**2015‑16 Mid‑Year Financial Report**

**(incorporating Quarterly Financial Report No. 2)**



**March 2016**

Presented by

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Treasurer of the State of Victoria



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Chapter 1 – Mid-year results for the State of Victoria, including the general government sector

The *2015‑16 Mid‑Year Financial Report* presents the financial results for the State of Victoria, including the general government sector, for the six months to 31 December 2015. The report has been prepared in accordance with the *Financial Management Act 1994* and applicable accounting standards.

The actual results presented in this report are compared with the revised budget estimates as published in the *2015‑16 Budget Update*. The likely 2015-16 full year results cannot be extrapolated from the half year results due to seasonal and other factors impacting on the timing of activity and transactions. In particular, they do not include the impact of significant revenue items recognised in the second half of the financial year. Land tax revenue is mainly recognised in the March quarter, and certain grant revenue from the Commonwealth Government is expected to be received later in the year.

The Victorian unemployment rate trended downwards during 2015, ending the calendar year at 6 per cent. Job vacancies also increased during 2015, pointing to the likelihood of further employment gains for the rest of 2015-16. Victoria has continued to record the highest population growth rate among the states, with the latest data showing growth of 1.7 per cent over the year. Accompanying the strong population increase, dwelling investment growth has been robust, and the outlook remains positive with elevated levels of residential building approvals. Business investment has also strengthened in the past year. The lower Australian dollar has helped boost international service exports, especially in tourism and international education. Nevertheless, the international outlook remains uncertain, with some downside risks due to concerns over the possible extent of the slowdown in economic activity in China. However, Victoria’s strong financial and economic position means that the economy is well placed to deal with any flow-on effects should a sharp decline in Chinese growth materialise.

For the period to 31 December 2015, the general government sector recorded a positive net result from transactions of $1.5 billion. This includes the impact of the High Court of Australia’s decision to overturn the Court of Appeal’s previous decision relating to Tatts Group Limited’s (Tatts) ‘Gambling Licenses’ proceedings, which resulted in an additional $540.5 million of revenue plus interest recorded for the period to 31 December 2015. Except for this abnormal item, the net result from transactions was $940 million*.*

The State recorded a positive net result from transactions of $1.1 billion and a net result of $542 million respectively. Excluding the impact of the High Court of Australia’s decision as explained above, the net result from transactions for the State was $579 million, and the net result, after taking into account other economic flows which mainly relate to asset and valuation movements driven by financial markets volatility, was a deficit of $25 million.

Victoria maintains a stable triple‑A credit rating from both major ratings agencies. The Government is committed to strong financial management, supporting a continuing stable triple‑A credit rating into the future.

# State of Victoria – overview

The State comprises the general government sector, the public non-financial corporations (PNFC) sector and the public financial corporations (PFC) sector.

The general government sector consists of all government departments and other public sector agencies that are controlled and largely financed by taxes and Commonwealth grants. The general government sector is primarily responsible for delivering government policy as set out in the annual budget.

The PNFC and PFC sectors comprise a wide range of entities which provide services while meeting commercial principles through cost recovery via user charges and fees. The largest Victorian PNFCs are those providing water, housing, transport and port services. Victoria’s PFCs can be categorised into two broad types: those that provide services to the general public and businesses (such as the statutory insurers), and those that provide financial services to other areas of government.

Due to transactions between the sectors, not all transactions in each sector will affect the overall State of Victoria outcome.

Net infrastructure investment by the State for the period to 31 December 2015 was $3.0 billion, driven mainly by the general government and the PNFC sectors. Cash surpluses generated from operating activities are applied, in the first instance, to the funding of infrastructure investment. Net cash flow from operating activities for the State for the period to 31 December 2015 was $3.7 billion.

The material level of investment in infrastructure within the non-financial public sector (NFPS) makes the sector significant to the overall State. The NFPS represents the general government sector and the PNFC sector after eliminating transactions between the two sectors.

Net debt for the NFPS was $37.0 billion, or 9.8 per cent of gross state product (GSP), at 31 December 2015 (10.1 per cent 30 June 2015), largely reflecting a greater increase in the economic output of the State (GSP) compared to the increase in NFPS net debt.

# Financial performance

For the six months to 31 December 2015, the general government sector recorded a positive net result from transactions of $1.5 billion. This includes the impact of the High Court of Australia’s decision to overturn the Court of Appeal’s previous decision relating to Tatts’ ‘Gambling Licenses’ proceedings, which resulted in an additional $540.5 million of revenue plus interest recorded for the period to 31 December 2015. Except for this abnormal item, the net result from transactions was $940 million. Compared to the same time last year, the net movement in the result largely reflects higher revenues, mainly due to higher taxation revenue from land transfer duties and revenue from grants.

The net result from transactions and the net result for the State was a surplus of $1.1 billion and $542 million respectively. Excluding the impact of the High Court of Australia’s decision as explained above, the net result from transactions for the State was $579 million and the net result, after taking into account other economic flows which mainly relate to asset and valuation movements driven by financial market volatility, was a deficit of $25 million.

The likely result of the 2015‑16 financial year cannot be extrapolated from the half year results due to seasonal and other factors impacting on the timing of activity and transactions.

Table 1.1: Summary comprehensive operating statement for the period ended 31 December (a)

($ million)

|  | *State of Victoria* | | | | *General government sector* | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | *2014-15 actual  to Dec (b)* | *2015-16 actual to Dec* | *2015-16 revised estimate* | *% (c)* | *2014-15  actual to Dec (b)* | *2015-16 actual to Dec* | *2015-16 revised estimate* | *% (c)* |
| **Revenue from transactions** |  |  |  |  |  |  |  |  | |
| Taxation revenue | 8 555 | 9 443 | 18 988 | 50 | 8 764 | 9 676 | 19 436 | 50 | |
| Interest revenue | 462 | 308 | 608 | 51 | 405 | 394 | 806 | 49 | |
| Dividends and income tax equivalent and rate equivalent revenue | 502 | 766 | 520 | 147 | 667 | 451 | 1 121 | 40 | |
| Sales of goods and services | 6 854 | 7 017 | 14 248 | 49 | 3 332 | 3 332 | 6 809 | 49 | |
| Grant revenue | 11 664 | 12 258 | 25 317 | 48 | 11 722 | 12 301 | 25 455 | 48 | |
| Other revenue | 1 415 | 2 065 | 2 924 | 71 | 1 155 | 1 726 | 2 440 | 71 | |
| **Total revenue from transactions** | **29 452** | **31 857** | **62 606** | **51** | **26 045** | **27 880** | **56 066** | **50** | |
| **Expenses from transactions** |  |  |  |  |  |  |  |  | |
| Employee expenses | 9 803 | 10 261 | 21 116 | 49 | 9 319 | 9 765 | 20 069 | 49 | |
| Net superannuation interest expense | 512 | 441 | 878 | 50 | 512 | 441 | 878 | 50 | |
| Other superannuation | 1 094 | 1 223 | 2 167 | 56 | 1 035 | 1 160 | 2 049 | 57 | |
| Depreciation | 2 198 | 2 322 | 4 681 | 50 | 1 198 | 1 200 | 2 510 | 48 | |
| Interest expense | 1 424 | 1 356 | 2 816 | 48 | 1 048 | 1 034 | 2 132 | 48 | |
| Grant expense | 2 721 | 2 841 | 5 511 | 52 | 4 130 | 4 315 | 8 446 | 51 | |
| Other operating expenses | 12 090 | 12 267 | 26 602 | 46 | 8 340 | 8 457 | 18 271 | 46 | |
| **Total expenses from transactions** | **29 841** | **30 711** | **63 770** | **48** | **25 581** | **26 373** | **54 355** | **49** | |
| **Net result from transactions – net operating balance** | **(389)** | **1 146** | **(1 164)** | **(98)** | **463** | **1 507** | **1 712** | **88** | |
| Total other economic flows included in net result | (1 390) | (604) | 3 357 | (18) | (273) | (267) | 3 479 | (8) | |
| **Net result** | **(1 779)** | **542** | **2 193** | **25** | **191** | **1 239** | **5 191** | **24** | |
| Total other economic flows – other comprehensive income | (2 473) | (763) | 438 | (174) | (2 444) | (993) | (874) | 114 | |
| **Comprehensive result – total change in net worth** | **(4 253)** | **(221)** | **2 631** | **(8)** | **(2 253)** | **246** | **4 317** | **6** | |

Notes:

(a) This is an abbreviated statement. The full consolidated and disaggregated operating statement is reported in Chapter 2.

(b) Certain December 2014 comparative figures have been restated to reflect more current information.

(c) The percentage represents the 2015-16 actual to December as a percentage of the revised estimate presented in the   
2015‑16 Budget Update.

## General government sector

### Revenue

Revenue for the six months ended 31 December 2015 totalled $27.9 billion. This represented 50 per cent of the revised budget estimate.

Total taxation revenue was $9.7 billion, or 50 per cent of the expected total for the year. Taxation revenue is influenced by seasonal factors such as the recognition of land tax revenue in the March quarter and the recognition of the Fire Services Property Levy in the first quarter of the financial year. Aside from these timing factors, revenues from land transfer duties have been strong for the first half of the year, reflecting a $509 million increase compared to the same time last year. This is due to the current strength in the property market cycle and a higher level of property transactions compared to the same time last year. However, property market cycles are volatile and can turn quickly, which can place downwards pressure on future revenues.

Grant revenue for the first half year was $12.3 billion or 48 per cent of the revised budget estimate. This is slightly below the pro rata revised budget estimate due to some Commonwealth grant revenue expected to be received in the second half of the year. It was $579 million higher compared to same period in the previous year. This increase is mainly attributable to growth in general purpose grant revenue (GST grants) from the Commonwealth Government.

Dividends and income tax equivalent revenue for the half year was 40 per cent of the revised budget estimate which primarily reflects the timing of dividends from the PFC sector.

Revenue from the sale of goods and services for the half year was $3.3 billion, or 49 per cent of the revised budget estimate and is in line with expectations for this time of year.

The other sources of general government revenue represent a relatively small component of total revenue and are higher than budget expectations. This is mainly attributable to the High Court of Australia’s decision to overturn the Court of Appeal’s previous decision relating to Tatts’ ‘Gambling Licenses’ proceedings, which resulted in an one-off additional $540.5 million of revenue plus interest.

### Expenses

Total expenses were $26.4 billion, or 49 per cent of the revised budget estimate.

Employee expenses for the first half of the year was $9.8 billion, consistent with the pro rata revised budget estimate. The $446 million increase compared to the previous year reflects an increased investment in the delivery of education and health services and price growth in line with the Government’s wages policy.

Other operating expenses were $8.5 billion or 46 per cent of the revised budget estimate. This is lower than pro rata due to the timing of expenditure on supplies and consumables, where the majority of these operating expenses is expected in the second half of the year.

All other categories of general government operating expenses were generally in line with the pro rata revised budget estimates.

## State of Victoria

### Revenue

Total revenue for the State was $31.9 billion, of which $27.9 billion was reflected in the general government sector. The balance is explained below, noting that not all transactions in the PNFC and PFC sectors will affect the overall State outcome.

Total revenue for the State was 8.2 per cent higher than the corresponding period in 2014‑15. Within the PNFC sector, revenue increased by 5.8 per cent to $4.8 billion mainly due to a 4.4 per cent increase in the sale of goods and services. Water corporations recording strong revenue growth, with an increase in water usage associated with relatively warm and dry climatic conditions, and continued strength in residential land developer activity contributed towards this increase.

The PFC sector recorded a 5.5 per cent or $207 million increase in revenue to $3.9 billion compared to 2014‑15. The key driver of this variance is a $120 million increase in the sale of goods and services revenue resulting from small increases in premium revenue collected by the State’s insurance agencies driven by growth in registered motor vehicles, state-wide remuneration growth and inflation.

### Expenses

Total expenses for the State increased by 2.9 per cent to $30.7 billion for the six months to 31 December 2015. Of this, $26.4 billion was incurred by the general government sector as previously highlighted.

Within the PNFC sector, total expenses increased by 4.9 per cent to $4.8 billion compared with the corresponding six month period to 31 December 2014. This increase was mainly due to an increase in depreciation expenses, reflecting continuing capital investment and asset revaluation.

Within the PFC sector, total expenses to 31 December 2015 has increased by only 0.5 per cent to $4.0 billion compared to December 2014.

***Other economic flows and net result***

In addition to the net result from transactions, there are a number of other economic flows included in the net result. These include a number of accounting and actuarial revaluations which impact on the valuation of assets and liabilities, comprising:

* general government sector other economic flows totalling $267 million, primarily due to movements in provisions for doubtful receivables; and
* whole of State other economic flows totalling $604 million, primarily due to increases in the valuation of financial liabilities due to a fall in interest rates and changes in actuarial assumptions used to value these liabilities.

# Financial Position

Comparative analysis on the financial position of the State and general government sector is based on movements between 30 June 2015 and 31 December 2015.

Table 1.2: Summary balance sheet as at 31 December 2015(a)

($ million)

|  | *State of Victoria* | | | *General government sector* | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | *Jun*  *2015* | *Dec*  *2015* | *Actual*  *movement* | *Jun*  *2015* | *Dec*  *2015* | *Actual*  *movement* |
| **Assets** |  |  |  |  |  |  |
| Non-financial assets (b) | 209 991 | 210 644 | 653 | 108 920 | 109 265 | 344 |
| Financial assets | 49 770 | 51 134 | 1 364 | 100 040 | 100 566 | 525 |
| **Total assets (b)** | **259 760** | **261 778** | **2 018** | **208 960** | **209 830** | **870** |
| **Liabilities** |  |  |  |  |  |  |
| Superannuation | 25 988 | 26 762 | 773 | 25 947 | 26 722 | 775 |
| Borrowings | 51 688 | 51 593 | (94) | 34 069 | 34 301 | 232 |
| Other liabilities | 42 200 | 43 759 | 1 560 | 12 635 | 12 250 | (384) |
| **Total liabilities** | **119 876** | **122 114** | **2 239** | **72 650** | **73 274** | **623** |
| **Net assets (b)** | **139 885** | **139 664** | **(221)** | **136 310** | **136 556** | **246** |

Notes:

(a) This is an abbreviated balance sheet statement. The full consolidated and disaggregated balance sheet is reported in Chapter 2.

(b) The June 2015 comparative figures have been restated to reflect more current information.

## State of Victoria

The reported value of net assets for the State of Victoria decreased by $221 million during the period to 31 December 2015. Total assets of the State increased by $2 billion to $261.8 billion, comprising growth in financial assets and land, buildings, infrastructure, plant and equipment. The State’s financial assets benefited from continued capital growth associated with favourable financial market conditions and the outcome from the decision by the High Court of Australia’s to overturn the Court of Appeal’s decision relating to Tatts’ ‘Gambling Licenses’ proceedings.

Total liabilities for the State increased by $2.2 billion to $122.1 billion. Superannuation liabilities increased by $773 million and other liabilities increased by $1.6 billion. The increase in superannuation liabilities is attributable to lower than expected investment returns on superannuation assets and a decrease in the bond rates that are used to value the superannuation liability. An increase in other liabilities by $1.6 billion compared with the opening balance is attributable to the unearned income recognised by WorkSafe Victoria for insurance premiums received in advance (as a comparison, the balance of WorkSafe’s payables as at 31 December 2014 was $1.1 billion, predominantly unearned income), combined with the impact of reduced bond rates causing an increase to the claims liability.

# Cash flow

Cash flow movements disclosed in the cash flow statement were consistent with the combined impact of the previously mentioned drivers associated with the operating statement and balance sheet.

## Infrastructure investment

The State continues to deliver its infrastructure program to support growing community needs and ongoing productivity improvement. For the six months to 31 December 2015, net investment in fixed assets by the State totalled $3.0 billion, in line with expectations for this time of the year.

Infrastructure investment to mid-year 2015-16

Major projects completed so far this year include:

* Melbourne Wholesale Market Redevelopment.

Major projects under procurement or in progress include:

* 50 Level Crossings Removal Program;
* Bendigo Hospital;
* Box Hill Hospital;
* CityLink Tullamarine Freeway Widening Project – Melbourne Airport to Bulla Road;
* Dingley Bypass;
* Goulburn-Murray Water Connections Project (Northern Victoria Irrigation Renewal Project);
* Monash Children’s Hospital;
* Murray Basin Rail Project;
* new schools public private partnership (PPP);
* new trains, trams and associated infrastructure for Melbourne commuters;
* Port capacity;
* Princes Highway duplication project – Winchelsea to Colac;
* Princes Highway East – Traralgon to Sale duplication;
* Ravenhall Prison;
* redevelopment of Melbourne Park;
* regional rolling stock;
* Royal Victorian Eye and Ear Hospital;
* Victorian Comprehensive Cancer Centre; and
* Western Highway duplication – Ballarat to Stawell.

Major projects that commenced procurement in 2015-16 include:

* Joan Kirner Women’s and Children’s Hospital;
* M80 Upgrade – Sunshine Avenue to Calder Freeway;
* Melbourne Convention and Exhibition Centre expansion; and
* Melbourne Metro Rail Project – Early Works Package.

# Financial sustainability

## General government sector

Table 1.3 shows general government sector net debt increased by $408 million to $22.7 billion at 31 December 2015 consistent with expectations for this time of the year. Overall, net financial liabilities increased during the six-month period. This is primarily due to the increase in net debt. However, the ratio of net financial liabilities to GSP decreased from 15.2 per cent to 14.6 per cent during the six-month period. This is attributable to a greater expected increase in the economic output of the State (GSP) compared to the increase in net financial liabilities.

