

September Quarter 2013 Consolidated Financial Report

for the financial quarter
ending 30 September 2013



ACT
Government

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ATTACHMENTS

- ACCOUNTING BASIS
- FINANCIAL STATEMENTS
- AGENCY YEAR TO DATE REVENUES AND EXPENSES

1 Highlights

1.1 Overview of the September Quarter 2013 Results

The September Quarter 2013 Headline Net Operating Balance for the General Government Sector (GGS) was a surplus of \$145.6 million, which is \$14.9 million lower than the year to date estimated budget of \$160.5 million.

The Headline Net Operating Balance reflected lower than anticipated revenue mainly due to lower than expected sales of goods and services revenue associated with the timing of signing and commencing a new Cross Border Health agreement with New South Wales and the timing of Commonwealth payments.

These decreases in revenue were partially offset by higher than anticipated taxation revenue and interest income.

Total expenses were broadly in line with the year to date budget.

Net Worth of the GGS was estimated to be \$15,471.4 million at 30 September 2013.

Net Financial Liabilities fell by \$180.2 million compared to 30 June 2013 associated with an increase in the value of investments held by the Superannuation Provision Account.

1.2 Financial Statement Presentation

This is a special purpose financial report, which presents the consolidated year to date result for the Territory for the quarter ending 30 September 2013.

The Territory's financial statement presentation complies with AASB 1049: *'Whole of Government and General Government Sector Financial Reporting'*, and is consistent with the consolidated Australian Accounting Standards (AAS) presentation used in the 2013-14 Budget Papers.

1.3 Headline Net Operating Balance

The following table shows the Headline Net Operating Balance by sector for the financial year to 30 September 2013.

Headline Net Operating Balance*	2012-13	2013-14	September Quarter YTD 2013		
	Actual	Annual Budget	YTD Budget	YTD Actual	Variance
	\$'m	\$'m	\$'m	\$'m	\$'m
General Government Sector	-273.8	-253.6	160.5	145.6	-14.9
Public Trading Enterprise	158.6	136.3	46.6	51.7	5.1
Total Territory	-383.4	-350.6	177.3	186.5	9.2

*Detailed Operating Statements can be found in the attachments.

The GGS Headline Net Operating Balance for the quarter ending 30 September 2013 was a surplus of \$145.6 million, which is \$14.9 million lower than the year to date budget surplus of \$160.5 million.

A detailed discussion of the performance of the GGS is included in the body of the report.

2 General Government Sector

General Government Sector*	2012-13	2013-14	September Quarter YTD 2013		
	Actual	Annual Budget	YTD Budget	YTD Actual	Variance
	\$'000	\$'000	\$'000	\$'000	\$'000
Total Revenue	4,117,297	4,237,273	1,271,689	1,269,180	-2,509
Total Expenses	4,463,510	4,577,876	1,132,954	1,135,628	2,674
UPF Net Operating Balance	-346,213	-340,603	138,736	133,552	-5,184
Plus:					
Investment Return Differential Adjustment on Superannuation Investments**	72,453	86,960	21,740	12,055	-9,685
Headline Net Operating Balance	-273,760	-253,643	160,476	145,607	-14,869

*A detailed Operating Statement can be found in the attachments.

**This component of the Territory's overall returns from superannuation assets varies with assumed changes in the strategic allocation of assets held in the Superannuation Provision Account (SPA). However, in all years this adjustment, together with interest and dividend revenues, provides for expected returns on the total superannuation asset portfolio of 7.5 per cent per annum.

Major variances in total revenue and total expenses are discussed below.

2.1 Total Revenue

Total revenue for the GGS for the quarter to 30 September 2013 was \$1,269.2 million. This is \$2.5 million lower than the September year to date budget of \$1,271.7 million. Major variations in revenue include:

- lower sales of goods and services revenue by \$20.6 million mainly due to the timing of signing and commencing a new Cross Border Health agreement with New South Wales; and
- lower Commonwealth grants revenue by \$14.6 million mainly due to the timing of payments.

These decreases were partially offset by:

- higher than expected conveyance revenue reflected by larger than anticipated transactions in the large commercial market segment;
- higher than anticipated revenue received from a larger amount of general rates assessed and general insurance; and
- higher than expected interest income.

2.2 Total Expenses

Total expenses for the quarter to 30 September 2013 were \$1,135.6 million, which is broadly in line with the September year to date budget of \$1,133.0 million.

2.3 Investment Return Differential on Superannuation Investments

The Investment Return Differential on Superannuation Investments varies with the mix of financial assets held by the Superannuation Provision Account. This adjustment, in all years, together with interest and dividend revenues provides for expected returns of 7.5 per cent.

The Investment Return Differential on Superannuation Investments of \$12.1 million was \$9.7 million lower than the September year to date budget of \$21.7 million. This was mainly due to higher than anticipated financial investment dividends.

3 Public Trading Enterprise Sector

The Net Operating Balance for the PTE sector was a surplus of \$51.7 million for the quarter ending 30 September 2013, which is \$5.1 million higher than the September year to date budget of \$46.6 million.

