ACT Government

CHIEF MINISTER AND TREASURY DIRECTORATE

ANNUAL REPORT 2013–14

VOLUME 2

ISBN-13: 978-0-642-60626-6
ISBN-10: 0-642-60626-9

GPO Box 158, Canberra City ACT 2601.

Produced by Publishing Services for the Chief Minister and Treasury and Economic Development Directorate, ACT Government.

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Publication No 14/0777

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ACT Government

Chief Minister, Treasury and Economic Development

Ms Katy Gallagher MLA
Chief Minister
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2601

Dear Chief Minister

I hereby provide the audited Financial Statements and Statements of Performance of the ACT Executive, Chief Minister and Treasury Directorate, Superannuation Provision Account, Territory Banking Account, ACT Compulsory Third Party Regulator and Default Insurance Fund for the year ended 30 June 2014 for inclusion in the Chief Minister and Treasury Directorate 2013-14 Annual Report.

Yours sincerely

Kathy Leigh
Director-General

September 2014

Chief Minister, Treasury and Economic Development
GPO Box 158 Canberra ACT 2601 | phone: 132281 | www.act.gov.au

ACT Government

Chief Minister, Treasury and Economic Development

Mr Andrew Barr MLA
Treasurer
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2601

Dear Treasurer

I hereby provide the audited Financial Statements and Statements of Performance of the ACT Executive, Chief Minister and Treasury Directorate, Superannuation Provision Account, Territory Banking Account, ACT Compulsory Third Party Regulator and Default Insurance Fund for the year ended 30 June 2014 for inclusion in the Chief Minister and Treasury Directorate 2013-14 Annual Report.

Yours sincerely

Kathy Leigh
Director-General

September 2014

Chief Minister, Treasury and Economic Development
GPO Box 158 Canberra ACT 2601 | phone: 132281 | www.act.gov.au

ACT Government

Chief Minister, Treasury and Economic Development

Mr Mick Gentleman MLA
Minister for Workplace Safety and Industrial Relations
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2601

Dear Minister

I hereby provide the audited Financial Statements and Statements of Performance of the ACT Executive, Chief Minister and Treasury Directorate, Superannuation Provision Account, Territory Banking Account, ACT Compulsory Third Party Regulator and Default Insurance Fund for the year ended 30 June 2014 for inclusion in the Chief Minister and Treasury Directorate 2013-14 Annual Report.

Yours sincerely

Kathy Leigh
Director-General

September 2014

Chief Minister, Treasury and Economic Development
GPO Box 158 Canberra ACT 2601 | phone: 132281 | www.act.gov.au

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General Overview

Objectives

For the purpose of this reporting entity, the ACT Executive consists of the Chief Minister and other Ministers appointed by the Chief Minister, and their staff. Ministers govern the Territory and execute and maintain enactments and laws in accordance with the *Australian Capital Territory (Self-Government) Act 1988 (Cwlth)*.

Administrative Arrangements

Revisions to Administrative Arrangements (AAs) became effective on 7 July 2014. These revisions did not impact the ACT Executive, but did impact the Chief Minister and Treasury Directorate (CMTD). In addition to several Directorates and functions being transferred to CMTD, CMTD was renamed to the Chief Minister, Treasury and Economic Development Directorate (CMTEDD).

Given this report relates to the period ending 30 June 2014, where required, references will be made to CMTD rather than CMTEDD.

Risk Management

The ACT Executive has minimal risks in relation to its operations and has adopted risk management practices to mitigate these risks. All administrative operations are managed by CMTD and are subject to the same controls as CMTD; for example, the Director-General's Financial Instructions and monitoring by the Audit and Risk Committee.

Territorial Statement of Income and Expenses

The following financial information is based on the audited Annual Financial Statements for 2012-13 and 2013-14, and the forward estimates contained in the 2014-15 Budget Papers.

Operating Result

The operating result for the 2013-14 financial year is an operating deficit of **$0.143 million**, which is **$0.108 million** higher than the original budget deficit of **$0.035 million**. This decrease in the operating result largely results from the ACT Executive using available cash prior to using appropriation to fund expenditure.

Table 1: Total Net Cost of Services

	Actual 2012-13 $m	Original Budget 2013-14 $m	Actual 2013-14 $m	Forward Estimate 2014-15 $m	Forward Estimate 2015-16 $m	Forward Estimate 2016-17 $m	Forward Estimate 2017-18 $m
Total Expenditure	7.130	7.375	7.435	8.329	8.457	8.612	8.775
Total Own Source Revenue	0.525	0.189	0.555	0.194	0.199	0.204	0.209
Net Cost of Services	**6.605**	**7.186**	**6.880**	**8.135**	**8.258**	**8.408**	**8.566**

1. Comparison to Original Budget

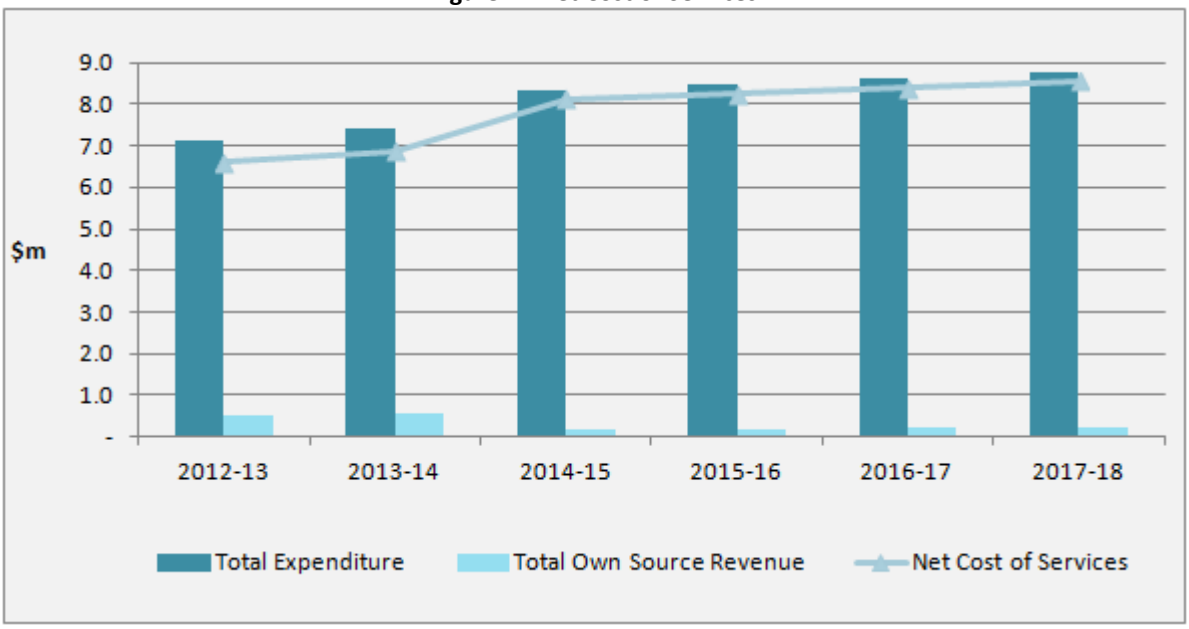
ACT Executive's net cost of services for 2013-14 of **$6.880 million** was **$0.306 million** lower than the original 2013-14 Budget, mainly reflecting lower than budgeted employee expenses, partially offset by higher than budgeted supplies and services expenses and resources received free of charge (RRFoC).

2. Comparison to 2012-13 Actual Result

Total net cost of services of **$6.880 million** was **$0.275 million** or **4.2 per cent** higher than the prior year, largely due to increases in employee and supplies and services expenses, partially offset by an increase in RRFoC.

3. Future Trends

Figure 1: Net Cost of Services



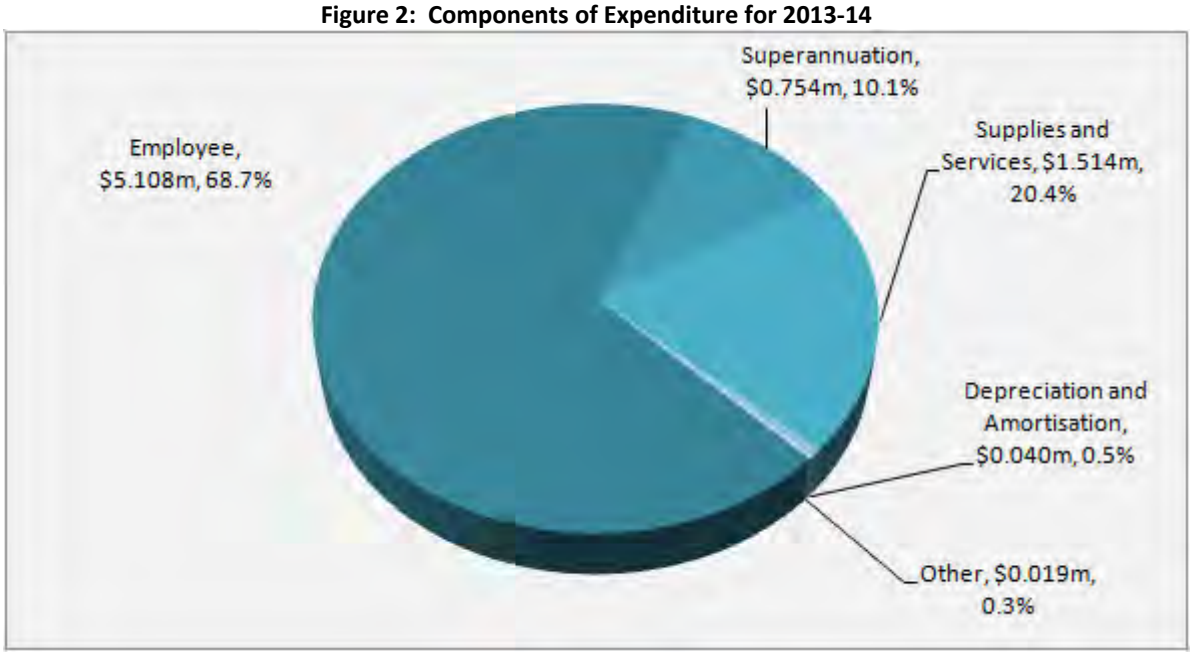
In the 2014-15 Budget Papers, the ACT Executive forecast an increase in net cost of services in 2014-15 and across the forward estimates. The increase mainly reflects the planned commencement of a new Minister early in 2014-15 and Remuneration Tribunal Determination outcomes.

Total Expenditure

1. Components of Expenditure

Figure 2 below indicates the components of ACT Executive's expenditure for 2013-14, with the largest component being employee related expenditure (employee and superannuation expenses) (**79 per cent** or **$5.862 million**).

Figure 2: Components of Expenditure for 2013-14



2. Comparison to the Original Budget

Total expenditure for the 2013-14 financial year was **$7.435 million**, **$0.060 million** or **0.8 per cent** higher than than the original budget of **$7.375 million**, mainly due to higher than budgeted supplies and services expenditure (**$0.222 million**), mostly offset by lower than budgeted employee related expenses (**$0.170 million**).

- The increase in supplies and services relates mainly to a return to more usual travel arrangements compared to 2012-13, when less travel was taken in the lead up to the 2012 election, the cost of the fitout of a new Minister's suite in readiness for use from early in 2014-15, and a general increase in the use of the Government Solicitors Office (GSO) for a range of services during the year, partially offset by general underspends.
- The decrease in employee related expenses largely results from lower than forecast superannuation expenses.

3. Comparison to 2012-13 Actual Expenditure

Total expenditure for 2013-14 was **$0.305 million** or **4.3 per cent** higher than the previous year, due largely to increases in:

- supplies and services, reflecting a return to more usual travel arrangements compared to 2012-13, when less travel was taken in the lead up to the 2012 election, the cost of the fitout of a new Minister's suite in readiness for use from early in 2014-15, partially offset by a decrease in IT modernisation, licensing and support cost due to the outright purchase of additional IT equipment in 2012-13; and

- employee expenses, largely due to an increase in long service leave (LSL) due to the effect of payments made to staff during 2012-13 from accumulated LSL entitlements following the 2012 election, partially offset by a decrease in termination payments resulting from the impact of 2012-13 staffing arrangements following the 2012 election.

Total Own Source Revenue

1. Components of Own Source Revenue

For the financial year ended 30 June 2014, the ACT Executive's own source revenue of **$0.555 million** was made up of RRFoC (**$0.551 million**) and gains from the sale of vehicles (**$0.004 million**).

2. Comparison to the Original Budget

Own source revenue for the year ending 30 June 2014 was **$0.366 million** or **193.7 per cent** higher than the original 2013-14 Budget of **$0.189 million**, largely resulting from an increase in legal services provided by the GSO.

3. Comparison to 2012-13 Actual Income

Own source revenue for the year ending 30 June 2014 was **$0.030 million** or **5.7 per cent** higher than the 2012-13 result of **$0.525 million**. This is due to a general increase in legal services provided by the GSO for a range of services during the year (**$0.043 million**), offset by a decrease in utilities costs provided free of charge from the Office of the Legislative Assembly (OLA).

4. Future Trends

Total own source revenue (**$0.194 million**) for 2014-15 (included in the 2014-15 Budget Papers), indexed across the forward estimates, relates largely to RRFoC for building maintenance and other services provided by the OLA, accounting services provided by CMTD, and legal services provided by the GSO.

The ACT Executive's own source revenue can fluctuate considerably from year to year, depending on the nature and quantity of legal services provided by the GSO. For the purpose of the 2014-15 Budget forward estimates, own source revenue is forecast to grow in line with indexation.

ACT Executive's Financial Position

Net Assets/(Liabilities)

Net Liabilities for the financial year ended 30 June 2014 were **$0.677 million**, which is **$0.141 million** lower than the original budget Net Liabilities of **$0.818 million**, and **$0.143 million** higher than the 30 June 2013 actual Net Liabilities of **$0.534 million**. Reasons for these variations are explained in the following sections.

Table 2: Net Assets/(Liabilities)

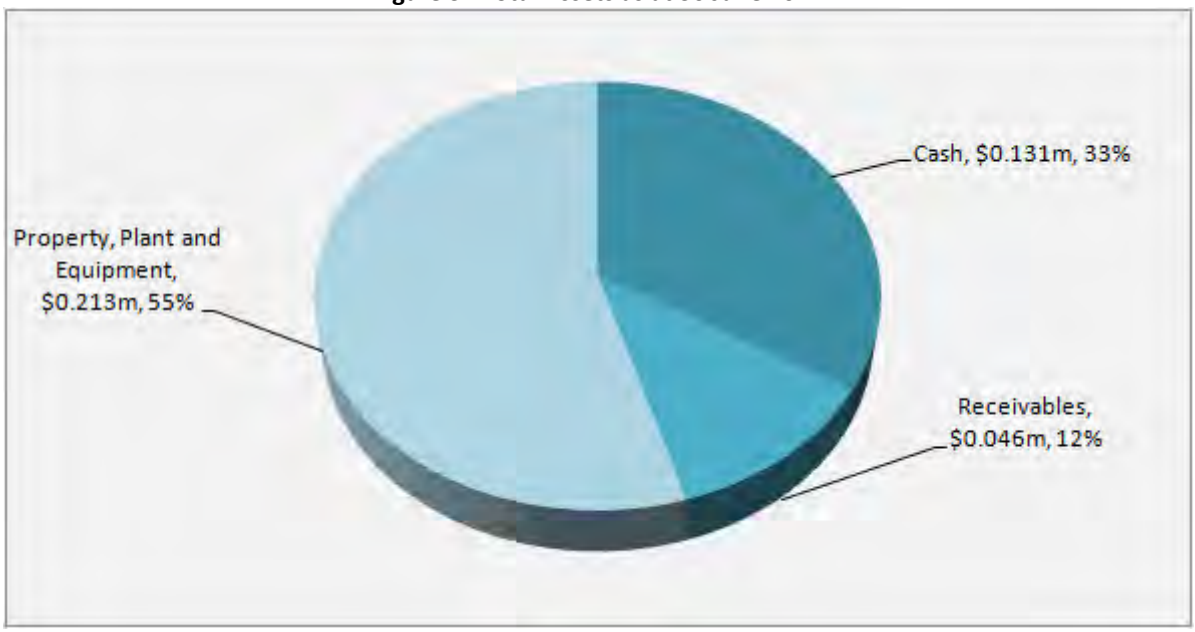
	Actual 2012-13 $m	Original Budget 2012-13 $m	Actual 2013-14 $m
Total Assets	0.379	0.429	0.390
Total Liabilities	0.913	1.247	1.067
Net Assets/(Liabilities)	**(0.534)**	**(0.818)**	**(0.677)**

Total Assets

1. Components of Total Assets

Figure 3 below indicates that for the financial year ended 30 June 2014, the ACT Executive held **33 per cent** of its assets as cash, **55 per cent** as property, plant and equipment, and **12 per cent** as receivables.

Figure 3: Total Assets as at 30 June 2014



2. Comparison to Original Budget

The total asset position as at 30 June 2014 is **$0.390 million**, **$0.039 million** lower than the original 2013-14 Budget of **$0.429 million**, largely due to a decrease in cash associated with the timing of cash flows during the year, partially offset by an increase in GST receivables, again reflecting timing.

3. Comparison to 2012-13 Actual

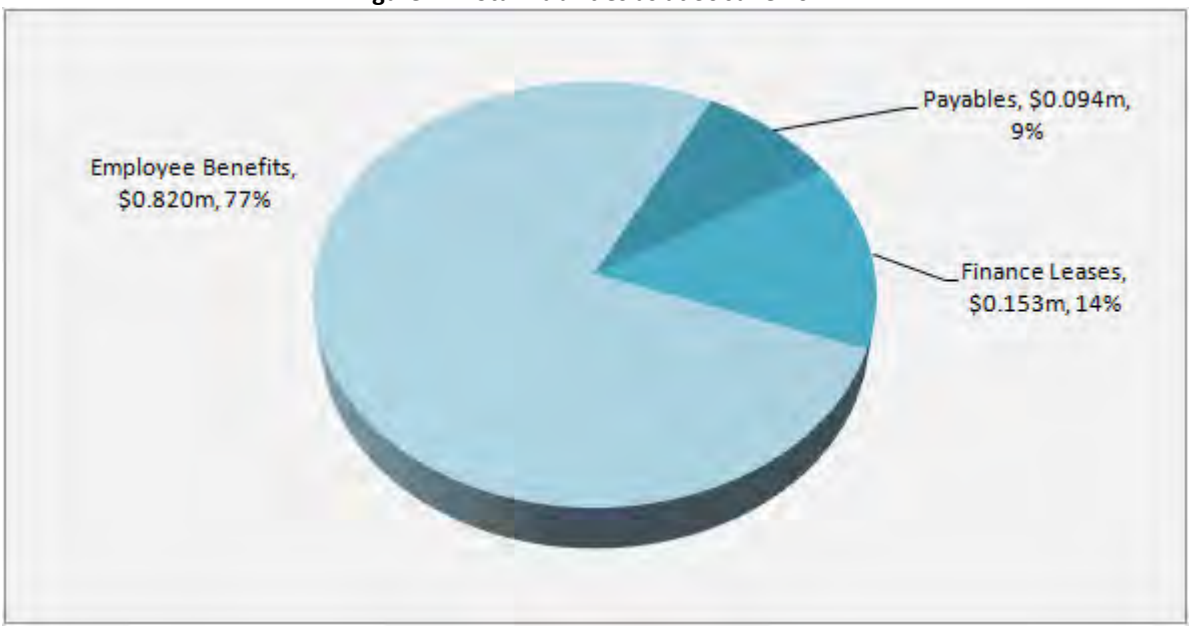
The ACT Executive's total asset position is **$0.011 million** higher than the 2012-13 result of **$0.379 million**, due to minor increases in receivables, property, plant and equipment and cash, partially offset by a decrease in other assets resulting from the sale of finance leased vehicles during 2013-14 for which residual values had been paid late in 2012-13, resulting in the recognition of a prepayment.

Total Liabilities

1. Components of Total Liabilities

Figure 4 below indicates that **77 per cent** of the ACT Executive's liabilities relate to employee benefits, with the balance relating to payables and finance leases. The employee benefits liability relates to accumulated leave and salary benefits.

Figure 4: Total Liabilities as at 30 June 2014



2. Comparison to Original Budget

The ACT Executive's total liabilities for the year ended 30 June 2014 of **$1.067 million** is **$0.180 million**, lower than the original budget of **$1.247 million**, largely due to a higher than budgeted payables.

3. Comparison to 2012-13 Actual

Total liabilities are **$0.154 million** higher than the 2012-13 result of **$0.913 million**, largely due to the net growth in leave accruals, partially offset by changes in employee entitlement balances due to existing staff leaving, and new staff being employed by, the ACT Executive.

Attachment A

Comparison of Net Cost of Services to the 2013-14 Budget

Description	Original Budget $m	Plus AA Transfers [1] $m	Total Funding $m	Actual $m	Variance Excluding Transfers $m	Variance Excluding Transfers %
Expenditure						
Employee and Superannuation	6.032	-	6.032	5.862	(0.170)	-2.8%
Supplies and Services	1.292	-	1.292	1.514	0.222	17.2%
Borrowing Costs	0.010	-	0.010	0.009	(0.001)	-10.0%
Depreciation	0.041	-	0.041	0.040	(0.001)	-2.4%
Other Expenses	-	-	-	0.010	0.010	100.0%
Total Expenditure	***7.375***	-	***7.375***	***7.435***	***0.060***	***0.8%***
Own Source Revenue						
Resources Received Free of Charge	0.189	-	0.189	0.551	0.362	191.5%
Gains	-	-	-	0.004	0.004	100.0%
Total Own Source Revenue	***0.189***	-	***0.189***	***0.555***	***0.366***	***193.7%***
Total Net Cost of Services	***7.186***	-	***7.186***	***6.880***	***(0.306)***	***-4.3%***

Note: Net Cost of Services equals Total Expenditure less Total Own Source Revenue.

[1] 'AA' means Administrative Arrangements. There were no changes to Administrative Arrangements impacting ACT Executive during the 2013-14 financial year.

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

INDEPENDENT AUDIT REPORT

ACT EXECUTIVE

To the Members of the ACT Legislative Assembly

Report on the financial statements

The financial statements of the ACT Executive for the year ended 30 June 2014 have been audited. These comprise the statement of income and expenses on behalf of the Territory, statement of assets and liabilities on behalf of the Territory, statement of changes in equity on behalf of the Territory, cash flow statement on behalf of the Territory, Territorial statement of appropriation and accompanying notes.

Responsibility for the financial statements

The Director-General of the Chief Minister, Treasury and Economic Development Directorate is responsible for the preparation and fair presentation of the 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 financial statements.

The auditor's responsibility

Under the *Financial Management Act 1996*, I am responsible for expressing an independent audit opinion on the financial statements of the ACT Executive.

The audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance that the 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 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 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.

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The audit is not designed to provide assurance on the appropriateness of budget information included in the financial statements or evaluate the prudence of decisions made by the ACT Executive.

Electronic presentation of the audited financial statements

Those viewing an electronic presentation of the 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 financial statements. If users of the 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 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 financial statements of the ACT Executive for the year ended 30 June 2014:

(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 ACT Executive as at 30 June 2014 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
12 August 2014

ACT Executive
Financial Statements
For the Year Ended 30 June 2014

STATEMENT OF RESPONSIBILITY

In my opinion, the financial statements are in agreement with the ACT Executive's accounts and records and fairly reflect the financial operations of the ACT Executive for the year ended 30 June 2014 and the financial position of the ACT Executive on that date.

Kathy Leigh
Director-General
Chief Minister, Treasury and Economic Development Directorate

24 July 2014

ACT Executive
Financial Statements
For the Year Ended 30 June 2014

STATEMENT BY THE CHIEF FINANCE OFFICER

In my opinion, the financial statements have been prepared in accordance with generally accepted accounting principles, and are in agreement with the ACT Executive's accounts and records and fairly reflect the financial operations of the ACT Executive for the year ended 30 June 2014 and the financial position of the ACT Executive on that date.

Paul Ogden
Chief Finance Officer
Chief Minister, Treasury and Economic Development Directorate

24 July 2014

ACT EXECUTIVE

TERRITORIAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

ACT Executive
Statement of Income and Expenses on Behalf of the Territory
For the Year Ended 30 June 2014

	Note No.	Actual 2014 $'000	Original Budget 2014 $'000	Actual 2013 $'000
Income				
Revenue				
Payment for Expenses on Behalf of the Territory	4	6,737	7,151	6,799
Resources Received Free of Charge	5	551	189	516
Total Revenue		**7,288**	**7,340**	**7,315**
Gains				
Other Gains	6	4	-	9
Total Gains		**4**	**-**	**9**
Total Income		**7,292**	**7,340**	**7,324**
Expenses				
Employee Expenses	7	5,108	5,168	5,026
Superannuation Expenses	8	754	864	735
Supplies and Services	9	1,514	1,292	1,319
Borrowing Costs	11	9	10	10
Depreciation	12	40	41	40
Other Expenses	13	10	-	-
Total Expenses		**7,435**	**7,375**	**7,130**
Operating Surplus/(Deficit)		**(143)**	**(35)**	**194**
Total Comprehensive Income/(Deficit)		**(143)**	**(35)**	**194**

This table may not add due to rounding.

The above Statement of Income and Expenses on Behalf of the Territory should be read in conjunction with the accompanying notes.

ACT Executive
Statement of Assets and Liabilities on Behalf of the Territory
As at 30 June 2014

	Note No.	Actual 2014 $'000	Original Budget 2014 $'000	Actual 2013 $'000
Current Assets				
Cash	15	131	190	120
Receivables	16	46	17	12
Other Assets	17	-	-	46
Total Current Assets		**177**	**207**	**178**
Non-Current Assets				
Property, Plant and Equipment	18	213	222	201
Total Non-Current Assets		**213**	**222**	**201**
Total Assets		**390**	**429**	**379**
Current Liabilities				
Payables	19	94	231	49
Finance Leases	20	81	59	110
Employee Benefits	21	820	796	725
Total Current Liabilities		**995**	**1,086**	**884**
Non-Current Liabilities				
Finance Leases	20	72	105	29
Employee Benefits	21	-	56	-
Total Non-Current Liabilities		**72**	**161**	**29**
Total Liabilities		**1,067**	**1,247**	**913**
Net Assets/(Liabilities)		**(677)**	**(818)**	**(534)**
Equity				
Accumulated Surpluses/(Deficits)		(682)	(823)	(539)
Asset Revaluation Surplus	22	5	5	5
Total Equity		**(677)**	**(818)**	**(534)**

This table may not add due to rounding.

The above Statement of Assets and Liabilities on Behalf of the Territory should be read in conjunction with the accompanying notes.

ACT Executive
Statement of Changes in Equity on Behalf of the Territory
For the Year Ended 30 June 2014

30 JUNE 2014	Accumulated Funds Actual 2014 $'000	Asset Revaluation Surplus Actual 2014 $'000	Total Equity Actual 2014 $'000	Original Budget 2014 $'000
Balance as at 1 July 2013	**(539)**	**5**	**(534)**	**(783)**
Comprehensive Income/(Deficit)				
Operating Surplus/(Deficit)	(143)	-	(143)	(35)
Total Comprehensive Income/(Deficit)	**(143)**	**-**	**(143)**	**(35)**
Balance as at 30 June 2014	**(682)**	**5**	**(677)**	**(818)**

This table may not add due to rounding.

30 JUNE 2013	Accumulated Funds Actual 2013 $'000	Asset Revaluation Surplus Actual 2013 $'000	Total Equity Actual 2013 $'000
Balance as at 1 July 2012	**(733)**	**5**	**(728)**
Comprehensive Income/(Deficit)			
Operating Surplus/(Deficit)	194	-	194
Total Comprehensive Income/(Deficit)	**194**	**-**	**194**
Balance as at 30 June 2013	**(539)**	**5**	**(534)**

This table may not add due to rounding.

The above Statements of Changes in Equity on Behalf of the Territory should be read in conjunction with the accompanying notes.

ACT Executive
Cash Flow Statement on Behalf of the Territory
For the Year Ended 30 June 2014

	Note No.	Actual 2014 $'000	Original Budget 2014 $'000	Actual 2013 $'000
Cash Flows from Operating Activities				
Receipts				
Cash from Government for Expenses on Behalf of the Territory		6,737	7,151	6,799
Goods and Services Tax Input Tax Credits from the Australian Taxation Office		59	110	125
Total Receipts from Operating Activities		**6,796**	**7,261**	**6,924**
Payments				
Employee		5,037	5,110	5,241
Superannuation		729	863	660
Supplies and Services		859	1,088	861
Borrowing Costs		9	10	10
Goods and Services Tax Paid to Suppliers		93	110	136
Other		15	-	-
Total Payments from Operating Activities		**6,742**	**7,181**	**6,908**
Net Cash Inflows/(Outflows) from Operating Activities	26	**54**	**80**	**16**
Cash Flows from Investing Activities				
Receipts				
Proceeds from Sale of Property, Plant and Equipment		85	83	21
Total Receipts from Investing Activities		**85**	**83**	**21**
Net Cash Inflows/(Outflows) from Investing Activities		**85**	**83**	**21**
Cash Flows from Financing Activities				
Payments				
Repayment of Finance Lease		128	127	61
Total Payments from Financing Activities		**128**	**127**	**61**
Net Cash Inflows/(Outflows) from Financing Activities		**(128)**	**(127)**	**(61)**
Net Increase/(Decrease) in Cash and Cash Equivalents		**11**	**36**	**(25)**
Cash and Cash Equivalents at the Beginning of the Reporting Period		**120**	**154**	**145**
Cash and Cash Equivalents at the End of the Reporting Period	26	**131**	**190**	**120**

This table may not add due to rounding.

The above Cash Flow Statement on Behalf of the Territory should be read in conjunction with the accompanying notes.

ACT Executive
Territorial Statement of Appropriation
For the Year Ended 30 June 2014

	Original Budget 2014 $'000	Total Appropriated 2014 $'000	Appropriation Drawn 2014 $'000	Appropriation Drawn 2013 $'000
Territorial				
Expenses on Behalf of the Territory	7,151	7,151	6,737	6,799
Total Territorial Appropriation	**7,151**	**7,151**	**6,737**	**6,799**

The above Territorial Statement of Appropriation should be read in conjunction with the accompanying notes.

Column Heading Explanations

The *Original Budget* column shows the amounts that appear in the Cash Flow Statement on Behalf of the Territory in the Budget Papers. This amount also appears in the Cash Flow Statement on Behalf of the Territory of the ACT Executive.

The *Total Appropriated* column is inclusive of all appropriation variations occurring after the Original Budget.

The *Appropriation Drawn* is the total amount of appropriation received by the ACT Executive during the year. This amount appears in the Cash Flow Statement on Behalf of the Territory of the ACT Executive.

Variances between 'Original Budget' and 'Total Appropriated'

There is no variance between the Original Budget and the Total Appropriated for 2013-14.

Variances between 'Total Appropriated' and 'Appropriation Drawn'

The variance between the Total Appropriated and Appropriation Drawn for 2013-14 of $0.414 million is largely due to general underspends.

ACT Executive
Territorial Note Index
For the Year Ended 30 June 2014

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 1. OBJECTIVES OF THE ACT EXECUTIVE

a) Operations and Principal Activities

For the purpose of this reporting entity, the ACT Executive consists of the Chief Minister and other Ministers appointed by the Chief Minister, and their staff. Ministers govern the Territory and execute and maintain enactments and laws in accordance with the *Australian Capital Territory (Self-Government) Act 1988 (Cwlth)*.

b) Administrative Arrangements 2014 (No 1)

Revisions to Administrative Arrangements (AAs) came into effect on 7 July 2014. These revisions did not impact the ACT Executive, but did impact the Chief Minister and Treasury Directorate (CMTD). In addition to several Directorates and functions being transferred to CMTD, CMTD was renamed to the Chief Minister, Treasury and Economic Development Directorate (CMTEDD).

Given this report relates to the period ending 30 June 2014, where required, references will be made to CMTD rather than CMTEDD.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The *Financial Management Act 1996* (FMA) requires the preparation of annual financial statements for ACT Government Agencies.

The FMA and the *Financial Management Guidelines* issued under the FMA, requires the ACT Executive's financial statements to include:

i. a Statement of Income and Expenses on Behalf of the Territory for the year;

ii. a Statement of Assets and Liabilities on Behalf of the Territory at the end of the year;

iii. a Statement of Changes in Equity on Behalf of the Territory for the year;

iv. a Cash Flow Statement on behalf of the Territory for the year;

v. a Territorial Statement of Appropriation for the year;

vi. a summary of the significant accounting policies adopted for the year; and

vii. such other statements as are necessary to fairly reflect the financial operations of the ACT Executive during the year and its financial position 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 and Disclosure Policies.

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

a) Basis of Accounting - Continued

As at 30 June 2014, the ACT Executive's current assets are insufficient to meet its current liabilities. However, this is not considered a liquidity risk as its cash needs are funded through appropriation from the ACT Government on a cash-needs basis. This is consistent with the whole of government cash management regime, which requires excess cash balances to be held centrally rather than within individual agency bank accounts. The Statement of Assets and Liabilities on Behalf of the Territory shows that the ACT Executive's current liabilities of $0.995 million exceed its current assets of $0.177 million by $0.818 million. Note 23, 'Financial Instruments', shows that financial assets expected to mature in the next 12 months of $0.131 million exceed financial liabilities expected to mature in the next 12 months of $0.081 million by $0.050 million.

The financial statements have been prepared using the accrual basis of accounting, which recognises the effects of transactions and events when they occur. The financial statements have also been prepared according to the historical cost convention, except for Community and Heritage assets included in property, plant and equipment, which were valued at fair value in accordance with the re/valuation policies applicable to the ACT Executive during the reporting period, where applicable.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using the market approach, the cost approach or the income approach valuation technique as appropriate. In estimating the fair value of an asset or liability, the Directorate takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at measurement date.

The above approach to fair value measurement does not apply to leasing transactions within the scope of Australian Accounting Standard AASB 117, 'Leases', or measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102, 'Inventories', or value in use in AASB 136, 'Impairment of Assets'.

For disclosure purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the significance of the inputs to the fair value measurement and the extent to which the inputs to the valuation techniques used are observable. The fair value hierarchy is made up of the following three levels.

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the ACT Executive can access at the measurement date.
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs) that are unobservable for particular assets or liabilities.

These financial statements are presented in Australian dollars, which is the ACT Executive's functional currency.

The ACT Executive is an individual reporting entity.

b) Territorial Items

The ACT Executive only produces Territorial financial statements. The Territorial financial statements include income, expenses, assets and liabilities that the ACT Executive administers on behalf of the ACT Government, but does not control.

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

c) The Reporting Period

These financial statements state the financial performance, changes in equity and cash flows of the ACT Executive for the year ended 30 June 2014 together with the financial position of the ACT Executive as at 30 June 2014.

d) Comparative Figures

Budget Figures

To facilitate a comparison with Budget Papers, as required by the FMA, budget information for 2013-14 has been presented in the financial statements. Budget numbers in the financial statements are the original budget numbers that appear in the Budget Papers.

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

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

e) Abbreviations

The following abbreviations are used throughout these financial statements.

AG's Office	ACT Audit Office
CMTD	Chief Minister and Treasury Directorate
CMTEDD	Chief Minister, Treasury and Economic Development Directorate
CSS	Commonwealth Superannuation Scheme
EBT	Expenses on Behalf of the Territory (appropriation/funding)
FMA	*Financial Management Act 1996*
FTE	Full-time Equivalent (staff)
JACSD	Justice and Community Safety Directorate
GSO	Government Solicitor's Office
MLA	Member of the Legislative Assembly
OLA	Office of the Legislative Assembly
PSS	Public Sector Superannuation Scheme
PSSap	Public Sector Superannuation Scheme accumulation plan
SPA	Superannuation Provision Account
TBA	Territory Banking Account
Territory	Australian Capital Territory

f) Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars ($'000). Use of the "-" symbol represents zero amounts or amounts rounded up or down to zero. Some totals throughout this report may not add due to rounding.

g) Revenue Recognition

Revenue is recognised at the fair value of the consideration received or receivable in the Statement of Income and Expenses on Behalf of the Territory. All revenue is recognised to the extent that it is probable that the economic benefits will flow to the ACT Executive and the revenue can be reliably measured. In addition, the following specific recognition criteria must also be met before revenue is recognised.

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

g) Revenue Recognition - Continued

Payment for Expenses on Behalf of the Territory

The Payment for expenses on behalf of the Territory is recognised as revenue when the ACT Executive gains control over the funding, which occurs upon the receipt of cash.

h) Resources Received and Provided Free of Charge

Resources received free of charge are recorded as a revenue and expense in the Statement of Income and Expenses on Behalf of the Territory at fair value. The revenue is separately disclosed under resources received free of charge, with the expense being recorded in the line item to which it relates. Goods and services received free of charge from ACT Government agencies are recorded as resources received free of charge, whereas goods and services received free of charge from entities external to the ACT Government are recorded as donations.

Services that are received free of charge are only recorded in the Statement of Income and Expenses on Behalf of the Territory if they can be reliably measured and would have been purchased if not provided to the ACT Executive free of charge.

i) Borrowing Costs

Borrowing costs are expensed in the period in which they are incurred.

j) Current and Non-Current Items

Assets and liabilities are classified as current or non-current in the Statement of Assets and Liabilities on Behalf of the Territory and in the relevant notes. Assets are classified as current where they are expected to be realised within 12 months after the reporting date. Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or when the ACT Executive does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Assets or liabilities which do not fall within the current classification are classified as non-current.

k) Cash

For the purposes of the Cash Flow Statement on Behalf of the Territory and the Statement of Assets and Liabilities on Behalf of the Territory, cash includes cash at bank and cash on hand.

l) Receivables

Receivables are initially recognised at fair value and are subsequently measured at amortised cost, with any adjustments to the carrying amount being recorded in the Statement of Income and Expenses on Behalf of the Territory.

The allowance for impairment losses represents the amount of trade receivables and other trade receivables the ACT Executive estimates will not be repaid. The allowance for impairment losses is based on objective evidence and a review of overdue balances. The ACT Executive considers the following is objective evidence of impairment:

i. becoming aware of financial difficulties of debtors;

ii. default payments; or

iii. debts more than 90 days overdue.

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

l) Receivables - Continued

The amount of the allowance is the difference between the receivables carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the allowance is recognised in the Statement of Income and Expenses on Behalf of the Territory.

The allowance for impairment losses are written off against the allowance account when the ACT Executive ceases action to collect the debt as it considers that it will cost more to recover the debt than the debt is worth.

Receivables that have been renegotiated because they are past due or impaired are accounted for based on the renegotiated terms.

m) 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).

Where property, plant and equipment is acquired at no cost, or minimal cost, cost is its fair value as at the date of acquisition. However, property, plant and equipment acquired at no cost or minimal cost as part of a Restructuring of Administrative Arrangements is measured at the transferor's book value.

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

Property, plant and equipment with a minimum value of $2,000 is capitalised.

n) Measurement of Property, Plant and Equipment after Initial Recognition

Property, plant and equipment assets are valued using the cost or revaluation model of valuation.

Plant and equipment is measured at cost. 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.

Community and heritage assets are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The ACT Executive revalues its community and heritage 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.

o) Impairment of Assets

The ACT Executive assesses at each reporting date 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.

Impairment losses for plant and equipment assets are recognised in the Statement of Income and Expenses on Behalf of the Territory, as plant and equipment is carried at cost and no revaluation surplus exists for this asset class. The carrying amount of the asset is reduced to its recoverable amount.

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

o) Impairment of Assets - Continued

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 the asset's 'fair value less cost of disposal' and its 'value in use'. An asset's 'value in use' is its depreciated replacement cost, where the asset would be replaced if the ACT Executive were deprived of it. Non-financial assets that have previously been impaired are reviewed for possible reversal of impairment at each reporting date.

p) Depreciation and Amortisation of Non-Current Assets

Non-current assets with a limited useful life are systematically depreciated 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 over its newly assessed remaining useful life. Community and Heritage assets have an unlimited useful life and are therefore not depreciated.

Motor vehicles under a finance lease are depreciated over the estimated useful life of each asset, or the unexpired period of the relevant lease, whichever is shorter.

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

Depreciation for non-current assets is determined as follows:

Class of Asset	Depreciation/Amortisation Method	Useful Life (Years)
Plant and Equipment	Straight Line	2-20
Community and Heritage Assets	Not depreciated	-

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

q) Payables

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

Payables include Trade Payables, Accrued Expenses and Other.

Trade Payables represent the amounts owing for goods and services received prior to the end of the reporting period and unpaid at the end of the reporting period which relate to the normal operations of the ACT Executive.

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 an invoice has not been received by period end.

Other Payables are those unpaid invoices that do not directly relate to the normal operations of the ACT Executive.

r) Leases

The ACT Executive has entered into finance leases and operating leases.

Operating Leases

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

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

r) Leases - Continued

Finance Leases

Finance leases effectively transfer to the ACT Executive substantially all the risks and rewards incidental to ownership of the assets under a 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 (AASB 13, 'Fair Value Measurement', of fair value does not apply – see AASB 117.6A) 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 or lease term. Assets under a finance lease 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. Lease liabilities are classified as current and non-current.

s) Employee Benefits

Employee benefits include:

- short-term employee benefits such as wages and salaries, annual leave loading, and applicable on-costs – if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services;
- other long-term benefits such as long service leave and annual leave; and
- termination benefits.

On-costs include annual leave, long service leave, superannuation and other costs that are incurred when employees take annual leave and long service leave.

Wages and Salaries

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

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

Annual and long service leave including applicable on-costs that are not expected to be wholly settled before twelve months after the end of the reporting period when the employees render the related service are measured at the present value of estimated future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the future wage and salary levels, experience of employee departures and periods of service. At each reporting period, the present value of future payments is calculated using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows. In 2013-14, the rate used to estimate the present value of future payment is 103.5% (101.3% in 2012-13).

The long service leave is estimated with reference to the minimum period of qualifying service. For ACT Executive employees there is a 1 year minimum qualifying period of service before long service leave can be taken, therefore all long service leave is classified as current without the application of a probability factor as those employees with greater than one year of service are paid out their accrued entitlement when their employment with the ACT Executive ends. Usually, ACT Executive employees who are also ACT Public Sector public servants will not receive a long service leave payout when their employment with the ACT Executive ends, as they normally resume employment with their 'home agency' and continue accruing long service leave entitlements consistent with the applicable employment agreement.

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

s) Employee Benefits - Continued

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 Statement of Assets and Liabilities on Behalf of the Territory where there are no unconditional rights to defer the settlement of the liability for at least 12 months. Conditional long service leave liabilities are classified as non-current because the agency has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

t) Superannuation

The ACT Executive receives funding for superannuation payments as part of the Expenses on Behalf of the Territory (EBT) appropriation. The ACT Executive then makes superannuation payments on a fortnightly basis to the Territory Banking Account (TBA) to cover the ACT Executive's superannuation liability for the Commonwealth Superannuation Scheme (CSS) and Public Sector Superannuation Scheme (PSS). This payment covers the CSS/PSS contribution, but does not include the productivity component. The productivity component is paid directly to Comsuper by the ACT Executive. The CSS and PSS are defined benefit superannuation schemes, meaning that the defined benefits received by employees are based on the employee's years of service and average final salary.

Superannuation payments have also been made directly to superannuation funds for those members of the Public Sector who are part of superannuation accumulation schemes. This includes the Public Sector Superannuation Scheme accumulation plan (PSSap) and schemes of employee choice. Payments are also made to employment agencies for the superannuation contribution the ACT Executive is required to make for the contract staff it employs.

Superannuation employer contribution payments, for the CSS and PSS, are calculated, by taking the salary level at an employee's anniversary date and multiplying it by the actuarially assessed nominal CSS or PSS employer contribution rate for each employee. The productivity component payments are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the employer contribution rate (approximately 3%) for each employee. Superannuation payments for the PSSap are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the appropriate employer contribution rate. Superannuation payments for fund of choice arrangements are calculated by taking an employee's salary each pay and multiplying it by the appropriate employer contribution rate.

As staff leave the ACT Executive and are replaced, there is a gradual transition from the now closed CSS, PSS and PSSap to Fund of Choice arrangements.

The SPA recognises the total Territory superannuation liability for the CSS and PSS, and ComSuper and the external schemes recognise the superannuation liability for the PSSap and other schemes respectively.

The ACT Government is liable for the reimbursement of the emerging costs of benefits paid each year to members of the CSS and PSS in respect of their service provided to the ACT Government after 1 July 1989. These reimbursement payments are made from the Superannuation Provision Account (SPA).

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

t) Superannuation - Continued

Members of the Legislative Assembly

There are two superannuation arrangements for Members of the Legislative Assembly (MLAs).

Members who were elected before the 2008 general election and have a relevant period of service, and no discontinuance, are members of a defined benefit superannuation arrangement (DB Scheme), prescribed under the *Legislative Assembly (Members' Superannuation) Act 1991*. This DB Scheme operates in the same manner to the PSS and CSS mentioned above.

Those Members elected at or after the 2008 general election, and who were not an existing member of the DB Scheme prior to the election, assume membership of a fund of choice accumulation scheme. The Territory is required to contribute the equivalent of 14% of the Member's eligible salary. The ACT Government will contribute an additional 1% for Members who contribute 3% or more of their salary to the fund. Other than the contribution rate, the Members' fund of choice arrangement operates in the same manner as the fund of choice arrangements mentioned above.

u) Insurance

Major risks are insured through the ACT Insurance Authority. The excess payable, under this arrangement, varies depending on each class of insurance held.

v) Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the ACT Executive has made the following judgements and estimates that have the most significant impact on the amounts recorded in the financial statements:

i. *Employee Benefits*: significant judgements have been applied in estimating the liability for employee benefits. The estimated liability for employee benefits requires a consideration of the future wages 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 to qualify for long service leave and that on-costs will become payable. Further information on this estimate is provided in Note 2(s), 'Employee Benefits' and Note 3, 'Change in Accounting Policy and Accounting Estimates, and Correction of a Prior Period Error'.

w) 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 ACT Executive 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 the ACT Executive in future reporting periods.

- AASB 9, 'Financial Instruments' (application date 1 January 2018).
- AASB 1031, 'Materiality' (application date 1 January 2014).
- AASB 1055, 'Budgetary Reporting' (application date 1 July 2014).
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 7, 101, 108, 132, 136, 137 and 139] (application date 1 January 2018).

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

- AASB 2013-3 Amendments to AASB 136, 'Recoverable Amount Disclosures for Non-Financial Assets' (applicable date 1 January 2014).
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments Part B, 'Materiality', (application date 1 January 2014) Part C, 'Financial Instruments', (application date 1 January 2015).

NOTE 3. CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES, AND CORRECTION OF A PRIOR PERIOD ERROR

a) Change in Accounting Estimate

Revision of the Estimation of Employee Benefit Liability

As disclosed in Note 2(s), 'Employee Benefits', annual leave and long service leave, including applicable on-costs, which do not fall due in the next 12 months, are measured at the present value of estimated payments to be made in respect of services provided by employees up to the reporting date. The estimated future payments are calculated back to present value using the government bond rate.

Last financial year the rate was 101.3%, however, due to a change in the government bond rate the percentage is now 103.5%.

This change has resulted in an increase of $2,884 to the estimate of the long service leave liability and expense.

b) Change in Accounting Policy

The ACT Executive had no changes in accounting policy during the reporting period.

c) Correction of Prior Period Errors

The ACT Executive had no correction of prior period errors during the reporting period.

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4. PAYMENT FOR EXPENSES ON BEHALF OF THE TERRITORY

Under *Financial Management Act 1996*, funds can be appropriated for expenses incurred on behalf of the Territory. The ACT Executive receives appropriation to fund a number of expenses incurred on behalf of the Territory, the main one being the payment of employee related expenses. The ACT Executive incurs these expenses in provision of executive services and information to enable Ministers and their staff to undertake their duties effectively and efficiently.

	2014 $'000	2013 $'000
Payment for Expenses on Behalf of the Territory	6,737	6,799
Total Payment for Expenses on Behalf of the Territory	**6,737**	**6,799**

NOTE 5. RESOURCES RECEIVED FREE OF CHARGE

Resources received free of charge relate to services being provided free of charge from other agencies within the ACT Government.

Revenue from ACT Government Entities		
Corporate and Accounting services from the Chief Minister and Treasury Directorate	23	18
Building maintenance and other services provided by the Office of the Legislative Assembly	158	171
Legal services provided by the Justice and Community Safety Directorate (JACSD) [1]	370	327
Total Resources Received Free of Charge	**551**	**516**

[1] The increase in legal services provided by JACSD reflects a general increase in the use of the Government Solicitor's Office for a range of services during the year.

NOTE 6. OTHER GAINS

Other gains are transactions that are not part of the ACT Executive's core activities.

Gains from the Sale of Motor Vehicles	4	1
First Time Recognition of Assets [1]	-	8
Total Other Gains	**4**	**9**

[1] This decrease reflects the first time recognition in 2012-13 of the value of a piece of artwork titled *"View from Dairy Farmers Hill 2005"* on display in the Legislative Assembly building.

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 7. EMPLOYEE EXPENSES

	2014	2013
	$'000	$'000
Salaries and Wages	4,853	4,773
Annual Leave [1]	107	150
Long Service Leave [1, 2]	22	(215)
Fringe Benefits Tax	126	143
Termination Expense [3]	-	175
Total Employee Expenses	**5,108**	**5,026**

[1] Annual leave and Long Service Leave (LSL) expenses have decreased mainly due to the net impact of existing staff leaving, and new staff being employed by, the ACT Executive.

[2] The increase in LSL largely results from the impact of payments being made to staff during 2012-13 from accumulated LSL entitlements following the 2012 election (which resulted in a negative expense being recorded for 2012-13). The 2013-14 LSL figure represents the accrual of LSL entitlements during the year, partially offset by the decrease in LSL leave mentioned in Note 1, above.

[3] The 2012-13 termination payments are due to changes in staffing arrangements following the 2012 election.

NOTE 8. SUPERANNUATION EXPENSES

Members' Superannuation	164	159
Superannuation Contributions to the Territory Banking Account	272	258
Productivity Benefit	33	30
Superannuation to External Providers	285	288
Total Superannuation Expenses	**754**	**735**

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 9. SUPPLIES AND SERVICES

	2014	2013
	$'000	$'000
Audit Services (refer Note 14, 'Auditor's Remuneration')	19	19
Rental Expenses	3	2
Furniture and Fittings [1]	57	6
Civic Hospitality	70	98
Insurance Premium	13	14
Information Technology (IT) Modernisation, Licensing and Support [2]	300	341
Office Supplies	91	72
Parking	67	77
Payroll and Payslip Services	6	5
Repairs and Maintenance	3	-
Resources Received Free of Charge: [3]		
- Corporate and Accounting Services	23	18
- Building Maintenance and Other Services	158	171
- Legal Services	370	327
Staff Related Expenses	24	10
Travel [4]	228	111
Vehicle Expenses	65	31
Other	17	17
Total Suppliers and Services	**1,514**	**1,319**

[1] The increase in Furniture and Fittings is mainly associated with the fitout of a new Minister's suite. A new Minister is to commence in early 2014-15.

[2] The decrease in IT Modernisation, Licensing and Support reflects the outright purchase of additional IT equipment in 2012-13.

[3] Refer Note 5, 'Resources Received Free of Charge'.

[4] The increase in Travel expenditure relates mainly to a return to more usual travel arrangements compared to 2012-13, when less travel was taken in the lead up to the 2012 election.

NOTE 10. WAIVERS, IMPAIRMENT LOSSES AND WRITE-OFFS

There were no Waivers, Impairment Losses and Write-offs for the ACT Executive in 2013-14 (nil in 2012-13).

NOTE 11. BORROWING COSTS

Finance Charges on Finance Leases	9	10
Total Borrowing Costs	**9**	**10**

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 12. DEPRECIATION

	2014	2013
	$'000	$'000
Plant and Equipment [a]	2	2
Assets under a Finance Lease [a]	38	38
Total Depreciation	**40**	**40**

[a] For the purpose of this Note, depreciation associated with 'Plant and Equipment' and 'Assets under a Finance Lease' are reported separately, whereas in Note 18, 'Property, Plant and Equipment', accumulated depreciation for 'Plant and Equipment' and 'Assets Under a Finance Lease' are reported together under 'Plant and Equipment'.

NOTE 13. OTHER EXPENSES

Loss on Sale of Motor Vehicles [1]	10	-
Total Other Expenses	**10**	**-**

[1] This increase relates to a loss on sale of three motor vehicles during 2013-14.

NOTE 14. AUDITOR'S REMUNERATION

Auditor's remuneration consists of financial audit services provided to the ACT Executive by the ACT Audit Office (AG's Office). No other services were provided by the AG's Office.

Audit Services		
Audit Fees Paid or payable to the AG's Office	19	19
Total Audit Fees	**19**	**19**

NOTE 15. CASH

The ACT Executive holds two bank accounts with the Westpac Banking Corporation as part of the whole of government banking arrangements. As part of these arrangements, the ACT Executive does not receive any interest on these accounts.

Cash at Bank	130	119
Cash on Hand	1	1
Total Cash	**131**	**120**

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 16. RECEIVABLES

	2014	2013
	$'000	$'000
Net GST Receivable from the Australian Taxation Office	46	12
Total Current Receivables	**46**	**12**
Total Receivables	**46**	**12**

Ageing of Receivables

	Not Overdue	Past Overdue			Total
		Less than 30 Days	30 to 60 Days	Greater than 60 Days	
	$'000	$'000	$'000	$'000	$'000
2014					
Not Impaired [a]					
Receivables	46	-	-	-	**46**
2013					
Not Impaired [a]					
Receivables	12	-	-	-	**12**

[a] 'Not Impaired' refers to Net Receivables (that is Gross Receivable less Impaired Receivables).

	2014	2013
	$'000	$'000
Classification of ACT Government / Non-ACT Government Receivables		
Receivables with Non-ACT Government Entities		
Net GST Receivable	46	12
Total Receivables with Non- ACT Government Entities [1]	**46**	**12**
Total Receivables	**46**	**12**

[1] The increase in Total Receivables with Non-ACT Government Entities reflects net GST refunds due in 2013-14.

NOTE 17. OTHER ASSETS

Current Assets		
Prepayments	-	46
Total Current Assets	**-**	**46**
Total Other Assets [1]	**-**	**46**

[1] The decrease in Total Other Assets reflects the sale of finance leased vehicles during 2013-14. The residual values for these vehicles had been paid late in 2012-13, resulting in the recognition of a prepayment.

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 18. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes the following classes of assets - plant and equipment, and community and heritage assets. Property, plant and equipment excludes assets held for sale and investment property.

- *Plant and Equipment*: includes motor vehicles under a finance lease, furniture, fittings and office equipment.
- *Heritage Assets*: are those non-current assets that the ACT 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 for redeployment. Heritage assets held by the ACT Executive consists solely of paintings and a *Kimono*.

	2014 $'000	2013 $'000
Plant and Equipment		
Plant and Equipment at Cost	210	209
Less: Accumulated Depreciation	(43)	(54)
Total Written Down Value of Plant and Equipment [1]	**167**	**155**
Community and Heritage Assets		
Community and Heritage Assets at Fair Value	46	46
Total Written Down Value of Community and Heritage Assets	**46**	**46**
Total Written Down Value of Property, Plant and Equipment	**213**	**201**

[1] This increase in Plant and Equipment is due to a reduction of accumulated depreciation following the replacement of several vehicles under finance leases.

Valuation of Non-Current Assets

Independent Accredited Art Valuer, Helen Maxwell, performed an independent revaluation of the ACT Executive's works of art, with the last valuations undertaken in July 2013. Approved Valuer, Charlotte Galloway, working on behalf of CKG Curatorial Services, performed an independent revaluation of the ACT Executive's *Kimono* asset in August 2012. The next valuation is scheduled in 2014-15, which will consider the values of all community and heritage assets held by the ACT Executive.

Assets Under a Finance Lease

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

Carrying Amount of Plant and Equipment under a Finance Lease		
Plant and Equipment under a Finance Lease	178	176
Less: Accumulated Depreciation of Plant and Equipment under a Finance Lease	(26)	(39)
Total Written Down Value of Plant and Equipment under a Finance Lease	**152**	**137**
Total Written Down Value of Assets under a Finance Lease	**152**	**137**

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 18. PROPERTY, PLANT AND EQUIPMENT - CONTINUED

Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment during 2013-14.

	Plant and Equipment $'000	Community and Heritage Assets $'000	Total $'000
Carrying Amount at the Beginning of the Reporting Period	**155**	**46**	**201**
Additions	138	-	**138**
Disposal / Transfer	(137)	-	**(137)**
Depreciation Write Back for Disposals	49	-	**49**
Depreciation	(40)	-	**(40)**
Carrying Amount at the End of the Reporting Period	**167**	**46**	**213**

Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment during 2012-13.

Carrying Amount at the Beginning of the Reporting Period	**185**	**38**	**223**
Additions	64	7	**71**
Disposal / Transfer	(75)	-	**(75)**
Depreciation Write Back for Disposals	21	-	**21**
Depreciation	(40)	-	**(40)**
Carrying Amount at the End of the Reporting Period	**155**	**46**	**201**

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 18. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Fair Value Hierarchy

The ACT Executive is required to classify property, plant and equipment into a fair value hierarchy that reflects the significance of the inputs used in determining their fair value. The fair value hierarchy is made up of the following three levels.

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

Details of the ACT Executive's property, plant and equipment at fair value and information about the fair value hierarchy as at 30 June 2014 are as follows.

2014	**Classification According to Fair Value Hierarchy**			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Property, Plant and Equipment at Fair Value				
Community and Heritage Assets	-	46	-	**46**
	-	**46**	**-**	**46**

The ACT Executive has used the exemption under AASB 13.C3 that comparative information for periods before initial application of the standards need not be applied.

Transfers between Categories

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

There have been no transfers between Levels 1, 2 and 3 during the reporting period.

Valuation Techniques, Inputs and processes

Level 2 Valuation Techniques and Inputs

Valuation Technique: Community and Heritage Assets are valued using the market approach.

Inputs: In determining the value of Community and Heritage Assets the fair value is determined using a market price where there is a market for the same or a similar item.

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

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 19. PAYABLES

	2014	2013
	$'000	$'000
Current Payables		
Accrued Expenses	94	49
Total Current Payables	**94**	**49**
Total Payables	**94**	**49**
Payables are aged as follows		
Not Overdue	94	49
Total Payables	**94**	**49**
Classification of ACT Government/Non-ACT Government Payables		
Payables with ACT Government Entities		
Accrued Expenses	46	42
Total Payables with ACT Government Entities	**46**	**42**
Payables with Non-ACT Government Entities		
Accrued Expenses	48	7
Total Payables with Non-ACT Government Entities	**48**	**7**
Total Payables	**94**	**49**

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 20. FINANCE LEASES

The ACT Executive held 5 finance leases for motor vehicles as at 30 June 2014 (5 finance leases as at 30 June 2013), all of which have been taken up as a finance lease liability and an asset under a finance lease. The interest rates implicit in these leases vary from 5.16% to 5.32% and the terms are two years. These leases have no terms of renewal or purchase options, nor escalation clauses.

	2014 $'000	2013 $'000
Current Finance Leases		
Secured		
Finance Leases	81	110
Total Current Secured Finance Leases	**81**	**110**
Non-Current Finance Leases		
Secured		
Finance Leases	72	29
Total Non-Current Secured Finance Leases	**72**	**29**
Total Finance Leases	**153**	**139**

Secured Liability

The ACT Executive's lease liability is effectively secured because if the ACT Executive defaults, the assets under a finance lease revert to the lessor.

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 20. FINANCE LEASES - CONTINUED

	2014	2013
	$'000	$'000
Finance Leases		
Finance lease commitments are payable as follows:		
Within one year	88	115
Later than one year but not later than five years	74	30
Minimum Lease Payments	**161**	**145**
Less: Future Finance Lease Charges	(8)	(6)
Amount Recognised as a Liability	**153**	**139**
Total Present Value of Minimum Lease Payments	**153**	**139**
The present value of the minimum lease payments are as follows:		
Within one year	81	110
Later than one year but not later than five years	72	29
Total Present Value of Minimum Lease Payments	**153**	**139**
Classification on the Statement of Assets and Liabilities on Behalf of the Territory		
Finance Leases		
Current Finance Leases	81	110
Non-Current Finance Leases	72	29
Total Finance Leases	**153**	**139**

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 21. EMPLOYEE BENEFITS

	2014	2013
	$'000	$'000
Current Employee Benefits		
Accrued Salaries and Wages	152	131
Accrued Superannuation	23	21
Annual Leave [1]	468	417
Long Service Leave	146	125
Other Benefits	31	31
Total Current Employee Benefits	**820**	**725**
Total Employee Benefits	**820**	**725**
Estimate of when Leave is Payable		
Estimated Amount Payable within 12 months		
Annual Leave	248	234
Accrued Salaries and Wages	152	131
Accrued Superannuation	23	21
Other Benefits	31	31
Total Employee Benefits Payable within 12 months	**454**	**417**
Estimated Amount Payable after 12 months		
Long Service Leave	146	125
Annual Leave	220	183
Total Employee Benefits Payable after 12 months	**366**	**307**
Total Employee Benefits	**820**	**725**

At the end of the 2013-14 financial year, the ACT Executive had 40 full-time equivalent (FTE) staff employed (41 FTE staff employed at the end of the 2012-13 financial year).

[1] The increase in Annual Leave entitlements is mainly due to the net growth in annual leave accruals, partially offset by changes in employee entitlement balances due to existing staff leaving, and new staff being employed by, the ACT Executive.

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 22. RESERVES

Asset Revaluation Surplus

The Asset Revaluation Surplus is used to record the increments and decrements in the value of property, plant and equipment. For the ACT Executive, Reserves relate to the revaluation of community and heritage assets.

	2014 $'000	2013 $'000
Balance at the Beginning of the Reporting Period	5	5
Balance at the End of the Reporting Period	5	5

NOTE 23. 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'.

Interest Rate Risk

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 ACT Executive has no exposure to interest rate risk because cash is held in non-interest bearing accounts. Interest rates for motor vehicle finance leases are fixed. Therefore, the ACT Executive's liabilities are not exposed to fluctuations in market interest rates. Accordingly, a sensitivity analysis has not been undertaken.

Credit Risk

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 ACT Executive's credit risk is limited to the amount of the financial assets it holds net of any allowance for impairment loss. The ACT Executive expects to collect all financial assets that are not past due or impaired. There have been no changes in credit risk exposure since the previous reporting period. As cash is held at bank and there are no material receivables, there is no significant credit risk that has been identified by the ACT Executive for Territorial financial assets.

Liquidity Risk

Liquidity risk is the risk that the ACT Executive will be unable to meet its financial obligations as they fall due. The ACT Executive's main financial obligations relate to the purchase of supplies and services. Purchases of supplies and services are paid within 30 days of receiving the goods or services. The main source of cash to pay these obligations is appropriation from the ACT Government which is paid on a fortnightly basis during the year. The ACT Executive manages its liquidity risk through forecasting appropriation drawdown requirements to enable payment of anticipated obligations.

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 23. FINANCIAL INSTRUMENTS - CONTINUED

Price Risk

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 (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The only financial asset held by the ACT Executive is cash, and as a result, it is not considered to have any price risk. Accordingly, a sensitivity analysis has not been undertaken.

Fair Value of Financial Assets and Liabilities

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

	Note No.	Carrying Amount 2014 $'000	Fair Value 2014 $'000	Carrying Amount 2013 $'000	Fair Value 2013 $'000
Financial Assets					
Cash	15	131	131	120	120
Total Financial Assets		**131**	**131**	**120**	**120**
Financial Liabilities					
Finance Leases	20	153	153	139	139
Total Financial Liabilities		**153**	**153**	**139**	**139**

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 23. FINANCIAL INSTRUMENTS - CONTINUED

The following tables set out the ACT Executive's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2013 and 30 June 2014. Except for non-current payables, financial assets and liabilities which have a floating interest rate or are non-interest bearing will mature in 1 year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

2014		**Weighted**	**Fixed Interest maturing in:**				
	Note No.	**Average Interest Rate**	**1 Year or Less**	**Over 1 Year 5 Years**	**More than 5 Years**	**Non-Interest Bearing**	**Total**
			$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets							
Cash	15		-	-	-	131	**131**
Total Financial Assets			**-**	**-**	**-**	**131**	**131**
Financial Liabilities							
Finance Leases	20	5.2%	81	72	-	-	**153**
Total Financial Liabilities			**81**	**72**	**-**	**-**	**153**
Net Financial Assets/(Liabilities)			**(81)**	**(72)**	**-**	**131**	**(22)**
2013							
Financial Assets							
Cash	15		-	-	-	120	**120**
Total Financial Assets			**-**	**-**	**-**	**120**	**120**
Financial Liabilities							
Finance Leases	20	6.3%	115	30	-	-	**145**
Total Financial Liabilities			**115**	**30**	**-**	**-**	**145**
Net Financial Assets/(Liabilities)			**(115)**	**(30)**	**-**	**120**	**(25)**

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 23. FINANCIAL INSTRUMENTS - CONTINUED

	Note No.	2014 $'000	2013 $'000
Financial Liabilities			
Financial Liabilities Measured at Amortised Cost [a]	20	153	139

[a] The Financial Liabilities figures exclude accruals.

The ACT Executive does not have any financial assets in the 'Available for Sale' category, the 'Financial Assets at Fair Value through Profit and Loss' category or the 'Held to Maturity' category and, as such, these categories are not included above. Also, the ACT Executive does not have any financial liabilities in the 'Financial Liabilities at Fair Value through Profit and Loss' category and as such this category is not included above.

Fair Value Hierarchy

The ACT Executive does not have any financial assets or financial liabilities at fair value. As such no fair value hierarchy disclosures have been made.

NOTE 24. COMMITMENTS

Operating Lease Commitments

Operating lease agreements give the ACT Executive the right to renew the lease. This will result in the terms of the lease becoming renegotiable towards the end of the lease term.

Non-Cancellable Operating Lease Commitments are Payable as follows:

Operating Lease Commitments		
Within One Year	27	26
Later than one year but not later than five years	25	30
Total Operating Lease Commitments	**53**	**56**

NOTE 25. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Assets

There were no contingent assets as at 30 June 2014 (nil at 30 June 2013).

Contingent Liabilities

There were no contingent liabilities as at 30 June 2014 (nil at 30 June 2013).

ACT Executive
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 26. CASH FLOW RECONCILIATION

	2014	2013
	$'000	$'000
(a) Reconciliation of Cash at the End of the Reporting Period in the Cash Flow Statement on Behalf of the Territory to Equivalent Items in the Statement of Assets and Liabilities on Behalf of the Territory		
Total Cash Recorded on the Statement of Assets and Liabilities on Behalf of the Territory	131	120
Cash at the End of the Reporting Period as Recorded in the Cash Flow Statement on Behalf of the Territory	**131**	**120**
(b) Reconciliation of Net Cash Inflows/(Outflows) from Operating Activities to the Operating Surplus/(Deficit)		
Operating Surplus/(Deficit)	(143)	194
Add/(Less) Non-Cash Items		
Depreciation	40	40
Gain from the First Time Recognition of Assets	-	(8)
Add/(Less) Items Classified as Investing or Financing		
Transaction associated with the Net Loss (Gain) on Disposal of Non-Current Assets	6	(1)
Cash Before Changes in Operating Assets and Liabilities	**(97)**	**225**
Changes in Operating Assets and Liabilities		
(Increase)/Decrease in Receivables	(34)	69
(Increase)/Decrease in Other Assets	45	(46)
Increase/(Decrease) in Payables	45	(46)
Increase/(Decrease) in Employee Benefits	95	(186)
Net Changes in Operating Assets and Liabilities	**151**	**(209)**
Net Cash Inflows/(Outflows) from Operating Activities	**54**	**16**
(c) Non-Cash Financing and Investing Activities		
Acquisition of Motor Vehicles by means of Finance Lease	138	64
Total Non-Cash Financing and Investing Activities	**138**	**64**

NOTE 27. EVENTS OCCURING AFTER BALANCE DATE

There were no events occurring after balance date that would have a material impact on amounts included in the 2013-14 financial statements.

Close to the end of the 2013-14 financial year, Chief Minister, Katy Gallagher, announced the appointment of a sixth ACT minister into Cabinet, along with a range of new Administrative Arrangements. The appointment of the sixth minister will result in additional funding for and expenditure by the ACT Executive from 2014-15 relating to the additional minister and office.

Financial Statements

For the Year Ended

30 June 2014

Chief Minister and Treasury Directorate

Management Discussion and Analysis
Chief Minister and Treasury Directorate
for the Financial Year Ended 30 June 2014

General Overview

As a key central agency of the ACT Government, the Chief Minister and Treasury Directorate (the Directorate or CMTD) provides strategic advice to the ACT Government on policy development, service delivery and whole of government issues.

During 2013-14, the Directorate's objectives included:

- progressing whole of government approaches to strategic policy development and implementation;
- guiding cultural change across government in order to achieve greater collaboration and innovation in the delivery of the Government's priorities;
- assisting the Government to maintain the Territory's AAA credit rating through sound and sustainable economic and financial management;
- progressing, and continuing to improve, the Government's service planning and financial management frameworks;
- coordinating the Government's budget processes and reporting on financial outcomes;
- reviewing and evaluating programs, functions and projects to support a return of the Budget to surplus by 2015-16;
- delivering the 2014-15 Budget and 2013-14 Budget Review;
- progressing the implementation and further development of tax reform initiatives;
- undertaking a review of the *Election Commitments Costing Act 2012*;
- leading and coordinating the implementation of the Government's Open Government reforms;
- implementing initiatives under the Memorandum of Understanding on regional collaboration with NSW;
- leading whole of government initiatives to strengthen public sector capability and integrity;
- leading whole of government initiatives to improve work health and safety and return to work outcomes for injured employees;
- supporting the Enterprise Agreement negotiations;
- progressing initiatives to improve the performance of the ACT private sector workers' compensation scheme;
- implementing the recommendations of the *Getting Home Safely* Report;
- completing operational reviews of ACTION, Emergency Services Agency (ESA), Corrections, and Parks and Conservation Services as announced in the 2013-14 Budget;
- underlying investigation work on alternative capital funding and procurement processes including Public Private Partnerships; and
- progressing the development of the National Injury Insurance Scheme and further reform of Compulsory Third Party (CTP) insurance arrangements.

Risk Management

The Directorate has adopted Enterprise-wide Risk Management (ERM), as required by the ACT Insurance Authority's model risk management framework. The Directorate also has in place a Fraud and Anti-Corruption Plan and Fraud Risk Register.

The Audit and Risk Committee and its Three-Year Strategic Internal Audit Program are integral parts of the Directorate's governance, risk management and strategic planning processes.

Risks associated with running major projects are mitigated through the use of appropriate governance structures, application of risk based management practices and financial reporting processes.

Changes in Administrative Structure

Comparison of the Directorate's 2013-14 financial results to the 2012-13 actual results is impacted by the Administrative Arrangements (AA) of 9 November 2012. This AA transferred responsibility into the Directorate for:

- various Treasury functions (the Finance and Budget, Investment and Economics, and Policy Coordination and Development functions) from the former Treasury Directorate (TD); and
- the Injury Management and Safety (IMS) Unit from the Shared Services Centre (SSC).

Further revisions to AAs, came into effect on 7 July 2014, resulting in the transfer of additional functions into the Directorate. While these transfers do not impact the financial performance or position of the Directorate for 2013-14, the revised AAs resulted in the Directorate's name being changed from the Chief Minister and Treasury Directorate (CMTD) to the Chief Minister, Treasury and Economic Development Directorate (CMTEDD). Given this report relates to the period ending 30 June 2014, the Directorate is referred to as CMTD throughout.

Directorate Financial Performance

The following financial information is based on audited Annual Financial Statements for 2012-13 and 2013-14, the amended budget published in the 2013-2014 Appropriation Bill (No. 2) Supplementary Budget Papers and forward estimates contained in the 2014-15 Updated Budget Statements Following *Administrative Arrangements (No. 1)* (Updated Budget Statements).

Attachments A and B provide information on changes between the original and amended budgets, and variances between the amended budget and the 2013-14 actual results.

The supplementary appropriation provided additional funding to agencies in 2013-14, including CMTD, to fund the anticipated outcome of the Government's pay offer in relation to the 2013 Enterprise Bargaining Agreement (EBA) outcomes. In addition to funding for the EBA, CMTD also received an additional $0.450 million in Capital Injection appropriation, representing the balance of a loan to the Exhibition Park Corporation to facilitate the purchase of Block 799 Gungahlin to provide low cost accommodation on the site.

