

Australian Capital Territory Government

**Consolidated Annual
Financial Statements**

2017-2018 Financial Year



ACT
Government

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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INDEPENDENT AUDIT REPORT
AUSTRALIAN CAPITAL TERRITORY GOVERNMENT

To the Members of the ACT Legislative Assembly

Audit opinion

I am providing an **unqualified audit opinion** on the financial statements of the Australian Capital Territory Government (the Territory's financial statements) for the year ended 30 June 2018. These comprise the following financial statements, accompanying notes and appendices:

- General Government Sector and Total Territory financial statements - operating statement, balance sheet, statement of changes in equity and cash flow statement.
- Public Trading Enterprises Sector financial statements - operating statement, balance sheet, statement of changes in equity and cash flow statement.
- Statement of appropriation.

In my opinion, the Territory's financial statements:

- (i) are presented in accordance with the *Financial Management Act 1996*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia; and
- (ii) present fairly the financial position of the Territory and results of its operations and cash flows.

Basis for the audit opinion

The audit was conducted in accordance with the Australian Auditing Standards. I have complied with the requirements of the Accounting Professional and Ethical Standards 110 *Code of Ethics for Professional Accountants*.

I believe that sufficient evidence was obtained during the audit to provide a basis for the audit opinion.

Responsibility for preparing and fairly presenting the Territory's financial statements

The Treasurer and Under Treasurer are responsible for:

- preparing and fairly presenting the financial statements in accordance with the *Financial Management Act 1996* and relevant Australian Accounting Standards;
- determining the internal controls necessary for the preparation and fair presentation of financial statements so that they are free from material misstatements, whether due to error or fraud; and
- assessing the ability of the Territory to continue as a going concern and disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting in preparing the financial statements.

Responsibility for the audit of the Territory's financial statements

Under the *Financial Management Act 1996*, the Auditor-General is responsible for issuing an audit report that includes an independent audit opinion on the financial statements.

As required by Australian Auditing Standards, the auditors:

- applied professional judgement and maintained scepticism;
- identified and assessed the risks of material misstatements due to error or fraud and implemented procedures to address these risks so that sufficient evidence was obtained to form an audit opinion. The risk of not detecting material misstatements due to fraud is higher than the risk due to error, as fraud may involve collusion, forgery, intentional omissions or misrepresentations or the override of internal controls;
- obtained an understanding of internal controls to design audit procedures for forming an audit opinion;
- evaluated accounting policies and estimates used to prepare the financial statements and disclosures made in the financial statements;
- evaluated the overall presentation and content of the financial statements, including whether they present the underlying transactions and events in a manner that achieves fair presentation;
- reported the scope and timing of the audit and any significant deficiencies in internal controls identified during the audit to the Treasurer and Under Treasurer; and
- assessed the going concern* basis of accounting used in the preparation of the financial statements.

(*Where the auditor concludes that a material uncertainty exists which cast significant doubt on the appropriateness of using the going concern basis of accounting, the auditor is required to draw attention in the audit report to the relevant disclosures in the financial statements or, if such disclosures are inadequate, the audit opinion is to be modified. The auditor's conclusions on the going concern basis of accounting are based on the audit evidence obtained up to the date of this audit report. However, future events or conditions may cause the Territory to cease to continue as a going concern.)

Limitations on the scope of the audit

An audit provides a high level of assurance about whether the financial statements are free from material misstatements, whether due to fraud or error. However, an audit cannot provide a guarantee that no material misstatements exist due to the use of selective testing, limitations of internal control, persuasive rather than conclusive nature of audit evidence and use of professional judgement in gathering and evaluating evidence.

An audit does not provide assurance on the:

- reasonableness of budget information included in the financial statements;
- prudence of decisions made by the Territory;
- adequacy of controls implemented by the Territory; or
- integrity of the audited financial statements presented electronically or information hyperlinked to or from the financial statements. Assurance can only be provided for the printed copy of the audited financial statements.



Ajay Sharma
Acting Auditor-General
31 October 2018

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
STATEMENT OF RESPONSIBILITY BY THE TREASURER
AND THE UNDER TREASURER**

Statement of Responsibility by the Treasurer

The Treasurer is responsible for administering the *Financial Management Act 1996* (FMA) and related guidelines governing the financial affairs of the Australian Capital Territory (the Territory). Accordingly, the FMA requires the Treasurer to prepare and certify the Consolidated Annual Financial Statements of the Territory each year.

It is my opinion that the attached financial statements for the year ended 30 June 2018 fairly reflect the financial operations of the Territory during the financial year, and the financial position of the Territory at the end of the financial year.



Andrew Barr MLA
Treasurer

Date: 30 October 2018

Statement of Responsibility by the Under Treasurer

It is my opinion that the attached financial statements for the year ended 30 June 2018 have been prepared in accordance with Australian Accounting Standards and the requirements of the FMA. These accounts fairly reflect the financial operations of the Territory during the financial year, and the financial position of the Territory at the end of the financial year.



David Nicol
Under Treasurer
Chief Minister, Treasury and Economic Development Directorate

Date: 30 October 2018

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
GENERAL GOVERNMENT SECTOR AND TOTAL TERRITORY
OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018**

	Note No.	General Government Sector			Total Territory		
		2017-18 Actual \$m	2017-18 Budget \$m	2016-17 Actual \$m	2017-18 Actual \$m	2017-18 Budget \$m	2016-17 Actual \$m
Revenue							
Taxation Revenue	4	1,718	1,752	1,695	1,675	1,712	1,654
Grants Revenue							
Commonwealth Grants	5	2,281	2,176	2,049	2,282	2,178	2,051
Gains from Contributed Assets	5	158	158	116	97	131	38
Sales of Goods and Services							
Revenue from Associates and Joint Ventures		-	-	-	93	78	88
Other Sales of Goods and Services	6	533	521	522	896	864	859
Interest Income		137	125	131	69	48	65
Distributions from Financial Investments		35	37	38	35	37	38
Dividend and Income Tax Equivalents Income	7	376	408	507	60	52	54
Other Revenue							
Land Revenue (Value Add Component)		-	-	-	316	389	426
Other Revenue		164	164	161	168	160	162
Total Revenue		5,402	5,341	5,218	5,692	5,649	5,436
Expenses							
Employee Expenses	8	2,005	1,963	1,932	2,184	2,141	2,108
Superannuation Expenses							
Superannuation Interest Cost	9	304	368	293	304	368	293
Other Superannuation Expense	9	357	287	452	370	296	464
Depreciation and Amortisation		397	380	390	496	495	484
Interest Expense		185	201	183	188	194	181
Other Operating Expenses							
Supplies and Services	10	962	1,097	907	1,127	1,271	1,068
Other Operating Expenses		189	209	222	144	271	191
Grants and Purchased Services	11	1,083	1,092	1,016	921	944	884
Total Expenses		5,482	5,596	5,395	5,734	5,980	5,673
UPF^(a) Net Operating Balance		-81	-255	-177	-42	-331	-237
Other Economic Flows - Included in the Operating Result							
Dividends (Market Gains on Land Sales)		29	87	32	-	-	-
Land Revenue (Market Gains on Land Sales)		-	-	-	44	124	50
Net Land Revenue (Undeveloped Land Value)		91	69	94	91	69	99
Net Gain/(Loss) on Sale/(Disposal) of Non-Financial Assets	12	-5	-3	13	-82	-52	-42
Net Gain/(Loss) on Financial Assets or Liabilities at Fair Value	13	244	172	239	245	172	240
Doubtful Debts		-8	-7	-11	-7	-9	-14
Operating Result		271	62	190	247	-28	95
Other Economic Flows - Other Comprehensive Income							
Items that will not be Subsequently Reclassified to Profit or Loss							
Payments to ACT Government Agencies		-31	-36	-20	-	-	-
Capital Distributions		86	51	54	11	11	-
Transfer of Assets to the Public Trading Enterprises (PTE) Sector		-145	-165	-128	-	-	-
Superannuation Actuarial Gain/(Loss)		-896	-	2,525	-896	-	2,525
Other Movements		-19	-	6	-47	-	6
Increase/(Decrease) in Asset Revaluation Reserve		-65	137	375	411	273	579
Surpluses due to Revaluations							
Increase/(Decrease) in Other Reserves		-	0	0	-10	0	0
Items that may be Subsequently Reclassified to Profit or Loss							
Increase/(Decrease) in Net Assets of PTE		480	253	253	-	-	-
Total Comprehensive Income / (Loss)		-320	301	3,255	-284	256	3,206

Notes: (a) Uniform Presentation Framework (refer to Appendix D - Glossary).

The above Operating Statement should be read in conjunction with the accompanying notes.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
GENERAL GOVERNMENT SECTOR AND TOTAL TERRITORY
OPERATING STATEMENT - CONTINUED
FOR THE YEAR ENDED 30 JUNE 2018**

	Note No.	General Government Sector			Total Territory		
		2017-18 Actual \$m	2017-18 Budget \$m	2016-17 Actual \$m	2017-18 Actual \$m	2017-18 Budget \$m	2016-17 Actual \$m
Key Fiscal Aggregates (refer to Appendix D - Glossary)							
UPF Net Operating Balance		-81	-255	-177	-42	-331	-237
less Net Acquisition of Non-Financial Assets ^(a)							
Payments for Non-Financial Assets		714	900	667	885	1,071	814
Sales of Non-Financial Assets		-313	-330	-287	-366	-368	-354
Land Revenue (Net Cash Receipts)		-	-16	-15	-	-150	-68
Change in Inventories		-	-	-	-4	-	-
Depreciation and Amortisation		-397	-380	-390	-496	-495	-484
Other Movements in Non-Financial Assets		145	120	115	97	95	31
<i>Total Net Acquisition of Non-Financial Assets</i>		<i>149</i>	<i>295</i>	<i>90</i>	<i>116</i>	<i>154</i>	<i>-61</i>
Net Lending / (Borrowing)		-230	-550	-267	-158	-485	-176

Note: The above Operating Statement should be read in conjunction with the accompanying notes.

(a) Measurement of the Net Acquisition of Non-Financial Assets has been amended to include Change in Inventories and remove Land Revenue (Net Cash Receipts) in accordance with the revised Australian Bureau of Statistics (ABS) Government Finance Statistics (GFS) framework.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
GENERAL GOVERNMENT SECTOR AND TOTAL TERRITORY
BALANCE SHEET
AT 30 JUNE 2018**

	Note No.	General Government Sector			Total Territory		
		2017-18 Actual \$m	2017-18 Budget \$m	2016-17 Actual \$m	2017-18 Actual \$m	2017-18 Budget \$m	2016-17 Actual \$m
Financial Assets							
Cash and Deposits	16	663	308	782	834	572	1,037
Advances Paid	17	1,737	1,748	1,658	66	67	78
Investments and Loans	18	4,772	4,533	4,470	4,827	4,563	4,523
Receivables	19	601	679	600	480	477	521
Equity Investments							
Investments in Other Public Sector Enterprises		7,044	6,772	6,565	-	-	-
Investments Accounted for Using the Equity Method		-	-	-	1,002	1,048	975
Total Financial Assets		14,816	14,041	14,075	7,210	6,727	7,134
Non-Financial Assets							
Produced Assets							
Property, Plant and Equipment	20	11,120	12,316	11,201	15,076	16,050	14,871
Investment Properties		5	5	5	13	16	22
Intangibles	21	191	225	99	216	227	112
Inventories		19	19	19	248	358	252
Assets Held for Sale		111	81	195	237	119	232
Capital Works-in-Progress	22	662	696	653	844	873	797
Non-Produced Assets							
Property, Plant and Equipment	20	3,847	2,966	3,742	7,668	6,769	7,354
Loose-fill Asbestos Insulation Eradication Scheme Land	23	9	4	123	9	4	123
Biological Assets		30	27	30	30	27	30
Other Non-Financial Assets		12	-	17	12	-	17
Total Non-Financial Assets		16,006	16,337	16,083	24,354	24,442	23,809
Total Assets		30,822	30,378	30,158	31,564	31,169	30,942
Liabilities							
Deposits Held		16	-	16	16	-	16
Advances Received	24	1,016	1,018	1,072	1,074	1,076	1,135
Borrowings							
Finance Leases		1	111	0	1	111	0
Other Borrowings	25	3,441	3,585	3,555	3,441	3,585	3,555
Superannuation	26	9,736	6,369	8,574	9,736	6,370	8,574
Employee Benefits	27	675	679	638	740	738	700
Other Provisions	27	353	136	384	416	350	510
Payables	28	199	459	208	294	544	318
Other Liabilities		42	18	47	43	18	48
Total Liabilities		15,478	12,375	14,494	15,760	12,791	14,855
Net Assets		15,344	18,002	15,664	15,804	18,378	16,087
Equity in Public Trading Enterprises		7,044	6,772	6,565	-	-	-
Accumulated Funds		2,600	5,603	3,335	5,224	8,080	5,831
Asset Revaluation Surplus		5,698	5,626	5,763	10,579	10,287	10,246
Other Reserves		1	1	1	1	11	11
Net Worth		15,344	18,002	15,664	15,804	18,378	16,087
Key Fiscal Aggregates (refer to Appendix D - Glossary)							
Net Financial Worth		-662	1,665	-419	-8,550	-6,064	-7,721
Net Financial Liabilities		7,707	5,107	6,984	9,553	7,112	8,697
Net Debt (Including Superannuation Related Investments)		-2,698	-1,876	-2,267	-1,196	-430	-932
Net Debt (Excluding Superannuation Related Investments)		1,302	2,001	1,453	2,804	3,447	2,781

Note: The above Balance Sheet should be read in conjunction with the accompanying notes.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
GENERAL GOVERNMENT SECTOR AND TOTAL TERRITORY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	General Government Sector			Total Territory		
	2017-18 Actual \$m	2017-18 Budget \$m	2016-17 Actual \$m	2017-18 Actual \$m	2017-18 Budget \$m	2016-17 Actual \$m
Opening Equity						
Opening Equity in Public Trading Enterprises (PTE)	6,565	6,519	6,312	-	-	-
Opening Accumulated Funds	3,335	5,692	708	5,831	8,114	3,097
Opening Asset Revaluation Surplus	5,763	5,489	5,388	10,246	9,997	9,774
Opening Other Reserves	1	1	1	11	11	11
Opening Balance	15,664	17,701	12,408	16,087	18,122	12,882
Comprehensive Income						
<i>Included in Accumulated Funds:</i>						
Operating Result for the Period	271	62	190	247	-28	95
Payments to ACT Government Agencies	-31	-36	-20	-	-	-
Capital Distributions	86	51	54	11	11	-
Transfer of Assets to the PTE Sector	-145	-165	-128	-	-	-
Superannuation Actuarial Gain/(Loss)	-896	-	2,525	-896	-	2,525
Other Movements	-19	-	6	-47	-	6
<i>Included in Equity in PTE:</i>						
Increase/(Decrease) in Net Assets of PTE Entities	480	253	253	-	-	-
<i>Included in the Asset Revaluation Surplus:</i>						
Increase/(Decrease) in Asset Revaluation Reserve Surpluses due to Revaluations	-65	137	375	411	273	579
Increase/(Decrease) in Other Reserves	-	0	0	-10	0	0
Total Comprehensive Income / (Loss)	-320	301	3,255	-284	256	3,206
Other						
Transfer to/(from) Accumulated Funds	-	-	-	77	-17	107
Transfer to/(from) the Asset Revaluation Surplus	-	-	0	-77	17	-107
Total Other	0	0	0	0	0	0
Closing Equity						
Closing Equity in PTE	7,044	6,772	6,565	-	-	-
Closing Accumulated Funds	2,600	5,603	3,335	5,224	8,080	5,831
Closing Asset Revaluation Surplus	5,698	5,626	5,763	10,579	10,287	10,246
Closing Other Reserves	1	1	1	1	11	11
Closing Balance	15,344	18,002	15,664	15,804	18,378	16,087

Note: The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
GENERAL GOVERNMENT SECTOR AND TOTAL TERRITORY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018**

	Note No.	General Government Sector			Total Territory		
		2017-18 Actual	2017-18 Budget	2016-17 Actual	2017-18 Actual	2017-18 Budget	2016-17 Actual
		\$m	\$m	\$m	\$m	\$m	\$m
Cash Flows from Operating Activities							
Cash Receipts							
Taxes Received		1,582	1,760	1,677	1,560	1,720	1,644
Receipts from Sales of Goods and Services		656	514	554	1,379	1,389	1,366
Grants/Subsidies Received		2,282	2,213	2,052	2,284	2,213	2,050
Distributions from Financial Investments		33	37	39	33	37	39
Interest Receipts		130	117	140	70	45	80
Dividends and Income Tax Equivalents		434	353	528	62	53	56
Other Receipts		431	432	520	572	501	599
Total Cash Received from Operating Activities		5,548	5,425	5,510	5,960	5,959	5,833
Cash Payments							
Payments for Employees		-2,366	-2,366	-2,284	-2,549	-2,554	-2,463
Payments for Goods and Services		-979	-1,094	-943	-1,136	-1,235	-1,071
Grants/Subsidies Paid		-1,078	-1,012	-1,004	-929	-867	-868
Interest Paid		-177	-192	-177	-179	-200	-184
Other Payments		-425	-449	-489	-609	-633	-652
Total Cash Paid from Operating Activities		-5,025	-5,114	-4,897	-5,403	-5,490	-5,237
Net Cash Flows from Operating Activities	29(b)	524	312	613	556	470	596
Cash Flows from Investing Activities							
Cash Flows from Investments in Non-Financial Assets							
Sales of Non-Financial Assets		313	330	287	366	368	354
Payments for Non-Financial Assets		-714	-900	-667	-885	-1,071	-814
Net Cash Flows from Investments in Non-Financial Assets		-401	-570	-380	-519	-703	-460
Cash Flows from Investments in Financial Assets for Policy Purposes							
Cash Receipts							
Repayment of Loans		3	3	0	3	3	0
Capital Receipts from Government Agencies		78	78	29	11	11	-
Dividends - Market Gains on Land Sales		29	87	32	-	-	-
Total Cash Received from Investments in Financial Assets for Policy Purposes		110	167	61	14	14	0
Cash Payments							
Issue of Loans		-	-	-	-4	-	-6
Capital Payments to Government Agencies		-31	-36	-20	-	-	-
Total Cash Paid from Investments in Financial Assets for Policy Purposes		-31	-36	-20	-4	0	-6
Net Cash Flows from Investments in Financial Assets for Policy Purposes		79	131	41	11	14	-5
Cash Flows from Investments in Financial Assets for Liquidity Purposes							
Sales of Investments		135	560	34	137	574	39
Payments for Investments		-198	-312	-175	-198	-346	-178
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes		-64	248	-141	-61	227	-139
Net Cash Flows from Investing Activities		-386	-191	-480	-569	-462	-604

Note: The above Cash Flow Statement should be read in conjunction with the accompanying notes.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
GENERAL GOVERNMENT SECTOR AND TOTAL TERRITORY
CASH FLOW STATEMENT- CONTINUED
FOR THE YEAR ENDED 30 JUNE 2018**

	Note No.	General Government Sector			Total Territory		
		2017-18 Actual \$m	2017-18 Budget \$m	2016-17 Actual \$m	2017-18 Actual \$m	2017-18 Budget \$m	2016-17 Actual \$m
Cash Flows from Financing Activities							
<i>Cash Receipts</i>							
Borrowings		470	437	70	0	45	46
Total Cash Received from Financing Activities		470	437	70	0	45	46
<i>Cash Payments</i>							
Borrowings		-705	-541	-73	-166	-61	-4
Total Cash Paid from Financing Activities		-705	-541	-73	-166	-61	-4
Net Cash Flows from Financing Activities		-235	-104	-3	-165	-16	42
Net Increase/(Decrease) in Cash and Cash Equivalents		-98	16	130	-178	-8	33
Cash and Cash Equivalents at the Beginning of Reporting Period		752	305	622	1,059	623	1,025
Cash and Cash Equivalents at the End of Reporting Period	29(a)	654	322	752	881	615	1,059
Key Fiscal Aggregates (refer to Appendix D - Glossary)							
Net Cash from Operating Activities		524	312	613	556	470	596
Investments in Non-Financial Assets		-401	-570	-380	-519	-703	-460
Cash Surplus (+) / Deficit (-)		122	-258	233	38	-234	136

A positive number denotes a cash inflow, a negative sign denotes a cash outflow.

Note: The above Cash Flow Statement should be read in conjunction with the accompanying notes.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
PUBLIC TRADING ENTERPRISES SECTOR OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018**

	2017-18 Actual \$m	2017-18 Budget \$m	2016-17 Actual \$m
Revenue			
Controlled Recurrent Payments	177	187	166
Grants Revenue			
Commonwealth Grants	2	1	2
Gains from Contributed Assets	27	19	10
Sales of Goods and Services Revenue			
Revenue from Associates and Joint Ventures	93	78	88
Other Sales of Goods and Services	447	427	421
Interest Income	10	8	10
Other Revenue			
Land Revenue (Value Add Component)	328	437	444
Other Revenue	20	13	19
Total Revenue	1,104	1,170	1,160
Expenses			
Employee Expenses	180	178	176
Superannuation Expenses			
Other Superannuation Expenses	24	25	24
Depreciation and Amortisation	99	115	95
Interest Expense	81	79	74
Other Property Expenses (Income Tax Equivalents)	117	137	139
Other Operating Expenses			
Supplies and Services	212	236	204
Other Operating Expenses	54	164	66
Grants and Purchased Services	90	58	114
Total Expenses	856	992	891
UPF^(a) Net Operating Balance	249	178	270
Other Economic Flows - Included in the Operating Result			
Land Revenue (Market Gains on Land Sales)	44	124	50
Net Gain/(Loss) on Sale/(Disposal) of Non-Financial Assets	-77	-49	-56
Net Gain/(Loss) on Financial Assets or Liabilities at Fair Value	1	0	1
Doubtful Debts	-	-2	-3
Operating Result	216	251	262
Other Economic Flows - Other Comprehensive Income			
Items that will not be Subsequently Reclassified to Profit or Loss			
Other Movements	-27	-	-
Increase/(Decrease) in Asset Revaluation Reserve Surpluses due to Revaluations	452	151	235
Increase/(Decrease) in Other Reserves	-10	-	-
Total Comprehensive Income / (Loss)	631	402	496

Notes: (a) Uniform Presentation Framework (refer to Appendix D - Glossary).

The above Operating Statement should be read in conjunction with the accompanying notes.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
PUBLIC TRADING ENTERPRISES SECTOR OPERATING STATEMENT - CONTINUED
FOR THE YEAR ENDED 30 JUNE 2018**

	2017-18 Actual \$m	2017-18 Budget \$m	2016-17 Actual \$m
Key Fiscal Aggregates (refer to Appendix D - Glossary)			
UPF Net Operating Balance	249	178	270
less Net Acquisition of Non-Financial Assets ^(a)			
Payments for Non-Financial Assets	188	219	164
Sales of Non-Financial Assets	-53	-38	-67
Land Revenue (Net Cash Receipts)	-	-134	-52
Change in Inventories	13	-	-
Depreciation and Amortisation	-99	-115	-95
Other Movements in Non-Financial Assets	-48	-28	-86
<i>Total Net Acquisition of Non-Financial Assets</i>	<i>1</i>	<i>-95</i>	<i>-135</i>
Net Lending / (Borrowing)	248	274	405

Notes: The above Operating Statement should be read in conjunction with the accompanying notes.

(a) Measurement of the Net Acquisition of Non-Financial Assets has been amended to include Change in Inventories and remove Land Revenue (Net Cash Receipts) in accordance with the revised Australian Bureau of Statistics (ABS) Government Finance Statistics (GFS) framework.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
PUBLIC TRADING ENTERPRISES SECTOR BALANCE SHEET
AT 30 JUNE 2018**

	2017-18 Actual \$m	2017-18 Budget \$m	2016-17 Actual \$m
Financial Assets			
Cash and Deposits	172	263	255
Advances Paid	-	-	9
Investments and Loans	55	30	52
Receivables	164	149	188
Investments Accounted for Using the Equity Method	1,002	1,048	975
Total Financial Assets	1,393	1,490	1,480
Non-Financial Assets			
Produced Assets			
Property, Plant and Equipment	3,956	3,734	3,670
Investment Properties	8	11	16
Intangibles	25	2	13
Inventories	273	334	260
Assets Held for Sale	126	38	37
Capital Works-in-Progress	183	178	144
Non Produced Assets			
Property, Plant and Equipment	3,821	3,803	3,612
Other Non-Financial Assets			
Deferred Tax Assets	22	28	31
Total Non-Financial Assets	8,415	8,128	7,784
Total Assets	9,808	9,618	9,264
Liabilities			
Advances Received	1,729	1,739	1,652
Employee Benefits	64	59	70
Other Provisions	129	183	176
Payables	236	145	212
Other Liabilities			
Current Tax Liability	32	34	54
Deferred Tax Liability	507	429	436
Other Liabilities	67	257	99
Total Liabilities	2,764	2,846	2,699
Net Assets	7,044	6,772	6,565
Accumulated Funds	2,670	2,571	2,556
Asset Revaluation Surplus	4,374	4,191	3,999
Other Reserves	-	10	10
Net Worth	7,044	6,772	6,565
Key Fiscal Aggregates (refer to Appendix D - Glossary)			
Net Financial Worth	-1,371	-1,356	-1,219
Net Debt	1,502	1,446	1,335

Note: The above Balance Sheet should be read in conjunction with the accompanying notes.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
PUBLIC TRADING ENTERPRISES SECTOR STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	2017-18 Actual \$m	2017-18 Budget \$m	2016-17 Actual \$m
Opening Equity			
Opening Accumulated Funds	2,556	2,486	2,430
Opening Asset Revaluation Surplus	3,999	4,024	3,872
Opening Other Reserves	10	10	10
Opening Balance	6,565	6,519	6,312
Comprehensive Income			
<i>Included in Accumulated Funds:</i>			
Operating Result for the Period	216	251	262
Other Movements	-27	-	-
<i>Included in the Asset Revaluation Surplus:</i>			
Increase/(Decrease) in Asset Revaluation Reserve Surpluses due to Revaluations	452	151	235
Increase/(Decrease) in Other Reserves	-10	-	-
Total Comprehensive Income / (Loss)	631	402	496
Other			
Transfer to/(from) Accumulated Funds	77	-17	108
Transfer to/(from) the Asset Revaluation Surplus	-77	17	-108
Total Other	0	0	0
Transactions Involving Owners Affecting Accumulated Funds			
Capital Injections	31	36	20
Capital Distributions	-75	-40	-54
Transfer of Assets from the General Government Sector	145	165	128
Dividends Approved	-252	-310	-337
Total Transactions Involving Owners Affecting Accumulated Funds	-151	-148	-243
Closing Equity			
Closing Accumulated Funds	2,670	2,571	2,556
Closing Asset Revaluation Surplus	4,374	4,191	3,999
Closing Other Reserves	-	10	10
Closing Balance	7,044	6,772	6,565

Note: The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
PUBLIC TRADING ENTERPRISES SECTOR CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018**

	2017-18 Actual \$m	2017-18 Budget \$m	2016-17 Actual \$m
Cash Flows from Operating Activities			
<i>Cash Receipts</i>			
Receipts from Sales of Goods and Services	833	1,023	927
Grants/Subsidies Received	178	184	172
Interest Receipts	9	6	10
Other Receipts	169	108	113
Total Cash Received from Operating Activities	1,189	1,321	1,222
<i>Cash Payments</i>			
Payments for Employees	-194	-203	-190
Payments for Goods and Services	-210	-251	-196
Grants/Subsidies Paid	-22	-23	-25
Interest Paid	-72	-85	-77
Other Payments	-268	-280	-265
Total Cash Paid from Operating Activities	-767	-843	-752
Net Cash Flows from Operating Activities	422	478	470
Cash Flows from Investing Activities			
Cash Flows from Investments in Non-Financial Assets			
Sales of Non-Financial Assets	53	38	67
Payments for Non-Financial Assets	-188	-219	-164
Net Cash Flows from Investments in Non-Financial Assets	-135	-182	-97
Cash Flows from Investments in Financial Assets for Policy Purposes			
<i>Cash Receipts</i>			
Capital Receipts from Government Agencies	31	36	20
Total Cash Received from Investments in Financial Assets for Policy Purposes	31	36	20
<i>Cash Payments</i>			
Issue of Loan	-4	-	-6
Dividends - Market Gains on Land Sales	-29	-87	-32
Distributions to Government	-67	-66	-29
Total Cash Paid from Investments in Financial Assets for Policy Purposes	-99	-153	-66
Net Cash Flows from Investments in Financial Assets for Policy Purposes	-68	-117	-46
Cash Flows from Investments in Financial Assets for Liquidity Purposes			
Sales of Investments	3	13	1
Payments for Investments	-	-34	-
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	3	-21	1
Net Cash Flows from Investing Activities	-201	-320	-142

Note: The above Cash Flow Statement should be read in conjunction with the accompanying notes.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
PUBLIC TRADING ENTERPRISES SECTOR CASH FLOW STATEMENT- CONTINUED
FOR THE YEAR ENDED 30 JUNE 2018**

	2017-18 Actual \$m	2017-18 Budget \$m	2016-17 Actual \$m
Cash Flows from Financing Activities			
<i>Cash Receipts</i>			
Advances Received	547	409	70
Total Cash Received from Financing Activities	547	409	70
<i>Cash Payments</i>			
Advances Paid	-477	-321	-25
Dividends Paid	-259	-133	-307
Other Financing	-113	-138	-162
Total Cash Paid from Financing Activities	-848	-592	-494
Net Cash Flows from Financing Activities	-302	-183	-425
Net Increase/(Decrease) in Cash and Cash Equivalents	-80	-24	-97
Cash and Cash Equivalents at the Beginning of Reporting Period	307	318	403
Cash and Cash Equivalents at the End of Reporting Period	227	293	307
Key Fiscal Aggregates (refer to Appendix D - Glossary)			
Net Cash from Operating Activities	422	478	470
Net Cash Flows from Investments in Non-Financial Assets	-135	-182	-97
Distributions Paid	-372	-271	-469
Cash Surplus (+) / Deficit (-)	-85	25	-97

A positive number denotes a cash inflow, a negative sign denotes a cash outflow.

