



# GETTING IT DONE VICTORIAN BUDGET 16/17

2016-17 MID-YEAR  
FINANCIAL REPORT

(INCORPORATING QUARTERLY FINANCIAL REPORT NO. 2)  
March 2017

Presented by Tim Pallas MP  
Treasurer of the State of Victoria



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# **2016-17 Mid-Year Financial Report**

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# CHAPTER 1 – MID-YEAR RESULTS FOR THE STATE OF VICTORIA, INCLUDING THE GENERAL GOVERNMENT SECTOR

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The *2016-17 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 2016. The report has been prepared in accordance with the *Financial Management Act 1994* and applicable accounting standards.

The actual results in this report are compared with the revised budget estimates in the *2016-17 Budget Update*. The likely 2016-17 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 significant revenue items that are expected to be 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 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 controlled public sector agencies that are largely financed by State 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 that provide goods and services through commercial cost recovery principles via user charges and fees. The largest Victorian PNFCs provide water, housing and transport services. Victorian PFCs can be categorised into two broad types: those that service 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 different sectors, not all transactions in each sector affect the overall State of Victoria outcome.

For the period to 31 December 2016, the general government sector recorded a positive net result from transactions of \$1.4 billion. The State recorded a positive net result from transactions of \$406 million.

## OVERVIEW

Victoria's state final demand grew by 2.5 per cent over the year to the September quarter, the second highest growth rate among the states. Growth was supported by both household consumption and dwelling investment. Victorian employment grew by an average of 2.9 per cent in 2016, and population growth of 2.1 per cent over the year to June was the highest growth rate of all the states. Victoria's economic outlook remains positive, supported by solid population and employment growth. However, there are risks to the outlook including the timing of an expected normalisation of interest rates in the United States and consequences flowing from global trade policy decisions. Nevertheless, Victoria's balanced economy and the government's strong financial position leaves the State well placed to deal with any unforeseen developments.

The State's net infrastructure investment for the period to 31 December 2016 was \$3.8 billion, mainly in the general government and the PNFC sectors. Cash operating surpluses are applied, in the first instance, to the funding of infrastructure investment. Net cash flows from operating activities for the State for the period to 31 December 2016 was \$14.3 billion. This is significantly higher compared to 2015-16 due to the receipt of proceeds from the medium-term lease of the Port of Melbourne.

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 \$28.7 billion, or 7.3 per cent of gross state product (GSP), at 31 December 2016 (9.8 per cent as at 30 June 2016).

This reduction is largely driven by debt retirement using proceeds from the medium-term lease of the Port of Melbourne.

## FINANCIAL PERFORMANCE

For the six months to 31 December 2016, the general government sector recorded a positive net result from transactions of \$1.4 billion. This is broadly consistent with the \$1.5 billion operating surplus at the same time last year.

The net result from transactions for the State was a surplus of \$406 million compared to \$1.1 billion the previous year. This decrease was mainly due to an

increase in grant expenses driven by the transfer of the Synchrotron to the Commonwealth Government, the transfer of properties free of charge to Aboriginal Housing Victoria from the Director of Housing, and an increase in other operating expenses of the PFC sector driven by growth in claims exposure and inflation.

**Table 1.1: Summary comprehensive operating statement for the period ended 31 December <sup>(a)</sup> (\$ million)**

	State of Victoria				General government sector			
	2015-16 actual to Dec	2016-17 actual to Dec	2016-17 revised estimate	% <sup>(b)</sup>	2015-16 actual to Dec	2016-17 actual to Dec	2016-17 revised estimate	% <sup>(b)</sup>
<b>Revenue from transactions</b>								
Taxation revenue	9 443	10 467	21 254	49	9 676	10 662	21 631	49
Interest revenue	308	327	830	39	394	375	906	41
Dividends and income tax equivalent and rate equivalent revenue	766	536	1 143	47	451	438	712	61
Sales of goods and services	7 017	7 063	14 472	49	3 332	3 416	6 813	50
Grant revenue	12 258	13 285	27 455	48	12 301	13 318	27 623	48
Other revenue	2 065	1 646	3 152	52	1 726	1 288	2 539	51
<b>Total revenue from transactions</b>	<b>31 857</b>	<b>33 325</b>	<b>68 306</b>	<b>49</b>	<b>27 880</b>	<b>29 498</b>	<b>60 224</b>	<b>49</b>
<b>Expenses from transactions</b>								
Employee expenses	10 261	10 977	22 669	48	9 765	10 436	21 568	48
Net superannuation interest expense	441	349	692	50	441	349	692	50
Other superannuation	1 223	1 215	2 455	49	1 160	1 148	2 327	49
Depreciation	2 322	2 406	4 922	49	1 200	1 256	2 633	48
Interest expense	1 356	1 373	2 562	54	1 034	1 012	2 147	47
Grant expense	2 841	3 608	7 475	48	4 315	4 924	10 312	48
Other operating expenses	12 267	12 991	27 933	47	8 457	8 987	18 817	48
<b>Total expenses from transactions</b>	<b>30 711</b>	<b>32 919</b>	<b>68 707</b>	<b>48</b>	<b>26 373</b>	<b>28 111</b>	<b>58 495</b>	<b>48</b>
<b>Net result from transactions – net operating balance</b>	<b>1 146</b>	<b>406</b>	<b>(401)</b>	<b>(101)</b>	<b>1 507</b>	<b>1 387</b>	<b>1 729</b>	<b>80</b>
Total other economic flows included in net result	(604)	5 190	1 728	300	(267)	(161)	(252)	64
<b>Net result</b>	<b>542</b>	<b>5 596</b>	<b>1 327</b>	<b>422</b>	<b>1 239</b>	<b>1 226</b>	<b>1 477</b>	<b>83</b>
Total other economic flows – other comprehensive income <sup>(c)</sup>	(763)	3 023	1 624	186	(1 074)	3 640	1 244	293
<b>Comprehensive result – total change in net worth <sup>(c)</sup></b>	<b>(221)</b>	<b>8 619</b>	<b>2 952</b>	<b>292</b>	<b>165</b>	<b>4 866</b>	<b>2 721</b>	<b>179</b>

**Notes:**

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

(b) The percentage represents the 2016-17 actual to December as a percentage of the revised estimate presented in the 2016-17 Budget Update.

(c) Certain December 2015 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in the 2015-16 Financial Report.



## GENERAL GOVERNMENT SECTOR

### Revenue

Revenue for the six months ended 31 December 2016 was \$29.5 billion. This is 49 per cent of the revised budget estimate and an increase of \$1.6 billion from the same time last year.

Taxation revenue was \$10.7 billion, or 49 per cent of the expected total for the year. Taxation revenue is influenced by seasonal factors such as 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, taxation revenue has increased compared to the same time last year as a result of prepaid port license fees associated with entering into a medium-term lease over the operations of the Port of Melbourne.

Grant revenue was \$13.3 billion, or 48 per cent of the revised budget estimate. This is slightly below pro rata mainly due to the timing of grants from the Commonwealth. These are expected in the second half of the year, including for the road and rail projects under the Commonwealth Infrastructure Investment Programme.

Compared to the same time last year, grant revenue increased by \$1 billion. This was mainly due to growth in GST grants from the Commonwealth Government and an increase in grants relating to the National Health Reform agreement.

Dividends and income tax equivalent revenue for the half year was 61 per cent of the revised budget estimate, which primarily reflects the timing of dividends and income tax equivalent revenue from the PNFC sector.

Revenue from the sale of goods and services for the half year was \$3.4 billion, or 50 per cent of the revised budget estimate and is in line with expectations.

The other sources of general government revenue represent a relatively small component of total revenue. The decrease from the same time last year is a result of the High Court of Australia's decision in 2015-16 to overturn the Court of Appeal's previous decision relating to Tatts' Gambling Licenses' proceedings, which resulted in a one-off additional \$541 million of revenue plus interest.

### Expenses

Total expenses were \$28.1 billion, or 48 per cent of the revised budget estimate.

Employee expenses were slightly under pro rata for the first half of the year at \$10.4 billion, or 48 per cent of the revised budget estimate.

Compared to the same time last year, employee expenses increased by \$671 million (6.9 per cent), mainly due to increased service delivery in the health and community safety sectors, and salary growth in line with wages policy.

Grant expenses for the first half of the year was \$4.9 billion, or 48 per cent of the revised budget estimate. This is slightly under pro rata mainly due to the timing of certain grant payments.

Compared to the same time last year, grant expenses increased by \$609 million. This was primarily due to the transfer of the Synchrotron to the Commonwealth Government and an increase in on-passed Commonwealth grants to the local government sector, which were lower in 2015-16, as two quarters worth of grants expected to be received in 2015-16 were prepaid in 2014-15.

Other operating expenses, which is mainly expenditure supporting the Government's service delivery, were \$9.0 billion or 48 per cent of the revised budget estimate. This is lower than pro rata due to the timing of 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 \$33.3 billion, of which \$29.5 billion was 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 4.6 per cent higher than the corresponding period in 2015-16. PNFC sector revenue increased by 2.1 per cent to \$4.9 billion mainly due to an increase in grants revenue for V/Line for additional train services and additional funding for Director of Housing (PNFC) for statewide initiatives to combat family violence.

The PFC sector revenue decreased 1.6 per cent or \$65 million to \$3.9 billion compared to 2015-16 mainly due to a \$276 million decrease in interest revenue and dividends and investment income offset by an increase in sale of goods and services and other revenue by \$211 million. Total investment income has increased after taking into account capital gains and losses reported in other economic flows.

### Expenses

Total expenses for the State increased by 7.2 per cent to \$32.9 billion for the six months to 31 December 2016. Of this, \$28.1 billion was incurred by the general government sector as previously highlighted.

Compared with the corresponding six-month period to 31 December 2015, total expenses in the PNFC sector increased by 9.1 per cent to

\$5.3 billion. This increase was mainly due to increases in grants and other operating expenses driven by the transfer of properties free of charge to Aboriginal Housing Victoria from the Director of Housing (PNFC), an increase in the capital asset charge for VicTrack and an increase in operating expenditure for V/Line.

Within the PFC sector, total expenses to 31 December 2016 increased by 28.8 per cent to \$5.2 billion compared to December 2015. The increase in expenses was mainly due to an increase in other operating expenses of the insurers driven by claims exposure growth and inflation, and an increase in tax payable to the State.

### 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. A number of accounting and actuarial revaluations which impact the valuation of assets and liabilities, including:

- general government sector other economic flows is a deficit of \$161 million, primarily due to movements in provisions for doubtful receivables; and
- whole of State other economic flows, totalling \$5.2 billion, primarily reflecting a decrease in the valuation of financial liabilities due to an increase in interest rates and strong investment performance due to strong performance in equity markets.

## FINANCIAL POSITION

**Table 1.2: Summary balance sheet as at 31 December <sup>(a)</sup> (\$ million)**

	State of Victoria			General government sector		
	Jun 2016	Dec 2016	Actual movement	Jun 2016	Dec 2016	Actual movement
<b>Assets</b>						
Non-financial assets	229 829	230 986	1 157	115 711	115 949	238
Financial assets	52 074	59 062	6 988	112 531	117 701	5 170
<b>Total assets</b>	<b>281 903</b>	<b>290 048</b>	<b>8 145</b>	<b>228 242</b>	<b>233 649</b>	<b>5 408</b>
<b>Liabilities</b>						
Superannuation	29 354	26 625	(2 729)	29 291	26 566	(2 725)
Borrowings	53 959	48 307	(5 652)	33 811	27 986	(5 825)
Other liabilities	46 298	54 264	7 966	13 445	22 587	9 142
<b>Total liabilities</b>	<b>129 611</b>	<b>129 196</b>	<b>(415)</b>	<b>76 547</b>	<b>77 139</b>	<b>592</b>
<b>Net assets</b>	<b>152 291</b>	<b>160 852</b>	<b>8 560</b>	<b>151 695</b>	<b>156 511</b>	<b>4 816</b>

Note:

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

## State of Victoria

During the period to 31 December 2016, the reported value of net assets for the State of Victoria increased by \$8.6 billion. The total assets of the State increased by \$8.1 billion mainly driven by continued capital growth associated with favourable market conditions and the receipt of proceeds from the medium-term lease over the operations of the Port of Melbourne.

Total liabilities for the State decreased by \$415 million to \$129.2 billion. This decline is due to a decrease in superannuation liabilities by \$2.7 billion and a decrease in borrowings by \$5.7 billion offset by an increase in other liabilities of \$8 billion. The decrease in superannuation liabilities is attributable to higher than expected investment returns on superannuation assets and an increase in bond rates that are used to value the superannuation liability.

The decrease in borrowings is due to debt retirement using the proceeds from the medium-term lease over the operations of the Port of Melbourne. The increase in other liabilities is driven by the unearned revenue associated with the up-front receipt of proceeds from the medium-term lease over the operations of the Port of Melbourne.

## CASH FLOW

Table 1.3 outlines the use of cash resources. It summarises cash generated through the operations of government departments and other general government sector agencies, and how the cash has been invested in fixed assets.

A detailed cash flow statement is provided in Chapter 2.

**Table 1.3: Application of cash resources for the general government sector** (\$ million)

	2016-17 actual to Dec	2016-17 revised estimate
Net result from transactions – net operating balance	1 387	1 729
Add back: Non-cash revenues and expenses (net)	843	2 227
<b>Net cash flows from operating activities</b>	<b>2 230</b>	<b>3 956</b>
Less:		
<b>Net investment in fixed assets</b>		
Purchases of non-financial assets	3 121	7 768
Net cash flows from investments in financial assets for policy purposes	850	(605)
Sales of non-financial assets	(65)	(432)
<b>Net investment in fixed assets</b>	<b>3 906</b>	<b>6 730</b>
Finance leases	..	517
Other investment activities (net) <sup>(a)</sup>	(9 596)	(8 009)
<b>Decrease/(increase) in net debt</b>	<b>7 921</b>	<b>4 718</b>

Note:

(a) Includes net advances to public non-financial corporations for policy purposes of \$9.6 billion for the six months ended 31 December.

## 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 2016, net investment in fixed assets by the State totalled \$3.8 billion.

### *The Government's infrastructure scorecard as at 31 December 2016*

Major projects completed during the quarter include:

- Box Hill Hospital Redevelopment;
- Port Capacity (Webb Dock) – substructure; and
- Regional rolling stock.

Major projects under procurement or in progress include:

- Ballarat rail upgrade;
- Bendigo Hospital;
- Casey Hospital expansion;
- CityLink–Tulla widening;
- Chandler Highway Bridge duplication;
- Drysdale Bypass and High Street upgrades;
- Goulburn-Murray Water Connections Project (Northern Victoria Irrigation Renewal Project);
- Goulburn Valley Health (Shepparton) Redevelopment;
- Joan Kirner Women's and Children's Hospital;
- Level Crossing Removal Program;
- M80 Upgrade – Sunshine Avenue to Calder Freeway;
- Melbourne Convention and Exhibition Centre – Stage 2;
- Melbourne Park redevelopment – Stage 2;
- Mernda Rail Extension Project;
- Metro Tunnel – Early Works Package;
- Metro Tunnel – Rail Systems Package;
- Metro Tunnel – Tunnel and Stations Package;
- Monash Children's Hospital;
- Murray Basin Rail Project;
- New Schools (private public partnership);
- New trains, trams and associated infrastructure for Melbourne commuters;
- Port Capacity (Webb Dock) – superstructure;
- Police communications upgrade;
- Princes Highway duplication project – Winchelsea to Colac;
- Princes Highway East – Traralgon to Sale duplication;
- Ravenhall – New Male Prison;
- Royal Victorian Eye and Ear Hospital Redevelopment;
- Thompsons Road duplication;
- Western Distributor;
- Western Highway duplication – Ballarat to Stawell; and
- Yan Yean Road duplication.

