in investing and financing activities				
Net gain/loss from sale of investments	(586.5)	(39.7)	(15.4)	(3.4)
Net gain/loss from sale of plant and equipment	(21.1)	100.5	(20.8)	105.0
Realised gains/losses on borrowings	(14.6)	223.1	..	..
Movements in assets and liabilities				
Increase/(decrease) in provision for doubtful debts	137.2	160.1	130.7	158.2
Increase/(decrease) in payables ^(a)	1 752.0	(1 115.9)	773.2	(301.1)
Increase/(decrease) in employee benefits	182.3	567.6	165.7	523.3
Increase/(decrease) in superannuation	(7 525.3)	9 907.6	(7 455.0)	9 817.2
Increase/(decrease) in other provisions	(371.9)	3 191.4	(51.0)	(70.5)
Increase/(decrease) in other liabilities	..	..	..	..
(Increase)/decrease in receivables ^(a)	(1 709.5)	559.1	(1 358.7)	42.3
(Increase)/decrease in other non-financial assets	(51.3)	6.2	(45.5)	30.8
Net cash flows from operating activities	2 652.2	4 005.3	1 692.3	2 757.5

Note:

(a) Restatement of previously published information relates to restated balances at 30 June 2012 and 1 July 2011. Refer to Note 36 of the Financial Statements.

Note 30: Reconciliations

(a) Reconciliation to GFS net operating balance^(a)

(\$ million)

	General government sector		Public non-financial corporations	
	2013	2012	2013	2012
Net result from transactions – net operating balance	316.4	571.2	(298.2)	(59.7)
<i>Convergence differences:</i> ^(b)				
PNFC/PFC dividends	..	..	720.3	305.9
<i>plus total convergence difference:</i>	..	..	( 720.3)	(305.9)
GFS net operating balance	316.4	571.2	(1 018.5)	(365.5)

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.

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

(\$ million)

	General government sector		Public non-financial corporations	
	2013	2012	2013	2012
Comprehensive result – total change in net worth ^(b)	8 193.5	(7 960.6)	(987.0)	(443.8)
<i>Convergence differences:</i>				
Relating to net operating balance – PNFC/PFC dividends	..	..	720.3	305.9
<i>Relating to other economic flows:</i> ^(c)				
Contribution by non-controlling interest				
Doubtful receivables of the general government sector ^(d)	131.1	157.8	..	..
Doubtful receivables of the PNFC/PFC sector	..	..	5.2	(2.8)
Future tax benefits of the PNFC/PFC sector	..	..	( 10.2)	(6.9)
Deferred tax liability of the PNFC/PFC sector	..	..	64.6	(232.5)
Net gain on equity investments in other sector entities measured at proportional share of the carrying amount of net assets/(liabilities) ^{(e)(f)}	922.3	(990.7)	..	..
Change in shares and other contributed capital	..	..	207.2	380.1
<i>plus total convergence differences</i>	1 053.4	(832.8)	987.0	443.8
GFS total change in net worth	9 247.0	(8 793.4)	..	..

Notes:

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

(b) Restated Balances at 30 June 2012 and 1 July 2011. Refer to Note 36 of the financial statements.

(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 (and therefore carrying amount of net assets) of the subsidiaries recognised in the balance sheet. The difference is therefore the total change in net worth impacting either through the net operating balance or other economic flows. The components are doubtful receivables.

(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		Eliminations		State of Victoria	
2013	2012	2013	2012	2013	2012
(978.5)	(940.3)	(1 526.5)	(818.9)	(2 486.8)	(1 247.6)
440.6	353.4	(1 160.9)	(659.3)	..	..
(440.6)	(353.4)	1 160.9	659.3	..	..
(1 419.1)	(1 293.7)	(365.6)	(159.6)	(2 486.8)	(1 247.6)

Public financial corporations		Eliminations		State of Victoria	
2013	2012	2013	2012	2013	2012
3 258.7	(4 432.7)	309.3	(905.3)	10 774.5	(13 742.4)
440.6	353.4	(1 160.9)	(659.3)	..	..
..	..	..	..	131.1	157.8
1.3	4.7	..	..	6.5	1.8
775.1	(754.8)	(764.9)	761.7	..	..
86.4	1.7	(150.9)	230.8	..	..
..	..	(922.3)	990.7	..	..
(4 562.0)	4 827.7	4 354.8	(5 207.8)	..	..
(3 258.7)	4 432.7	1 355.8	(3 884.0)	137.6	159.7
..	..	1 665.1	(4 789.2)	10 912.1	(13 582.7)

Note 30: Reconciliations (continued)

(c) Reconciliation to GFS net lending/(borrowing)^(a)

(\$ million)

	General government sector		Public non-financial corporations	
	2013	2012	2013	2012
Net lending/(borrowing)	(2 367.6)	(1 710.5)	(6 479.6)	(2 423.9)
<i>Convergence differences:</i> ^(b)				
Relating to net operating balance – PNFC/PFC dividends	..	..	720.3	305.9
<i>plus total convergence difference:</i>	..	..	( 720.3)	(305.9)
GFS net lending/(borrowing)	(2 367.6)	(1 710.5)	(7 199.9)	(2 729.8)

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	
	2013	2012	2013	2012
Net worth ^(b)	119 957.2	111 763.7	67 540.2	66 476.7
<i>Convergence differences:</i>				
Relating to net operating balance – PNFC/PFC dividends	..	..	720.3	305.9
Non-controlling interest	(50.0)	(50.0)	..	..
Doubtful receivables of the general government sector ^(c)	894.0	762.8	..	..
Doubtful receivables of the PNFC/PFC sector	..	..	22.1	16.9
Future tax benefits of the PNFC/PFC sector	..	..	( 174.8)	(164.6)
Deferred tax liability of the PNFC/PFC sector	..	..	8 037.2	7 972.7
Investments in other sector entities ^{(d)(e)}	6 527.6	5 605.3	..	..
Shares and other contributed capital	..	..	(76 144.9)	(74 607.5)
<i>plus total convergence difference:</i>	7 371.5	6 318.1	(67 540.2)	(66 476.7)
GFS net worth	127 328.8	118 081.8	..	..

Notes:

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

(b) Restated Balances at 30 June 2012 and 1 July 2011. Refer to Note 36 of the financial statements.

(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.

<i>Public financial corporations</i>		<i>Eliminations</i>		<i>State of Victoria</i>	
<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
(1 011.7)	(958.5)	(1 214.3)	(818.9)	(11 073.1)	(5 911.7)
440.6	353.4	(1 160.9)	(659.3)	..	..
(440.6)	(353.4)	1 160.9	659.3	..	..
(1 452.3)	(1 311.9)	(53.4)	(159.6)	(11 073.1)	(5 911.7)

<i>Public financial corporations</i>		<i>Eliminations</i>		<i>State of Victoria</i>	
<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
(852.8)	(3 667.7)	(63 012.5)	(61 715.1)	123 632.1	112 857.6
440.6	353.4	(1 160.9)	(659.3)	..	..
..	..	..	..	( 50.0)	(50.0)
..	..	..	..	894.0	762.8
55.4	54.2	..	..	77.5	71.0
(1 501.9)	(2 277.0)	1 676.7	2 441.6	..	..
89.6	3.2	(8 126.8)	(7 975.9)	..	..
..	..	(6 527.6)	(5 605.3)	..	..
1 769.1	5 533.9	74 375.8	69 073.6	..	..
852.8	3 667.7	60 237.3	57 274.8	921.5	783.9
..	..	(2 775.2)	(4 440.3)	124 553.6	113 641.5

Note 30: Reconciliations (*continued*)

(e) Reconciliation to GFS cash surplus/(deficit)^(a)

(\$ million)

	General government sector		Public non-financial corporations	
	2013	2012	2013	2012
Cash surplus/(deficit)	(2 192.9)	(640.3)	(2 789.9)	(2 679.6)
<i>Convergence differences:</i>				
Less: Acquisitions under finance leases and similar arrangements	(1 064.8)	(916.0)	(4 369.0)	(1.1)
GFS cash surplus/(deficit)	(3 257.7)	(1 556.4)	(7 158.9)	(2 680.7)

Note:

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

<i>Public financial corporations</i>		<i>Eliminations</i>		<i>State of Victoria</i>	
<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
208.5	286.9	234.9	(183.8)	(4 539.3)	(3 216.7)
..	..	..	..	(5 433.8)	(917.1)
208.5	286.9	234.9	(183.8)	(9 973.1)	(4 133.9)

Note 31: 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 2012-13 Budget Paper No. 5 *Statement of Finances*. The tables also include the revised budget estimates as published in Appendix B of 2013-14 Budget Paper No. 5 *Statement of Finances*.

As stated in Note 1(N), 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, the high level explanation of major variances in the key aggregates, where material, have been provided.

(a) Consolidated comprehensive operating statement

(\$ million)

	Notes	General government sector				Revised		
		Original budget	Revised budget	2013 Actual	Budget variance	%	budget variance	%
Revenue from transactions								
Taxation revenue	(a)	15 782.8	15 621.4	15 530.7	(252.2)	(1.6)	(90.8)	(0.6)
Interest revenue		709.5	672.6	700.7	(8.7)	(1.2)	28.1	4.2
Dividends and income tax equivalent and rate equivalent revenue	(b)	1 001.9	1 232.7	1 341.7	339.9	33.9	109.0	8.8
Sales of goods and services	(c)	6 753.1	6 916.7	6 869.3	116.1	1.7	(47.4)	(0.7)
Grants	(d)	22 220.0	21 693.0	21 902.2	(317.8)	(1.4)	209.2	1.0
Other revenue	(e)	1 889.4	1 969.2	2 268.3	378.9	20.1	299.1	15.2
Total revenue from transactions		48 356.7	48 105.6	48 612.9	256.2	0.5	507.3	1.1
Expenses from transactions								
Employee expenses	(f)	17 257.2	17 546.3	17 788.5	531.3	3.1	242.2	1.4
Superannuation interest expense	(g)	729.2	446.3	446.3	(282.9)	(38.8)	..	..
Other superannuation	(g)	1 811.2	1 923.1	1 924.0	112.8	6.2	0.9	..
Depreciation	(h)	2 385.9	2 264.9	2 254.3	(131.7)	(5.5)	(10.7)	(0.5)
Interest expense	(i)	1 725.6	1 750.6	1 775.3	49.8	2.9	24.7	1.4
Grants and other transfers	(j)	8 379.0	7 703.7	8 013.9	(365.1)	(4.4)	310.3	4.0
Other operating expenses	(k)	15 913.7	16 293.7	16 094.1	180.4	1.1	(199.5)	(1.2)
Total expenses from transactions		48 201.8	47 928.6	48 296.4	94.6	0.2	367.9	0.8
Net result from transactions – Net operating balance		154.9	177.0	316.4	161.6	104.3	139.4	78.7
Other economic flows included in net result								
Net gain/(loss) on disposal of non-financial assets		264.8	90.0	20.8	(244.0)	n.a.	(69.2)	n.a.
Net gain/(loss) on financial assets or liabilities at fair value		1.7	2.3	19.3	17.6	n.a.	17.1	n.a.
Net actuarial gain/(loss) of superannuation defined benefits plans		..	3 591.9	7 314.8	7 314.8	n.a.	3 722.9	n.a.
Share of net profit/(loss) from associates/joint venture entities, excluding dividends		..	..	4.8	4.8	n.a.	4.8	n.a.
Other gains/(losses) from other economic flows		(329.0)	(476.6)	(262.3)	66.8	n.a.	214.3	n.a.
Total other economic flows included in net result		(62.5)	3 207.6	7 097.4	7 159.9	n.a.	3 889.8	n.a.
Net result		92.4	3 384.7	7 413.8	7 321.5	n.a.	4 029.2	n.a.

Notes	General government sector					Revised		%
	Original budget	Revised budget	2013 Actual	Budget variance	%	budget variance	%	
Other economic flows – other comprehensive income								
Items that will not be reclassified to net result								
Changes in non-financial assets revaluation surplus	526.2	288.2	700.5	174.2	n.a.	412.2	n.a.	
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	(746.6)	568.6	(810.3)	(63.7)	n.a.	(1 378.9)	n.a.	
Other movements in equity	(1.0)	20.9	869.4	870.3	n.a.	848.4	n.a.	
Items that may be reclassified subsequently to net result								
Net gain/(loss) on financial assets at fair value	..	0.7	20.1	20.1	n.a.	19.4	n.a.	
Total other economic flows – other comprehensive income	(221.3)	878.5	779.7	1 001.0	n.a.	(98.8)	n.a.	
Comprehensive result – total change in net worth	(128.9)	4 263.2	8 193.5	8 322.5	n.a.	3 930.3	n.a.	

Revenue from transactions

Revenue from transactions was \$48.6 billion for the year to 30 June 2013. This was only 0.5 per cent higher than estimated in the original budget. The movements in revenue components are discussed below.

- (a) Taxation revenue was \$252 million lower than the original published estimate, largely driven by lower land transfer duty collections of \$171 million. Although the property market showed improvement in the second half of 2012-13, overall performance showed weakness in the outcome for the year. This reflected both a weaker volume of transactions and prices compared to expectations in the original budget.

Gambling tax revenue was \$77 million lower than the original budget. This difference was driven by lower revenue collected by electronic gaming machines, partially offset by higher revenue from private lotteries. In addition, payroll tax collections were also \$61 million lower than originally expected.

These weaker than expected outcomes were partially offset by:

- land tax revenue, which was \$48 million higher than estimated in the *2012-13 Budget*. This was due to higher than anticipated land revaluations for the period 1 January 2010 to 1 January 2012; and
 - higher than expected insurance taxes of \$22 million, reflecting higher premiums for household and motor vehicle insurance than forecast and a higher uptake of insurance following natural disasters.
- (b) Dividends and income tax equivalent receipts were \$340 million higher than originally estimated, driven by dividends from the State Electricity Commission of Victoria.
- (c) Revenue from the sales of goods and services was \$116 million higher than the original budget, primarily reflecting an increase in regulatory fees for infringements.
- (d) Grants revenue was \$318 million lower than originally budgeted. This was primarily due to a decrease in specific purpose grants for Nation Building road and rail investment and the National Schools Program, and lower than expected goods and services tax revenue.

Note 31: Explanations of material variances between budget and actual outcomes (*continued*)

- (e) Other revenue was \$379 million higher than the original budget. This was in part due to income from land received free of charge by VicRoads and by Public Transport Victoria to recognise capital improvements made to bus shelters, and higher than expected revenue in relation to the sale of land in Kew.

Expenses from transactions

Expenses from transactions were 0.2 per cent higher than the original budget. The main movements are outlined below.

- (f) Employee expenses were \$531 million higher than originally estimated. This was impacted by the result of enterprise bargaining agreements, increased frontline service delivery recruitment and voluntary departure packages associated with previously announced measures to manage public sector workforce growth.
- (g) The fall in the superannuation interest expense, of \$283 million, was primarily due to the net impact of movements in bond rates between 31 March 2012 (the date at which the Budget estimates were prepared) and 30 June 2012 (the date at which this expense is determined).

The increase in other superannuation expense of \$113 million was primarily attributable to an increase in the defined benefit Service Cost that arose due to movements in bond rates.
- (h) The decrease in the depreciation expense of \$132 million compared to original budget is mainly driven by re-phasing of capital expenditure and lower than expected asset revaluations.
- (i) Interest expense was \$50 million higher than original budget, largely due to interest expense incurred as a result of financing arrangements for the Royal Children's Hospital being reclassified from other operating expenses.
- (j) Grants and other transfers was \$365 million lower than expected in the *2012-13 Budget*, driven by reclassification of payments to registered training organisations from grants to other operating expenses.
- (k) Other operating expenses were \$180 million higher than the original budget reflecting the reclassification of payments to registered training organisations into other operating expenses (outlined above). This expense was partially offset by the transfer of the Northern Victoria Irrigation Renewal Project from the general government sector to the public non-financial corporations sector.

Other economic flows included in net result

Total other economic flows included in the net result have increased by \$7.2 billion compared to estimates in the original budget, due to a \$7.3 billion actuarial gain on superannuation. This actuarial gain was primarily due to favourable movements in the bond yields that are used to value this liability during the year as well as higher than expected investment returns on superannuation assets.

Note 31: Explanations of material variances between budget and actual outcomes (continued)

(b) Consolidated balance sheet

(\$ million)

	Original budget	General government sector			%	Revised budget variance	%
		Revised budget	2013 Actual	Budget variance			
Assets							
Financial assets							
Cash and deposits	4 369.0	4 709.3	3 962.0	(407.1)	(9.3)	(747.3)	(15.9)
Advances paid	4 446.1	4 634.3	4 626.8	180.8	4.1	(7.5)	(0.2)
Receivables	4 479.6	4 078.1	5 061.0	581.4	13.0	982.9	24.1
Investments, loans and placements	2 678.0	2 645.0	3 383.4	705.4	26.3	738.4	27.9
Investments accounted for using the equity method	35.1	47.1	49.4	14.4	41.0	2.3	4.9
Investments in other sector entities	69 291.3	69 752.0	69 489.5	198.2	0.3	(262.6)	(0.4)
Total financial assets	85 299.1	85 865.9	86 572.1	1 273.0	1.5	706.2	0.8
Non-financial assets							
Inventories	232.5	235.4	192.1	(40.3)	(17.4)	(43.3)	(18.4)
Non-financial assets held-for-sale	58.1	142.6	142.1	84.0	144.6	(0.5)	(0.3)
Land, buildings, infrastructure, plant and equipment	102 356.4	99 871.1	100 804.0	(1 552.3)	(1.5)	932.9	0.9
Other non-financial assets	804.7	813.9	954.3	149.6	18.6	140.4	17.2
Total non-financial assets	103 451.6	101 063.0	102 092.5	(1 359.1)	(1.3)	1 029.5	1.0
Total assets	188 750.7	186 928.9	188 664.6	(86.1)	..	1 735.7	0.9
Liabilities							
Deposits held and advances received	431.0	370.3	449.0	18.0	4.2	78.7	21.2
Payables	5 636.3	5 446.8	5 958.4	322.1	5.7	511.7	9.4
Borrowings	31 767.6	31 458.6	31 345.3	(422.3)	(1.3)	(113.3)	(0.4)
Employee benefits	4 895.9	5 219.8	5 208.8	312.9	6.4	(11.0)	(0.2)
Superannuation	29 111.5	28 867.5	25 142.5	(3 969.0)	(13.6)	(3 725.0)	(12.9)
Other provisions	600.9	586.7	603.3	2.4	0.4	16.6	2.8
Total liabilities	72 443.2	71 949.7	68 707.4	(3 735.9)	(5.2)	(3 242.4)	(4.5)
Net assets	116 307.4	114 979.1	119 957.2	3 649.8	3.1	4 978.1	4.3
Accumulated surplus/(deficit)	38 101.4	37 920.9	43 174.7	5 073.3	13.3	5 253.8	13.9
Reserves	78 157.5	77 008.2	76 732.5	(1 425.0)	(1.8)	(275.7)	(0.4)
Non-controlling interest	48.5	50.0	50.0	1.5	3.1	..	..
Net worth	116 307.4	114 979.1	119 957.2	3 649.8	3.1	4 978.1	4.3
FISCAL AGGREGATES							
Net financial worth	12 855.8	13 916.2	17 864.7	5 008.9	39.0	3 948.6	28.4
Net financial liabilities	56 435.5	55 835.9	51 624.7	(4 810.7)	(8.5)	(4 211.1)	(7.5)
Net debt	20 705.5	19 840.4	19 822.1	(883.4)	(4.3)	(18.3)	(0.1)

Net financial worth

Net financial worth is total financial assets less total liabilities. Net financial worth was \$5.0 billion higher than the original budget, primarily driven by lower liabilities as explained below under net financial liabilities.

Net financial liabilities

Net financial liabilities are total liabilities less all financial assets (excluding investments in other sectors). Net financial liabilities were \$4.8 billion lower than the original budget.

The decrease in net financial liabilities during the year was driven by a lower superannuation liability due to favourable bond movements, better than expected investment returns and changes to actuarial assumptions.

Note 31: Explanations of material variances between budget and actual outcomes (continued)

Net debt

Net debt is \$883 million lower when compared to the original budget estimate. This was due to higher than expected net result from transactions and lower than estimated capital expenditure since the original budget was published.

