

CHAPTER 1 – ESTIMATED FINANCIAL STATEMENTS AND NOTES

The following Estimated Financial Statements and accompanying explanatory notes set out the forecast financial results for the Victorian general government sector for the period 2008-09 to 2011-12.

The prospective nature of these statements reflects a number of judgements about the most likely operating and financial conditions for the Victorian general government sector. Variations in these assumed conditions, such as international developments and other risks to the national economy, from which Victoria would not be immune, may cause the general government actual result to differ from the projections.

The Estimated Financial Statements have been prepared in accordance with the provisions of the *Financial Management Act 1994*. This Act requires the Estimated Financial Statements to be consistent with the Financial Policy Objectives and Strategies Statement (see Budget Paper No. 2, Chapter 1, *Financial Policy Objectives and Strategy*), in a manner and form determined by the Minister, having regard to appropriate financial reporting frameworks.

The statements have been prepared in accordance with applicable pronouncements and interpretations of the Australian Accounting Standards Board (AASB), including the Australian equivalents to International Financial Reporting Standards (A-IFRS). However, as there is no specific Australian accounting standard or other authoritative pronouncement that prescribes the preparation and presentation of prospective financial statements, the Estimated Financial Statements have been prepared based on New Zealand Financial Reporting Standard 42 *Prospective Financial Statements* (FRS 42).

The statements will also be, for the first time, presented in a format that complies with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, issued by the AASB in October 2007 and applicable to annual reporting periods commencing 1 July 2008. This new standard also complies with the Uniform Presentation Framework (UPF) as it relates to the general government sector. Additional disclosures in relation to the UPF are included in Chapter 2, along with a compliance index of all UPF tables.

Previously Victoria has prepared sector reports under the Australian Accounting Standard AAS31 *Financial Reporting by Government*, as well as a separate set of reports prepared on a Government Finance Statistics (GFS) basis under the UPF, for comparability with other jurisdictions. This dual reporting regime has caused some confusion for users of these financial reports. As a result, the Financial Reporting Council (FRC) requested that the AASB develop a framework that harmonised the two existing financial reporting structures – GAAP and GFS – to achieve an Australian Accounting standard for a single set of government reports, with AASB 1049 being the result of that work. The major features of the new financial statements and summary of the additional disclosures required under AASB 1049 are included in Note 1 (F) *Scope and presentation of financial statements*.

Due to the possibility that circumstances or events outlined in the Estimated Financial Statements may not occur as expected, actual results may differ from those forecast and the difference may be material. Accordingly, no guarantee is given that the financial results will be achieved. However, the best professional judgement has been applied in preparing the Estimated Financial Statements.

The accompanying notes to the statements provide details of the material economic and other assumptions used, and the specific forecast assumptions underlying material items in the financial statements. A number of these assumptions are subject to inherent uncertainties, which are outside the control of the government.

The Victorian Auditor-General has reviewed the Estimated Financial Statements and his review report follows.

AUDITOR GENERAL'S REPORT



Victorian Auditor-General's Office

INDEPENDENT REVIEW REPORT

Estimated Financial Statements

To the Members of the Parliament of Victoria

The Estimated Financial Statements

The accompanying estimated financial statements for the financial year ended 30 June 2009 and the three forward years ended 30 June 2010, 2011 and 2012 of the Victorian General Government Sector, as defined in note 23 to the statements, which comprises the estimated operating statement, estimated balance sheet, estimated cash flow statement and a summary of significant accounting policies and other explanatory notes to and forming part of the estimated financial statements, and the supporting declaration, has been reviewed. The accompanying revised 2008 estimated balance sheet has also been reviewed. The remaining parts of the Budget Papers have not been subject to my review.

Treasurers' Responsibility for the Estimated Financial Statements

The Treasurer of Victoria, through the Secretary of the Department of Treasury and Finance, is responsible for the preparation and presentation of the estimated financial statements in accordance with Accounting Standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, which requires the presentation of Government Finance Statistics information in accordance with the Australian Bureau of Statistics Manual on *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005*.

Auditor's Responsibility

My review of the estimated financial statements has been conducted under section 16B of the *Audit Act 1994* which requires me to state whether anything has come to my attention that would cause me to not believe that the statements have been prepared on a basis consistent with the accounting policies on which they are stated to be based, are consistent with the target established for the key financial measure specified in the accompanying notes to the statements, have been properly prepared on the basis of the economic assumptions stated in the accompanying notes to the statements, and the methodologies used to determine those assumptions are reasonable.

The review has been conducted in accordance with Australian Auditing Standards applicable to the review of financial reports and prospective financial information, and has been limited primarily to inquiries of relevant personnel and assessments of the reasonableness of the key methodologies and processes followed to determine the assumptions and data upon which the estimated financial statements are based, and appropriate analytical procedures. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that which would be given in an audit. Accordingly, an audit has not been performed and an audit opinion is not expressed.

Prospective financial information relates to events and actions that have not yet occurred and may not occur. While evidence may be available to support the assumptions and underlying data upon which prospective financial information is based, such evidence is generally future oriented and therefore less certain in nature. As a result, I am not in a position to obtain the level of assurance necessary to express a positive opinion on those assumptions and the accompanying forecast information included in the estimated financial statements. Accordingly, an opinion is not expressed on whether the forecasts will be achieved.

The estimated financial statements of the Victorian General Government Sector have been prepared for inclusion in the Budget Papers which are presented to the Parliament. I disclaim any assumption of responsibility for any reliance on this report or on the estimated financial statements to which this report relates, to any person other than the Members of the Parliament of Victoria, or for any purpose other than that for which it was prepared.

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Auditing in the Public Interest

Independent Review Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the estimated financial statements published in both the budget papers and on the website of the Department of Treasury and Finance for the year ended 30 June 2009 and the three forward financial years 30 June 2010, 2011 and 2012 and the revised 2008 balance sheet. The Secretary of the Department of Treasury and Finance is responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The review report refers only to the statements named above. A review report is not provided on any other information which may have been hyperlinked to or from these estimated financial statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed estimated financial statements to confirm the information included in the estimated financial statements presented on this web site.

Independence

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

Review Statement

Based on my review, which is not an audit, nothing has come to my attention that causes me to not believe that:

- the estimated financial statements have been prepared on a basis consistent with the accounting policies on which they are stated to be based;
- the estimated financial statements are consistent with the target established for the key financial measure specified in the accompanying notes to the statements;
- the estimated financial statements have been properly prepared on the basis of the economic assumptions stated in the accompanying notes to the statements; and
- the methodologies used to determine those assumptions are reasonable.

Actual results achieved by the Victorian General Government Sector are likely to be different from those forecast in the estimated financial statements since anticipated results frequently do not occur as expected and the variation may be material. Accordingly, I express no opinion as to whether the forecasts will be achieved.

MELBOURNE
30 April 2008



D.D.R. Pearson
Auditor-General

DEPARTMENT OF TREASURY AND FINANCE STATEMENT IN RELATION TO THE ESTIMATED FINANCIAL STATEMENTS

The Estimated Financial Statements for the Victorian general government sector have been prepared on the basis of the economic and fiscal information available to the Department of Treasury and Finance. Given the prospective nature of the Estimated Financial Statements, it has been necessary to apply the best professional judgement in preparing the Estimated Financial Statements.

In my opinion, the Estimated Financial Statements have been properly prepared for the purposes of sections 23H–23K of the *Financial Management Act 1994* and take into account government decisions and other circumstances that have a material effect.

A handwritten signature in black ink, appearing to read 'G Hehir', with a stylized flourish at the end.

Grant Hehir
Secretary

Department of Treasury and Finance
30 April 2008

ESTIMATED FINANCIAL STATEMENTS FOR THE VICTORIAN GENERAL GOVERNMENT SECTOR

Table 1.1: Estimated operating statement for the financial year ending 30 June

(\$ million)					
		2008-09	2009-10	2010-11	2011-12
	Notes	Budget	Estimate	Estimate	Estimate
Revenue					
Taxation revenue	2	13 382.9	13 795.9	14 504.2	14 977.2
Interest		402.2	433.7	443.0	438.3
Dividends and income tax equivalent and rate equivalent revenue	3	669.9	703.7	768.3	772.4
Sales of goods and services	4	4 334.5	4 453.3	4 520.3	4 585.8
Grants	5	17 555.0	18 495.5	19 448.9	20 431.1
Other current revenue	6	1 465.6	1 438.7	1 432.1	1 441.7
Total revenue		37 810.0	39 320.8	41 116.8	42 646.4
Expenses					
Employee expenses		14 225.6	15 107.0	16 059.1	16 845.4
Superannuation interest expense	7	518.6	520.6	520.5	519.7
Other superannuation	7	1 339.6	1 381.1	1 450.9	1 480.7
Depreciation	8	1 609.4	1 712.7	1 826.3	1 946.4
Interest expense	9	499.4	576.9	695.0	804.0
Other operating expenses		12 350.4	12 806.1	13 206.7	13 588.8
Grants and other transfers	10	6 439.4	6 365.2	6 452.2	6 498.7
Total expenses	11	36 982.4	38 469.6	40 210.7	41 683.7
Net result from transactions - Net operating balance	24a	827.5	851.1	906.0	962.6
Other economic flows included in net result					
Net gain/ (loss) on sale of non-financial assets		39.9	14.4	18.7	22.3
Net gain/ (loss) on financial assets or liabilities at fair value		0.6	0.5	0.6	0.7
Net actuarial gains/ (losses) of superannuation defined benefits plans	7	..	..	..	..
Other gains/ (losses) from other economic flows	12	(151.1)	(154.5)	(153.5)	(145.5)
Total other economic flows included in net result		(110.6)	(139.6)	(134.3)	(122.5)
Net result		716.9	711.5	771.8	840.1
Other Economic Flows – Other Movements in Equity					
Revaluations of non-financial assets		2 293.5	4 987.1	3 132.4	3 455.0
Net gain on equity investments in other sector entities at proportional share of net assets	14	407.2	(193.4)	(48.5)	55.6
Other movements in equity		(10.5)	(6.9)	(2.7)	0.5
Total other economic flows – Other movements in equity		2 690.2	4 786.8	3 081.1	3 511.0
Comprehensive result – Total change in net worth	24b	3 407.1	5 498.3	3 852.9	4 351.1

**Table 1.1: Estimated operating statement for the financial year ending 30 June
(continued)**

(\$ million)

		2008-09	2009-10	2010-11	2011-12
	Notes	Budget	Estimate	Estimate	Estimate
FISCAL AGGREGATES					
Net operating balance		827.5	851.1	906.0	962.6
Less: Net acquisition of non-financial assets from transactions	15	1 269.2	1 203.0	1 532.8	2 798.9
Net lending/ (borrowing)	24c	(441.7)	(351.9)	(626.8)	(1 836.2)

The accompanying notes form part of these Estimated Financial Statements.

Table 1.2: Estimated balance sheet as at 30 June

		(\$ million)				
	Notes	2008 Revised	2009 Budget	2010 Estimate	2011 Estimate	2012 Estimate
Assets						
<i>Financial assets</i>						
Cash and deposits		2 125.5	2 199.6	2 263.4	2 325.3	2 389.3
Advances paid		60.5	613.4	644.3	675.6	707.0
Investments, loans and placements		2 239.8	2 263.1	2 363.5	2 362.8	2 407.6
Receivables	13	2 123.6	2 066.0	1 882.4	1 779.2	1 623.8
Investments in GGS ^(a) entities using the equity method		614.5	614.5	614.5	614.5	614.5
Investments accounted for using equity method - other		25.0	30.0	35.0	40.0	45.0
Investments in other sector entities	14	43 801.3	45 483.4	46 490.0	47 423.0	48 239.5
Total financial assets	19b	50 990.2	53 270.1	54 293.1	55 220.5	56 026.6
<i>Non-financial assets</i>						
Inventories		123.2	124.5	124.8	124.5	124.2
Non-financial assets held for sale		51.9	51.9	52.0	52.0	52.1
Land, buildings, infrastructure, plant and equipment	16, 17	65 386.6	68 926.4	75 141.5	79 818.5	86 151.5
Other non-financial assets	18	529.2	537.7	520.0	521.4	499.2
Total non-financial assets	19b	66 090.9	69 640.6	75 838.3	80 516.4	86 827.0
Total assets	19b	117 081.2	122 910.7	130 131.3	135 736.9	142 853.6
Liabilities						
Deposits held		595.2	595.2	595.2	595.2	595.2
Advances received		3.0	2.3	1.6	0.9	0.2
Borrowings	20	6 713.1	8 831.7	10 646.2	12 285.8	14 987.8
Payables		3 327.4	3 380.4	3 120.7	3 053.2	2 985.7
Superannuation	7	12 939.0	13 067.4	13 100.5	13 156.3	13 158.5
Other employee benefits	21	3 769.8	3 914.2	4 054.5	4 199.3	4 342.9
Other provisions		725.0	683.7	658.7	639.3	625.3
Total liabilities		28 072.5	30 474.9	32 177.3	33 930.0	36 695.5
Net assets		89 008.7	92 435.8	97 954.1	101 807.0	106 158.1
Accumulated surplus/(deficit)		20 690.1	21 395.5	22 099.1	22 867.1	23 706.7
Other reserves	23	68 295.8	70 997.4	75 792.2	78 877.0	82 388.5
Minority interest		22.8	42.8	62.8	62.8	62.8
Net worth	24d	89 008.7	92 435.8	97 954.1	101 807.0	106 158.1
FISCAL AGGREGATES						
Net financial worth		22 917.7	22 795.1	22 115.8	21 290.5	19 331.1
Net financial liabilities		20 883.5	22 688.3	24 374.2	26 132.5	28 908.4
Net debt		2 270.9	3 738.6	5 357.3	6 903.6	9 464.8

The accompanying notes form part of these Estimated Financial Statements.

Note:

(a) General government sector.

