

Australian Capital Territory Government
**Consolidated Annual
Financial Statements**

2011-2012 Financial Year



ACT
Government

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

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ACT AUDITOR-GENERAL'S OFFICE



INDEPENDENT AUDIT REPORT AUSTRALIAN CAPITAL TERRITORY GOVERNMENT

To the Members of the ACT Legislative Assembly

Report on the Territory's financial statements

The financial statements of the Australian Capital Territory Government (the Territory) for the year ended 30 June 2012 have been audited. 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.
- Consolidated statement of appropriation.

Responsibility for the Territory's financial statements

The Treasurer and Director-General of the Treasury Directorate are responsible for the preparation and fair presentation of the Territory's financial statements in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and the accounting policies and estimates used in the preparation of the Territory's financial statements.

The auditor's responsibility

Under the *Financial Management Act 1996*, I am responsible for expressing an independent audit opinion on the Territory's financial statements.

The audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance that the Territory's financial statements are free of material misstatement.

I formed the audit opinion following the use of audit procedures to obtain evidence about the amounts and disclosures in the Territory's financial statements. As these procedures are influenced by the use of professional judgement, selective testing of evidence supporting the amounts and other disclosures in the Territory's financial statements, inherent limitations of internal control, and the availability of persuasive

rather than conclusive evidence, an audit cannot guarantee that all material misstatements have been detected.

Although the effectiveness of internal controls is considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

The audit is not designed to provide assurance on the appropriateness of budget information included in the Territory's financial statements, or to evaluate the prudence of decisions made by entities included in the Territory's financial statements.

Electronic presentation of the audited Territory's financial statements

Those viewing an electronic presentation of the Territory's financial statements should note that the audit does not provide assurance on the integrity of information presented electronically, and does not provide an opinion on any other information which may have been hyperlinked to or from the Territory's financial statements. If users of the Territory's financial statements are concerned with the inherent risks arising from the electronic presentation of information, they are advised to refer to the printed copy of the audited Territory's financial statements to confirm the accuracy of this electronically presented information.

Independence

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the audit.

Audit opinion

In my opinion, the Territory's financial statements for the year ended 30 June 2012:

- (i) are presented in accordance with the *Financial Management Act 1996*, Accounting Standards and other mandatory financial reporting requirements in Australia; and
- (ii) present fairly the financial position of the Territory as at 30 June 2012 and the results of its operations and cash flows for the year then ended.

This audit opinion should be read in conjunction with the other information disclosed in this report.



Dr Maxine Cooper
Auditor-General
28 September 2012

**CERTIFICATION BY THE TREASURER
AND THE DIRECTOR-GENERAL OF THE
TREASURY DIRECTORATE**

Certification by the Treasurer

The Treasurer is responsible for administering the *Financial Management Act 1996* (FMA) and related guidelines governing the financial affairs of 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 2012 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: 27.9.2012

Certification by the Director-General of the Treasury Directorate

The Director-General of the Treasury Directorate has been delegated responsibility for administering the *Financial Management Act 1996* (FMA), and therefore the financial administration of Territory activities. This responsibility for managing financial affairs, and preparation of the Consolidated Annual Financial Statements of the Territory, is exercised through the Finance and Budget Division of the Treasury Directorate.

It is my opinion that the attached financial statements for the year ended 30 June 2012 have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) 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.



Megan Smithies
Director-General
Treasury Directorate

Date: 26.09.12

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
GENERAL GOVERNMENT SECTOR AND TOTAL TERRITORY
OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	General Government Sector			Total Territory		
		2011-12 Actual \$m	2011-12 Budget \$m	2010-11 Actual \$m	2011-12 Actual \$m	2011-12 Budget \$m	2010-11 Actual \$m
Revenue							
Taxation Revenue	6	1,183	1,249	1,244	1,155	1,219	1,212
Grants Revenue							
Commonwealth Grants	7	1,605	1,550	1,582	1,606	1,550	1,583
Gains from Contributed Assets	7	93	78	25	55	14	1
Sales of Goods and Services							
Revenue from Associates and Joint Ventures	8	-	-	-	121	117	105
Other Sales of Goods and Services	9	472	457	446	800	825	739
Interest Income	10	168	153	175	114	84	127
Dividend and Income Tax Equivalents Income	11	446	381	266	125	67	119
Other Revenue							
Land Revenue (Value Add Component)	12	-	-	-	132	306	94
Other Revenue	13	151	114	137	154	115	137
Total Revenue		4,118	3,982	3,875	4,261	4,297	4,118
Expenses							
Employee Expenses	14	1,464	1,427	1,351	1,583	1,540	1,460
Superannuation Expenses							
Superannuation Interest Cost	15	265	267	230	265	267	230
Other Superannuation Expense	15	237	219	239	243	224	245
Depreciation and Amortisation	16	302	312	288	369	376	343
Interest Expense	17	96	100	86	92	101	83
Other Operating Expenses							
Supplies and Services	18	770	870	734	864	967	808
Other Operating Expenses	19	195	165	186	300	395	304
Grants Expenses	20	747	737	734	641	638	643
Total Expenses		4,076	4,098	3,848	4,358	4,508	4,116
UPF^(a) Net Operating Balance		43	-116	27	-97	-211	1
Other Economic Flows - Included in the Operating Result							
Dividends - Market Gains on Land Sales	21	15	40	11	-	-	-
Land Revenue (Market Gains on Land Sales)	22	-	-	-	21	57	15
Net Land Revenue (Undeveloped Land Value)	23	129	268	67	129	268	67
Net Gain/(Loss) on Sale of Non-Financial Assets	24	-64	1	-8	-63	-13	-18
Net Gain/(Loss) on Financial Assets or Liabilities at Fair Value	25	-133	79	68	-133	79	69
Doubtful Debts	26	-10	-3	-9	-12	-5	-11
Operating Result		-20	268	155	-155	175	123

Note: (a) Uniform Presentation Framework (refer to Appendix C - Glossary).

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

Also refer to Note 4: 'Disaggregated Information'.

Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
GENERAL GOVERNMENT SECTOR AND TOTAL TERRITORY
OPERATING STATEMENT- CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

	<i>General Government Sector</i>			<i>Total Territory</i>			
	Notes	2011-12 Actual \$m	2011-12 Budget \$m	2010-11 Actual \$m	2011-12 Actual \$m	2011-12 Budget \$m	2010-11 Actual \$m
Other Economic Flows - Other Movements in Equity							
Superannuation Prior Year Actuarial Movement ^(a)		-2,354	-	7	-2,354	-	7
Prior Year Adjustment		4	-	-	3	-	-
Other Movements		0	0	-2	0	0	-2
Increase/(Decrease) in Asset Revaluation Surplus		328	0	257	390	222	321
Increase/(Decrease) in Other Reserves		-4	0	3	-1	0	4
Total Comprehensive Income		-2,046	268	421	-2,117	397	454
Key Fiscal Aggregates (refer to Appendix C - Glossary)							
UPF Net Operating Balance		43	-116	27	-97	-211	1
less Net Acquisition of Non-Financial Assets							
Purchases of Non-Financial Assets		735	979	703	967	1,313	1,040
Sales of Non-Financial Assets		-14	0	-9	-34	-44	-51
Land Revenue (Net Cash Receipts)		-122	-267	-93	-129	-298	-123
Depreciation and Amortisation		-302	-312	-288	-369	-376	-343
Other Movements in Non-Financial Assets		84	77	23	49	14	1
Total Net Acquisition of Non-Financial Assets		381	476	336	485	610	523
Net Lending / (Borrowing)		-339	-592	-309	-582	-820	-522

Note: (a) The \$2.3 billion movement in superannuation is due to the latest liability valuation under AASB 119: 'Employee Benefits'. The rate used to estimate the present value of the liability at 30 June 2012 was significantly higher than at 30 June 2011.

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

Also refer to Note 4: 'Disaggregated Information'.

Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
GENERAL GOVERNMENT SECTOR AND TOTAL TERRITORY
BALANCE SHEET
AS AT 30 JUNE 2012**

	Notes	General Government Sector			Total Territory		
		2011-12 Actual \$m	2011-12 Budget \$m	2010-11 Actual \$m	2011-12 Actual \$m	2011-12 Budget \$m	2010-11 Actual \$m
Financial Assets							
Cash and Deposits	29	321	163	187	359	193	238
Advances Paid	30	1,454	1,427	1,269	91	99	45
Investments, Loans and Placements	31	3,153	3,092	3,230	3,345	3,189	3,525
Receivables	32	511	566	405	472	475	453
Equity							
Investments in Other Public Sector Entities	33	5,523	5,780	5,522	-	-	-
Investments Accounted for Using the Equity Method	34	-	-	-	586	580	548
Total Financial Assets		10,962	11,028	10,612	4,852	4,534	4,808
Non-Financial Assets							
Produced Assets							
Property, Plant and Equipment	35	10,601	10,594	9,756	13,306	13,777	12,408
Investment Properties	36	3	128	3	3	128	3
Intangibles	37	23	89	25	57	119	48
Inventories	38	12	13	15	137	152	121
Assets Held for Sale	39	1	1	1	7	7	7
Capital Works-in-Progress	40	653	781	505	1,218	977	922
Non-Produced Assets							
Property, Plant and Equipment	35	2,420	2,184	2,549	5,503	5,473	5,632
Biological Assets	41	28	28	26	28	28	26
Total Non-Financial Assets		13,741	13,817	12,879	20,258	20,661	19,166
Total Assets		24,703	24,845	23,492	25,110	25,195	23,975
Liabilities							
Deposits Held	42	120	133	162	16	15	15
Advances Received	43	90	90	93	176	175	188
Borrowings							
Finance Leases	44	24	25	27	25	26	28
Other Borrowings	45	1,961	1,866	1,416	1,961	1,866	1,416
Superannuation	46	7,500	4,579	4,878	7,500	4,579	4,878
Other Employee Benefits and Provisions	47	538	513	463	655	608	567
Payables	48	659	572	561	665	649	655
Other Liabilities	49	18	13	16	20	28	17
Total Liabilities		10,911	7,790	7,616	11,018	7,947	7,766
Net Assets		13,792	17,054	15,876	14,092	17,248	16,209
Equity in Public Trading Entities	50(a)	5,523	5,780	5,522	-	-	-
Accumulated Funds	50(b)	3,144	6,368	5,550	5,448	8,673	7,937
Asset Revaluation Surplus	50(c)	5,129	4,908	4,803	8,634	8,568	8,261
Other Reserves	50(d)	-3	-1	1	10	8	11
Net Worth		13,792	17,054	15,876	14,092	17,248	16,209
Key Fiscal Aggregates (refer to Appendix C - Glossary)							
Net Financial Worth		51	3,237	2,996	-6,166	-3,413	-2,957
Net Financial Liabilities		5,472	2,543	2,526	6,752	3,992	3,505
Net Debt (including Superannuation related Investments)		-2,733	-2,568	-2,987	-1,617	-1,397	-2,160
Net Debt (excluding Superannuation related Investments)		-473	-105	-736	643	1,067	91

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

Also refer to Note 4: 'Disaggregated Information'.

Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
GENERAL GOVERNMENT SECTOR AND TOTAL TERRITORY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	General Government Sector			Total Territory		
		2011-12 Actual \$m	2011-12 Budget \$m	2010-11 Actual \$m	2011-12 Actual \$m	2011-12 Budget \$m	2010-11 Actual \$m
Opening Equity							
Opening Equity in Public Trading Entities		5,522	5,509	5,426	-	-	-
Opening Accumulated Funds		5,550	6,161	5,345	7,937	8,475	7,676
Opening Asset Revaluation Surplus		4,803	4,908	4,645	8,261	8,368	8,072
Opening Other Reserves		1	-1	-2	11	8	7
Opening Balance		15,876	16,577	15,414	16,209	16,851	15,755
Comprehensive income							
<i>Included in Accumulated Funds:</i>							
Operating Result for the Period		-20	268	155	-155	175	123
Superannuation Prior Year Actuarial Movement		-2,354	-	7	-2,354	-	7
Prior Year Adjustment		4	-	-	3	-	-
Other Movements		0	0	-2	0	0	-2
<i>Included in Asset Revaluation Surplus:</i>							
Increase/(Decrease) in Asset Revaluation Surplus		328	0	257	390	222	321
<i>Included in Other Reserves:</i>							
Increase/(Decrease) in Other Reserves		-4	0	3	-1	0	4
Total Comprehensive income		-2,046	268	421	-2,117	397	454
Other							
Transfer to/(from) Accumulated Funds		2	-	99	17	22	132
Movement in the Asset Revaluation Surplus		-2	-	-99	-17	-22	-132
Total Other		0	0	0	0	0	0
Transactions Involving Owners Affecting Accumulated Funds							
<i>Included in Accumulated Funds:</i>							
Capital Injections		-38	-62	-56	-	-	-
<i>Included in Equity in Public Trading Entities:</i>							
Increase/(Decrease) in Net Assets of Public Trading Entities		1	271	96	-	-	-
Total Transactions Involving Owners Affecting Accumulated Funds		-37	209	40	-	-	-
Closing Equity							
Closing Equity in Public Trading Entities	50(a)	5,523	5,780	5,522	-	-	-
Closing Accumulated Funds	50(b)	3,144	6,368	5,550	5,448	8,673	7,937
Closing Asset Revaluation Surplus	50(c)	5,129	4,908	4,803	8,634	8,568	8,261
Closing Other Reserves	50(d)	-3	-1	1	10	8	11
Balance at the End of the Reporting Period		13,792	17,054	15,876	14,092	17,248	16,209

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

Also refer to Note 4: 'Disaggregated Information'.

Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
GENERAL GOVERNMENT SECTOR AND TOTAL TERRITORY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	General Government Sector			Total Territory		
		2011-12 Actual \$m	2011-12 Budget \$m	2010-11 Actual \$m	2011-12 Actual \$m	2011-12 Budget \$m	2010-11 Actual \$m
Cash Flows from Operating Activities							
<i>Cash Receipts</i>							
Taxes Received		1,175	1,219	1,262	1,147	1,194	1,230
Receipts from Sales of Goods and Services		575	459	598	1,035	1,428	1,020
Grants/Subsidies Received		1,601	1,552	1,581	1,607	1,552	1,582
Interest Receipts		156	148	170	110	85	131
Dividends and Income Tax Equivalents		354	316	253	131	-	115
Other Receipts		387	406	389	448	462	464
Total Cash Received from Operating Activities		4,248	4,101	4,253	4,477	4,722	4,542
<i>Cash Payments</i>							
Payments for Employees		-1,656	-1,642	-1,525	-1,779	-1,759	-1,638
Payments for Goods and Services		-758	-842	-810	-851	-913	-906
Grants/Subsidies Paid		-737	-751	-736	-628	-653	-632
Interest Paid		-87	-93	-76	-95	-93	-80
Other Payments		-381	-400	-402	-638	-732	-635
Total Cash Paid from Operating Activities		-3,620	-3,728	-3,550	-3,992	-4,149	-3,890
Net Cash Flows from Operating Activities	51(b)	628	372	704	486	573	652
Cash Flows from Investing Activities							
Cash Flows from Investments in Non-Financial Assets							
Sales of Non-Financial Assets		14	267	9	34	44	51
Purchases of Non-Financial Assets		-735	-979	-703	-967	-1,313	-1,040
Net Cash Flows from Investments in Non-Financial Assets		-721	-711	-694	-933	-1,269	-989
Cash Flows from Investments in Financial Assets for Policy Purposes							
<i>Cash Receipts</i>							
Repayment of Loans		1	1	1	1	1	1
Dividends - Market Gains on Land Sales		15	40	11	-	-	-
Total Cash Received from Investments in Financial Assets for Policy Purposes		16	40	12	1	1	1
<i>Cash Payments</i>							
Issue of Loans		-46	-53	-10	-46	-53	-10
Capital Payments to Government Agencies		-38	-62	-56	-	-	-
Total Cash Paid from Investments in Financial Assets for Policy Purposes		-84	-114	-66	-46	-53	-10
Net Cash Flows from Investments in Financial Assets for Policy Purposes		-68	-74	-54	-45	-52	-9
Cash Flows from Investments in Financial Assets for Liquidity Purposes							
Sales of Investments		218	228	286	259	287	346
Purchase of Investments		-318	-157	-217	-283	-164	-223
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes		-100	71	69	-24	123	122
Net Cash Flows from Investing Activities		-889	-715	-679	-1,002	-1,198	-875

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

Also refer to Note 4: 'Disaggregated Information'.

Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
GENERAL GOVERNMENT SECTOR AND TOTAL TERRITORY
CASH FLOW STATEMENT- CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

	Notes	General Government Sector			Total Territory		
		2011-12 Actual \$m	2011-12 Budget \$m	2010-11 Actual \$m	2011-12 Actual \$m	2011-12 Budget \$m	2010-11 Actual \$m
Cash Flows from Financing Activities							
<i>Cash Receipts</i>							
Borrowings		570	520	297	487	435	285
Other Financing		-	3	-	-	3	-
Total Cash Received from Financing Activities		570	522	297	487	438	285
<i>Cash Payments</i>							
Borrowings		-228	-188	-315	-10	-2	-12
Total Cash Paid from Financing Activities		-228	-188	-315	-10	-2	-12
Net Cash Flows from Financing Activities		342	334	-18	477	436	273
Net Increase/(Decrease) in Cash Held		82	-8	7	-40	-189	49
Cash and Cash Equivalents at the Beginning of Reporting Period		189	187	183	532	486	483
Cash and Cash Equivalents at the End of Reporting Period	51(a)	271	178	189	492	297	532
Key Fiscal Aggregates (refer to Appendix C - Glossary)							
Net Cash from Operating Activities		628	372	704	486	573	652
Investments in Non-Financial Assets		-721	-711	-694	-933	-1,269	-989
Cash Surplus (+) / Deficit (-)		-93	-339	10	-448	-696	-337
A positive number denotes a cash inflow, a negative sign denotes a cash outflow							
Derivation of ABS GFS Cash Surplus/(Deficit)							
Cash Surplus (+) / Deficit (-)		-93	-339	10	-448	-696	-337
Acquisitions Under Finance Leases and Similar Arrangements ^(a)		-	-	-	-	-	-
ABS GFS Cash Surplus (+) / Deficit (-) Including Finance and Similar Arrangements		-93	-339	10	-448	-696	-337

Note: (a) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/(deficit).

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

Also refer to Note 4: 'Disaggregated Information'.

Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
PUBLIC TRADING ENTERPRISES SECTOR OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012**

	2011-12 Actual	2011-12 Budget	2010-11 Actual
	\$m	\$m	\$m
Revenue			
Government Payment for Outputs	154	137	145
Grants Revenue			
Commonwealth Grants	1	-	1
Gains from Contributed Assets	4	0	3
Sales of Goods and Services Revenue			
Revenue from Associates and Joint Ventures	121	117	105
Other Sales of Goods and Services	387	437	352
Interest Income	12	16	13
Distribution from Investments with the Territory Banking Account ^(a)	7	-	8
Other Revenue			
Land Revenue (Value Add Component)	281	368	124
Other Revenue	13	11	16
Total Revenue	979	1,087	768
Expenses			
Employee Expenses	119	112	109
Superannuation Expenses			
Other Superannuation Expenses	15	14	14
Depreciation and Amortisation	67	63	55
Interest Expense	70	85	66
Other Property Expenses (Income Tax Expense)	93	108	51
Other Operating Expenses			
Supplies and Services	131	129	116
Other Operating Expenses	243	311	218
Grants Expenses	73	70	58
Total Expenses	812	893	688
UPF^(b) Net Operating Balance	168	193	79
Other Economic Flows - Included in the Operating Result			
Land Revenue (Market Gains on Land Sales)	21	57	15
Net Gain/(Loss) on Sale of Non-Financial Assets	-1	-13	-17
Net Gain/(Loss) on Financial Assets or Liabilities at Fair Value	0	0	1
Doubtful Debts	-2	-2	-2
Operating Result	185	235	76

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

Notes: (a) In 2011-12 interest earned on investments held by agencies in the Cash Enhanced Fund was reclassified from Interest Income to Distribution from Investments with the Territory Banking Account. The 2010-11 comparative has been updated to reflect this treatment.

(b) Uniform Presentation Framework (refer to Appendix C - Glossary).

Also refer to Note 4: 'Disaggregated Information'.

Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
PUBLIC TRADING ENTERPRISES SECTOR OPERATING STATEMENT- CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

	2011-12 Actual \$m	2011-12 Budget \$m	2010-11 Actual \$m
Other Economic Flows - Other Movements in Equity			
Prior Year Adjustment	-	-	0
Increase/(Decrease) in Asset Revaluation Surplus	-2	222	64
Increase/(Decrease) in Other Reserves	3	-	1
Total Comprehensive Income	185	456	142
Key Fiscal Aggregates (refer to Appendix C - Glossary)			
UPF Net Operating Balance	168	193	79
less Net Acquisition of Non-Financial Assets			
Purchases of Non-Financial Assets	318	397	360
Sales of Non-Financial Assets	-20	-44	-42
Land Revenue (Net Cash Receipts)	56	-31	-24
Depreciation and Amortisation	-67	-63	-55
Other Movements in Non-Financial Assets	-40	-43	-16
<i>Total Net Acquisition of Non-Financial Assets</i>	<i>247</i>	<i>215</i>	<i>224</i>
Net Lending / (Borrowing)	-79	-22	-144

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

Also refer to Note 4: 'Disaggregated Information'.

Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
PUBLIC TRADING ENTERPRISES SECTOR BALANCE SHEET
AS AT 30 JUNE 2012**

	2011-12 Actual \$m	2011-12 Budget \$m	2010-11 Actual \$m
Financial Assets			
Cash and Deposits ^(a)	106	147	51
Investments, Loans and Placements ^(a)	229	97	443
Receivables	232	129	128
Equity			
Investments Accounted for Using the Equity Method	586	580	552
Total Financial Assets	1,153	953	1,173
Non-Financial Assets			
Produced Assets			
Property, Plant and Equipment	2,705	3,183	2,652
Intangibles	34	30	23
Inventories	148	240	118
Assets Held for Sale	6	5	6
Capital Works-in-Progress	565	196	417
Non Produced Assets			
Property, Plant and Equipment	3,082	3,289	3,083
Other Non-Financial Assets			
Deferred Tax Assets	27	20	23
Other Non-Financial Assets	0	0	-
Total Non-Financial Assets	6,567	6,964	6,322
Total Assets	7,719	7,917	7,494
Liabilities			
Advances Received	1,450	1,414	1,319
Borrowings			
Finance Leases	1	1	1
Other Employee Benefits and Provisions	234	144	150
Payables	115	223	131
Other Liabilities			
Current Tax Liability	51	25	17
Deferred Tax Liability	321	331	335
Other Liabilities	25	0	19
Total Liabilities	2,197	2,137	1,972
Net Assets	5,523	5,780	5,522
Accumulated Funds	2,140	2,183	2,125
Asset Revaluation Surplus	3,370	3,588	3,387
Other Reserves	13	9	10
Net Worth	5,523	5,780	5,522
Key Fiscal Aggregates (refer to Appendix C - Glossary)			
Net Financial Worth	-1,044	-1,184	-800
Net Debt (including Superannuation related Investments)	1,116	1,171	827

(a) In 2010-11 investments held by agencies in the Cash Enhanced Fund were reclassified from Cash and Deposits to Investments, Loans and Placements due to a change in the risk profile of these funds. This treatment is not reflected in the 2011-12 Budget figures.

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

Also refer to Note 4: 'Disaggregated Information'.

Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
PUBLIC TRADING ENTERPRISES SECTOR STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012**

	2011-12 Actual \$m	2011-12 Budget \$m	2010-11 Actual \$m
Opening Equity			
Opening Accumulated Funds	2,125	2,112	2,062
Opening Asset Revaluation Surplus	3,387	3,388	3,356
Opening Other Reserves	10	9	9
Opening Balance	5,522	5,509	5,426
Comprehensive Income			
<i>Included in Accumulated Funds:</i>			
Operating Result for the Period	185	235	76
<i>Included in Asset Revaluation Surplus:</i>			
Increase/(Decrease) in Asset Revaluation Surplus	-2	222	64
<i>Included in Other Reserves:</i>			
Increase/(Decrease) in Other Reserves	3	-	1
Total Comprehensive Income	185	456	142
Other			
Transfer to/(from) Accumulated Funds	15	22	33
Movement in the Asset Revaluation Surplus	-15	-22	-33
Total Other	0	0	0
Transactions Involving Owners Affecting Accumulated Funds			
Capital Injections	38	62	56
Dividends Approved	-222	-247	-102
Total Transactions Involving Owners Affecting Accumulated Funds	-184	-186	-45
Closing Equity			
Closing Accumulated Funds	2,140	2,183	2,125
Closing Asset Revaluation Surplus	3,370	3,588	3,387
Closing Other Reserves	13	9	10
Balance at the End of Reporting Period	5,523	5,780	5,522

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

Also refer to Note 4: 'Disaggregated Information'.

Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
PUBLIC TRADING ENTERPRISES SECTOR CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012**

	2011-12 Actual \$m	2011-12 Budget \$m	2010-11 Actual \$m
Cash Flows from Operating Activities			
<i>Cash Receipts</i>			
Receipts from Sales of Goods and Services	726	1,102	589
Grants/Subsidies Received	160	137	146
Interest Receipts	12	16	12
Distribution from Investments with the Territory Banking Account ^(a)	7	-	8
Other Receipts	85	104	85
Total Cash Received from Operating Activities	990	1,358	841
<i>Cash Payments</i>			
Payments for Employees	-131	-126	-121
Payments for Goods and Services	-148	-140	-127
Grants/Subsidies Paid	-27	-27	-24
Interest Paid	-73	-78	-63
Other Payments	-449	-676	-378
Total Cash Paid from Operating Activities	-828	-1,046	-713
Net Cash Flows from Operating Activities	162	312	128
Cash Flows from Investing Activities			
Cash Flows from Investments in Non-Financial Assets			
Sales of Non-Financial Assets	20	44	42
Purchase of Non-Financial Assets	-318	-397	-360
Net Cash Flows from Investments in Non-Financial Assets	-298	-353	-319
Cash Flows from Investments in Financial Assets for Policy Purposes			
<i>Cash Receipts</i>			
Capital Receipts from Government Agencies	38	62	56
Total Cash Received from Investments in Financial Assets for Policy Purposes	38	62	56
<i>Cash Payments</i>			
Dividends - Market Gains on Land Sales	-15	-40	-11
Total Cash Paid from Investments in Financial Assets for Policy Purposes	-15	-40	-11
Net Cash Flows from Investments in Financial Assets for Policy Purposes	23	22	45
Cash Flows from Investments in Financial Assets for Liquidity Purposes			
Sales of Investments	180	60	302
Purchase of Investments	-37	-9	-104
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	143	52	198
Net Cash Flows from Investing Activities	-132	-279	-75

(a) In 2011-12 interest earned on investments held by agencies in the Cash Enhanced Fund was reclassified from Interest Receipts to Distribution from Investments with the Territory Banking Account. The 2010-11 comparative has been updated to reflect this treatment.