(c) Consolidated cash flow statement

(\$ million)

	General government sector					Revised	
	Original budget	Revised budget	2013 Actual	Budget variance	%	budget variance	%
Cash flows from operating activities							
Receipts							
Taxes received	15 840.3	15 678.5	15 231.9	(608.3)	(3.8)	(446.5)	(2.8)
Grants	22 220.0	21 662.8	21 991.9	(228.1)	(1.0)	329.1	1.5
Sales of goods and services	7 078.1	7 317.7	7 132.3	54.2	0.8	(185.3)	(2.5)
Interest received	653.7	649.4	674.8	21.1	3.2	25.4	3.9
Dividends and income tax equivalent and rate equivalent receipts	1 023.0	1 262.4	1 198.9	175.9	17.2	(63.6)	(5.0)
Other receipts	1 573.6	1 735.2	1 728.8	155.3	9.9	(6.4)	(0.4)
Total receipts	48 388.6	48 306.0	47 958.7	(429.9)	(0.9)	(347.3)	(0.7)
Payments							
Payments for employees	(17 078.2)	(17 370.7)	(17 563.6)	(485.4)	2.8	(192.9)	1.1
Superannuation	(2 500.7)	(2 507.5)	(2 510.5)	(9.8)	0.4	(3.0)	0.1
Interest paid	(1 677.3)	(1 702.8)	(1 702.6)	(25.3)	1.5	0.2	..
Grants and subsidies	(8 491.4)	(7 908.3)	(8 196.5)	294.9	(3.5)	(288.2)	3.6
Goods and services	(16 039.3)	(16 495.1)	(15 692.1)	347.2	(2.2)	803.0	(4.9)
Other payments	(596.0)	(596.0)	(601.2)	(5.2)	0.9	(5.2)	0.9
Total payments	(46 382.8)	(46 580.4)	(46 266.4)	116.4	(0.3)	314.0	(0.7)
Net cash flows from operating activities	2 005.8	1 725.6	1 692.3	(313.5)	(15.6)	(33.3)	(1.9)
Cash flows from investing activities							
Purchases of non-financial assets	(3 529.6)	(4 088.5)	(4 133.2)	(603.6)	17.1	(44.7)	1.1
Sales of non-financial assets	552.5	405.7	248.0	(304.5)	(55.1)	(157.7)	(38.9)
Net Cash flows from investments in non-financial assets	(2 977.1)	(3 682.8)	(3 885.2)	(908.1)	30.5	(202.4)	5.5
Net cash flows from investments in financial assets for policy purposes	(2 817.2)	(1 521.7)	(1 316.8)	1 500.4	(53.3)	204.9	(13.5)
Sub-total	(5 794.3)	(5 204.5)	(5 202.0)	592.3	(10.2)	2.5	..
Net cash flows from investments in financial assets for liquidity management purposes	(115.7)	(19.9)	(1 174.0)	(1 058.2)	914.2	(1 154.0)	n.a.
Net cash flows from investing activities	(5 910.0)	(5 224.4)	(6 375.9)	(465.9)	7.9	(1 151.5)	22.0
Cash flows from financing activities							
Advances received (net)	..	..	(0.2)	(0.2)	n.a.	(0.2)	(8.3)
Net borrowings	4 122.8	3 603.5	3 561.5	(561.3)	(13.6)	(42.0)	(1.2)
Deposits received (net)	4.1	4.1	82.9	78.8	n.a.	78.8	n.a.
Other financing (net)	..	..	..	..	0.0	..	..
Net cash flows from financing activities	4 126.9	3 607.6	3 644.2	(482.6)	(11.7)	36.6	1.0
Net increase/(decrease) in cash and cash equivalents	222.7	108.8	(1 039.4)	(1 262.0)	n.a.	(1 148.2)	n.a.
Cash and cash equivalents at beginning of reporting period	4 146.4	4 600.5	5 001.3	855.0	20.6	400.8	8.7
Cash and cash equivalents at end of reporting period	4 369.0	4 709.3	3 962.0	(407.0)	(9.3)	(747.3)	(15.9)

Note 31: Explanations of material variances between budget and actual outcomes (*continued*)

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 29(b).

However, in summary cash flows from operating activities were \$314 million lower than the original published budget. This was driven by lower than budgeted total receipts of \$430 million primarily reflecting a decrease in taxes received and grants. This was partially offset by an increase in total payments of \$116 million, largely related to grants and subsidies and goods and services, as outlined in the operating statement movement explanations.

Net cash flows from investing activities

Total net investment activities in fixed assets and investments in other sectors was \$592 million lower than the original budget. This primarily reflects the change in the way public transport infrastructure is funded and acquired following the establishment of the Public Transport Development Authority (Public Transport Victoria) in April 2012. As a result, the classification of most cash flows between the authority and the transport portfolio entities have changed between 'cash flows from investments in non-financial assets' and 'net cash flows from investments in financial assets for policy purposes'.

Note 31: Explanations of material variances between budget and actual outcomes (*continued*)

(d) Consolidated statement of changes in equity

(\$ million)

<i>General government sector</i>	<i>Accumulated surplus/(deficit)</i>
2012-13 original budget	
Balance at 1 July 2012	38 029.0
Net result for the year	92.4
Other comprehensive income for the year	(20.0)
Transactions with owners in their capacity as owners	..
Total equity as at 30 June 2013	38 101.4
2012-13 actual	
Balance at 1 July 2012	34 808.2
Net result for the year	7 413.8
Other comprehensive income for the year	952.6
Transactions with owners in their capacity as owners	..
Total equity as at 30 June 2013	43 174.7
Variance to original budget	
Balance at 1 July 2012	(3 220.8)
Net result for the year	7 321.5
Other comprehensive income for the year	972.6
Transactions with owners in their capacity as owners	..
Total equity at end of the year	5 073.3

The major variations between actual outcomes and the original published budget for the statement of changes in equity are largely addressed in the explanations provided previously.

<i>Non-controlling Interest</i>	<i>Property, plant and equipment revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
48.5	38 655.5	38 675.2	1 028.2	116 436.4
..	..	..	..	92.4
..	526.2	(746.6)	19.0	(221.3)
..
48.5	39 181.7	37 928.6	1 047.2	116 307.4
50.0	36 962.6	38 958.4	984.5	111 763.7
..	..	..	..	7 413.8
..	700.5	(810.3)	(63.1)	779.7
..
50.0	37 663.1	38 148.1	921.3	119 957.2
1.5	(1 692.9)	283.2	(43.7)	(4 672.7)
..	..	..	..	7 321.5
..	174.2	(63.7)	(82.2)	1 001.0
..
1.5	(1 518.7)	219.5	(125.8)	3 649.8

Note 32: Financial instruments

Financial risk management objectives and policies

The State's principal financial instruments comprise of:

- cash assets;
- receivables (excluding statutory receivables);
- term deposits;
- investments in equities and managed investment schemes;
- debt securities;
- payables (excluding statutory payables);
- borrowings;
- finance lease payables; and
- derivatives.

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.

Note 32: Financial instruments (continued)

(a) Carrying amounts of financial instruments by category

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Financial assets				
Cash and deposits	6 252.9	6 055.6	3 962.0	5 001.3
Designated at fair value through the operating statement	23 824.6	22 269.1	609.8	468.6
Held-for-trading at fair value through the operating statement	713.8	1 654.7	..	..
Loans and receivables ^(a)	5 512.2	3 623.9	8 123.6	2 798.7
Available-for-sale	315.4	12.1	93.8	12.1
Held-to-maturity	761.1	1 572.4	1 111.9	1 033.3
Total financial assets ^(b)	37 380.0	35 187.8	13 901.0	9 314.1
Financial liabilities				
Designated at fair value through the operating statement	38 952.1	36 023.6	549.4	443.1
Held-for-trading at fair value through the operating statement	1 049.0	1 631.3	9.0	36.0
At amortised cost	14 412.3	6 979.7	34 848.9	25 062.5
Total financial liabilities ^(c)	54 413.4	44 634.6	35 407.3	25 541.6

Notes:

(a) The 2012 figures differ from that presented in the 2011-12 Financial Report to more correctly reflect clarification of contractual statutory receivables. Restated balances at 30 June 2012. Refer to Note 36 of the financial statements.

(b) The State's total financial assets in this table exclude statutory receivables of \$4 440.5 million (2012: \$3 275.4 million).

(c) The State's total financial liabilities in this table exclude statutory taxes payable of \$85.9 million (2012: \$98.5 million).

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 Risk Governance Committee is responsible for monitoring the balance sheet and risk management frameworks of the State's financial and non-financial risks, and advising or making recommendations to the Senior Executive Group;
- 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; and

Note 32: Financial instruments (continued)

- 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 CEOs 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.

(b) Breakdown of interest revenue

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Interest revenue from financial assets not at fair value through the operating statement	806.0	879.6	697.6	412.6
Interest revenue from financial assets at fair value through the operating statement	164.2	336.3	3.1	..
Interest revenue from impaired financial assets	0.2	..	..	..
Total	970.4	1 215.9	700.7	412.6

(c) Breakdown of interest and fee expense items^(a)

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Interest expense from financial liabilities not at fair value through the operating statement ^(b)	669.0	355.6	1 730.2	1 191.9
Interest expense from financial liabilities at fair value through the operating statement	1 811.3	1 665.6	..	..
Fee expenses from financial liabilities not at fair value through the operating statement	27.4	33.2	22.1	11.4
Fee expenses from financial liabilities at fair value through the operating statement	412.2	355.8	..	..
Total	2 919.9	2 410.3	1 752.3	1 203.3

Notes:

(a) These items do not include amounts that relate to discount interest on non-financial assets. Therefore, figures in this table cannot be reconciled to the primary statements.

(b) The 2012 figure differs from that presented in the 2011-12 Financial Report to more correctly reflect interest expense from financial liabilities not at fair value through the operating statement.

Note 32: 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 2013 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	
	2013	2012 ^(a)	2013	2012 ^(a)
Financial assets				
Cash and deposits	432.9	834.4	330.1	357.6
Designated at fair value through the operating statement	1 334.7	88.1	19.2	(5.0)
Held-for-trading at fair value through the operating statement	904.4	(683.3)	(1.3)	(0.4)
Loans and receivables	108.2	(189.0)	309.6	21.3
Available-for-sale	0.8	..	0.8	..
Total	2 781.1	50.2	658.4	373.3
Financial liabilities				
Designated at fair value through the operating statement	854.4	(2 720.9)	..	..
Held-for-trading at fair value through the operating statement	70.6	61.6	..	..
At amortised cost	..	..	..	..
Total	925.0	(2 659.3)	..	..

(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.

Note 32: Financial instruments (continued)

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 derivative financial instruments

(\$ million)

2013 State of Victoria Maturities	Interest rate swaps				Exchange traded futures contracts
	Indexed	Floating- for-floating	Pay fixed	Receive fixed	
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 years 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

(\$ million)

2012 State of Victoria Maturities	Interest rate swaps				Exchange traded futures contracts
	Indexed	Floating- for-floating	Pay fixed	Receive fixed	
Less than 1 year	..	..	1 913.5	1 128.0	1 388.5
1 year but less than 2 years	..	(40.0)	585.0	95.0	..
2 year but less than 3 years	..	..	499.9	455.0	..
3 years but less than 4 years	..	..	90.0	90.0	..
4 years but less than 5 years	12.8	..	167.4	100.0	..
5 years or more	(182.6)	..	910.1	584.6	..
Total	(169.8)	(40.0)	4 165.9	2 452.6	1 388.5

Note 32: Financial instruments (*continued*)

(\$ million)

2013 General government sector Maturities	Interest rate swaps				Exchange traded futures contracts
	Indexed	Floating- for-floating	Pay fixed	Receive fixed	
Less than 1 year
1 year but less than 2 years
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
Total

(\$ million)

2012 General government sector Maturities	Interest rate swaps				Exchange traded futures contracts
	Indexed	Floating- for-floating	Pay fixed	Receive fixed	
Less than 1 year
1 year but less than 2 years
2 year but less than 3 years
3 years but less than 4 years
4 years but less than 5 years
5 years or more
Total

At 30 June 2013, approximately 98 per cent 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.

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 (2012: 100 basis points).

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 2013 is a \$1 681.3 million increase/\$1 844.8 million decrease (2012: \$1 550.2 million increase/\$1 739.7 million decrease).

Note 32: Financial instruments (continued)

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.

(f) Interest rate exposure

(\$ million)

State of Victoria 2013	Floating	Less than 1 year	1 year but less than 2 years
Financial assets			
Cash and deposits	3 115.6	3 074.4	2.2
Receivables	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	198.8	199.3	19.3
Debt securities	3 597.9	2 543.3	705.3
Total financial assets	7 986.1	7 610.4	929.3
Financial liabilities			
Payables and advances	2 485.8	477.6	25.3
Derivative financial instruments	117.1	376.9	22.2
Interest-bearing liabilities	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
2012			
Financial assets			
Cash and deposits	2 274.6	3 107.3	1.3
Receivables ^(a)	86.5	332.6	105.6
Advances paid	623.8	107.0	73.4
Term deposits	8.8	1 223.9	45.8
Derivative financial instruments	..	1 196.1	10.7
Equities and managed investment schemes	226.1	22.4	18.1
Debt securities	2 803.0	209.3	513.0
Total financial assets	6 022.8	6 198.5	767.9
Financial liabilities			
Payables and advances	937.4	339.3	44.1
Derivative financial instruments	..	1 146.4	16.1
Interest-bearing liabilities	785.8	3 504.1	535.8
Finance lease liabilities	17.3	126.1	126.2
Total financial liabilities	1 740.4	5 115.9	722.1

Note:

(a) The 2012 figures differ from that presented in the 2011-12 Financial Report to more correctly reflect clarification of contractual statutory receivables. Restated balances at 30 June 2012. Refer to Note 36 of the financial statements.

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
..	..	..	..	60.7	6 252.9
0.7	61.6	0.6	16.6	2 911.2	3 431.4
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	..	..	14 553.2	14 972.3
317.8	124.3	348.1	1 541.6	6.9	9 185.3
415.1	289.9	420.7	2 164.8	17 563.6	37 380.0
7.7	7.7	7.7	37.9	3 816.9	6 866.4
6.7	12.9	..	290.1	223.1	1 049.0
1 570.8	5 335.2	29.9	25 954.0	..	37 637.7
269.8	251.5	355.2	7 185.1	18.4	8 860.4
1 854.9	5 607.2	392.8	33 467.0	4 058.3	54 413.4
..	..	..	..	672.4	6 055.6
52.8	15.1	2.7	12.8	1 576.7	2 184.8
72.2	71.6	70.0	591.7	9.8	1 619.5
9.4	1.5	0.7	3.9	1.7	1 295.6
20.5	10.8	10.4	297.8	108.3	1 654.7
1.9	..	1.0	..	10 683.0	10 952.5
528.2	980.6	184.0	1 794.8	4 412.1	11 425.0
685.0	1 079.7	268.9	2 700.9	17 464.0	35 187.8
28.4	22.7	26.8	160.6	2 267.0	3 826.2
30.8	11.6	13.9	370.5	31.3	1 620.7
4 404.8	145.3	4 502.9	21 208.8	589.2	35 676.6
99.5	102.4	402.3	2 636.6	0.8	3 511.2
4 563.5	282.0	4 945.9	24 376.5	2 888.4	44 634.6

Note 32: Financial instruments (continued)

(\$ million)

<i>General government sector</i>		<i>Less than</i>	<i>1 year</i>
2013	<i>Floating</i>	<i>1 year</i>	<i>but less than 2 years</i>
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 and advances	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
2012			
Financial assets			
Cash and deposits	3 932.5	397.2	1.3
Receivables ^(a)	32.3	203.9	145.3
Advances paid	13.6	4.6	4.9
Term deposits	83.4	1 615.1	45.8
Derivative financial instruments	..	..	..
Equities and managed investment schemes	182.3	22.0	18.1
Debt securities	2.0	31.2	2.0
Total financial assets	4 246.2	2 274.1	217.4
Financial liabilities			
Payables and advances	80.2	127.4	13.7
Derivative financial instruments	..	..	..
Interest-bearing liabilities	7.9	2 044.9	1 146.0
Finance lease liabilities	16.7	71.7	70.4
Total financial liabilities	104.8	2 243.9	1 230.0

Note:

(a) Restated balances at 30 June 2012. Refer to Note 36 of the financial statements.

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	<i>Non-interest bearing</i>	<i>Total</i>
..	..	..	..	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
..	..	..	..	670.2	5 001.3
93.7	53.4	38.7	187.5	1 036.1	1 790.9
5.2	5.5	5.8	242.6	18.8	301.0
9.4	1.5	0.7	3.8	1.7	1 761.4
..
0.9	..	..	..	198.1	421.4
..	..	..	..	2.8	38.0
109.1	60.4	45.2	433.9	1 927.8	9 314.1
5.7	..	..	5.6	2 915.3	3 147.8
..	..	..	36.0	..	36.0
1 074.3	1 110.6	1 117.2	13 178.3	..	19 679.2
27.6	31.6	332.5	2 128.2	..	2 678.7
1 107.5	1 142.3	1 449.7	15 348.1	2 915.3	25 541.6

Note 32: Financial instruments (continued)

(g) Foreign currency risk

The State is also exposed to foreign currency risk through investments in foreign currency denominated financial assets, such as equities and deposits.

The State is exposed to movements in the United States dollar, Canadian dollar, Japanese yen, Swiss francs, 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:

Australian dollar equivalent of foreign currency denominated monetary assets and liabilities

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Monetary assets				
Cash and deposits	73.7	135.0	0.1	..
Term deposits	..	0.1	..	..
Debt securities	54.9	181.2	..	..
Total monetary assets ^(a)	128.7	316.3	0.1	..
Monetary liabilities				
Payables				
Borrowings	(531.0)	(1 272.8)	..	..
Total monetary liabilities	(531.0)	(1 272.8)	..	..

Note:

(a) In addition the State held \$4 703.9 million (2012: \$3 718.0 million) 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 (2012: 15 per cent).

Note 32: Financial instruments (*continued*)

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 2013 is \$111.5 million decrease/\$143.3 million increase (2012: \$43.8 million decrease/\$96.4 million increase).

The State's exposure to direct foreign currency risk has no material impact on the net result from transactions.

(h) Equity price risk

Equity price risk management

The State is exposed to equity price risk from Australian and international investments in equities and managed investment schemes. Such investments are allocated and traded 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 (2012: increase or decrease of 15 per cent); 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 2013 is \$372 million increase/\$372 million decrease (2012: \$360.3 million increase/\$346.9 million decrease) and from unlisted equities is \$1 036.1 million increase/\$1 136.2 million decrease (2012: \$799.4 million increase/\$799.4 million decrease).

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 2012-13.

Note 32: 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 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 twelve 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 2013, the whole of Victorian government liquidity ratio stood at 117 per cent against a limit of 80 per cent.

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 32: Financial instruments (*continued*)

(k) Undiscounted maturity analysis of financial liabilities

(\$ million)

State of Victoria 2013	Carrying amount	Nominal amount ^(a)	Contractual maturity				
			0-3 months	3 months -1 year	1-2 years	2-5 years	5+ years
Payables and advances	6 866.4	6 905.3	6 114.6	568.4	68.4	74.4	79.5
Interest-bearing liabilities:							
Domestic borrowings	37 106.7	47 381.2	63.1	2 814.3	4 928.0	10 973.9	28 601.9
Foreign currency borrowings	531.0	579.8	439.8	2.2	2.2	6.7	128.8
Finance lease liabilities	8 860.3	11 096.5	415.9	307.6	534.4	1 210.5	8 628.2
Derivative financial liabilities	1 049.0	475.6	383.1	31.6	20.3	14.3	26.3
Total	54 413.4	66 438.4	7 416.4	3 724.2	5 553.3	12 279.8	37 464.7
2012							
Payables and advances	3 826.2	3 826.2	2 644.2	77.8	190.3	735.0	178.9
Interest-bearing liabilities:							
Domestic borrowings	34 403.8	45 792.0	3 302.9	3 939.3	2 516.6	12 573.8	23 459.5
Foreign currency borrowings	1 272.8	1 325.3	296.0	871.2	2.5	7.5	148.0
Finance lease liabilities	3 511.2	3 928.7	42.9	127.0	160.7	703.5	2 894.6
Derivative financial liabilities	1 620.7	486.0	(2.7)	90.0	59.6	94.9	244.3
Total	44 634.6	55 358.1	6 283.2	5 105.2	2 929.7	14 114.7	26 925.3

Note:

(a) Represents undiscounted nominal amount.