Table 1.3: General government sector net debt and net financial liabilities as at 31 December 2015

($ million)

|  | *Opening*  *1 July 2015* | *Closing*  *31 Dec 2015* | | *Actual*  *movement* | *%*  *change* |
| --- | --- | --- | --- | --- | --- |
| **Assets** |  |  | |  |  |
| Cash and deposits | 4 282 | 4 112 | | (169) | (4) |
| Advances paid | 4 572 | 4 550 | | (22) | .. |
| Investment, loans and placements | 3 406 | 3 389 | | (17) | (1) |
| **Total** | **12 259** | **12 051** | | **(208)** | **(2)** |
| **Liabilities** |  |  | |  |  |
| Deposits held and advances received | 518 | 485 | | (32) | (6) |
| Borrowings | 34 069 | 34 301 | | 232 | 1 |
| **Total** | **34 587** | **34 787** | | **200** | **1** |
| **Net debt (a)** | **22 327** | **22 735** | | **408** | **2** |
| Superannuation liability | 25 947 | 26 722 | | 775 | 3 |
| **Net debt plus superannuation liabilities** | **48 274** | **49 458** | | **1 184** | **2** |
| Other liabilities (net) (b) | 6 517 | 5 814 | | (703) | (11) |
| **Net financial liabilities (c)** | **54 791** | **55 271** | | **480** | **1** |
|  |  | |  |  |  |
| *(per cent)* | | | | | |
|  |  | |  |  |  |
| **Net debt to GSP (d)** | **6.2** | | **6.0** |  |  |
| **Net debt plus superannuation liabilities to GSP (d)** | **13.4** | | **13.1** |  |  |
| **Net financial liabilities to GSP (d)** | **15.2** | | **14.6** |  |  |

Notes:

(a) The sum of borrowings, deposits held and advances received less the sum of cash and deposits, advances paid, and investments, loans and placements.

(b) Includes other employee entitlements, provisions and other liabilities, less other non-equity financial assets.

(c) Total liabilities less financial assets (excluding investments in other sector entities).

(d) Ratios to GSP may vary from publications year-to-year due to revisions to the ABS GSP data. The ratios to GSP as at 31 December 2015 reflect the 2015-16 GSP forecast growth rate for the full year.

## Non-financial public sector

Table 1.4 includes indicators used to assess financial sustainability of the NFPS (comprising the general government and PNFC sectors), which is significant for the State’s credit rating. The increase in net debt by $408 million has resulted in an increase in net financial liabilities. However, the ratio of net financial liabilities to GSP decreased from 18.9 per cent to 18.1 per cent during the six month period. This is as a result of a greater expected increase in the economic output of the State (GSP) compared to the increase in net financial liabilities.

Table 1.4: Non-financial public sector net debt and net financial liabilities as at 31 December 2015

($ million)

|  | *Opening*  *1 July 2015* | | *Closing*  *31 Dec 2015* | *Actual*  *movement* | *%*  *change* |
| --- | --- | --- | --- | --- | --- |
| **Assets** |  |  | |  |  |
| Cash and deposits | 5 374 | 4 951 | | (422) | (8) |
| Advances paid | 89 | 97 | | 8 | 9 |
| Investment, loans and placements | 4 395 | 4 593 | | 198 | 4 |
| **Total** | **9 858** | **9 641** | | **(217)** | **(2)** |
| **Liabilities** |  |  | |  |  |
| Deposits held and advances received | 637 | 608 | | (29) | (5) |
| Borrowings | 45 769 | 45 989 | | 219 | .. |
| **Total** | **46 406** | **46 597** | | **191** | **..** |
| **Net debt (a)** | **36 548** | **36 956** | | **408** | **1** |
| Superannuation liability | 25 988 | 26 762 | | 773 | 3 |
| **Net debt plus superannuation liabilities** | **62 537** | **63 717** | | **1 181** | **2** |
| Other liabilities (net) (b) | 5 692 | 4 792 | | (900) | (16) |
| **Net financial liabilities (c)** | **68 229** | **68 509** | | **281** | **..** |
|  |  | |  |  |  |
| *(per cent)* | | | | | |
|  |  | |  |  |  |
| **Net debt to GSP (d)** | **10.1** | | **9.8** |  |  |
| **Net debt plus superannuation liabilities to GSP (d)** | **17.3** | | **16.8** |  |  |
| **Net financial liabilities to GSP (d)** | **18.9** | | **18.1** |  |  |

Notes:

(a) The sum of borrowings, deposits held and advances received less the sum of cash and deposits, advances paid, and investments, loans and placements.

(b) Includes other employee entitlements, provisions and other liabilities, less other non-equity financial assets.

(c) Total liabilities less financial assets (excluding investments in other sector entities).

(d) Ratios to GSP may vary from publications year-to-year due to revisions to the ABS GSP data. The ratios to GSP as at 31 December 2015 reflect the 2015-16 GSP forecast growth rate for the full year.

Chapter 2 – Mid-year financial report

Consolidated comprehensive operating statement for the six months ended 31 December

($ million)

| *.* |  | *State of Victoria* | | | | *General  government sector* | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | *Notes* | *2015* | | *2014 (a)* | | *2015* | *2014 (a)* |
| **Revenue from transactions** |  |  | |  | |  |  |
| Taxation revenue | 3 | 9 443 | | 8 555 | | 9 676 | 8 764 |
| Interest revenue |  | 308 | | 462 | | 394 | 405 |
| Dividends and income tax equivalent and rate equivalent revenue | 4 | 766 | | 502 | | 451 | 667 |
| Sales of goods and services | 5 | 7 017 | | 6 854 | | 3 332 | 3 332 |
| Grant revenue | 6 | 12 258 | | 11 664 | | 12 301 | 11 722 |
| Other revenue | 7 | 2 065 | | 1 415 | | 1 726 | 1 155 |
| **Total revenue from transactions** |  | **31 857** | | **29 452** | | **27 880** | **26 045** |
| **Expenses from transactions** |  |  | |  | |  |  |
| Employee expenses |  | 10 261 | | 9 803 | | 9 765 | 9 319 |
| Net superannuation interest expense | 8a | 441 | | 512 | | 441 | 512 |
| Other superannuation | 8a | 1 223 | | 1 094 | | 1 160 | 1 035 |
| Depreciation | 9 | 2 322 | | 2 198 | | 1 200 | 1 198 |
| Interest expense | 10 | 1 356 | | 1 424 | | 1 034 | 1 048 |
| Grant expense | 11 | 2 841 | | 2 721 | | 4 315 | 4 130 |
| Other operating expenses | 12 | 12 267 | | 12 090 | | 8 457 | 8 340 |
| **Total expenses from transactions** | **13** | **30 711** | | **29 841** | | **26 373** | **25 581** |
| **Net result from transactions – net operating balance** |  | **1 146** | | **(389)** | | **1 507** | **463** |
| **Other economic flows included in net result** |  |  | |  | |  |  |
| Net gain/(loss) on disposal of non-financial assets |  | 8 | | 28 | | 11 | 26 |
| Net gain/(loss) on financial assets or liabilities at fair value |  | (289) | | (174) | | (21) | 35 |
| Share of net profit/(loss) from associates/joint venture entities |  | 28 | | 22 | | 2 | .. |
| Other gains/(losses) from other economic flows | 14 | (351) | | (1 266) | | (260) | (333) |
| **Total other economic flows included in net result** |  | **(604)** | | **(1 390)** | | **(267)** | **(273)** |
| **Net result** |  | **542** | | **(1 779)** | | **1 239** | **191** |
| **Other economic flows – other comprehensive income** |  | |  | |  |  |  |
| **Items that will not be reclassified to net result** |  |  | |  | |  |  |
| Changes in non-financial assets revaluation surplus |  | (82) | | 74 | | 8 | 59 |
| Remeasurement of superannuation defined benefits plans | 8a | (704) | | (2 467) | | (704) | (2 464) |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets |  | .. | | .. | | (246) | 3 |
| Other movements in equity |  | 53 | | (26) | | (25) | (7) |
| **Items that may be reclassified subsequently to net result** |  |  | |  | |  |  |
| Net gain/(loss) on financial assets at fair value |  | (30) | | (54) | | (26) | (34) |
| **Total other economic flows – other comprehensive income** |  | **(763)** | | **(2 473)** | | **(993)** | **(2 444)** |
| **Comprehensive result – total change in net worth** |  | **(221)** | | **(4 253)** | | **246** | **(2 253)** |
|  |  |  | |  | |  |  |
| **KEY FISCAL AGGREGATES** |  |  | |  | |  |  |
| **Net operating balance (a)** |  | **1 146** | | **(389)** | | **1 507** | **463** |
| Less: Net acquisition of non-financial assets from transactions | 2 | 819 | | 848 | | 359 | 445 |
| **Net lending/(borrowing) (a)** |  | **327** | | **(1 237)** | | **1 148** | **18** |

The accompanying notes form part of these financial statements.

Note:

(a) The December 2014 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the 2014‑15 Financial Report.

Consolidated balance sheet as at 31 December

($ million)

|  |  | *State of Victoria* | | *General  government sector* | | |
| --- | --- | --- | --- | --- | --- | --- |
|  | *Notes* | *Dec*  *2015* | *Jun*  *2015* | | *Dec*  *2015* | *Jun*  *2015* |
| **Assets** |  |  |  | |  |  |
| **Financial assets** |  |  |  | |  |  |
| Cash and deposits | 27a | 5 946 | 6 521 | | 4 112 | 4 282 |
| Advances paid | 15 | 143 | 121 | | 4 550 | 4 572 |
| Receivables | 16 | 7 735 | 6 789 | | 5 907 | 5 555 |
| Investments, loans and placements | 15 | 35 289 | 34 317 | | 3 389 | 3 406 |
| Investments accounted for using the equity method | 17 | 2 020 | 2 021 | | 44 | 45 |
| Investments in other sector entities |  | .. | .. | | 82 563 | 82 181 |
| **Total financial assets** |  | **51 134** | **49 770** | | **100 566** | **100 040** |
| **Non-financial assets** |  |  |  | |  |  |
| Inventories | 18 | 706 | 710 | | 154 | 144 |
| Non-financial assets held for sale | 19 | 192 | 205 | | 165 | 175 |
| Land, buildings, infrastructure, plant and equipment (a) | 20 | 207 459 | 206 949 | | 107 750 | 107 562 |
| Other non-financial assets | 21 | 2 287 | 2 127 | | 1 195 | 1 038 |
| **Total non-financial assets (a)** |  | **210 644** | **209 991** | | **109 265** | **108 920** |
| **Total assets (a)** | **22** | **261 778** | **259 760** | | **209 830** | **208 960** |
| **Liabilities** |  |  |  | |  |  |
| Deposits held and advances received |  | 2 464 | 2 320 | | 485 | 518 |
| Payables | 23 | 7 967 | 7 591 | | 5 188 | 5 704 |
| Borrowings | 24 | 51 593 | 51 688 | | 34 301 | 34 069 |
| Employee benefits | 25 | 6 223 | 6 076 | | 5 769 | 5 605 |
| Superannuation | 8b | 26 762 | 25 988 | | 26 722 | 25 947 |
| Other provisions | 26 | 27 104 | 26 213 | | 809 | 807 |
| **Total liabilities** |  | **122 114** | **119 876** | | **73 274** | **72 650** |
| **Net assets (a)** |  | **139 664** | **139 885** | | **136 556** | **136 310** |
| Accumulated surplus/(deficit) (a) |  | 61 108 | 61 204 | | 46 304 | 45 764 |
| Reserves |  | 78 506 | 78 630 | | 90 203 | 90 496 |
| Non-controlling interest |  | 50 | 50 | | 50 | 50 |
| **Net worth (a)** |  | **139 664** | **139 885** | | **136 556** | **136 310** |
|  |  |  |  | |  |  |
| **FISCAL AGGREGATES** |  |  |  | |  |  |
| Net financial worth |  | (70 980) | (70 106) | | 27 292 | 27 390 |
| Net financial liabilities |  | 70 980 | 70 106 | | 55 271 | 54 791 |
| Net debt |  | 12 679 | 13 048 | | 22 735 | 22 327 |

The accompanying notes form part of these financial statements.

Note:

(a) Certain June 2015 comparative figures have been restated to reflect more current information.

Consolidated cash flow statement for the six months ended 31 December

($ million)

|  | |  | | *State of Victoria* | | *General government sector* | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | *Notes* | | *2015* | *2014 (a)* | *2015* | | *2014 (a)* |
| **Cash flows from operating activities** | |  | |  |  |  | |  |
| **Receipts** | |  | |  |  |  | |  |
| Taxes received | |  | | 9 702 | 9 157 | 9 935 | | 9 366 |
| Grants | |  | | 12 251 | 11 660 | 12 300 | | 11 720 |
| Sales of goods and services (b) | |  | | 8 557 | 8 260 | 3 527 | | 3 489 |
| Interest received | |  | | 265 | 406 | 372 | | 385 |
| Dividends and income tax equivalent and rate equivalent receipts | | |  | 766 | 503 | 605 | | 676 |
| Other receipts | |  | | 1 172 | 1 204 | 939 | | 1 004 |
| **Total receipts** | |  | | **32 712** | **31 191** | **27 677** | | **26 640** |
| **Payments** | |  | |  |  |  | |  |
| Payments for employees | |  | | (10 135) | (9 739) | (9 622) | | (9 230) |
| Superannuation | |  | | (1 595) | (1 481) | (1 530) | | (1 420) |
| Interest paid | |  | | (1 365) | (1 428) | (1 031) | | (1 020) |
| Grants and subsidies | |  | | (2 875) | (2 904) | (4 336) | | (4 333) |
| Goods and services (b) | |  | | (12 648) | (12 552) | (8 966) | | (8 966) |
| Other payments | |  | | (371) | (341) | (371) | | (339) |
| **Total payments** | |  | | **(28 988)** | **(28 445)** | **(25 856)** | | **(25 308)** |
| **Net cash flows from operating activities** | | 27b | | **3 724** | **2 746** | **1 821** | | **1 332** |
| **Cash flows from investing activities** | |  | |  |  |  | |  |
| Purchases of non‑financial assets | |  | | (3 266) | (3 226) | (2 037) | | (2 118) |
| Sales of non‑financial assets | |  | | 220 | 238 | 73 | | 122 |
| **Cash flows from investments in non‑financial assets** | |  | | **(3 046)** | **(2 989)** | **(1 964)** | | **(1 996)** |
| **Cash flows from investments in financial assets for policy purposes** | | |  |  |  |  | |  |
| Cash inflows | |  | | 97 | 1 736 | 52 | | 333 |
| Cash outflows | |  | | (9) | (6) | (241) | | (289) |
| Net cash flows from investments in financial assets for policy purposes (c) | |  | | 88 | 1 729 | (190) | | 44 |
| **Sub‑total** | |  | | **(2 958)** | **(1 259)** | **(2 153)** | | **(1 952)** |
| Net cash flows from investments in financial assets for liquidity management purposes | |  | | (1 447) | (1 312) | (33) | | (316) |
| **Net cash flows from investing activities** | |  | | **(4 405)** | **(2 571)** | **(2 187)** | | **(2 268)** |
| **Cash flows from financing activities** | |  | |  |  |  | |  |
| Advances received | |  | | 39 | 21 | .. | | 1 |
| Advances repaid | |  | | (2) | (5) | .. | | .. |
| Advances received (net) (c) | |  | | 38 | 16 | .. | | 1 |
| Borrowings received | |  | | 281 | 165 | 359 | | 236 |
| Borrowings repaid | |  | | (308) | (889) | (131) | | (173) |
| Net borrowings (c) |  | | | (27) | (724) | 229 | 62 | |
| Deposits received |  | | | 429 | 229 | 162 | 153 | |
| Deposits paid |  | | | (323) | (260) | (194) | (157) | |
| Deposits received (net) (c) |  | | | 107 | (32) | (32) | (3) | |
| **Net cash flows from financing activities** |  | | | **117** | **(739)** | **196** | **60** | |
| **Net increase/(decrease) in cash and cash equivalents** |  | | | **(564)** | **(564)** | **(169)** | **(876)** | |
| Cash and cash equivalents at beginning of reporting period |  | | | 6 510 | 8 281 | 4 282 | 4 582 | |
| **Cash and cash equivalents at end of reporting period** | 27a | | | **5 946** | **7 717** | **4 112** | **3 707** | |
|  |  | | |  |  |  |  | |
| **FISCAL AGGREGATES** |  | | |  |  |  |  | |
| Net cash flows from operating activities |  | | | 3 724 | 2 746 | 1 821 | 1 332 | |
| Net cash flows from investments in non‑financial assets |  | | | (3 046) | (2 989) | (1 964) | (1 996) | |
| **Cash surplus/(deficit)** |  | | | **678** | **(242)** | **(142)** | **(663)** | |

The accompanying notes form part of these financial statements.

Notes:

(a) Certain December 2014 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the 2014‑15 Financial Report.

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

(c) In accordance with AASB 107, Treasury Corporation of Victoria is not required to gross up their cash flow information for whole of government consolidation purposes. The net cash movements for Treasury Corporation of Victoria have been added to cash inflows or outflows for both six months ended 31 December 2015 and 31 December 2014.

Statement of changes in equity for the six months ended 31 December

($ million)

| *State of Victoria* | *Accumulated surplus/(deficit) (a)* | *Non-controlling  interest* | *Non-financial assets revaluation surplus (a)* | *Other  reserves* | *Total (a)* |
| --- | --- | --- | --- | --- | --- |
| **2015** |  |  |  |  |  |
| Balance at 1 July 2015 | 61 204 | 50 | 77 429 | 1 201 | 139 885 |
| Net result for the six months | 542 | .. | .. | .. | 542 |
| Other comprehensive income for the year | (616) | .. | (82) | (65) | (763) |
| Transfer to accumulated surplus | (22) | .. | 22 | .. | .. |
| Transactions with owners in their capacity as owners | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2015** | **61 108** | **50** | **77 370** | **1 135** | **139 664** |
| **2014** |  |  |  |  |  |
| Balance at 1 July 2014 | 45 436 | 50 | 85 437 | 1 161 | 132 083 |
| Net result for the six months | (1 779) | .. | .. | .. | (1 779) |
| Other comprehensive income for the year | (2 380) | .. | 74 | (168) | (2 473) |
| Transfer to accumulated surplus | 392 | .. | (392) | .. | .. |
| Transactions with owners in their capacity as owners | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2014** | **41 668** | **50** | **85 119** | **993** | **127 831** |

The accompanying notes form part of these financial statements.

Note:

(a) The 1 July 2014 and December 2014 comparatives and the 1 July 2015 opening balances have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the   
2014‑15 Financial Report.