Table 1.3: Estimated cash flow statement for the financial year ending 30 June

(\$ million)					
	Notes	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Cash flows from operating activities					
Receipts					
Taxes received		13 518.4	13 853.8	14 504.0	14 977.0
Grants		17 555.0	18 495.5	19 448.9	20 431.1
Sales of goods and services		4 441.7	4 234.4	4 546.5	4 610.6
Interest received		386.2	399.6	408.8	406.3
Dividends and income tax equivalent and rate equivalent receipts		533.6	745.8	737.7	763.3
Other receipts		1 326.6	1 318.9	1 313.4	1 320.8
Total receipts		37 761.7	39 048.0	40 959.3	42 509.0
Payments					
Payments for employees		(14 081.2)	(14 966.8)	(15 914.3)	(16 701.8)
Superannuation		(1 729.9)	(1 868.6)	(1 915.5)	(1 998.2)
Interest paid		(466.8)	(545.2)	(663.3)	(772.5)
Grants and subsidies		(6 432.8)	(6 420.2)	(6 507.2)	(6 553.6)
Goods and services		(12 016.8)	(12 430.1)	(12 814.4)	(13 189.9)
Other payments		(340.1)	(352.0)	(365.8)	(366.9)
Total payments		(35 067.5)	(36 582.9)	(38 180.4)	(39 583.0)
Net cash flows from operating activities ^(a)	22b	2 694.2	2 465.1	2 778.9	2 926.0
Cash flows from investing activities					
Purchases of non-financial assets	19a	(2 837.9)	(3 083.1)	(3 490.6)	(4 072.7)
Sales of non-financial assets		153.8	167.2	130.8	166.8
Cash flows from investments in non-financial assets		(2 684.0)	(2 915.8)	(3 359.8)	(3 905.9)
Net cash flows from investments in financial assets for policy purposes		(1 254.4)	(1 191.7)	(989.7)	(765.8)
Net cash flows from investments in financial assets for liquidity management purposes		(22.7)	(99.9)	1.3	(44.1)
Net cash flows from investing activities		(3 961.1)	(4 207.5)	(4 348.2)	(4 715.8)
Cash flows from financing activities					
Advances received (net)		(0.7)	(0.7)	(0.7)	(0.7)
Net borrowings		1 341.7	1 806.9	1 631.9	1 854.4
Deposits received (net)		..	..	..	..
Net cash flows from financing activities		1 341.0	1 806.1	1 631.2	1 853.7

Table 1.3: Estimated cash flow statement for the financial year ending 30 June (continued)

(\$ million)					
	<i>Notes</i>	<i>2008-09 Budget</i>	<i>2009-10 Estimate</i>	<i>2010-11 Estimate</i>	<i>2011-12 Estimate</i>
Net increase/(decrease) in cash and cash equivalents		74.1	63.8	61.9	63.9
Cash and cash equivalents at beginning of reporting period		2 122.4	2 196.5	2 260.4	2 322.2
Cash and cash equivalents at end of reporting period	22a	2 196.5	2 260.4	2 322.2	2 386.2
FISCAL AGGREGATES					
Net cash flows from operating activities		2 694.2	2 465.1	2 778.9	2 926.0
Net cash flows from investments in non-financial assets		(2 684.0)	(2 915.8)	(3 359.8)	(3 905.9)
Cash surplus / (deficit)	24e	10.2	(450.7)	(580.9)	(979.9)

The accompanying notes form part of these Estimated Financial Statements.

Note:

(a) *Inclusive of goods and services tax.*

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Note 1: Statement of significant accounting policies and forecast assumptions

The following summary sets out the significant accounting policies and forecast assumptions that have been adopted in preparing and presenting the Estimated Financial Statements for the forecast period, which includes the budget year and the estimates for the three subsequent years.

To assist users of these accounts gain a better understanding of the terminology and key aggregates, a glossary of terms has been included at Note 26.

(A) Assumptions

The Estimated Financial Statements have been prepared using the material economic and other assumptions listed below.

Material economic and other assumptions^(a)

	<i>(per cent change)</i>			
	2008-09	2009-10	2010-11	2011-12
Real gross state product	3.00	3.00	3.00	3.00
Employment	1.50	1.50	1.50	1.50
Wage price index ^(b)	3.75	3.75	3.50	3.50
Consumer price index	3.00	2.75	2.50	2.50
Population ^(c)	1.50	1.50	1.40	1.40

Sources: Australian Bureau of Statistics, Department of Treasury and Finance

Notes:

- (a) Year-average per cent change on previous year unless otherwise indicated. All projections apart from population are rounded to the nearest 0.25 percentage point. Projections of population are rounded to the nearest 0.1 percentage point.
- (b) Total hourly rate excluding bonuses.
- (c) June quarter, per cent change on previous June quarter.

(B) Key financial measure

The government has set out its key financial measure in the Financial Policy Objectives and Strategies Statement. The key financial measure of a substantial budget operating surplus is expected to be achieved throughout the forecast period.

<i>Fiscal target</i>	
Key financial measure	Target
Maintain a substantial net result from transactions for the budget sector	At least 1 per cent of revenue in each year

(C) Sensitivity analysis

The estimates for revenue, expenses and the net result have been subject to analysis of the reasonably possible movements for a range of major economic and other risks by the Department of Treasury and Finance.

As detailed in Budget Paper No. 2, Appendix B, the department's analysis shows that if there were a 1 percentage point rise in each of the following key economic variables in the first year above the forecast growth rate, the budgeted net result from transactions and net result over the forward estimates period would change as described in the following tables. It should be noted that the impact on the net result is inclusive of the impact on the net result from transactions.

Impact on the net result from transactions of selected economic indicators being one per cent higher than expected from 2008-09^(a)

	(\$ million)			
	2008-09	2009-10	2010-11	2011-12
Gross state product	168	185	202	218
Employment	51	51	57	62
Consumer prices	163	173	187	201
Average weekly earnings	46	51	56	62
Enterprise Bargaining Agreements	-147	-189	-210	-229
Domestic share prices	3	4	4	4
International share prices	4	4	4	4
Property prices	54	58	80	84
Property volumes	38	40	44	46
Interest rate ^(b)	124	-11	-16	-23

Source: Department of Treasury and Finance

Notes:

- (a) A positive number denotes an increase in the net result from transactions.
- (b) Assumes a one percentage point increase across the entire term structure, i.e. short and long rates, over the forward estimates period.

Impact on the net result of selected economic indicators being one per cent higher than expected from 2008-09^(a)

(\$ million)

	2008-09	2009-10	2010-11	2011-12
Gross state product	168	185	202	218
Employment	51	51	57	62
Consumer prices	47	173	187	201
Average weekly earnings	46	51	56	62
Enterprise Bargaining Agreements	-311	-189	-210	-229
Domestic share prices	54	4	4	4
International share prices	50	4	4	4
Property prices	72	58	80	84
Property volumes	38	40	44	46
Interest rate ^(b)	2852	-11	-16	-23

Source: Department of Treasury and Finance

Notes:

- (a) A positive number denotes an increase in the net result.
 (b) Assumes a one percentage point increase across the entire term structure, i.e. short and long rates, over the forward estimates period.

(D) Compliance

The estimated financial statements have generally been prepared in accordance with applicable pronouncements and interpretations of the Australian Accounting Standards Board (AASB), including those Standards formerly referred to as Australian equivalents to International Financial Reporting Standards. In particular the estimated financial statements are presented on a basis consistent with the requirement of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* that will apply to the Annual Financial Report for 2008-09. However, the prospective nature of the Estimated Financial Statements means that some AAS disclosures are neither relevant nor practical and so these have been omitted. Because AASs do not include pronouncements that prescribe the preparation and presentation of prospective financial statements, the Estimated Financial Statements have been prepared consistent with New Zealand Financial Reporting Standard 42 *Prospective Financial Statements* (FRS 42). FRS 42 requires prospective financial statements to be prepared in accordance with the accounting policies expected to be used in future for reporting historically orientated general purpose financial reports. The requirements of FRS 42 have been modified to achieve consistency in the presentation of the estimated financial statements with AASB 101 *Presentation of Financial Statements*.

In addition to compliance with Australian GAAP, including those paragraphs applicable to not-for-profit entities and FRS 42, these estimated financial statements have been prepared in accordance with sections 23H-23K of the *Financial Management Act 1994* (FMA). A summary of the significant accounting policies adopted by the State of Victoria and applicable to the general government sector under GAAP is disclosed below. The information presented in the Estimated Financial Statements takes into account government decisions and other circumstances that may have a material effect on the statements.

(E) Basis of accounting and measurement

The accrual basis of accounting has been employed in the preparation of the Estimated Financial Statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid. These Estimated Financial Statements are presented in Australian dollars which has also been identified as the functional currency of the general government sector.

In the application of accounting standards, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

This report has been prepared in accordance with the historical cost convention. Exceptions to the historical cost convention include:

- non-current physical assets (principally land, buildings and road networks) which, subsequent to acquisition, are measured at valuation and are reassessed with sufficient regularity to ensure the carrying amount does not materially differ from their fair value;
- investments and productive trees in commercial native forests, which are recognised at their net market value;
- available for sale investments, which are measured at fair value with movements reflected in equity until the asset is derecognised; and
- certain liabilities, most notably unfunded superannuation and some insurance claim provisions, which are calculated with regard to actuarial assessments.

Cost is based on the fair values of the consideration given in exchange for assets.

Assets, liabilities, income or expenses arise from past transactions or other past events, and estimates are recognised for those transactions or other events that on best information are expected to occur during each estimated financial reporting period. Where the transactions would result from an agreement between the government and other parties, the estimated transactions are only recognised when the agreement has, or there is reasonable expectation that it will have, become irrevocable during the reporting period.

(F) Scope and presentation of financial statements

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

Under AASB 1049, a financial report is presented for the GGS which consolidates only entities that are within the GGS, using the consolidation procedures within AASB 127 *Consolidated and Separate Financial Statements*.

Other sectors of government, that is, the Public Financial Corporation (PFC) and Public Non-Financial Corporation (PNFC) sectors, are accounted for as an equity investment 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.

AASB 1049 is applicable to annual reporting periods beginning on or after 1 July 2008.

Some of the major features included in this new Standard in relation to the presentation of the estimated financial statements include:

- an extended operating statement incorporating the former statement of recognised income and expense ('*comprehensive operating statement*');
- items being presented by liquidity order in the balance sheet;
- the inclusion of various Government Finance Statistics (GFS) concepts, including key fiscal aggregates, as an integrated part of the financial statements; and
- a glossary of terms included in the notes.

Comprehensive operating statement

The comprehensive estimated operating statement includes items previously included in the statement of recognised income and expense.

Income and expenses in the comprehensive estimated operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'.

Key financial aggregates contained in the statement include:

- net operating balance;
- total change in net worth; and
- net lending/(borrowing).

Balance sheet

Items of assets and liabilities in the estimated balance sheet are:

- ranked in liquidity order;
- aggregated into financial and non-financial assets;
- classified according to GFS terminology, but retain measurement and disclosure rules under accounting standards; and
- current versus non-current assets and liabilities are disclosed in the notes where relevant.

Key aggregates include:

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

Cash flow

The cash flow statement classifies flows by operating, investing and financing activities in accordance with AASB 107 *Cash Flow Statements*, and includes those disclosures required under AASB 1049.

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

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

(G) Basis of consolidation

The estimated financial statements incorporate assets and liabilities of all reporting entities in the Victorian general government sector and their revenues, gains and expenses for the respective period.

Entities in the Public Non-Financial Corporation (PNFC) and Public Financial Corporation (PFC) sectors are not consolidated but are accounted for as equity investments because the intent of the estimated financial statements is to convey the estimated financial results, financial position and cash flows of the general government sector alone.

Where control of an entity is obtained during the financial period, its results are included in the 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 for which control existed. Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these estimated financial statements.

In the process of reporting the general government sector as a single economic entity all material transactions and balances between entities within the sector are eliminated.

Details of significant entities consolidated within the sector are shown in Note 27 in these estimated financial statements.

(H) Prospective Accounting Changes

Service Concessions

In February 2007, the Australian Accounting Standards Board (AASB) approved Interpretation 12 *Service Concession Arrangements* effective for annual reporting periods commencing on, or after, 1 January 2008. Interpretation 12 is only applicable to private sector operators and explicitly excludes providing guidance on the accounting to be applied by public sector grantors.

To address how public sector grantors should account for service concession arrangements, the AASB constituted a panel to provide advice. That panel made its recommendations to the Board on 14 December 2007. The AASB decided:

- (a) that the requirements of Interpretation 12 are not obligatory for public sector grantors; however
- (b) grantors are required to consider Interpretation 12 when developing their accounting policy under the hierarchy for selecting accounting policies set out in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The AASB agreed to issue an Invitation to Comment on the forthcoming International Public Sector Accounting Standards Board (IPSASB) Consultation Paper on accounting by grantors of service concession arrangements once it becomes available.

As a result of the above and the continuing uncertainty and lack of applicable accounting guidance on the recognition and measurement by the State of assets arising from some service concession arrangements, there has been no change in policy and those assets are currently not recognised.

Land Under Roads

A new standard AASB 1051 Land Under Roads provides the option to recognise or not recognise land under roads acquired before the end of the first reporting period ending on or after 31 December 2007 (i.e. land under roads acquired up to 30 June 2008). Land acquired subsequently must be measured at the cost of acquisition. This clarifies the situation under transitional provisions in AAS 31 and AAS 31A.

A decision on the accounting treatment of land under roads acquired up to 30 June 2008 must be made effective as at 1 July 2008. The state is considering whether to change its policy and has not yet reached a conclusion. Consistent with current policy, existing land under roads is not recognised during the forecast period.

(l) Income from transactions

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured.

Taxation

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

The types of taxation revenue raised by the state include:

- payroll tax;
- land tax;
- duties levied principally on conveyances and land transfers;
- gambling taxes levied mainly on private lotteries, electronic gaming machines, casino operations and racing;
- insurance duty relating to compulsory third party, life and non life policies;
- insurance company contributions to fire brigades;
- motor vehicle taxes, including registration fees and duty on registrations and transfers;
- other taxes, including landfill levies, licence fees and progressive recognition of upfront concession fees paid by Transurban in respect of Melbourne City Link and gambling licence fees; and
- levies (including the environmental levy) on statutory corporations in other sectors of government.