Note 32: Financial instruments (continued)

(\$ million)

General government sector 2013	Carrying amount	Nominal amount ^(a)	Contractual maturity				
			0-3 months	3 months -1 year	1-2 years	2-5 years	5+ years
Payables and advances	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	8 033.3	10 311.9	402.4	259.5	461.6	933.4	8 255.0
Derivative financial liabilities	9.0	9.0	0.1	..	..	..	8.9
Total	35 407.3	38 059.1	5 637.9	741.3	1 610.0	6 068.4	24 001.6
2012							
Payables and advances	3 147.8	3 147.8	2 395.3	308.3	63.7	274.0	106.5
Interest-bearing liabilities:							
Domestic borrowings	19 679.2	19 681.0	507.5	1 496.4	1 142.0	3 288.3	13 246.8
Foreign currency borrowings	..	..	..	..	..	..	..
Finance lease liabilities	2 678.7	3 096.1	28.5	85.6	104.8	491.0	2 386.2
Derivative financial liabilities	36.0	36.0	..	..	..	..	36.0
Total	25 541.6	25 960.9	2 931.3	1 890.2	1 310.5	4 053.3	15 775.5

Note:

(a) Represents undiscounted nominal amount.

Finance lease liabilities are payable as follows:

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Less than 1 year	723.5	277.3	661.9	146.6
1 year but less than 5 years	1 744.8	1 391.1	1 395.0	727.0
5 years or more	8 628.2	4 477.1	8 255.0	4 022.5
Minimum lease payments	11 096.5	6 145.4	10 311.9	4 896.1
Future finance charges	2 236.1	2 634.3	2 278.6	2 217.5
Total finance lease liabilities^(a)	8 860.3	3 511.2	8 033.3	2 678.7

Note:

(a) The general government finance lease amount relates to the commissioning of the Victorian desalination plant, the Peninsula Link and the Biosciences Research Centre projects in 2012-13.

(I) 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.

Note 32: Financial instruments (continued)

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	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Non-current receivables ^(a)	1 213.9	1 062.4	1 213.9	1 743.2
Financial liabilities				
Finance lease liabilities	8 860.3	5 508.3	3 511.2	2 241.9

General government sector	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Non-current receivables	706.0	4.6	470.0	749.0
Financial liabilities				
Finance lease liabilities	8 033.3	5 385.6	2 678.7	2 105.2

Note:

(a) The 2012 figures differ from that presented in the 2011-12 Financial Report to more correctly reflect clarification of contractual statutory receivables. Restated balances at 30 June 2012. Refer to Note 36 of the financial statements.

Credit quality of financial assets that are neither past due nor impaired

(\$ million)

State of Victoria 2013	(AAA credit rating)	Other (min BBB credit rating)	Other (not rated)	Total
	Financial assets			
Cash and deposits	4 532.3	1 321.1	399.4	6 252.9
Receivables	1 059.1	444.7	1 320.0	2 823.9
Advances paid	..	1.0	1 726.3	1 727.3
Term deposits	462.6	511.0	123.6	1 097.2
Debt securities	2 582.8	6 362.6	239.9	9 185.3
Total financial assets	8 636.8	8 640.4	3 809.2	21 086.5

2012				
State of Victoria	(AAA credit rating)	Other (min BBB credit rating)	Other (not rated)	Total
	Financial assets			
Cash and deposits	4 602.7	904.8	548.2	6 055.6
Receivables ^(a)	802.2	396.5	409.7	1 608.3
Advances paid	2.8	262.0	1 354.7	1 619.5
Term deposits	150.0	901.7	243.9	1 295.6
Debt securities	1 852.0	9 225.4	347.7	11 425.0
Total financial assets	7 409.6	11 690.4	2 904.2	22 004.1

Note:

(a) The 2012 figures differ from that presented in the 2011-12 Financial Report to more correctly reflect clarification of contractual statutory receivables.

Note 32: Financial instruments (continued)

(\$ million)

General government sector 2013	Government agencies (AAA credit rating)	Government agencies (min BBB credit rating)	Government agencies (AAA credit rating)	Other (min BBB credit rating)	(not rated)	Total
Financial assets						
Cash and deposits	1 629.8	..	1 479.5	468.5	384.1	3 962.0
Receivables	519.3	..	23.2	29.5	600.5	1 172.4
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	8 506.6	..	1 808.0	1 027.4	1 120.7	12 462.7
2012						
Financial assets						
Cash and deposits	3 070.9	..	1 459.0	256.4	215.0	5 001.3
Receivables	637.0	..	56.6	16.8	453.3	1 163.7
Advances paid	276.4	..	..	..	24.6	301.0
Term deposits	975.6	..	281.2	389.5	115.1	1 761.4
Debt securities	..	..	0.8	36.4	0.8	38.0
Total financial assets	4 960.0	..	1 797.7	699.1	808.8	8 265.5

Financial assets measured at fair value

(\$ million)

State of Victoria 2013	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	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	14 972.3	4 227.2	6 432.1	4 312.9
Debt securities at fair value	9 185.3	1 694.3	7 374.9	116.0
Total financial assets	28 294.7	9 324.8	14 540.9	4 429.0
2012				
Financial assets				
Cash	3 121.2	3 121.2	..	..
Receivables held in investment schemes	179.0	135.2	43.8	..
Derivative assets	1 654.7	15.1	1 578.4	61.2
Equities and managed investment schemes	10 952.5	3 214.2	7 187.6	550.8
Debt securities at fair value	11 425.0	1 776.8	9 541.0	107.2
Total financial assets	27 332.5	8 262.5	18 350.8	719.3

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 32: Financial instruments (*continued*)

(\$ million)

General government sector 2013	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				
Derivative 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
2012				
Financial assets				
Derivative assets	..	..	..	..
Equities and managed investment schemes	421.4	171.7	127.5	122.2
Debt securities at fair value	38.0	37.3	..	0.8
Total financial assets	459.4	209.0	127.5	123.0

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.

Significant transfers between Level 1 and Level 2

There are no significant transfers identified between Level 1 and Level 2.

Note 32: Financial instruments *(continued)*

Reconciliation of Level 3 fair value movements

(\$ million)

<i>State of Victoria</i>	<i>Derivative assets</i>		<i>Equities and managed investment schemes</i>		<i>Debt securities at fair value</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
Opening balance	61.2	36.9	550.8	492.9	107.2	65.4
Total gains and losses recognised in:						
Net result	..	9.9	6.7	(95.7)	5.9	1.3
Other comprehensive income	96.2	(15.8)	5.6	..
Purchases	..	8.7	306.1	421.0	..	37.9
Sales	..	(4.5)	(113.7)	(397.3)	(0.2)	(1.3)
Settlements	..	10.2	0.1	(14.5)	(8.2)	(11.1)
Transfers from other levels	3 716.6	262.4	8.8	16.0
Transfers out of Level 3	(61.2)	..	(249.9)	(102.3)	(3.0)	(1.0)
Closing balance	..	61.2	4 312.9	550.8	116.0	107.2
<i>General government sector</i>						
Opening balance	122.2	60.8	0.8	..
Total gains and losses recognised in:						
Net result	3.5	(25.6)	..	0.2
Other comprehensive income	7.3	(3.2)	..	..
Purchases	13.1	6.7	..	..
Sales	(41.4)	(0.9)	(0.2)	(2.0)
Settlements	(14.3)	..	(2.3)
Transfers from other levels	2.0	100.4	..	5.9
Transfers out of Level 3	(63.6)	(1.7)	..	(1.0)
Closing balance	43.1	122.2	0.6	0.8

Note 33: Commitments

(a) Non-public private partnerships^{(a)(b)}

(\$ million)

	State of Victoria 2013 Nominal value	General government sector 2013 Nominal value	State of Victoria 2012 Nominal value	General government sector 2012 Nominal value
Capital expenditure commitments				
Land and buildings	1 004.4	887.9	1 103.5	968.1
Plant, equipment and vehicles	262.4	241.2	535.1	327.6
Infrastructure systems	406.5	5.6	535.7	9.2
Road networks and earthworks	720.6	719.4	1 094.6	1 094.6
Other	974.1	943.7	749.1	728.3
Total capital expenditure commitments	3 368.1	2 797.8	4 017.9	3 127.8
Operating and lease commitments				
Rail services	4 807.4	4 807.4	6 380.6	6 380.6
Bus services	4 346.7	4 346.7	4 434.0	4 434.0
Other	3 416.3	2 466.7	3 285.3	2 239.4
Total operating and lease commitments	12 570.4	11 620.8	14 099.9	13 054.1
Other commitments				
Debt collection services (Traffic camera office)	122.7	122.7	164.9	164.9
Traffic camera services (Traffic camera office)	98.3	98.3	144.2	144.2
Major sporting events	29.0	29.0	42.7	42.7
New ticketing solution (myki)	225.6	225.6	291.7	..
OneLink transit transition amendment deed	..	..	47.9	..
Regional Rail Link	1 047.0	1 047.0	2 236.9	2 236.9
Information technology	101.5	81.2	122.5	89.0
Purchase orders for non-capital programs	..	..	42.6	42.6
Building occupancy services	78.0	78.0	83.0	83.0
Tabcorp gaming	16.9	..	12.4	..
Outsourcing of services	241.0	241.0	274.6	274.6
Northern Victoria Irrigation Replacement Program (NVIRP)	23.8	1 187.1	..	..
Water programs	6.1	..	65.3	63.3
Transport Accident Commission funded medical research	47.6	..	25.1	..
Hopkins correctional centre ^(c)	635.7	635.7	..	..
Emergency Alert System	80.3	80.3	..	..
Policing services	160.9	160.9	190.7	190.7
Build own operate commitments ^(d)	30.4	..	30.5	..
Grants	1.6	1.6	..	..
Commercial contracts	122.1	116.5	69.9	69.9
Capital investment commitments	66.7	..	..	..
Other	1 856.1	1 805.4	1 649.6	1 615.5
Total other commitments	4 991.2	5 910.2	5 494.4	5 017.2
Total commitments	20 929.7	20 328.8	23 612.3	21 199.1

Notes:

(a) The figures presented are inclusive of GST.

(b) A number of the 2012 comparatives have been corrected and now reflect current information.

(c) Previously disclosed in the 2011-12 AFR in Table 33(b). The revised payment streams underpinning the Hopkins Correctional Centre require that it is no longer accounted for as a finance lease liability. The project nevertheless remains a Public Private Partnership from a commercial and risk allocation perspective.

(d) This project was previously disclosed as Melbourne Water in Table 33(b), as a Public Private Partnership commitment.

Note 33: Commitments (continued)

(b) Public private partnerships^{(a)(b)(c)}

(\$ million)

	State of Victoria 2013		General government sector 2013	
	Other commitments		Other commitments	
	Present value	Nominal value	Present value	Nominal value
Commissioned Public Private Partnerships other commitments				
Health Services - Mildura Hospital ^(d)	18.8	19.1	18.8	19.1
Central Highlands Water	74.6	93.2	..	..
Barwon Water	69.4	129.4	..	..
Coliban Water	67.3	107.8	..	..
Victorian Desalination Plant ^(e)	1 454.6	5 004.3	1 454.6	5 004.3
Prisons	372.8	389.6	372.8	389.6
County Court	46.5	48.0	46.5	48.0
Melbourne Convention Centre	240.9	524.8	240.9	524.8
Southern Cross Station	210.6	542.1	210.6	542.1
Peninsula Link	162.9	498.2	162.9	498.2
Partnerships Victoria in Schools	98.3	229.3	98.3	229.3
Royal Children's Hospital	353.8	876.2	353.8	876.2
Royal Women's Hospital	210.3	444.0	210.3	444.0
Casey Hospital	71.7	130.7	71.7	130.7
Royal Melbourne Showgrounds	51.6	86.0	51.6	86.0
AgriBio ^(f)	83.5	226.3	83.5	226.3
Emergency Service Telecommunications ^(g)	86.5	92.6	86.5	92.6
Sub-total	3 674.3	9 441.7	3 462.9	9 111.2
	<i>Minimum lease payments</i>	<i>Other commitments</i>	<i>Minimum lease payments</i>	<i>Other commitments</i>
	<i>Discounted value</i>	<i>Present value</i>	<i>Discounted value</i>	<i>Present value</i>
		<i>Total commitments</i>		<i>Total commitments</i>
		<i>Nominal value</i>		<i>Nominal value</i>
Uncommissioned Public Private Partnerships total commitments				
Peninsula Link	..	..	..	..
Barwon Water	..	..	..	..
Bendigo Hospital - stage one ^(h)	307.4	1 101.0	307.4	1 101.0
Bendigo Hospital - stage two ^(h)	19.2	46.3	19.2	46.3
Victorian Comprehensive Cancer Centre (VCCC)	1 050.4	326.4	1 050.4	326.4
Biosciences Research Centre	..	..	..	..
Victorian Desalination Plant ^(e)	..	..	..	..
Ararat Prison ⁽ⁱ⁾
Sub-total	1 377.0	1 473.7	1 377.0	1 473.7
Total commitments for Public		5 147.9		4 936.6
Private Partnerships				
Total commitments (inclusive of GST)^(j)		36 532.5		35 601.2
Less GST recoverable from the Australian Tax Office		3 321.1		3 236.5
Total commitments (exclusive of GST)		33 211.4		32 364.7

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 2012 comparatives have been corrected and now reflect current information.
- (d) The State reached in-principle agreement with the Motor Traders Association of Australia Superannuation Fund Pty Ltd on the hand back of the Mildura Hospital to the State in June 2013. However, final settlement was delayed until September 2013. The settlement means that all existing contracts are terminated, with the exception of payments to bondholders, which cease in September 2015. Ramsay Health Care will continue to deliver services at the hospital, through a renegotiated contract with the State which have not been reflected above.
- (e) The increase in Other Commitments from last year is due to the inclusion of renewable energy certificates (RECs) and connection services commitments. The Project Deed requires the payment of an annual connection services charge and the purchase of a minimum number of RECs to offset the electricity used by the plant. The number of RECs that are consumed will vary based on the volume of water produced by the plant. If there are any surplus RECs at the end of the project term, the Project Deed requires AquaSure to transfer them to the State, or sell them at arms length commercial terms on behalf of the State with all proceeds paid to the state. DEPI will transfer any surplus RECs or proceeds from sales thereof to Melbourne Water at the end of the project contract term.
- (f) AgriBio is now the official name of the project, which has previously been disclosed as Biosciences Research Centre.
- (g) The increase in Other Commitments from last year is due to the contract extension to the Metropolitan Mobile Radio contract.
- (h) 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).
- (i) The Public Private Partnership formerly known as Ararat Prison is disclosed in Table 33(a), as Hopkins Correctional Centre. The revised payment streams underpinning the Hopkins Correctional Centre require that it is no longer accounted for as a finance lease liability. The project nevertheless remains a Public Private Partnership from a commercial and risk allocation perspective.
- (j) Total commitments (inclusive of GST) includes commitments of both PPPs and non-PPPs.

<i>State of Victoria</i>			<i>General government sector</i>		
<i>2012</i>			<i>2012</i>		
<i>Other commitments</i>			<i>Other commitments</i>		
<i>Present value</i>	<i>Nominal value</i>		<i>Present value</i>	<i>Nominal value</i>	
24.1	24.8		24.1	24.8	
84.3	109.8		..	..
..	
74.8	113.8		..	..
..	
273.8	299.6		273.8	299.6	
49.3	52.7		49.3	52.7	
241.3	544.2		241.3	544.2	
195.9	515.5		195.9	515.5	
..	
97.2	235.3		97.2	235.3	
333.5	876.4		333.5	876.4	
203.3	449.8		203.3	449.8	
47.7	92.4		47.7	92.4	
54.1	92.4		54.1	92.4	
..	
39.8	43.2		39.8	43.2	
1 718.9	3 450.0		1 559.8	3 226.4	
<i>Minimum lease payments</i>	<i>Other commitments</i>	<i>Total commitments</i>	<i>Minimum lease payments</i>	<i>Other commitments</i>	<i>Total commitments</i>
<i>Discounted value</i>	<i>Present value</i>	<i>Nominal value</i>	<i>Discounted value</i>	<i>Present value</i>	<i>Nominal value</i>
929.3	150.6	3 016.9	929.3	150.6	3 016.9
54.2	63.1	259.4	..	..	..
..
..
1 050.4	301.3	3 199.8	1 050.4	301.3	3 199.8
201.3	89.4	789.4	201.3	89.4	789.4
4 523.7	1 408.8	19 126.0	4 523.7	1 408.8	19 126.0
234.4	181.9	1 190.1	234.4	181.9	1 190.1
6 993.2	2 195.1	27 581.7	6 939.0	2 132.0	27 322.3
	3 914.0	31 031.7		3 691.8	30 548.7
		54 644.0			51 747.8
		4 967.6			4 704.3
		49 676.3			47 043.5

Note 33: Commitments (*continued*)

(c) Commitment payables^{(a)(b)}

(\$ million)

<i>Nominal values</i>	<i>State of Victoria 2013</i>	<i>General government sector 2013</i>	<i>State of Victoria 2012</i>	<i>General government sector 2012</i>
Capital expenditure commitments payable				
Less than 1 year	2 500.5	2 005.4	2 834.9	2 156.4
1 year but less than 5 years	844.0	770.0	1 173.2	961.6
5 years or more	23.6	22.4	9.8	9.8
Total capital expenditure commitments	3 368.1	2 797.8	4 017.9	3 127.8
Operating and lease commitments payable				
Less than 1 year	3 171.6	2 991.6	3 916.4	3 644.9
1 year but less than 5 years	7 354.2	6 938.0	7 581.3	7 226.5
5 years or more	2 044.6	1 691.2	2 602.3	2 182.6
Total operating and lease commitments	12 570.4	11 620.8	14 099.9	13 054.1
Public Private Partnership commitments				
Less than 1 year	403.3	385.3	945.3	923.6
1 year but less than 5 years	2 308.4	2 229.3	4 234.0	4 132.4
5 years or more	12 891.2	12 657.8	25 852.3	25 492.6
Total Public Private Partnership commitments	15 602.9	15 272.4	31 031.6	30 548.6
Total other commitments payable				
Less than 1 year	2 328.8	2 469.9	2 560.9	2 346.4
1 year but less than 5 years	2 051.3	2 851.9	2 725.3	2 526.1
5 years or more	611.0	588.3	208.2	144.7
Total other commitments	4 991.2	5 910.2	5 494.4	5 017.2
Total commitments (inclusive of GST)	36 532.5	35 601.2	54 643.9	51 747.7

Notes:

(a) The figures presented are inclusive of GST.

(b) A number of the 2012 comparatives have been corrected and now reflect current information.

Note 34: 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 2013.

Quantifiable contingent assets

(\$ million)

	State of Victoria	
	2013	2012
General government	30.5	22.8
Public non-financial corporations	116.6	112.1
Public financial corporations	..	..
Total contingent assets – State of Victoria	147.1	134.9
Guarantees, indemnities and warranties	35.5	49.6
Legal proceedings and disputes	38.7	36.2
Other	72.9	49.1
Total contingent assets – State of Victoria	147.1	134.9

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.

Revenue sharing from the Monash CityLink West Gate upgrade

On 25 July 2006, CityLink Melbourne Limited (CML), Transurban Infrastructure Management Ltd (TIML) and the State entered into the M1 Corridor Redevelopment Deed.

Under the terms of the deed:

- the State upgraded the Monash and West Gate Freeways, while CML upgraded the Southern Link section of CityLink; and
- the State became entitled to 50 per cent of the additional CityLink revenue created by the Monash CityLink West Gate upgrade after CML recovers its construction and additional operating costs relating to works on the Southern Link.

The method used to calculate the additional CityLink revenue generated from the upgrade is based on comparing actual CityLink revenue with agreed trends. The calculation date for the additional CityLink revenue and the State's revenue sharing entitlement is 30 June 2014.

Note 34: 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 2013.

Quantifiable contingent liabilities^(a)

(\$ million)

	State of Victoria	
	2013	2012
General government	12 183.9	11 272.2
Public non-financial corporations	189.8	212.3
Public financial corporations	..	0.5
<i>Eliminations for whole of government^(b)</i>	(10 840.4)	(9 807.2)
Total contingent liabilities – State of Victoria	1 533.3	1 677.9
Guarantees, indemnities and warranties	735.2	860.2
Legal proceedings and disputes	506.4	404.3
Other	291.8	413.4
Total contingent liabilities – State of Victoria	1 533.3	1 677.9

Notes:

(a) A number of the 2012 comparatives have been corrected and now reflect current information.

