Part 4: Financial statements

Auditor-General for Australia

Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Treasurer

Scope

I have audited the accompanying financial statements of the Department of the Treasury for the year ended 30 June 2008, which comprise: a Statement by the Secretary and Chief Financial Officer; Income statement; Balance sheet; Statement of changes in equity; Cash flow statement; Schedules of commitments, contingencies and administered items; Summary of significant accounting policies; and other explanatory notes.

The Responsibility of the Secretary to the Treasury for the Financial Statements

The Secretary to the Treasury is responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997* and the Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Secretary to the Treasury, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial statements of the Department of the Treasury:

(a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997,* and the Australian Accounting Standards (including the Australian Accounting Interpretations); and

(b) give a true and fair view of the matters required by the Finance Minister's Orders including the Department of the Treasury's financial position as at 30 June 2008 and its financial performance and its cash flows for the year then ended.

Ian McPhee

Auditor-General
Canberra

12 August 2008

THE TREASURY
STATEMENT BY THE DEPARTMENTAL SECRETARY AND CHIEF FINANCIAL OFFICER

Certification of financial statements

In our opinion, the attached financial statements for the year ended 30 June 2008 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

Ken Henry	Rob Donelly
Secretary to the Treasury	Chief Financial Officer

Income statement
for the period ended 30 June 2008

	Notes	2008 $'000	2007 $'000
INCOME			
Revenue			
Revenue from Government	3A	**149,315**	133,536
Sale of goods and rendering of services	3B	**7,666**	7,219
Other revenues	3C	**824**	1,011
Total revenue		**157,805**	141,766
Gains			
Sale of assets	3D	**-**	65
Other gains	3E	**360**	398
Total gains		**360**	463
TOTAL INCOME		**158,165**	142,229
EXPENSES			
Employee benefits	4A	**101,143**	96,159
Suppliers	4B	**40,403**	49,303
Grants	4C	**4,625**	3,732
Depreciation and amortisation	4D	**3,344**	3,270
Finance costs	4E	**93**	126
Write-down and impairment of assets	4F	**47**	49
Net losses from sale of assets	4G	**20**	-
TOTAL EXPENSES		**149,675**	152,639
SURPLUS/(DEFICIT)		**8,490**	(10,410)

This statement should be read in conjunction with the accompanying notes.

Balance sheet
as at 30 June 2008

	Notes	2008 $'000	2007 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	6A	**2,270**	2,256
Trade and other receivables	6B	**73,469**	54,717
Total financial assets		**75,739**	56,973
Non-financial assets			
Land and buildings	7A	**10,442**	7,092
Plant and equipment	7B	**7,067**	7,870
Intangibles	7C	**788**	930
Other non-financial assets	7D	**1,443**	869
Total non-financial assets		**19,740**	16,761
TOTAL ASSETS		**95,479**	73,734
LIABILITIES			
Payables			
Suppliers	8A	**2,789**	1,568
Other payables	8B	**4,098**	3,973
Total payables		**6,887**	5,541
Interest bearing liabilities			
Leases	9	**890**	1,496
Total interest bearing liabilities		**890**	1,496
Provisions			
Employee provisions	10	**34,696**	32,791
Total provisions		**34,696**	32,791
TOTAL LIABILITIES		**42,473**	39,828
NET ASSETS		**53,006**	33,906
EQUITY			
Asset revaluation reserve		**5,276**	3,644
Contributed equity		**12,939**	3,961
Retained surplus		**34,791**	26,301
TOTAL EQUITY		**53,006**	33,906
Current assets		**77,182**	57,842
Non-current assets		**18,297**	15,892
Current liabilities		**33,030**	35,002
Non-current liabilities		**9,443**	4,826

This statement should be read in conjunction with the accompanying notes.

Statement of changes in equity
as at 30 June 2008

	Retained earnings		Asset revaluation reserve		Contributed equity		Total equity	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Opening balance as at 1 July	**26,301**	36,711	**3,644**	3,644	**3,961**	3,685	**33,906**	44,040
Income and expense								
Surplus/(Deficit) for the period	**8,490**	(10,410)	**-**	-	**-**	-	**8,490**	(10,410)
Net revaluation increment	**-**	-	**1,632**	-	**-**	-	**1,632**	-
Total income and expenses recognised directly in equity	**8,490**	(10,410)	**1,632**	-	**-**	-	**10,122**	(10,410)
Transactions with owners:								
Contributions by owners:								
Appropriations (equity injections)	**-**	-	**-**	-	**8,978**	276	**8,978**	276
Sub-total transactions with owners	**-**	-	**-**	-	**8,978**	276	**8,978**	276
Closing balance as at 30 June	**34,791**	26,301	**5,276**	3,644	**12,939**	3,961	**53,006**	33,906
Total equity attributable to the Australian Government	**34,791**	26,301	**5,276**	3,644	**12,939**	3,961	**53,006**	33,906

This statement should be read in conjunction with the accompanying notes.

Cash flow statement
for the period ended 30 June 2008

	Notes	2008 $'000	2007 $'000
OPERATING ACTIVITIES			
Cash received			
Goods and services		**9,149**	8,106
Appropriations		**132,002**	138,787
GST received from ATO		**2,817**	3,543
Other cash received		**1,653**	1,859
Total cash received		**145,621**	152,295
Cash used			
Employees		**100,278**	93,067
Suppliers		**43,267**	52,668
Grants		**4,625**	3,732
Financing costs		**93**	126
GST paid to ATO		**104**	123
Cash to the OPA		**1,422**	-
Other cash used		**6**	102
Total cash used		**149,795**	149,818
Net cash from/(used by) operating activities	11	**(4,174)**	2,477
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of property, plant and equipment		**35**	110
Total cash received		**35**	110
Cash used			
Purchase of property, plant and equipment		**3,829**	1,405
Purchase of intangibles		**208**	571
Total cash used		**4,037**	1,976
Net cash from/(used by) investing activities		**(4,002)**	(1,866)
FINANCING ACTIVITIES			
Cash received			
Capital injections		**8,978**	276
Total cash received		**8,978**	276
Cash used			
Repayment of borrowings (includes finance lease principal)		**788**	738
Total cash used		**788**	738
Net cash from/(used by) financing activities		**8,190**	(462)
Net increase/decrease in cash held		**14**	149
Cash at the beginning of the reporting period		**2,256**	2,107
Cash at the end of the reporting period	6A	**2,270**	2,256

This statement should be read in conjunction with the accompanying notes.

Schedule of commitments
as at 30 June 2008

	2008 $'000	2007 $'000
BY TYPE		
Capital commitments		
Land and buildings	**475**	-
Total capital commitments	**475**	-
Other commitments		
Operating leases	**58,810**	65,838
Other	**14,876**	9,524
Total other commitments	**73,686**	75,362
Commitments receivable		
GST receivable	**(6,556)**	(6,610)
Total commitments receivable	**(6,556)**	(6,610)
NET COMMITMENTS	**67,605**	68,752
BY MATURITY		
Capital commitments		
One year or less	**432**	-
From one to five years	-	-
Over five years	-	-
Total capital commitments	**432**	-
Operating lease commitments		
One year or less	**8,115**	8,138
From one to five years	**27,762**	27,292
Over five years	**17,734**	24,656
Total operating lease commitments	**53,611**	60,086
Other commitments		
One year or less	**9,557**	6,400
From one to five years	**4,005**	2,226
Over five years	-	40
Total other commitments	**13,562**	8,666
NET COMMITMENTS BY MATURITY	**67,605**	68,752

This schedule should be read in conjunction with the accompanying notes.

Schedule of commitments (continued)

Note: Commitments are GST inclusive where relevant.

Operating leases included are effectively non-cancellable and comprise:

Nature of lease	General description of leasing arrangement
Leases for accommodation	▪ Commercial — leases comprise various periods, including both initial and options periods. ▪ Overseas estate — some commercial lease payments are adjusted annually by 2 per cent and residential lease payments are reviewed bi-annually to reflect market movements. ▪ As at 30 June 2008, overseas rental agreements for offices had expired and new agreements had yet to be negotiated. ▪ The initial periods of office accommodation leases are still current and each may be renewed with options for a further three or five years. ▪ Australian estate — residential lease payments are reviewed bi-annually to reflect market movements.
Agreements for the provision of motor vehicles to Senior Executive Officers	▪ No contingent rentals exist. ▪ No renewal or purchase options are available to the Treasury.
Leases for computer equipment and office equipment	▪ The lessor provides all computer equipment designated as necessary in the supply contract for three years with an option to extend the term for a fixed period as agreed by both parties. ▪ The lessor provides all photocopier equipment designated as necessary in the supply contract for four years with an option to extend the term for a fixed period as agreed by both parties.

Other commitments include commitments for consultants, building services and other commitments.

Schedule of contingencies

as at 30 June 2008

	Claims for damages or costs		Other		Total	
	2008	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Contingent liabilities						
Balance from previous period	**-**	-	**232**	133	**232**	133
New	**-**	-	**232**	207	**232**	207
Obligations expired/crystallised	**-**	-	**(209)**	(108)	**(209)**	(108)
Total contingent liabilities	**-**	-	**255**	232	**255**	232
NET CONTINGENT LIABILITIES	**-**	-	**255**	232	**255**	232

This schedule should be read in conjunction with the accompanying notes.

Note: Departmental unquantifiable contingencies are disclosed in Note 12: Contingent liabilities and assets.

Schedule of administered items

for the period ended 30 June 2008

	Notes	2008 $'000	2007 $'000
Income administered on behalf of Government for the period ended 30 June 2008			
Non-taxation revenue			
Interest	17A	**3,652**	10,235
Dividends	17B	**1,084,822**	1,177,725
Sale of goods and rendering of services	17C	**600,200**	618,792
Other revenue	17D	**68,980**	66,257
Total revenues administered on behalf of Government		**1,757,654**	1,873,009
Gains			
Net foreign exchange gains	17E	**67,519**	-
Total gains administered on behalf of Government		**67,519**	-
Total income administered on behalf of Government		**1,825,173**	1,873,009
Expenses administered on behalf of Government for the period ended 30 June 2008			
Grants	18A	**42,627,153**	39,721,904
Interest	18B	**28,738**	35,779
Other expenses	18C	**(203)**	7
Losses			
Net foreign exchange losses	18D	**-**	197,948
Total expenses administered on behalf of Government		**42,655,688**	39,955,638

This schedule should be read in conjunction with the accompanying notes.

Schedule of administered items (continued)
as at 30 June 2008

	Notes	2008 $'000	2007 $'000
Assets administered on behalf of Government as at 30 June 2008			
Financial assets			
Cash and cash equivalents	19A	**10,213**	13,168
Receivables	19B	**1,418**	2,248
Investments	19C	**17,273,877**	16,546,830
Non-financial assets			
Other	19D	**1,833**	2,081
Total assets administered on behalf of Government		**17,287,341**	16,564,327
Liabilities administered on behalf of Government as at 30 June 2008			
Payables			
Loans	20A	**3,881,382**	3,888,624
Grants	20B	**2,500**	5,000
Other payables	20C	**800,894**	845,557
Provisions			
Other provisions	20D	**144,793**	190,132
Total provisions and payables		**4,829,569**	4,929,313
Total liabilities administered on behalf of Government		**4,829,569**	4,929,313
Net assets administered on behalf of Government	21	**12,457,772**	11,635,014

This schedule should be read in conjunction with the accompanying notes.

Administered cash flows

for the period ended 30 June 2008

	Notes	2008 $'000	2007 $'000
OPERATING ACTIVITIES			
Cash received			
GST administration fees		**600,200**	628,778
Interest		**3,961**	11,849
Dividends		**1,084,822**	1,477,259
Net GST received from ATO		**703**	965
HIH Group liquidation proceeds		**55,271**	43,646
Other		**5,874**	7,603
Total cash received		**1,750,831**	2,170,100
Cash used			
Grant payments		**42,627,153**	39,647,303
Other		**70,350**	90,675
Total cash used		**42,697,503**	39,737,978
Net cash from/(used in) operating activities		**(40,946,672)**	(37,567,878)
INVESTING ACTIVITIES			
Cash received			
IMF		**312,875**	319,395
Total cash received		**312,875**	319,395
Cash used			
Settlement of international financial institution's obligations		**1,105**	1,603
Total cash used		**1,105**	1,603
Net cash from/(used in) investing activities		**311,770**	317,792
Net increase/(decrease) in cash held		**(40,634,902)**	(37,250,086)
Cash at the beginning of reporting period		**13,168**	7,736
Cash from official public account for appropriations		**42,695,095**	39,744,635
Cash to official public account for appropriations		**2,063,148**	2,489,117
Cash at end of reporting period	19A	**10,213**	13,168

This schedule should be read in conjunction with the accompanying notes.

Administered commitments

as at 30 June 2008

	2008 $'000	2007 $'000
BY TYPE		
Other commitments		
Other[1]	**289**	396
Total other commitments	**289**	396
Commitments receivable		
GST receivable	**(26)**	(36)
Total commitments receivable	**(26)**	(36)
NET ADMINISTERED COMMITMENTS BY TYPE	**263**	360
BY MATURITY		
Other commitments		
One year or less	**263**	360
From one to five years	**-**	-
Total other commitments	**263**	360
NET ADMINISTERED COMMITMENTS BY MATURITY	**263**	360

This schedule should be read in conjunction with the accompanying notes.

Note: All commitments are GST inclusive where relevant.

1 Other commitments relates to services provided with respect to the HIH Claims Support Scheme.

Administered contingencies

as at 30 June 2008

	Guarantees		Indemnities		Uncalled shares or capital subscriptions[1]		Claims for damages or costs		Warranties		Letters of Comfort		TOTAL	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Administered contingent liabilities														
Balance from previous period	**-**	-	**-**	-	**6,397,285**	7,296,889	**-**	-	**-**	-	**-**	-	**6,397,285**	7,296,889
Re-measurement	**-**	-	**-**	-	**(738,099)**	(899,604)	**-**	-	**-**	-	**-**	-	**(738,099)**	(899,604)
Liabilities crystallised	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Total contingent liabilities	**-**	-	**-**	-	**5,659,186**	6,397,285	**-**	-	**-**	-	**-**	-	**5,659,186**	6,397,285
Total contingent assets	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
NET CONTINGENT LIABILITIES	**-**	-	**-**	-	**5,659,186**	6,397,285	**-**	-	**-**	-	**-**	-	**5,659,186**	6,397,285

This schedule should be read in conjunction with the accompanying notes.