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

Also refer to Note 4: 'Disaggregated Information'.

Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
PUBLIC TRADING ENTERPRISES SECTOR CASH FLOW STATEMENT- CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

	2011-12 Actual \$m	2011-12 Budget \$m	2010-11 Actual \$m
Cash Flows from Financing Activities			
<i>Cash Receipts</i>			
Borrowings	214	180	296
Total Cash Received from Financing Activities	214	180	296
<i>Cash Payments</i>			
Borrowings	-80	-78	-5
Dividends Paid	-142	-215	-75
Other Financing	-76	-102	-81
Total Cash Paid from Financing Activities	-298	-394	-161
Net Cash Flows from Financing Activities	-84	-214	135
Net Increase/(Decrease) in Cash Held	-54	-181	187
Cash and Cash Equivalents at the Beginning of Reporting Period	343	300	155
Cash and Cash Equivalents at the End of Reporting Period	289	119	343
Key Fiscal Aggregates (refer to Appendix C - Glossary)			
Net Cash from Operating Activities	162	312	128
Net Cash Flows from Investments in Non-Financial Assets	-298	-353	-319
Distributions Paid	-218	-316	-156
Cash Surplus (+) / Deficit (-)	-355	-357	-347
A positive number denotes a cash inflow, a negative sign denotes a cash outflow			
Derivation of ABS GFS Cash Surplus/(Deficit)			
Cash Surplus (+) / Deficit (-)	-355	-357	-347
Acquisitions Under Finance Leases and Similar Arrangements ^(a)		-	-
ABS GFS Cash Surplus (+) / Deficit (-) Including Finance and Similar Arrangements	-355	-357	-347

(a) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/(deficit)

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

Also refer to Note 4: 'Disaggregated Information'.

Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED STATEMENT OF APPROPRIATION
FOR THE YEAR ENDED 30 JUNE 2012**

Agency	<i>Appropriation Act 2011-12</i>	Neutral Transfers between/within Appropriations	Commonwealth Grants Variations	Treasurer's Advance	Additional Approved Appropriations *	Total Appropriated	Final Appropriation Drawn
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Legislative Assembly Secretariat							
Net cost of outputs	7,163.0				24.0	7,187.0	7,187.0
Capital injection	233.0					233.0	233.0
Payments on behalf of the Territory	5,713.0				16.0	5,729.0	5,729.0
ACT Executive							
Net cost of outputs							
Capital injection							
Payments on behalf of the Territory	6,394.0				29.0	6,423.0	5,852.0
Auditor-General							
Net cost of outputs	2,214.0				8.0	2,222.0	2,222.0
Capital injection							
Payments on behalf of the Territory							
Chief Minister and Cabinet Directorate							
Net cost of outputs	27,082.0	548.0	2,600.0	50.0	74.0	30,354.0	24,529.0
Capital injection	3,000.0				401.0	3,401.0	145.0
Payments on behalf of the Territory							
Health Directorate							
Net cost of outputs	896,185.0	4,945.0	8,176.0	7,000.0	4,743.0	921,049.0	904,170.0
Capital injection	282,739.0	(5,010.0)			35,759.0	313,488.0	162,803.0
Payments on behalf of the Territory	727.0				259.0	986.0	986.0
Territory and Municipal Services Directorate							
Net cost of outputs	270,991.0	(882.0)	1,818.0	8,038.0	3,421.0	283,386.0	280,652.0
Capital injection	235,826.0	10,387.0	43.0		2,455.0	248,711.0	179,138.0
Payments on behalf of the Territory							
Treasury Directorate							
Net cost of outputs	52,034.0				141.0	52,175.0	34,707.0
Capital injection	116,277.0				23,414.0	139,691.0	131,032.7
Payments on behalf of the Territory	22,609.0				133.5	22,742.5	18,154.0

* Additional Approved Appropriations relate to the *Appropriation Act 2011-2012 (No. 2)*, rollovers of undispersed 2010-11 Appropriation, accrued employee entitlements and Act of Grace Payments authorised under the *Financial Management Act 1996*.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED STATEMENT OF APPROPRIATION - CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

Agency	<i>Appropriation Act 2011-12</i>	Neutral Transfers between/within Appropriations	Commonwealth Grants Variations	Treasurer's Advance	Additional Approved Appropriations *	Total Appropriated	Final Appropriation Drawn
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Shared Services Centre							
Net cost of outputs	9,546.0					9,546.0	7,973.0
Capital injection	5,570.0				116.0	5,686.0	1,063.0
Payments on behalf of the Territory							
Superannuation Provision Account							
Net cost of outputs							
Capital injection	144,047.0					144,047.0	144,047.0
Payments on behalf of the Territory					1,298.0	1,298.0	1,298.0
Territory Banking Account							
Net cost of outputs							
Capital injection	214.0					214.0	214.0
Payments on behalf of the Territory	17,848.0					17,848.0	17,848.0
Economic Development Directorate							
Net cost of outputs	75,353.0	76.0		134.0	1,074.0	76,637.0	65,919.0
Capital injection	171,240.0	(19,266.0)			25,222.0	177,196.0	75,473.0
Payments on behalf of the Territory	7,586.0					7,586.0	7,586.0
Justice and Community Safety Directorate							
Net cost of outputs	232,130.0	1,374.0	614.0	2,582.5	1,673.0	238,373.5	235,005.0
Capital injection	46,570.0		623.0		6,111.0	53,304.0	30,723.4
Payments on behalf of the Territory	145,559.0			3,000.0	30.0	148,589.0	148,465.0
Environment and Sustainable Development Directorate							
Net cost of outputs	73,992.0	1,528.0			4,638.0	80,158.0	70,786.0
Capital injection	25,946.0	3,800.0			7,680.0	37,426.0	15,620.0
Payments on behalf of the Territory	1,693.0				724.0	2,417.0	1,830.0

* Additional Approved Appropriations relate to the *Appropriation Act 2011-2012 (No. 2)*, rollovers of undispersed 2010-11 Appropriation, accrued employee entitlements and Act of Grace Payments authorised under the *Financial Management Act 1996*.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED STATEMENT OF APPROPRIATION - CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

Agency	<i>Appropriation Act 2011-12</i>	Neutral Transfers between/within Appropriations	Commonwealth Grants Variations	Treasurer's Advance	Additional Approved Appropriations *	Total Appropriated	Final Appropriation Drawn
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Community Services Directorate							
Net cost of outputs	216,197.0	70.0	50.0		955.0	217,272.0	216,676.5
Capital injection	27,671.0	2,400.0			3,501.0	33,572.0	18,851.6
Payments on behalf of the Territory	39,893.0	(120.0)	205.0			39,978.0	36,950.3
Housing ACT							
Net cost of outputs	43,186.0	150.0				43,336.0	43,336.0
Capital injection	24,165.0					24,165.0	14,368.2
Payments on behalf of the Territory							
Education and Training Directorate							
Net cost of outputs	525,912.0		4,719.0		12,725.0	543,356.0	516,071.0
Capital injection	112,152.0		68.0		12,384.0	124,604.0	96,696.0
Payments on behalf of the Territory	211,340.0		3,170.0		934.0	215,444.0	209,184.2
ACT Gambling and Racing Commission							
Net cost of outputs	4,297.0				16.0	4,313.0	4,278.0
Capital injection							
Payments on behalf of the Territory							
ACT Public Cemeteries Authority							
Net cost of outputs							
Capital injection	727.0					727.0	154.9
Payments on behalf of the Territory							
ACTEW Corporation Limited							
Net cost of outputs	10,390.0					10,390.0	10,390.0
Capital injection							
Payments on behalf of the Territory							

* Additional Approved Appropriations relate to the *Appropriation Act 2011-2012 (No. 2)*, rollovers of undispersed 2010-11 Appropriation, accrued employee entitlements and Act of Grace Payments authorised under the *Financial Management Act 1996*.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED STATEMENT OF APPROPRIATION - CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

Agency	<i>Appropriation Act 2011-12</i>	Neutral Transfers between/within Appropriations	Commonwealth Grants Variations	Treasurer's Advance	Additional Approved Appropriations *	Total Appropriated	Final Appropriation Drawn
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Canberra Institute of Technology							
Net cost of outputs	67,979.0		429.0		1,365.0	69,773.0	69,773.0
Capital injection	6,830.0					6,830.0	5,749.7
Payments on behalf of the Territory							
Cultural Facilities Corporation							
Net cost of outputs	7,414.0				21.0	7,435.0	7,435.0
Capital injection	1,083.0					1,083.0	1,083.0
Payments on behalf of the Territory							
Exhibition Park Corporation							
Net cost of outputs	387.0				1.0	388.0	388.0
Capital injection	3,491.0				692.0	4,183.0	2,753.0
Payments on behalf of the Territory							
Independent Competition and Regulatory Commission							
Net cost of outputs	515.0			110.0	2.0	627.0	621.0
Capital injection							
Payments on behalf of the Territory							
Legal Aid Commission (ACT)							
Net cost of outputs	9,094.0			89.0	30.0	9,213.0	9,209.0
Capital injection					28.0	28.0	28.0
Payments on behalf of the Territory							
Public Trustee for the ACT							
Net cost of outputs	682.0					682.0	682.0
Capital injection							
Payments on behalf of the Territory							

* Additional Approved Appropriations relate to the *Appropriation Act 2011-2012 (No. 2)*, rollovers of undispersed 2010-11 Appropriation, accrued employee entitlements and Act of Grace Payments authorised under the *Financial Management Act 1996*.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED STATEMENT OF APPROPRIATION - CONTINUED
FOR THE YEAR ENDED 30 JUNE 2012**

Agency	<i>Appropriation Act 2011-12</i>	Neutral Transfers between/within Appropriations	Commonwealth Grants Variations	Treasurer's Advance	Additional Approved Appropriations *	Total Appropriated	Final Appropriation Drawn
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sub Totals for Appropriation Classes							
Net cost of outputs	2,532,743.0	7,809.0	18,406.0	18,003.5	30,911.0	2,607,872.5	2,512,009.5
Capital injection	1,207,781.0	(7,689.0)	734.0		117,763.0	1,318,589.0	880,176.5
Payments on behalf of the Territory	459,362.0	(120.0)	3,375.0	3,000.0	3,423.5	469,040.5	453,882.6
Treasurer's Advance	31,400.0			(21,003.5)		10,396.5	
Total Appropriations	4,231,286.0	0	22,515.0	0.0	152,097.5	4,405,898.5	3,846,068.6

Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

* Additional Approved Appropriations relate to the *Appropriation Act 2011-2012 (No. 2)*, rollovers of undispersed 2010-11 Appropriation, accrued employee entitlements and Act of Grace Payments authorised under the *Financial Management Act 1996*.

Note: The variances between the total appropriated and the appropriation drawn for 2011-12 is largely due to the following:

Net cost of outputs: The variation is largely due to the deferral of expenditure from 2011-12 to 2012-13 mainly for Commonwealth Grant programs and other programs included in the *Appropriation Act 2011-12* and were disclosed in the 2012-13 Budget Paper No. 4 (Changes to Appropriation Table). This is also disclosed in agency financial statements (Statement of Appropriation note).

Capital injections: The variation is mainly due to the timing of expenditure associated with capital works, most of which are included in the *Appropriation Act 2012-13* and were disclosed in the 2012-13 Budget Paper No. 4 (Changes to Appropriation Table). This is also disclosed in agency financial statements (Statement of Appropriation note).

Payments on behalf of the Territory: The variation is predominately due to lower than expected expenditure of Commonwealth Grants and lower than expected concession payments. This is also disclosed in agency financial statements (Statement of Appropriation note).

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1 THE AUSTRALIAN CAPITAL TERRITORY GOVERNMENT

The Australian Capital Territory Government (the Territory) represents a popularly elected ACT Legislative Assembly empowered to govern the Australian Capital Territory. The ACT Government was effectively created by the Commonwealth Government's *Australian Capital Territory (Self Government) Act 1988*, with the first elections held in 1989. The fixed term of each Assembly is four years. The next election is to be held on 20 October 2012.

The ACT Government is responsible for administering both state and municipal like 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 5: '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 Treasurer to prepare Consolidated Annual Financial Statements for the Territory.

Section 24 of the FMA requires that in an election year, an audit opinion be issued on the Consolidated Annual Financial Statements for the Territory (the Territory's financial statements) within three months after the end of the financial year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

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) a summary of 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.

These general purpose financial statements have been prepared to comply with 'Generally Accepted Accounting Principles' (GAAP) as required by the FMA.

The financial statements have been prepared in accordance with:

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

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

a) Basis of Accounting - Continued

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 some assets which were valued in accordance with the revaluation policies applicable to the Territory during the financial year.

The Territory's financial statements are presented in Australian dollars, which is the Territory's functional currency.

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 AASB 1049: 'Whole of Government and General Government Sector Financial Reporting' (AASB 1049), which requires compliance with all Australian Accounting Standards except those identified below.

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

The purpose of these financial statements is to provide users with information about the Government's stewardship of, and accountability for, resources in the Territory, and information about its financial position, performance and cash flows.

The Whole of Government reporting entity includes government directorates, government statutory authorities and Public Non-Financial Corporations (PNFC) (also known as Public Trading Enterprises). Specific details about the entities consolidated by the Territory are shown at Note 5: '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 Australian Bureau of Statistics *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005* (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 revenues 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 127: 'Consolidated and Separate Financial Statements' and AASB 139: 'Financial Instruments: Recognition and Measurement', where full application is not required. Assets, liabilities, income, expenses and cash flows of government controlled entities that are in the Public Non-Financial Corporations (PTE) sector are not separately recognised in the GGS of the Territory's 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.

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

b) Compliance Framework - Continued

The Public Trading Enterprises (PTE) sector comprises those 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 Government Finance Statistics (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 2012 together with the financial position of the Territory as at 30 June 2012.

d) Budget Figures

To facilitate a comparison with the Budget Papers, as required by the FMA, budget information for 2011-12 has been presented in the financial statements. Budget numbers in the financial statements are the annual budget numbers that appear in the 2011-12 Budget Papers.

The consolidated financial statements included in the 2011-12 Budget Papers were prepared in accordance with the requirements under AASB 1049: 'Whole of Government and General Government Sector Financial Reporting' except for the following minor presentational changes that have occurred since the 2011-12 Budget Papers were published.

- * In 2010-11 Investments held by agencies in the Cash Enhanced Fund were reclassified from Cash and Deposits to Investments, Loans and Placements in the Balance Sheet. This treatment is not reflected in the 2011-12 Budget figures presented in this report due to the timing of release of the Budget.
- * Interest on the Cash Enhanced Fund was also reclassified from Interest Income on the Operating Statement and Interest Receipts on the Cash Flow Statement to Distribution from Investments with the Territory Banking Account. This treatment is not reflected in the 2011-12 Budget figures presented in this report.
- * Due to a change in accounting policy for Investment Properties in 2010-11, Investment Properties are reflected in Property, Plant and Equipment. This treatment is not reflected in the 2011-12 Budget figures presented in this report.
- * The calculation of the 'Headline Net Operating Balance' in the Budget Papers is not shown in the Operating Statement of this report. 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 2012

2 SUMMARY OF 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. Additional detail on significant changes to prior year comparatives is provided in Note 3: 'Change in Accounting Policies, Accounting Estimates and Prior Year Comparatives'.

Where the presentation or classification of items in the Territory's financial statements have been amended, the comparative amounts have been reclassified where practical. 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 Act 2011-2012* and the *Appropriation Act 2011-2012 (No. 2)*.

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 127: 'Consolidated and Separate Financial Statements' (AASB 127), 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.

Balances between Territory-controlled entities, and any unrealised income and expenses arising from transactions between Territory-controlled entities, are eliminated in preparing the Territory's financial statements.

Full application of AASB 127 has not been applied for the GGS financial statements as per the disclosure contained in Note 2(b): 'Compliance Framework' above.

The consolidated entity includes the PTE entities and GGS entities as set out at Note 5: '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. All revenue is recognised to the extent that it is probable that the economic benefits will flow to the Territory and the revenue can be reliably measured. In addition, the following specific recognition criteria must also be met before revenue is recognised:

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

h) Revenue Recognition - Continued

Taxes, Fees and Fines

Taxes are recognised as revenue when an assessment is raised or when an assessment was scheduled to be raised, except for 'return taxes' which are recognised in the period the return relates to. Fees are either recognised as revenue at the time of payment or when the fee is incurred. 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.

Sales 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.

Rendering of Services

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

Interest

Interest revenue is recognised using the effective interest rate method.

Distribution

Distribution revenue is received from investments by agencies with the Territory Banking Account. This revenue is recognised on an accrual basis. Distribution revenue appears in the PTE sector's Operating Statement as this revenue is eliminated at the GGS and Total Territory level.

Commonwealth Government Grants

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

Land

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.

Revenue from the provision of development rights to a joint venture is recognised in accordance with the substance of the transaction. When a legally enforceable agreement to contribute undeveloped parcels of land to the joint venture entity for development exists, the Territory recognise the gains attributable to the interest:

- (i) of other ventures on the provision of development rights to the joint venture; and
- (ii) progressively as the land is sold to third parties by the joint venture.

Sales under the Land Rent Scheme are recognised in the PTE Sector on settlement, at which point an invoice is raised to the GGS in order to receive payment for the land.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

h) Revenue Recognition - Continued

Land - Continued

Should sale proceeds be received by instalments over more than 12 months, the initial amount to be recorded as revenue is the fair value of the consideration calculated by discounting the contracted value (nominal value) using a prevailing rate for a similar instrument of an issuer with a similar credit rating to the Land Development Agency. The difference which arises between the fair value of the consideration to be received over the deferral period and the contracted (nominal) value of the land is recognised as interest income over the deferral period.

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.

Land revenue is classified according to the underlying nature of the sales transactions. As a result, the total value of land revenue recognised by the Territory is classified as either 'undeveloped land value', 'value add component' or 'market gains on land sales', as appropriate.

- * The 'undeveloped land value' portion of land revenue reflects the unimproved value of land sold. Land Revenue (Undeveloped Land Value) is classified in the Operating Statement as an 'Other Economic Flow', as undeveloped land is considered to be an asset sale, consistent with the presentation requirements of AASB 1049: 'Whole of Government and General Government Sector Financial Reporting' (AASB 1049).

The amount of 'undeveloped land value' recorded in the Operating Statement is determined by independent valuation prior to land sales, and is equal to the value of land purchased from the Territory and Municipal Services Directorate, within the GGS, by the Land Development Agency, a PTE agency.

- * The 'value add component' of land revenue reflects estimated earnings attributable to works undertaken which have contributed to an increase in the value of land sold. The 'value add component' of land revenue is reflected in the 'Revenue' section of the Operating Statement, because this portion of land revenue represents the value which the Territory has generated through its development and other value add activities, such as marketing and design.

When the Territory develops undeveloped land and then sells it in the market place, the total revenue earned in excess of the value of the undeveloped land (net revenue) is recorded as 'Land Revenue (Value Add Component)'.

- * 'Market gains on land sales' reflects the portion of land revenue related to the growth in value of land sold that is attributed to prevailing market conditions. Given the nature of this revenue is in the form of a gain, it is included in the 'Other Economic Flows' section of the Operating Statement, consistent with presentation requirements of AASB 1049.

When the Territory sells undeveloped land, the net revenue is divided between Land Revenue (Value Add Component) and Land Revenue (Market Gains on Land Sales).

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

h) Revenue Recognition - Continued

Land - Continued

These two components cannot be readily disaggregated. The amount recorded as 'value add' is established as the value the seller (the Territory) would be deemed to have added through a range of activities, such as packaging, promotion and marketing. The remainder of the net revenue is deemed to be a market gain.

The above classification and treatment results in the development profits and revenue benefits relating to specific activities undertaken by the Territory being recognised as revenue for the Territory, and proceeds of asset sales and market gains being excluded from revenue in the Operating Statement.

Refer also, Note 2(ak): 'Significant Accounting Judgements and Estimates'.

Dividends

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

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.

The 'market gains' portion of the GGS dividend reflects the after 'income tax equivalents' profit on the sale of land attributable to market gains. The remainder of the dividend from the PTE sector is recorded as 'dividend income' and included in 'Dividend and Income Tax Equivalents Income' in the 'Revenue' section of the Operating Statement.

Refer also, to 'Revenue Recognition: Land' above and 2(ak): 'Significant Accounting Judgements and Estimates' for information regarding market gains on land sales.

i) Resources Received and Provided Free of Charge

Resources received or provided free of charge are recorded as a revenue or expense in the Operating Statement at fair value at the date of transaction, if they can be reliably measured, and would have been purchased or sold if not transferred free of charge.

j) Repairs and Maintenance

All costs involved with the maintenance of physical assets are classified as an expense unless they add to the service potential of the existing asset, in which case the costs are capitalised.

k) Interest Expense

Interest expense is recognised in the period in which it is incurred at the effective interest rate.

l) 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 27: 'Waivers, Impairment Losses and Write-Offs'.

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

m) Taxation Expense

The ACT Government 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, and this is shown as relevant in the disaggregated sector information, related amounts are eliminated in the Territory's Financial Statements.

n) '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 are assets other than financial assets. Non-financial assets primarily include property, plant and equipment such as roads, schools, hospitals, land, inventories, other infrastructure and intangible assets.

o) Cash

Cash and Deposits

For the purposes of the Balance Sheet, cash and deposits includes cash at bank, cash on hand, demand deposits and overnight cash.

Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, 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 principle difference between 'Cash and Deposits' and 'Cash and Cash Equivalents'.

p) 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.

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Other receivables arise outside the normal course of selling goods and services to other parties. Credit terms are usually for a period within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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 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.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

p) Receivables - Continued

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 are written back against the receivables account when the Territory ceases to collect the debt as it considers that it will cost more to recover than the debt is worth.

q) Advances Paid

Advances paid by the Territory include home loans to members of the public, and loan facilities provided through an agreement between Community Housing Canberra Limited (CHC) and the Australian Capital Territory (represented by the Treasury Directorate) and the University of Canberra and the Australian Capital Territory (represented by the Treasury Directorate).

These home loans assist low income households in achieving home ownership. The home loans are on a variable rate, which is aligned to the interest rate charged by the Commonwealth Bank Australia (CBA) for Standard Variable Rate loans. The interest rate is updated when necessary to be in line with the CBA interest rate. As at 30 June 2012, the interest rate was set at 7.01 per cent (2011: 7.81 per cent).

An existing \$50 million loan exists to CHC to increase the supply of affordable housing properties for sale or rent by eligible participants. Interest is calculated on the outstanding daily balance of the loan and is due by the borrower quarterly in arrears. Payment of interest for the first year of the loan was deferred and was due by CHC as a lump sum together with interest due on the date after the lapse of one year. Repayment of the loan principal will not commence until 2018. Another \$20 million was provided to CHC in 2011-12, building on the existing \$50 million loan facility. Principal payments on the new loan will commence in 2021.

The Territory also has provided a new loan facility to the University of Canberra for \$23.5 million to be used by the University for student accommodation facilities. The loan is subject to a fixed rate of interest, is secured and has a repayment term of 14 years. Repayments on the loan will commence in 2012-13.

r) Investments

The Territory's investments are designated as 'Financial Assets at Fair Value through Profit and Loss' in accordance with AASB 139: 'Financial Instruments: Recognition and Measurement'. As these assets have been designated as 'Financial Assets at Fair Value through Profit and Loss' they have to remain in that class until derecognised.

'Financial Assets at Fair Value through Profit and Loss' are measured at fair value with any adjustments to the carrying amount being recorded in the Operating Statement. Fair value is based on quoted market prices at the reporting date. The quoted market price used is the current bid price.

The financial investment assets are managed in accordance with a strategy that takes into account the risk/return objectives of the Territory and the time horizon of the Territory's cash flow requirements.

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NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

r) Investments - Continued

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

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 70 per cent of the portfolio invested in growth assets (such as equities) and 30 per cent of the portfolio being invested in income assets (such as cash and fixed interest investments). 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 investment classes is designed to achieve the return objective of Consumer Price Index (CPI) plus 5 per cent (net of fees) over the long-term.

Financial Derivative Instruments

Financial derivatives are used by the Territory's investment fund managers for cash flow management and for the hedging, or mitigation, of certain interest rate, credit or market risks of the investment portfolio. Under the *Financial Management (Investment and Borrowing) Guidelines 2011*, derivative instruments are not permitted to be used for speculation or gearing or leveraging of a portfolio. Derivative instruments may only be used to protect the investment portfolio against, or minimise the effect on the portfolio of interest rate movements and fluctuations in underlying financial markets of investments in the portfolio; to reduce the transaction cost of investing and achieving a required market exposure in investment; to promote transactional efficiency in investing; to obtain prices for investments unavailable in the physical market; to promote the best execution of security transactions; to provide additional liquidity to an investment portfolio; to adjust the duration of a Territory investment portfolio; to reduce the volatility of investments in a Territory investment portfolio; to rapidly adjust the exposures of a Territory investment portfolio to financial markets; or for any other investment purpose for which derivatives may be lawfully used. The *Financial Management (Investment and Borrowing) Guidelines 2011* do not permit the investment fund managers to use an uncovered derivative or a derivative for which the potential exposure cannot be reliably measured.

The extent to which derivatives may be used is set out in the *Financial Management (Investment and Borrowing) Guidelines 2011*. The authorised derivative guidelines are also stated in the investment management agreements established with each contracted investment fund manager.

Derivative financial instruments are initially recognised at fair value on the date on which a 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 recorded in the Operating Statement for the year.

Borrowings

The Territory directly undertakes financial derivative transactions as part of the management of interest-bearing liabilities.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

r) Investments - Continued

The Territory uses interest rate swaps to manage the interest rate and duration of the borrowing portfolio. Interest rate swaps are agreements between two counterparties to exchange a future stream of interest rate dependent cash flows. The Territory has designated the interest rate swaps as cash flow hedges. A 'cash flow hedge', hedges against movements in cash flows that are attributable to a risk associated with an asset or liability that could affect the Operating Statement. These interest rate swaps are hedging the exposure to interest rate movements on the Territory's borrowing liabilities.

The interest rate swaps are subject to the requirements of AASB 139: 'Financial Instruments: Recognition and Measurement'. At the inception of the transaction, the relationship between the hedging instruments and the hedge items, as well as its risk management objective and strategy for undertaking the hedge transactions is documented. Assessments, both at hedge inception and on a monthly ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, effective in offsetting changes in cash flows of hedged items are documented and incorporated into the Territory's reporting policies.

The effectiveness of the interest rate swap is determined on a monthly basis by retrospective and prospective testing of the statistical correlation between the cash flows of the hedging instrument and the hedged item to ensure that the interest rate swaps effectiveness falls within a range of 80:125 per cent as prescribed by AASB 139: 'Financial Instruments: Recognition and Measurement'.

The effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recorded immediately in the Operating Statement. Amounts accumulated in the hedge reserve in equity are transferred to the Operating Statement in the periods when the hedged item will affect the surplus or deficit.

When the hedging instrument expires, amounts that have been recorded directly in equity shall be recorded as income or expense in the Operating Statement in the same period.

s) 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. Development costs on land include implementation of estate planning, demolition, remediation activities, and relocation or construction of infrastructure services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. The cost of most inventories is assigned using the first-in, first-out method. In the case of developed land, the cost includes the acquisition cost and any development costs incurred in development.

Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

Inventories held for distribution are measured at cost, adjusted when applicable, for any loss of service potential.

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

t) 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.

u) Acquisition and Recognition of Property, Plant and Equipment

Property, plant and equipment is initially recorded at cost. Cost includes the purchase price, directly attributable costs and the estimated cost of dismantling and removing the item (where, upon acquisition, there is a present obligation to remove the item). 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.

v) 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'.

Land, buildings, infrastructure assets and heritage and community assets are measured at fair value. Plant and equipment and leasehold improvements are measured at cost or fair value.

Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. The Territory measures fair value using market based evidence available for that asset (or a similar asset), as this is the best evidence of an asset's fair value. Where the market price for an asset cannot be obtained, because the asset is specialised and is rarely sold, depreciated replacement cost is used as fair value.

Fair value for land and buildings is measured using current prices in a market for similar properties in a similar location and condition. Fair value for infrastructure assets, leasehold improvements and some community and heritage assets is measured using depreciated replacement cost. For other community and heritage assets, fair value is determined using a market price where there is a market for the same or similar item.

The fair value for land under roads is measured using the 'Statutory Land Value' method. Under this method, a value per square metre of land is estimated by dividing the unimproved value of rateable land in the Territory by the total area of the Territory.

The Territory revalues its land, buildings, infrastructure assets and heritage and community 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.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

v) Measurement of Property, Plant and Equipment After Initial Recognition - Continued

The cost of plant and equipment comprises the purchase price, any directly attributable costs, and the initial estimate of the costs of dismantling and removing the plant and equipment and restoring the site on which it is located.

w) 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, 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 recognised in the Operating Statement. Impairment losses for plant and equipment and intangible assets are recognised in the Operating Statement. The other side of the transaction is that 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.

x) Land Under Roads

The Territory shows the value of all land under roads in accordance with AASB 1051: 'Land Under Roads' and AASB 116: 'Property, Plant and Equipment'. Land under roads were first recognised by the Territory at fair value from 1 July 2008.

Land under roads include land under roadways and road reserves, including land under footpaths, nature strips and median strips.

Land under roads are valued using the revaluation model in accordance with AASB 116: 'Property, Plant and Equipment'. Refer to Note 2(u): 'Acquisition and Recognition of Property, Plant and Equipment' and Note 2(v): 'Measurement of Property, Plant and Equipment After Initial Recognition' for the Territory's valuation policies.

The method used to value land under roads is consistent with the Statutory Land Value method.

y) Investment Properties

Investment properties are measured at fair value. Fair value is the amount the asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Changes in fair values are recorded in the Operating Statement. Investment properties are not depreciated.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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FOR THE YEAR ENDED 30 JUNE 2012**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

z) Intangible Assets

The Territory's intangible assets are comprised of internally developed 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 internally developed intangible assets.

Capitalised software has a finite useful life. Software is amortised on a straight-line basis over its useful life.

Intangible assets are measured at cost.

aa) Depreciation and Amortisation of Non-Current Assets

Non-current assets with a limited useful life are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. The useful life commences when an asset is ready for use. When an asset is revalued, it is depreciated/amortised over its newly assessed remaining useful life. 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 assets under a finance lease arrangement are depreciated over the estimated useful life of each asset, or the unexpired period of the relevant lease, whichever is the shorter.

All depreciation is calculated after first deducting any residual values which remain for each asset.

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

Class of Asset	Depreciation/Amortisation		Useful Life (Years)
	Method		
Buildings	Straight Line		5-100
Land Improvements	Straight Line		5-100
Leasehold Improvements	Straight Line		2-10
Plant and Equipment	Straight Line		2-20
Infrastructure	Straight Line		5-100
Heritage and Community Assets	Straight Line		5-100
Externally Purchased Intangibles	Straight Line		2-5
Internally Generated Intangibles	Straight Line		2-5

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ab) Biological Assets

The Territory has applied AASB 141: 'Agriculture', recognising commercial softwood plantations as biological assets.

Timber is classified as being either 'pre-commercial' or 'commercial'. Pre-commercial stands are less than 15 years old and are not yet suitable to be sold for commercial purpose. Commercial stands are 15 years old or greater in age and are managed to produce commercial output. 'Commercial-beyond normal' are areas within plantations that are beyond the planned rotation length in each forest.

The cost of restoring fire affected forestry land is expensed throughout the year. At the end of each reporting period this expenditure is assessed and where appropriate, the expenditure is capitalised.

The commercial plantation's fair value was determined using estimated stand volume (the volume of timber in a stand of trees) from growth plot measurements, and applying the proportional split of the product mix, and the values of individual products. The pre-commercial plantation's fair value was estimated as aggregated establishment costs and management costs.

ac) Payables

Payables are a financial liability and are measured at the fair value of consideration expected to be received when initially recognised and at amortised cost subsequent to initial recognition, 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 payables, accrued expenses and other payables. Trade payables represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period and relate to the normal operations of the Territory.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where invoices have not been received by period end.

Other payables are those unpaid invoices that do not directly relate to the normal operations of the Territory.

A liability for outstanding insurance claims are recognised in the Territory's financial statements. The liability covers claims reported but not yet paid, incurred but not yet reported (IBNR), incurred but not enough reported (IBNER) and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by reviewing individual claim files and estimating changes in the ultimate cost of settling claims, IBNR's and settlement costs using statistics based on past experience and trends.

ad) 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 and the provision of home loans to the low income members of the public to assist with home ownership.

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

ae) Joint Ventures

Jointly Controlled Operations

The share of assets, liabilities, income and expenses of the jointly controlled operations have been incorporated in the Territory's financial statements under the appropriate headings.

Jointly Controlled Entities

The Territory accounts for the interest in its jointly controlled entities using the equity method. Under the equity method, the Territory initially recognises its interest in a jointly controlled entity at cost. After initial recognition, the Territory adjusts its interest for any post-acquisition change in its share of the jointly controlled entity's net assets. The Operating Statement includes the share of the profit or loss of the jointly controlled entity. While the Balance Sheet includes the share of any movements in the jointly controlled entity's reserves.

Unrealised profits and losses arising from transactions that establish a jointly controlled entity and transactions with that entity have been eliminated to the extent of the ownership interest in the jointly controlled entity.

af) Interest-Bearing Liabilities

Interest-bearing liabilities are financial liabilities, which are measured at the fair value of the consideration received 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 Note 2(r): 'Investments'.

ag) Employee Benefits

Employee benefits include wages and salaries, annual leave, long service leave and applicable on-costs. On-costs include annual leave, long service leave, superannuation and other costs that are incurred when employees take annual leave and long service leave. These benefits accrue as a result of services provided by employees up to the reporting date that remain unpaid. They are recorded as a liability and as an expense.

Wages and Salaries

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

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ag) Employee Benefits - Continued

Annual and Long Service Leave

Annual leave and long service leave that falls due wholly within the next 12 months is measured based on the estimated amount of remuneration payable when the leave is taken.

Annual and long service leave, including applicable on-costs, that do not fall due within the next 12 months is 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 the future wage and salary levels, experience of employee departures and periods of service. At each reporting date, the estimated future payments are valued using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows. In 2011-12, the rate used to calculate the value of future payments for long service leave is 106.6 per cent (92.2 per cent in 2010-11).

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 7 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.

The provision for annual leave and long service leave includes estimated on-costs. As these on-costs only become payable if the employee takes annual and long service leave while in service, the probability that employees will take annual and long service leave while in service has been taken into account in estimating the liability for 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. However, where there is an unconditional right to defer settlement of the liability for at least 12 months, annual leave and long service leave have been classified as a non-current liability in the Balance Sheet.

ah) 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. From 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, 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.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ah) Superannuation - Continued

Under the arrangements agreed with the Commonwealth Government, the ACT Government is to reimburse ComSuper 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 2011-12 was \$149.418 million (2010-11: \$115.463 million) for emerging costs. The emerging cost payments for 2010-11 were reviewed during 2011-12 by the consultant Actuary, Russell Employee Benefits using ComSuper data on actual benefit payments. The Actuary determined that the actual benefit payments exceeded the emerging cost payments resulting in a 'deficit'. As at 30 June 2011, the deficit amounted to \$3.507 million. The deficit was repaid during the 2011-12 financial year (2010-11: \$2.704 million deficit).

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 ComSuper 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 change in the discount rate. 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' as allowed 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 (5.28 per cent) to estimate the closing 30 June 2011 superannuation liability. The closing liability as at 30 June 2012 is estimated at the present value rate as at 30 June 2012 of 3.41 per cent. The actuarial gain or loss is the difference between the closing liability as at 30 June 2012 minus the liability as at 30 June 2011, adjusted for the projected 2011-12 interest and service cost and actual benefit payments.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ai) Insurance

The Territory insures at a 'catastrophe level' ^(a) for the usual range of conventional insurance classes. This includes:

- * the loss, damage or destruction of Territory assets; and
- * the legal liabilities of the Territory for third party property damage and injury to third parties.

The Territory also insures its workforce with Comcare for compensation for loss or injury in the workplace.

(a) The Territory self insures the risks of the everyday business of the Government. This covers a broad range of risks and most claims are paid from Territory funds. However, those risks which on account of their sheer volume or exposure, would exceed financial resources are ceded to a reinsurer. Property is insured from \$5 million to \$1 billion for any one event.

aj) Leases

Finance Leases

Finance leases effectively transfer to the Territory substantially all the risks and benefits incidental to ownership of the assets under finance lease. The title may or may not eventually be transferred. Finance leases are initially recognised as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments each being determined at the inception of the lease. The discount rate used to calculate the present value of the minimum lease payments is the interest rate implicit in the lease. Assets under a finance lease are depreciated over the shorter of the asset's useful life and lease term. These assets are depreciated on a straight-line basis. The depreciation is calculated after first deducting any residual values which remain for each leased asset. Each lease payment is allocated between interest expense and reduction of the lease liability.

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.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ak) 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:* As outlined in note 2(h): 'Revenue Recognition', 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 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 can not 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.

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 seller (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.

In the event of an exceptional land sale, that is where the sale proceeds are well in excess of the average revenue from the sale of Territory land), the transaction is reviewed on a case-by-case basis to determine the extent to which the land sales revenue should be apportioned between 'value add' and 'market gains'. There were no exceptional land sales recorded in 2011-12.

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.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ak) Significant Accounting Judgements and Estimates - Continued

- (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 notes 2(h): 'Revenue Recognition' and 2(ak)(i): 'Significant Accounting Judgements and Estimates: Land Revenue' for information regarding how market gains on land sales is calculated.

- (iii) *Fair Value of Assets:* The Territory has made a significant judgement 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.

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

- (iv) *Employee Benefits:* The Territory has made a significant judgement in estimating the liability for employee benefits. The estimated liability for employee benefits requires consideration of the future wage and salary levels, experience of employee departures 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 Note 2(ag): 'Employee Benefits' and Note 3: 'Change in Accounting Policies, Accounting Estimates and Prior Year Comparatives'.

- (v) *Property, Plant and Equipment (PPE):* The Territory has made significant estimates 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 has been based 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 impairment. If this assessment indicates an asset is impaired, then an assessment of the asset's recoverable amount must be estimated to determine whether an impairment loss must be recognised.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ak) Significant Accounting Judgements and Estimates - Continued

- (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 debt is written-off in the Territory's financial statements, these 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. The superannuation liability calculated is the employer-financed cost of the superannuation benefits, excluding productivity benefits, provided to ACT Government employees who are members of the CSS or PSS from the latter of 1 July 1989, the date at which the ACT agency started, or the date the member's employment commenced. The liability estimate as at 30 June 2012 is based on the following assumptions.

Data:

Contributor data for CSS and PSS members who were ACT Government employees as at 30 June 2012 was obtained from the Commonwealth Government agency, ComSuper.

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.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ak) Significant Accounting Judgements and Estimates - Continued

(ix) *Estimated Superannuation Liabilities - Continued*

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 in line with AASB 119: 'Employee Benefits'.

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:

	2012	2011
Discount Rate	3.41%	5.28%
Salary Increase	4.00%	4.00%
CPI Increase	2.50%	2.50%

Reflects a 10 year government bond yield at 30 June (2011) and a 15 year government bond yield (2012)

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.

(x) *Biological Assets:* Plantation Growing Stock values have been determined through an independent valuation performed by an expert forestry consultant (Forsci Pty Ltd) using sustainable yield of the plantations determined by the professional judgement and expertise of Territory officers. Pre-commercial stock is valued using the average establishment cost of each forest plus an annual maintenance cost per hectare and a compound annual interest rate of 6 per cent. Commercial stock is valued at estimated value on liquidation using statistical estimation of grade, age, class, volume, site characteristics and other key attributes based on the following key assumptions:

- * product distributions within the standing timber volumes are based on historic distributions; and
- * prices for products are based on agreed sale prices with mills, after deducting harvesting and transport costs.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ak) Significant Accounting Judgements and Estimates - Continued

(xi) *Valuation of TransACT:* The value for 'Investments in Associated Entities', in Note 34: 'Investments Accounted for Using the Equity Method', represents an assessment of the recoverable amount in relation to the investment in TransACT Communications Pty Ltd (TransACT). As there is no market for this investment, the determination of its recoverable amount is a matter of considerable judgement. In November 2011, iiNet, a publically listed company on the Australian Stock Exchange purchased TransACT Communications Ltd, including the Territory's interest.

(xii) *Valuation of Land Under Roads:* Significant judgement has been made in determining the fair value of land under roads. The Australasian Valuers-General have issued a guidance note on 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.

(xiii) *Project Costing:* Significant judgements have been applied to costs expected to be incurred over the life of all individual land projects by the Land Development Agency. Calculations are based on invoices paid to date, accrued expenditure and an estimation of costs still to be incurred to ensure satisfactory completion of the project. Furthermore, an appropriate contingency is calculated based on management experience and expertise together with accepted industry norms. Significant estimates have been made to calculate the cost of each block of land sold. The computation allocates a percentage of the estimated total forecast expenditure to each individual block based on the square metres of each individual block in comparison to the overall size of the land being developed.

The latest review of project costings was conducted in 2011-12.

(xiv) *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.

(xv) *Land Rent Assets:* Land held under the land rent scheme is classified as property, plant and equipment. The Territory has made a judgement that this land is not held for trading purposes.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

a) Variance Analysis

Significant movements between financial years ended 30 June 2012 and 30 June 2011, are discussed at *Appendix A*. Significant movements between 30 June 2012 Actual financial results and the 2011-12 Budget, as presented in the 2011-12 Budget Papers, are discussed at *Appendix B*.

Paragraph 65 of AASB 1049: 'Whole of Government and General Government Sector Financial Reporting' (AASB 1049) states that significant movements to be disclosed 'are those relevant to an assessment of the discharge of accountability and to an analysis of performance of government'. With regard to that criteria the Territory has determined that for *Appendix B* significant variances are those more than 15 per cent and \$18 million.

For *Appendix A* significant variances are those more than 10 per cent and \$5 million.

For the 30 June 2012 Actual to 2011-12 Budget variance analysis, only face of statement line items have been explained, as per AASB 1049 requirements. For the 30 June 2012 Actual to 30 June 2011 Actual variance analysis, the Territory has explained variances at note level. The 2011-12 Budget numbers have not been audited.

3 CHANGE IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR COMPARATIVES

a) Change in Accounting Policies and Estimates

Revision of the Rate used to Estimate the Present Value of Employee Benefits

In 2011-12, the rate used to calculate the value of future payments for long service leave increased from 92.2 per cent in 2010-11 to 106.6 per cent in 2011-12. This resulted in an increase in the estimated long service leave liability of approximately \$36 million.

Bi-Annual Review of Project Costing

Bi-annual reviews are undertaken of the Territory's estimated costs for land related projects to ensure that the current financial status reflects all known facts at the review date.

The bi-annual review for 2011-12 resulted in adjustments to total estimated costs of various projects. The overall impact of the adjustments was to decrease cost of goods sold and increase inventory by \$10.951 million.

b) Correction of Prior Period Errors

The Territory had no material prior period errors.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3 CHANGE IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR COMPARATIVES - CONTINUED

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. 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:

- * AASB 9 Financial Instruments (application date 1 January 2013);
- * AASB 10 Consolidated Financial Statements (application date 1 January 2013);
- * AASB 11 Joint Arrangements (application date 1 January 2013);
- * AASB 12 Disclosure of Interests in Other Entities (application date 1 January 2013);
- * AASB 13 Fair Value Management (application date 1 January 2013);
- * AASB 119 Employee Benefits (application date 1 January 2013);
- * AASB 127 Separate Financial Statements (application date 1 January 2013);
- * AASB 128 Investments in Associates and Joint Ventures (application date 1 January 2013);
- * AASB 1049 Whole of Government and General Government Sector Financial Reporting (application date 1 July 2012);
- * AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (application date 1 January 2013);
- * AASB 2011-3 Amendments to Australian Accounting Standards - Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049] (application date 1 July 2012);
- * AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124] (application date 1 July 2013);
- * AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (application date 1 January 2013);
- * AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 101, 107, 112, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (application date 1 January 2013);

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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3 CHANGE IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR COMPARATIVES - CONTINUED

c) Impact of Accounting Standards Issued but yet to be Applied - Continued

- * AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (application date 1 July 2012);
- * AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14] (application date 1 January 2013);
- * AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities [AASB 7 & AASB 132] (application date 1 January 2013);
- * AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132] (application date 1 January 2014); and
- * AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2] (application date 1 January 2013).

4 DISAGGREGATED INFORMATION

The Territory's financial statements show the assets, liabilities and equity, revenue and expenses and receipts and payments that are reliably attributable to the General Government Sector (GGS) and Public Trading Enterprises (PTE) activities of the Government. The sectors have been determined in accordance with the principles used in the Government Financial 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 sector). 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 each sector can be found at Note 5: '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 Sector (PTE)

PTE entities include those directorates, statutory authorities and Territory-owned corporations 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
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5 AUSTRALIAN CAPITAL TERRITORY GOVERNMENT CONTROLLED ENTITIES

General Government Sector

ACT Auditor-General
ACT Compulsory Third Party Insurance Regulator
ACT Executive
ACT Gambling and Racing Commission
ACT Insurance Authority
ACT Public Cemeteries Authority
Canberra Institute of Technology
Chief Minister and Cabinet Directorate
Community Services Directorate
Cultural Facilities Corporation
Economic Development Directorate
Education and Training Directorate
Environment and Sustainable Development Directorate
Exhibition Park Corporation
Health Directorate
Home Loan Portfolio
Independent Competition and Regulatory Commission
Justice and Community Safety Directorate
Legal Aid Commission (ACT)
Legislative Assembly Secretariat
Public Trustee for the ACT
Shared Services Centre
Superannuation Provision Account
Territory and Municipal Services Directorate
Territory Banking Account
Totalcare Industries Limited
Treasury Directorate

Public Trading Enterprises

ACTEW Corporation Limited
ACTION
ACTTAB Limited
CIT Solutions Pty Limited
Housing ACT
Land Development Agency

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

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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<u>REVENUE</u>	General Government Sector		Total Territory	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
	6 TAXATION REVENUE			
Duties	320	426	320	425
Payroll Tax	316	286	307	276
General Rates	209	198	199	189
Motor Vehicle Registrations	94	90	94	90
Land Tax	115	110	115	109
Gambling Taxes	53	53	52	52
Fire and Emergency Services Levy	28	27	27	25
Utilities (Network Facilities) Tax	20	22	14	14
Lease Variation Charge	9	14	9	14
Ambulance Levy	16	15	16	15
Energy Industry Levy	3	3	3	3
Total Taxation Revenue	1,183	1,244	1,155	1,212
7 GRANTS REVENUE				
GST Revenue Grants ^(a)	837	833	837	833
Municipal Service Payments ^(b)	36	35	36	35
National Specific Purpose Grants ^(c)	464	430	464	430
National Partnership Payments ^(d)	266	281	268	282
Other Grants ^(e)	1	3	1	3
Total Commonwealth Grants Revenue	1,605	1,582	1,606	1,583
Gains from Contributed Asset ^(f)	93	25	55	1
Total Gains from Contributed Assets	93	25	55	1
Total Grants Revenue	1,698	1,607	1,661	1,584

Notes: (a) GST Revenue Grants represent the distribution of Goods and Services Tax revenue collected by the Commonwealth Government and onpassed to State and Territory Governments.

(b) Municipal Service Payments represent Commonwealth grants for Assistance for Water and Sewerage Services and National Capital Influences which compensate the Territory for a number of factors such as 'rating disability' due to the number of national institutions in the ACT that cannot be taxed.

(c) National Specific Purpose 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.

(d) 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.

(e) Other grants relate to direct funding received from the Commonwealth under the Regional and Local Community Infrastructure Program.

(f) 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.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government Sector		Total Territory	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
8 REVENUE FROM ASSOCIATIONS AND JOINT VENTURES				
Land Development Joint Ventures	-	-	38	22
ActewAGL Joint Venture	-	-	82	84
Total Revenue from Associates and Joint Ventures	-	-	121	105

9 OTHER SALES OF GOODS AND SERVICES

Sales of Goods and Services revenue 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.

Water, Sewerage and Other Services	-	-	216	189
Residential Housing Tenants and Rental Income	9	8	90	86
Health Cross-Border Revenue	130	96	130	96
Hospital and Other Health Services	103	104	103	104
Regulatory Services ^(a)	70	69	70	69
Vocational and Tertiary Education and Training Fees	35	37	49	50
Totalisator Commissions ^(b)	-	-	29	29
Bus Services	-	-	21	19
Services Receipts ^(c)	27	30	27	30
Parking Fees	15	15	15	15
Fire Services	12	12	12	12
Drivers' Licences	10	9	10	9
Water Abstraction Charge	22	21	-	-
Other Sales and Services	41	45	28	30
Total Other Sales of Goods and Services	472	446	800	739

Notes: (a) Regulatory services represent fees such as transport regulation, road safety, building levies and development applications.

(b) Totalisator commissions represent commission on wagering turnover collected by ACTTAB Limited.

(c) Service receipts includes items such as venue and equipment hire, event management, sports match receipts, extension of time to build fees, laundering revenue and merchandise sales.

10 INTEREST INCOME

Interest Received from Banks	67	76	78	87
Interest Received - Non Bank	96	88	30	29
Other Interest	5	11	7	11
Total Interest Income	168	175	114	127

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

		General Government Sector		Total Territory	
		2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
11	DIVIDEND AND INCOME TAX EQUIVALENTS INCOME				
	Dividends from Public Trading Enterprises	207	91	-	-
	Dividends from Super Investments	125	119	125	119
	Income Tax Equivalents from Public Trading Enterprises	114	57	-	-
	Total Dividend and Income Tax Equivalents Income	446	266	125	119
12	LAND REVENUE (VALUE ADD COMPONENT)				
	The 'value add' component of land revenue reflects earnings attributable to works undertaken which have contributed to an increase in the value of land sold.				
	Land Revenue (Value Add Component)	-	-	132	94
	Total Land Revenue (Value Add Component) (Refer Note 2(h): 'Revenue Recognition')	-	-	132	94
13	OTHER REVENUE				
	Fines	27	29	27	29
	Contributions ^(a)	19	19	19	19
	Land Rental	8	7	8	7
	Superannuation Contributions	13	13	4	4
	Net Insurance Recoveries	14	11	14	11
	Other ^(b)	71	59	81	68
	Total Other Revenue	151	137	154	137

Notes: (a) Contributions primarily relate to voluntary contributions for education, fundraising revenue and excursion funds.

(b) Other revenue primarily relates to direct grants, donations, sponsorships, fees and recoveries.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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FOR THE YEAR ENDED 30 JUNE 2012

EXPENSES	General Government Sector		Total Territory	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
14 EMPLOYEE EXPENSES				
Wages and Salaries	1,320	1,238	1,424	1,335
Long Service Leave	29	25	31	27
Annual Leave	66	49	71	54
Workers' Compensation Insurance Premium	42	34	49	39
Other Employee Benefits and On-Costs	7	4	8	5
Total Employee Expenses	1,464	1,351	1,583	1,460

15 SUPERANNUATION EXPENSES

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

- * the present value of interest and service costs due to the Commonwealth Government (ComSuper) 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 ComSuper on behalf of employees who are members of the Public Sector Superannuation Scheme accumulation plan (PSSap);
- * employer productivity payments made directly to ComSuper 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)	265	230	265	230
Other Superannuation Expenses	237	239	243	245
Total Superannuation Expenses for the Reporting Period	502	469	509	475

Represented by:

Superannuation Expenses (CSS and PSS)	420	396	420	396
Superannuation Payment to ComSuper (for the PSSap)	8	8	9	9
Productivity Benefit	17	18	19	19
Superannuation to Other External Providers, including Fund of Choice	56	46	61	50
Total Superannuation Expenses	502	469	509	475

Note: (a) Superannuation Interest Cost is a component of total superannuation expense, and represents the imputed interest accrued on unfunded superannuation liabilities. In an unfunded superannuation scheme, the increase in superannuation liability is taken as being equivalent to the liability that would be generated under a fully funded scheme as if the employer was paying into a separate superannuation fund. In this scenario, the Government is viewed as compulsorily 'borrowing' from employees the value of the increase in superannuation liability each period. In doing so, it sustains an additional cost for the use of these 'borrowed' funds, which is an interest expense. The cost of these 'borrowed' funds is presented as superannuation interest cost.