(b) 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.

Asset sales

Potential exposures are associated with the sale of a number of assets and services where the purchaser was provided with various indemnities and warranties.

Note 34: Contingent assets and contingent liabilities (State of Victoria) **(continued)**

National Electricity Code Administrator

As part of the windup 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 on completion of their tenure in 2015.

Royal Melbourne Showground Joint venture

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.

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.

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.

Public acquisition overlays for the future development of rail and road infrastructure

Public acquisition overlays are 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.

Note 34: Contingent assets and contingent liabilities (State of Victoria) **(continued)**

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.

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 of future developments taking place.

The Biosciences Research Centre

The service fee payment obligations of Biosciences Research Centre Pty Ltd (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 company, thereby enabling the company 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 Biosciences Research Centre Pty Ltd.

Department of Education and Early Childhood Development

The Department has a number of unquantifiable contingent liabilities as follows:

Indemnities are provided by the Department to:

- 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 or defamation; 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 their employment.

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.

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.

Note 34: Contingent assets and contingent liabilities (State of Victoria) **(continued)**

VMIA also insures the Department of Health for all public sector medical indemnity claims incurred. The Department of Treasury and Finance has agreed to provide stop loss protection for VMIA for each policy year from 1 July 2003, regardless of when the claims are finally settled. Under the indemnity deed, the Department of Treasury and Finance will 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.

Fiskville firefighting independent investigation

An independent investigation was undertaken into the historical use of chemicals for live fire fighting training at Fiskville between 1971 and 1999. The report of the independent investigation has been released and the Country Fire Authority has accepted all of the facts, recommendations and conclusions and is committed to implementing all recommendations.

In August 2012, CFA established a Program Office to manage the implementation of report's recommendations and an additional 11 management initiatives to which the CFA Board committed in its response to his report. At this stage it is impractical to quantify the financial effects as a result of the investigation's recommendations.

Gambling licences

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. In 1994, the State issued a wagering 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 post August 2012. The main changes included:

- separating the wagering and gaming licence to instead license wagering on a stand-alone 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.

After considering the end of licence arrangements in the *Gambling Regulation Act 2003*, the previous Government formed the view that neither Tatts Group nor Tabcorp were entitled to compensation after the expiration of their previous licences.

On 16 August 2012, Tatts Group commenced formal legal proceedings against the State. Tabcorp commenced proceedings on 24 August 2012. Each seeks, in essence, to hold the State to an obligation to provide compensation. Tatts Group is claiming \$490.50 million and in the alternative, remedies including damages and equitable compensation. Tabcorp is claiming \$686.83 million and various alternative relief including damages.

The Government will defend the State against both claims.

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 was \$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.

Note 34: Contingent assets and contingent liabilities (State of Victoria) **(continued)**

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.

On 24 June 2013, a Supreme Court judgement was handed down in favour of Tabcorp and Tatts quashing the determinations. The Government has lodged an appeal to the Court of Appeal in the Supreme Court of Victoria, maintaining that the determinations are valid and that the Treasurer did not have discretion to adjust the application of the levy formula under the Act.

Tabcorp and Tatts had each paid the first instalment of the levy prior to the Supreme Court judgment. The State's solicitors are currently discussing with Tatts' and Tabcorp's solicitors an appropriate arrangement with respect to the monies that have been paid.

Melbourne Park redevelopment

The State entered into an agreement with Tennis Australia and the Melbourne and Olympic Park Trust for the Australian Open to remain at Melbourne Park until 2036. Stage 1 of the redevelopment of Melbourne Park (total estimated investment of \$363 million announced in the *2010-11 Budget*) was negotiated at the same time. The agreement had a number of conditions, including that further improvements will be made to Melbourne Park or that a rights fee will be paid to Tennis Australia, if works beyond Stage 1 do not proceed for the Australian Open to remain at Melbourne Park.

Melbourne Metropolitan Bus Franchise

Public Transport Victoria is party to a franchise agreement with Transdev Australasia Pty Ltd to operate metropolitan bus services from 4 August 2013. The Melbourne Metropolitan Bus Franchise may entail the acquisition of bus assets at the expiration or early termination of the franchise agreement.

Note 35: Funds under management^(a)

(\$ million)

	State of Victoria		General government sector	
	2013	2012	2013	2012
Investments, real estate, personal and other assets	3 692.1	3 136.4	..	..
Cash and investments in common and premium funds	937.9	890.1	..	..
Residential tenancies bond money	747.3	683.1	747.3	683.1
Funds under management by the Senior Master of the Supreme Court	1 377.9	1 259.7	1 377.9	1 259.7
Funds under management by Legal Services Board	524.7	463.7	524.7	463.7
Funds under management for the Victorian Bushfire Appeal Fund ^(b)	26.4	54.7	26.4	54.7
Other funds held	23.7	7.6	8.7	7.6
Total funds under management	7 330.0	6 495.4	2 684.9	2 468.8

Notes:

(a) A number of the 2012 comparatives have been corrected and now reflect 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 36: Restatement of financial statements due to prior period correction

The following disclosures present the 2011-12 financial statements restated on a line item basis, comparing them to those published in the audited *2011-12 Financial Report for the State of Victoria*.

Correction of error

Investment in Snowy Hydro Limited

The State recognises its investment in Snowy Hydro Limited (SHL) based upon 29 per cent of net assets reported in SHL's financial statements, with the exception of property, plant and equipment. As SHL recognises its property, plant and equipment using the cost model under AASB 116 *Property, Plant and Equipment*, the State recognises 29 per cent of SHL's property, plant and equipment after adjusting them to fair value under AASB 116 to ensure consistency with the State's accounting policy.

This has occurred for the first time in 2012-13, and the impact has been backcast to 1 July 2011, the date of the earliest available information.

Restatement of balances previously eliminated on consolidation

The receivables and payables for the general government sector as at 30 June 2012 have been restated to reflect balances that were previously eliminated on consolidation. The restatement of these balances, of \$366.4 million respectively, has no impact on the overall net worth of the general government sector or the State of Victoria.

Reclassification of term deposits

For 30 June 2012, \$400.8 million of term deposit has been reclassified from investments, loans and placements to cash and deposits. The restatement of these balances has no impact on the overall net worth of the general government sector or the State of Victoria.

Note 36: Restatement of financial statements due to prior period correction
(continued)

(\$ million)

	State of Victoria			General government		
	Published	Effect of change	Restated	Published	Effect of change	Restated
Consolidated comprehensive operating statement for the financial year ended 30 June 2012 (Extract)						
Other economic flows included in net result						
Net gain/(loss) on disposal of non-financial assets	(101.6)	..	(101.6)	(106.0)	..	(106.0)
Net gain/(loss) on financial assets or liabilities at fair value	(3 249.7)	..	(3 249.7)	(3.5)	..	(3.5)
Net actuarial gain/(loss) of superannuation defined benefits plans	(9 389.2)	..	(9 389.2)	(9 327.0)	..	(9 327.0)
Share of net profit/(loss) from associates/joint venture entities, excluding dividends	5.1	..	5.1	(0.4)	..	(0.4)
Other gains/(losses) from other economic flows	(1 979.0)	..	(1 979.0)	(861.6)	74.4	(787.2)
Total other economic flows included in net result	(14 714.3)	..	(14 714.3)	(10 298.6)	74.4	(10 224.2)
Net result	(15 961.9)	..	(15 961.9)	(9 727.3)	74.4	(9 652.9)
Other economic flows – other comprehensive income						
Items that will not be reclassified to net result						
Changes in non-financial assets revaluation surplus	1 751.1	278.9	2 030.0	2 006.2	..	2 006.2
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	..	..	..	( 874.7)	174.2	(700.5)
Other movements in equity	242.0	(30.2)	211.7	401.9	..	401.9
Items that may be reclassified subsequently to net result						
Net gain/(loss) on financial assets at fair value	(22.2)	..	(22.2)	(15.3)	..	(15.3)
Total other economic flows – other comprehensive income	1 970.9	248.6	2 219.5	1 518.1	174.2	1 692.3
Comprehensive result – total change in net worth	(13 991.0)	248.6	(13 742.4)	(8 209.2)	248.6	(7 960.6)

**Note 36: Restatement of financial statements due to prior period correction
(continued)**

(\$ million)

	State of Victoria			General government		
	Published	Effect of change	Restated	Published	Effect of change	Restated
Consolidated balance sheet as at 1 July 2011 (Extract)						
Assets						
Financial assets						
Cash and deposits	5 165.1	..	5 165.1	3 667.6	..	3 667.6
Advances paid	1 537.6	..	1 537.6	289.5	..	289.5
Receivables	5 918.6	..	5 918.6	3 407.1	208.9	3 616.0
Investments, loans and placements	25 502.1	..	25 502.1	2 367.8	..	2 367.8
Investments accounted for using the equity method	602.1	799.2	1 401.3	35.1	..	35.1
Investments in other sectors	..	..	..	65 173.2	590.3	65 763.5
Total financial assets	38 725.7	799.2	39 524.8	74 940.3	799.2	75 739.5
Accumulated surplus/(deficit)	50 436.9	(72.4)	50 364.5	43 840.0	208.9	44 048.9
Reserves	75 313.9	871.6	76 185.5	75 035.1	590.3	75 625.4
Non-controlling interest	48.5	..	48.5	48.5	..	48.5
Net worth	125 799.3	799.2	126 598.5	118 923.6	799.2	119 722.8

(\$ million)

	State of Victoria			General government		
	Published	Effect of change	Restated	Published	Effect of change	Restated
Consolidated balance sheet as at 30 June 2012 (Extract)						
Assets						
Financial assets						
Cash and deposits	6 055.6	..	6 055.6	4 600.5	400.8	5 001.3
Advances paid	1 619.5	..	1 619.5	301.0	..	301.0
Receivables	5 093.9	366.3	5 460.2	3 183.8	649.7	3 833.5
Investments, loans and placements	25 125.3	..	25 125.3	2 621.7	(400.8)	2 220.8
Investments accounted for using the equity method	616.9	1 047.8	1 664.7	44.3	..	44.3
Investments in other sectors	..	..	..	66 749.4	764.4	67 513.8
Total financial assets	38 511.3	1 414.1	39 925.3	77 500.6	1 414.1	78 914.7
Liabilities						
Deposits held and advances received	1 020.3	..	1 020.3	366.2	..	366.2
Payables	5 928.3	366.4	6 294.7	4 734.4	366.4	5 100.8
Borrowings	40 637.7	..	40 637.7	22 393.9	..	22 393.9
Employee benefits	5 442.4	..	5 442.4	5 043.2	..	5 043.2
Superannuation	32 750.8	..	32 750.8	32 597.5	..	32 597.5
Other provisions	23 918.3	..	23 918.3	635.5	..	635.5
Total liabilities	109 697.8	366.4	110 064.2	65 770.6	366.4	66 137.0
Accumulated surplus/(deficit)	34 714.6	(102.6)	34 612.0	34 524.9	283.3	34 808.2
Reserves	77 045.2	1 150.4	78 195.6	76 141.0	764.4	76 905.5
Non-controlling interest	50.0	..	50.0	50.0	..	50.0
Net worth	111 809.8	1 047.8	112 857.6	110 716.0	1 047.8	111 763.7

Note 36: Restatement of financial statements due to prior period correction
(continued)

Asset reclassification

In addition to the above disclosures, during 2012-13, a review was undertaken with the resultant reclassification of assets from Roads Infrastructure to Property Plant and Equipment (restated June 2012). This reclassification has been reflected in Notes 22 (c) and (d) with no net impact on the general government sector or the State of Victoria.

Note 37: Subsequent events

There are no significant subsequent events that would require disclosure.

Note 38: Public account disclosure

(a) Consolidated fund receipts and payments for the financial year ended 30 June

(\$ thousand)

	2013	2012
Receipts		
Taxation	14 916 863	15 194 504
Fines and regulatory fees	680 155	559 536
Grants received	16 001 494	19 085 329
Sales of goods and services	5 153 842	4 701 143
Interest received	367 401	13 983
Dividends and income tax equivalent and rate equivalent receipts	1 340 671	912 906
Other receipts	287 851	382 453
Total cash inflows from operating activities	38 748 278	40 849 853
Total cash inflows from investing and financing activities	3 703 779	4 419 440
Total consolidated fund receipts	42 452 057	45 269 293
Payments		
Special appropriations		
Special appropriations (excluding Section 33, <i>Financial Management Act, No. 18 of 1994</i>)	2 829 504	2 421 260
Section 28 <i>Financial Management Act, No. 18 of 1994</i> (Appropriation for borrowing against future appropriations)	..	6 000
Section 33 <i>Financial Management Act, No. 18 of 1994</i>	142 877	133 451
Total special appropriations	2 972 381	2 560 710
Annual appropriations		
Provision of outputs – net application	30 451 865	32 508 610
Section 29 <i>Financial Management Act, No. 18 of 1994</i> (appropriation of annotated receipts)	2 900 179	2 610 502
Section 32 <i>Financial Management Act, No. 18 of 1994</i> (prior year unspent appropriations brought forward)	706 170	486 336
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	199 822	..
Advance to Treasurer to be sanctioned	498 598	771 884
Total provision of outputs	34 756 634	36 377 333
Additions to net asset base – net application	1 394 897	1 599 831
Section 29 <i>Financial Management Act, No. 18 of 1994</i> (appropriation of annotated receipts)	560 682	820 349
Section 32 <i>Financial Management Act, No. 18 of 1994</i> (prior year unspent appropriations brought forward)	639 470	762 607
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	4 170	180 388
Advance to Treasurer to be sanctioned	780	..
Total additions to net asset base	2 599 998	3 363 176
Payments made on behalf of the State	2 729 763	2 093 509
Section 32 <i>Financial Management Act, No. 18 of 1994</i> (prior year unspent appropriations brought forward)	6 764	813
Advance to Treasurer to be sanctioned	3 952	4 251
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	..	30 000
Total payments made on behalf of State	2 740 479	2 128 573

Note 38: Public account disclosure *(continued)*

(a) Consolidated fund receipts and payments for the financial year ended 30 June *(continued)*

(\$ thousand)

	2013	2012
Other		
Contribution by the State under agreements pursuant to Section 25 of the <i>Murray-Darling Basin Act 1993</i>	30 650	29 724
Victorian Law Reform Commission – pursuant to Section 17(b) of the <i>Victorian Law Reform Commission Act 2000</i>	791	894
Payment to Regional Growth Fund pursuant to Section 4 of the <i>Regional Growth Fund Act No. 8 of 2011</i>	122 000	127 000
Total annual appropriations	40 250 553	42 026 700
Applied appropriations remaining unspent relating to the 2012-13 appropriations	(573 334)	(540 419)
Total payments	42 649 600	44 046 991
Consolidated fund balance 1 July	432 907	(789 394)
Add total receipts for year	42 452 057	45 269 293
Less total payments for year	(42 649 600)	(44 046 991)
Consolidated fund balance 30 June	235 365	432 907
<i>Notes:</i>		
<i>Reconciliation of unspent appropriations:</i>		
<i>Applied appropriations unspent at end of year</i>	4 654 518	4 224 060
<i>add payments made during the year under the Financial Management Act, No. 18 of 1994, Section 33</i>	142 877	133 451
Subtotal	4 797 394	4 357 511
<i>less applied appropriations unspent at beginning of year</i>	(4 224 060)	(3 817 092)
<i>Current year appropriations remaining unspent as at 30 June</i>	573 334	540 419

Note 38: Public account disclosure (continued)

(b) Consolidated fund gross receipts for the financial year ended 30 June

(\$ thousand)

	Estimate 2013	Actual 2013	Actual 2012
Operating activities			
Taxation			
Payroll tax	5 328 791	5 278 657	5 210 287
Land tax	1 552 852	1 570 543	1 378 403
Congestion levy	46 768	48 203	46 106
Land transfer duty ^(a)	2 776 449	2 872 160	3 572 463
Stamp duties	4 043	3 235	3 163
Financial accommodation levy	101 550	96 902	83 126
Levies on statutory corporations	70 150	69 420	69 420
Gambling ^(a)			
Private lotteries	441 733	464 307	425 889
Electronic gaming machines	1 847 918	1 138 782	1 011 845
Casino taxes	199 910	200 815	194 392
Racing	95 235	56 150	531 117
Other gambling	104 313	100 475	17 496
Insurance	1 025 302	1 055 795	984 824
Motor vehicle			
Registration fees pursuant to the <i>Road Safety Act, No. 127 of 1986</i>	1 177 923	1 182 507	1 015 007
Stamp duty on vehicle transfers	647 640	636 088	584 309
Franchise fees			
Liquor	21 813	22 813	22 577
Other taxes	103 965	103 965	27 942
Growth Areas Infrastructure Contribution	13 312	16 046	16 137
Total taxation	15 559 667	14 916 863	15 194 504
Fines and regulatory fees			
Fines	354 238	227 721	229 128
Regulatory fees	358 672	452 434	330 408
Total	712 909	680 155	559 536
Grants received			
Education and Early Childhood Development	..	..	..
Environment and Primary Industries ^(b)	22 257	27 520	6 698
Health	28 571	53 664	100 744
Human Services	84 913	11 713	130 050
Justice	2 829	..	..
Planning and Community Development	..	..	6 880
Premier and Cabinet	..	..	..
Primary Industries	10 900	2 779	3 608
State Development, Business and Innovation ^(b)	5 000	1 078	3 259
Transport, Planning and Local Infrastructure ^(b)	..	..	..
Treasury and Finance	15 211 187	15 904 741	18 834 090
Parliament	..	..	..
Total grants received	15 365 656	16 001 494	19 085 329
Sales of goods and services			
Capital asset charge	4 026 006	4 023 019	3 778 662
Other sales of goods and services	1 212 613	1 130 823	922 482
Total sales of goods and services	5 238 619	5 153 842	4 701 143

Note 38: Public account disclosure (continued)

(b) Consolidated fund gross receipts for the financial year ended 30 June (continued)

(\$ thousand)

	Estimate 2013	Actual 2013	Actual 2012
Interest received	302 587	367 401	13 983
Dividends and income tax equivalent and rate equivalent revenue			
Dividends	840 493	1 144 933	659 288
Income tax equivalent revenue	174 149	192 768	248 311
Local government tax equivalent revenue	5 200	2 971	5 307
Total dividends and income tax equivalent and rate equivalent revenue	1 019 841	1 340 671	912 906
Other receipts			
Land rent received	15 110	21 668	22 538
Royalties received	46 005	45 021	65 502
Other	45 453	221 162	294 412
Total other receipts	106 567	287 851	382 453
Total cash inflows from operating activities	38 305 847	38 748 278	40 849 853
Cash inflows from investing and financing activities			
Loans to government agencies	7 851	16 318	..
Proceeds from investments	..	(581)	817
Other loans	655	(40 199)	3 834
Other	6 162 260	3 728 241	4 414 790
Total cash inflows from investing and financing activities	6 170 766	3 703 779	4 419 440
Total consolidated fund receipts	44 476 614	42 452 057	45 269 293

Notes:

- (a) Taxes receivable has been reallocated from Gambling to Land transfer duty restating the Estimate for 2013 published in 2013-14 Budget Paper No.5, Appendix A Statement of Finances.
- (b) 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.

Note 38: Public account disclosure (continued)**(c) Trust fund cash flow statement for the financial year ended 30 June**

(\$ thousand)

	2013	2012
Cash flows from operating activities		
Receipts		
Taxation	280 549	269 422
Regulatory fees and fines	47 676	53 516
Grants received ^(a)	10 650 201	5 606 351
Sale of goods and services	704 087	827 904
Interest received	95 196	141 019
Net transfers from the consolidated fund	9 963 995	12 189 689
Other receipts	105 617	212 051
Payments		
Payments for employees	(150 353)	(156 135)
Superannuation	(12 182)	(10 657)
Interest paid	(11 292)	(11 737)
Grants and subsidies ^(a)	(20 081 722)	(15 623 881)
Goods and services	(1 492 279)	(3 645 974)
Net cash flows from operating activities	99 492	(148 433)
Cash flows from investing activities		
Purchase of non-financial assets	(42 963)	(12 299)
Sales of non-financial assets	63 164	62 615
Net proceeds from customer loans	(2 095)	101
Other investing activities	162 101	195 059
Net cash flows from investing activities	180 207	245 476
Cash flows from financing activities		
Net borrowings	137 743	(487 422)
Net cash flows from financing activities	137 743	(487 422)
Net increase in trust fund cash and deposits	417 442	(390 379)

Note:

(a) Grants received and grants and subsidies figures for 2012 have been restated to reflect gross transactions.