Statement of changes in equity for the six months ended 31 December *(continued)*

($ million)

| *General government sector* | *Accumulated surplus/(deficit) (a)* | *Non-controlling interest* | *Non-financial assets revaluation surplus (a)* | *Investment in other sector entities revaluation surplus* | *Other reserves* | *Total (a)* |
| --- | --- | --- | --- | --- | --- | --- |
| **2015** |  |  |  |  |  |  |
| Balance at 1 July 2015 | 45 764 | 50 | 43 355 | 46 413 | 728 | 136 310 |
| Net result for the six months | 1 239 | .. | .. | .. | .. | 1 239 |
| Other comprehensive income for the year | (678) | .. | 8 | (246) | (77) | (993) |
| Transfer to accumulated surplus | (22) | .. | 22 | .. | .. | .. |
| Transactions with owners in their capacity as owners | .. | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2015** | **46 304** | **50** | **43 385** | **46 167** | **651** | **136 556** |
| **2014** |  |  |  |  |  |  |
| Balance at 1 July 2014 | 43 635 | 50 | 41 965 | 42 187 | 640 | 128 477 |
| Net result for the six months | 191 | .. | .. | .. | .. | 191 |
| Other comprehensive income for the year | (2 495) | .. | 59 | 3 | (11) | (2 444) |
| Transfer to accumulated surplus | 392 | .. | (392) | .. | .. | .. |
| Transactions with owners in their capacity as owners | .. | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2014** | **41 722** | **50** | **41 632** | **42 190** | **629** | **126 224** |

The accompanying notes form part of these financial statements.

Note:

(a) The 1 July 2014 and December 2014 comparatives and the 1 July 2015 opening balances have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the   
2014‑15 Financial Report.

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Note 1: Summary of significant accounting policies

This Mid‑Year Financial Report presents the unaudited general purpose consolidated interim financial statements of the State of Victoria (the State) and the Victorian general government sector. The report also incorporates the quarterly financial report of the general government sector for the quarter ended 31 December 2015.

Because this interim financial report does not include all the notes normally included with the annual financial report, this report should be read in conjunction with the *2014‑15 Financial Report*.

1. Statement of compliance

These financial statements have been prepared in the manner and form as determined by the Treasurer, in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AASs) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). The financial statements are also presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* and AASB 134 *Interim Financial Reporting.*

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

The Government Finance Statistics (GFS) information included in this report is based on the GFS manual published by the Australian Bureau of Statistics.

The *2015-16 Mid‑Year Financial Report* was authorised for issue by the Treasurer of Victoria on 8 March 2016.

1. Basis of accounting preparation and measurement

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

These financial statements are presented in Australian dollars. The report has been prepared in accordance with the historical cost convention except for:

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

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

1. Reporting entity

The State of Victoria reporting entity includes government departments, public non‑financial corporations (PNFCs), public financial corporations (PFCs) and other government controlled entities (refer to Note 32 *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 as 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 primary function of entities within the general government sector is to provide public services (outputs), which are mainly non-market in nature, for the collective consumption of the community and involve the transfer or redistribution of revenue that is financed mainly through taxes and other compulsory levies. The general government sector is not a separate reporting entity but represents a sector within the State of Victoria reporting entity, and is reported in accordance with AASB 1049. Unless otherwise noted, accounting policies applied by the State of Victoria apply equally to the general government sector.

(ii) Public non‑financial corporations

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

(iii) Public financial corporations

The government controlled PFC sector comprises entities engaged primarily in providing financial intermediation services or auxiliary financial services, 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. Disclosure of this information assists users of the financial statements to determine the effects of differing activities on the financial position of the State. It also assists users to identify the resources used in providing a range of goods and services, and the extent to which the State has recovered the costs of these resources from revenues attributable to those activities.

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

Basis of consolidation

In accordance with AASB 1049 and AASB 10 *Consolidated Financial Statements*:

* the consolidated financial statements of the State include all reporting entities that are controlled by the State as at 31 December 2015; and
* the consolidated financial statements of the Victorian general government sector include entities classified as general government entities. 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 sector and PFC sector entities before consolidation eliminations. Where the carrying amount of the entity’s net assets before consolidation eliminations is less than zero, the amount is not included at the general government sector, but the net liabilities will be consolidated at the State level. Any change in the carrying amount of the investment from period to period is accounted for as if the change in carrying amount is a change in fair value, and accounted for in a manner consistent with *AASB 139 Financial Instruments: Recognition and Measurement*.

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

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

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

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

Details of significant changes to entities consolidated by the State are shown in Note 33.

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

1. Prospective accounting and reporting changes

Certain new and revised accounting standards have been published but are not effective for the 2015‑16 reporting period. They include:

* AASB 15 *Revenue from Contracts with Customers*, operative from 1 January 2018. The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. The State is reviewing its existing revenue recognition policy to assess the potential implications arising from AASB 15.
* AASB 9 *Financial Instruments*, operative for reporting periods beginning from 1 January 2018 as revised by AASB 2014‑1 *Amendments to Australian Accounting Standards* (Part E *Financial Instruments*). The key changes introduced by AASB 9 include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.
* AASB 124 *Related Party Disclosures*, operative for reporting periods commencing 1 July 2016. This standard extends the scope of related party disclosures to not‑for‑profit public sector entities, which will result in more disclosures in relation to the key management personnel and related party transactions at the entity and State level.

Several other amending standards and AASB interpretations have been issued that are applicable for future reporting periods, but are considered to have limited impact on public sector reporting.

There is no intention to early adopt the above accounting standards.

The Australian Bureau of Statistics (ABS) recently released a new manual, *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015* on 23 December 2015. For the purpose of financial reporting under AASB 1049, the new manual will apply for reporting periods beginning from 1 July 2018. The State will assess the potential reporting implications of the amendments.

1. Rounding

All amounts in the financial report have been rounded to the nearest $1 million unless otherwise stated. Figures in this financial report may not add due to rounding.

Note 2: Disaggregated information

Disaggregated operating statement for the six months ended 31 December

($ million)

|  | *General  government sector* | | *Public non-financial corporations* | | |
| --- | --- | --- | --- | --- | --- |
|  | *2015* | *2014 (a)* | | *2015* | *2014 (a)* |
| **Revenue from transactions** |  |  | |  |  |
| Taxation revenue | 9 676 | 8 764 | | .. | .. |
| Interest revenue | 394 | 405 | | 18 | 23 |
| Dividends and income tax equivalent and rate equivalent revenue | 451 | 667 | | 5 | 4 |
| Sales of goods and services | 3 332 | 3 332 | | 2 990 | 2 865 |
| Grant revenue | 12 301 | 11 722 | | 1 499 | 1 434 |
| Other revenue | 1 726 | 1 155 | | 327 | 247 |
| **Total revenue from transactions** | **27 880** | **26 045** | | **4 838** | **4 573** |
| **Expenses from transactions** |  |  | |  |  |
| Employee expenses | 9 765 | 9 319 | | 555 | 529 |
| Net superannuation interest expense | 441 | 512 | | .. | 1 |
| Other superannuation | 1 160 | 1 035 | | 51 | 47 |
| Depreciation | 1 200 | 1 198 | | 1 099 | 976 |
| Interest expense | 1 034 | 1 048 | | 537 | 570 |
| Grant expense | 4 315 | 4 130 | | 121 | 118 |
| Other operating expenses | 8 457 | 8 340 | | 2 339 | 2 300 |
| Other property expenses | .. | .. | | 122 | 57 |
| **Total expenses from transactions** | **26 373** | **25 581** | | **4 824** | **4 599** |
| **Net result from transactions – net operating balance** | **1 507** | **463** | | **14** | **(26)** |
| **Other economic flows included in net result** |  |  | |  |  |
| Net gain/(loss) on disposal of non-financial assets | 11 | 26 | | (3) | 2 |
| Net gain/(loss) on financial assets or liabilities at fair value | (21) | 35 | | 49 | 45 |
| Share of net profit/(loss) from associates/joint venture entities | 2 | .. | | 26 | 22 |
| Other gains/(losses) from other economic flows | (260) | (333) | | 1 | 21 |
| **Total other economic flows included in net result** | **(267)** | **(273)** | | **73** | **89** |
| **Net result** | **1 239** | **191** | | **87** | **63** |
| **Other economic flows – other comprehensive income** |  |  | |  |  |
| **Items that will not be reclassified to net result** |  |  | |  |  |
| Changes in non-financial assets revaluation surplus | 8 | 59 | | (8) | 3 |
| Remeasurement of superannuation defined benefits plans | (704) | (2 464) | | .. | (3) |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets | (246) | 3 | | .. | .. |
| Other movements in equity | (25) | (7) | | 78 | 3 |
| **Items that may be reclassified subsequently to net result** |  |  | |  |  |
| Net gain/(loss) on financial assets at fair value | (26) | (34) | | (4) | (20) |
| **Total other economic flows – other comprehensive income** | **(993)** | **(2 444)** | | **65** | **(16)** |
| **Comprehensive result – total change in net worth** | **246** | **(2 253)** | | **152** | **47** |
|  |  |  | |  |  |
| **FISCAL AGGREGRATES** |  |  | |  |  |
| **Net operating balance (a)** | **1 507** | **463** | | **14** | **(26)** |
| **Net acquisition of non-financial assets from transactions** |  |  | |  |  |
| Purchases of non-financial assets (including change in inventories) | 2 037 | 2 118 | | 1 130 | 1 116 |
| Less: Sales of non-financial assets | (73) | (122) | | (147) | (115) |
| Less: Depreciation and amortisation (a) | (1 200) | (1 198) | | (1 099) | (976) |
| Plus: Other movements in non-financial assets | (405) | (353) | | 499 | 410 |
| **Less: Net acquisition of non-financial assets from transactions (a)** | **359** | **445** | | **384** | **436** |
| **Net lending/(borrowing) (a)** | **1 148** | **18** | | **(370)** | **(461)** |

Note:

(a) The December 2014 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the 2014‑15 Financial Report.

| *Public  financial corporations* | | *Inter-sector eliminations* | | *State of Victoria* | |
| --- | --- | --- | --- | --- | --- |
| *2015* | *2014 (a)* | *2015* | *2014 (a)* | *2015* | *2014 (a)* |
|  |  |  |  |  |  |
| .. | .. | (233) | (209) | 9 443 | 8 555 |
| 1 079 | 1 247 | (1 183) | (1 214) | 308 | 462 |
| 746 | 488 | (435) | (657) | 766 | 502 |
| 2 104 | 1 984 | (1 408) | (1 328) | 7 017 | 6 854 |
| .. | .. | (1 542) | (1 491) | 12 258 | 11 664 |
| 11 | 13 | .. | .. | 2 065 | 1 415 |
| **3 940** | **3 733** | **(4 802)** | **(4 899)** | **31 857** | **29 452** |
|  |  |  |  |  |  |
| 140 | 138 | (200) | (183) | 10 261 | 9 803 |
| .. | .. | .. | .. | 441 | 512 |
| 12 | 12 | .. | .. | 1 223 | 1 094 |
| 22 | 24 | .. | .. | 2 322 | 2 198 |
| 968 | 1 019 | (1 183) | (1 214) | 1 356 | 1 424 |
| .. | .. | (1 595) | (1 527) | 2 841 | 2 721 |
| 2 859 | 2 768 | (1 389) | (1 318) | 12 267 | 12 090 |
| 3 | 25 | (125) | (82) | .. | .. |
| **4 005** | **3 985** | **(4 492)** | **(4 324)** | **30 711** | **29 841** |
| **(65)** | **(252)** | **(310)** | **(575)** | **1 146** | **(389)** |
|  |  |  |  |  |  |
| .. | .. | .. | .. | 8 | 28 |
| (318) | (254) | .. | .. | (289) | (174) |
| .. | .. | .. | .. | 28 | 22 |
| 126 | (775) | (218) | (179) | (351) | (1 266) |
| **(191)** | **(1 028)** | **(218)** | **(179)** | **(604)** | **(1 390)** |
| **(256)** | **(1 280)** | **(529)** | **(753)** | **542** | **(1 779)** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| .. | .. | (81) | 12 | (82) | 74 |
| .. | .. | .. | .. | (704) | (2 467) |
| .. | .. | 246 | (3) | .. | .. |
| .. | (268) | .. | 245 | 53 | (26) |
|  |  |  |  |  |  |
| .. | .. | .. | .. | (30) | (54) |
| **..** | **(268)** | **165** | **255** | **(763)** | **(2 473)** |
| **(256)** | **(1 548)** | **(364)** | **(498)** | **(221)** | **(4 253)** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| **(65)** | **(252)** | **(310)** | **(575)** | **1 146** | **(389)** |
|  |  |  |  |  |  |
| 18 | 13 | 81 | (21) | 3 266 | 3 226 |
| .. | (1) | .. | .. | (220) | (238) |
| (22) | (24) | .. | .. | (2 322) | (2 198) |
| .. | .. | .. | .. | 95 | 57 |
| **(5)** | **(12)** | **81** | **(21)** | **819** | **848** |
| **(60)** | **(240)** | **(391)** | **(554)** | **327** | **(1 237)** |

Note 2: Disaggregated information *(continued)*

Disaggregated balance sheet as at 31 December

($ million)

|  | *General  government sector* | | *Public non-financial corporations* | |
| --- | --- | --- | --- | --- |
|  | *Dec*  *2015* | *Jun*  *2015* | *Dec*  *2015* | *Jun*  *2015* |
| **Assets** |  |  |  |  |
| **Financial assets** |  |  |  |  |
| Cash and deposits | 4 112 | 4 282 | 839 | 1 092 |
| Advances paid | 4 550 | 4 572 | 51 | 54 |
| Receivables | 5 907 | 5 555 | 1 370 | 1 361 |
| Investments, loans and placements | 3 389 | 3 406 | 1 204 | 989 |
| Loans receivable from non-financial public sector (a) | .. | .. | .. | .. |
| Investments accounted for using the equity method | 44 | 45 | 1 565 | 1 565 |
| Investments in other sector entities | 82 563 | 82 181 | .. | .. |
| **Total financial assets** | **100 566** | **100 040** | **5 030** | **5 062** |
| **Non-financial assets** |  |  |  |  |
| Inventories | 154 | 144 | 552 | 565 |
| Non-financial assets held for sale | 165 | 175 | 27 | 30 |
| Land, buildings, infrastructure, plant and equipment (b) | 107 750 | 107 562 | 99 630 | 99 307 |
| Other non-financial assets | 1 195 | 1 038 | 1 320 | 1 325 |
| **Total non-financial assets (b)** | **109 265** | **108 920** | **101 529** | **101 227** |
| **Total assets (b)** | **209 830** | **208 960** | **106 559** | **106 289** |
| **Liabilities** |  |  |  |  |
| Deposits held and advances received | 485 | 518 | 420 | 425 |
| Payables | 5 188 | 5 704 | 1 478 | 1 663 |
| Borrowings | 34 301 | 34 069 | 15 897 | 15 934 |
| Employee benefits | 5 769 | 5 605 | 375 | 379 |
| Superannuation | 26 722 | 25 947 | 40 | 42 |
| Other provisions | 809 | 807 | 8 721 | 8 874 |
| **Total liabilities** | **73 274** | **72 650** | **26 930** | **27 317** |
| **Net assets (b)(c)** | **136 556** | **136 310** | **79 629** | **78 972** |
| Accumulated surplus/(deficit) (b) | 46 304 | 45 764 | 4 459 | 4 430 |
| Reserves | 90 203 | 90 496 | 75 170 | 74 542 |
| Non-controlling interest | 50 | 50 | .. | .. |
| **Net worth (b)(c)** | **136 556** | **136 310** | **79 629** | **78 972** |
|  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |
| Net financial worth | 27 292 | 27 390 | (21 901) | (22 256) |
| Net financial liabilities | 55 271 | 54 791 | 21 901 | 22 256 |
| Net debt | 22 735 | 22 327 | 14 223 | 14 223 |

Notes:

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

(b) Certain June 2015 comparative figures have been restated to reflect more current information.

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

| *Public  financial corporations* | | | *Inter-sector eliminations* | | | *State of Victoria* | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| *Dec*  *2015* | *Jun*  *2015* | *Dec*  *2015* | | *Jun*  *2015* | *Dec*  *2015* | | *Jun*  *2015* |
|  |  |  | |  |  | |  |
|  |  |  | |  |  | |  |
| 3 725 | 4 719 | (2 729) | | (3 572) | 5 946 | | 6 521 |
| 69 | 46 | (4 527) | | (4 550) | 143 | | 121 |
| 2 040 | 1 601 | (1 582) | | (1 728) | 7 735 | | 6 789 |
| 33 020 | 32 122 | (2 324) | | (2 200) | 35 289 | | 34 317 |
| 36 667 | 36 048 | (36 667) | | (36 048) | .. | | .. |
| .. | .. | 411 | | 411 | 2 020 | | 2 021 |
| .. | .. | (82 563) | | (82 181) | .. | | .. |
| **75 521** | **74 535** | **(129 982)** | | **(129 868)** | **51 134** | | **49 770** |
|  |  |  | |  |  | |  |
| .. | .. | .. | | .. | 706 | | 710 |
| .. | .. | .. | | .. | 192 | | 205 |
| 79 | 80 | .. | | .. | 207 459 | | 206 949 |
| 1 151 | 1 036 | (1 380) | | (1 272) | 2 287 | | 2 127 |
| **1 230** | **1 116** | **(1 380)** | | **(1 272)** | **210 644** | | **209 991** |
| **76 751** | **75 651** | **(131 362)** | | **(131 140)** | **261 778** | | **259 760** |
|  |  |  | |  |  | |  |
| 6 487 | 6 745 | (4 929) | | (5 368) | 2 464 | | 2 320 |
| 2 643 | 1 719 | (1 341) | | (1 496) | 7 967 | | 7 591 |
| 42 749 | 42 721 | (41 354) | | (41 036) | 51 593 | | 51 688 |
| 79 | 91 | .. | | .. | 6 223 | | 6 076 |
| .. | .. | .. | | .. | 26 762 | | 25 988 |
| 26 064 | 25 169 | (8 489) | | (8 637) | 27 104 | | 26 213 |
| **78 023** | **76 445** | **(56 113)** | | **(56 537)** | **122 114** | | **119 876** |
| **(1 273)** | **(794)** | **(75 249)** | | **(74 603)** | **139 664** | | **139 885** |
| (1 491) | (1 009) | 11 837 | | 12 019 | 61 108 | | 61 204 |
| 218 | 215 | (87 085) | | (86 622) | 78 506 | | 78 630 |
| .. | .. | .. | | .. | 50 | | 50 |
| **(1 273)** | **(794)** | **(75 249)** | | **(74 603)** | **139 664** | | **139 885** |
|  |  |  | |  |  | |  |
|  |  |  | |  |  | |  |
| (2 503) | (1 910) | (73 869) | | (73 331) | (70 980) | | (70 106) |
| 2 503 | 1 910 | (8 694) | | (8 850) | 70 980 | | 70 106 |
| (24 244) | (23 469) | (35) | | (34) | 12 679 | | 13 048 |