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.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government Sector		Total Territory	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
16 DEPRECIATION AND AMORTISATION				
Buildings	99	87	115	102
Leasehold Improvements	8	11	10	11
Plant and Equipment	52	49	61	57
Infrastructure Assets	129	131	169	162
Heritage and Community Assets	4	4	4	4
Total Depreciation	291	282	357	336
Intangible Assets	10	6	11	7
Total Amortisation	10	6	11	7
Total Depreciation and Amortisation	302	288	369	343
17 INTEREST EXPENSE				
Interest Expense on Borrowings	82	70	81	71
Interest Expense on Commonwealth Borrowings	5	5	9	10
Interest Paid to Agencies	7	9	-	-
Finance Charges on Finance Leases	2	2	2	2
Total Interest Expense	96	86	92	83
18 SUPPLIES AND SERVICES				
Communication and Computer Expenses	42	40	46	43
Travel, Accommodation and Transport Expenses	17	17	19	16
Printing and Stationery	22	18	23	20
Materials, Equipment and Supplies	163	160	204	183
Property Rental and Occupancy Expenses (including Utilities)	61	57	53	50
Repairs and Maintenance	117	107	160	148
Consultant Fees, Contractor Payments and Professional Services	165	156	175	167
Staff Development and Recruitment	19	17	19	18
Community Policing	142	139	142	139
GST Administration Costs to the Australian Taxation Office	11	11	11	11
Compensation Payments	7	4	7	4
Insurance Payments	0	0	1	1
Other Supplies and Services ^(a)	3	8	4	9
Total Supplies and Services	770	734	864	808

Note: (a) Other Supplies and Services represent items such as marketing, promotions and advertising, payment

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government		Total Territory	
	Sector			
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
19 OTHER OPERATING EXPENSES				
Share of Losses in Associate (TransACT) ^(a)	-	-	-	4
Provision for Diminution of TransACT Investment ^(a)	-	-	-	-4
Cost of Goods Sold	17	21	137	168
School Management Costs (Incurred Directly by Schools)	56	55	56	55
Net Insurance Claim Payments	65	36	62	34
Concessions and Community Service Obligations	29	25	11	8
Other	28	50	34	39
Total Other Operating Expenses	195	186	300	304

(a) In November 2011, iiNet Limited acquired the Territory's share of TransACT Communications Ltd.

20 GRANT EXPENSES

Grants are amounts provided to Public Trading Enterprises agencies and non-ACT Government entities for general assistance or for a particular purpose. Grants may be for capital, one-off or ongoing purposes and the name or category reflects the use of the grant. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Government grants and purchased services expense was comprised of amounts relating to:

Grants to Non-Government Schools	209	229	209	229
Grant Payment (Education and Community Services)	17	18	41	40
Purchase of Health Services from Calvary Hospital	152	141	152	141
Payments to Non-Government Organisations (Health and Disability)	163	141	163	141
First Home Owners' Grant and Boost	19	25	19	25
Other Current Grants	115	111	36	38
Capital Grants	1	1	7	16
Community Activity	9	11	9	11
Appropriation Payments and Asset Transfers	63	56	5	0
Total Grant Expenses	747	734	641	643

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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<u>OTHER ECONOMIC FLOWS</u>	General Government Sector		Total Territory	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
	<p>'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.</p>			
21 DIVIDENDS - MARKET GAINS ON LAND SALES				
The 'market gains' portion of dividends on land sales reflects the after 'income tax equivalents' profit on the sale of land attributable to market gains.				
Dividends - Market Gains on Land Sales	15	11	-	-
Total Dividends - Market Gains on Land Sales	15	11	-	-
22 LAND REVENUE (MARKET GAINS ON LAND SALES)				
The 'market gain' portion of land revenue reflects the growth in the value of land sold that is attributable to prevailing market conditions.				
Land Revenue (Market Gains on Land Sales)	-	-	21	15
Total Land Revenue (Market Gains on Land Sales)	-	-	21	15
(refer Notes 2(h): 'Revenue Recognition' and 2(ak): 'Significant Accounting Judgements and Estimates').				
23 NET LAND REVENUE (UNDEVELOPED LAND VALUE)				
Land Revenue (Undeveloped Land Value) reflects the unimproved value of land sold. The General Government amount reflects revenue from the sale of undeveloped land to the Public Trading Enterprises sector. The Total Territory amount represents the portion of revenue from the sale of land to the community that relates to undeveloped land.				
Land Revenue (Undeveloped Land Value)	129	67	129	67
Total Net Land Revenue (Undeveloped Land Value)	129	67	129	67
(refer Notes 2(h): 'Revenue Recognition' and 2(ak): 'Significant Accounting Judgements and Estimates').				
24 NET GAIN/(LOSS) ON SALE OF NON-FINANCIAL ASSETS				
<i>Add:</i> Other Gains (non-core activities)	2	19	4	23
Asset Revaluation	2	-	4	7
<i>Less:</i> Impairment Losses and Write-Offs	8	0	11	15
Decrements Arising from Revaluation of Assets	0	6	0	11
Other Losses (Non-Core Activities)	43	-	45	-
Loss on Disposal of Assets	18	21	15	22
Total Net Gain/(Loss) on Sale of Non-Financial Assets	-64	-8	-63	-18
25 NET GAIN/(LOSS) ON FINANCIAL ASSETS OR LIABILITIES AT FAIR VALUE				
Realised and Unrealised Gains on Investments	42	116	42	117
Realised and Unrealised Losses on Investments	-175	-49	-175	-48
Total Net Gain/(Loss) on Financial Assets or Liabilities	-133	68	-133	69
26 DOUBTFUL DEBTS				
Doubtful Debts	-10	-9	-12	-11
Total Doubtful Debts	-10	-9	-12	-11

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government Sector		Total Territory	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
27 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 (including the General Government Sector).				
A waiver is the relinquishment of a legal claim to a debt over which the Territory has control. 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				
Waivers ^(a)	1	3	1	3
Total Waivers	1	3	1	3
Impairment Losses				
<i>Impairment Loss from Receivables</i>				
Receivables	4	-1	5	-
<i>Total Impairment Loss from Receivables</i>	4	-1	5	-
<i>Impairment Loss from Property, Plant and Equipment</i>				
Plant and Equipment	1	-	3	15
<i>Total Impairment Loss from Property, Plant and Equipment</i>	1	-	3	15
Total Impairment Losses	5	-1	7	15
Write-Offs				
Write-Offs	7	5	8	5
Total Write-Offs	7	5	8	5
Total Waivers, Impairment Losses and Write-Offs	13	7	17	23

Note: (a) There were 289 waivers provided for in 2011-12 for the General Government Sector (GGS) and 290 for the Territory (162 in 2010-11 for the GGS and the Territory).

28 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 three 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 \$173,526. There were two Act of Grace Payments for the GGS and the Territory, totalling \$42,670 in 2010-11.

The FMA requires Act of Grace payments made by the Territory to be reported in the notes to agency financial statements in the financial year the payments were made.

The FMA also requires that the notes to the financial statements indicate the amount and grounds for each Act of Grace payment (this disclosure is made in agency financial statements to which they relate), and that the financial statements shall not disclose the identity of an Act of Grace payment recipient unless disclosure was agreed to by the recipient.

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ASSETS	General Government		Total Territory	
	Sector			
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
29 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 on Hand	1	1	1	1
Cash at Bank	309	179	347	229
At Call Deposits and Short-Term Deposits	11	8	11	8
Total Cash and Deposits	321	187	359	238
30 ADVANCES PAID				
Advances paid include loans made by the Territory Banking Account on behalf of the Public Trading Enterprises sector and loans provided to Community Housing Canberra Limited and the University of Canberra.				
Current Loans Receivable	29	93	2	0
Non-Current Loans Receivable	1,428	1,178	91	47
Less Allowance for Impairment Losses	-2	-3	-2	-3
Total Advances Paid	1,454	1,269	91	45
31 INVESTMENTS, LOANS AND PLACEMENTS				
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 2002</i> .				
<i>Current Investments</i>				
Short-Term Securities	-	-	183	292
Other Current Investments	889	973	889	974
Total Current Investments (refer Note 2(r): 'Investments')	889	973	1,072	1,266
<i>Non-Current Investments</i>				
Long-Term Securities	-	-	1	1
Government Fixed Interest Bonds	687	615	687	615
Shares and Equities	1,326	1,396	1,326	1,396
Investment in Property Trusts	250	246	250	246
Other Non-Current Investments	1	-	9	1
Total Non-Current Investments (refer Note 2(r): 'Investments')	2,264	2,256	2,273	2,258
Total Investments, Loans and Placements	3,153	3,230	3,345	3,525

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	General Government		Total Territory	
	Sector			
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
32 RECEIVABLES				
<i>Current Receivables</i>				
Trade Receivables	162	178	178	205
Right to Receive Infrastructure from Land Developers ^(a)	-	-	38	29
Other Trade Receivables	7	15	8	3
Prepayments	12	11	49	31
Less Allowance for Impairment Losses	-23	-18	-28	-23
Net Current Trade Receivables	159	186	244	245
Accrued Revenue	188	86	42	58
Other Current Receivables	75	46	83	46
Total Current Receivables (refer Note 2(p): 'Receivables')	422	318	370	348
<i>Non-Current Receivables</i>				
Trade Receivables	3	3	5	6
Right to Receive Infrastructure from Land Developers ^(a)	-	-	6	11
Insurance Receivables	86	81	86	81
Less Allowance for Impairment Losses	-	-1	-	-1
Net Non-Current Receivables	89	83	97	97
Accrued Revenue	-	-	-	-
Other Receivables	1	3	6	7
Total Non-Current Receivables (refer Note 2(p): 'Receivables')	89	86	102	105
Total Receivables	511	405	472	453
Reconciliation of the Allowance for Impairment Losses				
Allowance for Impairment Losses at the Beginning of the Reporting Period	18	20	23	24
Additional Allowance Recognised	11	3	13	5
Less: Reduction in Allowance from Amounts Recovered During the Year	-7	-5	-8	-6
Allowance for Impairment Losses at the End of the Reporting Period	23	18	28	23

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.

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32 RECEIVABLES - CONTINUED

Ageing of Receivables - General Government Sector

	Not Overdue	Past Due			Total
		Less than	30 to 60	Greater than	
		30 Days	Days	60 Days	
	\$m	\$m	\$m	\$m	\$m
2011-12					
Not Impaired					
Receivables	494	8	3	3	511
Impaired					
Receivables	-	-	7	16	23
2010-11					
Not Impaired					
Receivables	361	12	6	27	405
Impaired					
Receivables	-	-	4	14	18

Ageing of Receivables - Total Territory

	Not Overdue	Past Due			Total
		Less than	30 to 60	Greater than	
		30 Days	Days	60 Days	
	\$m	\$m	\$m	\$m	\$m
2011-12					
Not Impaired					
Receivables	444	11	8	6	472
Impaired					
Receivables	-	-	8	21	28
2010-11					
Not Impaired					
Receivables	403	13	7	30	453
Impaired					
Receivables	-	-	4	19	23

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government Sector		Total Territory	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
	33 INVESTMENTS IN OTHER PUBLIC SECTOR ENTITIES			
Investments in Other Public Sector Entities shows the General Government Sector's investment in the Public Trading Enterprises sector.				
Investments in Other Public Trading Entities	5,523	5,522	-	-
Total Investments in Other Public Sector Entities	5,523	5,522	-	-
34 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
Investments in Associates				
Investments in Associated Entities	-	-	-	41
Less: Share of Accumulated Losses in Associate (TransACT)	-	-	-	31
		-	-	10
Less: Provision for Diminution in the Value of the TransACT Investment	-	-	-	6
Carrying Value of the Investment in TransACT^(a)		-	-	4
Investments in Joint Ventures				
Investment in Joint Ventures - Current	-	-	25	18
Investment in Joint Ventures - Non-Current	-	-	562	530
Total Investments Accounted for Using the Equity Method	-	-	586	548

(refer Note 2(ae): 'Joint Ventures', Note 2(ak): 'Significant Accounting Judgements and Estimates' and Note 57: 'Interest in Joint Venture Entities').

Note: (a) In November 2011, iiNet Limited acquired the Territory's share of TransACT Communications Ltd.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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35 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 land associated with the Territory's educational facilities, but excludes land under roads.

Buildings: includes office buildings, warehouses, hospitals, school buildings, community health centres, other clinical and corporate facilities, emergency service facilities and courts.

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

Plant and Equipment: includes motor vehicles under finance leases, 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 land under roads and infrastructure.

Trees: in addition to property, plant and equipment (as detailed on the following pages), the Territory, through the General Government Sector, manages trees in urban open spaces in Canberra. The value of these trees is incorporated in the land values in the heritage and community asset class. The Territory has established the following estimate of replacement costs of the trees in urban open space as at 30 June 2012. This replacement cost estimate is shown below, however in no way does this represent the fair value of the trees, nor is this the value that is included in the fair value of urban open space.

	2011-12 Number of Trees '000	2011-12 Actual Value \$m	2010-11 Number of Trees '000	2010-11 Actual Value \$m
Plantations ^(a)				
Native Species	304	82	297	80
Exotic Species	428	154	418	151
	732	236	715	231

Note: (a) Plantations shown above relate to both General Government Sector and the Territory.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government Sector		Total Territory	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
35 PROPERTY, PLANT AND EQUIPMENT - CONTINUED				
LAND AND BUILDINGS				
Land at Fair Value	972	973	4,056	4,056
Land Restoration at Fair Value	17	17	17	17
Less: Accumulated Depreciation on Landfill Restoration	14	15	14	15
Total Land at Fair Value	975	975	4,058	4,058
Buildings at Fair Value	3,192	3,011	4,512	4,319
Less: Accumulated Depreciation	83	65	99	80
Less: Accumulated Impairment Losses	1	0	1	0
Total Buildings at Fair Value	3,108	2,945	4,413	4,239
Total Written Down Value of Land and Buildings	4,083	3,921	8,471	8,297
PLANT AND EQUIPMENT				
Plant and Equipment at Cost	310	322	329	339
Less: Accumulated Depreciation	165	151	175	161
Less: Accumulated Impairment Losses	1	0	1	0
Total Plant and Equipment at Cost	144	171	154	178
Plant and Equipment at Fair Value	87	62	188	151
Less: Accumulated Depreciation	11	6	17	10
Total Plant and Equipment at Fair Value ^(a)	75	56	171	142
Total Written Down Value of Plant and Equipment	219	227	325	320
LEASEHOLD IMPROVEMENTS				
Leasehold Improvements at Cost	31	28	38	32
Less: Accumulated Depreciation	23	22	26	22
Total Leasehold Improvements at Cost	8	6	12	10
Leasehold Improvements at Fair Value	48	53	47	55
Less: Accumulated Depreciation	5	8	5	8
Total Leasehold Improvements at Fair Value	43	45	42	47
Total Written Down Value of Leasehold Improvements	51	53	54	57

Note: (a) Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

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	General Government Sector		Total Territory	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
35 PROPERTY, PLANT AND EQUIPMENT - CONTINUED				
INFRASTRUCTURE ASSETS				
Infrastructure Assets at Fair Value	6,491	6,341	7,936	7,716
Less: Accumulated Depreciation	160	164	314	278
Less: Accumulated Impairment Losses	3	3	3	3
Total Infrastructure Assets at Fair Value	6,328	6,173	7,619	7,435
Total Written Down Value of Infrastructure Assets	6,328	6,173	7,619	7,435
HERITAGE AND COMMUNITY ASSETS				
Heritage and Community Assets at Fair Value	2,342	1,934	2,342	1,934
Less: Accumulated Depreciation	1	3	1	3
Total Heritage and Community Assets at Fair Value	2,341	1,931	2,341	1,931
Total Written Down Value of Heritage and Community Assets	2,341	1,931	2,340	1,931
Total Written Down Value of Property, Plant and Equipment	13,021	12,305	18,809	18,040

(Refer Notes 2(u): 'Acquisition and Recognition of Property, Plant and Equipment' and (v): '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	10,601	9,756	13,306	12,408
Non-Produced Assets	2,420	2,549	5,503	5,632
Total of Property, Plant and Equipment	13,021	12,305	18,809	18,040

Valuation of Non-Current Assets

The Territory's assets are valued either by The Australian Valuation Office, an independent and qualified valuer, or internally by Officers of Directorates using industry standards. The Territory's assets have been valued progressively over the 2002 to 2012 period, with most valuations occurring in the latter part of the period (Refer Note 2(v): 'Measurement of Property, Plant and Equipment After Initial Recognition').

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General Government Sector		Total Territory	
2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m

35 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

Assets Under a Finance Lease

Assets under a Finance Lease are included in the asset class to which they relate in the above disclosure. Assets under a Finance Lease are also required to be separately disclosed as outlined below:

Plant and Equipment Under a Finance Lease at Cost	15	24	15	24
Less: Accumulated Depreciation	1	9	1	9
Less: Accumulated Impairment Losses	-	-	-	-
Total of Leased Plant and Equipment at Cost	13	15	13	15
Plant and Equipment Under a Finance Lease at Fair Value	9	10	10	11
Less: Accumulated Depreciation	3	3	3	3
Less: Accumulated Impairment Losses	-	-	-	-
Total of Leased Plant and Equipment at Fair Value	6	7	7	8
Total Written Down Value of Plant and Equipment Under a Finance Lease^(a)	20	22	21	22
Total Written Down Value of Assets Under a Finance Lease	20	22	21	22

Note (a) Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars

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35 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 2011-12.

	<i>Land</i>	<i>Buildings</i>	<i>Plant and</i>	<i>Leased Plant</i>	<i>Leasehold</i>	<i>Infrastructure</i>	<i>Heritage and</i>	<i>Total</i>
	<i>\$m</i>	<i>\$m</i>	<i>Equipment</i>	<i>and Equipment</i>	<i>Improvements</i>	<i>Assets</i>	<i>Assets</i>	<i>\$m</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Balance at 1 July 2011	975	2,945	205	22	53	6,173	1,931	12,305
Additions	149	206	52	-	2	234	54	698
Assets Classified as Held for Sale	-	-	-1	-	-	-	-	-1
Revaluation Adjustments	-136	37	3	-	1	83	351	338
Impairment Losses Recognised Directly in Equity	-	-	-	-	-	-	-	-1
Depreciation	-	-99	-52	-	-8	-129	-4	-292
Disposals	-9	-	-5	-	-1	-	-	-14
Impairment Losses Recognised in the Operating Statement	-	-	-1	-	-	-	-	-1
Other Movements/Reclassifications	-3	18	-8	3	3	-33	9	-11
Balance at 30 June 2012^(a)	975	3,108	194	25	51	6,328	2,341	13,021

Note: (a) Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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35 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 2010-11.

	<i>Land</i>	<i>Buildings</i>	<i>Plant and Equipment</i>	<i>Leased Plant and Equipment</i>	<i>Leasehold Improvements</i>	<i>Infrastructure Assets</i>	<i>Heritage and Community Assets</i>	<i>Total</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Balance at 1 July 2010	991	2,436	180	26	34	6,142	1,829	11,638
Additions	28	425	91	-	23	149	24	740
Revaluation Adjustments	-31	182	-4	-	7	18	77	248
Impairment Losses Recognised Directly in Equity	-	-7	0	-	-	-	-	-7
Depreciation	-	-87	-49	-	-11	-131	-4	-282
Disposals	-9	-1	-12	-	-	-	-	-22
Impairment Losses Recognised in the Operating Statement	-	0	0	-	-	-1	-	-
Other Movements/Reclassifications	-3	-3	-	-5	0	-3	4	-10
Balance at 30 June 2011^(a)	975	2,945	205	22	53	6,173	1,931	12,305

Note: (a) Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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35 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 2011-12.

	<i>Land \$m</i>	<i>Buildings \$m</i>	<i>Plant and Equipment \$m</i>	<i>Leased Plant and Equipment \$m</i>	<i>Leasehold Improvements \$m</i>	<i>Infrastructure Assets \$m</i>	<i>Heritage and Community Assets \$m</i>	<i>Total \$m</i>
Balance at 1 July 2011	4,058	4,239	298	22	57	7,435	1,931	18,040
Additions	161	251	73	-	3	305	54	848
Assets Classified as Held for Sale	-15	-4	-1	-	-	-	-	-20
Revaluation Adjustments	-129	29	4	-	1	83	351	339
Impairment Losses Recognised Directly in Equity	-	-	-	-	-	-	-	-1
Depreciation	-	-115	-61	-	-10	-169	-4	-358
Disposals	-14	-6	-5	-	-1	-	-	-26
Impairment Losses Recognised in the Operating Statement	-	-	-1	-	-	-2	-	-3
Reversal of Impairment Losses	-	-	1	-	-	-	-	1
Other Movements/Reclassifications	-3	18	-8	3	3	-33	9	-11
Balance at 30 June 2012^(a)	4,058	4,413	300	25	54	7,619	2,340	18,809

Note: (a) Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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Reconciliation of Property, Plant and Equipment - Total Territory - Continued

The following table shows the movement in each class of Property, Plant and Equipment during 2010-11.

	<i>Land</i>	<i>Buildings</i>	<i>Plant and Equipment</i>	<i>Leased Plant and Equipment</i>	<i>Leasehold Improvements</i>	<i>Infrastructure Assets</i>	<i>Heritage and Community Assets</i>	<i>Total</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Balance at 1 July 2010	4,071	3,625	260	26	35	7,317	1,829	17,164
Additions	43	508	119	-	27	266	24	987
Assets Classified as Held for Sale	-29	-10	-1	-	-	-	-	-41
Revaluation Adjustments	-11	227	-10	-	7	18	77	308
Impairment Losses Recognised Directly in Equity	-	-7	0	-	-	-	-	-7
Depreciation	-	-102	-57	-	-11	-162	-4	-336
Disposals	-12	-7	-12	-	-	-	-	-32
Impairment Losses Recognised in the Operating Statement	-	-	-	-	-	-1	-	-1
Other Movements/Reclassifications	-4	6	-	-5	-1	-3	4	-1
Balance at 30 June 2011^(a)	4,058	4,239	298	22	57	7,435	1,931	18,040

Note: (a) Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

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	General Government Sector		Total Territory	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
	36 INVESTMENT PROPERTIES			
The Territory (through the General Government Sector) holds land related investment property.				
In accordance with AASB 140: 'Investment Property', the Territory has classified properties as investment properties if they would normally be tenanted by commercial organisations or are held for capital appreciation or both. Investment property is held at fair value based upon independent valuations undertaken by a qualified valuer.				
Land at Fair Value	3	3	3	3
Total Land at Fair Value	3	3	3	3
Total Investment Properties (refer Note 2(y): 'Investment Properties')	3	3	3	3
Income and Expense from Investment Properties				
Rental Income	0	-	0	-
Less: Direct Operating Expenses of Investment Properties that Generated Investment Income	0	0	0	0
Less: Direct Operating Expenses of Investment Properties that did not Generate Investment Income	-	1	-	1
Total Operating Profit from Investment Properties	0	-1	0	-1

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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36 INVESTMENT PROPERTIES - CONTINUED

Reconciliation of Investment Properties - General Government Sector (GGS) and Total Territory

The following table shows the movement of GGS and Total Territory investment properties during 2011-12.

	Land \$m	Total \$m
Balance at 1 July 2011	3	3
Net Gain or Loss on Revaluation	-	-
Other Movements	-	-
Balance at 30 June 2012	3	3

The following table shows the movement of GGS and Total Territory investment properties during 2010-11.

	Land \$m	Total \$m
Balance at 1 July 2010	3	3
Net Gain or Loss on Revaluation	-	-
Other Movements	-	-
Balance at 30 June 2011	3	3

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	General Government Sector		Total Territory	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
	37 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 and patient admission system software licences.				
Computer Software				
<i>Internally Generated Software</i>				
Computer Software at Cost	71	61	76	65
Less: Accumulated Amortisation	53	41	57	44
Total Internally Generated Software	18	20	19	21
<i>Externally Purchased Software</i>				
Computer Software at Cost	17	19	25	27
Less: Accumulated Amortisation	13	15	19	21
Total Externally Purchased Software	4	4	6	6
Total Computer Software	22	24	25	27
Other Intangibles				
<i>Externally Purchased Other Intangibles</i>				
Other Intangible Assets at Cost	1	1	35	27
Less: Accumulated Amortisation	1	0	1	0
Less: Accumulated Impairment Losses	-	-	3	6
Total Externally Purchased Other Intangibles	0	1	31	21
Total Other Intangibles	0	1	31	21
Total Intangible Assets (refer Note 2(z): 'Intangible Assets')	23	25	57	48

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37 INTANGIBLES - CONTINUED

Reconciliation of Intangible Assets - General Government Sector (GGS)

The following table shows the movement of each class of Intangible Asset held by the GGS during 2011-12.

	Internally Generated Software	Externally Purchased Software	Externally Purchased Other Intangibles	Total Intangible Assets
	\$m	\$m	\$m	\$m
Balance at 1 July 2011	20	4	1	25
Additions	5	2	-	7
Amortisation	-8	-2	-1	-10
Balance at 30 June 2012^(a)	18	4	0	23

The following table shows the movement of each class of Intangible Asset held by the GGS during 2010-11.

	Internally Generated Software	Externally Purchased Software	Externally Purchased Other Intangibles	Total Intangible Assets
	\$m	\$m	\$m	\$m
Balance at 1 July 2010	15	4	1	20
Additions	9	2	-	12
Amortisation	-4	-2	-	-6
Balance at 30 June 2011	20	4	1	25

Note: (a) Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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37 INTANGIBLES - CONTINUED

Reconciliation of Intangible Assets - Total Territory

The following table shows the movement of each class of Intangible Asset held by the Territory during 2011-12.

	Internally Generated Software \$m	Externally Purchased Software \$m	Externally Purchased Other Intangibles \$m	Total Intangible Assets \$m
Balance at 1 July 2011	21	6	21	48
Additions	10	2	14	26
Impairment Losses Recognised in the Operating Statement	-	-	-3	-3
Amortisation	-8	-2	-1	-11
Intangibles Capitalised	-4	-	-	-4
Balance at 30 June 2012(a)	19	6	31	57

The following table shows the movement of each class of Intangible Asset held by the Territory during 2010-11.

	Internally Generated Software \$m	Externally Purchased Software \$m	Externally Purchased Other Intangibles \$m	Total Intangible Assets \$m
Balance at 1 July 2010	16	6	28	50
Additions	9	2	4	16
Impairment Losses Recognised in the Operating Statement	-	-	-11	-11
Amortisation	-4	-3	-	-7
Balance at 30 June 2011^(a)	21	6	21	48

Note: (a) Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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	General Government Sector		Total Territory	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
38 INVENTORIES				
Raw Materials and Stores	0	1	4	5
Inventory Works in Progress	0	0	27	43
Finished Goods	9	11	46	35
Consumables	2	2	2	2
Total Current Inventories - at Cost (refer Note 2(s): 'Inventories')	12	14	78	85
Inventory Works in Progress	1	1	58	36
Total Non-Current Inventories - at Cost (refer Note 2(s): 'Inventories')	1	1	58	36
Total Inventories - at Cost	12	15	137	121

39 ASSETS HELD FOR SALE

Each year the Territory (and the General Government Sector) acquires and disposes of properties as part of its property portfolio restructuring program. Properties identified for sale under this program, but which remain unsold as at 30 June 2012, have been classified as 'Assets Held for Sale'.

Land Held for Sale	-	-	5	5
Buildings Held for Sale	-	-	1	1
Plant and Equipment Held for Sale	1	1	1	1
Total Assets Held for Sale (refer Note 2(t): 'Assets Held for Sale')	1	1	7	7

40 CAPITAL WORKS-IN-PROGRESS

Capital Works-in-Progress are assets being constructed over periods of time in excess of 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.

Construction - Residential Buildings	2	-	31	33
Construction - Non-Residential Buildings	286	196	282	192
Infrastructure	309	273	849	660
Software	56	37	57	37
Total Capital Works-in-Progress	653	505	1,218	922

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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40 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 2011-12.