The Supplementary Budget Papers also amended the Directorate's budget to reflect the rollover of $7.035 million in Government Payment for Outputs and $2.097 million in Capital Injection appropriation from 2012-13 for a range of projects. The rollovers resulted from delays in progression of, or timing associated with implementing, the impacted projects (more information on the projects impacted is provided in the Statement of Appropriation included in the Directorate's Controlled Financial Statements).

Net Cost of Services

The net cost of services facilitates an assessment of performance by showing the full cost and composition of resources consumed in conducting the Directorate's operations. The net cost of services also reflects the impost the Directorate has on the Territory's financial performance.

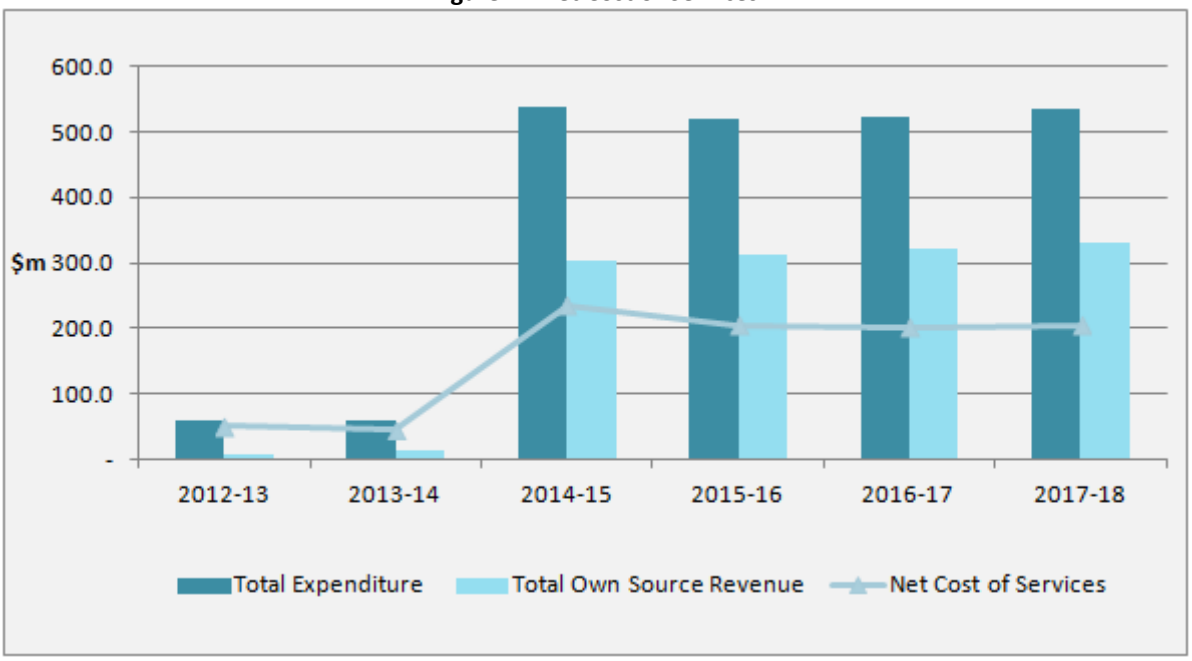
Net cost of services is calculated as total expenditure minus own source revenue. Own source revenue represents total income, less Government Payment for Outputs (GPO) appropriation.

Table 1: Total Net Cost of Services

	Actual 2012-13 $m	Amended Budget 2013-14 $m	Actual 2013-14 $m	Forward Estimate 2014-15 $m	Forward Estimate 2015-16 $m	Forward Estimate 2016-17 $m	Forward Estimate 2017-18 $m
Total Expenditure	59.2	79.6	59.6	536.9	518.3	523.5	534.4
Total Own Source Revenue	8.7	14.1	14.6	301.7	313.1	321.5	329.2
Net Cost of Services	**50.5**	**65.5**	**45.1**	**235.2**	**205.2**	**202.0**	**205.2**

The Directorate's net cost of services for 2013-14 of **$45.1 million** was **$20.4 million** or **31.1 per cent** lower than the 2013-14 Amended Budget, and **$5.4 million** or **10.8 per cent** lower than the prior year. Reasons for these variations are explained in the following sections.

Figure 1: Net Cost of Services



A significant increase in the net cost of services from 2014-15 is due to the impact of the AAs of 7 July 2014. The AAs included transfers into the Directorate of the Economic Development Directorate (EDD), the Commerce and Works Directorate (CWD), artsACT and Community Facilities from the Community Services Directorate (CSD) and the ACT Property Group from the Territory and Municipal Services Directorate (TAMSD).

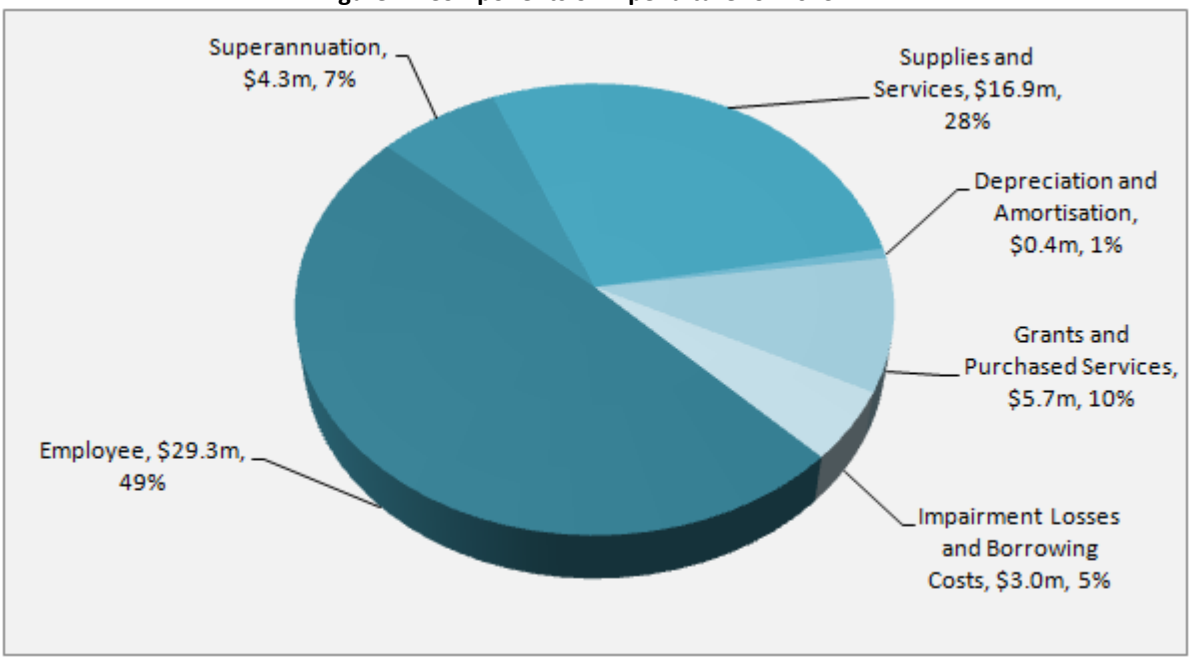
These transfers included an increase in User Charges revenue of around $300 million per annum, reflecting the Directorate's role in the provision of accommodation, finance, human resources, procurement and information, communication, technology (ICT) services to much of the ACT Government.

Total Expenditure

1. Components of Expenditure

Figure 2 indicates the components of the Directorate's expenditure for 2013-14, with the largest components of expenditure being Employee and Superannuation Expenses representing **56 per cent** of ordinary activities (**$33.6 million**) and Supplies and Services representing **28 per cent** (**$16.9 million**).

Figure 2: Components of Expenditure for 2013-14



2. Comparison to the Amended Budget

Total expenditure of **$59.6 million** was **$20.0 million**, or **25.1 per cent** lower than the 2013-14 Amended Budget of **$79.6 million**. This variation largely reflects lower than budget:

- supplies and services (**$7.9 million**), due to funding rollovers from 2013-14 to future years due to delays in the progression, or timing associated with the development of related programs, including the Strategic Asset Management Plan; and
- grants and purchased services (**$13.5 million**), due to funding rollovers from 2013-14 to future years due to delays in the progression, or timing associated with the development of related programs, including the Restructure Fund and Digital Canberra;

partially offset by an increase in:

- employee expenses (**$2.7 million**) mainly resulting from expenditure on unbudgeted activities such as the review of the *Public Sector Management Act 1994*, Regulatory Reform and Service ACT, and an increase in accrued long service leave entitlements due to a change in the government bond rate used to calculate the value of future long service payments from 101.3 per cent to 103.3 per cent.

3. Comparison to 2012-13 Actual Result

Total expenditure for 2013-14 of **$59.6 million** was **$0.4 million** or **0.7 per cent** higher than the 2012-13 result of **$59.2 million**. The variation is primarily due to increases in:

- employee and superannuation expenses (**$5.2 million**) due largely to the full year impact of the transfers to the Directorate following the AAs of 9 November 2012 and pay rises as a result of the 2013 EBA outcome; and
- borrowing costs (**$0.8 million**), due largely to the full year impact of the transfer of responsibility for administering the Community Housing Canberra (CHC) and University of Canberra (UC) loans from the former Treasury Directorate (TD) following the AAs of 9 November 2012, partially offset by the impact of the outstanding balance of the loan payable to the Territory Banking Account (TBA) with respect to the UC loan being repaid in full, ahead of schedule, in May 2014;

largely offset by a decrease in:

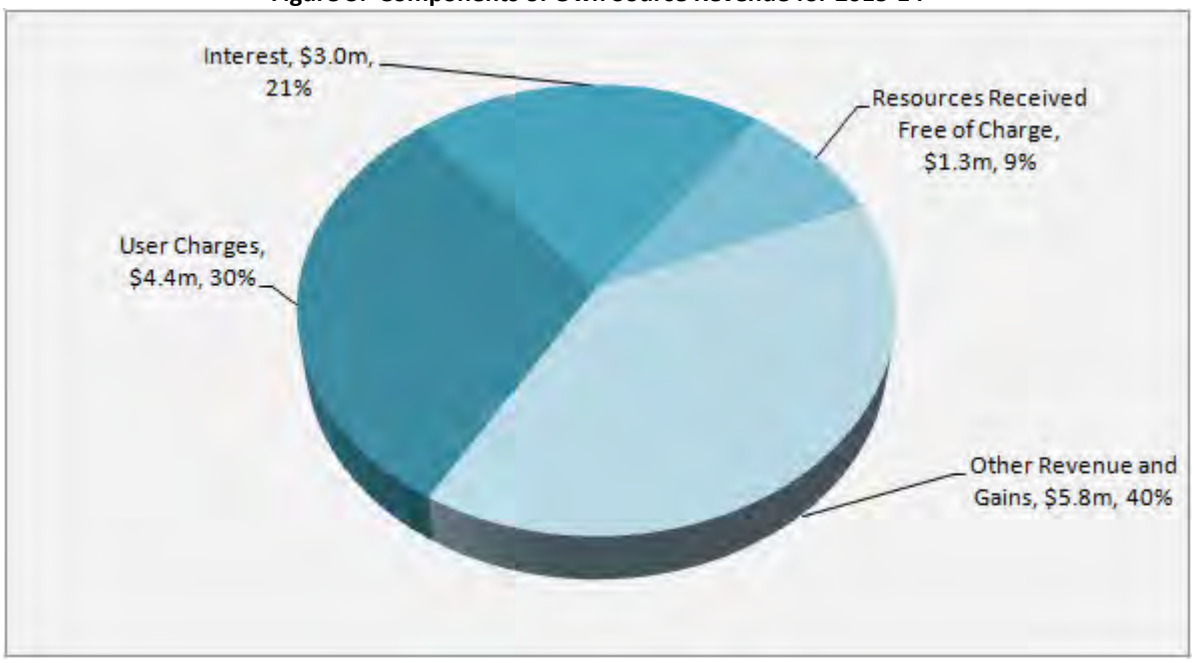
- supplies and services (**$5.8 million**), mainly due to the winding down of the Centenary of Canberra Program, partially offset by the full year impact of the transfers to the Directorate following the AAs of 9 November 2012.

Total Own Source Revenue

1. Components of Own Source Revenue

Figure 3 indicates that for the financial year ended 30 June 2014, the Directorate's own source revenue was made up mainly of user charges (**$4.4 million**), interest (**$3.0 million**), resources received free of charge (**$1.3 million**) and other revenue and gains (**$5.8 million**).

Figure 3: Components of Own Source Revenue for 2013-14



2. Comparison to the Amended Budget

Own Source Revenue for the year ended 30 June 2014 of **$14.6 million** was **$0.5 million** or **3.2 per cent** higher than the 2013-14 Amended Budget of **$14.1 million**.

This variation is comprised of a number of minor offsetting variances.

3. Comparison to 2012-13 Actual Income

Own Source Revenue for the year ending 30 June 2014 of **$14.6 million** was **$5.9 million** or **67.6 per cent** higher than the 2012-13 result of **$8.7 million**. This is due largely to increases in:

- other gains (**$4.5 million**), from the transfer of the completed Whole of Government Oracle Government Financials and Banking systems ICT projects, from CWD late in 2013-14. This is partially offset by the impact of the transfer of a completed fitout at 221 London Circuit from EDD associated with the Injury Management and Safety (IMS) Unit that was transferred from the Shared Services Centre (SSC) during 2012-13;
- user charges (**$1.3 million**), due mainly to the full year impact of routine cost recoveries from other ACT Government agencies associated with the provision of injury management and safety services (The IMS Unit was transferred to the Directorate from SSC as part of the 9 November 2012 AAs.);

- interest (**$0.8 million**) due largely to the full year impact of the transfer of responsibility for administering the CHC and UC loans from the former Treasury Directorate (TD) following the AAs of 9 November 2012, partially offset by the impact of the outstanding balance of the UC loan being repaid in full, ahead of schedule, in May 2014;
- resources received free of charge **($0.5 million**), reflecting the full year impact of the transfer of functions from the former TD following the AAs of 9 November 2012; and

partially offset by a decrease in:

- other revenue (**$1.2 million**), which largely reflects a reduction in sponsorship being received for the Centenary of Canberra Program as a result of its wind down during 2013-14.

Directorate's Financial Position

Net Assets/(Liabilities)

Net Assets for the financial year ended 30 June 2014 were **$2.2 million**, which is **$0.1 million** higher than the amended budget Net Assets of **$2.1 million**, and **$4.6 million** higher than the 30 June 2013 actual Net Liabilities of **$2.4 million**. Reasons for these variations are explained in the following sections.

Table 2: Net Assets/(Liabilities)

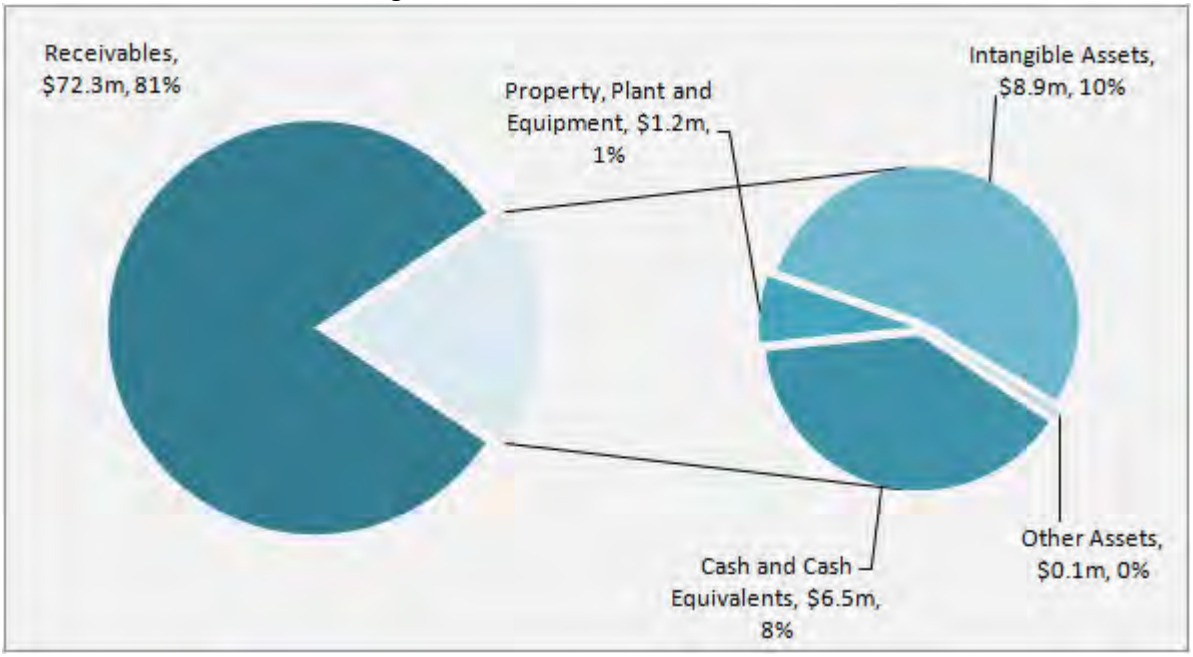
	Actual 2012-13 $m	Amended Budget 2013-14 $m	Actual 2013-14 $m
Total Assets	101.6	107.4	89.1
Total Liabilities	104.0	105.3	86.8
Net Assets/(Liabilities)	**(2.4)**	**2.1**	**2.2**

Total Assets

1. Components of Total Assets

Figure 4 indicates that for the financial year ended 30 June 2014, the Directorate held **81 per cent** of its assets in Receivables, mostly relating to Loans Receivable from UC and CHC, Intangible Assets (**13 per cent**), and **7 per cent** in Cash and Cash Equivalents.

Figure 4: Total Assets as at 30 June 2014



2. Comparison to Amended Budget

The total asset position as at 30 June 2014 is **$89.1 million**, **$18.3 million** lower than the 2013-14 Amended Budget of **$107.4 million** due largely to the UC loan being repaid in full, ahead of schedule, in May 2014, partially offset by an increase in cash and cash equivalents (**$3.3 million**), reflecting the timing of cash payments late in the financial year.

3. Comparison to 2012-13 Actual

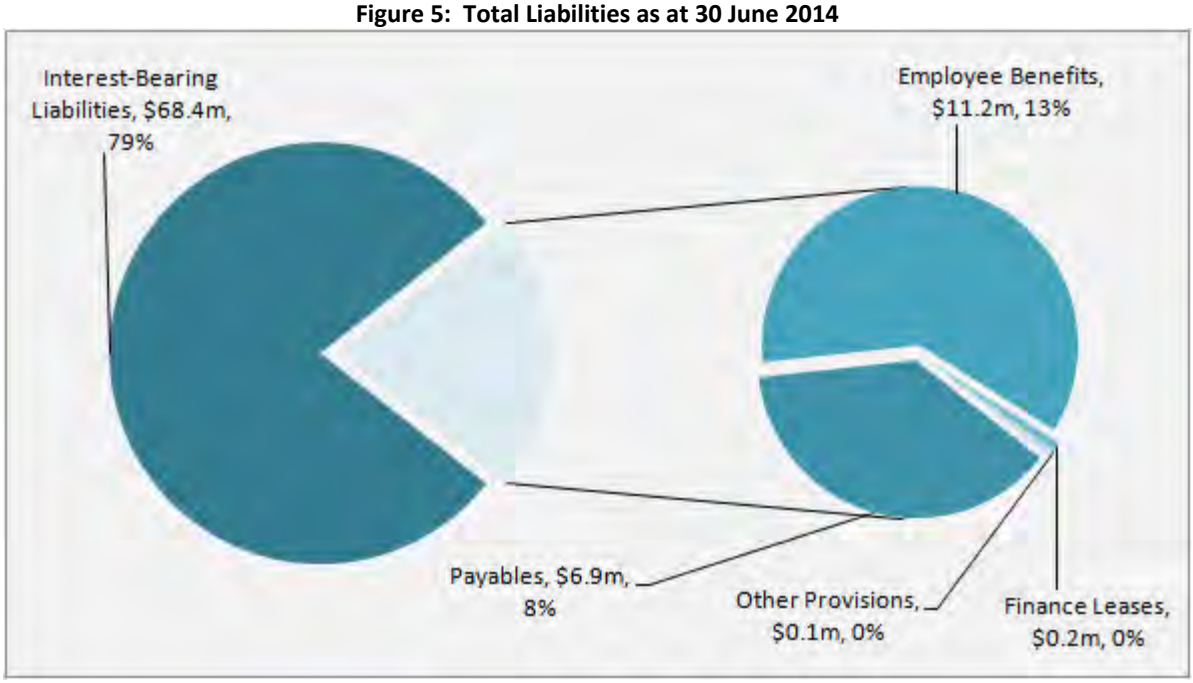
The Directorate's total asset position of **$89.1 million** is **$12.6 million** lower than than the 2012-13 result of **$101.6 million** due largely to the UC loan being repaid in full, ahead of schedule, in May 2014. This is partially offset by an increase in intangible assets due to the transfer of completed whole of government banking and Oracle Government Finance systems from CWD, and the completion of the Accident and Injury Management System (AIMS) Replacement, Injury Prevention and Management Information System (IPMIS) and Mobile Canberra capital works projects during the financial year.

Total Liabilities

1. Components of Total Liabilities

Figure 5 indicates that the majority of the Directorate's liabilities relate to Interest-Bearing Liabilities associated with the UC and CHC loan facilities (**79 per cent**) and Employee Benefits (**13 per cent**).

Figure 5: Total Liabilities as at 30 June 2014



2. Comparison to Original Budget

The Directorate's total liabilities for the year ended 30 June 2014 of **$86.8 million** is **$18.5 million** lower than the 2013-14 Amended Budget of **$105.3 million**. This variation is largely due to the UC loan being repaid in full, ahead of schedule, in May 2014, partially offset by end of year accruals including planned payments to SSC associated with the Oracle Government Financials system licence fees on behalf of other Directorates, and the timing of accounts being processed for payment towards the end of the financial year.

3. Comparison to 2012-13 Actual

Total liabilities of **$86.8 million** are **$17.2 million** lower than the 2012-13 result of **$104.0 million**. This variation is largely due to the UC loan being repaid in full, ahead of schedule, in May 2014, partially offset by end of year accruals including planned payments to SSC associated with the Oracle Government Financials system licence fees on behalf of other Directorates, and the timing of accounts being processed for payment towards the end of the financial year. More detail on these variations are included in the relevant notes of the accompanying 2013-14 Annual Financial Statements.

Territorial Statement of Revenues and Expenses

The Territorial financial statements include revenue, expenses, assets and liabilities, which the Directorate administers on behalf of the ACT Government but does not control.

Similar to the Directorate's controlled accounts, comparison of the 2013-14 financial results to the 2012-13 actual results is impacted by the Administrative Arrangements of 9 November 2012 (the AAs). Prior to the AAs, CMTD had no Territorial functions. Following the AAs, several functions of the former Treasury Directorate (TD) were transferred to CMTD, including those relating to the receipt of grants from the Commonwealth and dividends from ACT Government dividend paying agencies on behalf of the Territory.

From 2013-14, CMTD commenced collecting a regulatory levy on behalf of the ACT Government from workers' compensation insurers.

Total Income

Total income for 2013-14 was **$1.716 billion**, and was comprised largely of grants from the Commonwealth and dividend revenue from the Territory's dividend paying agencies.

1. Comparison to Original Budget

Total Income of **$1.716 billion** for 2013-14 is comparable to the 2013-14 Budget of (**$1.708 billion**). The **$8 million** higher than budget result reflects:

- a **$44 million** higher than budget result for Grants from the Commonwealth, comprising mainly increases in GST Revenue (**$11 million**), the Majura Parkway project (**$13 million**), Health National Partnership Payments (NPPs) (**$6.6 million**) and Housing NPPs (**$5.5 million**);

partially offset by lower than budget results for:

- Dividend Revenue relating to ACTEW Corporation Limited (ACTEW) (**$22.7 million**) and the Land Development Agency (LDA) (**$12 million**).

2. Comparison to 2012-13 Actual Result

Total Income has increased by (**$477 million**) compared to the 2012-13 result of **$1.239 billion**, largely due to the full year impact of the transfer of functions from the former TD following the AAs. Ignoring the impact of the 2012-13 AA (by combining the actual results from the former Treasury Directorate and CMTD), Total Income has decreased by **$111.4 million**, reflecting lower:

- Grants from the Commonwealth (**$68 million**), largely due to National Health Reform Payments being received by the Local Hospital Network from March 2013 onwards rather than CMTD (**$162 million**) and Financial Assistance Grants for Local Government due to two instalments being brought forward to 2012-13 from 2013-14 (**$22.4 million**), partially offset by increases in funding for the Majura Parkway project (**$39.6 million**) and additional GST Revenue (**$62.2 million**); and
- Dividend Revenue from ACTEW (**$3 million**) and the LDA (**$41.8 million**).

Note: Dividend Revenue reported by CMTD reflects dividends declared by the ACT Property Group within the Territory Municipal Services Directorate, the Public Trustee for the ACT, ACTTAB Limited, ACTEW and LDA. For further information regarding the dividends declared and/or performance of the dividend paying agencies, refer to the respective agency's 2013-14 Annual Financial Report.

Total Expenditure

Total expenditure for 2013-14 was **$1.716 billion**, and was comprised solely of transfers to the Territory Banking Account (TBA) of monies collected on behalf of the Territory and expenses incurred by the Territory to compensate the Commonwealth Government for their assistance with administering the collection of GST revenue.

Territorial Financial Position

The Directorate collects dividends from several ACT Government agencies. Dividends declared by those agencies generally reflect their financial performance. Where part of the dividend declared is not paid in the year of declaration, the Directorate records a receivable equal to the amount to be paid the following year.

For further information regarding the dividends declared and/or performance of the dividend paying agencies listed in Note 47, 'Receivables – Territorial', refer to the respective agency's 2013-14 Annual Financial Report.

Whenever a dividend receivable is recorded to match the dividend declarations of those agencies, but not paid by the end of the financial year, an equivalent accrued payable is recorded to reflect the on-passage of the dividend revenue to the TBA.

Attachment A

Reconciliation of Original Budget to Amended Budget

	Original Budget 2013-14 $m	Supplementary Appropriation No. 1 $m	Amended Budget 2013-14 $m
Government Payment for Outputs	*59.8*	*9.4*	*69.3*
Own Source Revenue	*14.1*	-	*14.1*
Total Income	74.0	9.5	83.4
Total Expenses	70.2	9.4	79.6
Operating Surplus/(Deficit)	**3.7**	**0.1**	**3.8**
Total Assets	104.6	2.8	107.4
Total Liabilities	102.8	2.5	105.3
Net Assets/(Liabilities)	**1.8**	**0.3**	**2.1**

Appropriation Bill 2013-2014 (No. 2) (Supplementary Appropriation No. 1) provided additional appropriation to agencies in 2013-14, including CMTD, to fund the anticipated outcome of the Government's pay offer in relation to the 2013 Enterprise Bargaining Agreement (EBA) outcomes.

For CMTD, the Supplementary Appropriation also provided $0.450 million in Capital Injection appropriation, representing the balance of a loan to the Exhibition Park Corporation to facilitate the purchase of Block 799 Gungahlin to provide low cost accommodation on the site.

Finally, the Supplementary Budget Papers also amended the Directorate's budget to reflect the rollover of $7.035 million in Government Payment for Outputs and $2.097 million in Capital Injection appropriation from 2012-13 for a range of projects. The rollovers resulted from delays in progression of, or timing associated with implementing, the impacted projects (more information is provided in the Statement of Appropriation included in the Directorate's Controlled Financial Statements).

Attachment B

Comparison of Net Cost of Services to the 2013-14 Budget

Description	Amended Budget $m	Plus AA Transfers $m	Total Funding $m	Actual $m	Variance Including Transfers $m	%
Expenditure						
Employee and Superannuation	30.9	-	30.9	33.6	2.7	8.7%
Supplies and Services	24.8	-	24.8	16.9	(7.9)	-31.9%
Depreciation	1.1	-	1.1	0.4	(0.7)	-63.6%
Grants and Purchased Services	19.2	-	19.2	5.7	(13.5)	-70.3%
Borrowing Costs	3.5	-	3.5	3.0	(0.5)	-14.3%
Total Expenditure	***79.6***	***-***	***79.6***	***59.6***	***(20.0)***	***-25.1%***
Own Source Revenue						
User Charges	4.1	-	4.1	4.4	0.3	7.3%
Interest	3.5	-	3.5	3.0	(0.5)	-14.3%
Resources Received Free of Charge	1.1	-	1.1	1.3	0.2	18.2%
Other Revenue and Gains	5.4	-	5.4	5.8	0.4	7.4%
Total Own Source Revenue	***14.1***	***-***	***14.1***	***14.6***	***0.5***	***3.5%***
Total Net Cost of Services	***65.5***	***-***	***65.5***	***45.1***	***(20.4)***	***-31.1%***

Note: Net Cost of Services equals Total Expenditure less Total Own Source Revenue. Own Source Revenue equals Total Income less Government Payment for Outputs (GPO) appropriation.

There were no Administrative Arrangements that impacted CMTD in 2013-14.

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

INDEPENDENT AUDIT REPORT

CHIEF MINISTER AND TREASURY DIRECTORATE

To the Members of the ACT Legislative Assembly

Report on the financial statements

The financial statements of the Chief Minister and Treasury Directorate (the Directorate) for the year ended 30 June 2014 have been audited. These comprise the following financial statements and accompanying notes:

- Controlled financial statements – operating statement, balance sheet, statement of changes in equity, cash flow statement and statement of appropriation.
- Territorial financial statements – statement of income and expenses on behalf of the Territory, statement of assets and liabilities on behalf of the Territory, cash flow statement on behalf of the Territory and territorial statement of appropriation.

Responsibility for the financial statements

The Director-General of the Directorate is responsible for the preparation and fair presentation of the 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 financial statements.

The auditor's responsibility

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

The audit was conducted in accordance with Australian Auditing Standards to obtain reasonable assurance that the 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 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 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.

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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 financial statements or to evaluate the prudence of decisions made by the Directorate.

Electronic presentation of the audited financial statements

Those viewing an electronic presentation of these 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 these financial statements. If users of these 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 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 financial statements of the Directorate for the year ended 30 June 2014:

(i) are presented in accordance with the *Financial Management Act 1996*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia; and

(ii) present fairly the financial position of the Directorate as at 30 June 2014 and the results of its operations and cash flows for the year then ended.

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

M. Cooper.

Dr Maxine Cooper
Auditor-General
15 September 2014

Chief Minister and Treasury Directorate
Financial Statements
For the Year Ended 30 June 2014

STATEMENT OF RESPONSIBILITY

In my opinion, the financial statements are in agreement with the Chief Minister and Treasury Directorate's (the Directorate's) accounts and records and fairly reflect the financial operations of the Directorate for the year ended 30 June 2014 and the financial position of the Directorate on that date.

Kathy Leigh
Director-General
Chief Minister, Treasury and Economic Development Directorate

28 July 2014

Chief Minister and Treasury Directorate
Financial Statements
For the Year Ended 30 June 2014

STATEMENT BY THE CHIEF FINANCE OFFICER

In my opinion, the financial statements have been prepared in accordance with generally accepted accounting principles, and are in agreement with the Chief Minister and Treasury Directorate's (the Directorate's) accounts and records and fairly reflect the financial operations of the Directorate for the year ended 30 June 2014 and the financial position of the Directorate on that date.

Paul Ogden
Chief Finance Officer
Chief Minister, Treasury and Economic Development Directorate

27 July 2014

CHIEF MINISTER AND TREASURY DIRECTORATE

CONTROLLED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Chief Minister and Treasury Directorate
Controlled Operating Statement
For the Year Ended 30 June 2014

	Note No.	Actual 2014 $'000	Original Budget 2014 $'000	Actual 2013 $'000
Income				
Revenue				
Government Payment for Outputs	4	47,926	59,833	52,452
User Charges – ACT Government	5	4,129	3,886	3,014
User Charges – Non-ACT Government	5	305	211	116
Interest	7	3,029	3,532	2,244
Resources Received Free of Charge	6, 17	1,295	1,106	818
Other Revenue	8	358	44	1,547
Total Revenue		57,042	68,612	60,191
Gains				
Other Gains	9	5,457	5,341	958
Total Gains		5,457	5,341	958
Total Income		**62,499**	**73,953**	**61,149**
Expenses				
Employee Expenses	10	29,335	23,640	24,738
Superannuation Expenses	11	4,307	4,753	3,673
Supplies and Services	12	16,873	22,507	22,689
Depreciation and Amortisation	13	419	1,412	195
Grants and Purchased Services	14	5,692	14,383	5,625
Impairment Losses and Write-Offs	15	(17)	-	47
Borrowing Costs	16	3,037	3,534	2,252
Total Expenses		**59,647**	**70,229**	**59,218**
Operating Surplus/(Deficit)		**2,852**	**3,724**	**1,931**
Total Comprehensive Income/(Deficit)		**2,852**	**3,724**	**1,931**

This table may not add due to rounding.

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

Chief Minister and Treasury Directorate
Balance Sheet
As at 30 June 2014

	Note No.	Actual 2014 $'000	Original Budget 2014 $'000	Actual 2013 $'000
Current Assets				
Cash and Cash Equivalents	20	6,529	3,245	7,267
Receivables	21	3,899	2,895	2,461
Other Assets	22	134	42	132
Total Current Assets		**10,562**	**6,182**	**9,860**
Non-Current Assets				
Receivables	21	68,412	90,562	88,777
Property, Plant and Equipment	23	1,151	339	1,269
Intangible Assets	24	8,933	7,546	-
Capital Works in Progress	25	-	-	1,739
Total Non-Current Assets		**78,496**	**98,447**	**91,785**
Total Assets		**89,058**	**104,629**	**101,645**
Current Liabilities				
Payables	26	6,940	1,450	2,956
Interest-Bearing Liabilities	27	-	1,179	1,105
Finance Leases	27	76	34	141
Employee Benefits	28	10,579	8,723	9,992
Other Liabilities	30	-	-	347
Total Current Liabilities		**17,595**	**11,386**	**14,542**
Non-Current Liabilities				
Interest-Bearing Liabilities	27	68,412	90,562	88,777
Finance Leases	27	96	70	23
Employee Benefits	28	602	648	565
Other Provisions	29	130	134	130
Total Non-Current Liabilities		**69,239**	**91,414**	**89,495**
Total Liabilities		**86,834**	**102,800**	**104,037**
Net Assets/(Liabilities)		**2,224**	**1,829**	**(2,392)**
Equity				
Accumulated Funds		2,224	1,829	(2,392)
Total Equity		**2,224**	**1,829**	**(2,392)**

This table may not add due to rounding.

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

Chief Minister and Treasury Directorate
Controlled Statement of Changes in Equity
For the Year Ended 30 June 2014

30 JUNE 2014	Accumulated Funds Actual 2014 $'000	Total Equity Actual 2014 $'000	Original Budget 2014 $'000
Balance as at 1 July 2013	**(2,392)**	**(2,392)**	**(3,496)**
Comprehensive Income			
Operating Surplus/(Deficit)	2,852	2,852	3,724
Total Comprehensive Income/(Deficit)	**2,852**	**2,852**	**3,724**
Net Effect of Correction of an Error	27	27	-
Transactions Involving Owners Affecting Accumulated Funds			
Capital Injections	1,802	1,802	1,601
Capital (Distributions)	(65)	(65)	-
Total Transactions Involving Owners Affecting Accumulated Funds	**1,737**	**1,699**	**1,601**
Balance as at 30 June 2014	**2,224**	**2,224**	**1,829**

This table may not add due to rounding.

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

Chief Minister and Treasury Directorate
Controlled Statement of Changes in Equity - Continued
For the Year Ended 30 June 2014

30 JUNE 2013	Note No.	Accumulated Funds Actual 2013 $'000	Total Equity Actual 2013 $'000
Balance as at 1 July 2012		**(1,866)**	**(1,866)**
Comprehensive Income			
Operating Surplus/(Deficit)		1,931	1,931
Total Comprehensive Income/(Deficit)		**1,931**	**1,931**
Transactions Involving Owners Affecting Accumulated Funds			
Capital Injections		1,516	1,516
Capital (Distributions)		(161)	(161)
Net Assets transferred in as part of an Administrative Restructure	32	(3,449)	(3,449)
Net Assets transferred out as part of an Administrative Restructure [1]		(364)	(364)
Total Transactions Involving Owners Affecting Accumulated Funds		**(2,458)**	**(2,458)**
Balance as at 30 June 2013		**(2,392)**	**(2,392)**

This table may not add due to rounding.

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

[1] The 2012-13 Budget forecast the transfer of the artsACT Repairs and Maintenance Fund to the Community Services Directorate from 1 July 2012 following the Administrative Arrangements of 17 May 2011. The balance of this fund was transferred in July 2012.

Chief Minister and Treasury Directorate
Cash Flow Statement
For the Year Ended 30 June 2014

	Note No.	Actual 2014 $'000	Original Budget 2014 $'000	Actual 2013 $'000
Cash Flows from Operating Activities				
Receipts				
Government Payment for Outputs		47,926	59,833	52,452
User Charges – ACT Government		3,990	4,097	2,525
User Charges – Non-ACT Government		86	-	130
Interest Received		3,430	3,524	2,288
Goods and Services Tax Input Tax Credits from the Australian Taxation Office		512	4,607	2,705
Goods and Services Tax Collected from Customers		1,152	1,243	445
Other		358	44	1,671
Total Receipts from Operating Activities		**57,455**	**73,348**	**62,217**
Payments				
Employee		28,792	23,389	24,009
Superannuation		4,187	4,732	3,548
Supplies and Services		14,653	21,360	21,193
Grants and Service Purchase Payments		5,328	14,383	5,221
Borrowing Costs		3,038	3,526	2,296
Goods and Services Tax remitted to the Australian Taxation Office		109	1,243	437
Goods and Services Tax Paid to Suppliers		1,835	4,607	2,707
Total Payments from Operating Activities		**57,941**	**73,319**	**59,411**
Net Cash (Outflows)/Inflows from Operating Activities	36	**(487)**	**29**	**2,805**
Cash Flows from Investing Activities				
Receipts				
Proceeds from Sale of Property, Plant and Equipment		9	19	1
Proceeds from Repayments of Loans Receivables		21,770	1,105	-
Total Receipts from Investing Activities		**21,779**	**1,124**	**1**
Payments				
Purchase of Property, Plant and Equipment		32	-	-
Capital Works in Progress		1,970	1,601	1,516
Issue of Loan		300	1,050	1,950
Total Payments from Investing Activities		**2,302**	**2,651**	**3,466**
Net Cash (Outflows)/Inflows from Investing Activities		**19,477**	**(1,527)**	**(3,465)**

This table may not add due to rounding.

Chief Minister and Treasury Directorate
Cash Flow Statement - Continued
For the Year Ended 30 June 2014

	Note No.	Actual 2014 $'000	Original Budget 2014 $'000	Actual 2013 $'000
Cash Flows from Financing Activities				
Receipts				
Capital Injections		2,102	2,651	3,466
Proceeds from Borrowings		-	-	528
Receipts of Transferred Cash Balances		46	-	2,149
Total Receipts from Financing Activities		**2,148**	**2,651**	**6,143**
Payments				
Distribution to Government		65	-	161
Repayment of Borrowings		21,770	1,105	528
Repayment of Finance Lease Liabilities		41	28	36
Payment of Transferred Cash Balances		-	-	364
Total Payments from Financing Activities		**21,876**	**1,133**	**1,089**
Net Cash (Outflows)/Inflows from Financing Activities		**(19,728)**	**1,518**	**5,054**
Net (Decrease)/Increase in Cash and Cash Equivalents		**(738)**	**20**	**4,394**
Cash and Cash Equivalents at the Beginning of the Reporting Period		**7,267**	**3,225**	**2,873**
Cash and Cash Equivalents at the End of the Reporting Period	36	**6,529**	**3,245**	**7,267**

This table may not add due to rounding.

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

Chief Minister and Treasury Directorate
Summary of Agency Output Classes
For the Year Ended 30 June 2014

	Output Class 1 [1] Government Strategy $'000	Output Class 2 [2] Financial and Economic Management $'000	Total $'000
2014			
Total Income	34,155	28,344	**62,499**
Total Expenses	35,600	24,047	**59,647**
Operating Surplus/(Deficit)	**(1,445)**	**4,297**	**2,852**
2013			
Total Income	44,963	16,186	**61,149**
Total Expenses	43,403	15,815	**59,218**
Operating Surplus/(Deficit)	**1,560**	**371**	**1,931**

This table may not add due to rounding.

[1] The Injury Management and Safety Unit was transferred into Output Class 1, 'Government Strategy', from the Shared Services Centre by the Administrative Arrangements (AAs) of 9 November 2012.

[2] Various Treasury functions (the Finance and Budget, Investment and Economics, and Policy Coordination and Development functions) were transferred into Output Class 2, 'Financial and Economic Management', from the former Treasury Directorate by the AAs of 9 November 2012.

Chief Minister and Treasury Directorate
Operating Statement for Output Class 1
Government Strategy
For the Year Ended 30 June 2014

Description

During 2013-14, Output Class 1, 'Government Strategy', included the provision of:

- advice and support to the Chief Minister, the Head of Service and the Director-General on strategic policy and the effective delivery of government policies and priorities;
- an employment and policy framework to support a professional, skilled and accountable public service that is responsive to the ACT Government and the community, and management of whole of government capacity building programs;
- advice to the ACT Government that concentrates on the relationship between employers and workers in the ACT. This includes industrial relations, workplace safety, dangerous substances regulation, long service leave, public holidays, workers' compensation, the rights of injured workers, the rights of contractors to be paid and the costs of workers' compensation to business; and
- communications support, Centenary of Canberra management, protocol services and executive support to the ACT Government and community.

	Actual 2014 $'000	Original Budget 2014 $'000	Actual 2013 $'000
Income			
Revenue			
Government Payment for Outputs	28,430	25,685	38,772
User Charges – ACT Government	4,129	4,097	3,015
User Charges – Non-ACT Government	305	-	117
Resources Received Free of Charge	927	405	665
Other Revenue	358	-	1,438
Total Revenue	34,149	30,187	44,006
Gains			
Other Gains	6	-	958
Total Gains	6	-	958
Total Income	**34,155**	**30,187**	**44,963**
Expenses			
Employee Expenses	18,698	14,136	19,143
Superannuation Expenses	2,866	3,111	2,843
Supplies and Services	11,713	11,264	18,808
Depreciation and Amortisation	188	384	180
Grants and Purchased Services	2,146	1,817	2,381
Impairment Losses	(17)	-	43
Borrowing Costs	7	2	6
Total Expenses	**35,600**	**30,714**	**43,403**
Operating Surplus/(Deficit)	**(1,445)**	**(527)**	**1,560**

This table may not add due to rounding.

Note: The Injury Management and Safety Unit was transferred into Output Class 1, 'Government Strategy', from the Shared Services Centre, by the Administrative Arrangements (AAs) of 9 November 2012.

Chief Minister and Treasury Directorate
Operating Statement for Output Class 2
Financial and Economic Management
For the Year Ended 30 June 2014

Description

During 2013-14, Output Class 2, 'Financial and Economic Management', included the provision of:

- advice on economic policy, regulatory reform, federal financial relations, insurance policy and oversight of the Territory's investments and debt; and
- analysis, monitoring and reporting on major projects, the financial performance of agencies and the Territory's Budget, to assist the ACT Government to achieve its policy objectives.

	Actual 2014 $'000	Original Budget 2014 $'000	Actual 2013 $'000
Income			
Revenue			
Government Payment for Outputs	19,496	34,148	13,680
Interest	3,029	3,532	2,244
Resources Received Free of Charge	368	701	153
Other Revenue	-	44	109
Total Revenue	22,893	38,425	16,186
Gains			
Other Gains	5,451	5,341	-
Total Gains	5,451	5,341	-
Total Income	**28,344**	**43,766**	**16,186**
Expenses			
Employee Expenses	10,636	9,504	5,594
Superannuation Expenses	1,440	1,642	831
Supplies and Services	5,160	11,243	3,880
Depreciation	232	1,028	15
Grants and Purchased Services	3,547	12,566	3,244
Impairment Losses	-	-	5
Borrowing Costs	3,031	3,532	2,246
Total Expenses	**24,047**	**39,515**	**15,815**
Operating Surplus/(Deficit)	**4,298**	**4,251**	**371**

This table may not add due to rounding.

Note: Various Treasury functions (the Finance and Budget, Investment and Economics, and Policy Coordination and Development functions) were transferred into Output Class 2, 'Financial and Economic Management', from the former Treasury Directorate by the AAs of 9 November 2012.

Chief Minister and Treasury Directorate
Controlled Statement of Appropriation
For the Year Ended 30 June 2014

	Original Budget 2014 $'000	Total Appropriated 2014 $'000	Appropriation Drawn 2014 $'000	Appropriation Drawn 2013 $'000
Controlled				
Government Payment for Outputs	59,833	69,282	47,926	52,452
Capital Injections:				
- Equity from Government	1,601	1,810	1,802	1,516
- Loan (ACT Government Borrowing)	1,050	3,388	300	1,950
Total Controlled Appropriation	**62,484**	**74,480**	**50,028**	**55,918**

This table may not add due to rounding.

The above Controlled Statement of Appropriation should be read in conjunction with the accompanying notes.

Column Heading Explanations

The *Original Budget* column shows the amounts that appear in the Cash Flow Statement in the Budget Papers. This amount also appears in the Cash Flow Statement.

The *Total Appropriated* column is inclusive of all appropriation variations occurring after the Original Budget.

The *Appropriation Drawn* is the total amount of appropriation received by the Directorate during the year. This amount also appears in the Cash Flow Statement.

Variances between 'Original Budget' and 'Total Appropriated'

Government Payment for Outputs

The difference between the Original Budget for the Directorate and the Total Appropriated of $9.449 million results from approved *Financial Management Act 1996* (FMA) variations as follows.

Appropriation Act 2013-2014 (No 2)

- $2.414 million of additional appropriation was provided through the 2nd Appropriation, representing $2.048 million in new initiative funding and $0.366 million for the anticipated outcome of pay offers under negotiation at the time.

Section 16B, 'Rollover of undispersed appropriation'

- $7.035 million of appropriation was rolled over from 2012-13 to 2013-14 resulting from either delays in the progression, or timing associated with the development, of related projects, comprising:
  - $3.542 million for the Restructure Fund;
  - $1.176 million for Accelerated Land Development;
  - $0.849 million for the Centenary of Canberra – ACT Celebratory Program;
  - $0.321 million for Project Advice;
  - $0.3 million for Approach to Market for Pay Parking Ticket Machines;
  - $0.244 million for the ACTPS Workers' Compensation and Work Safety Improvement Plan;
  - $0.213 million for the Strategic Asset Management Program;
  - $0.202 million for Commonwealth Grants – Liveable Cities;

- $0.112 million for the Community Support Fund;
- $0.060 million for Canberra Plan 2013; and
- $0.016 million for the Community Initiatives Fund.

Capital Injections

The difference between the Original Budget for the Directorate and Total Appropriated of $2.547 million results from approved FMA variations as follows.

Appropriation Act 2013-2014 (No 2)

- $0.450 million of additional appropriation was provided through the 2nd Appropriation to provide the remainder of the balance of an agreed $1.5 million loan facility for the Exhibition Park Corporation (EPC) to facilitate the purchase of Block 799 Gungahlin to provide low cost accommodation on the site.

Section 16B, 'Rollover of undispersed appropriation'

- $2.097 million of appropriation was rolled over from 2012-13 to 2013-14 resulting from either delays in the progression, or timing associated with the development, of related projects, comprising:
  - $1.888 million of the Community Housing Canberra (CHC) Loan Appropriation;
  - $0.142 million for the Injury Prevention and Management Information System (IPMIS); and
  - $0.067 million for the Accident and Injury Management System (AIMS) Replacement project.

Variances between 'Total Appropriated' and 'Appropriation Drawn'

Government Payment for Outputs

The difference between Total Appropriated and Appropriation Drawn of $21.357 million is mainly due to:

- $16.323 million in appropriation re-profiling from 2013-14 to future years resulting from either delays in the progression, or timing associated with the development, of related projects, comprising:
  - $8.080 million for the Restructure Fund;
  - $3.763 million for Digital Canberra;
  - $2.021 million for the Strategic Asset Management Plan;
  - $0.701 million for Project Advice;
  - $0.370 million for New Court Facilities (Design and Public Private Partnership (PPP) Scoping);
  - $0.325 million for Directorate Operational Reviews;
  - $0.295 million for the National Injury Insurance Scheme;
  - $0.261 million for Approach to Market for Pay Parking Ticket Machines;
  - $0.202 million for Investment Logic Mapping;
  - $0.183 million for Study Canberra; and
  - $0.122 million for the Community Support Fund;

Chief Minister and Treasury Directorate
Controlled Statement of Appropriation - Continued
For the Year Ended 30 June 2014

- $5.034 million in savings and general underspends, comprising:
  - $3.139 million resulting from undrawn appropriation due to the accumulation of cash in recent prior financial years;
  - $1.111 million relating to the Accelerated Land Development Project;
  - $0.296 million relating to the Centenary of Canberra – ACT Celebratory Program;
  - $0.362 million in unspent superannuation related appropriation; and
  - $0.126 million relating to the Commonwealth Grants – Liveable Cities project.

Capital Injections

The difference between Total Appropriated and Appropriation Drawn of $3.096 million is due to:

- $3.088 million in appropriation rollovers from 2013-14 to 2014-15 resulting from delays in the progression of related projects, comprising:
  - $1.888 million for CHC Loan Appropriation; and
  - $1.2 million for EPC Loan Appropriation; and
- $0.008 million in savings relating to the completed Mobile Canberra Applications Information, Communication, Technology (ICT) Capital Works Project.

Chief Minister and Treasury Directorate
Controlled Note Index of the Financial Statements
For the Year Ended 30 June 2014

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 1. OBJECTIVES OF THE CHIEF MINISTER AND TREASURY DIRECTORATE

a) Operations and Principal Activities

The Directorate provides strategic financial and economic policy advice to the ACT Government with the aim of improving the Territory's financial position and economic management.

The Directorate plays a lead role in promoting accountability and transparency in the delivery of services to the community. This is achieved through sound financial policies, management practices and analysis.

As a key central agency of the ACT Government, the Directorate provides strategic advice to the ACT Government on policy development, service delivery and whole of government issues.

During 2013-14, the Directorate's objectives included:

- progressing whole of government approaches to strategic policy development and implementation;
- guiding cultural change across government in order to achieve greater collaboration and innovation in the delivery of the ACT Government's priorities;
- assisting the ACT Government to maintain the Territory's AAA credit rating through sound and sustainable economic and financial management;
- progressing and continuing to improve the ACT Government's service planning and financial management frameworks;
- coordinating the ACT Government's budget and reporting on financial outcomes;
- reviewing and evaluating programs, functions and projects to support a return of the budget to surplus by 2015-16;
- delivering the 2014-15 Budget and 2013-14 Budget Review;
- progressing the implementation and further development of tax reform initiatives;
- undertaking the review of *Elections Commitments Costing Act 2012*;
- leading and coordinating the implementation of the ACT Government's Open Government reforms;
- implementing initiatives under the Memorandum of Understanding on regional collaboration with NSW;
- leading whole of government initiatives to strengthen public sector capability and integrity;
- leading whole of government initiatives to improve work health and safety and return to work outcomes for injured employees;
- supporting the Enterprise Agreement negotiations;
- progressing initiatives to improve the performance of the ACT private sector workers' compensation scheme;
- implementing the recommendations of the Getting Home Safely Report;
- completing operational reviews of ACTION, Emergency Services Agency (ESA), Corrections, and Parks and Conservation Services as announced in the 2013-14 Budget;
- underlying investigation work on alternative capital funding and procurement processes, including Public Private Partnerships; and

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 1. OBJECTIVES OF THE CHIEF MINISTER AND TREASURY DIRECTORATE - CONTINUED

a) Operations and Principal Activities - Continued

- progressing the development of a National Injury Insurance Scheme and further reform of Compulsory Third-Party insurance arrangements.

b) Change of Names

On 7 July 2014, as a result of Administrative Arrangement 2014 (No 1) (Notifiable Instrument NI2014-310), the Chief Minister and Treasury Directorate (CMTD) changed its name to the Chief Minister, Treasury and Economic Development Directorate (CMTEDD).

Given this financial report relates to the period ending 30 June 2014, the Directorate continues to be referred to as the Chief Minister and Treasury Directorate, CMTD, or the Directorate, throughout.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The *Financial Management Act 1996* (FMA) requires the preparation of annual financial statements for ACT Government Agencies.

The FMA and the *Financial Management Guidelines* issued under the FMA, requires the Directorate's financial statements to include:

i. an Operating Statement for the year;

ii. a Balance Sheet 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. an Operating Statement for each class of output for the year;

vii. a summary of the significant accounting policies adopted for the year; and

viii. such other statements as are necessary to fairly reflect the financial operations of the Directorate during the year and its financial position 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 and Disclosure Policies.

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

a) Basis of Accounting - Continued

As at 30 June 2014, the Directorate's current assets are insufficient to meet its current liabilities. However, this is not considered a liquidity risk as its cash needs are funded through appropriation from the ACT Government on a cash-needs basis. This is consistent with the whole of government cash management regime, which requires excess cash balances to be held centrally rather than within individual directorate bank accounts. The Balance Sheet shows that the Directorate's current liabilities of $17.6 million exceed its current assets of $10.6 million by $7.0 million. Note 33, 'Financial Instruments', shows that financial assets expected to mature in the next 12 months of $10.2 million exceed financial liabilities expected to mature in the next 12 months of $0.2 million by $10.0 million.

The financial statements have been prepared using the accrual basis of accounting, which recognises the effects of transactions and events when they occur. The financial statements have also been prepared according to the historical cost convention. CMTD currently has no assets valued at fair value. Where assets included in property, plant and equipment and financial instruments are required to be valued at fair value, this is done in accordance with the re/valuation policies applicable to the Directorate during the reporting period.

Fair value is the price that would be received for the sale of an asset, or paid on the transfer a liability, in an orderly transaction between market participants at the measurement date. Fair value is measured using the market approach, the cost approach or the income approach valuation technique as appropriate. In estimating the fair value of an asset or liability, the Directorate takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at measurement date.

The above approach to fair value measurement does not apply to leasing transactions within the scope of AASB 117, 'Leases', or measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102, 'Inventories', or value in use in AASB 136, 'Impairment of Assets'.

For disclosure purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the significance of the inputs to the fair value measurement and the extent to which the inputs to the valuation techniques used are observable. The fair value hierarchy is made up of the following three levels.

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Directorate can access at the measurement date.
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs) that are unobservable for particular assets or liabilities.

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

The Directorate is an individual reporting entity.

b) Controlled and Territorial Items

The Directorate produces Controlled and Territorial financial statements. The Controlled financial statements include income, expenses, assets and liabilities over which the Directorate has control. The Territorial financial statements include income, expenses, assets and liabilities that the Directorate administers on behalf of the ACT Government, but does not control.

The purpose of the distinction between Controlled and Territorial is to enable an assessment of the Directorate's performance against the decisions it has made in relation to the resources it controls, while maintaining accountability for all resources under its responsibility.

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

b) Controlled and Territorial Items - Continued

The basis of accounting described in Note 2(a), 'Basis of Accounting', above applies to both Controlled and Territorial financial statements except where specified otherwise.

c) The Reporting Period

These financial statements state the financial performance, changes in equity and cash flows of the Directorate for the year ended 30 June 2014 together with the financial position of the Directorate as at 30 June 2014.

d) Comparative Figures

Budget Figures

To facilitate a comparison with Budget Papers, as required by the FMA, budget information for 2013-14 has been presented in the financial statements. Budget numbers in the financial statements are the original budget numbers that appear in the Budget Papers.

Prior Year Comparatives

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

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

The prior year Actual figures reflect a part year effect of the Administrative Arrangements of 9 November 2012.

e) Abbreviations

The following abbreviations are used throughout these financial statements.

AAs	Administrative Arrangements
ACTIA	ACT Insurance Authority
ACTPS	ACT Public Service
ANU	Australian National University
C100	Centenary of Canberra – ACT Celebratory Program
CHC	Community Housing Canberra
CMTD or the Directorate	Chief Minister and Treasury Directorate
CMTEDD	Chief Minister, Treasury and Economic Development Directorate
CSS	Commonwealth Superannuation Scheme
CTP Regulator	Compulsory Third-Party Insurance Regulator
CWD	Commerce and Works Directorate
DIF	Default Insurance Fund
EBA	Enterprise Bargaining Agreement
EDD	Economic Development Directorate
EPC	Exhibition Park Corporation
ESDD	Environment and Sustainable Development Directorate
FABD	Finance and Budget Division
FMA	*Financial Management Act 1996*
GAA	Graduate Administrative Assistant

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

e) Abbreviations - Continued

GRA	General Revenue Assistance
GPO	Government Payment for Outputs
HR	Human Resources
ICT	Information and Communication Technology
IED	Investment and Economics Division
IMS	Injury Management and Safety
JACSD	Justice and Community Safety Directorate
NHR	National Health Reform
NPP	National Partnership Payment
NRP	National Reform Payments
PCD	Policy Coordination and Development
PPP	Public Private Partnership
PSS	Public Sector Superannuation Scheme
PSSap	Public Sector Superannuation Scheme Accumulation Plan
SPP	Specific Purpose Payment
SSC	Shared Services Centre
TA	Treasurer's Advance
TAMSD	Territory and Municipal Services Directorate
TBA	Territory Banking Account
TD	Treasury Directorate
Territory	Australian Capital Territory
UC	University of Canberra

f) Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars ($'000). Use of the "-" symbol represents zero amounts or amounts rounded up or down to zero. Some totals throughout this report may not add due to rounding.

g) 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 Directorate and the revenue can be reliably measured. In addition, the following specific recognition criteria must also be met before revenue is recognised.

Government Payment for Outputs and Payment for Expenses on Behalf of the Territory

Government Payment for Outputs and Payments for Expenses on Behalf of the Territory are recognised as revenues when the Directorate gains control over the funding. Control over appropriated funds is obtained upon the receipt of cash.

Sale of Goods

Revenue from the sale of goods is recognised as revenue when the significant risks and rewards of ownership of the goods has transferred to the buyer, the Directorate 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

g) Revenue Recognition – Continued

Interest

Interest revenue is recognised using the effective interest method.

Dividends

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

Commonwealth Government Grants

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

Revenue Received in Advance

Revenue received in advance is recognised as a liability if there is a present obligation to return the funds received, otherwise all are recorded as revenue.

h) Resources Received and Provided Free of Charge

Resources received free of charge are recorded as a revenue and expense in the Operating Statement at fair value. The revenue is separately disclosed under resources received free of charge, with the expense being recorded in the line item to which it relates. Goods and services received free of charge from ACT Government agencies are recorded as resources received free of charge, whereas goods and services received free of charge from entities external to the ACT Government are recorded as donations. Services that are received free of charge are only recorded in the Operating Statement if they can be reliably measured and would have been purchased if not provided to the Directorate free of charge.

Resources provided free of charge are recorded at fair value in the expense line items to which they relate.

i) Borrowing Costs

Borrowing costs are expensed in the period in which they are incurred.

j) Administrative Restructures

Amounts recognised as an increase or decrease in net assets from administrative restructures are recognised directly in equity, where control over assets and liabilities is transferred to or from the Directorate as a result of a Government restructuring of administrative arrangements.

k) Current and Non-Current Items

Assets and liabilities are classified as current or non-current in the Balance Sheet and in the relevant notes. Assets are classified as current where they are expected to be realised within 12 months after the reporting date. Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or when the Directorate does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Assets or liabilities which do not fall within the current classification are classified as non-current.

l) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement and Balance Sheet, cash includes cash at bank and cash on hand.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

m) Receivables

Receivables (including trade receivables and other trade receivables) are initially recognised at fair value and are 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 ACT Government agencies and to the public. Trade receivables are payable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. In some cases, the Directorate has entered into contractual arrangements with some customers allowing it to charge interest at commercial rates where payment is not received within 90 days after the amount falls due, until the whole of the debt is paid.

Other trade receivables arise outside the normal course of selling goods and services to other ACT Government agencies and to the public. Other trade receivables are payable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. If payment has not been received within 90 days after the amount falls due, under the terms and conditions of the arrangement with the debtor, the Directorate is able to charge interest at commercial rates until the whole amount of the debt is paid. In practice, the Directorate rarely charges interest on outstanding accounts receivable.

The allowance for impairment losses represents the amount of trade receivables and other trade receivables the Directorate estimates will not be repaid. The allowance for impairment losses is based on objective evidence and a review of overdue balances. The Directorate considers the following is objective evidence of impairment:

i. becoming aware of financial difficulties of debtors;

ii. default payments; or

iii. debts more than 90 days overdue.

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. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the allowance is recognised in the Operating Statement.

The allowance for impairment losses are written off against the allowance account when the Directorate ceases action to collect the debt as it considers that it will cost more to recover the debt than the debt is worth.

The Directorate's receivables include an existing $50 million loan established under an agreement between Community Housing Canberra Limited (CHC) and the Territory (represented by CMTD). The loan facility is to be used by CHC mainly to increase the supply of affordable housing properties available for sale to or for rent by eligible participants as listed under the 'Permitted Purposes Schedule' to the Loan Agreement.

Interest is calculated on the outstanding daily balance of the loan at the interest rate applicable and is due by the borrower quarterly in arrears.

Repayment of the principal of the loan will not commence until 2018. Accordingly, the principal amount of the loan drawn at year-end, is classified as non-current.

An additional $20 million loan was provided to CHC in 2011-12. This additional loan builds on the existing $50 million loan. As with the existing loan, interest is calculated at the interest rate applicable and due quarterly. Principal repayments on the new loan will commence in 2021. This loan is not a revolving facility (unlike the existing $50 million loan) as it relates specifically to 90 properties in Crace, Bruce and Bonner.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

m) Receivables – Continued

The Directorate's receivables for 2012-13 also include a loan facility for $23.5 million established under an agreement between the University of Canberra (UC) and the Territory (represented by CMTD). The loan facility was to be used by UC for student accommodation facilities. The loan was subject to a fixed rate of interest, was secured and has a repayment term of 14 years. Repayments on this loan commenced in 2012-13, and the outstanding balance was repaid in full, ahead of schedule, in May 2014.

A newly issued loan to the Exhibition Park Corporation (EPC) is also included in the Directorate's receivables for 2013-14. An agreement established between EPC and the Territory (represented by CMTD) provides for a loan facility of $1.5 million to be used by EPC for the purchase of Block 799 Gungahlin for the provision of low cost accommodation on the site. The loan is subject to a fixed rate of interest and has a repayment term of 15 years. Quarterly repayments on this loan are scheduled to commence on 1 October 2016, with no accrual of interest until 1 July 2016. Accordingly the principal amount of the loan drawn at year-end is classified as non-current.

Receivables that have been renegotiated because they are past due or impaired are accounted for based on the renegotiated terms.

n) 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).

Where property, plant and equipment is acquired at no cost, or minimal cost, cost is its fair value as at the date of acquisition. However, property, plant and equipment acquired at no cost or minimal cost as part of a Restructuring of Administrative Arrangements is measured at the transferor's book value.

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

Property, plant and equipment with a minimum value of $5,000 is capitalised.

o) Measurement of Property, Plant and Equipment after Initial Recognition

Property, plant and equipment is valued using the cost or revaluation model of valuation. Plant and equipment and leasehold improvements are measured at cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

p) Impairment of Assets

The Directorate assesses, at each reporting date, 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.

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 the asset's 'fair value less costs of disposal' and its 'value in use'. An asset's 'value in use' is its depreciated replacement cost, where the asset would be replaced if the Directorate were deprived of it. Non-financial assets that have previously been impaired are reviewed for possible reversal of impairment at each reporting date.

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

q) 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 while depreciation is applied to physical assets such as buildings and plant and equipment.

Leasehold improvements and motor vehicles under a finance lease are depreciated over the estimated useful life of each asset improvement, or the unexpired period of the relevant lease, whichever is 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 Method	Useful Life (Years)
Leasehold Improvements	Straight Line	2-10
Plant and Equipment	Straight Line	2-20
Internally Generated Intangibles	Straight Line	2-5

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

r) Payables

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

Payables include Trade 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 and unpaid at the end of the reporting period and relating to the normal operations of the Directorate.

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 an invoice has not been received by period end.

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

s) Interest-Bearing Liabilities

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

The Directorate's interest-bearing liabilities include loans established under agreements with the TBA. The arrangement relates to the loan facilities to CHC and UC (refer Note 2(m), 'Receivables') and involves the Directorate borrowing from the Territory Banking Account (TBA) to provide finance to CHC and UC. The balance of the UC loan was repaid in full, ahead of schedule, in May 2014.

A loan arrangement was also entered into with EPC during 2013-14, for which no interest will start accruing until 1 July 2016.

The interest and principal repayment arrangements mirror the CHC and UC loan facilities (refer Note 2(m), 'Receivables').

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

t) Leases

The Directorate has entered into finance leases and operating leases.

Finance Leases

Finance leases effectively transfer to the Directorate substantially all the risks and rewards incidental to ownership of the assets under a 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 (AASB 13, 'Fair Value Measurement', definition of fair value does not apply – see AASB 117.6A) 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 or lease term. Assets under a finance lease are depreciated on a straight-line basis. Each lease payment is allocated between interest expense and reduction of the lease liability. Finance lease liabilities are classified as current and non-current.

Operating Leases

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

u) Employee Benefits

Employee benefits include:

- short-term employee benefits such as wages and salaries, annual leave loading, and applicable on-costs – if they are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services;
- other long-term benefits such as long service leave and annual leave; and
- termination benefits.

On-costs include annual leave, long service leave, superannuation and other costs that are incurred when employees take annual leave and long service leave.

Wages and Salaries

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

Annual and Long Service Leave

Annual and long service leave including applicable on-costs that are not expected to be wholly settled before twelve months after the end of the reporting period when the employees render the related service are measured at the present value of estimated future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the future wage and salary levels, experience of employee departures and periods of service. At each reporting period, the present value of future payments is calculated using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows. In 2013-14, the rate used to estimate the present value of future payments is 103.5% (101.3% in 2012-13).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

u) Employee Benefits – Continued

Annual and Long Service Leave

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 the 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. Conditional long service leave liabilities are classified as non-current because the Directorate has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

v) Superannuation

The Directorate receives funding for superannuation payments as part of the Government Payment for Outputs. The Directorate then makes payments on a fortnightly basis to the TBA, to cover the Directorate's superannuation liability for the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS). This payment covers the CSS/PSS employer contribution, but does not include the productivity component. The productivity component is paid directly to Comsuper by the Directorate. The CSS and PSS are defined benefit superannuation plans meaning that the defined benefits received by employees are based on the employee's years of service and average final salary.

Superannuation payments have also been made directly to superannuation funds for those members of the Public Sector who are part of superannuation accumulation schemes. This includes the Public Sector Superannuation accumulation plan (PSSap) and schemes of employee choice.

Superannuation employer contribution payments, for the CSS and PSS, are calculated, by taking the salary level at an employee's anniversary date and multiplying it by the actuarially assessed nominal CSS or PSS employer contribution rate for each employee. The productivity component payments are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the employer contribution rate (approximately 3%) for each employee. Superannuation payments for the PSSap are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the appropriate employer contribution rate. Superannuation payments for fund of choice arrangements are calculated by taking an employee's salary each pay and multiplying it by the appropriate employer contribution rate.

The Superannuation Provision Account recognises the total Territory superannuation liability for the CSS and PSS, and Comsuper and the external schemes recognise the superannuation liability for the PSSap and other schemes respectively.

The ACT Government is liable for the reimbursement of the emerging costs of benefits paid each year to members of the CSS and PSS in respect of their service provided to the ACT Government after 1 July 1989. These reimbursement payments are made from the Superannuation Provision Account.

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

w) Equity Contributed by the ACT Government

Contributions made by the ACT Government, through its role as owner of the Directorate, are treated as contributions of equity.

Increases or decreases in net assets as a result of administrative restructures are also recognised in equity.

x) Insurance

Major risks are insured through the ACT Insurance Authority (ACTIA). The excess payable, under this arrangement, varies depending on each class of insurance held.

y) Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the Directorate has made the following judgements and estimates that have the most significant impact on the amounts recorded in the financial statements:

i. *Employee Benefits*: significant judgements have been applied in estimating the liability for employee benefits. The estimated liability for employee benefits requires a consideration of the future wages 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 to qualify for long service leave and that on-costs will become payable. Further information on this estimate is provided in Note 2(u), 'Employee Benefits' and Note 3, 'Change in Accounting Policy and Accounting Estimates, and Correction of a Prior Period Error'.

ii. *Impairment of Assets*: the Directorate has made a significant judgement regarding its impairment of assets by undertaking a process of reviewing any likely impairment factors. Business Units across the Directorate made an assessment of any indication of impairment by assessing against an impairment checklist. The Directorate did not impair any assets during 2013-14.

iii. *Estimation of Useful Lives of Property, Plant and Equipment*: The Directorate has made a significant estimate in the lengths of useful lives over which its assets are depreciated. This estimation is the period in which utility will be gained from the use of the asset, based on either estimates from officers of the Directorate or independent valuers.

z) 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 Directorate 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 the Directorate in future reporting periods.

- AASB 9, 'Financial Instruments' (application date 1 January 2017).
- AASB 1031, 'Materiality' (application date 1 January 2014).
- AASB 1055, 'Budgetary Reporting' (application date 1 July 2014).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 7, 101, 108, 120, 132, 136, 137 and 139] (application date 1 January 2018).
- AASB 2013-3 Amendments to AASB 136, 'Recoverable Amount Disclosures for Non-Financial Assets' (application date 1 January 2014).
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments Part B, 'Materiality' (application date 1 January 2014) Part C, 'Financial Instruments' (application date 1 January 2015).

NOTE 3. CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES, AND CORRECTION OF A PRIOR PERIOD ERROR

a) Change in Accounting Estimates

Revision of Estimation of Employee Benefit Liability

As disclosed in Note 2(u), 'Employee Benefits', annual leave and long service leave, including applicable on-costs, which do not fall due in the next 12 months, are measured at the present value of estimated payments to be made in respect of services provided by employees up to the reporting date. The present value of future payments is estimated using the government bond rate. Last financial year the present value rate was 101.3%, however, due to a change in the government bond rate the percentage is now 103.5%. This change has resulted in an increase of $130,029 to the estimate of the long service leave liability and expense.

b) Change in Accounting Policy

The Directorate had no change in Accounting Policy during the reporting period.

c) Correction of Prior Period Errors

The Directorate had no correction of prior period errors during the reporting period.

Chief Minister and Treasury Directorate
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NOTE 4. GOVERNMENT PAYMENT FOR OUTPUTS

Government Payment for Outputs (GPO) is revenue received from the ACT Government to fund the costs of delivering outputs. The ACT Government pays GPO appropriation on a fortnightly basis.

	2014 $'000	2013 $'000
Government Payment for Outputs	47,926	52,452
Government Payment for Outputs [1]	**47,926**	**52,452**

[1] The decrease in GPO is mainly due to the cessation of programs such as the Centenary of Canberra – ACT Celebratory Program and the Accelerated Land Development Project, the rollover of funding from 2013-14 to future years, and undrawn appropriation due to the accumulation of cash in recent prior financial years. This is partially offset by the full year impact of the Administrative Arrangements of 9 November 2012, funding for new initiatives, and the rollover of funding from 2012-13 to 2013-14.

NOTE 5. USER CHARGES FOR GOODS AND SERVICES

User Charges revenue is derived by providing goods and services, including work health and safety services, to other ACT Government agencies and to the public. User charges revenue is not part of ACT Government appropriation and is paid by the user of the goods or services.

User Charges - ACT Government		
Other	4,129	3,014
Total User Charges - ACT Government [1]	**4,129**	**3,014**
User Charges - Non-ACT Government		
Other	305	116
Total User Charges - Non-ACT Government [2]	**305**	**116**
Total User Charges for Goods and Services	**4,434**	**3,130**

[1] The increase in ACT Government User Charges reflects the full year impact of cost recoveries relating to injury management and safety services provided to other ACT Government agencies.

[2] The increase in Non-ACT Government User Charges mainly relates to funding received from the Commonwealth Government for the Digital Local Government Project.

Chief Minister and Treasury Directorate
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NOTE 6. RESOURCES RECEIVED FREE OF CHARGE

Resources received free of charge relate to services provided free of charge from other agencies within the ACT Government.

	2014 $'000	2013 $'000
Revenue from ACT Government Entities		
Justice and Community Safety Directorate		
Legislative Drafting Services	703	531
Legal Services	592	287
Total Resources Received Free of Charge [1]	**1,295**	**818**

[1] The increase in Resources Received Free of Charge provided by the Government Solicitor's Office (GSO) with the Justice and Community Safety Directorate (JACSD) reflects the full year impact of the transfer of functions from the former Treasury Directorate (TD) following the Administrative Arrangements of 9 November 2012, and a general increase in the use of the GSO for a range of purposes during the year.