Note: Administered unquantifiable contingencies are disclosed in Note 22: Administered contingent liabilities and assets.

1 Comprises EBRD, IBRD, MIGA and ADB uncalled shares.

Statement of activities administered on behalf of Government

The major administered activities of the Treasury are directed towards achieving the four outcomes described in Note 1 to the Financial Statements. Details of planned activities for the year can be found in the Treasury Portfolio Budget Statements, Portfolio Additional Estimates Statements and Portfolio Supplementary Additional Estimates Statements for 2007-08, which were tabled in Parliament.

Notes to and forming part of the financial statements
for the period ended 30 June 2008

Note 1: Summary of significant accounting policies

1.1. Objectives of the Treasury

The Treasury's mission is to improve the wellbeing of the Australian people by providing sound and timely advice to the Government, based on objective and thorough analysis of options, and by assisting Treasury Ministers in the administration of their responsibilities and the implementation of government decisions.

The Treasury is structured to meet four outcomes:

Outcome 1: Sound macroeconomic environment;

Outcome 2: Effective government spending arrangements;

Outcome 3: Effective taxation and retirement income arrangements; and

Outcome 4: Well functioning markets.

The reporting entity, hereafter referred to as 'the Treasury', comprises the Treasury and the Australian Government Actuary.

Activities contributing to the outcomes detailed above are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by the Treasury in its own right. Administered activities involve the management or oversight by the Treasury on behalf of the Government, of items controlled or incurred by the Government. For these purposes, the HIH Claims Support Limited and the HIH Scheme have been included in the administered schedules.

Departmental and administered activities are identified under four Output Groups. Outcome 1 has one output group, 1.1 Macroeconomic. Outcome 2 has one output group, 2.1 Fiscal. Outcome 3 has one output group, 3.1 Revenue and Outcome 4 has one output group, 4.1 Markets.

The output groups comprise the following outputs:

- Output Group 1.1 Macroeconomic — Outputs 1.1.1 and 1.1.2
- Output Group 2.1 Fiscal — Outputs 2.1.1, 2.1.2, 2.1.3 and 2.1.4
- Output Group 3.1 Revenue — Outputs 3.1.1 and 3.1.2
- Output Group 4.1 Markets — Outputs 4.1.1, 4.1.2, 4.1.3 and 4.1.4

All outputs under Output Groups 1.1, 2.1 and 3.1 provide services on a non-profit basis.

Under Output Group 4.1, Outputs 4.1.1, 4.1.2 and 4.1.3 also provide services on a non-profit basis. Output 4.1.4, relates to the Australian Government Actuary which operates via a special account.

The continued existence of the Treasury in its present form and with its present programs is dependent on Government policy and on continuing appropriations by Parliament for the Treasury's administration and programs.

1.2. Basis of preparation of the financial report

The financial statements are required by section 49 of the *Financial Management and Accountability Act 1997* and are a general purpose financial report.

The statements have been prepared in accordance with:

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2007; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial report has been prepared on an accrual basis and is in accordance with the historical cost convention, except for certain assets at fair value. The Treasury re-valued its assets during 2007-08 using an independent valuer, Preston Rowe Paterson NSW Pty Ltd.

The financial report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the Treasury or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies (other than those that are unquantifiable, which are reported at Note 12 and Note 22 for administered items).

Unless alternative treatment is specifically required by an accounting standard or the FMOs, revenues and expenses are recognised in the income statement when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

Administered revenues, expenses, assets, liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for departmental items, except where otherwise stated at Note 1.23.

1.3. Significant accounting judgments and estimates

Apart from an Australian Government Actuary review on employee benefits resulting in changes to on-cost calculations and discount factors, no accounting assumptions or estimates have been identified for departmental items that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

In the process of applying the accounting policies for administered items listed in Notes 1.30 and 1.31, the Treasury has obtained independent actuarial assessments of the HIH Claims Support Scheme liability and the Housing Loans Insurance Corporation (HLIC) premiums, recoveries, claims and acquisition costs.

In relation to uncalled shares disclosed in the administered contingencies table, the Treasury has judged the risk of these shares being called as low for the foreseeable future. This judgment is based on historical and current performance of the international financial institutions. Some of the factors considered are the financial strength of the development banks (that is, most have AAA credit ratings), established risk management policies, healthy debt ratios, no adverse financial statement audit opinions and the fact that no calls have ever been made.

1.4. Statement of compliance

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. The following amendments, revised standards or interpretations have become effective but have had no financial impact or do not apply to the operations of the Treasury.

Amendments

- 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 11
- 2007-4 Amendments to Australian Accounting Standards from ED 151 and Other Amendments and Erratum: Proportionate Consolidation
- 2007-7 Amendments to Australian Accounting Standards

Interpretations

- UIG 2 Member's Shares in Co-Operative Entities and Similar Instruments
- UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- UIG 6 Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment
- UIG 7 Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies
- UIG 8 Scope of AASB 2
- UIG 9 Reassessment of Embedded Derivatives

- AASB Interpretation 11 AASB 2 — Group and Treasury Share Transactions
- AASB Interpretation 113 Jointly Controlled Entities — Non-Monetary Contributions by Venturers
- AASB Interpretation 1003 Australian Petroleum Rent Tax

Financial instrument disclosure

AASB 7 Financial Instruments: Disclosure is effective for reporting periods beginning on or after 1 January 2007 (the 2007-08 financial year) and amends the disclosure requirements for financial instruments. In general AASB 7 requires greater disclosure than that previously required. Associated with the introduction of AASB 7 a number of accounting standards were amended to reference the new standard or remove the present disclosure requirements through 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038]. These changes have no financial impact but will affect the disclosure in future financial reports.

Other

The following standards and interpretations have been issued but are not applicable to the operations of the Treasury.

- AASB 1049 Whole-of-Government and General Government Sector Financial Reporting
- UIG 10 Interim Financial Reporting and Impairment

AASB 1049 specifies the reporting requirements for the Whole-of-Government and General Government Sector. The FMOs do not apply to this reporting or the consolidated financial statements of the Australian Government.

Future Australian Accounting Standard requirements

The following new standards, amendments to standards or interpretations have been issued by the AASB but are effective for future reporting periods. It is estimated that the impact of adopting the pronouncements when effective will have no material financial impact on future reporting periods.

Standards

- AASB 8 Operating Segments

Amendments

- 2007-3 Amendments to Australian Accounting Standards arising from AASB 8
- 2007-6 Amendments to Australian Accounting Standards arising from AASB 123
- 2008-2 Amendments to Australian Accounting Standards — Puttable Financial Instruments and Obligations arising on Liquidation [AASB 7, AASB 101, AASB 132, AASB 139 and Interpretation 2]

- 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 and 139 and Interpretations 9 and 107]

Interpretations

- AASB Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
- UIG 4 Determining whether an Arrangement contains a Lease
- AASB Interpretation 12 Service Concession Arrangements
- AASB Interpretation 13 Customer Loyalty Programmes
- AASB Interpretation 14 AASB 119 — the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- AASB Interpretation 129 Service Concession Arrangements: Disclosures

1.5. Revenue

Revenues from Government

Amounts appropriated for departmental output appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue when the agency gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

Other types of revenue

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the seller does not retain managerial involvement or effective control over the goods;
- the revenue and transaction costs incurred for the transaction can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- the probable economic benefits with the transaction will flow to the entity.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is no longer probable.

1.6. Gains

Resources received free of charge

Resources received free of charge are recognised as gains when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another government agency or authority as a consequence of a restructuring of administrative arrangements (refer to Note 1.7).

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Other gains

Gains from disposal of non-current assets are recognised when control of the asset has passed to the buyer.

1.7. Transactions with the Government as owner

Equity injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) are recognised directly in contributed equity in that year.

Restructuring of administrative arrangements

Net assets received from, or relinquished to, another Australian Government agency or authority under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

Other distributions to owners

The FMOs require that distributions to owners be debited to contributed equity unless in the nature of a dividend.

1.8. Employee benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for short-term employee benefits (as defined by AASB 119) and termination benefits due within twelve months of balance date are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Treasury is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including the Treasury's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for both annual and long service leave has been determined by reference to the work of the Australian Government Actuary as at 30 June 2006. The Australian Government Actuary has confirmed that this work is still valid for the 2007-08 financial year, but will need to be reviewed again in 2008-09. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and general pay increase.

Separation and redundancy

No provision has been made for separation and redundancy benefit payments during the year (2007: nil).

Superannuation

Staff of the Treasury are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

The CSS and PSS are defined benefit schemes of the Australian Government. The PSSap is a defined contribution scheme which opened for new employees on 1 July 2005.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

The Treasury makes employer contributions to the employee superannuation scheme at rates determined by an actuary to be sufficient to meet the cost to the government of the superannuation entitlements of the Treasury's employees. The Treasury accounts for the contribution as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

1.9. Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense. At reporting date, the Treasury had finance leases with terms averaging three years and a maximum term of five years. The interest rate implicit in the leases averaged 7.11 per cent (2007: 7.31 per cent). The lease assets secure the lease liabilities.

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased assets.

1.10. Borrowing costs

All borrowing costs are expensed as incurred.

1.11. Cash

Cash and cash equivalents includes notes and coins held and any deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount. Any interest receivable is credited to revenue as it accrues. The Treasury maintains bank accounts with the Reserve Bank of Australia for administration of the receipt and payment of monies.

1.12. Financial risk management

The Treasury's activities expose it to normal commercial financial risk. As a result of the nature of the Treasury's business and internal and Australian Government policies, dealing with the management of financial risk, the Treasury's exposure to market, credit, liquidity, cash flow and fair value interest rate risk is considered to be low.

1.13. Other financial instruments

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are included in current assets, except for maturities greater than 12 months after the balance date. These are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest methods less impairment. Interest is usually recognised by applying the effective interest rate. Collectability of debts is reviewed regularly throughout the year and at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely. Credit terms are net 30 days (2007: 30 days).

Trade creditors

Trade creditors and accruals are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). Settlement is usually made net 30 days.

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which the amount cannot be reliably measured. Contingent assets are reported when settlement is probable but not virtually certain and contingent liabilities are recognised when settlement is greater than remote.

1.14. Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the asset is transferred to another entity. In the case of a transfer to another entity, it is necessary that the risks and rewards of ownership are also transferred. Financial liabilities are derecognised when the obligation under the contract is discharged, cancelled or expires.

1.15. Impairment of financial assets

Financial assets are assessed for impairment at each balance date.

Financial assets held at amortised cost

If there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, 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 discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the income statement.

Financial assets held at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because it cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

Available for sale financial assets

If there is objective evidence that an impairment loss on an available for sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the income statement.

1.16. Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

1.17. Property, plant and equipment

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than $2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant and total $20,000 or more).

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

Revaluations

Fair values for each class of asset are determined as shown below.

Asset class	Fair value measured at
Leasehold improvements	Depreciated replacement cost
Infrastructure, plant and equipment	Market selling price

Following initial recognition at cost, property, plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not materially differ from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through the income statement. Revaluation decrements for a class of assets are recognised directly through the income statement except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount, with the exception of leasehold improvements which are revalued using the gross method.

The Treasury performed a valuation of leasehold improvements, infrastructure, plant and equipment assets on 30 November 2007. The valuation was performed by independent valuers Preston Rowe Paterson NSW Pty Limited and was based on valuing the assets at fair value.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Treasury using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2007-08	2006-07
Computers, plant and equipment	**3-10 years**	3-10 years
Leasehold improvements	**5-10 years**	5-10 years
Motor vehicles	**4 years**	4 years
Office equipment	**5 years**	5 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 4D.

1.18. Intangible assets

The Treasury's intangible assets comprise internally developed and purchased software for internal use. These assets are carried at cost less accumulated depreciation and any accumulated impairment losses.

Software is amortised on a straight line basis over its anticipated useful life. The useful lives of the Treasury's software are 3 to 5 years (2006-07: 3 to 5 years).

1.19. Impairment of non-current assets

All assets were assessed for impairment at 30 June 2008. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

No indicators of impairment were found for assets at fair value.

The non-current assets which are not held to generate net cash inflows, have been assessed for indications of impairment. Where indications of impairment exist, the asset is written down to the higher of its net selling price and if the entity would replace the asset's service potential, its depreciated replacement cost.

1.20. Taxation/competitive neutrality

The Treasury is exempt from all forms of taxation except fringe benefits tax and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST:

- except where the amount of GST incurred is not recovered from the Australian Taxation Office; and
- except for receivables and payables.

1.21. Foreign currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date.

1.22. Insurance

The Treasury is insured for risks through the government's insurable risk managed fund, Comcover. Workers compensation is insured through the government's insurable risk managed fund, Comcare Australia.

1.23. Reporting of administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the schedule of administered items and related notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

1.24. Administered cash transfers to and from the Official Public Account

Revenue collected by the Treasury for use by the Australian Government rather than the Treasury is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance and Deregulation. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of the Australian Government. These transfers to and from the OPA are adjustments to the administered cash held by the Treasury on behalf of the Australian Government and reported as such in the statement of cash flows in the schedule of administered items and in the administered reconciliation table in Note 21. The Schedule of Administered Items largely reflects the Australian Government's transactions, through the Treasury, with parties outside the Australian Government.

Administered appropriations received or receivable from the OPA are not reported as administered revenues or assets respectively. Similarly, administered receipts transferred or transferable to the OPA are not reported as administered expenses or payables. These transactions or balances are internal to the administered entity.

1.25. Administered revenue

All administered revenues are revenues relating to the course of ordinary activities performed by the Treasury on behalf of the Australian Government.

Reserve Bank of Australia dividend

Dividends from the Reserve Bank of Australia (RBA) are recognised when a determination is made by the Treasurer and thus control of the income stream has been established. On this basis, the RBA's dividend for 2006-07 is recognised in the Treasury's financial statements in 2007-08. Dividends are measured at nominal amounts.

The Treasurer is able to determine what portion of the RBA's earnings is made available as a dividend to the Australian Government having regard to the Reserve Bank Board's advice and in accordance with section 30 of the *Reserve Bank Act 1959*.