	Construction Residential Buildings	Construction Non Residential Buildings	Infrastructure	Software	Total
	\$m	\$m	\$m	\$m	\$m
Balance at 1 July 2011	-	196	273	37	505
Additions	2	279	226	26	533
Capital Works-in-Progress Completed and transferred to Property, Plant and Equipment	-	-180	-181	-6	-367
Capital Works-in-Progress Completed and transferred to Intangibles	-	-1	-	-1	-3
Capital Works-in-Progress Completed and transferred to Expenses	-	-7	-9	-	-16
Balance at 30 June 2012^(a)	2	286	309	56	653

The following table shows the movement of Capital Works-in-Progress held by the GGS during 2010-11.

	Construction Residential Buildings	Construction Non Residential Buildings	Infrastructure	Software	Total
	\$m	\$m	\$m	\$m	\$m
Balance at 1 July 2010	-	293	210	29	532
Additions	-	227	192	18	437
Capital Works-in-Progress Completed and transferred to Property, Plant and Equipment	-	-319	-123	-10	-452
Capital Works-in-Progress Completed and transferred to Intangibles	-	-1	-3	0	-4
Capital Works-in-Progress Completed and transferred to Expenses	-	-5	-3	-	-7
Balance at 30 June 2011^(a)	-	196	273	37	505

Note: (a) Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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40 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 2011-12.

	Construction Residential Buildings \$m	Construction Non Residential Buildings \$m	Infrastructure \$m	Software \$m	Total \$m
Balance at 1 July 2011	33	192	660	37	922
Additions	52	279	461	27	819
Capital Works-in-Progress Completed and transferred to Property, Plant and Equipment	-54	-180	-264	-6	-504
Capital Works-in-Progress Completed and transferred to Intangibles	-	-1	-	-1	-3
Capital Works-in-Progress Completed and transferred to Expenses	-	-7	-9	-	-16
Balance at 30 June 2012^(a)	31	282	849	57	1,218

The following table shows the movement of Capital Works-in-Progress held by the Territory during 2010-11.

	Construction Residential Buildings \$m	Construction Non Residential Buildings \$m	Infrastructure \$m	Software \$m	Total \$m
Balance at 1 July 2010	52	289	476	29	846
Additions	87	227	341	18	673
Capital Works-in-Progress Completed and transferred to Property, Plant and Equipment	-106	-319	-151	-10	-586
Capital Works-in-Progress Completed and transferred to Intangibles	-	-1	-3	0	-4
Capital Works-in-Progress Completed and transferred to Expenses	-	-5	-3	-	-7
Balance at 30 June 2011^(a)	33	192	660	37	922

Note: (a) Totals may not add due to rounding errors caused by the reported figures being rounded to the nearest million dollars (see Note 2(f): 'Rounding').

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government Sector		Total Territory	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
41 BIOLOGICAL ASSETS				
Biological Assets - Forest Plantations (refer Note 2(ab): 'Biological Assets')	28	26	28	26
Total Biological Assets	28	26	28	26

LIABILITIES

42 DEPOSITS HELD				
Current Financial Creditors	120	162	16	15
Total Deposits Held	120	162	16	15
43 ADVANCES RECEIVED				
Current Advances from the Commonwealth Government	3	3	8	8
Non-Current Advances from the Commonwealth Government	86	90	168	180
Total Advances Received (refer Note 2(ad): 'Advances Received')	90	93	176	188

44 FINANCE LEASES

At the reporting date, the General Government Sector and the Territory had the following commitments under finance leases.

Within One Year	14	12	14	15
Later than One Year but not Later than Five Years	12	17	13	18
Later than Five Years	0	1	0	0
Minimum Lease Payments	26	30	27	33
Less: Future Finance Lease Charges	2	3	2	3
Total Present Value of Minimum Lease Payments	24	27	25	30
The present value of the minimum lease payments are as follows:				
Within One Year	13	11	13	14
Later than One Year but not Later than Five Years	11	17	12	17
Later than Five Years	0	-	0	-
Total Present Value of Minimum Lease Payments	24	27	25	30
Represented by:				
Current Liability	13	11	13	12
Non-Current Liability	11	16	12	17
Total Present Value of Minimum Finance Lease Payments (refer Note 2(a)): 'Leases')	24	27	25	28

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government Sector		Total Territory	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
45 OTHER BORROWINGS				
<i>Current Borrowings</i>				
Banks and Financial Institutions	56	2	56	2
Bonds and Bills	218	287	218	287
Total Current Borrowings	273	289	273	289
(refer Note 2(af): 'Interest Bearing Liabilities')				
<i>Non-Current Borrowings</i>				
Banks and Financial Institutions	0	1	0	1
Bonds and Bills	1,687	1,125	1,687	1,125
Total Non-Current Borrowings	1,688	1,127	1,688	1,127
(refer Note 2(af): 'Interest Bearing Liabilities')				
Total Other Borrowings	1,961	1,416	1,961	1,416
Credit Facilities				
Unrestricted access to lines of credit as approved by the ACT Government were as follows:				
Total Standby Facility	-	-	-	-
Used Standby Facility	-	-	-	-
Unused Standby Facility	-	-	-	-

Some agencies are able to operate their bank account in overdraft, on behalf of the ACT Government, for effective cash management purposes. If the account goes into overdraft throughout the year, the ACT Government is charged a rate of interest by the lender, as determined by reference to the applicable variable interest rate for the duration of the overdraft.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government Sector		Total Territory	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
46 SUPERANNUATION				
Superannuation Liability at the Beginning of the Reporting Period	4,878	4,606	4,878	4,606
Expense Accrued during the Period for Commonwealth Superannuation	420	396	420	396
Other Superannuation Expenses	82	73	89	79
Superannuation Expense	502	469	509	475
(refer Note 15: 'Superannuation Expenses')	5,380	5,075	5,387	5,080
Less: Actuarial Gain/(Loss) from Annual Review	-2,354	7	-2,354	7
Less: Payments during the Reporting Period for Superannuation	235	190	240	196
Superannuation Liability at the End of the Reporting	7,499	4,878	7,499	4,878
Represented by:				
Current Estimated Employee Superannuation Liability	167	154	168	154
Non-Current Estimated Employee Superannuation Liability	7,333	4,724	7,333	4,724
Total Superannuation Liabilities	7,500	4,878	7,500	4,878
(Refer Note 2(ah): 'Superannuation' and Note 2(ak): 'Significant Accounting Judgements and Estimates').				
47 OTHER EMPLOYEE BENEFITS AND PROVISIONS				
Other Employee Benefits				
<i>Current Other Employee Benefits</i>				
Accrued Wages and Salaries	44	32	46	35
Annual Leave	182	166	198	181
Long Service Leave	251	202	284	231
Other Employee Benefits	1	1	3	3
Total Current Other Employee Benefits	478	401	530	451
(refer Note 2(ag): 'Employee Benefits')				
<i>Non-Current Other Employee Benefits</i>				
Long Service Leave	41	36	44	38
Total Non-Current Other Employee Benefits	41	36	44	38
(refer Note 2(ag): 'Employee Benefits')				
Total Other Employee Benefits	519	438	574	489

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government Sector		Total Territory	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
47 OTHER EMPLOYEE BENEFITS AND PROVISIONS - CONTINUED				
<i>Estimated Amount Payable within 12 Months</i>				
Accrued Wages and Salaries	48	36	53	39
Annual Leave	178	161	193	174
Long Service Leave	23	21	40	37
Other Employee Benefits	2	2	2	4
Total Employee Benefits Payable within 12 Months	251	220	288	255
<i>Estimated Amount Payable after 12 Months</i>				
Annual Leave	0	1	1	1
Long Service Leave	268	218	285	233
Other	-	-	-	-
Total Employee Benefits Payable after 12 Months	268	218	286	234
Total Other Employee Benefits	519	438	574	489

The General Government Sector had approximately 17,137 full time equivalent employees (FTEs) as at 30 June 2012 (16,272 FTEs as at 30 June 2011). The Territory had approximately 18,462 FTEs as at 30 June 2012 (17,572 FTEs as at 30 June 2011).

Non-Employee Provisions				
<i>Current Other Non-Employee Provisions</i>				
Other Non-Employee Provisions	3	4	38	34
Total Current Non-Employee Provisions	3	4	38	34
<i>Non-Current Non-Employee Provisions</i>				
Other Non-Employee Provisions	16	21	43	44
Total Non-Current Non-Employee Provisions	16	21	43	44
Total Non-Employee Provisions	19	25	81	78
Total Other Employee Benefits and Provisions	538	463	655	567

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
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	General Government Sector		Total Territory	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
48 PAYABLES				
<i>Current Payables</i>				
Trade Payables	47	43	95	88
Accrued Expenses	64	78	76	104
GST Liability	9	2	12	8
Revenue Received in Advance	28	34	43	65
Insurance Payables	35	44	35	44
Other Payables	88	27	16	15
Total Current Payables (refer Note 2(ac): 'Payables')	271	228	277	323
<i>Non-Current Payables</i>				
Insurance Payables	384	326	384	326
Other Payables	4	6	4	6
Total Non-Current Payables (refer Note 2(ac): 'Payables')	388	332	388	332
Total Payables	659	561	665	655
Payables are aged as follows:				
Not Overdue	652	544	657	638
Overdue for Less than 30 Days	6	12	7	12
Overdue for 30 to 60 Days	0	0	0	0
Overdue for More than 60 Days	1	5	1	5
Total Payables	659	561	665	655
49 OTHER LIABILITIES				
Current Other Liabilities	8	10	8	10
Non-Current Other Liabilities	10	6	11	8
Total Other Liabilities	18	16	20	17

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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FOR THE YEAR ENDED 30 JUNE 2012

	General Government		Total Territory	
	Sector			
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
50 RECONCILIATION OF CHANGES IN EQUITY				
Equity in Public Trading Entities (a)	5,523	5,522	-	-
Accumulated Funds (b)	3,144	5,550	5,448	7,937
Asset Revaluation Surplus (c)	5,129	4,803	8,634	8,261
Other Reserves (d)	-3	1	10	11
Total Equity	13,792	15,876	14,092	16,209
(a) Equity in Public Trading Entities				
Balance at the Beginning of the Reporting Period	5,522	5,426	-	-
Net Increment/(Decrement)	1	96	-	-
Total Increase/(Decrease) in Public Trading Entities	1	96	-	-
Balance at the End of the Reporting Period	5,523	5,522	-	-
(b) Accumulated Funds				
Balance at the Beginning of the Reporting Period	5,550	5,346	7,937	7,676
Operating Result for the Period	-20	155	-155	123
Superannuation Prior Period Actuarial Movement	-2,354	7	-2,354	7
Other Movements	4	-2	3	-2
Transfers to/(from) Reserves	2	99	17	132
Capital Injections	-38	-56	-	-
Total Increase/(Decrease) in Accumulated Funds	-2,406	204	-2,489	260
Balance at the End of the Reporting Period	3,144	5,550	5,448	7,937
(c) Asset Revaluation Surplus				
The Asset Revaluation Surplus is used to record the increments and decrements in the value of property, plant and equipment.				
Balance at the Beginning of the Reporting Period	4,803	4,645	8,261	8,072
Increment/(Decrement) in Land due to Revaluation	-136	24	-79	16
Increment/(Decrement) in Buildings due to Revaluation	20	93	9	132
Increment/(Decrement) in Heritage and Community Assets due to Revaluation	360	30	360	30
Increment/(Decrement) in Infrastructure Assets due to Revaluation	84	23	84	23
Increment/(Decrement) in Plant and Equipment Assets due to Revaluation	1	-1	2	-2
Increment in Leasehold Improvements due to Revaluation	-	7	0	7
Transfers to/(from) Accumulated Funds	-3	-18	-3	-18
Total Increase/(Decrease) in the Asset Revaluation Surplus	326	158	373	189
Balance at the End of the Reporting Period	5,129	4,803	8,634	8,261
(d) Other Reserves				
Other Reserves relate to cash flow hedging activities				
Balance at the Beginning of the Reporting Period	1	-2	11	7
Net Increment/(Decrement)	-4	3	-1	4
Total Increase/(Decrease) in Other Reserves	-4	3	-1	4
Balance at the End of the Reporting Period	-3	1	10	11

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government		Total Territory	
	Sector			
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
51 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	321	187	359	238
Short-Term Securities and Other Cash Equivalents	4	2	187	294
Bank Overdraft	-54	-	-54	-
Cash and Cash Equivalents	271	189	492	532
as per the Cash Flow Statement				
(b) Reconciliation of the <i>Operating Result</i> to <i>Net Cash Flows from Operating Activities</i> .				
Operating Result	-20	155	-155	123
<i>Add/(Less) Non-Cash Movements:</i>				
Depreciation and Amortisation	302	288	369	343
Net Revaluation of Non-Financial Assets	0	6	0	11
Bad Debts	10	9	12	11
Capitalised Profit from Joint Ventures	-	-	-76	-60
Waivers	1	2	1	2
Gains from Contributed Assets	-93	-25	-55	-1
<i>Add/(Less) Items Classified as Investing or Financing:</i>				
Dividends - Market Gains on Land Sales	-15	-11	-	-
Realised (Gains)/Losses on Investments	14	-19	14	-19
Unrealised (Gains)/Losses on Investments	119	-49	119	-50
Net (Gains)/Losses on Disposal of Non-Current Assets	64	9	63	18
Cash Before Changes in Operating Assets and Liabilities	380	365	292	379
<i>Change in Operating Assets and Liabilities:</i>				
(Increase)/Decrease in Receivables	-198	107	-137	19
(Increase)/Decrease in Inventories	2	-2	-37	-23
Increase/(Decrease) in Payables	99	-37	10	-13
Increase/(Decrease) in Employee Benefits and Provisions	344	272	356	291
Increase/(Decrease) in Other Liabilities	2	-2	2	-2
Net Cash Inflows from Operating Activities	628	704	486	652

(c) Non-cash Financing and Investing Activities.

The Territory (through the General Government Sector) purchased \$7.7 million worth of motor vehicles and other items of plant and equipment under finance lease arrangements during 2011-12 (\$17.9 million in 2010-11).

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government		Total Territory	
	Sector			
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m

52 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	34	32	37	34
Later than One Year but not Later than Five Years	99	41	106	47
Later than Five Years	67	140	73	146
Total Operating Lease Commitments^(a)	201	212	216	227

Note: (a) The 2010-11 comparative amounts have been adjusted to more accurately reflect the nature of the ACT Policing arrangements and to correctly reflect internal trading activities in 2010-11 for Operating Lease Commitments.

53 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):

Property, Plant and Equipment Capital Commitments

Payable:

Within One Year	355	414	570	854
Later than One Year but not Later than Five Years	175	262	175	262
Total Property, Plant and Equipment Capital Commitments	530	676	745	1,116

Total Capital Commitments^(a)

	530	676	745	1,116
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Note: (a) The 2010-11 comparative amounts have been adjusted to more accurately reflect the nature of the ACT Policing arrangements and to correctly reflect internal trading activities in 2010-11 for Operating Lease Commitments.

54 OTHER COMMITMENTS

These commitments include contracts for repairs, maintenance and capital improvement, 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	429	431	696	595
Later than One Year but not Later than Five Years	756	777	757	776
Later than Five Years	68	94	68	94

Total Other Commitments^(a)

	1,253	1,303	1,522	1,465
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Note: (a) The 2010-11 comparative amounts have been adjusted to more accurately reflect the nature of the ACT Policing arrangements and to correctly reflect internal trading activities in 2010-11 for Operating Lease Commitments.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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	General Government Sector		Total Territory	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m

55 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	151	142	158	176
Guarantees	-	-	-	-
Indemnities	-	-	-	-
Total Quantifiable Contingent Liabilities and Guarantees	151	142	158	176

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. The Territory also has contingent liabilities relating to the provision of financial assistance, which is contingent on the recipients meeting milestones as detailed in individual contracts.

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 liabilities of some legal claims.

Quantifiable Legal Claims Against the Territory include:

Public Liability Claims	18	17	25	25
Personal Injury Claims	12	18	12	18
Economic Loss Claims	-	-	-	-
Total Quantifiable Contingent Liabilities and Guarantees	30	34	37	42

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55 CONTINGENCIES, GUARANTEES AND INDEMNITIES - CONTINUED

Other contingent liabilities as at 30 June 2012 of the GGS and Territory include:

- * the Territory is responsible for the management of 222 sites of contaminated land. The liability associated with the remediation of these sites is contingent on various factors. The contingent liability for 2011-12 is \$103.2 million (30 June 2011: \$91.1 million);
- * the Territory holds unclaimed lottery prize monies relating to winning prizes which have remained unclaimed for a period of greater than six (6) months. The Territory's contingent liability at 30 June 2012 is estimated at \$2.3 million (30 June 2011: \$2.1 million); and
- * the Territory has received an indication of possible claims relating to the liquidation of Sports Alive Pty Ltd from some Sports Alive betting account holders. The contingent liability at 30 June 2012 of all account holders is approximately \$3 million (30 June 2011: nil).

Contingent Assets

General Government Sector and Total Territory

The Territory has an unquantifiable contingent asset for Goods and Services Tax (GST) refunds as a result of overpayments of GST on residential land sales in previous financial years. External tax advisors have been engaged to assist in reviewing the application of GST on past residential land sales.

In March 2012 the Territory's Water Security construction projects were affected by heavy rainfall and severe flooding. Works to the site resulted in an estimated cost of \$17 million. It is anticipated that a significant portion of this will be recovered from an external insurance provider.

Guarantees and Indemnities

General Government Sector and Total Territory

Totalcare Industries Limited was deregistered on 2 May 2012. On 1 May 2012, the Territory confirmed and acknowledged that it is responsible for, and will indemnify Totalcare against all claims arising in connection to an event or omission that occurred on a date in any financial year where the Territory agreed to maintain the solvency of Totalcare during its corporate existence and occurring on or after 1 May 2012.

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55 CONTINGENCIES, GUARANTEES AND INDEMNITIES - CONTINUED

Guarantees and Indemnities - Continued

General Government Sector and Total Territory

On 9 February 2007, the Territory indemnified the Directors of the Rhodium Asset Solutions (Rhodium) Board and the Rhodium Management Team against any claim and all costs with regard to their assistance to the Territory in selling Rhodium.

On 12 March 2007, the Territory indemnified Rhodium against all liabilities, claims, and costs incurred by Rhodium in relation to, or arising out of, the sale of Rhodium and not otherwise met by Rhodium's resources or any indemnity, including under any policy of insurance or contract up to \$1.3 million.

On 1 July 2010 the Territory indemnified Toyota Finance Australia Ltd (TFM) against any financial loss incurred by TFM with regard to an Arrears Lease (ie a lease sold to TFM that was more than 60 days in arrears) as a result of any default by the lessee existing as at the transfer date or arising after the transfer date.

On 28 October 2010, the Territory confirmed and acknowledged that, to the extent that insurance does not apply, the Territory had previously indemnified Rhodium in respect of all claims, demands, costs and expenses incurred or arising out of operation and confirmed that indemnity will continue to apply on and after the transfer date of 31 October 2010.

	General Government		Total Territory	
	Sector			
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
56 THIRD PARTY MONIES				
<i>Third Party Monies held in Trust by the Territory</i>				
ACT Long Service Leave Authority	82	75	82	75
Rental Bonds Board	54	49	54	49
Default Insurance Fund	18	27	18	27
Nominal Defendant Insurance Fund	22	17	22	17
Health Professional Registration	1	0	1	0
Public Trustee Common Fund	202	215	202	215
ACT Civil and Administrative Tribunal	51	45	51	45
Other Third Party Monies	23	32	23	32
Total Monies Held in Trust	452	460	452	460

Third party monies held in trust are not incorporated into the Territory's 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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57 INTEREST IN JOINT VENTURE ENTITIES

General Government Sector and Total Territory

The General Government Sector (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

ACTEW Retail Limited has entered into a joint venture partnership with AGL Limited to manage the retail operations of the ACT electricity and gas networks. ACTEW Distribution Ltd 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 Land Development Agency has joint ventures with:

- a) Forde Developments Pty Ltd for the residential development of Forde;
- b) Woden East Pty Ltd for the residential development of Woden East; and
- c) Crace Development Pty Ltd for the residential development of Crace.

All entities have a 50 per cent participating interest and voting power in the respective joint ventures and a 50 per cent share of the profit. Information relating to the joint ventures, presented in accordance with the accounting policy described in Note 2(ae): 'Joint Ventures' is set out below.

	General Government Sector		Total Territory	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
Share of Joint Venture Profit:				
Revenue	0	0	536	488
Expenses	0	0	427	390
Operating Profit	0	0	109	98
Share of the Joint Venture Assets and Liabilities is as follows:				
Current Assets	0	0	224	222
Non-Current Assets	3	3	496	468
Total Assets	3	3	720	690
Current Liabilities	0	0	141	142
Non-Current Liabilities	-	-	4	4
Total Liabilities	0	0	146	145
Net Assets	3	3	574	545
Share of Joint Venture Commitments				
Lease Commitments	-	-	38	34
Remuneration Commitments	-	-	-	47
Total Expenditure Commitments	-	-	38	82
Capital and Other Commitments	-	-	38	49
Total Share of Joint Venture Commitments	-	-	76	130

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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59 ECONOMIC DEPENDENCY

The ACT Legislative Assembly was created as a body politic by 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 38 per cent of the Territory's revenue (refer Note 7: '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.

60 THE TERRITORY'S CREDIT RATING

Standard & Poor's Rating Services have reviewed the ACT Rating and reaffirmed the Territory's AAA credit rating.

The current ACT rating of 'AAA' and 'A-1+' is based on the information presented in the June Quarter 2012 Consolidated Financial Report (2011-12 Interim Result) and the 2012-13 Budget. The 'AAA' and 'A-1+' ratings are the highest ratings assigned by Standard & Poor's Rating Services.

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

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	General Government		Total Territory	
	Sector			
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m

61 AUDITOR'S REMUNERATION

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

The amounts included in the table below represent the payments made by the General Government Sector (GGS) and the Territory for audits undertaken during 2011-12. These amounts are consolidated out of the financial statements of the GGS and the Territory.

Audit Services				
Financial Audits (Fees for Services)	2	2	3	2
Other Services (Direct Appropriation Funded)	1	1	1	1
Total Auditor's Remuneration	3	3	4	3

The ACT Auditor-General's Office paid \$10,500 for the independent audit of its 2011-12 financial statements (\$10,000: 2010-11).

No other services were provided by the ACT Auditor-General's Office.

62 EVENTS SUBSEQUENT TO BALANCE DATE

From 1 July 2012, funds for public hospital services being delivered under the National Health Reform Agreement, both activity based and block funds, must flow through the National Health Funding Pool to Local Hospital Networks. To facilitate this requirement, a new Directorate called the ACT Local Hospital Network Directorate has been established under the *Financial Management Act 1996*.

From 1 July 2012, as a result of the *Legislative Assembly (Office of the Legislative Assembly) Act 2012* (the Assembly Act), the Legislative Assembly Secretariat will be known as the Office of the Legislative Assembly.

The Territory owns the ACT's water and infrastructure assets, with ActewAGL Water Division being contracted to manage, operate and maintain the network in accordance with the Utilities Management Agreement (UMA). A review of the governance, structure and operations of the Territory's water and sewerage business has been undertaken and as a result the UMA has been terminated and the Water Division of ActewAGL has been integrated into ACTEW Corporation from 1 July 2012.

On 1 July 2012, the Carbon Pricing Mechanism (CPM) came into operation. Between 1 July 2012 and 30 June 2015, carbon credits have a fixed price set by the Commonwealth Government and a flexible price from 1 July 2015 in which the credits will be traded. As at 30 June 2012, prior to the enactment of the CPM, impairment of the full amount has been recognised. From 1 July 2012, carbon credits may warrant recognition as an intangible asset which will give rise to the reversal of prior year impairments.

On 31 August 2012, the Territory signed a Guarantee in accordance with Section 47 of the *Financial Management Act 1996*, to FRV Royalla Solar Farm Pty Ltd. The Guarantee comes into effect if the *Electricity Feed-in (Large-Scale Renewable Energy Generation) Act 2011* is repealed, amended, or has conditions imposed that amends the Feed-in Tariff (FIT) entitlements. The Guarantee exists for the period between the date of the grant of the FIT entitlement and 31 March 2034.

The Guarantee entitles the proponent to be paid an amount, by the Territory, to place it in an equivalent financial position as it would have been had the FIT entitlement not been varied. The undertaking does not include payment for loss of future earnings/profit.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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63 SERVICE CONCESSION ASSETS

The Health Directorate, on behalf of the Territory, has entered into an agreement with Calvary Health Care ACT Ltd for the provision of hospital and associated services. The original agreement was entered into by the Commonwealth on 22 October 1971 and does not stipulate any expiry date. This was subsequently amended in 1979 to include the Territory with any duties or functions of the Commonwealth being transferred to the Territory. The agreement was for the facility to be used for a public hospital. This was varied, in 1988, by the Calvary Private Agreement to allow Calvary Health Care ACT Ltd to use two floors of the facility for treating private patients. The Calvary Private Agreement sets the process and mechanism for Calvary Private to reimburse Calvary Public for any costs incurred in using public hospital facilities for treating private patients. These agreements were replaced on 7 December 2011 with the Calvary Network Agreement.

Under the agreement Calvary Health Care ACT Ltd is required to provide hospital services and make these services available to all persons irrespective of their circumstances and is limited to charging patients fees only in accordance with the schedule of fees applicable at Health Directorate hospitals for comparable services. In the event that the agreement ceases, all land is to be returned to the Territory. The level of services that is required to be provided in a financial year, for the amount of funding provided is stipulated in a Performance Plan agreed between the Territory and Calvary Health Care ACT Ltd each year. The amount of funding provided for the 2011-12 financial year was \$151.855 million in recurrent funding and \$0.727 million for capital upgrades. The service concession assets are not recognised in the General Government Sector and Total Territory's Balance Sheet.

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64 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 Note 2: 'Summary of Significant Accounting Policies'.

The most significant investments and borrowings of the General Government Sector (GGS) and the 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 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 market interest rates. The financial instruments of the Territory are exposed to interest rate risk via the 'Cash and Cash Equivalents' and 'Investments at Fair Value Through Profit and Loss' allocations. 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 31: 'Investments, Loans and Placements'.

Interest rate derivatives and futures are used to manage the exposure to interest rates risk in accordance with investment guidelines and individual investment management mandate conditions. The financial instruments directly impacted by interest rate volatility for the purposes of quantifying the interest rate sensitivities are the cash holdings either within the individual portfolios or the master custodian accounts for the investment portfolio as well as discount securities, floating rate notes and bonds.