Note 38: Public account disclosure *(continued)*

(d) Reconciliation of cash flows to balances held

(\$ thousand)

	<i>Balances held at 30 June 2012</i>	<i>Net movement for year</i>	<i>Balances held at 30 June 2013</i>
Cash and deposits			
Cash balances outside the Public Account	(659)	503	(156)
Deposits held with the Public Account – specific trusts	317 091	227 837	544 928
Other balances held in the Public Account	2 771 892	(8 597)	2 763 296
Total cash and deposits	3 088 324	219 743	3 308 067
Investments			
Investments held with the Public Account – specific trusts			
Investments held with Victorian Funds Management Corporation – specific trusts	739 524	(152 723)	586 802
Total investments	739 524	(152 723)	586 802
Total fund balances	3 827 848	67 021	3 894 869
Less funds held outside the Public Account			
Cash	(659)	503	(156)
Total fund balances held outside the Public Account	(659)	503	(156)
Total funds held in the Public Account ^(a)	3 828 508	66 517	3 895 025

Note:

(a) See Note 36(f) for details of securities and investments including amounts held in the Public Account on behalf of trust accounts.

(e) Trust fund summary for the financial year ended 30 June

(\$ thousand)

	<i>Balances held 2013</i>	<i>Balances held 2012</i>
State Government funds		
Accounts established to receive levies imposed by Parliament and record the expenditure thereof	345 682	296 237
Accounts established to receive monies provided in the annual budget and record the expenditure thereof	1 207 414	1 106 334
Specific purpose operating accounts established for various authorities etc.	306 721	240 814
Suspense and clearing accounts to facilitate accounting procedures	457 648	307 475
Treasury Trust Fund	279 917	260 652
Agency and deposit accounts	545 934	562 282
Total State Government funds	3 143 316	2 773 794
Joint Commonwealth and State funds	329 877	408 592
Commonwealth Government funds		
Commonwealth Grants passed on to individuals and organisations	8 028	11 120
Total Commonwealth Government funds	8 028	11 120
Prizes, scholarships, research and private donations	178 439	202 094
Total trust fund	3 659 660	3 395 600

Note 38: Public account disclosure (continued)

(f) Details of securities held and included in the balances at 30 June

(\$ thousand)

	2013	2012
Funds held at 30 June		
Trust accounts		
Amounts invested on behalf of specific trust accounts	1 131 729	1 056 615
General account balances	2 527 931	2 338 985
Total public account	3 659 660	3 395 600
General consolidated fund account balance	235 365	432 907
Total funds held	3 895 025	3 828 508
Represented by:		
Stocks and securities held with/in –		
Managed Investments	409 367	..
Treasury Corporation of Victoria	722 375	1 056 615
	1 131 741	1 056 615
Cash and investments held with/in –		
Treasury Corporation of Victoria	1 850 000	1 935 000
Cash at bank balances held in Australia	419 110	319 933
	2 269 110	2 254 933
Total stock, securities, cash and investments	3 400 851	3 311 548
Add cash advanced pursuant to Sections 36 and 37 of the <i>Financial Management Act, No. 18 of 1994</i>	494 174	516 960
Total public account	3 895 025	3 828 508

Note 38: Public account disclosure (continued)

(g) Amounts paid into working accounts pursuant to Section 23 of the *Financial Management Act 1994* for the year ended 30 June

(\$ thousand)

	2013	2012
Appropriation transfer equivalent to consolidated fund receipts	8 815	8 553
Interest received on credit balances	166	201
Other income	..	3
Total amounts paid into working accounts	8 981	8 758

(h) Allocations pursuant to Section 28 of the *Financial Management Act 1994* for the financial year ended 30 June

(\$ thousand)

	2013	2012
Section 28 allocations (Appropriation for borrowing against future appropriation) Department of Primary Industries		
Provision of outputs	..	6 000
Total Section 28 allocations	..	6 000

Note 38: 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 2013

(\$ 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 <i>Financial Management Act, No. 18 of 1994</i> applies)	..	56 800
Additions to the net asset base (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	56 800	..
Department of Environment and Primary Industries ^(a)		
Provision of outputs (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	..	8 958
Additions to the net asset base (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	8 958	..
Department of Health		
Provision of outputs (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	..	71 128
Additions to the net asset base (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	71 128	..
Department of Human Services		
Provision of outputs (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	..	..
Additions to the net asset base (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	..	..
Department of Justice		
Provision of outputs (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	61 895	..
Additions to the net asset base (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	..	61 895
Department of Planning and Community Development		
Provision of outputs (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	..	8 081
Additions to the net asset base (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	8 081	..
Department of Premier and Cabinet		
Provision of outputs (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	..	4 630
Additions to the net asset base (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	4 630	..
Department of Primary Industries		
Provision of outputs (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	11 715	..
Additions to the net asset base (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	..	11 715
Department of State Development, Business and Innovation ^(a)		
Provision of outputs (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	..	4 070
Additions to the net asset base (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	9 070	..
Payments made on behalf of the State	..	5 000

Note 38: 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 2013 (continued)

(\$ thousand)

	Decrease	Increase
Department of Transport, Planning and Local Infrastructure ^(a)		
Provision of outputs (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	..	23 270
Additions to the net asset base (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	23 270	..
Department of Treasury and Finance		
Provision of outputs (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	..	11 900
Additions to the net asset base (Section 29 of the <i>Financial Management Act, No. 18 of 1994</i> applies)	7 830	..
Payments made on behalf of the State	4 070	..
Total Section 30 transfers	267 447	267 447

Note:

- (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.

Note 38: 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 2013

(\$ thousand)

<i>Department</i>	<i>Outputs</i>	<i>Commonwealth</i>	<i>Source Other</i>	<i>Total</i>
Education and Early Childhood Development	1 170	480 789	32 965	514 924
Environment and Primary Industries ^(a)	76 571	38 142	..	114 714
Health	320 505	1 378 445	1 988	1 700 938
Human Services	8 490	21 761	2 038	32 289
Justice	186 983	52 180	9 590	248 753
Planning and Community Development	..	465	..	465
Premier and Cabinet	467	400	..	867
Primary Industries	65 254	142	4	65 400
State Development, Business and Innovation ^(a)	..	1 078	..	1 078
Transport, Planning and Local Infrastructure ^(a)	..	751 544	..	751 544
Treasury and Finance	6 678	..	..	6 678
Parliament	23 211	..	..	23 211
Total appropriation	689 329	2 724 947	46 584	3 460 861

Note:

(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.

Note 38: Public account disclosure (continued)

(k) Section 32 Carryovers – Financial Management Act 1994 for the year ended 30 June 2013

Amounts approved for carryover from 2011-12 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	Other	Total carryover
Business and Innovation	42 126	6 961	..	..	49 087
Education and Early Childhood Development	119 734	34 032	..	..	153 766
Health	130 750	151 270	..	..	282 020
Human Services	20 957	11 261	..	..	32 218
Justice	95 812	53 909	..	..	149 721
Planning and Community Development	12 850	13 610	..	..	26 460
Premier and Cabinet	16 350	3 145	..	..	19 495
Primary Industries	57 649	24 700	..	..	82 349
Sustainability and Environment	54 398	103 334	..	..	157 732
Transport	185 076	410 343	..	..	595 419
Treasury and Finance	5 956	3 227	6 764	..	15 947
Parliament	4 961	..	..	..	4 961
Total carryovers by department	746 619	815 791	6 764	..	1 569 175

Amounts applied against carryover of appropriations in 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	Other	Total carryover
Education and Early Childhood Development	119 734	34 032	..	..	153 766
Environment and Primary Industries ^{(a)(b)}	51 612	106 120	..	..	157 732
Health	130 750	..	..	..	130 750
Human Services	20 957	11 260	..	..	32 217
Justice	68 018	40 343	..	..	108 361
Planning and Community Development	11 649	9 318	..	..	20 967
Premier and Cabinet	16 350	..	..	..	16 350
Primary Industries	57 649	24 700	..	..	82 349
State Development, Business and Innovation ^(a)	42 126	3 354	..	..	45 480
Transport, Planning and Local Infrastructure ^(a)	181 129	410 343	..	..	591 472
Treasury and Finance	1 235	..	6 764	..	7 999
Parliament	4 961	..	..	..	4 961
Total expenditure by department	706 170	639 470	6 764	..	1 352 403

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) A section 30 of the Financial Management Act 1994 has been approved subsequent to the approval of carryover from 2011-12 which aligns with the amounts applied in 2012-13.

Note 38: Public account disclosure (continued)

Amounts approved for carryover to 2013-14 pursuant to Section 32 of the *Financial Management Act 1994*.

(\$ thousand)

<i>Department</i>	<i>Provision of outputs</i>	<i>Additions to net assets</i>	<i>Payments made on behalf of State</i>	<i>Other</i>	<i>Total carryover</i>
Education and Early Childhood Development	220 031	..	..	..	220 031
Environment and Primary Industries ^(a)	93 646	61 188	4 386	..	159 220
Health	131 320	96 916	..	..	228 236
Human Services	13 153	20 202	..	..	33 355
Justice	95 595	117 263	..	..	212 858
Planning and Community Development	19 500	2 800	..	..	22 300
Premier and Cabinet	15 900	6 450	..	..	22 350
Primary Industries	37 684	8 085	..	..	45 768
State Development, Business and Innovation ^(a)	43 510	30 780	..	..	74 290
Transport, Planning and Local Infrastructure ^(a)	37 596	363 150	..	..	400 746
Treasury and Finance	3 775	741	898	..	5 414
Parliament	3 464	..	..	..	3 464
Total carryovers by department	715 174	707 575	5 284	..	1 428 033

Note:

(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.

Note 38: Public account disclosure (continued)

(I) Payments from Advance to Treasurer for the financial year ended 30 June 2013

(\$ thousand)

Department	Purpose	2012-13
Education and Early Childhood Development	Kindergarten enrolment based funding	11 703
	Salary indexation for teachers and education support staff	6 000
	Schools enrolment based funding	50 922
	Utilities maintenance funding associated with Mt Waverley North Primary School	41
	Vocational education and training delivery enrolment based funding	142 006
	Voluntary departure packages reimbursement	15 891
		226 563
Environment and Primary Industries ^(a)	Lake Mountain Alpine Resort debt forgiveness	650
	Macalister Irrigation District	200
	Indexation – Adjustment	1 200
	Restoring Victoria's flood damaged parks	761
	Summer bushfire campaign	1 000
	Stevensons Road landfill remediation	12 000
	Valuer-General – Valuation of non-rateable assets	3 620
	Voluntary departure packages reimbursement	13 273
		32 704
Health	Voluntary departure packages reimbursement	8 341
	Equal pay decision in the social and community services sector	5 298
		13 639
Human Services	Equal pay decision in the social and community services sector	18 009
	Family violence and sexual assault	3 050
	Youth Foyer 2 costs	1 366
	Voluntary departure packages reimbursement	19 665
	Support for organisational reform	10 230
		52 320
Justice	Fire Services Levy Monitor	1 297
	Summer fire campaign	4 000
	Voluntary departure packages reimbursement – DOJ	16 108
	Voluntary departure packages reimbursement – Victoria Police	10 232
	Victoria Police 2007 – Enterprise bargaining agreement	10 773
		42 410
Parliament	Revaluation of Parliament House – Depreciation	8 160
		8 160
Planning and Community Development	Bushfire Fund prior year commitments	379
	Voluntary departure packages reimbursement	6 116
		6 495
Premier and Cabinet	2012-13 Fire Services Levy implementation costs	702
	Melbourne Symphony Orchestra business interruption costs	1 600
	Royal Exhibition Building protection and promotion project	780
	Voluntary departure packages reimbursement	684
		3 766
Primary Industries	Animal Welfare Fund grants program	400
	Fisheries cost recovery	221
	Food and Fibre Marketing Cooperative	1 810
	Low emissions energy technology	1 567
	Voluntary departure packages reimbursement	7 700
	Flood recovery coordination	571
		12 269

Note 38: Public account disclosure *(continued)*

(I) Payments from Advance to Treasurer for the financial year ended 30 June 2013 *(continued)*

(\$ thousand)

Department	Purpose	2012-13
State Development, Business and Innovation ^(a)	Implementation of the Victorian Coal Development Strategy	1 554
	e-Government Innovation Fund	2 000
	Voluntary departure packages reimbursement	5 050
		8 604
Transport, Planning and Local Infrastructure ^(a)	2012 Victorian flood recovery – damage to road infrastructure	2 900
	Avalon Airport Rail Link planning	469
	Bus services improvements	773
	East West Link – planning and development	8 063
	Graduated licensing system	5 000
	Metropolitan bus services procurement	1 412
	Metropolitan rail contracts – energy costs	20 000
	myki (operations and customer services)	12 000
	National Heavy Vehicle Regulator Implementation Project	2 920
	Protective Services Officers – Railway station infrastructure	244
	Rail Contracts – Impact of CPI changes	4 428
	Taxi Services Commission – Transition and Reform Implementation	902
	Victorian Freight Logistics Plan	1 250
Voluntary departure packages reimbursement	22 607	
Warragul station precinct	600	
		83 568
Treasury and Finance	Essential Services Commission	1 205
	Fire Services Property Levy	5 892
	Litigation legal costs	4 257
	Voluntary departure packages reimbursement	1 479
		12 833
Total Payments from Advance to the Treasurer		503 331

Note:

(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.

Note 38: 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 2013

(\$ thousand)

<i>Department</i>	<i>Purpose</i>	<i>2012-13</i>
Education and Early Childhood Development	Mt Waverley North Primary School	1 000
		1 000
Environment and Primary Industries ^(a)	2012-13 fire season	99 322
		99 322
Health	Revision to hypothecated revenue estimates	91 000
		91 000
Human Services	Concessions	9 500
	Youth Foyer 2 costs	500
		10 000
Planning and Community Development	Melbourne Park redevelopment	2 670
		2 670
Total payments from advances pursuant to 2012-13 pursuant of Section 35 (4) of the <i>Financial Management Act 1994</i>.		203 992

Note:

(a) Effective 9 April 2013, the Department of Sustainability and Environment became the Department of Environment and Primary Industries due to machinery of government changes.

(n) Unused advances carried forward to 2012-13 pursuant to Section 35(4) of the *Financial Management Act 1994*

There have been no amounts carried forward to 2012-13 under Section 35(4) of the *Financial Management Act, No. 18 of 1994*.

Note 38: Public account disclosure (continued)

(o) Parliamentary authority – Parliament

(\$ thousand)

	Parliamentary authority 2013	Amounts applied 2013	Amounts applied 2012
Legislative Assembly			
Special appropriations			
<i>Audit Act, No. 2 of 1994</i> – Audit of the Office of the Auditor-General	16	16	15
<i>Constitution Act, No. 8750 of 1975</i> – Clerk of the Parliaments	2	2	2
<i>Constitution Act, No. 8750 of 1975</i> – Legislative Assembly	550	550	550
<i>Parliamentary Salaries and Superannuation Act, No. 7723 of 1968</i> – Salaries and Allowances	15 046	15 046	14 645
<i>Parliamentary Salaries and Superannuation Act, No. 7723 of 1968</i> – Section 13(1)(c) Contributions	6 394	6 394	6 394
Total special appropriations	22 008	22 008	21 606
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	4 444	4 411	4 557
Total provision of outputs – gross application	4 444	4 411	4 557
Total annual appropriations – gross application	4 444	4 411	4 557
Total Parliamentary authority	26 452	26 419	26 163
Legislative Council			
Special appropriations			
<i>Audit Act, No. 2 of 1994</i> – Audit of the Office of the Auditor-General	16	16	15
<i>Constitution Act, No. 8750 of 1975</i> – Legislative Council	200	200	200
<i>Parliamentary Salaries and Superannuation Act, No. 7723 of 1968</i> – Salaries and Allowances	7 507	7 507	7 369
<i>Parliamentary Salaries and Superannuation Act, No. 7723 of 1968</i> , Section 13 (1)(c) – Contributions	2 906	2 906	2 906
Total special appropriations	10 630	10 630	10 490
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	2 861	2 861	2 934
Total provision of outputs – gross application	2 861	2 861	2 934
Total annual appropriations gross application	2 861	2 861	2 934
Total Parliamentary authority	13 491	13 490	13 424
Parliamentary Investigatory Committees			
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	6 678	6 676	6 898
Total provision of outputs – gross application	6 678	6 676	6 898
Total annual appropriations – gross application	6 678	6 676	6 898
Total Parliamentary authority	6 678	6 676	6 898

Note 38: Public account disclosure (continued)

(o) Parliamentary authority – Parliament (continued)

(\$ thousand)

	Parliamentary authority 2013	Amounts applied 2013	Amounts applied 2012
Parliamentary Services			
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	72 531	69 095	69 236
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	75	75	72
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	4 617	4 617	3 385
Advance to Treasurer	8 160	8 160	..
Total provision of outputs – gross application	85 383	81 947	72 693
Additions to the net asset base			
Additions to the net asset base – net application	..	..	4 000
Total additions to net asset base – gross application	..	..	4 000
Total annual appropriations – gross application	85 383	81 947	76 693
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	85 383	81 947	76 693
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994</i> Section 33 (Special Appropriation) relating to prior year appropriations	3 646	3 646	2 729
Total Parliamentary authority	89 029	85 593	79 422
Auditor-General			
Special appropriations			
<i>Constitution Act No. 8750 of 1975</i> – Auditor-General's salary	362	362	456
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	362	362	456
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	14 661	14 661	13 959
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	23 136	23 136	22 548
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	344	344	..
Total provision of outputs – gross application	38 141	38 141	36 507
Total annual appropriations – gross application	38 141	38 141	36 507
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	38 503	38 503	36 962
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994</i> Section 33 (Special Appropriation) relating to prior year appropriations	..	..	..
Total Parliamentary authority	38 503	38 503	36 962

Note 38: Public account disclosure (continued)**(p) Parliamentary authority – Education and Early Childhood Development**

(\$ thousand)

	<i>Parliamentary authority 2013</i>	<i>Amounts applied 2013</i>	<i>Amounts applied 2012</i>
Special appropriations			
<i>Education and Training Reform Act No. 24/26 of 2006 – Section 5.6.8 – Volunteer Workers Compensation</i>	227	227	250
<i>Section 10 Financial Management Act, No. 18 of 1994 – Appropriation of Commonwealth grants etc.</i>	6 243	6 243	30 737
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	6 470	6 470	30 987
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	9 653 078	9 515 878	9 009 535
<i>Section 29 Financial Management Act, No. 18 of 1994</i>	631 457	513 588	477 856
<i>Section 32 Financial Management Act, No. 18 of 1994</i>	119 734	119 734	118 617
Advance to Treasurer	226 563	226 563	579 910
Total provision of outputs – gross application	10 630 832	10 375 763	10 185 918
Additions to the net asset base			
Additions to the net asset base – net application	..	..	187 272
<i>Section 29 Financial Management Act, No. 18 of 1994</i>	1 335	1 335	136 745
<i>Section 32 Financial Management Act, No. 18 of 1994</i>	34 032	34 032	323 286
<i>Section 35 Financial Management Act, No. 18 of 1994</i> (temporary advances)	1 000	1 000	..
Total additions to the net asset base – gross application	36 367	36 367	647 302
Total annual appropriations – gross application	10 667 199	10 412 131	10 833 221
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	10 673 669	10 418 600	10 864 207
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994</i> Section 33 (Special Appropriation) relating to prior year appropriations	43 448	43 448	28 275
Total Parliamentary authority	10 717 117	10 462 048	10 892 483

Note 38: Public account disclosure (continued)

(q) Parliamentary authority – Environment and Primary Industries ^(a)

(\$ thousand)

	Parliamentary authority 2013	Amounts applied 2013	Amounts applied 2012
Special appropriations			
<i>Financial Management Act, No.18 of 1994, Section 10</i>	14 545	14 545	20 916
Total special appropriations (excluding Financial Management Act, No. 18 of 1994 Section 33)	14 545	14 545	20 916
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	814 113	738 064	876 370
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	112 940	106 635	104 771
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	50 843	50 843	55 437
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	99 322	99 322	..
Advance to Treasurer	35 704	32 704	28 229
Victorian Water Trust – net application	14 703	2 358	194
Section 32 <i>Financial Management Act, No. 18 of 1994</i> – Victorian Water Trust	769	769	141
Section 15 of the Environment Protection Act 1970 – net application	..	..	30 318
Section 29 <i>Financial Management Act, No. 18 of 1994</i> – Environment Protection Authority	..	..	3 572
Section 32 <i>Financial Management Act, No. 18 of 1994</i> – Environment Protection Authority	..	..	504
Total provision of outputs – gross application	1 128 395	1 030 695	1 099 536
Additions to the net asset base			
Additions to the net asset base – net application	38 879	..	28 941
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	30 388	8 079	16 780
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	99 171	99 171	71 335
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	..	..	5 379
Victorian Water Trust – net application	..	..	21 372
Section 32 <i>Financial Management Act, No. 18 of 1994</i> – Victorian Water Trust	6 949	6 949	1 135
Total additions to the net asset base – gross application	175 387	114 199	144 942
Payments made on behalf of the State			
Payments made on behalf of the State – net application	426 079	416 770	..
Total for payments made on behalf of the State – gross application	426 079	416 770	..
Other			
Section 25 of the Murray-Darling Basin Act 1993	30 913	30 650	29 121
Section 32 <i>Financial Management Act, No. 18 of 1994</i> – Section 25 of the Murray-Darling Basin Act 1993	..	..	603
Total other	30 913	30 650	29 724
Total annual appropriations – gross application	1 760 773	1 592 314	1 274 202
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994 Section 33</i>)	1 775 318	1 606 859	1 295 118
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994 Section 33</i> (Special Appropriation) relating to prior year appropriations	4 342	4 342	5 884
Total Parliamentary authority	1 779 661	1 611 201	1 301 002

Note:

(a) Effective 9 April 2013, the Department of Sustainability and Environment became the Department of Environment and Primary Industries.