## FINANCIAL SUSTAINABILITY

### General government sector

Table 1.4 shows general government sector net debt decreased by \$7.9 billion to \$14.4 billion as at 31 December 2016. This largely reflects the receipt of proceeds from the medium-term lease over the operations of the Port of Melbourne. The ratio on net debt to GSP has improved from 6.0 per cent to 3.7 per cent.

Overall, net financial liabilities decreased during the six-month period due to the decline in net debt and the \$2.7 billion reduction in the superannuation liability is primarily due to the impact of increases in the bond yields that underlie the key superannuation valuation assumptions. Higher than expected investment returns on superannuation assets also had a favourable impact on this liability. As a result, the ratio of net financial liabilities to GSP decreased from 15.7 per cent to 12.1 per cent during the six-month period.

**Table 1.4: General government sector net debt and net financial liabilities as at 31 December (\$ million)**

	Opening 1 July 2016	Closing 31 Dec 2016	Actual movement	% change
<b>Assets</b>				
Cash and deposits	4 772	4 319	(453)	(9)
Advances paid	4 582	14 156	9 574	209
Investment, loans and placements	2 853	5 516	2 663	93
<b>Total</b>	<b>12 208</b>	<b>23 991</b>	<b>11 784</b>	<b>97</b>
<b>Liabilities</b>				
Deposits held and advances received	706	10 393	9 687	1 372
Borrowings	33 811	27 986	(5 825)	(17)
<b>Total</b>	<b>34 516</b>	<b>38 379</b>	<b>3 862</b>	<b>11</b>
<b>Net debt <sup>(a)</sup></b>	<b>22 309</b>	<b>14 387</b>	<b>(7 921)</b>	<b>(36)</b>
Superannuation liability	29 291	26 566	(2 725)	(9)
<b>Net debt plus superannuation liabilities</b>	<b>51 599</b>	<b>40 953</b>	<b>(10 646)</b>	<b>(21)</b>
Other liabilities <sup>(b)</sup>	7 127	6 681	(446)	(6)
<b>Net financial liabilities <sup>(c)</sup></b>	<b>58 727</b>	<b>47 634</b>	<b>(11 092)</b>	<b>(19)</b>
<i>(per cent)</i>				
<b>Net debt to GSP <sup>(d)</sup></b>	<b>6.0</b>	<b>3.7</b>		
<b>Net debt plus superannuation liability to GSP <sup>(d)</sup></b>	<b>13.8</b>	<b>10.4</b>		
<b>Net financial liabilities to GSP <sup>(d)</sup></b>	<b>15.7</b>	<b>12.1</b>		

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 receivables and investments accounted for using the equity method.

(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 as at 31 December 2016 reflect the 2016-17 GSP forecast growth rate for the full year.

## Non-financial public sector

Table 1.5 includes indicators to assess financial sustainability of the NFPS (comprising the general

government and the PNFC sectors), which is significant to the State's credit rating.

**Table 1.5: Non-financial public sector net debt and net financial liabilities as at 31 December (\$ million)**

	Opening 1 July 2016	Closing 31 Dec 2016	Actual movement	% change
<b>Assets</b>				
Cash and deposits	5 574	5 219	(356)	(6)
Advances paid	153	201	49	32
Investment, loans and placements	3 906	6 685	2 779	71
<b>Total</b>	<b>9 633</b>	<b>12 105</b>	<b>2 472</b>	<b>26</b>
<b>Liabilities</b>				
Deposits held and advances received	802	981	178	22
Borrowings	45 409	39 824	(5 585)	(12)
<b>Total</b>	<b>46 211</b>	<b>40 805</b>	<b>(5 406)</b>	<b>(12)</b>
<b>Net debt <sup>(a)</sup></b>	<b>36 578</b>	<b>28 700</b>	<b>(7 878)</b>	<b>(22)</b>
Superannuation liability	29 354	26 625	(2 729)	(9)
<b>Net debt plus superannuation liabilities</b>	<b>65 932</b>	<b>55 325</b>	<b>(10 607)</b>	<b>(16)</b>
Other liabilities <sup>(b)</sup>	6 134	14 199	8 065	131
<b>Net financial liabilities <sup>(c)</sup></b>	<b>72 066</b>	<b>69 524</b>	<b>(2 542)</b>	<b>(4)</b>
(per cent)				
<b>Net debt to GSP <sup>(d)</sup></b>	<b>9.8</b>	<b>7.3</b>		
<b>Net debt plus superannuation liability to GSP <sup>(d)</sup></b>	<b>17.6</b>	<b>14.1</b>		
<b>Net financial liabilities to GSP <sup>(d)</sup></b>	<b>19.2</b>	<b>17.7</b>		

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 receivables and investments accounted for using the equity method.

(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 as at 31 December 2016 reflect the 2016-17 GSP forecast growth rate for the full year.

Net debt has decreased by \$7.9 billion, which has resulted in a decrease in net financial liabilities. This decrease was driven by repayment of debt utilising the proceeds from the medium-term lease over the operations of the Port of Melbourne.

The ratio of net financial liabilities to GSP has decreased from 19.2 per cent to 17.7 per cent during the six-month period. The ratio on net debt to GSP has improved from 9.8 per cent to 7.3 per cent.

## CHAPTER 2 – MID-YEAR FINANCIAL REPORT

### CONSOLIDATED COMPREHENSIVE OPERATING STATEMENT

For the six months ended 31 December

(\$ million)

	Notes	State of Victoria		General government sector	
		2016	2015	2016	2015
<b>Revenue from transactions</b>					
Taxation revenue	2.1	10 467	9 443	10 662	9 676
Interest revenue		327	308	375	394
Dividends, income tax equivalent and rate equivalent revenue	2.2	536	766	438	451
Sales of goods and services	2.3	7 063	7 017	3 416	3 332
Grant revenue	2.4	13 285	12 258	13 318	12 301
Other revenue	2.5	1 646	2 065	1 288	1 726
<b>Total revenue from transactions</b>		<b>33 325</b>	<b>31 857</b>	<b>29 498</b>	<b>27 880</b>
<b>Expenses from transactions</b>					
Employee expenses		10 977	10 261	10 436	9 765
Net superannuation interest expense	3.2	349	441	349	441
Other superannuation	3.2	1 215	1 223	1 148	1 160
Depreciation	4.2	2 406	2 322	1 256	1 200
Interest expense	5.4	1 373	1 356	1 012	1 034
Grant expense	3.3	3 608	2 841	4 924	4 315
Other operating expenses	3.4	12 991	12 267	8 987	8 457
<b>Total expenses from transactions</b>	3.5, 3.6	<b>32 919</b>	<b>30 711</b>	<b>28 111</b>	<b>26 373</b>
<b>Net result from transactions – net operating balance</b>		<b>406</b>	<b>1 146</b>	<b>1 387</b>	<b>1 507</b>
<b>Other economic flows included in net result</b>					
Net gain/(loss) on disposal of non-financial assets		3	8	15	11
Net gain/(loss) on financial assets or liabilities at fair value		2 782	(289)	14	(21)
Share of net profit/(loss) from associates/joint venture entities		26	28	(3)	2
Other gains/(losses) from other economic flows	9.2	2 380	(351)	(187)	(260)
<b>Total other economic flows included in net result</b>		<b>5 190</b>	<b>(604)</b>	<b>(161)</b>	<b>(267)</b>
<b>Net result</b>		<b>5 596</b>	<b>542</b>	<b>1 226</b>	<b>1 239</b>
<b>Other economic flows – other comprehensive income</b>					
<b>Items that will not be reclassified to net result</b>					
Changes in non-financial assets revaluation surplus <sup>(a)</sup>		(80)	(1)	(89)	8
Remeasurement of superannuation defined benefits plans	3.2	2 979	(704)	2 984	(704)
Other movements in equity <sup>(a)</sup>		99	(28)	83	(25)
<b>Items that may be reclassified subsequently to net result</b>					
Net gain/(loss) on financial assets at fair value		25	(30)	18	(26)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets <sup>(a)</sup>		..	..	644	(327)
<b>Total other economic flows – other comprehensive income<sup>(a)</sup></b>		<b>3 023</b>	<b>(763)</b>	<b>3 640</b>	<b>(1 074)</b>
<b>Comprehensive result – total change in net worth<sup>(a)</sup></b>		<b>8 619</b>	<b>(221)</b>	<b>4 866</b>	<b>165</b>
<b>KEY FISCAL AGGREGATES</b>					
<b>Net operating balance</b>		<b>406</b>	<b>1 146</b>	<b>1 387</b>	<b>1 507</b>
Less: Net acquisition of non-financial assets from transactions <sup>(a)</sup>	9.1	1 254	749	171	362
<b>Net lending/(borrowing)<sup>(a)</sup></b>		<b>(848)</b>	<b>397</b>	<b>1 216</b>	<b>1 144</b>

The accompanying notes form part of these financial statements.

Note:

(a) Certain December 2015 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in the 2015-16 Financial Report.

## CONSOLIDATED BALANCE SHEET

As at 31 December

(\$ million)

	Notes	State of Victoria		General government sector	
		Dec 2016	Jun 2016	Dec 2016	Jun 2016
<b>Assets</b>					
<b>Financial assets</b>					
Cash and deposits	5.2	6 567	6 676	4 319	4 772
Advances paid	5.3	201	153	14 156	4 582
Receivables	6.2	7 901	7 793	5 469	5 566
Investments, loans and placements	5.3	42 477	35 534	5 516	2 853
Investments accounted for using the equity method	4.6	1 915	1 918	44	46
Investments in other sector entities		..	..	88 196	94 710
<b>Total financial assets</b>		<b>59 062</b>	<b>52 074</b>	<b>117 701</b>	<b>112 531</b>
<b>Non-financial assets</b>					
Inventories	6.1	656	709	186	188
Non-financial assets held for sale	4.5	190	200	183	188
Land, buildings, infrastructure, plant and equipment	4.1	227 504	226 557	114 148	114 254
Other non-financial assets	4.4	2 638	2 363	1 432	1 081
<b>Total non-financial assets</b>		<b>230 986</b>	<b>229 829</b>	<b>115 949</b>	<b>115 711</b>
<b>Total assets</b>	3.6	<b>290 048</b>	<b>281 903</b>	<b>233 649</b>	<b>228 242</b>
<b>Liabilities</b>					
Deposits held and advances received		1 718	2 628	10 393	706
Payables	6.3	18 288	7 937	5 084	5 773
Borrowings	5.1	48 307	53 959	27 986	33 811
Employee benefits	3.1	6 725	6 647	6 244	6 137
Superannuation	6.4	26 625	29 354	26 566	29 291
Other provisions	6.5	27 533	29 085	866	829
<b>Total liabilities</b>		<b>129 196</b>	<b>129 611</b>	<b>77 139</b>	<b>76 547</b>
<b>Net assets</b>		<b>160 852</b>	<b>152 291</b>	<b>156 511</b>	<b>151 695</b>
Accumulated surplus/(deficit)		72 737	56 234	48 714	44 454
Reserves		88 115	96 008	107 797	107 191
Non-controlling interest		..	50	..	50
<b>Net worth</b>		<b>160 852</b>	<b>152 291</b>	<b>156 511</b>	<b>151 695</b>
<b>FISCAL AGGREGATES</b>					
Net financial worth		(70 135)	(77 538)	40 562	35 984
Net financial liabilities		70 135	77 538	47 634	58 727
Net debt		780	14 224	14 387	22 309

The accompanying notes form part of these financial statements.



## CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December

(\$ million)

	Notes	State of Victoria		General government sector	
		2016	2015	2016	2015
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxes received		10 688	9 702	10 883	9 935
Grants		13 288	12 251	13 320	12 300
Sales of goods and services <sup>(a)</sup>		17 833	8 557	3 781	3 527
Interest received <sup>(b)</sup>		240	264	377	372
Dividends, income tax equivalent and rate equivalent receipts		536	766	523	605
Other receipts <sup>(b)</sup>		1 306	1 173	833	939
<b>Total receipts</b>		<b>43 891</b>	<b>32 712</b>	<b>29 715</b>	<b>27 677</b>
<b>Payments</b>					
Payments for employees		(10 855)	(10 135)	(10 286)	(9 622)
Superannuation		(1 313)	(1 595)	(1 237)	(1 530)
Interest paid		(1 416)	(1 365)	(1 022)	(1 031)
Grants and subsidies		(3 243)	(2 875)	(5 087)	(4 336)
Goods and services <sup>(a)</sup>		(12 318)	(12 648)	(9 480)	(8 966)
Other payments		(404)	(371)	(373)	(371)
<b>Total payments</b>		<b>(29 549)</b>	<b>(28 988)</b>	<b>(27 485)</b>	<b>(25 856)</b>
<b>Net cash flows from operating activities</b>	5.2	<b>14 342</b>	<b>3 724</b>	<b>2 230</b>	<b>1 821</b>
<b>Cash flows from investing activities</b>					
Purchases of non-financial assets <sup>(b)</sup>	3.5, 3.6	(3 938)	(3 185)	(3 121)	(2 037)
Sales of non-financial assets		116	220	65	73
<b>Net cash flows from investments in non-financial assets <sup>(b)</sup></b>		<b>(3 821)</b>	<b>(2 965)</b>	<b>(3 056)</b>	<b>(1 964)</b>
<b>Cash flows from investments in financial assets for policy purposes</b>					
Cash inflows		106	97	8 968	52
Cash outflows <sup>(b)</sup>		(111)	(90)	(9 817)	(241)
<b>Net cash flows from investments in financial assets for policy purposes <sup>(b)(c)</sup></b>		<b>(5)</b>	<b>7</b>	<b>(850)</b>	<b>(190)</b>
<b>Sub-total</b>		<b>(3 826)</b>	<b>(2 958)</b>	<b>(3 906)</b>	<b>(2 153)</b>
Net cash flows from investments in financial assets for liquidity management purposes		(5 624)	(1 447)	(2 638)	(33)
<b>Net cash flows from investing activities</b>		<b>(9 450)</b>	<b>(4 405)</b>	<b>(6 544)</b>	<b>(2 187)</b>
<b>Cash flows from financing activities</b>					
Advances received		22	39	9 579	..
Advances repaid		..	(2)	..	..
Advances received (net) <sup>(c)</sup>		22	38	9 579	..
Borrowings received		80	281	32	359
Borrowings repaid		(4 172)	(308)	(5 858)	(131)
Net borrowings <sup>(c)</sup>		(4 092)	(27)	(5 827)	229
Deposits received		1 716	429	1 615	162
Deposits repaid		(2 648)	(323)	(1 506)	(194)
Deposits received (net) <sup>(c)</sup>		(932)	107	109	(32)
<b>Net cash flows from financing activities</b>		<b>(5 001)</b>	<b>117</b>	<b>3 860</b>	<b>196</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(109)</b>	<b>(564)</b>	<b>(453)</b>	<b>(169)</b>
Cash and cash equivalents at beginning of the financial year		6 676	6 510	4 772	4 282
<b>Cash and cash equivalents at end of the financial year</b>	5.2	<b>6 567</b>	<b>5 946</b>	<b>4 319</b>	<b>4 112</b>
<b>FISCAL AGGREGATES</b>					
Net cash flows from operating activities		14 342	3 724	2 230	1 821
Net cash flows from investments in non-financial assets <sup>(b)</sup>		(3 821)	(2 965)	(3 056)	(1 964)
<b>Cash surplus/(deficit) <sup>(b)</sup></b>		<b>10 521</b>	<b>759</b>	<b>(825)</b>	<b>(142)</b>

The accompanying notes form part of these financial statements.

Notes:

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

(b) Certain December 2015 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in the 2015-16 Financial Report.