The investment portfolio includes an exposure to fixed income through cash and fixed income pooled unit trusts. It would normally be expected that debt instruments have a direct exposure to interest rate risk. However, because the investments are made in the fixed income pooled unit trust, it is the unit price which reflects the value of the financial investment. On this basis, the sensitivity of changes to the unit price for these debt instrument investments is included below in 'Price Risk and Inflation Risk'.

Borrowing Portfolio

To mitigate exposure to volatile interest rates on the floating rate components of the Territory's General Government Debt Portfolio, domestic interest rate swap transactions may be established (without the use of collateral). A credit risk management framework is established for the interest rate swap transactions and only high quality counterparties are transacted with.

As at the end of the period, the exposure of interest rate excluding derivatives was as follows:

	Fixed Rate Instruments		Variable Rate Instruments	
	2012	2011	2012	2011
	\$m	\$m	\$m	\$m
Financial Assets	580	1,310	350	882
Financial Liabilities	365	1,157	422	262
Net Exposure Before the Effect of Derivatives	215	153	-72	621

Fixed rate instruments comprise financial assets and financial liabilities at fair value through profit or loss that are exposed to changes in fair value due to changes in interest rates.

Variable rate instruments comprise instruments that are exposed to either changes in fair value or changes in cash flows (or both) due to changes in interest rates.

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64 FINANCIAL INSTRUMENTS - CONTINUED

As at balance date, the Territory had open positions in exchange traded money markets and fixed income future and interest rate swap agreements in place. The *Financial Management (Investment and Borrowing) Guidelines 2010* governs the use of financial derivatives. Interest rate derivatives are used to manage the exposure to interest rates and to ensure it remains within approved limits. The notional value of the open positions and their fair value are set out below.

	Notional Principal Value		Fair Value	
	2012 \$m	2011 \$m	2012 \$m	2011 \$m
Buy Domestic Fixed Interest Futures	0	16	0	0
Sell Domestic Fixed Interest Futures	-23	-109	0	0
Buy Interest Rate Swaps	123	190	-1	140
Sell Interest Rate Swaps	-125	-190	-6	-143

Notional principal value represents agreed dollar amounts on which the exchanged interest payments are based. The principal value is not a contracted liability. The fair value represents the value of the open contracts at the reporting date. Changes in the fair value of futures and swaps, with resulting gain or loss, are recorded in the Operating Statement.

Finance Leases

The Territory has finance leases for the management of its vehicle fleet, which are managed through an external party. The Territory's exposure to interest rate risk associated with finance leases is managed by fixing interest rates on each new lease.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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64 FINANCIAL INSTRUMENTS - CONTINUED

Sensitivity Disclosure Analysis

As at 30 June 2012, 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 rate instruments and variable rate instruments, and are disclosed below. Taking into account past performance, future expectations, economic forecasts, and Treasury management's knowledge and experience of the financial markets, the impact on the Operating Statement and the impact on Equity in the tables below are 'reasonably possible' over the next 12 months if interest rates change by +/-1.0 per cent (30 June 2011: +/-1.0 per cent per cent) from the year-end official cash interest rate of 3.5 per cent (30 June 2011: 4.75 per cent), with all other variables held constant.

30 June 2012 General Government Sector and Total Territory	Fixed Rate Instruments				Variable Rate Instruments			
	-1.00%		+1.00%		-1.00%		+1.00%	
	Profit/ (Loss) Impact \$m	Equity Impact \$m	Profit/ (Loss) Impact \$m	Equity Impact \$m	Profit/ (Loss) Impact \$m	Equity Impact \$m	Profit/ (Loss) Impact \$m	Equity Impact \$m
30 June 2012 (1.0%)								
Financial Assets	3	3	-3	-3	-4	-4	4	4
Financial Liabilities	4	4	-4	-4	-4	-5	4	5
Net Assets	-1	-1	-1	-1	0	1	0	-1
30 June 2011 (1.0%)								
Financial Assets	2	2	-2	-2	-9	-9	9	9
Financial Liabilities	1	1	-1	-1	-8	-10	8	9
Net Assets	1	1	-1	-1	-1	0	1	0

The following assumptions were used in determining the sensitivity of financial instruments to interest rate risk:

- (i) The sensitivity calculation is based on the net exposure to interest rates after taking into account the effect of derivatives (if any).
- (ii) For derivatives, to calculate the effect on the fair value of derivatives after reasonable possible movements in interest rates, a parallel shift is applied to the zero curve with all other factors held constant.
- (iii) The effect of credit risk is ignored.
- (iv) The derivatives are assumed to be held to expiry.
- (vi) The impact on equity represents total impact on accumulated funds and other reserves.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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64 FINANCIAL INSTRUMENTS - CONTINUED

Price Risk and Inflation Risk

Financial instrument investments held by the GGS and the Territory are exposed to other price risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Inflation risk is the risk that future cash flows on an inflation linked instrument may fluctuate due to changes in inflation rates. Other price risk arises from the exposure to fixed interest investments (the unitised pooled fixed interest portfolios) which are exposed to changes in unit prices. 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.

There is a fundamental financial relationship between risk and return. Although the debt markets are relatively more volatile than the shorter duration money markets investments, over the longer term, debt investments have proven to be a relatively good source of income protection, through the achievement of high returns in real terms.

To limit this risk, the Territory's investment portfolio, managed through the GGS, is diversified in accordance to counterparty credit rating limits (as stipulated within each individual investment management agreement with the contracted manager).

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

Territory Investment Portfolio	Exposure to Unit Prices		Exposure to Inflation Rates	
	2012	2011	2012	2011
	\$m	\$m	\$m	\$m
Financial Assets	425	230	848	852
Financial Liabilities	0	0	846	851
Net Exposure Before the Effect of Derivatives	425	230	2	1

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

The superannuation investment portfolio, managed through the GGS, includes equity, fixed income (debt) and unlisted direct property investments.

Equity markets are inherently volatile and not suitable for short-term investment. Over the long-term, equity investments have proven to be a good source of inflation protection, through the achievement of high returns in real terms. To manage the price risk, the investment portfolio is diversified in accordance with asset class limits (in accordance with the strategic asset allocation policy). The majority of the equity investments are of a high quality and are publicly traded on either the Australian Stock Exchange (ASX) or the overseas equivalent (Refer 'Credit Risk', below).

The exposure to the fixed income (debt) market is via unitised pooled cash and fixed interest funds. The fixed income investments are diversified domestically and internationally across the money and capital markets including cash, short-term debt (maturity less than 12 months) and fixed interest bonds (maturity greater than 12 months). The investment allocation to debt securities is controlled at the portfolio level by the strategic asset allocation, therefore limiting exposure to the individual asset classes. The investment management agreements and the pooled trust product disclosure statement stipulates the maximum allowable limits by issuer, ratings and duration to ensure sufficient diversification occurs within the individual investment portfolios.

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64 FINANCIAL INSTRUMENTS - CONTINUED

Other price risk exposure also applies to the investment allocation to unlisted direct property. These investments are held in a unitised pooled trust, with the unit price reflecting the underlying changes in the values of the property investments.

Superannuation Investment Portfolio	Exposure to Other Price Risk	
	2012	2011
	\$m	\$m
Financial Assets	<u>2,120</u>	<u>2,228</u>
Net Exposure Before the Effect of Derivatives	<u>2,120</u>	<u>2,228</u>

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 foreign currency through the purchase and holding of international equity and fixed interest securities. Equally, a large portion of these investments are fully hedged back to Australian dollars using currency derivatives. The use of currency hedging mitigates the impact on international asset valuations in Australian dollar terms from the changes in exchange rates. Without currency hedging, an appreciation of the Australian dollar against the foreign currency asset holdings will have an adverse impact on the valuations of the investments in Australian dollar terms.

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. International equity exposures above 20 per cent are hedged to Australian dollars.

The GGS and the Territory's exposure to unhedged currency investments managed through the Territory's superannuation investment portfolio is detailed in the following table. The numbers reflect both directly held and indirectly held investments that are subject to foreign exchange risk.

Currency As at 30 June 2012 General Government Sector and Total Territory	Cash and Cash Equivalents	Investments designated at Fair Value Through Profit or Loss	Other Assets	Total Assets	Financial Liabilities held at Fair Value Through Profit or Loss	Other Liabilities	Total Liabilities	Net Assets
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
AUD	13	2,038	54	2,105	1	68	69	2,036
USD	4	136	1	141	-	1	1	140
JPY	1	18	-	19	-	-	-	19
EUR	1	24	1	26	-	-	-	26
GBP	-	24	1	25	-	-	-	25
Other	-	14	-	14	-	-	-	14
Total A\$m	19	2,254	57	2,330	1	69	70	2,260

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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64 FINANCIAL INSTRUMENTS - CONTINUED

Currency as at 30 June 2011 General Government Sector and Total Territory	Cash and Cash Equivalents	Investments designated at Fair Value Through Profit or Loss	Other Assets	Total Assets	Financial Liabilities held at Fair Value Through Profit or Loss	Other Liabilities	Total Liabilities	Net Assets
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
AUD	7	1,997	11	2,014	-	1	1	2,013
USD	2	129	2	133	-	0	0	132
JPY	0	24	0	24	-	-	-	24
EUR	0	32	0	32	-	0	0	32
GBP	0	25	0	25	-	-	-	25
Other	0	23	0	23	-	-	-	23
Total A\$m	9	2,229	13	2,251	-	2	2	2,249

Sensitivity Disclosure Analysis

The table below summarises the impact of +/-10 per cent strengthening/weakening of the Australian dollar against the top four foreign exchange exposures on the Territory's Operating Statement for the year and on Equity. These currencies being US Dollar, Great Britain Pound, Japanese Yen and the Euro. The analysis is based on the assumption that the Australian Dollar has strengthened/weakened by +/-10 per cent with all other variables held constant.

Taking into account past performance, future expectations, economic forecasts, and Treasury management's knowledge and experience of the financial markets, the impact on the Operating Statement and the impact on Equity in the table below are 'reasonably possible' over the next 12 months if foreign exchange rates change by +/-10 per cent from the year-end spot rates for each respective currency with all other variables held constant.

30 June 2012 General Government Sector and Total Territory	-10%		+10%	
	Profit/ (Loss) Impact	Equity Impact	Profit/ (Loss) Impact	Equity Impact
	\$'000	\$'000	\$'000	\$'000
Currency				
USD	436	436	-436	-436
JPY	8	8	-8	-8
EUR	15	15	-15	-15
GBP	26	26	-26	-26
Other	24	24	-24	-24
Total Increase/(Decrease)	509	509	-509	-509

30 June 2011 General Government Sector and Total Territory	-10%		+10%	
	Profit/ (Loss) Impact	Equity Impact	Profit/ (Loss) Impact	Equity Impact
	\$'000	\$'000	\$'000	\$'000
Currency				
USD	280	280	-280	-280
JPY	13	13	-13	-13
EUR	48	48	-48	-48
GBP	16	16	-16	-16
Other	16	16	-16	-16
Total Increase/(Decrease)	373	373	-373	-373

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64 FINANCIAL INSTRUMENTS - CONTINUED

Credit Risk

Credit risk arises from the financial assets comprising cash and cash equivalents, loans and receivables and investments held at Fair Value Through Profit or Loss. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Territory's financial arrangements, in respect of the business conducted in relation to the Territory's banking account and superannuation investment portfolio, managed through the GGS, limits the credit risk to those financial assets and liabilities involving external parties (non ACT Government agencies). The Territory is also exposed to credit risk associated with the amount of guarantees provided to external parties (for further details, refer Note 55: 'Contingencies, Guarantees and Indemnities').

The Territory's credit risk exposure for the Territory's investment portfolio is limited to financial investment assets carried at fair value through profit or loss. Financial dealings are only undertaken with other ACT Government entities or appropriately rated counterparties as provided for within each individual contract established with investment managers. The *Financial Management (Investment and Borrowing) Guidelines 2010* and *Superannuation Management Guidelines 2011* prescribe the credit limitations of the counterparties with which investments may be made in relation to both the Territory's investment and superannuation portfolios, respectively. The maximum amount of credit risk relating to the financial investment assets is limited to the carrying amount recorded in the financial statements. No collateral is held as security and no credit enhancements are in place in respect of any of the Territory's financial assets.

The prescribed limitations include investing in assets of investment grade (minimum A-2 short-term credit rating and BBB- long-term credit rating). A credit rating is a current assessment of the ability of an issuer's overall financial capacity (its creditworthiness) to pay its financial obligations. A credit rating of AAA exhibits an extremely strong capacity to meet financial commitments as opposed to a credit rating of AA or BBB. These credit ratings are based on an investment grade credit rating assessment made by Standard and Poor's or equivalent Moody's rating. As at reporting date, the investment portfolio comprises a diversified portfolio of securities to minimise counterparties' risk of default.

Also, the Territory has the highest credit rating available, being short-term A1+ and long-term AAA. It is assumed that the credit risk is minimal (for further details, refer Note 60: 'The Territory's Credit Rating').

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

General Government Sector and Total Territory

	Credit Quality				Total \$m
	AAA \$m	AA \$m	A \$m	BBB \$m	
30 June 2012					
Directly Held					
Money Market and Fixed Interest Securities	352	113	226	14	705
Indirectly Held					
Unit Trust (Debt Instruments)	616	331	134	15	1,096
Total	968	444	360	29	1,801
30 June 2011					
Directly Held					
Money Market and Fixed Interest Securities	463	248	246	15	971
Indirectly Held					
Unit Trust (Debt Instruments)	574	210	44	12	839
Total	1,037	458	289	27	1,811

Financial Assets that are either Past Due or Impaired

None of the assets managed in relation to the Territory's investment or superannuation portfolios are impaired as at 30 June 2012 (nil at 30 June 2011).

In addition, note that neither the terms of the financial assets held in the Territory's investment and superannuation portfolios have been renegotiated to prevent these assets from being past due or impaired, and they are stated at the carrying amounts as disclosed in the Balance Sheet.

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64 FINANCIAL INSTRUMENTS - CONTINUED

Liquidity Risk

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

The Territory manages liquidity risk associated with the Territory's investment portfolio, through the GGS, by only investing in an adequate amount of high grade securities that fall within the limitation set out in the *Financial Management (Investment and Borrowing) Guidelines 2010* and transacting with reputable counterparties. The investments of the Territory Banking Account are made in liquid markets and are readily redeemable if required. All Territorial revenues such as taxes, fees, fines and Commonwealth Government grants, are ultimately deposited into the Territory's Banking Account. Accordingly, it will almost certainly always have sufficient cash to meet the expenditure allocations as set out in the Annual Budget. Forecasts of future cash flows and borrowing maturities are maintained to ensure that there is sufficient funding available for any required settlements.

Analysis of Territory's Financial Liabilities Based on Contractual Maturities and Management Expectation

The risk implied from the values shown in the table below 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 to minimise liquidity risk by monitoring financial obligations as they fall due. The more immediate liquidity needs are for funding working capital, meeting the annual emerging cost benefit payments to ComSuper and for managing fund flows for investment asset classes in accordance to the strategic asset allocation. On a longer term horizon, the annual emerging cost benefit payments to ComSuper are to be funded through a combination of budget capital injections and funds held under investment.

Currently, there is a small investment exposure to illiquid asset classes including unlisted indirect property and private equity. These asset classes require significant commitments of capital over a long time frame, such as ten to twelve years. Early redemption of these investments would lead to excessive transaction costs, time delays, and could incorporate capital losses. The exposure to these illiquid asset classes is currently limited through the strategic asset allocation to a maximum of 15 per cent of portfolio assets. To compensate for this liquidity risk, these types of investments require an illiquidity premium, or additional required return.

The tables below reflect all contractual repayments of principal and interest resulting from recognised financial liabilities, the CSS/PSS defined benefit superannuation schemes and finance leases. The amounts disclosed represent undiscounted cash flows for the respective obligations in respect of upcoming fiscal years.

30 June 2012	Less than	3-12	1-5	> 5	Total
General Government Sector	3 months	months	years	years	
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Non-Derivatives					
Payables	136	136	388	-	659
Interest-Bearing Liabilities (Current/Non-Current)	208	85	390	1,964	2,647
Estimated Superannuation Liabilities	81	81	819	26,830	27,810
Finance Lease Liabilities (Current/Non-Current)	6	6	11	-	24
Total Non-Derivatives	430	308	1,608	28,794	31,140
Derivatives					
Net Settled Derivatives					-
(Interest Rate Swaps and Futures)	-	1	6	-	7
Total Derivatives	-	1	6	-	7

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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64 FINANCIAL INSTRUMENTS - CONTINUED

30 June 2011	Less than	3-12	1-5	> 5	Total
General Government Sector	3 months	months	years	years	
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Non-Derivatives					
Payables	114	115	332	-	561
Interest-Bearing Liabilities (Current/Non-Current)	299	38	242	1,394	1,973
Estimated Superannuation Liabilities	75	75	758	24,118	25,025
Finance Lease Liabilities (Current/Non-Current)	6	5	16	-	27
Total Non-Derivatives	494	232	1,348	25,512	27,586
Derivatives					
Net settled derivatives (Interest Rate Swaps and Futures)	0	-1	-2	-	-3
Total Derivatives	0	-1	-2	-	-3
<hr/>					
30 June 2012	Less than	3-12	1-5	> 5	Total
Total Territory	3 months	months	years	years	
		<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Non-Derivatives					
Payables	139	139	388	-	665
Interest-Bearing Liabilities (Current/Non-Current)	208	85	390	1,964	2,647
Estimated Superannuation Liabilities	81	81	819	26,830	27,810
Finance Lease Liabilities (Current/Non-Current)	6	6	12	-	25
Total Non-Derivatives	434	311	1,609	28,794	31,147
Derivatives					
Net settled derivatives (Interest Rate Swaps and Futures)	-	1	6	-	7
Total Derivatives	-	1	6	-	7
<hr/>					
30 June 2011	Less than	3-12	1-5	> 5	Total
Total Territory	3 months	months	years	years	
		<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Non-Derivatives					
Payables	162	161	332	-	655
Interest-Bearing Liabilities (Current/Non-Current)	299	38	242	1,394	1,973
Estimated Superannuation Liabilities	75	75	758	24,118	25,025
Finance Lease Liabilities (Current/Non-Current)	6	6	17	-	29
Total Non-Derivatives	542	279	1,349	25,512	27,682
Derivatives					
Net settled derivatives (Interest Rate Swaps and Futures)	0	-1	-2	-	-3
Total Derivatives	0	0	-1	0	-3

Fair value of Financial Assets and Financial Liabilities

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
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

64 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	2011-12		2010-11	
	Carrying Amount \$m	Net Fair Value \$m	Carrying Amount \$m	Net Fair Value \$m
Financial Assets				
Cash and Deposits	321	321	187	187
Advances Paid	1,454	1,336	1,269	1,262
Investments, Loans and Placements	3,153	3,153	3,230	3,230
Receivables ^(a)	447	447	377	377
Equity				
Investments in Other Public Sector Entities	5,523	5,523	5,522	5,522
Total Financial Assets	10,898	10,780	10,585	10,578
Financial Liabilities				
Deposits Held	120	120	162	162
Advances Received	90	92	93	83
Finance Leases	24	24	27	27
Borrowings	1,961	1,825	1,416	1,412
Payables	659	659	561	561
Other Liabilities	18	18	16	16
Total Financial Liabilities	2,873	2,738	2,275	2,260
Net Financial Assets^(b)	8,025	8,041	8,310	8,318

(a) Receivables has been adjusted to remove Right to Receive Infrastructure, Prepayments and Tax Accrued Revenue.

(b) Employee benefits and superannuation have been removed from financial liabilities in the 2010-11 comparatives to more accurately reflect the nature of these liabilities.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

64 FINANCIAL INSTRUMENTS - CONTINUED

Categorisation of Financial Assets and Liabilities - Continued

Total Territory	2011-12		2010-11	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Financial Assets				
Cash and Deposits	359	359	238	238
Advances Paid	91	91	45	45
Investments, Loans and Placements	3,345	3,345	3,525	3,525
Receivables ^(a)	378	378	393	393
Equity Investments Accounted for Using Equity Method	586	586	548	548
Total Financial Assets	4,759	4,759	4,749	4,749
Financial Liabilities				
Deposits Held	16	16	15	15
Advances Received	176	188	188	169
Finance Leases	25	25	28	28
Borrowings	1,961	1,825	1,416	1,412
Payables	665	665	655	655
Other Liabilities	20	20	28	28
Total Financial Liabilities	2,863	2,738	2,330	2,307
Net Financial Liabilities^(b)	1,896	2,020	2,419	2,442

(a) Receivables has been adjusted to remove Right to Receive Infrastructure and Prepayments.

(b) Employee benefits and superannuation have been removed from financial liabilities in the 2010-11 comparatives to more accurately reflect the nature of these liabilities.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

64 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.

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

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

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

30 June 2012	Level 1	Level 2	Level 3	Total
	\$m	\$m	\$m	\$m
Financial Assets				
Money Market, Fixed Interest Securities and Equities	605	750	-	1,355
Financial Derivatives	0	1	-	1
Unit Trusts	-	1,918	122	2,040
Total	605	2,669	122	3,396
Financial Liabilities				
Financial Derivatives	0	6	-	6
Total	0	6	-	6
Net Assets	605	2,663	122	3,390
30 June 2011				
	Level 1	Level 2	Level 3	Total
	\$m	\$m	\$m	\$m
Financial Assets				
Money Market, Fixed Interest Securities and Equities	562	914	-	1,476
Financial Derivatives	0	0	-	0
Unit Trusts	1	1,774	143	1,918
Total	563	2,688	143	3,395
Financial Liabilities				
Financial Derivatives	0	4	-	4
Total	0	4	-	4
Net Assets	563	2,685	143	3,391

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

65 EXPENSES AND ASSETS BY FUNCTION

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 Australian Bureau of Statistics Government Purpose Classification (GPC) Framework. A description of the major groups of the GPC Framework are listed below.

General Public Services (01): include legislative and executive affairs, financial and fiscal affairs, external affairs, foreign economic aid, general research, general economic and social services, general statistical services, and government superannuation benefits.

Defence (02): includes administration, supervision, operation and support of military and civil defence affairs, foreign military aid and defence research.

Public Order and Safety (03): includes police and fire protection services, law courts and legal services, prisons and corrective services, and control of domestic animals and livestock.

Education (04): includes primary and secondary education, university and other higher education, technical and further education, preschool and special education, and transportation of students.

Health (05): includes general hospitals, repatriation hospitals, mental health institutions, nursing homes, special hospitals, hospital benefits, medical clinics and practitioners, dental clinics and practitioners, maternal and infant health, ambulance services, medical benefits, school and other public health services, pharmaceuticals, medical aids and appliances, and health research.

Social Security and Welfare (06): includes sickness benefits; benefits to ex-servicemen and their dependents; invalid and other permanent disablement benefits; old age benefits, widows, deserted wives, divorcees and orphans benefits; unemployment benefits; family and child benefits; sole parents benefits; family and child welfare; and aged and handicapped welfare.

Housing and Community Amenities (07): includes housing and community development, water supply, household garbage and other sanitation, sewerage, urban stormwater drainage, protection of the environment, and street lighting.

Recreation and Culture (08): includes public halls and civic centres, swimming pools and beaches, national parks and wildlife, libraries, creative and performing arts, museums, art galleries, broadcasting, and film production.

Fuel and Energy (09): includes coal, petroleum, gas, nuclear affairs, and electricity.

Agriculture, Forestry, Fishing and Hunting (10): includes agricultural land management, agricultural water resources management, agricultural support schemes, agricultural research and extension services, forestry, fishing and hunting.

Mining and Mineral Resources Other than Fuels, Manufacturing and Construction (11): includes activities relating to prospecting, mining and mineral resources development; manufacturing activities and research into manufacturing methods, materials and industrial management; and activities associated with the building and construction industry.

Transport and Communications (12): includes road construction, road maintenance, parking, water transport, rail transport, air transport, pipelines, multi-mode urban transit systems, and communications.

Other Economic Affairs (13): includes storage, saleyards, markets, tourism and area promotion, and labour and employment affairs.

Other Purposes (14): includes public debt transactions, general purpose inter-government transactions, and natural disaster relief.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO AND FORMING PART OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	General Government		Total Territory	
	Sector		2011-12 Actual \$m	2010-11 Actual \$m
	2011-12 Actual \$m	2010-11 Actual \$m		
65 EXPENSES AND ASSETS BY FUNCTION - CONTINUED				
The following table provides a disaggregation of General Government Sector and Total Territory total expenses by Function.				
Expenses by Function				
01 General Public Services	390	376	401	355
03 Public Order and Safety	365	344	361	341
04 Education	879	871	894	884
05 Health	1,110	1,023	1,110	1,022
06 Social Security and Welfare	249	233	249	232
07 Housing and Community Amenities	179	178	429	453
08 Recreation and Culture	140	119	160	140
09 Fuel and Energy	18	13	18	13
10 Agriculture, Forestry, Fishing and Hunting	3	6	3	6
11 Mining and Mineral Resources Other than Fuels, Manufacturing and Construction	22	17	21	10
12 Transport and Communications	276	272	283	277
13 Other Economic Affairs	70	72	69	71
14 Other Purposes	373	325	359	312
Total Expenses	4,076	3,848	4,358	4,116

The following table provides a disaggregation of General Government Sector and Total Territory total assets by Function.