NOTE 7. INTEREST

The Directorate earns interest on loans issued to Community Housing Canberra (CHC) and the University of Canberra (UC).

Revenue from Non - ACT Government Entities		
Interest from Loan Receivables	3,029	2,244
Total Interest [1]	**3,029**	**2,244**

[1] The increase in Interest from Loan Receivables reflects the full year impact of the transfer of responsibility for administering the CHC and UC loans from the former Treasury Directorate following the Administrative Arrangements of 9 November 2012, noting that the outstanding balance of the UC loan was repaid in full, ahead of schedule, in May 2014.

NOTE 8. OTHER REVENUE

Other Revenue arises from the core activities of the Directorate. Other Revenue is distinct from Other Gains, as Other Gains are not part of the core activities of the Directorate.

Revenue from ACT Government Entities		
Miscellaneous Revenue	-	6
Total Other Revenue from ACT Government Entities	**-**	**6**
Revenue from Non-ACT Government Entities		
Other	358	1,541
Total Other Revenue from Non-ACT Government Entities [1]	**358**	**1,541**
Total Other Revenue	**358**	**1,547**

[1] The decrease in revenue from Non-ACT Government Entities is mainly due to the winding down of the Centenary of Canberra Program.

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
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NOTE 9. OTHER GAINS

Other gains are not part of the Directorate's core activities. Other gains are distinct from other revenue, as other revenue arises from the core activities of the Directorate.

	2014 $'000	2013 $'000
Gains from the Sale of Motor Vehicles [1]	12	-
Gains from Contributed Assets [2]	5,446	958
Total Other Gains	**5,457**	**958**

[1] The increase in Gains from the Sale of Motor Vehicles reflects a number of vehicles disposed during 2013-14.

[2] The Gains from Contributed Assets in 2013-14 reflects the transfer of the Oracle Government Financials and Whole of Government Banking intangible assets from the Commerce and Works Directorate (CWD) during the year. The 2012-13 Gains from Contributed Assets relates to the transfer of a completed fitout at 221 London Circuit from the Economic Development Directorate (EDD) associated with the Injury Management and Safety (IMS) Unit.

NOTE 10. EMPLOYEE EXPENSES

Employee Expenses includes costs associated with corporate and accounting services provided free of charge to the ACT Executive (refer Note 17, 'Resources Received and Provided Free of Charge').

Wages and Salaries [1]	27,986	23,517
Long Service Leave Expenses [1, 2, 3]	524	447
Annual Leave Expenses [1, 3]	498	307
Workers' Compensation Insurance Premium [1]	130	144
Termination Expenses [4]	113	83
Other Employee Benefits and On-Costs [1, 5]	84	239
Total Employee Expenses	**29,335**	**24,738**

[1] There has been an increase in Employee Expenses resulting from the full year impact of the transfers to the Directorate following the Administrative Arrangements (AAs) of 9 November 2012, and pay rates as a result of the 2013 Enterprise Bargaining Agreement (EBA) outcomes.

[2] Long Service Leave Expenses were also higher due to an increase in the rate used to calculate the present value of future long service leave payments from 101.3% to 103.5%.

[3] There was a partially offsetting decrease in Annual Leave and Long Service Leave Expenses due to transfer and (exit) of staff out of the Directorate during 2013-14 (excluding the impact of the AAs of 9 November 2012).

[4] The increase in Termination Expenses reflects a number of resignations and retirements.

[5] The decrease in Other Employee Benefits and On-Costs is mainly due to the 2013-14 assessment for Fringe Benefits Tax being corrected to adjust an overstatement included in the 2012-13 figure as a result of the AAs of 9 November 2012.

Chief Minister and Treasury Directorate
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NOTE 11. SUPERANNUATION EXPENSES

	2014	2013
	$'000	$'000
Superannuation Contributions to the Territory Banking Account	2,749	2,360
Productivity Benefit	327	281
Superannuation Payment to ComSuper (for the Public Sector Superannuation accumulation plan (PSSap))	110	106
Superannuation to External Providers	1,121	926
Total Superannuation Expenses [1]	**4,307**	**3,673**

[1] The increase in Total Superannuation Expenses reflects the full year impact of the transfer of various treasury functions from the former Treasury Directorate (TD) and the Injury Management and Safety (IMS) function from the Shared Services Centre (SSC) following the AAs of 9 November 2012, and the impact of the Enterprise Bargaining Agreement (EBA) outcomes for 2013.

NOTE 12. SUPPLIES AND SERVICES

Accommodation	3,060	3,138
ACT Registry Services [1]	145	122
Advertising [3]	296	335
Audit Services (refer Note 19 , 'Auditor's Remuneration')	333	419
Consultants [1,2]	3,621	1,811
Contractors [3]	1,894	7,679
Donations, Sponsorship and Contributions [3]	142	189
Information Technology (IT) Costs and Office Equipment [1, 2]	2,142	1,978
Insurance [1, 2]	92	66
Marketing Expenses [3]	750	2,628
Plant and Equipment Hire	116	170
Postage, Printing and Stationery [3]	313	515
Repairs and Maintenance [1,2]	143	44
Resources Received Free of Charge - Legal Services [1]	1,295	818
Finance, Human Resources and Corporate Fees [1, 2]	1,361	1,247
Staff Related Expenses	210	215
Subscriptions, Publications, Videos and Memberships	181	74
Telecommunications [1, 2]	163	150
Training and Development	369	515
Travel (and associated accommodation)	214	267
Vehicle Expenses [1]	33	20
Total Supplies and Services	**16,873**	**22,689**

[1] These increases generally include the full year impact of the transfer of various functions to the Directorate from the former Treasury Directorate (TD) following the Administrative Arrangements (AAs) of 9 November 2012.

[2] These increases generally include the full year impact of the transfer of the Injury Management and Safety (IMS) function to the Directorate from the Shared Services Centre (SSC) following the AAs of 9 November 2012.

[3] These decreases are mainly due to the winding down of the Centenary of Canberra Program.

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 13. DEPRECIATION AND AMORTISATION

	2014	2013
	$'000	$'000
Depreciation		
Plant and Equipment [a]	9	4
Leasehold Improvements [1]	148	157
Assets under a Finance Lease [a]	41	34
Total Depreciation	**198**	**195**
Amortisation		
Intangible Assets [2]	221	-
Total Amortisation	**221**	**-**
Total Depreciation and Amortisation	**419**	**195**

[a] For the purpose of this Note, depreciation associated with 'Plant and Equipment' and 'Assets under a Finance Lease' are reported separately, whereas in Note 23, 'Property, Plant and Equipment', accumulated depreciation for 'Plant and Equipment' and 'Assets under a Finance Lease' are reported together under 'Plant and Equipment'.

[1] The decrease in Depreciation on Leasehold Improvements reflects several fitout assets reaching the end of their depreciable life during 2013-14.

[2] The increase in Amortisation on Intangible Assets is due to the transfer of the completed Whole of Government Banking and Oracle Government Financials systems from the Commerce and Works Directorate (CWD) during 2013-14.

Chief Minister and Treasury Directorate
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NOTE 14. GRANTS AND PURCHASED SERVICES

Grants are amounts provided by the Directorate to other ACT Government agencies or external parties for general assistance or for a particular purpose. Grants may be provided for capital or operating purposes. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Purchased services are amounts paid to obtain services from other ACT Government agencies and external parties.

	2014 $'000	2013 $'000
Grants		
Accelerated Land Development [1]	65	668
Centenary Chair for Cancer Research [2]	500	-
Community Initiatives Fund [3]	-	38
Community Support Fund [3]	201	56
Community Centenary Initiatives Fund [4]	48	845
Community Councils	37	90
Payments from Restructure Fund to Other Agencies [5]	2,651	1,976
Regional Development	158	154
Strategic Asset Management Program [5]	439	372
Support to the Vietnam Veterans and Veterans' Federation ACT Inc.	70	70
Others	30	28
Total Grants	**4,199**	**4,297**
Payments to Service Providers		
ACT Ombudsman	1,012	985
Independent Competition and Regulatory Commission [5]	362	228
Unions ACT Occupational Health and Safety Officer	118	115
Total Payments to Service providers	**1,492**	**1,328**
Total Grants and Purchased Services	**5,692**	**5,625**

[1] The decrease reflects the discontinuation of the Accelerated Land Development initiative.

[2] This is a 2013-14 Budget initiative, which provides support to the Australian National University (ANU) in establishing a Canberra Centenary Chair for Cancer Research.

[3] The Community Initiatives and Community Support Funds were combined during 2013-14. The increase from 2012-13 reflects the receipt of a higher level of applicable requests for assistance.

[4] This decrease represents the completion of programmed activities/events associated with the Centenary of Canberra Program late in 2013.

[5] These increases reflect the full year impact of the transfer of various functions from the former Treasury Directorate following the Administrative Arrangements of 9 November 2012.

Chief Minister and Treasury Directorate
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NOTE 15. WAIVERS, IMPAIRMENT LOSSES AND WRITE-OFFS

Under Section 131 of the *Financial Management Act 1996* the Treasurer may, in writing, waive the right to payment of an amount payable to the Territory.

A waiver is the relinquishment of a legal claim to a debt. The write-off of a debt is the accounting action taken to remove a debt from the books but does not relinquish the legal right of the Directorate to recover the amount. The write-off of debts may occur for reasons other than waivers.

	No. Of Debts	2014 $'000	No. Of Debts	2013 $'000
Impairment Losses				
Impairment Losses from Receivables				
Trade Receivables [1]	-	-	9	17
Reduction in Allowance from Amounts Recovered During the Year [2]	(9)	(17)	-	-
Total Impairment Losses from Receivables		(17)		17
Total Impairment Losses		**(17)**		**17**
Write-Offs				
Irrecoverable Debts [3]	-	-	26	30
Total Write-Offs		**-**		**30**
Total Impairment Losses and Write-Offs		**(17)**		**47**

Irrecoverable debts to the value of $29,803.02 (26 debts) were written-off against the receivables allowance for impairment losses during 2012-13, of which $2,386 (3 debts) had been impaired during the prior year. There were no waivers during 2013-14 (nil for 2012-13).

[1] No debts were impaired during 2013-14. In 2012-13, debts in excess of 289 days overdue were impaired, many of which related to recoveries from other ACT Government agencies.

[2] This reflects the collection of debts that were impaired during 2012-13.

[3] No debts were written-off in 2013-14. In 2012-13, debts in excess of 723 days overdue were written-off, without having previously been impaired. The write-offs largely relate to functions transferred to the Economic Development Directorate (EDD) following the Administrative Arrangements of 17 May 2011 that CMTD had retained the responsibility for collecting, and recoveries from other agencies for training organised by CMTD from third party providers.

Chief Minister and Treasury Directorate
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NOTE 16. BORROWING COSTS

	2014	2013
	$'000	$'000
Interest Expense on Borrowings [1]	3,029	2,244
Finance Charges on Finance Leases	8	8
Total Borrowing Costs	**3,037**	**2,252**

[1] This increase reflects the full year impact of the transfer of responsibility for administering the Community Housing Canberra Limited (CHC) and University of Canberra (UC) loans from the former Treasury Directorate (TD) following the Administrative Arrangements of 9 November 2012, noting that the outstanding balance payable to the Territory Banking Account (TBA) with respect to the UC loan was repaid in full, ahead of schedule, in May 2014.

NOTE 17. RESOURCES RECEIVED AND PROVIDED FREE OF CHARGE

This note identifies expenses relating to Resources Received and Provided Free of Charge, all of which have been recorded in the expense item to which they relate.

Expenses Relating to Resources Received Free of Charge - Included in Supplies and Services		
Expenses Relating to Legal Services Provided Free of Charge by the Justice and Community Safety Directorate	1,295	818
Total Expenses Relating to Resources Received Free of Charge - Included in Supplies and Services [1]	**1,295**	**818**
Resources Provided Free of Charge - Included in Employee Expenses		
Corporate and Accounting Services Provided Free of Charge to the ACT Executive	23	18
Staffing Provided Free of Charge to the CTP Regulator [2]	-	68
Total Resources Provided Free of Charge - Included in Employee Expenses	**23**	**86**
Total Resources Received and Provided Free of Charge	**1,318**	**904**

[1] Refer Note 6, 'Resources Received Free of Charge'.

[2] This decrease reflects the recovery of staffing resources from the ACT Compulsory Third-Party (CTP) Insurance Regulator during the year rather than recognising it as a resource provided free of charge.

NOTE 18. ACT OF GRACE PAYMENTS

Under Section 130 of the *Financial Management Act 1996* (FMA) the Treasurer, may in writing, authorise Act of Grace Payments to be made by a Directorate. Act of Grace Payments are a method of providing equitable remedies to entities or individuals that may have been unfairly disadvantaged by the ACT Government but have no legal claim to the payment.

There were no Act of Grace Payments made during the reporting period pursuant to Section 130 of the FMA (nil for 2012-13).

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
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NOTE 19. AUDITOR'S REMUNERATION

Auditor's remuneration consists of financial audit services provided to the Directorate by the ACT Auditor-General's Office. No other services were provided by the ACT Auditor-General's Office.

	2014 $'000	2013 $'000
Audit Services		
Audit Fees Paid or Payable to the ACT Auditor-General's Office:		
- Chief Minister and Treasury Directorate	143	130
- Territory Banking Account	37	42
- Former Treasury Directorate [1]	-	108
- Whole of Government	153	139
Total Fees Paid to the ACT Auditor-General's Office	**333**	**419**

[1] The 2012-13 expenses relating to this item were one-off in nature, and relate to the audit of the final annual financial statements for the former Treasury Directorate.

NOTE 20. CASH AND CASH EQUIVALENTS

The Directorate holds a number of bank accounts with the Westpac Banking Corporation as part of the whole of government banking arrangements. The Directorate does not receive any interest on these accounts.

Cash on Hand	4	4
Cash at Bank	6,525	7,263
Total Cash and Cash Equivalents [1]	**6,529**	**7,267**

[1] The 2013-14 balance of Cash and Cash Equivalents reflects the timing of accounts processed for payment late in the financial year for settlement early in the 2014-15 financial year. The 2012-13 balance is higher due mainly to the transfer of functions from the former Treasury Directorate and the Shared Services Centre following the Administrative Arrangements of 9 November 2012.

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NOTE 21. RECEIVABLES

Receivables represent amounts owing to the Directorate relating to the core activities, and includes the balance and interest owed to the Directorate for loan facilities provided to Community Housing Canberra Limited (CHC), the University of Canberra (UC) and the Exhibition Park Corporation (EPC) (refer also Note 33, 'Financial Instruments').

	2014 $'000	2013 $'000
Current Receivables		
Trade Receivables [1]	3,573	626
Less: Allowance for Impairment Losses	-	(17)
	3,573	**609**
Other Trade Receivables	94	87
Less: Allowance for Impairment Losses	-	-
	94	**87**
Accrued Revenue [2]	-	307
Accrued Interest [3]	-	353
Loans Receivable - University of Canberra [3]	-	1,105
Net GST Receivable from the Australian Taxation Office (ATO) [4]	232	-
Total Current Receivables	**3,899**	**2,461**
Non-Current Receivables		
Loans Receivable - University of Canberra [3]	-	20,665
Loans Receivable - Community Housing Canberra Limited	68,112	68,112
Loans Receivable - Exhibition Park Corporation [5]	300	-
Total Non-Current Receivables	**68,412**	**88,777**
Total Receivables	**72,311**	**91,238**

Ageing of Receivables

	Not Overdue	Overdue			Total
		Less than 30 Days	30 to 60 Days	Greater than 60 Days	
	$'000	$'000	$'000	$'000	$'000
2014					
Not Impaired [a]					
Receivables	71,684	342	240	44	**72,311**
Impaired					
Receivables	-	-	-	-	**-**
2013					
Not Impaired [a]					
Receivables	91,012	90	1	135	**91,238**
Impaired					
Receivables	-	-	-	17	**17**

[a] 'Not Impaired' refers to Net Receivables (that is Gross Receivables less Impaired Receivables).

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NOTE 21. RECEIVABLES - CONTINUED

	2014	2013
	$'000	$'000
Reconciliation of the Allowance for Impairment Losses		
Allowance for Impairment Losses at the Beginning of the Reporting Period	**17**	**3**
Additional Allowance Recognised During the Reporting Period	-	50
Reduction in Allowance Resulting from a Write Back against Receivables	-	(3)
Reduction in Allowance from Amount Recovered During the Reporting Period	(17)	-
Reduction in Allowance from Amounts Written off During the Reporting Period	-	(33)
Allowance for Impairment Losses at the End of the Reporting Period	**-**	**17**

Classification of ACT Government/Non-ACT Government Receivables		
Receivables with ACT Government Entities		
Net Trade Receivables [1]	3,424	569
Accrued Revenue [2]	-	307
Loan Receivable - Exhibition Park Corporation [5]	300	-
Other Receivables	94	87
Total Receivables with ACT Government Entities	**3,817**	**963**
Receivables with Non-ACT Government Entities		
Net Trade Receivables	149	40
Accrued Interest [3]	-	353
Loans Receivable - University of Canberra [3]	-	21,770
Loans Receivable - Community Housing Canberra Limited	68,112	68,112
Net GST Receivable from the Australian Taxation Office [4]	232	-
Total Receivables with Non- ACT Government Entities	**68,493**	**90,275**
Total Receivables	**72,311**	**91,238**

[1] The increase in Net Trade Receivables results mainly from the recovery of the Oracle Government Financials system licence fees for 2013-14 from other Directorates.

[2] The decrease in ACT Government Accrued Revenue reflects the recovery of 2012-13 Information, Communication, Technology (ICT) Service Level Agreement charges during the year, which were incurred as a result of the Administrative Arrangements of 9 November 2012.

[3] The decrease in Loans Receivable – University of Canberra reflects repayment of the outstanding balance of the loan in full, ahead of schedule, in May 2014.

[4] This increase reflects the timing of net GST refunds from the ATO.

[5] This increase reflects the issue of the first instalment of principle against a loan to EPC to facilitate the purchase of Block 799 Gungahlin for the provision of low cost accommodation on the site.

Chief Minister and Treasury Directorate
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NOTE 22. OTHER ASSETS

	2014	2013
	$'000	$'000
Current Assets		
Prepayments	134	132
Total Other Assets	**134**	**132**

NOTE 23. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes the following classes of assets – leasehold improvements, plant and equipment, and assets under a finance lease. Property, plant and equipment does not include assets held for sale or investment property.

- *Leasehold improvements*: represent capital expenditure incurred in relation to leased assets. These include fit-outs of leased buildings used for administrative purposes.
- *Plant and equipment*: includes motor vehicles under a finance lease, mobile plant, air conditioning and heating systems, office and computer equipment, furniture and fittings, and other mechanical and electronic equipment.

Leasehold Improvements		
Leasehold Improvements at Cost	2,868	2,868
Less: Accumulated Depreciation	(1,914)	(1,765)
Total Leasehold Improvements at Cost	**954**	**1,103**
Total Written Down Value of Leasehold Improvements	**954**	**1,103**
Plant and Equipment		
Plant and Equipment at Cost	253	243
Less: Accumulated Depreciation	(57)	(77)
Total Written Down Value of Plant and Equipment	**197**	**166**
Total Written Down Value of Property, Plant and Equipment	**1,151**	**1,269**

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.

Chief Minister and Treasury Directorate
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NOTE 23. PROPERTY, PLANT AND EQUIPMENT - CONTINUED

	2014 $'000	2013 $'000
Carrying Amount of Assets under a Finance Lease		
Plant and Equipment at under a Finance Lease	246	236
Less: Accumulated Depreciation	(49)	(73)
Total Written Down Value of Plant and Equipment under a Finance Lease	**197**	**162**
Total Written Down Value of Assets under a Finance Lease	**197**	**162**

Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment during 2013-14.

	Leasehold Improvements $'000	Plant and Equipment $'000	Total $'000
Carrying Amount at the Beginning of the Reporting Period	**1,103**	**166**	**1,269**
Additions	-	191	**191**
Disposal	-	(110)	**(110)**
Depreciation	(148)	(49)	**(198)**
Carrying Amount at the End of the Reporting Period	**955**	**196**	**1,151**

The following table shows the movement of Property, Plant and Equipment during 2012-13.

Carrying Amount at the Beginning of the Reporting Period	**168**	**61**	**228**
Additions	958	108	**1,066**
Disposals	-	(19)	**(19)**
Depreciation	(157)	(38)	**(195)**
Acquisition/(Disposal) through Administrative Restructuring	134	55	**189**
Carrying Amount at the End of the Reporting Period	**1,103**	**166**	**1,269**

Fair Value Hierarchy

CMTD has no assets valued at fair value. As a result, the Directorate is not required to classify property, plant and equipment into a fair value hierarchy that reflects the significance of the inputs used in determining their fair value.

Chief Minister and Treasury Directorate
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NOTE 24. INTANGIBLE ASSETS

The Directorate has internally generated software associated with the whole of government finance, banking, accident and injury prevention and management information management systems.

	2014 $'000	2013 $'000
Computer Software		
Internally Generated Software		
Computer Software at Cost	19,022	9,867
Less: Accumulated Amortisation	(10,089)	(9,867)
Total Internally Generated Software [1]	**8,933**	**-**
Total Computer Software	**8,933**	**-**
Total Intangibles Assets	**8,933**	**-**

[1] The increase in Internally Generated Software reflects the transfer of completed whole of government banking and Oracle Government Finance systems from the Commerce and Works Directorate (CWD), and the completion of the Accident and Injury Management System (AIMS) Replacement, Injury Prevention and Management Information System (IPMIS) and Mobile Canberra capital works projects.

Reconciliation of Intangible Assets

The following table shows the movement of each class of Intangible Asset distinguishing between internally generated intangibles during 2013-14.

	Internally Generated Software $'000	Total $'000
Carrying Amount at the Beginning of the Reporting Period	**-**	**-**
Additions	9,155	**9,155**
Amortisation	(221)	**(221)**
Carrying Amount at the End of the Reporting Period	**8,933**	**8,933**

The following table shows the movement of each class of Intangible Asset distinguishing between internally generated intangibles during 2012-13.

Carrying Amount at the Beginning of the Reporting Period	**-**	**-**
Acquisition/(Disposal) through Administrative Restructuring		
- Computer Software at Cost	9,867	**9,867**
- Accumulated Amortisation	(9,867)	**(9,867)**
Amortisation	-	**-**
Carrying Amount at the End of the Reporting Period	**-**	**-**

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NOTE 25. 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. Capital Works in Progress are not depreciated as the Directorate is not currently deriving any economic benefits from them.

The Directorate had intangible assets under development during 2013-14. These were completed towards the end of the financial year and transferred to Intangible Assets.

	2014 $'000	2013 $'000
Injury Prevention and Management Information System	-	121
Accident and Information Management System	-	1,588
Mobile Canberra	-	30
Total Capital Works in Progress [1]	**-**	**1,739**

[1] The decrease in Total Capital Works in Progress reflects the transfer of completed Information, Communication, Technology (ICT) projects to Intangible Assets.

Reconciliation of Capital Works in Progress

The following table shows the movement of Capital Works in Progress during 2013-14.

	Software Works in Progress $'000	Total $'000
Carrying Amount at the Beginning of the Reporting Period	**1,739**	**1,739**
Additions	1,970	**1,970**
Capital Works in Progress Completed and Transferred to Intangible Assets	(3,709)	**(3,709)**
Carrying Amount at the End of the Reporting Period	**-**	**-**

The following table shows the movement of Capital Works in Progress during 2012-13.

Carrying Amount at the Beginning of the Reporting Period	**198**	**198**
Additions	1,541	**1,541**
Carrying Amount at the End of the Reporting Period	**1,739**	**1,739**

Chief Minister and Treasury Directorate
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NOTE 26. PAYABLES

	2014	2013
	$'000	$'000
Current Payables		
Trade Payables [1]	127	5
Accrued Expenses [1]	6,813	2,905
Net GST Payables [2]	-	47
Total Current Payables	**6,940**	**2,956**
Total Payables	**6,940**	**2,956**
Payables are aged as follows		
Not Overdue	6,940	2,938
Overdue for Less than 30 Days	-	16
Overdue for 30 to 60 Days	-	-
Overdue for More than 60 Days	-	1
Total Payables	**6,940**	**2,956**
Classification of ACT Government/Non-ACT Government Payables		
Payables with ACT Government Entities		
Accrued Expenses [1]	5,059	2,009
Total Payables with ACT Government Entities	**5,059**	**2,009**
Payables with ACT Non-Government Entities		
Trade Payables[1]	127	5
Accrued Expenses [1]	1,754	895
Net GST Payables [2]	-	47
Total Payables with ACT Non-Government Entities	**1,881**	**947**
Total Payables	**6,940**	**2,956**

[1] The increase in Payables mainly reflects payment to the Shared Services Centre (SSC) associated with the Oracle Government Financials system licence fees on behalf of other Directorates, and the timing of accounts being processed for payment towards the end of the financial year.

[2] This increase reflects the timing of net GST payments to the Australian Taxation Office (ATO).

Chief Minister and Treasury Directorate
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NOTE 27. INTEREST-BEARING LIABILITIES AND FINANCE LEASES

The Directorate holds 6 finance leases for motor vehicles as at 30 June 2014 (6 finance leases for motor vehicles as at 30 June 2013), all of which have been taken up as a finance lease liability and an asset under a finance lease. The interest rates implicit in these leases vary from 4.97% to 5.49% and the term is for 2 years. These leases have no terms of renewal or purchase options, or escalation clauses.

The Directorate's interest-bearing liabilities comprise of loans from the Territory Banking Account (TBA) for onpassage to Community Housing Canberra (CHC), University of Canberra (UC) and Exhibition Park Corporation (EPC) (refer Note 2(s), 'Interest-Bearing Liabilities' and Note 2(m), 'Receivables').

	2014 $'000	2013 $'000
Current Finance Lease Liabilities		
Secured		
Finance Leases	76	141
Total Current Finance Lease Liabilities	**76**	**141**
Unsecured		
ACT Government Borrowings	-	1,105
Total Current Unsecured Interest-Bearing Liabilities [1]	**-**	**1,105**
Total Current Interest-Bearing Liabilities	**76**	**1,246**
Non-Current Finance Lease Liabilities		
Secured		
Finance Leases	96	23
Total Non-Current Finance Lease Liabilities	**96**	**23**
Unsecured		
ACT Government Borrowings	68,412	88,777
Total Non-Current Unsecured Interest-Bearing Liabilities [1]	**68,412**	**88,777**
Total Non-Current Interest-Bearing Liabilities	**68,508**	**88,800**
Total Interest-Bearing Liabilities	**68,583**	**90,046**

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
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NOTE 27. INTEREST-BEARING LIABILITIES AND FINANCE LEASES - CONTINUED

	2014	2013
	$'000	$'000
Finance Leases		
Finance lease commitments are payable as follows:		
Within one year	82	146
Later than one year but not later than five years	99	23
Later than five years	-	-
Minimum Lease Payments	**181**	**169**
Less: Future Finance Lease Charges	(10)	(5)
Amount Recognised as a Liability	**171**	**164**
Add: Lease incentive involved with non-cancellable operating lease	-	-
Total Present Value of Minimum Lease Payments	**171**	**164**
The present value of the minimum lease payments are as follows:		
Within one year	76	142
Later than one year but not later than five years	96	22
Total Present Value of Minimum Lease Payments	**171**	**164**
The future minimum lease payments for non-cancellable financing sub-leases expected to be received	-	-
Classification on the Balance Sheet		
Interest-Bearing Liabilities		
Current Interest-Bearing Liabilities [1]	-	1,105
Non-Current Interest-Bearing Liabilities [1]	68,412	88,777
Finance Leases		
Current Finance Leases	76	141
Non-Current Finance Leases	96	23
Total Interest-Bearing Liabilities	**68,583**	**90,046**

[1] The decrease in Interest-Bearing Liabilities reflects repayment of the outstanding balance of the UC loan in full, ahead of schedule, in May 2014. This is partially offset by the issue of the first instalment of principle against a new loan drawn from the TBA for onpassage to EPC.

Chief Minister and Treasury Directorate
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NOTE 28. EMPLOYEE BENEFITS

	2014	2013
	$'000	$'000
Current Employee Benefits [1]		
Annual Leave [2]	3,538	3,659
Long Service Leave [3]	5,484	5,382
Accrued Wages and Salaries [4]	1,384	789
Accrued Superannuation [4]	138	125
Other Employee Benefits	35	38
Total Current Employee Benefits	**10,579**	**9,992**
Non-Current Employee Benefits [1]		
Long Service Leave [3]	602	565
Total Non-Current Employee Benefits	**602**	**565**
Total Employee Benefits	**11,181**	**10,557**

At the end of the 2013-14 financial year, the Directorate had 267 full time equivalent (FTE) staff (including 2 FTE staff for the Default Insurance Fund (DIF)). There were 279 FTE staff as at 30 June 2013 (including 2 FTE staff for DIF)). The lower number of FTEs at the end of the 2013-14 financial year is mainly due to the cessation of the Centenary of Canberra Program.

[1] The higher Employee Benefits generally relates to an increase in employee entitlements associated with the 2013 Enterprise Bargaining Agreement (EBA) outcome.

[2] The decrease in Annual Leave benefits reflects a higher annual leave taken and paid in 2013-14 compared to prior year.

[3] The higher Long Service Leave benefits also reflects an increase in the rate used to calculate the present value of future long service leave payments from 101.3% to 103.5%.

[4] Accrued Wages and Salaries and Accrued Superannuation have also increased due to the larger number of days between the final pay period and the end of the financial year compared to 2012-13, and adjustment to employee entitlements associated with the 2013 EBA outcome.

Estimated Amount Payable within 12 months		
Annual Leave	2,698	3,658
Long Service Leave	445	226
Accrued Wages and Salaries	1,384	789
Accrued Superannuation	138	125
Other Benefits	35	38
Total Employee Benefits Payable within 12 months	**4,700**	**4,836**
Estimated Amount Payable after 12 months		
Annual Leave	840	-
Long Service Leave	5,641	5,722
Total Employee Benefits Payable after 12 months	**6,481**	**5,722**
Total Employee Benefits	**11,181**	**10,557**

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
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NOTE 29. OTHER PROVISIONS

	2014	2013
	$'000	$'000
Current Other Provisions		
Provision for Loss on Asset Residual Guarantees	-	-
Total Current Other Provisions	**-**	**-**
Non-Current Other Provisions		
Provision for Make Good	130	130
Total Non-Current Other Provision	**130**	**130**
Total Other Provisions	**130**	**130**

Reconciliation of the Provision for Loss on Assets Residual Guarantees

Provision for Loss on Assets Residual Guarantees at the Beginning of the Reporting Period	-	-
Transfer of Provision from Treasury Directorate	-	125
Loss on Sale of Assets	-	(39)
Write-back of Provision	-	(86)
Provision for Loss on Assets Residual Guarantees at the End of the Reporting Period [1]	**-**	**-**

[1] A Provision for Loss on Asset Residual Guarantees of $125,352 associated with the wind-down of Rhodium was transferred from the former Treasury Directorate (TD) following the Administrative Arrangements (AAs) of 9 November 2012. The transferred guarantee agreements covered the residual value of the six underlying assets to a second party who has leases for those assets with a third party. All six assets were sold during 2012-13, since the transfer, for a total loss of $39,128. Following the sale of the final asset, the balance of the provision was written down to zero. Note 35, 'Guarantees, Contingent Liabilities and Contingent Assets', provides additional information about the Residual Guarantees.

Reconciliation of the Provision for Make Good

Provision for Make Good at the Beginning of the Reporting Period	**130**	**-**
Transfer of Provision from the Shared Services Centre [1]	-	130
Provision for Make Good at the End of the Reporting Period	**130**	**130**

[1] A Provision for Make Good on leasehold improvements was transferred from the Shared Services Centre (SSC) following the AAs of 9 November 2012.

NOTE 30. OTHER LIABILITIES

Current Other Liabilities		
Revenue Received in Advance	-	347
Total Current Other Liabilities	**-**	**347**
Total Other Liabilities [1]	**-**	**347**

[1] The decrease in Total Other Liabilities is mainly due to sponsorship revenue received in advance (RRIA) in 2012-13 for activities associated with the Centenary of Canberra Program.

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NOTE 31. DISAGGREGATED DISCLOSURE OF ASSETS AND LIABILITIES

Year Ended 30 June 2014	Output Class 1 $'000	Output Class 2 $'000	Unallocated $'000	Total $'000
Current Assets				
Cash and Cash Equivalents [1]	2,592	617	3,319	**6,529**
Receivables	565	3,334	-	**3,899**
Other Assets	-	134	-	**134**
Total Current Assets	**3,156**	**4,086**	**3,319**	**10,562**
Non-Current Assets				
Receivables	300	68,112	-	**68,412**
Property, Plant and Equipment	1,124	27	-	**1,151**
Intangible Assets	3,709	5,224	-	**8,933**
Total Non-Current Assets	**5,133**	**73,363**	**-**	**78,496**
Total Assets	**8,290**	**77,449**	**3,319**	**89,058**
Current Liabilities				
Payables	2,398	4,542	-	**6,940**
Finance Leases	-	76	-	**76**
Employee Benefits	6,835	3,744	-	**10,579**
Total Current Liabilities	**9,233**	**8,362**	**-**	**17,595**
Non-Current Liabilities				
Interest Bearing-Liabilities	300	68,112	-	**68,412**
Finance Leases	-	96	-	**96**
Employee Benefits	345	257	-	**602**
Other Provisions	130	-	-	**130**
Total Non-Current Liabilities	**775**	**68,465**	**-**	**69,239**
Total Liabilities	**10,008**	**76,827**	**-**	**86,834**
Net Assets/(Liabilities)	**(1,718)**	**622**	**3,319**	**2,224**

[1] Unallocated Cash and Cash Equivalents held by the Directorate comprises a number of disparate components, for which no single allocation driver can be used to 'reliably attribute' the value to specific output classes. Working capital, for example, is held for unforseen operational expenditures and is not assigned to any specific output class.

Chief Minister and Treasury Directorate
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NOTE 31. DISAGGREGATED DISCLOSURE OF ASSETS AND LIABILITIES - CONTINUED

Year Ended 30 June 2013	Output Class 1 $'000	Output Class 2 $'000	Unallocated $'000	Total $'000
Current Assets				
Cash and Cash Equivalents [1]	1,273	2,017	3,977	**7,267**
Receivables	578	1,883	-	**2,461**
Other Assets	4	128	-	**132**
Total Current Assets	**1,855**	**4,028**	**3,977**	**9,860**
Non-Current Assets				
Receivables	-	88,777	-	**88,777**
Property, Plant and Equipment	1,219	50	-	**1,269**
Capital Works in Progress	1,739	-	-	**1,739**
Total Non-Current Assets	**2,958**	**88,827**	**-**	**91,785**
Total Assets	**4,813**	**92,855**	**3,977**	**101,645**
Current Liabilities				
Payables	868	2,088	-	**2,957**
Interest Bearing-Liabilities	-	1,105	-	**1,105**
Finance Leases	95	46	-	**141**
Employee Benefits	6,571	3,422	-	**9,991**
Other Liabilities	347	-	-	**347**
Total Current Liabilities	**7,881**	**6,661**	**-**	**14,542**
Non-Current Liabilities				
Interest Bearing-Liabilities	-	88,777	-	**88,777**
Finance Leases	23	-	-	**23**
Employee Benefits	371	194	-	**565**
Other Provisions	130	-	-	**130**
Total Non-Current Liabilities	**524**	**88,971**	**-**	**89,495**
Total Liabilities	**8,405**	**95,633**	**-**	**104,037**
Net Assets/(Liabilities)	**(3,591)**	**(2,778)**	**3,977**	**(2,392)**

[1] Unallocated Cash and Cash Equivalents held by the Directorate comprises a number of disparate components, for which no single allocation driver can be used to 'reliably attribute' the value to specific output classes. Working capital, for example, is held for unforseen operational expenditures and is not assigned to any specific output class.

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NOTE 32. RESTRUCTURE OF ADMINISTRATIVE ARRANGEMENTS

Restructure of Administrative Arrangements during 2012-13

On 9 November 2012, a restructuring of administrative arrangements occurred between the former Treasury Directorate (TD) and CMTD involving the Finance and Budget (FABD), Investment and Economics (IED) and Policy Coordination and Development (PCD) functions.

Income and Expenses

The following table shows the income and expense items associated with the FABD, IED and PCD functions recognised by the Directorate for the year ended 30 June 2013. It also shows the income and expenses relating to when those functions belonged to TD. Finally, the table shows the total income and expenses of the FABD, IED and PCD functions for the whole year.

	Amounts Relating to when the Function was held by		
	TD from 1 July 2012 to 9 November 2012 $'000	CMTD from 10 November 2012 to 30 June 2013 $'000	Total 2013 $'000
Revenue			
Government Payment for outputs	4,873	13,680	**18,553**
Interest	1,358	2,244	**3,602**
Resources Received Free of Charge	64	153	**217**
Other Revenue	22	109	**131**
Total Revenue	**6,317**	**16,186**	**22,503**
Expenses			
Employee Expenses	3,329	5,594	**8,923**
Superannuation Expenses	468	831	**1,299**
Supplies and Services	2,100	3,880	**5,980**
Depreciation	10	15	**25**
Grants and Purchased Services	127	3,244	**3,371**
Impairment Losses and Write-Offs	-	5	**5**
Borrowing Costs	1,360	2,246	**3,606**
Total Expenses	**7,394**	**15,815**	**23,209**

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NOTE 32. RESTRUCTURE OF ADMINISTRATIVE ARRANGEMENTS - CONTINUED

Restructure of Administrative Arrangements during 2012-13 - Continued

On 9 November 2012, a restructuring of administrative arrangements occurred between the Shared Services Centre (SSC) and CMTD involving the Injury Management and Safety (IMS) function.

Income and Expenses

The following table shows the income and expense items associated with the IMS function recognised by the Directorate for the year ended 30 June 2013. It also shows the income and expenses relating to when that function belonged to SSC. Finally, the table shows the total income and expenses of the IMS function for the whole year.

	Amounts Relating to when the Function was held by		
	SSC from 1 July 2012 to 9 November 2012 $'000	CMTD from 10 November 2012 to 30 June 2013 $'000	Total 2013 $'000
Revenue			
Government Payment for Outputs	202	634	**836**
User Charges - ACT Government	1,051	2,120	**3,171**
Total Revenue	**1,253**	**2,754**	**4,007**
Gains			
Other Gains	-	958	**958**
Total Gains	**-**	**958**	**958**
Total Income	**1,253**	**3,712**	**4,965**
Expenses			
Employee Expenses	1,401	2,024	**3,425**
Superannuation Expenses	169	349	**518**
Supplies and Services	192	370	**562**
Depreciation	9	130	**139**
Total Expenses	**1,771**	**2,873**	**4,644**

Chief Minister and Treasury Directorate
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NOTE 32. RESTRUCTURE OF ADMINISTRATIVE ARRANGEMENTS - CONTINUED

Restructure of Administrative Arrangements during 2012-13 - Continued

Assets and Liabilities

The assets and liabilities transferred during 2012-13 with the FABD, IED and PCD functions from TD and the IMS function from SSC as part of the Administrative Arrangements of 9 November 2012 (the AAs) are detailed in the table below. The total assets and liability transferred as part of the AAs are also shown in the table.

	Amounts Transferred from TD 2013-14 $'000	Amounts Transferred from SSC 2013-14 $'000	Total Amounts Transferred 2013-14 $'000
Assets			
Cash and Cash Equivalents	1,873	276	**2,149**
Receivables	752	-	**752**
Loans Receivable	88,858	-	**88,858**
Leasehold Improvements	10	124	**134**
Plant and Equipment	55	-	**55**
Total Assets Transferred	**91,548**	**400**	**91,948**
Liabilities			
Payables	1,831	-	**1,831**
Interest-Bearing Liabilities	88,858	-	**88,858**
Finance Leases	54	-	**54**
Employee Benefits	3,569	826	**4,395**
Other Provisions	125	134	**259**
Total Liabilities Transferred	**94,437**	**960**	**95,397**
Net Assets/(Liabilities) Transferred	**(2,889)**	**(560)**	**(3,449)**

NOTE 33. 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'.

Interest Rate Risk

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 Directorate's exposure to interest rate risk is in relation to finance lease liabilities for motor vehicles and interest on loans to Community Housing Canberra Limited (CHC). The Directorate's interest rate risks associated with finance lease liabilities are considered to be insignificant.

The Directorate's loan to CHC (refer to Note 2(m), 'Receivables') is subject to variable interest rates. However, as the loan to CHC mirror arrangements with the TBA, the impact of an interest rate change on the Directorate's income and expense and equity is neutralised.

Sensitivity Analysis

A sensitivity analysis has not been undertaken as it is considered that the Directorate's exposure to this risk is insignificant and would have an immaterial impact on its financial results.

Credit Risk

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 Directorate's credit risk is limited to the amount of the financial assets it holds net of any allowance for impairment loss. The Directorate expects to collect all financial assets that are not past due or impaired.

The Directorate's receivables include an existing $50 million loan established under an agreement between CHC and the Territory (refer to Note 2(m), 'Receivables'). CHC is a not for profit company, which provides affordable homes to low and moderate income households for rent and sale.

Under the arrangement, payment of interest for the first year was deferred for 12 months. CHC paid the lump sum in 2012-13 for interest accrued for the first year of the loan in accordance with the agreement and is now up to date with its quarterly interest repayments.

An additional $20 million loan was provided to CHC during 2011-12. This additional loan builds on the existing ($50 million) loan. As with the existing loan, interest is calculated at the applicable interest rate and is payable quarterly. Principal repayments on the new loan will commence in 2021. The new loan is not a revolving facility (unlike the existing loan) as it relates specifically to 90 properties. As a result, the Directorate's credit risk in relation to the amount receivable against this additional loan is limited to the fair value of these specific properties. The balance of the loan outstanding as at 30 June 2014 was $68.1 million.

The $50 million and the $20 million loans are secured by the Territory placing mortgages over CHC's assets to the value of $75 million in the 2011-12 financial year. This discharges the previous Deed of Charge.

NOTE 33. FINANCIAL INSTRUMENTS - CONTINUED

Credit Risk - Continued

The Directorate regularly reviews CHC's financial position through the analysis of CHC's quarterly reports, annual reports and the Statement of Corporate Intent. The Territory's housing market is monitored to assess the effect of any potential changes on CHC's operation. The Directorate's loan to CHC is not considered to have a significantly increased risk compared with last year.

The Directorate's receivables in 2012-13 also included a loan established under an agreement between UC and the Territory (represented by CMTD). The loan was to be used by UC for student accommodation facilities. The loan was subject to a fixed rate of interest, secured by way of mortgage on specified properties with a repayment term of 14 years. Repayments on this loan commenced in 2012-13, and the outstanding balance was repaid in full, ahead of schedule, in May 2014. There is no balance for this loan outstanding as at 30 June 2014.

During 2013-14, CMTD entered into a fixed interest loan arrangement with the Exhibition Park Corporation (EPC) for up to $1.5 million. Quarterly instalments to repay principal and interest are required to commence on 1 October 2016.

The EPC loan has been provided to facilitate the purchase of Block 799 Gungahlin to provide low cost accommodation on the site. The first issue of principal to EPC from this loan was made in June 2014. The balance of the loan outstanding as at 30 June 2014 was $0.3 million.

The Directorate manages the credit risk for receivables by regularly monitoring its receivables and issuing monthly statements to overdue accounts where required. Other than the loans mentioned above, there is no significant concentration of credit risk that has been identified in this analysis.

Liquidity Risk

Liquidity risk is the risk that the Directorate will be unable to meet its financial obligations as they fall due. The Directorate's main financial liabilities relate to ACT Government borrowings and the purchase of supplies and services.

The main source of cash to pay these obligations is appropriation from Government, which is paid fortnightly during the year on a cash needs basis. The Directorate manages its liquidity risk through forecasting appropriation drawdown requirements to enable payment of financial liabilities.

The Directorate's exposure to liquidity risk is considered immaterial based on experience from prior years and the current assessment of risk.

Price Risk

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 (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

Sensitivity Analysis

A sensitivity analysis has not been undertaken as the Directorate has no exposure to price risk.

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 33. FINANCIAL INSTRUMENTS - CONTINUED

Fair Value of Financial Assets and Liabilities

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

	Note No.	Carrying Amount 2014 $'000	Fair Value 2014 $'000	Carrying Amount 2013 $'000	Fair Value 2013 $'000
Financial Assets					
Cash and Cash Equivalents	20	6,529	6,529	7,267	7,267
Receivables [a]	21	3,667	3,667	696	696
Loans Receivable	21	68,412	68,412	89,882	89,882
Total Financial Assets		**78,608**	**78,608**	**97,845**	**97,845**
Financial Liabilities					
Payables [a]	26	127	127	5	5
ACT Government Borrowings	27	68,412	68,412	89,882	89,882
Finance Leases	27	172	172	164	164
Total Financial Liabilities		**68,710**	**68,710**	**90,051**	**90,051**

[a] The Receivables and Payables figures exclude accruals and net GST Receivables/Payables.

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 33. FINANCIAL INSTRUMENTS - CONTINUED

The following tables set out the Directorate's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2014 and 30 June 2013. Except for non-current payables, financial assets and liabilities which have a floating interest rate or are non-interest bearing will mature in one year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

2014		Weighted		Fixed Interest Maturing In:				
	Note No.	Average Interest Rate	Floating Interest $'000	1 Year or Less $'000	Over 1 Year to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets								
Cash and Cash Equivalents	20		-	-	-	-	6,529	**6,529**
Receivables [a]	21		-	-	-	-	3,667	**3,667**
Loans Receivable	21		68,112	-	40	260	-	**68,412**
Total Financial Assets			**68,112**	**-**	**40**	**260**	**10,196**	**78,608**
Financial Liabilities								
Payables [a]	26		-	-	-	-	127	**127**
ACT Government Borrowings	27	2.7%	68,112	-	40	260	-	**68,412**
Finance Leases	27	5.2%	-	82	99	-	-	**181**
Total Financial Liabilities			**68,112**	**82**	**139**	**260**	**127**	**68,720**
Net Financial Assets/(Liabilities)			**-**	**(82)**	**(99)**	**-**	**10,069**	**9,888**

[a] The Receivables and Payables figures exclude accruals and net GST Receivables/Payables.

2013								
Financial Assets								
Cash and Cash Equivalents	20		-	-	-	-	7,267	**7,267**
Receivables [a]	21		-	-	-	-	696	**696**
Loans Receivable	21		68,112	1,105	5,205	15,460	-	**89,882**
Total Financial Assets			**68,112**	**1,105**	**5,205**	**15,460**	**7,963**	**97,845**
Financial Liabilities								
Payables [a]	26		-	-	-	-	5	**5**
ACT Government Borrowings	27	3.6%	68,112	1,105	5,205	15,460	-	**89,882**
Finance Leases	27	5.9%	-	146	23	-	-	**169**
Total Financial Liabilities			**68,112**	**1,251**	**5,228**	**15,460**	**5**	**90,056**
Total Financial Assets/(Liabilities)			**-**	**(146)**	**(23)**	**-**	**7,958**	**7,789**

[a] The Receivables and Payables figures exclude accruals and net GST Receivables/Payables.

NOTE 33. FINANCIAL INSTRUMENTS - CONTINUED

	Note No.	2014 $'000	2013 $'000
Carrying Amount of Each Category of Financial Asset and Financial Liability			
Financial Assets			
Loans and Receivables Measured at Amortised Cost [a]	21	72,079	90,578
Financial Liabilities			
Financial Liabilities Measured at Amortised Cost [a]	26, 27	68,710	90,051

[a] The Loans and Receivables and Financial Liabilities Measured at Amortised Cost figures exclude accruals and net GST Receivables/Payables.

The Directorate does not have any financial assets in the 'Available for Sale' category or the 'Held to Maturity' category and, as such, these categories are not included above. Also, the Directorate does not have any financial liabilities in the 'Financial Liabilities at Fair Value through Profit and Loss' category and as such this category is not included above.

Fair Value Hierarchy

The Directorate does not have any financial liabilities at fair value. As such, no fair value hierarchy disclosures have been made.

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 34. COMMITMENTS

The Directorate's Other Commitments relate mainly to activities associated with Information, Communication, Technology (ICT) system development.

As at 30 June 2014, the Directorate had entered into contracts for the following commitments, which have not been recognised as liabilities:

	2014 $'000	2013 $'000
Other Commitments		
Within One Year	1,077	2,835
Later than one year but not later than five years	2,008	2,649
Later than five years	324	342
Total Other Commitments [1]	**3,409**	**5,826**

Operating Lease Commitments

The Directorate has a non-cancellable operating lease via the ACT Property Group, Territory and Municipal Services Directorate (TAMSD), for rental of the Canberra Nara Centre, with an expiry date of 30 June 2020. The lease has an escalation clause and renewal rights. There are no conditions in the lease requiring CMTD to restore the site which the Canberra Nara Centre is situated on, and the operating lease agreement gives CMTD the right to renew the lease. Renegotiation of the lease terms occur on renewal of the lease.

Non-cancellable operating lease commitments are payable as follows:		
Within One Year	3,863	3,716
Later than one year but not later than five years	17,061	16,405
Later than five years	4,700	9,220
Total Operating Lease Commitments [2]	**25,625**	**29,341**

[1] The decrease in Other Commitments largely relates to the cessation of commitments for the Centenary of Canberra Program, reflecting programmed activities and events.

[2] The decrease in Operating Lease Commitments largely represents the remaining rental lease period for the Canberra Nara Centre.

NOTE 35. GUARANTEES, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Guarantees

As at 30 June 2014, the Directorate had no outstanding guarantees (nil at 30 June 2013).

Contingent Liabilities and Contingent Asset

The Directorate has no contingent assets or liabilities as at 30 June 2014 (nil at 30 June 2013).

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 36. CASH FLOW RECONCILIATION

	2014	2013
	$'000	$'000
(a) Reconciliation of Cash and Cash Equivalents at the End of the Reporting Period in the Cash Flow Statement to the Equivalent Items in the Balance Sheet		
Total Cash and Cash Equivalents Recorded in the Balance Sheet	6,529	7,267
Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Cash Flow Statement	**6,529**	**7,267**
(b) Reconciliation of Net Cash (Outflows)/Inflows from Operating Activities to the Operating Surplus		
Operating Surplus	2,852	1,931
Add/(Less) Non-Cash Items		
Depreciation of Property, Plant and Equipment	198	195
Amortisation of Intangibles	221	-
Gains from Contributed Assets	(5,446)	(958)
Administrative Arrangements - Net Liability Transfers (excluding Cash)	-	(5,598)
Add/(Less) Items Classified as Financing		
Administrative Arrangements - Cash Transfers	-	1,785
Transactions associated with the Net (Gain) on disposal of Non-Current Assets	(9)	-
Cash Before Changes in Operating Assets and Liabilities	**(2,183)**	**(2,645)**
Changes in Operating Assets and Liabilities		
(Increase)/Decrease in Receivables	18,888	(89,646)
(Increase)/Decrease in Other Assets	(2)	(85)
Increase/(Decrease) in Payables	4,003	(24)
Increase/(Decrease) in Provisions	-	130
Increase/(Decrease) in Employee Benefits	625	5,654
Increase/(Decrease) in Other Liabilities	(347)	(461)
Increase/(Decrease) in ACT Government Borrowings	(21,470)	89,882
Net Changes in Operating Assets and Liabilities	**1,696**	**5,450**
Net Cash (Outflows)/Inflows from Operating Activities	**(487)**	**2,805**
(c) Non-Cash Financing and Investing Activities		
Acquisition of Motor Vehicles by means of Finance Lease	191	100
Total Non-Cash Financing and Investing Activities	**191**	**100**

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 37. EVENTS OCCURING AFTER BALANCE DATE

There were no events occurring after the balance date, which would affect the financial statements as at 30 June 2014.

Chief Minister, Katy Gallagher, announced the appointment of a sixth ACT minister, along with a range of new Administrative Arrangements (AAs) (Notifiable Instrument NI2014-310), which came into effect from 7 July 2014.

The AAs resulted in the name of the Chief Minister and Treasury Directorate changing to the Chief Minister, Treasury and Economic Development Directorate (CMTEDD), and the transfer of additional functions into the Directorate. These changes will impact the financial performance and position of the Directorate from 2014-15 onwards. Initial estimates of the financial impact of the AAs are included in the 2014-15 Updated Budget Statements Following *Administrative Arrangements (No 1)*.

NOTE 38. THIRD PARTY MONIES

The ACT Superannuation Trust Account was specifically set up for the settlement of superannuation claims. The claims relate to current and former members of the ACT Government who did not receive the correct superannuation entitlements as required under superannuation law at the time of their employment.

	2014 $'000	2013 $'000
Third Party Monies held in the ACT Superannuation Trust Account		
Balance at the Beginning of the Reporting Period	**1,342**	**-**
Transfer in from the Treasury Directorate [1]	-	1,319
Cash Receipts	1,400	22
Cash Payments	(1,355)	-
Balance at the End of the Reporting Period	**1,387**	**1,342**
Total Third Party Monies	**1,387**	**1,342**

[1] The ACT Superannuation Trust Account was transferred from the former Treasury Directorate (TD) following the Administrative Arrangements of 9 November 2012.

CHIEF MINISTER AND TREASURY DIRECTORATE

TERRITORIAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Chief Minister and Treasury Directorate
Statement of Income and Expenses on Behalf of the Territory
For the Year Ended 30 June 2014

	Note No.	Actual 2014 $'000	Original Budget 2014 $'000	Actual 2013 $'000
Income				
Revenue				
Grants From Commonwealth	40	1,558,068	1,514,003	1,037,929
Dividend Revenue	41	155,913	192,133	201,151
Taxes, Fees and Fines	42	1,860	1,871	-
Other Revenue	43	88	-	24
Total Revenue		1,715,928	1,708,007	1,239,104
Total Income		**1,715,928**	**1,708,007**	**1,239,104**
Expenses				
Supplies and Services	44	11,693	11,596	8,032
Transfer to Government	45	1,704,236	1,696,411	1,231,072
Total Expenses		**1,715,928**	**1,708,007**	**1,239,104**
Operating Surplus/(Deficit)		**-**	**-**	**-**

This table may not add due to rounding.

The above Statement of Income and Expenses on Behalf of the Territory should be read in conjunction with the accompanying notes.

Chief Minister and Treasury Directorate
Statement of Assets and Liabilities on Behalf of the Territory
As at 30 June 2014

	Note No.	Actual 2014 $'000	Original Budget 2014 $'000	Actual 2013 $'000
Current Assets				
Receivables	47	55,527	59,650	129,313
Total Current Assets		**55,527**	**59,650**	**129,313**
Total Assets		**55,527**	**59,650**	**129,313**
Current Liabilities				
Payables	48	55,527	59,650	129,313
Total Current Liabilities		**55,527**	**59,650**	**129,313**
Total Liabilities		**55,527**	**59,650**	**129,313**
Net Assets		**-**	**-**	**-**
Equity				
Accumulated Funds		-	-	-
Total Equity		**-**	**-**	**-**

This table may not add due to rounding.

The above Statement of Assets and Liabilities on Behalf of the Territory should be read in conjunction with the accompanying notes.

Chief Minister and Treasury Directorate
Statement of Changes in Equity on Behalf of the Territory
For the Year Ended 30 June 2014

30 JUNE 2014	Accumulated Funds Actual 2014 $'000	Total Equity Actual 2014 $'000	Original Budget 2014 $'000
Balance as at 1 July 2013	-	-	-
Comprehensive Income			
Operating Surplus/(Deficit)	-	-	-
Total Comprehensive Income	-	-	-
Balance as at 30 June 2014	-	-	-

This table may not add due to rounding.

30 JUNE 2013	Accumulated Funds Actual 2013 $'000	Total Equity Actual 2013 $'000
Balance as at 1 July 2012	-	-
Comprehensive Income		
Operating Surplus/(Deficit)	-	-
Total Comprehensive Income	-	-
Balance as at 30 June 2013	-	-

This table may not add due to rounding.

The above Statements of Changes in Equity on Behalf of the Territory should be read in conjunction with the accompanying notes.

Chief Minister and Treasury Directorate
Cash Flow Statement on Behalf of the Territory
For the Year Ended 30 June 2014

	Note No.	Actual 2014 $'000	Original Budget 2014 $'000	Actual 2013 $'000
Cash Flows from Operating Activities				
Receipts				
Commonwealth Grants [1]		1,558,068	1,502,407	1,037,929
Dividends		229,698	182,002	139,375
Taxes, Fees and Fines		1,860	1,871	-
Other Receipts		88	-	24
Total Receipts from Operating Activities		**1,789,714**	**1,686,280**	**1,177,328**
Payments				
Supplies and Services [1]		11,693	-	8,032
Transfer of Territory Receipts to the ACT Government		1,778,021	1,686,280	1,169,296
Total Payments from Operating Activities		**1,789,714**	**1,686,280**	**1,177,328**
Net Cash Inflows/(Outflows) from Operating Activities		**-**	**-**	**-**
Net Increase/(Decrease) in Cash and Cash Equivalents		**-**	**-**	**-**
Cash and Cash Equivalents at the Beginning of the Reporting Period		-	-	-
Cash and Cash Equivalents at the End of the Reporting Period	53	**-**	**-**	**-**

This table may not add due to rounding.

The above Cash Flow Statement on Behalf of the Territory should be read in conjunction with the accompanying notes.

[1] The 2012-13 and 2013-14 Actual figures for Commonwealth Grants and Supplies and Services have been amended to show the value of payments made to the Australian Taxation Office (ATO) in relation to costs incurred by the ATO in collecting the Goods and Services Tax (GST) for the Territory. The Original Budget figures net the budgeted cost of collecting GST against the budgeted Commonwealth Grants receipts.

Chief Minister and Treasury Directorate
Territorial Note Index to the Financial Statements
For the Year Ended 30 June 2014

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 39. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - TERRITORIAL

All of the Directorate's accounting policies are contained in Note 2, 'Summary of Significant Accounting Policies'. The policies outlined in Note 2 apply to the Controlled and Territorial Annual Financial Statements.

NOTE 40. GRANTS FROM COMMONWEALTH - TERRITORIAL

The Directorate receives Commonwealth Grants on behalf of the Territory. This includes National Specific Purpose Payments (SPPs), National Reform Payments (NRPs), National Partnership Payments (NPPs), General Revenue Assistance (GRA) and grants specific to local government functions. Under Federal financial arrangements, CMTD receives the majority of the Commonwealth Grant funding on behalf of the Territory. All grant funding received is immediately transferred to the Territory Banking Account (TBA). Funds are then appropriated to ACT Government agencies, as required, for management of the related service output/s.

- *General Revenue Assistance*: includes GST and Municipal Services payments. GST payments represent the distribution of GST revenue collected by the Commonwealth Government and on-passed to State and Territory Governments without conditions attached. Municipal Services payments represent Commonwealth grants for assistance for water and sewage 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.

- *National Specific Purpose Payments and National Reform Payments*: are Commonwealth contributions to support the delivery of services in a particular sector. There were originally five SPPs under which the Commonwealth made payments to the States, including the ACT, as follows.

  - National Healthcare
  - National Schools
  - National Skills and Workforce Development
  - National Affordable Housing
  - National Disability

  Major national reforms in recent years have seen the replacement of the National Healthcare SPP with National Health Reform funding and of the National Schools SPP with National Education Reform (now known as Students First) funding.

  The amounts paid to the States for the remaining three original SPPs are determined by the Commonwealth Treasurer under the *Federal Financial Relations Act 2009*. The total funding pool and distribution of SPPs is based on a number of different factors including indexation and population estimates in accordance with the terms and conditions of an Intergovernmental Agreement. National Reform funding is directly related to the service provided, such as the number of school enrolments or the volume of health services provided each year in a particular State, with adjustments for factors such as disadvantaged students or cross-border patients.

- *National Partnership Payments*: are Commonwealth payments in respect of a National Partnership Agreement to support the delivery of specified projects, facilitate reforms, or reward those jurisdictions that deliver on national reforms or achieve service delivery improvements.

- *Other Commonwealth Grants*: represent Financial Assistance Grants for Local Governments (FAGs), which are paid outside the federal funding framework, for on-passage to local governments. As the ACT Government also has responsibility for municipal functions, the FAGs are paid direct to the Territory to be spent according to the Territory's budget priorities.

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 40. GRANTS FROM COMMONWEALTH - TERRITORIAL - CONTINUED

	2014	2013
	$'000	$'000
General Revenue Assistance		
GST Revenue Grant [1]	1,032,870	657,971
ACT Municipal Services [1]	37,311	24,507
Total General Revenue Assistance	**1,070,181**	**682,478**
National Specific Purpose Payments and National Reform Payments		
National Health Reform Payments [1, 2]	-	61,049
Disability [1]	22,004	11,948
Affordable Housing [1]	22,513	13,791
Schools - Government [1, 3]	32,225	34,709
Schools - Non-Government [1, 3]	88,434	86,439
Education Reform - Government [1, 3]	36,168	-
Education Reform - Non-Government [1, 3]	92,873	-
Skills and Workforce Development [1]	23,425	13,645
Total National Specific Purpose Payments and National Reform Payments	**317,643**	**221,582**
National Partnership Payments		
Health [1, 4]	26,946	21,998
Community Services [1, 5, 6]	9,567	5,164
Housing [1, 7]	5,480	1,457
Education (Government Schools) [1, 6]	15,784	16,390
Education (Non-Government Schools) [1]	658	2,547
Skills and Workforce Development (renamed from Vocational Training) [1, 6]	4,687	4,521
Infrastructure [1, 6, 8]	65,140	25,395
Environment [1, 6]	3,132	1,996
Other [1, 6]	14,770	13,472
Total National Partnership Payments	**146,164**	**92,940**
Other Commonwealth Grants		
Financial Assistance Grants for Local Government [1, 9]	24,081	40,929
Total Other Commonwealth Grants	**24,081**	**40,929**
Total Commonwealth Grants	**1,558,068**	**1,037,929**

[1] Increases in Commonwealth Grants generally reflect the full year impact of the transfer of functions from the former Treasury Directorate (TD) following the Administrative Arrangements of 9 November 2012 (the AAs).

[2] National Health Reform (NHR) payments were received by the former TD from 1 July 2012 until 9 November 2012, then by CMTD until after the payment in February 2013. From the March 2013 payment onwards, National Health Reform (NHR) payments have been, and will continue to be, received by the ACT Local Hospital Network on behalf of the Territory.

[3] On 1 January 2014, the National Schools SPP was replaced by the National Education Reform Agreement (NERA, also known as Students First).

[4] Removing the impact of the AAs (refer Note 1), Health NPPs decreased by $6.2 million. This is largely due to decreases in funding of $6.1 million for Essential Vaccines, $2.7 million for Preventative Health, and $1.8 million for Health and Hospital Projects, partially offset by a $4.4 million increase in funding for the Public Hospital System – Additional Funding NPP.

NOTE 40. GRANTS FROM COMMONWEALTH – TERRITORIAL - CONTINUED

[5] Community Services NPPs have also increased due to additional funding received for the launch of the National Disability Insurance Scheme (NDIS).

[6] Several 2012-13 figures have been re-cast to reflect a revised reporting presentation that more closely reflects current Commonwealth and ACT Budget reporting practices.

[7] Housing NPPs have also increased due to additional capital funding received for the Homelessness grant.

[8] Increased Infrastructure NPP funding largely relates to the Majura Parkway project.

[9] The decrease in Financial Assistance Grants for Local Governments largely results from two instalments brought forward to 2012-13 from 2013-14, totalling $24.2 million.

NOTE 41. DIVIDEND REVENUE - TERRITORIAL

The Directorate collects dividends from several ACT Government agencies. The reported dividend revenue reflects dividends declared by those agencies. For further information regarding the dividends declared and/or performance of the agencies listed below, refer to the respective agency's 2013-14 Annual Financial Report.

	2014 $'000	2013 $'000
General Government Sector Dividends		
ACT Property Group, Territory and Municipal Services Directorate	11,725	11,907
Public Trustee for the ACT	91	154
Total General Government Sector Dividends	**11,816**	**12,061**
Public Trading Enterprises Sector Dividends		
ACTTAB Limited	701	1,003
ACTEW Corporation Limited	76,732	79,580
Land Development Agency	66,664	108,507
Total Public Trading Enterprises Sector Dividends	**144,097**	**189,090**
Total Dividend Revenue	**155,913**	**201,151**

NOTE 42. TAXES, FEES AND FINES - TERRITORIAL

From 1 July 2013, the Directorate collects regulatory levies from workers' compensation insurers to offset the cost of administering workers' compensation laws.

Fees		
Fees for Regulatory Services	1,860	-
Total Fees	**1,860**	**-**
Total Taxes, Fees and Fines	**1,860**	**-**

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 43. OTHER REVENUE - TERRITORIAL

Other Revenue arises from the core activities of the Directorate. Other Revenue is distinct from Other Gains, as Other Gains tend to be one-off unusual items that are not part of the core activities of the Directorate.

	2014 $'000	2013 $'000
Insurance Recoveries	88	24
Total Other Revenue [1]	**88**	**24**

[1] The increase in Other Revenue reflects insurance recoveries and settlements received in both 2012-13 and 2013-14 relating to asset liquidations associated with HIH Casualty and General Insurance Limited.

NOTE 44. SUPPLIES AND SERVICES - TERRITORIAL

The Territory makes payments to the Australian Taxation Office (ATO) in relation to the cost incurred by the ATO in collecting the Goods and Services Tax (GST) for the Territory.

GST Administration Cost paid to the ATO	11,693	8,033
Total Supplies and Services [1]	**11,693**	**8,033**

[1] The increase in Supplies and Services results from the full year impact of the transfer of responsibility for the collection of GST on behalf of the Territory following the Administrative Arrangements of 9 November 2012, and with it responsibility for making payments to the Commonwealth for their assistance with the administration of GST Revenue.

NOTE 45. TRANSFER TO GOVERNMENT - TERRITORIAL

Transfer to Government represents the transfer of money, which CMTD has collected on behalf of the Territory, to Government. The money collected by the Directorate on behalf of the Territory includes Commonwealth Government Grants (net of costs associated with administering GST collection), Dividend Revenue, Taxes, Fees and Fines and Other Revenue.

Payments to the Territory Banking Account	1,704,236	1,231,072
Total Transfer to Government [1]	**1,704,236**	**1,231,072**

[1] The increase in Transfer to Government is due largely to the full year impact of the transfer of functions from the former Treasury Directorate (TD) following the AAs of 9 November 2012, and collection of regulatory levies from workers' compensation insurers from 1 July 2013.

NOTE 46. WAIVERS, IMPAIRMENT LOSSES AND WRITE-OFFS - TERRITORIAL

There were no waivers, impairment losses or write-offs during the reporting period.

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 47. RECEIVABLES – TERRITORIAL

The Directorate collects dividends from several ACT Government agencies. Where part of the dividend declared is not paid in the year of declaration, the Directorate records a receivable equal to the amount to be paid the following year. For further information regarding the dividends declared and/or performance of the agencies listed below, refer to the respective agency's 2013-14 Annual Financial Report.

	2014 $'000	2013 $'000
Dividend Receivables		
General Government Sector Dividend Receivables		
Public Trustee for the ACT	91	154
Total General Government Sector Dividend Receivables	*91*	*154*
Public Trading Enterprises Sector Dividend Receivables		
ACTTAB Limited	700	1,072
ACTEW Corporation Limited	18,071	79,580
Land Development Agency	36,665	48,507
Total Public Trading Enterprises Sector Dividend Receivables	*55,436*	*129,159*
Total Dividend Receivables	**55,527**	**129,313**
Total Current Receivables	**55,527**	**129,313**
Total Receivables	**55,527**	**129,313**

Ageing of Receivables	**Not Overdue**	**Overdue**			**Total**
		Less than 30 Days	**30 to 60 Days**	**Greater than 60 Days**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
2014					
Not Impaired					
Receivables	55,527	-	-	-	**55,527**
Impaired					
Receivables	-	-	-	-	**-**
2013					
Not Impaired					
Receivables	129,313	-	-	-	**129,313**
Impaired					
Receivables	-	-	-	-	**-**

NOTE 47. RECEIVABLES - TERRITORIAL - CONTINUED

	2014 $'000	2013 $'000
Classification of ACT Government/Non-ACT Government Receivables		
Receivables with ACT Government Entities		
Dividend Receivables	55,527	129,313
Total Receivables with ACT Government Entities	**55,527**	**129,313**
Total Receivables	**55,527**	**129,313**

NOTE 48. PAYABLES - TERRITORIAL

The Directorate collects dividends from several ACT Government agencies. Where part of the dividend declared is not paid in the year of declaration, the Directorate records a receivable equal to the amount to be paid the following year. Whenever the Directorate is required to record a Dividend Receivable, an equivalent payable to the Territory Banking Account (TBA) is also recorded, as all dividends received from the various dividend paying entities must be forwarded to the TBA immediately after receipt. For further information regarding the performance of the agencies listed below, refer to the respective agency's 2013-14 Annual Financial Report.

	2014 $'000	2013 $'000
Current Payables		
Accrued Expenses	55,527	129,313
Total Current Payables	**55,527**	**129,313**
Total Payables	**55,527**	**129,313**
Payables are Aged as Follows:		
Not Overdue	55,527	129,313
Overdue for Less than 30 Days	-	-
Overdue for 30 to 60 Days	-	-
Overdue for More than 60 Days	-	-
Total Payables	**55,527**	**129,313**
Classification of ACT Government/Non-ACT Government Payables		
Payables with Other ACT Government Agencies		
Accrued Expenses	55,527	129,313
Total Payables with Other ACT Government Agencies	**55,527**	**129,313**
Total Payables	**55,527**	**129,313**

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 49. RESTRUCTURE OF ADMINISTRATIVE ARRANGEMENTS - TERRITORIAL

Restructure of Administrative Arrangements 2012-13

On 9 November 2012, a restructuring of administrative arrangements occurred between the former Treasury Directorate (TD) and CMTD involving the Dividend, Commonwealth Government Grants, and general 'other' revenue collection functions.

Income and Expenses

The following table shows the income and expense items associated with the Dividend, Commonwealth Government Grants, and general 'other' revenue collection functions recognised by the Directorate for the year ended 30 June 2013. It also shows the income and expenses relating to when those functions belonged to TD. Finally, the table shows the total income and expenses of the Dividend, Commonwealth Government Grants, and general 'other' revenue collection functions for the whole year.

	Amounts Relating to when the Function was held by		
	TD from 1 July 2012 to 9 November 2012 $'000	CMTD from 10 November 2012 to 30 June 2013 $'000	Total 2013 $'000
Revenue			
Commonwealth Government Grants	588,004	1,037,929	**1,625,933**
Dividend Revenue	107	201,151	**201,258**
Other Revenue	-	24	**24**
Total Revenue	**588,111**	**1,239,104**	**1,827,215**
Expenses			
Supplies and Services	3,681	8,032	**11,713**
Transfer to Government	584,430	1,231,072	**1,815,502**
Total Expenses	**588,111**	**1,239,104**	**1,827,215**

NOTE 49. RESTRUCTURE OF ADMINISTRATIVE ARRANGEMENTS - TERRITORIAL - CONTINUED

Assets and Liabilities

The territorial assets and liabilities transferred during 2012-13 with the Dividend revenue collection function from TD as part of the Administrative Arrangements of 9 November 2012 are detailed below.

	Amounts Transferred from TD 2013 $'000
Assets	
Receivables	67,537
Total Assets Transferred	**67,537**
Liabilities	
Payables	67,537
Total Liabilities Transferred	**67,537**
Net Assets Transferred	**-**

NOTE 50. FINANCIAL INSTRUMENTS - TERRITORIAL

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'.

Interest Rate Risk

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 Directorate currently has all of its financial assets and financial liabilities held in non-interest bearing arrangements. This means that the Directorate is not exposed to any movements in interest rates, and as such does not have any interest rate risk.

Sensitivity Analysis

A sensitivity analysis has not been undertaken for the interest rate risk of the Directorate as it is not exposed to any movements in interest rates.

Credit Risk

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 Directorate's credit risk is limited to the amount of the financial assets held less any allowance for impairment losses. The Directorate expects to collect all financial assets that are not past due or impaired.

The Directorate manages credit risk for receivables by regularly monitoring its receivables and issuing monthly statements to overdue accounts were required. Other than dividend receivables, there is no significant concentration of credit risk that has been identified in this analysis.