(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 2016 and 31 December 2015.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December

(\$ million)

<i>State of Victoria</i>	<i>Accumulated surplus/(deficit) <sup>(a)</sup></i>	<i>Non-controlling interest</i>	<i>Non-financial assets revaluation surplus <sup>(a)</sup></i>	<i>Other reserves</i>	<i>Total <sup>(a)</sup></i>
<b>2016</b>					
Balance at 1 July 2016	56 234	50	94 965	1 042	152 291
Net result for the six months	5 596	..	..	..	5 596
Other comprehensive income for the six months	3 031	..	(89)	71	3 014
Transfer to accumulated surplus	7 876	..	(7 876)	..	..
Transactions with owners in their capacity as owners	..	(50)	..	..	(50)
<b>Total equity as at 31 December 2016</b>	<b>72 737</b>	<b>..</b>	<b>87 001</b>	<b>1 114</b>	<b>160 852</b>
<b>2015</b>					
Balance at 1 July 2015	61 285	50	77 429	1 201	139 966
Net result for the six months	542	..	..	..	542
Other comprehensive income for the six months	(697)	..	(1)	(65)	(763)
Transfer to accumulated surplus	(22)	..	22	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..
<b>Total equity as at 31 December 2015</b>	<b>61 108</b>	<b>50</b>	<b>77 451</b>	<b>1 135</b>	<b>139 745</b>

The accompanying notes form part of these financial statements.

Note:

(a) Certain December 2015 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in the 2015-16 Financial Report.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the six months ended 31 December

(\$ million)

<i>General government sector</i>	<i>Accumulated surplus/(deficit)</i>	<i>Non-controlling interest</i>	<i>Non-financial assets revaluation surplus</i>	<i>Investment in other sector entities revaluation surplus <sup>(a)</sup></i>	<i>Other reserves</i>	<i>Total <sup>(a)</sup></i>
<b>2016</b>						
Balance at 1 July 2016	44 454	50	49 613	57 027	551	151 695
Net result for the six months	1 226	..	..	..	..	1 226
Other comprehensive income for the six months	3 035	..	(89)	644	50	3 640
Transfer to accumulated surplus	..	..	..	..	..	..
Transactions with owners in their capacity as owners	..	(50)	..	..	..	(50)
<b>Balance as at 31 December 2016</b>	<b>48 714</b>	<b>..</b>	<b>49 524</b>	<b>57 671</b>	<b>602</b>	<b>156 511</b>
<b>2015</b>						
Balance at 1 July 2015	45 764	50	43 355	46 494	728	136 391
Net result for the six months	1 239	..	..	..	..	1 239
Other comprehensive income for the six months	(678)	..	8	(327)	(77)	(1 074)
Transfer to accumulated surplus	(22)	..	22	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..	..
<b>Balance equity as at 31 December 2015</b>	<b>46 304</b>	<b>50</b>	<b>43 385</b>	<b>46 167</b>	<b>651</b>	<b>136 557</b>

*The accompanying notes form part of these financial statements.*

*Note:*

*(a) Certain December 2015 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in the 2015-16 Financial Report.*

## 1. ABOUT THIS REPORT

### Basis of preparation

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 2016.

The accounting policies applied are consistent with those applied for the financial statements published in the *2015-16 Financial Report* for the State. As 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 *2015-16 Financial Report*.

### 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). In particular, they are presented consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) and AASB 134 *Interim Financial Reporting* (AASB 134).

Where appropriate, those AASs paragraphs 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 (the Australian Bureau of Statistics (ABS) publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005* as updated from time to time).

The *2016-17 Mid-Year Financial Report* was authorised for issue by the Treasurer on 15 March 2017.

### Basis of accounting and measurement

The accrual basis of accounting has been applied in the preparation of the financial statements where 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 and the historical cost convention is used except for:

- the 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 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, which after initial recognition 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'.

## Reporting entity

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

### General government

The Victorian general government sector includes all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production.

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

### Public non-financial corporations

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

### Public financial corporations

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

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

## Non-financial public sector

The non-financial public sector (NFPS) represents the consolidation of the general government and PNFC sectors.

Note 9.1 disaggregates information about these sectors. Disclosing this information assists users of the financial statements to determine the effects of differing activities on the financial performance and position of the State. It also assists users to identify the resources used in 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.

### Basis of consolidation

The consolidated financial statements of the State incorporate assets and liabilities of all reporting entities it controlled as at 31 December 2016 and the revenue and expenses of controlled entities for the part of the reporting period in which control existed.

The consolidated financial statements of the Victorian general government sector incorporate assets and liabilities, revenue and expenses of entities classified as general government. Entities in the PNFC and PFC sectors are not consolidated into the financial statements of the general government sector, but are accounted for as equity investments measured at the Government's proportional share of the carrying amount of net assets of the PNFC sector and PFC sector entities before consolidation eliminations. Where the carrying amount of the entity's net assets before consolidation eliminations of an entity within the sector is less than zero, the amount is not included in 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 State's financial statements.

Where entities adopt dissimilar accounting policies and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

In preparing consolidated financial statements for reporting the State and Victorian 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 9.3.

## Prospective accounting and reporting changes

Certain new and revised accounting standards have been issued but are not effective for the 2016-17 reporting period. The State is reviewing its existing policies to assess the potential implications and make future changes as required. They include:

- AASB 9 *Financial Instruments*, operative for reporting periods commencing 1 January 2018 as revised by AASB 2014-1 *Amendments to Australian Accounting Standards (Part E Financial Instruments)*. AASB 9 simplifies requirements for the classification and measurement of financial assets, introduces a new hedging accounting model and also considers a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.
- AASB 15 *Revenue from Contracts with Customers*, operative for reporting periods commencing 1 January 2019 for not for profit entities. 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.

- AASB 1058 *Income of Not-for-Profit Entities*, operative for reporting periods commencing 1 January 2019. This standard will replace a part of AASB 1004 *Contributions* and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not for profit entities to further their objectives.
- AASB 16 *Leases*, operative for reporting periods commencing 1 January 2019. The key change introduced by AASB 16 includes the recognition of most operating leases on the balance sheet.

Several other amending standards and AASB interpretations have been issued that apply to 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 ABS 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.

## 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.

## 2. HOW FUNDS ARE RAISED

### Introduction

This section presents the sources and amounts of revenue raised by the State.

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

### Structure

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### 2.1 Taxation revenue

(\$ million)

	State of Victoria		General government sector	
	2016	2015	2016	2015
<b>Taxes on employers' payroll and labour force</b>	<b>2 844</b>	<b>2 693</b>	<b>2 882</b>	<b>2 729</b>
<b>Taxes on immovable property</b>				
Land tax	54	36	65	56
Fire Services Property Levy	668	660	668	660
Congestion levy	8	..	8	..
Metropolitan improvement levy	162	156	162	156
<b>Financial and capital transactions</b>				
Land transfer duty	2 956	3 032	2 956	3 032
Metropolitan planning levy	16	13	16	13
Financial accommodation levy	..	..	65	84
Growth Areas Infrastructure Contribution	88	69	88	69
<b>Total taxes on property</b>	<b>3 952</b>	<b>3 967</b>	<b>4 028</b>	<b>4 070</b>
<b>Gambling taxes</b>				
Public lotteries	204	221	204	221
Electronic gaming machines	557	550	557	550
Casino	110	112	110	112
Racing	39	41	39	41
Other	13	12	13	12
<b>Levies on statutory corporations</b>	<b>..</b>	<b>..</b>	<b>53</b>	<b>53</b>
<b>Taxes on insurance</b>	<b>636</b>	<b>606</b>	<b>636</b>	<b>606</b>
<b>Total taxes on the provision of goods and services</b>	<b>1 560</b>	<b>1 541</b>	<b>1 612</b>	<b>1 594</b>
<b>Motor vehicle taxes</b>				
Vehicle registration fees	770	726	771	728
Duty on vehicle registrations and transfers	405	391	405	391
<b>Liquor licence fees</b>	<b>14</b>	<b>15</b>	<b>14</b>	<b>15</b>
<b>Other <sup>(a)</sup></b>	<b>923</b>	<b>110</b>	<b>950</b>	<b>150</b>
<b>Total taxes on the use of goods and performance of activities</b>	<b>2 112</b>	<b>1 242</b>	<b>2 140</b>	<b>1 283</b>
<b>Total taxation revenue</b>	<b>10 467</b>	<b>9 443</b>	<b>10 662</b>	<b>9 676</b>

Note:

(a) Includes prepaid port licence fees.

## 2.2 Dividends, income tax equivalent and rate equivalent revenue

(\$ million)

	State of Victoria		General government sector	
	2016	2015	2016	2015
Dividends from PFC sector	..	..	157	223
Dividends from PNFC sector	..	..	122	124
Dividends from non-public sector	536	766	24	16
<b>Dividends</b>	<b>536</b>	<b>766</b>	<b>303</b>	<b>362</b>
Income tax equivalent revenue from PFC sector	..	..	2	13
Income tax equivalent revenue from PNFC sector	..	..	132	76
<b>Income tax equivalent revenue</b>	<b>..</b>	<b>..</b>	<b>134</b>	<b>89</b>
Local government rate equivalent revenue	..	..	..	..
<b>Total dividends, income tax equivalent and rate equivalent revenue</b>	<b>536</b>	<b>766</b>	<b>438</b>	<b>451</b>

### Dividends by entity

(\$ million)

	General government sector	
	2016	2015
<b>Public financial corporations</b>		
Victorian Managed Insurance Authority	153	73
Transport Accident Commission	..	116
Treasury Corporation of Victoria	..	32
State Trustees Ltd	..	1
Victorian Funds Management Corporation	4	2
<b>Dividends from PFC sector</b>	<b>157</b>	<b>223</b>
<b>Public non-financial corporations</b>		
Melbourne Water Corporation	28	..
City West Water Corporation	13	10
South East Water Corporation	47	26
Yarra Valley Water Corporation	23	24
Victorian Ports Corporation (Melbourne)	..	7
State Electricity Commission of Victoria	..	50
Places Victoria	10	5
Others	1	1
<b>Dividends from PNFC sector</b>	<b>122</b>	<b>124</b>

## 2.3 Sales of goods and services

(\$ million)

	State of Victoria		General government sector	
	2016	2015	2016	2015
Motor vehicle regulatory fees	123	127	123	127
Other regulatory fees	303	257	297	249
Sale of goods	348	275	43	40
Provision of services	6 116	6 246	1 993	2 005
Rental	76	50	34	35
Refunds and reimbursements	96	63	1	4
Inter-sector capital asset charge	..	..	925	871
<b>Total sales of goods and services</b>	<b>7 063</b>	<b>7 017</b>	<b>3 416</b>	<b>3 332</b>



## 2.4 Grant revenue

(\$ million)

	<i>State of Victoria</i>		<i>General government sector</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
General purpose grants	6 930	6 453	6 930	6 453
Specific purpose grants for on-passing	1 745	1 517	1 745	1 517
Specific purpose grants	4 606	4 287	4 602	4 285
<b>Total</b>	<b>13 281</b>	<b>12 257</b>	<b>13 277</b>	<b>12 255</b>
Other contributions and grants	4	1	42	46
<b>Total grant revenue</b>	<b>13 285</b>	<b>12 258</b>	<b>13 318</b>	<b>12 301</b>

## 2.5 Other revenue

(\$ million)

	<i>State of Victoria</i>		<i>General government sector</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Fair value of assets received free of charge or for nominal consideration	304	118	176	6
Fines	390	399	389	398
Royalties	34	36	26	28
Donations and gifts	154	142	124	110
Other non-property rental	44	42	14	14
Other miscellaneous revenue	720	1 329	560	1 170
<b>Total other revenue</b>	<b>1 646</b>	<b>2 065</b>	<b>1 288</b>	<b>1 726</b>

### 3. HOW FUNDS ARE SPENT

#### Introduction

This section accounts for the major components of expenditure incurred by the State towards the operating activities (expenses from transactions) and on capital or infrastructure projects during the year, as well as any related obligations outstanding as at 31 December 2016.

#### Structure

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### 3.1 Employee expenses and provision for outstanding employee benefits

#### Employee expenses (operating statement)

Employee expenses are a major component of operating costs and include all costs related to employment, including wages and salaries, fringe benefits tax, leave entitlements and redundancy payments. The majority of employee expenses are wages and salaries. Increases in employee expenses are mainly due to increased service delivery and salary growth in line with wages policy in the health and education sectors and community safety.

#### Employee expenses (balance sheet)

As part of annual operations, the State provides for benefits accruing to employees but payable in future periods in respect of wages and salaries, annual leave and long service leave, and related on-costs for services rendered to the reporting date. The table below shows the key components of this provision at 31 December and 30 June.

#### Total provision for employee benefits and on-costs at 31 December

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2016	2016	2016	2016
<b>Current</b>				
Accrued salaries and wages	466	411	444	376
Other employee benefits	70	50	58	24
Annual leave <sup>(a)</sup>	1 522	1 578	1 380	1 433
Long service leave <sup>(a)</sup>	3 770	3 746	3 540	3 513
<b>Total current employee benefits and on-costs</b>	<b>5 828</b>	<b>5 785</b>	<b>5 422</b>	<b>5 347</b>
<b>Non-current</b>				
Accrued salaries and wages	7	1	..	..
Long service leave	889	861	822	791
<b>Total non-current employee benefits and on-costs</b>	<b>897</b>	<b>862</b>	<b>822</b>	<b>791</b>
<b>Total employee benefits and on-costs</b>	<b>6 725</b>	<b>6 647</b>	<b>6 244</b>	<b>6 137</b>

Note:

(a) June 2016 comparative figures have been restated to reflect more current information.

### 3.2 Superannuation (gain)/expense recognised in the operating statement

(\$ million)

	State of Victoria	
	2016	2015
<b>Defined benefit plans</b>		
Net superannuation interest expense	349	441
Current service cost	431	394
Remeasurements:		
Expected return on superannuation assets excluding interest income	(507)	(394)
Other actuarial (gain)/loss on superannuation assets	(519)	383
Actuarial and other adjustments to unfunded superannuation liability	(1 953)	715
<b>Total (gain)/expenses recognised in respect of defined benefit plans</b>	<b>(2 200)</b>	<b>1 539</b>
<b>Defined contribution plans</b>		
Employer contributions to defined contribution plans	744	784
Other (including pensions)	40	46
<b>Total expense recognised in respect of defined contribution plans</b>	<b>784</b>	<b>829</b>
<b>Total superannuation (gain)/expense recognised in operating statement</b>	<b>(1 415)</b>	<b>2 368</b>
<b>Represented by:</b>		
Net superannuation interest expense	349	441
Other superannuation	1 215	1 223
<b>Superannuation expense from transactions</b>	<b>1 564</b>	<b>1 665</b>
<b>Remeasurement recognised in other comprehensive income</b>	<b>(2 979)</b>	<b>704</b>
<b>Total superannuation (gain)/expenses recognised in operating statement</b>	<b>(1 415)</b>	<b>2 368</b>

### 3.3 Grant expense

(\$ million)

	State of Victoria		General government sector	
	2016	2015	2016	2015
<b>Current grant expense</b>				
Commonwealth government	192	177	191	176
Local government (including grants for on-passing)	406	267	404	267
Private sector and not-for-profit on-passing	1 452	1 362	1 452	1 362
Other private sector and not-for-profit	1 024	868	997	855
Grants within the Victorian government	..	..	1 594	1 498
Grants to other state governments	8	6	8	6
<b>Total current grant expense</b>	<b>3 082</b>	<b>2 681</b>	<b>4 646</b>	<b>4 165</b>
<b>Capital grant expense</b>				
Private sector and not for profit on-passing	97	150	59	150
Grants within the Victorian government	..	..	1	..
Other grants	429	10	218	1
<b>Total capital grant expense</b>	<b>526</b>	<b>160</b>	<b>278</b>	<b>151</b>
<b>Total grant expense</b>	<b>3 608</b>	<b>2 841</b>	<b>4 924</b>	<b>4 315</b>

### 3.4 Other operating expenses

(\$ million)

	State of Victoria		General government sector	
	2016	2015	2016	2015
Purchase of supplies and consumables <sup>(a)</sup>	2 960	2 886	2 520	2 324
Cost of goods sold	137	95	15	16
Finance expenses and fees	221	219	147	17
Purchase of services <sup>(a)</sup>	5 830	5 511	5 238	5 145
Insurance claims expense	2 581	2 375	113	70
Maintenance	637	587	379	328
Operating lease payments	213	206	176	171
Other	412	387	398	387
<b>Total other operating expenses</b>	<b>12 991</b>	<b>12 267</b>	<b>8 987</b>	<b>8 457</b>

Note:

(a) December 2015 comparatives have been reclassified between the purchase of supplies and consumables and the purchase of services line items to better reflect the nature of the expenditure items.