Note 2: Disaggregated information *(continued)*

Disaggregated cash flow statement for the six months ended 31 December

($ million)

|  | | *General  government sector* | | | | *Public non‑financial corporations* | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | *2015* | *2014 (a)* | | *2015* | | *2014 (a)* | |
| **Cash flows from operating activities** | |  |  | |  | |  | |
| **Receipts** | |  |  | |  | |  | |
| Taxes received | | 9 935 | 9 366 | | .. | | .. | |
| Grants | | 12 300 | 11 720 | | 1 511 | | 1 465 | |
| Sales of goods and services (b) | | 3 527 | 3 489 | | 3 275 | | 3 302 | |
| Interest received | | 372 | 385 | | 21 | | 19 | |
| Dividends and income tax equivalent and rate equivalent receipts | | 605 | 676 | | 4 | | 4 | |
| Other receipts | | 939 | 1 004 | | 183 | | 129 | |
| **Total receipts** | | **27 677** | **26 640** | | **4 994** | | **4 919** | |
| **Payments** | |  |  | |  | |  | |
| Payments for employees | | (9 622) | (9 230) | | (560) | | (541) | |
| Superannuation | | (1 530) | (1 420) | | (53) | | (49) | |
| Interest paid | | (1 031) | (1 020) | | (517) | | (544) | |
| Grants and subsidies | | (4 336) | (4 333) | | (59) | | (40) | |
| Goods and services (b) | | (8 966) | (8 966) | | (1 892) | | (1 959) | |
| Other payments | | (371) | (339) | | (1 092) | | (972) | |
| **Total payments** | | **(25 856)** | **(25 308)** | | **(4 174)** | | **(4 105)** | |
| **Net cash flows from operating activities** | | **1 821** | **1 332** | | **820** | | **813** | |
| **Cash flows from investing activities** | |  |  | |  | |  | |
| Purchases of non‑financial assets | | (2 037) | (2 118) | | (1 130) | | (1 116) | |
| Sales of non‑financial assets | | 73 | 122 | | 147 | | 115 | |
| **Cash flows from investments in non‑financial assets** | | **(1 964)** | **(1 996)** | | **(984)** | | **(1 001)** | |
| **Cash flows from investments in financial assets for policy purposes** | |  | |  | |  | |  |
| Cash inflows | | 52 | 333 | | 35 | | 25 | |
| Cash outflows | | (241) | (289) | | (5) | | (1) | |
| Net cash flows from investments in financial assets for policy purposes (c) | (190) | | 44 | | 29 | | 24 | |
| **Sub‑total** | | **(2 153)** | **(1 952)** | | **(954)** | | **(977)** | |
| Net cash flows from investments in financial assets for liquidity management purposes | | (33) | (316) | | (169) | | (86) | |
| **Net cash flows from investing activities** | | **(2 187)** | **(2 268)** | | **(1 123)** | | **(1 063)** | |
| **Cash flows from financing activities** | |  |  | |  | |  | |
| Advances received | | .. | 1 | | .. | | 13 | |
| Advances repaid | | .. | .. | | (7) | | (4) | |
| Advances received (net) (c) | | .. | 1 | | (7) | | 9 | |
| Borrowings received | | 359 | 236 | | 365 | | 1 279 | |
| Borrowings repaid | | (131) | (173) | | (409) | | (1 193) | |
| Net borrowings (c) | | 229 | 62 | | (44) | | 86 | |
| Deposits received | | 162 | 153 | | 132 | | 65 | |
| Deposits paid | | (194) | (157) | | (130) | | (37) | |
| Deposits received (net) (c) | | (32) | (3) | | 2 | | 29 | |
| Other financing inflows | | .. | .. | | 216 | | 361 | |
| Other financing outflows | | .. | .. | | (117) | | (197) | |
| Other financing (net) (c) | | .. | .. | | 98 | | 164 | |
| **Net cash flows from financing activities** | | **196** | **60** | | **50** | | **287** | |
| **Net increase/(decrease) in cash and cash equivalents** | | **(169)** | **(876)** | | **(253)** | | **37** | |
| Cash and cash equivalents at beginning of reporting period | | 4 282 | 4 582 | | 1 092 | | 984 | |
| **Cash and cash equivalents at end of reporting period** | | **4 112** | **3 707** | | **839** | | **1 021** | |
|  | |  |  | |  | |  | |
| **FISCAL AGGREGATES** | |  |  | |  | |  | |
| Net cash flows from operating activities | | 1 821 | 1 332 | | 820 | | 813 | |
| Dividends | | .. | .. | | (124) | | (105) | |
| Net cash flows from investments in non‑financial assets | | (1 964) | (1 996) | | (984) | | (1 001) | |
| **Cash surplus/(deficit)** | | **(142)** | **(663)** | | **(287)** | | **(293)** | |

Notes:

(a) Certain December 2014 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the 2014‑15 Financial Report.

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

(c) In accordance with AASB 107, Treasury Corporation of Victoria is not required to gross up their cash flow information for whole of government consolidation purposes. The net cash movements for Treasury Corporation of Victoria have been added to cash inflows or outflows for both six months ended 31 December 2015 and 31 December 2014.

| *Public  financial corporations* | | *Inter‑sector eliminations* | | | | *State of Victoria* | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| *2015* | *2014 (a)* | | *2015* | *2014 (a)* | *2015* | | *2014 (a)* | |
|  |  | |  |  | |  | |  |
|  |  | |  |  | |  | |  |
| .. | .. | | (233) | (209) | 9 702 | | 9 157 | |
| .. | .. | | (1 560) | (1 524) | 12 251 | | 11 660 | |
| 3 128 | 2 918 | | (1 372) | (1 449) | 8 557 | | 8 260 | |
| 1 038 | 1 195 | | (1 167) | (1 192) | 265 | | 406 | |
| 746 | 488 | | (589) | (666) | 766 | | 503 | |
| 44 | 102 | | 6 | (31) | 1 172 | | 1 204 | |
| **4 956** | **4 704** | | **(4 915)** | **(5 072)** | **32 712** | | **31 191** | |
|  |  | |  |  | |  | |  |
| (152) | (150) | | 200 | 183 | (10 135) | | (9 739) | |
| (12) | (12) | | .. | .. | (1 595) | | (1 481) | |
| (984) | (1 056) | | 1 167 | 1 192 | | (1 365) | | (1 428) |
| .. | .. | | 1 520 | 1 468 | (2 875) | | (2 904) | |
| (2 244) | (2 286) | | 454 | 659 | (12 648) | | (12 552) | |
| (136) | (19) | | 1 228 | 989 | (371) | | (341) | |
| **(3 527)** | **(3 523)** | | **4 569** | **4 492** | **(28 988)** | | **(28 445)** | |
| **1 428** | **1 181** | | **(346)** | **(580)** | **3 724** | | **2 746** | |
|  |  | |  |  | |  | |  |
| (18) | (13) | | (81) | 21 | (3 266) | | (3 226) | |
| .. | 1 | | .. | .. | 220 | | 238 | |
| **(17)** | **(12)** | | **(81)** | **21** | | **(3 046)** | | **(2 989)** |
|  |  | |  |  | |  | |  |
| .. | 1 684 | | 10 | (307) | 97 | | 1 736 | |
| (23) | (261) | | 261 | 544 | (9) | | (6) | |
| (23) | 1 423 | | 271 | 237 | 88 | | 1 729 | |
| **(40)** | **1 411** | | **190** | **258** | **(2 958)** | | **(1 259)** | |
| (2 016) | (1 361) | | 771 | 452 | (1 447) | | (1 312) | |
| **(2 056)** | **50** | | **961** | **710** | **(4 405)** | | **(2 571)** | |
|  |  | |  |  | |  | |  |
| 59 | 35 | | (20) | (28) | 39 | | 21 | |
| (12) | (19) | | 17 | 18 | (2) | | (5) | |
| 47 | 16 | | (3) | (9) | 38 | | 16 | |
| 194 | 30 | | (637) | (1 379) | 281 | | 165 | |
| (70) | (651) | | 301 | 1 128 | (308) | | (889) | |
| 125 | (621) | | (336) | (251) | (27) | | (724) | |
| 144 | .. | | (9) | 10 | | 429 | | 229 |
| (449) | (671) | | 451 | 605 | | (323) | | (260) |
| (305) | (671) | | 442 | 614 | | 107 | | (32) |
| .. | 58 | | (216) | (419) | .. | | .. | |
| (222) | (533) | | 339 | 730 | | .. | | .. |
| (223) | (475) | | 124 | 311 | | .. | | .. |
| **(356)** | **(1 751)** | | **227** | **665** | | **117** | | **(739)** |
| **(984)** | **(520)** | | **842** | **794** | | **(564)** | | **(564)** |
| 4 708 | 5 691 | | (3 572) | (2 976) | | 6 510 | | 8 281 |
| **3 725** | **5 171** | | **(2 729)** | **(2 182)** | | **5 946** | | **7 717** |
|  |  | |  |  | |  | |  |
|  |  | |  |  | |  | |  |
| 1 428 | 1 181 | | (346) | (580) | 3 724 | | 2 746 | |
| (223) | (475) | | 346 | 580 | | .. | | .. |
| (17) | (12) | | (81) | 21 | | (3 046) | | (2 989) |
| **1 188** | **694** | | **(81)** | **20** | **678** | | **(242)** | |

Note 2: Disaggregated information *(continued)*

Disaggregated statement of changes in equity as at 31 December

($ million)

| ***2015*** | *Accumulated surplus/(deficit) (a)* | | *Contribution  by owners* | *Non-controlling interest* | *Non-financial  assets revaluation surplus (a)* | *Investment in  other sector entities revaluation surplus* | *Other reserves* | *Total (a)* |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **General government sector** |  | |  |  |  |  |  |  |
| Balance at 1 July 2015 | 45 764 | | .. | 50 | 43 355 | 46 413 | 728 | 136 310 |
| Net result for the six months | 1 239 | | .. | .. | .. | .. | .. | 1 239 |
| Other comprehensive income for the year | (678) | | .. | .. | 8 | (246) | (77) | (993) |
| Transfer to accumulated surplus | (22) | | .. | .. | 22 | .. | .. | .. |
| Transactions with owners in their capacity as owners | | .. | .. | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2015** | **46 304** | | **..** | **50** | **43 385** | **46 167** | **651** | **136 556** |
| **PNFC sector** |  | |  |  |  |  |  |  |
| Balance at 1 July 2015 | 4 430 | | 49 943 | .. | 24 161 | .. | 437 | 78 972 |
| Net result for the six months | 87 | | .. | .. | .. | .. | .. | 87 |
| Other comprehensive income for the year | 65 | | .. | .. | (8) | .. | 8 | 65 |
| Transfer to accumulated surplus | .. | | .. | .. | .. | .. | .. | .. |
| Dividends paid | (124) | | .. | .. | .. | .. | .. | (124) |
| Transactions with owners in their capacity as owners | | .. | 628 | .. | .. | .. | .. | 628 |
| **Total equity as at 31 December 2015** | **4 459** | | **50 571** | **..** | **24 153** | **..** | **446** | **79 629** |
| **PFC sector** |  | |  |  |  |  |  |  |
| Balance at 1 July 2015 | (1 009) | | 177 | .. | 2 | .. | 35 | (794) |
| Net result for the six months | (256) | | .. | .. | .. | .. | .. | (256) |
| Other comprehensive income for the year | (4) | | .. | .. | .. | .. | 4 | .. |
| Transfer to accumulated surplus | .. | | .. | .. | .. | .. | .. | .. |
| Dividends paid | (223) | | .. | .. | .. | .. | .. | (223) |
| Transactions with owners in their capacity as owners | | .. | .. | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2015** | **(1 491)** | | **177** | **..** | **2** | **..** | **39** | **(1 273)** |
| Eliminations | 11 837 | | (50 748) | .. | 9 830 | (46 167) | .. | (75 249) |
| **Total State of Victoria** | **61 108** | | **..** | **50** | **77 370** | **..** | **1 135** | **139 664** |

Note:

(a) The 1 July 2014 and December 2014 comparatives and the 1 July 2015 opening balances have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the   
2014‑15 Financial Report.

Note 2: Disaggregated information *(continued)*

Disaggregated statement of changes in equity as at 31 December

($ million)

| ***2014*** | *Accumulated surplus/(deficit) (a)* | | *Contribution  by owners* | *Non‑controlling interest* | *Non‑financial  assets revaluation surplus (a)* | *Investment in  other sector entities revaluation surplus* | *Other reserves* | *Total (a)* |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **General government sector** |  | |  |  |  |  |  |  |
| Balance at 1 July 2014 | 43 635 | | .. | 50 | 41 965 | 42 187 | 640 | 128 477 |
| Net result for the six months | 191 | | .. | .. | .. | .. | .. | 191 |
| Other comprehensive income for the year | (2 495) | | .. | .. | 59 | 3 | (11) | (2 444) |
| Transfer to accumulated surplus | 392 | | .. | .. | (392) | .. | .. | .. |
| Transactions with owners in their capacity as owners | | .. | .. | .. | .. | .. | .. | .. |
| **Total equity as at 31 December 2014** | **41 722** | | **..** | **50** | **41 632** | **42 190** | **629** | **126 224** |
| **PNFC sector** |  | |  |  |  |  |  |  |
| Balance at 1 July 2014 | 5 095 | | 32 963 | .. | 34 576 | .. | 340 | 72 973 |
| Net result for the six months | 63 | | .. | .. | .. | .. | .. | 63 |
| Other comprehensive income for the year | (9) | | .. | .. | 3 | .. | (10) | (16) |
| Transfer to accumulated surplus | .. | | .. | .. | .. | .. | .. | .. |
| Dividends paid | (105) | | .. | .. | .. | .. | .. | (105) |
| Transactions with owners in their capacity as owners | | .. | 620 | .. | .. | .. | .. | 620 |
| **Total equity as at 31 December 2014** | **5 043** | | **33 583** | **..** | **34 579** | **..** | **330** | **73 536** |
| **PFC sector** |  | |  |  |  |  |  |  |
| Balance at 1 July 2014 | (749) | | 254 | .. | 2 | .. | 181 | (312) |
| Net result for the six months | (1 280) | | .. | .. | .. | .. | .. | (1 280) |
| Other comprehensive income for the year | (121) | | .. | .. | .. | .. | (147) | (268) |
| Transfer to accumulated surplus | .. | | .. | .. | .. | .. | .. | .. |
| Dividends paid | (475) | | .. | .. | .. | .. | .. | (475) |
| Transactions with owners in their capacity as owners | | .. | (77) | .. | .. | .. | .. | (77) |
| **Total equity as at 31 December 2014** | **(2 626)** | | **177** | **..** | **2** | **..** | **34** | **(2 413)** |
| Eliminations | (2 472) | | (33 760) | .. | 8 906 | (42 190) | .. | (69 516) |
| **Total State of Victoria** | **41 668** | | **..** | **50** | **85 119** | **..** | **993** | **127 831** |

Note:

(a) The 1 July 2014 and December 2014 comparatives and the 1 July 2015 opening balances have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the   
2014‑15 Financial Report.

Note 3: Taxation revenue

($ million)

|  | *State of Victoria* | | *General  government sector* | |
| --- | --- | --- | --- | --- |
|  | *2015* | *2014* | *2015* | *2014* |
| **Taxes on employers’ payroll and labour force** | **2 693** | **2 568** | **2 729** | **2 601** |
| **Taxes on property** |  |  |  |  |
| **Taxes on immovable property** |  |  |  |  |
| Land tax | 36 | .. | 56 | 18 |
| Fire Services Property levy | 660 | 583 | 660 | 583 |
| Congestion levy | .. | 2 | .. | 2 |
| Metropolitan improvement levy | 156 | 148 | 156 | 148 |
| **Total taxes on immovable property** | **852** | **732** | **872** | **751** |
| **Financial and capital transactions** |  |  |  |  |
| Land transfer duty | 3 032 | 2 523 | 3 032 | 2 523 |
| Other property duties | .. | 1 | .. | 1 |
| Metropolitan planning levy | 13 | .. | 13 | .. |
| Financial accommodation levy | .. | .. | 84 | 64 |
| Growth Areas Infrastructure Contribution | 69 | 65 | 69 | 65 |
| **Total financial and capital transactions** | **3 115** | **2 589** | **3 198** | **2 654** |
| **Total taxes on property** | **3 967** | **3 322** | **4 070** | **3 405** |
| **Taxes on provision of goods and services** |  |  |  |  |
| **Gambling taxes** |  |  |  |  |
| Public lotteries | 221 | 204 | 221 | 204 |
| Electronic gaming machines | 550 | 543 | 550 | 543 |
| Casino | 112 | 102 | 112 | 102 |
| Racing | 41 | 43 | 41 | 43 |
| Other | 12 | 11 | 12 | 11 |
| **Total gambling taxes** | **935** | **903** | **935** | **903** |
| **Levies on statutory corporations** | **..** | **..** | **53** | **53** |
| **Taxes on insurance** | **606** | **580** | **606** | **580** |
| **Total taxes on the provision of goods and services** | **1 541** | **1 483** | **1 594** | **1 536** |
| **Taxes on the use of goods and performance of activities** |  |  |  |  |
| **Motor vehicle taxes** |  |  |  |  |
| Vehicle registration fees | 726 | 698 | 728 | 699 |
| Duty on vehicle registrations and transfers | 391 | 359 | 391 | 359 |
| **Total motor vehicle taxes** | **1 117** | **1 057** | **1 118** | **1 058** |
| **Liquor licence fees** | **15** | **12** | **15** | **12** |
| **Other** | **110** | **114** | **150** | **153** |
| **Total taxes on the use of goods and performance of activities** | **1 242** | **1 183** | **1 283** | **1 223** |
| **Total taxation revenue** | **9 443** | **8 555** | **9 676** | **8 764** |

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* | |
| --- | --- | --- | --- | --- |
|  | *2015* | *2014 (a)* | *2015* | *2014* |
| Dividends from PFC sector | .. | .. | 223 | 475 |
| Dividends from PNFC sector | .. | .. | 124 | 106 |
| Dividends from non‑public sector | 766 | 502 | 16 | 10 |
| **Dividends** | **766** | **502** | **362** | **591** |
| Income tax equivalent revenue from PFC sector | .. | .. | 13 | 25 |
| Income tax equivalent revenue from PNFC sector | .. | .. | 76 | 51 |
| **Income tax equivalent revenue** | **..** | **..** | **89** | **76** |
| Local government rate equivalent revenue |  |  |  |  |
| **Total dividends and income tax equivalent and rate equivalent revenue** | **766** | **502** | **451** | **667** |

Note:

(a) The December 2014 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the 2014‑15 Financial Report.