International Monetary Fund remuneration

Remuneration is interest paid by the International Monetary Fund (IMF) to Australia for the use of its funds. It includes the proportion of the member currencies (quota) that was paid in Special Drawing Rights (SDR) and held by the IMF and money lent out under the financial transaction plan.

Where the IMF's holdings of Australian dollars fall below a specified level, it pays remuneration on Australia's average remunerated reserve tranche position. The rate of remuneration is equal to the SDR interest rate. This rate is then adjusted to account for the financial consequences of overdue obligations to the IMF which are shared between members and reflected in Note 17 as burden sharing.

Remuneration is calculated and paid at the end of the IMF's financial quarters. An annual adjustment maintenance of value is made to the IMF's holdings of the quota to maintain their value in terms of the SDR.

1.26. Administered capital

Appropriations of administered capital are recognised in administered equity where the amounts appropriated by Parliament are drawn down. For the purposes of the Treasury annual report, administered equity transactions are not disclosed separately.

1.27. Grants

The Treasury administers a number of grant schemes on behalf of the Australian Government.

Grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made. A commitment is recorded when the Australian Government enters into an agreement to make these grants but services have not been performed or criteria satisfied.

Grants to the IMF

This represents Australia's contribution to the Poverty Reduction and Growth Facility (PRGF), previously known as the Enhanced Structural Adjustment Facility, of the IMF. The PRGF will enable the IMF to provide concessional funding to support medium term macroeconomic adjustment and structural reforms in low income countries. The PRGF will assist Australia to promote its international economic and aid interests with developing countries in the Asian region. Australia's contribution involves $30 million to be paid in annual instalments of $2.5 million over a 12 year period, with the final instalment due in 2008-09.

Grants to States and Territories

Payments under A New Tax System (Commonwealth-State Financial Arrangements) Act 1999

The outcome of the 1999 taxation reform process includes an arrangement which provides revenue to fund State and Territory government services. Special appropriations relating to this legislation fall under four categories, namely, GST Revenue Payments to the States and Territories, Budget Balancing Assistance Grants, Residual Adjustment Amounts and National Competition Policy Payments.

The introduction of *The New Tax System* on 1 July 2000 has significantly reformed payments made under Commonwealth-State financial relations. The Treasury has responsibility for administering these payments.

The largest payment is the provision of GST revenue. The Australian Government pays to the States and Territories all GST collected, and commenced monthly payments of GST revenue to the States and Territories in July 2000. GST revenue payments to the States and Territories in 2007-08 were distributed in accordance with relativities recommended by the Commonwealth Grants Commission and in compliance with the Tax Commissioner's determination of the total amount to be paid. The Treasury also administered General Revenue Assistance payments to the States and Territories consisting of Budget Balancing Assistance and Residual Adjustment Amounts in 2007-08. No payments were made during 2007-08.

National Competition Policy Payments to the States and Territories are conditional on the States and Territories meeting their obligations under the agreement to implement the National Competition Policy and related reforms. The 2007-08 payment was the final payment under the National Competition Policy arrangement.

As a consequence of the Australian Taxation Office collecting GST for distribution to the States and Territories, the States and Territories make payments to the Australian Government to meet the agreed costs incurred in administering the GST. The Treasury is responsible for collection of GST administration fees from the States and Territories.

A new First Home Owners Scheme commenced on 1 July 2000. Under the First Home Owners Scheme, a grant of $7,000 is available to eligible applicants who are buying or building their first home. The First Home Owners Scheme is administered by the States on the basis of principles agreed to by all jurisdictions in the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*.

Other payments to the States and Territories

The Australian Government removed the current exemption of condensate from crude oil excise, with effect from 13 May 2008. The Australian Government will provide compensation to the Western Australian Government for the loss of its share of offshore petroleum royalty revenue as a result of the imposition of crude oil excise on condensate.

Mirror taxes collected by State Governments

On behalf of the States, the Australian Government imposes mirror taxes which replace State taxes in relation to Australian Government places that may be constitutionally invalid. Mirror taxes are collected and retained by the States, under the *Commonwealth Places (Mirror Taxes) Act 1998*. State governments bear the administration costs of collecting mirror taxes. Mirror taxes are disclosed at Note 26F.

1.28. Administered investments

Administered investments were assessed for impairment at 30 June 2008. No indicators of impairment were noted.

Development banks

Investments in development banks are classified as non-monetary assets and owing to their nature, these investments are not revalued. As such, these investments are recognised at historical cost where the information is available. Where historical cost records are not readily available, a notional cost has been established at 30 June 1993 by reference to the development banks' financial statements and exchange rates at that time.

Initial investments in the Asian Development Bank (prior to 1995), the International Finance Corporation (prior to 1991) and the International Bank for Reconstruction and Development (prior to 1988) have been recognised at notional cost. Any subsequent capital subscriptions to these development banks have been recognised at historical cost.

Investments in the European Bank for Reconstruction and Development and the Multilateral Investment Guarantee Agency are recognised at historical cost.

IMF

The quota is the current value in Australian dollars of Australia's subscription to the IMF.

The SDR allocation liability reflects the current value in Australian dollars of the Treasury's liability to repay to the IMF Australia's cumulative allocations of SDR. This is classified as 'other payables'.

Australian Government entities

Administered investments in controlled entities are not consolidated because their consolidation is relevant only at the whole-of-government level.

The Australian Government's investment in controlled entities and companies in the Treasury portfolio are measured at their fair value as at 30 June 2008. Fair value has been taken to be the net assets of the entities as at balance date. These entities are listed below:

- Reserve Bank of Australia;
- Australian Reinsurance Pool Corporation;
- Australian Accounting Standards Board; and
- Auditing and Assurance Standards Board.

1.29. Promissory notes

Promissory notes have been issued to the IMF, the European Bank for Reconstruction and Development, the International Bank for Reconstruction and Development, the Asian Development Bank and the Multilateral Investment Guarantee Agency.

Where promissory notes have been issued in foreign currencies, they are recorded at their nominal value by translating them at the spot rate at balance date. The promissory notes are non-interest bearing and relate to the undrawn paid-in capital subscriptions.

Foreign currency gains and losses are recognised where applicable.

1.30. Mortgage insurance policies written by the Housing Loans Insurance Corporation up to 12 December 1997

The Australian Government sold the Housing Loans Insurance Corporation (HLIC) on 12 December 1997. Under the terms and conditions of the sale the Australian Government retained ownership of all mortgage insurance policies written up to the time of the sale.

During the 2007-08 financial year the Treasury assumed direct management of the remaining portfolio of policies. The commercial bank accounts which had been maintained for the purposes of making claim payments arising from the portfolio were closed. Any future payments will be made through the Treasury financial system.

Accounting policies adopted are:

Premiums

Premiums comprise amounts charged to the policy holder or other insurer, excluding amounts collected on behalf of third parties, principally stamp duties. The earned portion of premiums received and receivable is recognised as revenue. Premiums are treated as earned from the date of attachment of risk.

Premiums received in respect of insured loans are apportioned over a number of years in accordance with an actuarial determination of the pattern of risk in relation to the loans. Premium amounts carried forward in this way are credited to 'provision for unearned premiums'.

Given the maturity of the portfolio, the provision for unearned premiums is now zero.

Recoveries

Claims incurred recoveries and a receivable for outstanding recoveries are recognised in respect of insurance policies. The asset (HLIC premiums receivable) has been recognised in Note 19, based on the estimated discounted future cash flows.

Claims

Claims incurred expenses and a liability for outstanding claims are recognised in respect of insurance policies. The liability covers claims incurred but not yet paid, incurred but not yet reported and the anticipated direct and indirect costs of settling those claims. The liability has been recognised based on the estimated discounted future cash flows. Given the maturity of the portfolio, the liability is now estimated to be significantly less than $1 million.

Acquisition costs

A portion of acquisition costs relating to unearned premium revenue is deferred in recognition that it represents future benefits. Deferred acquisition costs are amortised on an actuarial basis over the reporting periods expected to benefit from the expenditure. Since the provision for unearned premium is now zero, the deferred acquisition cost asset is also now zero.

1.31. Provisions and contingent liabilities

HIH Claims Support Scheme liability

The HIH Claims Support Scheme (the scheme) was established by the Australian Government following the collapse of the HIH Group of companies in March 2001. The purpose of the scheme was to provide financial assistance to eligible HIH policy-holders affected by collapse of the group. Initial funding of $640 million was provided by special appropriation through the *Appropriation (HIH Assistance) Act 2001*.

HIH Claims Support Limited (HCSL) was established by the Insurance Council of Australia as a not-for-profit company in May 2001 to manage claims made under the scheme and to operate the HIH Claims Support Trust on behalf of the Australian

Government. As the sole beneficiary of the trust the Australian Government is entitled to any residual balance of the trust.

Since 2001, a total of 10,900 claims have been granted eligibility for assistance. Each year an actuarial review of the claims portfolio is conducted to assess the development of claims reserves and to estimate the overall liability associated with the scheme portfolio. In 2006, approval was sought and obtained to increase the scheme appropriation to a total of $861 million to meet the estimated cost of the scheme portfolio. This additional funding was provided through annual appropriations.

The Australian Government Actuary has continued to review the portfolio annually to reassess the estimated scheme liability in future years. The most recent review has indicated that the overall cost of the scheme is estimated to be $792.9 million in undiscounted terms. This amount incorporates an allowance for future inflation and covers the expected cost of past and future claim payments and associated expenses of managing the scheme.

1.32. Administered financial instruments

AASB 139 requires financial instruments to be classified into one of four categories. The financial instruments specific to the Treasury's administered items are classified in three of the four categories as follows:

- loans and receivables (these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market),
  - IMF related moneys receivable (measured at amortised cost using the effective interest rate method);
- available-for-sale financial assets,
  - investments in development banks (measured at cost),
  - IMF quota (measured at cost);
- financial liabilities,
  - SDR allocation (measured at amortised cost using the effective interest rate method),
  - promissory notes (measured at amortised cost using the effective interest rate method),
  - IMF related monies payable (measured at amortised cost using the effective interest rate method).

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or that are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Although a number of the Treasury's financial instruments are classified as 'available-for-sale', due to their unique nature they do not have a quoted market price in an active market and their fair value cannot be reliably measured at the reporting date. These items are valued at cost. The Treasury does not hold these instruments for the purposes of trading.

Promissory notes are financial liabilities that are required to be measured at amortised cost using the effective interest rate method. The contractual terms of the promissory notes are non-interest bearing making the effective interest rate zero. Therefore, the measurement would be the initial value less any repayments plus or minus movements in exchange rates as a result of translation on the balance date.

Administered financial instruments are accounted for in accordance with the accounting policies detailed above.

Administered financial instruments are disclosed at Note 24.

Note 2: Events occurring after reporting date

The RBA has calculated a dividend of $1.403 billion in respect of its results for the year ended 30 June 2008 ($1.085 billion in 2006-07). The Treasurer has ratified the payment in accordance with the recommendation of the RBA's Board of Directors. As a consequence, the Treasury will record this dividend income in its accounts for the year ended 30 June 2008 in accordance with its accounting policy (Note 1.25).

On 1 July 2008 the Australian Accounting Standards Board and Auditing and Assurance Standards Board became prescribed as agencies under the *Financial Management and Accountability Act 1997*. As such the Boards will cease to be recognised as administered investments in Australian Government entities in the Treasury financial statements from this date, however they will remain within the Treasury portfolio.

Note 3: Operating revenues

	2008 $'000	2007 $'000
Note 3A: Revenue from Government Appropriations		
Departmental outputs	**147,495**	133,536
Revenues from prior year	**1,820**	-
Total revenue from Government	**149,315**	133,536
Note 3B: Sale of goods and rendering of services		
Provision of goods to:		
external entities	**97**	-
Rendering of services to:		
related entities	**5,859**	6,042
external entities	**1,630**	1,107
Operating lease rental	**80**	70
Total sale of goods and rendering of services	**7,666**	7,219
Note 3C: Other revenues		
Other	**824**	1,011
Total other revenues	**824**	1,011
Note 3D: Sale of assets		
Plant and equipment		
Proceeds from sale	**-**	84
Carrying value of assets sold	**-**	(19)
Net gain from sale of assets	-	65
Note 3E: Other gains		
Total other gains	**360**	398

Note 4: Operating expenses

	2008 $'000	2007 $'000
Note 4A: Employee benefits		
Wages and salaries	**73,580**	68,155
Superannuation		
Defined benefit plan	**13,034**	14,315
Defined contribution plan	**1,777**	914
Leave and other entitlements	**10,082**	10,312
Separation and redundancies	**46**	11
Other	**2,624**	2,452
Total employee benefits	**101,143**	96,159
Note 4B: Suppliers		
Provision of goods from:		
related entities	**160**	144
external entities	**2,192**	2,022
Rendering of services from:		
related entities	**5,153**	1,947
external entities	**24,270**	36,950
Operating lease rentals[1]	**8,235**	7,904
Workers compensation premiums	**393**	336
Total supplier expenses	**40,403**	49,303
Note 4C: Grants		
Grants paid	**4,625**	3,732
Total grants	**4,625**	3,732
Note 4D: Depreciation and amortisation		
Depreciation		
Other plant and equipment	**1,120**	1,220
Buildings - leasehold improvements	**949**	839
Total depreciation	**2,069**	2,059
Amortisation		
Intangibles - computer software	**432**	454
Assets held under finance lease	**843**	757
Total amortisation	**1,275**	1,211
Total depreciation and amortisation	**3,344**	3,270
Note 4E: Finance costs		
Leases	**93**	126
Total finance costs	**93**	126
Note 4F: Write-down and impairment of assets		
Non-financial assets		
Plant and equipment	**46**	-
Intangibles	**1**	49
Total write-down and impairment of assets	**47**	49
Note 4G: Net losses from sale of assets		
Other plant and equipment		
Proceeds from disposal	**(35)**	-
Net book value of assets disposed	**55**	-
Net losses from disposal	**20**	-

1 These comprise minimum lease payments only.

Note 5: Business operations

The Australian Government Actuary operates via a special account and the balance of the special account is disclosed at Note 26G.