Note 38: Public account disclosure (continued)

(r) Parliamentary authority – Health

(\$ thousand)

	Parliamentary authority 2013	Amounts applied 2013	Amounts applied 2012
Special appropriations			
<i>Casino Control Act No. 47 of 1991, Sections 114 and 114(b)</i>	15 375	15 375	25 923
<i>Financial Management Act, No.18 of 1994, Section 10</i>	78 076	78 076	19 680
<i>Gambling Regulation Act No. 114 of 2003 Section 3.6.4</i>	42 334	42 334	114 911
Contributions – Hospitals and Charities Fund			
<i>Gambling Regulation Act No. 114 of 2003 Section 3.6.11</i>	653 452	653 452	652 011
Contributions – Hospitals and Charities Fund/Mental Hospitals Fund			
<i>Gambling Regulation Act No. 114/2003, Sec 4.6.8(2) Contributions to Hospitals and Charities Fund</i>	..	..	..
<i>Gambling Regulation Act No. 114 of 2003 Sections 4.4.11 and 4.6.8</i>	71 510	71 510	120 826
Contributions – Hospitals and Charities Fund			
<i>Gambling Regulation Act No. 114/2003, Sec 4.6.8(2) Contributions to Hospitals and Charities Fund</i>	..	..	..
<i>Gambling Regulation Act No. 114 of 2003 Section 5.4.6</i>	355 316	355 316	313 737
Contributions – Hospitals and Charities Fund/Mental Hospitals Fund			
<i>Gambling Regulation Act No. 114 of 2003 Section 6.3.3</i>	..	..	1 053
Contributions – Hospitals and Charities Fund/Mental Hospitals Fund			
<i>Gambling Regulation Act No. 114 of 2003 Section 6A.4.4</i>	3 363	3 363	603
Contributions – Hospitals and Charities Fund/Mental Hospitals Fund			
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994 Section 33</i>)	1 219 427	1 219 427	1 248 745
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	6 867 147	6 616 512	9 403 074
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	1 739 783	1 700 938	955 280
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	130 750	130 750	53 190
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	91 000	91 000	
Advance to Treasurer	13 639	13 639	98 454
Total provision of outputs – gross application	8 842 320	8 552 840	10 509 998
Additions to the net asset base			
Additions to the net asset base – net application	..	..	30 745
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	96 916	..	..
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	151 270	..	..
Total additions to the net asset base – gross application	248 186	..	30 745
Total annual appropriations gross application	9 090 506	8 552 840	10 540 743
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994 Section 33</i>)	10 309 933	9 772 268	11 789 488
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994 Section 33 (Special Appropriation)</i> relating to prior year appropriations	15 055	15 055	8 418
Total Parliamentary authority	10 324 989	9 787 323	11 797 906

Note 38: Public account disclosure (continued)

(s) Parliamentary authority – Human Services

(\$ thousand)

	Parliamentary authority 2013	Amounts applied 2013	Amounts applied 2012
Special appropriations			
<i>Gambling Regulation Act No. 114 of 2003</i> Section 5.4.6 Contributions – Hospitals and Charities Fund/Mental Hospitals Fund	63 935	63 935	63 935
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	63 935	63 935	63 935
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	3 375 362	3 345 821	3 251 604
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	19 715	19 715	14 264
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	20 957	20 957	7 561
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	10 000	9 500	
Advance to Treasurer	52,320	52,320	7 725
Total provision of outputs – gross application	3 478 354	3 448 313	3 281 154
Additions to the net asset base			
Additions to the net asset base – net application	70 795	38 294	39 928
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	19 142	12 574	198 905
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	11 261	11 260	2 839
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	500	500	9 700
Total additions to the net asset base – gross application	101 698	62 628	251 372
Total annual appropriations gross application	3 580 052	3 510 941	3 532 526
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	3 643 987	3 574 876	3 596 461
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994</i> Section 33 (Special Appropriation) relating to prior year appropriations	15 736	15 736	8 073
Total Parliamentary authority	3 659 722	3 590 612	3 604 533

Note 38: Public account disclosure (continued)

(t) Parliamentary authority – Justice

(\$ thousand)

	Parliamentary authority 2013	Amounts applied 2013	Amounts applied 2012
Special appropriations			
<i>Constitution Act, No. 8750 of 1975 – Chief Justice</i>	639	639	562
<i>Constitution Act, No. 8750 of 1975 – Judges of the Court of Appeal</i>	5 922	5 922	5 704
<i>Constitution Act, No. 8750 of 1975 – President, Court of Appeal</i>	482	482	473
<i>Constitution Act, No. 8750 of 1975 – Judges Supreme Court</i>	17 617	17 617	17 225
<i>County Court Act, No. 6230 of 1958 – Judges</i>	27 249	27 249	25 839
<i>Crown Proceedings Act, No. 6232 of 1958</i>	2 339	2 339	5 339
<i>Juries Act No.53 of 2000, Section 59 – Compensation to Jurors</i>	372	372	138
<i>Electoral Act, No. 23 of 2002, Section 181 – Electoral Expenses</i>	42 489	42 489	23 399
<i>Electoral Act, No. 23 of 2002, Section 215 – Entitlement</i>	78	78	44
<i>Eastlink Project Act No 39 of 2004, Section 26</i>	1 142	1 142	1 005
<i>Magistrates Court Act, No. 51 of 1989</i>	44 651	44 651	42 819
<i>Melbourne City Link Act, No. 107 of 1995, Section 14 (4)</i>	2 797	2 797	1 970
<i>Victims of Crime Assistance Act, No. 81 of 1996 – Tribunal</i>	2 365	2 365	2 357
<i>Victims of Crime Assistance Act, No. 81 of 1996 – Criminal Injuries Compensation</i>	41 338	41 338	38 539
<i>Emergency Management Act No 30/1986 Section 32 – Volunteer Workers Compensation</i>	134	134	139
<i>Victorian State Emergency Services Volunteer Workers Compensation – Act No. 51 of 2005</i>	135	135	280
<i>Work Cover Authority Fund, Corrections Act 1986, Part 9D, S.104ZW</i>	91	91	156
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994 Section 33</i>)	189 841	189 841	165 986
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	3 920 864	3 808 575	3 630 317
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	238 663	238 663	242 706
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	95 812	68 018	96 140
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	..	..	..
Advance to Treasurer	42 613	42 410	7 351
Total provision of outputs – gross application	4 297 952	4 157 666	3 976 514
Additions to the net asset base			
Additions to the net asset base – net application	304 383	64 444	100 443
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	10 090	10 090	5 882
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	53 909	40 343	38 096
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	..	..	..
Advance to Treasurer	..	..	..
Total additions to the net asset base – gross application	368 382	114 877	144 422
Payments made on behalf of the State			
Payments made on behalf of the State – net application	54 461	35 420	41 149
Advance to Treasurer	..	..	..
Total for payments made on behalf of the State – gross application	54 461	35 420	41 149

Note 38: Public account disclosure (continued)**(t) Parliamentary authority – Justice (continued)**

(\$ thousand)

	<i>Parliamentary authority 2013</i>	<i>Amounts applied 2013</i>	<i>Amounts applied 2012</i>
Other			
Victorian Law Reform Commission – pursuant to Section 17 (b) of the <i>Victorian Law Reform Commission Act 2000</i>	949	791	894
Total other	949	791	894
Total annual appropriations gross application	4 721 744	4 308 753	4 162 979
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	4 911 585	4 498 594	4 328 966
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994</i> Section 33 (Special Appropriation) relating to prior year appropriations	11 693	11 693	23 544
Total Parliamentary authority	4 923 277	4 510 287	4 352 510

Note 38: Public account disclosure (continued)

(u) Parliamentary authority – Planning and Community Development

(\$ thousand)

	Parliamentary authority 2013	Amounts applied 2013	Amounts applied 2012
Special appropriations			
Payments to Growth Areas Public Transport Fund pursuant to section 46QB of the <i>Planning and Environment Act No. 45 of 1987</i>	7 000	7 000	8 985
Payments to Building New Communities Fund pursuant to section 46QB of the <i>Planning and Environment Act No. 45 of 1987</i>	7 000	7 000	8 985
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	14 000	14 000	17 971
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	347 145	298 297	328 203
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	465	465	8 656
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	12 850	11 649	12 526
Advance to Treasurer	6 690	6 494	2 275
Total provision of outputs – gross application	367 150	316 905	351 659
Additions to the net assets base			
Additions to the net asset base – net application	155 633	126 838	138 661
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	13 610	9 318	473
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	2 700	2 670	438
Total additions to the net asset base – gross application	171 943	138 827	139 572
Payments made on behalf of the State			
Payments made on behalf of the State – net application	850	156	412
Total for payments made on behalf of the State – gross application	850	156	412
Other			
Payment to Regional Growth Fund pursuant to Section 4 of the <i>Regional Growth Fund Act No. 8 of 2011</i>	125 000	122 000	127 000
Total other	125,000	122,000	127,000
Total annual appropriations – gross application	664 943	577 888	618 644
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	678 943	591 888	636 614
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994</i> Section 33 (Special Appropriation) relating to prior year appropriations	26 200	26 200	16 092
Total Parliamentary authority	705 143	618 088	652 706

Note:

(a) The *Regional Growth Fund Act* was passed in November 2011, this replaces the *Regional Infrastructure Development Fund Act 1999*.

Note 38: Public account disclosure (continued)

(v) Parliamentary authority – Premier and Cabinet

(\$ thousand)

	Parliamentary authority 2013	Amounts applied 2013	Amounts applied 2012
Special appropriations			
<i>Constitution Act, No. 8750 of 1975 – Executive Council</i>	50	50	50
<i>Constitution Act, No. 8750 of 1975 – Governor’s Salary</i>	418	418	406
<i>Ombudsman Act, No. 8414 of 1973</i>	493	493	460
<i>Parliamentary Salaries and Superannuation Act, No. 7723 of 1968</i>	7 317	7 317	7 162
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	8 278	8 278	8 078
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	544 513	528 613	541 333
<i>Section 29 Financial Management Act, No. 18 of 1994</i>	867	867	485
<i>Section 32 Financial Management Act, No. 18 of 1994</i>	16 350	16 350	9 150
Advance to Treasurer	2 986	2 986	12 138
Total provision of outputs – gross application	564 716	548 816	563 106
Additions to the net asset base			
Additions to the net asset base – net application	16 624	13 292	57 222
<i>Section 32 Financial Management Act, No. 18 of 1994</i>	3 145	..	..
Advance to Treasurer	780	780	..
Total additions to the net asset base – gross application	20 549	14 072	57 222
Total annual appropriations – gross application	585 265	562 887	620 328
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	593 544	571 166	628 406
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994</i> Section 33 (Special Appropriation) relating to prior year appropriations	6 485	6 485	13 310
Total Parliamentary authority	600 029	577 651	641 716

Note 38: Public account disclosure (*continued*)

(w) Parliamentary authority – Primary Industries

(\$ thousand)

	Parliamentary authority 2013	Amounts applied 2013	Amounts applied 2012
Special appropriations			
<i>Financial Management Act, No. 18 of 1994, Section 28</i>	..	..	6 000
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994 Section 33</i>)	..	..	6 000
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	396 883	316 542	334 506
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	88 213	65 396	63 599
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	57 649	57 649	27 022
Advance to Treasurer	12 269	12 269	11 408
Total provision of outputs – gross application	555 014	451 856	436 535
Additions to the net asset base			
Additions to the net asset base – net application	34 942	3 897	506
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	134	4	..
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	24 700	24 700	11 785
Advance to Treasurer	..	..	..
Total additions to the net asset base – gross application	59 776	28 601	12 291
Total annual appropriations – gross application	614 790	480 456	448 825
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994 Section 33</i>)	614 790	480 456	454 825
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994 Section 33</i> (Special Appropriation) relating to prior year appropriations	8 300	8 300	1 925
Total Parliamentary authority	623 090	488 756	456 751

Note 38: Public account disclosure (continued)

(x) Parliamentary authority – State Development, Business and Innovation^(a)

(\$ thousand)

	Parliamentary authority 2013	Amounts applied 2013	Amounts applied 2012
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	481 963	386 324	390 877
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	1 078	1 078	..
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	42 126	42 126	43 038
Advance to Treasurer	9 250	8 604	1 675
Total provision of outputs – gross application	534 417	438 131	435 590
Additions to the net asset base			
Additions to the net asset base – net application	184 973	117 157	4 143
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	..	..	2 398
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	6 961	3 354	9 055
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	..	..	131 000
Total additions to the net asset base – gross application	191 934	120 511	146 597
Payments made on behalf of the State			
Payments made on behalf of the State – net application	59 000	59 000	53 850
Advance to Treasurer	..	..	3 500
Total for payments made on behalf of the State – gross application	59 000	59 000	57 350
Total annual appropriations – gross application	785 351	617 642	639 537
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994</i> Section 33)	785 351	617 642	639 537
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994</i> Section 33 (Special Appropriation) relating to prior year appropriations	..	..	13 100
Total Parliamentary authority	785 351	617 642	652 637

Note:

(a) Effective 9 April 2013, the Department of Business and Innovation became the Department of State Development, Business and Innovation due to machinery of government changes.

Note 38: Public account disclosure (continued)

(y) Parliamentary authority – Transport, Planning and Local Infrastructure ^(a)

(\$ thousand)

	Parliamentary authority 2013	Amounts applied 2013	Amounts applied 2012
Special appropriations			
<i>Financial Management Act, No. 18 of 1994, Section 10</i>	95 067	95 067	..
<i>Transport (Compliance and Miscellaneous) Act 1983, Section 213 ^(a)</i>	1 598	1 598	1 570
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994 Section 33</i>)	96 665	96 665	1 570
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	4 614 265	4 567 773	4 385 188
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	222 944	222 944	711 955
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	185 076	181 129	56 695
Advance to Treasurer	87 678	83 568	21 209
Total provision of outputs – gross application	5 109 963	5 055 414	5 175 047
Additions to the net asset base			
Additions to the net asset base – net application	2 225 480	1 013 471	964 631
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	622 000	528 600	459 639
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	410 343	410 343	304 603
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	..	..	..
Total additions to the net asset base – gross application	3 257 823	1 952 414	1 728 873
Total annual appropriations – gross application	8 367 786	7 007 828	6 903 920
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994 Section 33</i>)	8 464 451	7 104 493	6 905 490
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994 Section 33 (Special Appropriation)</i> relating to prior year appropriations	6 293	6 293	10 406
Total Parliamentary authority	8 470 744	7 110 786	6 915 896

Note:

(a) Effective 9 April 2013, the Department of Transport became the Department of Transport, Planning and Local Infrastructure due to machinery of government changes.

Note 38: Public account disclosure (continued)

(z) Parliamentary authority – Treasury and Finance

(\$ thousand)

	Parliamentary authority 2013	Amounts applied 2013	Amounts applied 2012
Special appropriations			
<i>Constitution Act, No. 8750 of 1975 – Governor's Pension</i>	946	946	1 020
<i>Constitution Act, No. 8750 of 1975 – Supreme Court Judges</i>	9 328	9 328	9 159
<i>County Court Act, No. 6230 of 1958 – Judges</i>	12 915	12 915	12 600
<i>Financial Management Act, No. 18 of 1994, Section 10</i>	1 588	1 588	..
<i>Financial Management Act, No. 18 of 1994, Section 39 – Interest on Advances</i>	1 152	1 152	5 849
<i>Gambling Regulation Act No.114 of 2003, Section 3.6.12 – Community Support Fund</i>	84 973	84 973	104 125
<i>Liquor Control Reform Act, No. 94 of 1988, Section 177 (2)</i>	3 023	3 023	2 325
<i>State Electricity Commission Act 1958, Section 85B(2) – Indemnity</i>	126 004	126 004	13 225
<i>State Superannuation Act, No. 50 of 1988, Section 90 (2) – Contributions ^(b)</i>	934 881	934 881	594 080
<i>State Owned Enterprises Act, No. 92 of 1992, Section 88 – State equivalent taxation payments</i>	835	835	179
<i>Taxation (Interest on Overpayments) Act, No. 35 of 1986, Section 11</i>	829	829	1 528
<i>Treasury Corporation of Victoria Act No. 80 of 1992, Section 38 – Debt Retirement ^(c)</i>	6 870	6 870	86 429
Total special appropriations (excluding <i>Financial Management Act, No. 18 of 1994 Section 33</i>)	1 183 343	1 183 343	830 519
Annual appropriations			
Provision of outputs			
Provision of outputs – net application	237 161	229 404	229 506
Section 29 <i>Financial Management Act, No. 18 of 1994</i>	6 678	6 678	4 740
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	5 956	1 235	2 931
Advance to Treasurer	10 119	8 881	1 510
Total provision of outputs – gross application	259 914	246 198	238 687
Additions to the net asset base			
Additions to the net asset base – net application	24 934	17 504	21 967
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	..	..	33 871
Total additions to the net asset base – gross application	24 934	17 504	55 838
Payments made on behalf of the State			
Payments made on behalf of the State – net application	2 219 927	2 218 418	1 998 098
Section 32 <i>Financial Management Act, No. 18 of 1994</i>	6 764	6 764	813
Section 35 <i>Financial Management Act, No. 18 of 1994</i> (temporary advances)	..	..	30 000
Advance to the Treasurer	6 695	3 952	751
Total for payments made on behalf of the State – gross application	2 233 386	2 229 134	2 029 662
Advance to Treasurer to meet urgent claims that may arise before Parliamentary sanction is obtained, which will afterwards be submitted for Parliamentary authority	524 133	503 331	776 134
Payments approved under Advance to Treasurer and brought to account under the relevant departments	(524 133)	(503 331)	(776 134)
Total annual appropriations gross application	2 518 234	2 492 836	2 324 187
Total Parliamentary authority (excluding <i>Financial Management Act, No. 18 of 1994 Section 33</i>)	3 701 577	3 676 179	3 154 706
Amounts issued under the authority of the <i>Financial Management Act, No. 18 of 1994 Section 33</i> (Special Appropriation) relating to prior year appropriations	1 680	1 680	1 695
Total Parliamentary authority	3 703 257	3 677 859	3 156 401

Note 38: 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 2012-13 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 2012-13 in respect of any guarantee payment.

Note 39: 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* 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.

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 (including finance lease arrangements), which are classified as advances received.

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.

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 39: Glossary of technical terms (continued)

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.

Current grants

Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

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.

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*.

Note 39: 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 40.

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.

Interest expense

Costs incurred in connection with the borrowing of funds. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings.

Note 39: Glossary of technical terms (*continued*)

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.

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.

Note 39: Glossary of technical terms (*continued*)

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.

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.

Note 39: Glossary of technical terms (*continued*)

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).

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 41.

Note 39: Glossary of technical terms (*continued*)

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 41.

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. Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement. The cost is measured net of the actuarial return on plan assets of defined benefit schemes calculated using an actuarially determined long term rate of return.