Liquidity Risk

Liquidity risk is the risk that the Directorate will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Directorate's territorial function has no exposure to liquidity risk, as all of the Directorate's territorial financial liabilities represent payment of the Directorate's territorial financial assets to the Territory Banking Account (TBA), which comprise grants expected to be received from the Commonwealth or dividends expected to be received from ACT Government agencies. The Directorate's territorial financial liabilities will always be equal to the Directorate's financial assets.

The Directorate's territorial function has negligible exposure to liquidity risk, given that it involves the collection of revenue on behalf of the Territory and immediate on-passage of that revenue to the TBA.

Price Risk

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 (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Directorate is not exposed to price risk.

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 50. FINANCIAL INSTRUMENTS - TERRITORIAL - CONTINUED

Fair Value of Financial Assets and Liabilities

The carrying amounts and fair values of financial assets and liabilities at balance date are:

	Carrying Amount 2014 $'000	Fair Value 2014 $'000	Carrying Amount 2013 $'000	Fair Value 2013 $'000
Financial Assets				
Receivables	55,527	55,527	129,313	129,313
Total Financial Assets	**55,527**	**55,527**	**129,313**	**129,313**
Financial Liabilities				
Payables	55,527	55,527	129,313	129,313
Total Financial Liabilities	**55,527**	**55,527**	**129,313**	**129,313**

The following table sets out the Directorate's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2014. All financial assets and liabilities which are non-interest bearing will mature in 1 year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

	Note No.	Weighted Average Interest Rate	Fixed Interest Maturing In: 1 Year or Less $'000	Over 1 Year to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets							
Receivables	47	0.0%	-	-	-	55,527	**55,527**
Total Financial Assets			-	-	-	55,527	**55,527**
Financial Liabilities							
Payables	48	0.0%	-	-	-	55,527	**55,527**
Total Financial Liabilities			-	-	-	55,527	**55,527**
Net Financial Assets/(Liabilities)			**-**	**-**	**-**	**-**	**-**

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 50. FINANCIAL INSTRUMENTS - TERRITORIAL - CONTINUED

The following table sets out the Directorate's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2013. All financial assets and liabilities which are non-interest bearing will mature in 1 year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

	Note No.	Weighted Average Interest Rate	Fixed Interest Maturing In: 1 Year or Less $'000	Over 1 Year to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets							
Receivables	47	0.0%	-	-	-	129,313	**129,313**
Total Financial Assets			-	-	-	129,313	**129,313**
Financial Liabilities							
Payables	48	0.0%	-	-	-	129,313	**129,313**
Total Financial Liabilities			-	-	-	129,313	**129,313**
Net Financial Assets/(Liabilities)			**-**	**-**	**-**	**-**	**-**

	Note No.	2014 $'000	2013 $'000
Carrying Amount of Each Class of Financial Asset and Financial Liability			
Financial Assets			
Loans and Receivables Measured at Amortised Cost	47	55,527	129,313
Financial Liabilities			
Financial Liabilities Measured at Amortised Cost	48	55,527	129,313

The Directorate does not have any financial assets in the 'Available for Sale' category or the 'Held to Maturity' category, so these categories are not included above. Also, the Directorate does not have any financial liabilities in the 'Financial Liabilities at Fair Value through Profit and Loss' category, so this category is not included above.

Fair Value Hierarchy

The Directorate does not have any financial liabilities on behalf of the Territory at fair value and the value of financial assets is immaterial. As such, no fair value hierarchy disclosures have been made.

Chief Minister and Treasury Directorate
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 51. COMMITMENTS - TERRITORIAL

There were no commitments as at 30 June 2014 (nil as at 30 June 2013).

NOTE 52. CONTINGENT LIABILITIES AND CONTINGENT ASSETS - TERRITORIAL

There were no contingent liabilities or contingent assets as at 30 June 2014 (nil as at 30 June 2013).

NOTE 53. CASH FLOW RECONCILIATION - TERRITORIAL

Reconciliation of Cash and Cash Equivalents at the end of Reporting Period in the Cash Flow Statement on Behalf of the Territory to the Related Items in the Statement of Assets and Liabilities on Behalf of the Territory.

Reconciliation of Net Cash Inflows from Operating Activities to the Operating Surplus/(Deficit)

	2014 $'000	2013 $'000
Total Cash Disclosed on the Statement of Assets and Liabilities on Behalf of the Territory	-	-
Cash at the End of the Reporting Period as Recorded in the Cash Flow Statement on Behalf of the Territory	**-**	**-**
Operating Surplus/(Deficit)	-	-
Cash Before Changes in Operating Assets and Liabilities	**-**	**-**
Changes in Operating Assets and Liabilities		
(Increase)/Decrease in Receivables	73,785	(129,313)
Increase/(Decrease) in Payables	(73,785)	129,313
Net Changes in Operating Assets and Liabilities	**-**	**-**
Net Cash Inflows/(Outflows) from Operating Activities	**-**	**-**

NOTE 54. EVENTS OCCURING AFTER BALANCE DATE - TERRITORIAL

There were no events occurring after the balance date, which would affect the financial statements as at 30 June 2014.

Chief Minister, Katy Gallagher, announced the appointment of a sixth ACT minister, along with a range of new Administrative Arrangements (AAs) (Notifiable Instrument NI2014-310), which came into effect from 7 July 2014.

The AAs resulted in the name of the Chief Minister and Treasury Directorate changing to the Chief Minister, Treasury and Economic Development Directorate (CMTEDD), and the transfer of additional functions into the Directorate. These changes will impact the financial performance and position of the Directorate from 2014-15 onwards. Initial estimates of the financial impact of the AAs are included in the 2014-15 Updated Budget Statements Following *Administrative Arrangements (No 1)*.

Statement of Performance

For the Year Ended

30 June 2014

Chief Minister and Treasury Directorate

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

REPORT OF FACTUAL FINDINGS

CHIEF MINISTER AND TREASURY DIRECTORATE

To the Members of the ACT Legislative Assembly

Report on the statement of performance

The statement of performance of the Chief Minister and Treasury Directorate for the year ended 30 June 2014 has been reviewed.

Responsibility for the statement of performance

The Director-General of the Chief Minister, Treasury and Economic Development Directorate is responsible for the preparation and fair presentation of the statement of performance in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate records and internal controls that are designed to prevent and detect fraud and error, and the systems and procedures to measure the results of the accountability indicators reported in the statement of performance.

The auditor's responsibility

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2011*, I am responsible for providing a report of factual findings on the statement of performance.

The review was conducted in accordance with Australian Auditing Standards applicable to review engagements, to provide assurance that the results of the accountability indicators reported in statement of performance have been fairly presented in accordance with the *Financial Management Act 1996*.

A review is primarily limited to making inquiries with representatives of the Directorate, performing analytical and other review procedures and examining other available evidence. These review procedures do not provide all of the evidence that would be required in an audit, therefore, the level of assurance provided is less than that given in an audit. An audit has not been performed and no audit opinion is being expressed on the statement of performance.

The review did not include an assessment of the relevance or appropriateness of the accountability indicators reported in the statement of performance or the related performance targets.

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No opinion is expressed on the accuracy of explanations provided for variations between actual and targeted performance due to the often subjective nature of such explanations.

Electronic presentation of the statement of performance

Those viewing an electronic presentation of this statement of performance should note that the review 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 this statement of performance. If users of this statement of performance are concerned with the inherent risks arising from the electronic presentation of information, they are advised to refer to the printed copy of the reviewed statement of performance to confirm the accuracy of this electronically presented information.

Independence

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

Review opinion

Based on the review procedures, no matters have come to my attention which indicate that the results of the accountability indicators, reported in the statement of performance of the Chief Minister and Treasury Directorate for the year ended 30 June 2014, are not fairly presented in accordance with the *Financial Management Act 1996*.

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

M. Cooper

Dr Maxine Cooper
Auditor-General
17 September 2014

Chief Minister and Treasury Directorate
Statement of Performance
For the Year Ended 30 June 2014

Statement of Responsibility

In my opinion, the Statement of Performance is in agreement with the Directorate's records and fairly reflects the service performance of the Directorate in providing each class of outputs during the financial year ended 30 June 2014 and also fairly reflects the judgements exercised in preparing them.

Kathy Leigh
Director-General
Chief Minister, Treasury and Economic Development Directorate
16 September 2014

CHIEF MINISTER AND TREASURY DIRECTORATE
STATEMENT OF PERFORMANCE [1]
FOR THE YEAR ENDING 30 JUNE 2014

Output Class 1: **GOVERNMENT STRATEGY**

Output 1.1: **GOVERNMENT POLICY AND STRATEGY**

Description: Provision of advice and support to the Chief Minister, the Head of Service and the Director-General on strategic policy and effective delivery of Government policies and priorities.

Government Policy and Strategy will:

- provide ongoing advice to the Chief Minister and the Government in relation to whole of government policy development and priorities, and the implementation of key Government decisions;
- support the Head of Service as the Chair of the Strategic Board and provide secretariat services to the Board;
- lead, coordinate and monitor policy and project initiatives to promote across government outcomes and delivery;
- lead and coordinate the Government's participation in the COAG reform agenda and the Council of Australian Federation (CAF), and its engagement with regional leaders and local governments;
- provide advice and support to Cabinet and the Manager of Government Business in the Legislative Assembly; and
- provide across government advice and coordination on ICT issues and release of government information through the Government Information Office.

Accountability Indicator	Original Target 2013-14	Amended Target 2013-14 [2]	Actual Result 2013-14	% Variance from Amended Target 2013-14	Explanation of Material Variances
a. Whole of government policy and project initiatives	3		3	0%	
b. Regional partnerships and participation	2		2	0%	
c. Support for COAG and CAF meetings	4		5	25%	An additional CAF meeting was held on 18 May 2014.
d. Demographic Update	1		1	0%	
e. Government Progress Report	June 2014		June 2014	0%	
f. Cabinet and Strategic Board Support	2		2	0%	
TOTAL COST ($'000)	**$7,434**	**$7,797**	**$10,392**	33%	The variance largely reflects expenditure on Whole of Government activities such as Regulation Reform, Service ACT and the transfer of budget from Output 2.1 for Digital Canberra.
GOVERNMENT PAYMENT FOR OUTPUTS ($'000)	**$7,230**	**$7,535**	**$9,479**	26%	The higher than target Government Payment for Outputs largely reflects expenditure on whole of government activities such as Regulation Reform, Service ACT and the transfer of budget from Output 2.1 for Digital Canberra.

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

CHIEF MINISTER AND TREASURY DIRECTORATE
STATEMENT OF PERFORMANCE [1]
FOR THE YEAR ENDING 30 JUNE 2014

Notes

a. This accountability indicator incorporates key Government policy and project initiatives to be delivered by the Chief Minister and Treasury Directorate. Planned project initiatives completed included:
- Implementation of Service Planning - Directorates' initial Transformational Service Advice presented to Ministers in November 2013.
- Digital Canberra - public release of Digital Canberra website on 29 May 2014.
- Provision of advice to the Chief Minister and the Government on progress of the Royal Commission into Institutional Responses to Child Sexual Abuse. The ACT Government working party was established in July 2013 to assist the Government to support victims and respond to the Royal Commission. The working party is chaired by CMTD and comprises representatives from other directorates and statutory office holders. The working party met 8 times. The ACT responded to 11 Notices to Produce and prepared submissions on 5 issues papers. Regular briefings were prepared for the Chief Minister and the ACTPS Strategic Board on the activities of the Commission as they relate to the ACT. In 2013-14 ten briefs were prepared.

b. This accountability indicator covers work relating to the implementation of initiatives under a memorandum of understanding with the NSW Government on regional co-operation, and involvement with regional councils through the South East Regional Organisation of Councils (SEROC).

c. This accountability indicator covers briefing and support to the Chief Minister for meetings of the Council of Australian Governments (COAG) and the Council for the Australian Federation (CAF). COAG is a forum for decisions on key national issues and fostering unified commitments to support Australians. COAG meetings were held on 13 December 2013 and 2 May 2014. CAF, consisting of State and Territory First Ministers, was established in 2006 as a body to enable States and Territories to share policy learning and further debate on Commonwealth/State relations. CAF meetings were held on 9 December 2013, 1 May and 18 May 2014.

d. This accountability indicator relates to the updating and releasing of ACT population projections based on the 2011 Census. Projections of the resident population in total, and by age and sex, were released on the Directorate website in January 2014.

e. This accountability indicator relates to an annual Government Progress Report. Progress on implementation of Government strategy and/or priorities is provided as updates as part of regular meetings with the Chief Minister.

f. This accountability indicator covers an annual cycle of the provision of secretariat support to Cabinet and the ACT Public Service Strategic Board.

[1] The accountability indicators were reviewed by the ACT Audit Office in accordance with the *Financial Management Act 1996* .
[2] The amended Cost and Government Payment for Outputs Targets include additional funding as reflected in the *Appropriation Bill 2013-2014 (No. 2)* Supplementary Budget Papers.

CHIEF MINISTER AND TREASURY DIRECTORATE
STATEMENT OF PERFORMANCE [1]
FOR THE YEAR ENDING 30 JUNE 2014

Output Class 1: **GOVERNMENT STRATEGY**

Output 1.2: **PUBLIC SECTOR MANAGEMENT**

Description: Provision of an employment and policy framework to support a professional, skilled and accountable public service that is responsive to the Government and the community; and management of whole of government capacity building programs.

Public Sector Management will:

- develop and review whole of government employment policies, regulations and standards and provide industrial relations services to support this framework;
- support and coordinate workforce planning and change management across government, including through whole of government development programs;
- develop and review whole of government work health and safety policies and provide work health and safety services to support this framework;
- implement the ACTPS workers' compensation and work safety improvement plan;
- provide whole of government case management services to injured employees and their agencies;
- develop and implement ACTPS capacity building programs;
- maintain and monitor whole of government ethics and accountability frameworks; and
- support the Commissioner for Public Administration and the Remuneration Tribunal.

Accountability Indicator	Original Target 2013-14	Amended Target 2013-14 [2]	Actual Result 2013-14	% Variance from Amended Target 2013-14	Explanation of Material Variances
a. Conduct the annual whole of government Graduate Program	1		1	0%	
b. Conduct of Enterprise Agreement negotiations	1		1	0%	
c. Continue to implement the ACTPS workers' compensation and work safety improvement plan	June 2014		June 2014	0%	
d. Publish a State of the Service Report	September 2013		September 2013	0%	
e. Update recruitment guidelines	September 2013		Not completed	(100%)	This project has been deferred to allow completion of the review of the *Public Sector Management Act 1994* and the implementation of the new Act.
f. Review ACTPS Respect, Equity and Diversity Framework	April 2014		Not completed	(100%)	To enable a more comprehensive consideration of issues and qualitative data, the review methodology was expanded into a three stage process with an extended timeframe.
g. Implement agreed recommendations of the ACT Classification Review	June 2014		June 2014	0%	
TOTAL COST ($'000)	**$10,317**	**$12,266**	**$14,368**	17%	The variance largely results from higher Resources Received Free of Charge from the Justice and Community Safety Directorate for legal and legislative drafting services, the review of the *Public Sector Management Act 1994* , and restructures within the Directorate that impacted the original Budget allocations.
GOVERNMENT PAYMENT FOR OUTPUTS ($'000)	**$6,230**	**$8,107**	**$8,903**	10%	The higher than target Government Payment for Outputs is mainly due to restructures within the Directorate that impacted the original Budget allocations, and the review of the *Public Sector Management Act 1994.*

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

CHIEF MINISTER AND TREASURY DIRECTORATE
STATEMENT OF PERFORMANCE [1]
FOR THE YEAR ENDING 30 JUNE 2014

Notes

a. This accountability indicator covers implementation of the ACTPS whole of government Graduate Program, including the 2014 graduate intake, recruitment, selection and commencement of the 2015 intake, and planning for the 2016 intake. The accountability indicator is considered complete when the activities under the Program are undertaken.

b. This accountability indicator covers the Directorate's role in leading negotiations for the next Template Enterprise Agreement. This accountability indicator is considered complete when the draft template is presented to the Chief Minister for consideration.

c. This accountability indicator covers ongoing implementation of the ACTPS workers' compensation improvement plan, including the implementation of the capability strengthening framework, new reporting tools and early intervention strategies. Activity during 2013-14 included:
- Delivery of three distinct training courses for supervisors and managers, covering a range of management skills from generic core capabilities, to specific skills in managing workers who sustain a compensable injury. There were over 500 attendees across the three courses.
- Incremental rollout of an electronic system for reporting accidents and incidents (RiskMan).
- Completion of a pilot of a 'fee for outcome' based rehabilitation provider remuneration model.
- Audit of the Whole of Government Rehabilitation Management system (including case management model and quality assurance framework).
- Procurement for an early intervention physiotherapy panel.
- Early intervention work injury case management program.

d. This accountability indicator covers the publication of the State of the Service Report which incorporates the Commissioner for Public Administration's Annual Report, the ACT Public Sector Workforce Profile Report and the report on the implementation of the ACTPS Respect, Equity and Diversity Framework.

e. This accountability indicator covers the republication of the ACTPS Recruitment Guide, as agreed by the Government in response to the ACT Auditor-General's report on recruitment in the ACTPS.

f. This accountability indicator covers the review of the Respect, Equity and Diversity Framework after 3 years of operation. Preliminary planning for the review indicated that an environmental scan would not be sufficient and a more expansive approach would be required to acquire the relevant data, resulting in two further stages being added to the process. The Stage One discussion paper was finalised in April 2014 and a report released in May. There will be two further stages to the review. Stage Two is underway and is seeking qualitative data around implementation of the Respect, Equity and Diversity Framework. Stage Three will comprise recommendations to the Commissioner for Public Administration to update the Framework.

g. This accountability indicator covers incorporating appropriate recommendations of the ACT Classification Review into the employment framework.

[1] The accountability indicators were reviewed by the ACT Audit Office in accordance with the *Financial Management Act 1996* .
[2] The amended Cost and Government Payment for Outputs Targets include additional funding as reflected in the *Appropriation Bill 2013-2014 (No. 2)* Supplementary Budget Papers.

CHIEF MINISTER AND TREASURY DIRECTORATE

STATEMENT OF PERFORMANCE [1]

FOR THE YEAR ENDING 30 JUNE 2014

Output Class 1: **GOVERNMENT STRATEGY**

Output 1.3: **INDUSTRIAL RELATIONS POLICY [2]**

Description: Provision of advice to the Government concentrating on the relationship between employers and workers in the ACT and the risk arising from workplace activities. This includes industrial relations, workplace safety, dangerous substances regulation, long service leave, public holidays, workers' compensation, the rights of injured workers, the rights of contractors to be paid and the costs of workers' compensation to business.

Industrial Relations Policy will:

- advise the Government on the national workplace safety agenda and continue to participate in the implementation of harmonised workplace safety laws;
- advise the Government on the regulation of dangerous substances and make changes to related laws where agreed by the Government;
- advise the Government on national industrial relations matters including the review and amendments to the *Fair Work Act 2009* , as well as local industrial relations matters including portable long service leave, public holidays, and workers' compensation;
- advise the Government on the performance of the ACT Workers' Compensation Scheme and of issues arising within the scheme;
- continue to make changes to the ACT Workers' Compensation Scheme where agreed by the Government;
- advise the Government in relation to the National Workplace Relations System;
- contribute, where relevant, to consultation with the Commonwealth, States and the Northern Territory, in relation to the National Workplace Relations System in accordance with the terms of the Inter-Governmental Agreement on a National Workplace Relations System; and
- coordinate the Territory's consultative bodies for workers' compensation and work safety.

Accountability Indicator	Original Target 2013-14	Amended Target 2013-14 [3]	Actual Result 2013-14	% Variance from Amended Target 2013-14	Explanation of Material Variances
a. Provide advice to Government on developments in the national workplace safety agenda	4		4	0%	
b. Represent the ACT on Safe Work Australia and its various sub-committees and working groups, and coordinate input to, and activities arising from, the national initiatives to harmonise and implement work health and safety laws and improve workers' compensation arrangements	10		31	210%	Safe Work Australia's work program was broadened, entailing more than the originally forecast number of temporary advisory group meetings.
c. Conduct an actuarial review of the ACT Workers' Compensation Scheme	May 2014		April 2014	100%	The review was completed earlier than originally forecast to assist insurance industry stakeholders.
d. In accordance with Government directions, make changes to the *Workers Compensation Act 1951*	June 2014		June 2014	0%	
e. Provide advice to the Government regarding issues arising from the National Workplace Relations System	4		4	0%	
f. Represent the ACT on national industrial relations fora and coordinate input to, and activities arising from, the National Workplace Relations System	4		4	0%	
g. Maintain consultative fora within the ACT on workplace safety and on workers' compensation	4		3	(25%)	Due to other work pressures, the ACT Work Safety Council met on three occasions only. Matters of immediate importance were considered out of session.
h. Provide policy and legislative advice to the Government on issues affecting ACT workers	3		10	233%	The higher than forecast result was due to a wider than expected range of legislative and policy proposals.

CHIEF MINISTER AND TREASURY DIRECTORATE
STATEMENT OF PERFORMANCE [1]
FOR THE YEAR ENDING 30 JUNE 2014

Accountability Indicator	Original Target 2013-14	Amended Target 2013-14 [3]	Actual Result 2013-14	% Variance from Amended Target 2013-14	Explanation of Material Variances
i. Provide policy and legislative advice to the Government on issues relating to dangerous substances, including chemical, explosives and asbestos regulation	3		25	733%	A larger than expected number of advices were required in connection with loose fill asbestos issues and dangerous substance legislative reforms.
j. Implement the recommendations of the *Getting Home Safely* Report	6		6	0%	
TOTAL COST ($'000)	**$4,671**	**$4,458**	**$2,950**	(34%)	The variance is due largely to restructures within the Directorate that impacted the original Budget allocations, and reduced depreciation as a result of the timing of the completion of the Accident and Injury Management System.
GOVERNMENT PAYMENT FOR OUTPUTS ($'000)	**$4,154**	**$4,170**	**$2,808**	(33%)	The lower than target Government Payment for Outputs is due largely to restructures within the Directorate that impacted the original Budget allocations.

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

Notes

a. This accountability indicator covers the preparation of briefing papers to the Government on significant national developments in workplace safety, including those requiring amendments to ACT legislation.
b. This accountability indicator covers preparation for, and attendance at, meetings of Safe Work Australia, meetings of the Strategic Issues Group, and meetings of various Temporary Advisory Groups established to harmonise work safety legislation and improve workers' compensation arrangements. During 2013-14 Safe Work Australia working groups considered arrangements for the National Injury Insurance Scheme, occupational disease compensation coverage, permanent impairment assessment, and explosives and high risk plant safety.
c. The actuarial review was completed and the review report and schedule of recommended reasonable premium rates finalised on 17 April 2014. Both reports have subsequently been published on the relevant ACT Government websites.
d. Multiple advices regarding workers' compensation regulatory reform were provided to Government on matters including disputation and conciliation arrangements, the scheme funding model, premium compliance obligations, the implementation of the National Injury Insurance Scheme, and compensation coverage and benefit design.
e. This accountability indicator covers the provision of advice to the Government on the progress of any amendments to the Fair Work Act 2009, and any other issues arising in relation to the national workplace
f. This accountability indicator covers the ACT's participation and involvement in the various federally sponsored fora on the administration of the Fair Work Act 2009.
g. This accountability indicator covers the secretariat role of Work Safety Policy Section for the ACT Work Safety Council.
h. Advice has been provided in connection with workers' compensation issues, including retiring age changes and their impact on compensation entitlements, National Injury Insurance Scheme design, compensation coverage for sportspersons, access to the Portable Long Service Leave Scheme and work injury management arrangements.
i. This accountability indicator covers advice on the Dangerous Substances Act 2004, including chemical explosives and asbestos regulation.
j. This accountability indicator covers the preparation of advice to the Government on the implementation of the recommendations stemming from the Getting Home Safely Report, including preparation of papers and attendance at Steering Committee meetings and briefings for Government.

[1] The accountability indicators were reviewed by the ACT Audit Office in accordance with the *Financial Management Act 1996* .
[2] This Output relates to the Minister for Workplace Safety and Industrial Relations.
[3] The amended Cost and Government Payment for Outputs Targets include additional funding as reflected in the *Appropriation Bill 2013-2014 (No. 2)* Supplementary Budget Papers.

CHIEF MINISTER AND TREASURY DIRECTORATE
STATEMENT OF PERFORMANCE [1]
FOR THE YEAR ENDING 30 JUNE 2014

Output Class 1: **GOVERNMENT STRATEGY**

Output 1.4: **COORDINATED COMMUNICATIONS AND COMMUNITY ENGAGEMENT**

Description: Provision of communications support, Centenary of Canberra management, protocol services and executive support to the ACT Government and community.

Coordinated Communications and Community Engagement will:

- provide information and protocol services to the Chief Minister;
- provide corporate support to the ACT Executive and its staff;
- manage the delivery of the Centenary of Canberra programs;
- provide whole of government advice and assistance on community engagement policies and practices; and
- provide whole of government communications advice and support, including for emergency response requirements.

Accountability Indicator	Original Target 2013-14	Amended Target 2013-14 [2]	Actual Result 2013-14	% Variance from Amended Target 2013-14	Explanation of Material Variances
a. Quarterly reporting to Government on Centenary of Canberra progress	2		2	0%	
b. Average number of visits per month to the *Time to Talk Canberra* website	2,200		2,333	6%	A slightly higher than anticipated number of ACT community members used the website to access and respond to Government consultation issues open for feedback.
c. Deliver two city wide whole of government newsletters	Sept 2013 March 2014		Sept 2013 March 2014	0%	
TOTAL COST ($'000)	**$8,292**	**$9,330**	**$7,892**	(15%)	The variance largely reflects a general underspend, including the Community Support Fund and savings associated with the completion of the Centenary of Canberra Program, and a reduced allocation of corporate overheads than was originally planned.
GOVERNMENT PAYMENT FOR OUTPUTS ($'000)	**$8,071**	**$9,074**	**$7,240**	(20%)	The lower than target Government Payment for Outputs largely reflects a general underspend, including the Community Support Fund and savings associated with the completion of the Centenary of Canberra Program, and a reduced allocation of corporate overheads than was originally planned.

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

Notes

a. This accountability indicator covered the provision of information updates to Government on the Centenary of Canberra program. Commencing in 2014-15 reports will be prepared on an annual basis.

b. This accountability indicator covered unique visits to the Time to Talk Canberra website. The site provides a central location for the community to access information on community engagement, and a variety of ways to provide feedback, such as online submission, discussion and survey, or using Twitter.

c. This accountability indicator covered the production and distribution of two Our City, Our Community newsletters providing information to ACT residents on the activities of the Government, and outlining upcoming programs, initiatives and events.

[1] The accountability indicators were reviewed by the ACT Audit Office in accordance with the *Financial Management Act 1996* .
[2] The amended Cost and Government Payment for Outputs Targets include additional funding as reflected in the *Appropriation Bill 2013-2014 (No. 2)* Supplementary Budget Papers.

CHIEF MINISTER AND TREASURY DIRECTORATE
STATEMENT OF PERFORMANCE [1]
FOR THE YEAR ENDING 30 JUNE 2014

Output Class 2: **FINANCIAL AND ECONOMIC MANAGEMENT [2]**

Output 2.1 : **ECONOMIC MANAGEMENT**

Description: Provision of a range of services including economic policy advice, regulatory reforms advice, federal financial relations, insurance policy advice and oversight of the Territory's investments and debt.

Economic Management will:

- monitor and advise on the state of the ACT economy;
- coordinate ACT Government involvement with the Commonwealth Grants Commission (CGC) and implementation of the *GST Distribution Review* recommendations;
- participate in the COAG's Business Advisory Forum taskforce and implementation of the Seamless National Economy regulatory and competition reform program; and
- progress reforms to the ACT compulsory third party insurance scheme with the aim of facilitating the entry of additional insurers into the market.

Accountability Indicator	Original Target 2013-14	Amended Target 2013-14 [3]	Actual Result 2013-14	% Variance from Amended Target 2013-14	Explanation of Material Variances
a. Briefings on the ACT Economy	115		111	(3%)	
b. Submission to CGC Annual Update	1		1	0%	
c. Submission to credit rating agency	1		1	0%	
TOTAL COST ($'000)	**$9,061**	**$9,454**	**$6,369**	(33%)	This variance reflects the rollovers of funding from 2013-14 to 2014-15 due to timing associated with the development of the Approach to Market for Pay Parking Ticket Machines and National Injury Insurance Scheme projects. The variance is also impacted by the transfer of budget to Output 1.1 for Digital Canberra.
GOVERNMENT PAYMENT FOR OUTPUTS ($'000)	**$6,926**	**$7,314**	**$5,854**	(20%)	The lower than target Government Payment for Outputs reflects the rollovers of funding from 2013-14 to 2014-15 due to timing associated with the development of the Approach to Market for Pay Parking Ticket Machines and National Injury Insurance Scheme projects. The variance is also impacted by the transfer of budget to Output 1.1 for Digital Canberra.

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

Notes

a. Briefings on the most recent key economic indicators for Canberra and the Australian Capital Territory that are updated with new data released either monthly or quarterly.

b. Annual submission to the Commonwealth Grants Commission, which forms part of their 'Report on GST Revenue Sharing Relativities 2014 Update'.

c. The credit rating agency submission is a day-long meeting with the agency, which includes a presentation.

[1] The accountability indicators were reviewed by the ACT Audit Office in accordance with the *Financial Management Act 1996* .

[2] This Output Class relates to the portfolio responsibility of the Treasurer.

[3] The amended Cost and Government Payment for Outputs Targets include additional funding as reflected in the *Appropriation Bill 2013-2014 (No. 2)* Supplementary Budget Papers.

CHIEF MINISTER AND TREASURY DIRECTORATE
STATEMENT OF PERFORMANCE [1]
FOR THE YEAR ENDING 30 JUNE 2014

Output Class 2:	**FINANCIAL AND ECONOMIC MANAGEMENT [2]**
Output 2.2 :	**FINANCIAL MANAGEMENT**
Description:	Provision of analysis, monitoring and reporting on major projects, the financial performance of agencies and the Territory's budget, to assist the Government to achieve its policy objectives. Financial Management will: • manage the preparation and presentation of the Government's annual budget, Budget Review and annual financial statements; • provide quarterly whole of government consolidated management reports; • report to external agencies including the Australian Loan Council, the Australian Bureau of Statistics and the CGC; and • review government programs and functions.

Accountability Indicator	Original Target 2013-14	Amended Target 2013-14 [3]	Actual Result 2013-14	% Variance from Amended Target 2013-14	Explanation of Material Variances
a. Budget presented in accordance with legislative timeframes	1		1	0%	
b. Budget Review presented in accordance with legislative timeframes	1		1	0%	
c. Annual Financial Statements for the Territory provided in accordance with legislative timeframes	1		1	0%	
d. Quarterly Consolidated Financial Statements presented in accordance with legislative timeframes	4		4	0%	
e. Policy/Service Area Reviews	6		2 completed of 6 commenced	-67%	The end of year audited result shows that two reviews were commenced and completed in 2013-14. A further four reviews were commenced in 2013-14, and are proposed to be finalised in 2014-15. This brings the total number of reviews commenced in 2013-14 to six.
TOTAL COST ($'000)	**$30,454**	**$36,301**	**$17,677**	(51%)	The variance largely relates to the funding rollovers from 2013-14 to future years resulting from lower than forecast claims against the Restructure Fund, and timing associated with the development of the Strategic Asset Management Plan and Infrastructure Finance and Advisory projects. The variance also reflects savings from the discontinuation of the Accelerated Land Development initiative, and the impact on depreciation as a result of the later than planned transfer of assets for Whole of Government banking and Oracle Government finance systems.
GOVERNMENT PAYMENT FOR OUTPUTS ($'000)	**$27,222**	**$33,082**	**$13,641**	(59%)	The lower than target Government Payment for Outputs largely relates to the funding rollovers from 2013-14 to future years resulting from lower than forecast claims against the Restructure Fund, and timing associated with the development of the Strategic Asset Management Plan and Infrastructure Finance and Advisory projects. The variance also reflects savings from the discontinuation of the Accelerated Land Development initiative.

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

CHIEF MINISTER AND TREASURY DIRECTORATE
STATEMENT OF PERFORMANCE [1]
FOR THE YEAR ENDING 30 JUNE 2014

Notes

a. The Budget was tabled in the Legislative Assembly on 3 June 2014.

b. The Budget Review was tabled in the Legislative Assembly on 12 February 2014.

c. This accountability indicator was met as the 2013-14 Annual Consolidated Financial Statements were circulated to MLAs and published on 6 November 2013 and tabled on 26 November 2013.

d. The 2013 June Quarter Consolidated Financial Report (interim outcome) was circulated, published and tabled on 13 August 2013; the 2013 September Quarter Consolidated Financial Report was circulated to MLAs and published on 13 November 2013, and tabled on 26 November 2013; the 2013 December Quarter Consolidated Financial Report was circulated to MLAs and published on 14 February 2014, and tabled on 25 February 2014; and the 2014 March Quarter Consolidated Financial Report was tabled and published on 13 May 2014 .

e. The result presents the number of reviews completed out of those commenced in 2013-14. Separate indicators - Policy/Service Reviews Commenced and Policy/Service Reviews Completed have been included in the 2014-15 Budget. The 2013-14 result reflects the completion of Human Resources and Financial Services, and Parks and City Services Reviews. The Emergency Services Agency, Corrections, and ACTION reviews commenced in 2013-14. The review of Government Schools did not commence due to the implementation of the National Educations Reforms. An additional review into the Commonwealth Fire Payment was commenced this year.

[1] The accountability indicators were reviewed by the ACT Audit Office in accordance with the *Financial Management Act 1996* .
[2] This Output Class relates to the portfolio responsibility of the Treasurer.
[3] The amended Cost and Government Payment for Outputs Targets include additional funding as reflected in the *Appropriation Bill 2013-2014 (No. 2)* Supplementary Budget Papers.

Financial Statements

For the Year Ended

30 June 2014

Superannuation Provision Account

Management Discussion and Analysis
For the Superannuation Provision Account
Financial Year Ended 30 June 2014

Objectives

The primary objective of the Superannuation Provision Account (SPA) is to assist the ACT Government to effectively manage the Commonwealth Superannuation Scheme and Public Sector Superannuation Scheme defined benefit employer superannuation liabilities and investment assets of the Territory.

Overview of 2013-14 Financial Outcome

The SPA's territorial net cost of services for 2013-14 was $101.9 million being $162.5 million or 61 per cent lower than the budget estimate of $264.4 million. The SPA operating result for the 2013-14 financial year was positively impacted by the investment return achieved partly offset by the increase in the valuation estimate of the defined benefit superannuation liability and associated superannuation expense as compared with that estimated at the 2013-14 Budget.

Solid returns on global share markets helped the investment portfolio return 15.8 per cent (net of fees) for the financial year. This investment return was ahead of the portfolio's performance benchmark return of 14.4 per cent.

As required by Australian Accounting Standards an appropriate discount rate, referenced to the yield on Commonwealth Government bonds, must be used to value the superannuation liabilities in today's dollars. The relevant discount rate as at 30 June 2013 of 4.3 per cent, being below the long term discount rate estimate of 6 per cent, lead to an increase in the superannuation liability estimate as at 30 June 2013 and an increase in superannuation expense for the 2013-14 financial year of approximately $50.4 million.

Domestic interest rates continue to remain low by historical standards with a strong rally in capital markets in the second half of the year leading to lower interest rates at 30 June 2014 with a discount rate of 4.1 per cent. This has again negatively impacted on the valuation of the superannuation liability. The discount rate remains below the long term budget valuation estimate of 6 per cent, as well as being below the discount rate as at 30 June 2013 of 4.3 per cent, resulting in a significant increase in the estimated valuation of the superannuation liability and an actuarial loss of approximately $355.7 million.

As a result of the strong financial return and the actuarial loss on the superannuation liability valuation the funding ratio of assets to liabilities has remained stable at approximately 40 per cent as at 30 June 2014.

Financial Performance

The following financial information is based on the audited financial statements for 2012-13 and 2013-14, 2013-14 Budget estimates, as well as the forward estimates from the 2014-15 Budget.

Total Net Cost of Services

$ millions	Actual 2012-13	Budget 2013-14	Actual 2013-14	Estimate 2014-15	Estimate 2015-16	Estimate 2016-17
Total Expenditure	574.1	462.5	535.3	488.2	500.6	512.4
Total Own Source Revenue	409.0	198.1	433.4	234.4	251.8	270.6
Net Cost of Services	**165.2**	**264.4**	**101.9**	**253.8**	**248.8**	**241.9**

Comparison to 2013-14 Budget Estimates
The SPA's net cost of services for 2013-14 of $101.9 million was $162.5 million or 61 per cent lower than the 2013-14 Budget estimate of $264.4 million.

This mainly reflects:

- total net investment earnings of $407.2 million being $212.1 million or 109 per cent higher than the budget estimate of $195.1 million due mainly to returns achieved on global share markets over the financial year; offset by

- superannuation expense of $503.2 million being $50.4 million or 11 per cent higher than the budget estimate of $452.8 million due to the financial impact of the low discount rate at 30 June 2013 of 4.3 per cent, increasing the superannuation liability valuation as at 30 June 2013 and superannuation expenses for the 2013-14 financial year.

Comparison to 2012-13 Actual
Total net cost of services during 2013-14 of $101.9 million was $63.3 million or 38 per cent lower than the 2012-13 actual result of $165.2 million due primarily to:

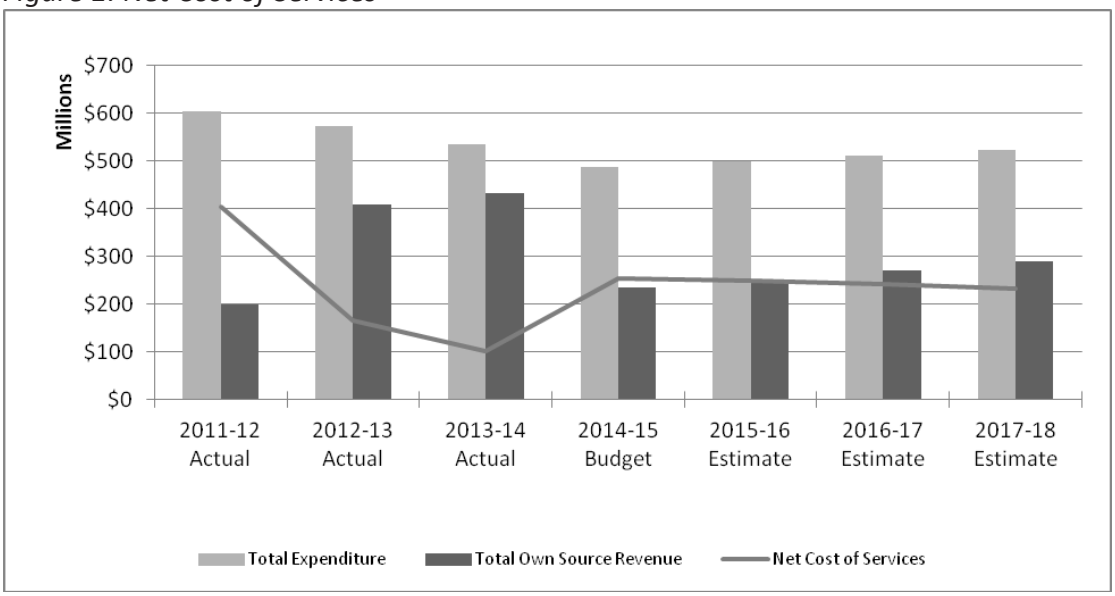
- total net investment revenue of $407.2 million recognised during 2013-14 being $45.0 million or 12 per cent higher than net investment revenue of $362.2 million recognised in 2012-13; and

- superannuation expense of $503.2 million in 2013-14 being $18.0 million or 3 percent lower in 2013-14 as compared to 2012-13. The discount rate as at 30 June 2013 of 4.3 per cent was higher than the discount at 30 June 2012 of 3.4 per cent. The higher discount rate resulted in an actuarial gain in the liability valuation from 30 June 2012 to 30 June 2013, and a reduction in superannuation expense for 2013-14, as compared to 2012-13.

Future Trends
Figure 1 below indicates that the SPA's net cost of services is budgeted to remain relatively constant over the 2014-15 Budget and forward years.

The 2014-15 Budget and forward year estimates assume the long-term portfolio investment return expectation of CPI plus 5 per cent per annum (net of fees), as well as the defined benefit superannuation liability valuation projections utilising a long term discount rate assumption of 6 per cent.

Figure 1: Net Cost of Services



Total Expenditure

Components of Expenditure

The major component of total SPA expenses recognised for 2013-14 of $535.3 million relates to the Service and Interest cost associated with the defined benefit superannuation liability.

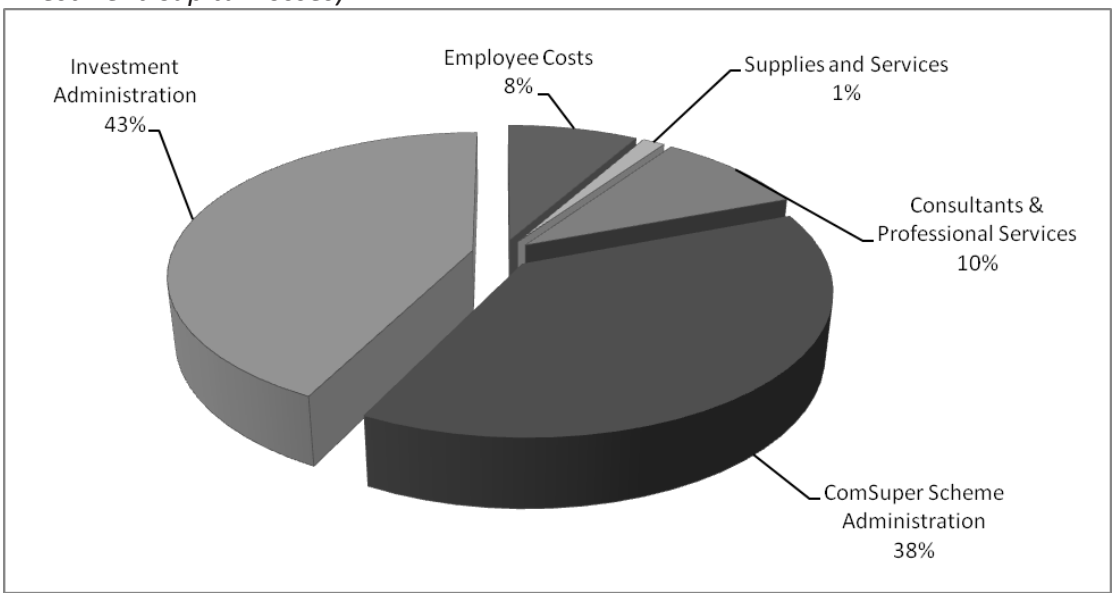
The Service Cost of $203.7 million during 2013-14 is the increase in the present value of the defined benefit liability resulting from employee service during the financial year.

The Interest Cost of $299.6 million during 2013-14 is the increase in the present value of the defined benefit obligation which arises because past accrued benefits are one period closer to settlement.

The superannuation expense related to the defined benefit superannuation liability valuation accounted for $503.2 million or 94 per cent of ordinary activities, as well as the expensing of gross investment capital losses resulting from unit trust distributions, which accounted for $22.1 million or 4 per cent of ordinary activities.

The components of the remaining $9.5 million or 2 per cent of expenditure are set out below in Figure 2.

Figure 2 – Components of Expenditure (Excluding Superannuation Expenses and Investment Capital Losses)



Fund management and investment administration fees, as well as the annual fees associated with the Commonwealth Government superannuation scheme administration charges by ComSuper on behalf of the employees of the Territory, are the largest remaining components of expenditure, net of the annual superannuation expense and investment capital losses.

Comparison to 2013-14 Budget Estimates

Total SPA expense of $535.3 million was $72.8 million or 16 per cent higher than the 2013-14 Budget estimate of $462.5 million due to:

- the increase in the superannuation liability expense for the 2013-14 financial year of $50.4 million due to the AASB 119 'Employee Benefits' liability valuation estimate as at 30 June 2013 which utilised a lower discount rate of 4.3 per cent as compared to the long term budget estimate of 6 per cent; and

- the expensing of $22.1 million of gross unrealised investment capital losses mainly associated with the receipt of investment distributions from unit trusts during the 2013-14 financial year.

Comparison to 2012-13 Actual

Total expenses of $535.3 million were $38.8 million or 7 per cent lower than the 2012-13 actual result of $574.1 million due mainly to:

- the decrease of $20.3 million or 48 per cent in recognised gross investment capital losses of $22.1 million for the 2013-14 financial year, as compared to $42.4 million recognised in 2012-13; and

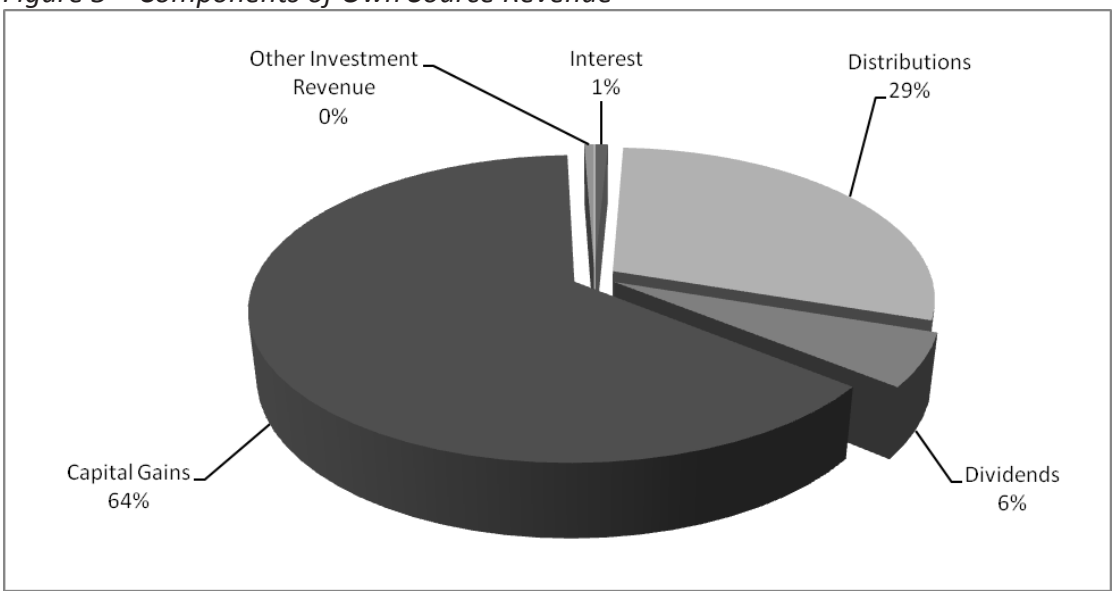
- the decrease of $18.0 million or 3 per cent in superannuation expense for the 2013-14 financial year due to the higher discount rate as at 30 June 2013 of 4.3 per cent (3.4 per cent as at 30 June 2012) leading to a lower liability valuation and related superannuation expense.

Future Trends
From 2014-15, expenditure is budgeted to progressively increase across the forward years due to the annual growth in the superannuation liability and therefore increasing annual superannuation expenses.

Total Own Source Revenue

Components of Own Source Revenue
For the financial year ended 30 June 2014, the SPA recognised $433.4 million in own source revenue. The components of own source revenue, which includes earnings associated with the investment portfolio such as interest, dividends, distributions, capital gains and other investment-related revenue, are shown below in Figure 3.

Figure 3 – Components of Own Source Revenue



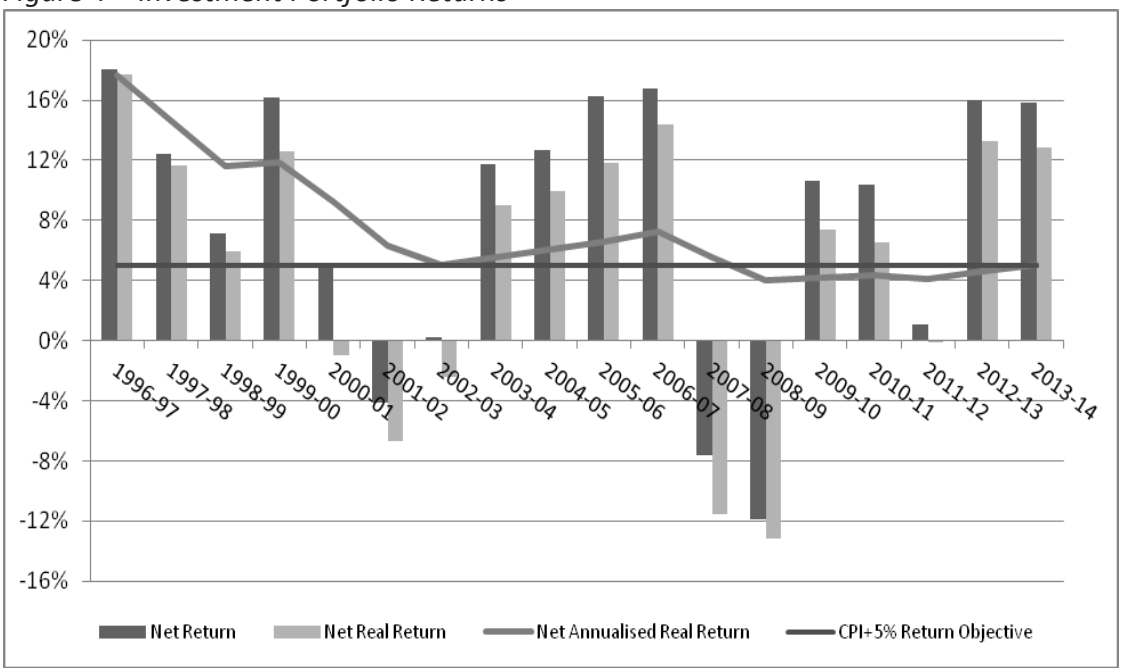
Comparison to 2013-14 Budget Estimates
Total own source revenue of $433.4 million was $235.2 million or 119 per cent higher than the 2013-14 Budget estimate of $198.1 million due mainly to gross investment revenue of $433.4 million being $235.2 million or 119 per cent higher than the budget estimate of $198.1 million.

Due to the volatile nature of global investment markets, investment earnings recognised in any particular year by the SPA will tend to vary from the long term budget projections. The budget estimates for investment earnings incorporate the long-term portfolio investment return target objective of CPI plus 5 per cent per annum (net of fees).

Figure 4 below outlines the annual investment returns achieved by the investment portfolio over the last eighteen years, net of fees and net of CPI and fees, as well as the ongoing annualised return (net of CPI and fees).

The investment portfolio achieved a financial return of 15.8 per cent (net of fees) over the 2013-14 financial year. Over the eighteen year history the portfolio has achieved an annualised return of CPI plus 5.0 per cent (net of fees) which is exactly in-line with the long term target investment return objective.

Figure 4 – Investment Portfolio Returns



Comparison to 2012-13 Actual

Total own source revenue of $433.4 million was $24.4 million or 6 per cent higher than the 2012-13 actual result of $409.0 million. This is due to gross investment revenue for the financial year of $433.4 million being $24.4 million or 6 per cent higher than in 2012-13.

Future Trends

Due to budgeting for investment revenue at the assumed long term return objective, total own source revenue is projected to reduce and remain stable over the 2014-15 Budget and forward years.

Financial Position

Total Assets

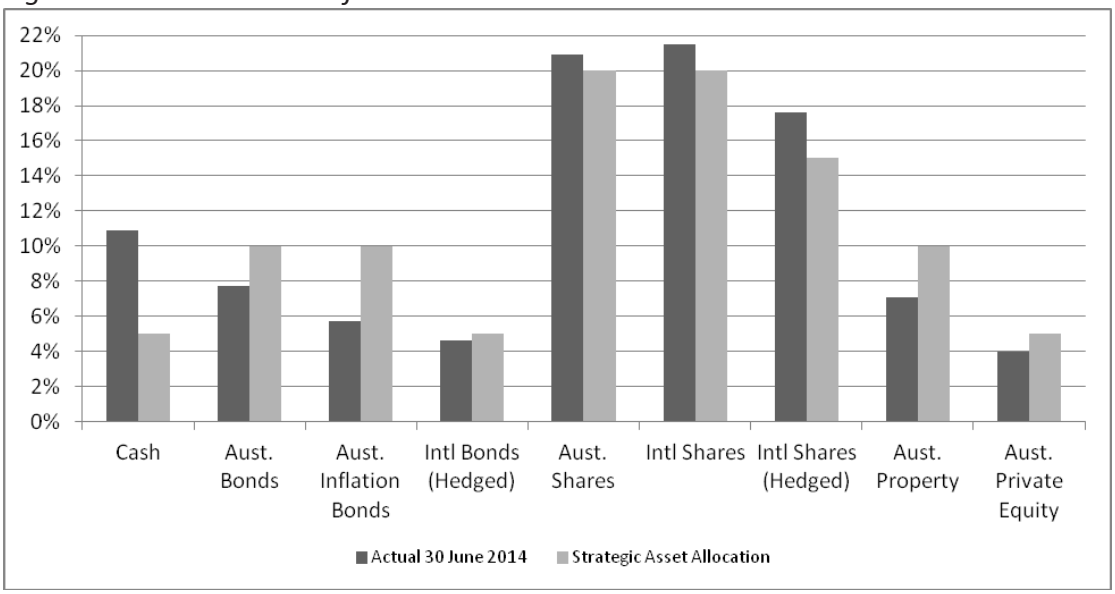
Components of Total Assets

For the financial year ended 30 June 2014, the SPA held almost 100 per cent of assets as investment assets.

The investment portfolio assets include Australian and international money market and capital market debt securities, Australian and international equity securities, Australian indirect unlisted property assets, and Australian private equity assets.

Figure 5 below compares the actual asset allocation as at 30 June 2014 with the current long-term strategic asset allocation (SAA).

Figure 5 – Investment Portfolio Asset Allocation as at 30 June 2014



The SAA is designed to provide a reasonable probability of achieving the long-term investment return target of CPI plus 5 per cent (net of fees) within acceptable risk constraints.

Comparison to 2013-14 Budget Estimates

The total asset position as at 30 June 2014 was $3,030.3 million being $263.1 million or 10 per cent higher than the budget estimate of $2,767.3 million. This was mainly due to:

- total net portfolio investment earnings for 2013-14 of $362.2 million being $37.8 million higher than the 2013-14 estimated outcome of $324.4 million (2013-14 Budget) which resulted in a higher opening investment asset base for 2013-14;

- a reduction in the required superannuation emerging cost (benefit) payments for 2013-14 of $13.0 million due to an assessed overpayment of required benefits to ComSuper during the previous financial year of 2012-13; and

- total net investment revenue of $407.2 million achieved in 2013-14 being $212.2 million higher than the 2013-14 Budget estimate of $195.2 million.

Comparison to 2012-13 Actual
The SPA's total asset position at 30 June 2014 of $3,030.3 million is $414.4 million or 16 per cent higher than the 30 June 2013 closing asset position of $2,616.0 million. This growth in the asset base was mainly due to the recognition of net investment earnings of $407.2 million for the 2013-14 financial year.

Total Liabilities

Almost 100 per cent of the SPA's recognised liabilities are associated with the Territory's defined benefit employer superannuation liabilities.

Comparison to 2013-14 Budget Estimates
The SPA's liabilities for the year ended 30 June 2014 of $7,476.2 million were $2,107.6 million or 39 per cent higher than the 2013-14 Budget estimate of $5,368.6 million.

This variance is mainly due to the yield on the Commonwealth Government's April 2033 bond, which is the reference yield for the appropriate discount rate being 4.1 percent (annualised) as at 30 June 2014. The discount rate remains below the long term budget discount rate assumption of 6 per cent and materially impacted the superannuation liability valuation at 30 June 2014, increasing the budget valuation estimate by $2,108 million, from $5,362 million to $7,471 million.

Comparison to 2012-13 Actual
The SPA's total liabilities of $7,476.2 million were $693.7 million or 10 per cent higher than the 2012-13 result of $6,782.6 million. This was due to:

- the financial impacts from the latest annual actuarial review using salary and membership data as at 30 June 2013 and the annual growth in the superannuation liability; and

- the AASB119 liability valuation as at 30 June 2014 applying a discount rate of 4.1 per cent which was lower than the discount rate used at 30 June 2013 of 4.3 per cent. The SPA recognised an actuarial loss in the liability valuation of $355.7 million for the 2013-14 financial year.

The total defined benefit superannuation liability valuation of $7,471.0 million as at 30 June 2014 was $693.7 million higher than the liability valuation of $6,777.3 million as at 30 June 2013.

Future Trends
The Territory's employer superannuation liability is estimated to grow by $275 million per annum over the 2014-15 Budget and forward estimates.

Other Disclosures

The SPA has no other disclosures.

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

INDEPENDENT AUDIT REPORT

SUPERANNUATION PROVISION ACCOUNT

To the Members of the ACT Legislative Assembly

Report on the financial statements

The financial statements of the Superannuation Provision Account for the year ended 30 June 2014 have been audited. These comprise the statement of income and expenses on behalf of the Territory, statement of assets and liabilities on behalf of the Territory, statement of changes in equity on behalf of the Territory, cash flow statement on behalf of the Territory, territorial statement of appropriation and accompanying notes.

Responsibility for the financial statements

The Under Treasurer is responsible for the preparation and fair presentation of the 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 financial statements.

The auditor's responsibility

Under the *Financial Management Act 1996*, I am responsible for expressing an independent audit opinion on the financial statements of the Superannuation Provision Account.

The audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance that the 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 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 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.

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The audit is not designed to provide assurance on the appropriateness of budget information included in the financial statements or to evaluate the prudence of decisions made by the Superannuation Provision Account.

Electronic presentation of the audited financial statements

Those viewing an electronic presentation of the 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 financial statements. If users of the 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 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 financial statements of the Superannuation Provision Account for the year ended 30 June 2014:

(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 Superannuation Provision Account as at 30 June 2014 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
1 September 2014

Superannuation Provision Account
Financial Statements
For the Year Ended 30 June 2014

Statement of Responsibility

In my opinion, the financial statements are in agreement with the Superannuation Provision Account's accounts and records and fairly reflect the financial operations of the Superannuation Provision Account for the year ended 30 June 2014 and the financial position of the Superannuation Provision Account on that date.

David Nicol
Under Treasurer
Chief Minister, Treasury and Economic Development Directorate
5 August 2014

Superannuation Provision Account
Financial Statements
For the Year Ended 30 June 2014

Statement by the Chief Finance Officer

In my opinion, the financial statements have been prepared in accordance with generally accepted accounting principles, and are in agreement with the Superannuation Provision Account's accounts and records and fairly reflect the financial operations of the Superannuation Provision Account for the year ended 30 June 2014 and the financial position of the Superannuation Provision Account on that date.

Patrick McAuliffe
Chief Finance Officer
Superannuation Provision Account
Chief Minister, Treasury and Economic Development Directorate
8 August 2014

Superannuation Provision Account
Statement of Income and Expenses on Behalf of the Territory
For the Year Ended 30 June 2014

	Note No.	Actual 2014 $'000	Budget 2014 $'000	Actual 2013 $'000
Income				
Interest	5.1	3,375	23,621	1,354
Dividends	5.2	24,319	83,526	17,399
Distributions	5.3	127,431	0	82,374
Gains on Investments	5.4	275,714	86,960	305,442
Other Income	5.5	2,539	4,024	2,392
Total Income		**433,378**	**198,131**	**408,961**
Expenses				
Losses on Investments	6.1	22,101	0	42,368
Employee Expenses	6.2	791	814	880
Supplies and Services	6.3	4,727	5,160	4,841
Investment Administration Expenses	6.5	4,097	3,008	4,438
Superannuation Expenses	6.6	503,566	453,513	521,593
Total Expenses		**535,282**	**462,495**	**574,120**
Operating Surplus/(Deficit)		**(101,904)**	**(264,364)**	**(165,159)**
Other Comprehensive Income				
Actuarial (Loss)/Gain on Territory's Defined Benefit Superannuation Liability		(355,697)	0	1,087,070
Total Other Comprehensive Income		**(355,697)**	**0**	**1,087,070**
Total Comprehensive Income		**(457,601)**	**(264,364)**	**921,910**

The above Statement of Income and Expenses on Behalf of the Territory should be read in conjunction with the accompanying notes.

Superannuation Provision Account
Statement of Assets and Liabilities on Behalf of the Territory
As at 30 June 2014

	Note No.	Actual 2014 $'000	Budget 2014 $'000	Actual 2013 $'000
Current Assets				
Cash and Cash Equivalents	7.1	13,398	500	101,913
Receivables	7.2	3,704	79	2,317
Total Current Assets		**17,102**	**579**	**104,229**
Non Current Assets				
Investments	7.3	3,013,247	2,766,679	2,511,761
Total Non Current Assets		**3,013,247**	**2,766,679**	**2,511,761**
Total Assets		**3,030,349**	**2,767,258**	**2,615,990**
Current Liabilities				
Payables	8.1	965	929	780
Employee Benefits	8.2	142	189	194
Estimated Superannuation Liabilities	8.3	198,209	195,674	178,215
Total Current Liabilities		**199,316**	**196,792**	**179,189**
Non-Current Liabilities				
Employee Benefits	8.2	0	43	48
Estimated Superannuation Liabilities	8.3	7,276,929	5,171,795	6,603,357
Total Non-Current Liabilities		**7,276,929**	**5,171,838**	**6,603,405**
Total Liabilities		**7,476,245**	**5,368,630**	**6,782,594**
Net Liabilities		**(4,445,896)**	**(2,601,372)**	**(4,166,604)**
Equity				
Accumulated Deficits		(4,445,896)	(2,601,372)	(4,166,604)
Total Equity		**(4,445,896)**	**(2,601,372)**	**(4,166,604)**

The above Statement of Assets and Liabilities on Behalf of the Territory should be read in conjunction with the accompanying notes.

Superannuation Provision Account
Statement of Changes in Equity on Behalf of the Territory
For the Year Ended 30 June 2014

	Note No.	Accumulated Deficits Actual 2014 $'000	Total Equity Actual 2014 $'000	Budget 2014 $'000
Balance at the Beginning of the Reporting Period		**(4,166,604)**	**(4,166,604)**	**(2,515,224)**
Comprehensive Income				
Operating Income/(Deficit)		(101,904)	(101,904)	(264,364)
Gain/(Loss) from Actuarial Review		(355,697)	(355,697)	0
Total Comprehensive Income		**(457,601)**	**(457,601)**	**(264,364)**
Transactions Involving Owners Affecting Accumulated Deficits				
Capital Injections		178,216	178,216	178,216
Decrease in Liabilities from Administrative Restructure	8.2	93	93	0
Total Transactions Involving Owners Affecting Accumulated Deficits		**178,309**	**178,309**	**178,216**
Balance at the End of the Reporting Period		**(4,445,896)**	**(4,445,896)**	**(2,601,372)**

	Accumulated Deficits Actual 2013 $'000	Total Equity Actual 2013 $'000
Balance at the Beginning of the Reporting Period	**(5,236,163)**	**(5,236,163)**
Comprehensive Income		
Operating Income/(Deficit)	(165,159)	(165,159)
Gain/(Loss) from Actuarial Review	1,087,070	1,087,070
Total Comprehensive Income	**921,910**	**921,910**
Transactions Involving Owners Affecting Accumulated Deficits		
Capital Injections	147,649	147,649
Total Transactions Involving Owners Affecting Accumulated Deficits	**147,649**	**147,649**
Balance at the End of the Reporting Period	**(4,166,604)**	**(4,166,604)**

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

Superannuation Provision Account
Cash Flow Statement on Behalf of the Territory
For the Year Ended 30 June 2014

	Note No.	Actual 2014 $'000	Budget 2014 $'000	Actual 2013 $'000
Cash Flows from Operating Activities				
Receipts				
Interest Received		5,576	18,672	1,856
Dividends Received		21,403	83,526	19,324
Distributions Received		131,242	4,947	77,468
Other		2,720	4,304	2,785
Total Receipts from Operating Activities		**160,941**	**111,449**	**101,433**
Payments				
Employees		(798)	(804)	(830)
Supplies and Services		(4,733)	(5,160)	(4,836)
Defined Benefit Superannuation Emerging Costs		(165,698)	(178,341)	(147,407)
Other		(4,141)	(3,008)	(4,950)
Total Payments from Operating Activities		**(175,369)**	**(187,313)**	**(158,023)**
Net Cash Inflows/(Outflows) from Operating Activities	9	**(14,429)**	**(75,864)**	**(56,590)**
Cash Flows from Investing Activities				
Receipts				
Proceeds from the Sale/Maturity of Investments		192,514	0	370,891
Total Receipts from Investing Activities		**192,514**	**0**	**370,891**
Payments				
Purchase of Investments		(444,816)	(102,352)	(361,509)
Total Payments from Investing Activities		**(444,816)**	**(102,352)**	**(361,509)**
Net Cash (Outflows)/Inflows from Investing Activities		**(252,302)**	**(102,352)**	**9,382**
Cash Flows from Financing Activities				
Receipts				
Capital Injection		178,216	178,216	147,649
Total Receipts from Financing Activities		**178,216**	**178,216**	**147,649**
Net Cash (Outflows)/Inflows from Financing Activities		**178,216**	**178,216**	**147,649**
Net (Decrease)/Increase in Cash and Cash Equivalents		(88,515)	0	100,442
Cash and Cash Equivalent at Beginning of Reporting Period		101,913	500	1,471
Cash and Cash Equivalents at End of Reporting Period	7.1	**13,398**	**500**	**101,913**

The above Cash Flow Statement on Behalf of the Territory should be read in conjunction with the accompanying notes.

Superannuation Provision Account
Territorial Statement of Appropriation
For the Year Ended 30 June 2014

	Budget 2014 $'000	Total Appropriated 2014 $'000	Appropriation Drawn 2014 $'000	Appropriation Drawn 2013 $'000
Capital Injections	178,216	178,216	178,216	147,649
Total Territorial Appropriation	**178,216**	**178,216**	**178,216**	**147,649**

The above Territorial Statement of Appropriation should be read in conjunction with the accompanying notes.

Column Heading Explanations

The *Budget* column shows the amounts that appear in the Cash Flow Statement on Behalf of the Territory in the Budget Papers. The amount also appears in the Cash Flow Statement on Behalf of the Territory.

The *Total Appropriated* column is inclusive of all appropriation variations occurring after the original Budget.
The *Appropriation Drawn* column is the total amount which was received in Appropriation by the Superannuation Provision Account during the year. This amount also appears in the Cash Flow Statement on Behalf of the Territory.

Notes Relating to Territorial Statement of Appropriation

Capital Injections

The ACT Government's policy objective is to fully fund the Government's ongoing employer superannuation benefit obligations (emerging cost payments) to the Commonwealth Government by 30 June 2030 through the combination of annual budget capital injections and investment earnings.

Capital injection appropriation of $178.216 million was provided for in the 2013-14 Budget. The full appropriation amount of $178.216 million was drawn during the 2013-14 financial year. The amount appropriated and drawn represents the amount set aside for this financial year. Refer to Note 2.14: 'Estimated CSS/PSS Defined Benefit Employer Superannuation Liabilities'.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 1 OBJECTIVES OF THE SUPERANNUATION PROVISION ACCOUNT

Operations and Principle Activities

The Chief Minister and Treasury Directorate (CMTD) assists the ACT Government in the effective management of the defined benefit employer superannuation liabilities of the Australian Capital Territory (the 'Territory'), a body politic established by section 7 of the *Australian Capital Territory (Self Government) Act 1988 (Cwlth)*. CMTD manages the investment of funds set aside to meet the defined benefit employer superannuation liabilities of the Territory through the establishment of investment policies and objectives, and the coordination of the investment activities.

Administrative Arrangements (AA) came into effect on 7 July 2014, resulting in the transfer of additional functions into the Directorate. While these transfers do not impact the financial performance or position of the Directorate for 2013-14, the AAs resulted in the Directorate's name being changed from the Chief Minister and Treasury Directorate (CMTD) to the Chief Minister, Treasury and Economic Development Directorate (CMTEDD). Given this report relates to the period ending 30 June 2014, the Directorate is referred to as CMTD throughout.

The Superannuation Provision Account has been established to separately recognise and account for the investment assets and employer defined benefit superannuation liabilities and associated transactions. The undertakings of the Superannuation Provision Account form a significant element of the ACT Government's strategy of maintaining an adequate provision for the Territory's employer defined benefit superannuation liabilities and associated transactions.

The *Territory Superannuation Provision Protection Act 2000* provides for the protection of the funds dedicated to meeting the superannuation liabilities of the Territory, Territory Authorities and Territory-owned Corporations and for other purposes.

To assist with meeting these objectives, CMTD uses the services of an Investment Advisory Board and a range of specialist service providers in the development and implementation of the Superannuation Provision Account investment strategy. CMTD appoints an asset consultant and an actuary to provide advice in respect of the assets and liabilities of the Superannuation Provision Account, as well as asset class specific external investment managers for managing the investment assets. CMTD also appoints a Master Custodian to provide custody services that includes registry and safekeeping of assets, trade settlement, income collection, corporate actions, tax reclamation, cash management, foreign exchange, unit registry, asset valuation, accounting, investment performance and compliance reporting, as well as global system integration for proxy voting.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Accounting

The Superannuation Provision Account is prescribed as a Directorate under the *Financial Management Act 1996* (FMA).

The Superannuation Provision Account is an individual reporting entity.

Under the FMA, all Directorates are required to prepare annual financial statements. The Superannuation Provision Account is a not-for-profit reporting entity as the principal objective is not the generation of profit but the reporting and accountability of a significant component of the central finances of the Territory as outlined in Note 1: 'Objectives of the Superannuation Provision Account' above.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.1 Basis of Accounting – Continued

The FMA and the *Financial Management Guidelines* issued under the FMA requires the Superannuation Provision Account's financial statements to include:

(i) A Statement of Income and Expenses on Behalf of the Territory for the year;
(ii) A Statement of Assets and Liabilities on Behalf of the Territory at the end of the year;
(iii) A Statement of Changes in Equity on Behalf of the Territory for the year;
(iv) A Cash Flow Statement on Behalf of the Territory for the year;
(v) A Territorial Statement of Appropriation for the year;
(vi) A summary of the significant accounting policies adopted by the Superannuation Provision Account for the year; and
(vii) Such other statements as are necessary to fairly reflect the financial operations of the Superannuation Provision Account during the year and its financial position 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:

(a) Australian Accounting Standards; and
(b) ACT Accounting and Disclosure Policies.

The financial statements have been prepared using the accrual basis of accounting which recognises the effects of transactions and events when they occur. The financial statements have also been prepared according to the historical cost convention and valuation policies applicable to the Superannuation Provision Account during the reporting period.

These financial statements are presented in Australian dollars, which is the Superannuation Provision Account's functional currency.

The Superannuation Provision Account was in a net liability position of $4.446 million at 30 June 2014 ($4.167 million at 30 June 2013). The Superannuation Provision Account will continue to be in a net liability position until such time the defined benefit superannuation liability is fully funded from the contribution of budget capital injections and investment returns. As the required annual liability payments are significantly less than the current investments assets this is not seen as an immediate risk to the ongoing financial operation of the Superannuation Provision Account. In the event required benefit payments exceed the available assets additional appropriation will be provided from the Territory budget.

2.2 Territorial Items

CMTD only produce Territorial financial statements for the Superannuation Provision Account. The Territorial financial statements include income, expenses, assets and liabilities that CMTD administers on behalf of the Territory, but do not control.

2.3 The Reporting Period

These financial statements state the financial performance, changes in equity and cash flows of the Superannuation Provision Account for the year ending 30 June 2014 together with the financial position of the Superannuation Provision Account as at 30 June 2014.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.4 Comparative Figures

Budget Figures
To facilitate a comparison with the Budget Papers, as required by the FMA, budget information for 2013-14 has been presented in the financial statements. Budget numbers in the financial statements are the original budget numbers that appear in the Budget Papers.

Prior Year Comparatives
Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements, except where an Australian Accounting Standard does not require comparative information to be disclosed. Where the presentation or classification of items in the financial statements is amended, the comparative amounts have been reclassified where practical. Where a reclassification has occurred, the nature, amount and reason for the reclassification is provided.

2.5 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars ($'000) and may not add due to rounding.

2.6 Revenue Recognition

Revenue
Revenue is recognised at the fair value of the consideration received or receivable in the Statement of Income and Expenses on Behalf of the Territory. All revenue is recognised to the extent that it is probable that the economic benefits will flow to the Superannuation Provision Account and the revenue can be reliably measured.

Interest
Interest revenue is recognised on an accrual basis. Revenue is recognised using the effective interest method.