Note 6: Financial assets

	2008	2007
	$'000	$'000
Note 6A: Cash and cash equivalents		
Cash:		
Special accounts	**588**	1,667
Departmental (other than special accounts)	**1,682**	589
Total cash	**2,270**	2,256
Note 6B: Trade and other receivables		
Goods and services	**2,865**	3,147
Net GST receivable from the ATO	**436**	138
Appropriations receivable - undrawn	**70,168**	51,432
Total trade and other receivables (net)	**73,469**	54,717
All receivables are current assets		
Receivables (gross) are aged as follows:		
Not overdue	**73,115**	53,676
Overdue by:		
Less than 30 days	**209**	815
30 to 60 days	**6**	105
61 to 90 days	**114**	37
More than 90 days	**25**	84
Total receivables (gross)	**73,469**	54,717

Note 7: Non-financial assets

	2008 $'000	2007 $'000
Note 7A: Land and buildings		
Leasehold improvements - fair value		
At fair value	**17,117**	11,716
Accumulated depreciation	**(6,675)**	(4,624)
Total leasehold improvements - fair value	**10,442**	7,092
Total land and buildings (non-current)	**10,442**	7,092
Note 7B: Plant and equipment		
Plant and equipment - fair value		
At fair value	**6,992**	9,374
Accumulated depreciation	**(736)**	(2,982)
Total plant and equipment - fair value	**6,256**	6,392
Plant and equipment under finance lease		
Under finance lease	**2,294**	2,617
Accumulated amortisation	**(1,483)**	(1,139)
Total plant and equipment under finance lease	**811**	1,478
Total plant and equipment (non-current)	**7,067**	7,870
Note 7C: Intangibles		
Computer software - fair value		
At fair value	**2,997**	3,300
Accumulated amortisation	**(2,209)**	(2,370)
Total computer software - fair value	**788**	930
Total intangibles (non-current)	**788**	930

All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1.17.

Note 7: Non-financial assets (continued)

Table A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles (2007-08)

	Buildings - leasehold improvements $'000	Other plant and equipment $'000	Computer software $'000	Total $'000
As at 1 July 2007:				
Gross book value	**11,716**	**11,991**	**3,300**	**27,007**
Accumulated depreciation/amortisation	**(4,624)**	**(4,121)**	**(2,370)**	**(11,115)**
Net book value 1 July 2007	**7,092**	**7,870**	**930**	**15,892**
Additions				
By purchase	**3,646**	**325**	**208**	**4,179**
By finance lease	**-**	**180**	**-**	**180**
Net revaluation increment/(decrement)	**1,405**	**227**	**-**	**1,632**
Depreciation/amortisation expense	**(949)**	**(1,963)**	**(432)**	**(3,344)**
Recoverable amount write-downs	**-**	**-**	**-**	**-**
Disposals				
Other disposals	**-**	**(172)**	**(2)**	**(174)**
Transfers	**(752)**	**600**	**84**	**(68)**
As at 30 June 2008:				
Gross book value	**17,117**	**9,286**	**2,997**	**29,400**
Accumulated depreciation/amortisation	**(6,675)**	**(2,219)**	**(2,209)**	**(11,103)**
Net book value 30 June 2008	**10,442**	**7,067**	**788**	**18,297**

Table A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles (2006-07)

	Buildings - leasehold improvements $'000	Other plant and equipment $'000	Computer software $'000	Total $'000
As at 1 July 2006:				
Gross book value	10,943	11,908	3,360	26,211
Accumulated depreciation/amortisation	(3,785)	(3,767)	(2,550)	(10,102)
Opening net book value	7,158	8,141	810	16,109
Additions				
By purchase	937	596	571	2,104
By finance lease	-	1,042	-	1,042
Depreciation/amortisation expense	(839)	(1,977)	(454)	(3,270)
Disposals				
From disposal of entities or operations (including restructuring)	-	-	-	-
Other disposals	-	(19)	(49)	(68)
Transfers	(164)	87	52	(25)
As at 30 June 2007:				
Gross book value	11,716	11,991	3,300	27,007
Accumulated depreciation/amortisation	(4,624)	(4,121)	(2,370)	(11,115)
Closing net book value	7,092	7,870	930	15,892

Note 7: Non-financial assets (continued)

Table B: Property, plant and equipment and intangibles held under finance lease (2007-08)

	Buildings - leasehold improvements $'000	Other plant and equipment $'000	Computer software $'000	Total $'000
As at 30 June 2008:				
Gross book value	**-**	**2,294**	**-**	**2,294**
Accumulated depreciation/amortisation	**-**	**(1,483)**	**-**	**(1,483)**
Closing Net book value	**-**	**811**	**-**	**811**
As at 30 June 2007:				
Gross book value	-	2,617	-	2,617
Accumulated depreciation/amortisation	-	(1,139)	-	(1,139)
Closing net book value	-	1,478	-	1,478

Table C: Property, plant and equipment and intangibles under construction (2007-08)

	Buildings - leasehold improvements $'000	Other plant and equipment $'000	Computer software $'000	Total $'000
As at 30 June 2008:				
Gross book value	**2,963**	**-**	**-**	**2,963**
As at 30 June 2007:				
Gross book value	470	-	-	470

	2008 $'000	2007 $'000
Note 7D: Other non-financial assets		
Prepayments	**1,443**	869
Total other non-financial assets	**1,443**	869

Note: Other non-financial assets are current assets.

Note 8: Payables

	2008 $'000	2007 $'007
Note 8A: Suppliers		
Trade creditors	**2,789**	1,568
Total supplier payables	**2,789**	1,568
All supplier payables are current liabilities		
Note 8B: Other payables		
Other creditors	**3,118**	2,907
Prepayments received/unearned revenue	**980**	1,066
Total other payables	**4,098**	3,973
Other payables are represented by:		
Current	**4,091**	3,956
Non-current	**7**	17
Total other payables	**4,098**	3,973

Note: Settlement is usually made net 30 days.

Note 9: Interest bearing liabilities

	2008 $'000	2007 $'000
Note 9: Leases		
Finance leases:	**890**	1,496
Payable:		
Within one year		
Minimum lease payments	**739**	848
Deduct: future finance charges	**(44)**	(88)
Total leases payable within one year	**695**	760
In one to five years		
Minimum lease payments	**202**	773
Deduct: future finance charges	**(7)**	(37)
Total leases payable within one year to five years	**195**	736
Finance leases recognised on the balance sheet	**890**	1,496

Note: Finance leases exist in relation to certain major office equipment assets. The leases are non-cancellable and for fixed terms averaging three years, with a maximum of five years. The Treasury guarantees the residual values of all assets leased. There are no contingent rentals.

Note 10: Provisions

	2008 $'000	2007 $'000
Note 10: Employee provisions		
Salaries and wages	**886**	555
Leave	**33,517**	31,868
Superannuation	**176**	228
Aggregate employee benefit liability	**34,579**	32,651
Other employee entitlements	**117**	140
Aggregate employee benefit liability and related on-costs	**34,696**	32,791
Current	**25,455**	28,718
Non-current	**9,241**	4,073

Note: All other entitlements are current liabilities.
The classification of current includes amounts for which there is not an unconditional right to defer settlement by one year, hence in the case of employee provisions the above classification does not represent the amount expected to be settled within one year of the reporting date. Employee provisions expected to be settled in twelve months from the reporting date is $18,641,361 (2007: $17,599,887), in excess of one year $16,053,841 (2007: $15,191,326).

Note 11: Cash flow reconciliation

	2008 $'000	2007 $'000
Reconciliation of cash and cash equivalents as per Balance Sheet to cash flow statement		
Report cash and cash equivalents as per		
Cash flow statement	**2,270**	2,256
Balance sheet	**2,270**	2,256
Reconciliation of operating result to net cash from operating activities		
Operating result	**8,490**	(10,410)
Depreciation/amortisation	**3,344**	3,270
Loss on disposal of non-current assets	**20**	-
Gain on disposal of non-current assets	**-**	(65)
Net write down of non-financial assets	**47**	49
(Increase)/decrease in net receivables	**(18,752)**	4,152
(Increase)/decrease in other non financial assets	**(574)**	940
Increase/(decrease) in provisions	**1,905**	3,500
Increase/(decrease) in other payables	**125**	1,107
Increase/(decrease) in supplier payables	**1,221**	(66)
Net cash from/(used by) operating activities	**(4,174)**	2,477

Note 12: Contingent liabilities and assets

Quantifiable contingencies

The schedule of contingencies reports liabilities in respect of other of $254,606 (2007: $232,385). The amount represents an estimate of the Treasury's liability in respect of studies assistance.

Unquantifiable contingencies

As at 30 June 2008, the Treasury had a number of legal claims against it. The Treasury has denied liability and is defending the claims. It is not possible to estimate the amounts of any eventual payments that may be required in relation to these claims.

The courts may award legal costs against the Treasury in the event it is unsuccessful in an action before the courts. Because of the uncertainty over the outcome of outstanding and pending court cases, duration of court cases and the legal costs of the opposing party, these costs cannot be reliably measured.

Discussions with the owner of the Treasury building are still continuing with regards to possible charges for additional property operating expenses, with amounts yet to be finalised.

Note 13: Executive remuneration

Total remuneration includes actual salary, all allowances, employer superannuation component, leave accrued during the period, vehicle costs and fringe benefits tax.

	2008	2007
The number of executives who received or were due to receive total remuneration of $130,000 or more:		
$130,000 to $144,999	**2**	2
$145,000 to $159,999	**1**	4
$160,000 to $174,999	**4**	1
$175,000 to $189,999	**11**	4
$190,000 to $204,999	**8**	10
$205,000 to $219,999	**10**	11
$220,000 to $234,999	**11**	3
$235,000 to $249,999	**10**	9
$250,000 to $264,999	**1**	6
$265,000 to $279,999	**1**	4
$280,000 to $294,999	**4**	4
$295,000 to $309,999	**3**	2
$310,000 to $324,000	**1**	-
$325,000 to $339,999	**1**	-
$340,000 to $354,999	**2**	-
$355,000 to $369,999	**-**	1
$370,000 to $384,999	**-**	2
$400,000 to $414,999	**-**	1
$415,000 to $429,999	**-**	1
$475,000 to $489,999	**1**	-
$505,000 to $519,999	**-**	1
$520,000 to $534,999	**1**	-
	72	66
Aggregate amount of total remuneration of executives as shown above	**$17,843,622**	$15,796,219
Aggregate amount of separation and redundancy/termination benefit payments during the year to executives shown above	**$0**	$0

Note 14: Remuneration of auditors

	2008 $'000	2007 $'000
Financial statement audit services are provided free of charge to the Treasury		
The fair value of the services provided was:		
The Treasury	**320**	320
Total	**320**	320

Note: The above amounts are exclusive of GST. No other services were provided by the Auditor-General.

Note 15: Average staffing levels

	2008	2007
The Treasury	**903**	854
Total	**903**	854

Note 16: Financial instruments

Note 16A: Categories of financial instruments

	2008 $'000	2007 $'000
Financial assets		
Loans and receivables		
Cash and cash equivalents	**2,270**	2,256
Trade receivables	**2,865**	3,147
Carrying amount of financial assets	**5,135**	5,403
Financial liabilities		
Liabilities at amortised cost		
Finance leases	**890**	1,496
Payables - suppliers	**2,789**	1,568
Other payables	**3,118**	2,907
Carrying amount of financial liabilities	**6,797**	5,971

Note: Implicit interest rate on finance leases for 2008 is 7.11 per cent (2007: 7.31 per cent).

Note 16B: Net income and expense from financial liabilities

	2008 $'000	2007 $'000
Liabilities at amortised cost		
Interest expense	**(93)**	(126)
Net gain/(loss) financial liabilities - at amortised cost	**(93)**	(126)
Net gain/(loss) from financial liabilities	**(93)**	(126)

Note 16: Financial instruments (continued)

Note 16C: Net fair values of financial assets and liabilities

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

The net fair values of the finance leases are based on discounted cash flows using current interest rates for liabilities with similar risk profiles. The Treasury enters into finance lease arrangements in relation to certain major office equipment assets. The leases are non-cancellable and for fixed terms averaging three years, with a maximum of five years. The Treasury guarantees the residual values of all assets leased and there are no contingent rentals.

The net fair values for trade creditors and other liabilities are approximated by their carrying amounts.

Note 16D: Credit risk exposures

The Treasury is exposed to minimal credit risk as loans and receivables are cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2008: $2,864,668 and 2007: $3,146,390). The Treasury has assessed the risk of default on payment as being minimal.

Other government agencies and staff members make up the majority of the Treasury's debtors. To aid the Treasury in managing its credit risk, internal policies and procedures guide employees on debt recovery techniques that are to be applied.

The Treasury holds no collateral to mitigate against credit risk.

Credit quality of financial instruments not past due or individually determined as impaired

	Not past due nor impaired 2008 $'000	Not past due nor impaired 2007 $'000	**Past due or impaired 2008 $'000**	Past due or impaired 2007 $'000
Loans and receivables				
Cash and cash equivalents	**2,270**	2,256	**-**	-
Trade receivables	**2,511**	2,106	**354**	1,041
Total	**4,781**	4,362	**354**	1,041

Note 16: Financial instruments (continued)

Note 16D: Credit risk exposures (continued)

Ageing of financial assets that are past due but not impaired for 2008

	0 to 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	90+ days $'000	Total $'000
Loans and receivables					
Trade receivables	**209**	**6**	**114**	**25**	**354**
Total	**209**	**6**	**114**	**25**	**354**

Ageing of financial assets that are past due but not impaired for 2007

	0 to 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	90+ days $'000	Total $'000
Loans and receivables					
Trade receivables	815	105	37	84	1,041
Total	815	105	37	84	1,041

Note 16E: Liquidity risk

The Treasury's financial liabilities are payables and finance leases. The exposure to liquidity risk is based on the notion that the Treasury will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to the appropriation funding mechanisms available to the Treasury and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

The Treasury is appropriated funding from the Australian Government. The Treasury manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the Treasury has policies in place to ensure timely payments are made when due and has no past experience of default.

