

December Quarter 2013 Consolidated Financial Report

for the financial quarter
ending 31 December 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 December Quarter 2013 Results

The December Quarter 2013 Headline Net Operating Balance for the General Government Sector (GGS) was a deficit of \$94.6 million, which is in line with the year to date budget deficit of \$90.8 million.

The Territory's Balance Sheet remains strong. While Net Debt has increased when compared to 30 June 2013, this is mainly due to additional borrowings undertaken, as budgeted, to support the Territory's Infrastructure Program.

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 31 December 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.

The 2013-14 Revised Estimate referred to in this report reflects the figures presented in the 2013-14 Budget Review which was released on 12 February 2014.

1.3 Headline Net Operating Balance

The following table shows the Headline Net Operating Balance by sector for the financial year to 31 December 2013.

Headline Net Operating Balance*	2012-13	2013-14	December Quarter YTD 2013		2013-14 Revised Estimate	
	Actual	Annual Budget	YTD Budget	YTD Actual		Variance
	\$'m	\$'m	\$'m	\$'m	\$'m	
General Government Sector	-273.8	-253.6	-90.8	-94.6	-3.8	-360.6
Public Trading Enterprise	158.6	136.3	64.6	58.7	-5.9	115.6
Total Territory	-383.4	-350.6	-72.0	-67.2	4.8	-454.1

*Detailed Operating Statements can be found in the attachments.

The GGS Headline Net Operating Balance for the quarter ending 31 December 2013 was a deficit of \$94.6 million, which is a \$3.8 million increase compared to the year date budget deficit of \$90.8 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	December Quarter YTD 2013		2013-14 Revised Estimate	
	Actual	Annual Budget	YTD Budget	YTD Actual		Variance
	\$'000	\$'000	\$'000	\$'000	\$'000	
Total Revenue	4,117,297	4,237,273	2,164,257	2,177,896	13,639	4,228,369
Total Expenses	4,463,510	4,577,876	2,298,533	2,301,871	3,338	4,668,631
UPF Net Operating Balance	-346,213	-340,603	-134,276	-123,975	10,301	-440,262
Plus:						
Investment Return Differential Adjustment on Superannuation Investments**	72,453	86,960	43,480	29,357	-14,123	79,685
Headline Net Operating Balance	-273,760	-253,643	-90,796	-94,618	-3,822	-360,577

*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 31 December 2013 was \$2,177.9 million. This is \$13.6 million higher than the December year to date budget of \$2,164.3 million. Major variances in total revenue include:

- higher than expected taxation revenue of \$24.4 million, which is reflective of larger than anticipated conveyance revenue relating to transactions in the large commercial market segment;
- higher than expected interest income of \$12.6 million as a result of an increased level of funds held under investment;
- higher than expected distributions from financial investments of \$12.2 million due to an earlier than anticipated receipt of private equity asset sale distributions and the receipt of higher than expected distributions on international equity investments; and
- higher than anticipated other revenue of \$4.4 million.

These increases were partially offset by lower sales of goods and services revenue of \$41.1 million, mainly as a result of the timing of the signing and commencement of the new Cross Border Health agreement with New South Wales.

2.2 Total Expenses

Total expenses for the quarter to 31 December 2013 were \$2,301.9 million, which is broadly in line with the December year to date budget of \$2,298.6 million.

2.3 Expected Long Term Capital Gains 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 \$29.4 million was \$14.1 million lower than the December year to date budget of \$43.5 million. This was mainly due to the higher than anticipated financial investment distributions discussed in section 2.1 above.

3 Public Trading Enterprise Sector

The Net Operating Balance for the PTE sector was a surplus of \$58.7 million for the quarter ending 31 December 2013, which is broadly in line with the December year to date budget of \$64.6 million.

Public Trading Enterprise Sector*	2012-13	2013-14	December Quarter YTD 2013		2013-14
	Actual	Annual Budget	YTD Budget	YTD Actual	Revised Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
Total Revenue	990,669	962,440	412,883	426,756	933,586
Total Expenses	832,117	826,188	348,295	368,030	817,978
Net Operating Balance	158,551	136,252	64,589	58,725	115,608

*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 31 December 2013 was a deficit of \$67.2 million, which is a \$4.8 million improvement compared to the December year to date budget deficit of \$72 million.