Dividends
Dividend revenue is recognised on an accrual basis. Revenue is recognised when the Superannuation Provision Account's right to receive payment is established.

Distributions from Unit Trusts
Distributions from unit trust investments are recognised on an accrual basis. Revenue is recognised on the date the unit value is quoted ex-distribution.

Gains on Investments at Fair Value through Profit and Loss
Gains or losses on financial assets held at Fair Value through Profit or Loss consist of realised and unrealised amounts. Gains or losses resulting from changes in the fair value of an investment are included in the Statement of Income and Expenses on Behalf of the Territory in the period in which they arise.

2.7 Cash and Cash Equivalents

For the purpose of the Cash Flow Statement on Behalf of the Territory and the Statement of Assets and Liabilities on Behalf of the Territory, cash and cash equivalents includes cash at bank.

Cash at bank earns interest at a floating rate in accordance with the established agreement with the authorised deposit-taking institution appointed to provide transactional banking services to the Territory, currently Westpac Banking Corporation at 30 June 2014.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.8 Receivables

Accounts receivable (including trade receivables and other trade receivables, interest receivable, dividends, unit trust distributions and other receivables) are initially recognised at fair value and are subsequently measured at amortised cost, with any adjustments to the carrying amount being recorded in the Statement of Income and Expenses on behalf of the Territory.

Interest, dividends and unit trust distributions are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance for impairment of receivables is used when there is objective evidence that the Superannuation Provision Account will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised in profit or loss within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the profit or loss.

2.9 Taxation

The Superannuation Provision Account is not subject to income tax or income tax equivalents, but is subject to the Goods and Services Tax and Fringe Benefits Tax.

2.10 Financial Investments

The investment assets represent the funds set aside in the Superannuation Provision Account to be used to fund the emerging benefits payable in respect of the Territory's employer-financed component of the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS) defined benefit superannuation liabilities (refer Note 2.14: 'Estimated CSS/PSS Defined Benefit Employer Superannuation Liabilities').

CMTD manages the financial investment assets in accordance with an asset allocation strategy that takes into account the risk and return objectives of the Territory, as well as the long term nature of the projected defined benefit employer superannuation liabilities and projected cash flow requirements.

The long term Strategic Asset Allocation (SAA), consistent with this long term investment objective, equates to 70 per cent of the portfolio invested in growth, or return-seeking, assets (such as shares) and 30 per cent of the portfolio being invested in income producing, or defensive, assets (such as discounted and fixed rate debt). The combination of asset classes is designed to achieve the return objective of Consumer Price Index (CPI) plus 5 per cent (net of fees) over the long term.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.10 Financial Investments – Continued

External, asset class specific institutional investment managers are appointed to manage the Territory's financial investment assets accounted for in the Superannuation Provision Account. These assets are managed:

(a) directly through an actively-managed strategy utilising a separate discrete mandate (Territory directly owns the securities) where the investment manager aims to outperform the relevant performance benchmark index (gross of fees);
(b) directly through a passively-managed index strategy utilising a separate discrete mandate where the investment manager aims to match the relevant performance benchmark index (gross of fees); or
(c) indirectly through an actively-managed or passively-managed index strategy utilising unlisted pooled unit trusts where the investment manager either aims to outperform the relevant performance benchmark index or match the relevant performance benchmark index.

The *Territory Superannuation Provision Protection Act 2000* and *Superannuation Management Guidelines 2011* prescribe the allowable investments that may be entered into in respect of the funds held in the Superannuation Provision Account. These legislative provisions are also recognised in the investment management agreements with investment managers as relevant.

Recognition of Financial Investments
The Superannuation Provision Account recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of investment assets are recognised on the trade date. Regular way purchases and sales means the purchases and sales of investment assets occur under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

Initial Measurement
Investment assets in the scope of Australian Accounting Standard AASB 139: 'Financial Instruments: Recognition and Measurement' (AASB 139) are designated upon initial recognition as financial assets, at fair value through the profit and loss (FVTPL) in the Statement of Income and Expenses on Behalf of the Territory on the basis that CMTD manages and evaluates the performance of the financial investment assets on a fair value basis in accordance with documented risk strategies. All transaction costs for such investments are recognised directly in the Statement of Income and Expenses on behalf of the Territory.

Subsequent Measurement
After initial measurement, investments assets which are classified as at FVTPL are measured at fair value. Subsequent changes in the fair value of those Investments are recorded in the Statement of Income and Expenses on behalf of the Territory as gain/loss on investments at FVTPL. Interest, dividends and distributions earned on these investments are recorded separately in interest, dividend and distribution revenue.

Derecognition
An investment asset is derecognised where the rights to receive cash flows from the asset have expired or the Superannuation Provision Account has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either:

(a) the Superannuation Provision Account has transferred substantially all the risks and rewards of the asset; or
(b) the Superannuation Provision Account has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.10 Financial Investments – Continued

When the Superannuation Provision Account has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Superannuation Provision Account's continuing involvement in the asset. In that case, the Superannuation Provision Account also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that has been retained.

Determination of Fair Value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Superannuation Provision Account.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value for investments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market.

For all other investments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach by using recent arm's length market transactions adjusted as necessary and referenced to the current market value of another instrument that is substantially the same and the income approach through using discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible.

For assets and liabilities that are recognised in the financial statements on a recurring basis, it is determined whether transfers have occurred between levels in the Fair Value Hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the Fair Value Hierarchy, described under Note 4.5: 'Fair Value Hierarchy', based on the lowest level input that is significant to the fair value measurement as a whole.

2.11 Financial Derivative Instruments

The *Territory Superannuation Provision Protection Act 2000* and *Superannuation Management Guidelines 2011* prescribe the extent to which derivatives may be used and specifically prohibits the use of any derivative financial instruments for speculative or leveraging purposes. There is also a prohibition on the holding of any uncovered derivative position (must be asset-backed or a reasonable hedge) or a derivative for which the potential exposure cannot be reliably measured.

Notwithstanding these limitations, financial derivatives are used for maximising the efficiencies within the investment portfolio in the pursuit of the investment objectives, optimising transaction flows, as well as the protection of the investments by minimising adverse effects of a range of financial market risks.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.11 Financial Derivative Instruments – Continued

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

Derivative financial instruments are initially recognised at fair value on trade date, namely when the derivative contract is entered into, and are subsequently remeasured to fair value. Any gains or losses arising from changes in the fair value of derivatives are recognised in the Statement of Income and Expenses on Behalf of the Territory for the year under the classification of gains or (losses) on financial assets at fair value through profit or loss.

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non optional derivatives, and option pricing models for optional derivatives.

Foreign currency forward rate agreements are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The fair value of directly held derivative instruments is disclosed in Note 7.3: 'Investments'.

2.12 Payables

Payables are a financial liability and are measured at fair value when initially recognised and at amortised cost subsequent to initial recognition, with any adjustments to the carrying amount being recorded in the Statement of Income and Expenses on Behalf of the Territory. 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 and unpaid at the end of the reporting period and relating to the normal operations of the Superannuation Provision Account. 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 an invoice has not been received by period end. Other Payables are those unpaid invoices that do not directly relate to the normal operations of the Superannuation Provision Account.

2.13 Employee Benefits for Superannuation Provision Account Employees

Employee benefits include:

(a) short term employee benefits such as wages and salaries and the annual leave loading, with applicable on-costs, expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services;
(b) other long-term benefits such as long service leave and annual leave; and
(c) termination benefits.

On-costs include annual leave, long service leave, superannuation and other costs that are incurred when employees take annual leave and long service leave.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.13 Employee Benefits for Superannuation Provision Account Employees– Continued

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

Annual and Long Service Leave
Annual and long service leave including applicable on-costs that are not expected to be wholly settled before twelve months after the end of the reporting period when the employees render the related service are measured at the present value of estimated future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to the future wage and salary levels, experience of employee departures and periods of service. At each reporting period end, the present value of future payments is calculated using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows. In 2013-14, the rate used to estimate the present value of future payments for long service leave is 103.5% (101.3% in 2012-13).

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 of 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 the 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 Statement of Assets and Liabilities on Behalf of the Territory where there are no unconditional rights to defer the settlement of the liability for at least 12 months. Conditional long service leave liabilities are classified as non-current because the agency has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Superannuation
The Superannuation Provision Account makes payments on a fortnightly basis to the Territory Banking Account to cover the Superannuation Provision Account's superannuation liability in relation to employees paid from the Superannuation Provision Account who are members of the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS). This payment covers the CSS/PSS employer contribution, but does not include the productivity component. The productivity component is paid directly to ComSuper by the Superannuation Provision Account.

The CSS and PSS are defined benefit superannuation plans meaning that the defined benefits received by employees are related to an employee's years of service and average final salary. Superannuation payments have also been made directly to superannuation funds for those employees who are part of superannuation accumulation schemes.

Superannuation employer contribution payments, for the CSS and PSS, are calculated, by taking the salary level at an employee's anniversary date and multiplying it by the actuarially assessed nominal CSS or PSS employer contribution rate for each employee. The productivity component payments are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the employer contribution rate (approximately 3%) for each employee. Superannuation payments for fund of choice arrangements are calculated by taking an employee's salary each pay and multiplying it by the appropriate employer contribution rate.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.13 Employee Benefits for Superannuation Provision Account Employees – Continued

The ACT Government is liable to the Commonwealth for the reimbursement of the emerging costs of benefits paid each year to members of the CSS and PSS in respect of the ACT Government service provided after

1 July 1989. These reimbursement payments are made from the Superannuation Provision Account to ComSuper.

2.14 Estimated CSS/PSS Defined Benefit Employer Superannuation Liabilities

The Superannuation Provision Account recognises the total estimated Territory CSS and PSS defined benefit employer superannuation liability (Territory superannuation liabilities) in the Statement of Assets and Liabilities on Behalf of the Territory.

A significant proportion of current and former employees of the Territory remain members of the CSS or the PSS. From 1 July 2005, new employees commencing service with the Territory assumed membership of the Public Sector Superannuation Accumulation Plan (PSSap). From 6 October 2006, access to the PSSap for new Territory employees was no longer available and the Territory introduced full superannuation 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 Territory 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 Territory.

Under the arrangements established with the Commonwealth Government, the Territory is to reimburse ComSuper for the emerging cost of superannuation entitlements in respect of current and former Territory employees who are members of the CSS or PSS. The date from which these entitlements started to accrue is 1 July 1989. The Superannuation Provision Account was established in 1991 to assist the Government in managing its superannuation liabilities.

The Superannuation Provision Account is not a superannuation scheme for, nor does it receive contributions from, Territory employees. The Superannuation Provision Account receives budget appropriations and makes payments to ComSuper in connection with the Territory's defined benefit CSS/PSS employer superannuation liabilities.

Actuarial Assessment of Estimated Superannuation Liabilities
The estimated superannuation liability represents the obligation of the Territory to make payments to the Commonwealth Government in respect of superannuation arising from Territory employment. The valuation of the Territory's superannuation liabilities is estimated by CMTD's appointed consultant actuary, Russell Investments.

A full actuarial review is conducted every three years (with the most recent triennial review completed in 2011-12) and is based on estimates and assumptions of future events. The actuarial review reflects actual experience in respect of staffing numbers, salary movements, membership demographics, and change in the discount rate. Changes in key assumptions will have a significant impact on the carrying amount of the estimated superannuation liabilities. Annually, an actuarial review is conducted which only incorporates updates to actual salary and membership data and financial assumptions as required.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.14 Estimated CSS/PSS Defined Benefit Employer Superannuation Liabilities– Continued

The employer-financed component is the total benefit payable (excluding the productivity component) less the accumulated member contributions with interest. The value of the estimated superannuation liabilities is calculated as the present value of the future payment of benefits that have actually accrued in respect of Territory service to the calculation date. This approach, which is known as the 'actual accruals' basis, is in line with Australian Accounting Standard AASB 119: 'Employee Benefits'.

Membership Data
The estimate of the superannuation liabilities are based on ACT employee CSS/PSS membership data as at 30 June 2013 provided by ComSuper. ComSuper supplied as at 30 June 2013, those members who are currently employed by the Territory (Group A), and those members who are not currently employed by the Territory (Group B).

Group A data includes CSS/PSS contributors, who are current employees of the Territory, and CSS/PSS pensioners and deferred beneficiaries, who were employees of the Territory on the termination of their active employment.

Group B data includes CSS/PSS contributors, who are not employees of the Territory but were so previously, and CSS/PSS pensioners and deferred beneficiaries who were not employees of the Territory on the termination of their active employment, but were so previously.

Group A Membership Data	**CSS**	**PSS**	**Total**
Number of Contributing Members	915	8,632	**9,547**
Number of Deferred Members	329	9,912	**10,241**
Number of Pensioners	5,722	3,251	**8,973**
Total Group A	**6,966**	**21,795**	**28,761**

Group B Membership Data	**CSS**	**PSS**	**Total**
Number of Contributing Members	416	3,763	**4,179**
Number of Deferred Members	141	2,060	**2,201**
Number of Pensioners	851	852	**1,703**
Total Group B	**1,408**	**6,675**	**8,083**
Total ACT Employee Membership	**8,374**	**28,470**	**36,844**

Limitations in Membership Data
CMTD's actuary conducts a detailed data checking and reconciliation process on Group A and Group B membership data from year to year to test the integrity of the data. This process results in a number of data queries being resolved with ComSuper. In the small number of cases where issues may not be resolved, conservative judgements are made by the actuary to complete the valuation exercise.

Financial Assumptions
The valuation of the accrued liability and projection of the estimated annual benefit costs require assumptions about the future financial experience of the membership of the CSS and PSS.

The key financial assumptions incorporate estimates of future member salary inflation and consumer price inflation, as well as the discount rate used to calculate the present value of the superannuation liability.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.14 Estimated CSS/PSS Defined Benefit Employer Superannuation Liabilities– Continued

As at 30 June	2014	2013	2012	2011
Discount Rate	4.08%	4.29%	3.41%	5.28%
Salary Inflation	4.00%	4.00%	4.00%	4.00%
Consumer Price Index	2.50%	2.50%	2.50%	2.50%

The Superannuation Provision Account is not a superannuation fund, and therefore has no plan assets. The actuary does not incorporate an expected return on plan assets when estimating the defined benefit superannuation liabilities and expenses. The net liability expense is determined through the operating result of the Superannuation Provision Account, which incorporates the actual return on the investment assets.

Demographic Assumptions

The key demographic assumptions that are incorporated by the actuary and that impact on the estimated superannuation liability include increases in salary through promotion; 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.

Historical Analysis of Superannuation Liability Obligations

	Note	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Superannuation Liability	8.3	7,471,004	6,777,340	7,489,965	4,869,552
Investments	7.3	3,013,247	2,511,761	2,257,863	2,250,647
Net Unfunded Liability		**(4,457,757)**	**(4,265,579)**	**(5,232,102)**	**(2,618,906)**

As at 30 June 2014, the Superannuation Provision Account recorded an unfunded net superannuation liability of $4.457 billion. The ACT Government's objective is to fully fund the defined benefit employer superannuation liability through the combination of annual budget capital injections and investment earnings. The reconciliation of the superannuation liabilities and expenses is detailed in Note 8.3: 'Estimated Superannuation Liabilities'.

Accounting for Changes in the Estimated Superannuation Liability (Superannuation Expense)

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.

All movements in the estimated superannuation liability are expensed through the Statement of Income and Expenses on Behalf of the Territory in the period to which the movement relates with the exception of actuarial gains or losses. The actuarial gains and losses are recognised as Other Comprehensive Income/(Loss) by applying the Direct to Equity Method as allowed under Australian Accounting Standard AASB 119: 'Employee Benefits'.

In accordance with the requirements of AASB 119: 'Employee Benefits', the superannuation expense for the reporting period is the projected expense based on the discount rate used in the previous year's actuarial review (4.29 per cent) to estimate the closing 30 June 2013 superannuation liability. The closing 30 June 2014 liability is estimated at the discount rate as at 30 June 2014 (4.08 per cent). The actuarial gain or loss is the difference between the closing 30 June 2014 liability minus the 30 June 2013 liability, adjusted for the projected 2013-14 interest and service cost and actual emerging cost (benefit) payments.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.14 Estimated CSS/PSS Defined Benefit Employer Superannuation Liabilities– Continued

Payment of Benefits (Emerging Costs) to ComSuper
The Territory is liable for the reimbursement of the emerging costs of benefits paid each year to members of the CSS/PSS for ACT Government Service after 1 July 1989. Annual payments to ComSuper to reimburse the costs of superannuation benefits paid to retirees, that have some employment experience with the Territory, are based on preliminary estimates agreed with the Commonwealth Government. The amount agreed to be paid during 2013-14 was $178.215 million (2012-13 $161.782 million) for emerging costs.

The emerging cost payments for the 2012-13 year were reviewed during 2013-14 by the actuary using ComSuper data on actual benefit payments. The actuary determined that the emerging cost payments exceeded the actual benefit payments resulting in a 'surplus'. As at 30 June 2013 the surplus amounted to $12.967 million. The surplus reduced the emerging cost paid to ComSuper during the 2013-14 financial year from $178.215 million to $165.248 million (the 2011-12 emerging cost payment surplus of $15.061 million reduced the 2012-13 emerging cost payments to ComSuper from $161.782 million to $146.721 million).

The total annual benefits paid to ComSuper during 2013-14 amounted to $165.248 million (2012-13 $146.721 million). Refer to Note 8.3: 'Estimated Superannuation Liabilities'.

Risk Exposure
The defined benefit superannuation liability is exposed to Australia's rate of inflation, interest rates, and changes in life expectancy for pensioners. The decrease in the government bond yields will increase the superannuation liabilities. Refer to Note 2.18: 'Significant Accounting Judgements, Estimates and Assumptions'.

Effect of the CSS/PSS Defined Benefit Plans on Future Cash Flows
The Government maintains as a key financial objective, a funding plan to extinguish the Territory's unfunded defined benefit superannuation liability by way of accumulating funds in the Superannuation Provision Account which are sourced from both annual budget appropriation and investment earnings.

In line with this objective, the 2014-15 Budget maintains the defined benefit superannuation funding plan with Budget appropriation to the Superannuation Provision Account matching the annual benefit payments. This will allow the Superannuation Provision Account financial investment assets to grow with all earnings unencumbered by the management of cash flows associated with benefit payments, supporting the Government's financial objective of fully funding the defined benefit superannuation liability by June 2030.

The expected benefit payments at balance date are disclosed in Note 4.3: 'Liquidity Risk'.

2.15 Estimated Superannuation Liabilities for Members of the Legislative Assembly

The *Legislative Assembly (Members' Superannuation) Act 1991* is an Act to provide for superannuation benefits for members of the Legislative Assembly (MLAs). Subject to eligibility, MLAs have access to one of two superannuation arrangements being: a defined benefit scheme for MLAs elected prior to the 2008 general election; or choice of fund accumulation scheme for MLAs elected at or after the 2008 general election. The Superannuation Provision Account recognises the defined benefit superannuation liabilities.

The defined benefit plan is wholly unfunded, as there are no member or plan assets in relation to the scheme. The final benefit paid is in the form of a lump sum upon member discontinuance. The defined benefit plan closed to new members after the 2008 ACT Government election.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.15 Estimated Superannuation Liabilities for Members of the Legislative Assembly– Continued

The Superannuation Provision Account recognises the net defined benefit liability in the statement of financial position, as well as recognising the service cost associated with the increase in benefits over the year of service. The net defined benefit liability recognised at financial year end is the total annual percentage accrual of each member multiplied by the members' basic salary as per member entitlement. This defined benefit plan has only six remaining members, and due to the non-material nature of this defined benefit obligation, the computational estimate as at 30 June 2014 is a reliable approximation of the value of the defined benefit obligation as required under AASB 119: 'Employee Benefits'.

As at 30 June 2014 this liability amounted to $4.134 million (2013 $4.232 million). For a reconciliation of the opening to closing liability balance, service cost, and benefit payments refer to Note 8.3: 'Estimated Superannuation Liabilities'.

	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Unfunded Superannuation Liability	4,134	4,232	4,491	3,883

2.16 Insurance

Major risks are insured through the ACT Insurance Authority. The excess payable, under this arrangement, varies depending on each class of insurance held.

2.17 Foreign Currency Translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate as at the date of transaction. Monetary assets denominated in foreign currencies are retranslated at the rate of exchange ruling at the date of the Statement of Assets and Liabilities on Behalf of the Territory.

All exchange differences are taken to the Statement of Income and Expenses on Behalf of the Territory. Both the functional currency and presentation of currency of the Superannuation Provision Account is in Australian dollars ($AUD).

2.18 Significant Accounting Judgements, Estimates and Assumptions

In the process of applying the accounting policies listed in this note, the Superannuation Provision Account has made the following judgements and estimates that have the most significant impact on the amounts recorded in the financial statements:

(a) CSS/PSS Defined Benefit Superannuation Liability

Significant judgements have been applied in estimating the liability for the CSS/PSS defined benefit employee superannuation liability. The estimated liability for these benefits requires consideration of both financial and demographic assumptions including future wage and salary levels, inflation, as well as assumptions in relation to the current scheme memberships including the number of active contributors, deferred beneficiaries and pensioners, experience of employee resignations, retrenchment and retirement, experience of employee death and invalidity, longevity, and final retirement benefit stream election (lump sum, pension or both).

The carrying amount of the estimated superannuation liability is based on estimates and assumptions of future events. The actuarial assumptions are unbiased, being neither imprudent nor excessively conservative, and are the best estimates of the variables that will determine the ultimate cost of providing post-employment benefits. The key assumptions have a significant risk of causing a material adjustment to the carrying amount

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.18 Significant Accounting Judgements, Estimates and Assumptions – Continued

of the liabilities within the next annual reporting period. The ACT's superannuation liabilities are estimated by CMTD's actuary.

The provided sensitivity analysis of the superannuation liability valuation and benefit payment estimates is based on change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the superannuation liabilities to significant actuarial assumptions the same method (determining the present value of the future payments of benefits actually accrued to the calculation date) has been applied as when calculating the superannuation liability recognised in the Statement of Assets and Liabilities on behalf of the Territory.

30 June 2014	**Defined Benefit Obligation**	
	Increase	**Decrease**
Financial Assumptions	**$'000**	**$'000**
Discount Rate (+/- 1%)	(733,000)	924,000
Consumer Price Index (+/- 1%)	711,000	(583,000)
Salary Inflation (+/- 1%)	206,000	(182,000)
Demographic Assumptions		
PSS Pensioner Election Rate (+/- 10%)	158,000	(158,000)
Employer-Financed Proportion of PSS Pension (+/- 5%)	200,000	(200,000)

(b) Employee Benefits

Significant judgements have been applied in estimating the liability for employee benefits. The estimated liability for employee benefits requires a 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 to qualify for long service leave and that on-costs will become payable. Further information on this estimate is provided in Note 2.13: 'Employee Benefits for Superannuation Provision Account Employees' and Note 3: 'Change in Accounting Policies and Estimates'.

(c) Fair Value of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the statement of assets and liabilities cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Changes in assumptions could affect the reported fair value of financial instruments in the statement of assets and liabilities and the level where the instruments are disclosed in the Fair Value Hierarchy. The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument (without modification) when available.

The Superannuation Provision Account considers the valuation techniques and inputs used in valuing unlisted unit trust investments to ensure they are reasonable and appropriate prior to investing and therefore the Net Asset Value of these investments may be used as an input into measuring their fair value. In measuring this fair value the Net Asset Value of the investments is adjusted, as necessary, to reflect any private equity stock restrictions on redemptions, future commitments, and other specific factors of the investment and fund manager.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.19 Impact of Accounting Standards Issued but yet to be Applied

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Superannuation Provision Account for the annual reporting period ending 30 June 2014.

Those relevant to the Superannuation Provision Account are as outlined below are necessarily abbreviated and should be viewed in conjunction with the Australian Accounting Standard Board's website for the full assessment of its impact. CMTD does not expect a significant impact on the adoption of these standards. This assessment is based on an initial assessment at this date, but may change on further review. The Superannuation Provision Account intends to adopt all of the standards upon their application date. No accounting standard has been adopted earlier than the effective date in the current period.

- *AASB 2013-9* Revised version of AASB 9 Financial Instruments 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] AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, AASB 2009-11, AASB 2010-7, AASB 2011-7 & AASB 2011-8];

- AASB 10 Consolidated Financial Statements AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, AASB 128 & AASB 131] 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] AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Interpretation 12];

- AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139];

- AASB 2013-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities;

- AASB 12 Disclosure of Interests in Other Entities;

- AASB 1055 Budgetary Reporting AASB 2013-1 Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements. AASB 2013-1 Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements; and

- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132].

NOTE 3 CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES

There were no changes in accounting policies and estimates for the Superannuation Provision Account for the year ended 30 June 2014 except for items highlighted below. The accounting policies adopted are consistent with those of the previous financial year except that Superannuation Provision Account has adopted the following new and revised standards. The adoption of the standards or interpretations is described below.

Superannuation Provision Account
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NOTE 3 CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES – CONTINUED

AASB 13 Fair Value Measurement
AASB 13 establishes a single source of guidance under the Australian Accounting Standards for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards. AASB 13 defines fair value as an exit price. As a result of the guidance in AASB 13, Superannuation Provision Account reassessed its policies for measuring fair values. AASB 13 also requires additional disclosures.

AASB 119 Employee Benefits (Revised 2011)
The revised AASB 119 revises the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revises the method of calculating the return on plan assets and changes the definition of short-term and long term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date rather than when the employee becomes entitled to it. To the extent that leave, such as annual leave, meets the classification of a long term employee benefit, it will be required to be measured using the projected unit credit method. AASB 119 also requires additional disclosures.

Revision of the Defined Benefit Superannuation Liability Discount Rate
In accordance with AASB 119: 'Employee Benefits' in order to measure the present value of the defined benefit superannuation obligations a discount rate shall be used by reference to a Government bond yield consistent with the estimated term, or duration, of the benefit obligations. Currently CSS and PSS member liabilities have a combined duration of 19 years.

As at 30 June 2014, the current longest Commonwealth Government nominal bond on issue is the 21 April 2033, which matures in 19 years and has a modified duration of approximately 13 years. Accordingly, the 2033 maturity is the most appropriate proxy for discounting the superannuation liability as at 30 June 2014. The 21 April 2029 Commonwealth Government bond was previously used as it was the longest government bond as at 30 June 2013.

The annualised yield on the 21 April 2033 Commonwealth Government bond as at 30 June 2013 was 4.08% and the annualised yield on the 21 April 2029 Government bond was 3.94%, a difference in yield of 0.14%. If the Superannuation Provision Account had continued to use the 21 April 2029 Government bond yield as the discount rate, then the superannuation liability estimate would have been approximately $7.7 billion with an actuarial loss of approximately $0.4 billion. This small difference in yield has effectively reduced the liability estimate by approximately $0.2 billion.

Revision of Estimation of the Employee Benefit Liability
As disclosed in Note 8.2: 'Employee Benefits', annual leave and long service leave, including applicable on-costs, which are not expected to be settled in the next twelve months, are measured at the present value of estimated payments to be made in respect of services provided by employees up to the reporting date. The present value of future payments is estimated using the government bond rate. Last financial year the present value rate was 106.6%, however, due to a change in the government bond rate the rate is now 101.3%. As such the estimate of the long service leave and annual leave liabilities has changed. Due to the current low level of recognised employee liabilities this change has not resulted in any material increase to the estimate of the long service leave liability and expense in the current reporting period.

NOTE 4 FINANCIAL RISK MANAGEMENT

CMTD's main financial risk management objective for the Superannuation Provision Account is the maximisation of return on investments within relevant risk tolerances, whilst minimising cost, for those funds set aside for the eventual elimination of the Territory's unfunded CSS/PSS defined benefit employer

NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

superannuation liabilities (refer to Note 2.14: 'Estimated CSS/PSS Defined Benefit Employer Superannuation Liabilities').

The investment assets accounted for in the Superannuation Provision Account include both domestic and international money market, debt and equity securities as well as domestic private equity and indirect unlisted property. The investment assets held in the Superannuation Provision Account are invested according to an asset allocation strategy that takes into account the long-term nature of the liabilities and projected cash flow requirements, to deliver a long-term average return of CPI plus 5 per cent (net of fees) per annum.

CMTD does not undertake investment management in-house. Asset class specific institutional investment managers are appointed to manage the financial investment assets held within the Superannuation Provision Account. The individual investment management agreements prescribe the allowable investments that may be entered into in accordance with the *Territory Superannuation Provision Protection Act 2000* and *Superannuation Management Guidelines 2011*.

The exposure to key financial risks, including interest rate, price and currency risk is managed in accordance with established financial risk management parameters to support the delivery of the Superannuation Provision Account's financial targets.

Derivatives are used by the appointed external investment managers for maximising the efficiencies of cash flow movements within the investment portfolios. In addition, derivatives are also used in managing exposure to interest rate risk from cash like investments and currency risk on the international investments. The extent to which derivatives may be used is set out in the *Superannuation Management Guidelines 2011*. Derivative instruments are not permitted to be used for speculation or leveraging of a portfolio. In addition, investment fund managers must not use an uncovered derivative or a derivative for which the potential exposure cannot be reliably measured.

CMTD is responsible for the overall setting, identification and control of financial risks undertaken in the management of the investment portfolio of the Superannuation Provision Account. This is done in part by the setting of limits for trading in derivatives, hedging cover of foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections. The investment guidelines, including allowable investments and derivatives limitations, are represented in the investment management agreements established with each contracted investment fund manager. The appointed master custodian performs investment mandate and derivatives usage monitoring in accordance with these guidelines, with any exceptions reported, investigated and resolved. Details of the derivatives exposure of the investment portfolio is reported to the Treasurer on a monthly basis.

The main risks resulting from the financial instruments used in the investment management process are discussed in Notes 4.1 to 4.3 below. Details of the significant accounting policies for these financial assets and liabilities are disclosed in Note 2: 'Summary of Significant Accounting Policies'.

Risk Exposures and Responses

4.1 Market Risk

Market risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. The exposure to market risk is a result of the asset allocation strategy prescribing investments across certain asset classes. Exposure to the individual market risk is detailed below.

Superannuation Provision Account
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NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.1 Market Risk – Continued

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial market instrument will fluctuate because of changes in market interest rates. The financial instruments of the Superannuation Provision Account are exposed to interest rate risk via the 'Cash' and 'Investments at Fair Value through Profit or 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 Statement of Income and Expenses on Behalf of the Territory and the Statement of Assets and Liabilities on Behalf of the Territory.

The exposure to Cash and Investments at Fair Value through Profit or Loss holdings is detailed in Note 7.3: 'Investments'. Interest rate risk is measured and monitored by the calculation of the duration of the investment portfolios which approximates the change in portfolio valuation from a percentage change in market interest rates. The only component of the financial instruments directly impacted by interest rates volatility for the purposes of quantifying the interest rate sensitivities are the cash and fixed income securities either within the individual portfolios or the master custodian accounts for the investment portfolio.

The investment portfolio includes an exposure to financial debt instruments through the cash enhanced 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 a 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 Note 4.1(b): 'Other Price Risk'.

Exposures to interest rate risk is limited to duration thresholds stipulated within the investment management agreements and monitored for compliance by the Territory's master custodian on a bi-monthly basis. As at the end of the reporting period, the Australian inflation-linked debt portfolio and cash at bank is exposed to interest rate risk. For purposes of sensitivity analysis, exposure to interest rate risk is performed on cash at bank and the securities holdings of the Australian inflation-linked debt portfolio as at reporting dates.

	Variable Rate Instruments		Fixed Rate Instruments	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Financial Assets	48,928	115,603	265,908	215,511
Net Exposure before the effect of Derivatives	**48,928**	**115,603**	**265,908**	**215,511**

Fixed rate instruments comprise financial assets and financial liabilities at Fair Value through Profit and 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 values or changes in cash flows (or both) due to changes in interest rates.

Interest Rate Risk Sensitivity Disclosure Analysis
At balance date, the interest rate profile of the Superannuation Provision Account's interest-bearing financial instruments comprising of fixed and variable rate instruments, is disclosed below.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
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NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.1 Market Risk – Continued

(a) Interest Rate Risk – Continued

The following table demonstrates the 'reasonably possible' impact on profit or loss and the impact on equity over the next 12 months if interest rates change by -/+ 1.0 per cent from the year-end official cash interest rate of 2.50 per cent (2012: 2.75%) with all other variables, especially foreign exchange rates, held constant.

	2014		2013	
	-1.0% Profit/(Loss) and Equity Impact $'000	+1.0% Profit/(Loss) and Equity Impact $'000	-1.0% Profit/(Loss) and Equity Impact $'000	+1.0% Profit/(Loss) and Equity Impact $'000
Financial Assets	2,170	(2,170)	(10,081)	10,081
Total Increase/(Decrease)	**2,170**	**(2,170)**	**(10,081)**	**10,081**

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 spot-rate yield curve with all other factors held constant.
(iii) To isolate the sensitivity of the financial instruments to interest rate risk the effect of credit risk is ignored.
(iv) The derivatives are assumed to be held to expiry.

There were no changes from the previous reporting period in the methods and assumptions used in the above analysis.

(b) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial investment may fluctuate because of the changes in market prices.

A large proportion of the financial instrument investments held by the Superannuation Provision Account are exposed to other price risk. Other price risk arises from exposure to equity securities (those directly held investments at Fair Value through Profit or Loss and the indirectly held investments at Fair Value through Profit or Loss held in pooled unit trusts) and cash, fixed interest and property portfolios. The exposure to other price risk has a direct impact on the Statement of Income and Expenses on Behalf of the Territory.

There is a fundamental financial relationship between risk and return. The Superannuation Provision Account investments are diversified across different asset classes that have different risk and return expectations. Whilst equity markets are inherently volatile and not suitable for short-term investment, over the long-term, equity investments have proven to be a reasonable source of growth and inflation protection, through the achievement of positive 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).

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.1 Market Risk – Continued

(b) Other Price Risk – Continued

The exposure to the fixed income (debt) market is via 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 twelve months) and fixed interest bonds (maturity greater than twelve 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. Other price risk exposure also applies to the investment allocation to unlisted direct property. These investments are held in a pooled trust, with the unit price reflecting the underlying changes in the values of the property investments.

For purposes of sensitivity analysis, exposure to other price risk is performed on the units and the securities held by the Superannuation Provision Account as at reporting dates. As at 30 June, the exposure to other price risk was as follows:

	2014 $'000	2013 $'000
Investments Directly and Indirectly Held (Designated)		
Cash	326,534	120,581
Fixed Income	370,741	348,254
Equities	1,898,154	1,624,117
Property	212,897	243,212
Net Exposure Before the Effect of Derivatives	**2,808,327**	**2,336,164**

Other Price Risk Sensitivity Disclosure Analysis
The following table demonstrates the 'reasonably possible' impact on profit or loss and the impact on equity over the next 12 months if other price risk changes by the following volatility factors from the target benchmarks with all other variables, especially foreign exchange rates, held constant.

30 June 2014		**% Decrease in Index**		**% Increase in Index**	
	Note No.	**Profit/(Loss) Impact $'000**	**Equity Impact $'000**	**Profit/(Loss) Impact $'000**	**Equity Impact $'000**
Investment Assets	7.3				
Cash (+/- 0.5%)		(1,633)	(1,633)	1,633	1,633
Fixed Income (+/- 4%)		(17,141)	(17,141)	17,141	17,141
Equities (+/- 18%)		(365,351)	(365,351)	365,351	365,351
Property (+/- 10%)		(21,291)	(21,291)	21,291	21,291
Total Decrease/(Increase)		**(405,415)**	**(405,415)**	**405,415**	**405,415**

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.1 Market Risk – Continued

(b) Other Price Risk – Continued

30 June 2013	Note No.	% Decrease in Index Profit/(Loss) Impact $'000	% Decrease in Index Equity Impact $'000	% Increase in Index Profit/(Loss) Impact $'000	% Increase in Index Equity Impact $'000
Investment Assets	7.3				
Cash (+/- 0.5%)		(603)	(603)	603	603
Fixed Income (+/- 4%)		(14,805)	(14,805)	14,805	14,805
Equities (+/- 18%)		(314,674)	(314,674)	314,674	314,674
Property (+/- 10%)		(24,320)	(24,320)	24,320	24,320
Total Decrease/(Increase)		**(354,402)**	**(354,320)**	**354,402**	**354,402**

(c) 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 financial 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.

In relation to unhedged foreign investments, holding a diversified basket of currency investments also serves to reduce overall currency risk. The currency hedging is managed through the indexed managed international equity mandate and investment in an index-managed unlisted pooled unit trust for international fixed interest. All international fixed interest exposures are fully hedged to Australian dollars. Total international equity exposures are 43 per cent hedged to Australian dollars.

The exposure in Australian equivalents (incorporating the impact of hedging) to foreign currency risk for both directly held and indirectly held investments as at reporting date was as follows:

30 June 2014	AUD $'000	USD $'000	JPY $'000	EUR $'000	Other $'000	Total Net Assets $'000
Cash	28,483	3,029	613	1,660	1,222	35,006
Investments at FVTPL	2,024,887	592,499	95,036	139,562	217,882	3,069,867
Other Assets	52,377	612	318	286	751	54,344
Total Assets	**2,105,747**	**596,140**	**95,967**	**141,508**	**219,855**	**3,159,218**
Financial Liabilities at FVTPL	(3,690)	(2)	(224)	(29)	(111)	(4,056)
Other Liabilities	(141,899)	0	0	0	(15)	(141,915)
Total Liabilities	**(145,589)**	**(2)**	**(224)**	**(29)**	**(126)**	**(145,971)**
Net Assets	**1,960,157**	**596,138**	**95,743**	**141,479**	**219,729**	**3,013,247**

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.1 Market Risk – Continued

(c) Currency Risk – Continued

30 June 2013	AUD $'000	USD $'000	JPY $'000	EUR $'000	Other $'000	Total Net Assets $'000
Cash	12,288	0	0	0	0	12,288
Investments at FVTPL	2,555,573	0	0	0	0	2,555,573
Other Assets	19,316	1	0	62	12	19,391
Total Assets	**2,587,177**	**1**	**0**	**62**	**12**	**2,587,252**
Financial Liabilities at FVTPL	(2,459)	0	0	0	0	(2,459)
Other Liabilities	(70,734)	0	0	0	0	(70,734)
Total Liabilities	**(73,193)**	**0**	**0**	**0**	**0**	**(73,193)**
Net Assets	**2,513,984**	**1**	**0**	**62**	**12**	**2,514,059**

Currency Risk Sensitivity Disclosure Analysis

The table below summarises the 'reasonably possible' impact of 2014: +/- 10 per cent (2013: +/-10 per cent) strengthening/weakening of the Australian Dollar against the foreign currency cash balances on the Superannuation Provision Account's operating deficit for the year and on equity.

30 June 2014	% Decrease		% Increase	
	Profit/(Loss) Impact $'000	Equity Impact $'000	Profit/(Loss) Impact $'000	Equity Impact $'000
Currency				
USD	(358)	(358)	358	358
JPY	(70)	(70)	70	70
EUR	(192)	(192)	192	192
Other	(185)	(185)	185	185
Total (Decrease)/Increase	**(805)**	**(805)**	**805**	**805**

30 June 2013	% Decrease		% Increase	
	Profit/(Loss) Impact $'000	Equity Impact $'000	Profit/(Loss) Impact $'000	Equity Impact $'000
Currency				
USD	0	0	0	0
JPY	0	0	0	0
EUR	6	6	(6)	(6)
Other	1	1	(1)	(1)
Total (Decrease)/Increase	**7**	**7**	**(7)**	**(7)**

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.2 Credit Risk

Credit risk arises from the financial assets comprising cash and cash equivalents, 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. CMTD, through relevant guidelines, has adopted the policy of spreading the aggregate value of transactions concluded amongst approved counterparties with appropriate credit qualities, as a means of mitigating the risk of financial loss.

Financial arrangements in respect of the business conducted through the Superannuation Provision Account are conducted with other ACT Government entities or appropriately rated counterparties as detailed within each individual investment management contract established with the external investment managers in accordance with the *Superannuation Management Guidelines 2011*.

The maximum exposure to credit risk is limited to the carrying amount of the financial investment assets and receivables accounted for in the Superannuation Provision Account. As at 30 June 2014, the Superannuation Provision Account does not hold any collateral as security nor credit enhancements relating to any of its financial assets (nil: 30 June 2013).

Credit ratings are based on an investment grade credit rating assessment made by Standard and Poor's or equivalent Moody's rating. The prescribed limitations include investing in assets of investment grade (minimum A-2 short-term credit rating and minimum BBB- long-term credit rating).

A credit rating is a current assessment of the ability of an obligor'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. As at reporting date, the investment portfolio comprises a diversified portfolio of securities to minimise counterparties' risk of default.

The table below shows the maximum exposure to credit risk at the reporting date. It is the opinion of the CMTD that the carrying amounts of these financial assets represent the maximum credit risk exposure at the balance sheet date. There were no significant concentrations of credit risk to counterparties. No individual investment exceeds 5% of net assets at either 30 June 2014 or 30 June 2013.

For purposes of sensitivity analysis, exposure to credit risk is performed on the units and the securities held by the Superannuation Provision Account as at reporting dates.

The following table details the credit risk exposure of investments of the Superannuation Provision Account.

30 June 2014	**Credit Quality of Rated Instruments (Fixed Interest Only)**				
	AAA	**AA**	**A**	**BBB**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Debt Instruments	439,403	149,834	295,490	25,333	**910,061**
Total	**439,403**	**149,834**	**295,490**	**25,333**	**910,061**

30 June 2013	**Credit Quality of Rated Instruments (Fixed Interest Only)**				
	AAA	**AA**	**A**	**BBB**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Debt Instruments	353,328	132,355	112,066	19,156	616,905
Total	**353,328**	**132,355**	**112,066**	**19,156**	**616,905**

Financial Assets that are Either Past Due or Impaired

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.2 Credit Risk - Continued

The Superannuation Provision Account does not have any impaired financial assets as at 30 June 2014 (nil: 30 June 2013). None of the terms of the Superannuation Provision Account's financial assets have been renegotiated so as to prevent these assets from being past due or impaired.

4.3 Liquidity Risk

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

CMTD's objective for the Superannuation Provision Account is to minimise liquidity risk by monitoring financial obligations as they fall due. The Superannuation Provision Account's more immediate liquidity needs are for funding working capital, meeting the annual emerging cost benefit payments to 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.

The exposure to illiquid asset classes is currently limited through the strategic asset allocation to 15 per cent of portfolio assets. To compensate for this liquidity risk, these types of investments require an illiquidity premium, or additional required return.

Accordingly, the exposure to liquidity risk is not significant based on the assessment of current and future cash flow requirements.

Analysis of Financial Liabilities based on Management Expectations
Given the significant nature of the liability arising from the CSS/PSS defined benefit schemes, the Superannuation Provision Account's liquidity risk is managed based on a combination of contractual maturity dates and expected settlement dates.

The estimated superannuation liability reflects the expected settlement of financial liabilities in relation to the CSS/PSS defined benefit schemes. The amounts disclosed represent undiscounted cash flows for the respective obligations in relation to upcoming fiscal years. These estimates are actuarially determined and represent annual emerging costs payments to ComSuper. The expected financial liabilities are to be met through the receipt of annual capital injections from Government and from the assets of the investment portfolio.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.3 Liquidity Risk - Continued

30 June 2014	Less than 3 Months	3 Months to Less than 1 Year	1 Year to Less than 5 Years	Greater than 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
Non Derivatives					
Payables	133,078	0	0	0	**133,078**
Employee Benefits	10	29	0	0	**39**
Estimated Superannuation	49,552	148,657	979,871	27,105,863	**28,283,944**
Total Non Derivatives	**182,640**	**148,686**	**979,871**	**27,105,863**	**28,417,061**
Derivatives					
Futures	674	2	0	0	**677**
Net Settled (Swaps)	1,709	344	4,261	2,971	**9,285**
Gross Settled FFX					
(Inflow)	1,607	0	0	0	**1,607**
Outflow	(1,598)	0	0	0	**(1,598)**
Total Derivatives	**2,392**	**347**	**4,261**	**2,971**	**9,971**

Analysis of Financial Liabilities based on Management Expectations

30 June 2013	Less than 3 Months	3 Months to Less than 1 Year	1 Year to Less than 5 Years	Greater than 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
Non Derivatives					
Payables	67,835	0	0	0	**67,835**
Employee Benefits	19	58	0	165	**242**
Estimated Superannuation	44,554	133,661	895,048	26,574,444	**27,647,707**
Total Non Derivatives	**112,408**	**133,179**	**895,048**	**26,574,609**	**27,715,784**
Derivatives					
Futures	17	0	105	0	**122**
Net Settled (Swaps)	885	276	2,592	1,906	**5,659**
Gross Settled FFX					
(Inflow)	0	0	0	0	**0**
Outflow	0	0	0	0	**0**
Total Derivatives	**902**	**276**	**2,697**	**1,906**	**5,781**

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.4 Fair Value of Financial Assets and Liabilities

Investments designated as fair value through profit and loss (financial instruments, such as equities, unit trusts, fixed income and other interest bearing securities and derivatives) are measured at fair value at each reporting date.

(a) Fair Value Measurements Recognised in the Statement of Assets and Liabilities on Behalf of the Territory

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

(i) Level 1 – Fair Value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
(ii) 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); or
(iii) Level 3 – Fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For the purposes of presenting the Fair Value Hierarchy, analysis is performed on the units and the securities held by the Superannuation Provision Account as at reporting dates.

(b) Recurring Fair Value Measurement of Assets and Liabilities

30 June 2014	**Note No.**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial Investments					
Asset Class – Investments Directly Held					
Fixed Income		0	267,004	0	**267,004**
Equity Investments		1,652,727	4,913	0	**1,657,640**
Financial Derivatives		1,230	13,627	0	**14,857**
Sub Total		**1,653,957**	**285,544**	**0**	**1,939,501**
Asset Class – Investments Indirectly Held					
Unit Trust – Cash		0	326,534	0	**326,534**
Unit Trust – Domestic & International Fixed income		0	370,741	0	**370,741**
Unit Trust – Domestic & International Equities		0	116,435	0	**116,435**
Unit Trust – Domestic Unlisted Property		0	212,897	0	**212,897**
Unit Trust – Private Equity		0	0	119,722	**119,722**
Sub Total		**0**	**1,026,607**	**119,722**	**1,146,329**
Total Financial Investments		**1,653,957**	**1,312,151**	**119,722**	**3,085,830**
Investment Financial Liabilities					
Financial Derivatives		677	9,288	0	9,965
Sub Total		**677**	**9,288**	**0**	**9,965**
Net Investment Financial Assets	7.3(a)	**1,653,280**	**1,302,863**	**119,722**	**3,075,865**

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.4 Fair Value of Financial Assets and Liabilities

(b) Recurring Fair Value Measurement of Assets and Liabilities - Continued

30 June 2013		Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Investments					
Asset Class – Investments Directly Held					
Debt Investments		0	216,681	0	**216,681**
Equity Investments		367,463	48	0	**367,511**
Financial Derivatives		0	0	0	**0**
Sub Total		**367,463**	**216,729**	**0**	**584,192**
Asset Class – Investments Indirectly Held					
Unit Trust – Cash Enhanced		0	120,581	0	**120,581**
Unit Trust – Domestic & International Fixed income		0	348,255	0	**348,255**
Unit Trust – Domestic & International Equities		0	1,144,094	0	**1,144,094**
Unit Trust – Domestic Unlisted Property		0	230,988	0	**230,988**
Unit Trust – Private Equity		0	0	124,726	**124,726**
Sub Total		**0**	**1,843,918**	**124,726**	**1,968,644**
Total Financial Investments		**367,463**	**2,060,647**	**124,726**	**2,552,836**
Investment Financial Liabilities					
Financial Derivatives		445	(1,223)	0	**(778)**
Sub Total		**445**	**(1,223)**	**0**	**(778)**
Net Investment Financial Assets	7.3(a)	**367,908**	**2,059,424**	**124,726**	**2,552,058**

(b) Recurring Fair Value Measurement of Assets and Liabilities

Transfers between Levels 1 and 2

There was a significant transfer of equity investment assets from Level 2 to Level 1 during 2013-14 due to the transition of unlisted pooled unit trust equity investments to being directly owned and valued utilising quoted market prices on active markets.

(c) Valuation Techniques and Inputs – Listed Equity Investments

Quoted market price represents the fair value determined based on quoted prices on active markets for identical assets as at the reporting date without any deduction for transaction costs. Listed equity investments valued based on quoted market prices are included within Level 1 of the hierarchy.

(d) Valuation Techniques and Inputs – Unlisted Investments

The investments in unlisted unit trusts include domestic and international fixed income, property, equity, and private equity which are not quoted in an active market and which may be subject to restrictions on redemptions.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
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NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.4 Fair Value of Financial Assets and Liabilities – Continued

Fair values of these investments are determined by using valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs. The investment manager considers the valuation techniques and inputs used in valuing these units as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the Net Asset Value of these units may be used as an input into measuring their fair value. In measuring this fair value, the Net Asset Value of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the units trust and fund manager. Depending on the nature and level of adjustments needed to the Net Asset Value and the level of trading in the unit trusts, these investments are classified as either Level 2 or Level 3.

Fixed income securities are priced daily with reference to the quoted bid price for the securities in the relevant active market. Investments in this asset class are made through unlisted unit trusts that are priced daily with distributions received quarterly. The fair values of fixed interest security units are included within Level 2. Investments in property are made through unlisted pooled unit trusts that are priced monthly. The fair value of investment property is determined at least annually or more frequently as required by an independent property valuer using recognised valuation techniques. These techniques comprise in the main methods such as Discounted Cash Flow (DCF) and income capitalisation. Where appropriate, the direct comparison, hypothetical development, or the summation or cost approach method is used.

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including estimated rental income and an exit or terminal value. This involves the projection of a series of cash flows and to this an appropriate, market-derived discount rate is applied to establish the present value of the income stream. Under the income capitalisation method, a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (the investor's rate of return). The adjusted Net Asset Value of these units are used as an input in measuring their fair value. The fair values of unlisted property units are included within Level 2.

For unlisted private equity unit trusts, the fair value of the underlying equity investments is determined by each underlying investment manager using a valuation methodology that is most appropriate for each particular investment. The fair value methodologies adopted include discounted cash flow, price of recent investment, earnings multiples, net assets, industry valuation benchmarks and available market prices. Adjusted Net Asset Value of these units is used as an input in measuring their fair value. The fair values of unlisted private equity units are included within Level 3.
The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. Financial derivatives are classified as either Level 1 or Level 2.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.4 Fair Value of Financial Assets and Liabilities – Continued

(e) Valuation Process for Level 3 Valuations

The investments in unlisted unit trusts are recorded at redemption value per unit as reported by managers of such investments. In the absence of quoted values, securities are valued using appropriate valuation techniques as reasonably determined by the Investment Manager. The fund manager performs monthly and quarterly valuations. Unresolved discrepancies are escalated to the Investment Manager Valuation Committee. The Valuation Committee is independent of the front office and is composed of Heads of Asset Administration, Domestic and International Fund Accounting, Risk Management, Portfolio Services and the Chief Operating Officer. The Committee ensures that the valuation of assets is fair, equitable and reasonable based on the information within each market at the time.

Quantitative Information of Significant Unobservable Inputs – Level 3

Description	Fair Value 2014 $'000	Valuation Technique	Unobservable Input	Range (Weighted Average)
Unit Trust – Private Equity	119,722	Adjusted Net Asset Value	Latest Net Asset Value from General Partners	0.003-1.1215 (0.414)
			Contributions since latest Net Asset Value from General Partners	0.000-1.182 (0.003)
			Distributions since latest Net Asset Value from General Partners	0.000-0.301 (0.035)

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

Description	Input	Sensitivity Used	Effect on Fair Value
Unit Trust – Private Equity	Latest Net Asset Value from General Partners	0.003-1.1215 (0.414)	Fair value increase if latest Net Asset Values from General Partners were higher
	Contributions since latest Net Asset Value from General Partners	0.000-1.182 (0.003)	Fair value increase if there have been contributions since latest Net Asset Value from General Partners
	Distributions since latest Net Asset Value from General Partners	0.000-0.301 (0.035)	Fair value decrease if there have been distributions since latest Net Asset Value from General Partners

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.5 Fair Value Hierarchy

Level 3 Reconciliation

30 June 2014	**Unit Trusts $'000**	**Total $'000**
Balance at 1 July 2013	**124,726**	**124,726**
Purchases during the Year	0	**0**
Issues during the Year	0	**0**
Sales during the Year	0	
Settlements during the Year	12,443	**12,443**
Transfers into Level 3	0	**0**
Transfers out of Level 3	0	**0**
Total Gains/(Losses) on Level 3 Financial Instruments	(17,446)	**(17,446)**
Balance as at 30 June	**119,722**	**119,722**

30 June 2013	**Unit Trusts $'000**	**Total $'000**
Balance at 1 July 2012		
Purchases during the Year	122,057	**122,057**
Issues during the Year	145,669	**145,669**
Sales during the Year	9,121	**9,121**
Settlements during the Year	(131,178)	**(131,178)**
Transfers into Level 3	0	**0**
Transfers out of Level 3	0	**0**
Total Gains/(Losses) on Level 3 Financial Instruments	(20,943)	**(20,943)**
Balance as at 30 June	**124,726**	**124,726**

Gains and losses are disclosed in the line Gains on Investments at Fair Value Through Profit or Loss or Losses on Investments at Fair Value Through Profit or Loss, in the Statement of Income and Expenses on behalf of the Territory.

Recognised Gains and Losses for Level 3 Financial Instruments

The amount of total gains or losses for the period recognised in the operating deficit that relates to assets and liabilities held at the end of the reporting period are as follows:

30 June 2014	**Unit Trusts $'000**	**Total $'000**
Gains/(Losses)		
Trading Income	17,446	**17,446**
Total Gains/(Losses) recognised in Statement of Income and Expense on Behalf of the Territory	**17,446**	**17,446**

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.5 Fair Value Hierarchy – Continued

30 June 2013	Unit Trusts $'000	Total $'000
Gains/(Losses)		
Trading Income	20,943	**20,943**
Total Gains/(Losses) recognised in Statement of Income and Expense on Behalf of the Territory	**20,943**	**20,943**

Total gains for the period relating to the units in the pooled private equity trust held at the end of the reporting period amounts to $17.446 million. The determination of fair value gains or losses on units as well sensitivities surrounding price risks for these pooled private equity trust have been described in Note 2.10: 'Financial Investments' and Note 4.1(b): 'Other Price Risk'.

4.6 Categorisation of Financial Assets and Liabilities

The accounting classification of each category of financial instruments, for the Superannuation Provision Account, for the years ending 30 June 2014 and 30 June 2013 is as follows:

30 June 2014	Cash & Cash Equivalents $'000	Loans & Receivables $'000	Financial Assets at FVTPL Designated $'000	Financial Assets at FVTPL Held for Trading $'000	Financial Liabilities at Amortised Cost $'000	Total Carrying Amount $'000
Financial Assets						
Cash & Equivalents	13,398	0	0	0	0	**13,398**
Loans & Receivables	0	3,704	0	0	0	**3,704**
Investments at FVTPL (Directly Held)						
Fixed Income	0	0	170,241	0	0	**170,241**
Equities	0	0	1,684,442	0	0	**1,684,442**
Financial Derivatives	0	0	0	9,651	0	**9,651**
Investments at FVTPL (Indirectly Held)						
Cash	0	0	326,534	0	0	**326,534**
Fixed Income	0	0	370,741	0	0	**370,741**
Equities	0	0	116,435	0	0	**116,435**
Property	0	0	215,480	0	0	**215,480**
Private Equity	0	0	119,722	0	0	**119,722**
Financial Liabilities						
Payables	0	0	0	0	(965)	**(965)**
Total	**13,398**	**3,704**	**3,003,596**	**9,651**	**(965)**	**3,029,384**

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.6 Categorisation of Financial Assets and Liabilities – Continued

30 June 2013	Cash & Cash Equivalents $'000	Loans & Receivables $'000	Financial Assets at FVTPL Designated $'000	Financial Assets at FVTPL Held for Trading $'000	Financial Liabilities at Amortised Cost $'000	Total Carrying Amount $'000
Financial Assets						
Cash & Equivalents	101,913	0	0	0	0	**101,913**
Loans & Receivables	0	2,317	0	0	0	**2,317**
Investments at FVTPL (Directly Held)						
Fixed Income	0	0	157,703	0	0	**157,703**
Equities	0	0	377,599	0	0	**377,599**
Financial Derivatives	0	0	0	(778)	0	**(778)**
Investments at FVTPL (Indirectly Held)						
Cash	0	0	120,581	0	0	**120,581**
Fixed Income	0	0	348,259	0	0	**348,259**
Equities	0	0	1,144,100	0	0	**1,144,100**
Property	0	0	239,563	0	0	**239,563**
Private Equity	0	0	124,733	0	0	**124,733**
Financial Liabilities						
Payables	0	0	0	0	(780)	**(780)**
Total	**101,913**	**2,317**	**2,512,538**	**(778)**	**(780)**	**2,615,210**

NOTE 5 INCOME ADMINISTERED ON BEHALF OF THE TERRITORY

5.1 Interest Revenue

	2014 $'000	2013 $'000
On Investments Directly Held (Designated)[1]	3,375	1,359
On Investments Indirectly Held (Designated)[2]	0	(5)
Total Interest Revenue	**3,375**	**1,354**

[1] Investments directly held represent assets (except for derivatives not used for hedging purposes) which are directly owned and held through a discretely managed fund. Investment interest revenue was higher in 2013-14 due mainly to increased interest revenue derived from the domestic inflation-linked debt investments and higher levels of cash at bank.

[2] Investments indirectly held represent investment assets indirectly owned through unlisted, pooled unit trusts. In the previous financial year these interest amounts were reflected as part of Interest and Distribution Income. The prior year comparative has been updated to reflect this change.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 5 INCOME ADMINISTERED ON BEHALF OF THE TERRITORY - CONTINUED

5.2 Dividend Revenue

	2014 $'000	2013 $'000
On Investments Directly Held (Designated)	24,319	17,399
Total Dividend Revenue[3]	**24,319**	**17,399**

[3] The positive variance in dividend revenue is due mainly to an increase in directly held shares (transitioned from unlisted, pooled unit trusts) and an increase in the recognition of dividend revenue. In the previous financial year these dividend amounts were reflected as part of Dividend and Distribution Income. The prior year comparative has been updated to reflect this change.

5.3 Distribution Revenue

On Investments Directly Held (Designated)	1,928	897
On Investments Indirectly Held (Designated)	125,503	81,476
Total Distribution Revenue[4]	**127,431**	**82,374**

[4] The positive variance in distribution revenue is due mainly to increased distributions received from the divestment of private equity investments and large distributions received from the currency-hedged unlisted, pooled unit trust investments which are determined by the level of distributable income available for the period. The level of distribution received from unit trusts is not necessarily representative of their total return achieved during the financial year. In the previous financial year these dividend amounts were reflected as part of Dividend and Distribution Income. The prior year comparative has been updated to reflect this change.

5.4 Gains on Investments at Fair Value through Profit or Loss

(a) Realised Gains

On Investments Directly Held (Designated)	28,864	52,531
On Investments Indirectly Held (Designated)	155,839	12,897
Total Realised Gains[5]	**184,704**	**65,428**

[5] The variance in recognised realised gains from year to year is due mainly to the transition of share investment assets during the year from unlisted pooled unit trusts to being directly owned, as well as being impacted by the trading activity of the investment managers and the individual asset class market returns achieved over the financial year.

(b) Unrealised Gains

On Investments Directly Held (Designated)	72,286	43,831
On Investments Indirectly Held (Designated)	18,724	196,183
Total Unrealised Gains[6]	**91,011**	**240,014**

[6] The variance in recognised unrealised gains is due mainly to the transition of the unlisted pooled unit trust share investments to being directly owned (crystallising the unrealised gains) as well as being impacted by the individual asset class market returns achieved over the financial year.

Total Gains on Investments at FVTPL	**275,714**	**305,442**

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 5 INCOME ADMINISTERED ON BEHALF OF THE TERRITORY – CONTINUED

5.5 Other Income

(a) Other Investment Income

	2014 $'000	2013 $'000
On Investments Directly Held (Designated)	456	78
On Investments Indirectly Held (Designated)	2,083	2,315
Total Other Investment Income[7]	**2,539**	**2,392**

[7] Other investment income represents other financial income from the investments portfolio and is mainly related to investment management fee rebates received from unit trusts in accordance with the terms of investment management agreements.

NOTE 6 EXPENSES ADMINISTERED ON BEHALF OF THE TERRITORY

6.1 Losses on Investments at Fair Value through Profit or Loss

(a) Realised Losses

On Investments Directly Held (Designated)	2,456	0
Total Realised Losses[8]	**2,456**	**0**

[8] The variance in recognised losses is due mainly to the trading activity of the equity investment managers.

(b) Unrealised Losses

On Investments Directly Held (Designated)	389	3,619
On Investments Indirectly Held (Designated)	19,255	38,749
Total Unrealised Losses[9]	**19,645**	**42,368**

[9] The variance in recognised realised losses from year to year is due mainly to the level of investment distributions received from unlisted unit trust investments.

Total Losses on Investments at FVTPL	**22,101**	**42,368**

6.2 Employee Expenses

Salaries and Wages[10]	685	720
Annual Leave and Long Service Leave	(7)	50
Superannuation (EPSC, CSS, PSS, SG)	113	110
Total Employee Expenses	**791**	**880**

[10] The number of CMTD officers paid for from the Superannuation Provision Account represented 4.0 full-time equivalent (FTE) staff at 30 June 2014, with FTE averaging 8.4 during 2013-14 (FTE averaging 8.7 during 2012-13).

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 6 EXPENSES ADMINISTERED ON BEHALF OF THE TERRITORY – CONTINUED

6.3 Supplies and Services

	2014 $'000	2013 $'000
ComSuper CSS/PSS/PSSap Scheme Administration	3,671	3,745
Consultants and Professional Services	630	661
Actuarial Fees	148	137
Other Supplies and Services[11]	138	80
Remuneration to Investment Advisory Board Members	106	104
Superannuation Investigation Project	35	113
Total Supplies and Services	**4,727**	**4,841**

[11] Other supplies and services expense includes Auditor's remuneration disclosed in Note 6.4: 'Auditor's Remuneration'.

6.4 Auditor's Remuneration

Audit Fees Paid	45	51
Total Audit Fees[12]	**45**	**51**

[12] Audit fees paid to the ACT Auditor-General's Office for the audit of the Superannuation Provision Account's financial statements. No other services were provided by the Auditor.

6.5 Investment Administration Expenses

Investment Management Services	3,818	3,910
Master Custody Investment Administration	279	528
Total Investment Administration Expenses	**4,097**	**4,438**

6.6 Superannuation Expenses
(a) CSS/PSS Defined Benefit Superannuation Expense

Interest Cost Expense[13]	299,563	264,214
Service Cost Expense[14]	203,652	256,952
Total Superannuation Expense	**503,214**	**521,166**

(b) Member Legislative Assembly Superannuation Expense

Service Cost Expense[14]	352	427
Total Superannuation Expense	**352**	**427**
Total Superannuation Expense	**503,566**	**521,593**

[13] Interest cost is the increase in the present value of the defined benefit obligation which arises because the benefits are one period closer to settlement. This results in an increasing annual cost as liabilities are accrued.
[14] Service cost is the increase in the present value of the defined benefit obligation resulting from employee service during the financial year.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 7 ASSETS ADMINISTERED ON BEHALF OF THE TERRITORY

7.1 Cash and Cash Equivalents

	2014 $'000	2013 $'000
Cash Held at Bank	13,398	101,913
Total Cash[15]	**13,398**	**101,913**

[15] The variance from year to year reflects liquidity and internal working capital requirements and is only reflective of daily activity at a point in time.

7.2 Receivables
Current

Interest Receivable – Bank Account	0	4
Interest Receivable – Territory Bank Account	3,687	2,298
Goods and Services Tax Credits Receivable	17	15
Total Receivables[16]	**3,704**	**2,317**

[16] Due to the short-term nature of these receivables, their carrying value approximates their fair value. No receivables are past due or impaired.

7.3 Investments

(a) Investment Summary

The following provides the investment summary of the Superannuation Provision Account as at balance date. The investment summary represents a group of financial assets, financial liabilities or both, that is risk managed, and its performance is evaluated on a net basis in accordance to the Superannuation Provision Account's investment strategy. All investments are designated at Fair Value through Profit and Loss. Derivatives are held-for-trading.

Investment Summary		
Financial Assets at Fair Value:		
Fixed Income Securities	267,004	213,159
Listed Equities	1,652,881	367,511
Unit Trust	1,146,329	1,968,644
Derivatives	9,680	445
Financial Liabilities at Fair Value		
Derivatives	(29)	(348)
	3,075,865	**2,594,411**
Other Financial Instruments at Balance Date		
Cash, Receivables and Other Assets	69,493	29,404
Payables Liabilities	(132,111)	(67,055)
Net Financial Investments	**3,013,247**	**2,511,761**

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 7 ASSETS ADMINISTERED ON BEHALF OF THE TERRITORY – CONTINUED

(b) Directly/Indirectly Held Financial Investments Breakdown

Breakdown of Superannuation Provision Account's directly/indirectly held investments.

Financial Assets at Fair Value	2014 $'000	2013 $'000
Investments Directly Held (Designated)	1,864,335	534,524
Investments Indirectly Held (Designated)	1,148,913	1,977,237
Total Financial Asset Investments	**3,013,247**	**2,511,761**

(i) Directly Held Asset Class Financial Investments Breakdown

Breakdown, by asset class, of the Superannuation Provision Account's directly held investments.

Asset Class – Investments Directly Held (Designated)		
Domestic Fixed Income	170,241	157,703
Domestic and International Equities	1,684,442	377,599
Financial Derivatives[17]	9,651	(778)
Total Financial Asset Investments	**1,864,334**	**534,524**

[17] The disclosure does not include the Vanguard unlisted unit trusts which use futures with a 2013-14 notional exposure value of $1.951 million (2012-13: $12.313 million) and currency derivatives with a 2013-14 notional exposure value of $139.637 million (2012-13: $557.531 million). The fair value of these instruments is reflected in the calculated closing daily unit prices for each individual asset class unit trust.

(ii) Indirectly Held Asset Class Financial Investments Breakdown – Continued

Breakdown, by asset class, of the Superannuation Provision Account's indirectly held investments.

Asset Class – Investments Indirectly Held (Designated)		
Unit Trust – Cash Enhanced	326,534	120,581
Unit Trust – Domestic and International Fixed Income	370,741	348,259
Unit Trust – Domestic and International Equities	116,435	1,144,100
Unit Trust – Domestic Unlisted Property	215,480	239,563
Unit Trust – Private Equity	119,722	124,733
Total Financial Asset Investments	**1,148,913**	**1,977,237**
Total Financial Investments by Asset Class	**3,013,247**	**2,511,761**

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 8 LIABILITIES ADMINISTERED ON BEHALF OF THE TERRITORY

8.1 Payables

	2014 $'000	2013 $'000
Accrued Supplies and Services – External[18]	919	728
Accrued Supplies and Services – GGS	46	51
Total Payables	**965**	**780**

[18] The accrued supplies and services (external) mainly relates to investment management and administration services received during the June quarter, but not yet invoiced.

8.2 Employee Benefits

Current Employee Benefits		
Annual Leave[19]	39	77
Long Service Leave[19]	103	118
Total Current Employee Benefits	**142**	**194**
Non Current Employee Benefits		
Long Service Leave[20]	0	48
Total Non Current Employee Benefits	**0**	**48**
Total Employee Benefits	**142**	**242**

[19] Due to the movement of Superannuation Provision Account staff, with FTE staff falling from 8.7 to 4.0 as at 30 June 2014, $22,030 in annual leave liabilities and $71,048 in long service leave liabilities have been transferred to other ACT Government administrative units.
[20] Due to the length of tenor of the Superannuation Provision Account staff all long service leave liabilities are now required to be classified as current.

For Disclosure Purposes Only

Estimate of when Leave is Payable

Estimated Amount Payable within 12 months		
Annual Leave	39	77
Total Employee Benefits Payable within 12 months	**39**	**77**
Estimated Amount Payable after 12 months		
Long Service Leave	103	165
Total Employee Benefits Payable after 12 months	**103**	**165**
Total Employee Benefits	**142**	**242**

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 8 LIABILITIES ADMINISTERED ON BEHALF OF THE TERRITORY – CONTINUED

8.3 Estimated Superannuation Liabilities

	2014 $'000	2013 $'000
CSS/PSS Liability Reconciliation		
Opening Estimated Liability at 1 July	6,777,340	7,489,965
Current Service Cost	203,652	256,952
Interest Cost	299,563	264,214
Superannuation Benefits Paid to ComSuper	(165,248)	(146,721)
Actuarial (Gain)/Loss changes in financial assumptions[21]	268,584	(1,179,848)
Actuarial (Gain)/Loss changes in experience	87,113	92,778
Closing Accrued Liability at 30 June	**7,471,004**	**6,777,340**
Member Legislative Assembly Liability Reconciliation		
Opening Estimated Liability at 1 July	4,232	4,491
Current Service Cost	352	427
Superannuation Benefits Paid to Members	(450)	(686)
Closing Estimated Liability	**4,134**	**4,232**
Total Closing Estimated Liability at 30 June	**7,475,138**	**6,781,572**
Total Current Liabilities	198,209	178,215
Total Non Current Liabilities	7,276,929	6,603,357
Total Closing Estimated Liability at 30 June[22]	**7,475,138**	**6,781,572**

[21] The annual valuation of the CSS/PSS defined benefit superannuation liabilities and the recognition of an actuarial gain or loss from year to year is materially impacted by the discount rate used to calculate the present value of the superannuation liabilities. The appropriate discount rate is based on the yield of a Commonwealth Government bond where the duration of the bond is in-line with the duration of the liabilities. An actuarial loss was recognised in 2013-14 due mainly to the decrease in the discount rate from 4.29 per cent to 4.08 per cent. Refer to Note 3: 'Change in Accounting Policies and Estimates'.

[22] The increase in the closing estimated superannuation liabilities is due to a combination of employer liabilities accrued due to employee and MLA service (service costs), interest cost, benefit amounts actually paid, and impacts from changes in membership profile and the discount rate used to estimate the liabilities.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 9 CASH FLOW RECONCILIATION

Reconciliation of cash at the end of the reporting period, in the Cash Flow Statement on Behalf of the Territory, to the equivalent items in the Statement of Assets and Liabilities on Behalf of the Territory and the Statement of Income and Expenses on Behalf of the Territory.

Total Cash Recorded in the Statement of Assets and Liabilities on Behalf of the Territory	**2014 $'000**	**2013 $'000**
Cash at Bank	13,398	101,913
Cash at the End of the Reporting Period as Recorded in the Cash Flow Statement on Behalf of the Territory	**13,398**	**101,913**
Reconciliation of Net Cash Inflows from Operating Activities to the Operating Deficit		
Operating Deficit	(101,904)	(165,159)
Non Cash Items		
Net (Increase)/Decrease in Investments	(249,184)	(263,280)
Cash Before Changes in Operating Assets and Liabilities	**(351,089)**	**(428,439)**
Changes in Operating Assets and Liabilities		
Increase/(Decrease) in Payables	185	(149)
(Increase) in Income Receivable	(1,387)	(2,238)
Increase in Estimated Superannuation Liabilities[23]	337,869	374,186
(Decrease)/Increase in Employee Benefits	(7)	50
Net Changes in Operating Assets and Liabilities	**336,661**	**371,850**
Net Cash (Outflow) from Operating Activities	**(14,429)**	**(56,590)**

[23] This amount does not include the actuarial loss amount of $0.356 billion for 2013-14 or the actuarial gain amount of $1.087 billion for the 2012-13 financial year. Any actuarial gain or loss is recognised directly to equity and therefore has no impact on the Statement of Income and Expenses on Behalf of the Territory or Cash Flow Statement on Behalf of the Territory.

NOTE 10 COMMITMENTS ON BEHALF OF THE TERRITORY

Other Commitments

Other commitments contracted at Reporting Date that has not been recognised as liabilities.

	2014 $'000	**2013 $'000**
Within One Year	30,500	31,885
Later than One Year but not longer than Five Years	97,800	105,604
Later than Five Years	14,000	16,210
Total Other Commitments[24]	**142,300**	**153,699**

[24] These other commitments represent domestic private equity investment capital commitments as at Balance Date. The outstanding balance has decreased over the 2013-14 financial year due to the current commitments being drawn down over the financial year.

Superannuation Provision Account
Notes To and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 11 CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or contingent liabilities as at the date of the financial statements (2012-13: nil).