(b) Dividends by entity

($ million)

|  | *General  government sector* | |
| --- | --- | --- |
|  | *2015* | *2014* |
| **Public financial corporations** |  |  |
| WorkSafe Victoria | .. | 242 |
| Victorian Managed Insurance Authority | 73 | .. |
| Transport Accident Commission | 116 | 163 |
| Treasury Corporation of Victoria | 32 | 51 |
| Rural Finance Corporation of Victoria | .. | 17 |
| State Trustees Ltd | 1 | 1 |
| Victorian Funds Management Corporation | 2 | 2 |
| **Dividends from PFC sector** | **223** | **475** |
| **Public non‑financial corporations** |  |  |
| Melbourne Water Corporation | .. | 22 |
| City West Water Corporation | 10 | 11 |
| South East Water Corporation | 26 | 36 |
| Yarra Valley Water Corporation | 24 | 19 |
| Port of Melbourne Corporation | 7 | 17 |
| State Electricity Commission of Victoria (shell) | 50 | .. |
| Others | 6 | 1 |
| **Dividends from PNFC sector** | **124** | **106** |

Note 5: Sales of goods and services

($ million)

|  | *State of Victoria* | | *General  government sector* | |
| --- | --- | --- | --- | --- |
|  | *2015* | *2014* | *2015* | *2014* |
| Motor vehicle regulatory fees | 127 | 122 | 127 | 122 |
| Other regulatory fees | 257 | 250 | 249 | 241 |
| Sale of goods | 275 | 276 | 40 | 38 |
| Provision of services | 6 246 | 6 036 | 2 005 | 2 091 |
| Rental | 50 | 89 | 35 | 32 |
| Refunds and reimbursements | 63 | 80 | 4 | 16 |
| Inter‑sector capital asset charge | .. | .. | 871 | 791 |
| **Total sales of goods and services** | **7 017** | **6 854** | **3 332** | **3 332** |

Note 6: Grant revenue

($ million)

|  | *State of Victoria* | | *General  government sector* | |
| --- | --- | --- | --- | --- |
|  | *2015* | *2014* | *2015* | *2014* |
| General purpose grants | 6 453 | 5 996 | 6 453 | 5 996 | |
| Specific purpose grants for on‑passing | 1 517 | 1 597 | 1 517 | 1 597 | |
| Other specific purpose grants | 4 287 | 4 071 | 4 285 | 4 069 | |
| **Total** | **12 257** | **11 664** | **12 255** | **11 662** | |
| Other contributions and grants | 1 | 1 | 46 | 60 | |
| **Total grant revenue** | **12 258** | **11 664** | **12 301** | **11 722** | |

Note 7: Other revenue

($ million)

|  | *State of Victoria* | | | *General  government sector* | |
| --- | --- | --- | --- | --- | --- |
|  | *2015* | *2014* | *2015* | | *2014* |
| Fair value of assets received free of charge or for nominal consideration | 118 | 80 | 6 | | 4 |
| Fines | 399 | 375 | 398 | | 374 |
| Royalties | 36 | 29 | 28 | | 22 |
| Donations and gifts | 142 | 145 | 110 | | 124 |
| Other non-property rental | 42 | 41 | 14 | | 14 |
| Other miscellaneous revenue (a) | 1 329 | 745 | 1 170 | | 617 |
| **Total other revenue** | **2 065** | **1 415** | **1 726** | | **1 155** |

Note:

(a) Other miscellaneous revenue includes revenue from Tatts following the decision by the High Court of Australia to overturn the Court of Appeal’s decision relating to Tatts’ ‘Gambling Licences’ proceedings.

Note 8: Superannuation

(a) Superannuation costs recognised in the operating statement

($ million)

|  | *State of Victoria* | |
| --- | --- | --- |
|  | *2015* | *2014 (a)* |
| **Defined benefit plans** |  |  |
| Net superannuation interest expense | 441 | 512 |
| Current service cost | 394 | 374 |
| Remeasurements: |  |  |
| Expected return on superannuation assets excluding interest income | (394) | (318) |
| Other actuarial (gain)/loss on superannuation assets | 383 | (422) |
| Actuarial and other adjustments to unfunded superannuation liability | 715 | 3 207 |
| **Total (gain)/expenses recognised in respect of defined benefit plans** | **1 539** | **3 354** |
| **Defined contribution plans** |  |  |
| Employer contributions to defined contribution plans | 784 | 679 |
| Other (including pensions) | 46 | 41 |
| **Total expense recognised in respect of defined contribution plans** | **829** | **720** |
| **Total superannuation (gain)/expense recognised in operating statement** | **2 368** | **4 073** |
| **Represented by:** |  |  |
| Superannuation interest expense | 441 | 512 |
| Other superannuation | 1 223 | 1 094 |
| **Superannuation expense from transactions** | **1 665** | **1 606** |
| **Remeasurement recognised in other comprehensive income** | **704** | **2 467** |
| **Total superannuation costs recognised in operating statement** | **2 368** | **4 073** |

Note:

(a) The December 2014 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the 2014‑15 Financial Report.

(b) Superannuation liabilities

($ million)

|  | *State of Victoria* | |
| --- | --- | --- |
|  | *Dec*  *2015* | *Jun*  *2015* |
| Current liability | 1 004 | 1 210 |
| Non‑current liability | 25 758 | 24 778 |
| **Total superannuation liability** | **26 762** | **25 988** |
| **Represented by:** |  |  |
| Emergency Services and State Super | 25 711 | 24 967 |
| Other funds | 1 051 | 1 021 |

Note 9: Depreciation

($ million)

|  | *State of Victoria* | | | | *General  government sector* | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | *2015* | | *2014* | | *2015* | | *2014* |
| Buildings (a) | 704 | | 696 | | 507 | | 508 | |
| Leasehold buildings | 47 | | 48 | | 44 | | 45 | |
| Infrastructure systems | 715 | | 626 | | 17 | | 13 | |
| Plant, equipment and vehicles | 469 | | 426 | | 267 | | 269 | |
| Road and road networks | 303 | | 295 | | 301 | | 293 | |
| Cultural assets | 7 | | 9 | | 7 | | 9 | |
| Intangible produced assets (b) | 76 | | 98 | | 57 | | 59 | |
| **Total depreciation** | | **2 322** | | **2 198** | | **1 200** | **1 198** |

Notes:

(a) The December 2014 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the 2014‑15 Financial Report.

(b) Amortisation of intangible non produced assets is included under other economic flows.

Note 10: Interest expense

($ million)

|  | *State of Victoria* | | *General  government sector* | |
| --- | --- | --- | --- | --- |
|  | *2015* | *2014* | *2015* | *2014* |
| Interest on long‑term interest‑bearing liabilities | 920 | 968 | 637 | 638 | |
| Interest on short‑term interest‑bearing liabilities | 25 | 31 | 15 | 18 | |
| Finance charges on finance leases | 393 | 406 | 362 | 371 | |
| Discount interest on payables | 18 | 19 | 20 | 21 | |
| **Total interest expense** | **1 356** | **1 424** | **1 034** | **1 048** | |

Note 11: Grant expense

($ million)

|  | *State of Victoria* | | | | *General  government sector* | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | *2015* | | *2014* | | *2015* | | *2014* |
| **Current grant expense** |  | |  | |  | |  | |
| Commonwealth government | 177 | | 105 | | 176 | | 104 | |
| Local government (including grants for on‑passing) | 267 | | 432 | | 267 | | 432 | |
| Private sector and not‑for‑profit on‑passing | 1 362 | | 1 310 | | 1 362 | | 1 310 | |
| Other private sector and not‑for‑profit | 868 | | 791 | | 855 | | 779 | |
| Grants within the Victorian government | .. | | .. | | 1 498 | | 1 433 | |
| Grants to other state governments | 6 | | 1 | | 6 | | 1 | |
| **Total current grant expense** | | **2 681** | | **2 639** | | **4 165** | **4 058** |
| **Capital grant expense** | |  | |  | |  |  |
| Commonwealth Government | | .. | | .. | | .. | .. |
| Local government (including grants for on‑passing) | | .. | | 13 | | .. | 13 |
| Private sector and not‑for‑profit on‑passing | | 150 | | 57 | | 150 | 53 |
| Other private sector and not‑for‑profit | | .. | | .. | | .. | .. |
| Grants within the Victorian government | | .. | | .. | | .. | .. |
| Other grants | | 10 | | 12 | | 1 | 6 |
| **Total capital grant expense** | | **160** | | **82** | | **151** | **72** |
| **Total grant expense** | | **2 841** | | **2 721** | | **4 315** | **4 130** |

Note 12: Other operating expenses

($ million)

|  | *State of Victoria* | | *General  government sector* | |
| --- | --- | --- | --- | --- |
|  | *2015* | *2014* | *2015* | *2014* |
| Purchase of supplies and consumables (a) | 3 956 | 3 904 | 3 393 | 3 418 | |
| Cost of goods sold | 95 | 216 | 16 | 114 | |
| Finance expenses and fees | 219 | 204 | 17 | 13 | |
| Purchase of services | 4 442 | 4 308 | 4 075 | 3 957 | |
| Insurance claims expense | 2 375 | 2 284 | 70 | 11 | |
| Maintenance (a) | 587 | 602 | 328 | 332 | |
| Operating lease payments | 206 | 181 | 171 | 144 | |
| Other | 387 | 390 | 387 | 351 | |
| **Total other operating expenses (a)** | **12 267** | **12 090** | **8 457** | **8 340** | |

Note:

(a) The December 2014 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the 2014‑15 Financial Report.

Note 13: Total expenses by government purpose and by department

(a) Expenses by government purpose classification(a)

($ million)

|  | *State of Victoria* | | *General  government sector* | |
| --- | --- | --- | --- | --- |
|  | *2015* | *2014* | *2015* | *2014* |
| General public services (b) | 2 662 | 2 420 | 955 | 876 |
| Public order and safety | 2 938 | 2 746 | 2 997 | 2 797 |
| Education (b) | 6 789 | 6 498 | 6 822 | 6 531 |
| Health | 7 518 | 7 171 | 7 582 | 7 228 |
| Social security and welfare | 2 041 | 1 910 | 2 055 | 1 923 |
| Housing and community amenities (b) | 2 792 | 2 902 | 1 236 | 1 344 |
| Recreation and culture | 712 | 672 | 372 | 335 |
| Fuel and energy | 77 | 62 | 75 | 59 |
| Agriculture, forestry, fishing and hunting | 213 | 245 | 166 | 199 |
| Transport and communications (b) | 2 705 | 2 615 | 3 004 | 2 931 |
| Other economic affairs | 345 | 581 | 418 | 661 |
| Other purpose (b) | 1 919 | 2 020 | 692 | 697 |
| **Total expenses by government purpose classification (b)** | **30 711** | **29 841** | **26 373** | **25 581** |

Notes:

(a) Note 41 of the 2014‑15 Financial Report for the State of Victoria provides definitions and descriptions of government purpose classifications.

(b) The December 2014 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the 2014‑15 Financial Report.

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

(b) Total expenses by department(a)

($ million)

|  | *State of Victoria* | | | *General  government sector* | |
| --- | --- | --- | --- | --- | --- |
|  | *2015* | | *2014* | *2015* | *2014* |
| Economic Development, Jobs, Transport and Resources | 5 969 | | 718 | 3 917 | 609 |
| Education and Training (b) | 7 621 | | 7 306 | 7 621 | 7 306 |
| Environment, Land, Water and Planning | 4 103 | | 3 787 | 1 321 | 1 185 |
| Health and Human Services | 11 057 | | 8 087 | 10 521 | 8 045 |
| Human Services (b) | .. | | 2 433 | .. | 1 923 |
| Justice and Regulation | 2 863 | | 2 749 | 2 779 | 2 669 |
| Premier and Cabinet | 174 | | 412 | 166 | 358 |
| Transport, Planning and Local Infrastructure (b) | .. | | 5 211 | .. | 3 457 |
| Treasury and Finance | 7 144 | | 7 124 | 3 261 | 3 303 |
| Parliament | 85 | | 85 | 85 | 85 |
| Courts | 248 | | 240 | 248 | 240 |
| Regulatory bodies and other part budget funded agencies (c) | | 978 | 947 | 978 | 947 |
| **Total expenses by department (b)** | **40 242** | | **39 100** | **30 897** | **30 126** |
| *Less eliminations and adjustments (d)* | (9 531) | | (9 259) | (4 523) | (4 545) |
| **Total expenses from transactions (b)** | **30 711** | | **29 841** | **26 373** | **25 581** |

Notes:

(a) Effective 1 January 2015 several departments were renamed due to machinery of government changes:

* the Department of Education and Early Childhood Development was renamed the Department of Education and Training;
* the Department of Environment and Primary Industries was renamed the Department of Environment, Land, Water and Planning;
* the Department of Health was renamed the Department of Health and Human Services;
* the Department of Justice was renamed the Department of Justice and Regulation;
* the Department of State Development, Business and Innovation was renamed the Department of Economic Development, Jobs, Transport and Resources;
* the Department of Human Services was abolished; and
* the Department of Transport, Planning and Local Infrastructure was abolished.

The two abolished departments had their functions and operations transferred to other Victorian government departments. Functions and operations of the Department of Human Services were transferred to the Department of Health and Human Services and to the Department of Premier and Cabinet. Functions and operations of the Department of Transport, Planning and Local Infrastructure were transferred to the Department of Environment, Land, Water and Planning, the Department of Health and Humans Services and to the Department of Economic Development, Jobs, Transport and Resources. Certain functions and operations of continuing Victorian government departments were also transferred among departments as part of the machinery of government changes. Controlled entities which have been transferred as part of the machinery of government changes are listed under their new portfolio departments.

(b) The December 2014 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the 2014‑15 Financial Report.

(c) Other general government sector agencies not allocated to departmental portfolios.

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

Note 14: Other gains/(losses) from other economic flows

($ million)

|  | *State of Victoria* | | *General  government sector* | |
| --- | --- | --- | --- | --- |
|  | *2015* | *2014* | *2015* | *2014* |
| Net (increase)/decrease in provision for doubtful receivables | (161) | (139) | (160) | (139) |
| Amortisation of intangible non‑produced assets | (17) | (8) | (2) | (4) |
| Net swap interest revenue/(expense) | (96) | (4) | .. | .. |
| Bad debts written off | (52) | (49) | (45) | (41) |
| Other gains/(losses) (a) | (24) | (1 066) | (52) | (150) |
| **Total other gains/(losses) from other economic flows(a)** | **(351)** | **(1 266)** | **(260)** | **(333)** |

Note:

(a) The December 2014 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the 2014‑15 Financial Report.

Note 15: Advances paid and investments, loans and placements

($ million)

|  | *State of Victoria* | | *General  government sector* | |
| --- | --- | --- | --- | --- |
|  | *Dec*  *2015* | *Jun*  *2015* | *Dec*  *2015* | *Jun*  *2015* |
| **Current advances paid and investments, loans and placements** | | | | |
| Loans and advances paid | 26 | 30 | 60 | 60 |
| Equities and managed investment schemes | 1 028 | 1 320 | 1 016 | 962 |
| Australian dollar term deposits | 388 | 390 | 1 714 | 1 932 |
| Debt securities | 4 646 | 4 706 | 6 | 7 |
| Derivative financial instruments | 230 | 106 | .. | .. |
| **Total current advances paid and investments, loans and placements** | **6 317** | **6 552** | **2 796** | **2 960** |
| **Non‑current advances paid and investments, loans and placements** | | | | |
| Loans and advances paid | 117 | 92 | 4 490 | 4 512 |
| Equities and managed investment schemes | 23 619 | 22 876 | 283 | 273 |
| Australian dollar term deposits | 155 | 159 | 325 | 198 |
| Debt securities | 4 422 | 4 211 | 44 | 34 |
| Derivative financial instruments | 802 | 549 | .. | .. |
| **Total non‑current advances paid and investments, loans and placements** | **29 115** | **27 886** | **5 142** | **5 018** |
| **Total advances paid and investments, loans and placements** | **35 432** | **34 438** | **7 939** | **7 978** |
| **Represented by:** |  |  |  |  |
| Advances paid | 143 | 121 | 4 550 | 4 572 |
| Investments, loans and placements | 35 289 | 34 317 | 3 389 | 3 406 |

Note 16: Receivables

($ million)

|  | *State of Victoria* | | *General  government sector* | |
| --- | --- | --- | --- | --- |
|  | *Dec*  *2015* | *Jun*  *2015* | *Dec*  *2015* | *Jun*  *2015* |
| **Contractual** |  |  |  |  |
| Sales of goods and services | 1 441 | 1 178 | 905 | 675 |
| Accrued investment income | 68 | 73 | 30 | 17 |
| Other receivables | 1 614 | 1 199 | 1 248 | 1 262 |
| Provision for doubtful contractual receivables | (148) | (136) | (82) | (69) |
| **Statutory** |  |  |  |  |
| Sales of goods and services | 4 | 5 | 2 | 2 |
| Taxes and other receivables (a) | 2 599 | 2 338 | 2 599 | 2 492 |
| Fines and regulatory fees | 1 870 | 1 761 | 1 870 | 1 761 |
| GST input tax credits recoverable | 761 | 806 | 209 | 255 |
| Provision for doubtful statutory receivables | (873) | (838) | (873) | (838) |
| **Other** |  |  |  |  |
| Actuarially determined | 398 | 403 | .. | .. |
| **Total receivables** | **7 735** | **6 789** | **5 907** | **5 555** |
| **Represented by:** |  |  |  |  |
| Current receivables | 6 495 | 5 515 | 4 855 | 4 447 |
| Non-current receivables | 1 241 | 1 274 | 1 052 | 1 109 |

Note:

(a) Taxes and other receivables includes a receivable from Tatts following the decision by the High Court of Australia to overturn the Court of Appeal’s decision relating to Tatts’ ‘Gambling Licences’ proceedings.