Note 16: Financial instruments (continued)

Note 16E: Liquidity risk (continued)

Maturity of financial liabilities

	On demand 2008 $'000	Within 1 year 2008 $'000	1 to 5 years 2008 $'000	> 5 years 2008 $'000	Total 2008 $'000
Liabilitites at amortised cost					
Finance leases	**-**	**695**	**195**	**-**	**890**
Payables - suppliers	**-**	**2,789**	**-**	**-**	**2,789**
Other payables	**-**	**3,111**	**7**	**-**	**3,118**
Total	**-**	**6,595**	**202**	**-**	**6,797**

	On demand 2007 $'000	Within 1 year 2007 $'000	1 to 5 years 2007 $'000	> 5 years 2007 $'000	Total 2007 $'000
Liabilitites at amortised cost					
Finance leases	-	760	736	-	1,496
Payables - suppliers	-	1,568	-	-	1,568
Other payables	-	2,890	17	-	2,907
Total	-	5,218	753	-	5,971

Note 16F: Market risk

The Treasury holds only basic financial instruments that do not expose it to certain market risks.

The only interest-bearing items on the balance sheet are finance leases. All finance leases entered into bear interest at a fixed interest rate and do not fluctuate due to changes in the market interest rate. Current implicit interest rate is 7.11 per cent (2007: 7.31 per cent).

Note 17: Income administered on behalf of Government

	2008 $'000	2007 $'000
Non-taxation revenue		
Note 17A: Interest		
Gross IMF remuneration	**3,562**	10,540
Less: Burden sharing	**(158)**	(530)
Add: Burden sharing refunds	**-**	-
Net IMF remuneration	**3,404**	10,010
Other interest	**248**	225
Total interest	**3,652**	10,235
Note 17B: Dividends		
Reserve Bank of Australia	**1,084,822**	1,177,725
Total dividends	**1,084,822**	1,177,725
Note 17C: Sale of goods and rendering of services		
GST administration fees - external entities	**600,200**	618,792
Total sale of goods and rendering of services	**600,200**	618,792
Note 17D: Other revenues		
Write back of HCS Scheme	**8,318**	16,503
HIH Group liquidation proceeds	**55,271**	43,646
Other revenues	**5,391**	6,108
Total other revenues	**68,980**	66,257
Total revenues administered on behalf of Government	**1,757,654**	1,873,009
Gains		
Note 17E: Net foreign exchange gains/(losses)		
IMF SDR allocation	**42,786**	-
IMF maintenance of value	**312,875**	-
IMF quota revaluation	**(294,279)**	-
Other	**6,137**	-
Total net foreign exchange gains/(losses)	**67,519**	-
Total gains administered on behalf of Government	**67,519**	-
Total income administered on behalf of Government	**1,825,173**	1,873,009

Note 18: Expenses administered on behalf of Government

	2008 $'000	2007 $'000
Note 18A: Grants		
Grants to State and Territory governments	**42,627,153**	39,722,230
Other grants	**-**	(326)
Total grants	**42,627,153**	39,721,904
Note 18B: Interest		
IMF charges	**28,738**	35,779
Total Interest	**28,738**	35,779
Note 18C: Other expenses		
HLIC claims[1]	**(203)**	7
Total other expenses	**(203)**	7
Losses		
Note 18D: Net foreign exchange losses/(gains)		
IMF SDR allocation	**-**	(89,320)
IMF maintenance of value	**-**	(319,395)
IMF quota	**-**	614,342
Other	**-**	(7,679)
Total net foreign exchange losses/(gains)	**-**	197,948
Total losses administered on behalf of Government	**-**	197,948
Total expenses administered on behalf of Government	**42,655,688**	39,955,638

1 HLIC claims expenses includes an actuarial adjustment decreasing provision for insurance claims resulting in an offsetting negative expense.

Note 19: Assets administered on behalf of Government

	2008 $'000	2007 $'000
Financial assets		
Note 19A: Cash and cash equivalents		
Administered bank accounts - The Treasury	**10,213**	13,168
Note 19B: Receivables		
Net GST receivable from the ATO	**62**	82
HLIC premiums receivable	**747**	1,249
IMF related moneys owing	**596**	904
Other receivables	**13**	13
Total receivables	**1,418**	2,248
Receivables are aged as follows:		
Current	**1,418**	2,248
Total receivables	**1,418**	2,248
Note 19C: Investments		
International financial institutions		
Asian Development Bank	**287,069**	287,069
European Bank for Reconstruction and Development	**84,824**	84,824
International Finance Corporation	**69,144**	69,144
International Bank for Reconstruction and Development	**259,049**	259,049
Multilateral Investment Guarantee Agency	**10,694**	10,694
Total international financial institutions	**710,780**	710,780
Quota		
International Monetary Fund	**5,479,851**	5,774,130
Australian Government entities		
Reserve Bank of Australia	**10,622,643**	9,664,000
Australian Securities and Investments Commission	**-**	29,999
Corporations and Markets Advisory Committee	**-**	102
Australian Reinsurance Pool Corporation	**456,703**	331,995
Australian Prudential Regulation Authority	**-**	32,656
Australian Accounting Standards Board	**3,257**	2,590
Auditing and Assurance Standards Board	**643**	578
Total Australian Government entities	**11,083,246**	10,061,920
Total investments	**17,273,877**	16,546,830
Non-financial assets		
Note 19D: Other		
Deferred acquisition costs	**-**	6
Prepayments	**1,833**	2,075
Total other	**1,833**	2,081
Total non-financial assets	**1,833**	2,081
Total assets administered on behalf of Government	**17,287,341**	16,564,327

From 1 July 2007 ASIC, CAMAC and APRA began operating under the FMA Act, hence the net asset position of these agencies was removed from Treasury's financial statements.

Note 20: Liabilities administered on behalf of Government

	2008 $'000	2007 $'000
Note 20A: Loans		
IMF promissory notes	**3,834,696**	3,834,696
Other promissory notes	**46,686**	53,928
Total loans	**3,881,382**	3,888,624
Maturity schedule for loans is as follows:		
Payable: Within one year	**554**	1,070
In one to two years	**-**	535
In two to five years	**-**	-
In more than five years	**3,880,828**	3,887,019
Total loans	**3,881,382**	3,888,624
Note 20B: Grants		
IMF - poverty reduction and growth facility	**2,500**	5,000
Maturity schedule for grants is as follows:		
Payable: Within one year	**2,500**	2,500
In one to two years	**-**	2,500
In two to five years	**-**	-
In more than five years	**-**	-
Total grants	**2,500**	5,000
Note 20C: Other payables		
GST appropriation payable	**62**	82
IMF SDR allocation	**796,724**	839,509
IMF related moneys owing	**3,929**	5,921
Other	**179**	45
Total other payables	**800,894**	845,557
Note 20D: Other provisions		
Provision for insurance claims	**385**	680
Provision for unearned premiums	**-**	55
Provision for HCS Scheme	**144,408**	189,397
Total other provisions	**144,793**	190,132
Total liabilities administered on behalf of Government	**4,829,569**	4,929,313

Note 21: Administered reconciliation table

	Notes	2008 $'000	2007 $'000
Opening administered assets less administered liabilities at 1 July		**11,635,014**	15,334,846
Plus administered revenues	17	**1,825,173**	1,873,009
Less administered expenses	18	**(42,655,688)**	(39,955,638)
Administered transfers to/from Australian Government			
Appropriation transfers from OPA:			
Annual appropriations administered expenses		**254,002**	170,586
Administered assets and liabilities appropriations		**26,098**	4,103
Special appropriations (limited)		**11,016**	55,658
Special appropriations (unlimited)		**42,403,925**	39,514,280
Refunds of receipts (s28 FMA)		**54**	8
Transfers to OPA		**(2,063,148)**	(2,489,117)
Administered investments - gains/(losses)		**1,021,326**	(2,872,721)
Closing administered assets less administered liabilities as at 30 June		**12,457,772**	11,635,014

Note 22: Administered contingent liabilities and assets

Quantifiable administered contingencies

Quantifiable administered contingencies that are not remote are disclosed in the schedule of administered items as quantifiable administered contingencies.

Unquantifiable administered contingencies

Contingent Loss

Terrorism insurance — Australian Reinsurance Pool Corporation

The *Terrorism Insurance Act 2003* established a scheme for replacement terrorism insurance covering damage to commercial property including associated business interruption and public liability. The Australian Reinsurance Pool Corporation (ARPC) uses reinsurance premiums paid by insurers to meet its administrative expenses and to build a fund and purchase reinsurance to help meet future claims. The Australian Government guarantees to pay any liabilities of the ARPC, but the Treasurer must declare a reduced payout rate to insured parties if the Australian Government's liability would otherwise exceed $10 billion.

Contingent gain

HIH Claims Support Scheme

As the beneficiary of the HIH Claims Support Trust, the Australian Government is entitled to the residual balance of the Trust, after the collection of recoveries. Due to the inherent uncertainty of future recoveries, it is not possible to quantify these amounts accurately. During 2007-08 the Treasury received distributions from the Trust, however the amount and timing of future recoveries and subsequent distributions are unknown.

IMF

Since 1986, the IMF has used its burden sharing mechanism to make up for the loss of income from unpaid interest charges on the loans of debtor members and to accumulate precautionary balances in a Special Contingent Account to guard against the ultimate failure of debtor members to settle their overdue principal obligations to the IMF.

The mechanism works by providing for additions to the rate of charge on IMF loans and deductions to the rate of remuneration for creditor members such as Australia. Resources collected from individual members under the burden sharing mechanism are refundable to them as arrears cases are resolved, or as may be decided by the IMF. Thus, resources collected for unpaid charges are refunded when these charges are eventually settled. Likewise, precautionary balances held in the Special Contingent Account would be distributed back to members in proportion to their cumulative contributions when there are no overdue charges or principal balances. The IMF could also decide to make an early distribution.

As there is considerable and inherent uncertainty around the timing and amounts of burden sharing to be refunded to Australia this contingent asset cannot be reliably measured and as such is recorded as an unquantifiable contingent asset.

Note 23: Administered investment

The principal activities of each of the Treasury's administered investments are as follows.

Development Banks

The European Bank for Reconstruction and Development (EBRD) was established in 1991 to assist post-communist, democratic, Eastern European Countries develop their private sector and capital markets. It provides project financing for banks, industries and businesses, both new ventures and investments in existing companies. It also works with publicly owned companies, to support privatisation, restructuring state-owned firms and improvement of municipal services. The EBRD uses its close relationship with governments in the region to promote policies that will bolster the business environment.

At the time of preparation of these financial statements the Australian Government was in the process of withdrawing its membership from the EBRD. Australia's withdrawal reflects the Australian Government's view that the EBRD has largely met its transition mandate, reflected in the accession to the European Union of ten of the EBRD's major clients and the graduation of most of them from the EBRD by 2010.

The Asian Development Bank (ADB) was established in 1966 and has a mandate to reduce poverty and promote general development in its developing member countries. The ADB does this by financing (through a mix of loans, grants, guarantees and co-financing activities with both other donors and the private sector) public sector and private sector activities. It also provides technical assistance to developing member countries so they can improve their policy and business investment environments. A significant portion of the ADB's activities are focused in the infrastructure and energy sectors.

The World Bank was established in 1944 and comprises the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). The IBRD provides financing and technical assistance to Middle Income Countries and lends on harder terms than the International Development Association, which provides concessionary finance and technical assistance to low income countries. The IFC supports the development of the private sector by providing direct finance to private sector operations. MIGA provides guarantee services for projects, which reduce the risks for other co-financing partners including the private sector.

IMF

The IMF is an organisation of 185 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty. It undertakes surveillance and annual economic assessments, provides technical assistance to developing countries and provides short term loans to countries experiencing currency and financial crisis.

Australian Government entities

The Australian Government's investment in controlled entities and companies in the Treasury portfolio are measured at their fair value. Fair value has been taken to be the net assets of the entities as at balance date.

Note 24: Administered financial instruments

Note 24A: Categories of financial instruments

	2008 $'000	2007 $'000
Financial assets		
Loans and receivables		
Cash and cash equivalents	**10,213**	13,168
IMF related moneys owing	**596**	904
Other receivable	**760**	1,262
	11,569	15,334
Available for sale financial assets		
International financial institutions	**710,780**	710,780
Quota	**5,479,851**	5,774,130
	6,190,631	6,484,910
Carrying amount of financial assets	**6,202,200**	6,500,244
Financial liabilities		
At amortised cost		
Promissory notes	**3,881,382**	3,888,624
Grant liabilities	**2,500**	5,000
IMF allocation liability	**796,724**	839,509
Other payables	**4,108**	5,966
Other liabilities	**144,793**	190,132
	4,829,507	4,929,231
Carrying amount of financial liabilities	**4,829,507**	4,929,231

1 AASB 7 does not require the disclosure of statutory financial instruments, hence the comparative has been change to remove the GST payable.

Note 24B: Net income and expenses from financial assets

	2008 $'000	2007 $'000
Loans and receivables		
Interest revenue	**248**	225
Net gain/(loss) loans and receivables	**248**	225
Available for sale financial assets		
Interest revenue	**3,404**	10,010
Exchange gain / (loss)	**18,596**	(294,947)
Net gain/(loss) available for sale financial assets	**22,000**	(284,937)
Net gain/(loss) from financial assets	**22,248**	(284,712)

Note 24C: Net income and expenses from financial liabilities

	2008 $'000	2007 $'000
Financial liabilities - at amortised cost		
IMF Charges	**(28,738)**	(35,779)
Exchange gain/(loss)	**48,923**	96,999
Net gain/(loss) financial liabilities - at amortised cost	**20,185**	61,220
Net gain/(loss) from financial liabilities	**20,185**	61,220

Note 24: Administered financial instruments (continued)

Note 24D: Net fair value of financial assets and liabilities

The net fair values of the Treasury's administered financial instruments are equal to the carrying amount and are not required to be disclosed in a separate table.

Note 24E: Credit risk exposure

The maximum exposure to credit risk of the Treasury's administered financial assets is the carrying amount of 'loans and receivables' (2008: $11,569,000 and 2007: $15,334,000) and the carrying amount of 'available for sale financial assets' (2008: $6,190,631,000 and 2007: $6,484,910,000). However the entities that the Treasury holds its financial assets with hold a minimum of AA credit ratings, therefore the Treasury does not consider any of its financial assets to be at risk of default.

Note 24: Administered financial instruments (continued)

Note 24F: Liquidity risk

The Treasury's administered financial liabilities are promissory notes, grant liabilities, the IMF SDR allocation, HIH and HLIC provisions. The exposure to liquidity risk is based on the notion that the Treasury will encounter difficulty in meeting its obligations associated with administered financial liabilities. This is highly unlikely due to appropriation funding through special appropriations and non-lapsing capital appropriations as well as internal policies and procedures put in place to ensure there are appropriate resources for the Treasury to meet its financial obligations.