NOTE 12 INDEMNITIES

There were no indemnities as at 30 June 2014 (2012-13: nil).

NOTE 13 EVENTS OCCURRING AFTER BALANCE DATE

There were no events after the balance date which would affect the financial statements as at 30 June 2014 or in subsequent years (2012-13: nil).

Statement of Performance

For the Year Ended

30 June 2014

Superannuation Provision Account

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

REPORT OF FACTUAL FINDINGS

SUPERANNUATION PROVISION ACCOUNT

To the Members of the ACT Legislative Assembly

Report on the statement of performance

The statement of performance of the Superannuation Provision Account for the year ended 30 June 2014 has been reviewed.

Responsibility for the statement of performance

The Under Treasurer is responsible for the preparation and fair presentation of the statement of performance of the Superannuation Provision Account in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate records and internal controls that are designed to prevent and detect fraud and error, and the systems and procedures to measure the results of the accountability indicators reported in the statement of performance.

The auditor's responsibility

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2011*, I am responsible for providing a report of factual findings on the statement of performance.

The review was conducted in accordance with Australian Auditing Standards applicable to review engagements, to provide assurance that the results of the accountability indicators reported in statement of performance have been fairly presented in accordance with the *Financial Management Act 1996*.

A review is primarily limited to making inquiries with representatives of the Superannuation Provision Account, performing analytical and other review procedures and examining other available evidence. These review procedures do not provide all of the evidence that would be required in an audit, therefore, the level of assurance provided is less than that given in an audit. An audit has not been performed and no audit opinion is being expressed on the statement of performance.

The review did not include an assessment of the relevance or appropriateness of the accountability indicators reported in the statement of performance or the related performance targets.

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No opinion is expressed on the accuracy of explanations provided for variations between actual and targeted performance due to the often subjective nature of such explanations.

Electronic presentation of the statement of performance

Those viewing an electronic presentation of this statement of performance should note that the review 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 this statement of performance. If users of this statement of performance are concerned with the inherent risks arising from the electronic presentation of information, they are advised to refer to the printed copy of the reviewed statement of performance to confirm the accuracy of this electronically presented information.

Independence

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

Review opinion

Based on the review procedures, no matters have come to my attention which indicate that the results of the accountability indicators, reported in the statement of performance of the Superannuation Provision Account for the year ended 30 June 2014, are not fairly presented in accordance with the *Financial Management Act 1996*.

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

Dr Maxine Cooper
Auditor-General
1 September 2014

Superannuation Provision Account
Statement of Performance
For the Year Ended 30 June 2014

Statement of Responsibility

In my opinion, the Statement of Performance is in agreement with the Superannuation Provision Account's records and fairly reflects the service performance of the Superannuation Provision Account in providing each class of outputs during the year ended 30 June 2014 and also fairly reflects the judgements exercised in preparing them.

David Nicol
Under Treasurer
Chief Minister, Treasury and Economic Development Directorate
8 August 2014

Superannuation Provision Account
Statement of Performance
For the Year Ended 30 June 2014

EBT **SUPERANNUATION PROVISION ACCOUNT**
EBT 1 **SUPERANNUATION PROVISION ACCOUNT**
Description: Management of Territory Defined Benefit Employer Superannuation Liabilities and Assets

Accountability Indicator	Original Target 2013-14	Actual Result 2013-14	% Variance from Target	Explanation of Material Variances (+/- 5%)
(a) Difference between the net investment earnings rate and the benchmark is to be ≥ 0	≥ 0	1.4%	9.8%	The investment portfolio achieved an investment return for the 2013-14 financial year of 15.8 per cent (net of fees). This return was better than the portfolio's performance benchmark return of 14.4 per cent due mainly to outperformance by the Australian listed equity investment managers against their individual performance benchmarks.
(b) Exposure to directly-owned share investments related to the manufacture of Tobacco, Cluster Munitions and Land Mines	0%	0%	0%	The current custom ESG share benchmarks exclude investment in companies, based on reasonable grounds that all, or a material, or in specific circumstances, any part of the company's revenue or core business is attributable to the manufacture of tobacco and related products and the manufacture of cluster munitions and landmines.
(c) The exercising of ownership voting rights for directly-owned shares	>95%	93.1%	(2%)	There were 5,418 share voting proposals for the 2013-14 financial year with 5,042 voting instructions exercised, resulting in 93.1 per cent of voting rights being exercised. The variance reflects no-vote instructions in relation to company meetings which require Shareholders, wishing to vote, depositing their shares before the date of the meeting with a designated depository, resulting in the shares being unable to be traded over the voting period. The current proxy voting policy framework incorporates a no-vote for shares impacted by these types of voting practices.
(d) Completion of Annual Actuarial Review	1	1	0%	
(e) Completion and delivery of Monthly Financial Reporting	11	11	0%	Monthly reporting was prepared and completed for the eleven months required by the Budget target. Delivery of the monthly financial reports was only required by Finance and Budgets Division for nine month end periods.
(f) Completion and delivery of unqualified Annual Financial Statements	1	1	0%	
(g) Preparation of MLA Member Superannuation Statements	7	6	(14%)	Only six member Information Statements were prepared in 2013-14 with a 100% actual result due to one MLA leaving the Legislative Assembly prior to the end of 30 June 2013.
TOTAL COST ($'000)	**$462,495**	**$513,181**	**11%**	The higher total cost for 2013-14 is mainly due to an increase in superannuation expense of $50.4 million after the AASB 119: 'Employee Benefits' superannuation liability valuation as at 30 June 2013 and the financial impact from the discount rate as at 30 June 2013 of 4.29 per cent compared with the budget estimated discount rate of 6 per cent.

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

Superannuation Provision Account
Statement of Performance
For the Year Ended 30 June 2014

Explanation of Accountability Indicators:	
(a)	The difference between the actual annual portfolio investment earnings rate and the established performance benchmark is a measure of the relative performance of the Territory's fund managers to the benchmark.
(b)	The investment portfolio is monitored to ensure that it is not exposed to any prohibited investments, in accordance with the Government's Responsible Investment Policy. For performance measurement purposes, the actual portfolio direct share holdings will be compared with the prevailing prohibited shares list at the end of each month. The exposure measure will be the weighted value of any prohibited share investments on the total value of the share portfolio.
(c)	As required by the Government's Responsible Investment Policy, voting rights in relation to directly-owned shares will be exercised in accordance with the Government's share voting policy. The target is that more than 95 per cent of all eligible voting items in the year will be cast in relation to the total voting items. The measure will be total actual votes cast compared to total eligible voting items.
(d)	An annual actuarial review of the Territory's defined benefit (CSS/PSS) employer superannuation liabilities will be completed and included in the budget estimates.
(e)	Monthly financial reporting involves the preparation of accrual financial statements, without notes, for transmission to Finance and Budget Division, CMTD. The monthly financial reporting will not be counted for the year if the financial statements are not completed and provided to Finance and Budget Division by the eighth business day of the next month.
(f)	Involves the preparation of the previous year's annual financial statements for auditing and inclusion in the CMTD annual report. The objective is to receive an unqualified audit opinion during the year.
(g)	Preparation of annual Member Information Statements for those Members of the Legislative Assembly that have a defined benefit superannuation entitlement in accordance with the *Superannuation (Legislative Assembly Members) Act 1991*. Any individual Member Information Statement for the previous financial year not delivered by end September of the Budget year will not be counted in the result.

The above Accountability Indicators were examined by the ACT Auditor-General's Office in accordance with the *Financial Management Act 1996*.

Financial Statements

For the Year Ended

30 June 2014

Territory Banking Account

Management Discussion and Analysis
For the Territory Banking Account
Financial Year Ended 30 June 2014

Objectives

The primary objective of the Territory Banking Account is to assist the ACT Government with financial asset and liability management through the establishment of investment and borrowing policies and objectives, and the coordination of investment and borrowing activities. The Territory Banking Account separately recognises and accounts for the general government investments and borrowings transactions, the revenues on behalf of the Territory and appropriation transfers made to agencies.

Management Discussion and Analysis Disclosure

The main transactions over which the Territory Banking Account can exercise some degree of control are the financial asset investments and financial liabilities. The focus of the Territory Banking Account's Management Discussion and Analysis is on the performance of the investment and borrowing transactions facilitated through the Territory Banking Account.

Overview of 2013-14 Financial Outcome

The Territory Banking Account's operating result for 2013-14 is a deficit of $535.7 million, a $80.9 million (13 per cent) improvement from the budget deficit estimate of $616.7 million. This outcome mainly results from lower transfer revenue from agencies offset by lower payments of appropriation to agencies.

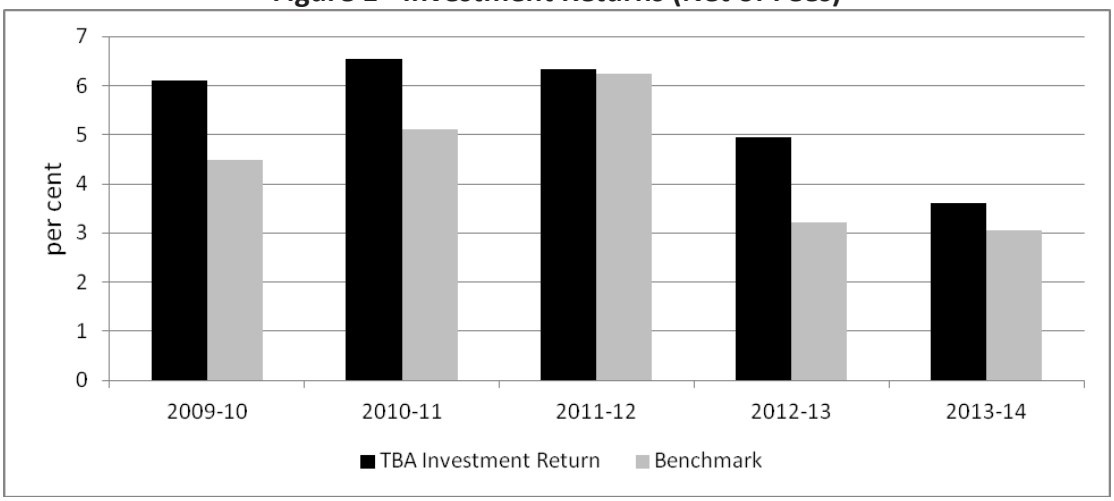
The net liability position of the Territory Banking Account of $847.9 million is a $288.6 million improvement (25 per cent) from the budget net liability estimate of $1.136 billion. This result is due to a higher balance of financial investments at the end of the year.

Financial Investments

For the year ended 30 June 2014, the investment performance of the combined Territory Banking Account investment funds (Cash, Cash Enhanced and Fixed Income portfolio) is 3.6 per cent versus the benchmark of 3.1 per cent.

The investment portfolio's most recent returns are set out in Figure 1.

Figure 1 - Investment Returns (Net of Fees)



** The benchmark is the standard against which the performance of a security, mutual fund or investment manager can be measured.*

Financial investments are restricted to investment grade cash and fixed income instruments. Outperformance is mainly attributed to the Cash Enhanced portfolio's exposure to investment grade securities across a diverse range of sectors in the Australian credit market.

Financial Liabilities

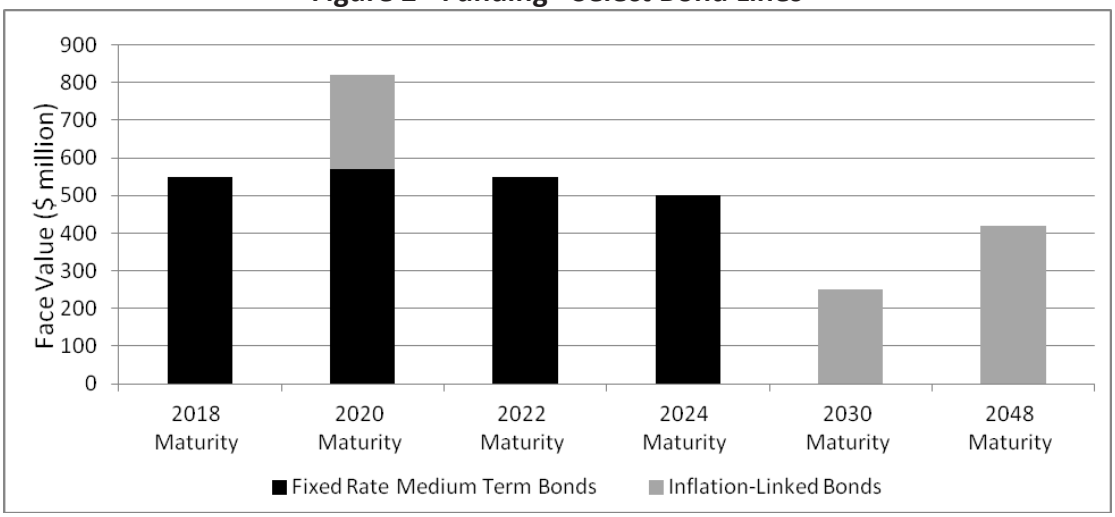
CMTD maintains a Debt Issuance program to facilitate access to domestic debt capital markets to meet the Government's funding requirement. Issuance of bonds from the Territory Debt Issuance program is facilitated with the support of an appointed bank dealer panel.

The Government's funding requirements are achieved by the issuance of debt securities in the domestic capital markets, including long-term fixed interest securities and short-term discount securities with a mix of durations under the Government's debt issuance program.

Debt management objectives include: establishing select debt maturity bond lines of volume around $500 million; maximising investor diversification; minimising refinancing risk and managing the Government's liquidity requirements.

CMTD completed the Government's budget financing requirements for the year ended 2013-14. A major new nominal bond issuance transaction was undertaken in May 2014 amidst favourable demand dynamics and ongoing low global yields. The debt maturity profile was further lengthened with a 2024 maturity of $500 million at an issue yield of 4.20 per cent. This new issue was well received and taken up by a wide range of domestic and offshore investors seeking Australian semi-government bonds. A summary of the Territory's outstanding medium-term bond lines is set out in Figure 2.

Figure 2 - Funding - Select Bond Lines



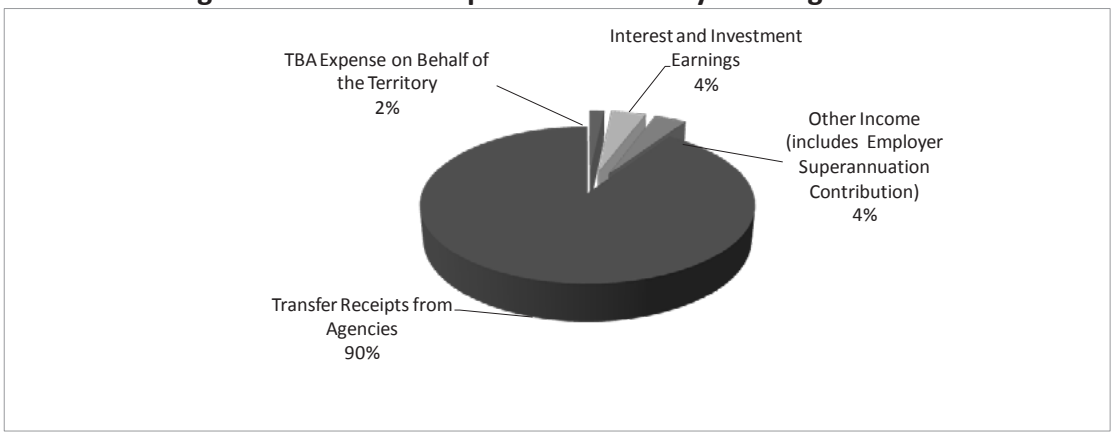
Financial Performance

Total Revenue

1. Components of Territory Banking Account Income

Figure 3 below shows that for the year ended 30 June 2014, 94 per cent of the total income received into the Territory Banking Account relates to transfer receipts and other transfers from ACT Government agencies. Territorial revenue collected by Agencies and on passed to the Territory Banking Account amounts to 90 per cent or $3.3 billion, while the remaining transfer receipts (mainly comprising notional employer superannuation contributions) amounts to 4 per cent or $145.6 million.

Figure 3 - Income components: Territory Banking Account



2. Comparison to Budgeted Income

Total income of $3.6 billion was $146.0 million, or 3.9 per cent lower than the 2013-14 Budget estimate.

a) Other Income — Other Income (mainly Employer Superannuation Contribution) is $12.5 million or 9.4 per cent higher compared to the 2013-14 Budget estimate.

b) Transfer Receipts from Agencies	Transfer receipts from Agencies is $182.8 million or 5.3 per cent lower compared to the 2013-14 Budget estimate.
c) Investment Earnings	Net investment earnings of $52.5 million is $27.3 million, or 107.9 per cent higher when compared to the 2013-14 Budget estimate. (Refer to **'5. Components of Territory Banking Account Investment Earnings and Loan Interest Revenue'** for a more detailed analysis).
d) Loan Interest Revenue	Total loan interest revenue of $84.9 million was $2.8 million, or 3.4 per cent higher when compared to the 2013-14 Budget estimate. (Refer to **'5. Components of Territory Banking Account Investment Earnings and Loan Interest Revenue'** for a more detailed analysis).

3. Comparison to Prior Year Actual Income

Total Income of $3.6 billion is $34.8 million, or 0.9 per cent lower than the 2012-13 actual outcome.

a) Other Income	Other Income (mainly Employer Superannuation Contribution) is $2.2 million or 1.5 per cent higher compared to the 2012-13 actual outcome.
b) Transfer Receipts from Agencies	Transfer Receipts from Agencies is $59.3 million, or 1.8 per cent lower than the 2012-13 actual outcome.
c) Investment Earnings	Total net investment earnings is $11.9 million or 18.5 per cent lower compared to the 2012-13 actual outcome. (Refer to **'5. Components of Territory Banking Account Investment Earnings and Loan Interest Revenue'** for a more detailed analysis).
d) Loan Interest Revenue	Total loan interest revenue of $84.9 million is $6.6 million, or 8.5 per cent higher when compared to the 2012-13 actual outcome. (Refer to **'5. Components of Territory Banking Account Investment Earnings and Loan Interest Revenue'** for a more detailed analysis).

4. Future Trends

Total income is budgeted to increase in 2014-15 by $192.2 million, or 5 per cent, compared to the 2013-14 actual outcome.

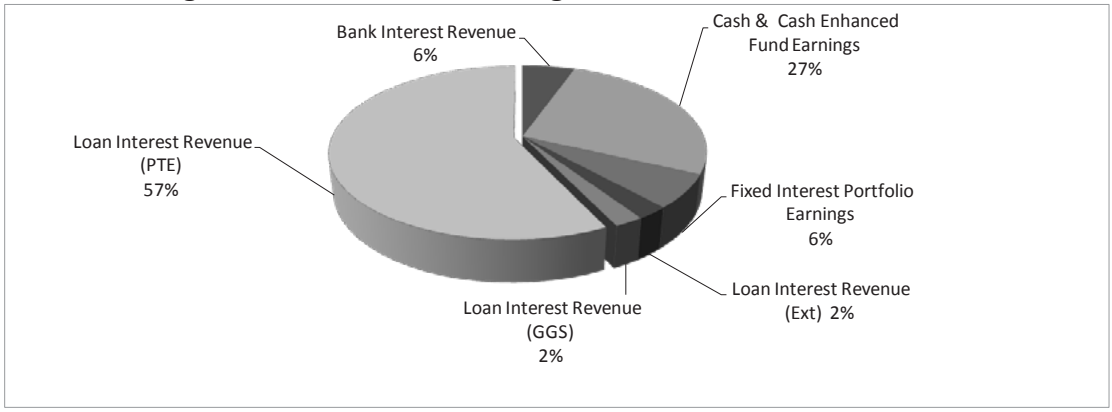
a) Other Income	The future estimate for Other Income (mainly Employer Superannuation Contribution) is a decrease of $5.5 million or 3.9 per cent when compared to the 2013-14 actual outcome.

b) Transfer Receipts from Agencies	The future estimate for Transfer Receipts from Agencies is an increase of $200.2 million or 5.7 per cent when compared to the 2013-14 actual outcome.
c) Investment Earnings	The future estimate for total net investment earnings is a decrease of $26.7 million or 103.2 per cent compared to the 2013-14 actual outcome. (Refer to **'5. Components of Territory Banking Account Investment Earnings and Loan Interest Revenue'** for a more detailed analysis).
d) Loan Interest Revenue	The future estimate for total loan interest revenue is an increase of $2.9 million or 3.3 per cent compared to the 2013-14 actual outcome. (Refer to **'5. Components of Territory Banking Account Investment Earnings and Loan Interest Revenue'** for a more detailed analysis).

5. Components of Territory Banking Account Investment Earnings and Loan Interest Revenue

For the year ended 30 June 2014, net investment earnings and interest revenue accounts for $137.5 million or 4 per cent of the total revenue for the Territory Banking Account. Figure 3a illustrates the main components of investment earnings and interest revenue.

Figure 3a - Investment Earnings and Loans Interest Revenue



6. Comparison to Budgeted Net Investment Earnings and Loan Interest Revenue

Total net investment earnings and loan interest revenue of $137.5 million was $30.1 million, or 28 per cent higher than the 2013-14 Budget estimate. The $137.5 million comprises net investment earnings of $52.6 million, and loan interest revenue of $84.9 million.

Investment Earnings: The 2013-14 Budget estimated investment interest to be $25.3 million, actual net investment earnings for 2013-14 is $52.6 million. Investment earnings have increased by $27.3 million or 107.9 per cent compared to the 2013-14 Budget estimate. The main driver of this increase relates to higher levels of underlying agencies' investment balances.

i) Aggregate Cash Funds: The 2013-14 Budget estimated an average balance of $0.7 billion and an estimated return of 2.83 per cent. The actual outcome at 30 June 2014 is an average balance of $1.2 billion and a return of 3.50 per cent.

ii) Fixed Income Fund: The 2013-14 Budget estimated an average balance of $169.1 million and an estimated return of 2.76 per cent . The actual outcome at 30 June 2014 is an average balance of $142.2 million and a return of 6.06 per cent.

Loan interest revenue comprises loans to the General Government Sector (GGS) and Public Trading Enterprises (PTE). The 2013-14 Budget estimated loan interest from both sectors to be $82.1 million. Actual loan interest revenue for 2013-14 is $84.9 million, a net increase of $2.8 million. The increase is due in the main to the effect of higher CPI impact on inflation linked Bonds.

7. Comparison to Actual Investment Earnings and Loan Interest Revenue

Total net investment earnings and loan interest revenue of $137.5 million was $5.3 million, or 3.7 per cent lower than the 2012-13 actual outcome.

Investment Earnings: Actual net investment earnings for 2013-14 is $52.6 million compared to the 2012-13 actual outcome total of $64.5 million. Investment earnings decreased by $11.9 million or 18.5 per cent. The main driver of this decrease is a net lower investment return and the lower investment levels in 2013-14.

i) Aggregate Cash Funds:- The actual outcome at 30 June 2014 is an average balance of $1.2 billion and a return of 3.50 per cent. The actual outcome as at 30 June 2013 is an average balance of $1.0 billion and a return of 5.5 per cent.

ii) Fixed Interest Fund:- The actual outcome at 30 June 2014 is a return of 6.1 per cent against a return of 2.7 per cent for 30 June 2013.

Loan interest revenue for 2013-14 is $84.9 million, a net increase of $6.6 million from the 2012-13 loan interest revenue of $78.3 million. The main increase is attributed to Interest revenue received from ACTEW Corporation Limited. A net increase of $4.3 million or 6 per cent was recorded from ACTEW as a result of higher inflation print on its inflation linked bonds and for the new tranche borrowings for 2013-14. The remainder increase is attributed to interest from loans provided to the University of Canberra.

8. Future Trends

Total net investment earnings and loan interest revenue for 2014-15 is an estimated $113.7 million. This amount represents a decrease of $23.8 million, or 17 per cent, compared to the 2013-14 actual outcome.

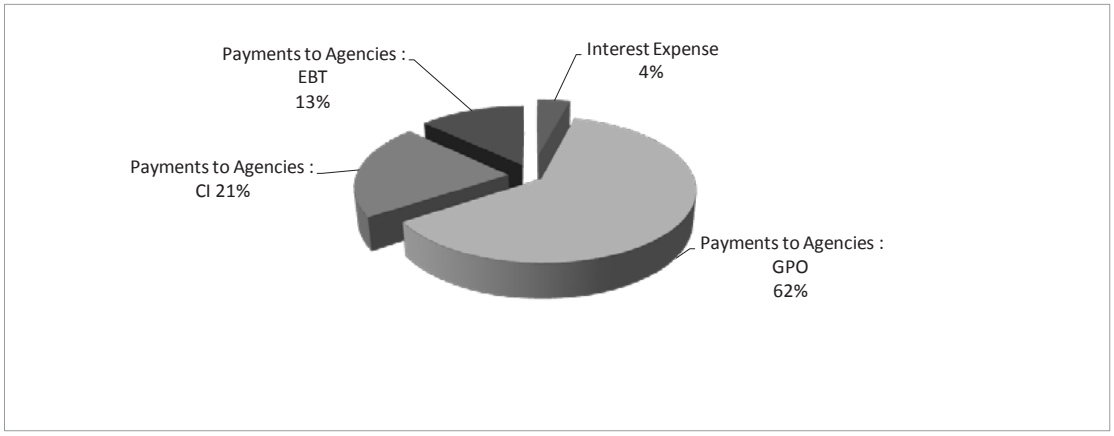
- Investment interest revenue is expected to decrease by $26.7 million compared to the 2013-14 actual outcome due to lower investment returns and lower average balances.
- Loan interest revenue is set to increase by $2.9 million or 4 per cent compared to the 2013-14 actual outcome mainly as a result of the new borrowings provided to ACTEW Corporation during the course of 2013-14. In May 2014, a new tranche of $100m fixed rate loans maturing in 2024, was provided to ACTEW Corporation.

Total Expenditure

1. Components of Territory Banking Account Expenditure

Figure 4 below shows that for the year ended 30 June 2014, $4.2 billion or 96 per cent of the total expenditure paid from the Territory Banking Account relates to the transfer of appropriations to other ACT Government agencies. Government Payment for Outputs (GPO) paid to agencies from the Territory Banking Account amounts to 62 per cent or $2.5 billion, Expenses on Behalf of the Territory (EBT) amounts to 13 per cent or $545.7 million and Capital Injection (CI) amounts to 21 per cent or $884.4 million of total Territory Banking Account expenditure. The remaining 4 per cent mainly relates to borrowing costs of the Territory Banking Account.

Figure 4 - Components Expenditure : Territory Banking Account



2. Comparison to Budgeted Expenditure

Total expenditure of $4.2 billion was $227.0 million, or 5.2 per cent lower than the 2013-14 Budget estimate.

a) Government Payment for Outputs	GPO is $32.6 million or 1.3 per cent lower than the 2013-14 Budget estimate.
b) Expenses on Behalf of the Territory	EBT is $27.4 million or 4.8 per cent lower than the 2013-14 Budget estimate.
c) Capital Injection	CI is $174.7 million or 16.5 per cent lower than the 2013-14 Budget estimate.
d) Borrowing Cost	Borrowing costs are $7.5 million or 4.6 per cent lower than

the 2013-14 Budget estimate. (Refer to **'5. Components of Territory Banking Account Borrowing Costs'** for a more detailed analysis of borrowing costs).

3. Comparison to Prior year actual Expenditure

Total expenditure of $4.2 billion was $64.7 million, or 1.5 per cent lower than the 2012-13 actual outcome.

a) Government Payment for Outputs	GPO is $79.0 million or 3 per cent lower than the 2012-13 actual outcome.
b) Expenses on Behalf of the Territory	EBT is $54.6 million or 11.1 per cent higher than the 2012-13 actual outcome.
c) Capital Injection	CI is $56.1 million or 6.0 per cent lower compared to the 2012-13 actual outcome.
d) Borrowing Cost	Borrowing costs are $16.3 million or 10.5 per cent higher compared to the previous year. (Refer to **'5. Components of Territory Banking Account Borrowing Costs'** for a more detailed analysis of borrowing costs).

4. Future Trends

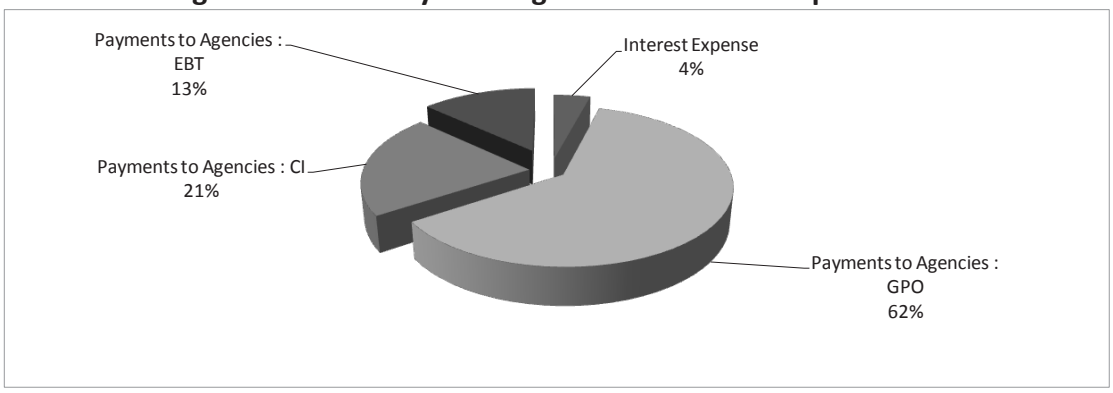
Total expenditure is budgeted to increase in 2014-15 by $409.6 million, or 8.9 per cent compared to the 2013-14 actual outcome.

a) Government Payment for Outputs	GPO is estimated to increase by $201.7 million or 7.3 per cent when compared to the 2013-14 actual outcome.
b) Expenses on Behalf of the Territory	EBT is estimated to increase by $77.8 million or 12.5 per cent when compared to 2013-14 actual outcome.
c) Capital Injection	CI is estimated to increase by $118.2 million or 11.8 per cent when compared to 2013-14 actual outcome.
d) Borrowing Cost	Borrowing costs are estimated to decrease by $11.8 million or 6.4 per cent when compared to the 2013-14 Actual outcome. (Refer to **'5. Components of Territory Banking Account Borrowing Costs'** for a more detailed analysis of borrowing costs).

5. Components of Territory Banking Account Borrowing Costs

For the year ended 30 June 2014, interest expenditure amounts to $172.3 million or 4 per cent of total expenditure of the Territory Banking Account. Total borrowing costs comprise interest payments to agencies ($32.5 million) and borrowing interest ($139.6 million).

Figure 4a - Territory Banking Account Interest Expenditure



6. Comparison to Budget

Total interest expense of $172.3 million was $7.5 million, or 5 per cent higher than the 2013-14 Budget estimate.

- The 2013-14 Budget estimated interest payments to agencies to be $23.5 million compared to actual interest expense to agencies for 2013-14 of $32.6 million. Interest expense to agencies increased by $9 million or 39 per cent when compared to the 2013-14 Budget estimate. The main driver of this increase is higher than expected average investment balances.
- The 2013-14 Budget estimated interest expense on borrowings of $139.6 million compared to 2013-14 actual expense of $164.7 million. The net decrease mainly attributed to the timing of the new general government borrowings undertaken as a part of the 2013-14 debt programme, offset by the impact of higher inflation print on inflation linked bonds.

7. Comparison to Prior Year Actual Expenditure

Total interest expense of $172.3 million was $16.3 million, or 10 per cent higher than the 2012-13 actual outcome.

- Actual interest expense for agencies investments for 2013-14 is $32.6 million compared to the 2012-13 actual outcome of $43.0 million. The main driver of this is lower investment returns earned for the year.
- Actual interest payments for borrowings for 2013-14 is $139.6 million compared to 2012-13 actual outcome of $112.9 million. The main reason for the increase is higher borrowing costs as a result of higher levels of outstanding borrowings.

8. Future Trends

Total interest expense is expected to increase in 2014-15 by $11.8 million, or 7 per cent compared to the 2013-14 actual outcome. The net increase is due to a combination of decreases in interest payments on agency investments offset by increases in borrowing costs due to expected new borrowings for the general government sector.

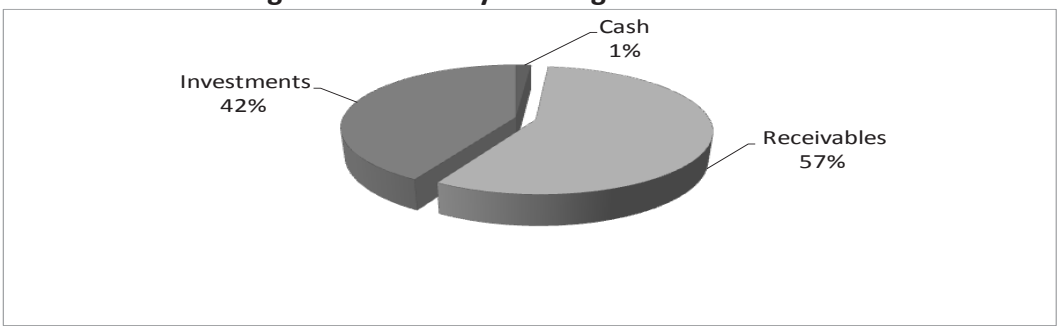
- Interest payments to agencies is expected to decrease by $10.2 million compared to the 2013-14 actual outcome due to lower levels of expected average investment balances and lower expected interest returns.
- Interest payments for borrowings is expected to increase by $21.9 million compared to the 2013-14 actual outcome. The net increase on interest payments for borrowings is mainly due to a higher volume of new general government borrowings.

Total Assets

1. Components of Territory Banking Account Assets

Figure 5 below shows that for the year ended 30 June 2014, $1.3 billion or 43 per cent of the total assets in the Territory Banking Account are cash and investments, the remaining 57 per cent are receivables of loans, transfer revenues and accrued interest.

Figure 5 - Territory Banking Account Assets



2. Comparison to Budget

Total assets of $3.2 billion are $503.5 million, or 19 per cent higher than the 2013-14 Budget estimate. This variation is due in the main to a higher than expected level of funds held on investment as at 30 June 2014.

3. Comparison to prior year actual

Total Assets of $3.2 billion were $80.5 million, or 3 per cent higher than the 2012-13 actual outcome. This result is due in the main to a lower transfer revenue receivables offset by higher levels of cash and investments assets as at 30 June 2014.

4. Future Trends

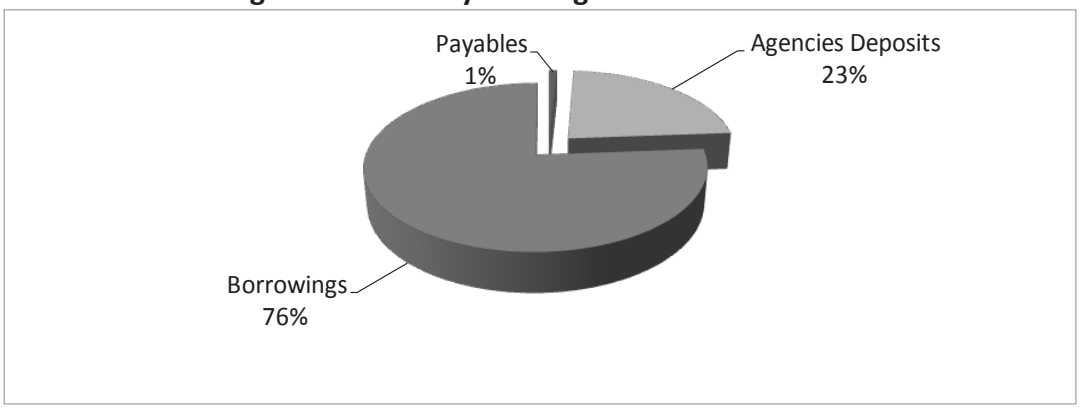
Total assets are expected to decrease in 2014-15 by $439.5 million, or 14 per cent compared to the 2013-14 actual outcome. This is mainly due to lower expected levels of investments.

Total Liabilities

1. Components of Territory Banking Account Liabilities

As at 30 June 2014, total liabilities for the Territory Banking Account amounts to $4.1 billion. Figure 6 shows that $3.1 billion or 76.2 per cent of the total liabilities in the Territory Banking Account relates to borrowings and $930.3 million or 23 per cent relates to agency investment deposits.

Figure 6 - Territory Banking Account Liabilities



2. Comparison to Budget

Total liabilities of $4.1 billion are $213.3 million, or 6 per cent higher than the 2013-14 Budget estimate. This result is due in the main to a higher than budgeted level of funds held on investment for agencies as at 30 June 2014 (net increase of $286 million) offset by lower than estimated borrowings ($87 million) in relation to general government.

3. Comparison to prior year actual

Total liabilities of $4.1 billion are $556.9 million, or 16 per cent higher than the 2012-13 actual outcome. This outcome is due in the main to an increase in general government related borrowings ($384 million) and higher levels of investment from agencies ($181 million).

4. Future Trends

Total liabilities are expected to increase in 2014-15 by $398 million, or 11 per cent compared to the 2013-14 actual outcome. This is mainly due to the combination of lower than expected levels of investments held for agencies ($167.9 million) and a net increase in borrowings ($575.6) in 2014-15 for both the general government and ACTEW.

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

INDEPENDENT AUDIT REPORT

TERRITORY BANKING ACCOUNT

To the Members of the ACT Legislative Assembly

Report on the financial statements

The financial statements of the Territory Banking Account for the year ended 30 June 2014 have been audited. These comprise the statement of income and expenses on behalf of the Territory, statement of assets and liabilities on behalf of the Territory, statement of changes in equity on behalf of the Territory, cash flow statement on behalf of the Territory, territorial statement of appropriation and accompanying notes.

Responsibility for the financial statements

The Under Treasurer is responsible for the preparation and fair presentation of the 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 financial statements.

The auditor's responsibility

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

The audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance that the 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 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 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.

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

Electronic presentation of the audited financial statements

Those viewing an electronic presentation of the 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 financial statements. If users of the 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 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 financial statements of the Territory Banking Account for the year ended 30 June 2014:

(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 Banking Account as at 30 June 2014 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
15 September 2014

Territory Banking Account
Financial Statements
For the Year Ended 30 June 2014

Statement of Responsibility

In my opinion, the financial statements are in agreement with the Territory Banking Account's accounts and records and fairly reflect the financial operations of the Territory Banking Account for the year ended 30 June 2014 and the financial position of the Territory Banking Account on that date.

David Nicol
Under Treasurer
Chief Minister, Treasury and Economic Development Directorate
15 August 2014

Territory Banking Account
Financial Statements
For the Year Ended 30 June 2014

Statement by the Chief Finance Officer

In my opinion, the financial statements have been prepared in accordance with generally accepted accounting principles, and are in agreement with the Territory Banking Account's accounts and records and fairly reflect the financial operations of the Territory Banking Account for the year ended 30 June 2014 and the financial position of the Territory Banking Account on that date.

Patrick McAuliffe
Chief Finance Officer
Territory Banking Account
Chief Minister, Treasury and Economic Development Directorate
19 August 2014

Territory Banking Account
Statement of Income and Expenses on Behalf of the Territory
For the Year Ended 30 June 2014

	Note No.	Actual 2014 $'000	Original Budget 2014 $'000	Actual 2013 $'000
Income				
Payment for Expenses on Behalf of the Territory	5.1	60,796	66,620	33,261
Interest	5.2	119,055	102,711	115,315
Distributions	5.3	11,768	4,666	19,232
Gains on Investments	5.4	6,851	0	15,496
Transfers from ACT Government Agencies	5.5	3,288,221	3,470,998	3,347,471
Other Income	5.6	145,944	133,078	143,888
Total Income		**3,632,635**	**3,778,073**	**3,674,663**
Expenses				
Payments to ACT Government Agencies	6.1	3,994,197	4,228,945	4,074,670
Interest Expenses	6.2	172,251	164,748	155,949
Losses on Investments	6.3	543	0	7,788
Investment Administration Expenses	6.4	714	470	689
Other Expenses	6.5	654	621	1,202
Total Expenses		**4,168,359**	**4,394,783**	**4,240,298**
Operating Deficit		**(535,724)**	**(616,710)**	**(565,634)**
Other Comprehensive Income				
Items that will be reclassified subsequently to profit or loss				
Gain/(Loss) taken to Reserve	9.2	(83)	0	2,788
Gain/(Loss) taken to the Operating (Deficit)	9.2	1,677	1,918	(1,408)
Total Other Comprehensive Income		**1,594**	**1,918**	**1,380**
Total Comprehensive Deficit		**(534,130)**	**(614,792)**	**(564,254)**

The above Statement of Income and Expenses on Behalf of the Territory should be read in conjunction with the accompanying notes.

Territory Banking Account
Statement of Assets and Liabilities on Behalf of the Territory
As at 30 June 2014

	Note No.	Actual 2014 $'000	Original Budget 2014 $'000	Actual 2013 $'000
Current Assets				
Cash	7.1	51,919	0	80,670
Loans and Receivables	7.2	248,097	431,767	366,273
Investments	7.3	1,202,749	523,723	976,433
Total Current Assets		**1,502,765**	**955,490**	**1,423,376**
Non Current Assets				
Loans and Receivables	7.2	1,568,174	1,578,023	1,460,974
Investments	7.3	131,460	165,380	237,527
Total Non Current Assets		**1,699,634**	**1,743,403**	**1,698,501**
Total Assets		**3,202,399**	**2,698,893**	**3,121,877**
Current Liabilities				
Payables	8.1	35,520	14,608	42,399
Interest-Bearing Liabilities	8.2	1,015,935	785,194	778,819
Total Current Liabilities		**1,051,455**	**799,802**	**821,218**
Non-Current Liabilities				
Interest-Bearing Liabilities	8.2	2,998,884	3,035,584	2,670,357
Other Liabilities	8.3	0	0	1,522
Total Non-Current Liabilities		**2,998,884**	**3,035,584**	**2,671,879**
Total Liabilities		**4,050,341**	**3,835,386**	**3,493,098**
Net Liabilities		**(847,942)**	**(1,136,493)**	**(371,221)**
Equity				
Accumulated Deficits		(847,942)	(1,136,493)	(369,627)
Reserves		0	0	(1,594)
Total Equity		**(847,942)**	**(1,136,493)**	**(371,221)**

The above Statement of Assets and Liabilities on Behalf of the Territory should be read in conjunction with the accompanying notes.

Territory Banking Account
Statement of Changes in Equity on Behalf of the Territory
For the Year Ended 30 June 2014

		Accumulated Deficits Actual 2014 $'000	Reserves Actual 2014 $'000	Total Equity Actual 2014 $'000	Original Budget 2014 $'000
Balance at the Beginning of the Reporting Period		**(369,627)**	**(1,594)**	**(371,221)**	**(530,264)**
Comprehensive Income					
Operating (Deficit)/Gain		(535,724)	1,677	(534,047)	(616,710)
Other Comprehensive Income					
Decrease in Reserves	9.2	0	(83)	(83)	1,918
Total Comprehensive Income		**(905,351)**	**0**	**(905,351)**	**(1,145,056)**
Transactions Involving Owners Affecting Accumulated deficits					
Capital Injections		214	0	214	214
Capital Distributions	9.1	57,195	0	57,195	8,349
Total Transactions Involving Owners Affecting Accumulated Deficits		**57,409**	**0**	**57,409**	**8,563**
Balance at the End of the Reporting Period		**(847,942)**	**0**	**(847,942)**	**(1,136,493)**

		Accumulated Deficits Actual 2013 $'000	Reserves Actual 2013 $'000	Total Equity Actual 2013 $'000
Balance at the Beginning of the Reporting Period		**155,924**	**(2,974)**	**152,950**
Comprehensive Income				
Operating (Deficit)		(565,634)	(1,408)	(567,042)
Other Comprehensive Income				
Increase in Reserves	9.2	0	2,788	2,788
Total Comprehensive Income		**(409,710)**	**(1,594)**	**(411,304)**
Transactions Involving Owners Affecting Accumulated Deficits				
Capital Injections		214	0	214
Capital Distributions	9.1	39,869	0	39,869
Total Transactions Involving Owners Affecting Accumulated Deficits		**40,083**	**0**	**40,083**
Balance at the End of the Reporting Period		**(369,627)**	**(1,594)**	**(371,221)**

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

Territory Banking Account
Cash Flow Statement on Behalf of the Territory
For the Year Ended 30 June 2014

	Note No.	Actual 2014 $'000	Original Budget 2014 $'000	Actual 2013 $'000
Cash Flows from Operating Activities				
Receipts				
Expenses on Behalf of the Territory		60,796	66,620	33,261
Interest Received		117,413	99,119	111,076
Distributions Received		14,239	4,666	19,134
Transfers from ACT Government Agencies		3,401,163	3,431,495	3,396,750
Goods and Services Tax Input Tax Credits from the Australian Taxation Office		117	43	203
Other Receipts		145,738	131,207	143,343
Total Receipts from Operating Activities		**3,739,466**	**3,733,150**	**3,703,767**
Payments				
Borrowing Costs		166,161	164,453	144,096
Payments to General Government Agencies for Outputs		2,510,557	2,543,098	2,589,908
Payments to Public Trading Enterprise Agencies for Outputs		53,599	53,690	53,260
Payments to Agencies for Expenses on Behalf of the Territory		548,631	589,578	488,610
Goods and Services Tax paid to Suppliers		119	43	167
Other Payments		803	621	1,202
Total Payments from Operating Activities		**3,279,870**	**3,351,483**	**3,277,242**
Net Cash Inflows from Operating Activities	10	**459,596**	**381,667**	**426,525**
Cash Flows from Investing Activities				
Receipts				
Loan Receivable Repayments from General Government Agencies		116,492	345,115	0
Loan Receivable Repayments from Public Trading Enterprise Agencies		21,770	19,128	17,711
Distributions from ACT Government Agencies		57,195	8,349	5,969
Total Receipts from Investing Activities		**195,457**	**372,592**	**23,681**
Payments				
Purchase of Investments		120,083	0	83,000
Loans Provided (Loans Receivable)		238,320	88,175	39,367
Capital Payments to ACT Government Agencies		884,371	1,059,043	940,423
Repayments of ACT Government Agencies' Deposits		7,500	47,072	0
Total Payments from Investing Activities		**1,250,274**	**1,194,290**	**1,062,790**
Net Cash (Outflows) from Investing Activities		**(1,054,817)**	**(821,698)**	**(1,039,109)**

Territory Banking Account
Cash Flow Statement on Behalf of the Territory (Continued)
For the Year Ended 30 June 2014

Cash Flows from Financing Activities	Note No.	Actual 2014 $'000	Original Budget 2014 $'000	Actual 2013 $'000
Receipts				
Capital Injection		214	214	214
Proceeds from Borrowings		377,733	0	784,572
Proceeds from ACT Government Agencies' Deposits		189,078	440,371	18,500
Total Receipts from Financing Activities		**567,025**	**440,585**	**803,286**
Payments				
Repayment of Borrowings		554	554	98,153
Total Payments from Financing Activities		**554**	**554**	**98,153**
Net Cash Inflows from Financing Activities		**566,471**	**440,031**	**705,133**
Net (Decrease)/Increase in Cash		(28,751)	0	92,549
Cash at Beginning of Reporting Period		80,670	0	(11,880)
Cash at End of Reporting Period	7.1	**51,919**	**0**	**80,670**

The above Cash Flow Statement on Behalf of the Territory should be read in conjunction with the accompanying notes.

Territory Banking Account
Territorial Statement of Appropriation
For the Year Ended 30 June 2014

	Original Budget 2014 $'000	Total Appropriated 2014 $'000	Appropriation Drawn 2014 $'000	Appropriation Drawn 2013 $'000
Expenses on Behalf of the Territory	66,620	66,620	60,796	33,261
Capital Injections	214	214	214	214
Total Territorial Appropriation	**66,834**	**66,834**	**61,010**	**33,475**

The above Territorial Statement of Appropriation should be read in conjunction with the accompanying notes.

Column Heading Explanations

The *Budget* column shows the amounts that appear in the Cash Flow Statement on Behalf of the Territory in the Budget Papers. The amount also appears in the Cash Flow Statement on Behalf of the Territory.

The *Total Appropriated* column is inclusive of all appropriation variations occurring after the original Budget.
The *Appropriation Drawn* column is the total amount which was received in Appropriation by the Territory Banking Account during the year. This amount appears in the Cash Flow Statement on Behalf of the Territory.

Notes Relating to Territorial Statement of Appropriation

Expenses on Behalf of the Territory

The lower actual outcome compared with the original budget is due to lower interest rates applying to the cost of borrowings, the timing profile of required borrowings and a lower amount of borrowings than originally estimated to be raised during the year.

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 1 OBJECTIVES OF THE TERRITORY BANKING ACCOUNT

Operations and Principal Activities

The Chief Minister and Treasury Directorate (CMTD) manages the central finances of the Australian Capital Territory (the 'Territory'), a body politic established by section 7 of the *Australian Capital Territory (Self Government) Act 1988* (Cwlth), by providing services to the ACT Government that include financial asset and liability management through the establishment of investment and borrowing policies and objectives, and the coordination of investment and borrowing activities. The Territory Banking Account has been established to separately recognise and account for the general government investments and borrowings transactions, the revenues on behalf of the Territory and appropriation transfers made to agencies.

Administrative Arrangements (AA) came into effect on 7 July 2014, resulting in the transfer of additional functions into the Directorate. While these transfers do not impact the financial performance or position of the Directorate for 2013-14, the AAs resulted in the Directorate's name being changed from the Chief Minister and Treasury Directorate (CMTD) to the Chief Minister, Treasury and Economic Development Directorate (CMTEDD). Given this report relates to the period ending 30 June 2014, the Directorate is referred to as CMTD throughout.

A key objective of CMTD, as reported and accounted for through the Territory Banking Account, is to effectively manage capital market functions by maximising the return on investments within relevant risk tolerances, the achievement of competitive borrowing rates commensurate to the Territory's credit rating, the development of effective financial risk management strategies and administration of the Territory Banking Account, the public account of the Territory.

To assist with meeting these objectives, CMTD uses the services of an Investment Advisory Board and a range of specialist service providers in the development and implementation of the Territory Banking Account's operations. CMTD appoints an asset consultant to provide advice in respect of the financial assets of the Territory that are managed through the Territory Banking Account. CMTD's other appointments include asset specific external fund managers and a debt issuance dealer panel to facilitate the debt capital market functions. CMTD also appoints a Master Custodian to provide custody services that includes registry and safekeeping of assets, trade settlement, income collection, corporate actions, tax reclamation, cash management, foreign exchange, unit registry, asset valuation, accounting, investment performance and compliance reporting. CMTD's debt systems provider and issuing and paying agent perform the equivalent functions for financial liabilities managed through the Territory Banking Account.

In accordance to the *Financial Management Act 1996*, the salary and administrative costs for the management of the Territory Banking Account are met from CMTD.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Accounting

The Territory Banking Account is prescribed as a Directorate under the *Financial Management Act 1996* (FMA).

The Territory Banking Account is an individual reporting entity.

Under the FMA, all Directorates are required to prepare annual financial statements. The Territory Banking Account is a not-for-profit reporting entity as the principal objective is not the generation of profit but the reporting and accountability of a significant component of the central finances of the Territory as outlined in Note 1: 'Objectives of the Territory Banking Account' above.

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.1 Basis of Accounting – Continued

The FMA and the *Financial Management Guidelines* issued under the FMA requires the Territory Banking Account's financial statements to include:

(i) A Statement of Income and Expenses on Behalf of the Territory for the year;
(ii) A Statement of Assets and Liabilities on Behalf of the Territory at the end of the year;
(iii) A Statement of Changes in Equity on Behalf of the Territory for the year;
(iv) A Cash Flow Statement on Behalf of the Territory for the year;
(v) A Territorial Statement of Appropriation for the year;
(vi) A summary of the significant accounting policies adopted by the Territory Banking Account for the year; and
(vii) Such other statements as are necessary to fairly reflect the financial operations of the Territory Banking Account during the year and its financial position 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:

a) Australian Accounting Standards; and
b) ACT Accounting and Disclosure Policies.

The financial statements have been prepared using the accrual basis of accounting which recognises the effects of transactions and events when they occur. The financial statements have also been prepared according to the historical cost convention except for investment assets and financial derivative instruments which have been measured at fair value.

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

The net asset position of the Territory Banking Account for any period, should be viewed in conjunction with the Territory's consolidated net financial position and in Note 4.3: 'Liquidity Risk'.

2.2 Territorial Items

CMTD only produce Territorial financial statements for the Territory Banking Account. The Territorial financial statements include income, expenses, assets and liabilities that CMTD administers on behalf of the Territory, but do not control.

2.3 The Reporting Period

These financial statements state the financial performance, changes in equity and cash flows of the Territory Banking Account for the year ending 30 June 2014 together with the financial position of the Territory Banking Account as at 30 June 2014.

2.4 Comparative Figures

Budget Figures

To facilitate a comparison with the Budget Papers, as required by the FMA, budget information for 2013-14 has been presented in the financial statements. Budget numbers in the financial statements are the original budget numbers that appear in the Budget Papers.

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.4 Comparative Figures – Continued

Prior Year Comparatives

To facilitate a comparison with the Budget Papers, as required by the FMA, budget information for 2013-14 has been presented in the financial statements. Budget numbers in the financial statements are the original budget numbers that appear in the Budget Papers.

2.5 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars ($'000) and may not add due to rounding.

2.6 Revenue Recognition

Revenue is recognised at the fair value of the consideration received or receivable in the Statement of Income and Expenses on Behalf of the Territory. All revenue is recognised to the extent that it is probable that the economic benefits will flow to the Territory Banking Account and the revenue can be reliably measured. In addition, the following specific recognition criteria must also be met before revenue is recognised:

Payment for Expenses on Behalf of the Territory

Under the FMA, funds can be appropriated for expenses incurred on behalf of the Territory. The Territory Banking Account receives this appropriation to meet debt servicing interest costs for some general government borrowing liabilities. The revenue is recognised when the Territory Banking Account obtains control over the cash related to the appropriation.

Interest

Interest includes interest income from investments and interest from loans provided and is recognised as it accrues. Interest revenue is recognised using the effective interest rate method.

Distributions from Unit Trusts

Distributions from unit trust investments are recognised on an accrual basis. Revenue is recognised on the date the unit value is quoted ex-distribution. Within the Territory Banking Account's financial statements, distributions are further categorised according to the source of investment revenue, being the relevant asset class.

Gains on Investments at Fair Value through Profit and Loss

Gains or losses on financial assets held at Fair Value through Profit or Loss consist of realised and unrealised amounts. Gains or losses resulting from changes in the fair value of an investment are included in the Statement of Income and Expenses on Behalf of the Territory in the period in which they arise. Gains or losses on financial instruments Held at Fair Value Through Profit or Loss do not include interest or distribution income as this is separately disclosed in the Statement of Income and Expenses on Behalf of the Territory.

Transfer Revenue

Transfers from ACT Government agencies relates to territorial revenue such as taxes, fees and fines collected initially by other ACT Government agencies on behalf of the Territory prior to being transferred to the Territory Banking Account. This revenue is recognised when it is probable that the economic benefits will flow to the Territory Banking Account. This is usually when the collecting agency recognises a transfer expense.

Other Income

This income mainly relates to employer superannuation contributions paid to the Territory Banking Account. It is recognised as it is received for the period to which it relates.

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.7 Borrowing Costs

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

2.8 Current and Non-Current Items

Assets and liabilities are classified as current or non-current in the Statement of Assets and Liabilities on Behalf of the Territory and in the relevant notes. The Territory Banking Account's assets are classified as current where they are expected to be realised within 12 months after the reporting date. Liabilities are classified as current when they are due to be settled within the 12 months after the reporting date or the Territory Banking Account does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Assets or liabilities which do not fall within the current classification are classified as non-current.

2.9 Cash

For the purpose of the Cash Flow Statement on Behalf of the Territory and the Statement of Assets and Liabilities on Behalf of the Territory, cash includes cash at bank.

Cash at bank earns interest at a floating rate in accordance with the established agreement with the authorised deposit-taking institution appointed to provide transactional banking services to the Territory, currently Westpac Banking Corporation at 30 June 2014. The Territory Banking Account will record net interest earned on the aggregate credit and debit bank balances of the Territory. The Territory Banking Account bank balance is the mechanism by which the Territory's aggregate debit and credit balance is managed and maintained.

2.10 Loans and Receivables

Loans and receivables comprise loans (principal and interest owing from ACT Government agencies), accrued investment interest and other transfer revenues.

Loans (Principal and Interest) owing by ACT Government Agencies

Loans to ACT Government agencies are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market and are not entered into with the intention of immediate or short-term resale. Loans to ACT Government agencies are initially recognised at fair value plus any transaction costs that are directly attributable to those financial assets and subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. Amortised cost includes any discounts or premiums on acquisition and transaction costs integral to calculating the effective interest rate but does not include future credit losses.

Impairment of Loans and Receivables

The assessment of impairment for loans and receivables is based around the credit worthiness of the counterparty and their ability to meet their financial obligations. Loans and receivables are individually assessed for evidence of impairment and in addition, loans and receivables are included in a group of financial assets with similar credit risk characteristics and collectively, the group of loans or receivables are assessed for impairment.

- When an ACT Government agency is the counterparty to a loan or receivable, a review is performed against the latest published budget estimates for any indication of impairment or write-offs.
- When the counterparty for a particular loan or receivable is a non-ACT Government agency, an assessment is made as to whether there is objective evidence of impairment, or collectively for financial assets not considered individually significant.

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.10 Loans and Receivables - Continued

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Income and Expenses on Behalf of the Territory. Interest income continues to be accrued based on the original effective interest rate of that asset.

Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral (if any) has been realised. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is reduced by adjusting the allowance account. When any part of a claim is deemed uncollectible or forgiven, a write-off is charged against the allowance account.

Accrued Investment Interest, Other Accrued Revenue and Receivables from ACT Government agencies

Accrued Investment Interest (including interest receivable, unit trust distributions and other receivables) are initially recognised at fair value and are subsequently measured at amortised cost, with any adjustments to the carrying amount being recorded in the Statement of Income and Expenses on behalf of the Territory. Interest and unit trust distributions are accrued when the right to receive payment is established. Other accrued revenue and receivables comprises accrued transfer revenue, any residual revenues and receivables owing by any ACT Government agencies. Amounts are generally received within 30 days of being recorded as receivables.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Territory Banking Account will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised in profit or loss within other expenses. When receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

As at 30 June 2014, it has been assessed that there is no objective evidence that the loans and receivables of the Territory Banking Account are impaired.

2.11 Financial Investments

The investment assets of the Territory Banking Account represent the cash holdings of the Territory as at reporting date. The level of cash held and invested, is dependent on a combination of the short term daily cash needs and the medium to long term requirements of the Territory.

CMTD manages the financial investment assets in accordance with an asset allocation that takes into account the risk and return objectives of the Territory and the time horizon of the Territory's cash flow requirements. The investment portfolio is diversified across a cash fund, a cash enhanced fund and fixed income fund. As a result, the principal financial investment instruments of the Territory Banking Account's investment portfolio include cash, floating rate notes and fixed income bonds.

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.11 Financial 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.

External, asset specific, institutional fund managers are appointed to manage the Territory's financial investment assets accounted for in the Territory Banking Account. These funds are managed in the following manner:

(a) directly through an actively-managed strategy utilising a separate discrete mandate (Territory directly owns the securities) where the investment manager aims to outperform the relevant performance benchmark index (gross of fees); and
(b) indirectly through an actively-managed or passively-managed index strategy utilising unlisted pooled unit trusts where the investment manager either aims to outperform the relevant performance benchmark index or match the relevant performance benchmark index.

The FMA and *Financial Management (Investment and Borrowing) Guidelines 2011* prescribe the allowable investments that may be entered into in respect of the funds held in the Territory Banking Account. These legislative provisions are also recognised in the investment management agreements with investment managers as relevant.

Recognition of Financial Investments

The Territory Banking Account recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of investment assets are recognised on the trade date. Regular way purchases and sales means the purchases and sales of investment assets occur under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

Initial Measurement

Investment assets in the scope of Australian Accounting Standard AASB 139: 'Financial Instruments: Recognition and Measurement' (AASB 139) are designated upon initial recognition as financial assets, at fair value through the profit and loss (FVTPL) in the Statement of Income and Expenses on Behalf of the Territory on the basis that CMTD manages and evaluates the performance of the financial investment assets on a fair value basis in accordance with documented risk strategies. All transaction costs for such investments are recognised directly in the Statement of Income and Expenses on behalf of the Territory.

Subsequent Measurement

After initial measurement, Investments assets which are classified as at FVTPL are measured at fair value. Subsequent changes in the fair value of those Investments are recorded in the Statement of Income and Expenses on behalf of the Territory as gain/loss on Investments at FVTPL. Interest and distributions earned on these investments are recorded separately in interest revenue and distribution revenue.

Derecognition

An investment asset is derecognised where the rights to receive cash flows from the asset have expired or the Territory Banking Account has transferred its rights to receive cash flows from the asset and the Territory Banking Account has transferred substantially all the risks and rewards of the asset.

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.11 Financial Investments - Continued

Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Territory Banking Account.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value for investments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market.

For all other investments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach by using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same and the income approach through using discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible.

For assets and liabilities that are recognised in the financial statements on a recurring basis, it is determined whether transfers have occurred between levels in the fair value hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described under Note 4.4: 'Fair Value of Financial Assets and Liabilities', based on the lowest level input that is significant to the fair value measurement as a whole.

2.12 Financial Derivative Instruments

Investment Portfolio

The FMA and *Financial Management (Investment and Borrowing) Guidelines 2011* prescribe the extent to which derivatives may be used and specifically prohibits the use of any derivative financial instruments for speculative or leveraging purposes. There is also a prohibition on the holding of any uncovered derivative position (must be asset backed or a reasonable hedge) or a derivative for which the potential exposure cannot be reliably measured.

Notwithstanding these limitations, financial derivatives are used for maximising the efficiencies within the investment portfolio in the pursuit of the investment objectives, optimising transaction flows, as well as the protection of the investments by minimising adverse effects of a range of financial market risks.

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

Derivative financial instruments are initially recognised at fair value on trade date, namely when the derivative contract is entered into, and are subsequently remeasured to fair value. Any gains or losses arising from changes in the fair value of derivatives are recognised in the Statement of Income and Expenses on Behalf of the Territory under the classification of gains or (losses) on financial assets at fair value through profit or loss.

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.12 Financial Derivative Instruments - Continued

The fair value of directly held derivative instruments is disclosed in Note 7.3: 'Investments'.

Borrowing Portfolio

The Territory Banking Account may directly undertake financial derivative transactions as part of the management of interest-bearing liabilities of the Territory Banking Account.

2.13 Payables

Payables are a financial liability and are measured at fair value when initially recognised and at amortised cost subsequent to initial recognition, with any adjustments to the carrying amount being recorded in the Statement of Income and Expenses on Behalf of the Territory. All amounts are normally settled within 30 days after the invoice date.

Payables include trade payables, investment interest owing to ACT Government agencies and interest owing on borrowings to external counterparties. Trade Payables represent the amounts owing for goods and services received prior to the end of the reporting period and unpaid at the end of the reporting period and relating to the normal operations of the Territory Banking Account. Interest payable is calculated and determined using the effective interest method.

2.14 Interest-Bearing Liabilities

Interest-bearing liabilities include external borrowings undertaken as a liability of the Territory and disclosed in the Territory Banking Account and the value of investments made by ACT Government agencies in the Territory Banking Account investment portfolio. All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest rate method.

Inflation linked Bonds

Inflation linked Bonds are recognised at amortised cost. The embedded derivative representing the variability in cash flows is treated as closely related to the host instrument and therefore not separately identified for fair valuation purposes. The Territory Banking Account recognises interest expense on these inflation linked bonds using the effective interest rate method. At inception, the effective interest rate is calculated by taking into account the expectations of future inflation. At the end of each reporting period, the interest expense recognised is adjusted to take into account the actual inflation during the reporting period.

2.15 Taxation

The Territory Banking Account is not subject to income tax or income tax equivalents, but is subject to the Goods and Services Tax.

2.16 Significant Accounting Judgements, Estimates and Assumptions

In the process of applying the accounting policies listed in this note, the Territory Banking Account has made the following judgements and estimates that have the most significant impact on the amounts recorded in the financial statements:

Fair Value of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the statement of assets and liabilities cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2.16 Significant Accounting Judgements, Estimates and Assumptions - Continued

The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Changes in assumptions could affect the reported fair value of financial instruments in the statement of assets and liabilities and the level where the instruments are disclosed in the fair value hierarchy. The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument (without modification) when available.

The Territory Banking Account considers the valuation techniques and inputs used in valuing unlisted unit trust investments to ensure they are reasonable and appropriate prior to investing and therefore the Net Asset Value of these investments may be used as an input into measuring their fair value. In measuring this fair value the Net Asset Value of the investments is adjusted, as necessary, to reflect any restrictions on redemptions, future commitments, and other specific factors of the investment and fund manager.

2.17 Impact of Accounting Standards Issued but yet to be Applied

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Territory Banking Account for the annual reporting period ending 30 June 2014.

Those relevant to the Territory Banking Account are as outlined below are necessarily abbreviated and should be viewed in conjunction with the Australian Accounting Standard Board's website for the full assessment of its impact. CMTD does not expect a significant impact on the adoption of these standards. This assessment is based on an initial assessment at this date, but may change on further review. The Territory Banking Account intends to adopt all of the standards upon their application date. No accounting standard has been adopted earlier than the effective date in the current period.

- *AASB 2013-9* Revised version of AASB 9 Financial Instruments 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] AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, AASB 2009-11, AASB 2010-7, AASB 2011-7 & AASB 2011-8];

- AASB 10 Consolidated Financial Statements AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASB 127, AASB 128 & AASB 131] 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] AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Interpretation 12];

- AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139];

- AASB 2013-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities;

- AASB 12 Disclosure of Interests in Other Entities;

- AASB 1055 Budgetary Reporting AASB 2013-1 Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements. AASB 2013-1 Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements; and

Territory Banking Account
Notes to and Forming Part of the Financial Statements
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132].

NOTE 3 CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES

There were no changes in accounting policies and estimates for the Territory Banking Account for the year ended 30 June 2014 except for items highlighted below. The accounting policies adopted are consistent with those of the previous financial year except that Territory Banking Account has adopted the following new and revised standards. The adoption of the standards or interpretations is described below.

AASB13 Fair Value Measurement
AASB 13 establishes a single source of guidance under the Australian Accounting Standards for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards. AASB 13 defines fair value as an exit price. As a result of the guidance in AASB 13, Territory Banking Account reassessed its policies for measuring fair values. AASB 13 also requires additional disclosures.

Application of AASB 13 has not materially impacted the fair value measurements of the Territory Banking Account. Additional disclosures where required, are provided in the individual notes related to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 4.4: 'Fair Value of Financial Assets and Liabilities'.

NOTE 4 FINANCIAL RISK MANAGEMENT

CMTD provides services to the Government including financial asset and liability management through the establishment of investment and borrowing policies and objectives, and the coordination and implementation of cash management, investment and borrowing activities. CMTD, through the Territory Banking Account, recognises and manages the general government's investment assets and debt liabilities.

Investments
The investment assets accounted for in the Territory Banking Account include Australian money market securities and Australian fixed interest securities.

CMTD does not undertake investment management in-house. Asset class specific institutional investment managers are appointed to manage the financial investment assets held within the Territory Banking Account. The individual investment management agreements prescribe the allowable investments that may be entered into in accordance with the FMA and *Financial Management (Investment and Borrowing) Guidelines 2011*.

The exposure to key financial risks, including interest rate risk is managed in accordance with established financial risk management parameters to support the delivery of the Territory Banking Account's financial targets.

NOTE 4 FINANCIAL RISK MANAGEMENT - CONTINUED

Derivatives are used by the appointed external investment managers for maximising the efficiencies of cash flow movements within the investment portfolios. In addition, derivatives are also used in managing exposure to interest rate risk. The extent to which derivatives may be used is set out in the *Financial Management (Investment and Borrowing) Guidelines 2011*. Derivative instruments are not permitted to be used for speculation or leveraging of a portfolio. In addition, investment fund managers must not use an uncovered derivative or a derivative for which the potential exposure cannot be reliably measured.

CMTD is responsible for the overall setting, identification and control of financial risks undertaken in the management of the investment portfolio of the Territory Banking Account. This is done in part by the setting of limits for trading in derivatives, hedging cover of interest rate risk, credit allowances, and future cash flow forecast projections. The investment guidelines, including allowable investments and derivatives limitations, are represented in the investment management agreements established with each contracted investment fund manager. The appointed master custodian performs investment mandate and derivatives usage monitoring in accordance with these guidelines, with any exceptions reported, investigated and resolved. Details of the derivatives exposure of the investment portfolio is reported to the Treasurer on a monthly basis.

Borrowings
Financial liabilities comprises borrowings funded by promissory notes, fixed rate nominal bonds and inflation linked bonds as well as designated hedging derivatives.

For borrowings, derivatives may be used for the purposes of managing interest rate exposures. Interest rate exposure may be managed by the use of interest rate swap financial instruments to exchange variable interest payment obligations with fixed interest rate payments, and vice versa, to manage the risk of increasing or decreasing interest rates.

The main risks resulting from the financial instruments used in the management of the Territory Banking Account's assets and liabilities are discussed in Notes 4.1 to 4.3 below. Details of the significant accounting policies for these financial assets and liabilities are disclosed in Note 2: 'Summary of Significant Accounting Policies'.

Risk Exposures and Responses

4.1 Market Risk

Market risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. The Territory Banking Account does not have exposure to currency risk. The exposure to market risk is a result of the asset allocation strategy prescribing investments across certain asset classes.

Exposure to the individual market risk is detailed below.

(a) Interest Rate Risk

Investment Portfolio
Interest rate risk is the risk that the fair value or future cash flows of a financial market instrument will fluctuate because of changes in market interest rates. The financial instruments of the Territory Banking Account are exposed to interest rate risk via the 'Cash' and 'Investments at Fair Value through Profit or 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 Statement of Income and Expenses on Behalf of the Territory and the Statement of Assets and Liabilities on Behalf of the Territory.

Territory Banking Account
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NOTE 4 FINANCIAL RISK MANAGEMENT - CONTINUED

4.1 Market Risk - Continued

(a) Interest Rate Risk - Continued

The exposure to Cash and Investments at Fair Value through Profit or Loss holdings is detailed in Note 7.3: 'Investments'. Interest rate risk is measured and monitored by the calculation of the duration of the investment portfolios which approximates the change in portfolio valuation from a percentage change in market interest rates. The only component of the financial instruments directly impacted by interest rates volatility for the purposes of quantifying the interest rate sensitivities are the cash, discount securities, floating rate notes and bonds either within the individual portfolios or the master custodian accounts for the investment portfolio.

The investment portfolio also includes an exposure to fixed income through the cash and the fixed income pooled unit trusts. It would normally be expected that all fixed income instruments have a direct exposure to interest rate risk. However, in relation to the investments in the cash and the fixed income pooled unit trusts, 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 Note 4.1(b): 'Other Price Risk and inflation risk'.

Loans Receivable

Loans receivable are only held with ACT Government agencies. The loans that are impacted by interest rate volatility include those variable loans recorded at amortised cost with CMTD.

Borrowing Portfolio

To mitigate exposure to volatile interest rates on the floating rate components of the general government debt portfolio, domestic interest rate swap transactions may be established (without the use of collateral). Interest rate swap transactions may be undertaken to exchange variable interest payment obligations to protect long-term borrowings from the risk of increasing interest rates. The Territory Banking Account has both variable and fixed interest rate exposures. A credit risk management framework is established for any interest rate swap transactions and transactions are only made with high quality counterparties.

As at the end of the period, financial assets and liabilities exposed to interest rate risk are; cash at bank, securities held within the Cash Enhanced Portfolio and the corresponding liabilities owing to ACT Government agencies, floating rate loans provided to other ACT Government agencies and the Territory Banking Account short term variable rate borrowings. As at 30 June 2014, fixed rate nominal bonds account for 70 per cent of the Territory's Banking Accounts market borrowings. For the purposes of sensitivity analysis, exposure to interest rate risk is performed the abovementioned items as at 30 June.

	Fixed Rate Instruments		Variable Rate Instruments	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Financial Assets	636,860	126,412	599,110	847,909
Financial Liabilities	(487,151)	(76,327)	(277,442)	(604,977)
Net Exposure before the effect of Derivatives	**149,709**	**50,085**	**321,668**	**242,932**

Fixed rate instruments comprise financial assets and financial liabilities at Fair Value through Profit and 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 values or changes in cash flows (or both) due to changes in interest rates.