Note: The above Cash Flow Statement should be read in conjunction with the accompanying notes.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
STATEMENT OF APPROPRIATION
FOR THE YEAR ENDED 30 JUNE 2018**

Entity	Appropriation Act 2017-18 \$'000	Neutral Transfers between Appropriations/ Directorates \$'000	Commonwealth Grants Variations \$'000	Treasurer's Advance \$'000	Additional Approved Appropriations* \$'000	Total Appropriated \$'000	Final Appropriation Drawn \$'000
ACT Executive							
Payments on behalf of the Territory	10,406					10,406	10,110
ACT Gambling and Racing Commission							
Controlled recurrent payments	4,913					4,913	4,913
ACT Local Hospital Network							
Controlled recurrent payments	656,143					656,143	629,747
Auditor-General							
Controlled recurrent payments	2,894					2,894	2,855
Canberra Institute of Technology							
Controlled recurrent payments	70,913		13			70,926	70,831
Capital injection	4,792					4,792	4,792
Chief Minister, Treasury and Economic Development Directorate							
Controlled recurrent payments	335,810	(7,631)	6	11,050	11,936	351,171	302,856
Capital injection	146,831	(8,464)	400	3,815	11,747	154,329	102,319
Payments on behalf of the Territory	63,856	12,900			56	76,812	75,328
City Renewal Authority							
Controlled recurrent payments	4,758	800			2,494	8,052	6,700
Capital injection	9,500	7,950			3,081	20,531	10,176
Community Services Directorate							
Controlled recurrent payments	252,585	1,344	855		1,459	256,243	252,760
Capital injection	4,941				1,044	5,985	4,289

* Additional Approved Appropriations relate to the *Appropriation Act 2017-18 (No 2)*, *Appropriation (Office of the Legislative Assembly) Act 2017-18 (No 2)* and transfer of undispersed 2016-17 Appropriation from 2016-17 to 2017-18 under the *Financial Management Act 1996*.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
STATEMENT OF APPROPRIATION - CONTINUED
FOR THE YEAR ENDED 30 JUNE 2018**

Entity	Appropriation Act 2017-18 \$'000	Neutral Transfers between Appropriations/ Directorates \$'000	Commonwealth Grants Variations \$'000	Treasurer's Advance \$'000	Additional Approved Appropriations* \$'000	Total Appropriated \$'000	Final Appropriation Drawn \$'000
Cultural Facilities Corporation							
Controlled recurrent payments	8,715					8,715	8,715
Capital injection	1,770					1,770	1,770
Education Directorate							
Controlled recurrent payments	670,059				1,705	671,764	662,146
Capital injection	85,602				37,008	122,610	95,736
Payments on behalf of the Territory	284,090		13,445		1,342	298,877	295,923
Electoral Commissioner							
Controlled recurrent payments	2,954				150	3,104	2,806
Capital injection					235	235	144
Environment, Planning and Sustainable Development Directorate							
Controlled recurrent payments	157,379	2,975			4,353	164,707	121,677
Capital injection	327,040	(8,950)			24,826	342,916	222,856
Payments on behalf of the Territory	2,367				431	2,798	2,099
Health Directorate							
Controlled recurrent payments	313,371	(16,207)			9,395	306,559	265,993
Capital injection	157,393	9,070			33,126	199,589	102,833
Payments on behalf of the Territory	18,593	4,500			4,972	28,065	25,519
Housing ACT							
Controlled recurrent payments	46,792					46,792	46,792
Capital injection	5,000					5,000	5,000
Icon Water Limited							
Controlled recurrent payments	11,979					11,979	11,979

* Additional Approved Appropriations relate to the *Appropriation Act 2017-18 (No 2)*, *Appropriation (Office of the Legislative Assembly) Act 2017-18 (No 2)* and transfer of undispersed 2016-17 Appropriation from 2016-17 to 2017-18 under the *Financial Management Act 1996*.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
STATEMENT OF APPROPRIATION - CONTINUED
FOR THE YEAR ENDED 30 JUNE 2018**

Entity	Appropriation Act 2017-18 \$'000	Neutral Transfers between Appropriations/ Directorates \$'000	Commonwealth Grants Variations \$'000	Treasurer's Advance \$'000	Additional Approved Appropriations* \$'000	Total Appropriated \$'000	Final Appropriation Drawn \$'000
Independent Competition and Regulatory Commission							
Controlled recurrent payments	350					350	350
Justice and Community Safety Directorate							
Controlled recurrent payments	281,299	(4,943)			7,883	284,239	267,925
Capital injection	43,572	3,520			11,815	58,907	25,703
Payments on behalf of the Territory	176,464			3,300	110	179,874	177,344
Legal Aid Commission (ACT)							
Controlled recurrent payments	13,656				437	14,093	13,168
Office of the Legislative Assembly							
Controlled recurrent payments	8,900	190				9,090	9,090
Capital injection	149	30			806	985	933
Payments on behalf of the Territory	9,923	(220)				9,703	9,027
Public Trustee and Guardian							
Controlled recurrent payments	2,184					2,184	2,057
Superannuation Provision Account							
Capital injection	176,149					176,149	176,149
Transport Canberra and City Services Directorate							
Controlled recurrent payments	334,866	4,109			2,232	341,207	334,316
Capital injection	238,235	(973)	1,827		34,980	274,069	157,204

* Additional Approved Appropriations relate to the *Appropriation Act 2017-18 (No 2)*, *Appropriation (Office of the Legislative Assembly) Act 2017-18 (No 2)* and transfer of undispersed 2016-17 Appropriation from 2016-17 to 2017-18 under the *Financial Management Act 1996*.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
STATEMENT OF APPROPRIATION - CONTINUED
FOR THE YEAR ENDED 30 JUNE 2018**

Entity	Appropriation Act 2017-18 \$'000	Neutral Transfers between Appropriations/ Directorates \$'000	Commonwealth Grants Variations \$'000	Treasurer's Advance \$'000	Additional Approved Appropriations* \$'000	Total Appropriated \$'000	Final Appropriation Drawn \$'000
Sub Totals for Appropriation Classes							
Controlled recurrent payments	3,180,520	(19,363)	874	11,050	42,044	3,215,125	3,017,676
Capital injection	1,200,974	2,183	2,227	3,815	158,668	1,367,867	909,903
Payments on behalf of the Territory	565,699	17,180	13,445	3,300	6,911	606,535	595,350
Treasurer's Advance	49,472					49,472	
Total Appropriations	4,996,665	-	16,546	18,165	207,623	5,238,999	4,522,929

* Additional Approved Appropriations relate to the *Appropriation Act 2017-18 (No 2)*, *Appropriation (Office of the Legislative Assembly) Act 2017-18 (No 2)* and transfer of undispersed 2016-17 Appropriation from 2016-17 to 2017-18 under the *Financial Management Act 1996*.

The variances between the Total Appropriated and Final Appropriation Drawn columns for 2017-18 are largely due to the following:

Controlled recurrent payments: The variation is largely due to the deferral of expenditure from 2017-18 to future years, the most significant of which relate to Commonwealth Grants – Skills Reform National Partnership and changes in demolition processes under the Public Housing Renewal Taskforce. The details of these deferrals can be found in the 2018-19 Budget Statements (changes to appropriation table) of the Chief Minister, Treasury and Economic Development Directorate and the Environment, Planning and Sustainable Development Directorate.

Capital injection: The variation is largely due to the deferral of expenditure from 2017-18 to future years, the most significant of which relates to the Public Housing Renewal Taskforce associated with delays in construction following extensive public consultations, Light Rail Stage 1 and Horse Park Drive duplication. The details of these deferrals can be found in the 2018-19 Budget Statements (changes to appropriation table) of the Environment, Planning and Sustainable Development Directorate and the Transport Canberra and City Services Directorate.

Payments on behalf of the Territory: The variation mainly relates to the delay in Calvary hospital upgrades and transfer of funds to 2018-19 associated with the Interest Subsidy Scheme and the timing of the Australian Federal Police Enterprise Agreement impacting on payments for ACT Policing.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1 THE AUSTRALIAN CAPITAL TERRITORY GOVERNMENT

The Australian Capital Territory (the Territory) is a body politic established under the *Australian Capital Territory (Self-Government) Act 1988* (Cwlth). The Legislative Assembly for the ACT is elected on fixed four year terms with the next election due to be held in 2020. The Executive powers of the Territory are exercised by the Chief Minister and Ministers of the ACT Government appointed in accordance with that Act and drawn from the Members of the Legislative Assembly.

The ACT Government is responsible for administering both state and municipal powers and functions in accordance with the Australian model of Government.

Financial Administration and Preparation of Consolidated Financial Statements

The ACT Government owns or controls a diverse range of administrative entities, Territory authorities and corporations (refer Note 3: 'Australian Capital Territory Government Controlled Entities') to deliver services funded by the Government or the community directly. The *Financial Management Act 1996* (FMA) sets the legislative framework for the administration of financial affairs of the ACT Government and its agencies.

Section 22 of the FMA requires the Under Treasurer to prepare Consolidated Annual Financial Statements for the Territory.

2 DISAGGREGATED INFORMATION

The Territory's financial statements show the assets, liabilities and equity (reflected in the Balance Sheet), revenue and expenses (reflected in the Operating Statement) and receipts and payments (reflected in the Cash Flow Statement) that are reliably attributable to the General Government Sector (GGS) and Public Trading Enterprises (PTE) sector activities of the Government. These have been determined in accordance with the principles used in the Government Finance Statistics conventions of the Australian Bureau of Statistics (ABS). This disaggregated information includes transactions and balances between sectors (but excludes transactions between entities within each of these). The aggregate of the GGS and PTE amounts may therefore vary from the consolidated total for the Territory due to consolidation eliminations. A list of entities in the GGS and PTE sectors can be found at Note 3: 'Australian Capital Territory Government Controlled Entities'.

General Government Sector (GGS)

GGS entities include Government directorates and other administrative units, statutory authorities and other entities for the purposes of the *Financial Management Act 1996* which predominantly receive funding directly or indirectly from Government sources. It covers those agencies that provide non-market goods or services (such as police or consumer protection) or are responsible for the transfer of income for public policy purposes (such as by way of income support). The Government funds the provision of the above services by compulsory levies (such as taxes) on the household and business sectors, and from general revenue, such as Commonwealth grants.

Public Trading Enterprises (PTE)

PTE entities include those agencies that largely provide services direct to the community on a commercial fee for service basis, with the aim of recovering all, or a significant proportion, of their operating costs.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3 AUSTRALIAN CAPITAL TERRITORY GOVERNMENT CONTROLLED ENTITIES

General Government Sector

ACT Audit Office
ACT Compulsory Third Party Insurance Regulator
ACT Electoral Commission
ACT Executive
ACT Gambling and Racing Commission
ACT Insurance Authority
ACT Local Hospital Network Directorate
ACT Public Cemeteries Authority
Canberra Institute of Technology
Chief Minister, Treasury and Economic Development Directorate
Community Services Directorate
Cultural Facilities Corporation
Education Directorate
Environment, Planning and Sustainable Development Directorate
Health Directorate
Independent Competition and Regulatory Commission
Justice and Community Safety Directorate
Legal Aid Commission (ACT)
Lifetime Care and Support Fund
Office of the Legislative Assembly
Public Trustee and Guardian
Superannuation Provision Account
Territory Banking Account
Transport Canberra and City Services Directorate

Public Trading Enterprises

ACTION
CIT Solutions Pty Limited
City Renewal Authority
Housing ACT
Icon Water Limited
Suburban Land Agency

All Public Trading Enterprises are 100 per cent owned by the Territory.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

<u>REVENUE</u>	General Government		Total Territory	
	Sector			
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
4 TAXATION REVENUE				
Duties ^(a)	258	350	257	348
Payroll Tax ^(b)	486	449	473	437
General Rates ^(a)	491	452	474	435
Motor Vehicle Registrations	134	125	134	125
Land Tax	134	106	134	106
Gambling Taxes	51	51	51	51
Fire and Emergency Services Levy	74	65	71	63
Utilities (Network Facilities) Tax	37	34	27	25
Lease Variation Charge	6	21	6	21
Ambulance Levy	24	22	24	22
Energy Industry Levy	4	2	4	2
Lifetime Care and Support Levy	19	19	19	19
Total Taxation Revenue	1,718	1,695	1,675	1,654
Notes: (a) The decrease in duties and increase in general rates is mainly due to tax reform which is working towards replacing conveyance duty with general rates over the long-term.				
(b) The increase in payroll tax is largely due to growth in the number of employees.				
5 GRANTS REVENUE				
GST Revenue Grants ^(a)	1,292	1,126	1,292	1,126
Municipal Service Payments	40	39	40	39
National Specific Purpose and Reform Grants ^(b)	741	696	741	696
National Partnership Payments ^(c)	128	89	128	89
<i>Other Grants:</i>				
Finance Assistance Grants ^(d)	52	74	52	74
Other Grants	28	25	30	27
Total Commonwealth Grants Revenue	2,281	2,049	2,282	2,051
Gains from Contributed Assets ^(e)	158	116	97	38
Total Gains from Contributed Assets	158	116	97	38
Total Grants Revenue	2,439	2,165	2,380	2,089

Notes: (a) GST Revenue Grants represent the distribution of Goods and Services Tax revenue collected by the Commonwealth Government and transferred to State and Territory Governments. GST Revenue increased largely due to revised GST revenue pools, population estimates and recommendations arising from the Commonwealth Grants Commission Report on GST Revenue Sharing Relativities – 2018 Update.

(b) National Specific Purpose and Reform Grants are Commonwealth financial contributions to support delivery of services in specified sectors and are subject to conditions on expenditure. The Territory (through the General Government Sector) receives funding for Healthcare, Schools, Skills and Workforce Development, Affordable Housing and Disability purposes.

(c) National Partnership Payments are received to support the delivery of specified projects, to facilitate reforms or to reward jurisdictions that deliver on national reforms or achieve service delivery improvements.

(d) Finance Assistance Grants are provided for the purpose of Local Government activities. As the Territory has responsibility for both State and Municipal functions, these grants are paid directly to the Territory. The decrease in Finance Assistance Grants is mainly due to the one-off early payment in 2016-17 of funds by the Commonwealth that related to 2017-18.

(e) Gains from Contributed Assets primarily relate to land development infrastructure assets transferred to the General Government Sector by the Public Trading Enterprises Sector and external developers. Renewable Energy Certificates from Large-scale Renewable Energy Generators are also included. Higher Gains from Contributed Assets is primarily due to the recognition of a higher number of Large Scale Renewable Energy Certificate entitlements compared to the previous year.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

6 OTHER SALES OF GOODS AND SERVICES

Revenue from Sales of Goods and Services is derived by providing goods and services to entities outside the ACT Government and to the public. For the General Government Sector, this revenue also includes transactions with the Public Trading Enterprises Sector. This revenue is paid by the users of goods and services and as such, it is driven by consumer demand and is commercial in nature.

	General Government Sector		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
Water, Sewerage and Other Related Services	-	-	289	266
Residential Housing Tenants and Rental Income	11	11	95	93
Health Cross-Border Revenue ^(a)	105	101	105	101
Hospital and Other Health Services ^(b)	114	123	114	123
Regulatory Services ^(c)	112	96	112	96
Vocational and Tertiary Education and Training Fees	40	40	56	56
Service Receipts ^(d)	91	96	96	97
Fees ^(e)	28	27	28	27
Water Abstraction Charge	31	28	0	-
Total Other Sales of Goods and Services	533	522	896	859

Notes: (a) Health Cross-Border Revenue relates to revenue for health services provided to patients from other jurisdictions, mainly New South Wales.

(b) Hospital and Other Health Services revenue relates to fees and charges for public hospital services, including patients who elect to be treated as private patients, and for community health services provided at community facilities such as health centres.

(c) Regulatory Services represent fees such as transport regulation, waste acceptance, road safety, building levies and development applications.

(d) Service Receipts include items such as venue and equipment hire, event management, sports match receipts, extension of time to build fees, capital linen revenue, merchandise sales, bus fares and fire safety certifier fees.

(e) Fees include parking fees and drivers' licences.

7 DIVIDEND AND INCOME TAX EQUIVALENTS INCOME

Dividends from Public Trading Enterprises ^(a)	223	306	-	-
Dividends from Superannuation Investments	60	54	60	54
Income Tax Equivalents from Public Trading Enterprises ^(a)	92	147	-	-
Total Dividend and Income Tax Equivalents Income	376	507	60	54

Note: (a) Lower dividends and income tax equivalents from Public Trading Enterprises are largely due to delays of land settlements in Throsby and Denman Prospect 2.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

EXPENSES

	General Government Sector		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
8 EMPLOYEE EXPENSES				
Wages and Salaries	1,836	1,748	1,996	1,901
Long Service Leave	32	38	35	43
Annual Leave	80	74	86	80
Workers' Compensation Insurance Premiums	49	64	58	75
Other Employee Benefits and On-Costs	7	7	8	9
Termination Payments and Redundancies	1	1	1	1
Total Employee Expenses	2,005	1,932	2,184	2,108

9 SUPERANNUATION EXPENSES

Superannuation expenses are primarily managed by the General Government Sector on behalf of the Territory, and

- the present value of interest and service costs paid to the Commonwealth Government (Commonwealth Superannuation Corporation (CSC)) to cover the Territory's defined benefit obligation in relation to employee membership in the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS);
- payments made directly to CSC on behalf of employees who are members of the Public Sector Superannuation Scheme accumulation plan (PSSap);
- employer productivity payments made directly to CSC on behalf of members of the CSS and PSS; and
- payments made to other superannuation funds external to the ACT Government.

Superannuation Interest Cost ^(a)	304	293	304	293
Other Superannuation Expenses	357	452	370	464
Total Superannuation Expenses ^(b)	661	746	674	758

Represented by:

Superannuation Expenses (CSS and PSS)	509	603	509	603
Superannuation Payment to CSC (for the PSSap)	8	8	9	8
Productivity Benefit	15	15	16	17
Superannuation to Other External Providers, including Fund of Choice	129	119	140	129
Total Superannuation Expenses ^(b)	661	746	674	758

Notes: (a) Superannuation Interest Cost is a component of total superannuation expense to the extent the liability is unfunded. It should be noted, however, that 'superannuation interest cost' does not represent an actual borrowing from employees. The break-down of total superannuation expenses into 'superannuation interest cost' and 'other superannuation expenses' is simply for presentational and reporting purposes.

(b) Total Superannuation Expenses decreased mainly due to a lower superannuation liability valuation estimate at 30 June 2017, which used a higher discount rate of 3.51 per cent to estimate the present value of the superannuation liability. Superannuation expense for the 2016-17 financial year was higher due to the higher superannuation liability valuation at 30 June 2016, which applied a lower discount rate of 2.69 per cent.

10 SUPPLIES AND SERVICES

Communication, Travel and Staff Development	77	88	88	94
Printing and Stationery	24	20	26	21
Materials, Equipment and Supplies	235	225	327	317
Property Rental and Occupancy Expenses (including Utilities)	83	74	73	65
Repairs and Maintenance	135	122	178	164
Consultant Fees, Contractor Payments and Professional Services	229	197	251	220
Community Policing	159	156	159	156
Other Supplies and Services	20	25	24	31
Total Supplies and Services	962	907	1,127	1,068

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government Sector		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
11 GRANTS AND PURCHASED SERVICES				
Under the <i>Financial Management Act 1996</i> , appropriations may be made to directorates and a limited number of territory authorities and are recorded as 'Appropriation Payments to Agencies and Asset Transfers to Another Entity'.				
Government grants and purchased services expense comprised amounts relating to:				
Grants to Non-Government Schools	295	272	295	272
Grant Payment (Education and Community Services)	2	3	24	24
First Home Owners' Grant	15	12	15	12
Capital Grants	24	6	24	6
Loose-fill Asbestos Insulation Eradication Scheme Capital Grants	1	3	1	3
Appropriation Payments to Agencies and Asset Transfers to Another Entity	79	57	1	7
Skills Canberra	22	19	22	19
Sport, Recreation and VisitCanberra	12	13	12	13
Other Current Grants	41	15	41	15
Total Grants	491	400	435	371
Purchase of Transport Services from ACTION	104	99	-	-
Purchase of Health Services from Calvary Hospital	207	192	207	192
Purchase of Health Services from Other Jurisdictions	43	36	43	36
Payments to Non-Government Organisations (Health and Disability)	237	273	237	273
Other Purchased Services	-	16	-	12
Total Purchased Services	590	616	487	513
Total Grants and Purchased Services	1,083	1,016	921	884

OTHER ECONOMIC FLOWS

'Other Economic Flows' include non-mutually agreed transactions which result in a change in the value of net assets, and include revaluations of assets and liabilities, gains and losses and bad debts written-off, as well as gains on the sale of land.

12 NET GAIN/(LOSS) ON SALE/(DISPOSAL) OF NON-FINANCIAL ASSETS

Other Gains (Non-Core Activities) ^(a)	29	55	34	64
Asset Revaluation	-2	2	-2	-4
Impairment Losses and Write-Offs	-13	-12	-95	-70
Loss on Disposal of Assets	-19	-31	-19	-32
Total Net Gain/(Loss) on Sale of Non-Financial Assets	-5	13	-82	-42

Note: (a) The decrease in Other Gains (Non-Core Activities) is mainly due to a change in the rate used to estimate the present value of long service leave employee benefits from 103.4 per cent in 2016-17 to 100.9 per cent in 2017-18.

13 NET GAIN/(LOSS) ON FINANCIAL ASSETS OR LIABILITIES AT FAIR VALUE

Realised and Unrealised Gains on Investments	276	294	277	294
Realised and Unrealised Losses on Investments	-32	-54	-32	-54
Total Net Gain/(Loss) on Financial Assets or Liabilities	244	239	245	240

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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FOR THE YEAR ENDED 30 JUNE 2018**

	General Government Sector		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
14 WAIVERS, IMPAIRMENT LOSSES AND WRITE-OFFS				
Under Section 131 of the <i>Financial Management Act 1996</i> , the Treasurer may, in writing, waive the right to payment of an amount payable to the Territory.				
A waiver is the relinquishment of a legal claim to a debt. The write-off of a debt is the accounting action taken to remove a debt from the books, but does not relinquish the legal right of the Territory to recover the amount. The write-off of debts may occur for reasons other than waivers. An impairment loss is the amount by which the carrying amount of an asset (or a cash-generating unit) exceeds its recoverable amount. The recoverable amount is the higher of 'fair value less the cost to sell' and its 'value in use'.				
The waivers and write-offs listed below have occurred during the reporting period for the General Government Sector and the Territory.				
Waivers				
Other Waivers	2	0	2	0
Total Waivers ^(a)	2	0	2	0
Impairment Losses				
<i>Impairment Loss from Receivables</i>				
Receivables	5	9	5	9
Total Impairment Loss from Receivables	5	9	5	9
<i>Impairment Loss from Property, Plant and Equipment</i>				
Plant and Equipment	9	6	10	6
Total Impairment Loss from Property, Plant and Equipment	9	6	10	6
Total Impairment Losses	14	15	15	15
Write-Offs				
Write-Offs	3	4	6	6
Total Write-Offs	3	4	6	6
Total Waivers, Impairment Losses and Write-Offs	19	19	24	21

Note: (a) There were 751 waivers approved in 2017-18 for the General Government Sector (GGS) (2016-17: 177) and 751 for the Territory (2016-17: 179). Details regarding the increase in the number of waivers approved can be found at <http://www.cmd.act.gov.au/functions/publications> in the Chief Minister, Treasury and Economic Development Directorate's 2017-18 Annual Report.

15 ACT OF GRACE PAYMENTS

Act of Grace Payments are a method of providing equitable remedies to entities or individuals that may have been unfairly disadvantaged by the Government, but have no legal claim to seek compensation.

There were two Act of Grace Payments made by the General Government Sector (GGS) and the Territory during the reporting period pursuant to Section 130 of the *Financial Management Act 1996* (FMA), totalling \$211,000. There were three Act of Grace Payments for the GGS and the Territory, totalling \$19,600 in 2016-17. Act of Grace Payments are reflected under Other Operating Expenses in the Operating Statement.

The FMA requires Act of Grace payments made by the Territory to be reported in the notes to agencies' financial statements in the financial year the payments were made. Details of Act of Grace payments made can be found in the Chief Minister, Treasury and Economic Development Directorate and Education Directorate's financial statements (act of grace payments note).

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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<u>ASSETS</u>	General Government		Total Territory	
	Sector			
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
16 CASH AND DEPOSITS				
Cash and Deposits include cash on hand, cheques held but not yet deposited, deposits held in transaction accounts and other deposits which are recoverable or transferable on demand.				
Cash at Bank ^(a)	661	774	829	1,025
Other Cash Equivalents	1	7	5	11
Total Cash and Deposits	663	782	834	1,037
Note: (a) The decrease in cash at bank is largely due to lower dividends and income tax equivalents from Public Trading Enterprises associated with delays of land settlements in Throsby and Denman Prospect 2.				
17 ADVANCES PAID				
Advances paid include loans made by the Territory (through the General Government Sector) to Icon Water Limited and Community Housing Canberra Limited.				
Current Loans Receivable	30	397	3	3
Non-Current Loans Receivable ^(a)	1,707	1,262	63	76
Total Advances Paid	1,737	1,658	66	78
Note: (a) The movements in current and non-current loan receivables are mainly due to refinancing fixed rate loans to Icon Water Limited.				
18 INVESTMENTS AND LOANS				
Current investments (the Cash Enhanced Fund) is comprised of securities and standard market instruments which must conform to applicable standard market conventions and requirements. The bulk of non-current investments represents superannuation related investments, which are managed by external professional funds managers in accordance with the <i>Territory Superannuation Provision Protection Act 2000</i> and the <i>Superannuation Management Guidelines 2011</i> .				
<i>Current Investments</i>				
Short-Term Securities	-	-	55	52
Other Current Investments	1,052	1,147	1,052	1,148
Total Current Investments	1,052	1,147	1,107	1,200
<i>Non-Current Investments</i>				
Government Fixed Interest Bonds	921	887	921	887
Shares and Equities	2,397	2,111	2,397	2,111
Investment in Property Trusts	399	322	399	322
Other Non-Current Investments	3	4	3	4
Total Non-Current Investments	3,720	3,323	3,720	3,323
Total Investments and Loans	4,772	4,470	4,827	4,523

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government		Total Territory	
	Sector			
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
19 RECEIVABLES				
<i>Current Receivables</i>				
Trade Receivables	236	223	251	321
Right to Receive Infrastructure from Land Developers ^(a)	-	-	18	12
Prepayments	27	29	37	41
Less: Allowance for Impairment Losses	-22	-20	-30	-28
Net Current Trade Receivables	241	231	276	347
Accrued Revenue	194	197	62	69
Other Current Receivables	164	169	86	58
Total Current Receivables	599	598	424	475
<i>Non-Current Trade Receivables</i>				
Trade Receivables	1	1	1	1
Prepayments	1	1	1	1
Net Non-Current Trade Receivables	2	2	2	2
Other Receivables	-	-	55	45
Total Non-Current Receivables	2	2	57	47
Total Receivables	601	600	480	521

Note: (a) The right to receive infrastructure from land developers reflects the value of infrastructure assets (such as roads, services and landscaping) required to be constructed by the land purchaser and handed over to the Territory on completion.