Note 17: Investments accounted for using the equity method

($ million)

|  | *Ownership interest* | | *State of Victoria* | | *General  government sector* | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | *(% change)* | | *($ million)* | | *($ million)* | | |
|  | *Dec*  *2015* | *Jun*  *2015* | *Dec*  *2015* | *Jun*  *2015* | | *Dec*  *2015* | *Jun*  *2015* |
| The Australian Regenerative Medicine Institute | 20.1% | 20.1% | 35 | 35 | | 35 | 35 |
| Property Exchange Australia Limited | 9.9% | 11.6% | 9 | 10 | | 9 | 10 |
| Snowy Hydro Limited | 29.0% | 29.0% | 1 976 | 1 976 | | .. | .. |
| **Total investments accounted for using the equity method** |  |  | **2 020** | **2 021** | | **44** | **45** |

Note 18: Inventories

($ million)

|  | *State of Victoria* | | *General  government sector* | |
| --- | --- | --- | --- | --- |
|  | *Dec*  *2015* | *Jun*  *2015* | *Dec*  *2015* | *Jun*  *2015* |
| **At cost** |  |  |  |  |
| Raw materials | 7 | 5 | 6 | 5 |
| Work in progress | 44 | 29 | 7 | 2 |
| Finished goods | 48 | 47 | 3 | 3 |
| Consumable stores | 178 | 168 | 134 | 131 |
| Land and other assets held as inventory (a) | 423 | 451 | 3 | 3 |
| **At net realisable value** |  |  |  |  |
| Finished goods | 1 | 5 | .. | .. |
| Consumable stores | 5 | 5 | .. | .. |
| **Total inventories** | **706** | **710** | **154** | **144** |

Note:

(a) Including inventory held for distribution.

Note 19: Non‑financial assets held for sale

($ million)

|  | *State of Victoria* | | *General  government sector* | |
| --- | --- | --- | --- | --- |
|  | *Dec*  *2015* | *Jun*  *2015* | *Dec*  *2015* | *Jun*  *2015* |
| Land | 182 | 191 | 162 | 165 |
| Buildings | 10 | 9 | 3 | 4 |
| Infrastructure, plant, equipment and vehicles | .. | 6 | .. | 6 |
| Other | .. | .. | .. | .. |
| **Total non‑financial assets held for sale** | **192** | **205** | **165** | **175** |

Note 20: Land, buildings, infrastructure, plant and equipment

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

($ million)

|  | *State of Victoria* | | | *General government sector* | | |
| --- | --- | --- | --- | --- | --- | --- |
| *Dec 2015* | *Gross carrying*  *amount* | *Accumulated*  *depreciation* | *Carrying*  *amount* | *Gross carrying*  *amount* | *Accumulated*  *depreciation* | *Carrying*  *amount* |
| Buildings | 46 483 | (3 402) | 43 082 | 28 732 | (2 711) | 26 021 |
| Land and national parks | 62 490 | .. | 62 490 | 40 721 | .. | 40 721 |
| Buildings leasehold | 3 047 | (538) | 2 508 | 2 948 | (495) | 2 453 |
| Infrastructure systems | 57 591 | (5 058) | 52 533 | 1 764 | (465) | 1 299 |
| Leased infrastructure systems | 4 803 | (288) | 4 515 | .. | .. | .. |
| Plant, equipment and vehicles | 13 902 | (7 729) | 6 173 | 5 912 | (3 772) | 2 140 |
| Leased plant, equipment and vehicles | 1 848 | (719) | 1 129 | 434 | (222) | 211 |
| Roads and road infrastructure | 39 547 | (18 395) | 21 152 | 39 471 | (18 380) | 21 090 |
| Leased roads and road infrastructure | 584 | .. | 584 | 584 | .. | 584 |
| Earthworks | 7 694 | .. | 7 694 | 7 690 | .. | 7 690 |
| Cultural assets | 5 814 | (215) | 5 599 | 5 756 | (215) | 5 541 |
| **Total land, buildings, infrastructure, plant and equipment** | **243 802** | **(36 343)** | **207 459** | **134 011** | **(26 260)** | **107 750** |

|  | *State of Victoria* | | | | *General government sector* | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| *Jun 2015* | *Gross carrying*  *amount* | *Accumulated*  *depreciation* | *Carrying*  *amount* | *Gross carrying*  *amount* | | *Accumulated*  *depreciation* | *Carrying*  *amount* |
| Buildings | 45 800 | (2 758) | 43 041 | 28 236 | | (2 260) | 25 976 |
| Land and national parks | 62 508 | .. | 62 508 | 40 699 | | .. | 40 699 |
| Buildings leasehold | 3 068 | (535) | 2 532 | 2 967 | | (491) | 2 476 |
| Infrastructure systems | 56 072 | (4 090) | 51 981 | 1 747 | | (448) | 1 299 |
| Leased infrastructure systems | 4 802 | (246) | 4 556 | .. | | .. | .. |
| Plant, equipment and vehicles (a) | 10 710 | (4 275) | 6 435 | 5 949 | | (3 674) | 2 275 |
| Leased plant, equipment and vehicles | 1 307 | (207) | 1 100 | 373 | | (207) | 166 |
| Roads and road infrastructure | 39 060 | (18 098) | 20 962 | 38 984 | | (18 084) | 20 901 |
| Leased roads and road infrastructure | 584 | .. | 584 | 584 | | .. | 584 |
| Earthworks | 7 694 | .. | 7 694 | 7 690 | | .. | 7 690 |
| Cultural assets | 5 690 | (137) | 5 554 | 5 633 | | (137) | 5 496 |
| **Total land, buildings, infrastructure, plant and equipment (a)** | **237 295** | **(30 346)** | **206 949** | **132 862** | | **(25 300)** | **107 562** |

Note:

(a) The June 2015 comparative figures have been restated to reflect more current information.

Note 20: Land, buildings, infrastructure, plant and equipment *(continued)*

(b) Total land, buildings, infrastructure, plant and equipment by purpose

($ million)

| *State of Victoria*  *Dec 2015* | *Public*  *Administration* | *Education* | *Health and*  *Welfare* | *Community*  *Housing* | *Transportation and*  *Communication* | *Public Safety and*  *Environment* | *Total* |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Buildings | 1 982 | 9 893 | 9 274 | 8 653 | 5 891 | 7 389 | 43 082 |
| Land and national parks | 1 491 | 8 369 | 2 280 | 11 960 | 25 863 | 12 527 | 62 490 |
| Buildings leasehold | 82 | 207 | 1 371 | 3 | 39 | 807 | 2 508 |
| Infrastructure systems | 80 | .. | .. | .. | 17 524 | 34 929 | 52 533 |
| Leased infrastructure systems | .. | .. | .. | .. | 2 | 4 513 | 4 515 |
| Plant, equipment and vehicles | 513 | 264 | 938 | .. | 3 558 | 900 | 6 173 |
| Leased plant, equipment and vehicles | .. | 3 | 103 | .. | 1 010 | 13 | 1 129 |
| Roads and road infrastructure | 17 | .. | .. | .. | 19 999 | 1 136 | 21 152 |
| Leased roads and road infrastructure | .. | .. | .. | .. | 584 | .. | 584 |
| Earthworks | 4 | .. | .. | .. | 7 690 | .. | 7 694 |
| Cultural assets | 281 | 3 | 1 | .. | 2 | 5 310 | 5 599 |
| **Total land, buildings, infrastructure, plant and equipment** | **4 451** | **18 740** | **13 966** | **20 617** | **82 161** | **67 524** | **207 459** |

| *Jun 2015* | *Public*  *Administration* | *Education* | *Health and*  *Welfare* | *Community*  *Housing* | *Transportation and*  *Communication* | *Public Safety and*  *Environment* | *Total* |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Buildings | 1 671 | 9 956 | 9 202 | 8 696 | 5 875 | 7 642 | 43 041 |
| Land and national parks | 1 488 | 8 367 | 2 279 | 12 003 | 25 834 | 12 536 | 62 508 |
| Buildings leasehold | 87 | 208 | 1 387 | 3 | 40 | 807 | 2 532 |
| Infrastructure systems | 58 | .. | .. | .. | 17 219 | 34 704 | 51 981 |
| Leased infrastructure systems | .. | .. | .. | .. | 3 | 4 554 | 4 556 |
| Plant, equipment and vehicles (a) | 526 | 265 | 1 029 | .. | 3 582 | 1 033 | 6 435 |
| Leased plant, equipment and vehicles | .. | 4 | 49 | .. | 1 027 | 21 | 1 100 |
| Roads and road infrastructure | 17 | .. | .. | .. | 19 802 | 1 143 | 20 962 |
| Leased roads and road infrastructure | .. | .. | .. | .. | 584 | .. | 584 |
| Earthworks | 4 | .. | .. | .. | 7 690 | .. | 7 694 |
| Cultural assets | 315 | 4 | 57 | .. | 2 | 5 175 | 5 554 |
| **Total land, buildings, infrastructure, plant and equipment (a)** | **4 167** | **18 803** | **14 003** | **20 703** | **81 658** | **67 615** | **206 949** |

Note:

(a) The June 2015 comparative figures have been restated to reflect more current information.

Note 20: Land, buildings, infrastructure, plant and equipment *(continued)*

(b) Total land, buildings, infrastructure, plant and equipment by purpose *(continued)*

($ million)

| *General government sector*  *Dec 2015* | *Public*  *Administration* | *Education* | *Health and*  *Welfare* | *Community*  *Housing* | *Transportation and*  *Communication* | *Public Safety and*  *Environment* | *Total* |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Buildings | 599 | 9 893 | 9 259 | .. | 611 | 5 659 | 26 021 |
| Land and national parks | 998 | 8 369 | 2 274 | .. | 19 797 | 9 282 | 40 721 |
| Buildings leasehold | 39 | 207 | 1 371 | .. | 39 | 797 | 2 453 |
| Infrastructure systems | 39 | .. | .. | .. | 413 | 847 | 1 299 |
| Plant, equipment and vehicles | 189 | 264 | 938 | .. | 23 | 726 | 2 140 |
| Leased plant, equipment and vehicles | .. | 3 | 103 | .. | 92 | 13 | 211 |
| Roads and road infrastructure | .. | .. | .. | .. | 19 999 | 1 092 | 21 090 |
| Leased roads and road infrastructure | .. | .. | .. | .. | 584 | .. | 584 |
| Earthworks | .. | .. | .. | .. | 7 690 | .. | 7 690 |
| Cultural assets | 281 | 3 | 1 | .. | 2 | 5 253 | 5 541 |
| **Total land, buildings, infrastructure, plant and equipment** | **2 146** | **18 740** | **13 946** | **..** | **49 250** | **23 668** | **107 750** |

| *Jun 2015* | *Public*  *Administration* | *Education* | *Health and*  *Welfare* | *Community*  *Housing* | *Transportation and*  *Communication* | *Public Safety and*  *Environment* | *Total* |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Buildings | 598 | 9 956 | 9 187 | .. | 616 | 5 619 | 25 976 |
| Land and national parks | 998 | 8 367 | 2 274 | .. | 19 767 | 9 293 | 40 699 |
| Buildings leasehold | 44 | 208 | 1 387 | .. | 40 | 798 | 2 476 |
| Infrastructure systems | 39 | .. | .. | .. | 411 | 849 | 1 299 |
| Plant, equipment and vehicles (a) | 231 | 265 | 1 029 | .. | 25 | 725 | 2 275 |
| Leased plant, equipment and vehicles | .. | 4 | 49 | .. | 93 | 21 | 166 |
| Roads and road infrastructure | .. | .. | .. | .. | 19 802 | 1 098 | 20 901 |
| Leased roads and road infrastructure | .. | .. | .. | .. | 584 | .. | 584 |
| Earthworks | .. | .. | .. | .. | 7 690 | .. | 7 690 |
| Cultural assets | 315 | 4 | 1 | .. | 2 | 5 174 | 5 496 |
| **Total land, buildings, infrastructure, plant and equipment (a)** | **2 225** | **18 803** | **13 927** | **..** | **49 030** | **23 577** | **107 562** |

Note:

(a) The June 2015 comparative figures have been restated to reflect more current information.

Note 21: Other non‑financial assets

($ million)

|  | *State of Victoria* | | *General  government sector* | |
| --- | --- | --- | --- | --- |
|  | *Dec*  *2015* | *Jun*  *2015* | *Dec*  *2015* | *Jun*  *2015* |
| Intangible produced assets | 2 338 | 2 294 | 1 296 | 1 287 |
| Accumulated depreciation | (1 234) | (1 149) | (748) | (701) |
| Intangible non‑produced assets | 821 | 853 | 123 | 154 |
| Accumulated amortisation | (203) | (211) | (47) | (69) |
| **Total intangibles** | **1 722** | **1 788** | **624** | **670** |
| Investment properties | 74 | 76 | 68 | 69 |
| Biological assets (a) | 63 | 64 | 3 | 4 |
| Other assets | 428 | 200 | 501 | 295 |
| **Total other non‑financial assets** | **2 287** | **2 127** | **1 195** | **1 038** |

Note:

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

Note 22: Assets classified by government purpose and by department

(a) Purchases of non‑financial assets by government purpose classification(a)

($ million)

|  | *State of Victoria* | | *General  government sector* | |
| --- | --- | --- | --- | --- |
|  | *2015* | *2014* | *2015* | *2014* |
| General public services | 75 | 69 | 71 | 21 |
| Public order and safety | 391 | 312 | 391 | 312 |
| Education | 132 | 261 | 132 | 261 |
| Health | 344 | 515 | 344 | 515 |
| Social security and welfare | 59 | 9 | 59 | 9 |
| Housing and community amenities (b) | 900 | 651 | 12 | 17 |
| Recreation and culture | 104 | 62 | 36 | 16 |
| Fuel and energy | .. | 1 | .. | 1 |
| Agriculture, forestry, fishing, and hunting | 12 | 29 | 14 | 28 |
| Transport and communications | 1 247 | 1 269 | 976 | 889 |
| Other economic affairs | .. | 50 | .. | 50 |
| Other purposes | 1 | 1 | .. | .. |
| **Total purchases of non-financial assets (b)** | **3 266** | **3 226** | **2 037** | **2 118** |

Notes:

(a) Note 41 of the 2014‑15 Financial Report for the State of Victoria provides definitions and descriptions of government purpose classifications.

(b) The December 2014 comparative figures have been restated to reflect more current information.

Note 22: Assets classified by government purpose and by department *(continued)*

(b) Purchases of non‑financial assets by department(a)

($ million)

|  | *State of Victoria* | | *General  government sector* | |
| --- | --- | --- | --- | --- |
|  | *2015* | *2014* | *2015* | *2014* |
| Economic Development, Jobs, Transport and Resources | 1 363 | 16 | 1 031 | 8 |
| Education and Training | 135 | 254 | 135 | 254 |
| Environment, Land, Water and Planning | 729 | 589 | 22 | 64 |
| Health and Human Services | 600 | 529 | 417 | 518 |
| Human Services (b) | .. | 130 | .. | 23 |
| Justice and Regulation | 308 | 259 | 306 | 258 |
| Premier and Cabinet | 4 | 18 | 4 | 16 |
| Transport, Planning and Local Infrastructure | .. | 1 355 | .. | 893 |
| Treasury and Finance | 40 | 31 | 22 | 17 |
| Parliament | 7 | 8 | 7 | 8 |
| Courts | 11 | 4 | 11 | 4 |
| Regulatory bodies and other part budget funded agencies (c) | 64 | 62 | 64 | 62 |
| Adjustments (d) | 6 | (27) | 19 | (7) |
| **Total (b)** | **3 266** | **3 226** | **2 037** | **2 118** |

Notes:

(a) Effective 1 January 2015 several departments were renamed due to machinery of government changes:

* the Department of Education and Early Childhood Development was renamed the Department of Education and Training;
* the Department of Environment and Primary Industries was renamed the Department of Environment, Land, Water and Planning;
* the Department of Health was renamed the Department of Health and Human Services;
* the Department of Justice was renamed the Department of Justice and Regulation;
* the Department of State Development, Business and Innovation was renamed the Department of Economic Development, Jobs, Transport and Resources;
* the Department of Human Services was abolished; and
* the Department of Transport, Planning and Local Infrastructure was abolished.

The two abolished departments had their functions and operations transferred to other Victorian government departments. Functions and operations of the Department of Human Services were transferred to the Department of Health and Human Services and to the Department of Premier and Cabinet. Functions and operations of the Department of Transport, Planning and Local Infrastructure were transferred to the Department of Environment, Land, Water and Planning, the Department of Health and Humans Services and to the Department of Economic Development, Jobs, Transport and Resources. Certain functions and operations of continuing Victorian government departments were also transferred among departments as part of the machinery of government changes. Controlled entities which have been transferred as part of the machinery of government changes are listed under their new portfolio departments.

(b) The December 2014 comparative figures have been restated to reflect more current information.

(c) Other general government sector agencies not allocated to departmental portfolios.

(d) Represents adjustments for transfers between portfolio departments.

Note 22: Assets classified by government purpose and by department *(continued)*

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

($ million)

|  | *State of Victoria* | | *General  government sector* | |
| --- | --- | --- | --- | --- |
|  | *Dec 2015* | *Jun 2015* | *Dec 2015* | *Jun 2015* |
| General public services (b) | 924 | 920 | 1 098 | 1 000 |
| Public order and safety | 8 742 | 8 606 | 8 742 | 8 606 |
| Education | 18 996 | 19 041 | 18 996 | 19 041 |
| Health | 12 624 | 12 477 | 12 604 | 12 457 |
| Social security and welfare | 1 903 | 1 839 | 1 903 | 1 839 |
| Housing and community amenities | 70 619 | 70 559 | 7 121 | 7 160 |
| Recreation and culture | 12 840 | 13 072 | 8 075 | 8 328 |
| Fuel and energy | 12 | 19 | 12 | 11 |
| Agriculture, forestry, fishing, and hunting | 778 | 768 | 713 | 701 |
| Transport and communications | 82 599 | 82 058 | 49 398 | 49 150 |
| Other economic affairs | 600 | 626 | 600 | 626 |
| Other purposes | 7 | 6 | 2 | 2 |
| Not allocated by purpose (c) | 51 134 | 49 770 | 100 566 | 100 040 |
| **Total assets (b)** | **261 778** | **259 760** | **209 830** | **208 960** |

Notes:

(a) Note 41 of the 2014‑15 Financial Report for the State of Victoria provides definitions and descriptions of government purpose classifications.