Total Territory*	2012-13	2013-14	December Quarter YTD 2013		2013-14
	Actual	Annual Budget	YTD Budget	YTD Actual	Revised Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
Total Revenue	4,321,555	4,432,036	2,333,105	2,352,308	4,422,560
Total Expenses	4,777,457	4,869,558	2,448,553	2,448,848	4,956,304
UPF Net Operating Balance	-455,902	-437,522	-115,447	-96,540	-533,744
Plus:					
Investment Return Differential Adjustment on Superannuation Investments	72,453	86,960	43,480	29,357	79,685
Headline Net Operating Balance	-383,448	-350,562	-71,967	-67,183	-454,059

*A detailed Operating Statement can be found in the attachments

5 Financial Position as at 31 December 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 31 December 2013 was \$323.8 million, an increase of \$214.1 million from the 30 June 2013 result of \$109.8 million. This variance is mainly due to additional borrowings undertaken, 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	2012-13 Actual	2013-14 Annual Budget	2013-14 December Quarter YTD 2013	2013-14 Revised Estimate
	\$'000	\$'000	\$'000	\$'000
Net Debt				
Cash and Deposits	405,521	307,144	449,715	211,019
Advances Paid	1,481,741	1,590,033	1,552,154	1,592,730
Investments, Loans and Placements	3,608,654	3,321,133	3,826,129	3,836,693
<i>Less: Superannuation Investments</i>	2,613,673	2,767,179	2,911,154	3,005,995
Deposits Held	139,073	27,496	156,115	40,210
Advances received	86,420	82,975	86,420	82,975
Borrowings	2,766,499	3,187,784	2,998,137	3,192,694
Net Debt	109,750	847,124	323,828	681,342

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 31 December 2013 were \$4,851.1 million, broadly in line with the 30 June 2013 result of \$4,840.7 million.

General Government Sector	2012-13 Actual	2013-14 Annual Budget	2013-14 December Quarter YTD 2013	2013-14 Revised Estimate
	\$'000	\$'000	\$'000	\$'000
Net Financial Liabilities				
Financial Assets	11,639,463	11,395,492	12,069,458	11,950,389
Less: PTE Equity Investments	5,607,611	5,659,142	5,661,227	5,745,257
Total Liabilities	10,872,523	9,873,304	11,259,350	9,841,433
Net Financial Liabilities	4,840,670	4,136,954	4,851,119	3,636,311

5.3 Net Worth

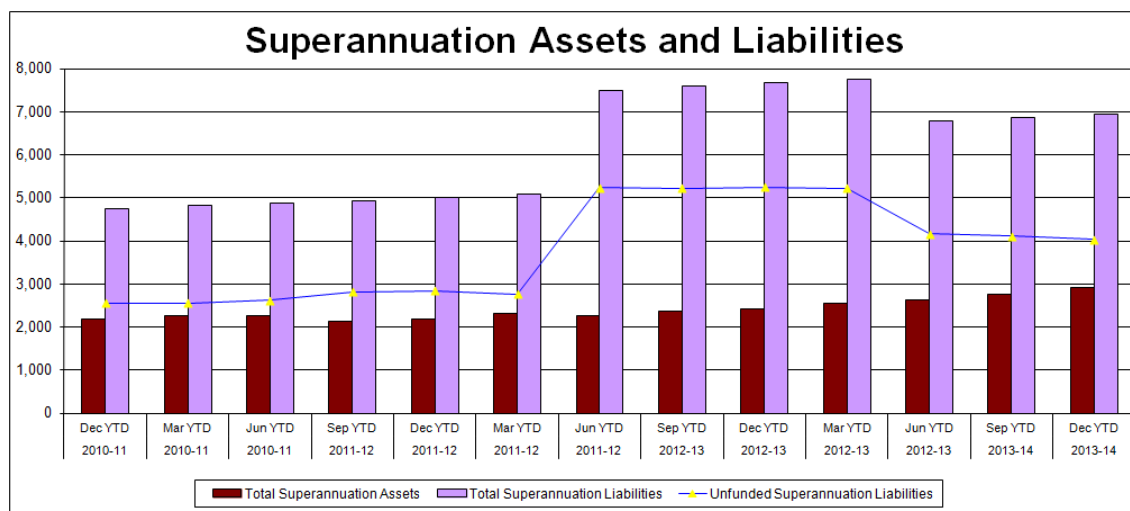
Net Worth provides a broad measure of the Territory's balance sheet and is calculated as total assets less total liabilities, including superannuation.