Forecast assumption

The state's tax revenues are forecast by a process that involves:

- application of the Department of Treasury and Finance's economic forecasts, where there is a relationship between taxation revenue and economic variables. This enables an assessment of economic and other factors influencing the tax bases from which taxes are sourced (e.g. for payroll tax, an assessment of the outlook for employment and wages; for motor vehicle taxes, assessment of the outlook for demand for vehicles reflecting various economic influences; for gambling taxes, assessment of the outlook for consumer spending);

- analysis of historical information and relationships using econometric and other statistical methods; and
- consultation with private sector economists, industry associations, and relevant government authorities.

Upfront concession notes received are progressively recognised over the remaining life of the applicable concession term.

Some state taxes are sourced from tax bases which are particularly volatile. Hence, tax revenues from these sources are subject to substantial annual variation. Duty on land transfers is an example of a volatile tax base.

Interest revenue

Interest revenue includes interest received, discount interest on financial assets and interest on bank term deposits and other investments. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset. Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions, but are reported as part of income from other economic flows in the net result or as unrealised gains or losses taken direct to equity total change in net worth in comprehensive statement.

Forecast assumption

Forecast interest revenue arises from budget cash surpluses that are invested.

Dividends, income tax equivalent and rate equivalent revenue

This represents revenue received from other sectors of government. Revenue is recognised when the right to receive payment is established.

Forecast assumption

The forecasts are provided by government business enterprises using their best available estimates.

In determining the forecast dividend payments, the following two general benchmarks are used:

- 50 per cent of net profit after tax; or
- dividends and income tax equivalent paid or payable of 65 per cent of pre-tax profit.

The exception to this is that in the case of the Transport Accident Commission, it has been agreed that dividends will be calculated on 35 per cent of Performance from Insurance Operations (PFIO).

Other commercial factors considered that will affect the dividend forecasts include the views of each agency's board of directors, the liquidity, operating cash flow and forecast cash requirements of each government business enterprise, gearing and interest cover of the business, retained earnings and any other specific commercial factors relating to individual businesses.

Dividend and income tax equivalent forecasts can be significantly influenced by a number of factors, including the volatility of the financial markets and climatic conditions impacting on water authorities. Revenue raised under the National Tax Equivalent Regime (NTER), administered by the Australian Taxation Office, remains with the state. Currently, 35 government business enterprises (including subsidiaries) are subject to the NTER.

Sale of goods and services

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of goods have passed to the buyer and the revenue can be reliably measured.

Revenue from rendering of services is recognised on a stage of completion basis and is measured by reference to the labour hours supplied or as a percentage of total services to be performed. Sale of goods and services includes regulatory fees which are recognised at the time the regulatory fee is billed.

Forecast assumption

Revenues arising from the sale of goods and rendering of services are forecast by taking into account all known factors, such as proposed fee increases imposed by departments and budget sector agencies in line with the Guidelines for Setting Fees and Charges (issued by the Department of Treasury and Finance) and/or indexation as provided for under the *Monetary Units Act 2004*. Unless government policy states otherwise, fees will be set to recover the full costs of the goods or services provided.

Under provisions in the *Monetary Units Act 2004*, automatic indexation is applied to regulatory fees.

Grants

Grants mainly comprise funds provided by the Commonwealth to assist the state in meeting general or specific service delivery obligations, primarily for the purpose of aiding in the financing of the operations of the recipient, capital purposes and/or for on-passing to other recipients. Grants also include grants from other jurisdictions. Income is recognised when the state obtains control over these funds.

Forecast assumption

The forecast receipt of financial assistance from the Commonwealth is determined on the latest available information at the time of preparation of the estimated financial statements, taking into account the payment schedules and escalation factors relevant to each type of grant.

Forecasts of goods and services tax (GST) grants are based on the latest available information. Victoria's share of GST for 2008-09 is based on Victoria's assessed relativity for that year published by the Commonwealth Grants Commission and the Commonwealth Government's population projections. The Commonwealth Grants Commission calculates an assessed relativity as the average of the past five annual per capita relativities. The Victorian Government forecasts future assessed relativities out to

2011-12 using a straight line projection of annual per capita relativities to their current five-year average (which equals the 2008-09 assessed relativity). The forecast GST share is based on these projected assessed relativities and the Commonwealth Government's population projections.

Other current revenue

This category includes non-property rental, fines, assets received free of charge, royalties, donations and other miscellaneous non-operating income.

Income arising from assets received free of charge or for nominal consideration is measured at the fair value of the assets and is recognised when the entity gains control of the assets or the right to receive the assets.

Forecast assumption

The forecasts of fines principally involves assessment of the behaviour of road users.

Under provisions in the *Monetary Units Act 2004*, automatic indexation is applied to fines. An indexation factor of 3 per cent has been applied for the forecast period.

(J) Expenses from transactions

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

Employee expenses

These expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

Forecast assumption

Employee expenses are forecast on the basis of staffing profiles and current salaries, conditions and on-costs. For the forecast period, employee expenses are adjusted for approved wage agreements with allowance made for further changes in the future consistent with the government's wage policy. Under this policy, costs associated with Enterprise Bargaining Agreement outcomes beyond the normal indexation factor used to escalate departmental output revenue, are funded from real and sustainable productivity improvements, cost savings and improved service delivery.

Superannuation expense

Superannuation expense is determined on the following basis:

- for defined contribution plans, the amount recognised as an expense reflects the state's contribution, paid or accrued, in respect of the reporting period; and
- for defined benefit plans, the superannuation expense relates to service cost (the cost of employer financed benefits that are expected to accrue for defined benefit members during the reporting period), interest cost and the expected return on assets. This excludes the impact of actuarial gains and losses, which are not classified as transactions and therefore are reported separately as other economic flows included in net result.

Forecast assumptions

Future defined contribution superannuation expenses are based on assumptions regarding future salaries, interest rates and legislated contribution rates.

Future defined benefit superannuation expenses are based on actuarial projections of the components outlined above.

Depreciation

All infrastructure assets, buildings, plant and equipment and other non-current physical assets (excluding items under operating leases, assets held for sale and investment properties) that have a limited useful life are depreciated. Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

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

<i>Asset class</i>	<i>Useful life</i>
Dwellings	40 to 50 years
Other buildings	30 to 60 years
Road pavement	60 years
Bridges	90 years
Plant, equipment and vehicles	3 – 10 years
Cultural assets (with finite useful lives)	100 years

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

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

Amortisation of intangible non-produced assets is not classified as a transaction and is included in the net result as an other economic flow.

Forecast assumption

Depreciation is forecast on the basis of known asset profiles, asset sales programs and approved new asset investment programs. The expense is based on the assumption that there will be no change in depreciation rates over the forecast period, but includes the estimated impact of future revaluation of assets. However, any future changes in depreciable lives, carrying value, residual value, or methodology would result in a change in future depreciation expense.

Interest expense

Interest expense is recognised in the period in which it is incurred, and includes:

- interest on outstanding borrowings;
- amortisation of discounts or premiums relating to borrowings;
- finance lease charges; and
- the increase in financial liabilities and provisions due to the unwinding of discounts to reflect the passage of time.

Forecast assumption

Estimates for interest expense are based on the forecast level of outstanding general government sector debt and expected changes in non-current financial liabilities and provisions. General government sector debt is expected to mainly comprise a fixed rate facility, and index-linked securities from the Treasury Corporation of Victoria.

Other operating expenses

This item includes supplies and services which generally represent cost of goods sold and the day to day running costs, including maintenance costs, incurred in the normal operation of the general government sector. Other operating expenses also include personal benefit payments made direct to third parties such as for rate concessions.

These items are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

Bad and doubtful debts are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. The allowance for doubtful receivables is recorded as an other economic flow included in the net result.

Forecast assumption

Supplies and services are forecast on the basis of experience and known activity changes, including the application of government policy such as savings strategies, changes in the method of service delivery, and the application of the appropriate economic parameters.

An allowance is made for emerging demand that may arise over the forecast period.

Grants and other transfer payments

Grants and transfer payments to third parties are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as grants, subsidies and other transfer payments made to local government, non-government schools, community groups, personal benefit payments in cash to individuals and public non-financial corporations and public financial corporations.

Forecast assumption

Grants and transfer payments are forecast on the basis of known activity and adjusted by the appropriate economic parameters. Where payments are tied to third party revenue, such as Commonwealth grants for on passing, forecasts are in line with estimated receipts.

(K) Other economic flows included in net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions. This includes realised or unrealised gains and losses from disposals; revaluations and impairment of non-current physical assets and intangible assets; actuarial gains and losses from superannuation defined benefit plans; fair value changes of financial instruments recognised in the operating statement and agricultural assets; foreign exchange gains or losses, depletion of natural resources, and allowances for doubtful debts.

Net gain on sale of non-financial assets

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

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

Any gains or losses on disposal of financial assets are recognised at the expected date of disposal and are determined after deducting from the proceeds the carrying value of the asset at that time.

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

Actuarial gains or losses are a result of the change in defined benefit obligation arising from differences between assumptions used to calculate the estimated obligation (and resultant superannuation service cost) and what has actually occurred. The effect of any change in actuarial assumptions is also included. Actuarial gains or losses are recognised in the period in which they occur.

(L) Assets

Forecast assumption

The 1 July 2008 opening balances of assets represent the audited carrying value as at 30 June 2007, revised for estimated movements for 2007-08.

Financial Assets

Cash and deposits

Cash and deposits, which include cash equivalents, comprise cash on hand, cash at bank, deposits at call and highly liquid investments with short periods to maturity, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Forecast assumption

Cash and cash equivalent assets are assumed to be held at levels sufficient to cover operating requirements over the forecast period.

Investments, loans and placements (including advances paid)

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Investments are classified in the following categories:

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

The classification depends on the purpose for which the investments were acquired and this is determined at initial recognition.

Investments held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Where the State has the positive intent and ability to hold investments to maturity, they are stated at amortised cost less impairment losses.

Investments that are classified as being available for sale are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

Forecast assumption

All surplus cash resources for the period 2008-09 to 2011-12 are assumed to be held as financial assets (investments) pending repayment of debt when appropriate.

Receivables

Receivables consist predominantly of debtors in relation to goods and services, taxes and fines, accrued investment income, and GST input tax credits recoverable. Receivables and loans are recognised initially at fair value and subsequently recorded at amortised cost, using the effective interest method, less any accumulated impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

A provision for doubtful receivables is made when there is objective evidence that the debt may not be collectable. Bad debts are written off when identified.

Forecast assumption

Receivables are forecast on the basis of revenue activity levels.

Investments in associated entities and joint ventures

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

Investments in associates are accounted for in the estimated financial statements using the equity method. Under this method, the State's share of the post-acquisition profits or losses of associates is recognised in the consolidated operating statement and its share of post acquisition movements in reserves is recognised in consolidated reserves. The cumulative post acquisition movements are adjusted against the cost of the investment.

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

Interests in jointly controlled operations and jointly controlled assets are accounted for by recognising in the estimated financial statements, the share of the assets, liabilities and any income and expenses of such joint ventures.

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

Forecast assumption

Investments in existing joint venture operations and assets are assumed to remain unchanged during the forecast period.

Investments in other sectors

Other sectors of government, that is the PFC and PNFC sectors, are accounted for in the GGS reporting entity as an equity investment in other sectors 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. Fair value of these entities is not used as it is not reliably measurable. Where the carrying amount of net assets before consolidation eliminations is less than zero the amount is not included in the investment.

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 the requirements in AASB 139 *Financial Instruments: Recognition and Measurement*.

Forecast assumption

Investments in other sectors are estimated based on their audited net assets as at 30 June 2007, adjusted by management estimates of subsequent operating results and distributions.

(M) Non-financial assets

Inventories

Inventories include goods and other property held either for sale or for distribution at no or nominal cost in the ordinary course of business operations.

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories are measured at the lower of cost and net realisable value.

Cost is assigned to land for sale (undeveloped, under development and developed) and to other high value, low volume inventory items on a specific identification of cost basis.

Cost for all other inventory is measured on the basis of weighted average cost.

Forecast assumption

Inventories forecast to be purchased are valued at the forecast cost.

Non-financial assets classified as held for sale

These are assets for which the carrying amount of the asset will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is expected to be completed within one year from the date of classification. An asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell and is not subject to depreciation.

Forecast assumption

Assets held for sale are forecast on the basis of experience and known asset sales programs including the application of government policy such as asset management strategies and changes in the method of output delivery.

Land, buildings and infrastructure

Land and buildings are measured initially at cost and subsequently revalued at the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction (that is, fair value).

National parks, land underlying state forests and other Crown land are measured with regard to the property's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that the restrictions will no longer apply.

Road network assets (including earthworks of the declared road networks but excluding land under roads) are measured at fair value, determined by reference to the asset's depreciated replacement cost. Land under roads is not recognised.

Cultural depreciated assets and collections, heritage assets and other non-current physical assets that the state intends to preserve because of their unique historical, cultural or environmental attributes are measured at the cost of replacing the asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Plant, equipment and vehicles are measured at cost less accumulated depreciation and impairment.

Forecast assumption

The value of non-current physical assets will change during the forecast period to account for acquisitions, disposals and the impact of depreciation and revaluation.

New investments in assets are valued at the forecast purchase price or, where appropriate, recognised progressively over the estimated construction period.

The forward estimates include the estimated impact of revaluations of non-current physical assets. These estimates have been derived based on examination and extrapolation of historical trends in asset revaluations by major asset class.

Biological assets

Commercial native forests are measured at their fair value less estimated point of sale costs. The fair value is determined as the difference between the net present value of cash flows expected to be generated by the commercial native forests (discounted at a current market determined rate, which reflects the risks associated with forests) less the fair value of the land on which the commercial native forests are growing.

Forecast assumption

The value of biological assets will change during the forecast period to account for acquisitions, disposals and the impact of revaluations.

Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

As there is no identifiable ready market from which to estimate fair value, intangible assets are recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the relevant entity in the general government sector.

Intangible assets with finite useful lives are amortised on a systematic basis over the asset's useful life. Amortisation commences when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired.

Intangible assets with indefinite useful lives are not amortised. The useful lives of intangible assets that are not being amortised are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. All intangible assets with indefinite useful lives are also tested for impairment at least annually or whenever there is an indication that the intangible asset may be impaired.

Where assets are tested for impairment, any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

Forecast assumption

The value of intangible assets during the forecast period reflects forecast acquisitions, disposals and the impact of amortisation.

Land under roads

Land under roads acquired prior to 30 June 2008 is currently not recognised.

Forecast assumption

As disclosed above, land under roads acquired after 1 July 2008 must be recognised at the cost of acquisition. Carrying values during the forecast period reflect estimates of acquisitions by the entities concerned. Existing land under roads has not been recognised during the forecast period.

Partnerships Victoria projects

Infrastructure projects that are approved in principle by the government for possible delivery under the Partnerships Victoria model are initially included in the estimated financial statements as non-current physical assets (with associated financing and depreciation costs). An exception to this is EastLink which will be funded by user-pay tolls.

A final decision on whether an infrastructure project is to proceed with a Partnerships Victoria delivery approach is made following evaluation of bids arising from the tender process for the project, based on an assessment of value for money and satisfaction of the public interest. If, at the conclusion of the tender process, a decision is made to proceed with a Partnerships Victoria delivery approach, the budget treatment will be adjusted as required, to convert the applicable budgeted asset investment, depreciation and financing flows to ensure appropriate disclosure.

Due to a lack of accounting guidance applicable to Grantors on the recognition and measurement by the state of assets arising from certain service concession arrangements, there has been no change in policy and those assets are not currently recognised.

Leases

A distinction is made between finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased assets from the lessor to the lessee, and operating leases, where the lessor effectively retains all such risks and benefits.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The leased asset is depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Minimum lease payments are allocated between the principal component of the lease liability, and the interest expense calculated by using the interest rate implicit in the lease, and charged directly to the estimated operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

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

Operating lease payments are recognised as an expense in the estimated operating statement on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

The aggregate cost (or benefit) associated with operating lease incentives are recognised as a reduction of rental income (or rental expense) on a straight line basis over the lease term.

Forecast assumption

Unless otherwise stated, existing leases are assumed to be replaced by leases with similar terms and conditions.

Restrictive nature of cultural and heritage assets, Crown land and infrastructure

Certain agencies in the Victorian general government sector hold cultural assets, heritage assets, Crown land and infrastructure, which are deemed worthy of preservation because of the social rather than financial benefits they provide to the community.

Consequently, there are certain limitations and restrictions imposed on their use and/or disposal.

Impairment of assets

Intangible assets with indefinite useful lives are tested annually as to whether their carrying value exceeds their recoverable amount. All other assets are assessed annually for indications of impairment, except for:

- inventories;
- assets arising from construction contracts;
- assets arising from employee benefits;
- deferred tax assets;
- financial assets;
- investment property that is measured at fair value;
- certain biological assets related to agricultural activity;
- certain deferred acquisition costs and intangible assets arising from an insurer's contractual rights; and
- non-current assets classified as held for sale.

If there is an indication of possible impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the operating statement except to the extent that the write down can be debited to an asset revaluation reserve amount applicable to that class of asset.

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

Revaluations

Assets, other than those that are carried at cost, are revalued in accordance with Financial Reporting Directions issued by the Minister for Finance. This revaluation process normally occurs every five years, based on the asset's General Purpose Classification. At least in each annual reporting period, each class of assets shall be subject to fair value assessment indicators of material changes in values. Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

Revaluation increments are credited directly to equity in the revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised as income (other economic flows) in determining the net result.

Revaluation decrements are recognised immediately as expenses (other economic flows) in the net result, except that, to the extent that a credit balance exists in the revaluation reserve in respect of the same class of assets, they are debited to the revaluation reserve.

Revaluation increments and decrements relating to individual assets within a class of property, plant and equipment are offset against one another within the same class of non current assets but are not offset in respect of assets in different classes.

Revaluation reserves are not normally transferred to accumulated funds on de-recognition of the relevant asset.

Other non-financial assets

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

Forecast assumption

Unless otherwise stated, prepayments for expenditure extending into the next accounting period are assumed to apply only to minor contractual obligations for goods and services.

(N) Liabilities

Borrowings (including advances received)

The state's interest bearing liabilities mainly represent funds raised from the following sources:

- the residual amount outstanding for loans raised in previous years by the Commonwealth Government on behalf of the state;
- public borrowings mainly raised through the Treasury Corporation of Victoria; and
- finance leases and other interest bearing arrangements.

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

Interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Forecast assumption

Borrowing estimates are based on the ability to repay maturing debt and the need to finance capital expenditure.

Payables

Payables consist predominantly of accounts payable and other sundry liabilities. Accounts payable represent liabilities for goods and services provided to the state prior to the end of the financial year that are unpaid, and arise when the state becomes obliged to make future payments in respect of the purchase of those goods and services. Accounts payable are measured at amortised cost.

Other liabilities included in Payables mainly consist of unearned/prepaid income, goods and services tax and fringe benefits tax payables, and are initially recognised at fair value and subsequently remeasured at amortised cost. Unearned income liability includes deferred revenue from concession notes.

Forecast assumption

For the forecast period, accounts payable are based on known movements in contractual arrangements, other outstanding payables and historical experience.

The unearned income liability relating to concession notes will reduce each year as revenue is progressively brought to account over the remaining period of the concession term. The estimated changes in other components is based on historical experience.

Superannuation

At each forward estimate reporting date, a liability or asset in respect of defined benefit superannuation is recognised, and is measured as the difference between the estimated present value of accrued liabilities at the reporting date and the estimated net market value of the superannuation scheme's assets at that date. The present value of accrued liabilities is based on expected future payments which arise from membership of the schemes to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using rates on long-term Commonwealth Bonds.

The superannuation liability recognised in the estimated balance sheet also allows for any past service cost that has not yet been recognised in the estimated operating statement.

Forecast assumptions

The superannuation liabilities at future balance dates are estimated in accordance with the above policy using projections provided by the actuaries of the various defined benefit schemes. These projections are based on a number of demographic and financial assumptions which include, in particular, an expected return on the assets of the defined benefit schemes and a discount rate for determining the present value of accrued liabilities. Consistent with the long term actuarial assumptions, the expected return on assets is assumed to remain constant across the budget and forecast periods. The discount rates used are based on prevailing long term Commonwealth bond rates which are also assumed to remain constant across the forward estimates period. Actual experience may differ significantly from the assumptions used, which may cause significant variation in the superannuation liabilities. Any such variation would primarily impact on other economic flows in the operating statement.

The table below provides additional information regarding the forecast assumptions for the budget and forward years for each relevant defined benefit scheme.

Superannuation assumptions

<i>Victorian statutory schemes</i>	<i>Assumptions</i>	<i>Per cent ^(f)</i>
Emergency Services and State Super	Expected return on assets ^(a)	8.00
	Discount rate ^(b)	6.37
	Wages growth ^(c)	4.00
	Inflation rate ^(e)	3.00
Constitutionally Protected Schemes	Discount rate ^(b)	6.37
	Wages growth ^(c)	4.00
	Inflation rate ^(e)	4.00
Parliamentary Contributory Superannuation Fund	Expected return on assets ^(a)	8.00
	Discount rate ^(b)	6.37
	Wages growth ^(c)	4.00
	Inflation rate ^(e)	4.00
Health Super-Fund - Defined Benefit Scheme	Expected return on assets ^(a)	8.00
	Discount rate ^(b)	6.37
	Wages growth ^(c)	4.00
	Inflation rate ^(e)	3.00

Notes:

- (a) *The expected return on assets stated is gross of tax. Estimated tax payments are explicitly allowed for in the calculation process.*
- (b) *In accordance with accounting standards, the discount rate is based on the longest dated fixed interest Commonwealth Government bond rate. The rate stated above is an annual effective rate, gross of tax.*
- (c) *Wages growth are actuarial assumptions and do not reflect the Government's wages policy.*
- (d) *Parliamentary salaries are determined by reference to equivalent salaries in the Commonwealth Parliament.*
- (e) *Inflation is assumed to be 3.0 per cent a year for the next three years then 2.5 per cent a year in the long term.*
- (f) *Please note that all rates are nominal annual rates.*

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

<i>Asset class</i>	<i>Per cent</i>
Domestic equity	27.6
International equity	24.8
Domestic & International debt assets	21.8
Property	10.1
Cash	3.6
Other (inc. private equity, hedge funds and infrastructure)	12.1
Total	100.0

Other employee benefits

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

Provisions made in respect of employee benefits are measured based on their expected settlement. Provisions which are expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the State in respect of services provided by employees up to reporting date.

Regardless of the expected timing of settlement, provisions made in respect of employee benefits are classified as a current liability unless there is an unconditional right to defer the settlement of liability for at least 12 months after the reporting date, in which case it would be classified as a non current liability. The non-current liability includes long service leave entitlements accrued for employees with less than seven years of continuous service.

Forecast assumption

Employee benefits are forecast on the basis of staffing profiles and current salaries and conditions. For the forecast period, employee benefits are adjusted for approved wage agreements with an allowance made for future movements.

Other provisions

Other provisions include a liability for outstanding insurance claims, which is independently assessed by actuaries. This liability covers claims reported but not yet paid, claims incurred but not yet reported, and the anticipated direct and indirect costs of settling those claims. The actuaries take into account projected inflation and other factors to arrive at expected future payments. These are then discounted at the reporting date using a market determined, risk free discount rate.

Forecast assumption

The level of outstanding insurance claims liability at the end of each forecast year is based on historical trends, existing actuarial valuations and projections adjusted for forecast activity levels.

(O) Right to receive assets

The state has entered into a number of concession arrangements with independent private sector entities. These private sector entities typically lease land and sometimes state works, from the State and construct infrastructure. During the concession period, the operator has the right to obtain revenue from services that utilise the infrastructure and has the obligation to supply agreed upon services including maintenance of the asset. At the end of the concession period the land and state works, together with the constructed facilities will be returned to the state. These are sometimes referred to as Build, Own, Operate, and Transfer arrangements.

Significant concession arrangements include the City Link network, which charges tolls to motorists during the concession period, which has a nominal term of 33.5 years expiring 15 January 2034 and EastLink, which will also be a tollway with a nominal term of 35 years expiring 30 November 2043.

There is currently no accounting guidance applicable to Grantors on the recognition and measurement of the right of the state to receive assets from such concession arrangements. Prospective developments are discussed in (H) above.

Due to the ongoing uncertainty and lack of applicable accounting guidance on the recognition and measurement by the state of assets arising from certain service concession arrangements, there has been no change in policy and those assets are not currently recognised.

The impact that may occur as a result of possible changes to the accounting by the state cannot be reliably estimated and is not accounted for in the estimated financial statements.

(P) Accounting for the goods and services tax (GST)

Income, expenses and assets are recognised net of GST, except where the amount of GST incurred is not recoverable, in which case it is recognised as part of the cost of acquisition of an asset or part of an item of expense. GST receivable from and payable to the Australian Taxation Office is included in receivables and other liabilities.

(Q) Estimated cash flow statement

For the purposes of the estimated cash flow statement, cash and cash equivalents comprises cash on hand, cash at bank, bank overdrafts and deposits at call, and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(R) Rounding

All amounts in the estimated financial statements have been rounded to the nearest hundred thousand dollars unless otherwise stated. Figures in these estimated financial statements may not add due to rounding.

Note 2: Taxation

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Taxes on employers' payroll and labour force	3 963.2	4 200.1	4 449.7	4 710.6
Taxes on property				
Taxes on immovable property				
Land tax	1 049.8	1 023.8	1 076.2	1 049.4
Congestion levy	39.2	40.4	41.4	42.5
Metropolitan improvement levy	105.4	109.1	112.9	112.9
Property owner contributions to fire brigades	42.2	43.7	45.2	46.4
Total taxes on immovable property	1 236.6	1 216.9	1 275.7	1 251.2
Financial and capital transactions				
Land transfer duty	3 736.9	3 710.7	3 865.6	3 880.0
Other property duties	10.2	10.9	11.6	12.5
Financial accommodation levy	32.1	49.5	61.0	67.8
Total financial and capital transactions	3 779.1	3 771.1	3 938.2	3 960.3
Total taxes on property	5 015.7	4 988.0	5 213.9	5 211.4
Taxes on the provision of goods and services				
Gambling taxes				
Private lotteries	354.8	369.0	384.2	399.6
Electronic gaming machines	1 025.0	1 074.0	1 126.4	1 180.8
Casino	135.0	143.3	153.5	164.6
Racing	129.4	136.5	144.1	152.0
Other	7.7	8.2	8.7	9.2
Total gambling taxes	1 651.9	1 731.0	1 816.9	1 906.1
Levies on statutory corporations	73.7	73.7	73.7	73.7
Taxes on insurance	1 207.1	1 270.6	1 350.2	1 402.6
Total taxes on the provision of goods and services	2 932.7	3 075.3	3 240.8	3 382.4
Taxes on the use of goods and performance of activities				
Motor vehicle taxes				
Vehicle registration fees	829.4	881.1	931.4	984.0
Duty on vehicle registrations and transfers	581.5	602.6	625.1	648.4
Total motor vehicle taxes	1 410.9	1 483.6	1 556.6	1 632.4
Franchise taxes	7.8	7.9	8.0	8.1
Other	52.5	41.1	35.3	32.3
Total taxes on the use of goods and performance of activities	1 471.2	1 532.6	1 599.8	1 672.8
Total taxation	13 382.9	13 795.9	14 504.2	14 977.2

Note 3: Dividends and income tax equivalent and rate equivalent revenue

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Dividends	421.1	385.5	402.0	396.9
Income tax equivalent revenue	246.5	315.8	363.9	373.1
Local government rate equivalent revenue	2.3	2.4	2.4	2.4
Total dividends and income tax equivalent and rate equivalent revenue	669.9	703.7	768.3	772.4