The increase in the Net Operating Balance is largely due to the timing of settlements in the land program and higher than expected distributions from the ActewAGL Joint Venture due to the adoption of the revised cost allocation methodology for Electricity Networks.

Public Trading Enterprise Sector*	2012-13	2013-14	September Quarter YTD 2013		
	Actual	Annual Budget	YTD Budget	YTD Actual	Variance
	\$'000	\$'000	\$'000	\$'000	\$'000
Total Revenue	990,669	962,440	215,516	226,460	10,944
Total Expenses	832,117	826,188	168,965	174,795	5,830
Net Operating Balance	158,551	136,252	46,551	51,665	5,114

*A detailed Operating Statement can be found in the attachments.

4 Total Territory

The Headline Net Operating Balance for the Total Territory for the quarter ending 30 September 2013 was a surplus of \$186.5 million which is \$9.3 million higher than the September year to date budget surplus of \$177.3 million. Contributing factors to the variation are explained above.

Total Territory*	2012-13	2013-14	September Quarter YTD 2013		
	Actual	Annual Budget	YTD Budget	YTD Actual	Variance
	\$'000	\$'000	\$'000	\$'000	\$'000
Total Revenue	4,321,555	4,432,036	1,353,879	1,366,414	12,535
Total Expenses	4,777,457	4,869,558	1,198,360	1,191,955	-6,406
UPF Net Operating Balance	-455,902	-437,522	155,518	174,459	18,941
Plus:					
Investment Return Differential Adjustment on Superannuation Investments	72,453	86,960	21,740	12,055	-9,685
Headline Net Operating Balance	-383,448	-350,562	177,258	186,514	9,255

*A detailed Operating Statement can be found in the attachments

5 Financial Position as at 30 September 2013

5.1 Net Debt

A key balance sheet measure is Net Debt, which takes into account gross debt liabilities as well as financial assets (such as cash reserves and investments). Net Debt is calculated as the sum of deposits held, advances received and borrowings, less the sum of cash and deposits, advances paid, investments, loans and placements. Superannuation investments have been excluded in determining Net Debt.

The Net Debt of the GGS, excluding superannuation investments, as at 30 September 2013 was \$167 million, an increase of \$57.2 million from the 30 June 2013 actual result of \$109.8 million. The variance is mainly due to additional borrowings undertaken in the first quarter, as budgeted, to support the Territory's Infrastructure Program.

The positive Net Debt result indicates that the GGS cash reserves and investments are less than GGS gross debt liabilities.

General Government Sector	30 June 2013	30 June 2014	30 September 2013
	Actual	Annual Budget	Actual
	\$'000	\$'000	\$'000
Net Debt			
Cash and Deposits	405,521	307,144	439,229
Advances Paid	1,481,741	1,590,033	1,538,939
Investments, Loans and Placements	3,608,654	3,321,133	3,701,818
<i>Less: Superannuation Investments</i>	2,613,673	2,767,179	2,756,317
Deposits Held	139,073	27,496	182,099
Advances received	86,420	82,975	86,420
Borrowings	2,766,499	3,187,784	2,822,171
Net Debt	109,750	847,124	167,022

5.2 Net Financial Liabilities

Net Financial Liabilities take into account unfunded superannuation liabilities and provides a broader measure of debt than Net Debt. Net Financial Liabilities are calculated as total liabilities less financial assets (such as cash reserves and investments). It takes into account all non-equity financial assets, and excludes the value of equity held by the GGS in public corporations (for example, ACTEW Corporation).

Net Financial Liabilities of the GGS as at 30 September 2013 were \$4,660.5 million, \$180.2 million lower than the 30 June 2013 actual result of \$4,840.7 million.

The improvement in Net Financial Liabilities mainly reflects an increase in the value of investments held by the Superannuation Provision Account explained below in section 5.4.

General Government Sector	30 June 2013	30 June 2014	30 September 2013
	Actual	Annual Budget	Actual
	\$'000	\$'000	\$'000
Net Financial Liabilities			
Financial Assets	11,639,463	11,395,492	12,182,930
Less: PTE Equity Investments	5,607,611	5,659,142	5,655,152
Total Liabilities	10,872,523	9,873,304	11,188,251
Net Financial Liabilities	4,840,670	4,136,954	4,660,473

5.3 Net Worth

Net Worth provides a broad measure of the Territory's balance sheet and is calculated as total assets less total liabilities, including superannuation.