Reconciliation of the Allowance for Impairment Losses

Allowance for Impairment Losses at the Beginning of the Reporting Period	20	20	28	26
Additional Allowance Recognised During the Reporting Period	5	2	2	6
Less: Reduction in Allowance from Amounts Recovered During the Reporting Period	-4	-2	-1	-5
Allowance for Impairment Losses at the End of the Reporting Period	22	20	30	28

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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19 RECEIVABLES - CONTINUED

Ageing of Receivables - General Government Sector

	Not Overdue \$m	Overdue			Total \$m
		Less than 30 Days \$m	30 to 60 Days \$m	Greater than 60 Days ^(a) \$m	
2017-18					
Not Impaired					
Receivables	477	19	10	95	601
Impaired					
Receivables	-	-	3	19	22
2016-17					
Not Impaired					
Receivables	519	12	4	65	600
Impaired					
Receivables	-	-	4	16	20

Ageing of Receivables - Total Territory

	Not Overdue \$m	Overdue			Total \$m
		Less than 30 Days \$m	30 to 60 Days \$m	Greater than 60 Days ^(a) \$m	
2017-18					
Not Impaired					
Receivables	346	20	11	102	480
Impaired					
Receivables	-	-	3	27	30
2016-17					
Not Impaired					
Receivables	432	14	5	70	521
Impaired					
Receivables	-	-	4	24	28

(a) The receivables of greater than 60 days which are not impaired largely reflect overdue general rates, payroll tax, parking and traffic infringements.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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20 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment includes the following classes of assets: land and buildings; leasehold improvements; plant and equipment; infrastructure assets; and heritage and community assets. Property, Plant and Equipment does not include assets held for sale or investment property.

Land: includes leasehold land held by the Territory and other land such as that associated with the Territory's educational and health facilities, and includes land under roads.

Buildings: includes office buildings, warehouses, hospitals, school buildings, community health centres, other clinical and corporate facilities, emergency service facilities, courts and land improvements. Land improvements are additions to areas of land that increase the utility of the land and have a limited useful life.

Leasehold Improvements: represent capital expenditure incurred in relation to leased assets. This includes fit-outs of leased buildings.

Plant and Equipment: includes mobile plant, air conditioning and heating systems, office and computer equipment, furniture and fittings, and other mechanical and electronic equipment.

Infrastructure Assets: comprise public utilities that provide essential services and enhance the productive capacity of the economy. Infrastructure assets held by the General Government Sector and the Territory include roads, bridges, barriers, stormwater assets, carparks, streetlights, community paths, traffic signals, driveways, signs and barriers. Land under infrastructure is not included in infrastructure assets.

Heritage Assets: are defined as those non-current assets that the Government intends to preserve indefinitely because of their unique historical, cultural or environmental attributes. A common feature of heritage assets is that they cannot be replaced and they are not usually available for sale or redeployment. Heritage assets held include art, museums and some library collections, historical buildings, and memorials.

Community Assets: are those assets that are provided essentially for community use or services. Community assets held include public parks and gardens, public sporting reserves, public nature reserves and infrastructure.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government Sector		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
20 PROPERTY, PLANT AND EQUIPMENT - CONTINUED				
LAND AND BUILDINGS				
Land at Fair Value ^(a)	3,841	3,506	7,663	7,118
Landfill Restoration at Fair Value	32	28	32	28
Less: Accumulated Depreciation on Landfill Restoration	26	26	26	26
Total Land at Fair Value	3,847	3,509	7,668	7,121
Buildings at Fair Value	3,727	4,006	5,308	5,513
Less: Accumulated Depreciation	117	258	136	271
Less: Accumulated Impairment Losses	1	1	4	5
Total Buildings at Fair Value	3,609	3,746	5,168	5,237
Total Written Down Value of Land and Buildings	7,456	7,255	12,837	12,357
PLANT AND EQUIPMENT				
Plant and Equipment at Cost	468	424	468	429
Less: Accumulated Depreciation	293	257	293	260
Total Plant and Equipment at Cost	175	167	176	169
Plant and Equipment at Fair Value	68	71	197	194
Less: Accumulated Depreciation	14	8	26	15
Total Plant and Equipment at Fair Value	54	63	171	179
Total Written Down Value of Plant and Equipment	230	230	347	347
LEASEHOLD IMPROVEMENTS				
Leasehold Improvements at Cost	26	20	27	17
Less: Accumulated Depreciation	21	15	21	10
Total Leasehold Improvements at Cost	5	6	5	6
Leasehold Improvements at Fair Value	60	71	61	77
Less: Accumulated Depreciation	12	23	12	29
Total Leasehold Improvements at Fair Value	48	48	49	48
Total Written Down Value of Leasehold Improvements	53	54	54	55

Note: (a) Land under roads assets are considered to be non-produced in nature under the ABS GFS Framework and included in Land and Buildings. To be consistent, these assets in 2016-17 are reclassified from Heritage and Community Assets to Land and Building.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government Sector		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
20 PROPERTY, PLANT AND EQUIPMENT - CONTINUED				
INFRASTRUCTURE ASSETS				
Infrastructure Assets at Fair Value	7,209	7,220	9,908	9,656
Less: Accumulated Depreciation	201	221	623	596
Less: Accumulated Impairment Losses	5	5	5	5
Total Infrastructure Assets at Fair Value	7,002	6,994	9,280	9,055
HERITAGE AND COMMUNITY ASSETS				
Heritage and Community Assets at Fair Value ^(a)	228	411	229	411
Less: Accumulated Depreciation	2	1	2	1
Total Heritage and Community Assets at Fair Value	226	410	227	410
Total Written Down Value of Property, Plant and Equipment	14,967	14,943	22,744	22,225

(Refer to Appendix B(s): 'Acquisition and Recognition of Property, Plant and Equipment' and Appendix B(t): 'Measurement of Property, Plant and Equipment After Initial Recognition').

Represented by Produced / Non-Produced Assets

The Territory's Non-Produced Assets include land and land under roads.

Produced Assets	11,120	11,201	15,076	14,871
Non-Produced Assets	3,847	3,742	7,668	7,354
Total of Property, Plant and Equipment	14,967	14,943	22,744	22,225

Valuation of Non-Current Assets

The majority of the Territory's assets are valued either by an independent and qualified valuer, or internally by Officers of Directorates using ACT policy. The Territory's assets are valued on a three year rolling basis. (Refer to Appendix B(t): 'Measurement of Property, Plant and Equipment After Initial Recognition').

Note: (a) Land under roads assets are considered to be non-produced in nature under the ABS GFS Framework and included in Land and Buildings. To be consistent, these assets in 2016-17 are reclassified from Heritage and Community Assets to Land and Building.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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20 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

Reconciliation of Property, Plant and Equipment - General Government Sector

The following table shows the movement in each class of Property, Plant and Equipment during 2017-18.

	Land \$m	Buildings \$m	Plant and Equipment \$m	Leasehold Improvements \$m	Infrastructure Assets \$m	Heritage and Community Assets \$m	Total \$m
Balance at 1 July 2017	3,509	3,746	230	54	6,994	412	14,942
Additions	404	356	69	8	137	-	974
Assets Classified as Held for Sale	-63	-	-	-	-	-	-63
Revaluation Adjustments	42	-65	0	0	-164	134	-52
Impairment Losses Recognised Directly in Equity	-	-8	-	-	-	-	-8
Depreciation	-1	-128	-49	-10	-181	-6	-374
Assets Transferred	-35	-76	0	-	0	0	-111
Disposals	-1	-3	-3	-3	-	-	-11
Other Movements/Reclassifications	-10	-214	-17	5	216	-314	-334
Balance at 30 June 2018	3,847	3,609	230	53	7,002	226	14,967

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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20 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

Reconciliation of Property, Plant and Equipment - General Government Sector - Continued

The following table shows the movement in each class of Property, Plant and Equipment during 2016-17.

	Land \$m	Buildings \$m	Plant and Equipment \$m	Leasehold Improvements \$m	Infrastructure Assets \$m	Heritage and Community Assets \$m	Total \$m
Balance at 1 July 2016	1,318	3,540	221	41	6,892	2,506	14,520
Additions	23	177	45	24	219	23	512
Assets Classified as Held for Sale	-92	-15	-	-	-	-	-106
Revaluation Adjustments	25	196	23	-	43	100	387
Depreciation	-1	-143	-49	-12	-157	-5	-367
Assets Transferred	-1	-	-	-	-	-	-1
Disposals	-1	-4	-10	-4	-1	-3	-23
Other Movements/Reclassifications	2,237	-5	-1	5	-3	-2,209	24
Balance at 30 June 2017	3,509	3,746	230	54	6,994	412	14,942

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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20 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

Reconciliation of Property, Plant and Equipment - Total Territory

The following table shows the movement in each class of Property, Plant and Equipment during 2017-18.

	Land \$m	Buildings \$m	Plant and Equipment \$m	Leasehold Improvements \$m	Infrastructure Assets \$m	Heritage and Community Assets \$m	Total \$m
Balance at 1 July 2017	7,121	5,237	347	55	9,055	412	22,224
Additions	416	389	78	8	226	-	1,116
Assets Classified as Held for Sale	-97	-9	-	-	-	-	-106
Revaluation Adjustments	358	-58	1	0	14	134	450
Impairment Losses Recognised Directly in Equity	-	-10	-	-	-	-	-10
Depreciation	-1	-167	-60	-10	-228	-6	-472
Assets Transferred	1	-	-	-	0	0	1
Disposals	-1	-8	-4	-3	-	-	-15
Other Movements/Reclassifications	-129	-207	-16	6	214	-314	-447
Balance at 30 June 2018	7,668	5,168	347	54	9,280	227	22,744

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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20 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

Reconciliation of Property, Plant and Equipment - Total Territory - Continued

The following table shows the movement in each class of Property, Plant and Equipment during 2016-17.

	Land \$m	Buildings \$m	Plant and Equipment \$m	Leasehold Improvements \$m	Infrastructure Assets \$m	Heritage and Community Assets \$m	Total \$m
Balance at 1 July 2016	4,719	4,925	342	41	8,930	2,506	21,463
Additions	67	326	59	24	289	23	788
Assets Classified as Held for Sale	-114	-19	-	-	-	-	-133
Revaluation Adjustments	252	209	18	-	43	100	621
Impairment Losses Recognised Directly in Equity	-	-2	-	-	-	-	-2
Depreciation	-1	-178	-60	-12	-203	-5	-460
Disposals	-3	-7	-10	-4	-1	-3	-29
Other Movements/Reclassifications	2,202	-17	-1	5	-3	-2,209	-26
Balance at 30 June 2017	7,121	5,237	347	55	9,055	412	22,224

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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20 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

FAIR VALUE HIERARCHY

The Territory is required to classify property, plant and equipment into a Fair Value Hierarchy that reflects the significance of the inputs used in determining their fair value. The Fair Value Hierarchy is made up of the following three levels:

- * Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Territory can access at the measurement date;
- * Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- * Level 3 - inputs that are unobservable for particular assets or liabilities.

Details of the Territory's property, plant and equipment at fair value and information about the Fair Value Hierarchy at 30 June 2018 and for the prior reporting period is provided below.

General Government Sector - 2017-18	Classification According to the Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total
	\$m	\$m	\$m	\$m
Property, Plant and Equipment at Fair Value				
Land	-	2,935	912	3,847
Buildings	-	380	3,228	3,609
Plant and Equipment	-	3	51	54
Leasehold Improvements	-	-	48	48
Infrastructure Assets	-	-4	7,006	7,002
Heritage and Community Assets	-	87	139	226
Total Property, Plant and Equipment at Fair Value	-	3,401	11,385	14,787

General Government Sector - 2016-17	Classification According to the Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total
	\$m	\$m	\$m	\$m
Property, Plant and Equipment at Fair Value				
Land	-	2,772	736	3,509
Buildings	-	464	3,283	3,746
Plant and Equipment	-	5	58	63
Leasehold Improvements	-	-	48	48
Infrastructure Assets	-	-10	7,004	6,994
Heritage and Community Assets	-	120	292	410
Total Property, Plant and Equipment at Fair Value	-	3,351	11,420	14,770

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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20 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

FAIR VALUE HIERARCHY - CONTINUED

Total Territory - 2017-18	Classification According to the Fair Value Hierarchy			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Property, Plant and Equipment at Fair Value				
Land	-	6,746	923	7,668
Buildings	-	1,921	3,246	5,168
Plant and Equipment	-	8	163	171
Leasehold Improvements	-	0	48	49
Infrastructure Assets	-	-8	9,289	9,280
Heritage and Community Assets	-	87	139	227
Total Property, Plant and Equipment at Fair Value	-	8,755	13,808	22,563

Total Territory - 2016-17	Classification According to the Fair Value Hierarchy			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Property, Plant and Equipment at Fair Value				
Land	-	6,384	736	7,121
Buildings	-	1,935	3,301	5,237
Plant and Equipment	-	6	172	179
Leasehold Improvements	-	0	48	48
Infrastructure Assets	-	-12	9,066	9,055
Heritage and Community Assets	-	120	292	410
Total Property, Plant and Equipment at Fair Value	-	8,434	13,616	22,049

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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20 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

FAIR VALUE HIERARCHY - CONTINUED

Valuation Techniques, Inputs and Processes

Level 2 Valuation Techniques and Inputs

Valuation Technique: The valuation technique used to value land and buildings is the market approach that reflects recent transaction prices for similar properties and buildings (comparable in location and size).

Inputs: Prices and other relevant information generated by market transactions involving comparable land and buildings were considered. Regard was taken of the Crown Lease terms and tenure, The Australian Capital Territory Plan and the National Capital Plan, where applicable, as well as current zoning.

Level 3 Valuation Techniques and Inputs

Valuation Technique: Land where there is no active market or significant restrictions is valued through the market approach.

Significant Unobservable Inputs: Selecting land with similar approximate utility. In determining the value of land with similar approximate utility significant adjustment to market based data was required.

Valuation Technique: Buildings, Leasehold Improvements, Infrastructure Assets and Community and Heritage Assets were considered specialised assets by the Valuers and measured using the cost approach.

Significant Unobservable Inputs: Estimating the cost to a market participant to construct assets of comparable utility adjusted for obsolescence. For Buildings, historical cost per square metre of floor area was also used in measuring fair value. For Infrastructure Assets the historical costs per cubic metre was also used in measuring fair value. In determining the value of buildings, leasehold improvements, infrastructure assets and community and heritage assets regard was given to the age and condition of the assets, their estimated replacement cost and current use. This required the use of data internal to the relevant agency.

There has been no change to the above valuation techniques during the year.

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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20 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

FAIR VALUE HIERARCHY - CONTINUED

Fair Value Measurements Using Significant Unobservable Inputs (Level 3) - General Government Sector

	Land	Buildings	Plant and Equipment	Leasehold Improvements	Infrastructure Assets	Heritage and Community Assets	Total
2017-18	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fair Value at the Beginning of the Reporting Period	736	3,283	58	48	7,004	292	11,421
Additions	83	262	7	7	131	32	523
Revaluation Increments/(Decrements)	-	0	-	2	-18	-1	-17
Recognised in Profit or Loss							
Revaluation Increments Recognised in Other Comprehensive Income	9	-47	-	-2	-146	222	38
Transfers to Level 2	-89	-	-	-	-	-	-89
Impairment Losses Recognised in the Operating Statement	-	-8	-	-	-	-	-8
Depreciation	-1	-107	-9	-8	-181	-6	-312
Disposal of Assets	-8	-189	0	-3	224	-167	-144
Other Movements/Reclassifications	181	33	-6	5	-8	-233	-27
Fair Value at the End of the Reporting Period	912	3,228	51	48	7,006	139	11,385
Total Gains or (Losses) for the Period	-	4	1	-	95	0	100
Included in Profit or Loss under 'Other Gains'							
Change in Unrealised Gains or (Losses) for the Reporting Period Included in Profit or Loss for Assets Held at the End of the Reporting Period	-	-1	-	-	-	-	-1

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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20 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

FAIR VALUE HIERARCHY - CONTINUED

Fair Value Measurements Using Significant Unobservable Inputs (Level 3) - General Government Sector

	Land	Buildings	Plant and Equipment	Leasehold Improvements	Infrastructure Assets	Heritage and Community Assets	Total
2016-17	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fair Value at the Beginning of the Reporting Period	739	2,904	47	35	6,897	1,744	12,366
Additions	3	148	6	23	224	23	428
Assets Classified as Held for Sale	-25	-	-	-	-	-	-25
Revaluation Increments/(Decrements) Recognised in Profit or Loss							
Revaluation Increments/(Decrements) Recognised in Other Comprehensive Income	33	190	19	-	43	99	384
Transfers to Level 2	-	-	-1	-3	-	-	-4
Depreciation	-1	-121	-9	-9	-157	-5	-302
Acquisition/(Disposal) of Assets	-3	-2	-	-3	-1	-3	-13
Other Movements/Reclassifications	-9	163	-4	6	-5	-1,567	-1,416
Fair Value at the End of the Reporting Period	736	3,283	58	48	7,004	292	11,421
Total Gains or (Losses) for the Period Included in Profit or Loss under 'Other Gains'	-	0	0	-	135	-	135

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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20 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

FAIR VALUE HIERARCHY - CONTINUED

Fair Value Measurements Using Significant Unobservable Inputs (Level 3) - Total Territory

	Land	Buildings	Plant and Equipment	Leasehold Improvements	Infrastructure Assets	Heritage and Community Assets	Total
2017-18	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fair Value at the Beginning of the Reporting Period	736	3,301	172	48	9,066	292	13,615
Additions	83	263	13	7	220	32	619
Revaluation Increments/(Decrements) Recognised in Profit or Loss	-	0	-	2	160	-1	161
Revaluation Increments/(Decrements) Recognised in Other Comprehensive Income	9	-47	1	-2	-146	222	39
Transfers to Level 2	-89	-	-	-	-	-	-89
Impairment Losses Recognised in the Operating Statement	-	-9	-	-	-	-	-9
Depreciation	-1	-108	-18	-8	-228	-6	-370
Disposal of Assets	-8	-189	0	-3	224	-167	-144
Other Movements/Reclassifications	192	35	-6	5	-8	-233	-15
Fair Value at the End of the Reporting Period	923	3,246	163	48	9,289	139	13,806
Total Gains or (Losses) for the Period Included in Profit or Loss under 'Other Gains'	-	4	1	-	95	0	100
Change in Unrealised Gains or (Losses) for the Reporting Period Included in Profit or Loss for Assets Held at the End of the Reporting Period	-	-1	-	-	-	-	-1

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

20 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

FAIR VALUE HIERARCHY - CONTINUED

Fair Value Measurements Using Significant Unobservable Inputs (Level 3) - Total Territory

	Land	Buildings	Plant and Equipment	Leasehold Improvements	Infrastructure Assets	Heritage and Community Assets	Total
2016-17	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fair Value at the Beginning of the Reporting Period	739	2,924	162	35	8,938	1,744	14,543
Additions	3	149	20	23	293	23	510
Assets Classified as Held for Sale	-25	-	-	-	-	-	-25
Revaluation Increments/(Decrements) Recognised in Profit or Loss	-	-	-5	-	-	-	-5
Revaluation Increments/(Decrements) Recognised in Other Comprehensive Income	33	189	19	-	43	99	383
Transfers to Level 2	-	-	-1	-3	-	-	-4
Impairment Losses Recognised in the Operating Statement	-	-	-1	-	-	-	-1
Depreciation	-1	-122	-19	-9	-203	-5	-359
Disposal of Assets	-3	-2	-	-3	-1	-3	-13
Other Movements/Reclassifications	-9	163	-4	6	-5	-1,567	-1,416
Fair Value at the End of the Reporting Period	736	3,301	172	48	9,066	292	13,615
Total Gains or (Losses) for the Period Included in Profit or Loss under 'Other Gains'	-	-	0	-	135	-	135

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

	General Government Sector		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
21 INTANGIBLES				
The Territory has internally generated and externally purchased software. The internally generated software includes the patient administration system, and finance system software, while externally purchased software includes human resource management and communications software. Other Intangibles include renewable energy certificates held by the Environment, Planning and Sustainable Development Directorate.				
Computer Software				
<i>Internally Generated Software</i>				
Computer Software at Cost	164	163	165	164
Less: Accumulated Amortisation	101	93	102	94
Total Internally Generated Software	62	70	63	70
<i>Externally Purchased Software</i>				
Computer Software at Cost	65	29	96	47
Less: Accumulated Amortisation	25	25	31	30
Total Externally Purchased Software	40	4	65	17
Total Computer Software^(a)	102	74	128	87
<i>Externally Purchased Other Intangibles</i>				
Other Intangible Assets at Cost	89	25	89	25
Less: Accumulated Impairment Losses	-	-	-	1
Total Externally Purchased Other Intangibles	89	25	89	25
Total Other Intangibles^(b)	89	25	89	25
Total Intangible Assets	191	99	216	112

Notes: (refer Appendix B(x): 'Intangible Assets')

(a) The increase in computer software mainly relates to the transfer of completed capital works in progress projects to intangibles relating to the taxation revenue and government budget management systems.

(b) The increase in other intangibles is primarily due to the recognition of additional Large Scale Renewable Energy Certificate entitlements.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

21 INTANGIBLES - CONTINUED

Reconciliation of Intangible Assets - General Government Sector (GGS)

The following table shows the movement of each class of Intangible Assets held by the GGS during 2017-18.

	Internally Generated Software	Externally Purchased Software	Externally Purchased Other Intangibles	Total Intangible Assets
	\$m	\$m	\$m	\$m
Balance at 1 July 2017	70	4	25	99
Additions	15	42	64	122
Amortisation	-21	-5	-	-27
Other Changes	-1	-1	4	2
Balance at 30 June 2018	62	40	94	196

The following table shows the movement of each class of Intangible Assets held by the GGS during 2016-17.

	Internally Generated Software	Externally Purchased Software	Externally Purchased Other Intangibles	Total Intangible Assets
	\$m	\$m	\$m	\$m
Balance at 1 July 2016	51	5	5	62
Additions	37	3	19	59
Amortisation	-19	-3	-	-23
Balance at 30 June 2017	70	4	25	99

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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FOR THE YEAR ENDED 30 JUNE 2018**

21 INTANGIBLES - CONTINUED

Reconciliation of Intangible Assets - Total Territory

The following table shows the movement of each class of Intangible Assets held by the Territory during 2017-18.

	Internally Generated Software	Externally Purchased Software	Externally Purchased Other Intangibles	Total Intangible Assets
	\$m	\$m	\$m	\$m
Balance at 1 July 2017	70	17	25	112
Additions	15	59	65	139
Amortisation	-22	-6	-	-28
Other Changes	-1	-5	4	-3
Balance at 30 June 2018	63	65	94	221

The following table shows the movement of each class of Intangible Assets held by the Territory during 2016-17.

	Internally Generated Software	Externally Purchased Software	Externally Purchased Other Intangibles	Total Intangible Assets
	\$m	\$m	\$m	\$m
Balance at 1 July 2016	51	12	39	103
Additions	37	11	20	67
Disposals	-	-	-1	-1
Amortisation	-20	-5	-	-24
Other Changes	0	0	-34	-34
Balance at 30 June 2017	70	17	25	112

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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22 CAPITAL WORKS-IN-PROGRESS

Capital Works-in-Progress are assets being constructed over periods of time beyond the present reporting period. These assets often require extensive installation work or integration with other assets, and contrast with simpler assets that are ready for use when acquired, such as motor vehicles and equipment. Capital Works-in-Progress are not depreciated as economic benefits are not currently being derived from them.

	General Government		Total Territory	
	Sector			
	2017-18	2016-17	2017-18	2016-17
	Actual	Actual	Actual	Actual
	\$m	\$m	\$m	\$m
Construction - Residential Buildings	-	-	12	12
Construction - Non-Residential Buildings	210	278	215	278
Infrastructure	393	350	562	482
Software	59	25	55	25
Total Capital Works-in-Progress	662	653	844	797

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

22 CAPITAL WORKS-IN-PROGRESS - CONTINUED

Reconciliation of Capital Works-in-Progress - General Government Sector (GGS)

The following table shows the movement of Capital Works-in-Progress held by the GGS during 2017-18.

	Construction Non-Residential Buildings	Infrastructure	Software	Total
	\$m	\$m	\$m	\$m
Balance at 1 July 2017	278	350	25	653
Additions	340	226	42	608
Capital Works-in-Progress Completed and Transferred to Property, Plant and Equipment	-94	-67	-	-161
Capital Works-in-Progress Completed and Transferred to Intangibles	-201	-45	-2	-248
Capital Works-in-Progress Completed and Transferred to Expenses	-15	-27	-6	-49
Capital Works in Progress Completed and Transferred to Other Agencies	-102	-	-	-102
Other Movements / Reclassifications	4	-44	-	-40
Balance at 30 June 2018	210	393	59	662

The following table shows the movement of Capital Works-in-Progress held by the GGS during 2016-17.

	Construction Non-Residential Buildings	Infrastructure	Software	Total
	\$m	\$m	\$m	\$m
Balance at 1 July 2016	266	391	48	707
Additions	321	207	21	549
Capital Works-in-Progress Completed and transferred to Property, Plant and Equipment	-172	-136	-8	-316
Capital Works-in-Progress Completed and transferred to Intangibles	-	-	-32	-32
Other Movements / Reclassifications	-137	-112	-3	-251
Balance at 30 June 2017	278	350	25	653

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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22 CAPITAL WORKS-IN-PROGRESS - CONTINUED

Reconciliation of Capital Works-in-Progress - Total Territory

The following table shows the movement of Capital Works-in-Progress held by the Territory during 2017-18.

	Construction Residential Buildings	Construction Non-Residential Buildings	Infrastructure	Software	Total
	\$m	\$m	\$m	\$m	\$m
Balance at 1 July 2017	12	278	482	25	797
Additions	-	382	334	38	755
Capital Works-in-Progress Completed and transferred to Property, Plant and Equipment	-	-233	-147	-	-380
Capital Works-in-Progress Completed and transferred to Intangibles	-	-201	-45	-2	-248
Capital Works-in-Progress Completed and transferred to Expenses	-	-16	-27	-6	-49
Other Movements / Reclassifications	-	4	-34	-	-30
Balance at 30 June 2018	12	215	562	55	844

The following table shows the movement of Capital Works-in-Progress held by the Territory during 2016-17.

	Construction Residential Buildings	Construction Non-Residential Buildings	Infrastructure	Software	Total
	\$m	\$m	\$m	\$m	\$m
Balance at 1 July 2016	27	267	485	47	825
Additions	43	321	313	21	698
Capital Works-in-Progress Completed and transferred to Property, Plant and Equipment	-45	-173	-203	-8	-430
Capital Works-in-Progress Completed and transferred to Intangibles	-	-	-	-32	-32
Capital Works-in-Progress Completed and transferred to Expenses	-	-	-1	-	-1
Other Movements / Reclassifications	-12	-138	-112	-3	-264
Balance at 30 June 2017	12	278	482	25	797

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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		General Government Sector		Total Territory	
23	LOOSE-FILL ASBESTOS INSULATION ERADICATION SCHEME LAND	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m

Loose-fill Asbestos Insulation Eradication Scheme Land: is land acquired by the ACT Government for the purpose of remediation. Refer to Appendix B(z): 'Loose-fill Asbestos Insulation Eradication Scheme'.

Loose-fill Asbestos Insulation Eradication Scheme Land

Loose-fill Asbestos Insulation Eradication Scheme Land at Cost ^(a)	9	123	9	123
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Notes: (a) The decrease is related to the Scheme moving into its final phases with lower additions, and a continuation of the remediation of blocks held have resulted in the majority of blocks being transferred to Land Held for Sale.