The following tables illustrate the maturities for financial liabilities:

	On demand 2008 $'000	**Within 1 year 2008 $'000**	**1 to 5 years 2008 $'000**	**> 5 years 2008 $'000**	**Total 2008 $'000**
Promissory notes	**-**	**554**	**-**	**3,880,828**	**3,881,382**
Grant Liabilities	**-**	**2,500**	**-**	**-**	**2,500**
IMF allocation liability	**-**	**-**	**-**	**796,724**	**796,724**
Other payables	**4,108**	**-**	**-**	**-**	**4,108**
Other liabilities	**144,793**	**-**	**-**	**-**	**144,793**
Total	**148,901**	**3,054**	**-**	**4,677,552**	**4,829,507**

	On demand 2007 $'000	Within 1 year 2007 $'000	1 to 5 years 2007 $'000	> 5 years 2007 $'000	Total 2007 $'000
Promissory notes	-	1,070	535	3,887,019	3,888,624
Grant Liabilities	-	2,500	2,500	-	5,000
IMF allocation liability	-	-	-	839,509	839,509
Other payables	5,966	-	-	-	5,966
Other liabilities	190,132	-	-	-	190,132
Total	196,098	3,570	3,035	4,726,528	4,929,231

Note 24: Administered financial instruments (continued)

Note 24G: Market risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Treasury is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency.

The Treasury is exposed to foreign currency denominated in USD, EUR and SDR.

The following table details the effect on the profit and equity as at 30 June 2008 from a 10 per cent favourable/unfavourable change in AUD against the USD, EUR and SDR with all other variables held constant.

	Change	**Effect on**	
	in risk	**Profit and loss**	**Equity**
	variable	**2008**	**2008**
Risk Variable	**%**	**$'000**	**$'000**
IMF related moneys owing	10.00	**(54)**	**(54)**
IMF related moneys owing	-10.00	**66**	**66**
Quota	10.00	**(498,168)**	**(498,168)**
Quota	-10.00	**608,872**	**608,872**
Promissory notes	10.00	**4,244**	**4,244**
Promissory notes	-10.00	**(5,187)**	**(5,187)**
IMF allocation liability	10.00	**72,429**	**72,429**
IMF allocation liability	-10.00	**(88,525)**	**(88,525)**
Other liabilities	10.00	**357**	**357**
Other liabilities	-10.00	**(437)**	**(437)**

	Change	Effect on	
	in risk	Profit and loss	Equity
	variable	2007	2007
Risk Variable	%	$'000	$'000
IMF related moneys owing	10.00	(82)	(82)
IMF related moneys owing	-10.00	100	100
Quota	10.00	(524,921)	(524,921)
Quota	-10.00	641,570	641,570
Promissory notes	10.00	4,903	4,903
Promissory notes	-10.00	(5,992)	(5,992)
IMF allocation liability	10.00	76,319	76,319
IMF allocation liability	-10.00	(93,279)	(93,279)
Other liabilities	10.00	538	538
Other liabilities	-10.00	(658)	(658)

Shares in international financial institutions are valued at cost and as such their fair value is not altered by exchange rates.

Note 24: Administered financial instruments (continued)

The sensitivity analysis of the Treasury's exposure to foreign currency risk at the reporting date has been determined based on the Department of Finance and Deregulation's calculated average of the five main currencies for which the Australian Government is exposed. USD, EUR, GBP, JPY and NZD. For each of the five currencies an average of the past five years annual standard deviation is used, then calculated from observed daily movement of the AUD. Three standard deviations were selected as a 'reasonably' possible change as it accommodates for 99 per cent of the variation in the movement of historical foreign exchange rates.

Note 25: Administered consolidation

	Treasury		HCS Scheme		Total	
	2008	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
REVENUE:						
Non-taxation revenue						
Interest						
Gross IMF remuneration	**3,562**	10,540	**-**	-	**3,562**	10,540
Less: Burden sharing	**(158)**	(530)	**-**	-	**(158)**	(530)
Add: Burden sharing refunds	**-**	-	**-**	-	**-**	-
Net IMF remuneration	**3,404**	10,010	**-**	-	**3,404**	10,010
Other interest	**13**	23	**235**	202	**248**	225
Total interest	**3,417**	10,033	**235**	202	**3,652**	10,235
Dividends						
Reserve Bank of Australia	**1,084,822**	1,177,725	**-**	-	**1,084,822**	1,177,725
Total dividends	**1,084,822**	1,177,725	**-**	-	**1,084,822**	1,177,725
Sale of goods and rendering of services						
GST administration fees - external entities	**600,200**	618,792	**-**	-	**600,200**	618,792
Total sale of goods and rendering of services	**600,200**	618,792	**-**	-	**600,200**	618,792
Other revenues						
Write back of HCS scheme	**8,318**	16,503	**-**	-	**8,318**	16,503
HIH group liquidation proceeds	**55,271**	43,646	**-**	-	**55,271**	43,646
Other revenues	**5,391**	6,108	**-**	-	**5,391**	6,108
Total other revenues	**68,980**	66,257	**-**	-	**68,980**	66,257
Total revenues administered on behalf of Government	**1,757,419**	1,872,807	**235**	202	**1,757,654**	1,873,009

Note 25: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2008	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Gains						
Net foreign exchange gains/(losses)						
IMF SDR allocation	**42,786**	-	**-**	-	**42,786**	-
IMF maintenance of value	**312,875**	-	**-**	-	**312,875**	-
IMF quota revaluation	**(294,279)**	-	**-**	-	**(294,279)**	-
Other foreign exchange	**6,137**	-	**-**	-	**6,137**	-
Total net foreign exchange gains/(losses)	**67,519**	-	**-**	-	**67,519**	-
Total gains administered on behalf of Government	**67,519**	-	**-**	-	**67,519**	-
Total income administered on behalf of Government	**1,824,938**	1,872,807	**235**	202	**1,825,173**	1,873,009

Note 25: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
EXPENSES:						
Grants						
Grants to State and Territory governments	**42,627,153**	39,722,230	**-**	-	**42,627,153**	39,722,230
Other grants	**-**	(326)	**-**	-	**-**	(326)
Total grants	**42,627,153**	39,721,904	**-**	-	**42,627,153**	39,721,904
Interest						
IMF charges	**28,738**	35,779	**-**	-	**28,738**	35,779
Total interest	**28,738**	35,779	**-**	**-**	**28,738**	35,779
Other expenses						
HLIC claims	**(203)**	7	**-**	-	**(203)**	7
HCS Scheme claims	**-**	-	**-**	-	**-**	-
Total other expenses	**(203)**	7	**-**	**-**	**(203)**	7
Losses						
Net foreign exchange losses/(gains)						
IMF SDR allocation	**-**	(89,320)	**-**	-	**-**	(89,320)
IMF maintenance of value	**-**	(319,395)	**-**	-	**-**	(319,395)
IMF quota revaluation	**-**	614,342	**-**	-	**-**	614,342
Other	**-**	(7,679)	**-**	-	**-**	(7,679)
Total net foreign exchange losses/(gains)	**-**	197,948	**-**	-	**-**	197,948
Total losses administered on behalf of Government	**-**	197,948	**-**	-	**-**	197,948
Total expenses administered on behalf of Government	**42,655,688**	39,955,638	**-**	-	**42,655,688**	39,955,638

Note 25: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2008	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
ASSETS:						
Financial assets						
Cash and cash equivalents						
Administered bank accounts						
- Department of the Treasury	**6,034**	9,183	**4,179**	3,985	**10,213**	13,168
Receivables						
Net GST receivable						
from the ATO	**62**	82	**-**	-	**62**	82
HLIC premiums receivable	**747**	1,249	**-**	-	**747**	1,249
IMF related moneys owing	**596**	904	**-**	-	**596**	904
Other receivables	**-**	-	**13**	13	**13**	13
Total receivables (net)	**1,405**	2,235	**13**	13	**1,418**	2,248
Investments						
International financial institutions						
Asian Development Bank	**287,069**	287,069	**-**	-	**287,069**	287,069
European Bank for						
Reconstruction and Development	**84,824**	84,824	**-**	-	**84,824**	84,824
International Finance Corporation	**69,144**	69,144	**-**	-	**69,144**	69,144
International Bank for						
Reconstruction and Development	**259,049**	259,049	**-**	-	**259,049**	259,049
Multilateral Investment						
Guarantee Agency	**10,694**	10,694	**-**	-	**10,694**	10,694
Total international financial						
institutions	**710,780**	710,780	**-**	-	**710,780**	710,780
Quota						
International Monetary Fund	**5,479,851**	5,774,130	**-**	-	**5,479,851**	5,774,130

Note 25: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2008	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Australian Government entities						
Reserve Bank of Australia	**10,622,643**	9,664,000	**-**	-	**10,622,643**	9,664,000
Australian Securities and Investments Commission	**-**	29,999	**-**	-	**-**	29,999
Corporations and Markets Advisory Committee	**-**	102	**-**	-	**-**	102
Australian Reinsurance Pool Corporation	**456,703**	331,995	**-**	-	**456,703**	331,995
Australian Prudential Regulation Authority	**-**	32,656	**-**	-	**-**	32,656
Australian Accounting Standards Board	**3,257**	2,590	**-**	-	**3,257**	2,590
Auditing and Assurance Standards Board	**643**	578	**-**	-	**643**	578
Total Australian Government entities	**11,083,246**	10,061,920	**-**	-	**11,083,246**	10,061,920
Total investments	**17,273,877**	16,546,830	**-**	-	**17,273,877**	16,546,830
Non-financial assets						
Deferred acquisition costs	**-**	6	**-**	-	**-**	6
Other prepayments	**3,271**	3,509	**(1,438)**	(1,434)	**1,833**	2,075
Total non-financial assets	**3,271**	3,515	**(1,438)**	(1,434)	**1,833**	2,081
Total assets administered on behalf of Government	**17,284,587**	16,561,763	**2,754**	2,564	**17,287,341**	16,564,327

Note 25: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2008	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
LIABILITIES:						
Loans						
IMF promissory notes	**3,834,696**	3,834,696	**-**	-	**3,834,696**	3,834,696
Other promissory notes	**46,686**	53,928	**-**	-	**46,686**	53,928
Total loans	**3,881,382**	3,888,624	**-**	-	**3,881,382**	3,888,624
Grants						
IMF - poverty reduction and growth facility	**2,500**	5,000	**-**	-	**2,500**	5,000
Total grants	**2,500**	5,000	**-**	-	**2,500**	5,000
Other payables						
GST appropriation payable	**62**	82	**-**	-	**62**	82
IMF SDR allocation	**796,724**	839,509	**-**	-	**796,724**	839,509
IMF related monies owing	**3,929**	5,921	**-**	-	**3,929**	5,921
Other	**179**	-	**-**	45	**179**	45
Total other payables	**800,894**	845,512	**-**	45	**800,894**	845,557
Other provisions						
Provision for insurance claims	**385**	680	**-**	-	**385**	680
Provision for unearned premiums	**-**	55	**-**	-	**-**	55
Provision for HCS scheme	**144,408**	189,397	**-**	-	**144,408**	189,397
Total other provisions	**144,793**	190,132	**-**	-	**144,793**	190,132
Total other provisions and payables	**945,687**	1,035,644	**-**	45	**945,687**	1,035,689
Total liabilities administered on behalf of Government	**4,829,569**	4,929,268	**-**	45	**4,829,569**	4,929,313
Net assets administered on behalf of Government	**12,455,018**	11,632,495	**2,754**	2,519	**12,457,772**	11,635,014

Note 26: Appropriations

Note 26A: Acquittal of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations

	Administered expenses								Departmental outputs		Total	
	Outcome 1		Outcome 2		Outcome 3		Outcome 4					
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Balance carried from previous period	**-**	-	**-**	-	**-**	-	**4,706**	5,424	**52,216**	57,342	**56,922**	62,766
Adjustment to prior year	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Reductions of appropriations (prior years)	**-**	-	**-**	-	**-**	-	**(4,706)**	(5,424)	**-**	-	**(4,706)**	(5,424)
Adjusted balance carried from previous period	**-**	-	**-**	-	**-**	-	**-**	-	**52,216**	57,342	**52,216**	57,342
Appropriation Act (No. 1)	**-**	-	**-**	-	**-**	-	**5,000**	5,000	**137,991**	132,993	**142,991**	137,993
Appropriation Act (No. 3)	**-**	-	**-**	-	**-**	-	**-**	-	**13,017**	543	**13,017**	543
Adjustment to appropriations on change of entity function (FMA s32)	**-**	-	**-**	-	**-**	-	**-**	-	**(164)**	-	**(164)**	-
Refunds credited (FMA s30)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Appropriation reduced by section 9 determination (current year)	**-**	-	**-**	-	**-**	-	**-**	-	**(3,349)**	-	**(3,349)**	-
Sub-total annual appropriation	**-**	-	**-**	-	**-**	-	**5,000**	5,000	**147,495**	133,536	**152,495**	138,536
Adjusted annual appropriation balance	**-**	-	**-**	-	**-**	-	**5,000**	5,000	**147,495**	133,536	**152,495**	138,536
Comcover Receipts (Appropriation Act s13)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	12	**-**	12
Appropriations to take account of recoverable GST (FMA s30A)	**-**	-	**-**	-	**-**	-	**5**	29	**2,457**	4,227	**2,462**	4,256
Annotations to 'net appropriations' (FMA s31)	**-**	-	**-**	-	**-**	-	**-**	-	**9,135**	9,162	**9,135**	9,162

Note 26: Appropriations (continued)

Note 26A: Acquittal of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations (continued)