(b) June 2015 balances have been restated to reflect more current information.

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

Note 23: Payables

($ million)

|  | *State of Victoria* | | *General  government sector* | |
| --- | --- | --- | --- | --- |
|  | *Dec*  *2015* | *Jun*  *2015* | *Dec*  *2015* | *Jun*  *2015* |
| **Contractual** |  |  |  |  |
| Accounts payable | 1 666 | 2 013 | 1 001 | 1 158 |
| Accrued expenses | 1 722 | 2 258 | 1 790 | 2 172 |
| Unearned income | 4 548 | 3 222 | 2 355 | 2 332 |
| **Statutory** |  |  |  |  |
| Accrued taxes payable | 32 | 98 | 42 | 43 |
| **Total payables** | **7 967** | **7 591** | **5 188** | **5 704** |
| **Represented by:** |  |  |  |  |
| Current payables | 5 994 | 5 587 | 3 298 | 3 776 |
| Non‑current payables | 1 973 | 2 004 | 1 889 | 1 928 |

Note 24: Borrowings

($ million)

|  | *State of Victoria* | | | *General  government sector* | |
| --- | --- | --- | --- | --- | --- |
|  | *Dec*  *2015* | | *Jun*  *2015* | *Dec*  *2015* | *Jun*  *2015* |
| **Current borrowings** |  | |  |  |  |
| Domestic borrowings | 6 301 | | 4 462 | 4 046 | 3 861 |
| Foreign currency borrowings | 15 | | 14 | .. | .. |
| Finance lease liabilities | 201 | | 209 | 131 | 138 |
| Derivative financial instruments | 107 | | 250 | .. | .. |
| **Total current borrowings** | **6 623** | | **4 935** | **4 177** | **3 999** |
| **Non‑current borrowings** |  | |  |  |  |
| Domestic borrowings | 35 712 | | 37 498 | 22 194 | 22 099 |
| Foreign currency borrowings | 116 | | 105 | .. | .. |
| Finance lease liabilities | 8 453 | | 8 552 | 7 856 | 7 920 |
| Derivative financial instruments | | 690 | 598 | 75 | 50 |
| **Total non‑current borrowings** | | **44 970** | **46 752** | **30 125** | **30 070** |
| **Total borrowings** | | **51 593** | **51 688** | **34 301** | **34 069** |

Note 25: Employee benefits

($ million)

|  | *State of Victoria* | | *General  government sector* | |
| --- | --- | --- | --- | --- |
|  | *Dec*  *2015* | *Jun*  *2015* | *Dec*  *2015* | *Jun*  *2015* |
| **Current** |  |  |  |  |
| Accrued salaries and wages (a)(b)(c) | 1 845 | 1 790 | 1 685 | 1 616 |
| Long service leave (b) | 3 506 | 3 502 | 3 283 | 3 277 |
| **Total current employee benefits (c)** | **5 351** | **5 292** | **4 967** | **4 893** |
| **Non‑current** |  |  |  |  |
| Accrued salaries and wages (c) | 2 | 5 | .. | .. |
| Long service leave | 871 | 779 | 802 | 712 |
| **Total non‑current employee benefits (c)** | **872** | **784** | **802** | **712** |
| **Total employee benefits** | **6 223** | **6 076** | **5 769** | **5 605** |

Notes:

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

(b) While employee related on‑costs were fully allocated against accrued salaries and wages in the 2015‑16 Budget Update, for the 2015‑16 Mid-Year Financial Report and 2015‑16 original budget, data was available for on costs to be allocated between accrued salaries and wages and long service leave so that such on costs are better attributed to the respective components of the employee benefit provision.

(c) June 2015 balances have been restated to reflect more current information.

Note 26: Other provisions

($ million)

|  | *State of Victoria* | | *General  government sector* | |
| --- | --- | --- | --- | --- |
|  | *Dec*  *2015* | *Jun*  *2015* | *Dec*  *2015* | *Jun*  *2015* |
| **Provision for insurance claims** |  |  |  |  |
| WorkSafe Victoria | 2 026 | 1 995 | .. | .. |
| Transport Accident Commission | 1 158 | 1 138 | .. | .. |
| Victorian Managed Insurance Authority | 307 | 299 | .. | .. |
| Other agencies | 17 | 18 | 13 | 14 |
| **Current provision for insurance claims** | **3 510** | **3 451** | **13** | **14** |
| Onerous contracts | 42 | 47 | .. | .. |
| Other provisions | 358 | 365 | 224 | 234 |
| **Total current other provisions** | **3 909** | **3 863** | **238** | **249** |
| **Non‑current provision for insurance claims** |  |  |  |  |
| WorkSafe Victoria | 9 671 | 9 366 | .. | .. |
| Transport Accident Commission | 11 323 | 10 896 | .. | .. |
| Victorian Managed Insurance Authority | 1 556 | 1 462 | .. | .. |
| Other agencies | 31 | 31 | 29 | 30 |
| **Non‑current provision for insurance claims** | **22 581** | **21 755** | **29** | **30** |
| Onerous contracts | 36 | 26 | .. | .. |
| Other provisions | 579 | 569 | 542 | 529 |
| **Total non‑current other provisions** | **23 195** | **22 350** | **571** | **559** |
| **Total other provisions** | **27 104** | **26 213** | **809** | **807** |

Note 27: Cash flow information

(a) Reconciliation of cash and cash equivalents

($ million)

|  | *State of Victoria* | | *General  government sector* | |
| --- | --- | --- | --- | --- |
|  | *Dec*  *2015* | *Dec*  *2014 (a)* | *Dec*  *2015* | *Dec*  *2014 (a)* |
| Cash | 1 594 | 1 747 | 1 245 | 1 466 |
| Deposits at call | 4 352 | 5 970 | 2 867 | 2 241 |
| **Cash and cash equivalents** | **5 946** | **7 717** | **4 112** | **3 707** |
| Bank overdraft | .. | .. | .. | .. |
| **Balances as per cash flow statement** | **5 946** | **7 717** | **4 112** | **3 707** |

Note:

(a) Certain December 2014 comparative figures have been restated to reflect more current information.

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

($ million)

|  | *State of Victoria* | | | *General  government sector* | |
| --- | --- | --- | --- | --- | --- |
|  | *Dec*  *2015* | | *Dec*  *2014 (a)* | *Dec*  *2015* | *Dec*  *2014 (a)* |
| **Net result** | **542** | | **(1 779)** | **1 239** | **191** |
| **Non-cash movements** |  | |  |  |  |
| Depreciation and amortisation | 2 339 | | 2 206 | 1 203 | 1 202 |
| Revaluation of investments | 148 | | (1 060) | 21 | (21) |
| Assets (received)/provided free of charge | (95) | | (57) | (2) | 2 |
| Assets not previously recognised | (1) | | (2) | (1) | (2) |
| Revaluation of assets | 9 | | 102 | 7 | 102 |
| Discount/premium on other financial assets/borrowings | (41) | | (61) | 3 | 2 |
| Bad/doubtful debts | .. | | .. | .. | .. |
| Foreign currency dealings | 1 | | .. | 1 | .. |
| Unrealised (gains)/losses on borrowings | (44) | | 1 318 | .. | .. |
| Discounting of assets and liabilities | .. | | .. | .. | .. |
| **Movements included in investing and financing activities** | |  |  |  |  |
| Net gain/loss from sale of investments | 250 | | (114) | (6) | (14) |
| Net revenues from sale of non-financial assets | (8) | | (29) | (11) | (26) |
| Net revenues from sale of investments | (1) | | 12 | .. | .. |
| **Movements in assets and liabilities** |  | |  |  |  |
| Increase/(decrease) in provision for doubtful debts | 46 | | 12 | 47 | 13 |
| Increase/(decrease) in payables | 702 | | 1 034 | (307) | (50) |
| Increase/(decrease) in employee benefits | 147 | | 109 | 164 | 133 |
| Increase/(decrease) in superannuation | 70 | | 125 | 72 | 126 |
| Increase/(decrease) in other provisions | 891 | | 1 691 | .. | 57 |
| (Increase)/decrease in receivables | (992) | | (518) | (399) | (74) |
| (Increase)/decrease in other non-financial assets | (238) | | (245) | (209) | (310) |
| **Net cash flows from operating activities** | **3 724** | | **2 746** | **1 821** | **1 332** |

Note:

(a) Certain December 2014 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the 2014‑15 Financial Report.

Note 28: Financial instruments

Note 33 in Chapter 4 of the *2014‑15 Financial Report* for the State of Victoria contains a comprehensive disclosure of the State’s financial risk management objectives and policies.

There has been no substantive change to the accounting classification of financial assets and liabilities reported in the *2014‑15 Financial Report* for the State of Victoria.

Note 29: Commitments

Commitments include those operating, capital and other commitments contracted as at balance date but not recognised as liabilities, arising from non‑cancellable, contractual or statutory sources, and which embody obligations to sacrifice of future economic benefits.

Reference to the *2014‑15 Financial Report* for the State of Victoria (Note 34) should be made for details of commitments as at 30 June 2015.

As at 31 December 2015, the following additional material commitments were recorded for the State of Victoria:

* On 8 September 2015, the State entered an alliance between Metro Trains Melbourne, Public Transport Victoria, Leighton, Aurecon, Hyder and VicRoads for the removal of level crossings at Blackburn, Main, Heatherdale and Furlong roads. The program, totalling $429 million, has a planned completion date of 31 May 2017.
* A $57 million contract was entered with TYCO Traffic and Transportation for traffic signals maintenance in the Melbourne metropolitan area was entered on 7 August 2015.
* Road Network Maintenance Alliance agreements for Eastern and South Western Regions totalling $378 million were entered into on 1 September 2015 with Fulton Hogan Industries Pty Ltd.
* The State has commenced the refurbishment of Rod Laver Arena (around $192 million) as part of the Melbourne Park Redevelopment Stage 2 Project. The contract was awarded to Lend Lease Building on 26 October 2015 and the work is expected to be completed in October 2019.
* The Aurecon Jacobs Mott MacDonald (AJM) joint venture contract for technical advisory services relating to the Melbourne Metro Rail Project was entered into on 30 October 2014 with an end date of 31 December 2029. The contract is structured on a staged basis. The initial contract value reflected delivery of part of Stage 1 services, and variations with a combined value of $80 million covering full completion of this stage and Stage 2 contract works were exercised in late 2015.
* The State entered into a contract with the Learning Communities Victoria consortium on 28 October 2015 to deliver the New Schools Public Private Partnership project. The Learning Communities Victoria consortium, including Watpac and Spotless, will design, build, finance and maintain 15 new schools over a contract term of 25 years. The present value of the minimum lease payments is $394 million. The present value of the other commitment is $172 million.
* The public private partnership agreement with G4S for the operations of Port Phillip Prison has been extended for 20 years from 2018 to 2037 ($3.7 billion).
* A five year contract extension and other contract variations to health service agreements with GEO consortium was signed on 24 November 2015 for an additional total amount of $67 million.

There was no other material change in commitments for the State during this mid‑year reporting period.

Note 30: Contingent assets and contingent liabilities

### 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.

Reference to the *2014‑15 Financial Report* for the State of Victoria (Note 35) should be made for details of contingent assets as at 30 June 2015.

The following item has changed materially with regards to the contingent assets disclosed at 30 June 2015:

* On 2 March 2016 the High Court of Australia overturned the Court of Appeal’s decision relating to Tatts Group Limited’s (Tatts) ‘Gambling Licences’ proceedings. Tatts’ is liable to pay the State $540.5 million plus interest as a result of the decision, with this amount being reflected in the financial statements. The parties have exhausted all avenues of appeal and the proceedings are at an end.

### 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 probably 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.

Reference to the *2014‑15 Financial Report* for the State of Victoria (Note 35) should be made for details of contingent liabilities as at 30 June 2015.

The following items have changed materially with regards to the contingent liabilities disclosed at 30 June 2015:

* The State has lodged its defence to Intralot’s claim that Tattersall’s Sweeps Pty Ltd was granted favourable treatment relating to public lottery licences. The matter has been listed for a directions hearing in the Supreme Court on 18 March 2016.
* On 2 March 2016 the High Court of Australia upheld the Court of Appeal’s decision relating to Tabcorp’s ‘Gambling Licences’ proceedings. There are no financial implications for the State as a result of the decision. The parties have exhausted all avenues of appeal and the proceedings are at an end.
* The Victorian Managed Insurance Authority (VMIA) has increased the insurance cover it provides participating parties, bodies and other entities for property, public and products liability, professional indemnity and contract works. The VMIA reinsures in the private market for losses above $50 million arising out of any one occurrence, up to a maximum of $1 billion for public and products liability, and for losses above $50 million arising out of any one event, up to a maximum of $3.35 billion for property. The risk of losses above these reinsured levels is borne by the State.

There was no other material change in contingent liabilities for the State during this mid‑year reporting period.

Note 31: Subsequent events

In August 2012, Tatts and Tabcorp commenced legal proceedings in the Supreme Court against the State seeking compensation after the expiration of their licences. The State defended both claims and was successful in relation to the Tabcorp claim but unsuccessful in relation to the Tatts claim. On 27 June 2014, the State paid Tatts its claim including interest, amounting to $540.5 million.

On 4 December 2014, both decisions were upheld by the Court of Appeal. The State and Tabcorp appealed the decisions to the High Court of Australia.

On 2 March 2016, the High Court of Australia overturned the Court of Appeal’s decision relating to the Tatts’ proceedings and upheld the Court of Appeal’s decision relating to Tabcorp’s proceedings. Tatts is liable to repay the State $540.5 million plus interest as a result of the decision, and the amount has been reflected in the financial statements. The parties have exhausted all avenues of appeal and the proceedings are at an end.

Note 32: Public account disclosure

(a) Consolidated fund receipts and payments(a)

($ million)

| 2014‑15 |  | *2015‑16* | |
| --- | --- | --- | --- |
| *Actual*  *to Dec* |  | *Actual*  *to Dec* | *Revised*  *budget* |
|  | **Receipts** |  |  |
| 9 417 | Taxation | 9 991 | 19 725 |
| 412 | Fines and regulatory fees | 416 | 906 |
| 7 672 | Grants received | 8 193 | 17 255 |
| 2 743 | Sales of goods and services | 2 869 | 5 788 |
| 247 | Interest received | 245 | 536 |
| 666 | Public authority receipts | 609 | 1 099 |
| 182 | Other receipts (b) | 177 | 359 |
| **21 340** | **Total operating activities (b)** | **22 499** | **45 668** |
| 583 | Total inflows from investing and financing (b) | 725 | 2 696 |
| **21 924** | **Total receipts (b)** | **23 224** | **48 363** |
|  | **Payments to departments** |  |  |
| 438 | Economic Development, Jobs, Transport and Resources | 4 594 | 9 337 |
| 5 513 | Education and Training | 5 717 | 11 803 |
| 1 085 | Environment, Land, Water and Planning | 978 | 2 048 |
| 5 135 | Health and Human Services | 7 468 | 14 216 |
| 2 882 | Justice and Regulation | 3 005 | 6 072 |
| 309 | Premier and Cabinet | 166 | 414 |
| 1 679 | Treasury and Finance | 1 787 | 5 023 |
| 86 | Parliament | 83 | 184 |
| 183 | Courts | 251 | 529 |
| 2 039 | Human Services | .. | .. |
| 3 783 | Transport, Planning and Local Infrastructure | .. | .. |
| **23 131** | **Total payments** | **24 049** | **49 625** |
| **(1 207)** | **Net receipts/(payments) (b)** | **(825)** | **(1 261)** |

Notes:

(a) Effective 1 January 2015 several departments were renamed due to machinery of government changes:

* the Department of Education and Early Childhood Development was renamed the Department of Education and Training;
* the Department of Environment and Primary Industries was renamed the Department of Environment, Land, Water and Planning;
* the Department of Health was renamed the Department of Health and Human Services;
* the Department of Justice was renamed the Department of Justice and Regulation;
* the Department of State Development, Business and Innovation was renamed the Department of Economic Development, Jobs, Transport and Resources;
* the Department of Human Services was abolished; and
* the Department of Transport, Planning and Local Infrastructure was abolished.

The two abolished departments had their functions and operations transferred to other Victorian government departments. Functions and operations of the Department of Human Services were transferred to the Department of Health and Human Services and to the Department of Premier and Cabinet. Functions and operations of the Department of Transport, Planning and Local Infrastructure were transferred to the Department of Environment, Land, Water and Planning, the Department of Health and Humans Services and to the Department of Economic Development, Jobs, Transport and Resources. Certain functions and operations of continuing Victorian government departments were also transferred among departments as part of the machinery of government changes. Controlled entities which have been transferred as part of the machinery of government changes are listed under their new portfolio departments.

(b) The December 2014 comparative figures have been restated to reflect more current information.

Note 32: Public account disclosure *(continued)*

(b) Trust fund cash flow statement

($ million)

| *2014‑15* |  | *2015‑16* | |
| --- | --- | --- | --- |
| *Actual*  *to Dec* |  | *Actual*  *to Dec* | *Revised*  *budget* |
|  | **Cash flows from operating activities** |  |  |
|  | **Receipts** |  |  |
| 239 | Taxation | 250 | 342 |
| 26 | Regulatory fees and fines | 20 | 32 |
| 8 130 | Grants received | 8 005 | 15 502 |
| 173 | Sale of goods and services (a) | 40 | 136 |
| 47 | Interest received | 49 | 86 |
| 4 959 | Net transfers from consolidated fund (a) | 4 843 | 7 607 |
| 66 | Other receipts (a) | 20 | 141 |
| **13 640** | **Total receipts (a)** | **13 228** | **23 846** |
|  | **Payments** |  |  |
| (77) | Employee benefits | (74) | (196) |
| (6) | Superannuation | (6) | (14) |
| (12 249) | Grants paid | (11 813) | (20 946) |
| (1 094) | Supplies and consumables (a) | (1 052) | (2 300) |
| (3) | Interest paid | (2) | (8) |
| **(13 429)** | **Total payments (a)** | **(12 948)** | **(23 465)** |
| **211** | **Net cash flows from operating activities (a)** | **280** | **382** |
|  | **Cash flows from investing activities** |  |  |
| 30 | Proceeds from sale of property, plant and equipment | 26 | 36 |
| (21) | Purchases of property, plant and equipment | (12) | (36) |
| (86) | Other investing activities (a) | (29) | (177) |
| **(76)** | **Net cash flows from investing activities (a)** | **(14)** | **(177)** |
|  | **Cash flows from financing activities** |  |  |
| 14 | Net proceeds (repayments) from borrowings | (470) | (29) |
| **14** | **Net cash flows from financing activities** | **(470)** | **(29)** |
| **148** | **Net cash inflow/(outflow) (a)** | **(205)** | **176** |

Note:

(a) The December 2014 comparative figures have been restated to reflect more current information.