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.1 Market Risk – Continued

(a) Interest Rate Risk – Continued

Interest Rate Risk Sensitivity Disclosure Analysis

At balance date, the interest rate profile of the Territory Banking Account's interest-bearing financial instruments comprising of fixed and variable rate instruments, is disclosed below.

The following table demonstrates the 'reasonably possible' impact on profit or loss and the impact on equity over the next 12 months if interest rates change by -/+ 1.0 per cent from the year-end official cash interest rate of 2.50 per cent (2013: 2.75%) with all other variables held constant.

30 June 2014	**Fixed Rate Instruments**				**Variable Rate Instruments**			
	-1.0% Profit/ (Loss) Impact $'000	**-1.0% Equity Impact $'000**	**+1.0% Profit/ (Loss) Impact $'000**	**+1.0% Equity Impact $'000**	**-1.0% Profit/ (Loss) Impact $'000**	**-1.0% Equity Impact $'000**	**+1.0% Profit/ (Loss) Impact $'000**	**+1.0% Equity Impact $'000**
Financial Assets	6,369	6,369	(6,369)	(6,369)	(5,991)	(5,991)	5,991	5,991
Financial Liabilities	(3,981)	(3,981)	3,981	3,981	3,665	3,665	(3,665)	(3,665)
Net Assets	**2,388**	**2,388**	**(2,388)**	**(2,388)**	**(2,326)**	**(2,326)**	**2,326**	**2,326**

30 June 2013	**Fixed Rate Instruments**				**Variable Rate Instruments**			
	-1.0% Profit/ (Loss) Impact $'000	**-1.0% Equity Impact $'000**	**+1.0% Profit/ (Loss) Impact $'000**	**+1.0% Equity Impact $'000**	**-1.0% Profit/ (Loss) Impact $'000**	**-1.0% Equity Impact $'000**	**+1.0% Profit/ (Loss) Impact $'000**	**+1.0% Equity Impact $'000**
Financial Assets	1,264	1,264	(1,264)	(1,264)	(8,479)	(8,479)	8,479	8,479
Financial Liabilities	(748)	(748)	748	748	6,046	4,153	(6,030)	(4,921)
Net Assets	**516**	**516**	**(516)**	**(516)**	**(2,433)**	**(2,437)**	**2,449**	**3,558**

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

(a) The sensitivity calculation is based on the net exposure to interest rates after taking into account the effect of derivatives (if any).
(b) 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 spot-rate yield curve with all other factors held constant.
(c) To isolate the sensitivity of the financial instruments to interest rate risk the effect of credit risk is ignored.
(d) The derivatives are assumed to be held to expiry.
(e) For derivatives in a cash flow hedge relationship, all the requirements of hedge accounting have been met and the hedge is 100% effective.
(f) The impact on equity represents total impact on accumulated funds and other reserves.

There were no changes from the previous period in the methods and assumptions used in the above analysis.

Territory Banking Account
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NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.1 Market Risk – Continued

(b) Other Price Risk and Inflation Risk

Financial instrument investments held in the Territory Banking Account are exposed to other price risk. Other price risk is the risk that the fair value or future cash flows of a financial investment may fluctuate because of the changes in other market prices. Other price risk arises from the exposure to fixed interest investments (the unitised pooled fixed income portfolio) which are exposed to changes in unit prices. The exposure to other price risk has a direct impact on the Statement of Income and Expenses on Behalf of the Territory.

As at 30 June, the exposure to other price risk was as follows:

	Note No.	Exposure to Unit Prices 2014 $'000	2013 $'000
Cash and Fixed Income – Unit Trusts	7.3	226,960	400,027
Total Exposure		**226,960**	**400,027**

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

As at 30 June, the exposure to inflation risk was as follows:

	Exposure to Inflation 2014 $'000	2013 $'000
Financial Assets (Inflation Linked Bonds)	835,524	840,683
Financial Liabilities (Inflation Linked Bonds)	(834,092)	(839,245)
Net Exposure	**1,432**	**1,438**

Other Price Risk and Inflation Risk Sensitivity Disclosure Analysis

The following table demonstrates the 'reasonably possible' impact on profit or loss and the impact on equity over the next 12 months if other price risk changes by the following volatility factors from the target index with all other variables held constant. For purposes of sensitivity analysis, exposure to other price risk is performed on the units held by the Territory Banking Account and the inflation linked bonds assets and liabilities as at reporting dates. As at 30 June the exposure to other price risk was as follows:

30 June 2014	% Increase in Index Profit/(Loss) Impact $'000	Equity Impact $'000	% Decrease in Index Profit/(Loss) Impact $'000	Equity Impact $'000
Investment Assets				
Fixed Income (+/- 5%)	6,562	6,562	(6,562)	(6,562)
Inflation Rate (+/- 2.5%)	435	435	0	0
Total Increase/(Decrease)	**6,997**	**6,997**	**(6,562)**	**(6,562)**

Territory Banking Account
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For the Year Ended 30 June 2014

NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.1 Market Risk – Continued

(b) Other Price Risk and Inflation Risk - Continued

30 June 2013	% Increase in Index		% Decrease in Index	
	Profit/(Loss) Impact $'000	Equity Impact $'000	Profit/(Loss) Impact $'000	Equity Impact $'000
Investment Assets				
Fixed Income (+/- 5%)	11,857	11,857	(11,857)	(11,857)
Inflation Rate (+/- 2.5%)	35	30	0	0
Total Increase/(Decrease)	**11,892**	**11,887**	**(11,857)**	**(11,857)**

4.2 Credit Risk

Credit risk arises from the financial assets comprising cash, 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. CMTD, through relevant guidelines, has adopted the policy of spreading the aggregate value of transactions concluded amongst approved counterparties with appropriate credit qualities, as a means of mitigating the risk of financial loss.

Financial arrangements in respect of the business conducted through the Territory Banking Account are such that the more significant credit risk will arise with those financial assets and liabilities involving external parties (non-ACT Government agencies). Loans and receivables to other ACT Government agencies are subject to whole-of-government decisions taken in the setting of the Territory Budget - which is performed on an annual basis.

Financial dealings are only undertaken with other ACT Government agencies or appropriately rated counterparties as detailed within each individual investment management contract established with the external investment managers in accordance with the *Financial Management (Investment and Borrowing) Guidelines 2011* which prescribe the credit limitations of the counterparties with which investments may be made.

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 investment assets of the Territory Banking Account (nil: 30 June 2013).

Credit ratings are based on an investment grade credit rating assessment made by Standard and Poor's or equivalent Moody's rating. The prescribed limitations include investing in assets of investment grade (minimum A-2 short-term credit rating and minimum BBB- long-term credit rating). A credit rating is a current assessment of the ability of an obligor'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. As at reporting date, the investment portfolio comprises a diversified portfolio of securities to minimise counterparties' risk of default.

The table below shows the exposure to credit risk at the reporting date carried at fair value through profit or loss. It is the opinion of the CMTD that the carrying amounts of these financial assets represent the maximum credit risk exposure at the balance sheet date. There were no significant concentrations of credit risk to counterparties. No individual investment exceeds 5% of net assets at 30 June 2014 (nil: 30 June 2013).

For purposes of sensitivity analysis, exposure to credit risk is performed on the units and the securities held by the Territory Banking Account as at reporting dates.

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.2 Credit Risk – Continued

The following table details the credit risk exposure of investments of the Territory Banking Account.

30 June 2014	Credit Quality of Rated Instruments				
	AAA	AA	A	BBB	Total
	$'000	$'000	$'000	$'000	$'000
Directly Held					
Cash Enhanced Fund	360,921	81,603	609,970	14,815	**1,067,309**
Indirectly Held					
Unit Trust (Debt Instruments)	94,388	110,369	19,968	2,235	**226,960**
Total	**455,309**	**191,972**	**629,938**	**17,050**	**1,294,269**

30 June 2013	Credit Quality of Rated Instruments				
	AAA	AA	A	BBB	Total
	$'000	$'000	$'000	$'000	$'000
Directly Held					
Cash Enhanced Fund	374,409	97,672	301,155	16,279	**789,515**
Indirectly Held					
Unit Trust (Debt Instruments)	177,670	179,017	40,252	3,325	**400,264**
Total	**552,079**	**276,689**	**341,407**	**19,604**	**1,189,779**

Financial Assets that are Either Past Due or Impaired

The Territory Banking Account does not have any impaired financial assets as at 30 June 2014 (nil: 30 June 2013). None of the terms of the Territory Banking Account's financial assets have been renegotiated so as to prevent these assets from being past due or impaired.

4.3 Liquidity Risk

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

CMTD's objective for the Territory Banking Account is to minimise liquidity risk by monitoring financial obligations as they fall due. CMTD, through the Territory Banking Account, manages this risk by only investing in an adequate amount of high grade securities that fall within the limitations set out in the investment guidelines and transacting with reputable counterparties. The investments of the Territory Banking Account are made in liquid markets and are readily redeemable if required. The Territory Banking Account is the end recipient of the majority of all Territorial revenues such as taxes, fees, fines and Commonwealth Government grants.

CMTD is able to access the Territory's borrowing program for which there is capacity to seek short or long term funding as required. Forecasts of future cash flows and borrowing maturities are maintained to ensure that there is sufficient funding available for any required settlements. Accordingly, the Territory Banking Account will have sufficient cash to meet the expenditure allocations as set out in the Territory Budget.

Analysis of Financial Liabilities based on Management Expectations

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 Banking Account. The table below reflects all contractual repayments of principal and interest resulting from recognised financial liabilities and expected settlement of financial liabilities. The amounts disclosed represent undiscounted cash flows for the respective obligations and expectations in respect of upcoming fiscal years.

Territory Banking Account
Notes to and Forming Part of the Financial Statements
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NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.3 Liquidity Risk – Continued

30 June 2014	Less than 3 Months $'000	3 Months to Less than 1 Year $'000	1 Year to Less than 5 Years $'000	Greater than 5 Years $'000	Total $'000
Non Derivatives					
Payables	35,710	0	0	0	**35,710**
Interest-Bearing Liabilities	207,010	164,678	1,137,637	2,762,286	**4,271,611**
Total Non Derivatives	**242,720**	**164,678**	**1,137,637**	**2,762,286**	**4,307,321**
Derivatives					
Net Settled (Swaps, Futures)	389	0	5,522	0	**5,911**
Total Derivatives	**389**	**0**	**5,522**	**0**	**5,911**

30 June 2013	Less than 3 Months $'000	3 Months to Less than 1 Year $'000	1 Year to Less than 5 Years $'000	Greater than 5 Years $'000	Total $'000
Non Derivatives					
Payables	42,591	0	0	0	**42,591**
Interest-Bearing Liabilities	249,636	120,634	1,081,507	2,305,080	**3,714,267**
Total Non Derivatives	**249,636**	**120,634**	**1,081,507**	**2,305,080**	**3,756,858**
Derivatives					
Net Settled (Swaps, Futures)	490	0	5,767	0	**6,257**
Total Derivatives	**490**	**0**	**5,767**	**0**	**6,257**

4.4 Fair Value of Financial Assets and Liabilities

In preparing these financial statements, the carrying amount of financial assets and financial liabilities recorded in the financial statements are considered to be a fair approximation of their fair values except for certain items within class of assets and liabilities highlighted in the following tables. Disclosure of the basis of determination of the fair values has been provided in each accounting policy note where relevant.

As provided in Note 2.10 'Loans and Receivables' and Note 2.14 'Interest-Bearing Liabilities' these classes of assets and liabilities are held on a long term basis (to maturity). These classes of assets and liabilities are initially measured at fair value and subsequently re-measured at amortised cost using the effective interest method. Fair value for these classes of assets and liabilities has been determined in reference to published price quotations in active markets (nominal fixed rate notes and indexed annuity bonds) and in non-active markets (fixed rate or historical Commonwealth loans) using discounted cash flow analysis valuation, applying prevailing discount rates of issuing entities with similar credit quality and duration profiles.

	Note No.	2014 Carrying Amount $'000	2014 Fair Value $'000	2013 Carrying Amount $'000	2013 Fair Value $'000
Financial Assets					
Loans and Receivables	7.2	1,816,271	1,982,631	1,827,247	1,863,005
Financial Liabilities					
Interest-Bearing Liabilities	8.2	4,014,819	3,758,838	3,449,176	3,545,974

Territory Banking Account
Notes to and Forming Part of the Financial Statements
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NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.4 Fair Value of Financial Assets and Liabilities - Continued

(a) Fair Value Hierarchy -Measurements Recognised in the Statement of Assets and Liabilities on Behalf of the Territory

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

(a) Level 1 – Fair Value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
(b) 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); or
(c) Level 3 – Fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For the purposes of presenting the fair value hierarchy, analysis is performed on the units and the securities held by the Territory Banking Account as at reporting date.

(b) Recurring Fair Value Measurement of Assets and Liabilities

30 June 2014	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets and Liabilities Measured at Fair Value				
Financial Assets				
Investments Directly Held				
Cash Enhanced Fund	352,025	715,676	0	**1,067,701**
Financial Derivatives				
Investments Indirectly Held				
Unit Trust - Cash	0	95,500	0	**95,500**
Unit Trust – Fixed Income	0	131,249	0	**131,249**
Financial Liabilities				
Investments Directly Held				
Financial Derivatives	389	5,522	0	**5,911**
Assets and Liabilities for which Fair Values are Disclosed				
Financial Assets				
Loans and Receivables	0	1,615,512	0	**1,615,512**
Financial Liabilities				
Interest-Bearing Liabilities	0	3,243,845	0	**3,243,845**
Net Assets	**351,636**	**(691,430)**	**0**	**(339,794)**

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.4 Fair Value of Financial Assets and Liabilities - Continued

(b) Recurring Fair Value Measurement of Assets and Liabilities - Continued

30 June 2013	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets and Liabilities Measured at Fair Value				
Financial Assets				
Investments Directly Held				
Cash Enhanced Fund	91,773	673,293	0	**765,066**
Financial Derivatives	285	0	0	**285**
Investments Indirectly Held				
Unit Trust - Cash	0	162,500	0	**162,500**
Unit Trust – Fixed Income	0	237,149	0	**237,149**
Financial Liabilities				
Investments Directly Held				
Financial Derivatives	490	0	0	**490**
Net Assets	**91,568**	**1,072,942**	**0**	**1,164,510**

Transfers between Levels 1 and 2

There were no significant transfers between Level 1 and Level 2 during the year.

(c) Valuation Techniques and Inputs

Quoted market price represents the fair value determined based on quoted prices on active markets for identical assets as at the reporting date without any deduction for transaction costs.

The investments in unlisted unit trusts includes domestic cash and fixed income which are not quoted in an active market and which may be subject to restrictions on redemptions.

Fair values of these investments are determined by using valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs. The investment manager considers the valuation techniques and inputs used in valuing these units as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the Net Asset Value of these units may be used as an input into measuring their fair value. In measuring this fair value, the Net Asset Value of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the units trust and fund manager. Depending on the nature and level of adjustments needed to the Net Asset Value and the level of trading in the unit trusts, these investments are classified as Level 2.

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.4 Fair Value of Financial Assets and Liabilities - Continued

(c) Valuation Techniques and Inputs - Continued

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

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

Fair value for loans and receivables has been determined by reference to published price quotations in active markets (nominal fixed rate notes and indexed annuity bonds) and in non-active markets (fixed rate or historical Commonwealth loans) using discounted cash flow analysis valuation, applying prevailing discount rates of issuing entities with similar credit quality and duration profiles. Fair values of the interest-bearing liabilities are determined by using the Discounted Cash Flow method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The non-performance risk as at 30 June 2014 was assessed to be insignificant.

4.5 Categorisation of Financial Assets and Liabilities

The accounting classification of each category of financial instruments, for the Territory Banking Account, for the years ending 30 June 2014 and 30 June 2013 is as follows:

30 June 2014	**Note No.**	**Loans & Receivables $'000**	**Financial Assets at FVTPL Designated $'000**	**Financial Assets at FVTPL Held for Trading $'000**	**Financial Liabilities at Amortised Cost $'000**	**Total Carrying Amount $'000**
Financial Assets						
Loans & Receivable	7.2	1,816,271	0		0	**1,816,271**
Financial Assets at FVTPL						
Directly Held						
Cash Enhanced Fund	7.3	0	1,112,537	(5,288)	0	**1,107,249**
Indirectly Held						
Cash Fund Unit Trust	7.3	0	95,500		0	**95,500**
Fixed Income Unit Trust	7.3	0	131,460		0	**131,460**
Financial Liabilities						
Payables	8.1	0	0		35,520	**35,520**
Interest-Bearing Liabilities	8.2	0	0		4,014,819	**4,014,819**
Net Assets		**1,816,271**	**1,333,497**	**(5,288)**	**(4,050,339)**	**(899,859)**

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

4.5 Categorisation of Financial Assets and Liabilities – Continued

30 June 2013	Note No.	Loans & Receivables $'000	Financial Assets at FVTPL Designated $'000	Financial Assets at FVTPL Held for Trading $'000	Financial Liabilities at Amortised Cost $'000	Total Carrying Amount $'000
Financial Assets						
Loans & Receivable	7.2	1,827,247	0		0	**1,827,247**
Financial Assets at FVTPL						
Directly Held						
Cash Enhanced Fund	7.3	0	819,402	(5,469)	0	**813,933**
Indirectly Held						
Cash Fund Unit Trust	7.3	0	162,500		0	**162,500**
Fixed Income Unit Trust	7.3	0	237,527		0	**237,527**
Financial Liabilities						
Payables	8.1	0	0		42,399	**42,399**
Interest-Bearing Liabilities	8.2	0	0		3,449,176	**3,449,176**
Net Assets		**1,827,247**	**1,219,429**	**(5,469)**	**(3,491,574)**	**(450,367)**

NOTE 5 INCOME ADMINISTERED ON BEHALF OF THE TERRITORY

5.1 Payment for Expenses on Behalf of the Territory

	2014 $'000	2013 $'000
Payment for Expenses on Behalf of the Territory [1]	60,796	33,261
Total Interest Revenue	**60,796**	**33,261**

[1] This represents the appropriation funding to meet the general government debt servicing interest liabilities on behalf of the Territory. The increase in 2014 is due to an increase in new borrowings.

5.2 Interest Revenue
5.2.1 Interest from Investments

On Investments Directly Held (Designated)[2]	26,637	35,241
Cash at Bank[3]	7,491	1,781
Total Interest from Investments	**34,128**	**37,022**

[2] This represents interest from investment assets which are directly owned and held through a separately managed fund. The decrease in 2014 reflects a lower balance of investment holdings and lower interest rate returns.
[3] Interest for ACT Government agencies banking account balances from the Commonwealth Bank and Westpac Banking Corporation. The increase in 2014 is due to higher levels of cash being retained in transactional banking accounts during the year.

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 5 INCOME ADMINISTERED ON BEHALF OF THE TERRITORY - CONTINUED

5.2 Interest Revenue - Continued
5.2.2 Interest from Loans and Advances

	2014 $'000	2013 $'000
ACTION	438	496
ACTEW Corporation Limited[4]	78,171	73,774
Chief Minister and Treasury Directorate	3,029	3,602
University of Canberra[5]	3,289	421
Total Interest from Loans and Advances	**84,927**	**78,293**

[4] Increase in 2013-14 from 2012-13 is due to an increase in loans provided to ACTEW Corporation Limited.
[5] Increase in 2013-14 from 2012-13 is due to an increase in loans provided to the University of Canberra for the development of student accommodation.

Total Interest Revenue	**119,055**	**115,315**

5.3 Distribution Revenue

On Investments Indirectly Held (Designated)[6]	11,768	19,232
Total Distribution Revenue	**11,768**	**19,232**

[6] Distribution revenue from investment assets indirectly held through pooled unit trusts. The decrease in 2014 reflects the balance of investment holdings and funds available for distribution within the unit trusts.

5.4 Gains on Investments at Fair Value through Profit or Loss
5.4.1 Realised Gains

On Investments Directly Held (Designated)[7]	6,056	6,901
Total Realised Gains	**6,056**	**6,901**

[7] This represents interest from investment assets which are directly owned and held through a separately managed fund. The actual results reflect the trading activity of the investment managers and the individual asset class market returns achieved over the financial year.

5.4.2 Unrealised Gains

On Investments Directly Held (Designated)	0	8,595
On Investments Indirectly Held (Designated)	795	0
Total Unrealised Gains[8]	**795**	**8,595**

[8] The actual results reflect the trading activity of the investment managers and the individual asset class market returns achieved over the financial year.

Total Gains on Investments at FVTPL	**6,851**	**15,496**

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 5 INCOME ADMINISTERED ON BEHALF OF THE TERRITORY – CONTINUED

5.5 Transfers from ACT Government Agencies

	2014 $'000	2013 $'000
ACT Gambling and Racing Commission	55,599	57,552
Chief Minister and Treasury Directorate	1,701,878	1,295,393
Commerce and Works Directorate	1,199,252	646,229
Education and Training Directorate	14	17
Environment and Sustainable Development Directorate	70,351	60,201
Health Directorate	1,133	1,094
Justice and Community Safety Directorate	192,202	54,607
Territory and Municipal Services Directorate	67,792	195,261
Treasury Directorate	0	1,037,118
Total Transfers from ACT Government Agencies[9]	**3,288,221**	**3,347,471**

[9] Transfer revenue represents the revenues collected by agencies on behalf of the Territory and then transferred to the Territory Banking Account. This revenue includes taxes, fees, fines and Commonwealth funding. Estimates of Territorial revenue to be collected by agencies and transferred to the Territory Banking Account are detailed in the annual Budget Papers. Variations in the actual amounts paid compared with the previous financial year outcome are explained in the 2013-14 financial statements of each agency. Following the *Administrative Arrangements 2012 (No.1)* of November 2012 Treasury Directorate was discontinued with the new Chief Minister and Treasury Directorate and the new Commerce and Works Directorate being established.

5.6 Other Income

5.6.1 Employer Superannuation Contributions

Employer Superannuation Contributions	140,333	142,262
Total Employer Superannuation Contributions[10]	**140,333**	**142,262**

[10] Employer Superannuation Contributions represent notional employer contributions made by ACT Government agencies and ActewAGL in relation to the Territory's defined benefit superannuation obligations for employees with membership of the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme, and notional employer and employee contributions in respect of the Members of the Legislative Assembly separate defined benefit scheme.

5.6.2 Investment Fee Rebates

On Investments Indirectly Held (Designated)	352	504
Total Investment Fee Rebates[11]	**352**	**504**

[11] Represents investment management fee rebates received from the fixed income unit trust in accordance with the terms of the investment management agreement.

5.6.3 Other

Other Revenue	5,259	1,121
Total Other[12]	**5,259**	**1,121**

[12] Represents moneys declared unclaimed in accordance with section 53A of the FMA, return of Comcare premium related refunds from ACT Insurance Authority and unclaimed moneys revenue from Public Trustee for the ACT.

Total Other Income	**145,944**	**143,888**
Total Income	**3,632,635**	**3,674,663**

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 6 EXPENSES ADMINISTERED ON BEHALF OF THE TERRITORY

6.1 Payments for Expenses to ACT Government Agencies

6.1.1 Government Payment for Outputs

	2014 $'000	2013 $'000
ACT Auditor-General's Office	2,625	2,545
ACT Gambling and Racing Commission	4,499	4,408
ACT Local Hospital Network	550,054	560,272
ACTEW Corporation Limited	10,615	10,587
Canberra Institute of Technology	67,766	67,851
Capital Metro Agency	8,468	0
Chief Minister and Treasury Directorate	47,926	52,452
Commerce and Works Directorate	29,295	10,430
Community Services Directorate	243,185	226,713
Cultural Facilities Corporation	8,048	7,835
Economic Development Directorate	81,271	77,889
Education and Training Directorate	576,019	559,045
Environment and Sustainable Development Directorate	67,387	72,691
Exhibition Park Corporation	429	412
Health Directorate	229,062	364,256
Housing ACT	42,984	42,673
Independent Competition and Regulatory Commission	406	518
Justice and Community Safety Directorate	271,712	254,918
Legal Aid Commission (ACT)	12,158	10,387
Office of the Legislative Assembly	7,563	7,401
Public Trustee for the ACT	706	695
Shared Services Centre	0	9,865
Territory and Municipal Services Directorate	301,979	289,544
Treasury Directorate	0	9,781
Total Government Payment for Outputs[13]	**2,564,157**	**2,643,168**

6.1.2 Payments for Expenses on Behalf of the Territory

ACT Executive	6,737	6,799
Commerce and Works Directorate	15,064	12,138
Community Services Directorate	46,685	44,127
Economic Development Directorate	7,945	7,772
Education and Training Directorate	236,994	218,114
Environment and Sustainable Development Directorate	1,657	1,686
Health Directorate	4,615	746
Justice and Community Safety Directorate	159,766	152,370
Office of the Legislative Assembly	5,410	6,209
Territory Banking Account	60,796	33,261
Treasury Directorate	0	7,857
Total Payments for Expenses on Behalf of the Territory[13]	**545,669**	**491,079**

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 6 EXPENSES ADMINISTERED ON BEHALF OF THE TERRITORY - CONTINUED

6.1 Payments for Expenses to ACT Government Agencies - Continued

6.1.3 Capital Injections

	2014 $'000	2013 $'000
ACT Public Cemeteries Authority	281	206
ACT Local Hospital Network	0	3,500
Canberra Institute of Technology	3,757	5,816
Chief Minister and Treasury Directorate	1,802	1,516
Commerce and Works Directorate	107,498	98,222
Community Services Directorate	10,674	11,573
Cultural Facilities Corporation	2,490	1,445
Economic Development Directorate	114,390	111,940
Education and Training Directorate	67,409	100,489
Environment and Sustainable Development Directorate	8,364	10,387
Exhibition Park Corporation	1,320	1,727
Health Directorate	118,142	129,968
Housing ACT	14,589	16,054
Justice and Community Safety Directorate	25,832	23,625
Legal Aid Commission (ACT)	151	0
Office of the Legislative Assembly	244	952
Shared Services Centre	0	7,347
Superannuation Provision Account	178,216	147,649
Territory and Municipal Services Directorate	228,998	204,538
Territory Banking Account	214	214
Treasury Directorate	0	63,255
Total Capital Injections[13]	**884,371**	**940,423**

[13] Government Payments for outputs, Payments for expenses on Behalf of the Territory and Capital Injections are the transfer of appropriated moneys to ACT Government agencies from the Territory Banking Account. Variations in the actual amounts paid compared with the previous financial year outcome are explained in the 2013-14 financial statements of each agency. Following the Administrative Arrangements of 9 November 2012, some agencies are discontinued and some of the increases and decreases are impacted as a result of transfers following the *Administrative Arrangements 2012 (No.1)*.

Total Payments for Expenses to ACT Government Agencies	**3,994,197**	**4,074,670**

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 6 EXPENSES ADMINISTERED ON BEHALF OF THE TERRITORY - CONTINUED

6.2 Interest Expense

	2014 $'000	2013 $'000
Promissory Notes[14]	8,779	10,743
Inflation-Linked Bonds[15]	50,213	47,024
Fixed Rate Nominal Bonds[16]	79,974	54,389
ACT Government Agencies Investment Interest[17]	32,588	43,026
Commonwealth Land and Buildings Loan[18]	697	766
Total Interest Expenses[19]	**172,251**	**155,949**

[14] The lower borrowing cost in 2013-14 is due to lower variable interest rates and a lower volume of borrowings on issue from the previous year.
[15] The higher borrowing cost in 2013-14 is due to an increased cost of funds on Inflation-Linked Bonds on issue from the previous year.
[16] The higher borrowing cost in 2013-14 is due to an increase in fixed rate nominal bonds on issue compared with 2012-13.
[17] The lower interest paid in 2013-14 is due to a lower investment return on investment balances compared with 2012-13.
[18] The actual outcome in 2013-14 is lower than in 2012-13 due to a lower loan balance because of scheduled principal repayments.
[19] Refer to Note 8.2 for terms and conditions of the Interest-Bearing Liabilities.

6.3 Losses on Investments at Fair Value through Profit or Loss

On Investments Directly Held (Designated)	242	0
On Investments Indirectly Held (Designated)	301	7,788
Total Losses on Investments at FVTPL[20]	**543**	**7,788**

[20] The unrealised loss of the external financial investments reflects the change in the fair value of fixed interest securities as at reporting date.

6.4 Investment Administration Expenses

Investment Management Services	553	528
Master Custody Investment Administration	161	161
Total Investment Administration Expenses[21]	**714**	**689**

[21] Investment Manager Fees are fees paid to fund managers for the management of the Territory Banking Account Investment assets. Master Custody Fees are fees paid to a master custodian for holding assets and maintaining the portfolio and accounting records for each investment manager.

6.5 Other Expenses

Act of Grace Payments	0	19
Unclaimed Moneys Claims	5	8
Debt Program Payments[22]	649	1,175
Total Other Expenses	**654**	**1,202**

[22] Debt issuance program related payments including dealer fees, settlement and registry fees. Actual payments reflect form and volume of new borrowing transactions.

Total Expenses	**4,168,359**	**4,240,298**

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 7 ASSETS ADMINISTERED ON BEHALF OF THE TERRITORY

7.1 Cash

	2014 $'000	2013 $'000
Cash Held at Bank	51,919	80,670
Total Cash	**51,919**	**80,670**

7.2 Loans and Receivables

7.2.1 Current – Transfer Revenue Receivable from ACT Government Agencies

ACT Gambling and Racing Commission	4,205	4,251
Chief Minister and Treasury Directorate	52,452	129,313
Commerce and Works Directorate	98,312	142,624
Environment and Sustainable Development Directorate	9,638	12,467
Justice and Community Safety Directorate	11,494	10,152
Territory and Municipal Services Directorate	23,005	13,241
Total Current Transfers Revenue Receivable[23]	**199,106**	**312,048**

[23] Variations in the actual amounts paid compared with the previous financial year outcome are explained in the 2013-14 financial statements of each agency.

7.2.2 Current – Loan Interest Receivable from ACT Government Agencies

ACTEW Corporation	5,891	5,349
ACTION	0	1
Chief Minister and Treasury Directorate[24]	450	871
University of Canberra[25]	3,710	421
Total Current Loan Interest Receivable	**10,051**	**6,641**

[24] Represents accrued interest in relation to Community Housing Canberra loans only. 2012-13 result included a loan to University of Canberra which was repaid in full in 2013-14.
[25] Increase in 2013-14 is due to new loans provided to University of Canberra.

7.2.3 Current – Investment Interest Receivable

Cash, Cash Enhanced and Fixed Income[26]	19,610	28,453
Total Current Investment Interest Receivable	**19,610**	**28,453**

[26] The actual results reflect the trading activity of the investment managers and the individual asset class market returns achieved over the financial year.

7.2.4 Current – Loans Receivable from ACT Government Agencies

ACTEW Corporation	18,977	17,392
ACTION	341	631
Chief Minister and Treasury Directorate[27]	0	1,105
Total Current Loans Receivable	**19,318**	**19,128**

[27] Represents loans receivable in relation to Community Housing Canberra loans only at 30 June 2014. 2012-13 result included a loan to University of Canberra which was repaid in full in 2013-14.

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 7 ASSETS ADMINISTERED ON BEHALF OF THE TERRITORY - CONTINUED

7.2 Loans and Receivables - Continued

7.2.5 Current – Other Receivable

	2014 $'000	2013 $'000
Australian Taxation Office (Goods and Services Tax)	12	2
Total Current Other Receivable	**12**	**2**
Total Current Loans and Receivables	**248,097**	**366,273**

7.2.6 Non-Current – Loans Receivable from ACT Government Agencies

ACTEW Corporation[28]	1,427,107	1,334,909
ACTION[29]	2,727	3,068
Chief Minister and Treasury Directorate[30]	68,412	88,777
University of Canberra[31]	69,928	34,220
Total Non-Current Loans Receivable	**1,568,174**	**1,460,974**

[28] Comprises an indexed annuity loan, maturing 17 April 2020, at combined rate of fixed at 3.89% plus quarterly CPI; an indexed annuity loan, maturing 12 June 2048, at a weighted combined rate of fixed 2.85% plus quarterly CPI; capital indexed bond loan, maturing 17 June 2030, at a combined rate of fixed at 3.52% plus quarterly CPI; a fixed rate nominal bond at a rate of 5.72% maturing 7 June 2018 and a fixed rate nominal bond at a rate of 4.33% maturing 22 May 2020. Actual outcome in 2013-14 is higher than in 2012-13 due to the provision of the new fixed rate nominal bond loan of $100 million (face value) at a rate of 4.22% maturing 22 May 2024 to ACTEW Corporation Limited as funding for ACTEW's capital expenditure program as well as higher interest cost on inflation linked bonds.

[29] Comprises an amortising loan, maturing 30 June 2023, at a fixed rate of 12.57%. Actual outcome of current and non-current portions in 2013-14 is lower than 2012-13 due to scheduled principal repayments during the year.

[30] Represents loans receivable in relation to Community Housing Canberra loans only at 30 June 2014. 2012-13 result included a loan to University of Canberra which was repaid in full in 2013-14.

[31] Increase in 2013-14 due to new loans provided to University of Canberra for student accommodation development.

Total Loans and Receivables[32]	**1,816,271**	**1,827,247**

[32] The Territory Banking Account does not hold any collateral for the above financial instruments. The risk of the loans and interest not being received is considered low as the loans are with ACT Government related agencies.

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 7 ASSETS ADMINISTERED ON BEHALF OF THE TERRITORY - CONTINUED

7.3 Investments

(a) The following provides the investment summary of the Territory Banking Account's as at balance date. The investment summary represents a group of financial assets, financial liabilities or both, that is risk managed, and its performance is evaluated on a net basis in accordance to the Territory Banking Account's investment strategy. All investments are designated at Fair Value through Profit and Loss. Derivatives are held-for-trading.

Investment Summary[33]	**2014 $'000**	**2013 $'000**
Financial Assets at Fair Value:		
Discount Securities	403,535	91,773
Fixed Income Securities	663,543	677,185
Unit Trust	226,749	400,027
Derivatives	0	285
Financial Liabilities at Fair Value		
Derivatives	5,288	5,755
	1,288,539	**1,163,515**
Other Financial Instruments at Balance Date		
Cash, Receivables and Other Assets	60,843	70,975
Payables Liabilities	15,173	20,530
	45,670	**50,445**
Net Financial Investments	**1,334,209**	**1,213,960**

[33] The investment assets held by the Territory Banking Account are invested for the purpose of maximising interest earned within established risk and return tolerances of the Territory by contracted external professional investment managers.

The following tables provide more details in relation to investments held at balance date.

(b) Directly/Indirectly Held Financial Investments Breakdown

Breakdown of Territory Banking Account's directly/indirectly held investments.

Financial Assets at Fair Value		
Investments Directly Held (Designated)	1,107,249	813,933
Investments Indirectly Held (Designated)	226,960	400,027
Total Financial Asset Investments	**1,334,209**	**1,213,960**

(i) Directly Held Asset Class Financial Investments Breakdown

Breakdown, by asset class, of the Territory Banking Account's directly held investments.

Asset Class – Investments Directly Held (Designated)		
Cash Enhanced Fund[34]	1,107,249	813,933
Total Investments Directly Held	**1,107,249**	**813,933**

[34] For the year ended 30 June 2014, the net investment return of these investments was 3.45% (2012-13: 5.77%).

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 7 ASSETS ADMINISTERED ON BEHALF OF THE TERRITORY - CONTINUED

7.3 Investments - Continued

(ii) Indirectly Held Asset Class Financial Investments Breakdown

Breakdown, by asset class, of the Territory Banking Account's indirectly held investments.

Asset Class – Investments Indirectly Held (Designated)	2014 $'000	2013 $'000
Unit Trust – Cash[35]	95,500	162,500
Unit Trust – Fixed Income[36]	131,460	237,527
Total Investments Indirectly Held	**226,960**	**400,027**

[35] For the year ended 30 June 2014, the net investment return of these investments was 2.83% (2012-13: 3.44%).
[36] For the year ended 30 June 2014, the net investment return of these investments was 6.06% (2012-13: 2.71%).

Total Financial Investments by Asset Class	**1,334,209**	**1,213,960**

NOTE 8 LIABILITIES ADMINISTERED ON BEHALF OF THE TERRITORY

8.1 Payables

8.1.1 Current – Accrued Interest Payable to ACT Government Agencies

ACT Government Agencies Investment Interest[37]	14,972	20,531
Total Accrued Interest Payable to Agencies	**14,972**	**20,531**

[37] The actual results reflect the trading activity of the investment managers and the individual asset class market returns achieved over the financial year.

8.1.2 Current – Accrued Interest Payable External

Promissory Notes[38]	318	774
Inflation-Linked Bonds[39]	11,463	9,568
Fixed Rate Nominal Bonds[40]	3,469	3,265
Total Accrued Interest Payable External	**15,250**	**13,607**

[38] The lower actual result in 2013-14 from 2012-13 is due to a lower amount of Promissory Notes on issue at 30 June 2014.
[39] The higher accrued interest payable reflects an increased cost of funds as a result of changes to the consumer price index.
[40] The higher actual result in 2013-14 from 2012-13 is due to a higher amount of fixed rate nominal bonds on issue at 30 June 2014.

8.1.3 Current – Expenses on Behalf of the Territory Payable

Community Services Directorate	5,298	8,261
Total Expenses on Behalf of the Territory Payable	**5,298**	**8,261**
Total Payables[41]	**35,520**	**42,399**

[41] All payables recognised are current and not overdue.

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 8 LIABILITIES ADMINISTERED ON BEHALF OF THE TERRITORY- CONTINUED

8.2 Interest-Bearing Liabilities

8.2.1 Current – ACT Government Agency Investment Deposits

	2014 $'000	2013 $'000
General Government Sector Agencies	791,660	446,305
Public Trading Enterprise Sector Agencies	115,804	123,343
Total ACT Government Agency Investment Deposits[42]	**907,464**	**569,648**

[42] Actual results reflect underlying agency activity.

8.2.2 Current – External Borrowings

Promissory Notes	89,018	191,266
Inflation-Linked Bonds	18,899	17,351
Commonwealth Land and Buildings Loan	554	554
Total External Borrowings	**108,471**	**209,171**
Total Current Interest-Bearing Liabilities	**1,015,935**	**778,819**

8.2.3 Non-Current – ACT Government Agency Investment Deposits

General Government Sector Agencies	22,866	179,217
Total ACT Government Agency Investment Deposits[43]	**22,866**	**179,217**

[43] Actual results reflect underlying agency activity.

8.2.4 Non-Current – External Borrowings

Inflation-Linked Bonds[44]	815,192	821,894
Fixed Rate Nominal Bonds[45]	2,156,392	1,664,257
Commonwealth Land and Buildings Loan[46]	4,434	4,988
Total External Borrowings	**2,976,018**	**2,491,140**

[44] Comprises an indexed annuity borrowing, maturing 17 April 2020, at combined rate of fixed at 3.74% plus quarterly CPI; an indexed annuity borrowing, maturing 12 June 2048, at a weighted combined rate of fixed 2.83% plus quarterly CPI; and a capital indexed bond borrowing, maturing 17 June 2030, at a combined rate of fixed at 3.50% plus quarterly CPI.
[45] Comprises a fixed rate nominal bond at a weighted rate of 5.39% maturing 7 June 2018, a fixed rate nominal bond at a weighted rate of 4.20% maturing 22 May 2020, a fixed rate nominal bond at a rate of 4.50% maturing 11 April 2022. Actual outcome in 2013-14 is higher than in 2012-13 due to a new fixed rate nominal bond loan of $500 million (face value) at a rate of 4.20% maturing 22 May 2024.
[46] Comprises an amortising loan, maturing 30 June 2023, at a fixed rate of 12.57%. Actual outcome of current and non-current portions in 2013-14 is lower than 2012-13 due to scheduled principal repayments during the year.

Total Non-Current Interest-Bearing Liabilities	**2,998,884**	**2,670,357**
Total Interest-Bearing Liabilities	**4,014,819**	**3,449,176**

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 8 LIABILITIES ADMINISTERED ON BEHALF OF THE TERRITORY- CONTINUED

8.3 Other Financial Liabilities

	2014 $'000	2013 $'000
Interest Rate Swaps and Forwards[47]	0	1,522
Total Other Financial Liabilities	**0**	**1,522**

[47] This interest rate swap previously undertaken as a part of the management of the Territory Banking Account's interest-bearing liabilities matured in May 2014.

NOTE 9 EQUITY

9.1 Distributions from ACT Government Agencies

ACT Gambling and Racing Commission	0	2,000
ACT Insurance Authority	50,000	0
Chief Minister and Treasury Directorate	65	161
Commerce and Works Directorate	5,130	33,900
Home Loan Portfolio	2,000	500
Shared Services Centre	0	3,308
Total Distributions from ACT Government Agencies[48]	**57,195**	**39,869**

[48] Variations in the actual amounts paid compared with the previous financial year outcome are explained in the 2013-14 financial statements of each agency.

9.2 Movements in Equity during the Financial Year

Accumulated (Deficits)/Funds[(a)]	(847,942)	(369,627)
Other Reserves[(b)]	0	(1,594)
Total Equity[23]	**(847,942)**	**(371,221)**

Reconciliation of Movements in Equity During the Year

[(a)] Accumulated Funds

Balance at the Beginning of the Reporting Period	**(369,627)**	**155,924**
Operating (Deficit)	(535,724)	(565,634)
Capital Distributions	57,195	39,869
Capital Injections	214	214
Balance at the End of the Reporting Period	**(847,942)**	**(369,627)**

[(b)] Reserves

Cash Flow Hedges		
Balance at the Beginning of the Reporting Period	**(1,594)**	**(2,974)**
Gain/(Loss) taken to Equity	(83)	2,788
(Loss)/Gain taken to the Income Statement	1,677	(1,408)
Balance at the End of the Reporting Period	**0**	**(1,594)**
Total Balance at the End of the Reporting Period	**(847,942)**	**(371,221)**

Territory Banking Account
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 10 CASH FLOW RECONCILIATION

Reconciliation of Cash at the end of the Reporting Period in the Cash Flow Statement on Behalf of the Territory to the Related Items in the Statement of Assets and Liabilities on Behalf of the Territory.

Total Cash Recorded in the Statement of Assets and Liabilities on Behalf of the Territory	**2014 $'000**	**2013 $'000**
Cash at Bank	51,919	80,670
Cash at the End of the Reporting Period as Recorded in the Cash Flow Statement on Behalf of the Territory	**51,919**	**80,670**
Reconciliation of Net Cash Inflows from Operating Activities to the Operating Deficit		
Operating (Deficit)	**(535,724)**	**(565,634)**
Add/(Less) Non-Cash Items		
Capital Distributions	0	33,900
Payments to ACT Government Agencies	881,082	940,423
Net Change in Value of Financial Investments and Liabilities	(3,174)	3,952
Cash Before Changes in Operating Assets and Liabilities	**877,908**	**978,275**
Changes in Operating Assets and Liabilities		
(Increase)/Decrease in Income Receivable	118,365	5,942
(Increase)/Decrease in Prepayments	2,963	(2,469)
Increase/(Decrease) in Interest Payable	(3,916)	10,411
Net Changes in Operating Assets and Liabilities	**117,412**	**13,884**
Net Cash Inflow from Operating Activities	**459,596**	**426,525**

NOTE 11 COMMITMENTS ON BEHALF OF THE TERRITORY

There are no commitments (costs associated with financial asset and liability management) contracted at reporting date that have not been recognised as liabilities payable (2012-13: Nil).

NOTE 12 CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or contingent liabilities as at the date of the financial statements (2012-13: nil).

NOTE 13 INDEMNITIES

There are no indemnities as at 30 June 2014 (2012-13: nil).

NOTE 14 EVENTS OCCURRING AFTER BALANCE DATE

There are no events after the balance date which would affect the financial statements as at 30 June 2014 or in subsequent years (2012-13: nil).

NOTE 15 AUDITOR'S REMUNERATION

The ACT Auditor-General's Office performs the audit for the Territory Banking Account's financial statements. No other services are provided. Payment for auditors' remuneration is made by CMTD (2013-14: $40,255 and 2012-13: $45,755).

Statement of Performance

For the Year Ended

30 June 2014

Territory Banking Account

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

REPORT OF FACTUAL FINDINGS

TERRITORY BANKING ACCOUNT

To the Members of the ACT Legislative Assembly

Report on the statement of performance

The statement of performance of the Territory Banking Account for the year ended 30 June 2014 has been reviewed.

Responsibility for the statement of performance

The Under Treasurer is responsible for the preparation and fair presentation of the statement of performance of the Territory Banking Account in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate records and internal controls that are designed to prevent and detect fraud and error, and the systems and procedures to measure the results of the accountability indicators reported in the statement of performance.

The auditor's responsibility

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2011*, I am responsible for providing a report of factual findings on the statement of performance.

The review was conducted in accordance with Australian Auditing Standards applicable to review engagements, to provide assurance that the results of the accountability indicators reported in statement of performance have been fairly presented in accordance with the *Financial Management Act 1996*.

A review is primarily limited to making inquiries with representatives of the Territory Banking Account, performing analytical and other review procedures and examining other available evidence. These review procedures do not provide all of the evidence that would be required in an audit, therefore, the level of assurance provided is less than that given in an audit. An audit has not been performed and no audit opinion is being expressed on the statement of performance.

The review did not include an assessment of the relevance or appropriateness of the accountability indicators reported in the statement of performance or the related performance targets.

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No opinion is expressed on the accuracy of explanations provided for variations between actual and targeted performance due to the often subjective nature of such explanations.

Electronic presentation of the statement of performance

Those viewing an electronic presentation of this statement of performance should note that the review 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 this statement of performance. If users of this statement of performance are concerned with the inherent risks arising from the electronic presentation of information, they are advised to refer to the printed copy of the reviewed statement of performance to confirm the accuracy of this electronically presented information.

Independence

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

Review opinion

Based on the review procedures, no matters have come to my attention which indicate that the results of the accountability indicators, reported in the statement of performance of the Territory Banking Account for the year ended 30 June 2014, are not fairly presented in accordance with the *Financial Management Act 1996*.

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

Dr Maxine Cooper
Auditor-General
[illegible] September 2014

Territory Banking Account
Statement of Performance
For the Year Ended 30 June 2014

Statement of Responsibility

In my opinion, the Statement of Performance is in agreement with the Territory Banking Account's records and fairly reflects the service performance of the Territory Banking Account in providing each class of outputs during the year ended 30 June 2014 and also fairly reflects the judgements exercised in preparing them.

David Nicol
Under Treasurer
Chief Minister, Treasury and Economic Development Directorate
18 August 2014

Territory Banking Account
Statement of Performance
For the Year Ended 30 June 2014

EBT **TERRITORY BANKING ACCOUNT**
EBT 1 **TERRITORY BANKING ACCOUNT**
Description: Management of the Territory's Investment and Borrowing Activities

Accountability Indicator	Original Target 2013-14	Actual Result 2013-14	% Variance from Target	Explanation of Material Variances (+/- 5%)
(a) Difference between the net investment earnings rate and the benchmark is to be ≥ 0	≥ 0	0.56%	18.30%	The investment portfolio achieved an investment return for the 2013-14 financial year of 3.62 per cent (net of fees). This return was better than the portfolio's performance benchmark return of 3.06 per cent due mainly to performance by the cash enhanced investment portfolio and its exposure to high quality investment grade securities across diverse sectors of the Australian credit market.
(b) Cash and Liquidity Management of the Territory Banking Account	100%	100%	0%	The aggregate cash and investment balance is positive at the end of the day for the Territory Banking Account during the financial year.
(c) Completion of new Territory borrowings	100%	100%	0%	All borrowing transactions are completed for the financial year ended 30 June 2014.
(d) Completion of debt servicing obligations	100%	100%	0%	All debt servicing obligations were completed for the financial year ended 30 June 2014.
(e) Completion Budget Appropriation disbursements	100%	100%	0%	All Budget appropriation disbursements were completed for the financial year ended 30 June 2014.
(f) Completion and delivery of Monthly Financial Reporting	11	11	0%	Monthly reporting was prepared and completed for the eleven months required by the Budget target. Delivery of the monthly financial reports was only required by Finance and Budgets Division for nine month end periods.
(g) Completion and delivery of unqualified Annual Financial Statements	1	1	0%	
TOTAL COST ($'000)	**$4,394,783**	**$4,168,359**	**(5%)**	The majority of the Territory Banking Account costs are payments of appropriations to ACT Government agencies. The amounts paid and their timing are subject to operational requirements of the ACT Government agencies. Remaining expenses relate to the borrowing interest costs, investment interest payments to ACT Government agencies and investment and borrowings administrative fees. The variation of $226 million is mainly due to ACT Government agencies expenditure activities and comprises lower budget appropriation transfers to agencies of $235 million offset by higher interest expenses of $9 million.
EXPENSE ON BEHALF OF THE TERRITORY ($'000)	**$66,620**	**$60,796**	**(9%)**	The lower actual outcome compared with the original budget is due to lower interest rates applying to the cost of borrowings, the timing profile of required borrowings and a lower amount of borrowings than originally estimated during the year.

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

Territory Banking Account
Statement of Performance
For the Year Ended 30 June 2014

Explanation of Accountability Indicators:	
(a)	The difference between the actual annual portfolio investment earnings rate and the established performance benchmark is a measure of the relative performance of the Territory's fund managers to the benchmark.
(b)	Maintaining a positive aggregate cash and investment balance of the Territory Banking Account to meet ongoing cash payment obligations. For performance measurement purposes, the actual daily aggregate cash and investment balance of the Territory Banking Account will be counted as the result. If the aggregate cash and investment balance is not positive at the end of a day, this will not be counted in the result.
(c)	Raising all new Territory borrowing requirements in accordance with approved borrowing limits and guidelines. The measure will be the actual number of conforming borrowing transactions compared to the total borrowing transactions completed.
(d)	The payment of Territory debt serving interest and principal repayment obligations to be completed accurately and within required timeframes. The measure will be the actual number of conforming debt servicing settlement transactions compared with the total number of debt servicing settlement transactions completed.
(e)	The payment of budget appropriation disbursement payments to agencies to be completed accurately and within required timeframes. The measure will be the actual number of conforming disbursement payments compared with the total number of disbursement transactions completed.
(f)	Monthly financial reporting involves the preparation of accrual financial statements, without notes, for transmission to Finance and Budget Division, CMTD. The monthly financial reporting will not be counted for the year if the financial statements are not completed and provided to Finance and Budget Division by business day nine of the next month.
(g)	Involves the preparation of the previous year's annual financial statements for auditing and inclusion in the CMTD annual report. The objective is to receive an unqualified audit opinion during the year.

The above Accountability Indicators were examined by the ACT Auditor-General's Office in accordance with the *Financial Management Act 1996*.

Financial Statements

For the Year Ended

30 June 2014

ACT Compulsory Third-Party

Insurance Regulator

Management Discussion and Analysis
ACT Compulsory Third-Party Insurance Regulator
for the Financial Year Ended 30 June 2014

General Overview

Objectives

The role of the Australian Capital Territory Compulsory Third-Party Insurance regulator (CTP regulator) is to regulate the compulsory third-party (CTP) insurance scheme in the ACT under the CTP Act. The CTP regulator's functions are to be carried out in accordance with the objectives of the CTP Act under section 5A, which are to:

- continue improving the system of CTP insurance operating in the ACT;
- promote competition in setting premiums for CTP policies;
- keep the costs of insurance at an affordable level;
- provide for the licensing and supervision of insurers providing insurance under CTP insurance policies;
- encourage the speedy resolution of personal injury claims resulting from motor accidents;
- promote and encourage, as far as practicable, the rehabilitation of people injured in motor accidents;
- maintain a register of motor accident claims to help the administration of the statutory insurance scheme and the detection of fraud; and
- promote measures directed at eliminating or reducing causes of motor accidents and mitigating their results.

Risk Management

The CTP regulator developed and implemented a risk management plan in accordance with the Australian/New Zealand risk management AS/NZS ISO 31000:2009 and the ACT Government's "Enterprise Wide Risk Management Framework". The CTP regulator has overall responsibility for risk management, and for ensuring compliance with the risk management plan.

The risk management plan identifies the key risk areas as operational, financial, legal and reputational risk. In establishing the CTP regulator as a reputable and robust regulator of CTP insurance in the ACT, independent of the Government, particular risks will be faced in the preliminary years. The key risks in the preliminary years are reputational risk and risk relating to sufficiency of resources, both financial and personnel. The risk management plan has identified the following potential risks that may influence its future financial position and ability to fulfil its obligations and operate effectively:

- CTP regulator not meeting stakeholder expectations;
- insufficient resources available to achieve statutory requirements caused by new insurers entering the ACT scheme; and
- failure to meet legislative requirements.

These risks are mitigated through the use of appropriate governance structures, application of risk based management strategies and financial reporting processes.

Financial Performance

The following financial information is based on the audited Financial Statements for 2013-14 and 2012-13, and the forward estimates contained in the 2014-15 Budget Statements.

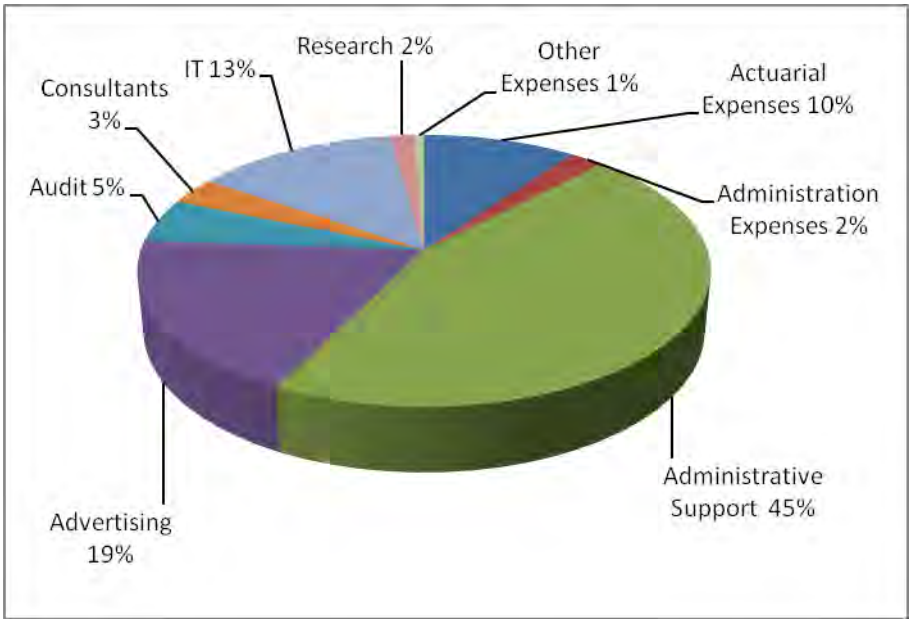
Total Expenditure

1. Components of Expenditure

For the financial year ended 30 June 2014, the CTP regulator recorded a total expenditure of $0.310 million. The largest component was administrative support expenses within supplies and services, which represents 45 per cent of the total expenditure or $0.140 million.

Figure 1 indicates the components of the CTP regulator's expenditure for the 2013-14 financial year.

Figure 1 – Components of Expenditure



2. Comparison to Budget

Total expenditure of $0.310 million was $0.054 million higher than the 2013-14 Budget of $0.256 million. This was mainly due to the advertising costs associated with the road safety initiative incurred in 2013-14 and increased administrative support expenses associated with the reimbursement of salary and superannuation expenses for the Chief Minister and Treasury Directorate (CMTD) staff allocated to undertake the CTP regulator's functions. These increased costs were partially offset by lower actuarial costs mainly due to the premium filing extension granted to NRMA until November 2014. A premium filing is a report provided by a CTP insurer to the CTP regulator containing a range of information in support of its annual CTP premium. The filing is assessed by the scheme actuary to ensure the CTP insurance scheme remains fully funded and that the premium is not excessive. Premium filings are usually submitted on an annual basis. As a result of the extension being granted, the associated actuarial expense was not incurred in 2013-14.

3. Comparison to 2012-13 Actual Expenditure

Total expenditure in 2013-14 of $0.310 million, was $0.094 million, or 44 percent higher than the 2012-13 actual result of $0.216 million. This was mainly due to the advertising costs associated with the road safety initiative incurred during 2013-14 ($0.058 million) and an increase in administrative support expenses associated with the reimbursement of salary and superannuation expenses for the CMTD staff allocated to undertake the CTP regulator's functions ($0.034 million). The increase was

due to a review of time spent by CMTD staff undertaking the CTP regulator's financial and administrative functions.

4. Future Trends

Expenditure is budgeted to increase by $0.202 million in 2014-15 mainly due to an increase in administrative costs associated with actuarial, information technology and arbitration costs as well as increased costs associated with initiatives directed at eliminating or reducing causes of motor accidents. Expenditure is expected to decrease in 2015-16 mainly due to a decrease in information technology costs partially offset by an increase in actuarial costs and costs associated with initiatives directed at eliminating or reducing causes of motor accidents. Expenditure is anticipated to increase after 2015-16.

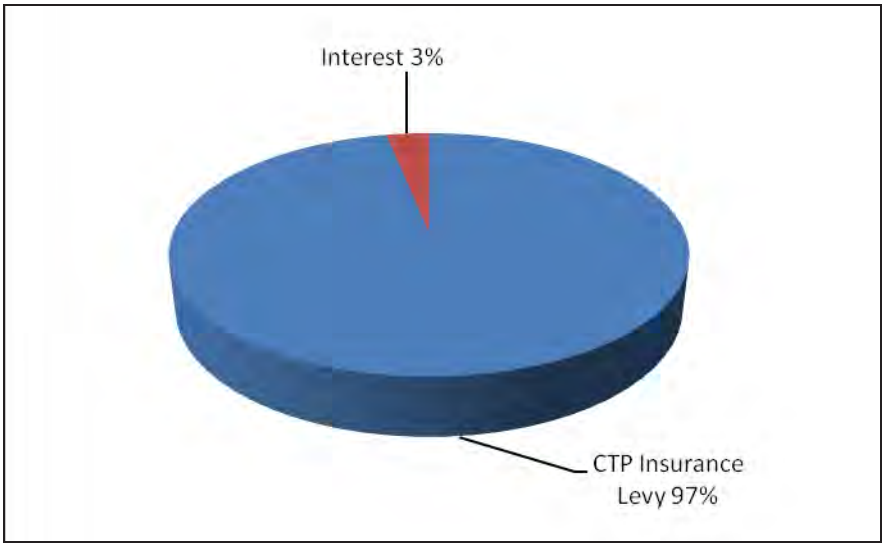
Total Income

1. Components of Income

For the financial year ended 30 June 2014, the CTP regulator recorded a total income of $0.471 million. The CTP regulator's income was derived from the levy on ACT CTP premiums and interest from cash at bank.

Figure 2 indicates the components of the CTP regulator's income for the 2013-14 financial year.

Figure 2 – Components of Income



2. Comparison to Budget

Revenue

Revenue for the financial year ended 30 June 2014 was $0.215 million, or 84 per cent higher than the 2013-14 Budget of $0.256 million. This was mainly due to:

- an increase in income from the CTP insurance levy arising mainly from a higher than anticipated incidence of short term vehicle registrations during 2013-14 as well as an increase in the CTP insurance levy from 50 cents (based on policy months) to $1.00 (per registration) with effect from 1 May 2013; and
- an increase in interest from cash at bank due to increased receipts of CTP insurance levy and Nominal Defendant levy (collected by the CTP regulator). Interest income was not anticipated in the budget.

3. Comparison to 2012-13 Actual Income

Revenue

Total revenue for 2013-14 was $0.167 million or 55 per cent higher than the 2012-13 actual revenue of $0.304 million. This was mainly due to:

- an increase in the CTP insurance levy from 50 cents (based on policy months) to $1.00 (per registration) with effect from 1 May 2013 and a higher incidence of short term vehicle registrations during 2013-14; and
- an increase in interest from cash at bank due to increased receipts of CTP insurance levy and Nominal Defendant levy (collected by the CTP regulator).

This increase was partially offset by:

- a decrease in the resources received free of charge associated with services received from CMTD during 2012-13. During 2013-14 the CTP regulator reimbursed CMTD for the salary and superannuation expenses for the CMTD staff allocated to undertake the CTP regulator's functions. Accordingly, there were no resources received free of charge during 2013-14.

4. Future Trends

Income is budgeted to increase in the future mainly due to the increase in income from CTP insurance levy in line with the projected population growth.

Financial Position

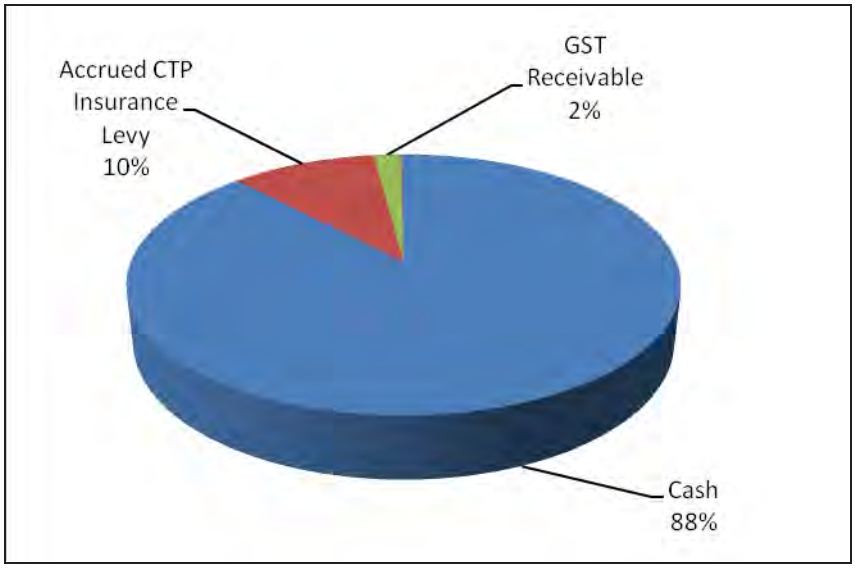
Total Assets

1. Components of Total Assets

The total asset position as at 30 June 2014 was $0.380 million and shows the CTP regulator held 88 percent of its assets in Cash.

Figure 3 indicates the components of the CTP regulator's total assets as at 30 June 2014.

Figure 3 – Total Assets as at 30 June 2014



2. Comparison to Budget

Total assets of $0.380 million at 30 June 2014 were higher than the Budget of $0.036 million mainly due to higher than budgeted cash at the beginning of the financial year and an increase in cash at bank in 2013-14 associated with increased receipts of CTP insurance levy and the delay in some road safety initiative expenses.

3. Comparison to 2012-13 Actuals

Total assets at 30 June 2014 were $0.167 million, or 78 percent higher than the 30 June 2013 actual result of $0.213 million. The increase relates to an increase in cash at bank associated with increased receipts of CTP insurance levy and the delay in some road safety initiative expenses.

4. Liquidity

'Liquidity' is the ability of the CTP regulator to satisfy its short-term debts as they fall due. A common indicator for liquidity is the current ratio, which compares the ability to fund short-term liabilities from short-term assets. A ratio of less than 1-to-1 may indicate a reliance on the next financial year's CTP insurance levy to meet short-term debts.

Table 1 indicates the liquidity position of the CTP regulator.

Table 1 – Current Ratio

Description	Prior Year Actual 2012-13 $'000	Current Year Budget 2013-14 $'000	Current Year Actual 2013-14 $'000	Forward Year Budget 2014-15 $'000s	Forward Year Budget 2015-16 $'000s	Forward Year Budget 2016-17 $'000s
Current Assets	*213*	*36*	*380*	*300*	*300*	*300*
Current Liabilities	*51*	*55*	*57*	*70*	*70*	*70*
Current Ratio	*4.18:1*	*0.65:1*	*6.67:1*	*4.29:1*	*4.29:1*	*4.29:1*

The CTP regulator's current ratio for the financial year is 6.67:1, which is higher than the budgeted current ratio of 0.65:1 as well as the actual current ratio for 2012-13 of 4.18:1. The high current ratio is reflective of increased cash at bank associated with increased receipts of the CTP insurance levy during 2013-14.

The CTP regulator has budgeted to maintain a strong level of liquidity with the current ratio anticipated at 4.29:1 across the forward years. The maintenance of the cash levels provide a buffer if the number of short term vehicle registrations decrease in the future which will have the impact of decreasing revenue.

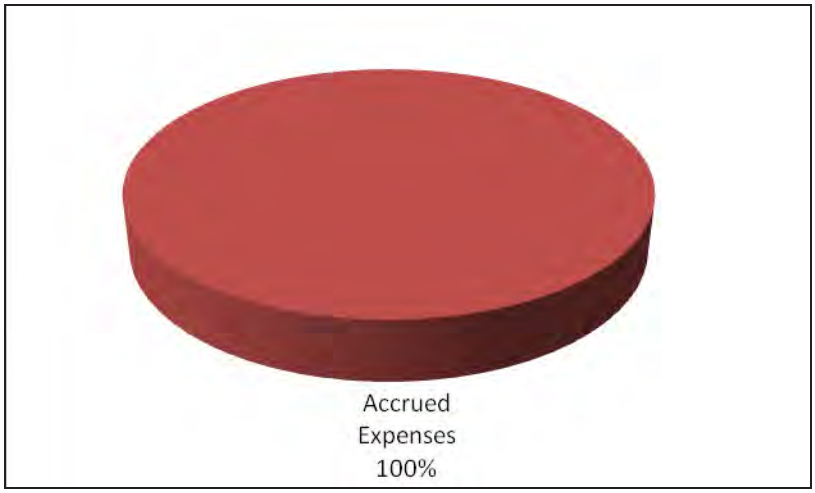
Total Liabilities

1. Components of Total Liabilities

The CTP regulator's total liabilities of $0.057 million as at 30 June 3014 relate to accrued expenses associated with audit fees, administrative support expenses and other administrative expenses.

Figure 4 below shows the components of the CTP regulator's total liabilities as at 30 June 2014.

Figure 4 – Total Liabilities as at 30 June 2014



2. Comparison to Budget

Liabilities as at 30 June 2014 were $0.002 million, or 4 per cent higher than the Budget of $0.055 million.

3. Comparison to 2012-13 Actuals

The actual liabilities at 30 June 2014 were $0.006 million or 12 per cent higher than the 30 June 2013 actual of $0.051 million mainly due to the timing of the receipt of invoices at the end of the financial year.

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

INDEPENDENT AUDIT REPORT

ACT COMPULSORY THIRD-PARTY INSURANCE REGULATOR

To the Members of the ACT Legislative Assembly

Report on the financial statements

The financial statements of the ACT Compulsory Third-Party Insurance Regulator for the year ended 30 June 2014 have been audited. These comprise the operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes.

Responsibility for the financial statements

The ACT Compulsory Third-Party Insurance Regulator is responsible for the preparation and fair presentation of the 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 financial statements.

The auditor's responsibility

Under the *Financial Management Act 1996*, I am responsible for expressing an independent audit opinion on the financial statements of the ACT Compulsory Third-Party Insurance Regulator.

The audit was conducted in accordance with Australian Auditing Standards to obtain reasonable assurance that the 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 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 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 financial statements or to evaluate the prudence of decisions made by the ACT Compulsory Third-Party Insurance Regulator.

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Electronic presentation of the audited financial statements

Those viewing an electronic presentation of these 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 these financial statements. If users of these 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 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 financial statements of the ACT Compulsory Third-Party Insurance Regulator for the year ended 30 June 2014:

(i) are presented in accordance with the *Financial Management Act 1996*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia; and

(ii) present fairly the financial position of the ACT Compulsory Third Party Insurance Regulator as at 30 June 2014 and the results of its operations and cash flows for the year then ended.

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

Bernie Sheville
Director, Financial Audits
25 August 2014

ACT Compulsory Third-Party Insurance Regulator
Financial Statements
For the Year Ended 30 June 2014

Statement of Responsibility

In my opinion, the financial statements are in agreement with the Australian Capital Territory (ACT) Compulsory Third-Party (CTP) Insurance regulator's accounts and records and fairly reflect the financial operations of the ACT CTP Insurance regulator for the year ended 30 June 2014 and the financial position of the ACT CTP Insurance regulator on that date.

Karen Doran
Executive Director
Economic and Financial Group
Chief Minister, Treasury and Economic Development Directorate
Delegate for the ACT Compulsory Third-Party Insurance Regulator
14 July 2014

ACT Compulsory Third-Party Insurance Regulator
Financial Statements
For the Year Ended 30 June 2014

Statement by the Chief Finance Officer

In my opinion, the financial statements have been prepared in accordance with generally accepted accounting principles, and are in agreement with the ACT CTP Insurance regulator's accounts and records and they fairly reflect the financial operations of the ACT CTP Insurance regulator for the year ended 30 June 2014 and the financial position of the ACT CTP Insurance regulator on that date.

Lisa Holmes
Chief Finance Officer
ACT Compulsory Third-Party Insurance Regulator
14 July 2014

ACT Compulsory Third-Party Insurance Regulator
Operating Statement
For the Year Ended 30 June 2014

	Note No.	Actual 2014 $'000	Original Budget 2014 $'000	Actual 2013 $'000
Income				
Revenue				
CTP Insurance Levy	4	456	256	195
Interest	5	15	-	3
Resources Received Free of Charge	6	-	-	106
Total Revenue		**471**	**256**	**304**
Total Income		**471**	**256**	**304**
Expenses				
Supplies and Services	7	310	256	216
Total Expenses		**310**	**256**	**216**
Operating Surplus		**161**	**-**	**88**
Total Comprehensive Income		**161**	**-**	**88**

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

These statements may not add due to rounding.

ACT Compulsory Third-Party Insurance Regulator
Balance Sheet
As at 30 June 2014

	Note No.	Actual 2014 $'000	Original Budget 2014 $'000	Actual 2013 $'000
Current Assets				
Cash and Cash Equivalents	9	334	20	168
Receivables	10	46	16	45
Total Current Assets		**380**	**36**	**213**
Total Assets		**380**	**36**	**213**
Current Liabilities				
Payables	11	57	55	51
Total Current Liabilities		**57**	**55**	**51**
Total Liabilities		**57**	**55**	**51**
Net Assets / (Liabilities)		**323**	**(19)**	**162**
Equity				
Accumulated Funds / (Deficits)		323	(19)	162
Total Equity		**323**	**(19)**	**162**

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

These statements may not add due to rounding.

ACT Compulsory Third-Party Insurance Regulator
Statement of Changes in Equity
For the Year Ended 30 June 2014

For the Year Ended 30 June 2014	Accumulated Funds Actual 2014 $'000	Total Equity Actual 2014 $'000	Original Budget 2014 $'000
Balance at the Beginning of the Reporting Period	**162**	**162**	**(19)**
Comprehensive Income			
Operating Surplus	161	161	-
Total Comprehensive Income	**161**	**161**	**-**
Balance at the End of the Reporting Period	**323**	**323**	**(19)**

For the Year Ended 30 June 2013

	Accumulated Funds Actual 2013 $'000	Total Equity Actual 2013 $'000
Balance at the Beginning of the Reporting Period	**74**	**74**
Comprehensive Income		
Operating Surplus	88	88
Total Comprehensive Income	**88**	**88**
Balance at the End of the Reporting Period	**162**	**162**

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

These statements may not add due to rounding.

ACT Compulsory Third-Party Insurance Regulator
Cash Flow Statement
For the Year Ended 30 June 2014

	Note No.	Actual 2014 $'000	Original Budget 2014 $'000	Actual 2013 $'000
Cash Flows from Operating Activities				
Receipts				
CTP Insurance Levy		457	257	191
Interest Received		15	-	3
Goods and Services Tax – Input Tax Credits from the Australian Taxation Office		13	-	8
Total Receipts from Operating Activities		**485**	**257**	**202**
Payments				
Supplies and Services – Non-ACT Government		170	256	98
Supplies and Services – ACT Government		149	-	18
Total Payments from Operating Activities		**319**	**256**	**116**
Net Cash Inflows from Operating Activities	13(b)	**166**	**1**	**86**
Net Increase in Cash and Cash Equivalents		**166**	**1**	**86**
Cash and Cash Equivalents at the Beginning of the Reporting Period		**168**	**19**	**82**
Cash and Cash Equivalents at the End of the Reporting Period	9	**334**	**20**	**168**

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

These statements may not add due to rounding.

ACT Compulsory Third-Party Insurance Regulator
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

Note Index

ACT Compulsory Third-Party Insurance Regulator
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 1. OBJECTIVES OF THE ACT COMPULSORY THIRD-PARTY INSURANCE REGULATOR

The ACT Compulsory Third-Party (CTP) Insurance regulator's functions are to be carried out consistent with the objectives of *the Road Transport (Third-Party Insurance) Act 2008* (the CTP Act). The objectives of the CTP Act under section 5A are to:

a) continue improving the system of CTP insurance operating in the ACT;
b) promote competition in setting premiums for CTP policies;
c) keep the costs of insurance at an affordable level;
d) provide for the licensing and supervision of insurers providing insurance under CTP insurance policies;
e) encourage the speedy resolution of personal injury claims resulting from motor accidents;
f) promote and encourage, as far as practicable, the rehabilitation of people injured in motor accidents;
g) maintain a register of motor accident claims to help the administration of the statutory insurance scheme and the detection of fraud; and
h) promote measures directed at eliminating or reducing causes of motor accidents and mitigating their results.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The *Financial Management Act 1996* (FMA) requires the preparation of annual financial statements for ACT Territory Authorities.