	Administered expenses								Departmental outputs		Total	
	Outcome 1		Outcome 2		Outcome 3		Outcome 4					
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Total appropriations available for payments	**-**	-	**-**	-	**-**	-	**5,005**	5,029	**211,303**	204,279	**216,308**	209,308
Cash payments made during the year (GST inclusive)	**-**	-	**-**	-	**-**	-	**(50)**	(323)	**(140,325)**	(152,063)	**(140,375)**	(152,386)
Balance of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations	**-**	-	**-**	-	**-**	-	**4,955**	4,706	**70,978**	52,216	**75,933**	56,922
Represented by:												
Cash at bank and on hand	**-**	-	**-**	-	**-**	-	**-**	-	**1,682**	589	**1,682**	589
Departmental appropriations receivable	**-**	-	**-**	-	**-**	-	**-**	-	**68,898**	51,432	**68,898**	51,432
GST receivable from the ATO	**-**	-	**-**	-	**-**	-	**-**	-	**447**	134	**447**	134
Receivables - goods and services - GST receivable from customers	**-**	-	**-**	-	**-**	-	**-**	-	**115**	108	**115**	108
Payables - suppliers - GST portion	**-**	-	**-**	-	**-**	-	**-**	-	**(164)**	(47)	**(164)**	(47)
Undrawn, unlapsed administered appropriations	**-**	-	**-**	-	**-**	-	**4,955**	4,706	**-**	-	**4,955**	4,706
Total	**-**	-	**-**	-	**-**	-	**4,955**	4,706	**70,978**	52,216	**75,933**	56,922

Note 26: Appropriations (continued)

Note 26B: Acquittal of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations

	Operating															
	Outcome 1				Outcome 2				Outcome 3				Outcome 4			
	SPPs		NAE		SPPs		NAE		SPPs		NAE		SPPs		NAE	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Balance carried from previous period	**-**	-	**-**	-	**19,504**	2,742	**-**	-	**-**	-	**-**	-	**-**	959	**-**	-
Reduction of appropriations (prior years)	**-**	-	**-**	-	**(19,504)**	(2,742)	**-**	-	**-**	**-**	**-**	-	**-**	(959)	**-**	-
Adjusted balance carried from previous period	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Appropriation Act (No. 2)	**-**	-	**-**	-	**2,399**	19,504	**-**	-	**-**	-	**-**	-	**173,204**	168,492	**-**	-
Appropriation Act (No. 4)	**-**	-	**-**	-	**14**	-	**-**	-	**-**	-	**-**	-	**3,904**	1,800	**-**	-
Appropriation Act (No. 6)	**-**	-	**-**	-	**77,587**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Adjustment of appropriations on change of entity function (FMA s32)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Sub-total annual appropriation	**-**	-	**-**	-	**80,000**	19,504	**-**	-	**-**	-	**-**	-	**177,108**	170,292	**-**	-
Appropriations to take account of recoverable GST (FMA s30A)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Departmental adjustments	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Total appropriations available for payments	**-**	-	**-**	-	**80,000**	19,504	**-**	-	**-**	-	**-**	-	**177,108**	170,292	**-**	-

Note 26: Appropriations (continued)

Note 26B: Acquittal of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations (continued)

	Operating															
	Outcome 1				Outcome 2				Outcome 3				Outcome 4			
	SPPs		NAE		SPPs		NAE		SPPs		NAE		SPPs		NAE	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Cash payments made during the year (GST inclusive)	**-**	-	**-**	-	**(80,000)**	-	**-**	-	**-**	-	**-**	-	**(173,957)**	(170,292)	**-**	-
Appropriations credited to special accounts (GST exclusive)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Balance of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations	**-**	-	**-**	-	**-**	19,504	**-**	-	**-**	-	**-**	-	**3,151**	-	**-**	-
Represented by:																
Undrawn, unlapsed administered appropriations	**-**	-	**-**	-	**-**	19,504	**-**	-	**-**	-	**-**	-	**3,151**	-	**-**	-
Total	**-**	-	**-**	-	**-**	19,504	**-**	-	**-**	-	**-**	-	**3,151**	-	**-**	-

Note 26: Appropriations (continued)

Note 26B: Acquittal of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations (continued)

	Non-operating									
	Equity		Loans		Previous years' outputs		Admin assets and liabilities		Total	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Balance carried from previous period	**-**	-	**-**	-	**-**	-	**14,798**	668	**34,302**	4,369
Reduction of appropriations (prior years)	**-**	-	**-**	-	**-**	-	**-**	-	**(19,504)**	(3,701)
Adjusted balance carried from previous period	**-**	-	**-**	-	**-**	-	**14,798**	668	**14,798**	668
Appropriation Act (No. 2)	**110**	276	**-**	-	**1,820**	-	**53,773**	4,165	**231,306**	192,437
Appropriation Act (No. 4)	**8,868**	-	**-**	-	**-**	-	**-**	14,068	**12,786**	15,868
Appropriation Act (No. 6)	**-**	-	**-**	-	**-**	-	**-**	-	**77,587**	-
Adjustment of appropriations on change of entity function (FMA s32)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Sub-total annual appropriation	**8,978**	276	**-**	-	**1,820**	-	**53,773**	18,233	**321,679**	208,305
Appropriations to take account of recoverable GST (FMA s30A)	**898**	28	**-**	-	**182**	-	**447**	-	**1,527**	28
Departmental adjustments	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Total appropriations available for payments	**9,876**	304	**-**	-	**2,002**	-	**69,018**	18,901	**338,004**	209,001

Note 26: Appropriations (continued)

Note 26B: Acquittal of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations (continued)

	Non-operating									
	Equity		Loans		Previous years' outputs		Admin assets and liabilities		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Cash payments made during the year (GST inclusive)	**(9,876)**	(304)	**-**	-	**(2,002)**	-	**(20,511)**	(4,103)	**(286,346)**	(174,699)
Balance of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations	**-**	-	**-**	-	**-**	-	**48,507**	14,798	**51,658**	34,302
Represented by:										
Cash at bank and on hand	**-**	-	**-**	-	**-**	-	**6,034**	-	**6,034**	-
Undrawn, unlapsed administered appropriations	**-**	-	**-**	-	**-**	-	**42,473**	14,798	**45,624**	34,302
Total	**-**	-	**-**	-	**-**	-	**48,507**	14,798	**51,658**	34,302

Note 26: Appropriations (continued)

Note 26C: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (unlimited amount)

A New Tax System (Commonwealth-State) Financial Arrangements Act 1999	**2008**	2007
	$'000	$'000
		Outcome 2
Purpose: An Act under which the Australian Government guaranteed that in the transitional years following the introduction of tax reform, each State's budgetary position would be no worse off than had the reforms not been implemented.		
All transactions under this Act are recognised as administered items.		
Cash payments made during the year	**(42,373,196)**	(39,477,338)
Total charged to appropriation	**(42,373,196)**	(39,477,338)
Budget estimate	**42,673,196**	39,551,702

International Monetary Agreements Act 1947	**2008**	2007
	$'000	$'000
		Outcome 1
Purpose: An Act to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease the balance of payments adjustment.		
All transactions under this Act are recognised as administered items.		
Cash payments made during the year	**(30,730)**	(35,458)
Total charged to appropriation	**(30,730)**	(35,458)
Budget estimate	**31,050**	36,639

Note 26: Appropriations (continued)

Note 26C: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (unlimited amount) (continued)

Superannuation Industry (Supervision) Act 1993	**2008**	2007
	$'000	$'000
		Outcome 4
Purpose: An Act to provide the framework for providing financial assistance to superannuation funds that had suffered an eligible loss, that is a loss as a result of fraudulent conduct or theft.		
All transactions under this Act are recognised as administered items.		
Cash payments made during the year	**-**	(1,484)
Total charged to appropriation	**-**	(1,484)
Budget estimate	**-**	1,477

Totals for unlimited special appropriations	**2008**	2007
	$'000	$'000
Cash payments made during the year	**(42,403,926)**	(39,514,280)
Total charged to appropriation	**(42,403,926)**	(39,514,280)
Budget estimate	**42,704,246**	39,589,818

Note 26: Appropriations (continued)

Note 26C: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (limited amount) (continued)

Appropriation (HIH Assistance) Act 2001	**2008 $'000**	2007 $'000
		Outcome 4
Purpose: An Act to provide Australian Government funded assistance to policy holders suffering financial hardship as a result of the failure of the HIH group companies and the appointment of the provisional liquidators of the HIH group companies. This special appropriation is limited to $640,000,000.		
All transactions under this Act are recognised as administered items.		
Amount available carried from previous period	**19,798**	70,115
Appropriations to take account for recoverable GST (FMA s30A)	**320**	1,013
Available for payments	**20,118**	71,128
Cash payments made during the year	**(20,118)**	(51,330)
Amount available carried to the next period	**-**	19,798
Represented by:		
Cash	**-**	8,781
Undrawn, unlapsed administered appropriations	**-**	11,017
Total	**-**	19,798

Note: During 2007-08 the *Appropriation (HIH Assistance) Act 2001* was exhausted. The HIH program is now funded through an annual capital appropriation.

Note 26: Appropriations (continued)

Note 26D: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (refund provisions)

Financial Management and Accountability Act 1997 Transactions reported in this table are administered items.	**2008 $'000**	2007 $'000
		Outcome 2
Cash payments made during the year	**54**	-
Appropriations credited to Special Accounts	**-**	-
Refunds credited (net) (FMA s30)	**-**	-
Total charged to appropriation	**54**	-
Budget estimate (FMA s28)	**-**	-
		Outcome 4
Cash payments made during the year	**-**	8
Appropriations credited to Special Accounts	**-**	-
Refunds credited (net) (FMA s30)	**-**	-
Total charged to appropriation	**-**	8
Budget estimate (FMA s28)	**-**	-

Note 26: Appropriations (continued)

Note 26E: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (section 39 of the FMA Act)

In 2006-07 and 2007-08, the Treasury did not draw cash under section 39 of the FMA Act.

Note 26F: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (other disclosures)

The special appropriations listed below are administered in nature and the responsibility of the Treasury. They were not used in the current reporting period or the previous reporting period, and therefore are not shown in separate tables.

Limited	
Act	**Purpose**
Asian Development Bank Act 1966	Payments and promissory notes to establish the Bank. Balance available is USD$42,500,000 in callable shares.
Asian Development Bank (Additional Subscription) Act 1972	Subscribe to 2,550 (paid-in) and 10,200 (callable) shares. Balance available is USD$102,000,000 in callable shares.
Asian Development Bank (Additional Subscription) Act 1977	Subscribe to 2,869 (paid-in) and 25,818 (callable) shares. Balance available is USD$258,180,000 in callable shares.
Asian Development Bank (Additional Subscription) Act 1983	Subscribe to 2,622 (paid-in) and 49,811 (callable) shares. Balance available is USD$498,110,000 in callable shares.
Asian Development Bank (Additional Subscription) Act 1995	Subscribe to 2,047 (paid-in) and 100,323(callable) shares. Balance available is USD$1,210,246,511 in callable shares.
European Bank for Reconstruction and Development Act 1990	Payments and promissory notes to establish the Bank. Balance available is USD$81,690,700 in callable shares.
International Financial Institutions (Share Increase) Act 1982	For payments for additional shares of capital stock in the International Finance Corporation (IFC) and the International Bank for Reconstruction and Development (IBRD). Balance available is USD$692,927,440 in callable shares (IBRD).
International Monetary Agreements Act 1974	Making payments, including for promissory notes, to the International Bank for Reconstruction and Development (IBRD). Balance available is USD$37,638,120 in callable shares (IBRD).
Multilateral Investment Guarantee Agency Act 1997	Payments of capital and on securities issued to establish the Agency. Balance available is USD$14,827,728 in callable shares.
Papua New Guinea Loans Guarantee Act 1975	Continuation of guarantees under the *Papua New Guinea Act 1949-75.* Balance available is AUD$5,170,000.
Unlimited	
Act	**Purpose**
Financial Agreements (Commonwealth Liability) Act 1932	Payment of principal and interest on bonds issued under the *Financial Agreement Validation Act 1929* , consolidating State debts.
Housing Loans Insurance Corporation (Transfer of Assets and Abolition) Act 1996	Payments for amounts arising from claims made before the transfer period leading to the abolition of the HLIC.
Mint Employees Act 1964	Top up superannuation entitlements.
Payment of Tax Receipts (Victoria) Act 1996	Payment to Victoria of certain taxes collected by the Australian Government on Victoria's behalf.
States Grants Act 1927	Distribution of surplus revenue to the States.

Note 26: Appropriations (continued)

Note 26F: Acquittal of authority to draw cash from the consolidated revenue fund — special appropriations (other disclosures) (continued)

The disclosure below is for note purposes only and is not recognised in the financial statements.

Commonwealth Places (Mirror Taxes) Act 1998

The Treasury is responsible for administering the above Act to pay compensation to the States for constitutionally invalid States taxes levied on Commonwealth places. Under the Act, the Australian Government is liable to pay to a State amounts equal to amounts received by the Australian Government (including amounts received by a State on behalf of the Australian Government) under an applied law of the State. During the current reporting period and previous reporting period the States collected and provided the following estimates of taxes pursuant to the Act:

	2008	2007
	$	$
Total mirror tax collection	**384,621,285**	358,017,041

Note 26: Appropriations (continued)

Note 26G: Special accounts

Actuarial Services Special Account (departmental)

Legal authority: Financial Management and Accountability Act 1997; s20
Purpose: Providing actuarial services and advice.
Note: Actuarial Services Special Account was established on 1 October 2006.

	2008 $'000	2007 $'000
This account is non-interest bearing		
Balance carried from Australian Government Actuary Account	**1,672**	1,704
GST credit (FMA s30A)	**8**	5
Other receipts from rendering of services	**1,611**	1,011
Available for payments	**3,291**	2,720
Payments made to employees	**(1,016)**	(709)
Payments made to suppliers	**(417)**	(339)
Balance carried to next period	**1,858**	1,672
Represented by:		
Cash held by the Australian Government Actuary	**588**	1,667
Add: Receivables - Moneys held in the OPA	**1,270**	-
Add: Receivables - goods and services - GST receivable from customers	**29**	16
Less: Other payables - net GST payable to the ATO	**(26)**	(11)
Less: Payable - suppliers - GST portion	**(3)**	-
Total balance carried to the next period	**1,858**	1,672

Note 26: Appropriations (continued)

Note 26G: Special accounts (continued)

Australian Government Actuary Account (departmental)

Legal authority: Financial Management and Accountability Act 1997; s20
Purpose: For expenditure of moneys related to the operations of the Australian Government Actuary.
Note: Australian Government Actuary Account was abolished on 30 September 2006. The balance of the special account was transferred to Actuarial Services Special Account (transfer shown as 'other payments') during the 2006-07 Financial Year.