The following table shows the movement of Loose-fill Asbestos Insulation Eradication Scheme Land during 2017-18 and 2016-17:

	2017-18 \$m	2016-17 \$m
Carrying Amount at the Beginning of the Reporting Period	123	368
Additions	11	24
Revaluation Decrement	-	-77
Decrement due to a Change in Accounting Estimate	-	-16
Assets Classified as Held for Sale	-125	-177
Carrying Amount at the End of the Reporting Period	9	123

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government Sector		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
LIABILITIES				
24 ADVANCES RECEIVED				
Current Advances from the Commonwealth Government	54	54	59	59
Non-Current Advances from the Commonwealth Government	961	1,018	1,015	1,076
Total Advances Received	1,016	1,072	1,074	1,135
25 OTHER BORROWINGS				
<i>Current Borrowings</i>				
Banks and Financial Institutions ^(a)	9	27	9	27
Bonds and Bills	27	94	27	94
Others	-	-	-	-
Total Current Borrowings	36	121	36	121
<i>Non-Current Borrowings</i>				
Bonds and Bills	3,405	3,434	3,405	3,434
Total Non-Current Borrowings	3,405	3,434	3,405	3,434
Total Other Borrowings	3,441	3,555	3,441	3,555
Note: (a) The Chief Minister, Treasury and Economic Development Directorate operated an account in overdraft for receipt and payment of capital works expenditure. No interest was charged on this overdraft.				
26 SUPERANNUATION				
Superannuation Liability at the Beginning of the Reporting Period	8,574	10,719	8,574	10,719
Expense Accrued during the Period for Commonwealth Superannuation	508	603	508	603
Other Superannuation Expenses	152	143	165	155
Superannuation Expense	661	746	674	758
Less: Actuarial Gain/(Loss) from Actuarial Review	-896	2,525	-896	2,525
Less: Payments during the Reporting Period for Superannuation	395	366	408	378
Superannuation Liability at the End of the Reporting Period	9,736	8,574	9,736	8,574
Represented by:				
Current Estimated Employee Superannuation Liability	269	251	269	251
Non-Current Estimated Employee Superannuation Liability	9,467	8,323	9,467	8,323
Total Superannuation Liabilities ^(a)	9,736	8,574	9,736	8,574

Note: (a) Total Superannuation Liabilities increased mainly due to the actuarial loss from changes in financial assumptions from the latest triennial actuarial review using salary and membership data at 30 June 2017 and the application of a lower discount rate to value the liability of 3.11 per cent at 30 June 2018 compared to 3.51 per cent at 30 June 2017.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government Sector		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
27 EMPLOYEE BENEFITS AND OTHER PROVISIONS				
Employee Benefits				
<i>Current Employee Benefits</i>				
Accrued Wages and Salaries	37	20	42	21
Annual Leave	245	231	263	250
Long Service Leave	352	345	389	381
Other Employee Benefits	2	1	3	3
Total Current Employee Benefits	636	597	697	655
<i>Non-Current Employee Benefits</i>				
Long Service Leave	40	41	42	44
Total Non-Current Employee Benefits	40	41	42	44
Total Employee Benefits	675	638	740	700
Estimated Amount Payable within 12 Months				
Accrued Wages and Salaries	38	20	42	21
Annual Leave	157	198	170	215
Long Service Leave	29	219	48	236
Other Employee Benefits	2	1	3	3
Total Employee Benefits Payable within 12 Months	226	438	264	475
Estimated Amount Payable after 12 Months				
Annual Leave	87	33	92	35
Long Service Leave	362	167	383	189
Total Employee Benefits Payable after 12 Months	449	201	476	225
Total Employee Other Benefits	675	638	740	700

The General Government Sector had approximately 19,625 full time equivalent employees (FTEs) as at 30 June 2018 (19,050 FTEs as at 30 June 2017). The Territory had approximately 21,363 FTEs as at 30 June 2018 (20,799 FTEs as at 30 June 2017).

Other Provisions ^(a)

Current Other Provisions	91	110	123	178
Non-Current Other Provisions	262	274	293	331
Total Other Provisions	353	384	416	510
Total Employee Benefits and Other Provisions	1,028	1,023	1,155	1,210

Note: (a) A change made in the treatment of insurance related provisions which were previously reported as payables. These provisions are now reported under the line item of employee benefits and other provisions consistent with the concepts of the Government Finance Statistics Framework.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government		Total Territory	
	Sector			
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
28 PAYABLES				
<i>Current Payables</i>				
Trade Payables	31	27	37	32
Accrued Expenses	105	102	130	140
GST Liability	7	2	14	14
Revenue Received in Advance	41	49	74	81
Other Payables	14	28	37	50
Total Current Payables	199	207	294	317
<i>Non-Current Payables</i>				
Other Payables	1	1	1	1
Total Non-Current Payables	1	1	1	1
Total Payables	199	208	294	318
Payables are aged as follows:				
Not Overdue	199	205	292	315
Overdue for Less than 30 Days	1	3	1	3
Overdue for 30 to 60 Days	0	0	0	0
Overdue for More than 60 Days	0	0	0	0
Total Payables	200	208	294	318

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	General Government Sector		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m

29 RECONCILIATION OF CASH FLOWS

(a) Reconciliation of Cash and Cash Equivalents at the end of the reporting period in the Balance Sheet to the Cash Flow Statement.

Cash and Cash Equivalents in the Balance Sheet

Cash and Deposits	663	782	834	1,037
Short-Term Securities and Other Cash Equivalents	0	0	55	52
Bank Overdraft	-9	-30	-9	-30
Cash and Cash Equivalents	654	752	881	1,059

as per the Cash Flow Statement

(b) Reconciliation of the *Operating Result* to *Net Cash Flows from Operating Activities*.

Operating Result	271	190	247	95
<i>Add/(Less) Non-Cash Movements:</i>				
Depreciation and Amortisation	397	390	496	484
Revaluation of Non-Financial Assets	2	0	2	6
Bad Debts	8	11	7	14
Capitalised Distributions from Associates and Joint Ventures	-	-	-27	-25
Waivers	2	0	2	0
Gains from Contributed Assets	-158	-116	-97	-38
Asset Transfer to Another Entity	13	-	-	-
<i>Add/(Less) Items Classified as Investing or Financing:</i>				
(Gains) on Loose-fill Asbestos Insulation Eradication Scheme	-69	-50	-69	-50
Dividends (Market Gains on Land Sales)	-29	-32	-	-
Realised (Gains)/Losses on Investments	-28	-44	-28	-44
Unrealised (Gains)/Losses on Investments	-217	-193	-217	-194
Net (Gains)/Losses on Disposal of Non-Current Assets	3	-13	81	49
Cash Before Changes in Operating Assets and Liabilities	195	144	397	297
<i>Change in Operating Assets and Liabilities:</i>				
(Increase)/Decrease in Receivables	71	168	-29	7
(Increase)/Decrease in Inventories	0	-1	4	-24
Increase/(Decrease) in Payables	-9	-21	-24	5
Increase/(Decrease) in Employee Benefits and Provisions	273	284	212	271
Increase/(Decrease) in Other Liabilities	-6	39	-5	39
Net Cash Flows from Operating Activities	524	613	556	596

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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	General Government		Total Territory	
	Sector			
	2017-18	2016-17	2017-18	2016-17
	Actual	Actual	Actual	Actual
	\$m	\$m	\$m	\$m

30 OPERATING LEASE COMMITMENTS

The Territory has various non-cancellable operating leases for buildings and vehicles. The leases have varying terms, escalation clauses and renewal rights. There are no conditions in the lease agreements requiring the Territory to restore sites that the leased buildings are situated on. The operating lease agreements give the Territory the right to renew leases. Renegotiations of the lease terms occur on renewal of the leases.

At the reporting date, the Territory had the following obligations under non-cancellable operating leases (these obligations are not recognised as liabilities):

Payable:

Within One Year	61	59	66	63
Later than One Year but not Later than Five Years	170	174	181	185
Later than Five Years	192	265	194	269
Total Operating Lease Commitments	422	498	440	517

31 CAPITAL COMMITMENTS

Capital Commitments largely relate to project management and works contracts for the construction of new buildings, civil works and other land development activities.

At the reporting date, the Territory had entered into contracts for the following capital expenditure (these commitments are not recognised as liabilities):

Payable:

Within One Year ^(a)	164	413	304	549
Later than One Year but not Later than Five Years	78	117	78	124
Later than Five Years	10	0	10	0
Total Property, Plant and Equipment Capital Commitments	253	530	392	674

Note: (a) The decrease in capital commitments payable within one year is associated with the completion of the majority of construction for the University of Canberra Hospital building.

32 OTHER COMMITMENTS

These commitments include contracts for the ACT Policing agreement, National Disability Insurance Scheme (NDIS) contributions, superannuation investments, repairs, maintenance and capital improvements, housing construction and property purchases and community grants.

At the reporting date, the Territory had entered into contracts for the following commitments:

Payable:

Within One Year	521	742	548	775
Later than One Year but not Later than Five Years	1,033	1,313	1,192	1,430
Later than Five Years	35	24	35	62
Total Other Commitments ^(a)	1,589	2,079	1,775	2,267

Note: (a) Total Other Commitments decreased mainly due to the duration of commitments with the ACT Policing Agreement is one year less than the previous year and contracts with non-government organisations being at the end of their lifecycle.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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General Government Sector		Total Territory	
2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m

33 PUBLIC PRIVATE PARTNERSHIP COMMITMENTS

During 2015-16, the Territory entered into public private partnership (PPP) arrangements for the ACT Law Courts Facilities and Canberra Light Rail Stage 1. Please refer to Appendix B(ai)(xvi) for further information on the accounting treatment of PPPs. Further details on the commitments associated with the ACT Law Courts Facilities and the Canberra Light Rail Stage 1 Project can be found in the commitments notes to the financial statements for the Justice and Community Safety Directorate (note 27) and Transport Canberra and City Services Directorate (note 29), respectively.

At the reporting date, the Territory had entered into the following commitments for these projects:

PPP commitments by project:

ACT Law Courts Facilities	690	703	690	703
Canberra Light Rail Stage 1	1,649	1,649	1,649	1,649
Total PPP commitments	2,340	2,352	2,340	2,352

PPP commitments comprise the following three commitments:

Capital Commitments^{(a)(b)}

Payable:

Within One Year	-	-	-	-
Later than One Year but not Later than Five Years	5	2	5	2
Later than Five Years	114	117	114	117
Total Capital Commitments	119	119	119	119

(a) The capital commitment relates to ACT Law Court payments of lifecycle replacement costs which represent the cost of capital improvements during the operating period.

Operating Commitments^(b)

Payable:

Within One Year	25	1	25	1
Later than One Year but not Later than Five Years	134	125	134	125
Later than Five Years	758	793	758	793
Total Operating Commitments	916	919	916	919

Minimum Finance Lease Payments^(b)

Payable:

Within One Year	398	3	398	3
Later than One Year but not Later than Five Years	174	534	174	534
Later than Five Years	733	776	733	776
Total Minimum Lease Payments	1,305	1,314	1,305	1,314

Finance Lease Payments comprise the following two charges:

Finance Charge^(b)

Payable:

Within One Year	23	3	23	3
Later than One Year but not Later than Five Years	122	120	122	120
Later than Five Years	303	329	303	329
Total Finance Charge	448	451	448	451

Present Value of Minimum Finance Lease Payments^(b)

Payable:

Within One Year	1	0	1	0
Later than One Year but not Later than Five Years	52	415	52	415
Later than Five Years	430	448	430	448
Total Minimum Lease Payments	483	863	483	863

(b) Amounts are GST exclusive.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government		Total Territory	
	Sector			
	2017-18	2016-17	2017-18	2016-17
	Actual	Actual	Actual	Actual
	\$m	\$m	\$m	\$m

34 CONTINGENCIES, GUARANTEES AND INDEMNITIES

A contingent liability is a present obligation that arises from past events but is not recognised because:

- * it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- * the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Territory.

Quantifiable Contingent Liabilities and Guarantees

Contingent Liabilities	131	133	132	134
Total Quantifiable Contingent Liabilities and Guarantees	131	133	132	134

Contingent Liabilities

All taxation related claims being made against the Territory have been assessed and, where the court decision is likely to favour the plaintiff, the amounts in dispute have been provided for as a liability. This amount represents claims against the Territory for which no provision has been made.

Non-taxation related contingencies are largely comprised of pending legal claims. Claims lodged against the Territory include public liability, property damage, contract disputes and personal injury.

Due to the protracted nature of legal proceedings and the various discoveries that can be made over the foreseeable period, it is not possible, with any degree of accuracy, to make an assessment of the liabilities of some legal claims.

Quantifiable Legal Claims Against the Territory include:

Public Liability Claims	3	22	4	23
Personal Injury Claims	8	3	8	3
Economic Loss Claims	8	-	9	-
Total Quantifiable Legal Claims Against the Territory	20	25	21	26

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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34 CONTINGENCIES, GUARANTEES AND INDEMNITIES - CONTINUED

Other contingent liabilities of the GGS and the Territory as at 30 June 2018 include:

- * the Territory has a contingent liability relating to the estimated cost of building demolition and land remediation for the Loose-fill Asbestos Insulation Eradication Scheme. At 30 June 2018, 36 affected properties are under offer by the Territory (30 June 2017: 58 properties), and this offer has been accepted by homeowners, but settlement on these properties has not yet occurred. The contingent liability at 30 June 2018 is \$5.1 million (30 June 2017: \$8.2 million);
- * the Territory is responsible for the management of 178 sites of contaminated land. The liability associated with the remediation of these sites is contingent on various factors. The contingent liability at 30 June 2018 is \$81.5 million (30 June 2017: \$87.5 million);
- * the Territory has a number of claims for damages and costs relating to outstanding objections associated with payroll tax and duties. The total contingent liability at 30 June 2018 is \$6.6 million (30 June 2017: \$9.7 million);
- * the Territory is currently defending 136 health related actions (2017 – 131 actions) with an estimated net liability of \$5.3 million at 30 June 2018 (30 June 2017: \$5.4 million);
- * the Territory has contingent liabilities in relation to outstanding education litigation claims with an estimated value of \$2.9 million (30 June 2017: \$2.6 million); and
- * the Territory holds unclaimed lottery prize monies relating to winning prizes which have remained unclaimed for a period of greater than six months. The Territory's contingent liability at 30 June 2018 is estimated at \$2.4 million (30 June 2017: \$2.3 million).

Contingent Assets

General Government Sector and Total Territory

- * The Territory has a contingent asset relating to the 36 asbestos affected properties (2016-17: 58 properties) that the Government has made an offer to buy under the Loose-Fill Asbestos Insulation Eradication Scheme and the value of land following the completion of demolition and remediation works, and this offer has been accepted by the homeowners. The Government is yet to acquire/settle on these properties. The contingent asset in relation to this is \$17.2 million at 30 June 2018 (30 June 2017: \$26.8 million).

35 THIRD PARTY MONIES

Third Party Monies held in Trust by the Territory

	General Government Sector		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
ACT Long Service Leave Authority	38	39	38	39
Rental Bonds Board	148	137	148	137
Default Insurance Fund	18	25	18	25
Nominal Defendant Insurance Fund	30	29	30	29
Road User Services Trust	4	4	4	4
Health Private Practice Fund	46	36	46	36
Public Trustee Common Fund	346	309	346	309
ACT Civil and Administrative Tribunal	47	47	47	47
Other Third Party Monies	31	30	31	30
Total Monies Held in Trust	708	656	708	656

Notes: Third party monies held in trust are not incorporated into the financial statements of either the General Government Sector or the Territory.

Territory agencies are also responsible for a number of other Boards and Trusts which are immaterial to the Territory's financial statements.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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36 RELATED PARTY DISCLOSURES

A related party is a person that controls or has significant influence over the Territory, or is a member of the Key Management Personnel (KMP), where individually or jointly they have controlling interests.

The related parties of the Territory are the Cabinet Ministers compensated by the ACT Executive; and the Head of Service compensated by the Chief Minister, Treasury and Economic Development Directorate. Compensation is set out below.

	2017-18 \$m	2016-17 \$m
Cabinet Ministers and Head of Service	3	3
Total Compensation	3	3

37 INTEREST IN JOINT ARRANGEMENTS

General Government Sector (GGS)

The GGS has entered into a joint venture with the Catholic Education Office for the management of shared educational facilities at the Gold Creek and Holy Spirit Primary Schools. All assets and liabilities relating to the shared facilities are owned by the Territory, through the GGS and the Catholic Education Office in accordance with the participating share of each party, which is 53 per cent for the Territory and 47 per cent for the Catholic Education Office.

Total Territory

Icon Retail Investments Limited has entered into a joint venture partnerships with AGL ACT Retail Investments Pty Ltd to manage the retail operations of the ACT electricity and gas networks. Icon Distribution Investments Limited has entered into a joint venture partnership with Jemena Networks (ACT) Pty Ltd to manage the ACT electricity network and the ACT, Queanbeyan and Nowra gas networks.

The Suburban Land Agency formed the West Belconnen Joint Venture with:

- a) Reid & Stevens Pty Limited;
- b) Corkhill Bros Pty Limited; and
- c) Riverview Developments (ACT) Pty Ltd.

The Territory has a 60 per cent participating interest in the West Belconnen Joint Venture.

	General Government Sector		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
Share of Joint Venture Profit:				
Revenue	0	0	469	425
Expenses	0	0	376	336
Operating Profit	0	0	93	88
Summarised Balance Sheet				
Current Assets	0	0	152	155
Non-Current Assets	3	3	710	679
Total Assets	4	3	862	834
Current Liabilities	0	0	110	130
Non-Current Liabilities	-	-	13	10
Total Liabilities	0	0	123	140
Total Net Assets	4	3	739	694
Share of Joint Venture Commitments				
Lease Commitments	-	-	21	29
Total Expenditure Commitments	-	-	21	29
Capital and Other Commitments	-	-	12	9
Total Share of Joint Venture Commitments	-	-	33	38

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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38 ECONOMIC DEPENDENCY

The Australian Capital Territory is a body politic established under the *Australian Capital Territory (Self-Government) Act 1988 (Cwlth)* and the ACT Executive (the Government) was vested with financial initiative under that Act. Commonwealth Government funding accounts for approximately 40 per cent of the Territory's revenue (refer to Note 5: 'Grants Revenue').

Commonwealth funding includes 'National Specific Purpose Payments' that provide services to the community on behalf of the Commonwealth Government, and the ACT Government's share of GST, which is distributed in accordance with the Principle of Fiscal Equalisation exercised by the Commonwealth Grants Commission.

The Territory has no economic dependency on any other party.

39 THE TERRITORY'S CREDIT RATING

The Territory maintains a 'AAA' and 'A-1+' credit rating assigned by Standard & Poor's Rating Services (AAA rating 2016-17).

The current ACT rating of 'AAA' and 'A-1+' is based on the information presented in the 2018-19 Budget. The 'AAA' and 'A-1+' ratings are the highest ratings assigned by Standard & Poor's Rating Services.

Standard & Poor's	Local Currency		Foreign Currency	
	Long-Term AAA	Short-Term A-1+	Long-Term AAA	Short-Term A-1+

Standard and Poor's Rating Services assigns credit ratings based on its qualitative and quantitative analysis of a range of financial, economic, managerial and institutional factors. The analytical framework is articulated around eight major components:

- * Institutional framework, Economy, Financial Management, Budgetary flexibility, Budgetary performance, Liquidity, Debt burden, and Contingent liabilities.

Standard and Poor's Rating Services analyses and assesses each of these eight factors on a five-point numerical scale from 1 (the strongest score) to 5 (the weakest score).

40 AUDITOR'S REMUNERATION

The ACT Audit Office is required by the *Financial Management Act 1996* to audit ACT Government Agencies. Auditor's Remuneration includes financial audit services (including reviews of Statements of Performance) provided to the Territory by the ACT Auditor-General. Financial statements audits of agencies are conducted on a fee for service basis. Performance audits and investigations are funded through direct appropriation.

The amounts included in the table below represent the full amounts paid by the General Government Sector (GGS) and the Territory for audits undertaken during 2017-18. The specific amounts below are not consolidated into expenses of the GGS or the Territory as they are internal transactions between Government agencies and the ACT Audit Office.

	General Government Sector		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
<i>Audit Services Paid or Payable</i>				
Financial Audits (Fees for Service)	3	3	3	3
Other Services (Direct Appropriation Funded)	1	1	1	1
Total Auditor's Remuneration	3	4	4	5

The ACT Audit Office paid \$10,984 excluding GST for the independent audit of its own 2017-18 financial statements (2016-17: \$10,716 excluding GST).

No other services were provided by the ACT Audit Office.

41 EVENTS SUBSEQUENT TO BALANCE DATE

From 1 October 2018, the Health Directorate separated into two distinct organisations with the Canberra Health Services is responsible for ACT Health's clinical operations and the Health Directorate is responsible for strategic policy and planning.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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42 FINANCIAL INSTRUMENTS

Details of the significant policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset and financial liability are disclosed in Appendix B: 'Significant Accounting Policies'.

The most significant investments and borrowings of the General Government Sector (GGS) and Territory are the investments and borrowings undertaken through the Territory's Banking Account and the superannuation portfolio managed through the Superannuation Provision Account.

Interest Rate Risk

Investment and Borrowing Portfolio

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in prevailing levels of market interest rates. The financial instruments of the Territory are exposed to interest rate risk on its variable and fixed interest rate financial instruments. Changes in the fair market valuations or future cash flows of investments resulting from changes in interest rates have a direct impact on the Territory's Operating Statement and Balance Sheet.

The details of the GGS and Territory's level of exposure to 'Investments at Fair Value Through Profit and Loss' holdings are provided in Note 18: 'Investments and Loans'.

Sensitivity analysis is performed on cash at bank, debt, securities in the Cash Enhanced Portfolio, variable rate borrowings and security holdings of the Australian inflation-linked debt portfolio. Sensitivity analysis to interest rate instruments (indirectly held through pooled unit trust) are considered under 'Price Risk and Inflation Risk' below.

The table below summarises the Territory's main exposure to interest rate risk:

	Fixed Rate Instruments		Variable Rate Instruments	
	2017-18 \$m	2016-17 \$m	2017-18 \$m	2016-17 \$m
Financial Assets	308	258	1,434	1,732
Financial Liabilities	128	134	635	718
Net Exposure Before the Effect of Derivatives	180	124	799	1,015

Sensitivity Disclosure Analysis

At 30 June 2018, the interest rate profiles of the interest-bearing financial instruments of the GGS and the Territory comprised two main types of financial instruments, namely fixed and variable rate instruments. The impact of interest rate changes on these instruments is immaterial and sensitivity analysis is not disclosed on this basis.

Price Risk and Inflation Risk

Financial instrument investments held by the GGS and the Territory are also exposed to price and inflation risk. Price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices in the relevant indices levels and the prices of the individual holdings.

Inflation risk is the risk that future cash flows on an inflation linked instrument may fluctuate as a result of changes in inflation rates. Inflation risk arises from inflation indexed bonds which are exposed to inflation rates. The exposure to price and inflation risk has a direct impact on the Operating Statement.

To manage exposures to price risk, the Territory's investment portfolio and superannuation investment portfolio are diversified in accordance with the strategic asset allocation policy. Exposure to equity price risk is mitigated by allowable limits stipulated within the investment management agreements. Equity derivative contracts are also used to manage exposures to equity price risk.

Exposures to the price risk of pooled unit trusts for cash, fixed interest, equities and property investments are diversified geographically, across cash, money and capital markets in short term debt (maturity less than 12 months) and fixed interest bonds (maturity greater than 12 months) as well as retail and commercial assets.

The investment management agreements and the pooled trust disclosure statement stipulate the maximum allowable limits by issuer, ratings and duration to ensure sufficient diversification occurs within the individual investments portfolios.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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42 FINANCIAL INSTRUMENTS - CONTINUED

Sensitivity Disclosure Analysis - Related to the Territory's Investment Portfolio and Superannuation Investment Portfolio

Territory Investment Portfolio	Exposure to Unit Prices		Exposure to Inflation Rates	
	2017-18	2016-17	2017-18	2016-17
	\$m	\$m	\$m	\$m
Financial Assets	284	268	761	781
Financial Liabilities	0	0	760	780
Net Exposure	284	268	1	1

Superannuation Investment Portfolio	Exposure to Price Risk	
	2017-18	2016-17
	\$m	\$m
Cash	557	657
Fixed Income	436	424
Equities	2,359	2,073
Property	396	319
Net Exposure Before the Effect of Derivatives	3,749	3,474

The below table summarises the 'reasonably possible' impact on profit or loss and the impact on equity over the next 12 months if price risk changes by the volatility factors from the target benchmarks with all other variables held constant for the Territory's investment portfolio and superannuation investment portfolio.

General Government Sector and Total Territory				
30 June 2018	% Increase in Index		% Decrease in Index	
	Profit/ (Loss) Impact	Equity Impact	Profit/ (Loss) Impact	Equity Impact
	\$m	\$m	\$m	\$m
Investment Assets				
Cash (+/-0.5%)	3	3	-3	-3
Superannuation Fixed Income (+/-4-6%)	23	23	-23	-23
Territory Banking Account Fixed Income (+/-6%)	14	14	-14	-14
Equities (+/-17-20%)	431	431	-431	-431
Property (+/-11%)	44	44	-44	-44
Total Increase/(Decrease)	514	514	-514	-514
Total Diversified Funds	3	3	-3	-3

General Government Sector and Total Territory				
30 June 2017	% Increase in Index		% Decrease in Index	
	Profit/ (Loss) Impact	Equity Impact	Profit/ (Loss) Impact	Equity Impact
	\$m	\$m	\$m	\$m
Investment Assets				
Cash (+/-0.5%)	3	3	-3	-3
Superannuation Fixed Income (+/-4-6%)	22	22	-22	-22
Territory Banking Account Fixed Income (+/-6%)	14	14	-14	-14
Equities (+/-16-21%)	379	379	-379	-379
Property (+/-11%)	35	35	-35	-35
Total Increase/(Decrease)	454	454	-454	-454
Total Diversified Funds	2	2	-2	-2

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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42 FINANCIAL INSTRUMENTS - CONTINUED

Currency Risk

Currency risk is the risk that the fair value or future cash flows of an overseas financial investment will fluctuate as a result of movements in international exchange rates.

A significant allocation of the Territory's superannuation investment portfolio is denominated in currencies other than the Australian Dollar exposing the Territory to risk that the exchange rate of the Australian Dollar relative to other foreign currency change in a manner that has an adverse affect on the fair value or future cash flows of investments denominated in currencies other than the Australian Dollar.

In relation to unhedged foreign investments, holding a diversified basket of currency investments also serves to reduce overall currency risk. The currency hedge ratio is achieved and managed through investment in two passively managed unlisted pooled unit trusts for international equities (hedged) and international fixed interest (hedged). All international fixed interest exposures are hedged to Australian Dollars. Total international equity exposures are 50 per cent hedged to Australian Dollars.

Currency as at 30 June 2018 General Government Sector and Total Territory	Cash	Assets at Fair Value Through Profit or Loss	Other Assets	Total Assets	Financial Liabilities at Fair Value Through Profit or Loss	Other Liabilities	Total Liabilities	Net Assets
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
AUD	51	4,043	68	4,162	30	197	226	3,936
USD	6	863	3	872	1	0	2	870
JPY	2	128	1	130	1	0	1	130
EUR	2	169	1	173	0	0	0	173
GBP	1	71	0	72	0	0	0	72
Other	1	139	2	142	0	0	0	142
Total A\$m	64	5,414	75	5,552	32	197	229	5,323

Currency as at 30 June 2017 General Government Sector and Total Territory	Cash	Assets at Fair Value Through Profit or Loss	Other Assets	Total Assets	Financial Liabilities at Fair Value Through Profit or Loss	Other Liabilities	Total Liabilities	Net Assets
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
AUD	82	4,005	90	4,176	17	226	243	3,933
USD	6	712	1	718	2	0	2	718
JPY	1	113	0	115	0	0	0	114
EUR	1	154	1	156	0	0	0	155
GBP	0	67	0	68	0	0	0	68
Other	1	138	1	140	0	0	0	140
Total A\$m	90	5,189	93	5,373	20	226	246	5,128

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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42 FINANCIAL INSTRUMENTS - CONTINUED

Sensitivity Disclosure Analysis

The table below summarises the reasonably possible impact of +/-10 per cent strengthening/weakening of the Australian dollar against the top four foreign exchange exposures (US Dollar, Great Britain Pound, Japanese Yen and the Euro) on the Territory's Operating Statement and on Equity for the year.

