



2015-16 Mid-Year Financial Report
(incorporating Quarterly
Financial Report No. 2)
March 2016
Presented by Tim Pallas MP
Treasurer of the State of Victoria

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

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

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

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

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

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

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

STATE OF VICTORIA – OVERVIEW

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

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

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

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

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

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

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

FINANCIAL PERFORMANCE

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

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

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

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

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

Notes:

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

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

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

General government sector

Revenue

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

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

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

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

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

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

Expenses

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

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

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

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

State of Victoria

Revenue

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

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

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

Expenses

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

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

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

Other economic flows and net result

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

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

FINANCIAL POSITION

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

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

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

Notes:

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

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

State of Victoria

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

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

CASH FLOW

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

Infrastructure investment

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

Infrastructure investment to mid-year 2015-16

Major projects completed so far this year include:

- Melbourne Wholesale Market Redevelopment.

Major projects under procurement or in progress include:

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

Major projects that commenced procurement in 2015-16 include:

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

FINANCIAL SUSTAINABILITY

General government sector

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

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

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

Notes:

- (a) The sum of borrowings, deposits held and advances received less the sum of cash and deposits, advances paid, and investments, loans and placements.
- (b) Includes other employee entitlements, provisions and other liabilities, less other non-equity financial assets.
- (c) Total liabilities less financial assets (excluding investments in other sector entities).
- (d) Ratios to GSP may vary from publications year-to-year due to revisions to the ABS GSP data. The ratios to GSP as at 31 December 2015 reflect the 2015-16 GSP forecast growth rate for the full year.

Non-financial public sector

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

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

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

Notes:

- (a) The sum of borrowings, deposits held and advances received less the sum of cash and deposits, advances paid, and investments, loans and placements.
- (b) Includes other employee entitlements, provisions and other liabilities, less other non-equity financial assets.
- (c) Total liabilities less financial assets (excluding investments in other sector entities).
- (d) Ratios to GSP may vary from publications year-to-year due to revisions to the ABS GSP data. The ratios to GSP as at 31 December 2015 reflect the 2015-16 GSP forecast growth rate for the full year.

CHAPTER 2 – MID-YEAR FINANCIAL REPORT

Consolidated comprehensive operating statement for the six months ended 31 December

(\$ million)

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

The accompanying notes form part of these financial statements.

Note:

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

Consolidated balance sheet as at 31 December

(\$ million)

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

The accompanying notes form part of these financial statements.

Note:

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

Consolidated cash flow statement for the six months ended 31 December

(\$ million)

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

The accompanying notes form part of these financial statements.

Notes:

- (a) Certain December 2014 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the 2014-15 Financial Report.
- (b) These items are inclusive of goods and services tax.
- (c) In accordance with AASB 107, Treasury Corporation of Victoria is not required to gross up their cash flow information for whole of government consolidation purposes. The net cash movements for Treasury Corporation of Victoria have been added to cash inflows or outflows for both six months ended 31 December 2015 and 31 December 2014.

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

(\$ million)

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

The accompanying notes form part of these financial statements.

Note:

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

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

(\$ million)

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

The accompanying notes form part of these financial statements.

Note:

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

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Note 1: Summary of significant accounting policies

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

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

(A) Statement of compliance

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

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

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

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

(B) Basis of accounting preparation and measurement

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

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

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

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

(C) Reporting entity

The State of Victoria reporting entity includes government departments, public non-financial corporations (PNFCs), public financial corporations (PFCs) and other government controlled entities (refer to Note 32 *Controlled entities*). The State and most of its subsidiary entities are not for profit entities. These entities are classified into sectors according to the System of National Accounts as described below.

System of National Accounts

(i) General government

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

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

(ii) Public non-financial corporations

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

(iii) Public financial corporations

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

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

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

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

Basis of consolidation

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

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

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

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

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

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

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

Note 1: Summary of significant accounting policies (continued)

(D) Prospective accounting and reporting changes

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

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

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

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

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

(E) Rounding

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

Note 2: Disaggregated information

Disaggregated operating statement for the six months ended 31 December

(\$ million)

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

Note:

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

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

Note 2: Disaggregated information (continued)

Disaggregated balance sheet as at 31 December

(\$ million)

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

Notes:

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

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

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

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

Note 2: Disaggregated information (continued)

Disaggregated cash flow statement for the six months ended 31 December

(\$ million)

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

Notes:

- (a) Certain December 2014 comparative figures have been restated to reflect more current information, mainly including adjustments outlined in Note 37 of the 2014-15 Financial Report.
- (b) These items are inclusive of goods and services tax.
- (c) In accordance with AASB 107, Treasury Corporation of Victoria is not required to gross up their cash flow information for whole of government consolidation purposes. The net cash movements for Treasury Corporation of Victoria have been added to cash inflows or outflows for both six months ended 31 December 2015 and 31 December 2014.

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

Note 2: Disaggregated information (continued)**Disaggregated statement of changes in equity as at 31 December**

(\$ million)

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

Note:

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

Note 2: Disaggregated information (continued)**Disaggregated statement of changes in equity as at 31 December**

(\$ million)

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

Note:

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

Note 3: Taxation revenue

(\$ million)

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

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

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

(\$ million)

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

Note:

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

(b) Dividends by entity

(\$ million)

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

Note 5: Sales of goods and services

(\$ million)

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

Note 6: Grant revenue

(\$ million)

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

Note 7: Other revenue

(\$ million)

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

Note:

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

Note 8: Superannuation

(a) Superannuation costs recognised in the operating statement

(\$ million)

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

Note:

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

(b) Superannuation liabilities

(\$ million)

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

Note 9: Depreciation

(\$ million)

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

Notes:

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

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

Note 10: Interest expense

(\$ million)

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

Note 11: Grant expense

(\$ million)

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

Note 12: Other operating expenses

(\$ million)

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

Note:

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

Note 13: Total expenses by government purpose and by department

(a) Expenses by government purpose classification^(a)

(\$ million)

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

Notes:

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

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

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

(b) Total expenses by department^(a)

(\$ million)

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

Notes:

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

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

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

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

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

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

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

(\$ million)

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

Note:

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

Note 15: Advances paid and investments, loans and placements

(\$ million)

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

Note 16: Receivables

(\$ million)

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

Note:

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

Note 17: Investments accounted for using the equity method

(\$ million)

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

Note 18: Inventories

(\$ million)

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

Note:

(a) Including inventory held for distribution.