The FMA and the *Financial Management Guidelines* issued under the Act, requires that a Territory Authority's financial statements include:

(i) an Operating Statement for the year;
(ii) a Balance Sheet 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 summary of the significant accounting policies adopted for the year; and
(vi) such other statements as are necessary to fairly reflect the financial operations of the Territory Authority during the year and its financial position at the end of the year.

These general-purpose financial statements have been prepared to comply with 'Generally Accepted Accounting Principles' (GAAP) as required under the FMA. The financial statements have been prepared in accordance with:

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

The financial statements have been prepared using the accrual basis of accounting, which recognises the effects of transactions and events when they occur. The financial statements have also been prepared according to the historical cost convention.

These financial statements are presented in Australian dollars, which is the CTP regulator's functional currency.

The CTP regulator is a separate reporting entity.

ACT Compulsory Third-Party Insurance Regulator
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) The Reporting Period

These financial statements state the financial performance, changes in equity and cash flows of the CTP regulator for the year ended 30 June 2014, together with the financial position of the CTP regulator as at 30 June 2014.

(c) Comparative Figures

Budget Figures

The *Financial Management Act 1996* requires the statements to facilitate a comparison with the Statement of Intent. The budget numbers are as per the Statement of Intent.

Prior Year Comparatives

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

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

(d) Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars ($'000). Use of "-"represents zero amounts or amounts rounded down to zero.

(e) 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 regulator and the revenue can be reliably measured. In addition, the following specific recognition criteria must also be met before revenue is recognised.

CTP Insurance Levy

The CTP Insurance Levy is recognised as revenue at the time the CTP regulator obtains control over the economic benefits embodied in the levy. The CTP regulator has assessed that control is established when a taxpayer registers a motor vehicle and pays the CTP insurance premium. The levy is payable upfront on any CTP insurance policy taken out during the period.

Interest

Interest revenue is recognised using the effective interest method.

(f) Resources Received and Provided Free of Charge

Resources received free of charge are recorded as a revenue and expense in the Operating Statement at fair value. The revenue is separately disclosed under resources received free of charge, with the expense being recorded in the line item to which it relates. Goods and services received free of charge from ACT Government Agencies are recorded as resources received free of charge, where as goods and services received free of charge from entities external to the ACT Government are recorded as donations.

ACT Compulsory Third-Party Insurance Regulator
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Resources Received and Provided Free of Charge (Continued)

Services that are received free of charge are only recorded in the Operating Statement if they can be reliably measured and would have been purchased if not provided to the CTP regulator free of charge.

Resources provided free of charge are recorded at their fair value in the expense line items to which they relate.

In 2012-13, the CTP regulator made a significant estimate of the portion of its resources received free of charge related to employee expenses. The estimate was based on the salary cost per hour and an estimate of the time spent by staff who allocated their time between the CTP regulator's and the Chief Minister and Treasury Directorate's (CMTD) operations.

The Financial Framework Management and Insurance Branch of the Economic and Financial Group of CMTD provides a supporting role to the CTP regulator by providing a number of staff to carry out the CTP regulator's functions. In 2013-14, the CTP regulator has reimbursed CMTD for the salary and superannuation expenses associated with the staff allocated to carrying out the CTP regulator's functions. Accordingly, there were no resources received free of charge during 2013-14.

(g) 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. No debts were waived in the 2013-14 financial year (2012-13: Nil).

(h) Current and Non-Current Items

Assets and liabilities are classified as current or non-current in the Balance Sheet and in the relevant notes. Assets are classified as current where they are expected to be realised within 12 months after the reporting date. Liabilities are classified as current when they are due to be settled within 12 months after the reporting date, or the CTP regulator does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

Assets and liabilities which do not fall within the current classification are classified as non-current.

(i) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement and the Balance Sheet, cash includes cash at bank and cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Receivables

Accounts receivable are initially recognised at fair value and are subsequently measured at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement.

ACT Compulsory Third-Party Insurance Regulator
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Receivables (Continued)

The allowance for impairment losses represents the amount of receivables the CTP regulator estimates will not be repaid. The allowance for impairment losses is based on objective evidence and a review of overdue balances. The CTP regulator considers the following is objective evidence of impairment:

a) becoming aware of financial difficulties of debtors;
b) default payments; or
c) debts more than 90 days overdue.

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. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the allowance is recognised in the Operating Statement. The allowance for impairment losses are written off against the allowance account when the CTP regulator ceases action to collect the debt as it considers that it will cost more to recover the debt than it is worth.

No bad debts were written off during the financial year ended 30 June 2014 (2012-13: Nil).

(k) Payables

Payables are a financial liability and are initially recognised at fair value based on the transaction cost and subsequent to initial recognition at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement. All amounts are normally settled within 7 days after the invoice is received.

Payables include Trade Payables and Accrued Expenses.
Trade payables represent the unpaid invoice amounts owing for goods and services received prior to the end of the reporting period which relate to the normal operations of the CTP regulator.

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 an invoice has not been received by period end.

(l) Employee Benefits

The CTP regulator does not employ any staff. The CTP regulator's functions are undertaken by officers from the CMTD. The Financial Framework Management and Insurance Branch of the Economic and Financial Group provide a supporting role to the CTP regulator by providing a number of staff to carry out the CTP regulator's functions. In 2013-14 the CTP regulator reimbursed CMTD for the employee expenses associated with the staff allocated to carrying out the CTP regulator's functions. Accrued employee benefits that remain unpaid at the end of the reporting period for these staff are reflected in CMTD's financial statements.

ACT Compulsory Third-Party Insurance Regulator
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Significant Accounting Judgements and Estimates

Preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. In 2013-14 the regulator did not make any significant accounting judgements or estimates, however in 2012-13 the regulator made a significant estimate of the portion of its resources received free of charge related to employee expenses. Information regarding the estimate made in relation to resources received free of charge can be found at Note 2 (f).

(n) 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 CTP regulator 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 the CTP regulator in future reporting periods:

- AASB 9 Financial Instruments (application date 1 January 2017);
- AASB 1031 Materiality (application date 1 January 2014);
- AASB 1055 Budgetary Reporting (application date 1 July 2014);
- 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 2018);
- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (application date 1 January 2014);
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (application date 1 January 2014)
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments Part B Materiality [AASB 1, 3, 4, 5, 7, 9 (December 2009), 9 (December 2010), 101, 102, 108, 112, 118, 120, 121, 132, 134, 136, 137, 139, 1023, 1038, 1049, 1050, 1051, 1052, 1055, AAS 25, Interpretation 1, 2, 4, 5, 6, 7, 9, 10, 12, 1, 14, 15, 16, 17, 18, 19, 20, 21, 107, 110, 115, 125, 127, 129, 131, 132, 1003, 1019, 1030, 1031, 1038 & 1042] (application date 1 January 2014); Part C Financial Instruments [AASB 9 December (2009); 2009-11 AASB 9 (December 2010) & 2010-7] (application date 1 January 2015); and
- AASB 2014 -1 Amendments to Australian Accounting Standards Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles [AASB 2, 3, 8, 9 (December 2009), 9 (December 2010), 13, 116, 119, 124, 137, 138, 139, 140; 1052 & Interpretation 129] (application date 1 July 2014); Part C Materiality (application date 1 July 2014); and Part E Financial Instruments [AASB 1,3, 4, 5, 7, 9 (December 2009 9 (December 2010), 101, 102, 108, 112, 118, 120, 121, 132, 136, 137, 137, 139, Interpretation 2, 5, 10, 12, 16, 19 and 107] (application date 1 January 2015 except paragraphs 64-72 (applicable 1 January 2017) and paragraphs 73-107 (applicable 1 January 2018).

ACT Compulsory Third-Party Insurance Regulator
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 3. CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES, AND CORRECTION OF A PRIOR PERIOD ERROR

Change in Accounting Policy

There were no changes to the Accounting Policies adopted by the CTP regulator during the reporting period.

Changes in Accounting Estimates

The CTP regulator had no changes in Accounting Estimates during the reporting period.

Correction of Prior Period Errors

The CTP regulator had no correction of prior period errors during the reporting period.

NOTE 4. COMPULSORY THIRD-PARTY INSURANCE LEVY

The CTP insurance levy is determined by the CTP regulator and is applied to compulsory third-party policies issued under the *Road Transport (Third-Party Insurance) Act 2008*. The CTP insurance levy is paid when a person purchases a CTP insurance policy. This revenue is dependent upon the number of vehicles registered per year and is statutory in nature.

	2014 $'000	2013 $'000
Compulsory Third-Party Insurance Levy [1]	456	195
Total Compulsory Third-Party Insurance Levy	**456**	**195**

1. The increase is mainly due to the increase in the CTP insurance levy from $0.50 per annum (charged proportionately based on the number of months a vehicle is registered) to $1.00 per policy effective 1 May 2013, as well as the increase in short term vehicle registrations during 2013-14.

NOTE 5. INTEREST

Interest (Westpac Banking Corporation) [1]	9	-
Interest (Commonwealth Bank of Australia) [1]	6	3
Total Interest	**15**	**3**

1. The increase is mainly due to the increase in the balance of cash at bank during 2013-14 associated with the increase in CTP insurance levy receipts.

ACT Compulsory Third-Party Insurance Regulator
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

	2014 $'000	2013 $'000
NOTE 6. RESOURCES RECEIVED FREE OF CHARGE		
Administrative Support Received Free of Charge – ACT Government [1]	-	106
Total Resources Received Free of Charge	**-**	**106**

[1.] The Financial Framework Management and Insurance Branch (formerly Legal & Insurance Policy Branch) of CMTD provided staff to assist in the performance of the CTP regulator's functions in 2012-13, free of charge. In 2013-14, the CTP regulator reimbursed CMTD for the salary and superannuation expenses associated with the staff allocated to carry out the CTP regulator's functions. Accordingly, there was no staffing received free of charge in 2013-14.

NOTE 7. SUPPLIES AND SERVICES		
Actuarial Expenses [1]	31	39
Administration Expenses	7	6
Administrative Support Expenses [2]	140	106
Advertising [3]	58	-
Audit Fees [4]	16	13
Consultants (Contract) [5]	10	8
Information Technology Costs [6]	41	38
Research [7]	5	-
Other Expenses [8]	2	6
Total Supplies and Services	**310**	**216**

[1.] The decrease is mainly associated with the premium filing extension granted to NRMA until November 2014. A premium filing is a report provided by a CTP insurer to the CTP regulator containing a range of information in support of its annual CTP premium. The filing is assessed by the scheme actuary to ensure the CTP insurance scheme remains fully funded and that the premium is not excessive. Premium filings are usually submitted on an annual basis. As a result of the extension being granted, the associated actuarial expense was not incurred in 2013-14.

[2.] Administrative support expenses are associated with the reimbursement of salary and superannuation expenses for the CMTD staff allocated to undertake the CTP regulator's functions during 2013-14. During 2012-13 these services were received free of charge from CMTD. The increase is due to a review of time spent by CMTD staff undertaking the CTP regulator's financial and administrative functions during 2013-14. The CTP regulator does not employ any staff.

[3.] The increase is associated with the road safety initiative undertaken during 2013-14.

[4.] Refer Note 8: *Auditor's Remuneration.*

[5.] The consultancy costs are associated with the procurement of the actuarial services contract in 2013-14 and the internal audit of the Nominal Defendant Levy in 2012-13.

[6.] The costs are mainly associated with the Personal Injury Register (the claims reporting and analysis system). The increase is mainly due to the reimbursement of IT costs incurred by CMTD to carry out the CTP regulator's functions during 2013-14 and the cost of the upgrade to the CTP regulator's accounting package.

[7.] The increase is due to research undertaken in relation to catastrophic injury data associated with the road safety initiative during 2013-14.

[8.] The decrease is mainly due to reduced travel during 2013-14.

ACT Compulsory Third-Party Insurance Regulator
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

	2014 $'000	2013 $'000

NOTE 8. AUDITOR'S REMUNERATION

Auditor's remuneration consists of financial audit services provided to the CTP regulator by the ACT Auditor-General's Office.

Audit Services		
Audit fees paid or payable to the ACT Auditor-General's Office [1]	16	13
Total Audit Fees	**16**	**13**

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

[1.] The audit fee was increased to recover the estimated cost of performing the audit.

NOTE 9. CASH AND CASH EQUIVALENTS

Cash at Bank[1]	334	168
Total Cash and Cash Equivalents	**334**	**168**

The CTP regulator does not have any credit facilities.

[1.] The increase is mainly due to the increase in CTP insurance levy receipts during 2013-14 and the delay in some road safety initiative expenses.

NOTE 10. RECEIVABLES

Current Receivables		
Trade Debtors	1	-
Accrued Compulsory Third-Party Insurance Levy	38	39
Net GST Receivable from the Australian Taxation Office	7	6
Total Receivables	**46**	**45**

Classification of ACT Government/Non-ACT Government Receivables

Receivables with ACT Government Entities		
Trade Debtors	1	-
Accrued Revenue	38	39
Total Receivables with ACT Government Entities	**39**	**39**
Receivables with Non-ACT Government Entities		
Net GST Receivable from the Australian Taxation Office	7	6
Total Receivables with Non-ACT Government Entities	**7**	**6**
Total Receivables	**46**	**45**

No receivables are past due or impaired.

ACT Compulsory Third-Party Insurance Regulator
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

	2014 $'000	2013 $'000
NOTE 11. PAYABLES		
Current Payables		
Trade Payables [1]	-	28
Accrued Expenses [2]	57	23
Total Payables	**57**	**51**

[1.] The decrease is mainly due to the invoices associated with actuarial services remaining unpaid at 30 June 2013. There were no invoices received during 2013-14 that remained unpaid at 30 June 2014.
[2.] The increase is mainly associated with the accrual for the financial and administrative cost reimbursements to CMTD for which invoices were not received by the end of the financial year.

Classification of ACT Government/Non-ACT Government Payables

Payables with ACT Government Entities		
Trade Payables	-	-
Accrued Expenses	44	15
Total Payables with ACT Government Entities	**44**	**15**
Payables with Non-ACT Government Entities		
Trade Payables	-	28
Accrued Expenses	13	8
Total Payables with Non-ACT Government Entities	**13**	**36**
Total Payables	**57**	**51**

No payables are overdue for payment.

NOTE 12. 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.*

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in market interest rates. The CTP regulator's exposure to market interest rates relates only to cash at bank and is insignificant.

A sensitivity analysis has not been undertaken for the interest rate risk of the CTP regulator, as it has been determined that the possible impact on income and expenses or total equity from interest rate fluctuations is immaterial.

Credit Risk
Credit risk arises from the financial assets of the CTP regulator. Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted.

ACT Compulsory Third-Party Insurance Regulator
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 12. FINANCIAL INSTRUMENTS (CONTINUED)

Credit Risk (Continued)

The CTP regulator's maximum exposure to credit risk at reporting date relates to the carrying amount of receivables as indicated in the Balance Sheet. Receivables are monitored on an ongoing basis. At balance date, a significant proportion of the receivables are from government entities, with none being past due or considered impaired. As a result, the CTP regulator's exposure to bad debts is not significant.

Liquidity Risk

Liquidity risk is the risk that the CTP regulator will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The CTP regulator manages this risk by maintaining a cash balance which will allow payment of all current financial liabilities when they fall due. The CTP regulator's exposure to liquidity risk and the management of this risk has not changed since the previous reporting period.

Price Risk

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 (other than those arising from interest rate risk), whether these changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market. The CTP regulator is not exposed to any price risk.

Fair Value of Financial Assets and Liabilities

The carrying amounts and fair value of financial assets and liabilities at balance date are:

	Carrying Amount 2014 $'000	Fair Value 2014 $'000	Carrying Amount 2013 $'000	Fair Value 2013 $'000
Financial Assets				
Cash and Cash Equivalents	334	334	168	168
Receivables	46	46	45	45
Total Financial Assets	**380**	**380**	**213**	**213**
Financial Liabilities				
Payables	57	57	51	51
Total Financial Liabilities	**57**	**57**	**51**	**51**

ACT Compulsory Third-Party Insurance Regulator
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 12. FINANCIAL INSTRUMENTS (CONTINUED)

Maturity Analysis

The CTP regulator does not have any financial assets or liabilities which mature outside the following financial year. The interest rate risk on assets and liabilities is not significant; therefore the Maturity Analysis table has been omitted.

	2014 $'000	2013 $'000
Carrying Amount of each Category of Financial Asset and Financial Liability		
Financial Assets		
Loans and Receivables Measured at Amortised Cost	46	45
Financial Liabilities		
Financial Liabilities Measured at Amortised Cost	57	51

The CTP regulator does not have any financial assets in the 'Available for Sale' category, 'Financial Assets at Fair Value through Profit and Loss' category or 'Held to Maturity' category and as such, these categories are not included in the above table. Also, the CTP regulator does not have any financial liabilities in the 'Financial Liabilities at Fair Value through Profit and Loss' category. Therefore, this category is not included above.

Fair Value Hierarchy

The CTP regulator does not have any financial assets or financial liabilities measured at fair value. Therefore, no fair value hierarchy disclosures have been made.

NOTE 13. CASH FLOW RECONCILIATION

a) Reconciliation of Cash and Cash Equivalents at the End of the Reporting Period in the Cash Flow Statement to the Equivalent Items in the Balance Sheet.

	2014 $'000	2013 $'000
Total Cash and Cash Equivalents recorded in the Balance Sheet	334	168
Cash and Cash Equivalents at the End of the Reporting Period as recorded in the Cash Flow Statement	**334**	**168**

b) Reconciliation of Net Cash Inflows from Operating Activities to the Operating Surplus.

Operating Surplus	161	88
Change in Assets and Liabilities		
Increase in Receivables	(1)	(7)
Increase in Payables	6	5
Net Cash Inflows from Operating Activities	**166**	**86**

ACT Compulsory Third-Party Insurance Regulator
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 14. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets or contingent liabilities as at 30 June 2014 (30 June 2013: Nil).

NOTE 15. EVENTS OCCURRING AFTER BALANCE DATE

There were no events occurring after the balance date, which would affect the financial statements as at 30 June 2014 or in future years.

NOTE 16. THIRD PARTY MONIES COLLECTED ON BEHALF OF THE NOMINAL DEFENDANT

Claims and administrative costs of the Nominal Defendant Fund are paid by raising a levy on all licensed CTP insurers in the ACT as well as the Commonwealth and Territory Governments.

The Nominal Defendant Levy is currently set at 3.3% of all CTP Insurance policies collected.

All cash is paid directly to the Nominal Defendant within 30 days of receipt.

	2014 $'000	2013 $'000
Levy Collected		
Levies from insurers	2,525	-
Levies from the Commonwealth Government	8	7
Levies from the ACT Government	22	10
Total Levy Collected [1]	2,555	17

[1.] The CTP regulator took over the function of collecting the Nominal Defendant Levy in accordance with section 163C(1) of the CTP Act during 2012-13. This function was formerly carried out by the Office of the Nominal Defendant. The actual result for 2012-13 therefore reflects collections for only part of the financial year.

Cash Disclosure		
Balance at the Beginning of the Reporting Period	-	-
Cash Receipts	2,555	17
Cash Payments	2,555	17
Balance at the End of the Reporting Period	-	-

Financial Position		
Balance at the Beginning of the Reporting Period	-	-
Receivables outstanding	3,399	1,176
Payables outstanding	3,399	1,176
Balance at the End of the Reporting Period	-	-

Statement of Performance

For the Year Ended

30 June 2014

ACT Compulsory Third-Party

Insurance Regulator

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

REPORT OF FACTUAL FINDINGS

ACT COMPULSORY THIRD-PARTY INSURANCE REGULATOR

To the Members of the ACT Legislative Assembly

Report on the statement of performance

The statement of performance of the ACT Compulsory Third-Party Insurance Regulator (the Regulator) for the year ended 30 June 2014 has been reviewed.

Responsibility for the statement of performance

The Regulator is responsible for the preparation and fair presentation of the statement of performance in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate records and internal controls that are designed to prevent and detect fraud and error, and the systems and procedures to measure the results of the performance indicators reported in the statement of performance.

The auditor's responsibility

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2011*, I am responsible for providing a report of factual findings on the statement of performance.

The review was conducted in accordance with Australian Auditing Standards applicable to review engagements, to provide assurance that the results of the performance indicators reported in statement of performance have been fairly presented in accordance with the *Financial Management Act 1996*.

A review is primarily limited to making inquiries with representatives of the Regulator, performing analytical and other review procedures and examining other available evidence. These review procedures do not provide all of the evidence that would be required in an audit, therefore, the level of assurance provided is less than that given in an audit. An audit has not been performed and no audit opinion is being expressed on the statement of performance.

The review did not include an assessment of the relevance or appropriateness of the performance indicators reported in the statement of performance or the related performance targets.

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No opinion is expressed on the accuracy of explanations provided for variations between actual and targeted performance due to the often subjective nature of such explanations.

Electronic presentation of the statement of performance

Those viewing an electronic presentation of this statement of performance should note that the review 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 statement of performance. If users of the statement of performance are concerned with the inherent risks arising from the electronic presentation of information, they are advised to refer to the printed copy of the reviewed statement of performance to confirm the accuracy of this electronically presented information.

Independence

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

Negative finding

As disclosed in the statement of performance, a result for the following performance indicator was not measured as required by the *Financial Management Act 1996*.

> Output e: Assess satisfaction of claimants with insurers, medical professionals and lawyers.

Review opinion

Based on the review procedures, except for the negative finding referred to above, no matters have come to my attention which indicate that the results of the performance indicators, reported in the statement of performance of the Regulator for the year ended 30 June 2014, are not fairly presented in accordance with the *Financial Management Act 1996*.

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

Bernie Sheville
Director, Financial Audits
5 September 2014

ACT Compulsory Third-Party Insurance Regulator
Statement of Performance
For the Year Ended 30 June 2014

Statement of Responsibility

In my opinion, the Statement of Performance is in agreement with the ACT Compulsory Third-Party Insurance regulator's records, and fairly reflects the service performance of the ACT Compulsory Third-Party Insurance regulator for the year ended 30 June 2014, and also fairly reflects the judgements exercised in preparing it.

Karen Doran
Executive Director
Economic and Financial Group,
Chief Minister, Treasury and Economic Development Directorate
Delegate for the ACT Compulsory Third-Party Insurance Regulator
29 July 2014

ACT Compulsory Third-Party Insurance Regulator
Statement of Performance
For the Year Ended 30 June 2014

Performance Indicator	Original Target 2013-14	Actual Result 2013-14	Variance from Original Target	Explanation of Material Variances
TOTAL COST ($'000)	256	310	21%	Actual costs were higher than target mainly due to higher than anticipated administrative support expenses associated with the reimbursement of salary and superannuation expenses for the Chief Minister and Treasury Directorate (CMTD) staff allocated to undertake the Compulsory Third-Party (CTP) regulator's functions during 2013-14, as well as the advertising costs associated with the road safety initiative incurred in 2013-14. These increased costs were partially offset by lower actuarial costs mainly due to the premium filing[1] extension granted to NRMA until November 2014.
a. CTP Premiums are approved in accordance with the *Road Transport (Third-Party Insurance) Act 2008*.	Review annual CTP premium filings[1].	Premium filings were received from AAMI, APIA and GIO in July 2013. Premium submissions were assessed and approved in accordance with the Act. NRMA did not submit a premium filing in 2013-14.	-	NRMA has been granted a premium filing extension until November 2014. The CTP scheme actuary reviewed NRMA's claim file for the year ending 30 June 2014, and reported that the CTP scheme continued to be fully funded.
b. Insurer's obligations under the Act are complied with.	Monitor and report by 30 June 2014.	There were no issues of non–compliance identified in 2013-14 and as such no report to the Treasurer was required to be produced.	-	Any specific issues of non-compliance are brought directly to the attention of the CTP regulator. The CTP regulator will only produce a report to the Treasurer where there are identified areas of non-compliance.
c. Industry Deed.	Monitor the operation of the deed during 2013-14[2].	The operation of the Industry Deed was monitored through discussions with insurers through a regular meeting process facilitated by the Insurance Council of Australia.	-	

ACT Compulsory Third-Party Insurance Regulator
Statement of Performance
For the Year Ended 30 June 2014

Performance Indicator	Original Target 2013-14	Actual Result 2013-14	Variance from Original Target	Explanation of Material Variances
d. The scheme is fully funded.	Actuarial review of premium filing applications by 30 June 2014.	An actuarial assessment was conducted to ensure each premium application received would adequately cover the current and expected future liabilities of the scheme. As NRMA was not submitting a premium application in the 2013-14 financial year, an independent actuarial assessment of NRMA's books was requested by the CTP regulator to ensure the scheme remained fully funded. This assessment was undertaken in June 2014, and the actuary concluded that the fully funded test was achieved.	-	
e. Assess satisfaction of claimants with insurers, medical professionals and lawyers.	Identify a 10% cohort of claimants, and review their satisfaction through a survey[3].	Not Measured[3]	-100%	Due to privacy legislation and the wording contained in the privacy statement of CTP Claim forms, the regulator was unable to conduct these assessments without potentially putting itself at risk of breaching privacy laws. This performance indicator has been removed for 2014-15 and future years.
f. Make guidelines under the Act.	Implement new guidelines as required. Monitor effectiveness of existing guidelines.	No new guidelines were required to be implemented in 2013-14. However as a result of monitoring the existing guidelines, discussions between the regulator and insurers have taken place regarding the need to revise the premium guidelines in 2014-15 as a result of rebates and the implementation of the Lifetime Care and Support Scheme.	-	
g. Complaints handling within 10 working days of receipt of the complaint (if no other Directorate involved).	85% compliance.	Of the 30 written complaints received, 27 complaints were responded within the 10 working day timeframe. This is equivalent to a compliance rate of 90%, a 6% improvement from the 85% target.	6%	

The above Accountability Indicators were examined by the ACT Auditor-General's Office in accordance with the *Financial Management Act 1996.*

The above Statement of Performance should be read in conjunction with section A.9 Analysis of the CTP regulator's Performance of this report.

ACT Compulsory Third-Party Insurance Regulator
Statement of Performance
For the Year Ended 30 June 2014

1. A premium filing is a report provided by a CTP insurer to the CTP regulator containing a range of information in support of its annual CTP premium. The filing is assessed by the scheme actuary to ensure the CTP insurance scheme remains fully funded and that the premium is not excessive. Premium filings are usually submitted on an annual basis.
2. The Industry Deed was implemented on 20 June 2013, with the Industry Deed being notified on the Legislation register on 9 May 2013. The Deed was signed by all insurers by September 2013.
3. The original target for this performance indicator has changed from the 2012-13 target. The 2012-13 target of "Monitor satisfaction of claimants and compliance of insurers" was measured in 2012-13.

Financial Statements

For the Year Ended

30 June 2014

Default Insurance Fund

ACT Audit Office

AUDITOR-GENERAL AN OFFICER OF THE ACT LEGISLATIVE ASSEMBLY

INDEPENDENT AUDIT REPORT

DEFAULT INSURANCE FUND

To the Members of the ACT Legislative Assembly

Report on the financial statements

The financial statements of the Default Insurance Fund (the Fund) for the year ended 30 June 2014 have been audited. These comprise the operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes.

Responsibility for the financial statements

The Fund Manager of the Fund is responsible for the preparation and fair presentation of the financial statements of the Fund. 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 financial statements.

The auditor's responsibility

I am responsible for expressing an independent audit opinion on the financial statements of the Fund.

The audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance that the 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 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 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 evaluate the prudence of decisions made by the Fund.

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Electronic presentation of the audited financial statements

Those viewing an electronic presentation of the 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 this report. If users of the report 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 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 financial statements of the Fund for year ended 30 June 2014:

(i) are presented in accordance with the Australian Accounting Standards and other mandatory financial reporting requirements in Australia; and

(ii) present fairly the financial position of the Fund as at 30 June 2014 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.

Bernie Sheville
Director, Financial Audits
12 September 2014

Default Insurance Fund
Financial Statements
For the Year Ended 30 June 2014

Statement by the Fund Manager

In my opinion, the Financial Statements of the Default Insurance Fund have been prepared in accordance with generally accepted accounting principles, and are in agreement with the Fund's accounts and records and fairly reflect the financial operations of the Fund for the year ended 30 June 2014, and the financial position of the Fund on that date.

John Fletcher
Fund Manager
Default Insurance Fund
11 September 2014

Default Insurance Fund
Operating Statement
For the Year Ended 30 June 2014

	Note No.	CIF Actual 2014 $'000	UEF Actual 2014 $'000	DIF Actual 2014 $'000	CIF Actual 2013 $'000	UEF Actual 2013 $'000	DIF Actual 2013 $'000
Income							
Interest and Distribution	5	441	332	**773**	550	308	**858**
Levies	6	-	3,844	**3,844**	-	1,015	**1,015**
Recoveries	7	2,003	118	**2,121**	17	(2)	**15**
Other Revenue	8	24	208	**233**	34	202	**236**
Total Income		**2,468**	**4,503**	**6,971**	**601**	**1,523**	**2,124**
Expenses							
Employee Expenses	9	21	186	**207**	36	157	**193**
Superannuation Expenses	9	5	34	**39**	7	29	**36**
Claims Expense	10	(301)	4,173	**3,872**	687	1,246	**1,933**
Supplies and Services	11	43	110	**153**	87	91	**178**
Total Expenses		**(232)**	**4,503**	**4,271**	**818**	**1,523**	**2,341**
Operating Surplus/(Loss)		**2,700**	**-**	**2,700**	**(217)**	**-**	**(217)**
Other Comprehensive Income		-	-	-	-	-	-
Total Comprehensive Income/(Deficit)		**2,700**	**-**	**2,700**	**(217)**	**-**	**(217)**

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

Default Insurance Fund
Balance Sheet
As at 30 June 2014

	Note No.	CIF Actual 2014 $'000	UEF Actual 2014 $'000	DIF Actual 2014 $'000	CIF Actual 2013 $'000	UEF Actual 2013 $'000	DIF Actual 2013 $'000
Current Assets							
Cash and Cash Equivalents	12	13,572	8,023	**21,595**	11,643	8,144	**19,787**
Receivables	13	24	545	**569**	21	100	**121**
Total Current Assets		**13,596**	**8,568**	**22,164**	**11,664**	**8,244**	**19,908**
Non-Current Assets							
Receivables	13	-	4,156	**4,156**	-	3,079	**3,079**
Total Non-Current Assets		**-**	**4,156**	**4,156**	**-**	**3,079**	**3,079**
Total Assets		**13,596**	**12,724**	**26,320**	**11,664**	**11,323**	**22,987**
Current Liabilities							
Payables	14	2	20	**22**	7	22	**29**
Employee Benefits	15	-	45	**45**	5	20	**25**
Provision for Claims Payable	16	138	1,521	**1,659**	424	1,232	**1,656**
Total Current Liabilities		**140**	**1,586**	**1,726**	**436**	**1,274**	**1,710**
Non-Current Liabilities							
Employee Benefits	15	-	-	**-**	3	13	**16**
Provision for Claims Payable	16	1,083	11,138	**12,221**	1,553	10,036	**11,587**
Total Non-Current Liabilities		**1,083**	**11,138**	**12,221**	**1,556**	**10,049**	**11,603**
Total Liabilities		**1,223**	**12,724**	**13,947**	**1,992**	**11,323**	**13,313**
Net Assets		**12,373**	**-**	**12,373**	**9,673**	**-**	**9,673**
Equity							
Accumulated Funds		12,373	-	**12,373**	9,673	-	**9,673**
Total Equity		**12,373**	**-**	**12,373**	**9,673**	**-**	**9,673**

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

Default Insurance Fund
Statement of Changes in Equity
For the Year Ended 30 June 2014

	CIF Accumulated Funds Actual 2014 $'000	UEF Accumulated Funds Actual 2014 $'000	DIF Accumulated Funds Actual 2014 $'000
Balance at 1 July 2013	**9,673**	**-**	**9,673**
Comprehensive Income			
Operating Surplus	2,700	-	**2,700**
Balance at 30 June 2014	**12,373**	**-**	**12,373**

	CIF Actual 2013 $'000	UEF Actual 2013 $'000	DIF Actual 2013 $'000
Balance at 1 July 2012	**9,890**	**-**	**9,890**
Comprehensive Deficit			
Operating (Loss)	(217)	-	**(217)**
Balance at 30 June 2013	**9,673**	**-**	**9,673**

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

Default Insurance Fund
Cash Flow Statement
For the Year Ended 30 June 2014

	Note No.	CIF Actual 2014 $'000	UEF Actual 2014 $'000	DIF Actual 2014 $'000	CIF Actual 2013 $'000	UEF Actual 2013 $'000	DIF Actual 2013 $'000
Cash Flow From Operating Activities							
Receipts							
Interest and Distributions Received		442	334	**776**	592	265	**857**
Levies		-	2,494	**2,494**	-	3,229	**3,229**
Recoveries		2,003	100	**2,103**	48	103	**151**
Goods and Services Input Tax Credits from the Australian Taxation Office		10	55	**65**	10	49	**59**
Other Revenue		17	68	**85**	37	149	**186**
Total Receipts from Operating Activities		**2,472**	**3,051**	**5,523**	**687**	**3,795**	**4,482**
Payments							
Employee		34	208	**242**	48	193	**241**
Supplies and Services		48	112	**160**	89	95	**184**
Payment of Claims		454	2,782	**3,236**	1,391	753	**2,144**
Goods and Services Tax Paid to Suppliers		7	70	**77**	9	42	**51**
Total Payments from Operating Activities		**543**	**3,172**	**3,715**	**1,537**	**1,083**	**2,620**
Net Cash Inflows/(Outflows) from Operating Activities	19	**1,929**	**(121)**	**1,809**	**(850)**	**2,711**	**1,861**
Net Increase/ (Decrease) in Cash and Cash Equivalents		**1,929**	**(121)**	**1,809**	**(850)**	**2,711**	**1,861**
Cash and Cash Equivalents at the Beginning of Reporting Period		11,643	8,144	**19,787**	12,493	5,433	**17,926**
Cash and Cash Equivalents at the End of the Reporting Period	12	**13,572**	**8,023**	**21,595**	**11,643**	**8,144**	**19,787**

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

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE INDEX

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 1 OBJECTIVES OF THE DEFAULT INSURANCE FUND

Operations and Principal Activities of the Default Insurance Fund

The Default Insurance Fund (the Fund) was established on 1 July 2006, and all activities, assets and liabilities of the former Workers' Compensation Supplementation Fund and Nominal Insurer were transferred into the Fund. The Workers' Compensation Supplementation Fund is now known as the Collapsed Insurer Fund (CIF) and Nominal Insurer is now known as the Uninsured Employer Fund (UEF). The Fund is operated under the Workers Compensation Act *1951*. The objectives of the Fund are to:

- provide a safety net mechanism to meet the costs of workers' compensation claims made by workers where:
  - (a) an employer does not have a compulsory insurance policy; or
  - (b) an approved insurer is wound up under the *Corporations Act 2001* or cannot provide the indemnity required under a compulsory insurance policy;
- ensure that workers who are injured in the circumstances listed above, receive the same entitlements as an injured worker would receive where the employer did have insurance, and the employer is able to provide indemnity;
- make payment of statutory entitlements under the *Workers Compensation Act 1951*; and
- satisfy or settle claims.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

These general-purpose financial statements have been prepared to comply with 'Generally Accepted Accounting Principles' (GAAP). These financial statements have been prepared in accordance with:

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

The financial statements have been prepared using the accrual basis of accounting, which recognises the effect of transactions and events when they occur. The financial statements have also been prepared according to the historical cost convention.

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

The Fund is an individual reporting entity.

(b) Reporting Period

These financial statements state the financial performance, change in equity and cash flows of the Fund for the year ended 30 June 2014 together with the financial position of the Fund as at 30 June 2014.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(c) Comparative Figures

Prior Year Comparatives

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

Where the presentation or classification of items in the financial statements are amended, the comparative amounts have been reclassified where practical. Where a reclassification occurs, the nature, amount and reason for the reclassification is provided.

(d) Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars ($'000). Use of "-" represents zero amounts or amounts rounded down to zero.

(e) 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 Fund and the revenue can be reliably measured. In addition, the following specific recognition criteria must also be met before revenue is recognised:

Levies

Monies required to satisfy UEF claims are funded by way of levies placed on ACT Workers' Compensation Insurers and Self-Insurers. *The Workers Compensation Act 1951* provides the framework for the calculation of levies. In 2013-14, the Fund Manager imposed contributions from insurers and self-insurers equal to 1.4% of gross written premiums (2.0% in 2012-13).

Interest

Interest revenue is recognised using the effective interest method.

Fines

Fines are either recognised as revenue at the time of payment or when the fines are incurred.

(f) Current and Non-Current Items

Assets and liabilities are classified as either current or non-current in the Balance Sheet and the relevant notes. Assets are classified as current where they are expected to be realised within 12 months after the reporting date. Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or the Fund does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Assets or liabilities which do not fall within the current classification are classified as non-current.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(g) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement and the Balance Sheet, cash includes cash at bank and cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. This includes short-term investments held in a Cash Trust Account managed by an external fund manager on behalf of the Public Trustee for the ACT.

(h) Receivables

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

Receivables include trade debtors, Goods and Services Taxation (GST), Fringe Benefits Taxation (FBT) and claims related recoveries.

The allowance for impairment losses represents the amount of trade receivables and other receivables the Fund estimates will not be repaid. The allowance for impairment losses is based on objective evidence and a review of overdue balances. The Fund considers the following is objective evidence of impairment:

(a) becoming aware of financial difficulties of debtors; or
(b) defaulting debtors; or
(c) debts more than 90 days overdue.

The value of unfunded claims is accounted for as receivables. Levies required to meet the cost of future claims is the amount that needs to be raised to enable the outstanding claims liability of UEF to be fully funded over time. (Refer Note 16 (b): 'Provision for Claims Payable').

(i) Payables

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

Payables include trade creditors, GST, Pay As You Go (PAYG) and accrued expenses.

Trade creditors represent the amounts owing for goods and services received prior to the end of the reporting period and unpaid at the end of the reporting period and relating to the normal operations of the Fund.

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

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(j) Employee Benefits

Employee benefits include:

- short-term employee benefits, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, such as wages and salaries, annual leave loading and applicable on-costs;
- other long-term benefits, such as long service leave and annual leave; and
- termination benefits.

On-costs include annual leave, long service leave, superannuation and other costs that are incurred when the employee takes annual leave and long service leave.

Wages and Salaries

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

Annual and Long Service Leave

Annual and long service leave including applicable on-costs that are not expected to be wholly settled before twelve months after the end of the reporting period when the employees render the related service are measured at the present value of estimated future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to the future wage and salary levels, experience of employee departures and periods of service. At the end of each reporting period end, the present value of future annual leave and long service leave payments is estimated using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

Annual leave liabilities have been estimated on the assumption that they will be wholly settled within three years. In 2013-14, the rate used to estimate the present value of future payments for annual leave is 100.9%.

In 2013-14, the rate used to estimate the present value of future payments for long service leave is 103.5% (101.3% in 2012-13).

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.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(j) Employee Benefits - Continued

The significant judgements and assumptions included in the estimation of annual and long service leave liabilities are determined by an actuary. The Australian Government Actuary performed this assessment in May 2014. The assessment by an actuary is performed every 5 years. However it may be performed more frequently if there is a significant contextual change in the parameters underlying the 2014 report. The next actuarial review is expected to be undertaken by May 2019. Further information about this estimate is provided in Note 4(b) 'Significant Accounting Judgements and Estimates'.

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

(k) Superannuation

The Fund makes payments on a fortnightly basis to the Territory banking Account to cover the Fund's superannuation liability for the Public Sector Superannuation Scheme (PSS). This payment covers the PSS employer contribution but does not include the productivity component. The productivity component is paid directly to ComSuper by the Fund. The PSS is a defined benefit superannuation plan meaning that the defined benefits received by employees are based on the employee's years of service and average final salary.

Superannuation payments are also made to superannuation funds for those members of the Public Sector who are part of superannuation accumulation schemes. This includes the Public Sector Superannuation Scheme accumulation plan (PSSap) and schemes of employee choice.

Superannuation employer contribution payments, for the PSS, are calculated by taking the salary level at an employee's anniversary date and multiplying it by the actuarially assessed nominal PSS employer contribution rate for each employee. The productivity component payments are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the employer contribution rate (approximately 3%) for each employee. Superannuation payments for the PSSap are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the appropriate employer contribution rate. Superannuation payments for fund of choice arrangements are calculated by taking an employee's salary each pay and multiplying it by the appropriate employer contribution rate.

The Superannuation Provision Account recognises the total Territory superannuation liability for PSS, and ComSuper and the external schemes recognise the superannuation liability for the PSSap and other schemes respectively.

The ACT Government is liable for the reimbursement of the emerging costs of benefits paid each year to members of the PSS in respect of the ACT Government service provided after 1 July 1989. These reimbursement payments are made from the Superannuation Provision Account.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(l) Provision for Claims Payable

The Fund is not required to comply with Australian Accounting Standard AASB 1023: General Insurance Contracts as its operations are not underpinned by contracts of insurance with its customers. Contracts of insurance need to be in existence in order for a reporting entity to apply AASB 1023. Instead, the business liabilities are reported under AASB 137: Provisions, Contingent Liabilities and Contingent Assets. The measurement of liabilities under AASB 137 is based on a best estimate which management believes, in the context of the Fund's business, equates to the central estimate of claim liabilities (i.e. the value of the liability without an explicit risk margin).

The provision for claims payable covers claims reported but not yet paid, incurred but not yet reported claims ("IBNR"), incurred but not enough reported ("IBNER") and the anticipated direct and indirect costs of settling those claims. Claims payable are assessed by estimating changes in the ultimate cost of settling claims, IBNRs and settlement costs using statistics based on past experience and trends. In limited instances, this is supplemented or replaced by a review of individual claims information.

The Fund appointed an independent actuary, KPMG Actuarial Pty Limited, to provide a full assessment of Provision for claims payable. The valuation for this report was completed in July 2014, based on data at 30 June 2014.

The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation and "superimposed inflation". Superimposed inflation refers to factors such as trends in court awards. The expected future payments are then discounted to present value using the Commonwealth Government Bond risk free rate.

Claims estimated to fall due within a 12 month period are classified as a current liability and all other claims as a non-current liability.

(m) Recoveries

The Collapsed Insurer Fund may receive recoveries from the administrators of failed insurance companies and the Uninsured Employer Fund may receive recoveries from other insurers due to third party arrangements. Both funds may receive repayments by claimant third parties, and court associated recoveries.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(n) 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 Fund 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 the Fund in future reporting periods:

- AASB 9 Financial Instruments (application date 1 January 2018);
- AASB 1031 Materiality (application date 1 January 2014);
- AASB 2010-7 Amendments to the 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 2018); and
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments Part B Materiality (application date 1 January 2014) part C Financial Instruments (application date 1 January 2015).

NOTE 3 CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES

(a) Changes in Accounting Estimates

Changes in Actuarial Assumptions

The Fund uses KPMG Actuarial Pty Limited (Refer Note 4: 'Significant Accounting Judgements and Estimates') to estimate the provision for claims payable (liability) and related claims expenses. Actuarial assumptions are based on past claims experience, risk exposure and projections of economic variables. As such, the estimate of the provision for claims payable will change each time the provision is assessed by the actuaries (Refer Note 16: 'Provision for Claims Payable). This change has resulted in an increase to the estimate of the provision for claims payable and expense in the current reporting period of $637,000.

(b) Change in Accounting Policy

The Fund had no changes in Accounting Policy during the reporting period.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Actuarial Assumptions

The Fund uses actuaries to estimate the provision for claims payable. Actuarial assumptions are based on past claims experience, risk exposure and projections of economic variables.

The actuarial estimate of provision for claims payable comprises:

- future compensation payments on open reported claims;
- future compensation payments for claims that have been incurred but not reported (i.e. IBNR);
- net apportionment and cross-claims (i.e. 'sharing') with other defendants, where identified;
- an estimate of the costs associated with managing the claims, such as the staff costs for employees managing the claims; and
- claims inflated and discounted to a 'present value' basis.

Analysis and estimates are subdivided by:

- latent (including asbestos related and hearing claims); and
- all other injury types.

The approach used in calculating the provision for claims payable in the Uninsured Employers Fund was as follows:

- historical claim payments gross of recoveries have been inflated to 30 June 2014 values;
- development of open claims (current value payments to date plus current case estimates) was analysed; and consideration was then given to the need to adjust the case estimates on the open claims for future case estimate development;
- a further allowance was made for incurred but not yet reported (IBNR) claims, based on a projection of future claim reports and an adopted average claim size;
- a pattern of future payments was applied to apportion the current value of the liability over future payment periods;
- an allowance was made for the effect of future recoveries, based on historic experience; and
- an allowance was made for the timing of benefit payments by adjusting for future claims inflation and discounting to a present value.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – CONTINUED

(a) Actuarial Assumptions - Continued

The approach used in determining the provision for claims payable in the Collapsed Insurers Fund was as follows:

- historical claim payments gross of recoveries have been inflated to 30 June 2014 values;
- future claims payments were projected, based on payment experience to date;
- development of open claims (current value payments to date plus current case estimates) was analysed; and consideration was then given to the need to adjust the case estimates on the open claims for future case estimate development;
- a pattern of future payments was applied to apportion the current value of the liability over future payment periods;
- an allowance was made for the effect of future recoveries, based on historic experience; and
- an allowance was made for the timing of benefit payments by adjusting for future claims inflation and discounting to a present value.

Table 1 – Selected Assumptions outline the main assumptions which were made in determining the provision for claims payable

Assumption	Collapsed Insurer Fund		Uninsured Employer Fund	
	2014	2013	2014	2013
Projected claim numbers	*	*	35.2	35.1
Net average claim size	*	*	$136,907	$131,076
Average weighted term to settlement (years)	3.6	2.7	4.2	4.5
Inflation rate	6.1%	6.1%	6.1%	6.1%
Discount rate p.a.	2.9%	3.0%	3.1%	3.3%
Claims handling expenses	30%	30%	30%	30%

*Projected claim numbers and average claim size assumptions are not used for CIF in the current year as there is only one open claim in the fund.

Process Used to Determine Assumptions

A description of the processes used to determine these assumptions is provided below:

Projected claim numbers

The projected claim numbers have been determined based on assumed pattern of claim emergence using chain ladder projections. This projection gives the average number of IBNR claims expected in the future from a notional distribution of possible outcomes. Because it is the result of an estimation process, the result is not an integral number.

For the Uninsured Employer Fund, 36% of new claims are expected to be reported in 2014-15.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES - CONTINUED

(a) Actuarial Assumptions – Continued

Net average claim size

The provision for claims payable is calculated by reference to expected claim frequency and average claim sizes.

Average weighted term to settlement

Expected payment patterns are used in determining the provision for claims payable.

Inflation Rate

Inflation rate is the combination of claims inflation rate, in line with expected payment profile of the claims and superimposed inflation rate, represented by the tendency of claims costs to increase above the rate of wage inflation over time. The rate adopted for this period is 6.1%.

Discount Rate

The estimate of the Default Insurance Fund's Provision for claims payable is provided on both a discounted (i.e. allowing for future investment income) and undiscounted basis. To discount the liability, the Fund has used the market yield as at 30 June 2014 on long-duration Commonwealth Government bonds, which gives weighted average discount rates of 2.9% and 3.1% per annum for the Collapsed Insurer Fund and Uninsured Employer Fund respectively.

Claims Handling Expenses

An assumption of 30% of gross future claims payments are made for the expenses of the Fund. This is the same assumption as that adopted at the previous valuation. The claims handling expense is allocated 9% to the Collapsed Insurer Fund and 91% to the Uninsured Employer Fund.

Sensitivity Analysis

A sensitivity analysis is conducted to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the performance and equity of the Fund.

The impact of any changes in variables would be as follows:

- **Impact of Movement in Claims Variables**

  Claims frequency

  The provision for claims payable is calculated by reference to expected claim frequency and average claim sizes. An increase or decrease in the claim frequency would have a proportional impact on IBNR claims expense. For example a 5% increase in the IBNR claim frequency would lead to a 5% increase in the claims reserve.

  Average claim size

  The provision for claims payable is calculated by reference to expected claim frequency and average claim sizes. An increase or decrease in the average claim size would have a proportional impact on IBNR claims expense.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES - CONTINUED

(a) Actuarial Assumptions – Continued

Case estimate development

The provision for claims payable relies in part on the case estimates held by the Fund. The impact on reported claim expense will reflect the extent that the development of case estimates differ from the current case estimates.

Average weighted term to settlement

Expected payment patterns are used in determining the provision for claims payable. A decrease in the average term to settlement would lead to claims being paid sooner than anticipated and so would decrease the discounted liability for claims. An increase in the average term to settlement would lead to claims being paid later than anticipated and would increase the liability.

Expense rate

An estimate for the internal costs of handling claims is included in the provision for claims payable. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.

Discount rate

The provision for claims payable is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. All else being equal an increase or decrease in the discount rate would have a corresponding decrease or increase on claims expense respectively.

Inflation and superimposed inflation rates

Expected future payments are inflated to take account of inflationary increases. In addition to the general economic inflation rate, an amount is superimposed to take account of non-economic inflationary factors, such as increases in court awards. Such rates of superimposed inflation are specific to the model adopted. An increase or decrease in the assumed levels of either economic or superimposed inflation would have a corresponding and magnified impact on the claims expense.

Uncertainty

General Claims Uncertainty

The Fund is exposed to Asbestos related claims which are generally reported long after the injury was incurred. The period of delay in claims reporting makes reliable estimate of the number of future reported Asbestos claims difficult. Combined with the nature of assessing the cost of these claims and legislative impacts, the total cost of Asbestos related claims is difficult to assess. Given the small size of the Fund's claims liabilities, the actual experience of Asbestos related claims could lead to large deviations from the estimated provision for claims payables contained in the financial statements.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES - CONTINUED

(b) Employee Benefits

Significant judgements have been applied in estimating the liability for employee benefits. The estimated liability for annual and long service leave requires a consideration of the future wage and salary levels, experience of employee departures, probability that leave will be taken in service and periods of service. The estimate also includes an assessment of the probability that employees will meet the minimum service period required to qualify for long service leave and that on-costs will become payable. Further information on this estimate is provided in Note 2(j): 'Employee Benefits'.

NOTE 5 INTEREST

	2014 $'000	2013 $'000
Revenue Received from within ACT Government Entities		
Interest Revenue – Collapsed Insurer Fund	431	540
Interest Revenue – Uninsured Employer Fund	299	289
Total Interest and Distribution Revenue from ACT Government Entities	**730**	**829**
Revenue from Non-ACT Government Entities		
Interest Revenue from Bank – Collapsed Insurer Fund	10	10
Interest Revenue from Bank – Uninsured Employer Fund	33	19
Total Interest Revenue from Non-ACT Government Entities	**43**	**29**
Total Interest Revenue	**773**	**858**

Interest rates for funds held in the Public Trustee Cash account decreased in 2013-14 compared to 2012-13 leading to less interest received from ACT Government Entities. Cash at Bank moved from a Commonwealth Bank account to a Westpac bank account which has a 1% increase in interest rate.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 6 LEVIES

	2014 $'000	2013 $'000
Levies Received – Uninsured Employer Fund	2,860	3,384
Levies Attributed to Unfunded Component	984	(2,369)
Total Levies	**3,844**	**1,015**

Claims and administrative costs pertaining to the Uninsured Employer Fund are paid by raising a quarterly levy on all approved workers' compensation insurers and exempt employers who are currently operating in the Territory. A funding model was introduced on 1 July 2010 to move towards full funding by levy. This levy builds a reserve to cover the cost of the unfunded component of the provision for claims payable. Until such time as the UEF is fully funded, scheduled for 2020, levies are recognised by matching revenue to the expenses incurred in the financial year. This treatment recognises that the Fund has the ability to raise the levies to meet expenses should there be a cash shortfall before full funding is reached. *The Workers Compensation Act 1951* provides the framework around the calculation of levies. In 2013-14, the Fund Manager imposed contributions from insurers and self-insurers equal to 1.4% of gross written premiums (2.0% in 2012-13). Levies paid during the year are balanced against a receivable "Levies Required to meet the Cost of Future Claims" (refer 'Note 13 – Receivables').

In 2013-14 there was an increase to the amount of levy revenue required to match the expense as a result of an increase in claims expense due to revised actuarial assumptions. As a result the receivable balance was increased by $984,000 as insufficient levies were received to meet the increased claims expense.

NOTE 7 RECOVERIES

	2014 $'000	2013 $'000
Insurer – Collapsed Insurer Fund [a]	2,003	48
Other – Collapsed Insurer Fund	-	(31)
Other – Uninsured Employer Fund [b]	118	(2)
Total Recoveries	**2,121**	**15**

[a] The Collapsed Insurer Fund has received recovery payments from the HIH Liquidator with no further recoveries expected.

[b] Other Recoveries consist of invoices raised against employers for claims costs incurred. The actuaries assess the collectability of recoveries from employers for the Uninsured Employer Fund on a regular basis. The ability to recover from uninsured businesses is limited as many go into liquidation/bankruptcy.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 8 OTHER REVENUE

	2014 $'000	2013 $'000
Fines		
– Uninsured Employer Fund	63	67
Services Provided to the Nominal Defendant		
– Collapsed Insurer Fund	24	34
Services Provided to the Nominal Defendant		
– Uninsured Employer Fund	145	135
Total Other Revenue	**232**	**236**

NOTE 9 EMPLOYEE AND SUPERANNUATION EXPENSES

	2014 $'000	2013 $'000
(a) Employee Expenses		
Salaries	208	202
Decrease/(Increase) in the Provision for Annual Leave	-	2
Decrease in the Provision for Long Service Leave	(1)	(11)
Total Employee Expenses	**207**	**193**
(b) Superannuation Expense		
Superannuation Contribution to the Territory Banking Account	36	34
Productivity Benefit	3	2
Total Superannuation Expenses	**39**	**36**

NOTE 10 CLAIMS EXPENSES

	2014 $'000	2013 $'000
Claims Expenses - Uninsured Employer Fund [a]	4,173	1,246
Claims Expenses - Collapsed Insurer Fund [b]	(301)	687
Total Claims Expenses	**3,872**	**1,933**

[a] Actual claims expenses increased in 2013-14 due to the settlement of a number of large claims and higher claims related costs as smaller claims progressed nearer to settlement. The higher claim related costs include claims handling and general expenses, which resulted in changes to actuarial assumptions on the claims liability in the Uninsured Employer Fund.

[b] In the Collapsed Insurer Fund higher settlement costs were offset by changes in actuarial assumptions on the provision for claims payable due to a large claim settling for less than anticipated, and the Fund winding down with only one open claim remaining.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 11 SUPPLIERS AND SERVICES

	2014 $'000	2013 $'000
Actuarial Fees – Collapsed Insurer Fund [a]	18	8
Actuarial Fees – Uninsured Employer Fund [a]	17	8
Audit Fees – Collapsed Insurer Fund	-	13
Audit Fees – Uninsured Employer Fund	26	13
Contractors and Consultants – Collapsed Insurer Fund [b]	-	22
Contractors and Consultants – Uninsured Employer Fund	5	-
Investment Commission – Collapsed Insurer Fund	22	30
Investment Commission – Uninsured Employer Fund	15	16
Support Services – Collapsed Insurer Fund [d]	3	13
Support Services – Uninsured Employer Fund [d]	45	51
Other – Collapsed Insurer Fund	-	1
Other – Uninsured Employer Fund	2	3
Total Supplies and Services	153	178

[a] Actuarial fees increased in 2013-14 due to a review of the levy funding arrangements by the Funds' actuaries and an actuarial review of the HIH Liquidator final claim valuations.

[b] Contractors and Consultants expenses in 2012-13 related to services provided by the HIH Liquidator.

[c] Investment commission costs are based on a percentage of interest received, the Collapsed Insurer Fund costs decreased in 2013-14 due to less interest being received from the investment account.

[d] Support services costs have decreased as building rent costs to the Fund were lower in 2013-14 and support services provided by contracted staff have reduced.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 12 CASH AND CASH EQUIVALENTS

The Fund holds bank accounts with the Commonwealth Bank Australia and Westpac Banking Corporation as part of the whole-of-government banking arrangements. The Fund also held short-term investments with the Public Trustee in the Cash Trust Account. The investment earned a floating interest rate of 3.70% (4.66% in 2013). These funds are able to be withdrawn upon request and are not subject to movements in their market value.

	Note No.	2014 $'000	2013 $'000
Cash at Bank – Collapsed Insurer Fund		763	233
Cash at Bank – Uninsured Employer Fund		408	1,029
Investments – Collapsed Insurer Fund [a]		12,809	11,410
Investments – Uninsured Employer Fund		7,615	7,115
Total Cash and Cash Equivalents	**17**	**21,595**	**19,787**

[a] The Collapsed Insurer Fund investments increased due to a large recovery received from the HIH Liquidator in 2013-14.

NOTE 13 RECEIVABLES

	Note No,	2014 $'000	2013 $'000
Current Receivables			
Levies Receivable – Uninsured Employer Fund	17	367	-
Services Supplied to the Nominal Defendant [a]	17	169	84
GST & FBT Receivable	17	24	12
Bank Interest Receivable		-	3
		560	99
Other Receivables			
Claims Related – Uninsured Employer Fund	17	9	21
Total Current Receivables		569	121
Non-Current Receivables			
Claims Related – Uninsured Employer Fund		804	710
Levies Required to Meet the Cost of Future Claims - Uninsured Employer Fund [b]	16	3,352	2,369
Total Non-Current Receivables	17	4,156	3,079
Total Receivables		4,725	3,200

[a] The increase to services supplied is due to the support charges being for the full year in 2013-14 and only half of the year in 2012-13.

[b] Levies required to meet the cost of future claims is the amount that needs to be raised to enable the provision for claims payable of UEF to be fully funded. (Refer Note 16: 'Provision for Claims Payable'). The increase of $984,000 for the amount of levies required between 2012-13 and 2013-14 is due to larger claims expenses in 2013-14 resulting in an increase to Levies required to Meet the Cost of Future Claims.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 13 RECEIVABLES - CONTINUED

Ageing of Current Receivables

	Not Overdue	Overdue			Total
		Less Than 30 Days	30 to 60 Days	Greater than 60 days	
	$'000	$'000	$'000	$'000	$'000
2014					
Not Impaired[1]					
Receivables	569	-	-	-	569
Impaired					
Receivables	-	-	-	-	-

Ageing of Current Receivables

	Not Overdue	Overdue			Total
		Less Than 30 Days	30 to 60 Days	Greater than 60 days	
	$'000	$'000	$'000	$'000	$'000
2013					
Not Impaired[1]					
Receivables	111	1	3	6	121
Impaired					
Receivables	-	-	-	-	-

[1] 'Not Impaired' refers to Net Receivables (Gross Receivables less Impaired Receivables).

The Fund does not hold any collateral for receivables that are overdue or determined to be impaired.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 13 RECEIVABLES - CONTINUED

	2014 $'000	2013 $'000
Classification of ACT Government/Non-ACT Government Receivables		
Receivables with ACT Government Entities		
Services Supplied to the Nominal Defendant	169	84
Total Receivables with ACT Government Entities	**169**	**84**
Current Receivables with Non-ACT Government Entities		
GST & FBT Receivable – Collapsed Insurer Fund	-	3
GST & FBT Receivable – Uninsured Employer Fund	24	9
Other - Collapsed Insurer Fund	-	-
Other - Uninsured Employer Fund	376	25
Total Current Receivables with Non-ACT Government Entities	**400**	**37**
Total Current Receivables	**569**	**121**
Non-Current Receivables with Non-ACT Government Entities		
Other – Uninsured Employer Fund	4,156	3,079
Total Non-Current Receivables with Non-ACT Government Entities	**4,156**	**3,079**
Total Receivables	**4,725**	**3,200**

Other current and non-current receivables for the Uninsured Employer Fund represent unpaid levies and levies to be raised to meet the cost of future claims.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 14 PAYABLES

	2014 $'000	2013 $'000
Current Payables		
GST & PAYG Payable – Uninsured Employer Fund	1	-
Accrued Expenses – Collapsed Insurer Fund	2	7
Accrued Expenses – Uninsured Employer Fund	19	22
Total Payables	**22**	**29**
Ageing of Payables		
Payables are Aged as follows:		
Not Overdue	22	29
Total Payables	**22**	**29**
Classification of ACT Government/Non-ACT Government Payables		
Payables with ACT Government Entities		
Accrued Expenses – Uninsured Employer Fund	19	7
Accrued Expenses – Collapsed Insurer Fund	2	21
Total Payables with ACT Government Entities	**21**	**28**
Payables with Non-ACT Government Entities		
GST & PAYG Payable – Uninsured Employer Fund	1	-
Accrued Expenses – Uninsured Employer Fund	-	1
Total Payables with Non ACT-Government Entities	**1**	**1**
Total Payables	**22**	**29**

NOTE 15 EMPLOYEE BENEFITS

	Note No.	2014 $'000	2013 $'000
Current Employee Benefits			
Accrued Salaries		12	6
Annual Leave		8	9
Long Service Leave		26	10
		46	25
Non-Current Employee Benefits			
Long Service Leave		-	16
Total Employee Benefits	17	46	41

	2014 Number	2013 Number
Employee Numbers		
Full-Time Equivalents at the End of the Reporting Period	2	2

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 16 PROVISION FOR CLAIMS PAYABLE

(a) Change in Basis - In the 12 months from 30 June 2013 to 30 June 2014

Inflated and Discounted Liability at 30 June 2013 (Gross of Recoveries)

Liability	CIF Component $'000	UEF Component $'000	Total DIF $'000
Reported	889	3,285	4,174
Incurred But Not Reported (IBNR)	630	5,383	6,013
Claims Handling Expense	456	2,600	3,056
Total	1,975	11,268	13,243

Inflated and Discounted Liability at 30 June 2014 (Gross of Recoveries)

Liability	CIF Component $'000	UEF Component $'000	Total DIF $'000
Reported	398	4,060	4,458
Incurred But Not Reported (IBNR)	541	5,678	6,219
Claims Handling Expense	282	2,921	3,203
Total	1,221	12,659	13,881

Reconciliation of Movement in Discounted Provision for Claims Payable

	Note No.	Collapsed Insurer Fund $'000	Uninsured Employer Fund $'000	Total $'000
Carrying Amount at 30 June 2013		**1,975**	**11,268**	**13,243**
Plus: Additional Provisions Made in the Period for:				
New Accident Period		-	1,577	1,577
Existing Provisions		-	2,192	2,192
(Less): Amounts Used During the Period		(461)	(2,785)	(3,246)
(Less): Unused Amounts Reversed During the Period		(288)	-	(288)
Plus: Change in Future Discounting Assumptions:		39	215	254
Impact of Discount Rate Change in Assumptions		(44)	191	147
Carrying Amount at 30 June 2014		**1,221**	**12,659**	**13,881**
As per Balance Sheet :				
Current Provision for claims payable		138	1,521	1,659
Non-Current Provision for claims payable		1,083	11,138	12,221
	17	1,221	12,659	13,881

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 16 PROVISION FOR CLAIMS PAYABLE – CONTINUED

(b) Funding of Provision for Claims Payable

	Note No.	2014 $'000	2013 $'000
Funded Proportion of Provision for Claims Payable		9,307	8,899
Unfunded Proportion of Provision for Claims Payable	13	3,352	2,369
Total Provision for Claims Payable – Uninsured Employer Fund		12,659	11,268

NOTE 17 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'.

(a) Interest Rate Risk

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.

Most of the Fund's financial assets are held in floating interest rate arrangements and all of its financial liabilities are non-interest bearing. This means that the Fund is not exposed to movements in interest payable, however, it is exposed to movements in interest receivable.

Interest rate risk for financial assets is managed by the Fund by only investing in floating interest rate investments that are low risk. Interest rate risk for financial liabilities is not actively managed by the Fund as these liabilities are held in non-interest bearing arrangements.

There have been no changes in risk exposure or processes for managing risk since the last reporting period.

Sensitivity Analysis
Taking into account past performance, future expectations and economic forecasts, the impact on profit or loss and the impact on equity in the table below are 'reasonably possible' over the next 12 months if interest rates change by -/+ 1.4% per annum.

	Carrying Amount 2014 $'000	(1.4%) Profit/(Loss) $'000	+1.4% Profit/(Loss) $'000
Financial Assets:			
Cash and Cash Equivalents	21,595	(302)	302
Total (Decrease)/Increase	**21,595**	**(302)**	**302**

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 17 FINANCIAL INSTRUMENTS - CONTINUED

(b) Credit Risk

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 Fund's credit risk is limited to the amount of the financial assets it holds net any allowance for impairment.

Credit risk for cash and investments is managed by the Fund by only investing surplus funds with the Public Trustee for the ACT. The Public Trustee for the ACT has set appropriate investment criteria for the external fund manager it has engaged to manage the surplus funds of agencies, resulting in an insignificant credit risk. No collateral is held by the Fund.

The Fund also manages the credit risk for receivables by undertaking an assessment of the credit worthiness of debtors. A large proportion of the Fund's receivables are from major Australian insurers or self-insurers of major Australian companies and a small proportion of receivables are expected from employers that did not take out workers' compensation. The credit risk of these receivables going into default is considered low.

There have been no changes in credit risk since the last reporting period.

(c) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. To limit its exposure to liquidity risk, the Fund ensures that it has sufficient cash and cash equivalents to meet its estimated financial liabilities. The fund may raise additional levies at any time to meet the cost of any unexpected increase in financial liabilities that may arise.

The Fund's exposure to liquidity risk in relation to its financial instruments and the management of this risk has not changed since the previous reporting period.

(d) Price Risk

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 (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

The price risk to which the Fund is exposed results from its investment in the Fixed Interest Portfolio. The Fund has units in the Fixed Interest Portfolio which fluctuate in value. The price fluctuations in the units of the Fixed Interest Trust portfolio are caused by movements in the underlying investments of the portfolio. The underlying investments are managed by an external fund manager who invests in a variety of different bonds, including bonds issued by the Commonwealth Government, the State Government guaranteed Treasury corporations and semi-government authorities, as well as investment-grade corporate issues. To limit price risk, all the bonds that make up the underlying investments of the Fixed Interest Portfolio must have a long term credit rating of BBB- or greater. Anything rated BBB- or greater is considered investment grade.

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
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NOTE 17 FINANCIAL INSTRUMENTS - CONTINUED

(d) Price Risk - Continued

The aim of the fund manager is to match the total return of the UBS Australian Composite Board Index before taking into account fund fees and expenses. The Fund's exposure to price risk and the management of this risk has not changed since the last reporting period.

Sensitivity Analysis

A sensitivity analysis has not been undertaken for the price risk of the Fund as is has been determined that the possible impact on income and expenses or total equity from fluctuations is immaterial.

(e) Fair Values of Financial Assets and Liabilities

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

	Carrying Amount 2014 $'000	Fair Value 2014 $'000	Carrying Amount 2013 $'000	Fair Value 2013 $'000
Financial Assets				
Cash and Cash Equivalents	21,595	21,595	19,787	19,787
Receivables	536	536	88	88
Total Financial Assets	**22,131**	**22,131**	**19,875**	**19,875**
Financial Liabilities				
Payables	21	21	29	29
Total Financial Liabilities	**21**	**21**	**29**	**29**

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 17 FINANCIAL INSTRUMENTS - CONTINUED

The following table sets out the Fund's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2014. Except for non-current payables, financial assets and liabilities which have a floating interest rate or are non-interest bearing will mature in one year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

2014	Note No.	Weighted Average Interest Rate %	Floating Interest Rate $'000	1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial Instruments								
Financial Assets								
Collapsed Insurer Fund								
Cash at Bank	12	2.87	763	-	-	-	-	**763**
Investments	12	3.70	12,809	-	-	-	-	**12,809**
Uninsured Employer Fund								
Cash at Bank	12	2.87	408	-	-	-	-	**408**
Investments	12	3.70	7,615	-	-	-	-	**7,615**
Receivables	13		-	-	-	-	536	**536**
Total Financial Assets			**21,595**				**536**	**22,131**
Financial Liabilities								
Payables - Uninsured Employer Fund	14		-	-	-	-	19	**19**
Payables - Collapsed Insurer Fund	14		-	-	-	-	2	**2**
Total Financial Liabilities							**21**	**21**
Net Financial Assets			**21,595**				**515**	**22,110**

Reconciliation of Net Financial Assets to Net Liabilities	**Notes**	**2014 $'000**
Net Financial Assets (as above)		22,110
Claims Receivable	13	4,165
Taxation Receivable	13	24
Employee Benefits	15	(45)
Provision for Claims Payable	16	(13,881)
Net Assets as per Balance Sheet		**12,373**

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 17 FINANCIAL INSTRUMENTS – CONTINUED

The following table sets out the Fund's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2013. Except for non-current payables, financial assets and liabilities which have a floating interest rate or are non-interest bearing will mature in one year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

2013	Note No.	Weighted Average Interest Rate %	Floating Interest Rate $'000	1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial Instruments								
Financial Assets								
Collapsed Insurer Fund								
Cash at Bank	12		233	-	-	-	-	233
Investments	12	4.66	11,410	-	-	-	-	11,410
Uninsured Employer Fund								
Cash at Bank	12		1,029	-	-	-	-	1,029
Investments	12	4.66	7,115	-	-	-	-	7,115
Receivables	13		-	-	-	-	88	88
Total Financial Assets			**19,787**				**88**	**19,875**
Financial Liabilities								
Payables - Uninsured Employer Fund	14		-	-	-	-	22	22
Payables - Collapsed Insurer Fund	14		-	-	-	-	7	7
Total Financial Liabilities			**-**	**-**	**-**	**-**	**29**	**29**
Net Financial Assets			**19,787**	**-**	**-**	**-**	**59**	**19,846**

Reconciliation of Net Financial Assets to Net Liabilities	**Notes**	**2013 $'000**
Net Financial Assets (as above)		19,846
Claims Receivable	13	3,100
GST & FBT Receivable	13	11
Employee Benefits	15	(41)
Provision for claims payable	16	(13,243)
Net Assets as per Balance Sheet		**9,673**

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 17 FINANCIAL INSTRUMENTS – CONTINUED

Carry Amount of Each Category of Financial Asset	2014 $'000	2013 $'000
Financial Assets		
Loans and Receivables Measured at Amortised Cost	536	88
Financial Liabilities		
Financial Liabilities Measured at Amortised Cost	22	29

NOTE 18 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

No contingent liabilities or assets were recognised at the reporting date.

NOTE 19 CASH FLOW RECONCILIATION

(a) Reconciliation of Cash and Cash Equivalents at the End of the Reporting Period in the Cash Flow Statement to the Equivalent Items in the Balance Sheet

	2014 $'000	2013 $'000
Total Cash and Cash Equivalents Recorded in Balance Sheet	21,595	19,787
Cash and Cash Equivalents at the End of the Financial Year as Recorded in the Cash Flow Statement	**21,595**	**19,787**

(b) Reconciliation of Net Cash Inflows from Operating Activities to the Operating Surplus/(Deficit)

	2014 $'000	2013 $'000
Operating Surplus/(Deficit)	2,700	(217)
Cash before Operating Assets and Liabilities	**2,700**	**(217)**
Changes in Operating Assets and Liabilities		
(Increase)/Decrease in Receivables	(1,525)	2,308
Increase/(Decrease) in Outstanding Claims Payable	637	(209)
(Decrease)/Increase in Payables	(7)	(22)
Increase/(Decrease) in Employee Benefits	4	-
Net Changes in Operating Assets and Liabilities	(891)	2,077
Net Cash Inflows from Operating Activities	**1,809**	**1,861**

Default Insurance Fund
Notes to and Forming Part of the Financial Statements
For the Year Ended 30 June 2014

NOTE 20 AUDITOR'S REMUNERATION

Auditor's remuneration consists of financial audit services provided to the Fund by the ACT Auditor-General's Office.

	2014	2013
Audit Services	$'000	$'000
Audit Fees Paid or payable to the ACT Auditor-General's Office	29	29
Total Audit Fees	**29**	**29**

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

NOTE 21 EVENTS OCCURING AFTER BALANCE DATE

No events occurred after 30 June 2014 which would materially affect the financial statements of the Fund in the current or future reporting periods.