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.

Note 39: Glossary of technical terms (*continued*)

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; 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 40: 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 40: 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 41: 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.

<i>Controlled entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Department of Education and Early Childhood Development ^(a)			
Adult Community and Further Education Board	*		
Adult Multicultural Education Services	*		
TAFEs including:			
Bendigo Regional Institute of TAFE	*		
Box Hill Institute of TAFE ^(b)	*		
Central Gippsland Institute of TAFE	*		
Chisholm Institute of TAFE	*		
East Gippsland Institute of TAFE	*		
Gordon Institute of TAFE	*		
Goulburn Ovens Institute of TAFE	*		
Holmesglen Institute of TAFE	*		
International Fibre Centre Limited	*		
Kangan Batman Institute of TAFE	*		
Northern Melbourne Institute of TAFE	*		
Royal Melbourne Institute of Technology (TAFE Division)	*		
South West Institute of TAFE	*		
Sunraysia Institute of TAFE	*		
Swinburne University of Technology (TAFE Division)	*		
University of Ballarat (TAFE Division)	*		
Victoria University (TAFE Division)	*		
William Angliss Institute of TAFE	*		
Wodonga Institute of TAFE ^(c)	*		
Victorian Curriculum and Assessment Authority	*		
Victorian Institute of Teaching	*		
Victorian Registration and Qualifications Authority	*		
Department of Environment and Primary Industries ^(d)			
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	*		
Environment Protection Authority	*		
Office of the Commissioner for Environmental Sustainability	*		

Note 41: Controlled entities (continued)

Controlled entities	Entities included as investments in other sectors		
	General government	Public non-financial corporation	Public financial corporation
Parks Victoria	*		
Royal Botanic Gardens Board	*		
Surveyors Registration Board of Victoria	*		
Sustainability Victoria	*		
Trust for Nature (Victoria)	*		
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		*	
Phillip Island Nature Park Board of Management Inc.		*	
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		*	
Northern 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 ^(e)		*	
Coliban Region Water Corporation		*	
East Gippsland Region Water Corporation		*	
Gippsland and Southern Rural Water Corporation		*	
Goulburn Valley Region Water Corporation		*	
Goulburn-Murray Rural Water Corporation ^(f)		*	
Grampians Wimmera-Mallee Water Corporation		*	
Lower Murray Urban and Rural Water Corporation		*	
Melbourne Water Corporation		*	
North East Region Water Corporation		*	
South East Water Corporation ^(e)		*	
South Gippsland Region Water Corporation		*	
Wannon Region Water Corporation		*	
Western Region Water Corporation		*	
Westernport Region Water Corporation		*	
Yarra Valley Water Corporation ^(e)		*	
Zoological Parks and Gardens Board of Victoria		*	

Note 41: Controlled entities (continued)

Controlled entities	Entities included as investments in other sectors		
	General government	Public non-financial corporation	Public financial corporation
Department of Health ^(g)			
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	*		
Latrobe Regional Hospital	*		
Lorne Community Hospital	*		
Maldon Hospital	*		
Mallee Track Health and Community Services	*		
Mansfield District Hospital	*		

Note 41: Controlled entities (continued)

Controlled entities	Entities included as investments in other sectors		
	General government	Public non-financial corporation	Public financial corporation
Maryborough District Health Service	*		
Melbourne Health	*		
Moyne Health Services	*		
Monash Health ^(h)	*		
Nathalia District Hospital	*		
Northeast Health Wangaratta	*		
Northern Health	*		
Numurkah District Health Service	*		
Omeo District Health	*		
Orbost Regional Health	*		
Otway Health and Community Services	*		
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	*		
Cemeteries including:			
Ballarat General Cemeteries Trust		*	
Bendigo Cemeteries Trust		*	
Greater Metropolitan Cemeteries Trust		*	
Southern Metropolitan Cemeteries Trust		*	
Geelong Cemeteries Trust		*	

Note 41: Controlled entities (continued)

Controlled entities	Entities included as investments in other sectors		
	General government	Public non-financial corporation	Public financial corporation
Department of Human Services			
Commission for Children and Young People ⁽ⁱ⁾	*		
The Queen Elizabeth Centre	*		
Tweddle Child and Family Health Service	*		
Director of Housing (PNFC)		*	
Queen Victoria Women's Centre Trust		*	
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Department of Justice			
Country Fire Authority	*		
Emergency Services Telecommunications Authority	*		
Fire Services Levy Monitor ⁽ⁱ⁾	*		
Freedom of Information Commissioner ⁽ⁱ⁾	*		
Independent Broad-Based Anti-Corruption Commission (IBAC) ⁽ⁱ⁾	*		
Judicial College of Victoria	*		
Legal Services Board	*		
Legal Services Commissioner	*		
Metropolitan Fire and Emergency Services Board	*		
Office of Police Integrity	*		
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 ⁽ⁱ⁾	*		
Victorian Institute of Forensic Medicine	*		
Victorian Law Reform Commission	*		
Victorian Professional Standards Council	*		
Victorian Responsible Gambling Foundation ⁽ⁱ⁾	*		
Greyhound Racing Victoria		*	
Harness Racing Victoria		*	
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Department of Planning and Community Development			
Architects Registration Board of Victoria	*		
Building Commission	*		
Growth Areas Authority	*		
Heritage Council	*		
Melbourne Cricket Ground Trust	*		
Plumbing Industry Commission	*		
Regional Development Victoria	*		
Shrine of Remembrance Trustees	*		
Victorian Building Authority ⁽ⁱ⁾	*		
Victorian Aboriginal Heritage Council	*		
Victorian Institute of Sport Limited	*		
Victorian Institute of Sport Trust	*		
Victorian Veterans Council	*		

Note 41: Controlled entities (continued)

Controlled entities	Entities included as investments in other sectors		
	General government	Public non-financial corporation	Public financial corporation
Melbourne and Olympic Parks Trust		*	
State Sport Centres Trust		*	
Urban Renewal Authority Victoria (Places 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	*		
State Services Authority	*		
Victorian Multicultural Commission	*		
Geelong Performing Arts Centre Trust		*	
Victorian Arts Centre Trust		*	
VITS LanguageLink		*	
Department of Primary Industries			
Energy Safe Victoria	*		
Veterinary Practitioners Registration Board of Victoria	*		
Agriculture Victoria Services Pty Ltd		*	
Dairy Food Safety Victoria		*	
Murray Valley Citrus Board		*	
Murray Valley Wine Grape Industry Development Committee		*	
Northern Victorian Fresh Tomato Industry Development Committee		*	
Phytogene Pty Ltd		*	
PrimeSafe		*	
VicForests		*	
Victorian Strawberry Industry Development Committee		*	
Department of State Development, Business and Innovation ^(d)			
Australian Synchrotron Holding Company	*		
Docklands Studios Melbourne Pty Ltd	*		
Film Victoria	*		
Major Projects Victoria	*		
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 ^{(d)(i)}			
Linking Melbourne Authority	*		
Public Transport Development Authority	*		
Roads Corporation	*		
Taxi Services Commission	*		
Port of Hastings Development Authority		*	
Port of Melbourne Corporation		*	

Note 41: Controlled entities (continued)

Controlled entities	Entities included as investments in other sectors		
	General government	Public non-financial corporation	Public financial corporation
Transport Ticketing Authority		*	
Victorian Rail Track		*	
Victorian Regional Channels Authority		*	
V/Line Passenger Corporation		*	
Department of Treasury and Finance			
CenITex	*		
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 January 2013, Victorian Skills Commission ceased to exist and operations were transferred to Department of Education and Early Childhood Development.
- (b) Effective 4 December 2012, Centre for Adult Education operations were transferred to Box Hill Institute of TAFE.
- (c) Effective 1 January 2013, Driver Education Centre Australia Ltd ceased to exist and operations were transferred to Wodonga Institute of TAFE.
- (d) 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.
- (e) Effective 1 July 2012, the following entities were transferred from the Department of Treasury and Finance to the Department of Sustainability and Environment portfolio:
- City West Water Corporation;
 - South East Water Corporation; and
 - Yarra Valley Water Corporation.
- (f) Effective 1 July 2012, the State Owned Enterprise for Irrigation Modernisation in Northern Victoria ceased to exist and operations were transferred to Goulburn-Murray Rural Water Corporation, a public non-financial corporation.
- (g) Effective from 1 July 2012, the following general government entities were transferred from the Department of Health to the Australian Health Practitioner Regulation Agency, which is an agency of the Commonwealth Government:
- Chinese Medicine registration Board of Victoria; and
 - Medical Radiation Practitioners Board of Victoria.
- (h) On 30 May 2013, Southern Health became Monash Health upon gazettal.
- (i) New entities:
- on 1 July 2012, Independent Broad-based Anti-corruption Commission commenced operations; on 10 February 2013 following proclamation of the Independent Broad-based Anti-corruption Amendment (Investigative Functions) Act 2012, the Office of Police Integrity ceased operations.
 - on 1 July 2012, Victorian Inspectorate commenced operations;
 - on 1 July 2012, Victorian Responsible Gambling Foundation commenced operations;
 - on 1 December 2012, Freedom of Information Commissioner commenced operations;
 - on 19 December 2012, Fire Services Levy Monitor commenced operations;
 - on 1 July 2013, Victorian Building Authority commenced operations; and
 - on 1 March 2013, Commission of Children and Young People commenced operations.
- (j) At 30 June 2013, Public Transport Ticketing Body (Transport Ticketing Authority) ceased to exist and its operations transferred to Public Transport Development Authority (Public Transport Victoria).

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 all Australian public sector entities. 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 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)	
	2013	2012
Revenue from transactions		
Taxation revenue	15 198.9	14 789.5
Interest	435.0	528.0
Dividends and income tax equivalent and rate equivalent revenue	609.4	457.1
Sales of goods and services	9 826.4	9 626.9
Grants	21 879.2	22 559.4
Other revenue	2 728.9	2 788.2
Total revenue from transactions	50 677.8	50 749.1
Expenses from transactions		
Employee expenses	18 778.0	18 058.4
Net superannuation interest expense	443.8	808.4
Other superannuation	2 016.9	1 935.9
Depreciation	4 092.4	3 842.6
Interest expense	2 433.8	1 928.0
Grants and other transfers	5 399.1	5 721.0
Other operating expenses	18 580.9	18 408.9
Total expenses from transactions	51 744.7	50 703.3
Net result from transactions – net operating balance	(1 066.9)	45.8
Other economic flows included in net result		
Net gain/(loss) on sale of non-financial assets	21.1	(101.6)
Net gain/(loss) on financial assets or liabilities at fair value	(29.5)	(674.8)
Net actuarial gains/(losses) of superannuation defined benefits	7 356.8	(9 389.2)
Share of net profit/(loss) from associates/joint venture entities, excluding dividends	(83.4)	5.1
Other gains/(losses) from other economic flows ^(a)	(381.6)	(303.9)
Total other economic flows included in net result	6 883.4	(10 464.4)
Net result	5 816.5	(10 418.6)
Other economic flows – other comprehensive income ^{(a)(b)}		
Items that will not be reclassified to net result		
Changes in non-financial assets revaluation surplus	796.4	2 026.3
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	897.0	(81.3)
Other movements in equity	395.4	248.7
Items that may be reclassified subsequently to net results		
Net gain/(loss) on financial assets at fair value	84.0	(22.2)
Total other economic flows – other movements in equity	2 172.9	2 171.5
Comprehensive result – total change in net worth	7 989.3	(8 247.1)
FISCAL AGGREGATES		
Net operating balance	(1 066.9)	45.8
Net acquisition of non-financial assets		
Purchases of non-financial assets (including change in inventories)	7 816.6	7 455.4
Less: Sales of non-financial assets	(404.4)	(289.3)
Less: Depreciation	(4 092.4)	(3 842.6)

Table 5.1: Non-financial public sector operating statement for the financial year ended 30 June (continued)

(\$ million)

	2013	2012
Plus: Other movements in non-financial assets	5 526.4	1 322.4
Less: Net acquisition of non-financial assets from transactions	8 846.3	4 645.9
Net lending/(borrowing)	(9 913.2)	(4 600.2)

Source: Department of Treasury and Finance

Notes:

- (a) Restated balances at 30 June 2012. Refer to Note 36, Chapter 4 Annual Financial Report.
- (b) The changed item description 'other economic flows – other comprehensive income' and related inclusion of sub headings are due to the new requirements of AASB 101 Presentation of Financial Statements and AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Table 5.2: Non-financial public sector balance sheet for the financial year ended 30 June

(\$ million)

	2013	2012 ^(a)
Assets		
Financial assets		
Cash and deposits ^(b)	4 759.9	5 775.1
Advances paid	72.1	88.6
Receivables	4 985.3	4 166.4
Investments, loans and placements	4 439.6	3 282.0
Investments accounted for using the equity method	1 666.1	1 664.7
Investments in other sector entities	1 949.3	1 055.4
Total financial assets	17 872.1	16 032.3
Non-financial assets		
Inventories	871.0	1 000.6
Non-financial assets held for sale	146.6	160.4
Land, buildings, infrastructure, plant and equipment	189 409.2	179 894.5
Other non-financial assets	1 844.8	1 679.9
Total non-financial assets	192 271.6	182 735.4
Total assets	210 143.7	198 767.8
Liabilities		
Deposits held and advances received	583.4	507.2
Payables	6 604.9	5 762.3
Borrowings	43 272.9	33 259.7
Other employee benefits	5 535.2	5 365.3
Superannuation	25 225.4	32 750.8
Other provisions	1 104.5	1 294.4
Total liabilities	82 326.4	78 939.7
Net assets	127 817.4	119 828.1
Accumulated surplus/(deficit)	48 539.2	41 572.8
Other reserves	79 228.2	78 205.3
Non-controlling interest	50.0	50.0
Net worth	127 817.4	119 828.1
FISCAL AGGREGATES		
Net financial worth	(64 454.2)	(62 907.4)
Net financial liabilities	66 403.5	63 962.8
Net debt	34 584.8	24 621.1

Source: Department of Treasury and Finance

Notes:

(a) Restated balances at 30 June 2012. Refer to Note 36, Chapter 4 Annual Financial Report.

(b) Review of Cash Investments in 2012-13 has reclassified some Australian Dollar Term Deposits held in 2011-12 to Cash and Deposits.

Table 5.3: Non-financial public sector cash flow statement for the financial year ended 30 June

(\$ million)

	2013	2012
Cash flows from operating activities		
Receipts		
Taxes received	14 886.3	15 372.3
Grants	21 988.5	22 818.2
Sales of goods and services ^(a)	10 715.9	10 682.3
Interest received	428.6	489.2
Dividends and income tax equivalent and rate equivalent receipts	607.8	456.6
Other receipts ^(b)	2 097.5	1 837.7
Total receipts	50 724.5	51 656.4
Payments		
Payments for employees	(18 548.6)	(17 704.5)
Superannuation	(2 629.2)	(2 226.0)
Interest paid	(2 343.8)	(1 807.6)
Grants and subsidies ^(b)	(5 623.2)	(5 886.0)
Goods and services ^(a)	(18 781.6)	(19 608.9)
Other payments	(300.6)	(581.0)
Total payments	(48 227.0)	(47 814.0)
Net cash flows from operating activities	2 497.5	3 842.4
Cash flows from investing activities		
Purchases of non-financial assets	(7 816.6)	(7 455.4)
Sales of non-financial assets	404.4	289.3
Cash flows from investments in non-financial assets	(7 412.2)	(7 166.1)
Net cash flows from investments in financial assets for policy purposes	319.2	79.0
Sub-total	(7 093.0)	(7 087.1)
Net cash flows from investments in financial assets for liquidity management purposes ^(c)	(1 110.1)	35.1
Net cash flows from investing activities	(8 203.1)	(7 052.0)
Cash flows from financing activities		
Advances received (net)	0.5	(0.2)
Net borrowings	4 614.0	4 561.4
Deposits received (net)	75.8	(12.8)
Net cash flows from financing activities	4 690.3	4 548.4
Net increase/(decrease) in cash and cash equivalents	(1 015.2)	1 338.8
Cash and cash equivalents at beginning of reporting period	5 775.1	4 436.2
Cash and cash equivalents at end of reporting period ^(c)	4 759.8	5 775.1
FISCAL AGGREGATES		
Net cash flows from operating activities	2 497.5	3 842.4
Net cash flows from investments in non-financial assets	(7 412.2)	(7 166.1)
Cash surplus/(deficit)	(4 914.7)	(3 323.7)

Source: Department of Treasury and Finance

Notes:

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

(b) Restatement of previously published information relates to restated balances at 30 June 2012 and 1 July 2011. Refer to Note 36, Chapter 4 Annual Financial Report.

(c) Review of Cash Investments in 2012-13 has reclassified some Australian Dollar Term Deposits held in 2011-12 to Cash and Deposits.

Table 5.4: Non-financial public sector statement of changes in equity

(\$ million)

	<i>Accumulated surplus/(deficit)</i>	<i>Non- controlling Interest</i>
2013		
Balance at 1 July 2012	41 572.8	50.0
Net result for the year	5 816.5	..
Other comprehensive income for the year	1 150.0	..
Transactions with owners in their capacity as owners	..	..
Total equity as at 30 June 2013	48 539.2	50.0
2012 ^(a)		
Balance at 1 July 2011	51 744.4	48.5
Net result for the year	(10 418.6)	..
Other comprehensive income for the year	247.0	..
Transactions with owners in their capacity as owners	..	1.5
Total equity as at 30 June 2012	41 572.8	50.0

Source: Department of Treasury and Finance

Note:

(a) Restated balances at 30 June 2012. Refer to Note 36, Chapter 4 Annual Financial Report.

<i>Property, plant and equipment revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus</i>	<i>Other reserves</i>	<i>Total</i>
75 552.6	762.9	1 889.8	164 506.3
..	..	..	5 816.5
796.4	897.0	(670.6)	2 172.9
..	..	..	0.0
76 349.0	1 659.9	1 219.2	172 495.6
73 526.4	844.2	1 910.3	172 751.9
..	..	..	(10 418.6)
2 026.3	(81.3)	(20.4)	2 171.5
..	..	..	1.5
75 552.6	762.9	1 889.8	164 506.3

Table 5.5: Derivation of non-financial public sector GFS cash surplus/(deficit)*(\$ million)*

	2013	2012
Cash surplus/(deficit)	(4 914.7)	(3 323.7)
Less: Acquisitions under finance leases and similar arrangements	(5 433.8)	(917.1)
GFS cash surplus/(deficit) ^(a)	(10 348.5)	(4 240.8)

*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

(\$ million)

	2012-13	2011-12
General public services	1 151.6	808.6
Other general public services	1 151.6	808.6
Public order and safety	5 188.5	4 962.0
Police and fire protection services	3 105.6	2 973.2
Police services	2 020.5	1 963.1
Fire protection services	1 085.1	1 010.1
Law courts and legal services	1 009.3	994.8
Prisons and corrective services	730.8	683.2
Other public order and safety	342.9	310.7
Education	12 661.5	12 412.1
Primary and secondary education	9 014.8	8 837.9
Primary education	4 518.2	4 427.3
Secondary education	4 445.2	4 410.7
Primary and secondary education NEC ^(a)	51.4	..
Tertiary education	2 396.7	2 456.5
Technical and further education	2 396.7	2 456.5
Pre-school education and education not definable by level	911.1	750.7
Pre-school education	323.9	191.0
Special education	587.2	559.6
Transportation of students	338.9	317.0
Transportation of non-urban school children	244.7	228.5
Transportation of other students	94.2	88.5
Education NEC ^(a)	..	50.1
Health	13 158.2	12 741.3
Acute care institutions	9 731.9	9 460.9
Admitted patient services in acute care institutions	8 035.8	7 696.1
Non-admitted patient services in acute care institutions	1 696.2	1 764.8
Mental health institutions	72.5	73.1
Nursing homes for the aged	521.7	531.2
Community health services	2 047.2	1 997.9
Community health services (excluding community mental health)	752.6	732.9
Community mental health	682.8	685.8
Patient transport	611.8	579.2
Public health services	358.1	347.9
Pharmaceuticals, medical aids and appliances	309.4	218.3
Health research	109.8	105.5
Health administration NEC ^(a)	7.6	6.6
Social security and welfare	3 868.0	3 768.3
Welfare services	3 868.0	3 768.3
Family and child services	870.9	816.3
Welfare services for the aged	1 117.2	1 119.5
Welfare services for people with a disability	1 440.5	1 393.0
Welfare services NEC ^(a)	439.5	439.4
Housing and community amenities	2 543.2	2 869.0
Housing and community development	1 380.2	2 130.2
Housing	414.8	861.6
Aboriginal community development	21.1	20.5
Other community development	944.2	1 248.1

Table 5.6: General government sector detailed expenses by function (continued)

(\$ million)

	2012-13	2011-12
Water supply	208.5	358.9
Sanitation and protection of the environment	369.0	363.3
Other community amenities	585.6	16.6
Recreation and culture	735.7	830.1
Recreation facilities and services	344.1	344.3
National parks and wildlife	94.1	92.7
Recreation facilities and services NEC ^(a)	250.0	251.6
Cultural facilities and services	391.6	485.9
Fuel and energy	..	28.6
Fuel affairs and services	..	4.6
Gas	..	4.6
Electricity and other energy	..	24.0
Electricity	..	24.0
Agriculture, forestry, fishing and hunting	519.9	449.1
Agriculture	291.1	253.3
Forestry, fishing and hunting	228.8	195.8
Mining and mineral resources other than fuels; manufacturing; and construction	..	..
Mining and mineral resources other than fuels	..	..
Transport and communications	5 675.8	5 545.1
Road transport	2 206.5	2 203.8
Road maintenance	447.4	493.8
Road construction	645.8	627.1
Road transport NEC ^(a)	1 113.3	1 082.9
Water transport	26.8	33.4
Urban water transport services	17.0	19.0
Non-urban water transport services	9.7	14.3
Rail transport	3 120.1	2 905.5
Urban rail transport services	2 427.4	2 236.4
Non-urban rail transport freight services	19.4	24.0
Non-urban rail transport passenger services	673.3	645.0
Other transport	322.4	402.4
Multi-mode urban transport	14.2	18.0
Other transport NEC ^(a)	308.2	384.4
Other economic affairs	982.4	827.1
Tourism and area promotion	217.8	223.0
Labour and employment affairs	14.3	126.7
Other labour and employment affairs	14.3	126.7
Other economic affairs	750.3	477.4
Other purposes	1 811.7	2 069.7
Public debt transactions	1 775.3	2 051.2
Other purposes NEC ^(a)	36.4	18.5
Total	48 296.4	47 311.0

Source: Department of Treasury and Finance

Note:

(a) NEC: Not elsewhere classified.