### 3.5 Total operating expenses and purchases of non-financial assets – by department

The following table discloses the funds spent by each portfolio department, including operating expenditure and capital expenditure, as part of the department's normal activities.

**Total operating expenses and purchases of non-financial assets – by department** (\$ million)

	Expenses from transactions		Purchases of non-financial assets	
	Dec 2016	Dec 2015	Dec 2016	Dec 2015
<b>State of Victoria</b>				
Economic Development, Jobs, Transport and Resources	6 654	5 969	2 234	1 363
Education and Training	7 890	7 621	269	135
Environment, Land, Water and Planning <sup>(a)(b)</sup>	4 162	4 103	771	648
Health and Human Services	11 964	11 057	610	600
Justice and Regulation <sup>(a)</sup>	3 134	2 863	134	310
Premier and Cabinet	239	174	7	4
Treasury and Finance	8 559	7 144	38	40
Parliament	91	85	11	7
Courts	261	248	14	11
Regulatory bodies and other part budget funded agencies <sup>(c)</sup>	1 080	978	57	64
<b>Total <sup>(a)</sup></b>	<b>44 033</b>	<b>40 242</b>	<b>4 144</b>	<b>3 180</b>
<i>Less eliminations and adjustments <sup>(a)(d)</sup></i>	<i>(11 114)</i>	<i>(9 531)</i>	<i>(206)</i>	<i>5</i>
<b>Grand total <sup>(a)</sup></b>	<b>32 919</b>	<b>30 711</b>	<b>3 938</b>	<b>3 185</b>

<b>General government sector</b>				
Economic Development, Jobs, Transport and Resources	4 375	3 917	2 201	1 031
Education and Training	7 890	7 621	269	135
Environment, Land, Water and Planning	1 423	1 321	21	22
Health and Human Services	11 137	10 521	332	417
Justice and Regulation <sup>(a)</sup>	3 040	2 779	134	307
Premier and Cabinet	228	166	6	4
Treasury and Finance	3 394	3 261	20	22
Parliament	91	85	11	7
Courts	261	248	14	11
Regulatory bodies and other part budget funded agencies <sup>(c)</sup>	1 080	978	57	64
<b>Total <sup>(a)</sup></b>	<b>32 919</b>	<b>30 897</b>	<b>3 064</b>	<b>2 020</b>
<i>Less eliminations and adjustments <sup>(a)(d)</sup></i>	<i>(4 808)</i>	<i>(4 523)</i>	<i>56</i>	<i>17</i>
<b>Grand total</b>	<b>28 111</b>	<b>26 374</b>	<b>3 121</b>	<b>2 037</b>

Notes:

(a) December 2015 comparative figures for purchases of non-financial assets have been restated to reflect more current information, including adjustments outlined in the 2015-16 Financial Report.

(b) Effective from 1 June 2016, Urban Renewal Authority Victoria (Places Victoria) was transferred from the Department of Environment, Land, Water and Planning to the Department of Economic Development, Jobs, Transport and Resources.

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

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

### 3.6 Total operating expenses, purchases of non-financial assets and total assets – by government purpose classification <sup>(a)(b)</sup>

The following table presents operating and capital expenditure and total assets held, by government purpose classification (GPC).

#### Total operating expenses, purchases of non-financial assets and total assets – by GPC (\$ million)

State of Victoria	Expenses from transactions		Purchases of non-financial assets		Total assets	
	Dec 2016	Dec 2015 <sup>(c)</sup>	Dec 2016	Dec 2015 <sup>(c)</sup>	Dec 2016	Jun 2016
General public services	4 675	4 296	48	49	2 412	3 310
Public order and safety	3 182	2 938	182	396	8 160	8 039
Education	7 057	6 789	260	134	22 062	22 013
Health	7 983	7 518	303	348	13 909	13 831
Social security and welfare	2 125	2 041	41	60	2 050	2 014
Housing and community amenities	3 284	2 779	699	802	77 630	77 779
Recreation and culture	711	712	91	120	14 664	14 317
Fuel and energy	69	77	18	..	38	21
Agriculture, forestry, fishing and hunting	206	208	..	12	512	670
Transport and communications	2 912	2 684	2 017	1 081	90 175	88 952
Other economic affairs	604	345	106	177	411	738
Other purposes	982	993	1	1	6	6
Not allocated by purpose <sup>(d)(e)</sup>	(870)	(669)	172	4	58 020	50 213
<b>Total</b>	<b>32 919</b>	<b>30 711</b>	<b>3 938</b>	<b>3 185</b>	<b>290 048</b>	<b>281 903</b>

General government sector						
General public services	1 393	1 250	32	32	1 603	1 592
Public order and safety	3 235	2 997	182	396	8 160	8 039
Education	7 094	6 822	260	134	22 062	22 013
Health	8 046	7 578	302	348	13 887	13 810
Social security and welfare	2 142	2 055	41	60	2 050	2 014
Housing and community amenities	1 385	1 236	34	12	9 423	9 374
Recreation and culture	353	372	32	37	9 012	8 900
Fuel and energy	68	75	16	..	38	21
Agriculture, forestry, fishing and hunting	161	160	3	14	449	603
Transport and communications	3 214	2 988	2 055	810	49 110	48 791
Other economic affairs	683	418	106	177	411	738
Other purposes	613	692	1	..	2	1
Not allocated by purpose <sup>(d)(e)</sup>	(276)	(268)	56	17	117 443	112 345
<b>Total</b>	<b>28 111</b>	<b>26 374</b>	<b>3 121</b>	<b>2 037</b>	<b>233 649</b>	<b>228 242</b>

Notes:

(a) Note 3.6 of the 2015-16 Financial Report for the State of Victoria provides definitions and descriptions of government purpose classifications.

(b) December 2015 and June 2016 comparative figures have been reclassified to reflect more current information.

(c) December 2015 comparative figures have been restated, consistent with the changes identified in the cash flow statement.

(d) Not allocated by purpose for expenses and purchases of non-financial assets represents eliminations and adjustments.

(e) Not allocated by purpose for total assets represents eliminations and adjustments, and financial assets which are not able to be allocated by purpose.

## 4. MAJOR ASSETS AND INVESTMENTS

### Introduction

This section outlines the major assets the State controls, reflecting investing activities in the current and prior years.

### Structure

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### 4.1 Total land, buildings, infrastructure, plant and equipment

(\$ million)

<i>Dec 2016</i>	<i>State of Victoria</i>			<i>General government sector</i>		
	<i>Gross carrying amount</i>	<i>Accumulated depreciation</i>	<i>Carrying amount</i>	<i>Gross carrying amount</i>	<i>Accumulated depreciation</i>	<i>Carrying amount</i>
Buildings	49 754	(3 344)	46 410	30 115	(2 344)	27 771
Land and national parks	70 723	..	70 723	44 795	..	44 795
Leased buildings	4 324	(574)	3 750	4 210	(520)	3 689
Infrastructure systems	63 765	(3 493)	60 272	1 892	(472)	1 419
Leased infrastructure systems	4 810	(322)	4 488	..	..	..
Plant, equipment and vehicles	11 436	(4 799)	6 638	5 934	(3 669)	2 265
Leased plant, equipment and vehicles	1 332	(301)	1 031	398	(252)	146
Roads and road infrastructure	39 145	(18 988)	20 157	39 066	(18 976)	20 090
Leased roads and road infrastructure	584	(14)	570	584	(14)	570
Earthworks	7 913	..	7 913	7 913	..	7 913
Cultural assets	5 764	(213)	5 551	5 701	(213)	5 488
<b>Total land, buildings, infrastructure, plant and equipment</b>	<b>259 550</b>	<b>(32 047)</b>	<b>227 504</b>	<b>140 608</b>	<b>(26 460)</b>	<b>114 148</b>

<i>Jun 2016</i>	<i>State of Victoria</i>			<i>General government sector</i>		
	<i>Gross carrying amount</i>	<i>Accumulated depreciation</i>	<i>Carrying amount</i>	<i>Gross carrying amount</i>	<i>Accumulated depreciation</i>	<i>Carrying amount</i>
Buildings	47 244	(2 574)	44 669	29 437	(1 825)	27 612
Land and national parks	70 423	..	70 423	44 724	..	44 724
Leased buildings	4 940	(515)	4 425	4 467	(465)	4 002
Infrastructure systems	63 120	(2 510)	60 610	1 775	(455)	1 320
Leased infrastructure systems	4 810	(281)	4 529	..	..	..
Plant, equipment and vehicles	11 148	(4 550)	6 598	5 884	(3 558)	2 326
Leased plant, equipment and vehicles	1 331	(271)	1 060	396	(238)	158
Roads and road infrastructure	38 790	(18 690)	20 100	38 705	(18 673)	20 031
Leased roads and road infrastructure	584	(9)	575	584	(9)	575
Earthworks	7 913	..	7 913	7 913	..	7 913
Cultural assets	5 877	(222)	5 655	5 814	(222)	5 592
<b>Total land, buildings, infrastructure, plant and equipment</b>	<b>256 180</b>	<b>(29 623)</b>	<b>226 557</b>	<b>139 701</b>	<b>(25 446)</b>	<b>114 254</b>

## 4.2 Depreciation

(\$ million)

	State of Victoria		General government sector	
	2016	2015	2016	2015
Buildings	774	704	549	507
Leased buildings	52	47	49	44
Infrastructure systems	661	675	18	17
Leased infrastructure systems	41	41	..	..
Plant, equipment and vehicles	431	450	252	248
Leased plant, equipment and vehicles	35	19	35	19
Roads and road infrastructure	308	303	307	301
Cultural assets	7	7	7	7
Intangible produced assets <sup>(a)</sup>	96	76	39	57
<b>Total depreciation</b>	<b>2 406</b>	<b>2 322</b>	<b>1 256</b>	<b>1 200</b>

Note:

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

### 4.3 Total land, buildings, infrastructure, plant and equipment – by government purpose

(\$ million)

<i>State of Victoria Dec 2016</i>	<i>Public administration</i>	<i>Education</i>	<i>Health and Welfare</i>	<i>Community Housing</i>	<i>Transportation and Communication</i>	<i>Public Safety and Environment</i>	<i>Total</i>
Buildings	2 471	11 579	8 934	8 524	7 006	7 896	46 410
Land and national parks	1 810	9 910	2 586	14 129	27 334	14 954	70 723
Leased buildings	86	162	2 563	3	48	887	3 750
Infrastructure systems	45	..	..	..	22 746	37 480	60 272
Leased infrastructure systems	..	..	..	..	..	4 488	4 488
Plant, equipment and vehicles	389	206	1 108	2	3 760	1 172	6 638
Leased plant, equipment and vehicles	..	3	48	..	969	11	1 031
Roads and road infrastructure	22	..	..	..	19 215	920	20 157
Leased roads and road infrastructure	..	..	..	..	570	..	570
Earthworks	..	..	..	..	7 913	..	7 913
Cultural assets	527	3	1	..	2	5 018	5 551
<b>Total land, buildings, infrastructure, plant and equipment</b>	<b>5 350</b>	<b>21 862</b>	<b>15 241</b>	<b>22 658</b>	<b>89 566</b>	<b>72 826</b>	<b>227 504</b>

<i>Jun 2016</i>	<i>Public administration</i>	<i>Education</i>	<i>Health and Welfare</i>	<i>Community Housing</i>	<i>Transportation and Communication</i>	<i>Public Safety and Environment</i>	<i>Total</i>
Buildings	2 314	11 579	8 968	8 632	5 852	7 324	44 669
Land and national parks	1 325	9 873	2 574	14 295	26 970	15 386	70 423
Leased buildings	87	165	2 656	3	37	1 476	4 425
Infrastructure systems	44	..	..	..	23 257	37 308	60 610
Leased infrastructure systems	..	..	..	..	..	4 529	4 529
Plant, equipment and vehicles	538	188	1 062	2	3 709	1 099	6 598
Leased plant, equipment and vehicles	..	3	61	..	989	7	1 060
Roads and road infrastructure	22	..	..	..	19 150	928	20 100
Leased roads and road infrastructure	..	..	..	..	575	..	575
Earthworks	..	..	..	..	7 913	..	7 913
Cultural assets	532	3	4	..	2	5 114	5 655
<b>Total land, buildings, infrastructure, plant and equipment</b>	<b>4 863</b>	<b>21 812</b>	<b>15 325</b>	<b>22 932</b>	<b>88 454</b>	<b>73 171</b>	<b>226 557</b>



### 4.3 Total land, buildings, infrastructure, plant and equipment – by government purpose (*continued*)

(\$ million)

<i>General government sector Dec 2016</i>	<i>Public administration</i>	<i>Education</i>	<i>Health and Welfare</i>	<i>Community Housing</i>	<i>Transportation and Communication</i>	<i>Public Safety and Environment</i>	<i>Total</i>
Buildings	591	11 579	8 920	..	616	6 064	27 771
Land and national parks	1 195	9 910	2 579	..	19 862	11 249	44 795
Leased buildings	48	162	2 563	..	48	868	3 689
Infrastructure systems	38	..	..	..	445	936	1 419
Plant, equipment and vehicles	77	206	1 108	..	27	848	2 265
Leased plant, equipment and vehicles	..	3	48	..	84	11	146
Roads and road infrastructure	..	..	..	..	19 215	874	20 090
Leased roads and road infrastructure	..	..	..	..	570	..	570
Earthworks	..	..	..	..	7 913	..	7 913
Cultural assets	527	3	1	..	2	4 955	5 488
<b>Total land, buildings, infrastructure, plant and equipment</b>	<b>2 476</b>	<b>21 862</b>	<b>15 220</b>	<b>..</b>	<b>48 784</b>	<b>25 806</b>	<b>114 148</b>

<i>Jun 2016</i>	<i>Public administration</i>	<i>Education</i>	<i>Health and Welfare</i>	<i>Community Housing</i>	<i>Transportation and Communication</i>	<i>Public Safety and Environment</i>	<i>Total</i>
Buildings	647	11 579	8 954	..	607	5 826	27 612
Land and national parks	1 195	9 873	2 568	..	19 828	11 261	44 724
Leased buildings	46	165	2 656	..	37	1 097	4 002
Infrastructure systems	39	..	..	..	355	927	1 320
Plant, equipment and vehicles	199	188	1 062	..	27	850	2 326
Leased plant, equipment and vehicles	..	3	61	..	87	7	158
Roads and road infrastructure	..	..	..	..	19 150	882	20 031
Leased roads and road infrastructure	..	..	..	..	575	..	575
Earthworks	..	..	..	..	7 913	..	7 913
Cultural assets	532	3	4	..	2	5 051	5 592
<b>Total land, buildings, infrastructure, plant and equipment</b>	<b>2 658</b>	<b>21 812</b>	<b>15 304</b>	<b>..</b>	<b>48 581</b>	<b>25 900</b>	<b>114 254</b>

#### 4.4 Other non-financial assets

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2016	2016	2016	2016
Intangible produced assets	2 520	2 475	1 445	1 421
Accumulated depreciation	(1 353)	(1 291)	(814)	(786)
Intangible non-produced assets	867	831	135	109
Accumulated amortisation	(233)	(211)	(43)	(36)
<b>Total intangibles</b>	<b>1 801</b>	<b>1 804</b>	<b>723</b>	<b>708</b>
Investment properties	155	158	148	151
Biological assets <sup>(a)</sup>	61	61	2	2
Other assets	621	340	559	220
<b>Total other non-financial assets</b>	<b>2 638</b>	<b>2 363</b>	<b>1 432</b>	<b>1 081</b>

Note:

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

#### 4.5 Non-financial assets classified as held for sale

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2016	2016	2016	2016
Land	167	173	162	163
Other	23	27	21	25
<b>Total non-financial assets held for sale</b>	<b>190</b>	<b>200</b>	<b>183</b>	<b>188</b>

#### 4.6 Investments accounted for using the equity method

	Ownership interest (%)		State of Victoria (\$ million)		General government sector (\$ million)	
	Dec	Jun	Dec	Jun	Dec	Jun
	2016	2016	2016	2016	2016	2016
The Australian Regenerative Medicine Institute	20.1	20.1	35	35	35	35
Property Exchange Australia Limited	9.0	9.0	9	11	9	11
Snowy Hydro Limited	29.0	29.0	1 872	1 872	..	..
<b>Total investments accounted for using the equity method</b>	<b>..</b>	<b>..</b>	<b>1 915</b>	<b>1 918</b>	<b>44</b>	<b>46</b>

## 5. FINANCING STATE OPERATIONS

### Introduction

State operations are financed through a variety of means. Recurrent operations are generally financed from cash flows from operating activities (see consolidated cash flow statement). Asset investment operations are generally financed from a combination of surplus cash flows from operating activities, asset sales, advances and borrowings.