30 June 2018 General Government Sector and Total Territory	(+/- impact) 10%	
	Profit/ (Loss) Impact	Equity Impact
	\$'000	\$'000
Currency		
USD	843	843
EUR	361	361
JPY	266	266
GBP	159	159
Other	305	305
Total Increase/(Decrease)	1,934	1,934

30 June 2017 General Government Sector and Total Territory	(+/- impact) 10%	
	Profit/ (Loss) Impact	Equity Impact
	\$'000	\$'000
Currency		
USD	706	706
JPY	121	121
EUR	204	204
GBP	95	95
Other	217	217
Total Increase/(Decrease)	1,343	1,343

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its contractual obligation or from losses arising from the change in the value of a traded instrument as a result of changes in the credit risk on that instrument. The Territory's financial arrangements, in respect of the business conducted is such that the most significant risk will arise with those financial assets and liabilities involving external parties.

Appointed managers of investments are required to ensure: credit quality within the manager's portfolio is within agreed guidelines; the exposure of different tiers of credit are within agreed guidelines; the maximum permitted exposure to any one issuer is within agreed guidelines; and the long term debt of all entities in which the manager invests is either rated by an approved rating agency or, if it is not rated, is limited to the maximum permitted exposure to such debt. Exposures are to remain within approved exposure limits based on the credit ratings of financial instruments and counterparties set out within the strategy, objectives and constraints permitted by individual investment management agreements or trust deeds as relevant.

The following table details the credit ratings exposure of the applicable investments of the GGS and the Territory.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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42 FINANCIAL INSTRUMENTS - CONTINUED

Credit Risk - Continued

General Government Sector and Total Territory

	Credit Quality				Total \$m
	AAA \$m	AA \$m	A \$m	BBB \$m	
30 June 2018					
Directly Held					
Cash Enhanced Money Market and Fixed Interest	346	259	324	98	1,026
Indirectly Held					
Unit Trust (Debt Instruments)	157	40	129	0	326
Total	504	299	453	98	1,352
30 June 2017					
Directly Held					
Cash Enhanced Money Market and Fixed Interest	379	213	390	110	1,092
Indirectly Held					
Unit Trust (Debt Instruments)	169	13	133	0	315
Total	548	226	523	110	1,407

Liquidity Risk

Liquidity risk is the risk that the Territory is unable to meet its financial obligations as they fall due.

The Territory's objective for the Superannuation Provision Account is to minimise liquidity risk by monitoring financial obligations as they fall due. The Superannuation Provision Account's more immediate liquidity needs are for funding working capital, meeting the annual emerging cost benefit payments to the Commonwealth Superannuation Corporation and for managing fund flows for investment asset classes in accordance with the strategic asset allocation. Over a longer term horizon, the annual emerging cost benefit payments to the Commonwealth Superannuation Corporation are to be funded through a combination of budget capital injections and investment assets.

Analysis of the Territory's Financial Liabilities Based on Management Expectation

The risk implied from the values shown in the table on the following page shows contracted cash outflows from payables and other financial liabilities and is a reflection of ongoing business operations of the Territory.

The Territory's objective for the superannuation investment portfolio is managed based on a combination of contractual maturity dates and expected settlement dates. The more immediate liquidity needs are for funding working capital and meeting the annual emerging cost benefit payments to the Commonwealth Superannuation Corporation.

The tables below provides an analysis of financial liability cash flow estimates.

30 June 2018	Less than 3 months \$m	3-12 months \$m	1-5 years \$m	> 5 years \$m	Total \$m
General Government Sector					
Non-Derivatives					
Payables	99	99	1	-	199
Interest-Bearing Liabilities (Current/Non-Current)	15	226	2,040	3,638	5,919
Estimated Superannuation Liabilities	67	202	1,277	24,443	25,989
Total Non-Derivatives	182	527	3,318	28,081	32,107
Derivatives					
Net Settled Derivatives (Interest Rate Swaps and Futures)	4	1	5	12	22
Total Derivatives	4	1	5	12	22

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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42 FINANCIAL INSTRUMENTS - CONTINUED

Liquidity Risk - Continued

30 June 2017	Less than	3-12	1-5	> 5	Total
General Government Sector	3 months	months	years	years	
	\$m	\$m	\$m	\$m	\$m
Non-Derivatives					
Payables	104	104	1	-	208
Interest-Bearing Liabilities (Current/Non-Current)	15	860	2,007	3,184	6,065
Estimated Superannuation Liabilities	63	188	1,196	23,823	25,271
Total Non-Derivatives	181	1,152	3,204	27,007	31,544
Derivatives					
Net Settled Derivatives (Interest Rate Swaps and Futures)	21	1	2	13	37
Total Derivatives	21	1	2	13	37
30 June 2018					
Total Territory	Less than	3-12	1-5	> 5	Total
	3 months	months	years	years	
	\$m	\$m	\$m	\$m	\$m
Non-Derivatives					
Payables	147	147	1	-	294
Interest-Bearing Liabilities (Current/Non-Current)	15	226	2,040	3,638	5,919
Estimated Superannuation Liabilities	67	202	1,277	24,443	25,989
Total Non-Derivatives	229	574	3,318	28,081	32,202
Derivatives					
Net settled derivatives (Interest Rate Swaps and Futures)	4	1	5	12	22
Total Derivatives	4	1	5	12	22
30 June 2017					
Total Territory	Less than	3-12	1-5	> 5	Total
	3 months	months	years	years	
	\$m	\$m	\$m	\$m	\$m
Non-Derivatives					
Payables	159	159	1	-	318
Interest-Bearing Liabilities (Current/Non-Current)	15	860	2,007	3,184	6,065
Estimated Superannuation Liabilities	63	188	1,196	23,823	25,271
Total Non-Derivatives	236	1,207	3,204	27,007	31,654
Derivatives					
Net settled derivatives (Interest Rate Swaps and Futures)	21	1	2	13	37
Total Derivatives	21	1	2	13	37

The fair value of cash and cash equivalents is the carrying value recorded in the accounts of the GGS and the Territory.

Superannuation investments, which account for a significant portion of the GGS and the Territory's investment portfolio, and are maintained for the purpose of managing the Territory's employee superannuation liability, are held at market value.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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FOR THE YEAR ENDED 30 JUNE 2018

42 FINANCIAL INSTRUMENTS - CONTINUED

Categorisation of Financial Assets and Liabilities

The carrying amounts and fair values of financial assets and liabilities at the end of the reporting period are:

General Government Sector	2017-18		2016-17	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$m	\$m	\$m	\$m
Financial Assets				
Cash and Deposits	663	663	782	782
Advances Paid	1,737	1,902	1,658	1,852
Investments and Loans	4,772	4,772	4,470	4,470
Receivables ^(a)	572	572	570	570
Equity				
Investments in Other Public Sector Entities	7,044	7,044	6,565	6,565
Total Financial Assets	14,788	14,953	14,045	14,239
Financial Liabilities				
Deposits Held	16	16	16	16
Advances Received	1,016	1,016	1,072	1,072
Finance Leases	1	1	0	0
Borrowings	3,441	3,737	3,555	3,859
Payables	199	199	447	447
Other Liabilities	42	42	47	47
Total Financial Liabilities	4,714	5,011	5,137	5,440
Net Financial Assets	10,074	9,943	8,908	8,799

Note: (a) Receivables has been adjusted to remove Right to Receive Infrastructure, Prepayments and Accrued Revenue relating to taxation.

Total Territory	2017-18		2016-17	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	\$m	\$m	\$m	\$m
Financial Assets				
Cash and Deposits	834	834	1,037	1,037
Advances Paid	66	66	78	78
Investments and Loans	4,827	4,827	4,523	4,523
Receivables ^(a)	424	424	466	466
Equity				
Investments Accounted for Using Equity Method	1,002	1,002	975	975
Total Financial Assets	7,154	7,154	7,079	7,079
Financial Liabilities				
Deposits Held	16	16	16	16
Advances Received	1,074	1,074	1,135	1,135
Finance Leases	1	1	0	0
Borrowings	3,441	3,737	3,555	3,859
Payables	294	294	557	557
Other Liabilities	43	43	48	48
Total Financial Liabilities	4,869	5,165	5,311	5,614
Net Financial Assets	2,285	1,988	1,769	1,465

Note: (a) Receivables has been adjusted to remove Right to Receive Infrastructure and prepayments.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

42 FINANCIAL INSTRUMENTS - CONTINUED

Fair Value Hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable considering the lowest level input that is significant to the fair value measurement as a whole.

Level 1: Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

30 June 2018	Level 1	Level 2	Level 3	Total
	\$m	\$m	\$m	\$m
Assets and Liabilities at Fair Value				
Financial Assets				
<i>Investments - Directly Held</i>				
Cash Enhanced	165	861	-	1,026
Fixed Income	129	197	-	326
Equities	2,204	-	1	2,205
Financial Derivatives	2	6	-	8
<i>Investments - Indirectly Held</i>				
Unit Trust - Cash	-	557	-	557
Unit Trust - Fixed Income	-	676	-	676
Unit Trust - Property	-	396	-	396
Unit Trust - Private Equity	-	-	154	154
Unit Trust - Diversified Funds	-	44	-	44
Total	2,499	2,737	156	5,392
Financial Liabilities				
<i>Investments - Directly Held</i>				
Fixed Income	-	125	-	125
Financial Derivatives	0	10	-	10
Total	0	135	-	135
Net Assets	2,499	2,603	156	5,257
Assets and Liabilities for which Fair Values are Disclosed				
Financial Assets				
Loans and Receivables	-	2,383	-	2,383
Financial Liabilities				
Agencies Investment Deposits	-	981	-	981
Interest Bearing Liabilities	-	4,744	-	4,744
Net Assets	2,499	-739	156	1,916

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

42 FINANCIAL INSTRUMENTS - CONTINUED

Fair Value Hierarchy - Continued

30 June 2017	Level 1	Level 2	Level 3	Total
	\$m	\$m	\$m	\$m
Assets and Liabilities at Fair Value				
Financial Assets				
<i>Investments - Directly Held</i>				
Cash Enhanced	215	877	-	1,092
Fixed Income	133	182	-	315
Equities	1,937	-	0	1,937
Financial Derivatives	1	18	-	19
<i>Investments - Indirectly Held</i>				
Unit Trust - Cash	-	657	-	657
Unit Trust - Fixed Income	-	664	-	664
Unit Trust - Property	-	319	-	319
Unit Trust - Private Equity	-	28	137	165
Total	2,286	2,747	137	5,170
Financial Liabilities				
<i>Investments - Directly Held</i>				
Fixed Income	-	138	-	138
Financial Derivatives	-	0	-	0
Total	-	138	-	138
Net Assets	2,286	2,608	137	5,031
Assets and Liabilities for which Fair Values are Disclosed				
Financial Assets				
Loans and Receivables	-	2,368	-	2,368
Financial Liabilities				
Interest Bearing Liabilities	-	5,947	-	5,947
Net Assets	-	-3,579	-	-3,579

Valuation Techniques and Inputs

Quoted market price represents the fair value determined based on quoted prices in active markets for identical assets at the reporting date excludes transaction costs. Listed equity investments valued based on quoted market prices are included within Level 1 of the Fair Value Hierarchy.

Unlisted investments in unit trusts include domestic and international fixed income investments, property unit trusts, private equity funds and other indirectly held equity investments which are not quoted in an active market and which may be subject to restrictions on redemptions such as private equity funds. Fair values of these investments are determined by using valuation techniques such as present value, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs. The investment manager considers the valuation techniques and inputs used in valuing these units as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the Net Asset Value of these units may be used as an input into measuring their fair value. In measuring the fair value, the Net Asset Value of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the units trust and fund manager. Depending on the nature and level of adjustments needed to the Net Asset Value and the level of trading in the units, these investments are classified as either Level 2 or Level 3.

Fixed income securities are priced daily with reference to the quoted bid price for the securities in the relevant active market. Investments in this asset class are made through unlisted unit trusts that are priced daily with distributions received quarterly. The fair value of fixed interest security unit are included within Level 2.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

42 FINANCIAL INSTRUMENTS - CONTINUED

Fair Value Hierarchy - Continued

Valuation Techniques and Inputs - Continued

Investments in property are made through unlisted pooled unit trusts that are priced monthly. The fair value of investment property is determined at least annually or more frequently as required by independent property valuers using recognised valuation techniques. These techniques comprise in the main methods such as discounted cash flow and income capitalisation. Where appropriate direct comparison, hypothetical development and summation or cost approach method is used. Under the discounted cash flow method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including estimated rental income and an exit or terminal value. This involves the projection of a series of cash flows and to this an appropriate, market derived discount rate is applied to establish the present value of the income stream. Under the income capitalisation method, a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (the investor's rate of return). The adjusted Net Asset Value of these units are used as an input in measuring their fair value. The fair value of unlisted property units is included within Level 2.

For unlisted private equity unit trusts, the fair value of the underlying equity investments is determined by each underlying investment manager using a valuation methodology that is most appropriate for each particular investment. The fair value methodologies adopted include discounted cash flow, price of recent investment, earnings multiples, net assets, industry valuation benchmarks and available market prices. Adjusted Net Asset Value of these units are used as an input in measuring their fair value. The fair value of unlisted private equity units are included within Level 3.

Fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. Financial derivatives are classified as either Level 1 or Level 2.

Fair value for loans and receivables and interest bearing liabilities has been determined by reference to published price quotations in active markets and applying the appropriate revaluation technique for the instrument including observable market pricing and discounted cashflow methodology. The own non-performance risk as at 30 June 2018 was assessed to be insignificant.

Valuation Process for Level 3 Valuations

Investments of unlisted trust and limited partnerships are recorded at redemption value per unit as reported by their respective investment managers. In the absence of quoted values, securities are valued using appropriate valuation techniques as reasonably determined by the investment manager. The fund manager performs monthly and quarterly valuations. Unresolved discrepancies are escalated to the investment manager valuation committee. The valuation committee is independent of the front office and comprises heads of asset management, portfolio services and the chief operating officer. The committee ensures that the valuation of assets is fair, equitable and reasonable based on the information within the market at the time.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

42 FINANCIAL INSTRUMENTS - CONTINUED

Fair Value Hierarchy - Continued

Quantitative Information of Significant Unobservable Inputs - Level 3

Description at 30 June 2018	Fair Value at 30 June 2018	Valuation Technique	Unobservable Input	Range (Weighted Average %)
Unit Trust - Private Equity	153	Adjusted Net Asset Value	Latest Net Asset Value from Investment Manager	0.000 - 2.688(0.844)
			Contributions since latest Net Asset Value from Investment Manager	0.000 – 1.000(0.238)
			Distributions since latest Net Asset Value from Investment Manager	0.000-0.816(0.087)

Sensitivity Analysis to Significant Changes in Unobservable Inputs within Level 3 Hierarchy

Description at 30 June 2018	Input	Sensitivity Used (%)	Effect on Fair Value
Unit Trust - Private Equity	Latest Net Asset Value from Investment Manager	0.000 - 2.688(0.844)	Fair value increase if the latest Net Asset Values from Investment Manager were higher
	Contributions since latest Net Asset Value from Investment Manager	0.000 – 1.000(0.238)	Fair value increase if there have been contributions since latest Net Asset Value from Investment Manager
	Distributions since latest Net Asset Value from Investment Manager	0.000-0.816(0.087)	Fair value decrease if there have been distributions since latest Net Asset Value from Investment Manager

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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42 FINANCIAL INSTRUMENTS - CONTINUED

Quantitative Information of Significant Unobservable Inputs - Level 3 for 2016-17

Description at 30 June 2017	Fair Value at 30 June 2017 \$m	Unobservable Input	Range (Weighted Average %)
Unit Trust - Private Equity	105 Adjusted Net Asset Value	Latest Net Asset Value from Investment Manager	0.000 - 2.269(0.413)
		Contributions since latest Net Asset Value from Investment Manager	0.000 – 1.000(0.114)
		Distributions since latest Net Asset Value from Investment Manager	0.000-1.955(0.254)

Sensitivity Analysis to Significant Changes in Unobservable Inputs within Level 3 Hierarchy

Description at 30 June 2017	Input	Sensitivity Used (%)	Effect on Fair Value
Unit Trust - Private Equity	Latest Net Asset Value from Investment Manager	0.000 - 2.269(0.413)	Fair value increase if the latest Net Asset Values from Investment Manager were higher
	Contributions since latest Net Asset Value from Investment Manager	0.000 – 1.000(0.114)	Fair value increase if there have been contributions since latest Net Asset Value from Investment Manager
	Distributions since latest Net Asset Value from Investment Manager	0.000-1.955(0.254)	Fair value decrease if there have been distributions since latest Net Asset Value from Investment Manager

Level 3 Reconciliations

30 June 2018	Listed Securities \$m	Unit Trusts \$m
Balance at 1 July 2017	0	136
Purchases during year	-	-
Issues during year	-	-
Sales during year	-	-
Settlements during the year	0	19
Transfers into Level 3	2	-
Total Gains/(Losses)	0	1
Balance at 30 June 2018	3	153
30 June 2017		
Balance at 1 July 2016		135
Purchases during year		0
Issues during year		-
Sales during year		-
Settlements during the year		8
Transfers into Level 3		-
Transfers out of Level 3		-
Total Gains/(Losses)		7
Balance at 30 June 2017		136

Gains and losses are disclosed in the line Net Gain/(Loss) on Financial Assets or Liabilities at Fair Value in the Territory's Operating Statement.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

43 EXPENSES AND ASSETS BY FUNCTION

Effective from the 2017-18 financial reporting year, the Australian Bureau of Statistics (ABS) has implemented a revised Government Finance Statistics (GFS) Framework. This framework includes both the introduction of new, and amendments to, a number of Classification of Functions of Government (COFOG) codes (previously known as Government Purpose Classification (GPC)).

Expenses and assets by function for the 2017-18 reporting period are presented under the revised GFS Framework. 2016-17 comparative figures are not available and are presented based on the GPC structure applicable at that time.

The General Government Sector (GGS) and the Territory's total expenses and assets are classified in terms of the purposes for which the transactions are made, based on the revised ABS GFS Framework. A description of the major groups of the COFOG are listed below.

General Public Services (01): includes transactions from executive and legislative organs; financial and fiscal affairs; external affairs; foreign economic aid; general services; basic research; research and development on general public services; general public services not elsewhere classified, public debt transactions; and transfers of a general character between different levels of government.

Public Order and Safety (03): includes transactions from police services; fire protection services; law courts; prisons; research and development on public order and safety; and public order and safety not elsewhere classified.

Economic Affairs (04): includes transactions from general and economic affairs, commercial, and labour affairs; agriculture, forestry, fishing and hunting; fuel and energy; mining, manufacturing and construction; communication; other industries; research and development on economic affairs; and economic affairs not elsewhere classified.

Environmental Protection (05): includes transactions from waste management; waste water management; pollution abatement; protection of biodiversity and landscape; research and development on environmental protection; and environmental protection not elsewhere classified.

Housing and Community Amenities (06): includes transactions from housing development; community development; water supply; street lighting; research and development on housing and community amenities; and housing and community amenities not elsewhere classified.

Health (07) includes transactions from medical products, appliances and equipment; outpatient services; hospital services; mental health institutions; community health services; public health services; research and development on health; and health not elsewhere classified.

Recreation, Culture and Religion (08): includes transactions from recreational and sporting services; cultural services; broadcasting, publishing and film production services; religious and other community services; research and development on recreation, culture and religion; and recreation, culture and religion not elsewhere classified.

Education (09): includes transactions from pre-primary and primary education; secondary education; tertiary education; education not definable by level; subsidiary services to education; research and development on education; and education not elsewhere classified.

Social Protection (10): includes transactions from sickness and disability; old age; survivors; family and children; unemployment; housing; social exclusion not elsewhere classified; research and development on social protection; and social protection not elsewhere classified.

Transport (11): includes transactions from road transport; bus transport; water transport; railway transport; air transport; multi-mode urban transport; pipeline and other transport; research and development on transport and transport not elsewhere classified.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	General Government Sector 2017-18 Actual \$m	Total Territory 2017-18 Actual \$m
43 EXPENSES AND ASSETS BY FUNCTION - CONTINUED		
The following table provides a disaggregation of General Government Sector (GGS) and Total Territory total expenses by Function.		
01 General Public Services	1,191	1,201
03 Public Order and Safety	432	432
04 Economic Affairs	102	101
05 Environmental Protection	120	203
06 Housing and Community Amenities	79	168
07 Health	1,487	1,487
08 Recreation, Culture and Religion	168	159
09 Education	1,182	1,218
10 Social Protection	392	435
11 Transport	329	331
Total Expenses	5,482	5,734

The following table provides a disaggregation of GGS and Total Territory total assets by Function.

01 General Public Services	15,193	7,923
03 Public Order and Safety	414	414
04 Economic Affairs	2,021	1,346
05 Environmental Protection	347	1,444
06 Housing and Community Amenities	57	2,062
07 Health	1,428	1,428
08 Recreation, Culture and Religion	1,551	1,551
09 Education	2,269	2,309
10 Social Protection	742	6,127
11 Transport	6,801	6,959
Total Assets	30,822	31,564

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	General Government Sector 2016-17 Actual \$m	Total Territory 2016-17 Actual \$m
43 EXPENSES AND ASSETS BY FUNCTION - CONTINUED		
Expenses by Function		
01 General Public Services	617	577
03 Public Order and Safety	407	406
04 Education	1,120	1,156
05 Health	1,444	1,442
06 Social Security and Welfare	297	297
07 Housing and Community Amenities	358	670
08 Recreation and Culture	189	182
09 Fuel and Energy	11	12
10 Agriculture, Forestry, Fishing and Hunting	-	-
11 Mining and Mineral Resources Other than Fuels, Manufacturing and Construction	30	30
12 Transport and Communications	332	316
13 Other Economic Affairs	110	110
14 Other Purposes	482	475
Total Expenses	<u>5,395</u>	<u>5,673</u>
Assets by Function		
01 General Public Services	12,959	6,297
03 Public Order and Safety	484	484
04 Education	2,252	2,290
05 Health	1,407	1,407
06 Social Security and Welfare	48	48
07 Housing and Community Amenities	982	8,906
08 Recreation and Culture	3,408	3,408
09 Fuel and Energy	28	1,004
10 Agriculture, Forestry, Fishing and Hunting	1	1
11 Mining and Mineral Resources Other than Fuels, Manufacturing and Construction	18	18
12 Transport and Communications	6,897	7,041
13 Other Economic Affairs	20	20
14 Other Purposes	1,652	18
Total Assets	<u>30,158</u>	<u>30,942</u>

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED OPERATING STATEMENT BY SECTOR
FOR THE YEAR ENDED 30 JUNE 2018**

44 DISAGGREGATED SECTOR INFORMATION

	General Government Sector		Public Trading Enterprises		Eliminations		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
Revenue								
Controlled Recurrent Payments	-	-	177	166	-177	-166	-	-
Taxation Revenue	1,718	1,695	-	-	-44	-41	1,675	1,654
Commonwealth Grants	2,281	2,049	2	2	-	-	2,282	2,051
Gains from Contributed Assets	158	116	27	10	-89	-87	97	38
Sales of Goods and Services								
Revenue from Associates and Joint Ventures	-	-	93	88	-	-	93	88
Other Sales of Goods and Services	533	522	447	421	-84	-83	896	859
Interest Income	137	131	10	10	-78	-75	69	65
Distributions from Financial Investments	35	38	-	-	-	-	35	38
Dividend and Income Tax Equivalents Income	376	507	-	-	-315	-453	60	54
Other Revenue								
Land Revenue (Value-Add Component)	-	-	328	444	-12	-18	316	426
Other Revenue	164	161	20	19	-15	-18	168	162
Total Revenue	5,402	5,218	1,104	1,160	-814	-942	5,692	5,436
Expenses								
Employee Expenses	2,005	1,932	180	176	-	-	2,184	2,108
Superannuation Expenses								
Superannuation Interest Cost	304	293	-	-	-	-	304	293
Other Superannuation Expense	357	452	24	24	-11	-11	370	464
Depreciation and Amortisation	397	390	99	95	-	-	496	484
Interest Expense	185	183	81	74	-78	-75	188	181
Other Property Expenses (Income Tax Equivalents)	-	-	117	139	-117	-139	-	-
Other Operating Expenses								
Supplies and Services	962	907	212	204	-48	-44	1,127	1,068
Other Operating Expenses	189	222	54	66	-98	-96	144	191
Grants and Purchased Services	1,083	1,016	90	114	-252	-247	921	884
Total Expenses	5,482	5,395	856	891	-604	-612	5,734	5,673
UPF Net Operating Balance	-81	-177	249	270	-210	-331	-42	-237

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED OPERATING STATEMENT BY SECTOR
FOR THE YEAR ENDED 30 JUNE 2018**

44 DISAGGREGATED SECTOR INFORMATION - CONTINUED

	General Government Sector		Public Trading Enterprises		Eliminations		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
Other Economic Flows - Included in the Operating Result								
Dividends (Market Gains on Land Sales)	29	32	-	-	-29	-32	-	-
Land Revenue (Market Gains on Land Sales)	-	-	44	50	-	-	44	50
Net Land Revenue (Undeveloped Land Value)	91	94	-	-	-	5	91	99
Net Gain/(Loss) on Sale of Non-Financial Assets	-5	13	-77	-56	-	-	-82	-42
Net Gain/(Loss) on Financial Assets or Liabilities at Fair Value	244	239	-	-	1	1	245	240
Doubtful Debts	-8	-11	-	-3	0	0	-7	-14
Operating Result	271	190	216	262	-240	-355	247	95
Items that will not be Subsequently Reclassified to Profit or Loss								
Payments to ACT Government Agencies	-31	-20	-	-	31	20	-	-
Capital Distributions	86	54	-	-	-75	-54	11	-
Transfer of Assets to the Public Trading Enterprises (PTE) Sector	-145	-128	-	-	145	128	-	-
Superannuation Actuarial Gain/(Loss)	-896	2,525	-	-	-	-	-896	2,525
Other Movements	-19	6	-27	-	-	-	-47	6
Increase/(Decrease) in Asset Revaluation Reserve Surpluses due to Revaluations	-65	375	452	235	23	-30	411	579
Increase/(Decrease) in Other Reserves	-	-	-10	-	-	-	-10	-
Items that may be Subsequently Reclassified to Profit or Loss								
Increase/(Decrease) in Net Assets of PTE	480	253	-	-	-480	-253	-	-
Total Comprehensive Income / (Loss)	-320	3,255	631	496	-595	-545	-284	3,206

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED OPERATING STATEMENT BY SECTOR
FOR THE YEAR ENDED 30 JUNE 2018**

44 DISAGGREGATED SECTOR INFORMATION - CONTINUED

	General Government Sector		Public Trading Enterprises		Eliminations		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
Key Fiscal Aggregates								
UPF Net Operating Balance	-81	-177	249	270	-210	-330	-42	-237
less Net Acquisition of Non-Financial Assets								
Payments for Non-Financial Assets	714	667	188	164	-18	-18	885	814
Sales of Non-Financial Assets	-313	-287	-53	-67	-	0	-366	-354
Land Revenue (Net Cash Receipts)	-	-15	-	-52	-	-	-	-68
Change in Inventories	-	-	13	-	-17	-	-4	-
Depreciation and Amortisation	-397	-390	-99	-95	-	-	-496	-484
Other Movements in Non-Financial Assets	145	115	-48	-86	0	2	97	31
<i>Total Net Acquisition of Non-Financial Assets</i>	<i>149</i>	<i>90</i>	<i>1</i>	<i>-135</i>	<i>-34</i>	<i>-16</i>	<i>116</i>	<i>-61</i>
Net Lending / (Borrowing)	-230	-267	248	405	-176	-314	-158	-176

The Consolidated Operating Statement by Sector should be read in conjunction with the accompanying notes. Also refer to Note 2: 'Disaggregated Information'.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED BALANCE SHEET BY SECTOR
AT 30 JUNE 2018**