Note 4: Sales of goods and services

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Motor vehicle regulatory fees	107.8	109.5	111.3	112.7
Other regulatory fees	288.0	295.1	292.1	287.8
Sale of goods	1.8	1.8	1.8	1.8
Provision of services	2 867.5	2 889.4	2 949.4	3 023.0
Rental	39.3	40.5	40.8	41.1
Refunds and reimbursements	51.3	52.4	53.5	54.7
Inter-sector capital asset charge	978.8	1 064.6	1 071.4	1 064.6
Total sales of goods and services	4 334.5	4 453.3	4 520.3	4 585.8

Note 5: Grants

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Current grants				
Current grants from the Commonwealth				
General purpose grants	10 281.4	10 981.3	11 656.2	12 295.0
Specific purpose grants for on-passing	1 967.5	2 074.8	2 189.4	2 310.4
Other specific purpose grants	4 657.0	4 746.7	4 951.6	5 180.2
Total	16 905.9	17 802.8	18 797.2	19 785.6
Other contributions and grants	6.0	6.0	6.0	6.0
Total current grants	16 911.9	17 808.8	18 803.2	19 791.6
Capital grants				
Capital grants from the Commonwealth				
Specific purpose grants for on-passing	150.4	154.9	159.6	164.0
Other specific purpose grants	383.0	424.9	384.7	387.1
Total	533.3	579.8	544.3	551.1
Other contributions and grants	109.8	106.8	101.4	88.5
Total capital grants	643.2	686.7	645.7	639.5
Total grants	17 555.0	18 495.5	19 448.9	20 431.1

Note 6: Other current revenue

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Fair value of assets received free of charge or for nominal consideration	21.8	0.8	0.8	0.8
Fines	492.2	504.0	506.0	505.7
Royalties	42.0	42.5	42.5	42.5
Donations and gifts	175.7	197.2	185.4	185.4
Other non-property rental	15.1	15.0	15.3	15.3
Other miscellaneous income	718.8	679.1	682.1	692.0
Total other current revenue	1 465.6	1 438.7	1 432.1	1 441.7

Note 7: Superannuation

The liability for employee superannuation benefits in the general government sector, is the responsibility of the State's public sector superannuation funds. These funds are not consolidated in the estimated financial statements as they are not controlled by the State. However, the major proportion of unfunded superannuation liabilities is the responsibility of the State and is recognised accordingly.

(a) Superannuation expense recognised in the operating statement

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Defined benefit plans				
Current service cost ^(a)	574.8	576.7	581.4	568.7
Interest cost ^(a)	1 821.0	1 850.1	1 874.0	1 893.6
Expected return on plan assets (net of expenses) ^(a)	(1 302.4)	(1 329.4)	(1 353.5)	(1 373.9)
Amortisation of past service cost ^{(a)(c)}	(14.5)	(10.2)	..	..
Actuarial (gains)/losses ^(b)	..	..	..	..
Total expense recognised in respect of defined benefit plans	1 078.9	1 087.2	1 101.9	1 088.4
Defined contribution plans				
Employer contributions to defined contribution plans ^(a)	731.5	764.7	817.4	857.6
Other (including pensions) ^(a)	47.9	49.9	52.1	54.3
Total expense recognised in respect of defined contribution plans	779.3	814.6	869.4	912.0
Total superannuation expense recognised in operating statement	1 858.2	1 901.7	1 971.3	2 000.4

Notes:

(a) Superannuation expense from transactions.

(b) Superannuation expense from other economic flows.

(c) Past service cost arises due to a change in benefits payable and must be amortised over the period until the benefits become vested. This is expected to occur by 2009-10.

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

(\$ million)

	2008-09 <i>Budget</i>	2009-10 <i>Estimate</i>	2010-11 <i>Estimate</i>	2011-12 <i>Estimate</i>
Opening balance of defined benefit obligation ^(a)	30 459.1	30 981.8	31 413.3	31 770.3
Current service cost	574.8	576.7	581.4	568.7
Interest cost	1 821.0	1 850.1	1 874.0	1 893.6
Contributions by plan participants	211.2	202.7	193.6	184.9
Actuarial (gains)/losses	..	..	..	..
Benefits paid	(2 084.2)	(2 198.0)	(2 292.0)	(2 369.9)
Closing balance of defined benefit obligation	30 981.8	31 413.3	31 770.3	32 047.7

Note:

- (a) The figure in 2008-09 incorporates a downward adjustment of \$237.8 million arising from an actuarial re-assessment of the tax liability of the Emergency Services and State Superannuation Scheme, from the figure reported in the 2006-07 Annual Financial Report.

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

(\$ million)

	2008-09 <i>Budget</i>	2009-10 <i>Estimate</i>	2010-11 <i>Estimate</i>	2011-12 <i>Estimate</i>
Opening balance of plan assets	17 544.7	17 924.8	18 312.9	18 614.3
Expected return on plan assets	1 302.4	1 329.4	1 353.5	1 373.9
Actuarial gains/(losses)	..	..	..	..
Employer contributions	950.7	1 054.0	1 046.2	1 086.2
Contributions by plan participants	211.2	202.7	193.6	184.9
Benefits paid (including tax paid)	(2 084.2)	(2 198.0)	(2 292.0)	(2 369.9)
Closing balance of plan assets	17 924.8	18 312.9	18 614.3	18 889.4

(d) Reconciliation of the superannuation liabilities

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
ESSS (including SSF)				
Defined benefit obligation	28 523.0	28 850.3	29 100.9	29 266.0
Tax liability ^(a)	766.2	837.8	925.8	1 020.2
Plan assets	(16 542.3)	(16 906.1)	(17 196.2)	(17 459.3)
Unrecognised past service cost ^(b)	10.2	..	..	..
Net liability/(asset)	12 757.1	12 782.0	12 830.6	12 827.0
Other funds ^(c)				
Defined benefit obligation	1 691.6	1 726.4	1 746.9	1 766.6
Tax liability ^(a)	1.2	(1.1)	(3.1)	(5.0)
Plan assets	(1 382.5)	(1 406.9)	(1 418.1)	(1 430.2)
Unrecognised past service cost	..	..	..	..
Net liability/(asset)	310.3	318.5	325.7	331.5
Total superannuation				
Defined benefit obligation	30 214.6	30 576.7	30 847.8	31 032.6
Tax liability	767.4	836.7	922.7	1 015.3
Plan assets	(17 924.8)	(18 312.9)	(18 614.3)	(18 889.4)
Unrecognised past service cost	10.2	..	..	..
Superannuation liability	13 067.4	13 100.5	13 156.3	13 158.5
Represented by:				
Current liability	535.0	544.0	601.4	616.4
Non-current liability	12 532.4	12 556.5	12 554.9	12 542.1

Notes:

- (a) Tax liability represents the present value of future tax payments on investment income from assets supporting the accrued benefits and the present value of future tax payments on the expected employer contributions (if any) to fund these accrued benefits.
- (b) Past service cost arises due to a change in benefits payable. This cost is recognised as an expense over the period until the benefits become vested. Unrecognised past service cost represents the amount of past service cost yet to be recognised in the operating statement.
- (c) Other funds include constitutionally protected schemes, the Parliamentary Contributory Superannuation Fund and the State's share of liabilities of the defined benefit scheme of the Health Super Fund.

Note 8: Depreciation

(\$ million)

	2008-09	2009-10	2010-11	2011-12
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Depreciation				
Buildings ^(a)	452.2	489.5	542.1	605.1
Plant, equipment and infrastructure systems	636.9	674.7	692.5	702.1
Road networks	395.0	406.2	459.3	486.5
Other assets	11.5	11.5	11.6	11.6
Leased plant and equipment	41.5	41.5	36.6	32.1
Leasehold buildings	51.1	56.0	56.8	73.9
Intangible produced assets ^(b)	21.2	33.2	27.4	35.1
Total depreciation	1 609.4	1 712.7	1 826.3	1 946.4

Notes:

(a) Includes estimated depreciation on amounts not yet allocated to projects in 2008-09 to 2010-11.

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

Note 9: Interest expense

(\$ million)

	2008-09	2009-10	2010-11	2011-12
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Interest on long-term interest-bearing liabilities	343.9	410.2	531.2	642.7
Interest on short-term interest-bearing liabilities	36.5	36.5	36.5	36.5
Finance charges on finance leases	86.7	98.8	95.8	93.5
Discount interest on payables	32.3	31.4	31.5	31.3
Total interest expense	499.4	576.9	695.0	804.0

Note 10: Grants and other transfers

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Current grants expense				
Commonwealth Government	72.2	74.7	70.7	70.7
Local Government on-passing	581.0	606.7	609.8	610.4
Private sector and not for profit on-passing	2 986.7	3 119.3	3 152.0	3 184.8
Other private sector and not for profit	447.7	427.7	509.5	523.9
Grants within the Victorian Government	1 960.4	1 959.9	1 976.4	1 975.6
Grants to other state governments	15.1	14.0	13.8	13.9
Total current grants and other transfers	6 063.0	6 202.2	6 332.1	6 379.3
Capital grants expense				
Commonwealth Government	..	..	..	..
Local Government on-passing	8.7	9.7	6.8	6.8
Private sector and not for profit on-passing	143.7	108.2	98.3	98.0
Other private sector and not for profit	137.3	33.7	4.0	4.0
Grants within the Victorian Government	27.6	11.0	10.5	10.1
Other grants	59.2	0.4	0.4	0.4
Total capital grants and other transfers	376.4	163.0	120.1	119.3
Total grants and other transfers	6 439.4	6 365.2	6 452.2	6 498.7

Note 11: Total expenses by government purpose classification

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
General public services	2 725.4	3 894.6	4 738.0	5 572.7
Public order and safety	4 192.9	4 220.0	4 357.2	4 412.4
Education	9 694.2	9 941.3	10 296.8	10 534.4
Health	9 836.3	9 874.2	10 122.9	10 337.6
Social security and welfare	2 896.3	2 963.0	3 038.8	3 109.4
Housing and community amenities	1 963.5	1 876.3	1 857.8	1 827.6
Recreation and culture	841.6	830.2	826.7	822.5
Fuel and energy	83.2	70.9	71.8	72.3
Agriculture, forestry, fishing, and hunting	361.0	321.1	326.5	323.6
Mining, manufacturing, and construction	27.0	27.0	19.8	19.4
Transport and communications	3 877.8	3 958.1	4 121.1	4 252.9
Other economic affairs	456.5	465.8	405.8	371.0
Other purposes	27.0	27.3	27.6	27.8
Total expenses by government purpose classification^(a)	36 982.4	38 469.6	40 210.7	41 683.7

Note:

(a) Classifications have been determined using ratios based on historical data. The methodology differs from the one used to construct previous tables by purpose that were prepared on a GFS basis and are therefore not completely comparable.

Note 12: Other gains/(losses) from other economic flows

(\$ million)

	2008-09	2009-10	2010-11	2011-12
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Net gain/(loss) from revaluation of biological assets	8.4	8.4	8.4	8.4
Net (increase)/decrease in provision for doubtful receivables	(147.6)	(154.0)	(154.0)	(154.0)
Other gains/(losses)	(11.8)	(8.9)	(7.9)	0.1
Total other gains/(losses) from other economic flows	(151.1)	(154.5)	(153.5)	(145.5)

Note 13: Receivables

(\$ million)

	2008	2009	2010	2011	2012
	<i>Revised</i>	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Sales of goods and services	515.0	524.0	534.6	495.4	457.6
Taxes receivables	802.6	667.0	609.2	609.4	609.6
Fines and regulatory fees	676.5	730.0	783.9	837.8	891.7
Accrued investment income	13.7	150.0	107.8	138.3	147.4
Other receivables	408.0	433.6	439.0	443.5	415.8
GST input tax credits recoverable	252.6	253.4	253.9	254.6	255.3
<i>Provision for doubtful receivables</i>	<i>(544.9)</i>	<i>(692.0)</i>	<i>(845.9)</i>	<i>(999.8)</i>	<i>(1 153.7)</i>
Total receivables	2 123.6	2 066.0	1 882.4	1 779.2	1 623.8

Note 14: Reconciliation of net gain on equity investments in other sector entities at proportional share of net assets

(\$ million)

	2008-09	2009-10	2010-11	2011-12
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Balance of investment in PNFC and PFC sectors at beginning of period	43 801.3	45 483.4	46 490.0	47 423.0
Net contributions to other sectors by owner	1 275.0	1 199.9	981.6	760.9
Revaluation gain/ (loss) for period	407.2	(193.4)	(48.5)	55.6
Balance of investment in PNFC and PFC sectors at end of period	45 483.4	46 490.0	47 423.0	48 239.5

Note 15: Net acquisition of non-financial assets

(\$ million)

	2008-09	2009-10	2010-11	2011-12
	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Purchases of non-financial assets	2 837.9	3 083.1	3 490.6	4 072.7
Less: Sales of non-financial assets	(153.8)	(167.2)	(130.8)	(166.8)
Less: Depreciation	(1 609.4)	(1 712.7)	(1 826.3)	(1 946.4)
Plus: Change in inventories	1.4	0.2	(0.3)	(0.3)
Plus: Other movements in non-financial assets	193.2	(0.4)	(0.4)	839.7
Total net acquisition of non-financial assets	1 269.2	1 203.0	1 532.8	2 798.9

Note 16: Land, buildings, infrastructure, plant and equipment**(a) Total land, buildings, infrastructure, plant and equipment**

(\$ million)

	2008	2009	2010	2011	2012
	<i>Revised</i>	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Buildings (written down value)	16 665.9	18 251.3	20 099.9	22 885.8	27 513.1
Land and national parks	20 716.1	22 174.9	23 769.1	25 580.0	27 621.9
Infrastructure systems (written down value)	390.5	563.4	618.1	632.5	634.6
Plant, equipment and vehicles (written down value)	2 185.4	2 078.4	1 922.2	1 632.1	1 299.4
Roads (written down value)	16 687.6	17 113.8	19 220.6	19 466.9	19 455.5
Earthworks	5 121.7	5 121.7	5 692.0	5 692.0	5 692.0
Cultural assets (written down value)	3 619.5	3 623.0	3 819.6	3 929.1	3 935.0
Total land, buildings, infrastructure, plant and equipment	65 386.6	68 926.4	75 141.5	79 818.5	86 151.5