This section presents the financing of the State and general government sector's operations, including material commitments recorded by the State.

### Structure

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### 5.1 Borrowings

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2016	2016	2016	2016
<b>Current borrowings</b>				
Domestic borrowings	3 835	5 095	283	3 132
Foreign currency borrowings	69	83	..	..
Finance lease liabilities	242	207	173	137
Derivative financial instruments	401	258	2	19
<b>Total current borrowings</b>	<b>4 547</b>	<b>5 642</b>	<b>458</b>	<b>3 288</b>
<b>Non-current borrowings</b>				
Domestic borrowings	33 815	37 778	18 603	21 520
Foreign currency borrowings	131	159	..	..
Finance lease liabilities	9 320	9 433	8 793	8 872
Derivative financial instruments	494	947	131	131
<b>Total non-current borrowings</b>	<b>43 760</b>	<b>48 317</b>	<b>27 527</b>	<b>30 522</b>
<b>Total borrowings</b>	<b>48 307</b>	<b>53 959</b>	<b>27 986</b>	<b>33 811</b>

## 5.2 Cash flow information and balances

### Reconciliation of cash and cash equivalents

(\$ million)

	State of Victoria		General government sector	
	Dec	Dec	Dec	Dec
	2016	2015	2016	2015
Cash	1 653	1 594	1 345	1 245
Deposits at call	4 914	4 352	2 974	2 867
<b>Cash and cash equivalents</b>	<b>6 567</b>	<b>5 946</b>	<b>4 319</b>	<b>4 112</b>
Bank overdraft	..	..	..	..
<b>Balances as per cash flow statement</b>	<b>6 567</b>	<b>5 946</b>	<b>4 319</b>	<b>4 112</b>

### Reconciliation of net result to net cash flows from operating activities

(\$ million)

	State of Victoria		General government sector	
	Dec	Dec	Dec	Dec
	2016	2015	2016	2015
<b>Net result</b>	<b>5 596</b>	<b>542</b>	<b>1 226</b>	<b>1 239</b>
<b>Non-cash movements</b>				
Depreciation and amortisation	2 424	2 339	1 257	1 203
Revaluation of investments	(702)	148	(14)	21
Assets (received)/provided free of charge	163	(95)	70	(2)
Assets not previously/no longer recognised	..	(1)	..	(1)
Revaluation of assets	2	9	..	7
Discount/premium on other financial assets/borrowings	(82)	(41)	1	3
Bad/doubtful debts	..	..	..	..
Foreign currency dealings	..	1	..	1
Unrealised (gains)/losses on borrowings	(1 693)	(44)	..	..
Discounting of assets and liabilities	..	..	..	..
<b>Movements included in investing and financing activities</b>				
Net gain/(loss) from sale of investments	(459)	250	3	(6)
Net gain/(loss) from sale of plant and equipment	(3)	(8)	(15)	(11)
Realised gains/losses on borrowings	52	(1)	..	..
<b>Movements in assets and liabilities</b>				
Increase/(decrease) in provision for doubtful debts	53	46	54	47
Increase/(decrease) in payables	10 658	702	(464)	(307)
Increase/(decrease) in employee benefits	78	147	107	164
Increase/(decrease) in superannuation	250	70	259	72
Increase/(decrease) in other provisions	(1 551)	891	38	..
(Increase)/decrease in receivables	(161)	(992)	43	(399)
(Increase)/decrease in other non-financial assets	(284)	(238)	(336)	(209)
<b>Net cash flows from operating activities</b>	<b>14 342</b>	<b>3 724</b>	<b>2 230</b>	<b>1 821</b>

### 5.3 Advances paid and investments, loans and placements

(\$ million)

	State of Victoria		General government sector	
	Dec	Jun	Dec	Jun
	2016	2016	2016	2016
<b>Current advances paid and investments, loans and placements</b>				
Loans and advances paid	18	20	1 557	53
Equities and managed investment schemes	999	1 541	986	1 028
Australian dollar term deposits	4 287	232	3 482	933
Debt securities	4 935	5 547	3	3
Derivative financial instruments	352	326	1	1
<b>Total current advances paid and investments, loans and placements</b>	<b>10 592</b>	<b>7 666</b>	<b>6 028</b>	<b>2 019</b>
<b>Non-current advances paid and investments, loans and placements</b>				
Loans and advances paid	183	132	12 600	4 529
Equities and managed investment schemes	27 197	22 875	291	279
Australian dollar term deposits	1 333	280	714	528
Debt securities	2 622	3 937	23	64
Derivative financial instruments	752	797	17	17
<b>Total non-current advances paid and investments, loans and placements</b>	<b>32 086</b>	<b>28 021</b>	<b>13 644</b>	<b>5 417</b>
<b>Total advances paid and investments, loans and placements</b>	<b>42 678</b>	<b>35 687</b>	<b>19 673</b>	<b>7 436</b>
<b>Represented by:</b>				
Advances paid	201	153	14 156	4 582
Investments, loans and placements	42 477	35 534	5 516	2 853

### 5.4 Interest expense

(\$ million)

	State of Victoria		General government sector	
	2016	2015	2016	2015
	Interest on interest-bearing liabilities	932	945	600
Finance charges on finance leases	422	393	395	362
Discount interest on payables	19	18	18	20
<b>Total interest expense</b>	<b>1 373</b>	<b>1 356</b>	<b>1 012</b>	<b>1 034</b>

## 5.5 Commitments

Commitments include those operating, capital and other commitments contracted 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 *2015-16 Financial Report* for the State of Victoria (notes 5.6 and 5.7) should be made for details of commitments as at 30 June 2016.

As at 31 December 2016, the following additional material commitments were recorded for the State of Victoria:

- On 21 November 2016, the State executed the public private partnership contract with Evolution Rail to deliver the High Capacity Metro Trains Project. Under the contract, the Evolution Rail consortium will design, build, commission and finance a fleet of 65 high capacity trains, a depot at Pakenham East (including a train maintenance facility (TMF) and a stabling yard), a light service facility (LSF) at Calder Park and two simulators. Evolution Rail will also be responsible for the maintenance of the fleet, and the maintenance and operation of the TMF, the LSF and the simulators, over the maintenance phase of the contract. The net present value of the contract with Evolution Rail, including the capital, maintenance and lifecycle components is \$2.3 billion.
- On 1 July 2016, the State entered into a contract with NTT Data Payment Services Pty Ltd to operate and maintain the *myki* ticketing system. The total cost of the contract is \$1.1 billion. The contractual period will start on 1 January 2017 and is expected to be completed in December 2026.
- In November 2016, the State announced John Holland as the successful bidder to construct the Mernda Rail Extension Project. John Holland has engaged Grimshaw architects to design Marymede, Hawkstowe and Mernda stations. Construction will begin across the three sites in 2017. The total commitment is \$438 million and the project is expected to be completed in July 2018.
- In 2016 the State entered into a contract with Fulton Hogan Construction Pty Ltd for the Monash Freeway Upgrade (East Link to Clyde Road). The outstanding commitment is \$173 million and the project expected to be completed in 2018.
- On 25 November 2016, Melbourne Water Corporation entered into a contract with CPB Contractors Pty Ltd for the design, construction, operation and maintenance of a new 140 megalitre per day wastewater treatment plant in Werribee to reduce the amount of nutrient entering Port Phillip Bay. The total cost is \$135 million and the project is expected to be completed in December 2018.
- On 3 August 2016, the State entered into a contract with Fulton Hogan Construction Pty Ltd for the M80 Upgrade (Sunshine Avenue to Calder Freeway). The remaining commitment is \$105 million and the project is expected to be completed in January 2019.
- There have been two variations to the Aurecon Jacobs Mott MacDonald (AJM) joint venture contract. These variations reflect an acceleration of detailed technical services and investigations during the procurement phase of the Metro Tunnel Project and additional requirements for the provision of technical services for related projects including the Ballarat Line Upgrade Project, with a combined value of \$55 million. Contract funds relating to Stage 2 (procurement phase) with a value of \$39 million have also been released in the reporting period.
- On 31 December 2016, the State entered into a contract with BMD Construction Pty Ltd for the Princes Highway Duplication (Armytage to Warncoort). The outstanding commitment is \$94 million and the project is expected to be completed in July 2019.
- On 13 December 2016, the Minister for Emergency Services entered into a contract with Telstra Corporation Ltd for the provision of radio equipment and associated services to emergency services agencies and other state entities. The total cost of the contract is \$73 million and it is expected to be completed in September 2024.

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

## 6. OTHER ASSETS AND LIABILITIES

### Introduction

This section sets out other assets and liabilities that arise from the State's operations.

### Structure

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### 6.1 Inventories

	(\$ million)			
	<i>State of Victoria</i>		<i>General government sector</i>	
	<i>Dec</i> <i>2016</i>	<i>Jun</i> <i>2016</i>	<i>Dec</i> <i>2016</i>	<i>Jun</i> <i>2016</i>
<b>At cost</b>				
Raw materials	8	5	7	4
Work in progress	37	29	..	2
Finished goods	46	50	3	3
Consumable stores	204	202	160	163
Land and other assets held as inventory <sup>(a)</sup>	355	414	16	16
<b>At net realisable value</b>				
Finished goods	1	5	..	..
Consumable stores	5	5	..	..
<b>Total inventories</b>	<b>656</b>	<b>709</b>	<b>186</b>	<b>188</b>

Note:

(a) Including inventory held for distribution.

## 6.2 Receivables

(\$ million)

	State of Victoria		General government sector	
	Dec 2016	Jun 2016	Dec 2016	Jun 2016
<b>Contractual</b>				
Sales of goods and services	1 540	1 267	989	739
Accrued investment income	71	67	15	18
Other receivables	2 091	1 887	1 038	1 021
Provision for doubtful contractual receivables	(155)	(157)	(90)	(90)
<b>Statutory</b>				
Sales of goods and services	3	4	5	5
Taxes receivables	1 998	2 293	2 113	2 491
Fines and regulatory fees	2 020	1 896	2 020	1 896
GST input tax credits recoverable	833	963	273	324
Provision for doubtful statutory receivables	(894)	(839)	(894)	(839)
<b>Other</b>				
Actuarially determined	395	413	..	..
<b>Total receivables</b>	<b>7 901</b>	<b>7 793</b>	<b>5 469</b>	<b>5 566</b>
<b>Represented by:</b>				
Current receivables	6 730	6 555	4 746	4 828
Non-current receivables	1 170	1 237	723	738

## 6.3 Payables

(\$ million)

	State of Victoria		General government sector	
	Dec 2016	Jun 2016	Dec 2016	Jun 2016
<b>Contractual</b>				
Accounts payable	2 475	2 166	928	1 290
Accrued expenses	1 986	2 298	1 693	2 187
Unearned income	13 792	3 368	2 424	2 258
<b>Statutory</b>				
Accrued taxes payable	34	105	38	38
<b>Total payables</b>	<b>18 288</b>	<b>7 937</b>	<b>5 084</b>	<b>5 773</b>
<b>Represented by:</b>				
Current payables	7 697	6 084	3 367	4 053
Non-current payables	10 591	1 854	1 717	1 720



## 6.4 Superannuation

(\$ million)

	State of Victoria	
	Dec 2016	Jun 2016
Current liability	1 057	1 059
Non-current liability	25 568	28 295
<b>Total superannuation liability</b>	<b>26 625</b>	<b>29 354</b>
<b>Represented by:</b>		
Emergency Services and State Super	25 668	28 298
Other funds	957	1 056

## 6.5 Other provisions

(\$ million)

	State of Victoria		General government sector	
	Dec 2016	Jun 2016	Dec 2016	Jun 2016
<b>Provision for insurance claims</b>				
WorkSafe Victoria	2 096	1 839	..	..
Transport Accident Commission	1 220	1 180	..	..
Victorian Managed Insurance Authority	327	292	..	..
Other agencies	23	22	20	18
<b>Current provision for insurance claims</b>	<b>3 666</b>	<b>3 333</b>	<b>20</b>	<b>18</b>
Onerous contracts	..	49	..	..
Other provisions	395	346	250	207
<b>Total current other provisions</b>	<b>4 061</b>	<b>3 728</b>	<b>270</b>	<b>225</b>
<b>Non-current provision for insurance claims</b>				
WorkSafe Victoria	10 132	10 501	..	..
Transport Accident Commission	11 273	12 721	..	..
Victorian Managed Insurance Authority	1 442	1 499	..	..
Other agencies	33	34	32	33
<b>Non-current provision for insurance claims</b>	<b>22 880</b>	<b>24 754</b>	<b>32</b>	<b>33</b>
Onerous contracts				
Other provisions	591	603	564	571
<b>Total non-current other provisions</b>	<b>23 472</b>	<b>25 358</b>	<b>596</b>	<b>604</b>
<b>Total other provisions</b>	<b>27 533</b>	<b>29 085</b>	<b>866</b>	<b>829</b>

## 7. RISKS AND CONTINGENCIES

### Introduction

The State is exposed to risks from both its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements.

This section presents information on financial instruments, and contingent assets and liabilities.

### 7.1 Financial instruments

Note 7.1 Financial instruments in the *2015-16 Financial Report* for the State of Victoria contains a comprehensive disclosure of the State's financial risk management objectives and policies associated with financial instruments.

There has been no substantive change to the accounting classification of financial assets and liabilities reported in the *2015-16 Financial Report* for the State of Victoria.

### 7.2 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 should be made to the *2015-16 Financial Report* for the State of Victoria (note 7.2) for details of contingent assets as at 30 June 2016.

There was no material change in contingent assets for the State during this mid-year reporting period.

#### Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
  - the amount of the obligations cannot be measured with sufficient reliability.

Reference should be made to the *2015-16 Financial Report* for the State of Victoria (note 7.2) for details of contingent liabilities as at 30 June 2016. The following items have changed materially:

- 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 \$3.625 billion for property. The risk of losses above these reinsured levels is borne by the State.
- Since September 2016, under the Commonwealth-State National Disaster Relief and Recovery Arrangements (NDRRA), severe flooding and storms have affected a large number of local government areas (LGAs) across Victoria. To date, 51 LGAs have been impacted. While it is still too early to confirm the actual total costs likely to be incurred, these costs could potentially be shared between the Victorian and the Commonwealth governments.