44 DISAGGREGATED SECTOR INFORMATION - CONTINUED

	General Government Sector		Public Trading Enterprises		Eliminations		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
Financial Assets								
Cash and Deposits	663	782	172	255	-	-	834	1,037
Advances Paid	1,737	1,658	-	9	-1,671	-1,589	66	78
Investments and Loans	4,772	4,470	55	52	-	-	4,827	4,523
Receivables	601	600	164	188	-285	-267	480	521
Equity Investments								
Investments in Other Public Sector Entities	7,044	6,565	-	-	-7,044	-6,565	-	-
Investments Accounted for Using the Equity Method	-	-	1,002	975	-	-	1,002	975
Total Financial Assets	14,816	14,075	1,393	1,480	-9,000	-8,421	7,210	7,134
Non-Financial Assets								
Produced Assets								
Property, Plant and Equipment	11,120	11,201	3,956	3,670	-	-	15,076	14,871
Investment Properties	5	5	8	16	-	-	13	22
Intangibles	191	99	25	13	-	-	216	112
Inventories	19	19	273	260	-45	-27	248	252
Assets Held for Sale	111	195	126	37	-	-	237	232
Capital Works-in-Progress	662	653	183	144	-	-	844	797
Non Produced Assets								
Property, Plant and Equipment	3,847	3,742	3,821	3,612	-	-	7,668	7,354
Loose-fill Asbestos Insulation Eradication Scheme Land	9	123	-	-	-	-	9	123
Biological Assets	30	30	-	-	-	-	30	30
Other Non-Financial Assets								
Deferred Tax Assets	-	-	22	31	-22	-31	-	-
Other Non-Financial Assets	12	17	-	-	-	0	12	17
Total Non-Financial Assets	16,006	16,083	8,415	7,784	-67	-58	24,354	23,809
Total Assets	30,822	30,158	9,808	9,264	-9,067	-8,479	31,564	30,942

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED BALANCE SHEET BY SECTOR
AT 30 JUNE 2018**

44 DISAGGREGATED SECTOR INFORMATION - CONTINUED

	General Government Sector		Public Trading Enterprises		Eliminations		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
Liabilities								
Deposits Held	16	16	-	-	-	-	16	16
Advances Received	1,016	1,072	1,729	1,652	-1,671	-1,589	1,074	1,135
Borrowings								
Finance Leases	1	0	-	-	-	-	1	0
Other Borrowings	3,441	3,555	-	-	-	-	3,441	3,555
Superannuation	9,736	8,574	-	-	-	-	9,736	8,574
Employee Benefits	675	638	64	70	-	-9	740	700
Other Provisions	353	384	129	176	-66	-50	416	510
Payables	199	208	236	212	-141	-101	294	318
Other Liabilities								
Current Tax Liability	-	-	32	54	-32	-54	-	-
Deferred Tax Liability	-	-	507	436	-507	-436	-	-
Other Liabilities	42	47	67	99	-65	-99	43	48
Total Liabilities	15,478	14,494	2,764	2,699	-2,482	-2,338	15,760	14,855
Net Assets	15,344	15,664	7,044	6,565	-6,584	-6,141	15,804	16,087
Equity in Public Trading Enterprises	7,044	6,565	-	-	-7,044	-6,565	-	-
Accumulated Funds	2,600	3,335	2,670	2,556	-47	-60	5,224	5,831
Asset Revaluation Surplus	5,698	5,763	4,374	3,999	507	484	10,579	10,246
Other Reserves	1	1	-	10	-	-	1	11
Net Worth	15,344	15,664	7,044	6,565	-6,584	-6,141	15,804	16,087
Key Fiscal Aggregates								
Net Financial Worth	-662	-419	-1,371	-1,219	-6,518	-6,083	-8,550	-7,721
Net Financial Liabilities	7,707	6,984	-	-	1,846	1,713	9,553	8,697
Net Debt (Including Superannuation Related Investments)	-2,698	-2,267	1,502	1,335	-	-	-1,196	-932
Net Debt (Excluding Superannuation Related Investments)	1,302	1,453	-	-	1,502	1,328	2,804	2,781

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY BY SECTOR
FOR THE YEAR ENDED 30 JUNE 2018**

44 DISAGGREGATED SECTOR INFORMATION - CONTINUED

	General Government Sector		Public Trading Enterprises		Eliminations		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
Opening Equity								
Opening Equity in Public Trading Enterprises (PTE)	6,565	6,312	-	-	-6,565	-6,312	-	-
Opening Accumulated Funds	3,335	708	2,556	2,430	-60	-41	5,831	3,097
Opening Asset Revaluation Surplus	5,763	5,388	3,999	3,872	484	514	10,246	9,774
Opening Other Reserves	1	1	10	10	-	-	11	11
Opening Balance	15,664	12,408	6,565	6,312	-6,141	-5,839	16,087	12,882
Comprehensive Income								
<i>Included in Accumulated Funds:</i>								
Operating Result for the Period	271	190	216	262	-239	-357	247	95
Payments to ACT Government Agencies	-31	-20	-	-	31	20	-	-
Capital Distributions	86	54	-	-	-75	-54	11	-
Transfer of Assets to the PTE Sector	-145	-128	-	-	145	128	-	-
Superannuation Actuarial Gain/(Loss)	-896	2,525	-	-	-	-	-896	2,525
Other Movements	-19	6	-27	-	-	-	-47	6
<i>Included in Equity in Public Trading Enterprises:</i>								
Increase/(Decrease) in Net Assets of PTE	480	253	-	-	-480	-253	-	-
<i>Included in the Asset Revaluation Surplus:</i>								
Increase/(Decrease) in Asset Revaluation Reserve Surpluses due to Revaluations	-65	375	452	235	23	-30	411	579
<i>Included in Other Reserves:</i>								
Increase/(Decrease) in Other Reserves	-	0	-10	-	-	-	-10	0
Total Comprehensive Income / (Loss)	-320	3,255	631	496	-594	-546	-284	3,206
Other								
Transfer to/(from) Accumulated Funds	-	-	77	108	-	-	77	107
Transfer to/(from) the Asset Revaluation Surplus	-	-	-77	-108	-	0	-77	-107
Total Other	-	-	-	-	-	0	-	-

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY BY SECTOR
FOR THE YEAR ENDED 30 JUNE 2018**

44 DISAGGREGATED SECTOR INFORMATION - CONTINUED

	General Government Sector		Public Trading Enterprises		Eliminations		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
Transactions Involving Owners Affecting Accumulated Funds								
<i>Included in Accumulated Funds:</i>								
Capital Injections	-	-	31	20	-31	-20	-	-
Capital Distributions	-	-	-75	-54	75	54	-	-
Transfer of Assets to PTE Sector	-	-	145	128	-145	-128	-	-
Dividends Approved	-	-	-252	-337	252	337	-	-
Total Transactions Involving Owners Affecting Accumulated Funds	0	0	-151	-243	151	243	-	-
Closing Equity								
Closing Equity in PTE	7,044	6,565	-	-	-7,044	-6,565	-	-
Closing Accumulated Funds	2,600	3,335	2,670	2,556	-47	-60	5,224	5,831
Closing Asset Revaluation Surplus	5,698	5,763	4,374	3,999	507	484	10,579	10,246
Closing Other Reserves	1	1	-	10	-	-	1	11
Closing Balance	15,344	15,664	7,044	6,565	-6,585	-6,141	15,804	16,087

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED CASH FLOW STATEMENT BY SECTOR
FOR THE YEAR ENDED 30 JUNE 2018**

44 DISAGGREGATED SECTOR INFORMATION - CONTINUED

	General Government Sector		Public Trading Enterprises		Eliminations		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
Cash Flows from Operating Activities								
<i>Cash Receipts</i>								
Taxes Received	1,582	1,677	-	-	-22	-34	1,560	1,644
Receipts from Sales of Goods and Services	656	554	833	927	-110	-115	1,379	1,366
Grants/Subsidies Received	2,282	2,052	178	172	-176	-174	2,284	2,050
Distributions from Financial Investments	33	39	-	-	-	-	33	39
Interest Receipts	130	140	9	10	-70	-70	70	80
Dividends and Income Tax Equivalents	434	528	-	-	-372	-471	62	56
Other Receipts	431	520	169	113	-29	-35	572	599
Total Cash Received from Operating Activities	5,548	5,510	1,189	1,222	-778	-899	5,960	5,833
<i>Cash Payments</i>								
Payments for Employees	-2,366	-2,284	-194	-190	11	11	-2,549	-2,463
Payments for Goods and Services	-979	-943	-210	-196	53	68	-1,136	-1,071
Grants/Subsidies Paid	-1,078	-1,004	-22	-25	171	161	-929	-868
Interest Paid	-177	-177	-72	-77	70	70	-179	-184
Other Payments	-425	-489	-268	-265	84	102	-609	-652
Total Cash Paid from Operating Activities	-5,025	-4,897	-767	-752	388	412	-5,403	-5,237
Net Cash Flows from Operating Activities	524	613	422	470	-389	-487	556	596
Cash Flows from Investing Activities								
Cash Flows from Investments in Non-Financial Assets								
Sales of Non-Financial Assets	313	287	53	67	-	-	366	354
Payments for Non-Financial Assets	-714	-667	-188	-164	18	18	-885	-814
Net Cash Flows from Investments in Non-Financial Assets	-401	-380	-135	-97	18	17	-519	-460
Assets								

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED CASH FLOW STATEMENT BY SECTOR
FOR THE YEAR ENDED 30 JUNE 2018**

44 DISAGGREGATED SECTOR INFORMATION - CONTINUED

	General Government Sector		Public Trading Enterprises		Eliminations		Total Territory	
	2017-18 Actual	2016-17 Actual	2017-18 Actual	2016-17 Actual	2017-18 Actual	2016-17 Actual	2017-18 Actual	2016-17 Actual
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Cash Flows from Investments in Financial Assets for Policy Purposes								
<i>Cash Receipts</i>								
Repayment of Loans	3	0	-	-	-	-	3	0
Capital Receipts from Government Agencies	78	29	31	20	-98	-49	11	-
Dividends - Market Gains on Land Sales	29	32	-	-	-29	-32	-	-
Total Cash Received from Investment in Financial Assets for Policy Purposes	110	61	31	20	-126	-81	14	0
<i>Cash Payments</i>								
Issue of Loans	-	-	-4	-6	-	-	-4	-6
Capital Payments to Government Agencies	-31	-20	-	-	31	20	-	-
Dividends - Market Gains on Land Sales	-	-	-29	-32	29	32	-	-
Distributions to Government	-	-	-67	-29	67	29	-	-
Total Cash Paid from Investment in Financial Assets for Policy Purposes	-31	-20	-99	-66	126	81	-4	-6
Net Cash Flows from Investments in Financial Assets for Policy Purposes	79	41	-68	-46	-	-	11	-5
Cash Flows from Investments in Financial Assets for Liquidity Purposes								
Sales of Investments	135	34	3	1	0	3	137	39
Payments for Investments	-198	-175	-	-	-	-3	-198	-178
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	-64	-141	3	1	0	0	-61	-139
Net Cash Flows from Investing Activities	-386	-480	-201	-142	18	18	-569	-604

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED CASH FLOW STATEMENT BY SECTOR
FOR THE YEAR ENDED 30 JUNE 2018**

44 DISAGGREGATED SECTOR INFORMATION - CONTINUED

	General Government Sector		Public Trading Enterprises		Eliminations		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
Cash Flows from Financing Activities								
<i>Cash Receipts</i>								
Borrowings/Advances Received	470	70	547	70	-1,016	-93	0	46
Total Cash Received from Financing Activities	470	70	547	70	-1,016	-93	0	46
<i>Cash Payments</i>								
Borrowings/ Advances Paid	-705	-73	-477	-25	1,016	93	-166	-4
Dividends Paid	-	-	-259	-307	259	307	-	-
Other Financing	-	-	-113	-162	113	162	-	-
Total Cash Paid from Financing Activities	-705	-73	-848	-494	1,388	563	-166	-4
Net Cash Flows from Financing Activities	-235	-3	-302	-425	372	469	-165	42
Net Increase/(Decrease) in Cash Held	-98	130	-80	-97	0	-	-178	33
Cash and Cash Equivalents at the Beginning of Reporting Period	752	622	307	403	-	-	1,059	1,025
Cash and Cash Equivalents at the End of Reporting Period	654	752	227	307	-	-	881	1,059
Key Fiscal Aggregates								
Net Cash from Operating Activities	524	613	422	470	-389	-487	556	596
Investments in Non-Financial Assets	-401	-380	-135	-97	18	17	-519	-460
Distributions Paid	-	-	-372	-469	372	469	-	-
Cash Surplus (+) / Deficit (-)	122	233	-85	-97	-	-	38	136

A positive number denotes a cash inflow, a negative number denotes a cash outflow.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

45 RECONCILIATIONS TO ABS GFS MEASURES

Where the Key Fiscal Aggregates presented on the face of the financial statements are materially different to that measured in accordance with the ABS GFS Manual, a reconciliation between the two measures is required to be provided.

The following material differences have occurred:

	General Government Sector		Public Trading Enterprises		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
(a) Reconciliation to GFS Net Operating Balance						
Net Result from Transactions - UPF Net Operating Balance	-81	-177	249	270	-42	-237
Convergence differences:						
Dividend Payments (GFS classifies dividends paid by Public Trading Enterprises as an expense)	-	-	-208	-288	-	-
GFS Net Operating Balance	-81	-177	40	-18	-42	-237
(b) Reconciliation to GFS Net Lending/(Borrowing)						
Net Lending/(Borrowing)	-230	-267	248	405	-158	-176
Convergence differences:						
Relating to the Net Operating Balance (as above)	-	-	-208	-288	-	-
GFS Fiscal Balance	-230	-267	40	117	-158	-176
(c) Reconciliation to GFS Net Worth						
Net Worth	15,344	15,664	7,044	6,565	15,804	16,087
Convergence differences:						
Waste Sites Remediation Provision (Relating to the provision to restore Mugga Lane and Belconnen Waste Landfill Sites, excluded under GFS)	25	28	-	-	25	28
Loose-fill Asbestos Insulation Eradication Scheme Provision (Relating to the provision to properties for homeowners who have opted into the scheme, excluded under GFS)	48	82	-	-	48	82
GFS Net Worth	15,417	15,774	7,044	6,565	15,877	16,198

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

45 RECONCILIATIONS TO ABS GFS MEASURES - CONTINUED

	General Government Sector		Public Trading Enterprises		Total Territory	
	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m	2017-18 Actual \$m	2016-17 Actual \$m
(d) Reconciliation to GFS Net Financial Worth						
Net Financial Worth	-662	-419	-1,371	-1,219	-8,550	-7,721
Convergence differences:						
Waste Sites Remediation Provision (Relating to the provision to restore Mugga Lane and Belconnen Waste Landfill Sites, excluded under GFS)	25	28	-	-	25	28
Loose-fill Asbestos Insulation Eradication Scheme Provision (Relating to the provision to properties for homeowners who have opted into the scheme, excluded under GFS)	48	82	-	-	48	82
GFS Net Financial Worth	-589	-309	-1,371	-1,219	-8,477	-7,611

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

APPENDIX A

VARIANCE EXPLANATIONS - 2017-18 Actual compared to 2017-18 Budget

For variances greater than 10 per cent and greater than \$25 million of the financial statement line item for the General Government Sector. Variance explanations are also included where they are considered of importance to users of the consolidated annual financial statements.

Note: A '#' in the 'Variance %' column represents a variation that is greater than 999 per cent or less than -999 per cent. Variances may not be exact due to the impact of rounding. All amounts have been rounded to the nearest million dollars.

	2017-18 Actual \$m	2017-18 Budget \$m	Variance \$m	Variance %
SUPPLIES AND SERVICES				
GGS	962	1,097	-135	-12%
The lower than expected supplies and services is mainly driven by expenditure delays following a change in the demolition processes under the Public Housing Renewal Taskforce, whereby the developer will now complete demolition in the 2018-19 and 2019-20 financial years, the Treasurer's Advance not being fully spent and lower expenses for medical supplies due to the lower demand for high cost drugs.				
DIVIDENDS (MARKET GAINS ON LAND SALES)				
GGS	29	87	-58	-67%
Lower than forecast dividends (market gains on land sales) is largely due to delayed settlement on the Red Hill Precinct Asset Recycling Initiative site which is now expected to occur in 2018-19.				
NET GAIN/(LOSS) ON FINANCIAL ASSETS OR LIABILITIES AT FAIR VALUE				
GGS	244	172	73	42%
Higher net gains on financial assets or liabilities at fair value is mainly a result of higher superannuation investment returns due to better than expected performance of Australian and international share markets and lower than expected emerging cost benefit payments.				
SUPERANNUATION ACTUARIAL GAIN/(LOSS)				
GGS	-896	-	-896	-100%
The variance is mainly due to an unexpected decrement in the discount rate assumption from 3.51 per cent to 3.11 per cent and changes in the demographic assumptions and membership's experience.				
INCREASE/(DECREASE) IN ASSET REVALUATION RESERVE SURPLUSES DUE TO REVALUATIONS				
GGS	-65	137	-202	-148%
The variance is mainly due to revaluations undertaken by the Environment, Planning and Sustainable Development Directorate and a lower than anticipated movement in the asset revaluation surplus of the Education Directorate than originally forecast.				

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

APPENDIX A

VARIANCE EXPLANATIONS - 2017-18 Actual compared to 2017-18 Budget - Continued

		2017-18 Actual \$m	2017-18 Budget \$m	Variance \$m	Variance %
INCREASE/(DECREASE) IN NET ASSETS OF PTE					
	GGS	480	253	227	90%
The higher than expected increase in net assets of PTE is mainly due to the change in accounting estimates to the value of water infrastructure assets in Icon Water.					
CASH AND DEPOSITS					
	GGS	663	308	354	115%
Higher than estimated cash and deposits is mainly due to a higher than expected receipt of Commonwealth Government payments for GST and the ACT Healthy Waterways Project. Additional cash was also received under the Renewable Energy Innovation fund and Next Generation Energy Storage Program and from sales under the Loose-fill Asbestos Insulation Eradication Scheme.					
RECEIVABLES					
	GGS	601	679	-78	-11%
The lower than expected receivables is associated with lower dividends and income tax payable by the Suburban Land Agency mainly due to delayed settlements in Throsby and Denman Prospect 2.					
INTANGIBLES					
	GGS	191	225	-34	-15%
The lower than expected intangibles is mainly due to Justice and Community Safety Directorate deferring computer software projects to future reporting period.					
ASSETS HELD FOR SALE					
	GGS	111	81	30	36%
Higher assets held for sale is driven by the transfer of 236 blocks of land under the Loose-fill Asbestos Insulation Eradication Scheme to assets held for sale following the completion of building demolition and land remediation.					

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

APPENDIX A

VARIANCE EXPLANATIONS - 2017-18 Actual compared to 2017-18 Budget - Continued

	2017-18 Actual \$m	2017-18 Budget	Variance \$m	Variance %
NON-PRODUCED ASSETS - PROPERTY, PLANT AND EQUIPMENT				
GGS	3,847	2,966	881	30%
The higher Non-Produced Assets – Property, Plant and Equipment is largely due to the reclassification of heritage and community land from produced assets to land which was not reflected in the original forecast.				
FINANCE LEASES				
GGS	1	111	-110	-99%
The lower than expected Finance Lease associated with Stage 1 of Courts Public Private Partnership (PPP). Stage 1 of the project was due to be completed in November 2017, however, has been delayed and is now expected to be completed in late 2018, at which time the liability will be recognised.				
EMPLOYEE BENEFITS AND OTHER PROVISIONS				
Employee Benefits	675	679	-3	-1%
Other Provisions	353	136	217	159%
GGS	1,028	815	213	26%
The higher than expected employee benefits and other provisions is largely due to a change in the treatment of insurance related provisions which were budgeted as payables. These provisions are now reported under the line item of employee benefits and other provisions consistent with the concepts of the Government Finance Statistics Framework.				
PAYABLES				
GGS	199	459	-260	-57%
Lower payables is mainly due to the change in treatment of insurance related provisions described above.				
SUPERANNUATION				
GGS	9,736	6,369	3,367	53%
The higher than expected defined benefit superannuation liability is predominantly due to the higher than estimated valuation at 30 June 2018 as a result of using two different discount rates for budget estimates and actual. The discount rate of 6 per cent was applied for budget estimates whereas 3.11 per cent was used at 30 June 2018 which is required by Australian Accounting Standards and referenced to the yield on the Commonwealth Government's 2047 maturity bond.				

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The *Financial Management Act 1996* (FMA) requires the preparation of Annual Financial Statements for the Territory.

The FMA, and the *Financial Management Guidelines* issued under the Act, requires that the Financial Statements for each sector include:

- (i) an Operating Statement for the year;
- (ii) a Balance Sheet as at the end of the year;
- (iii) a Statement of Changes in Equity for the year;
- (iv) a Cash Flow Statement for the year;
- (v) a Statement of Appropriation for the year;
- (vi) the significant accounting policies adopted by the Territory for the year; and
- (vii) such other statements as are necessary to fairly reflect the financial operations of the Territory during the year and its financial position as at the end of the year.

For disclosure purposes, one Statement of Appropriation is presented inclusive of all ACT Government controlled entities which have received appropriations during the reporting period.

As required by the FMA, these general purpose financial statements have been prepared in accordance with:

- (i) Australian Accounting Standards; and
- (ii) ACT Government Accounting and Disclosure Policies.

The Territory's financial statements have been prepared using the accrual basis of accounting, which recognises the effect of transactions and events when they occur. The Territory's financial statements have also been prepared in accordance with the historical cost convention, except for assets such as those included in property, plant and equipment and financial instruments which were valued at fair value in accordance with the valuation policies of the Territory during the reporting period.

The Territory's financial statements are presented in Australian Dollars.

Where considered material, differing accounting treatments between agencies have been amended to ensure the consolidated financial statements are prepared on a consistent basis in accordance with the Territory's accounting policies and provide a fair and accurate financial depiction of the Territory's activities and position.

b) Compliance Framework

The financial statements for the Territory have been prepared in accordance with Australian Accounting Standard AASB 1049: 'Whole of Government and General Government Sector Financial Reporting' (AASB 1049), which requires compliance with all Australian Accounting Standards except those identified.

Compliance with AASB 1049 means that these statements are also consistent with the reporting requirements of the Uniform Presentation Framework (UPF) (refer to Appendix D - Glossary).

The financial statements for the Territory have also been prepared in accordance with the principles and rules of the Australian Bureau of Statistics Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015 (ABS GFS Manual). Prior year amounts and disclosures are consistent with the Government Finance Statistics: Concepts, Sources and Methods 2008 framework.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

b) Compliance Framework - Continued

The whole of government reporting entity includes government directorates, government statutory authorities and Public Non-Financial Corporations (also known as Public Trading Enterprises (PTE)). Specific details about the entities consolidated by the Territory are shown at Note 3: 'Australian Capital Territory Government Controlled Entities'.

The General Government Sector (GGS) is a component of the whole of government reporting entity of the Territory. The GGS is determined in accordance with the principles and rules contained in the ABS GFS Manual. The GGS consists of agencies mainly engaged in the production of goods and services outside the normal market mechanism, for consumption by government itself and the general public. The agencies' costs of production are mainly financed from public revenue and they provide goods and services to the general public, or sections of the general public, free of charge or at nominal charges at times below the cost of production.

The GGS financial statements, contained within the Territory's financial statements, are prepared in accordance with AASB 1049 except for AASB 10: 'Consolidated Financial Statements' (AASB 10) and AASB 139: 'Financial Instruments: Recognition and Measurement' (AASB 139), where full application is not required. Assets, liabilities, income, expenses and cash flows of government controlled entities that are in the PTE sector are not separately recognised in the financial statements. Instead, the GGS financial statements recognise an asset, being the controlling equity investment in those entities, and recognise a gain or loss relating to changes in the carrying amount of that asset, measured in accordance with AASB 1049.

The PTE sector comprises of entities 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. In general, PTE entities are legally distinguishable from the governments which own them.

The ABS GFS Manual also provides the basis upon which GFS information that is contained in the Territory's financial statements is prepared. In particular, notes disclosing the key fiscal aggregates of net worth, net operating balance, total change in net worth, net lending/(borrowing) and cash surplus/(deficit) determined using the principles and rules in the ABS GFS Manual together with a reconciliation of those key fiscal aggregates to the corresponding key fiscal aggregates recognised in the Territory's financial statements.

c) The Reporting Period

These consolidated financial statements state the financial performance, changes in equity and cash flows of the Territory for the financial year ended 30 June 2018 together with the financial position of the Territory as at 30 June 2018.

d) Budget Figures

To facilitate a comparison with the Budget Papers, as required by the FMA, budget information for 2017-18 has been presented in the financial statements. Budget numbers in the financial statements are the annual budget numbers that appear in the 2017-18 Budget Papers.

The 2017-18 Budget Papers were prepared in accordance with the requirements of AASB 1049: 'Whole of Government and General Government Sector Financial Reporting' (AASB 1049) except for the calculation of the 'Headline Net Operating Balance' in the Budget Papers which is not shown in the Operating Statement of this report as this calculation is not required under AASB 1049.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

e) Prior Year Comparatives

Comparative information has been disclosed in respect of the previous period for all amounts reported in the Territory's financial statements, except where an Australian Accounting Standard does not require comparative information to be disclosed.

Where the presentation or classification of items in the Territory's financial statements have been amended, the comparative amounts have been reclassified where material. Where a reclassification has occurred, the nature, amount and reason for the reclassification is provided.

f) Rounding

All amounts in the Territory's financial statements have been rounded to the nearest million dollars (\$m) unless otherwise indicated. The Territory's Consolidated Statement of Appropriation shows amounts in thousands of dollars (\$'000) consistent with the *Appropriation (Office of the Legislative Assembly) Act 2017-2018* and *Appropriation Act 2017-2018*.

Use of a zero ("0") represents amounts rounded down to zero. Use of a hyphen ("-") represents nil amounts.

g) Basis of Consolidation

In accordance with AASB 10: 'Consolidated Financial Statements' (AASB 10) the Territory's financial statements include the values of all assets, liabilities, equities, revenues and expenses controlled by the Territory.

The financial results of all Territory-controlled entities have been included in the Territory's financial statements. Where control of an entity is obtained during the financial year, its results are included in the Territory's financial statements from the date control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

Transactions between Territory-controlled entities are eliminated in preparing the Territory's financial statements.

Full application of AASB 10 has not been applied for the GGS financial statements as per the disclosure contained in Appendix B(b): 'Compliance Framework'.

The consolidated entity includes the PTE entities and GGS entities as set out at Note 3: 'Australian Capital Territory Government Controlled Entities'.

h) Revenue Recognition

Revenue is recognised at the fair value of the consideration received or receivable in the Operating Statement. In addition, the following specific recognition criteria must also be met before revenue is recognised:

Taxes, Fees and Fines

Taxes are recognised as revenue at the time of payment. Fees are either recognised as revenue when the fee is incurred or at the time of payment. Fines are recognised as revenue on the issue of the relevant infringement notice. Where the fine attracts a penalty for late payments, the penalty amount is recognised as revenue on issue of the late payment notice.

Sale of Goods

Revenue from the sale of goods is recognised by the Territory as revenue when the significant risks and rewards of ownership of the goods have transferred to the buyer, the Territory retains neither continuing managerial involvement nor effective control over the goods sold, and the costs incurred in respect of the transaction can be measured reliably.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

h) Revenue Recognition - Continued

Rendering of Services

Revenue from rendering of services is recognised when the outcome of a transaction can be estimated reliably at the stage of completion of the transaction and the costs of rendering those services can be measured reliably.

Interest

Interest revenue is recognised using the effective interest rate method.

Gains on Investments at Fair Value through Profit and Loss

Gains or losses resulting from changes in the fair value of an investment are included in the Operating Statement in the period in which they arise.

Commonwealth Government Grants

Commonwealth Government Grants are recognised as revenue when the Territory gains control over the grant received or receivable. In most cases this occurs when cash is received.

Land Revenue

Land sales revenue is recognised when the significant risks and rewards of the sale of land are transferred to the purchaser. While the point of recognition for one sale may differ from another depending on the individual terms of each contract of sale, in the majority of cases, sales completed via auction, direct grant, ballot or over the counter will be recognised on settlement.