(b) Land and buildings

(\$ million)

	2008	2009	2010	2011	2012
	<i>Revised</i>	<i>Budget</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Buildings	18 259.0	20 300.8	22 644.0	25 971.5	31 220.6
<i>Accumulated depreciation</i>	(1 593.1)	(2 049.6)	(2 544.1)	(3 085.7)	(3 707.5)
Buildings (written down value)	16 665.9	18 251.3	20 099.9	22 885.8	27 513.1
Land	18 415.9	19 874.4	21 468.2	23 278.8	25 320.2
National Parks and other 'land only' holdings	2 300.2	2 300.6	2 300.9	2 301.3	2 301.6
Land and national parks	20 716.1	22 174.9	23 769.1	25 580.0	27 621.9
Total land and buildings	37 382.0	40 426.2	43 869.0	48 465.8	55 134.9

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

	(\$ million)				
	2008	2009	2010	2011	2012
	Revised	Budget	Estimate	Estimate	Estimate
Infrastructure systems	432.5	632.4	715.8	759.3	790.8
<i>Accumulated depreciation</i>	(42.1)	(69.1)	(97.7)	(126.8)	(156.2)
Infrastructure systems (written down value)	390.5	563.4	618.1	632.5	634.6
Plant, equipment and vehicles	4 937.5	5 337.2	5 704.2	5 930.6	6 119.1
<i>Accumulated depreciation</i>	(2 882.8)	(3 353.2)	(3 840.2)	(4 325.3)	(4 819.6)
Leased plant, equipment and vehicles	187.4	187.4	187.4	187.4	187.4
<i>Accumulated depreciation</i>	(56.7)	(93.0)	(129.2)	(160.6)	(187.4)
Plant, equipment and vehicles (written down value)	2 185.4	2 078.4	1 922.2	1 632.1	1 299.4
Total plant, equipment and vehicles, and infrastructure systems	2 575.9	2 641.8	2 540.2	2 264.6	1 934.0

(d) Road networks and earthworks

	(\$ million)				
	2008	2009	2010	2011	2012
	Revised	Budget	Estimate	Estimate	Estimate
Roads	19 787.2	20 333.8	23 992.1	24 367.0	24 503.5
<i>Accumulated depreciation</i>	(7 550.0)	(7 862.7)	(9 049.3)	(9 410.8)	(9 797.0)
Road infrastructure	6 842.3	7 116.9	7 100.7	7 431.4	7 770.1
<i>Accumulated depreciation</i>	(2 391.9)	(2 474.2)	(2 822.9)	(2 920.7)	(3 021.1)
Roads (written down value)	16 687.6	17 113.8	19 220.6	19 466.9	19 455.5
Earthworks	5 121.7	5 121.7	5 692.0	5 692.0	5 692.0
Total road networks and earthworks	21 809.3	22 235.5	24 912.6	25 158.9	25 147.5

(e) Cultural assets

	(\$ million)				
	2008	2009	2010	2011	2012
	Revised	Budget	Estimate	Estimate	Estimate
Cultural assets	3 716.6	3 729.3	3 935.1	4 054.2	4 069.7
<i>Accumulated depreciation</i>	(97.1)	(106.3)	(115.5)	(125.1)	(134.7)
Total cultural assets	3 619.5	3 623.0	3 819.6	3 929.1	3 935.0

Cultural assets comprise non-current physical assets intended to be preserved because of their unique historical, cultural or environmental attributes, such as the Royal Botanic Gardens, Government House, Parliament House, historic houses, monuments, museum exhibits, art collections and archival collections.

Note 17: Reconciliation of movements in land, buildings, infrastructure, plant and equipment

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Carrying amount at the start of the year ^(a)	65 386.6	68 926.4	75 141.5	79 818.5
Additions ^(b)	3 060.3	3 065.6	3 460.0	4 898.1
Disposals at written down value	(198.9)	(150.1)	(109.5)	(109.7)
Revaluations	2 281.5	4 978.0	3 124.2	3 454.8
Assets reclassified	(16.0)	..	..	..
Depreciation expense	(1 587.1)	(1 678.4)	(1 797.8)	(1 910.3)
Carrying amount at the end of the year	68 926.4	75 141.5	79 818.5	86 151.5

Notes:

- (a) Property, plant and equipment comprises land and buildings, infrastructure systems, plant, equipment, vehicles, road networks and cultural assets. Excludes movements in intangible, investment properties and other non-financial assets.
- (b) Includes assets acquired under finance lease arrangements.

Note 18: Other non-financial assets

(\$ million)

	2008 Revised	2009 Budget	2010 Estimate	2011 Estimate	2012 Estimate
Intangibles produced assets	393.0	421.5	433.7	458.6	467.4
Accumulated depreciation	(181.6)	(201.9)	(235.5)	(262.6)	(297.3)
Intangibles non-produced assets	20.7	20.7	20.7	20.7	20.7
Accumulated depreciation	(11.9)	(11.9)	(11.9)	(11.9)	(11.9)
Total intangibles	220.2	228.3	207.0	204.8	178.9
Investment properties	19.2	19.2	19.2	19.2	19.2
Biological assets ^(a)	89.0	97.4	105.8	114.2	122.6
Other assets	200.8	192.7	187.9	183.2	178.4
Total other non-financial assets	529.2	537.7	520.0	521.4	499.2

Note:

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

Note 19: Assets classified by government purpose classification

(a) Purchases of non-financial assets

(\$ million)

	2008-09	2009-10	2010-11	2011-12
	Budget	Estimate	Estimate	Estimate
General public services	192.4	302.2	335.1	246.3
Public order and safety	273.6	337.4	269.7	204.5
Education	849.6	616.2	356.8	270.2
Health	564.6	459.3	283.5	136.9
Social security and welfare	79.4	41.9	50.6	38.3
Housing and community amenities	361.0	159.2	124.8	102.9
Recreation and culture	45.5	34.5	28.4	27.9
Fuel and energy	3.6	2.7	2.6	2.6
Agriculture, forestry, fishing, and hunting	60.8	95.4	39.6	8.2
Mining, manufacturing, and construction	..	..	..	..
Transport and communications	825.2	941.8	715.0	476.6
Other economic affairs	26.2	36.7	11.6	2.4
Other purposes	1.8	1.8	1.8	1.8
Not allocated by purpose ^(a)	(445.9)	54.0	1 271.4	2 554.2
Total purchases of non-financial assets ^(b)	2 837.9	3 083.1	3 490.6	4 072.7

Note:

- (a) Estimated amount available to be allocated to specific departments and projects. This includes an allowance for departmental underspending in 2008-09 which may be subject to carryover in 2009-10.
- (b) Classifications have been determined using ratios based on historical data.

(b) Total assets

(\$ million)

	2009	2010	2011	2012
	Budget	Estimate	Estimate	Estimate
General public services	593.3	789.7	1 054.8	1 221.6
Public order and safety	3 497.7	3 588.8	3 694.6	3 725.6
Education	13 823.3	14 050.5	14 008.1	13 871.8
Health	6 656.3	6 648.0	6 490.2	6 996.3
Social security and welfare	1 092.2	1 070.3	1 054.7	1 024.3
Housing and community amenities	11 467.1	11 514.3	11 535.0	11 543.1
Recreation and culture	5 844.6	5 855.6	5 837.4	5 819.1
Fuel and energy	31.6	31.4	31.1	30.8
Agriculture, forestry, fishing, and hunting	354.1	424.2	439.2	424.0
Mining, manufacturing, and construction	..	..	..	..
Transport and communications	23 522.0	26 374.0	26 595.5	26 562.9
Other economic affairs	255.5	287.2	291.1	282.0
Other purposes	7.3	7.4	7.5	7.6
Not allocated by purpose ^(a)	55 765.6	59 489.8	64 697.7	71 344.6
Total assets ^(b)	122 910.7	130 131.3	135 736.9	142 853.6

Note:

- (a) Includes financial assets which are not able to be allocated by purpose.
- (b) Classifications have been determined using ratios based on historical data.

Note 20: Borrowings

	(\$ million)				
	2008	2009	2010	2011	2012
	Revised	Budget	Estimate	Estimate	Estimate
Current borrowings					
Domestic borrowings	237.7	238.2	237.7	236.2	234.7
Finance lease liabilities	50.7	62.2	60.8	61.8	32.2
Total current borrowings	288.3	300.4	298.5	298.0	266.9
Non-current borrowings					
Domestic borrowings	5 431.8	6 849.1	8 752.7	10 481.6	12 433.8
Finance lease liabilities	993.0	1 682.3	1 595.1	1 506.2	2 287.1
Total non-current borrowings	6 424.8	8 531.4	10 347.8	11 987.8	14 720.9
Total borrowings	6 713.1	8 831.7	10 646.2	12 285.8	14 987.8

Note 21: Other employee benefits

	(\$ million)				
	2008	2009	2010	2011	2012
	Revised	Budget	Estimate	Estimate	Estimate
Current					
Accrued salaries and wages ^(a)	1 137.6	1 161.6	1 194.3	1 227.7	1 260.6
Long service leave	2 220.7	2 275.8	2 345.0	2 417.6	2 488.4
Total current employee benefits	3 358.3	3 437.4	3 539.3	3 645.3	3 749.0
Non-current					
Accrued salaries and wages ^(a)	..	..	..	..	..
Long service leave	411.5	476.8	515.1	554.0	593.9
Total non-current employee benefits	411.5	476.8	515.1	554.0	593.9
Total employee benefits	3 769.8	3 914.2	4 054.5	4 199.3	4 342.9

Note:

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

Current employee benefits are defined in AASB 101 *Presentation of Financial Statements*, as the amount for which the State of Victoria does not have an unconditional right to defer settlement beyond 12 months, entirely in relation to long service leave.

Note 22: Cash flow information

(a) Reconciliation of cash and cash equivalents

(\$ million)

	2009 Budget	2010 Estimate	2011 Estimate	2012 Estimate
Cash	1 100.7	1 157.0	1 223.0	1 293.8
Deposits at call	1 099.0	1 106.4	1 102.3	1 095.5
Cash and cash equivalents	2 199.6	2 263.4	2 325.3	2 389.3
Bank overdraft	(3.1)	(3.1)	(3.1)	(3.1)
Balances as per cash flow statement	2 196.5	2 260.4	2 322.2	2 386.2

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

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Net result	716.9	711.5	771.8	840.1
Non-cash movements				
Depreciation	1 609.4	1 712.7	1 826.3	1 946.4
Revaluation of investments	(0.6)	(0.5)	(0.6)	(0.7)
Assets (received) / provided free of charge	38.2	0.4	0.4	0.4
Revaluation of assets	3.5	0.6	(0.4)	(8.4)
Discount/premium on other financial assets/ borrowings	7.5	7.6	7.7	7.5
Movements included in investing and financing activities				
Net gain from disposal of property, plant and equipment	(39.9)	(14.4)	(18.7)	(22.3)
Movements in assets and liabilities				
Increase/(decrease) in provision for doubtful debts	147.1	154.0	153.9	153.9
Increase/(decrease) in payables	(85.8)	(88.8)	(92.3)	(92.3)
Increase/(decrease) in employee benefits	144.4	140.3	144.8	143.6
Increase/(decrease) in superannuation	128.3	33.1	55.8	2.2
Increase/(decrease) in other provisions	(41.2)	(25.1)	(19.3)	(14.1)
Increase/(decrease) in other liabilities	122.6	(202.9)	(7.2)	(7.3)
(Increase)/decrease in receivables	(63.8)	31.8	(48.6)	(28.5)
(Increase)/decrease in other non-financial assets	7.5	4.9	5.2	5.3
Net cash flows from operating activities	2 694.2	2 465.1	2 778.9	2 926.0

Note 23: Reserves

	(\$ million)				
	2008	2009	2010	2011	2012
	Revised	Budget	Estimate	Estimate	Estimate
Property plant and equipment revaluation reserve	28 531.4	30 824.9	35 812.0	38 944.3	42 399.3
Available-for-sale investments revaluation reserve	37.7	37.7	37.7	37.7	37.7
Revaluation reserve for investments in PFC and PNFC entities	39 066.3	39 473.4	39 280.1	39 231.6	39 287.1
Other reserves	660.4	661.4	662.4	663.4	664.4
Total reserves	68 295.8	70 997.4	75 792.2	78 877.0	82 388.5

Note 24: Reconciliations to Government Finance Statistics

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

	(\$ million)			
	2008-09	2009-10	2010-11	2011-12
	Budget	Estimate	Estimate	Estimate
Net result from transactions – net operating balance	827.5	851.1	906.0	962.6
Convergence differences	..	..	..	..
GFS Net operating balance	827.5	851.1	906.0	962.6

Note:

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

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

	(\$ million)			
	2008-09	2009-10	2010-11	2011-12
	Budget	Estimate	Estimate	Estimate
Total change in net worth	3 427.1	5 518.3	3 852.9	4 351.1
Convergence differences:				
Contribution by minority interest	(20.0)	(20.0)	..	..
Relating to net operating balance (from (a) above)	..	..	..	..
Relating to other economic flows:				
Doubtful receivables ^(b)	147.1	154.0	153.9	153.9
Net gain on equity investments in other sector entities measured at proportional share of net assets/(liabilities) ^(c)	20.0	38.5	34.3	50.6
Total convergence differences	147.1	172.5	188.2	204.5
GFS Total change in net worth	3 574.2	5 690.8	4 041.1	4 555.6

Notes:

- (a) Determined in accordance with the ABS GFS Manual.
- (b) The convergence difference arises because GFS does not recognise doubtful receivables, whereas the operating statement recognises it and classifies doubtful receivables as other economic flows.
- (c) The convergence difference arises because the amount of net assets (and therefore the change in carrying amount of net assets) of other sector entities determined under GFS principles and rules differs from the carrying amount of net assets (and therefore the change in carrying amount of net assets) of the subsidiaries recognised in the balance sheet. The difference is therefore the total change in net worth impacting either through the net operating balance or other economic flows. The components are doubtful receivables in the PNFC and PFC sectors, and the change in future tax benefits and future tax liabilities in those sectors.