Note 19: Non-financial assets held for sale

(\$ million)

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

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

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

(\$ million)

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

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

Note:

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

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

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

(\$ million)

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

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

Note:

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

Note 20: Land, buildings, infrastructure, plant and equipment (continued)**(b) Total land, buildings, infrastructure, plant and equipment by purpose (continued)**

(\$ million)

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

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

Note:

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

Note 21: Other non-financial assets

(\$ million)

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

Note:

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

Note 22: Assets classified by government purpose and by department

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

(\$ million)

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

Notes:

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

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

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

(b) Purchases of non-financial assets by department^(a)

(\$ million)

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

Notes:

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

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

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

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

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

(d) Represents adjustments for transfers between portfolio departments.

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

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

(\$ million)

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

Notes:

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

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

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

Note 23: Payables

(\$ million)

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

Note 24: Borrowings

(\$ million)

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

Note 25: Employee benefits

(\$ million)

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

Notes:

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

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

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

Note 26: Other provisions

(\$ million)

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

Note 27: Cash flow information

(a) Reconciliation of cash and cash equivalents

(\$ million)

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

Note:

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

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

(\$ million)

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

Note:

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

Note 28: Financial instruments

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

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

Note 29: Commitments

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

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

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

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

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

Note 30: Contingent assets and contingent liabilities

Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

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

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

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

Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
 - it is not 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 to the *2014-15 Financial Report* for the State of Victoria (Note 35) should be made for details of contingent liabilities as at 30 June 2015.

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

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

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

Note 31: Subsequent events

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

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

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

Note 32: Public account disclosure

(a) Consolidated fund receipts and payments^(a)

(\$ million)

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

Notes:

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

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

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

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

Note 32: Public account disclosure (continued)

(b) Trust fund cash flow statement

(\$ million)

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

Note:

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

Note 32: Public account disclosure (continued)

(c) Reconciliation of cash flows to balances held

(\$ million)

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

Note:

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

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

(d) Details of securities held in the Public account

(\$ million)

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

Note:

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

Note 33: Controlled entities

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

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

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

APPENDIX A – GENERAL GOVERNMENT SECTOR QUARTERLY FINANCIAL REPORT

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

(\$ million)

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

Note:

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

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

(\$ million)

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

Note:

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

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

(\$ million)

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

Notes:

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

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

APPENDIX B – FINANCIAL MANAGEMENT ACT 1994 COMPLIANCE INDEX

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

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

<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"> (a) must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks; (b) must present fairly the financial position of the State and the Victorian general government sector at midnight on 31 December in the financial year and: <ul style="list-style-type: none"> (i) the transactions on the Public Account; (ii) the transactions of the Victorian general government sector; and (iii) other financial transactions of the State in respect of the period of six months ending on that day. 	<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 Chapter 2, balance sheet, page 12.</p> <p>Refer Chapter 2, Note 32, pages 53-55.</p> <p>Refer Chapter 2, operating statement, page 11, statement of cash flows, page 13, Notes 2-7, pages 22-32, Notes 9-26, pages 34-48.</p> <p>Refer Chapter 2, operating statement, page 11, statement of cash flows, page 13 and Notes 2-26, pages 22-48.</p>

<i>Financial Management</i>		
<i>Act reference</i>	<i>Requirement</i>	<i>Comments/reference</i>
Section 26(1)	The Minister must prepare a quarterly financial report for each quarter of each financial year.	Refer Appendix A, pages 57-59.
Section 26(2)	A quarterly financial report comprises: (a) a statement of financial performance of the Victorian general government sector for the quarter; (b) a statement of the financial position of the Victorian general government sector at the end of the quarter; (c) a statement of cash flows of the Victorian general government sector for the quarter; and (d) a statement of the accounting policies on which the statements required by paragraphs (a), (b) and (c) are based.	Refer Appendix A, operating statement, Table A.1 page 57. Refer Appendix A, balance sheet, Table A.2 page 58. Refer Appendix A, statement of cash flows, Table A.3 page 59. Refer Chapter 2, Note 1, pages 18-21.
Section 26(2A)	A quarterly financial report must be prepared in the manner and form determined by the Minister, having regard to appropriate financial reporting frameworks.	Manner is a financial report for the general government sector. Form is operating statement, balance sheet, statement of cash flows. Refer to Appendix A.
Section 26(2B)	The quarterly financial report for the quarter ending on 31 December in a financial year must include, in addition to the statements referred to in subsection (2)(a) to (d) for that quarter, those statements for the period of six months ending on that 31 December.	Refer to Chapter 2, operating statement, page 11, balance sheet, page 12 and statement of cash flows, page 13.

STYLE CONVENTIONS

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

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

n.a.	not available or not applicable
1 billion	1 000 million
1 basis point	0.01 per cent
..	zero, or rounded to zero
tbd	to be determined
(xxx.x)	negative numbers
xxxx.0	rounded amount
ytd	year to date

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