On 17 September 2016, the State formally activated the NDRRA with the Commonwealth. In addition, the State has activated the NDRRA for the 11 November 2016 storm impacting the Mildura LGA, as well as a recent storm occurring on 29 December 2016. To date, these new affected councils are still working on the assessment of damage. Therefore, it is still impracticable to quantify the financial effects of these newer events.
- On 27 August 2014, Intralot Australia Pty Ltd (Intralot) served a Writ and Statement of Claim on the State seeking damages of \$63.4 million and costs. Intralot alleged Tattersall's Sweeps Pty Ltd was granted favourable treatment with respect to the awarding of public lottery licenses on 24 October 2007. The parties settled the proceedings at mediation on 25 October 2016 and the matter is now at an end.

- In late December 2015, a number of significant bushfires occurred across widespread parts of Victoria including Wye River/Separation Creek, Barnawartha and Scotsburn. To minimise the environmental, social and economic impact of the bushfires, the State Government entered into a memorandum of understanding (MoU) with the Insurance Council of Australia and Grocon Constructors Pty Ltd (Grocon) to carry out the clean-up works required following the bushfires. Under the MoU, Grocon would carry out all of the clean-up work with insurers contributing the first \$25 000 towards clean-up costs (for insured destroyed properties) and the State Government paying the remaining costs.

Grocon has now completed the majority of the clean-up work. To date, the State has paid \$26.0 million (inclusive of GST) to Grocon, and recouped \$2.4 million from the insurance providers. The major part of these funds was to cover costs of sub-contractors engaged by Grocon to carry out the clean-up works. Under the NDRRA, the total cost of the clean-up incurred by the State Government (net of the insurance) can be shared 50:50 with the Commonwealth Government. The Department of Treasury and Finance will seek reimbursement from the Commonwealth in relation to these costs as part of the annual acquittal process. The State has completed its obligations under the MoU and it is no longer a contingent liability.

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

## 8. PUBLIC ACCOUNT

### Introduction

This section provides disclosure of information in respect of the Public Account, in accordance with the requirements of the *Financial Management Act, No. 18 of 1994* (FMA).

### Structure

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### 8.1 Consolidated fund receipts and payments

(\$ million)

2015-16		2016-17	
actual to Dec		actual to Dec	revised budget
<b>Receipts</b>			
9 991	Taxation	10 167	21 038
416	Fines and regulatory fees	422	878
8 193	Grants received	8 537	18 312
2 869	Sales of goods and services	3 047	6 154
245	Interest received	235	543
609	Public authority receipts	499	711
177	Other receipts	100	299
<b>22 499</b>	<b>Total operating activities</b>	<b>23 008</b>	<b>47 935</b>
725	Total inflows from investing and financing	9 717	20 564
<b>23 224</b>	<b>Total receipts</b>	<b>32 725</b>	<b>68 499</b>
<b>Payments to departments</b>			
4 594	Economic Development, Jobs, Transport and Resources	4 963	10 538
5 717	Education and Training	6 014	12 630
978	Environment, Land, Water and Planning	1 046	2 259
7 468	Health and Human Services	7 820	15 699
3 005	Justice and Regulation	3 063	6 516
166	Premier and Cabinet	219	611
1 787	Treasury and Finance	7 727	13 996
83	Parliament	95	222
251	Courts	252	582
<b>24 049</b>	<b>Total payments</b>	<b>31 199</b>	<b>63 053</b>
<b>(824)</b>	<b>Net receipts/(payments)</b>	<b>1 526</b>	<b>5 446</b>

## 8.2 Trust fund statement cash flows

(\$ million)

2015-16		2016-17	
<i>actual to Dec</i>		<i>actual to Dec</i>	<i>revised budget</i>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
250	Taxation	1 041	1 172
20	Regulatory fees and fines	31	20
8 005	Grants received	7 283	13 574
40	Sale of goods and services	62	148
49	Interest received	66	193
4 843	Net transfers from consolidated fund	1 496	8 461
20	Other receipts	39	134
<b>13 228</b>	<b>Total receipts</b>	<b>10 018</b>	<b>23 703</b>
<b>Payments</b>			
(74)	Employee benefits	(84)	(179)
(6)	Superannuation	(7)	(13)
(11 813)	Grants paid	(8 102)	(19 585)
(1 052)	Supplies and consumables	(472)	(2 386)
(2)	Interest paid	(2)	(7)
<b>(12 948)</b>	<b>Total payments</b>	<b>(8 667)</b>	<b>(22 171)</b>
<b>280</b>	<b>Net cash flows from operating activities</b>	<b>1 351</b>	<b>1 532</b>
<b>Cash flows from investing activities</b>			
(4)	Net proceeds from customer loans <sup>(a)</sup>	(9 561)	(8 057)
26	Proceeds from sale of property, plant and equipment	26	34
(12)	Purchases of property, plant and equipment	(113)	(159)
(29)	Other investing activities	8 465	6 703
<b>(18)</b>	<b>Net cash flows from investing activities <sup>(a)</sup></b>	<b>(1 183)</b>	<b>(1 479)</b>
<b>Cash flows from financing activities</b>			
(470)	Net proceeds (repayments) from borrowings	(25)	(25)
<b>(470)</b>	<b>Net cash flows from financing activities</b>	<b>(25)</b>	<b>(25)</b>
<b>(208)</b>	<b>Net cash inflow/(outflow) <sup>(a)</sup></b>	<b>144</b>	<b>28</b>

Note:

(a) Certain December 2015 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in the 2015-16 Financial Report.

### 8.3 Reconciliation of cash flows to balances held

(\$ million)

	Balances held at 30 Jun 2016	Dec movement YTD	Balances held at 31 Dec 2016
<b>Cash and deposits</b>			
Cash balances outside the Public Account	..	..	..
Deposits held with the Public Account – specific trusts	776	33	809
Other balances held in the Public Account	3 019	1 657	4 676
<b>Total cash and deposits</b>	<b>3 795</b>	<b>1 690</b>	<b>5 485</b>
<b>Investments</b>			
Investments held with the Public Account – specific trusts	903	98	1 001
<b>Total investments</b>	<b>903</b>	<b>98</b>	<b>1 001</b>
<b>Total fund balances</b>	<b>4 698</b>	<b>1 788</b>	<b>6 486</b>
<b>Less funds held outside the Public Account</b>			
Cash	..	..	..
<b>Total fund balances held outside the Public Account</b>	<b>..</b>	<b>..</b>	<b>..</b>
<b>Total funds held in the Public Account <sup>(a)</sup></b>	<b>4 698</b>	<b>1 788</b>	<b>6 486</b>

Note:

(a) See Note 8.4 below for details of securities and investments including amounts held in the Public Account on behalf of trust accounts.

### 8.4 Details of securities held in the Public Account

(\$ million)

2015-16 actual to 31 Dec		2016-17 opening 1 Jul	2016-17 actual 31 Dec
1 581	Amounts invested on behalf of specific trust accounts	1 679	1 810
2 335	General account balances	3 019	4 676
<b>3 917</b>	<b>Total Public Account</b>	<b>4 698</b>	<b>6 486</b>
	<b>Represented by:</b>		
1 581	Stocks and securities	1 679	1 810
1 055	Cash and investments	1 672	2 797
<b>2 637</b>	<b>Total stock, securities, cash and investments</b>	<b>3 351</b>	<b>4 607</b>
	Add cash advanced for:		
1 280	Advances pursuant to sections 36 and 37 of the <i>Financial Management Act 1994</i>	1 348	1 879
<b>3 917</b>	<b>Total Public Account</b>	<b>4 698</b>	<b>6 486</b>

## 9. OTHER DISCLOSURES

### Introduction

This section includes several additional disclosures that assist the understanding of this financial report.

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## 9.1 Disaggregated information

### Disaggregated operating statement for the six months ended 31 December

(\$ million)

	General government sector		Public non-financial corporations	
	2016	2015	2016	2015
<b>Revenue from transactions</b>				
Taxation revenue	10 662	9 676	..	..
Interest revenue	375	394	39	18
Dividends, income tax equivalent and rate equivalent revenue	438	451	4	5
Sales of goods and services	3 416	3 332	2 948	2 990
Grant revenue	13 318	12 301	1 600	1 499
Other revenue	1 288	1 726	347	327
<b>Total revenue from transactions</b>	<b>29 498</b>	<b>27 880</b>	<b>4 938</b>	<b>4 838</b>
<b>Expenses from transactions</b>				
Employee expenses	10 436	9 765	590	555
Net superannuation interest expense	349	441	..	..
Other superannuation	1 148	1 160	54	51
Depreciation	1 256	1 200	1 129	1 099
Interest expense	1 012	1 034	524	537
Grant expense	4 924	4 315	361	121
Other operating expenses	8 987	8 457	2 498	2 339
Other property expenses	..	..	110	122
<b>Total expenses from transactions</b>	<b>28 111</b>	<b>26 373</b>	<b>5 265</b>	<b>4 824</b>
<b>Net result from transactions – net operating balance</b>	<b>1 387</b>	<b>1 507</b>	<b>(327)</b>	<b>14</b>
<b>Other economic flows included in net result</b>				
Net gain/(loss) on disposal of non-financial assets	15	11	(12)	(3)
Net gain/(loss) on financial assets or liabilities at fair value	14	(21)	(15)	49
Share of net profit/(loss) from associates/joint venture entities	(3)	2	28	26
Other gains/(losses) from other economic flows	(187)	(260)	121	1
<b>Total other economic flows included in net result</b>	<b>(161)</b>	<b>(267)</b>	<b>122</b>	<b>73</b>
<b>Net result</b>	<b>1 226</b>	<b>1 239</b>	<b>(205)</b>	<b>87</b>
<b>Other economic flows – other comprehensive income</b>				
<b>Items that will not be reclassified to net result</b>				
Changes in non-financial assets revaluation surplus	(89)	8	21	(8)
Remeasurement of superannuation defined benefits plans	2 984	(704)	(5)	..
Other movements in equity <sup>(a)</sup>	83	(25)	16	(3)
<b>Items that may be reclassified subsequently to net result</b>				
Net gain/(loss) on financial assets at fair value	18	(26)	6	(4)
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets <sup>(a)</sup>	644	(327)	..	..
<b>Total other economic flows – other comprehensive income <sup>(a)</sup></b>	<b>3 640</b>	<b>(1 074)</b>	<b>38</b>	<b>(16)</b>
<b>Comprehensive result – total change in net worth <sup>(a)</sup></b>	<b>4 866</b>	<b>165</b>	<b>(167)</b>	<b>71</b>
<b>FISCAL AGGREGATES</b>				
<b>Net operating balance <sup>(a)</sup></b>	<b>1 387</b>	<b>1 507</b>	<b>(327)</b>	<b>14</b>
<b>Net acquisition of non-financial assets from transactions</b>				
Purchases of non-financial assets (including change in inventories) <sup>(a)</sup>	3 118	2 040	807	1 138
Less: Sales of non-financial assets	(65)	(73)	(51)	(147)
Less: Depreciation and amortisation	(1 256)	(1 200)	(1 129)	(1 099)
Plus: Other movements in non-financial assets	(1 626)	(405)	1 463	499
<b>Less: Net acquisition of non-financial assets from transactions <sup>(a)</sup></b>	<b>171</b>	<b>362</b>	<b>1 090</b>	<b>391</b>
<b>Net lending/(borrowing) <sup>(a)</sup></b>	<b>1 216</b>	<b>1 144</b>	<b>(1 416)</b>	<b>(377)</b>

Note:

(a) Certain December 2015 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in the 2015-16 Financial Report.



<i>Public financial corporations</i>		<i>Inter-sector eliminations</i>		<i>State of Victoria</i>	
2016	2015	2016	2015	2016	2015
..	..	(195)	(233)	10 467	9 443
1 041	1 079	(1 127)	(1 183)	327	308
508	746	(414)	(435)	536	766
2 184	2 104	(1 485)	(1 408)	7 063	7 017
..	..	(1 633)	(1 542)	13 285	12 258
142	11	(132)	..	1 646	2 065
<b>3 875</b>	<b>3 940</b>	<b>(4 986)</b>	<b>(4 802)</b>	<b>33 325</b>	<b>31 857</b>
157	140	(205)	(200)	10 977	10 261
..	..	..	..	349	441
13	12	..	..	1 215	1 223
22	22	..	..	2 406	2 322
964	968	(1 127)	(1 183)	1 373	1 356
7	..	(1 683)	(1 595)	3 608	2 841
3 063	2 859	(1 556)	(1 389)	12 991	12 267
932	3	(1 042)	(125)	..	..
<b>5 157</b>	<b>4 005</b>	<b>(5 614)</b>	<b>(4 492)</b>	<b>32 919</b>	<b>30 711</b>
<b>(1 283)</b>	<b>(65)</b>	<b>628</b>	<b>(310)</b>	<b>406</b>	<b>1 146</b>
..	..	..	..	3	8
2 783	(318)	..	..	2 782	(289)
..	..	..	..	26	28
2 574	126	(128)	(218)	2 380	(351)
<b>5 358</b>	<b>(191)</b>	<b>(128)</b>	<b>(218)</b>	<b>5 190</b>	<b>(604)</b>
<b>4 075</b>	<b>(256)</b>	<b>500</b>	<b>(529)</b>	<b>5 596</b>	<b>542</b>
..	..	(12)	..	(80)	(1)
..	..	..	..	2 979	(704)
..	..	..	..	99	(28)
..	..	..	..	25	(30)
..	..	(644)	327	..	..
..	..	<b>(656)</b>	<b>327</b>	<b>3 023</b>	<b>(763)</b>
<b>4 076</b>	<b>(256)</b>	<b>(156)</b>	<b>(202)</b>	<b>8 619</b>	<b>(221)</b>
<b>(1 283)</b>	<b>(65)</b>	<b>628</b>	<b>(310)</b>	<b>406</b>	<b>1 146</b>
16	18	..	..	3 940	3 196
(1)	..	..	..	(116)	(220)
(22)	(22)	..	..	(2 406)	(2 322)
..	..	..	..	(163)	95
<b>(6)</b>	<b>(5)</b>	<b>..</b>	<b>..</b>	<b>1 254</b>	<b>749</b>
<b>(1 276)</b>	<b>(60)</b>	<b>628</b>	<b>(310)</b>	<b>(848)</b>	<b>397</b>

## Disaggregated balance sheet as at 31 December

(\$ million)

	General government sector		Public non-financial corporations	
	Dec 2016	Jun 2016	Dec 2016	Jun 2016
<b>Assets</b>				
<b>Financial assets</b>				
Cash and deposits	4 319	4 772	900	802
Advances paid	14 156	4 582	9 602	47
Receivables	5 469	5 566	1 705	1 644
Investments, loans and placements	5 516	2 853	1 168	1 052
Loans receivable from non-financial public sector <sup>(a)</sup>	..	..	..	..
Investments accounted for using the equity method	44	46	1 498	1 498
Investments in other sector entities	88 196	94 710	..	..
<b>Total financial assets</b>	<b>117 701</b>	<b>112 531</b>	<b>14 872</b>	<b>5 043</b>
<b>Non-financial assets</b>				
Inventories	186	188	470	522
Non-financial assets held for sale	183	188	7	12
Land, buildings, infrastructure, plant and equipment	114 148	114 254	113 281	112 227
Other non-financial assets	1 432	1 081	1 350	1 352
<b>Total non-financial assets</b>	<b>115 949</b>	<b>115 711</b>	<b>115 107</b>	<b>114 112</b>
<b>Total assets</b>	<b>233 649</b>	<b>228 242</b>	<b>129 979</b>	<b>119 155</b>
<b>Liabilities</b>				
Deposits held and advances received	10 393	706	9 989	396
Payables	5 084	5 773	10 134	1 460
Borrowings	27 986	33 811	15 996	15 778
Employee benefits	6 244	6 137	399	414
Superannuation	26 566	29 291	59	63
Other provisions	866	829	8 625	8 811
<b>Total liabilities</b>	<b>77 139</b>	<b>76 547</b>	<b>45 202</b>	<b>26 922</b>
<b>Net assets <sup>(b)</sup></b>	<b>156 511</b>	<b>151 695</b>	<b>84 777</b>	<b>92 233</b>
Accumulated surplus/(deficit)	48 714	44 454	3 654	4 397
Reserves	107 797	107 191	81 123	87 836
Non-controlling interest	..	50	..	..
<b>Net worth <sup>(b)</sup></b>	<b>156 511</b>	<b>151 695</b>	<b>84 777</b>	<b>92 233</b>
<b>FISCAL AGGREGATES</b>				
Net financial worth	40 562	35 984	(30 330)	(21 879)
Net financial liabilities	47 634	58 727	30 330	21 879
Net debt	14 387	22 309	14 315	14 272

## Notes:

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

(b) 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.