(c) Reconciliation GFS Net lending/(borrowing)^(a)

	(\$ million)			
	2008-09	2009-10	2010-11	2011-12
	Budget	Estimate	Estimate	Estimate
Net lending/(borrowing)	(441.7)	(351.9)	(626.8)	(1 836.2)
Convergence differences	..	..	..	..
GFS Net lending/ (borrowing)	(441.7)	(351.9)	(626.8)	(1 836.2)

Note:

- (a) Determined in accordance with the ABS GFS Manual.

(d) Reconciliation to GFS net worth^(a)

(\$ million)

	2009 Budget	2010 Estimate	2011 Estimate	2012 Estimate
Net worth	92 435.8	97 954.1	101 807.0	106 158.1
Convergence differences:				
Minority interest	(42.8)	(62.8)	(62.8)	(62.8)
Accounts receivable - provision for doubtful debts ^(b)	692.0	845.9	999.8	1 153.7
Investments in other sector entities ^(c) :				
Doubtful receivables of the PNFC sector	20.3	21.3	22.4	23.6
Doubtful receivables of the PFC sector	34.8	34.8	34.8	34.8
Future tax benefits of the PNFC sector	(124.5)	(136.7)	(149.3)	(155.7)
Future tax benefits of the PFC sector	(463.2)	(463.2)	(463.2)	(463.2)
Deferred tax liability of the PNFC sector	1 876.2	1 925.9	1 971.7	2 027.5
Deferred tax liability of the PFC sector	467.7	467.7	467.7	467.7
Total adjustments for investments in other sector entities	1 811.4	1 849.9	1 884.2	1 934.8
Total convergence differences	2 460.5	2 633.0	2 821.2	3 025.7
GFS Net worth	94 896.3	100 587.1	104 628.2	109 183.8

Notes:

- (a) Determined in accordance with the ABS GFS Manual.
- (b) The convergence difference in accounts receivable arises because GFS does not recognise doubtful receivables, whereas a provision for doubtful receivables is recognised in the balance sheet.
- (c) The convergence difference in investments in other sector entities arises in the GGS in relation to the accounts receivable (provisions for doubtful receivables) in the PNFC and PFC sectors, future tax benefits and deferred tax liability in those sectors. In addition to the non-recognition of doubtful receivables mentioned above, GFS does not recognise deferred tax liabilities or future tax benefits unless or until those liabilities or benefits are realised.

(e) Derivation of GFS Cash surplus/(deficit)^(a)

(\$ million)

	2008-09 Budget	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Cash surplus/(deficit)	10.2	(450.7)	(580.9)	(979.9)
Convergence differences:				
Less: Acquisitions under finance leases and similar arrangements	(231.4)	..	..	( 840.1)
Total convergence differences	(231.4)	..	..	( 840.1)
GFS Cash surplus/ (deficit)	(221.2)	(450.7)	(580.9)	(1 820.0)

Note:

- (a) Determined in accordance with the ABS GFS Manual

Note 25: Financial Instruments – financial risk management objectives and policies

The Annual Financial Report (Note 32) contains a comprehensive disclosure of the state's (including the general government sector's) financial risk management objectives and policies. There has been no substantive change to these objectives and policies since the 2006-07 Report. In relation to the general government sector, the following is a summary of how these risks are reviewed and managed.

The general government sector's principal holdings of financial instruments comprise domestic loans and long term liabilities, finance leases, cash, Australian currency term deposits and other debt securities.

These financial instruments arise primarily as a consequence of the need to raise finance for the state's operations including investment in productive assets or from the effective management of financial surpluses. The state also has various other financial assets and liabilities such as receivables and payables, which arise directly from its operations. Although certain state controlled entities outside the general government sector may enter into derivative transactions, none of these entities are included in the general government sector.

It is not the state's policy to enter into or trade financial instruments for speculative purposes. The main risks arising from the state's financial instruments are fair value and cash flow interest rate risks, credit risk, liquidity risk and foreign currency risk.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Only a small portion of the state's financial instruments are exposed to cash flow interest risk. The majority of the state's exposure to interest rate risk arises from fair value interest rate risk in relation to the state's long term debt obligations with fixed interest rates.

The state's borrowings are mainly managed by Treasury Corporation of Victoria (TCV), the state's central borrowing authority. Interest rate risk inherent in TCV's asset and liability management activities is monitored on a daily basis against Board approved limits using the Value at Risk methodology. Value at Risk is a measure of the estimated loss faced by TCV within a certain level of confidence over a given holding period under normal market conditions.

The state's policy for the management of interest rate risk on general government borrowings is to achieve relative certainty of interest cost while seeking to minimise net borrowing costs within portfolio risk management guidelines. Generally, this is achieved by undertaking fixed rate borrowings with relatively even maturity profiles. Over 95 per cent of the State's borrowings are at a fixed rate of interest.

Credit risk

The general government sector's maximum exposure to credit risk, in relation to each class of financial asset, is the carrying amount of those assets in the estimated balance sheet.

With respect to credit risk arising from financial assets, which mainly comprise cash and cash equivalents, available for sale assets and receivables, the exposure to credit risk arises from default of the counterparty.

Cash equivalents and available for sale investments are mainly managed through the state's principal borrowing and investing authorities. These corporations manage credit risks by avoiding concentration of exposures to any one counterparty and having a wide range of approved counterparties.

Entities in the general government sector manage other receivables, predominantly debtors in relation to goods and services, statutory debtors in relation to taxes and fines, accrued investment income, and GST input tax credits recoverable, in accordance with guidelines consistent with the compliance framework issued by the Minister for Finance. A prudent level of provisions for doubtful receivables is included in the estimated balance sheet.

Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. The state manages liquidity through rigorous cash flow and maturities planning and monitoring, including the annual budget process and through holding high quality liquid assets.

Foreign exchange risk

The general government sector has no interest bearing liabilities or financial assets denominated in foreign currencies. The currency risk arising from the state's offshore funding program is managed primarily through TCV using currency swaps, forward foreign exchange contracts and foreign exchange options. It is the state's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

Note 26: Glossary of technical terms

ABS GFS manual

The ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods* as updated from time to time.

Advances paid

Loans acquired for policy rather than liquidity management purposes. Included are long and short term loans, non marketable debentures and long and short term promissory agreements (bond and bills) issued to public sector units for achieving government policy objectives.

Capital grants

Transactions in which the ownership of an asset (other than cash and inventories) is transferred from one institutional unit to another, in which cash is transferred to enable the recipient to acquire another asset or in which the funds realised by the disposal of another asset are transferred for which no economic benefits of equal value are receivable or payable in return.

Cash surplus/deficit

Net cash flows from operating activities plus net cash flows from acquisition and disposal of non-financial assets (less dividends paid for the PNFC and PFC sectors).

Cash surplus/deficit – ABS GFS version

Equal to the cash surplus deficit (above) less the value of assets acquired under finance leases and similar arrangements.

Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other movements in equity.

Current grants

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

Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Fiscal aggregates

Analytical balances that are useful for macroeconomic analysis purposes, including assessing the impact of a government and its sectors on the economy. AASB 1049 prescribes: net operating balance, net lending/borrowing (fiscal balance), change in net worth (comprehensive result), net worth, and cash surplus/deficit. Additional fiscal aggregates not included in AASB 1049 are net debt, net financial worth, net financial liabilities.

Government units

Legal entities established by political processes which have legislative, judicial or executive authority over other institutional units within a given area and which: (i) provide goods and services to the community and/or individuals free of charge or at prices that are not economically significant; and (ii) redistribute income and wealth by means of taxes and other compulsory transfers.

Government Finance Statistics (GFS)

GFS enables policymakers and analysts to study developments in the financial operations, financial position and liquidity situation of the government. More details about the GFS can be found in the Australian Bureau of Statistics (ABS) GFS Manual *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005*.

General government sector (GGS)

The general government sector comprises all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. General government services include those which are mainly non-market in nature, those which are largely for collective consumption by the community, and those which involve the transfer or redistribution of income. These services are financed mainly through taxes, other compulsory levies and user charges. A listing of all entities comprising the GGS is included at Note 27.

Grants

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be of a current or capital nature (see current grants and capital grants).

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers.

Grants can be paid as general purpose grants which refers to grants which are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants for on-passing

All grants paid to one institutional sector (e.g. a State general government) to be passed on to another institutional sector (e.g. local government or a private non-profit institution).

Institutional unit

An economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities.

Interest expense

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

Key fiscal aggregates

Referred to as analytical balances in the ABS GFS Manual, are data identified as useful for macroeconomic analysis purposes, including assessing the impact of a government and its sectors on the economy. They are: opening net worth, net operating balance, net lending/(borrowing), change in net worth due to revaluations, change in net worth due to other changes in the volume of assets, total change in net worth, closing net worth and cash surplus/(deficit).

Net acquisition of non-financial assets (from transactions)

Purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write-offs, impairment write-downs and revaluations.

Net cash from investments in financial assets (liquidity management purposes)

Net cash flows from investments in financial assets (liquidity management purposes) is cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.

Net cash from investments in financial assets (policy purposes)

Net cash flows from investments in financial assets (policy purposes) is cash receipts from the repayment and liquidation of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. Acquisition of financial assets for policy purposes is distinguished from investments in financial assets (liquidity management purposes) by the underlying government motivation for acquiring the assets. Acquisition of financial assets for policy purposes is motivated by government policies such as encouraging the development of certain industries or assisting citizens affected by natural disaster.

Net gain on equity investments in other sector entities

Net gain on equity investments in other sector entities measured at proportional share of the carrying amount of net assets/(liabilities) comprises the net gains relating to the equity held by the GGS in other sector entities. It arises from a change in the carrying amount of net assets of the subsidiaries. The net gains are measured based on the proportional share of the subsidiary's carrying amount of net assets/(liabilities) before elimination of inter sector balances.

Net debt

Net debt equals sum of deposits held, advances received, government securities, loans and other borrowing less the sum of cash and deposits, advances paid and investments, loans and placements, and investment in GGS entities using the equity method.

Net financial liabilities

Total liabilities less financial assets, other than equity in PNFCs and PFCs. This measure is broader than net debt as it includes significant liabilities, other than borrowings (e.g. accrued employee liabilities such as superannuation and long service leave entitlements). For the PNFC and PFC sectors, it is equal to negative net financial worth.

Net lending/borrowing

The financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. It also equals transactions in financial assets less transactions in liabilities. A positive result reflects a net lending position and a negative result reflects a net borrowing position.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movements in equity'.

Net result from transactions/net operating balance

Net result from transactions or net operating balance is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net worth

Assets less liabilities. It is an economic measure of wealth and reflects the contribution of jurisdictions to the wealth of Australia.

Net financial worth

Net financial worth is equal to financial assets minus liabilities. It is a broader measure than net debt in that it incorporates provisions made (such as superannuation, but excluding depreciation and bad debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities, only some of which are included in net debt.

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'.

Non-financial public sector (NFPS)

The non-financial public sector represents the consolidated transactions and assets and liabilities of the general government and public non-financial corporations sectors. In compiling statistics for the non-financial public sector, transactions and debtor-creditor relationships between sub-sectors are eliminated to avoid double counting.

Non-produced assets

Non-produced assets are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets. Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

Non-profit institution

A legal or social entity that is created for the purpose of producing or distributing goods and services but is not permitted to be a source of income, profit or other financial gain for the units that establish, control or finance it.

Other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. It includes gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal. In simple terms, other economic flows are changes arising from market re-measurements.

Payables

Includes short and long term trade debt and accounts payable, grants and interest payable.

Public Financial Corporations (PFC) sector

Public financial corporations are bodies primarily engaged in the provision of financial intermediation services or auxiliary financial services. They are able to incur financial liabilities on their own account (e.g. taking deposits, issuing securities or providing insurance services). The public financial corporations sector includes the Treasury Corporation of Victoria and the Transport Accident Commission. Estimates are not published for the public financial corporations sector. A listing of all PFCs controlled by the Victorian government is included at Note 27.

Public Non-Financial Corporations (PNFC) sector

The public non-financial corporations sector comprises bodies mainly engaged in the production of goods and services (of a non-financial nature) for sale in the market place at prices that aim to recover most of the costs involved (e.g. water and port authorities). In general, public non-financial corporations are legally distinguishable from the governments which own them. A listing of all PNFCs controlled by the Victorian government is included at Note 27.

Quasi-corporation

An unincorporated enterprise that functions as if it were a corporation, has the same relationship with its owner as a corporation, and keeps a separate set of accounts.

Receivables

Includes short and long term trade credit and accounts receivable, grants, taxes and interest receivable.

Sale of goods and services

Refers to revenue from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services, work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services revenue.

Superannuation interest expense

The expense resulting from the increase in the liability due to the fact that, for all participants in the scheme, retirement (and death) is one year nearer, and so one fewer discount factors must be used to calculate the present value of the benefits for each future year. Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement. The cost is measured net of the actuarial return on plan assets of defined benefit schemes calculated using an actuarially determined long term rate of return.

Superannuation

Includes all superannuation expenses from transactions except superannuation interest cost; generally includes current service cost, which is the increase in entitlements associated with the employment services provided by employees in the current period. Superannuation actuarial gains/losses are excluded as they are considered other economic flows.

Transactions

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

Note 27: Controlled entities

The following is a list of general government sector entities which have been consolidated for the purposes of the estimated financial statements. For further details on consolidation policy, refer to Note 1 (G) 'Basis of consolidation' in the statement of significant accounting policies and forecast assumptions. In addition, the list also provides the names of controlled entities which have been consolidated within the general government sector balance sheet, measured at the proportional share of the carrying amount of their net assets. Unless otherwise noted below, all such entities are wholly owned.