Assets by Function ^(a)				
01 General Public Services	10,154	9,999	4,480	4,315
03 Public Order and Safety	448	445	448	445
04 Education	2,223	2,331	2,239	2,335
05 Health	960	790	960	790
06 Social Security and Welfare	109	90	109	90
07 Housing and Community Amenities	355	169	6,964	6,765
08 Recreation and Culture	2,783	2,319	2,810	2,343
09 Fuel and Energy	0	0	573	539
10 Agriculture, Forestry, Fishing and Hunting	28	32	28	32
11 Mining and Mineral Resources Other than Fuels, Manufacturing and Construction	5	1	5	1
12 Transport and Communications	6,210	6,066	6,356	6,206
13 Other Economic Affairs	138	109	138	109
14 Other Purposes	1,290	1,142	3	5
Total Assets	24,703	23,492	25,110	23,975

Note: ^(a) Financial assets that are not allocated to a specific function are included in 'Other Purposes'.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED OPERATING STATEMENT BY SECTOR
FOR THE YEAR ENDED 30 JUNE 2012**

66 ELIMINATION TABLE

	<i>General Government Sector</i>		<i>Public Trading Enterprises</i>		<i>Eliminations</i>		<i>Total Territory</i>	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
Revenue								
Government Payment for Outputs	-	-	154	145	-154	-145	-	-
Taxation Revenue	1,183	1,244	-	-	-28	-32	1,155	1,212
Grants Revenue								
Commonwealth Grants	1,605	1,582	1	1	-	-	1,606	1,583
Gains from Contributed Assets	93	25	4	3	-42	-28	55	1
Sales of Goods and Services Revenue								
Revenue from Associates and Joint Ventures	-	-	121	105	-	-	121	105
Other Sales of Goods and Services	472	446	387	352	-59	-59	800	739
Interest Income	168	175	12	13	-66	-61	114	127
Distribution from Investments with the Territory Banking Account	-	-	7	8	-7	-8	-	-
Dividend and Income Tax Equivalents Income	446	266	-	-	-321	-147	125	119
Other Revenue								
Land Revenue (Value Add Component)	-	-	281	124	-149	-29	132	94
Other Revenue	151	137	13	16	-11	-15	154	137
Total Revenue	4,118	3,875	979	768	-837	-525	4,261	4,118
Expenses								
Employee Expenses	1,464	1,351	119	109	-	-	1,583	1,460
Superannuation Expenses								
Superannuation Interest Cost	265	230	-	-	-	-	265	230
Other Superannuation Expenses	237	239	15	14	-8	-9	243	245
Depreciation and Amortisation	302	288	67	55	-	-	369	343
Interest Expense	96	86	70	66	-73	-69	92	83
Other Property Expenses (Income Tax Expense)	-	-	93	51	-93	-51	-	-
Other Operating Expenses								
Supplies and Services	770	734	131	116	-37	-42	864	808
Other Operating Expenses	195	186	243	218	-138	-101	300	304
Grants Expenses	747	734	73	58	-180	-149	641	643
Total Expenses	4,076	3,848	812	688	-529	-420	4,358	4,116
UPF Net Operating Balance	43	27	168	79	-308	-105	-97	1

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED OPERATING STATEMENT BY SECTOR
FOR THE YEAR ENDED 30 JUNE 2012**

66 ELIMINATION TABLE - CONTINUED

	<i>General Government Sector</i>		<i>Public Trading Enterprises</i>		<i>Eliminations</i>		<i>Total Territory</i>	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Other Economic Flows - included in the Operating Result								
Dividends - Market Gains on Land Sales	15	11	-	-	-15	-11	-	-
Land Revenue (Market Gains on Land Sales)	-	-	21	15	-	-	21	15
Net Land Revenue (Undeveloped Land Value)	129	67	-	-	0	0	129	67
Net Gain on Sale of Non-Financial Assets	-64	-8	-1	-17	2	7	-63	-18
Net Gain on Financial Assets or Liabilities at Fair Value	-133	68	0	1	-	0	-133	69
Doubtful Debts	-10	-9	-2	-2	0	-	-12	-11
Operating Result	-20	155	185	76	-321	-109	-155	123
Other Economic Flows - Other Movements in Equity								
Superannuation Prior Year Actuarial Movement	-2,354	7	-	-	-	-	-2,354	7
Prior Year Adjustment	4	-	-	0	-	-	3	-
Other Movements	0	-2	-	-	-	-	0	-2
Increase/(Decrease) in Asset Revaluation Surplus	328	257	-2	64	64	-	390	321
Increase/(Decrease) in Other Reserves	-4	3	3	1	-	-	-1	4
Comprehensive Result - Total Change in Net Worth	-2,046	421	185	142	-257	-109	-2,117	454

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED OPERATING STATEMENT BY SECTOR
FOR THE YEAR ENDED 30 JUNE 2012**

66 ELIMINATION TABLE - CONTINUED

	<i>General Government Sector</i>		<i>Public Trading Enterprises</i>		<i>Eliminations</i>		<i>Total Territory</i>	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
Key Fiscal Aggregates								
UPF Net Operating Balance	43	27	168	79	-308	-104	-97	1
less Net Acquisition of Non-Financial Assets								
Purchases of Non-Financial Assets	735	703	318	360	-86	-23	967	1,040
Sales of Non-Financial Assets	-14	-9	-20	-42	0	-	-34	-51
Land Revenue (Net Cash Receipts)	-122	-93	56	-24	-64	-6	-129	-123
Depreciation and Amortisation	-302	-288	-67	-55	-	-	-369	-343
Other Movements in Non-Financial Assets	84	23	-40	-16	6	-7	49	1
<i>Total Net Acquisition of Non-Financial Assets</i>	381	336	247	224	-144	-36	485	523
Net Lending / (Borrowing)	-339	-309	-79	-144	-164	-68	-582	-522

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED BALANCE SHEET BY SECTOR
AS AT 30 JUNE 2012**

66 ELIMINATION TABLE - CONTINUED

	<i>General Government Sector</i>		<i>Public Trading Enterprises</i>		<i>Eliminations</i>		<i>Total Territory</i>	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
Financial Assets								
Cash and Deposits	321	187	106	51	-68	-	359	238
Advances Paid	1,454	1,269	-	-	-1,363	-1,224	91	45
Investments, Loans and Placements	3,153	3,230	229	443	-37	-147	3,345	3,525
Receivables	511	405	232	128	-271	-79	472	453
Equity								
Investments in Other Public Sector Entities	5,523	5,522	-	-	-5,523	-5,522	-	-
Investments Accounted for Using the Equity Method	-	-	586	552	-	-4	586	548
Total Financial Assets	10,962	10,612	1,153	1,173	-7,262	-6,977	4,852	4,808
Non-Financial Assets								
Produced Assets								
Property, Plant and Equipment	10,601	9,756	2,705	2,652	-	-	13,306	12,408
Investment Property	3	3	-	-	-	-	3	3
Intangibles	23	25	34	23	-	-	57	48
Inventories	12	15	148	118	-24	-12	137	121
Assets Held for Sale	1	1	6	6	-	-	7	7
Capital Works-in-Progress	653	505	565	417	-	-	1,218	922
Non Produced Assets								
Property, Plant and Equipment	2,420	2,549	3,082	3,083	-	-	5,503	5,632
Biological Assets	28	26	-	-	-	-	28	26
Other Non-Financial Assets								
Deferred Tax Assets	-	-	27	23	-27	-23	-	-
Other Non-Financial Assets	-	-	0	-	-	-	-	-
Total Non-Financial Assets	13,741	12,879	6,567	6,322	-50	-35	20,258	19,166
Total Assets	24,703	23,492	7,719	7,494	-7,313	-7,012	25,110	23,975

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED BALANCE SHEET BY SECTOR
AS AT 30 JUNE 2012**

66 ELIMINATION TABLE - CONTINUED

	<i>General Government Sector</i>		<i>Public Trading Enterprises</i>		<i>Eliminations</i>		<i>Total Territory</i>	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
Liabilities								
Deposits Held	120	162	-	-	-105	-147	16	15
Advances Received	90	93	1,450	1,319	-1,363	-1,224	176	188
Borrowings					-	-		
Finance Leases	24	27	1	1	-	-	25	28
Other Borrowings	1,961	1,416	-	-	-	-	1,961	1,416
Superannuation	7,500	4,878	-	-	0	0	7,500	4,878
Other Employee Benefits and Provisions	538	463	234	150	-117	-46	655	567
Payables	659	561	115	131	-109	-36	665	655
Other Liabilities								
Current Tax Liability	-	-	51	17	-51	-17	-	-
Deferred Tax Liability	-	-	321	335	-321	-335	-	-
Other Liabilities	18	16	25	19	-24	-18	20	17
Total Liabilities	10,911	7,616	2,197	1,972	-2,089	-1,823	11,018	7,766
Net Assets	13,792	15,876	5,523	5,522	-5,223	-5,189	14,092	16,209
Equity in Public Trading Entities	5,523	5,522	-	-	-5,523	-5,522	-	-
Accumulated Funds	3,144	5,550	2,140	2,125	164	262	5,448	7,937
Asset Revaluation Surplus	5,129	4,803	3,370	3,387	136	72	8,634	8,261
Other Reserve	-3	1	13	10	-	-	10	11
Net Worth	13,792	15,876	5,523	5,522	-5,223	-5,189	14,092	16,209
Key Fiscal Aggregates								
Net Financial Worth	51	2,996	-1,044	-800	-5,173	-5,154	-6,166	-2,957
Net Financial Liabilities	5,472	2,526	-	-	1,280	979	6,752	3,505
Net Debt (including superannuation related investments)	-2,733	-2,987	1,116	827	0	0	-1,617	-2,160
Net Debt (excluding superannuation related investments)	-473	-736	-	-	1,116	827	643	91

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY BY SECTOR
FOR THE YEAR ENDED 30 JUNE 2012**

66 ELIMINATION TABLE - CONTINUED

	<i>General Government Sector</i>		<i>Public Trading Enterprises</i>		<i>Eliminations</i>		<i>Total Territory</i>	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
Opening Equity								
Opening Equity in Public Trading Entities	5,522	5,426	-	-	-5,522	-5,426	-	-
Opening Accumulated Funds	5,550	5,345	2,125	2,062	262	269	7,937	7,676
Opening Asset Revaluation Surplus	4,803	4,645	3,387	3,356	72	72	8,261	8,072
Opening Other Reserves	1	-2	10	9	-	-	11	7
Opening Balance	15,876	15,414	5,522	5,426	-5,189	-5,085	16,209	15,754
Comprehensive Income								
<i>Included in Accumulated Funds:</i>								
Operating Result for the Period	-20	155	185	76	-320	-109	-155	123
Superannuation Prior Year Actuarial Movement	-2,354	7	-	-	-	-	-2,354	7
Prior Year Adjustment	4	-	-	-	-	-	3	-
Other Movements	0	-2	-	-	-	-	0	-2
Net Effect of Change in Accounting Policy	-	-	-	-	-	-	-	-
<i>Included in Asset Revaluation Surplus:</i>								
Increase/(Decrease) in Asset Revaluation Surplus	328	257	-2	64	64	-	390	321
<i>Included in Other Reserves:</i>								
Increase/(Decrease) in Other Reserves	-4	3	3	1	-	-	-1	4
Total Comprehensive Income	-2,046	421	185	142	-256	-109	-2,117	454
Other								
Transfer to/from Accumulated Funds	2	99	15	33	-	-	17	132
Movement in the Asset Revaluation Surplus	-2	-99	-15	-33	-	-	-17	-132
Total Other	-	-	-	-	-	-	-	-

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY BY SECTOR
FOR THE YEAR ENDED 30 JUNE 2012**

66 ELIMINATION TABLE - CONTINUED

	<i>General Government Sector</i>		<i>Public Trading Enterprises</i>		<i>Eliminations</i>		<i>Total Territory</i>	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
Transactions Involving Owners Affecting Accumulated Funds								
<i>Included in Accumulated Funds:</i>								
Capital Injections	-38	-56	38	56	-	-	-	-
Increase/(Decrease) in Net Assets due to Administrative Restructure	-	-	-	-	-	0	-	-
Dividends Approved	-	-	-222	-102	222	102	-	-
<i>Included in Equity in Public Trading Entities:</i>								
Increase/(Decrease) in Net Assets of PTE Entities	1	96	-	-	-1	-96	-	-
Total Transactions Involving Owners Affecting Accumulated Funds	-37	40	-184	-45	221	6	-	-
Closing Equity								
Closing Equity in Public Trading Entities	5,523	5,522	-	-	-5,523	-5,522	-	-
Closing Accumulated Funds	3,144	5,550	2,140	2,125	164	262	5,448	7,937
Closing Asset Revaluation Surplus	5,129	4,803	3,370	3,387	136	72	8,634	8,261
Closing Other Reserves	-3	1	13	10	-	-	10	11
Balance at the End of the Reporting Period	13,792	15,876	5,523	5,522	-5,223	-5,189	14,092	16,209

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED CASH FLOW STATEMENT BY SECTOR
FOR THE YEAR ENDED 30 JUNE 2012**

66 ELIMINATION TABLE - CONTINUED

	<i>General Government Sector</i>		<i>Public Trading Enterprises</i>		<i>Eliminations</i>		<i>Total Territory</i>	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
Cash Flows from Operating Activities								
<i>Cash Receipts</i>								
Taxes Received	1,175	1,262	-	-	-28	-32	1,147	1,230
Receipts from Sales of Goods and Services	575	598	726	589	-266	-167	1,035	1,020
Grants/Subsidies Received	1,601	1,581	160	146	-155	-145	1,607	1,582
Interest Receipts	156	170	12	12	-59	-51	110	131
Distribution from Investments with the Territory Banking Account	-	-	7	8	-7	-8	-	-
Dividends and Income Tax Equivalents	354	253	-	-	-222	-139	131	115
Other Receipts	387	389	85	85	-24	-10	448	464
Total Cash Received from Operating Activities	4,248	4,253	990	841	-760	-552	4,477	4,542
<i>Cash Payments</i>								
Payments for Employees	-1,656	-1,525	-131	-121	8	9	-1,779	-1,638
Payments for Goods and Services	-758	-810	-148	-127	55	30	-851	-906
Grants/Subsidies Paid	-737	-736	-27	-24	136	129	-628	-632
Interest Paid	-87	-76	-73	-63	66	59	-95	-80
Other Payments	-381	-402	-449	-378	191	146	-638	-635
Total Cash Paid from Operating Activities	-3,620	-3,550	-828	-713	456	373	-3,992	-3,890
Net Cash Flows from Operating Activities	628	704	162	128	-304	-179	486	652
Cash Flows from Investing Activities								
Cash Flows from Investments in Non-Financial Assets								
Sales of Non-Financial Assets	14	9	20	42	-	-	34	51
Purchases of Non-Financial Assets	-735	-703	-318	-360	86	23	-967	-1,040
Net Cash Flows from Investments in Non-Financial Assets	-721	-694	-298	-319	86	23	-933	-989
Assets								

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED CASH FLOW STATEMENT BY SECTOR
FOR THE YEAR ENDED 30 JUNE 2012**

66 ELIMINATION TABLE - CONTINUED

	<i>General Government Sector</i>		<i>Public Trading Enterprises</i>		<i>Eliminations</i>		<i>Total Territory</i>	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
Cash Flows from Investments in Financial Assets for Policy Purposes								
<i>Cash Receipts</i>								
Repayment of Loans	1	1	-	-	-	-	1	1
Capital Receipts from Government Agencies	-	-	38	56	-38	-56	-	-
Dividends - Market Gains on Land Sales	15	11	-	-	-15	-11	-	-
Total Cash Received from Investment in Financial Assets for Policy Purposes	16	12	38	56	-53	-67	1	1
<i>Cash Payments</i>								
Issue of Loans	-46	-10	-	-	-	-	-46	-10
Capital Payments to Government Agencies	-38	-56	-	-	38	56	-	-
Dividends - Market Gains on Sales	-	-	-15	-11	15	11	-	-
Total Cash Paid from Investment in Financial Assets for Policy Purposes	-84	-66	-15	-11	53	67	-46	-10
Net Cash Flows from Investments in Financial Assets for Policy Purposes	-68	-54	23	45	-	-	-45	-9
Cash Flows from Investments in Financial Assets for Liquidity Purposes								
Sales of Investments	218	286	180	302	-139	-243	259	346
Purchases of Investments	-318	-217	-37	-104	72	98	-283	-223
Net Cash Flows from Investments in Financial Assets for Liquidity Purposes	-100	69	143	198	-68	-145	-24	122
Net Cash Flows from Investing Activities	-889	-679	-132	-75	18	-121	-1,002	-875

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED CASH FLOW STATEMENT BY SECTOR
FOR THE YEAR ENDED 30 JUNE 2012**

66 ELIMINATION TABLE - CONTINUED

	<i>General Government Sector</i>		<i>Public Trading Enterprises</i>		<i>Eliminations</i>		<i>Total Territory</i>	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
Cash Flows from Financing Activities								
<i>Cash Receipts</i>								
Borrowings	570	297	214	296	-297	-308	487	285
Other Financing	-	-	-	-	-	-	-	-
Total Cash Received from Financing Activities	570	297	214	296	-297	-308	487	285
<i>Cash Payments</i>								
Borrowings	-228	-315	-80	-5	297	308	-10	-12
Dividends Paid	-	-	-142	-75	142	75	-	-
Other Financing	-	-	-76	-81	76	81	-	-
Total Cash Paid from Financing Activities	-228	-315	-298	-161	516	464	-10	-12
Net Cash Flows from Financing Activities	342	-18	-84	135	218	156	477	273
Net Increase/(Decrease) in Cash held	82	7	-54	187	-68	-145	-40	49
Cash and Cash Equivalents at the Beginning of Reporting Period	189	183	343	155	-	145	532	483
Cash and Cash Equivalents at the End of Reporting Period	271	189	289	343	-68	-	492	532
Key Fiscal Aggregate								
Net Cash from Operating Activities	628	704	162	128	-304	-179	486	652
Net Cash Flows from Investments in Non-Financial Assets	-721	-694	-298	-319	86	23	-933	-989
Distributions Paid			-218	-156	218	156		
Cash Surplus (+) / Deficit (-)	-93	10	-355	-347	-	-	-448	-337

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

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED CASH FLOW STATEMENT BY SECTOR
FOR THE YEAR ENDED 30 JUNE 2012**

66 ELIMINATION TABLE - CONTINUED

	<i>General Government Sector</i>		<i>Public Trading Enterprises</i>		<i>Eliminations</i>		<i>Total Territory</i>	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
Derivation of ABS GFS Cash Surplus/Deficit								
Cash Surplus (+) / Deficit (-)	-93	10	-355	-347	-	-	-448	-337
Acquisitions Under Finance Leases and Similar Arrangements ^(a)	-	-	-	-	-	-	-	-
ABS GFS Cash Surplus (+) / Deficit (-) Including Finance and Similar Arrangements	-93	10	-355	-347	-	-	-448	-337

(a) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/deficit.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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67 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:

	<i>General Government Sector</i>		<i>Public Trading Enterprises</i>		<i>Total Territory</i>	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
(a) Reconciliation to GFS Net Operating Balance						
Net result from transactions - UPF Net Operating Balance	43	27	168	79	-97	1
Convergence differences:						
Dividend Payments (GFS classify dividends paid by Public Trading Enterprises as an expense)	-	-	-207	-91	-	-
GFS Net Operating Balance	43	27	-39	-12	-97	1
(b) Reconciliation to GFS Net Lending/(Borrowing)						
Net Lending/(Borrowing)	-339	-309	-79	-144	-582	-522
Convergence differences:						
Relating to the Net Operating Balance (as above)	-	-	-207	-91	-	-
Change in Inventories (GFS include the change in inventory balances when calculating Net Lending/Borrowing)	-2	-2	-30	-17	-28	-23
GFS Fiscal Balance	-341	-311	-316	-252	-610	-545
(c) Reconciliation to GFS Net Worth						
Net Worth	13,792	15,876	5,523	5,522	14,092	16,209
Convergence differences:						
Investments in Other Public Sector Entities (GFS exclude deferred tax liabilities in the calculation of net worth for PTE's which flows through to Investments in the GGS sector)	321	335	-	-	-	-
Deferred Tax Liability (GFS exclude deferred tax liabilities in the calculation of net worth)	-	-	321	335	-	-
GFS Net Worth	14,114	16,210	5,844	5,857	14,092	16,209

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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67 RECONCILIATIONS TO ABS GFS MEASURES - CONTINUED

	<i>General Government Sector</i>		<i>Public Trading Enterprises</i>		<i>Total Territory</i>	
	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m	2011-12 Actual \$m	2010-11 Actual \$m
(d) Reconciliation to GFS Net Financial Worth						
Net Financial Worth	51	2,996	-1,044	-800	-6,166	-2,957
Convergence differences:						
Investments in Other Public Sector Entities (GFS exclude deferred tax liabilities in the calculation of net worth for PTE's which flows through to Investments in the GGS sector)	321	335	-	-	-	-
Deferred Tax Liability (GFS exclude deferred tax liabilities in the calculation of net worth)	-	-	321	335	-	-
GFS Net Financial Worth	372	3,331	-723	-465	-6,166	-2,957

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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VARIANCE EXPLANATIONS - 2011-12 Actual Compared to 2010-11 Actual
for variances greater than 10 per cent and greater than \$5 million

GGS = General Government Sector

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Note No.		2011-12 Actual \$m	2010-11 Actual \$m	Variance \$m	Variance %
6	TAXATION REVENUE				
	Duties				
	GGS	320	426	-106	-25%
	Territory	320	425	-105	-25%
	The decrease in duties is primarily due to a large one-off residual receipt received in 2010-11 relating to prior years for the transfer of shares and marketable securities following the finalisation of an outstanding court settlement and a decrease in conveyancing duties associated with a softening of the property market.				
	Payroll Tax				
	Territory	307	276	31	11%
	Higher payroll tax is mainly due to increased revenue from compliance activity and higher payroll tax receipts correlating with an increase in employment activity.				
7	GRANTS REVENUE				
	Gains from Contributed Assets				
	GGS	93	25	68	270%
	Territory	55	1	54	#
	The increase primarily relates to assets transferred at fair value from private developers including roads, streetlights, guard rails and infrastructure related to estate developments. Housing ACT also transferred properties to the Community Services Directorate under the Affordable Rental Scheme.				
8	REVENUE FROM ASSOCIATES AND JOINT VENTURES				
	Land Development Joint Ventures				
	Territory	38	22	16	74%
	The increase is predominantly due to the Land Development Agency having higher land sales within the Woden East Joint venture, increasing its joint venture profits.				

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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Note No.		2011-12 Actual \$m	2010-11 Actual \$m	Variance \$m	Variance %
9	OTHER SALES OF GOODS AND SERVICES				
	Water, Sewerage and Other Services				
	Territory	216	189	28	15%
	The increase in revenue is mainly due to an increase in water consumption compared to the previous year's consumption as a result of higher than average rainfall in 2010-11.				
	Health Cross Border Revenue				
	GGS and Territory	130	96	33	35%
	The increase in Health Cross Border revenue is generally due to a growth in the number of interstate patients attending ACT public hospitals and payments related to the acquittal of prior year activity following the finalisation of a data review which was in dispute between NSW and the ACT from 2005-06 to 2009-10. Both parties have now agreed to a payment outcome and the revenue has been recognised in the current period.				
10	INTEREST INCOME				
	Interest Received from Banks				
	GGS	67	76	-9	-12%
	The decrease in interest from banks is predominately due to lower than average investment balances combined with a lower return rate.				
	Other Interest				
	GGS	5	11	-6	-49%
	The decrease in interest is mainly due to higher prior year interest earned on funds held in a trust account pending the outcome of an objection to an assessment relating to the large one-off receipt of duties relating to prior year transactions for the transfer of shares and marketable securities.				

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Note No.			2011-12 Actual \$m	2010-11 Actual \$m	Variance \$m	Variance %
11	DIVIDEND AND INCOME TAX EQUIVALENTS INCOME					
	Dividends from Public Trading Enterprises					
		GGS	207	91	116	128%
	The increase is largely due to more land settlements during 2011-12 than 2010-11 resulting in a higher profit, and therefore dividend. ACTEW also paid a larger dividend due to increased water revenue which was partially off-set by an increase in depreciation expenses and cost of goods sold expense due to increased trading activity.					
	Income Tax Equivalents from Public Trading Enterprises					
		GGS	114	57	58	102%
	Income tax equivalents have increased mainly due to higher activity and increased profitability within the PTE sector. ACTEW Corporation also had a change in the timing of revenue assessments as a result of the revised Australian Taxation Office (ATO) treatment, ATO Interpretative Decision 2012/15 – Derivation of Income: Unbilled Supply of Energy which resulted in bringing forward tax payments.					
12	LAND REVENUE (VALUE ADD)					
	Land Revenue (Value Add Component)					
		Territory	132	94	37	39%
	This variance is primarily due to higher revenue associated with an increase in sales in Bonner, Wright and Harrison 4, and an increase in Englobo sales within Casey 4, and additional sales in Ngunnawal, which were scheduled to occur in 2010-11 but took place in 2011-12.					
13	OTHER REVENUE					
	Other					
		GGS	71	59	12	21%
		Territory	81	68	14	20%
	The increase predominantly reflects the distribution of monies from the Default Insurance Fund originally provided in relation to the collapse of HIH Insurance in 2001.					

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Note No.			2011-12 Actual \$m	2010-11 Actual \$m	Variance \$m	Variance %
14	EMPLOYEE EXPENSES					
	Annual Leave					
		GGS	66	49	17	35%
		Territory	71	54	17	32%
	The increase primarily relates to growth in staff and service activity associated with the implementation of new budget initiatives and wage increases in line with Enterprise Bargaining outcomes.					
	Workers' Compensation Insurance Premium					
		GGS	42	34	8	23%
		Territory	49	39	10	25%
	The increase in the Workers' Compensation Insurance Premium is attributed to an increase in the risk margin, as well as a change in legislation which increases the qualifying age for pensions. The change in full-time employees will consequently change the parameters of the premium as wages are a contributing factor to the calculation.					
15	SUPERANNUATION EXPENSES					
	Superannuation to Other External Providers, including Fund of Choice					
		GGS	56	46	10	21%
		Territory	61	50	11	21%
	The increase in superannuation costs to external providers is primarily due to an increase in contributions and staff accessing external schemes as a result of the closure of access to the Commonwealth Superannuation Scheme, Public Sector Superannuation Scheme and Public Sector Superannuation Accumulation Plan.					

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Note No.		2011-12 Actual \$m	2010-11 Actual \$m	Variance \$m	Variance %
16	DEPRECIATION AND AMORTISATION				
	Buildings				
	GGS	99	87	11	13%
	Territory	115	102	13	12%
	<p>The increase is mainly due to a revaluation of Housing ACT's buildings and the Education and Training Directorate's assets in March 2012, combined with the capitalisation of new assets including Harrison High School, the Emergency Services Agency Hume Facilities, Tidbinbilla Rural Fire Services Shed and Forensic Medical Centre.</p>				
17	INTEREST EXPENSE				
	Interest Expense on Borrowings				
	GGS	82	70	12	17%
	Territory	81	71	10	14%
	<p>The higher interest expense is mainly due to additional borrowings undertaken on behalf of ACTEW Corporation for Water Security Major Projects which includes the Cotter Dam Enlargement and the Tantangara to Goongong transfer project.</p>				
18	SUPPLIES AND SERVICES				
	Materials, Equipment and Supplies				
	Territory	204	183	21	12%
	<p>The increase is associated with greater commercial and international student activity at the Canberra Institute of Technology and an increase in the Health Directorate's expenses in clinical, surgical and pharmaceuticals supplies as a result of higher activity and demand for specialised drugs.</p>				

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Note No.			2011-12 Actual \$m	2010-11 Actual \$m	Variance \$m	Variance %
19	OTHER OPERATING EXPENSES					
	Cost of Goods Sold					
		Territory	137	168	-31	-18%
	The decrease is mainly due to higher costs of development for the land release program for which development costs on the land rent program are eliminated at the Territory level. This was partially offset by higher water utility management costs incurred by ACTEW Corporation due to increased water sales volumes compared to the previous year.					
	Net Insurance Claim Payments					
		GGS	65	36	30	83%
		Territory	62	34	28	82%
	The increase in payments is predominately due to an increase in the value of claims associated with the outcomes of the actuarial review, which was largely influenced by a higher present value factor being used to estimate the insurance liability.					
	Other					
		GGS	28	50	-22	-45%
	The decrease mainly relates to lower refunds of overpaid income tax equivalents being made to PTE agencies in 2011-12 compared to 2010-11.					
20	GRANT EXPENSES					
	Payments to Non-Government Organisations (Health and Disability)					
		GGS and Territory	163	141	22	16%
	The increase in payments is largely due to growth in mental health services and elective surgery procedures delivered by private hospitals, delivery of disability services and the provision of programs for the Office for Children, Youth and Family Support and residential care for children in need by non-government organisations and other service providers.					