<i>Public financial corporations</i>		<i>Inter-sector eliminations</i>		<i>State of Victoria</i>	
<i>Dec 2016</i>	<i>Jun 2016</i>	<i>Dec 2016</i>	<i>Jun 2016</i>	<i>Dec 2016</i>	<i>Jun 2016</i>
4 654	4 654	(3 305)	(3 552)	6 567	6 676
15	14	(23 571)	(4 491)	201	153
1 775	1 943	(1 048)	(1 361)	7 901	7 793
40 086	33 317	(4 294)	(1 689)	42 477	35 534
29 450	35 169	(29 450)	(35 169)	..	..
..	..	374	374	1 915	1 918
..	..	(88 196)	(94 710)	..	..
<b>75 980</b>	<b>75 097</b>	<b>(149 491)</b>	<b>(140 597)</b>	<b>59 062</b>	<b>52 074</b>
..	..	..	..	656	709
..	..	..	..	190	200
75	76	..	..	227 504	226 557
705	1 645	(849)	(1 715)	2 638	2 363
<b>779</b>	<b>1 721</b>	<b>(849)</b>	<b>(1 715)</b>	<b>230 986</b>	<b>229 829</b>
<b>76 759</b>	<b>76 818</b>	<b>(150 340)</b>	<b>(142 312)</b>	<b>290 048</b>	<b>281 903</b>
7 727	6 647	(26 391)	(5 122)	1 718	2 628
3 722	1 629	(652)	(925)	18 288	7 937
38 590	44 184	(34 265)	(39 813)	48 307	53 959
82	96	..	..	6 725	6 647
..	..	..	..	26 625	29 354
26 498	28 040	(8 456)	(8 594)	27 533	29 085
<b>76 619</b>	<b>80 596</b>	<b>(69 764)</b>	<b>(54 454)</b>	<b>129 196</b>	<b>129 611</b>
<b>140</b>	<b>(3 778)</b>	<b>(80 576)</b>	<b>(87 858)</b>	<b>160 852</b>	<b>152 291</b>
65	(3 849)	20 304	11 232	72 737	56 234
75	71	(100 880)	(99 090)	88 115	96 008
..	..	..	..	..	50
<b>140</b>	<b>(3 778)</b>	<b>(80 576)</b>	<b>(87 858)</b>	<b>160 852</b>	<b>152 291</b>
(639)	(5 499)	(79 727)	(86 143)	(70 135)	(77 538)
639	5 499	(8 469)	(8 567)	70 135	77 538
(27 888)	(22 322)	(35)	(35)	780	14 224

## Disaggregated cash flow statement for the six months ended 31 December

(\$ million)

	General government sector		Public non-financial corporations	
	2016	2015	2016	2015
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Taxes received	10 883	9 935	..	..
Grants	13 320	12 300	1 649	1 511
Sales of goods and services <sup>(a)</sup>	3 781	3 527	12 159	3 275
Interest received <sup>(b)</sup>	377	372	25	21
Dividends, income tax equivalent and rate equivalent receipts	523	605	4	4
Other receipts <sup>(b)</sup>	833	939	207	184
<b>Total receipts</b>	<b>29 715</b>	<b>27 677</b>	<b>14 044</b>	<b>4 994</b>
<b>Payments</b>				
Payments for employees	(10 286)	(9 622)	(604)	(560)
Superannuation	(1 237)	(1 530)	(63)	(53)
Interest paid	(1 022)	(1 031)	(511)	(517)
Grants and subsidies	(5 087)	(4 336)	(103)	(59)
Goods and services <sup>(a)</sup>	(9 480)	(8 966)	(2 012)	(1 892)
Other payments	(373)	(371)	(1 236)	(1 092)
<b>Total payments</b>	<b>(27 485)</b>	<b>(25 856)</b>	<b>(4 529)</b>	<b>(4 174)</b>
<b>Net cash flows from operating activities</b>	<b>2 230</b>	<b>1 821</b>	<b>9 515</b>	<b>820</b>
<b>Cash flows from investing activities</b>				
Purchases of non-financial assets <sup>(b)</sup>	(3 121)	(2 037)	(802)	(1 130)
Sales of non-financial assets	65	73	51	147
<b>Cash flows from investments in non-financial assets <sup>(b)</sup></b>	<b>(3 056)</b>	<b>(1 964)</b>	<b>(751)</b>	<b>(984)</b>
<b>Cash flows from investments in financial assets for policy purposes</b>				
Cash inflows	8 967	52	32	35
Cash outflows <sup>(b)</sup>	(9 817)	(241)	(9 548)	(5)
<b>Net cash flows from investments in financial assets for policy purposes <sup>(b)(c)</sup></b>	<b>(850)</b>	<b>(190)</b>	<b>(9 517)</b>	<b>29</b>
<b>Sub-total</b>	<b>(3 906)</b>	<b>(2 153)</b>	<b>(10 267)</b>	<b>(954)</b>
Net cash flows from investments in financial assets for liquidity management purposes	(2 638)	(33)	(157)	(169)
<b>Net cash flows from investing activities</b>	<b>(6 544)</b>	<b>(2 187)</b>	<b>(10 424)</b>	<b>(1 123)</b>
<b>Cash flows from financing activities</b>				
Advances received	9 579	..	9 545	..
Advances repaid	..	..	..	(7)
Advances received (net) <sup>(c)</sup>	9 579	..	9 545	(7)
Borrowings received	32	359	498	365
Borrowings repaid	(5 858)	(131)	(247)	(409)
Net borrowings <sup>(c)</sup>	(5 827)	229	251	(44)
Deposits received <sup>(b)</sup>	1 615	162	101	132
Deposits repaid <sup>(b)</sup>	(1 506)	(194)	(53)	(130)
Deposits received (net) <sup>(c)</sup>	109	(32)	48	2
Other financing inflows	..	..	224	216
Other financing outflows	..	..	(9 061)	(117)
Other financing (net) <sup>(c)</sup>	..	..	(8 837)	98
<b>Net cash flows from financing activities</b>	<b>3 860</b>	<b>196</b>	<b>1 006</b>	<b>50</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(453)</b>	<b>(169)</b>	<b>98</b>	<b>(253)</b>
Cash and cash equivalents at beginning of the financial year	4 772	4 282	802	1 092
<b>Cash and cash equivalents at end of the financial year</b>	<b>4 319</b>	<b>4 112</b>	<b>900</b>	<b>839</b>
<b>FISCAL AGGREGATES</b>				
Net cash flows from operating activities	2 230	1 821	9 515	820
Dividends paid	..	..	(122)	(124)
Net cash flows from investments in non-financial assets <sup>(b)</sup>	(3 056)	(1 964)	(751)	(984)
<b>Cash surplus/(deficit) <sup>(b)</sup></b>	<b>(825)</b>	<b>(142)</b>	<b>8 643</b>	<b>(287)</b>

## Notes:

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

(b) Certain December 2015 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in the 2015-16 Financial Report.

(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 the Treasury Corporation of Victoria have been added to cash inflows or outflows for both six months ended 31 December 2016 and 31 December 2015.

<i>Public financial corporations</i>		<i>Inter-sector eliminations</i>		<i>State of Victoria</i>	
2016	2015	2016	2015	2016	2015
..	..	(195)	(233)	10 688	9 702
302	..	(1 982)	(1 560)	13 288	12 251
3 361	3 128	(1 468)	(1 372)	17 833	8 557
962	1 038	(1 123)	(1 167)	240	264
508	746	(499)	(589)	536	766
380	44	(113)	6	1 306	1 173
<b>5 512</b>	<b>4 956</b>	<b>(5 380)</b>	<b>(4 915)</b>	<b>43 891</b>	<b>32 712</b>
(170)	(152)	205	200	(10 855)	(10 135)
(13)	(12)	..	..	(1 313)	(1 595)
(1 006)	(984)	1 123	1 167	(1 416)	(1 365)
(7)	..	1 953	1 520	(3 243)	(2 875)
(1 408)	(2 244)	582	454	(12 318)	(12 648)
(2)	(136)	1 208	1 228	(404)	(371)
<b>(2 607)</b>	<b>(3 527)</b>	<b>5 071</b>	<b>4 569</b>	<b>(29 549)</b>	<b>(28 988)</b>
<b>2 905</b>	<b>1 428</b>	<b>(309)</b>	<b>(346)</b>	<b>14 342</b>	<b>3 724</b>
(16)	(18)	..	..	(3 938)	(3 185)
1	..	..	..	116	220
<b>(15)</b>	<b>(17)</b>	<b>..</b>	<b>..</b>	<b>(3 821)</b>	<b>(2 965)</b>
..	..	(8 894)	10	106	97
(1)	(23)	19 255	180	(111)	(90)
<b>(1)</b>	<b>(23)</b>	<b>10 362</b>	<b>190</b>	<b>(5)</b>	<b>7</b>
<b>(16)</b>	<b>(40)</b>	<b>10 362</b>	<b>190</b>	<b>(3 826)</b>	<b>(2 958)</b>
2 33	(2 016)	(3 062)	771	(5 624)	(1 447)
<b>217</b>	<b>(2 056)</b>	<b>7 300</b>	<b>961</b>	<b>(9 450)</b>	<b>(4 405)</b>
17	59	(19 119)	(20)	22	39
(16)	(12)	16	17	..	(2)
2	47	(19 103)	(3)	22	38
53	194	(503)	(637)	80	281
(4 098)	(70)	6 032	301	(4 172)	(308)
(4 045)	125	5 529	(336)	(4 092)	(27)
2 166	144	(2 166)	(9)	1 716	429
(1 088)	(449)	..	451	(2 648)	(323)
1 078	(305)	(2 166)	442	(932)	107
..	..	170	(216)	..	..
(157)	(222)	8 825	339	..	..
(157)	(223)	8 995	124	..	..
<b>(3 123)</b>	<b>(356)</b>	<b>(6 745)</b>	<b>227</b>	<b>(5 001)</b>	<b>117</b>
..	<b>(984)</b>	<b>246</b>	<b>842</b>	<b>(109)</b>	<b>(564)</b>
4 654	4 708	(3 552)	(3 572)	6 676	6 510
<b>4 654</b>	<b>3 725</b>	<b>(3 305)</b>	<b>(2 729)</b>	<b>6 567</b>	<b>5 946</b>
2 905	1 428	(309)	(346)	14 342	3 724
(157)	(223)	279	346	..	..
(15)	(17)	..	..	(3 821)	(2 965)
<b>2 733</b>	<b>1 188</b>	<b>(30)</b>	<b>..</b>	<b>10 521</b>	<b>759</b>

## Disaggregated statement of changes in equity as at 31 December

(\$ million)

2016	Accumulated surplus/(deficit)	Contribution by owners	Non-controlling interest	Non-financial assets revaluation surplus	Investment in other sector entities revaluation surplus	Other reserves	Total
<b>General government sector</b>							
Balance at 1 July 2016	44 454	..	50	49 613	57 027	551	151 695
Net result for the six months	1 226	..	..	..	..	..	1 226
Other comprehensive income for the six months	3 035	..	..	(89)	644	50	3 640
Transfer to accumulated surplus	..	..	..	..	..	..	..
Transactions with owners in their capacity as owners	..	..	(50)	..	..	..	(50)
<b>Total equity as at 31 December 2016</b>	<b>48 714</b>	<b>..</b>	<b>..</b>	<b>49 524</b>	<b>57 671</b>	<b>602</b>	<b>156 511</b>
<b>PNFC sector</b>							
Balance at 1 July 2016	4 397	52 166	..	35 219	..	451	92 233
Net result for the six months	(205)	..	..	..	..	..	(205)
Other comprehensive income for the six months	..	..	..	21	..	17	38
Transfer to accumulated surplus	(416)	8 301	..	(7 885)	..	..	..
Dividends paid	(122)	..	..	..	..	..	(122)
Transactions with owners in their capacity as owners	..	(7 167)	..	..	..	..	(7 167)
<b>Total equity as at 31 December 2016</b>	<b>3 654</b>	<b>53 300</b>	<b>..</b>	<b>27 355</b>	<b>..</b>	<b>468</b>	<b>84 777</b>
<b>PFC sector</b>							
Balance at 1 July 2016	(3 849)	29	..	2	..	40	(3 778)
Net result for the six months	4 075	..	..	..	..	..	4 075
Other comprehensive income for the six months	(3)	..	..	..	..	4	..
Transfer to accumulated surplus	..	..	..	..	..	..	..
Dividends paid	(157)	..	..	..	..	..	(157)
Transactions with owners in their capacity as owners	..	..	..	..	..	..	..
<b>Total equity as at 31 December 2016</b>	<b>65</b>	<b>29</b>	<b>..</b>	<b>2</b>	<b>..</b>	<b>44</b>	<b>140</b>
Eliminations	20 304	(53 329)	..	10 120	(57 671)	..	(80 576)
<b>Total State of Victoria</b>	<b>72 737</b>	<b>..</b>	<b>..</b>	<b>87 001</b>	<b>..</b>	<b>1 114</b>	<b>160 852</b>

## Disaggregated statement of changes in equity as at 31 December (continued)

(\$ million)

2015	Accumulated surplus/(deficit) <sup>(a)</sup>	Contribution by owners	Non-controlling interest	Non-financial assets revaluation surplus	Investment in other sector entities revaluation surplus <sup>(a)</sup>	Other reserves	Total <sup>(a)</sup>
<b>General government sector</b>							
Balance at 1 July 2015	45 764	..	50	43 355	46 494	728	136 391
Net result for the six months	1 239	..	..	..	..	..	1 239
Other comprehensive income for the six months	(678)	..	..	8	(327)	(77)	(1 074)
Transfer to accumulated surplus	(22)	..	..	22	..	..	..
Transactions with owners in their capacity as owners	..	..	..	..	..	..	..
<b>Total equity as at 31 December 2015</b>	<b>46 304</b>	<b>..</b>	<b>50</b>	<b>43 385</b>	<b>46 167</b>	<b>651</b>	<b>136 557</b>
<b>PNFC sector</b>							
Balance at 1 July 2015	4 511	49 943	..	24 161	..	437	79 052
Net result for the six months	87	..	..	..	..	..	87
Other comprehensive income for the six months	(16)	..	..	(8)	..	8	(16)
Transfer to accumulated surplus	..	..	..	..	..	..	..
Dividends paid	(124)	..	..	..	..	..	(124)
Transactions with owners in their capacity as owners	..	628	..	..	..	..	628
<b>Total equity as at 31 December 2015</b>	<b>4 459</b>	<b>50 571</b>	<b>..</b>	<b>24 153</b>	<b>..</b>	<b>446</b>	<b>79 629</b>
<b>PFC sector</b>							
Balance at 1 July 2015	(1 009)	177	..	2	..	35	(794)
Net result for the six months	(256)	..	..	..	..	..	(256)
Other comprehensive income for the six months	(4)	..	..	..	..	4	..
Transfer to accumulated surplus	..	..	..	..	..	..	..
Dividends paid	(223)	..	..	..	..	..	(223)
Transactions with owners in their capacity as owners	..	..	..	..	..	..	..
<b>Total equity as at 31 December 2015</b>	<b>(1 491)</b>	<b>177</b>	<b>..</b>	<b>2</b>	<b>..</b>	<b>39</b>	<b>(1 273)</b>
Eliminations	11 837	(50 748)	..	9 911	(46 167)	..	(75 168)
<b>Total State of Victoria</b>	<b>61 108</b>	<b>..</b>	<b>50</b>	<b>77 451</b>	<b>..</b>	<b>1 135</b>	<b>139 745</b>

Note:

(a) Certain December 2015 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in the 2015-16 Financial Report.