VICTORIA'S 2012-13 LOAN COUNCIL ALLOCATION

As required under the Uniform Presentation Framework, 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 individual 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 Victoria's 2012-13 LCA nomination as published in the *2012-13 Budget* with the 2012-13 outcome.

Table 5.7: Loan Council Allocation

(\$ million)

	2012-13 Budget	2012-13 Actual
General government cash deficit	971.3	2 192.9
Public non-financial corporations sector cash deficit	4 007.0	2 789.9
Non-financial public sector cash deficit ^(a)	4 978.3	4 914.7
Acquisitions under finance leases and similar arrangements	4 966.3	5 433.8
ABS GFS cash deficit	9 944.5	10 348.5
Less Net cash flows from investments in financial assets for policy purposes ^(b)	(23.8)	319.2
Plus Memorandum items ^(c)	360.4	76.3
Loan Council Allocation	10 328.7	10 105.6
Tolerance limit (2 per cent of non-financial public sector cash receipts from operating activities) ^(d)	1 033.9	1 033.9

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 Loan Council Allocation 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 Loan Council Allocation 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 Loan Council Allocation (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 Loan Council Allocation budget estimate and Loan Council Allocation outcome (calculated using estimates in the 2012-13 Budget). The tolerance limit applying to the movement between Victoria's 2012-13 Loan Council Allocation budget estimate and its Loan Council Allocation outcome is \$1 033.9 million (2 per cent of \$51 696.0 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 2012-13 LCA outcome did not exceed the tolerance limit applied to Victoria's budget time LCA and LCA outcome.

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 through independent valuation) less any costs incurred by the Government as a result of the default.

Below are details of the public private partnership project that was contracted in the 2012-13 financial year.

Bendigo Hospital project

The Bendigo Hospital project will deliver Victoria's largest regional hospital to Bendigo and the Loddon Mallee region with 372 beds, 10 operating theatres, an integrated cancer centre and mental health unit, helipad and a new multi-storey car park.

The tender process commenced in September 2011 and concluded in May 2013. The private consortium, Exemplar Health, will design, build, finance and maintain the new hospital, with responsibility for clinical services to be retained by Bendigo Health. Once operations commence, the Government will begin quarterly payments to the private consortium, which will be dependent on attainment of key performance indicators relating to ongoing service provision. The contract was executed in May 2013 and construction of the new hospital is expected to be completed by end 2016.

APPENDIX A – GENERAL GOVERNMENT SECTOR QUARTERLY FINANCIAL REPORT

Table A.1: Operating statement for the past five quarters

(\$ million)

	2011-12		2012-13		
	Jun	Sept	Dec	Mar	Jun
Revenue					
Taxation revenue	3 420.0	3 634.7	3 558.0	4 791.6	3 546.4
Interest	102.5	96.4	160.7	229.0	214.6
Dividends and income tax equivalent and rate equivalent revenue	215.0	48.9	648.8	36.7	607.3
Sales of goods and services	1 712.4	1 568.6	2 023.1	1 598.7	1 678.9
Grants	5 825.5	5 039.8	5 540.4	5 976.2	5 345.8
Other revenue	1 228.9	517.6	522.9	501.7	726.2
Total revenue from transactions	12 504.2	10 906.1	12 453.9	13 133.7	12 119.2
Expenses from transactions					
Employee expenses	4 508.4	4 334.0	4 555.9	4 279.6	4 619.0
Superannuation interest expense	201.1	183.8	41.2	110.1	111.2
Other superannuation expenses	504.7	458.7	500.1	491.0	474.2
Depreciation	481.8	552.3	540.4	556.9	604.7
Interest expense	347.4	326.6	426.4	488.3	534.0
Grants and other transfers	1 628.9	1 742.9	2 115.9	2 315.4	1 839.7
Other operating expenses	4 918.0	3 993.2	3 937.1	3 760.4	4 403.4
Total expenses from transactions	12 590.3	11 591.5	12 117.0	12 001.6	12 586.3
Net result from transactions – net operating balance	(86.1)	(685.4)	336.9	1 132.1	(467.0)
Other economic flows included in net result					
Net gain/(loss) on sale of non-financial assets	(42.0)	2.2	17.8	2.8	(2.0)
Net gain/(loss) on financial assets or liabilities at fair value	5.2	0.8	(0.0)	1.5	17.1
Net actuarial gain/(loss) on superannuation defined benefit plans	(3 465.7)	(1 077.5)	1 969.8	2 699.6	3 722.9
Share of net profit/(loss) from associates/joint venture entities, excluding dividends	(0.4)	..	0.2	..	4.6
Other gains/(losses) from other economic flows	(442.8)	(87.2)	(87.1)	(120.5)	32.6
Total other economic flows included in net result	(3 945.7)	(1 161.7)	1 900.6	2 583.4	3 775.2
Net result	(4 031.8)	(1 847.2)	2 237.4	3 715.4	3 308.1
Other economic flows – other comprehensive income					
Items that will not be reclassified to net result					
Changes in non-financial assets revaluation surplus	1 989.4	12.6	(2.1)	0.1	689.9
Net gain/(loss) on equity investments in other sector entities at proportional share of net assets	(414.6)	..	158.1	1 150.4	(2 118.8)

Table A.1: Operating statement for the past five quarters (continued)

(\$ million)

	2011-12		2012-13		
	Jun	Sept	Dec	Mar	Jun
Other movements in equity	437.6	(178.0)	148.8	(8.6)	907.2
Items that may be reclassified subsequently to net result					
Net gain/(loss) on financial assets at fair value	(5.6)	2.0	(6.2)	2.8	21.6
Total other economic flows – other comprehensive income	2 006.8	(163.4)	298.5	1 144.7	(500.1)
Comprehensive result – total change in net worth	(2 025.0)	(2 010.6)	2 536.0	4 860.2	2 808.0
FISCAL AGGREGATES					
Net operating balance	(86.1)	(685.4)	336.9	1 132.1	(467.0)
Less: Net acquisition of non-financial assets from transactions	203.3	186.3	238.6	1 219.4	1 039.8
Net lending/(borrowing)	(289.4)	(871.7)	98.3	(87.3)	(1 506.8)

Table A.2: Balance sheet as at the end of the past five quarters

(\$ million)

	2011-12		2012-13		
	Jun ^(a)	Sept ^(a)	Dec ^(a)	Mar ^(a)	Jun
Assets					
Financial assets					
Cash and deposits ^(b)	5 001.3	3 549.1	4 850.8	4 004.6	3 962.0
Advances paid	301.0	300.9	4 640.1	4 631.9	4 626.8
Receivables	3 833.5	4 430.1	4 792.8	5 730.3	5 061.0
Investments, loans and placements ^(b)	2 220.8	2 253.7	2 389.2	2 468.9	3 383.4
Investments accounted for using equity method	44.3	44.3	45.6	45.6	49.4
Investments in other sector entities	67 513.8	67 988.8	68 957.6	70 382.7	69 489.5
Total financial assets	78 914.7	78 566.8	85 676.2	87 264.0	86 572.1
Non-financial assets					
Inventories	296.2	230.6	235.8	236.4	192.1
Non-financial assets held for sale	149.2	131.6	127.2	123.6	142.1
Land, buildings, infrastructure, plant and equipment	97 796.6	97 734.7	98 036.4	99 254.6	100 804.0
Other non-financial assets	744.0	1 108.9	1 045.3	933.2	954.3
Total non-financial assets	98 986.0	99 205.9	99 444.7	100 547.8	102 092.5
Total assets	177 900.7	177 772.7	185 121.0	187 811.8	188 664.6
Liabilities					
Deposits held and advances received	366.2	404.8	380.1	402.3	449.0
Payables	5 100.8	5 347.9	5 774.8	5 329.5	5 958.4
Borrowings	22 393.9	22 671.5	29 414.0	30 161.3	31 345.3
Employee benefits	5 043.2	5 294.2	5 034.3	5 152.9	5 208.8
Superannuation	32 597.5	33 685.0	31 635.1	28 902.2	25 142.5
Other provisions	635.5	616.0	593.6	714.4	603.3
Total liabilities	66 137.0	68 019.4	72 831.9	70 662.6	68 707.4
Net assets	111 763.7	109 753.4	112 289.0	117 149.2	119 957.2
Accumulated surplus/(deficit)	34 808.2	32 808.3	35 161.0	38 855.7	43 174.7
Reserves	76 905.5	76 895.2	77 078.0	78 243.5	76 732.5
Non-controlling interest	50.0	50.0	50.0	50.0	50.0
Net worth	111 763.7	109 753.4	112 289.0	117 149.2	119 957.2
FISCAL AGGREGATES					
Net financial worth	12 777.7	10 547.5	12 844.3	16 601.4	17 864.7
Net financial liabilities	54 736.1	57 441.3	56 113.3	53 781.3	51 624.7
Net debt	15 236.9	16 972.6	17 914.0	19 458.1	19 822.1

Notes:

(a) Restated balances at 30 June 2012. Refer to Note 36, Chapter 4 Annual Financial Report.

(b) Review of Cash Investments in 2012-13 has reclassified some Australian Dollar Term Deposits held in 2011-12 to Cash and Deposits.

Table A.3: Statement of cash flows for the past five quarters

(\$ million)

	2011-12		2012-13		
	Jun	Sep	Dec	Mar	Jun
Cash flows from operating activities					
Receipts					
Taxes received	4 011.1	3 969.8	3 662.9	3 471.2	4 128.0
Grants	5 852.6	5 011.5	5 538.5	5 976.8	5 465.1
Sales of goods and services ^{(a)(b)}	1 991.1	1 715.1	1 796.1	1 674.2	1 947.0
Interest received	105.9	98.1	150.7	204.4	221.6
Dividends and income tax equivalent and rate equivalent receipts	212.9	72.7	660.3	31.1	434.9
Other receipts ^(b)	289.0	282.2	494.4	799.4	152.8
Total receipts	12 462.6	11 149.4	12 302.8	12 157.0	12 349.4
Payments					
Payments for employees	(4 482.7)	(4 085.6)	(4 795.5)	(4 150.3)	(4 532.1)
Superannuation	(537.8)	(632.4)	(621.5)	(634.4)	(622.2)
Interest paid	(329.0)	(325.6)	(400.5)	(476.0)	(500.5)
Grants and subsidies ^(b)	(1 238.5)	(2 041.0)	(2 144.6)	(2 675.4)	(1 335.6)
Goods and services ^(a)	(4 787.9)	(4 432.0)	(3 810.2)	(3 380.2)	(4 069.7)
Other payments	(71.8)	(181.1)	(153.1)	(133.8)	(133.1)
Total payments	(11 447.7)	(11 697.7)	(11 925.4)	(11 450.0)	(11 193.3)
Net cash flows from operating activities	1 014.9	(548.2)	377.5	707.0	1 156.1
Cash flows from investing activities					
Purchases of non-financial assets	(792.5)	(764.5)	(681.9)	(1 031.5)	(1 655.2)
Sales of non-financial assets	83.3	25.9	46.4	44.9	130.8
Cash flows from investments in non-financial assets	(709.2)	(738.6)	(635.5)	(986.6)	(1 524.5)
Net cash flows from investments in financial assets for policy purposes	(495.0)	(450.5)	(505.4)	(508.7)	147.8
Sub-total	(1 204.2)	(1 189.1)	(1 141.0)	(1 495.2)	(1 376.7)
Net cash flows from investments in financial assets for liquidity management purposes ^(c)	496.4	(30.1)	(157.0)	(81.1)	(905.7)
Net cash flows from investing activities	(707.7)	(1 219.2)	(1 298.0)	(1 576.4)	(2 282.3)
Cash flows from financing activities					
Advances received (net)	(0.9)	9.5	(4.8)	(1.9)	(3.0)
Net borrowings	1 930.9	76.6	2 447.0	1.0	1 036.9
Deposits received (net)	(58.5)	29.1	(19.9)	24.1	49.7
Net cash flows from financing activities	1 871.6	115.1	2 422.3	23.2	1 083.6
Net increase/(decrease) in cash and cash equivalents	2 178.8	(1 652.3)	1 501.8	(846.2)	(42.6)
Cash and cash equivalents at beginning of reporting period	2 822.6	5 001.3	3 349.0	4 850.8	4 004.6
Cash and cash equivalents at end of reporting period	5 001.3	3 349.0	4 850.8	4 004.6	3 962.0
FISCAL AGGREGATES					
Net cash flows from operating activities	1 014.9	(548.2)	377.5	707.0	1 156.1
Net cash flows from investments in non-financial assets	(709.2)	(738.6)	(635.5)	(986.6)	(1 524.5)
Cash surplus/(deficit)	305.7	(1 286.8)	(258.1)	(279.6)	(368.4)

Notes:

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

(b) Restatement of previously published information relates to restated balances at 30 June 2012 and 1 July 2011. Refer to Note 36, Chapter 4 Annual Financial Report.

(c) Review of Cash Investments in 2012-13 has reclassified some Australian Dollar Term Deposits held in 2011-12 to Cash and Deposits.

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.

<i>Financial Management Act 1994 reference</i>	<i>Requirement</i>	<i>Comments/reference</i>
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: <ul style="list-style-type: none"> (a) must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks; (b) must present fairly the financial position of the State and the Victorian general government sector at the end of the financial year; and <ul style="list-style-type: none"> (i) the transactions on the Public Account; (ii) the transactions of the Victorian general government sector; and (iii) other financial transactions of the State; 	<p>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</p> <p>Consolidated balance sheet, page 27</p> <p>Refer Chapter 4, Note 38 pages 157–187</p> <p>Refer Chapter 4, consolidated comprehensive operating statement pages 25–26, consolidated cash flow statement pages 28–29 and selected notes</p> <p>Refer Chapter 4, consolidated comprehensive operating statement pages 25–26, consolidated cash flow statement pages 28–29 and Notes 2–38, pages 58–187</p>

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| | in respect of the financial year; | |
| (c) | must include details of amounts paid into working accounts under Section 23; | Refer Chapter 4, Note 38 Table (g), page 164 |
| (d) | must include details of amounts allocated to departments during the financial year under Section 28; | Refer Chapter 4, Note 38 Table (h), page 164 |
| (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 38 Table (j), page 167 |
| (f) | must include particulars of amounts transferred in accordance with determinations under Section 30 or 31; | Refer Chapter 4, Note 38 Table (i), page 166 |
| (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 38 Table (k), page 168 |
| | (ii) the application during the financial year of amounts referred to in sub-paragraph (i); and | Refer Chapter 4, Note 38 Table (k), page 168 |
| | (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 38 Table (k), page 169 |
| (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 38 Table (m), page 172 |
| | (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 38 see (n), page 172 |
| (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 38 Table (l), pages 170–171 |

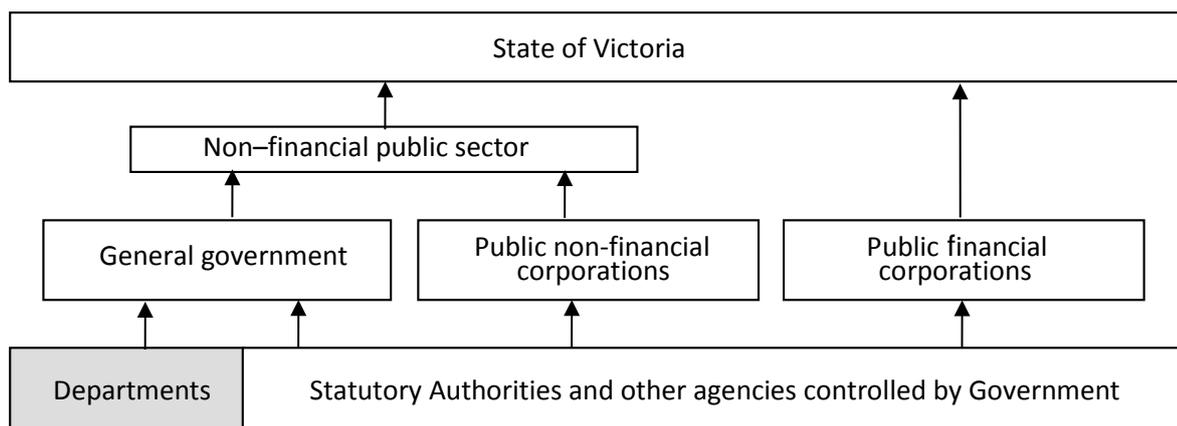
<i>Financial Management Act 1994 reference</i>	<i>Requirement</i>	<i>Comments/reference</i>
	(j) must include details of; <ul style="list-style-type: none"> (i) payments made during the financial year in fulfilment of any guarantee by the Government under any Act; and (ii) money received or recovered by the Minister or Treasurer during the financial year in respect of any guarantee payments; 	Refer Chapter 4, Note 38, see (aa), page 187 Refer Chapter 4, Note 38, see (aa), page 187
	(k) must include details, as at the end of the financial year, of; <ul style="list-style-type: none"> (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 (ii) prescribed assets and prescribed liabilities of prescribed bodies; 	Refer Chapter 4, Note 34 pages 147–185, Note 8 pages 71–74 and consolidated balance sheet page 27 Refer Chapter 4, Note 2 pages 58–67, Refer Chapter 5, Table 5.2 page 208
	(m) must be audited by the Auditor-General.	Refer Chapter 4, Report of the Auditor-General, pages 22–23
Section 26(1)	The Minister must prepare a quarterly financial report for each quarter of each financial year.	Refer Appendix A, pages 217–220
Section 26(2)	A quarterly financial report comprises: <ul style="list-style-type: none"> (a) a statement of financial performance of the Victorian general government sector for the quarter; (b) a statement of financial position of the Victorian general government sector at the end of the quarter; (c) a statement of cash flows of the Victorian general government sector for the quarter; and (d) a statement of the accounting policies on which the statements required by paragraphs (a), (b) and (c) are based. 	Refer Appendix A, pages 217–218 Refer Appendix A, page 219 Refer Appendix A, page 220 Refer Chapter 4, Note 1 pages 33–57
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 217–220
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 25–26, consolidated balance sheet page 27, consolidated cash flow statement pages 28–29 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. or n/a	not available or not applicable
..	zero, or rounded to zero
(xxx.x)	negative numbers
200x	year period (Chapter 4)
200x – 0x	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.

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