Sales under the Land Rent Scheme are recognised in the PTE sector on settlement at an amount that would have been received if the sale had been a capital sum sale rather than a not for capital sum (rent lease) sale.

Proceeds from land sales may comprise both cash-related transactions and the value of infrastructure required to be provided by the purchaser as part of the Deed of Agreement associated with the sale of land. The Right to Receive Infrastructure from the purchaser is recognised as revenue and a receivable at the time of settlement.

Refer to Appendix B (ai)(i) for information on the Territory's treatment of land revenue between 'undeveloped land value', 'value add component' and 'market gains on land sales'.

Dividends

Dividend revenue is recognised when the Territory's right to receive payment is established.

For the GGS, the component of dividends from the PTE sector is classified according to the underlying nature of the sales transaction/s. As a result, the total value of dividends recognised by the GGS is classified as either 'dividend income', included in 'Dividend and Income Tax Equivalents Income' in 'Revenue' on the Operating Statement, or 'Dividends (Market Gains on Land Sales)' in 'Other Economic Flows' on the Operating Statement.

Refer also to 'Revenue Recognition: Land Revenue' above and Appendix B(ai): 'Significant Accounting Judgements and Estimates' for information regarding market gains on land sales.

Revenue Received in Advance

Revenue received in advance is recognised as a liability if there is a present obligation to return the funds received.

i) Borrowing Costs

Borrowing costs are expensed in the period in which they are incurred at the effective interest rate.

j) Waivers of Debt

Debts that are waived under Section 131 of the FMA are expensed during the year in which the right to payment was waived. Further details of such waivers are disclosed in Note 14: 'Waivers, Impairment Losses and Write-Offs'.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

k) Taxation Expense

The Territory is exempt from all forms of Commonwealth taxation except Fringe Benefits Tax and Goods and Services Tax. While certain agencies are subject to ACT taxation, including Commonwealth taxation equivalents, which is shown as relevant in the disaggregated sector information, related amounts are eliminated in the Territory's Financial Statements.

l) 'Financial' and 'Non-Financial' Assets and Liabilities

Assets are classified as either 'financial' or 'non-financial' in nature. Financial assets are those that derive value because of a contractual claim. Non-financial assets primarily include property, plant and equipment such as roads, schools, hospitals, land, inventories, other infrastructure and intangible assets.

m) Cash

Cash and Cash Equivalents

Cash includes cash at bank, cash on hand, short-term deposits and overnight cash. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Bank overdrafts are included in cash and cash equivalents in the Cash Flow Statement but not in cash and deposits in the Balance Sheet.

The inclusion of movements in short-term securities in 'cash' for the purpose of the Cash Flow Statement is the principal difference between 'Cash and Deposits' and 'Cash and Cash Equivalents'.

n) Receivables

Receivables (including trade and other receivables) are initially recognised at fair value and subsequently measured at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement.

The 'Right to Receive Infrastructure from Land Developers' is also recognised as a receivable based on the prescribed conditions for associated works. The sale of land by the Territory can involve the receipt of cash as well as the value of infrastructure assets (such as roads, services and landscaping) required to be constructed by the purchaser as part of the sale conditions. Upon its completion and handover to the Territory by the purchaser, the infrastructure works are recognised as infrastructure assets.

The collectability of receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectable are written off.

The allowance for impairment losses represents the amount of trade receivables and other receivables the Territory estimates will not be repaid. The Territory determines the allowance for impairment loss based on objective evidence and a review of overdue balances. The amount of the allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. The allowance for impairment losses is written off against the receivables account when the Territory ceases action to collect the debt as it considers that it will cost more to recover than the debt is worth.

o) Advances Paid

Advances paid by the Territory include home loans to members of the public and loans provided to Community Housing Canberra Limited.

Loans provided to Community Housing Canberra Limited are to support the increase of the supply of affordable housing properties for sale or rent by eligible participants. Terms and conditions of the loans are set out in the 2017-18 Budget Supplementary Material (Summary and Terms of Debt Capital Injection) at <https://apps.treasury.act.gov.au/budget/budget-2017-2018/budget-papers>.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

p) Investments

Initial Recognition

The Territory's investment assets within the scope of AASB 139: 'Financial Instruments: Recognition and Measurement' (AASB 139) are designated upon initial recognition as financial assets, at fair value through profit and loss. The Territory's superannuation investments are recognised when the Territory becomes party to the contractual provisions of the instrument. All regular way purchase and sale of superannuation investment assets are recognised on the trade date. Regular way purchases and sales means the purchases and sales of investment assets that occur under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

Subsequent Measurement

Subsequent to initial measurement, investment assets which are classified as fair value through profit or loss are measured at fair value. Subsequent changes in the fair value of those investments are recorded in the Territory's Operating Statement as 'Net Gain/(Loss) on Financial Assets at Fair Value'. Interest, dividends and distributions on these investments are separately recorded in the Territory's Operating Statement.

Derecognition

Investments are derecognised when the obligation specified in the contract is discharged or cancelled, transferred, or expired. Transaction costs for such investments are recognised directly in the Operating Statement.

Determination of Fair Value

For the Territory's investments, fair value represents the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal of the most advantageous market must be accessible to the Territory. The fair value is measured using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value for assets and liabilities traded in active markets at the reporting date is based on the most representative price within the bid-ask spread, without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market. For investments not traded in an active market, fair value is determined by using valuation techniques deemed appropriate in the circumstances. These techniques include the market approach by using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same and the income approach through using discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible.

Investment assets and liabilities for which fair value is measured or disclosed in the Territory's financial statements are categorised within the Fair Value Hierarchy. Further information can be found at Note 42: 'Financial Instruments'.

Financial investment assets are managed in accordance with a strategy that takes into account the risk/return objectives of the Territory and the projected timing of the Territory's cash flow requirements.

The combination of investment classes is designed to achieve the maximum return within the allowable risk tolerances and liquidity needs of the Territory.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

p) Investments - Continued

Determination of Fair Value - Continued

The Territory's superannuation investment assets are managed in accordance with an asset allocation strategy that takes into account the risk/return objectives of the Territory and the long-term nature of the projected defined benefit employer superannuation liabilities and projected cash flow requirements. The long-term strategic asset allocation equates to 75 per cent of the portfolio invested in growth, or return-seeking assets (such as shares) and 25 per cent of the portfolio being invested in income producing, or defensive assets (such as discounted and fixed rate debt). External, asset specific, institutional fund managers are appointed to manage the Territory's financial investment assets accounted for in the Superannuation Provision Account.

The combination of asset classes is designed to achieve the return objective of Consumer Price Index (CPI) plus 5 per cent (net of fees) over the long term. From 1 July 2017, the long term objective reflects CPI plus 4.75 per cent per annum.

Financial Derivative Instruments

Derivative Instruments are a prescribed investment within the Financial Management Investment Guidelines 2015 and are used for maximising the efficiencies within the investment portfolio in the pursuit of the investment objectives, optimising transaction flows, as well as the protection of the investments by minimising adverse effects of a range of financial market risks.

The investments held in discrete mandate strategies and pooled unit trusts include exposure to futures, options, forward rate agreements and swaps, where the derivatives are held to gain underlying market exposure or to manage financial risks.

Derivative financial instruments are initially recognised at fair value on trade date, namely when the derivative contract is entered into, and are subsequently remeasured to fair value. Any gains or losses arising from changes in the fair value of derivatives are recognised in the Operating Statement for the year under the classification of gains or (losses) on financial assets at Fair Value through Profit or Loss. The fair values of derivative instruments are calculated utilising listed market prices if available. If listed market prices are not available for derivative instruments, the price utilised may be sourced from a vendor, an investment manager or counterparty.

q) Inventories

Inventories held for sale are valued at the lower of cost or net realisable value. Cost comprises the purchase price of inventory as well as transport, handling, development costs on land and other costs directly attributable to the acquisition of that inventory. Land being developed as inventory works in progress is transferred to developed land by the City Renewal Authority (CRA) and the Suburban Land Agency (SLA) when operational acceptance is provided by the Environment, Planning and Sustainable Development Directorate (EPSDD) and the land becomes available for sale. The CRA and SLA recognise land as works in progress inventory when it receives custodianship of the land.

Land Acquisitions

Unleased Territory land is acquired at market value by the CRA and SLA which make payment to EPSDD (the general government sector) when the land is sold to third parties. The CRA and SLA also purchase land from third parties at market value as required. They also receive land for no cost through transfers from other ACT Government agencies.

Capitalised Development Costs

Costs of development are those that directly relate to preparing sites for sale as serviced land. These include expenditure associated with the implementation of estate planning, demolition, remediation activities, and relocation or construction of infrastructure services. Costs associated with marketing and selling activities are not considered to be directly related to the preparation of the sites for sale as serviced land, and are expensed as incurred.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

r) Assets Held for Sale

Assets held for sale are assets that are available for immediate sale in their present condition, and their sale is highly probable.

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less cost to sell. Assets held for sale are not depreciated.

s) Acquisition and Recognition of Property, Plant and Equipment

Property, plant and equipment is initially recorded at cost. Property, plant and equipment acquired at no or minimal cost is recorded at fair value as at the date of acquisition.

Where the payment for property, plant and equipment is deferred beyond normal credit terms, the Territory measures the difference between its cash price equivalent and the total payment as interest over the period of credit. The discount rate used to calculate the cash price equivalent is an asset specific rate.

t) Measurement of Property, Plant and Equipment After Initial Recognition

Property, plant and equipment is valued using the cost or revaluation model of valuation in accordance with AASB 116: 'Property, Plant and Equipment'.

Fair value for land and non-specialised buildings is measured using the market approach valuation technique. This approach uses prices and other relevant information generated by market transactions involving identical or similar assets.

Fair value for specialised buildings, infrastructure assets, leasehold improvements and some community and heritage assets is measured by reference to the cost of replacing the remaining future economic benefits embodied in the asset i.e. depreciated replacement cost. This is the cost approach valuation technique. For other community and heritage assets, fair value is measured based on current replacement cost as determined by an independent valuer and others have been valued at depreciated replacement cost determined by internal valuation.

The Territory revalues its assets every three years. However, if at any time it is considered that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Any accumulated depreciation at the date of revaluation is written back against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

u) Impairment Losses

At each reporting date, the Territory assesses whether there is any indication that an asset may be impaired. Assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. However, intangible assets that are not yet available for use are tested annually for impairment regardless of whether there is an indication of impairment, or more frequently if events or circumstances indicate they might be impaired.

Any resulting impairment losses for land, buildings, infrastructure, leasehold improvements and community and heritage assets, are recognised as a decrease to the available balance in the Asset Revaluation Surplus. Where the impairment loss is greater than the balance in the Asset Revaluation Surplus, the difference is expensed in the Operating Statement. Impairment losses for plant and equipment, some leasehold improvements and intangible assets are recognised in the Operating Statement. When an asset is assessed as being impaired, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is the amount by which the carrying amount of an asset (or a cash-generating unit) exceeds its recoverable amount. The recoverable amount is the higher of 'fair value less the cost to sell' and its 'value in use'. An asset's 'value in use' is its depreciated replacement cost, where the asset would be replaced if the Territory were deprived of it. Non-financial assets that have previously been impaired are reviewed for possible reversal of impairment at each reporting date.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

v) Land Under Roads

The method used to value land under roads is consistent with the Statutory Land Value method and it was revalued at 30 June 2018 by using a value per square metre of land is estimated by dividing the total unimproved value of rateable land in the Territory by the total area of the Territory.

w) Investment Properties

Investment properties are measured at fair value, which is valued annually using a range of independent valuation methods, as appropriate. Changes in fair values are recorded in the Operating Statement. Investment properties are not depreciated.

x) Intangible Assets

The Territory's intangible assets are comprised mainly of internally generated and externally acquired software for internal use.

Externally acquired software is recognised and capitalised when:

- (i) it is probable that the expected future economic benefits that are attributable to the software will flow to the Territory;
- (ii) the cost of the software can be measured reliably; and
- (iii) the acquisition cost is equal to or exceeds \$50,000.

Internally generated software is recognised when it meets the general recognition criteria outlined above and where it also meets the specific recognition criteria relating to intangible assets arising from the development phase of an internal project.

Capitalised software has a finite useful life. Software is amortised on a straight-line basis over its useful life, over a period not exceeding five years.

Other intangible assets held by the Territory include Energy Renewable Certificates (Certificates) from Large-scale Renewable Energy Generators. The Certificates have an indeterminate life and are not subject to amortisation.

The Certificates are recognised and recorded at market value on the date the Territory gains control of the Certificates. They are valued based on one certificate for every megawatt hour of renewable energy generated and fed into the ACT Electricity Network. The price attributed to Certificates upon initial recognition is determined using the market price at the time of the creation of the Certificate. The Certificates, both Right to Receive or Received, are revalued each year. The valuation is done internally and is based on the market rate at 30 June each year.

y) Depreciation and Amortisation of Non-Current Assets

Amortisation is used in relation to intangible assets and depreciation is applied to physical assets such as buildings, infrastructure assets and plant and equipment. Land and some heritage and community assets have an unlimited useful life and are therefore not depreciated.

Leasehold improvements and plant and equipment under a finance lease arrangement are depreciated over the estimated useful life of each asset or the expired period of the lease, whichever is shorter.

All depreciation and amortisation are calculated after first deducting any residual values which remain for each asset.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

y) Depreciation and Amortisation of Non-Current Assets - Continued

Depreciation/amortisation for non-current assets is determined as follows:

Class of Asset	Depreciation/ Amortisation	Useful Life (years)
Buildings	Straight Line	5-100
Leasehold improvements	Straight Line	2-60
Plant and Equipment	Straight Line	2-123
Infrastructure	Straight Line	3-136
Externally Purchased intangibles	Straight Line	2-20
Internally Generated intangibles	Straight Line	2-10
Community and Heritage Assets	Straight Line	3-100
Land improvements are included with buildings.		

The useful lives of all major assets held by the Territory are reassessed on an annual basis.

z) Loose-fill Asbestos Insulation Eradication Scheme

On 28 October 2014, the Government announced the Loose-fill Asbestos Insulation Eradication Scheme (the Scheme) which involved the implementation of a buyback scheme for all ACT houses affected by loose-fill asbestos (Mr Fluffy) insulation. Under the Scheme, the Government undertook to acquire, demolish and safely dispose of all affected homes, remediate affected blocks and then resell them to partially offset the overall cost of the Scheme.

An amount of \$1 billion has been allocated over six financial years to purchase, remediate and undertake the administrative tasks associated with the Scheme. This amount will be partly offset by the resale of remediated land. The estimated net cost of the Scheme is approximately \$295 million.

The Commonwealth Government has provided the Territory with a \$1 billion loan over a 10-year term. The Territory will, however, incur the full net cost of the Scheme as well as the interest costs on the Commonwealth loan.

Additional information on the Scheme and the activities of the Asbestos Response Taskforce can be found in the Environment, Planning and Sustainable Development Directorate's 2017-18 Annual Report as well as on the Taskforce website (<http://www.asbestostaskforce.act.gov.au/>).

Other information included in the Territory's financial statements relating to the Scheme is as follows:

*Note 11 'Grants and Purchased Services' shows the expense portion of the property purchases.

*Note 23 'Loose-fill Asbestos Insulation Eradication Scheme Land' shows the value of Scheme Land acquired for the purpose of building demolition and land remediation, along with a reconciliation of the movements in the value of Scheme Land.

*Note 27 'Employee Benefits and Other Provisions' provides the value of property purchases opted into, but not settled at the end of the reporting period, and the estimated value of building demolition and land remediation on those sites.

*Note 28 'Payables' discloses, as Revenue Received in Advance, the total value of deposits held at 30 June 2018 relating to active property sales processes.

*Note 34 'Contingencies, Guarantees and Indemnities' provides the likely financial impact associated with property settlements where homeowners had opted into the Scheme by 30 June 2017, and 30 June 2018, but had not settled by these dates.

*Appendix B(ai)(xv) 'Significant Accounting Judgements and Estimates: Loose-Fill Asbestos Insulation Eradication Scheme (the Scheme)' provides information about the significant judgements and estimates made with respect to transactions associated with the Scheme.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

z) Loose-fill Asbestos Insulation Eradication Scheme (continued)

The following information outlines the timing and nature of the significant accounting transactions relating to the administration of the Scheme.

When Homeowners opt into the Scheme:

- * a Grants Expense and Other Provision (refer to Note 11: 'Grants and Purchased Services' and Note 27: 'Employee Benefits and Other Provisions') are recognised for the difference between the agreed purchase price and the estimated value of the uncontaminated land (less the anticipated cost of building demolition and land remediation);
- * a Contingent Asset (refer Note 34, 'Contingencies, Guarantees and Indemnities') is recorded to recognise that the Government will have contaminated Scheme Land assets when settlement occurs; and
- * a Contingent Liability and Contingent Asset (refer Note 34, 'Contingencies, Guarantees and Indemnities') are recorded for the estimated value of demolishing the building/s on the properties and remediating the land after settlement has occurred.

When Settlement of Property / Purchase From Home Owner Occurs:

- * a Scheme Land asset is recognised for the difference between the agreed purchase price and the estimated value of the uncontaminated land (less the anticipated cost of building demolition and land remediation), and the associated Contingent Asset balance recorded at the opt in stage is removed;
- * the value of the Other Provision at opt in stage relating to the purchase of the asbestos affected property is removed; and
- * the Contingent Liability and Contingent Asset relating to the estimated value of the property demolition and land remediation are removed and an equivalent value is recorded as an Other Provision and an increase in the Scheme Land Asset.

As Building Demolition and Land Remediation is Undertaken:

- * those costs will be recorded as Scheme Land assets as they are incurred;
- * the Other Provision for the building demolition and land remediation will be progressively reduced and the Scheme Land asset values progressively updated; and
- * the Other Provision and the associated value of the Scheme Land asset will be revised and updated to reflect reviewed estimated building demolition and land remediated costs based on the Scheme's transactions at that point.

After demolition and remediation works are finalised, Scheme Land will continue to be recorded at cost less any impairment until it is ready for sale.

When Scheme Land is ready for sale, the cost of the Scheme Land, less any impairment, is transferred from Scheme Land assets to Asset Held For Sale.

At the time of exchange for property sales, the deposit received from the buyer is recorded as a Revenue Received in Advance (RRIA) in Other Liabilities.

When settlement of remediated property sales occur:

- a Scheme Net Land revenue is recorded for the value of the sale;
- Scheme Asset Held for Sale is reduced by an equivalent amount; and
- the RRIA is reduced by the amount of the deposit initially received.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

z) Loose-fill Asbestos Insulation Eradication Scheme (continued)

The table below breaks down the life of the Loose-fill Asbestos Insulation Eradication Scheme. The values below are a combination of the transactions that have been accounted by the Environment Planning and Sustainable Development Directorate.

At 30 June 2018 the values in relation to the Scheme are:

	2018	2017
	\$'m	\$'m
Net Land Revenue		
Gross Proceeds from the Sale of Scheme Land	238	181
less: Cost of Scheme Land Sold	-169	-131
Total Net Land Revenue	69	50
Grants		
Property Purchases - Settled	1	-
Property Purchases - Opted into but not Settled	17	27
Total Grants	18	27
Assets Held for Sale		
Properties Held for Sale	111	155
Total Assets Held for Sale	111	155
Other Liabilities		
Property Sales Deposits	2	2
Total Other Liabilities	2	2
Scheme Land Assets		
Asbestos Contaminated Land	4	85
Estimated Building Demolition and Land Remediation Costs for Settled Properties	5	38
Total Scheme Land Assets	9	123
Other Provisions		
Property Purchases - Opted into but not Settled	17	27
Estimated Building Demolition and Land Remediation Costs for Settled Properties	29	50
- Current		
Estimated Building Demolition and Land Remediation Costs for Settled Properties	2	5
- Non-Current		
Total Other Provisions	48	82
Contingent Liabilities		
Estimated Building Demolition and Land Remediation Costs for Property Purchases	5	8
Opted into but not Settled		
Total Contingent Liabilities	5	8
Other Contingent Assets		
Property Purchases - Opted into but not Settled	12	19
Estimated Building Demolition and Land Remediation Costs for Property Purchases		
Opted into but not Settled	5	8
Total Contingent Assets	17	27

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APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

aa) Payables

Payables are initially recognised at fair value based on the transaction cost and subsequent to initial recognition at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement. All amounts are normally settled within 30 days after the invoice date.

Payables include trade creditors, GST payable, accrued expenses and other payables.

ab) Advances Received

Advances Received are loans issued to the Territory by the Commonwealth Government for policy purposes, which includes the provision of housing to the community under the Commonwealth State Housing Agreement, the provision of home loans to low income members of the public to assist with home ownership, and the provision of a loan from the Commonwealth Government for the Loose-fill Asbestos Insulation Eradication Scheme.

ac) Joint Arrangements

A joint arrangement is an arrangements that the Territory controls jointly with another investor(s) and has rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities requires unanimous consent of the parties sharing control. Investments in joint arrangements are classified as either joint ventures or joint operations. The classification depends on the rights and obligations of the parties to the arrangement, rather than the legal structure of the joint arrangement.

Joint Ventures

The Territory uses the equity method to account for its interest in its joint ventures. Under the equity method, on initial recognition, the investment in a joint venture is recognised at cost and the carrying amount is increased or decreased to recognise the Territory's share of the profit or loss of the joint venture after the date of acquisition. The Territory's share of the joint venture's profit or loss is recognised in the Operating Statement. Distributions received from a joint venture reduce the carrying amount of the investment.

Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Territory consolidates joint operations proportionally as required by AASB 11: 'Joint Arrangements'. That is, the Territory recognises its interest in the joint operation's assets, including any assets held jointly, its liabilities, including its share of any liabilities incurred jointly, its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation, and its expenses including its share of any expenses incurred jointly.

Further information on the Territory's Joint Arrangements can be found at Note 37: 'Interest in Joint Arrangements'.

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APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ad) Interest-Bearing Liabilities

Interest-bearing liabilities are financial liabilities, which are measured at fair value when initially recognised and at amortised cost subsequent to initial recognition. Any adjustments to the carrying amount are recorded in the Operating Statement. The associated interest expense is recognised in the reporting period in which it occurs.

Borrowings also include financial derivatives. For more information on derivatives, refer to Appendix B(p): 'Investments'.

ae) Employee Benefits

Employee benefits include short-term employee benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. This includes wages and salaries, annual leave loading and applicable on-costs. Other long-term benefits are also included such as long service leave, annual leave, and termination benefits.

Wages and Salaries

Accrued wages and salaries are measured at the amount that remains unpaid to employees at the end of the reporting period.

Annual and Long Service Leave

Annual and long service leave, including applicable on-costs that are not expected to be wholly settled before twelve months after the end of the reporting period, when the employees render the service are measured at the present value of estimated future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to future wage and salary levels, experience of employee departures and periods of service. At the end of each reporting period, the present value of future annual and long service leave are estimated using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows. Annual leave liabilities are estimated on the assumption that they will be wholly settled within three years. At 30 June 2018, the rate used to estimate the value of future payments for long service leave is 100.9 per cent (103.4 per cent at 30 June 2017). The amount used to estimate the future payments of annual leave is 99.7 per cent at 30 June 2018 (99.8 per cent at 30 June 2017).

The long service leave liability is estimated with reference to the minimum period of qualifying service. For employees with less than the required minimum period of seven years qualifying service, the probability that employees will reach the required minimum period has been taken into account in estimating the provision for long service leave and applicable on-costs.

Annual leave and long service leave liabilities are classified as current liabilities in the Balance Sheet where there are no unconditional rights to defer the settlement of the liability for at least 12 months. Conditional long service leave liabilities are classified as non-current because the Territory has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

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APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

af) Superannuation

A large number of employees within the ACT Public Sector are members of the Commonwealth Superannuation Scheme (CSS) or the Public Sector Superannuation Scheme (PSS). From 1 July 2005, new employees commencing service with the ACT public sector assumed membership of the Public Sector Superannuation Accumulation Plan (PSSap). From 6 October 2006, access to the PSSap for new ACT Government employees was no longer available. On 6 October 2006, the Territory introduced full superannuation fund of choice arrangements for all new employees.

The CSS and PSS superannuation arrangements are administered by the Commonwealth Government agency, Commonwealth Superannuation Corporation (CSC) (formerly ComSuper). With effect from 1 July 1989, the ACT Government became a separate body politic and is responsible to the Commonwealth Government for the employer-financed portion of superannuation benefits provided to employees for their period of employment with the ACT Government.

Under the arrangements agreed with the Commonwealth Government, the ACT Government is to reimburse CSC for the emerging cost of superannuation entitlements in respect of ACT Government employees who are members of the CSS or PSS. Annual payments to the Commonwealth Government to reimburse the costs of superannuation benefits paid to ACT retirees are based on preliminary estimates agreed with the Commonwealth Government. The amount paid during 2017-18 was \$251.149 million (2016-17: \$230.525 million) for emerging costs. As at 30 June 2018, the excess amounted to \$9.073 million (2016-17: \$10.053 million) indicating that emerging cost payments exceeded the actual benefit payments.

The date from which these entitlements started to accrue is 1 July 1989. The Superannuation Provision Account (SPA) was established in 1991 to assist the Government in managing its superannuation liabilities. The SPA is not a superannuation scheme, but an ACT Government account to recognise and make payments in connection with the Government's total defined benefit CSS and PSS superannuation liabilities.

The Territory is required to contribute to the CSS and PSS as employees are paid a benefit. Consequently, an unfunded employer liability as recognised by the Commonwealth Government has been created. The Territory reimburses CSC for these emerging benefit costs.

The estimated superannuation liability represents the obligation of the ACT to make payments to the Commonwealth Government in respect of superannuation arising from ACT Government employment. A full actuarial review is conducted every three years, with annual reviews reflecting actual experience in respect of staffing numbers, salary movements and changes in the discount rate. The last triennial review was completed in 2017-18 utilising salary and membership data as at 30 June 2017. The change in the estimated superannuation liability from the previous reporting period to the current reporting period comprises four elements: Service Cost; Interest Cost; Emerging Benefits Payments; and Actuarial Gains or Losses.

The Territory recognises actuarial gains and losses by applying the Direct to Equity Method under AASB 119: 'Employee Benefits'.

All other movements of the estimated superannuation liability are expensed in the Operating Statement in the period to which the movement relates. The superannuation expense for the reporting period is the projected expense based on the present value rate used in the previous year's actuarial review (3.51 per cent) to estimate the closing 30 June 2018 superannuation liability. The closing liability as at 30 June 2018 is estimated at the present value rate as at 30 June 2018 of 3.11 per cent. The actuarial gain or loss is the difference between the closing liability as at 30 June 2018 minus the liability as at 30 June 2017, adjusted for the projected 2017-18 interest and service cost and actual benefit payments.

The superannuation liability is exposed to Australia's inflation, interest rate risks and changes in life expectancy, for pensioners. The decrease in government bond yields will increase the superannuation liability.

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APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ag) Insurance

The Territory's insurance model protects the Territory's assets from a range of catastrophic and accumulated risk exposures through reinsurance arrangements, and the accumulation of a fund reserve to meet the cost of future legal liabilities and asset losses generated through the Territory's activities.

The Territory's Insurance Authority works to protect the assets and services of the Territory by providing risk management and insurance services.

ah) Leases

Operating Leases

Operating leases do not effectively transfer to the Territory substantially all the risks and rewards incidental to ownership of the leased asset. Operating lease payments are recorded as an expense in the Operating Statement on a straight-line basis over the term of the lease.

Public Private Partnerships (PPP)

During 2015-16, the Territory entered into PPP contracts for the ACT Law Courts Facilities and Canberra Light Rail Project. PPPs are long-term contracts entered into between the Territory and a private sector consortium (the operator) to design, finance, construct and operate/maintain these assets over a concession term.

The operators receive service payments from the Territory over the life of the contract which are intended to cover the costs incurred by the operator in constructing, delivery and maintaining and operating the infrastructure assets over the term of the contract. Further information can be found at Appendix B(ai): Significant Accounting Judgements and Estimates.

ai) Significant Accounting Judgements and Estimates

The Territory has made the following judgements and estimates that have a significant impact on the amounts recorded in the Territory's financial statements:

- (i) *Land Revenue*: The Territory apportions land revenue between the 'undeveloped land value', 'value add component' and 'market gains on land sales'. Land Revenue (Undeveloped Land Value) is determined by independent valuation (through a panel of valuers) prior to the land sales transaction. The Territory and the valuer use significant judgement to determine the value of revenue attributable to the 'value add component' and 'market gains' of land sales, as these two components cannot be readily disaggregated.