Net Worth of the GGS sector as at 31 December 2013 was \$15,343.1 million, \$144.3 million higher than the 30 June 2013 result of \$15,198.8 million. This is primarily attributable to increased investments held by the Superannuation Provision Account.

General Government Sector	2012-13 Actual	2013-14 Annual Budget	2013-14 December Quarter YTD 2013	2013-14 Revised Estimate
	\$'000	\$'000	\$'000	\$'000
Net Worth				
Total Assets	26,071,340	26,376,260	26,602,452	26,912,058
Total Liabilities	10,872,523	9,873,304	11,259,350	9,841,443
Net Worth	15,198,816	16,502,956	15,343,102	17,070,615

5.4 Superannuation Assets and Liabilities for the Territory

The Territory's superannuation liability of \$6,944.6 million at 31 December 2013 is the Territory's single largest liability, at 61.7 per cent of total liabilities.



Year to date returns on investments were \$299.1 million. This is \$197.3 million higher than the December year to date budget of \$101.8 million. The variance is mainly due to strong returns on global share markets.

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

Superannuation Investments	2012-13	2013-14	December Quarter YTD 2013			2013-14
	Actual	Annual Budget	YTD Budget	YTD Actual	Variance	Revised Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investments Increments - Gains	305,442	86,960	43,480	233,192	189,712	277,444
Investments Decrements - Losses	-42,368	-	-	-6,509	-6,509	-
Fees	-4,438	-3,008	-843	-1,509	-666	-4,171
Dividends and Interest	103,518	111,171	59,151	73,939	14,789	123,511
Total	362,155	195,123	101,788	299,114	197,326	396,784

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Australian Accounting Standards Performance – December 2013

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 sales 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:

- \$227 million in net gains/losses on financial assets or liabilities; and
- \$12.6 million net land revenue.

The \$185.4 million improvement in the AAS Operating Result is mainly due to the movement in superannuation investment earnings discussed above.

	2012-13	2013-14	December	Quarter	YTD 2013	2013-14
	Actual	Annual	YTD	YTD	Variance	Revised
	\$'000	Budget	Budget	Actual	\$'000	Estimate
		\$'000	\$'000	\$'000	\$'000	\$'000
Headline Net Operating Balance	-273,760	-253,643	-90,796	-94,618	-3,822	-360,577
<i>Less:</i>						
Expected Long Term Capital Gains on Superannuation Investments*	72,453	86,960	43,480	29,357	-14,123	79,685
UPF Net Operating Balance	-346,213	-340,603	-134,276	-123,975	10,301	-440,262
<i>Plus:</i>						
Dividends - Market Gains on Land Sales	6,169	37,793	5,096	5,096	-	37,793
Net Land Revenue (Undeveloped Land value)	46,694	202,846	28,086	12,586	-15,500	202,846
Net Gain/(Loss) on Sale of Non-Financial Assets	20,332	-365	-568	7,408	7,976	-365
Net Gain/(Loss) on Financial Assets or Liabilities at Fair Value	270,692	86,960	43,480	227,012	183,532	277,227
Doubtful Debts	-7,150	-4,370	-1,933	-2,759	-826	-4,370
GGS AAS Operating Result	-9,476	-17,739	-60,114	125,368	185,482	72,869

* 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.