## 9.2 Other gains/(losses) from other economic flows

(\$ million)

	State of Victoria		General government sector	
	2016	2015	2016	2015
Net (increase)/decrease in provision for doubtful receivables	(162)	(161)	(162)	(160)
Amortisation of intangible non-produced assets	(18)	(17)	(2)	(2)
Net swap interest revenue/(expense)	(6)	(96)	..	..
Bad debts written off	(54)	(52)	(49)	(45)
Other gains/(losses)	2 620	(24)	25	(52)
<b>Total other gains/(losses) from other economic flows</b>	<b>2 380</b>	<b>(351)</b>	<b>(187)</b>	<b>(260)</b>

## 9.3 Controlled entities

Note 9.7 Controlled entities in the *2015-16 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 2016, of general government sector and public non-financial corporation entities, which have been consolidated for the purposes of the financial report:

General government	
<b>Department of Health and Human Services</b>	<b>Department of Economic Development, Jobs, Transport and Resources</b>
West Wimmera Health Service <sup>(a)</sup>	Australian Synchrotron Holding Company <sup>(c)</sup>
Dunmunkle Health Service <sup>(a)</sup>	Energy Safe Victoria <sup>(d)</sup>
Melbourne Cricket Ground Trust <sup>(b)</sup>	Tourism Victoria <sup>(e)</sup>
	Visit Victoria <sup>(e)</sup>
Public non-financial corporation	
<b>Department of Health and Human Services</b>	<b>Department of Economic Development, Jobs, Transport and Resources</b>
Melbourne and Olympic Parks Trust <sup>(f)</sup>	Victorian Ports Corporation (Melbourne) <sup>(g)</sup>

Notes:

- (a) On 1 July 2016, by Order of the Governor in Council, Dunmunkle Health Service and West Wimmera Health Service were amalgamated to form a new registered funded agency named West Wimmera Health Service.
- (b) Effective from 1 October 2016, portfolio responsibility for Melbourne Cricket Ground Trust was transferred from the Department of Economic Development, Jobs, Transport and Resources to the Department of Health and Human Services.
- (c) The Australian Synchrotron Holding Company was transferred from the State of Victoria to the Australian Nuclear Science and Technology Organisation (ANSTO) on 1 July 2016.
- (d) Effective from 1 July 2016, portfolio responsibility for Energy Safe Victoria was transferred from the Department of Economic Development, Jobs, Transport and Resources to the Department of Environment, Land, Water and Planning.
- (e) Effective from 1 July 2016, Visit Victoria commenced operations and took over the responsibilities of Tourism Victoria and the Victorian Major Events Company Limited. Tourism Victoria ceased to operate but will remain in existence until its legislation is repealed. Effective from 1 July 2016, the Victorian Major Events Company ceased to exist.
- (f) Effective from 1 October 2016, portfolio responsibility for Melbourne and Olympic Parks Trust was transferred from the Department of Economic Development, Jobs, Transport and Resources to the Department of Health and Human Services.
- (g) Effective from 1 November 2016, the Port of Melbourne Corporation was renamed the Victorian Ports Corporation (Melbourne).

## 9.4 Glossary of technical terms

The *2015-16 Financial Report* for the State of Victoria (Note 9.8) contains a summary of the major technical terms used in this report.



## APPENDIX A – GENERAL GOVERNMENT SECTOR QUARTERLY FINANCIAL REPORT

This section includes the comprehensive operating statement, balance sheet and cash flow statement for the past five quarters in accordance with the requirements of the *Financial Management Act 1994*.

### Consolidated comprehensive operating statement for the past five quarters (\$ million)

	2015-16			2016-17	
	Dec	Mar	Jun	Sep	Dec
<b>Revenue from transactions</b>					
Taxation revenue	4 615	5 866	4 353	5 265	5 397
Interest revenue	190	186	206	168	207
Dividends, income tax equivalent and rate equivalent revenue	392	108	288	78	360
Sales of goods and services	1 671	1 461	1 879	1 672	1 744
Grant revenue	6 291	6 878	6 227	6 699	6 620
Other revenue	1 162	489	892	510	779
<b>Total revenue from transactions</b>	<b>14 321</b>	<b>14 989</b>	<b>13 847</b>	<b>14 391</b>	<b>15 107</b>
<b>Expenses from transactions</b>					
Employee expenses	4 997	4 870	5 367	5 179	5 257
Net superannuation interest expense	218	218	218	199	149
Other superannuation	606	475	488	552	596
Depreciation	595	606	698	627	629
Interest expense	521	520	522	472	540
Grant expense	2 143	2 672	1 577	2 587	2 337
Other operating expenses	4 253	3 899	5 549	4 295	4 692
<b>Total expenses from transactions</b>	<b>13 333</b>	<b>13 260</b>	<b>14 418</b>	<b>13 911</b>	<b>14 200</b>
<b>Net result from transactions – net operating balance</b>	<b>988</b>	<b>1 729</b>	<b>(572)</b>	<b>480</b>	<b>907</b>
<b>Other economic flows included in net result</b>					
Net gain/(loss) on disposal of non-financial assets	24	(14)	(141)	(2)	17
Net gain/(loss) on financial assets or liabilities at fair value	9	(11)	21	16	(3)
Share of net profit/(loss) from associates/joint venture entities	2	..	(6)	..	(3)
Other gains/(losses) from other economic flows	(136)	(125)	(303)	(124)	(63)
<b>Total other economic flows included in net result</b>	<b>(101)</b>	<b>(150)</b>	<b>(429)</b>	<b>(110)</b>	<b>(51)</b>
<b>Net result</b>	<b>887</b>	<b>1 579</b>	<b>(1 001)</b>	<b>370</b>	<b>856</b>
<b>Other economic flows – other comprehensive income</b>					
<b>Items that will not be reclassified to net result</b>					
Changes in non-financial assets revaluation surplus	(24)	(30)	6 258	(93)	4
Remeasurement of superannuation defined benefits plans	1 230	(1 274)	(1 243)	256	2 729
Other movements in equity	(38)	34	13	68	14
<b>Items that may be reclassified subsequently to net result</b>					
Net gain/(loss) on financial assets at fair value	(23)	(27)	(31)	6	13
Net gain/(loss) on equity investments in other sector entities at proportional share of the carrying amount of net assets	(327)	..	10 860	..	644
<b>Total other economic flows – other comprehensive income</b>	<b>817</b>	<b>(1 297)</b>	<b>15 857</b>	<b>236</b>	<b>3 404</b>
<b>Comprehensive result – total change in net worth</b>	<b>1 704</b>	<b>282</b>	<b>14 856</b>	<b>607</b>	<b>4 260</b>
<b>KEY FISCAL AGGREGATES</b>					
<b>Net operating balance</b>	<b>988</b>	<b>1 729</b>	<b>(572)</b>	<b>480</b>	<b>907</b>
Less: Net acquisition of non-financial assets from transactions	280	189	236	8	163
<b>Net lending/(borrowing)</b>	<b>708</b>	<b>1 540</b>	<b>(808)</b>	<b>472</b>	<b>744</b>

## Consolidated balance sheet as at the end of the past five quarters

(\$ million)

	2015-16			2016-17	
	Dec	Mar	Jun	Sep	Dec
<b>Assets</b>					
<b>Financial assets</b>					
Cash and deposits	4 112	4 415	4 772	4 079	4 319
Advances paid	4 550	4 539	4 582	4 586	14 156
Receivables	5 907	6 450	5 566	5 866	5 469
Investments, loans and placements	3 389	3 745	2 853	3 057	5 516
Investments accounted for using the equity method	44	44	46	47	44
Investments in other sector entities	82 563	82 818	94 710	95 473	88 196
<b>Total financial assets</b>	<b>100 566</b>	<b>102 011</b>	<b>112 531</b>	<b>113 108</b>	<b>117 701</b>
<b>Non-financial assets</b>					
Inventories	154	175	188	186	186
Non-financial assets held for sale	165	165	188	183	183
Land, buildings, infrastructure, plant and equipment	107 750	107 948	114 254	114 009	114 148
Other non-financial assets	1 195	1 068	1 081	1 516	1 432
<b>Total non-financial assets</b>	<b>109 265</b>	<b>109 356</b>	<b>115 711</b>	<b>115 895</b>	<b>115 949</b>
<b>Total assets</b>	<b>209 830</b>	<b>211 368</b>	<b>228 242</b>	<b>229 002</b>	<b>233 649</b>
<b>Liabilities</b>					
Deposits held and advances received	485	529	706	717	10 393
Payables	5 188	5 413	5 773	5 481	5 084
Borrowings	34 301	34 078	33 811	34 551	27 986
Employee benefits	5 769	5 676	6 137	6 098	6 244
Superannuation	26 722	28 032	29 291	29 044	26 566
Other provisions	809	802	829	861	866
<b>Total liabilities</b>	<b>73 274</b>	<b>74 529</b>	<b>76 547</b>	<b>76 751</b>	<b>77 139</b>
<b>Net assets</b>	<b>136 556</b>	<b>136 838</b>	<b>151 695</b>	<b>152 251</b>	<b>156 511</b>
Accumulated surplus/(deficit)	46 304	46 586	44 454	45 183	48 714
Reserves	90 203	90 203	107 191	107 069	107 797
Non-controlling interest	50	50	50	..	..
<b>Net worth</b>	<b>136 556</b>	<b>136 838</b>	<b>151 695</b>	<b>152 251</b>	<b>156 511</b>
<b>FISCAL AGGREGATES</b>					
Net financial worth	27 292	27 482	35 984	36 357	40 562
Net financial liabilities	55 271	55 336	58 727	59 116	47 634
Net debt	22 735	21 908	22 309	23 545	14 387

**Consolidated cash flow statement for the past five quarters**
**(\$ million)**

	2015-16			2016-17	
	Dec	Mar	Jun	Sep	Dec
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxes received	5 048	4 748	5 092	5 078	5 805
Grants	6 292	6 875	6 200	6 699	6 621
Sales of goods and services <sup>(a)</sup>	1 745	1 667	2 060	1 891	1 890
Interest received	179	183	231	169	208
Dividends, income tax equivalent and rate equivalent receipts	556	108	88	106	417
Other receipts	499	942	556	317	515
<b>Total receipts</b>	<b>14 319</b>	<b>14 523</b>	<b>14 227</b>	<b>14 260</b>	<b>15 456</b>
<b>Payments</b>					
Payments for employees	(4 892)	(4 972)	(5 026)	(5 227)	(5 060)
Superannuation	(757)	(658)	(689)	(743)	(495)
Interest paid	(500)	(519)	(491)	(493)	(529)
Grants and subsidies	(2 151)	(2 693)	(1 509)	(2 670)	(2 417)
Goods and services <sup>(a)</sup>	(4 301)	(3 644)	(4 646)	(4 563)	(4 917)
Other payments	(176)	(161)	(204)	(194)	(179)
<b>Total payments</b>	<b>(12 778)</b>	<b>(12 647)</b>	<b>(12 566)</b>	<b>(13 890)</b>	<b>(13 595)</b>
<b>Net cash flows from operating activities</b>	<b>1 541</b>	<b>1 877</b>	<b>1 661</b>	<b>370</b>	<b>1 861</b>
<b>Cash flows from investing activities</b>					
Purchases of non-financial assets	(1 077)	(954)	(1 429)	(1 564)	(1 556)
Sales of non-financial assets	51	30	87	24	40
<b>Cash flows from investments in non-financial assets</b>	<b>(1 026)</b>	<b>(925)</b>	<b>(1 341)</b>	<b>(1 540)</b>	<b>(1 516)</b>
Net cash flows from investments in financial assets for policy purposes	(220)	(77)	359	(90)	(760)
<b>Sub-total</b>	<b>(1 245)</b>	<b>(1 001)</b>	<b>(982)</b>	<b>(1 630)</b>	<b>(2 276)</b>
Net cash flows from investments in financial assets for liquidity management purposes	40	(392)	961	(184)	(2 454)
<b>Net cash flows from investment activities</b>	<b>(1 205)</b>	<b>(1 393)</b>	<b>(22)</b>	<b>(1 813)</b>	<b>(4 730)</b>
<b>Cash flows from financing activities</b>					
Advances received (net)	..	..	..	(13)	9 592
Net borrowings	(299)	(225)	(1 336)	740	(6 566)
Deposits received (net)	14	43	54	23	85
<b>Net cash flows from financing activities</b>	<b>(285)</b>	<b>(181)</b>	<b>(1 282)</b>	<b>750</b>	<b>3 110</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>51</b>	<b>303</b>	<b>357</b>	<b>(693)</b>	<b>240</b>
Cash and cash equivalents at beginning of reporting period	4 061	4 112	4 415	4 772	4 079
<b>Cash and cash equivalents at end of the reporting period</b>	<b>4 112</b>	<b>4 415</b>	<b>4 772</b>	<b>4 079</b>	<b>4 319</b>
<b>FISCAL AGGREGATES</b>					
Net cash flows from operating activities	1 541	1 877	1 661	370	1 861
Net cash flows from investments in non-financial assets	(1 026)	(925)	(1 341)	(1 540)	(1 516)
<b>Cash surplus/(deficit)</b>	<b>515</b>	<b>952</b>	<b>320</b>	<b>(1 170)</b>	<b>345</b>

Note:

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



## APPENDIX B – FINANCIAL MANAGEMENT ACT 1994

### COMPLIANCE INDEX

The *Financial Management Act 1994* (the Act) 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 Act.

The Act 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.

<i>Financial Management Act reference</i>	<i>Requirement</i>	<i>Comments/reference</i>
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: <ul style="list-style-type: none"> <li>(a) must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks;</li> <li>(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:               <ul style="list-style-type: none"> <li>(i) the transactions on the Public Account;</li> <li>(ii) the transactions of the Victorian general government sector; and</li> <li>(iii) other financial transactions of the State in respect of the period of six months ending on that day.</li> </ul> </li> </ul>	<p>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.</p> <p>Refer to Chapter 2, balance sheet, page 10.</p> <p>Refer to Chapter 2, Note 8, pages 38-40.</p> <p>Refer to Chapter 2, operating statement, page 9, statement of cash flows, page 11 and related notes.</p> <p>Refer to Chapter 2, operating statement, page 9, statement of cash flows, page 11 and related notes.</p>
Section 26(1)	The Minister must prepare a quarterly financial report for each quarter of each financial year.	Refer to Appendix A, pages 51-53.
Section 26(2)	A quarterly financial report comprises: <ul style="list-style-type: none"> <li>(a) a statement of financial performance of the Victorian general government sector for the quarter;</li> <li>(b) a statement of the financial position of the Victorian general government sector at the end of the quarter;</li> <li>(c) a statement of cash flows of the Victorian general government sector for the quarter; and</li> <li>(d) a statement of the accounting policies on which the statements required by paragraphs (a), (b) and (c) are based.</li> </ul>	<p>Refer to Appendix A, operating statement, page 51.</p> <p>Refer to Appendix A, balance sheet, page 52.</p> <p>Refer to Appendix A, statement of cash flows, page 53.</p> <p>Refer to Chapter 2, Note 1, pages 14-16.</p>
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 9, balance sheet, page 10 and statement of cash flows, page 11.



## STYLE CONVENTIONS

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Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

n.a.	not available or not applicable
1 billion	1 000 million
1 basis point	0.01 per cent
..	zero, or rounded to zero
(x xxx.x)	negative amount
x xxx.0	rounded amount

Please refer to the **Treasury and Finance glossary for budget and financial reports** at [dtf.vic.gov.au](http://dtf.vic.gov.au) for additional terms and references.

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