Where the Territory sells a parcel of undeveloped land and has undertaken 'value add' work representing 50 per cent or greater of the undeveloped land value, the Territory is considered to be a developer and the total amount of the sale is recognised as revenue. For most sales of developed land, the Territory's value add expenses are considerably less than 50 per cent of the undeveloped land value. In these instances, apart from 'agent' revenue, the remaining portion of land sales revenue is recorded as Land Revenue (Market Gains on Land Sales), as this reflects the part of land revenue related to the growth in value of land sold that is attributed to prevailing market conditions.

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APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ai) Significant Accounting Judgements and Estimates - Continued

For the sale of undeveloped land either directly or by auction, where the Territory has undertaken minimal value add in relation to the land sold, the amount of 'value add' recorded by the Territory as Land Revenue (Value Add) is the value the Territory would be deemed to have added through a range of activities, such as packaging, promotion and marketing. The 'value add component' is calculated as between 2.75 and 4.5 per cent, depending on the value of the sale, of the total revenue earned on applicable undeveloped land sales. This is a conservative measure of value add, as it implies that the value add from activities of the seller would be equivalent to the cost of those activities.

The remaining portion of land sales revenue is recorded as Land Revenue (Market Gains on Land Sales), as this reflects the part of land revenue related to the growth in value of land sold that is attributed to prevailing market conditions.

- (ii) *Dividends (Market Gains on Land Sales):* For the General Government Sector (GGS), the component of dividends from the Public Trading Enterprises (PTE) sector is classified according to the underlying nature of the sales transaction/s. As a result, the total value of dividends recognised by the GGS is classified as either 'dividend income', included in 'Dividend and Income Tax Equivalents Income' in the 'Revenue' section of the Operating Statement, or 'Dividends (Market Gains on Land Sales)' in the 'Other Economic Flows' section of the Operating Statement.

Refer to Appendix B(h): 'Revenue Recognition' and Appendix B(ai)(i): 'Significant Accounting Judgements and Estimates: Land Revenue' for information regarding how market gains on land sales are calculated.

- (iii) *Fair Value of Assets:* The Territory has made a significant estimate regarding the fair value of its assets. Most land and buildings have been recorded at the market value of similar properties as determined by an independent valuer. In some circumstances, buildings that are purpose-built may in fact realise more or less in the market. Fair value of assets is subject to management assessment between valuations.

Infrastructure assets and some community and heritage assets have been recorded at fair value based on current replacement cost as determined by an independent valuer or officer. This valuation uses significant judgement and estimates to determine fair value, including the appropriate indexation figure and the amount of assets held.

- (iv) *Employee Benefits:* The Territory has made a significant judgement in estimating the liability for employee benefits. The estimated liability for annual and long service leave requires consideration of the future wage and salary levels, experience of employee departures, probability that leave will be taken in service and periods of service. The estimate also includes an assessment of the probability that employees will meet the minimum service period required for long service leave and that on-costs will become payable. Further details in relation to the calculation of this estimate are outlined in Appendix B(ae): 'Employee Benefits'.

The significant judgements and assumptions included in the estimation of annual and long service leave liabilities include an assessment by an actuary. The Australian Government Actuary performed this assessment in May 2014. The assessment by an actuary is performed every 5 years. However it may be performed more frequently if there is a significant contextual change in the parameters underlying the 2014 report. The next actuarial review is expected to be undertaken by May 2019.

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APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ai) Significant Accounting Judgements and Estimates - Continued

- (v) *Property, Plant and Equipment (PPE)*: The Territory has made significant judgements in determining the useful lives of its PPE. The estimation of useful lives of PPE has been based on historical experience of similar assets and in some cases on valuations provided by independent valuers. The useful lives are reassessed on an annual basis and any adjustments are made when considered necessary.
- (vi) *Impairment of Assets*: The Territory's physical assets are assessed annually for indicators of impairment. If this assessment indicates an asset is impaired, then the asset's recoverable amount will be estimated to determine whether an impairment loss must be recognised.
- (vii) *Allowance for Impairment of Trade Receivables*: Periodic assessments are made of outstanding receivables to determine the likelihood that those debts will be settled. The outstanding debt is divided into both time (age of debt) and type of debt categories. Historical analysis is undertaken to determine the likelihood of debt being recovered in each of these categories. The amount that remains uncollected for each category is reduced for the current financial year to reflect the likelihood of collection. The allowance is reduced to reflect the debts that have been written-off. While the debts are written-off in the Territory's financial statements, they are not written-off in the Territory's financial records and are still collected where possible.
- (viii) *Assessment of Contingent Liabilities*: The Territory has made considerable judgement in disclosing the contingent liabilities amount based on the Territory's likely liability for legal claims against the Territory.
- (ix) *Estimated Superannuation Liabilities*: The carrying amount of the estimated superannuation liabilities is based on estimates and assumptions of future events. These key estimates and assumptions have a significant risk of causing a material adjustment to the carrying amount of the estimated superannuation liabilities within the next annual reporting period.

The Territory's financial statements recognises solely the net unfunded employer liability of the ACT Government. Accordingly, the disclosure requirements of AASB 119: 'Employee Benefits' have been applied.

The ACT's superannuation liabilities are estimated by the Government's consultant actuary, Willis Towers Watson. The liability estimate as at 30 June 2018 is based on the following assumptions:

Data:

Contributor data for CSS and PSS members who were ACT Government employees as at 30 June 2018 was obtained from the Commonwealth Government agency, Commonwealth Superannuation Corporation.

Method:

The estimated superannuation liabilities of the ACT Government relate to the value of the employer-financed portion of superannuation benefits provided to existing employees of the ACT Government who are members of the CSS or PSS. The employer-financed component excludes the productivity component and is based on the service with the ACT Government from the later of 1 July 1989, the date at which the ACT agency started, or the date the member's employment commenced.

The employer-financed component is the total benefit payable (excluding the productivity component) less the accumulated member contributions with interest.

The value of the estimated superannuation liabilities is calculated as the present value of the future payment of benefits that have actually accrued in respect of ACT Government service to the calculation date. This approach, which is known as the 'actual accruals' basis, is consistent with AASB 119: 'Employee Benefits'.

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APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ai) Significant Accounting Judgements and Estimates - Continued

(ix) Estimated Superannuation Liabilities - Continued:

Demographic Assumptions:

The key demographic assumptions that impact on the estimated superannuation liability include promotional increases in salary; increasing levels of PSS member contributions over time; death and invalidity; retirement, resignation and retrenchment; pensioner mortality; improvements in pensioner mortality; benefit retention; benefit stream choice; and spouse assumptions.

Financial Assumptions:

	2018	2017
Discount Rate	3.11%	3.51%
Salary Increase	2.75%	2.75%
CPI	2.00%	2.00%

The key financial assumptions above are part of the actuarial assumptions used to value the superannuation liability. These assumptions reflect the best estimate of the variables that will determine the ultimate cost of providing retirement benefits. These assumptions are reviewed every three years and are unbiased if they are neither imprudent nor excessively conservative.

Limitations in Membership Data:

The ACT Government's actuary conducts a detailed data checking and reconciliation process on Group A (members who are currently employed with the ACT Government) and Group B (members who are not currently employed with the ACT Government) membership data from year to year to test the integrity of the data. Any queries arising from this process are raised and resolved with ComSuper. In the small number of cases where issues cannot be resolved, conservative judgements are made by the actuary to complete the valuation exercise.

Sensitivity:

The carrying amount of the superannuation liability is based on estimates and assumptions of future events. The actuarial assumptions are unbiased, being neither imprudent nor excessively conservative, and are the best estimates of the variables that will determine the estimated cost of providing post-employment benefits. The key assumptions above have a significant risk of causing a material adjustment to the carrying amount of the liability within the next annual reporting period. Sensitivity of the liability to valuation changes in the major financial assumptions is outlined below:

Liability Valuation Sensitivity Analysis as at 30 June 2018:

	Increase in Assumption \$'m	Decrease in Assumption \$'m
Financial Assumptions		
Discount Rate (+/- 1 per cent)	(1,586)	2,078
Consumer Price Index (+/- 1 per cent)	1,500	(1,219)
Salary Inflation (+/- 1 per cent)	473	(417)
Demographic Assumptions		
PSS Pensioner Election Rate (+/- 10 per cent)	337	(337)

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

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ai) Significant Accounting Judgements and Estimates - Continued

- (x) *Valuation of Land Under Roads:* Significant judgement has been made in determining the fair value of land under roads. The Australasian Valuers-General has issued a guidance note on the valuation method applicable for land under roads. This guidance states that 'Statutory Land Value' is the most feasible and efficient base for valuing land under roads.

In applying this Statutory Land Value method, the fair value for land under roads is measured on an unimproved rateable land valuation basis. A value per square metre of land is estimated by dividing the total unimproved value of rateable land in the Territory by the total area of the Territory.

- (xi) *Fair Value of Financial Instruments:* When the fair values of financial assets and financial liabilities cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in measuring fair value. Changes in assumptions could affect the reported fair value of financial instruments and the level where the instruments are disclosed in the fair value hierarchy.

The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument (without modification) when available. The Territory considers the valuation techniques and inputs used in valuing unlisted unit trust investments to ensure they are reasonable and appropriate prior to investing and therefore the net asset value of these investments may be used as an input into measuring their fair value. In measuring this fair value, the net asset value of the investments is adjusted, as necessary, to reflect any private equity stock restrictions on redemptions, future commitments, and other specific factors of the investments and fund manager.

- (xii) *Project Costing:* Significant judgements have been applied to costs expected to be incurred over the life of all individual land projects by the City Renewal Authority and the Suburban Land Agency.

The review of project costing is conducted bi-annually and the latest review of project costings was conducted in March 2017-18.

- (xiii) *Rental Properties:* Rental properties are not classified as investment properties as the Territory has made a judgement that they are being held to meet service delivery objectives.

- (xiv) *Land Sales under the Land Rent Scheme:* Land held under the land rent scheme is classified as property, plant and equipment until such time as the land becomes held for sale and ceases to be rented. Land classified as held for sale is recorded as inventory. Net proceeds from the sale of this land are recognised as 'Other Economic Flows'.

- (xv) *Loose-fill Asbestos Insulation Eradication Scheme (the Scheme):* Significant judgements have been made in determining both the scope of works to be undertaken and the value of certain transactions associated with the Scheme. Refer to Appendix B (z) 'Loose-fill Asbestos Insulation Eradication Scheme' for an overview of the financial impacts and material accounting transactions associated with the administration of the Scheme. The significant judgements and estimates made in relation to the Scheme include the:

- * value of contaminated land;
- * value of demolishing asbestos-affected buildings and remediating the associated land; and
- * timing of building demolition and land remediation works.

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APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ai) Significant Accounting Judgements and Estimates - Continued

(xv) *Loose-fill Asbestos Insulation Eradication Scheme* (the Scheme) - Continued

Estimates for the Value of Contaminated Land: The price paid to purchase the properties includes contaminated land and buildings. An estimate for the value of contaminated land is needed, as it is recorded as an asset, whereas the buildings are expensed because they are demolished after being purchased. The estimated value of the contaminated land takes into account the unimproved value of the land (adjusted to reflect the market value) at the commencement of the Scheme, less the estimated cost for demolishing the buildings and remediating the land.

Estimates for the Cost of Building Demolition and Land Remediation: The forecast cost of building demolition and land remediation is currently based on similar work done elsewhere and has been determined in consultation with the building industry. This estimate will be revised as building demolition and land remediation works continue, and will be used for the remaining properties.

Estimates for the Timing of Building Demolition and Land Remediation: It is currently estimated that it will take six years to demolish the buildings and remediate the land on the asbestos-affected properties. The timing of building demolition and land remediation is likely to be impacted by a range of factors, including any unexpected difficulties experienced in relation to building demolitions at particular sites, the availability of labour to undertake the required works, and weather conditions. If any of these delays eventuate, then there is a risk that the cost of these works will also increase.

(xvi) *Public Private Partnerships (PPPs):* The Territory has adopted an accounting policy for this type of arrangement based on the principles of Application Note F *Private Finance Initiative and Similar Contracts* issued in 1998 by the United Kingdom Accounting Standards Board as an amendment to its Financial Reporting Standard 5 *Reporting the Substance of Transactions* (FRS 5). The accounting for, and disclosures relating to the Territory's PPPs, is also in accordance with the ACT Accounting Policy Guideline on Public Private Partnerships Financed by the operator with the Territory Retaining Significant Residual Right to the Assets at the End of the Operating Term. For more detail, refer to Appendix B(a) Service Concession Arrangements.

This approach is consistent with Victoria, New South Wales, South Australia, Western Australia and Queensland which all apply a policy based on the principles of FRS 5.

FRS 5 applies a risks and rewards approach to the recognition of assets in a PPP arrangement. Application of the requirements of FRS 5 result in such arrangements being accounted for by the Territory as leases in accordance with AASB 117: 'Leases'.

Under the arrangement, no assets or liabilities will be recognised by the ACT during the construction period. At construction completion (also referred to as Commercial Acceptance), an infrastructure asset and a corresponding financial liability will be recognised by the Territory.

Initial direct costs incurred by the Territory are capitalised when incurred and are added to the finance lease assets on initial recognition at Commercial Acceptance.

The remaining components are accounted for as commitments which are recognised as they are incurred. Refer to Note 33: 'Public Private Partnership Commitments' for further information.

The Territory's contract service payments will be apportioned between maintenance/operation costs (including insurance and life cycle cost), a financing component and a reduction of the lease liability. The financing component is calculated at the rate implicit in the lease and is accounted for as an interest expense. The portion of the payment related to the maintenance and operating costs will be accounted for as a supplies and services expense as incurred.

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APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

aj) Service Concession Arrangements

ACT Law Courts Facilities: The Territory entered long term contract with Juris Partnership (the Consortium) since December 2015 for the construction of the new ACT Courts. This is a 25-year contract with private sector consortium to finance, construct, maintain and operate the required infrastructure assets. The Territory will make service payments over the life of the contract, intended to cover the costs incurred by the Consortium in constructing, financing, maintaining and operating the assets for the use by the Territory. At the end of the contract, the infrastructure will become Territory assets.

Construction involves upgrades to the existing Magistrates Court and construction of a new Supreme Court (Stage 1) and complete renovation of the existing Supreme Court building (Stage 2). This will deliver all of the new-build facilities, including six new Supreme Court courtrooms. Stage 2 will deliver the remaining two Supreme Court courtrooms, the new custody area, the mediation suite and the remaining functional areas.

Under the terms of the arrangement, the Territory will have exclusive use of the Courts facilities and will pay monthly service payments to the Consortium during the Services Phase. These payments are fixed as per the terms of the contract. The payments will include amounts for:

- * the servicing of debt and equity raised by the Consortium to finance the construction of the Courts (including interest);
- * the provision of services by the Consortium (for example cleaning, security and transcription services related to the court);
- * insurance costs;
- * maintenance costs; and
- * lifecycle costs.

Interim service payments will also be made for services provided by the Consortium to the Territory in the Interim Services phase which spans from March 2016 to until Commercial Acceptance of Stage 1.

The term of the Agreement expires in August 2043. There are no extension rights included in the Agreement. At the conclusion of the concession period, the constructed assets will become the property of the Territory.

Where the Project Agreement is terminated before the natural expiry of the Services Phase, the Consortium may be entitled to a termination payment. Compensation payments to be made on termination are calculated in accordance with Schedule 10, Termination Payments Schedule of the Project Agreement. The amount of any payment due from the Territory will depend on the circumstances of the termination (i.e. for fault, for convenience, or force majeure) and the stage of the project (i.e. construction of service delivery stages). The amount of the termination payment can be established in two ways:

- * through an open market tender to deliver the contract over the remaining term; or
- * by an appointed independent expert appointed by the parties.

Open market tender is only applicable (at the Territory's election) under a termination for fault scenario and where a market exists for the project. There are no specific provisions in the contract for negotiations, although in practice a negotiation may occur. Both parties are also able to make submissions to the independent expert and engage in conferences to argue their respective positions.

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APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

aj) Service Concession Arrangements - Continued

The Project Agreement can be terminated as a result of the following:

- * Default Termination Event;
- * a Force Majeure Termination Event (including an uninsurable event); or
- * Territory for convenience.

In addition to triggering termination rights (or potential termination rights), events of Major Default and Default Termination Events may trigger additional Territory rights and remedies including:

- * the right to step-in to remedy the situation (i.e. the right to assume control and management of the project, the works or the services).

Canberra Light Rail Stage 1: On 25 May 2016, the Territory entered into a 20 year public private partnership arrangement with private sector consortium (Canberra Metro) for the design, construction, operation, maintenance and financing of a 12km light rail route from Canberra's City/central business district (Civic) to the Gungahlin town centre. The Territory retains the significant residual interest in the assets at the end of the 20 year term.

Under the arrangement, the Territory will be making monthly service payments to the Canberra Metro. The portion of the total payments to Canberra Metro that relates to the Territory's right to use the service concession assets (the Light Rail Asset) are accounted for as finance lease assets and liabilities from the date of commencement of the lease term which is deemed to be the date the light rail assets are commissioned and ready for use. In addition, from the date of commissioning until the end of this Public Private Partnerships arrangement, the Territory will pay Canberra Metro for the ongoing operation and maintenance of the light rail system. Such payments will be recorded as operating expenses.

The Light Rail project is a service payment based Public Private Partnership which uses a 'securitised licence structure' for payment of the project. Under this arrangement, the Territory does not pay for construction activities over the delivery phase, but it does pay for the GST on these activities as they are considered to be for services provided. As a consequence of using this structure, no cash passes between the Territory and Canberra Metro in this phase (other than in relation to GST amounts - which the Territory claims back from the Australian Taxation Office).

The Project Agreement can be terminated under a number of scenarios. Where it is terminated before expiry of the 20 year operating phase, Canberra Metro may be entitled to a termination payment (depending on the reason for termination). The three types of termination scenarios set out in the Project Agreement are summarised below:

- * Termination for convenience: the Territory may terminate the project agreement at any time by giving no less than 60 business days notice in writing to Canberra Metro. If the project agreement is terminated for convenience, the Territory will pay Canberra Metro a termination for convenience payment. This amount is generally calculated as Canberra Metro's outstanding project debt, plus the fair market value of Canberra Metro's equity, plus any other reasonable costs incurred by Canberra Metro as a result of termination.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

aj) Service Concession Arrangements - Continued

* Force Majeure Termination Event: Where the project agreement is terminated for force majeure (for example, earthquake, bushfire, landslide), or the light rail project is wholly or substantially damaged or destroyed upon the occurrence of an uninsurable risk, the Territory will pay Canberra Metro the general termination event payment. This amount is generally calculated as Canberra Metro's outstanding project debt plus any other reasonable costs incurred by Canberra Metro as a result of the termination, less any insurance proceeds.

* Termination for Canberra Metro default: Where the project agreement is terminated for Canberra Metro's default, the Territory will pay Canberra Metro the fair market value of the project determined by an independent expert or as a result of a re-tender of the contract to the market.

A default by Canberra Metro under the project agreement will entitle the Territory to various remedies. Where a default has occurred, the Territory will in most circumstances be required to give Canberra Metro an opportunity to remedy the default. If the default is not remedied by Canberra Metro within the required period, then it will escalate to a major default. The project agreement also states that a number of events are automatically classified as a major default (for example, when there are persistent breaches or frequent service failures).

In respect of major defaults, Canberra Metro will be given the opportunity to develop a plan to remedy the default (if the default is capable of remedying) or a prevention plan to prevent the default from recurring (in circumstances where the default is not capable of remedy). Where Canberra Metro fails to remedy the major default within the required period or fails to comply with an agreed remedy or prevention plan (as applicable), this will generally give rise to the Territory's right to terminate the Project Agreement.

Certain events of default are so severe that they are not subject to a remedy regime. They give rise to a Territory termination right immediately upon their occurrence (for example, insolvency of Canberra Metro). These events are called Default Termination Events.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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APPENDIX C - IMPACT OF ACCOUNTING STANDARDS ISSUED BUT YET TO BE APPLIED

The following new and revised accounting standards and interpretations have been issued by the Australian Accounting Standards Board but do not apply to the current reporting period. These standards and interpretations are applicable to future reporting periods and are for reporting periods commencing on or after the dates specified. The Territory does not intend to adopt these standards and interpretations early. Where applicable, these Australian Accounting Standards will be adopted from their application date. It is estimated that the effect of adopting the below pronouncements, when applicable, will have no material financial impact on future reporting periods. This assessment is based on initial assessment at this point in time but may change on further review.

- * AASB 15 Revenue from Contracts with Customers (Application date 1 January 2019): This standard establishes principles relating to revenue and cash flow arising from a contract with a customer. The principles determine whether, how much and when revenue is recognised. The standard replaces AASB 111 Construction Contracts and AASB 118 Revenue. At this stage the Territory is unable to estimate the impact of this new standard on the financial statements and will make a more detailed assessment of the impact during 2018-19.
- * AASB 16 Leases (Application date 1 January 2019): AASB 16 is the new standard for leases. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset value is low. As at 30 June 2018 the Territory has non-cancellable operating lease commitments of \$440 million (refer Note 35, 'Commitments'). In order to quantify the full impact of this new Standard a detailed assessment will be undertaken during 2018-19.
- * AASB 1059 Service Concession Arrangements: Grantor (Application date 1 January 2019): This standard was released by the AASB on 20 July 2017. This new accounting standard prescribes the accounting for service concession arrangements including Public Private Partnerships (PPPs) from the perspective of the public sector grantor. AASB 1059 mainly impacts the recognition of assets and liabilities and associated expenses that relate to PPPs. The Territory will be reviewing its existing arrangements, such as ACT Courts Facilities, Light-Rail Stage 1 project and Calvary Public Hospital, to assess if any of these arrangements fall within the scope of this standard. Given the timing of the release of this standard, at this stage the Territory is not able to make this assessment and estimate the impact on its future financial statements. The Territory will make an assessment of the impact in the coming years leading up to the standard becoming effective. A detailed analysis of other supply contracts with private operators is required to confirm whether a service concession exists.
- * AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation guidance for Not-for-Profit entities (Application date 1 January 2019): This standard provides requirements and implementation guidance for not-for-profit entities in applying AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers to particular transactions and other events. The Territory is assessing the impact of this new standard.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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APPENDIX D – GLOSSARY

KEY FISCAL AGGREGATES

Net Debt

The sum of deposits held, advances received and borrowings minus the sum of cash and deposits, advances paid, investments, loans and placements. Net debt is a useful measure to judge the overall strength of the Government's fiscal position. A positive position indicates that cash reserves and investments are lower than gross liabilities placing a call on future revenues to service these liabilities. A negative position indicates that cash reserves and investments are greater than gross liabilities.

Net Financial Liabilities

Net financial liabilities takes into account unfunded superannuation liabilities and provides a broader measure of debt than net debt. Net financial liabilities is calculated as total liabilities less financial assets (such as cash reserves and investments). It takes into account all non-equity financial assets but excludes the value of equity held by the General Government Sector (GGS) in public corporations.

Net Financial Worth

The amount by which total financial assets exceed financial liabilities. It is a measure of net holdings of financial assets.

Net Increase / (Decrease) in Cash Held

The sum of the net cash flows from all operating, investing and financing activities.

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 Operating Balance

This is calculated on the harmonised whole of government operating statement as revenue minus expenses. It is equivalent to the change in net worth arising from transactions.

Net Worth

Defined as total assets less total liabilities. It is an economic measure of wealth and reflects the contribution of jurisdictions to the wealth of Australia.

OTHER DEFINITIONS

ABS GFS Manual

The Australian Bureau of Statistics publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015*.

Cash Surplus/ (Deficit)

The net cash received from operating activities less net sales and purchases of non-financial assets. A cash surplus indicates there was sufficient cash generated from operations to more than cover the net outlay of capital purchases. This measure is located at the bottom of the consolidated harmonised cash flow statement.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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APPENDIX D – GLOSSARY – CONTINUED

Controlled Recurrent Payment

An amount provided, or to be provided to an entity for the delivery of goods and services provided by the entity or a person providing goods and services on behalf of the entity.

Current Assets

An asset is classified as current when it satisfies any of the following criteria:

- it is expected to be realised or is intended for sale or consumption in the Territory entity's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is expected to be realised within 12 months after the reporting date; or
- it is cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- it is expected to be settled in the Territory entity's normal operation cycle;
- it is held primarily for the purpose of being traded;
- it is due to be settled within twelve months after the reporting date; or
- the Territory entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Debt

A legal obligation to make payments of principal and (in some cases) interest according to a predetermined schedule. Debt includes obligations arising from loans (including advances from the Commonwealth Government), bonds, notes and other securities on issue, the capitalised value of outstanding lease commitments under finance lease arrangements (including Public Private Partnerships), supplier/buyer credits, bank overdrafts, and deferred contract payments.

Financial Management Act 1996 (FMA)

The FMA is an Act sets out the legislative framework for the administration of financial affairs of the ACT Government and its agencies.

General Government Sector (GGS)

This is an ABS categorisation of certain public sector agencies. It covers agencies mainly engaged in the production of goods and services outside the normal market mechanism, for consumption by government itself and the general public. The agencies' costs of production are mainly financed from public revenues and they provide goods and services to the general public, or sections of the general public, free of charge or at nominal charges well below the cost of production.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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APPENDIX D – GLOSSARY – CONTINUED

Government Finance Statistics (GFS)

The framework used by the ABS for presentation of data on government outlays, revenue and financing transactions through either the General Government Sector or the public component of the business sector (the Public Trading Enterprise sector) in accordance with an internationally accepted set of concepts and definitions.

Harmonised Financial Statements

These are consolidated financial statements prepared in accordance with the 'AASB 1049, *Whole of Government and General Government Sector Financial Reporting*', standard to meet the requirements of the GFS, the AASB and the Uniform Presentation Framework.

Materiality

Materiality is the concept of establishing the importance of financial data. In general, an item of information is material if its omission, non-disclosure or misstatement would cause the financial statements to mislead users when making evaluations or decisions. The size or nature of the item, or a combination of both, could be a determining factor.

National Partnership Payment (NPP)

A NPP is a Commonwealth payment to the States and Territories within the scope of the IGA-FFR, in respect of a National Partnership Agreement, to support the delivery of specified projects, to facilitate reforms or to reward those jurisdictions that deliver on national reforms or achieve service delivery improvements.

Non-Financial Non-Produced Assets

Non-Financial Non-Produced Assets refers to assets held by producers mainly for the purpose of production that have not themselves been produced. They mainly include land and subsoil assets such as mineral deposits; non-cultivated biological resources and water resources such as virgin forests, fishing grounds and natural water resources; and intangible non-produced assets such as patents, copyrights and goodwill.

Non-Financial Produced Assets

Non-Financial Produced Assets refers to assets created by a production process and held by producers mainly for the purposes of production; includes produced assets, such as buildings (including dwellings), infrastructure (eg railways, roads, tunnels, airports and dams), plant and equipment, cultivated assets (eg livestock, vineyards and orchards), intangible assets (eg computer software), inventories (including materials, supplies, defence weapon platforms, works in progress, finished goods and goods for resale), and valuables (eg precious metals and stones and antiques).

Other Economic Flows

For the whole of government harmonised operating statement, other economic flows include changes in the value of assets from revaluations, non-financial asset sales and non-mutual bad debts written off.

Public Trading Enterprises (PTEs)

This is an ABS categorisation of certain public sector agencies. It comprises government controlled corporations and quasi-corporations mainly engaged in the production of market goods and/or non-financial services.

Total Territory

The Total Territory includes transactions with external parties by the GGS and PTE.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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APPENDIX D – GLOSSARY – CONTINUED

Uniform Presentation Framework (UPF)

By agreement between the Commonwealth Government and the States and Territories, each jurisdiction presents financial information on a UPF basis in their budget papers, and in mid-year budget updates and in budget outcome reporting. The primary objective of the UPF is to ensure that the Commonwealth, State and Territory governments provide a common 'core' of financial information in their budget papers to enable direct comparisons of each government's budget and financial results. The UPF is based on the harmonised whole of government reporting standard.