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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Note No.		2011-12 Actual \$m	2010-11 Actual \$m	Variance \$m	Variance %
20 (cont.)	First Home Owner's Grant and Boost				
	GGG and Territory	19	25	-6	-23%
	The decrease is attributable to the gradual conclusion of the First Home Owners Boost following the cessation of the scheme on 31 December 2009.				
	Capital Grants				
	Territory	7	16	-9	-58%
	The decrease in capital grants is mainly due to the transfer of properties from Housing ACT to the Community Housing Sector, such as The Environment Collective Housing Organisation, The Uniting Church in Australia Property Trust, Community Housing Canberra Ltd. and The Salvation Army. These properties were delivered by Housing ACT as part of the <i>Nation Building and Jobs Plan</i> and transfer is dependent on finalisation of the project.				
	Appropriation Payments and Asset Transfers				
	GGG	63	56	7	13%
	The increase largely relates to the transfer of Red Hill French-Australian Preschool and Macarthur Preschool from the General Government Sector to the Land Development Agency to facilitate the transfer and sale of these assets.				
22	LAND REVENUE (MARKET GAINS ON LAND SALES)				
	Land Revenue (Market Gains on Land Sales)				
	Territory	21	15	6	38%
	Revenue has increased primarily due to higher land sales in Bonner, Wright and Harrison 4 as well as Englobo sales within Casey 4, and additional sales in Ngunnawal scheduled for 2010-11 that took place in 2011-12.				

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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Note No.		2011-12 Actual \$m	2010-11 Actual \$m	Variance \$m	Variance %
23	LAND REVENUE (UNDEVELOPED LAND VALUE)				
	Land Revenue (Undeveloped Land Value)				
	GGG and Territory	129	67	62	93%
	The variance reflects a greater level of land sales from the Territory and Municipal Services Directorate to the Land Development Agency, which in turn increased land sales as part of the Government's land release program.				
24	NET GAIN/(LOSS) ON SALE OF NON-FINANCIAL ASSETS				
	Other Gains / Losses (Non-Core Activities)				
	GGG Other Gains	2	19	-17	-88%
	GGG Other Losses	43	-	43	#
	GGG Net Gain / (Loss)	-41	19	-60	-314%
	Territory Other Gains	4	23	-19	-82%
	Territory Other Losses	45	-	45	#
	Territory Net Gain / (Loss)	-41	23	-64	-283%
	The net loss is mainly due to an increase in the present value factor used to value long service leave from 92.2 per cent in 2010-11 to 106.6 per cent in 2011-12, an increase in the present value factor used to value insurance claim expenses, and the disposal of leased vehicles.				
	Impairment Losses and Write-Offs				
	GGG	8	0	7	#
	The increase in losses relates to writing-off Fringe Benefit Tax debts of separated staff within the Health Directorate, and the Emergency Services Agency writing off part of the Commonwealth Fire Services payment as a result of the Commonwealth standardising payments after the ACT completed additional work on behalf of the Commonwealth.				

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Note No.		2011-12 Actual \$m	2010-11 Actual \$m	Variance \$m	Variance %
24 (cont.)	Decrements Arising from Revaluation of Assets				
	GGS	0	6	-6	-99%
	The decrease is mostly due to the revaluation of biological assets and plant and equipment by the Territory and Municipal Services Directorate in 2010-11.				
	Territory	0	11	-11	-98%
	The decrease is mainly due to the revaluation of biological assets and plant and equipment as detailed above and the revaluation of ACTION's bus fleet in 2010-11.				
	Loss on Disposal of Assets				
	Territory	15	22	-7	-31%
	The decrease is primarily due to the transfer of Narrabundah Health Centre to the Winnunga Nimmityjah Aboriginal Health Service in 2010-11, partially offset by a net loss on the sale of motor vehicles in 2011-12.				
25	NET GAIN/(LOSS) ON FINANCIAL ASSETS OR LIABILITIES AT FAIR VALUE				
	Realised and Unrealised Gains on Investments				
	GGS	42	116	-74	-64%
	Territory	42	117	-75	-64%
	Realised and Unrealised Losses on Investments				
	GGS	-175	-49	-126	-255%
	Territory	-175	-48	-127	-263%
	Net Gain/(Loss) - GGS	-133	68	-200	-297%
	Net Gain/(Loss) - Territory	-133	69	-201	-293%
	The net loss on investments in 2011-12 is primarily due to the weak financial performance of global investment markets and lower investment distributions from unlisted unit trust investments to the Superannuation Provision Account.				

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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APPENDIX A

**VARIANCE EXPLANATIONS - 2011-12 Actual Compared to 2010-11 Actual
for variances greater than 10 per cent and greater than \$5 million**

GGG = General Government Sector

Note: A '#' in the 'Variance %' column represents a variation that is greater than 999 per cent or less than -999 per cent. The percentage variances may not be exact due to the impact of rounding.

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Note No.			2011-12 Actual \$m	2010-11 Actual \$m	Variance \$m	Variance %
27	WAIVERS, IMPAIRMENT LOSSES AND WRITE-OFFS					
	Plant and Equipment					
		Territory	3	15	-12	-81%
	The decrease is mainly due to lower impairment of water licences and carbon credits by ACTEW Corporation in 2011-12 than in 2010-11.					
29	CASH AND DEPOSITS					
	Cash at Bank					
		GGG	309	179	130	73%
		Territory	347	229	118	51%
	The increase in cash at bank is mainly due to timing of payments and increased receipts at the end of the year.					
30	ADVANCES PAID					
	Current Loans Receivable					
		GGG	29	93	-64	-69%
	ACTEW Corporation refinanced its short-term loan from the Territory Banking Account and agreed to a larger medium-term loan which is now recorded as a non-current loan below.					
	Non-Current Loans Receivable					
		GGG	1,428	1,178	250	21%
	The increase is primarily due to the provision of a medium-term bond loan to ACTEW Corporation for Water Security Major Projects which includes the Cotter Dam Enlargement and the Tantangara to Googong transfer projects.					
		Territory	91	47	44	93%
	This increase largely reflects further drawdowns on the loan facilities provided to Community Housing Canberra Limited for the supply of affordable housing properties to ACT residents as part of the Government's <i>Affordable Housing Action Plan</i> and a new loan provided to the University of Canberra for the development of new student accommodation.					

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**VARIANCE EXPLANATIONS - 2011-12 Actual Compared to 2010-11 Actual
for variances greater than 10 per cent and greater than \$5 million**

GGS = General Government Sector

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Note No.		2011-12 Actual \$m	2010-11 Actual \$m	Variance \$m	Variance %
31	INVESTMENTS, LOANS AND PLACEMENTS				
	Short-Term Securities				
	Territory	183	292	-109	-37%
	ACTEW Corporation's Investments in short-term securities has decreased in 2011-12 as funds have been utilised for Water Security Major Projects such as the enlargement of the Cotter Dam.				
	Government Fixed Interest Bonds				
	GGS and Territory	687	615	72	12%
	The increase in Government Fixed Interest Bonds is mainly due to the positive returns that resulted from the realignment of investment portfolios from international markets to an Australian inflation-linked bond in March 2012.				
	Other Non-Current Investments				
	Territory	9	1	8	526%
	The increase is predominantly due to ACTTAB holding a new long-term security deposit as part of a new investment strategy.				
32	RECEIVABLES				
	Trade Receivables - Current				
	Territory	178	205	-27	-13%
	The decrease is largely associated with a decline in payroll tax, general rates, and the removal of the payroll tax waiver receivable as well as a lower level of outstanding receivables at 30 June 2012.				
	Right to Receive Infrastructure from Land Developers - Current				
	Territory	38	29	9	30%
	The variance is mainly due to an increased number of contracts settled that required infrastructure to be delivered by third parties and a reclassification from non-current to current.				

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Note No.		2011-12 Actual \$m	2010-11 Actual \$m	Variance \$m	Variance %
32 (cont.)	Other Trade Receivables - Current				
	GGS	7	15	-8	-53%
	The decrease in other trade receivables is mainly due to a reduction in conveyancing duties receivable at the end of the year.				
	Prepayments - Current				
	Territory	49	31	18	56%
	The increase in current prepayments is mainly due to the cash consideration paid to ActewAGL Distribution to incorporate the water and sewage business back into ACTEW Corporation, as well as the timing of payments for capital works projects.				
	Accrued Revenue - Current				
	GGS	188	86	102	118%
	The increase relates to an increase in dividends and income tax equivalents payable due to higher operating profits in the PTE sector and higher payroll tax.				
	Territory	42	58	-15	-27%
	The decrease relates to the receipt of health cross-border revenue following the finalisation of a data review which was in dispute between NSW and the ACT from 2005-06 to 2009-10. Both parties have now agreed to a payment outcome and the income has been received by the Health Directorate.				
	Other Current Receivables				
	GGS	75	46	29	61%
	Territory	83	46	38	83%
	The increase in other receivables primarily relates to increased land rent block sales outstanding, GST reimbursements receivable from the Australian Taxation Office and cross border revenue for prior year interstate patient treatments yet to be acquitted by NSW.				

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Note No.		2011-12 Actual \$m	2010-11 Actual \$m	Variance \$m	Variance %
34	INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
	Investments in Joint Ventures - Current				
	Territory	25	18	7	39%
	The increase in Investments in Joint Ventures is mainly due to a higher share of profits by the Crace, Forde and Woden East Joint Ventures caused by higher land sales, which are in partnership with the Land Development Agency.				
35	PROPERTY, PLANT AND EQUIPMENT (Includes Produced and Non-Produced)				
	Heritage and Community Assets				
	GGs and Territory	2,341	1,931	409	21%
	The increase primarily reflects the upwards revaluation of land under roads, library materials, Canberra Glassworks and the Chapel, Ainslie Arts Centre and Gorman House by the Australian Valuation Office.				
37	INTANGIBLES				
	Externally Purchased Other Intangibles				
	Territory	31	21	11	52%
	This mainly reflects the purchase of water licences for the extraction and transfer of water from the Murrumbidgee Regulated River System as part of ACTEW Corporation's Tantangara to Googong Transfer project.				
38	INVENTORIES				
	Inventory Works in Progress - Current				
	Territory	27	43	-16	-38%
	The decrease in current inventory works in progress is primarily due to a reclassification of residential, commercial and industrial sites to non-current by the Land Development Agency.				

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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Note No.		2011-12 Actual \$m	2010-11 Actual \$m	Variance \$m	Variance %
38 (cont.)	Finished Goods				
	Territory	46	35	11	30%
	The increase in finished goods is largely due to the rise in land available for sale in Bonner, Harrison 4 and Wright.				
	Inventory Works in Progress - Non current				
	Territory	58	36	23	63%
	The increase in non-current inventory works in progress is mainly due to the reclassification of inventory works in progress from current to non-current for residential estates, commercial and industrial sites by the Land Development Agency.				
40	CAPITAL WORKS-IN-PROGRESS				
	Construction - Non-Residential Buildings				
	GGS	286	196	91	46%
	Territory	282	192	91	47%
	The increase is mainly associated with continued Health related capital works being works carried out on the Women's and Children's Hospital, Clinical Services Redevelopment, Integrated Cancer Centre and Gungahlin, Belconnen and Tuggeranong Health Centres as well as various works continuing on Bonner and Franklin schools, the Canberra College Performing Arts Centre and forest plantings at the National Arboretum Canberra.				

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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Note No.		2011-12 Actual \$m	2010-11 Actual \$m	Variance \$m	Variance %
40 (cont.)	Infrastructure				
	GGS	309	273	37	13%
	The increase largely reflects the construction of the Inner North Reticulation Network which will replace potable water with storm water to some of the ACT's sports and school grounds and the progression of Clarrie Hermes Drive, Water Quality Control Ponds, North Weston Roads Intersection and Harrison Wells Station Drive.				
	Territory	849	660	189	29%
	The increase primarily reflects continued works on the enlarged Cotter Dam and Murrumbidgee to Googong Water Transfer projects.				
	Software				
	GGS	56	37	19	53%
	Territory	57	37	20	53%
	The increase primarily reflects software works in progress for the Patient Administration System at Calvary Hospital, the Intensive Care Unit Patient Monitoring project and the continuation of e-Healthy Future ICT projects by the Health Directorate to build up e-health capacity and infrastructure in the public health system.				
42	DEPOSITS HELD				
	Current Financial Creditors				
	GGS	120	162	-42	-26%
	The variation reflects a decrease in investment deposits from the Land Development Agency and Housing ACT held by the Territory Banking Account.				

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Note No.		2011-12 Actual \$m	2010-11 Actual \$m	Variance \$m	Variance %
45	OTHER BORROWINGS				
	Current Banks and Financial Institutions				
	GGG and Territory	56	2	53	#
	The higher overdraft is associated with a change in invoicing practices for capital works projects by Shared Services Procurement.				
	Current Bonds and Bills				
	GGG and Territory	218	287	-69	-24%
	The decrease in current Bonds and Bills is mainly due to a movement of short-term securities to medium-term securities to better align with the timing of expenditure for ACTEW Corporation's Water Security Major Projects.				
	Non-Current Bonds and Bills				
	GGG and Territory	1,687	1,125	562	50%
	The increase is primarily due to higher borrowings being undertaken on behalf of ACTEW Corporation for Water Security Major Projects and the Capital Works Program.				
46	SUPERANNUATION				
	Estimated Employee Superannuation Liability				
	GGG and Territory - Current	167	154	13	9%
	GGG and Territory - Non-Current	7,333	4,724	2,609	55%
		7,500	4,878	2,622	54%
	The significant increase in the superannuation liability is a result of the liability valuation at 30 June 2012. The valuation used a lower Government Bond rate as the discount rate which resulted in the use of a higher present value factor being used to value the liability.				

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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Note No.		2011-12 Actual \$m	2010-11 Actual \$m	Variance \$m	Variance %
47	OTHER EMPLOYEE BENEFITS AND PROVISIONS				
	Accrued Wages and Salaries				
	GGS	44	32	11	35%
	Territory	46	35	11	31%
	This increase is primarily due to an additional salary accrual day in 2011-12, the estimated impact of Enterprise Agreements still under negotiation for Ambulance, Fire and Rescue staff and an increased number of permanent staff.				
	Long Service Leave				
	GGS - Current	251	202	49	24%
	GGS - Non-Current	41	36	5	13%
		292	238	54	23%
	Territory - Current	284	231	52	23%
	Territory - Non-Current	44	38	6	15%
		327	269	58	22%
	This significant variance is predominantly due to the impact of the increase in the rate used to estimate the value of the long service leave liability from 92.2 per cent at 30 June 2011 to 106.6 per cent at 30 June 2012.				
	Other Non-Employee Provisions				
	GGS - Current	3	4	-2	-39%
	GGS - Non-Current	16	21	-4	-21%
		19	25	-6	-25%
	The decrease in non-employee provisions is mostly due to the revaluation of restoration of waste landfill sites.				
48	PAYABLES				
	Accrued Expenses				
	GGS	64	78	-14	-18%
	Territory	76	104	-27	-26%
	The decrease is mainly due to a change in accounting treatment within the Shared Services Centre of capital works invoices which have already been brought into account by directorates.				

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Note No.		2011-12 Actual \$m	2010-11 Actual \$m	Variance \$m	Variance %
48 (cont.)	GST Liability				
	GGG	9	2	7	350%
	The variation is mainly due to an increase in GST payable to the Australian Taxation Office as a result of higher service receipts within the Territory and Municipal Services Directorate.				
	Revenue Received in Advance				
	GGG - Current	28	34	-6	-17%
	The reduction in revenue received in advance is mainly due to a re-assessment of procedures completed for grants received from the Commonwealth within the Health Directorate which is in accordance with the Australian Accounting Standard AASB: 1004 Contributions. In 2011 this assessment was only done on balances greater than \$50,000, as well as a reduction in the number of unprocessed lodgement assessments within the Treasury Directorate in 2011-12.				
	Territory - Current	43	65	-22	-34%
	The decrease is associated with a re-assessment of Commonwealth Grants by the Health Directorate as stated above, a decrease in the value of land sales that have been exchanged but not settled in Bonner, Wright and Harrison, unprocessed lodgement assessments by Treasury and a cessation of the practice of charging tenants of the Magistrates Building and Dame Pattie Menzies Building rent three months in advance by the Property Group following settlement of the property loan in October 2011.				
	Insurance Payables				
	GGG and Territory - Current	35	44	-8	-19%
	GGG and Territory- Non-Current	384	326	58	18%
		420	369	50	14%
	The higher payables are mainly due to an increase in the rate used to estimate the present value factor of the outstanding insurance claim liability and an increase in the risk margin from 17 per cent at 30 June 2011 to 17.2 per cent at 30 June 2012 between investment portfolios associated with an increase in the average term of settlement for insurance claims.				

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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Note No.		2011-12 Actual \$m	2010-11 Actual \$m	Variance \$m	Variance %
48 (cont.)	Other Payables				
	GGS - Current	88	27	60	221%
	The increase in payables is mostly due to the increase in land purchased from the Land Development Agency by the Treasury Directorate under the Land Rent Scheme on behalf of participants.				

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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**VARIANCE EXPLANATIONS - 2011-12 Actual compared to 2011-12 Budget
for variances greater than 15 per cent and greater than \$18 million**

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Reference No.		2011-12 Actual \$m	2011-12 Budget \$m	Variance \$m	Variance %
7	GAINS FROM CONTRIBUTED ASSETS				
	Territory	55	14	40	282%
	The higher gain from contributed assets reflects higher than anticipated infrastructure transfers at fair value from private developers. Assets transferred include roads, streetlights, guardrails and infrastructure related to estate developments.				
10	INTEREST INCOME				
	Territory	114	84	30	36%
	The higher than anticipated interest revenue is mainly due to greater than average investment balances combined with larger than expected rates of return. The favourable variance was also influenced by higher than forecast interest returns on superannuation investments.				
11	DIVIDEND AND INCOME TAX EQUIVALENTS INCOME				
	GGS	446	381	66	17%
	Dividends exceeded the 2011-12 Budget estimate mainly due to the receipt of significant superannuation investment distributions from property and private equity investments and higher than anticipated dividends from Public Trading Enterprises.				
	Territory	125	67	58	86%
	Dividends received are higher than the Budget estimate primarily due to improved superannuation investment distributions referred to above.				
12	LAND REVENUE (VALUE ADD)				
	Territory	132	306	-174	-57%
	The lower result is predominantly due to the delayed timing of releases in Molonglo 3 and delayed sales in Wright, and lower than anticipated commercial demand.				

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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Reference No.		2011-12 Actual \$m	2011-12 Budget \$m	Variance \$m	Variance %
13 OTHER REVENUE					
	GGS	151	114	38	33%
	Territory	154	115	38	33%
	<p>The higher revenue is mainly due to greater than expected investment returns to the ACT Insurance Authority, unanticipated reinsurance recoveries from storm damage claims, higher health related grants including from Health Workforce Australia for recruitment and training of medical staff, and the one-off receipt of compensation from the developer for late completion of the Alexander Maconochie Centre.</p>				
19 OTHER OPERATING EXPENSES					
	GGS	195	165	30	18%
	<p>The higher other operating expenses is largely due to the reduced discount rate being used to estimate the outstanding insurance claims liability by external actuaries.</p>				
	Territory	300	395	-95	-24%
	<p>The lower operating expense is primarily due to lower than anticipated land sales compared to the 2011-12 Budget and the Health Directorate's lower medical and surgical supplies demand from the private sector. This is partially offset by the reduced discount rate noted above.</p>				
21 DIVIDENDS - MARKET GAINS ON LAND SALES					
	GGS	15	40	-25	-63%
	<p>The lower than expected dividend is mainly due to reduced profits as a result of lower than anticipated land sales in 2011-12.</p>				
22 LAND REVENUE (MARKET GAINS ON LAND SALES)					
	Territory	21	57	-35	-63%
	<p>This variance is mostly due to lower than anticipated level of land sales primarily due to delays in the release of Molonglo 3 and delayed sales in Wright, and lower than expected commercial demand.</p>				

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Reference No.		2011-12 Actual \$m	2011-12 Budget \$m	Variance \$m	Variance %
23	LAND REVENUE (UNDEVELOPED LAND VALUE)				
	GGS and Territory	129	268	-140	-52%
	The variance reflects the timing of land sales to the Land Development Agency from the Territory and Municipal Services Directorate which were lower than Budget due to lower than anticipated land sales by the Land Development Agency.				
24	NET GAIN/(LOSS) ON SALE OF NON-FINANCIAL ASSETS				
	GGS	-64	1	-64	#
	Territory	-63	-13	-50	-385%
	The higher loss is primarily due to an increase in the rate used to estimate the present value of long service leave entitlements from 92.2 per cent at 30 June 2011 to 102.6 per cent at 30 June 2012, and the rate used to value insurance claims liabilities, the transfer of various capital works in progress to expenses including Pialligo land in Yarralumla Nursery, inventory at Yarralumla Nursery, and loss on disposals of Fleet.				
25	NET GAIN/(LOSS) ON FINANCIAL ASSETS OR LIABILITIES AT FAIR VALUE				
	GGS and Territory	-133	79	-212	-268%
	The net loss on investments is primarily due to weak global equity market performance as a result of continued volatility in international equity markets.				
29	CASH AND DEPOSITS				
	GGS	321	163	158	97%
	Territory	359	193	166	86%
	The variation is largely associated with the timing of capital works payments, the finalisation of prior year's payments for cross-border health related activity, and the timing of land settlements.				

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Reference No.		2011-12 Actual \$m	2011-12 Budget \$m	Variance \$m	Variance %
36	INVESTMENT PROPERTIES				
	GGS and Territory	3	128	-125	-98%
	The lower than expected investment property balance reflects a reclassification of investment properties to property, plant and equipment. Investment properties were reclassified following the 2010-11 review that determined the properties are being held to meet service delivery objectives in accordance with AASB 140: 'Investment Properties'. The reclassification of investment properties occurred after the release of the 2011-12 Budget.				
37	INTANGIBLES				
	GGS	23	89	-66	-75%
	Territory	57	119	-62	-52%
	The lower value of intangibles is primarily due to the timing for completion of the e-Healthy Future project which has built an essential network infrastructure for health professionals to enable them to exchange sensitive information, and the capitalisation of the Cashlink system which replaced the receipts and payments system within Canberra Connect.				
40	CAPITAL WORKS IN PROGRESS				
	GGS	653	781	-128	-16%
	This variance relates to the timing of capital works projects such as the Enhancement of Canberra Hospital Facilities (Design), Decanting and Continuity Services by the Health Directorate and delays in capital works associated with land release due to adverse weather conditions.				
	Territory	1,218	977	240	25%
	The higher than Budget works in progress mainly relates to unanticipated delays in the enlarged Cotter Dam project caused by adverse weather conditions which has resulted in the asset remaining in works in progress rather than being transferred to property, plant and equipment as anticipated in the 2011-12 Budget.				

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Reference No.		<i>2011-12 Actual \$m</i>	<i>2011-12 Budget \$m</i>	<i>Variance \$m</i>	<i>Variance %</i>
46	SUPERANNUATION				
	GGG and Territory	7,500	4,579	2,921	64%
	<p>The higher than Budget superannuation liability is primarily a result of the liability valuation at 30 June 2012. This valuation used a lower than budgeted 15-year Government Bond rate for the discount rate which resulted in a higher present value rate used to estimate the superannuation liability.</p>				

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
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**APPENDIX C
GLOSSARY**

KEY FISCAL AGGREGATES

Net Debt

The sum of deposits held, advances received and borrowings, less 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 are 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 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 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 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 (ABS) publication Australian System of Government Finance Statistics: *Concepts, Sources and Methods 2005*.

Accounting Policy

Specific accounting principles and practices applied in preparing and presenting financial statements.

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APPENDIX C
GLOSSARY - CONTINUED

Accrual Accounting

The recognition of income, expenses, assets, liabilities and equity when an economic transaction occurs giving rise to a movement of resources, irrespective of the timing of any related movement in cash.

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 the capital works program. This measure is located at the bottom of the consolidated harmonised Cash Flow Statement.

Comprehensive Result

The net result of all items of income and expense recognised for the period. It is the aggregate of the operating result and other movements in equity, other than transactions with owners as owners.

Full-Time Equivalent (FTE)

A measure of the total level of staff resources used. The FTE of a full-time staff member is equal to 1.0. The calculation of an FTE for part-time staff is based on the proportion of time worked compared to that worked by full-time staff performing similar duties. Contractors are excluded.

Generally Accepted Accounting Principles (GAAP)

A widely accepted set of uniform standards, rules, conventions and procedures for reporting financial information established by the AASB.

General Government Sector (GGS)

This is an Australian Bureau of Statistics (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.

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 Enterprises 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 GFS, AASB and the Uniform Presentation Framework.

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GLOSSARY - CONTINUED

Materiality

Materiality is the concept of establishing the importance of financial data in accordance with *AASB 1031: Materiality (AASB 1031)*. 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 the determining factor.

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.

Nominal Superannuation Expense

Refers to the imputed interest accrued each quarter on unfunded superannuation liabilities. In an unfunded superannuation scheme, the increase in superannuation liability is taken as being equivalent to the liability that would be generated under a fully funded scheme as if the employer was paying into a separate superannuation fund. In this scenario, the Government is viewed as compulsorily 'borrowing' from employees the value of the increase in superannuation liability each period. In doing so, it sustains an additional cost for the use of these 'borrowed' funds which is an interest expense. The cost of these 'borrowed' funds is presented in operating statements as nominal interest.

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

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 (e.g. railways, roads, tunnels, airports and dams), plant and equipment, cultivated assets (e.g. livestock, vineyards and orchards), intangible assets (e.g. computer software), inventories (including materials, supplies, defence weapon platforms, works in progress, finished goods and goods for resale), and valuables (e.g. precious metals and stones and antiques).

Operating Result

Operating profit or loss for the period being reported.

Other Economic Flows

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

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GLOSSARY - CONTINUED

Other Non-Financial Assets

Refers to assets not elsewhere classifiable.

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 General Government Sector and Public Trading Enterprises.

Total Comprehensive Income

A measure of the total change in value of the agency during a financial year arising from revenue, expenses and both realised and unrealised movements in the valuation of assets and liabilities. Total Comprehensive Income is the equivalent to the increase or decrease in Net Assets during the financial year.

Transactions

These are interactions between two units by mutual agreement or an action within a unit that is analytically useful to treat as a transaction.

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 Government, 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.