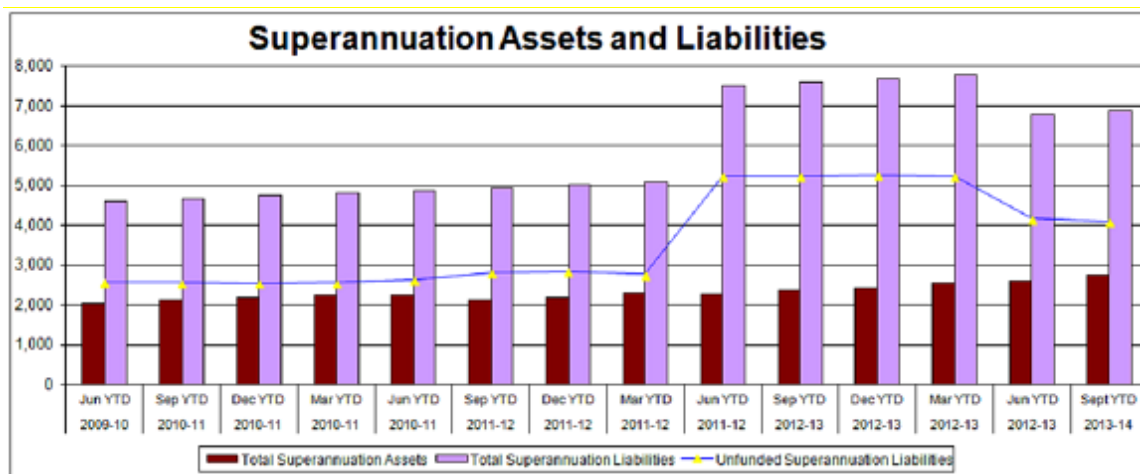
Net Worth of the GGS sector as at 30 September 2013 was \$15,471.4 million, \$272.6 million higher than the 30 June 2013 actual result of \$15,198.8 million.

The increase is mainly due to higher receivables associated with taxation revenue and an increase in investments held by the Superannuation Provision Account.

General Government Sector	30 June 2013	30 June 2014	30 September 2013
	Actual	Annual Budget	Actual
	\$'000	\$'000	\$'000
Net Worth			
Total Assets	26,071,340	26,376,260	26,659,633
Total Liabilities	10,872,523	9,873,304	11,188,251
Net Worth	15,198,816	16,502,956	15,471,383

5.4 Superannuation Assets and Liabilities for the Territory

The Territory's superannuation liability of \$6,865.2 million at 30 September 2013 is the Territory's single largest liability, at 61.3 per cent of total liabilities.



Year to date returns on investments were \$142.9 million. This is \$81.6 million higher than the September year to date budget of \$61.3 million. The increase is mainly due to higher capital gains on investments and interest and dividend earnings associated with strong performance of global equity markets.

The following table provides the year to date performance of superannuation related investments.

Superannuation Investments	2012-13	2013-14	September Quarter YTD 2013		Variance
	Actual	Annual Budget	YTD Budget	YTD Actual	
	\$'000	\$'000	\$'000	\$'000	\$'000
Investments Increments - Gains	305,442	86,960	21,740	101,650	79,910
Investments Decrements - Losses	-42,368	-	-	-8,045	-8,045
Fees	-4,438	-3,008	-191	-696	-506
Dividends and Interest	103,518	111,171	39,790	49,981	10,191
Total	362,155	195,123	61,340	142,890	81,550

5.5 GFS to AAS Reconciliation

The following is a summary reconciliation of the differences between the GGS Operating Result and the UPF Net Operating Balance. In this table, all land sale proceeds and gains/losses on assets are included as revenues or expenses in the AAS Operating Result, but are excluded from the UPF Net Operating Balance.

The major contributors to the difference between the UPF Net Operating Balance and the AAS Operating Result are:

- \$95.6 million in net gains/losses on financial assets or liabilities; and
- \$5 million in net land revenue.

The AAS Operating Result is \$47.3 million higher than the year to date budget of \$187.3 million mainly due to the higher than expected returns on superannuation investments discussed above.

	2012-13	2013-14	September Quarter YTD 2013		
	Actual	Annual Budget	Budget	Actual	Variance
	\$'000	\$'000	\$'000	\$'000	\$'000
Headline Net Operating Balance	-273,760	-253,643	160,476	145,607	-14,869
<i>Less:</i>					
Investment Return Differential Adjustment on Superannuation Investments*	72,453	86,960	21,740	12,055	-9,685
UPF Net Operating Balance	-346,213	-340,603	138,736	133,552	-5,184
<i>Plus:</i>					
Dividends - Market Gains on Land Sales	6,169	37,793	-	-	-
Net Land Revenue (Undeveloped Land Value)	46,694	202,846	28,086	4,951	-23,135
Net Gain/(Loss) on Sale of Non-Financial Assets	20,332	-365	-273	1,454	1,727
Net Gain/(Loss) on Financial Assets or Liabilities at Fair Value	270,692	86,960	21,740	95,635	73,895
Doubtful Debts	-7,150	-4,370	-958	-957	1
GGS AAS Operating Result	-9,476	-17,739	187,330	234,635	47,305

* This component of the Territory's overall returns from superannuation assets varies with assumed changes in the strategic allocation of assets held in the Superannuation Provision Account (SPA). However, in all years this adjustment, together with interest and dividend revenues, provides for expected returns on the total superannuation asset portfolio of 7.5 per cent per annum.