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Department of Education and Early Childhood Development	*		
Victorian Curriculum and Assessment Authority	*		
Victorian Institute of Teaching	*		
Victorian Registration and Qualifications Authority	*		
Department of Human Services	*		
Health Purchasing Victoria	*		
<i>Hospitals, Health and Ambulance Services including:</i>			
Alexandra District Ambulance Service	*		
Alexandra District Hospital	*		
Alpine Health	*		
Ambulance Services Victoria Metropolitan Region	*		
Austin Health	*		

Note 27: Controlled entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Bairnsdale Regional Health Service	*		
Ballarat Health Services	*		
Barwon Health	*		
Bass Coast Regional Health	*		
Bayside Health	*		
Beaufort and Skipton Health Service	*		
Beechworth Health Service	*		
Benalla and District Memorial Hospital	*		
Bendigo Health Care Group	*		
Boort District Hospital	*		
Casterton Memorial Hospital	*		
Central Gippsland Health Service	*		
Cobram District Hospital	*		
Cohuna District Hospital	*		
Colac Area Health	*		
Dental Health Services Victoria	*		
Djerriwarrh Health Services	*		
Dunmunkle Health Services	*		
East Grampians Health Service	*		
East Wimmera Health Service	*		
Eastern Health	*		
Echuca Regional Health	*		
Edenhope and District Memorial Hospital	*		
Gippsland Southern Health Service	*		
Goulburn Valley Health	*		
Hepburn Health Service	*		
Hesse Rural Health Service	*		
Heywood Rural Health	*		
Infertility Treatment Authority	*		
Inglewood and District Health Service	*		
Kerang and District Hospital	*		
Kooweerup Regional Health Service	*		
Kyabram and District Health Services	*		
Kyneton District Health Service	*		
Latrobe Regional Hospital	*		
Lorne Community Hospital	*		
Maldon Hospital	*		
Mallee Track Health and Community Services	*		
Manangatang and District Hospital	*		
Mansfield District Hospital	*		
Maryborough District Health Service	*		

Note 27: Controlled entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Mclvor Health and Community Services	*		
Melbourne Health	*		
Moyne Health Services	*		
Mt Alexander Hospital	*		
Nathalia District Hospital	*		
Northeast Health Wangaratta	*		
Northern Health	*		
Numurkah District Health Service	*		
Omeo District Health	*		
Orbost Regional Health	*		
Otway Health and Community Services	*		
Peninsula Health	*		
Peter MacCallum Cancer Institute	*		
Portland District Health	*		
Robinvale District Health Services	*		
Rochester and Elmore District Health Service	*		
Rural Ambulance Victoria	*		
Rural Northwest Health	*		
Seymour District Memorial Hospital	*		
South Gippsland Hospital	*		
South West Healthcare	*		
Southern Health	*		
Stawell Regional Health	*		
Swan Hill District Hospital	*		
Tallangatta Health Service	*		
Terang and Mortlake Health Service	*		
The Kilmore and District Hospital	*		
The Queen Elizabeth Centre	*		
The Royal Children's Hospital	*		
The Royal Victorian Eye and Ear Hospital	*		
The Royal Women's Hospital	*		
Timboon and District Healthcare Service	*		
Tweddle Child and Family Health Service	*		
Upper Murray Health and Community Services	*		
Victorian Institute of Forensic Mental Health	*		
West Gippsland Healthcare Group	*		
West Wimmera Health Service	*		

Note 27: Controlled entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Western District Health Service	*		
Western Health	*		
Wimmera Health Care Group	*		
Wodonga Regional Health Service	*		
Yarram and District Health Service	*		
Yarrawonga District Health Service	*		
Yea and District Memorial Hospital	*		
Dental Practice Board of Victoria	*		
Medical Practitioners Board of Victoria	*		
Mental Health Review Board	*		
Nurses Board of Victoria	*		
Pharmacy Board of Victoria	*		
Psychosurgery Review Board	*		
Registration Boards including:	*		
Chinese Medicine Registration Board of Victoria	*		
Chiropractors Registration Board of Victoria	*		
Optometrists Registration Board of Victoria	*		
Osteopaths Registration Board of Victoria	*		
Physiotherapists Registration Board of Victoria	*		
Podiatrists Registration Board of Victoria	*		
Psychologists Registration Board of Victoria	*		
Victorian Health Promotion Foundation	*		
<i>Cemeteries including:</i>			
Anderson's Creek Cemetery Trust		*	
Ballarat General Cemeteries Trust		*	
Bendigo Cemeteries Trust		*	
Fawkner Crematorium and Memorial Park		*	
Keilor Cemetery Trust		*	
Necropolis Springvale, Trustees of the		*	
Preston Cemetery Trust		*	
Templestowe Cemetery Trust		*	
The Cheltenham and Regional Cemeteries Trust		*	
The Lilydale Cemeteries Trust		*	
The Mildura Cemetery Trust		*	
The Trustee of the Altona Memorial Park		*	

Note 27: Controlled entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Trustees of the Geelong Cemeteries Trust		*	
Wyndham Cemeteries Trust		*	
Director of Housing (PNFC)		*	
Department of Infrastructure	*		
Roads Corporation	*		
Southern and Eastern Integrated Transport Authority	*		
Southern Cross Station Authority	*		
Port of Hastings Corporation		*	
Port of Melbourne Corporation		*	
Public Transport Ticketing Body		*	
V/Line Passenger Corporation		*	
Victorian Rail Track		*	
Victorian Regional Channels Authority		*	
Department of Innovation Industry and Regional Development	*		
Australian Synchrotron Holding Company ^(a)	*		
Film Victoria	*		
<i>TAFEs including:</i>			
Bendigo Regional Institute of TAFE	*		
Box Hill Institute of TAFE	*		
Central Gippsland Institute of TAFE	*		
Chisholm Institute of TAFE	*		
Driver Education Centre Australia Ltd	*		
East Gippsland Institute of TAFE	*		
Faculty of Land and Food Resources	*		
Gordon Institute of TAFE	*		
Goulburn Ovens Institute of TAFE	*		
Holmesglen Institute of TAFE	*		
International Fibre Centre Limited	*		
Kangan Batman Institute of TAFE	*		
Northern Melbourne Institute of TAFE	*		
Royal Melbourne Institute of Technology (TAFE Division)	*		
South West Institute of TAFE	*		
Sunraysia Institute of TAFE	*		
Swinburne University of Technology (TAFE Division)	*		
University of Ballarat (TAFE Division)	*		
Victoria University TAFE Division	*		
William Angliss Institute of TAFE	*		

Note 27: Controlled entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Wodonga Institute of TAFE	*		
Prince Henry's Institute of Medical Research	*		
Regional Development Victoria	*		
Tourism Victoria	*		
Victorian Learning and Employment Skills Commission	*		
Australian Grand Prix Corporation		*	
Emerald Tourist Railway Board		*	
Fed Square Pty Ltd		*	
Melbourne Convention and Exhibition Trust		*	
Victorian Major Events Company Limited		*	
Department of Justice	*		
Country Fire Authority	*		
Emergency Services Telecommunications Authority	*		
Equal Opportunity and Human Rights Commission	*		
Judicial College of Victoria	*		
Legal Services Board	*		
Legal Services Commissioner	*		
Liquor Licensing Panel	*		
Metropolitan Fire and Emergency Services Board	*		
Office of Police Integrity	*		
Office of Public Prosecutions	*		
Office of the Public Advocate	*		
Office of the Victorian Privacy Commissioner	*		
Sentencing Advisory Council	*		
Victoria Legal Aid	*		
Victoria Police (Office of the Chief Commissioner of Police)	*		
Victoria State Emergency Service Authority	*		
Victorian Commission for Gambling Regulation	*		
Victorian Electoral Commission	*		
Victorian Institute of Forensic Medicine	*		
Victorian Law Reform Commission	*		
Victorian Professional Standards Council	*		
Greyhound Racing Victoria		*	
Harness Racing Victoria		*	

Note 27: Controlled entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Department of Planning and Community Development	*		
2007 World Swimming Championships Corporation	*		
Adult Community and Further Education Board	*		
Adult Multicultural Education Services	*		
Architects Registration Board of Victoria	*		
Building Commission	*		
Centre for Adult Education	*		
Growth Areas Authority	*		
Heritage Council	*		
Melbourne Cricket Ground Trust	*		
Plumbing Industry Commission	*		
Shrine of Remembrance Trustees	*		
Victorian Institute of Sport Limited	*		
Victorian Institute of Sport Trust	*		
Victorian Veterans Council	*		
Melbourne and Olympic Parks Trust		*	
Queen Victoria Women's Centre		*	
State Sport Centres Trust		*	
Victorian Urban Development Authority (VicUrban)		*	
VITS Languagelink		*	
Department of Premier and Cabinet	*		
Australian Centre for the Moving Image	*		
Library Board of Victoria	*		
Melbourne Recital Centre Limited	*		
Museums Board of Victoria	*		
National Gallery of Victoria, Council of Trustees	*		
Office of the Ombudsman	*		
State Services Authority	*		
Geelong Performing Arts Centre Trust		*	
Victorian Arts Centre Trust		*	
Department of Primary Industries	*		
Energy Safe Victoria	*		
Veterinary Practitioners Registration Board of Victoria	*		
Agriculture Victoria Services Pty Ltd		*	
Dairy Food Safety Victoria		*	
Melbourne Market Authority		*	
Murray Valley Citrus Board		*	

Note 27: Controlled entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Murray Valley Wine Grape Industry Development Committee		*	
Northern Victorian Fresh Tomato Industry Development Committee		*	
Phytogene Pty Ltd		*	
PrimeSafe		*	
Victorian Energy Networks Corporation (VENCorp)		*	
Victorian Strawberry Industry Development Committee		*	
Department of Sustainability and Environment	*		
<i>Catchment Management Authorities including:</i>	*		
Corangamite Catchment Management Authority	*		
East Gippsland Catchment Management Authority	*		
Glenelg Hopkins Catchment Management Authority	*		
Goulburn Broken Catchment Management Authority	*		
Mallee Catchment Management Authority	*		
North Central Catchment Management Authority	*		
North East Catchment Management Authority	*		
Port Phillip and Westernport Catchment Management Authority	*		
West Gippsland Catchment Management Authority	*		
Wimmera Catchment Management Authority	*		
Environment Protection Authority	*		
Office of the Commissioner for Environmental Sustainability	*		
Parks Victoria	*		
Royal Botanic Gardens Board	*		
Surveyors Registration Board of Victoria	*		
Sustainability Victoria	*		
Trust for Nature (Victoria)	*		

Note 27: Controlled entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
<i>Alpine Resorts Management Board including:</i>			
Alpine Resorts Co-ordinating Council		*	
Falls Creek Alpine Resort Management Board		*	
Lake Mountain Alpine Resort Management Board		*	
Mount Baw Baw Alpine Resort Management Board		*	
Mount Buller and Mount Stirling Alpine Resort Management Board		*	
Mount Hotham Alpine Resort Management Board		*	
Phillip Island Nature Park Board of Management Inc.		*	
<i>Waste Management Groups including:</i>		*	
Barwon Regional Waste Management Group		*	
Calder Regional Waste Management Group		*	
Central Murray Regional Waste Management Group		*	
Desert Fringe Regional Waste Management Group		*	
Gippsland Regional Waste Management Group		*	
Goulburn Valley Regional Waste Management Group		*	
Grampians Regional Waste Management Group		*	
Highlands Regional Waste Management Group		*	
Metropolitan Waste Management Group		*	
Mildura Regional Waste Management Group		*	
Mornington Peninsula Regional Waste Management Group		*	
Northern East Victorian Regional Waste Management Group		*	
South Western Regional Waste Management Group		*	
<i>Water Authorities including:</i>		*	
Barwon Region Water Corporation		*	
Central Gippsland Region Water Corporation		*	

Note 27: Controlled entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Central Highlands Region Water Corporation		*	
Coliban Region Water Corporation		*	
East Gippsland Region Water Corporation		*	
First Mildura Irrigation Trust		*	
Gippsland and Southern Rural Water Corporation		*	
Goulburn Valley Region Water Corporation		*	
Goulburn-Murray Rural Water Corporation		*	
Grampians Wimmera-Mallee Water Corporation		*	
Lower Murray Urban and Rural Water Corporation		*	
Melbourne Water Corporation		*	
North East Region Water Corporation		*	
South Gippsland Region Water Corporation		*	
Wannon Region Water Corporation		*	
Western Region Water Corporation		*	
Westernport Region Water Corporation		*	
Yarra Bend Park Trust		*	
Zoological Parks and Gardens Board of Victoria		*	
Department of Treasury and Finance	*		
Essential Services Commission	*		
Domestic (HIH) Indemnity Fund and Housing Guarantee Claims	*		
Victorian Competition and Efficiency Commission	*		
City West Water Limited		*	
South East Water Limited		*	
State Electricity Commission of Victoria (shell)		*	
VicFleet Pty Ltd		*	
VicForests		*	
Victorian Plantations Corporation (shell)		*	
Yarra Valley Water Limited		*	
Rural Finance Corporation of Victoria			*
State Trustees Limited			*
Transport Accident Commission			*
Treasury Corporation of Victoria			*

Note 27: Controlled entities (continued)

<i>Controlled Entities</i>	<i>Entities included as investments in other sectors</i>		
	<i>General government</i>	<i>Public non-financial corporation</i>	<i>Public financial corporation</i>
Victorian Funds Management Corporation			*
Victorian Managed Insurance Authority			*
Victorian WorkCover Authority			*
Parliament of Victoria	*		
Victorian Auditor-General's Office	*		

Notes:

(a) *The Victorian government has a controlling interest in the Australian Synchrotron Holding Company and is expected to hold approximately 80 per cent of the issued shares as at 30 June 2008.*

Entities commenced operations during 2008-09:

– *Nil.*

Entities ceased operations during 2008-09:

– *Nil.*