Note 32: Public account disclosure *(continued)*

(c) Reconciliation of cash flows to balances held

($ million)

|  | *Balances  held at 30 Jun 2015* | *Dec movement YTD* | *Balances held at  31 Dec 2015* |
| --- | --- | --- | --- |
| **Cash and deposits** |  |  |  |
| Cash balances outside the Public Account | 1 | (1) | .. |
| Deposits held with the Public Account – specific trusts | 806 | 37 | 843 |
| Other balances held in the Public Account | 3 397 | (1 061) | 2 335 |
| **Total cash and deposits** | **4 203** | **(1 026)** | **3 178** |
| **Investments** |  |  |  |
| Investments held with the Public Account – specific trusts (a) | 720 | 19 | 739 |
| **Total investments (a)** | **720** | 19 | **739** |
| **Total fund balances (a)** | **4 924** | **(1 008)** | **3 917** |
| **Less funds held outside the Public Account** |  |  |  |
| Cash | 1 | (1) | .. |
| **Total fund balances held outside the Public Account** | **1** | **(1)** | **..** |
| **Total funds held in the Public Account (a)(b)** | **4 923** | **(1 007)** | **3 917** |

Note:

(a) June 2015 balances have been restated to reflect more current information.

(b) See note 32 (d) for details of securities and investments including amounts held in the Public Account on behalf of trust accounts.

(d) Details of securities held in the Public account

($ million)

| *2014‑15* |  | *2015‑16* | |
| --- | --- | --- | --- |
| *Actual*  *to Dec* |  | *Opening*  *1 Jul* | *Actual*  *31 Dec* |
| 1 528 | Amounts invested on behalf of specific trust accounts (a) | 1 525 | 1 581 |
| 1 197 | General account balances | 3 397 | 2 335 |
| **2 725** | **Total Public Account (a)** | **4 923** | **3 917** |
|  | **Represented by:** |  |  |
| 1 528 | Stocks and securities (a) | 1 525 | 1 581 |
| 860 | Cash and investments | 2 087 | 1 055 |
| **2 388** | **Total stock, securities, cash and investments (a)** | **3 613** | **2 637** |
|  | Add cash advanced for: |  |  |
| 337 | Advances pursuant to sections 36 and 37 of the  *Financial Management Act 1994* | 1 310 | 1 280 |
| **2 725** | **Total Public Account (a)** | **4 923** | **3 917** |

Note:

(a) The 1 July opening balances have been restated to reflect more current information.

Note 33: Controlled entities

Note 42 Controlled Entities in the *2014‑15 Financial Report* for the State of Victoria contains a list of significant controlled entities which have been consolidated for the purposes of the financial report.

The following are changes from 1 July 2015, relevant to the preparation of the Mid‑Year Financial Report:

* effective from 1 July 2015, the Domestic (HIH) Indemnity Fund and Housing Guarantee Claims ceased to exist;
* effective from 22 September 2015, the Victorian Competition and Efficiency Commission ceased to exist;
* effective from 1 October 2015, Infrastructure Victoria was established by the *Infrastructure Victoria Act 2015*; and
* Alexandra District Hospital was renamed to Alexandra District Health.

Appendix A – General government sector quarterly financial report

Table A.1: Consolidated comprehensive operating statement for the past five quarters

($ million)

|  | 2014-15 | | | *2015-16* | |
| --- | --- | --- | --- | --- | --- |
|  | *Dec* | *Mar* | *Jun (a)* | *Sep (a)* | *Dec* |
| **Revenue from transactions** |  |  |  |  |  |
| Taxation revenue | 4 054 | 5 476 | 4 098 | 5 061 | 4 615 |
| Interest revenue | 200 | 203 | 219 | 203 | 190 |
| Dividends and income tax equivalent and rate equivalent revenue | 616 | 63 | 383 | 59 | 392 |
| Sales of goods and services | 1 676 | 1 711 | 1 439 | 1 661 | 1 671 |
| Grant revenue | 6 057 | 6 742 | 6 039 | 6 010 | 6 291 |
| Other revenue | 588 | 496 | 857 | 564 | 1 162 |
| **Total revenue from transactions** | **13 190** | **14 692** | **13 035** | **13 559** | **14 321** |
| **Expenses from transactions** |  |  |  |  |  |
| Employee expenses | 4 809 | 4 628 | 4 887 | 4 768 | 4 997 |
| Net superannuation interest expense | 254 | 250 | 276 | 223 | 218 |
| Other superannuation | 551 | 483 | 461 | 554 | 606 |
| Depreciation | 601 | 612 | 616 | 605 | 595 |
| Interest expense | 525 | 511 | 543 | 513 | 521 |
| Grant expense | 2 128 | 2 646 | 1 753 | 2 172 | 2 143 |
| Other operating expenses | 4 277 | 4 154 | 5 157 | 4 204 | 4 253 |
| **Total expenses from transactions** | **13 144** | **13 283** | **13 693** | **13 040** | **13 333** |
| **Net result from transactions – net operating balance** | **47** | **1 409** | **(658)** | **519** | **988** |
| **Other economic flows included in net result** |  |  |  |  |  |
| Net gain/(loss) on disposal of non-financial assets | 21 | 21 | (15) | (13) | 24 |
| Net gain/(loss) on financial assets or liabilities at fair value | 15 | 46 | (28) | (29) | 9 |
| Share of net profit/(loss) from associates/joint venture entities | .. | .. | (3) | .. | 2 |
| Other gains/(losses) from other economic flows | (243) | (162) | (53) | (124) | (136) |
| **Total other economic flows included in net result** | **(207)** | **(94)** | **(99)** | **(166)** | **(101)** |
| **Net result** | **(160)** | **1 315** | **(757)** | **353** | **887** |
| **Other economic flows – other comprehensive income** |  |  |  |  |  |
| **Items that will not be reclassified to net result** |  |  |  |  |  |
| Changes in non-financial assets revaluation surplus | 37 | (135) | 2 601 | 32 | (24) |
| Remeasurement of superannuation defined benefits plans | (2 586) | (1 971) | 4 987 | (1 934) | 1 230 |
| Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets | 3 | .. | 4 223 | .. | (246) |
| Other movements in equity | (21) | (622) | 456 | 13 | (38) |
| **Items that may be reclassified subsequently to net result** |  |  |  |  |  |
| Net gain/(loss) on financial assets at fair value | (32) | (12) | 2 | (3) | (23) |
| **Total other economic flows – other comprehensive income** | **(2 599)** | **(2 740)** | **12 269** | **(1 892)** | **898** |
| **Comprehensive result – total change in net worth** | **(2 759)** | **(1 426)** | **11 512** | **(1 539)** | **1 785** |
|  |  |  |  |  |  |
| **KEY FISCAL AGGREGATES** |  |  |  |  |  |
| **Net operating balance** | **47** | **1 409** | **(658)** | **519** | **988** |
| Less: Net acquisition of non-financial assets from transactions (a) | 373 | 87 | (264) | 84 | 275 |
| **Net lending/(borrowing) (a)** | **(327)** | **1 322** | **(394)** | **435** | **713** |

Note:

(a) The June and September 2015 comparative figures have been restated to reflect more current information.

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

($ million)

|  | *2014-15* | | | *2015-16* | |
| --- | --- | --- | --- | --- | --- |
|  | *Dec (a)* | *Mar* | *Jun (a)* | *Sep (a)* | *Dec* |
| **Assets** |  |  |  |  |  |
| **Financial assets** |  |  |  |  |  |
| Cash and deposits | 3 707 | 4 609 | 4 282 | 4 061 | 4 112 |
| Advances paid | 4 578 | 4 573 | 4 572 | 4 567 | 4 550 |
| Receivables | 5 001 | 6 727 | 5 555 | 5 897 | 5 907 |
| Investments, loans and placements | 3 351 | 3 397 | 3 406 | 3 440 | 3 389 |
| Investments accounted for using the equity method | 47 | 47 | 45 | 44 | 44 |
| Investments in other sector entities | 76 170 | 76 358 | 82 181 | 82 467 | 82 563 |
| **Total financial assets** | **92 853** | **95 711** | **100 040** | **100 477** | **100 566** |
| **Non-financial assets** |  |  |  |  |  |
| Inventories | 148 | 147 | 144 | 146 | 154 |
| Non-financial assets held for sale | 145 | 130 | 175 | 169 | 165 |
| Land, buildings, infrastructure, plant and equipment | 105 317 | 104 682 | 107 562 | 107 503 | 107 750 |
| Other non-financial assets | 1 480 | 1 325 | 1 038 | 1 215 | 1 195 |
| **Total non-financial assets** | **107 091** | **106 284** | **108 920** | **109 033** | **109 265** |
| **Total assets** | **199 944** | **201 994** | **208 960** | **209 509** | **209 830** |
| **Liabilities** |  |  |  |  |  |
| Deposits held and advances received | 424 | 529 | 518 | 471 | 485 |
| Payables | 5 348 | 6 182 | 5 704 | 5 355 | 5 188 |
| Borrowings | 33 018 | 33 286 | 34 069 | 34 597 | 34 301 |
| Employee benefits | 5 399 | 5 601 | 5 605 | 5 675 | 5 769 |
| Superannuation | 28 844 | 30 881 | 25 947 | 27 885 | 26 722 |
| Other provisions | 687 | 717 | 807 | 754 | 809 |
| **Total liabilities** | **73 720** | **77 196** | **72 650** | **74 738** | **73 274** |
| **Net assets** | **126 224** | **124 798** | **136 310** | **134 772** | **136 556** |
| Accumulated surplus/(deficit) | 41 722 | 41 078 | 45 764 | 44 213 | 46 304 |
| Reserves | 84 452 | 83 670 | 90 496 | 90 509 | 90 203 |
| Non-controlling interest | 50 | 50 | 50 | 50 | 50 |
| **Net worth** | **126 224** | **124 798** | **136 310** | **134 772** | **136 556** |
|  |  |  |  |  |  |
| **FISCAL AGGREGATES** |  |  |  |  |  |
| Net financial worth | 19 133 | 18 514 | 27 390 | 25 739 | 27 292 |
| Net financial liabilities | 57 037 | 57 843 | 54 791 | 56 728 | 55 271 |
| Net debt | 21 807 | 21 236 | 22 327 | 23 000 | 22 735 |

Note:

(a) The comparative figures have been restated to reflect more current information.

Table A.3: Consolidated cash flow statement for the past five quarters(a)

($ million)

|  | 2014-15 | | | | | | *2015-16* | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | *Dec* | *Mar* | | | *Jun* | | *Sep* | | *Dec* | |
| **Cash flows from operating activities** |  |  | |  | | |  | |  | |
| **Receipts** |  |  | |  | | |  | |  | |
| Taxes received | 4 781 | 4 277 | | 4 773 | | | 4 887 | | 5 048 | |
| Grants | 6 056 | 6 698 | | 6 082 | | | 6 008 | | 6 292 | |
| Sales of goods and services (b) | 1 684 | 1 922 | | 1 591 | | | 1 782 | | 1 745 | |
| Interest received | 191 | 193 | | 235 | | | 193 | | 179 | |
| Dividends and income tax equivalent and rate equivalent receipts | 619 | 71 | | 268 | | | 49 | | 556 | |
| Other receipts | 592 | 164 | | 816 | | | 439 | | 499 | |
| **Total receipts** | **13 923** | **13 323** | | **13 764** | | | **13 359** | | **14 319** | |
| **Payments** |  |  | |  | | |  | |  | |
| Payments for employees | (4 917) | (4 482) | | (4 908) | | | (4 730) | | (4 892) | |
| Superannuation | (728) | (667) | | (684) | | | (773) | | (757) | |
| Interest paid | (510) | (513) | | (529) | | | (531) | | (500) | |
| Grants and subsidies | (2 152) | (2 617) | | (1 614) | | | (2 185) | | (2 151) | |
| Goods and services (b) | (4 451) | (3 499) | | (4 370) | | | (4 666) | | (4 301) | |
| Other payments | (163) | (138) | | (581) | | | (194) | | (176) | |
| **Total payments** | **(12 922)** | **(11 915)** | | **(12 686)** | | | **(13 078)** | | **(12 778)** | |
| **Net cash flows from operating activities** | **1 000** | **1 408** | | **1 078** | | | **280** | | **1 541** | |
| **Cash flows from investing activities** |  |  | |  | | |  | |  | |
| Purchases of non-financial assets | (1 231) | (869) | | (1 382) | | | (960) | | (1 077) | |
| Sales of non-financial assets | 86 | 63 | | 213 | | | 22 | | 51 | |
| **Cash flows from investments in non-financial assets** | **(1 145)** | **(806)** | | **(1 170)** | | | **(938)** | | **(1 026)** | |
| Net cash flows from investments in financial assets for policy purposes | (164) | (58) | | (869) | | | 30 | | (220) | |
| **Sub-total** | **(1 309)** | **(864)** | | **(2 039)** | | | **(908)** | | **(1 245)** | |
| Net cash flows from investments in financial assets for liquidity management purposes | (302) | (15) | | (39) | | | (74) | | 40 | |
| **Net cash flows from investment activities** | **(1 611)** | **(879)** | | **(2 078)** | | | **(982)** | | **(1 205)** | |
| **Cash flows from financing activities** |  |  | |  | | |  | |  | |
| Advances received (net) | 1 | .. | | (1) | | | .. | | .. | |
| Net borrowings | 171 | 267 | | 684 | | | 528 | | (299) | |
| Deposits received (net) | (31) | 105 | | (10) | | | (47) | | 14 | |
| **Net cash flows from financing activities** | **140** | **372** | | **673** | | | **481** | | **(285)** | |
| **Net increase/(decrease) in cash and cash equivalents** | **(470)** | **902** | | **(327)** | | | **(220)** | | **51** | |
| Cash and cash equivalents at beginning of reporting period | 4 177 | 3 707 | | 4 609 | | | 4 282 | | 4 061 | |
| **Cash and cash equivalents at end of the reporting period** | **3 707** | **4 609** | | **4 282** | | | **4 061** | | **4 112** | |
|  |  | |  | | |  | |  | |  |
| **FISCAL AGGREGATES** |  |  | |  | | |  | |  | |
| Net cash flows from operating activities | 1 000 | 1 408 | | 1 078 | | | 280 | | 1 541 | |
| Net cash flows from investments in non-financial assets | (1 145) | (806) | | (1 170) | | | (938) | | (1 026) | |
| **Cash surplus/(deficit)** | **(144)** | **602** | | **(91)** | | | **(658)** | | **515** | |

Notes:

(a) The comparative figures have been restated to reflect more current information.

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

Appendix B – *Financial Management Act 1994* compliance index

The *Financial Management Act 1994* requires the Minister to prepare a mid-year financial report and a quarterly financial report for tabling in Parliament. These reports have been prepared in accordance with applicable Australian Accounting Standards and the *Financial Management Act 1994*.

The *Financial Management Act 1994* specifies that these reports must meet certain requirements. The following compliance index explains how these requirements are met, together with appropriate references in this document.

| Financial Management Act reference | Requirement | Comments/reference |
| --- | --- | --- |
| Section 25(1) | The Minister must prepare a mid‑year report for each financial year. | Refer to Chapter 2. |
| Section 25(2) | The mid‑year report:  (a) must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks; | Manner is in accordance with Australian Accounting Standards and Ministerial Directions. Form is operating statement, balance sheet, statement of cash flows, statement of changes in equity and accompanying notes. Refer to Chapter 2. |
|  | (b) must present fairly the financial position of the State and the Victorian general government sector at midnight on 31 December in the financial year and: | Refer Chapter 2, balance sheet, page 12. |
|  | (i) the transactions on the Public Account; | Refer Chapter 2, Note 32, pages 53-55. |
|  | (ii) the transactions of the Victorian general government sector; and | Refer Chapter 2, operating statement, page 11, statement of cash flows, page 13, Notes 2‑7, pages 22‑32, Notes 9‑26, pages 34‑48. |
|  | (iii) other financial transactions of the State in respect of the period of six months ending on that day. | Refer Chapter 2, operating statement, page 11, statement of cash flows, page 13 and Notes 2‑26, pages 22‑48. |
| Section 26(1) | The Minister must prepare a quarterly financial report for each quarter of each financial year. | Refer Appendix A, pages 57-59. |
| Section 26(2) | A quarterly financial report comprises: |  |
|  | (a) a statement of financial performance of the Victorian general government sector for the quarter; | Refer Appendix A, operating statement, Table A.1 page 57. |
|  | (b) a statement of the financial position of the Victorian general government sector at the end of the quarter; | Refer Appendix A, balance sheet, Table A.2 page 58. |
|  | (c) a statement of cash flows of the Victorian general government sector for the quarter; and | Refer Appendix A, statement of cash flows, Table A.3 page 59. |
|  | (d) a statement of the accounting policies on which the statements required by paragraphs (a), (b) and (c) are based. | Refer Chapter 2, Note 1,  pages 18-21. |
| 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. | Manner is a financial report for the general government sector. Form is operating statement, balance sheet, statement of cash flows.  Refer to Appendix A. |
| Section 26(2B) | The quarterly financial report for the quarter ending on 31 December in a financial year must include, in addition to the statements referred to in subsection (2)(a) to (d) for that quarter, those statements for the period of six months ending on that 31 December. | Refer to Chapter 2, operating statement, page 11, balance sheet, page 12 and statement of cash flows, page 13. |

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 changes in all tables are based on the underlying unrounded amounts.

The notation used in the tables and charts is as follows:

n.a. not available or not applicable

1 billion 1 000 million

1 basis point 0.01 per cent

.. zero, or rounded to zero

tbd to be determined

(xxx.x) negative numbers

xxxx.0 rounded amount

ytd year to date