	2008	2007
	$'000	$'000
This account is non-interest bearing		
Balance carried from previous period	-	1,557
Adjustment to prior year	-	-
Adjusted balance carried forward from previous period	-	1,557
GST credit (FMA s30A)	-	2
Other receipts from rendering of services	-	490
Available for payments	-	2,049
Payments made to employees	-	(205)
Payments made to suppliers	-	(140)
Other payments	-	(1,704)
Balance carried to next period	-	-
Represented by:		
Cash held by the Australian Government Actuary	-	1,703
Add: Receivables - goods and services - GST receivable from customers	-	8
Less: Other payables - net GST payable to the ATO	-	(7)
Less: Payable - suppliers - GST portion	-	-
Less: Transfer of balance to Actuarial Services Special Account	-	(1,704)
Total balance carried to the next period	-	-

Note 26: Appropriations (continued)

Note 26G: Special accounts (continued)

Lloyd's Deposit Trust Special Account (departmental)

Legal authority: Financial Management and Accountability Act 1997; s20
Purpose: To disburse amounts in accordance with section 92Q of the *Insurance Act 1973.*
Note: Lloyd's Deposit Trust Special Account was established on 1 October 2006.

	2008 $'000	2007 $'000
This account is non-interest bearing		
Balance carried from Lloyd's Deposit Trust Account	**2,000**	2,000
Other receipts from provision of goods	**150**	75
Available for payments	**2,150**	2,075
Payments made to suppliers	**(150)**	(75)
Transfer to APRA	**2,000**	-
Balance carried to next period	**-**	2,000
Represented by:		
Securities held by Treasury	**-**	2,000
Total balance carried to the next period	**-**	2,000

Note 26: Appropriations (continued)

Note 26G: Special accounts (continued)

Lloyd's Deposit Trust Account (departmental)

Legal authority: Financial Management and Accountability Act 1997; s20
Purpose: For recording deposits made in accordance with the provisions of the *Insurance Act 1973*
Note: Lloyd's Deposit Trust Account was abolished on 30 September 2006. The balance of the special account was transferred to Lloyd's Deposit Trust Special Account (transfer shown as 'other payments') during the 2006-07 Financial Year.

	2008	2007
	$'000	$'000
This account is non-interest bearing		
Balance carried from previous period	**-**	2,000
Other receipts from provision of goods	**-**	75
Available for payments	**-**	2,075
Payments made to suppliers	**-**	(75)
Other payments	**-**	(2,000)
Balance carried to next period	**-**	-
Represented by:		
Securities held by Treasury	**-**	-
Total balance carried to the next period	**-**	-

Note 26: Appropriations (continued)

Note 26G: Special accounts (continued)

Services for other Governments and non-agency bodies account (departmental)

The Treasury has a 'Services for other Governments and non-agency bodies special account' established under section 20 of the *Financial Management and Accountability Act 1997* (FMA Act). The purpose of this special account is for the expenditure in connection with services performed on behalf of other governments and bodies that are not agencies under the FMA Act. For the years ended 30 June 2007 and 30 June 2008 this special account had nil balances and no transactions were credited or debited to the account.

Other trust moneys account (Departmental — Special Public Money)

The Treasury has a 'Other trust moneys special account' established under section 20 of the FMA Act. The purpose of this special account is for expenditure of moneys temporarily held on trust or otherwise for the benefit of a person other than the Australian Government. Any money held is thus special public money under section 16 of the FMA Act. For the year ended 30 June 2006, this special account held moneys advanced to the Treasury by Comcare for the purpose of distributing compensation payments made in accordance with the *Safety Rehabilitation and Compensation Act 1998*. Amendments in this Act have allowed payments that are direct reimbursements to employers to no longer be considered as Special Public Money. The effect of this change is from 1 July 2006. In the past, where the Treasury made payments against accrued sick leave entitlements pending determination of an employee's claim, permission was obtained in writing from each individual to allow the Treasury to recover the payments from the moneys in the account. The Treasury obtained the employees' consent prior to the determination of the claim to allow the Treasury to recover the payments from the monies when received. In this respect only overpayments and errors in payments are special public monies and credited to the account accordingly until returned to Comcare. For the years ended 30 June 2007 and 30 June 2008, this special account had nil balances and no transactions were credited or debited to the account.

Other trust moneys account (Administered — Special Public Money)

The Treasury has an 'Other trust moneys special account' established under section 20 of the FMA Act. The purpose of this special account is for expenditure of moneys temporarily held on trust or otherwise for the benefit of a person other than the Australian Government. Any money held is thus special public money under section 16 of the FMA Act.

For the years ended 30 June 2007 and 30 June 2008, this special account held moneys in relation to HIH recoveries received from the HIH Claims Manager, which were recovered from third parties in relation to claims made by persons insured by HIH. These recoveries comprise a portion which is due to third parties (non-Commonwealth) and part to the Commonwealth. Receipts and subsequent payments relating to third parties (non-Commonwealth) are treated as special public moneys.

	2008 Actual $'000	2007 Actual $'000
Balance carried forward from previous year	**11**	45
Receipts during the year	**1,164**	364
Available for payments	**1,175**	409
Payments made	**(1,175)**	(398)
Balance carried forward to next year held by the entity	**-**	11
Represented by:		
Cash held by Treasury	**-**	11
Balance carried forward to next year held by the entity	**-**	11

Note 26H: Special accounts investment of public money

For the periods 2006-07 and 2007-08, the Treasury has not used section 39 of the FMA Act or section 18 and 19 of the Commonwealth Authorities and Companies Act in respect of this Special Account.

Note 27: Compensation and debt relief

In 2006-07 and 2007-08, the Treasury made no administered or departmental act of grace, ex-gratia or s73 of the *Public Service Act 1999* payments.

Note 28: Reporting of outcomes

The Treasury uses a process of cost allocation to estimate the allocation of shared costs. The cost of each output comprises direct and indirect costs. Direct costs are assigned to outputs according to detailed cost profiles. Indirect costs that comprise corporate and overhead items such as information technology, accommodation and human resource management are allocated to outputs based on a (cost driver) consumption basis. This basis of allocation is consistent with the basis used for previous years.

Note 28: Reporting of outcomes (continued)

Note 28A: Net cost of outcome delivery

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Expenses										
Administered expenses	**28,738**	233,727	**42,453,196**	39,551,938	**-**	-	**173,754**	169,973	**42,655,688**	39,955,638
Departmental expenses	**33,270**	41,112	**20,822**	15,445	**40,899**	41,790	**54,684**	54,292	**149,675**	152,639
Total expenses	**62,008**	274,839	**42,474,018**	39,567,383	**40,899**	41,790	**228,438**	224,265	**42,805,363**	40,108,277
Costs recovered from provision of goods and services to the non-government sector										
Administered	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Departmental	**233**	235	**56**	132	**-**	1	**19**	22	**308**	390
Total costs recovered	**233**	235	**56**	132	**-**	1	**19**	22	**308**	390
Other external revenues										
Administered										
Interest	**3,404**	10,010	**-**	-	**-**	-	**248**	225	**3,652**	10,235
Dividends	**1,084,822**	1,177,725	**-**	-	**-**	-	**-**	-	**1,084,822**	1,177,725
GST administration fees	**-**	-	**600,200**	618,792	**-**	-	**-**	-	**600,200**	618,792
HIH Group liquidation proceeds	**-**	-	**-**	-	**-**	-	**55,271**	43,646	**55,271**	43,646
Net foreign exchange gains	**67,519**	-	**-**	-	**-**	-	**-**	-	**67,519**	-
Other revenue	**-**	-	**900**	2,300	**-**	-	**12,809**	20,311	**13,709**	22,611
Total administered	**1,155,745**	1,187,735	**601,100**	621,092	**-**	-	**68,328**	64,182	**1,825,173**	1,873,009
Departmental										
Net gains	**93**	101	**48**	41	**128**	175	**91**	81	**360**	398
Sale of assets	**-**	20	**-**	8	**-**	21	**-**	16	**-**	65
Other	**332**	284	**99**	152	**192**	280	**201**	295	**824**	1,011
Related goods and services revenue	**3,005**	4,120	**70**	13	**259**	345	**2,349**	1,975	**5,683**	6,453
External goods and services revenue	**886**	16	**20**	2	**76**	59	**693**	299	**1,675**	376
Total departmental	**4,316**	4,541	**237**	216	**655**	880	**3,334**	2,666	**8,542**	8,303
Total other external revenues	**1,160,061**	1,192,276	**601,337**	621,308	**655**	880	**71,662**	66,848	**1,833,715**	1,881,312
Net cost/(contribution) of outcome	**(1,098,286)**	(917,672)	**41,872,625**	38,945,943	**40,244**	40,909	**156,757**	157,395	**40,971,340**	38,226,575

Outcomes 1, 2, 3 and 4 are described in Note 1.1. Net costs shown include intra-government costs that are eliminated in calculating the actual budget outcome. The 2007 comparative does not match what was published in the Treasury's financial statements for that year due to a revision in the method of calculation for recoveries from the non-government sector.

Note 28: Reporting of outcomes (continued)

Note 28B: Major classes of departmental revenues and expenses by output group and outputs

	Output Group 1.1 Output 1.1.1		Output Group 1.1 Output 1.1.2		Outcome 1 Total	
	Domestic economic policy advice and forecasting		International economic policy advice and assessment			
	2008	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Departmental expenses						
Employee benefits	**7,485**	7,264	**16,329**	19,095	**23,814**	26,359
Suppliers and grants	**2,062**	1,877	**6,448**	11,839	**8,510**	13,716
Depreciation and amortisation	**243**	227	**661**	757	**904**	984
Write down of assets	**3**	4	**9**	10	**12**	14
Finance costs	**7**	9	**18**	30	**25**	39
Net losses from sale of assets	**1**	-	**4**	-	**5**	-
Total departmental expenses	**9,801**	9,381	**23,469**	31,731	**33,270**	41,112
Funded by:						
Revenues from Government	**9,695**	8,930	**18,644**	26,733	**28,339**	35,663
Sale of goods and services	**80**	142	**4,044**	4,229	**4,124**	4,371
Other non-taxation revenues	**123**	63	**209**	221	**332**	284
Sale of assets	**-**	5	**-**	15	**-**	20
Other gains	**24**	24	**69**	77	**93**	101
Total departmental revenues	**9,922**	9,164	**22,966**	31,275	**32,888**	40,439

Note 28: Reporting of outcomes (continued)

Note 28B: Major classes of departmental revenues and expenses by output group and outputs (continued)

	Output Group 2.1 Output 2.1.1		Output Group 2.1 Output 2.1.2		Output Group 2.1 Output 2.1.3		Output Group 2.1 Output 2.1.4		Outcome 2 Total	
	Budget policy advice and coordination		Commonwealth-State financial policy advice		Industry, environment and defence policy advice		Social and income support policy advice			
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Departmental expenses										
Employee benefits	**3,149**	2,819	**2,338**	2,016	**5,589**	3,562	**4,547**	3,695	**15,623**	12,092
Suppliers and grants	**774**	711	**623**	537	**2,250**	887	**1,044**	790	**4,691**	2,925
Depreciation and amortisation	**97**	102	**78**	67	**174**	127	**134**	106	**483**	402
Write down of assets	**1**	1	**3**	1	**2**	7	**2**	1	**8**	10
Finance costs	**3**	4	**2**	3	**5**	5	**4**	4	**14**	16
Net losses from sale of assets	**1**	-	**-**	-	**1**	-	**1**	-	**3**	-
Total departmental expenses	**4,025**	3,637	**3,044**	2,624	**8,021**	4,588	**5,732**	4,596	**20,822**	15,445
Funded by:										
Revenues from Government	**4,095**	3,703	**2,987**	2,654	**8,725**	4,236	**5,099**	5,043	**20,906**	15,636
Sale of goods and services	**28**	37	**23**	25	**54**	46	**41**	39	**146**	147
Other non-taxation revenues	**19**	27	**15**	20	**39**	34	**26**	71	**99**	152
Sale of assets	**-**	2	**-**	1	**-**	3	**-**	2	**-**	8
Net gains	**9**	10	**8**	7	**18**	13	**13**	11	**48**	41
Total departmental revenues	**4,151**	3,779	**3,033**	2,707	**8,836**	4,332	**5,179**	5,166	**21,199**	15,984

Note 28: Reporting of outcomes (continued)

Note 28B: Major classes of departmental revenues and expenses by output group and outputs (continued)

	Output Group 3.1 Output 3.1.1		Output Group 3.1 Output 3.1.2		Outcome 3 Total	
	Taxation policy and legislation advice		Retirement income and saving policy and legislation advice			
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Departmental expenses						
Employees	**23,189**	26,112	**7,173**	5,582	**30,362**	31,694
Suppliers and grants	**7,675**	7,479	**1,806**	1,534	**9,481**	9,013
Depreciation and amortisation	**769**	825	**237**	204	**1,006**	1,029
Write down of assets	**11**	11	**3**	3	**14**	14
Finance costs	**22**	32	**7**	8	**29**	40
Net losses from sale of assets	**5**	-	**2**	-	**7**	-
Total departmental expenses	**31,671**	34,459	**9,228**	7,331	**40,899**	41,790
Funded by:						
Revenues from Government	**33,730**	35,255	**9,021**	6,739	**42,751**	41,994
Sale of goods and services	**256**	321	**79**	84	**335**	405
Other non-taxation revenues	**147**	225	**45**	55	**192**	280
Sale of assets	**-**	17	**-**	4	**-**	21
Net gains	**105**	154	**23**	21	**128**	175
Total departmental revenues	**34,238**	35,972	**9,168**	6,903	**43,406**	42,875

Note 28: Reporting of outcomes (continued)

Note 28B: Major classes of departmental revenues and expenses by output group and outputs (continued)

	Output Group 4.1 Output 4.1.1		Output Group 4.1 Output 4.1.2		Output Group 4.1 Output 4.1.3		Output Group 4.1 Output 4.1.4		Outcome 4 Total	
	Foreign investment and trade policy advice and administration		Financial system and corporate governance policy advice		Competition and consumer policy advice		Actuarial Services			
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Departmental expenses										
Employees	**4,312**	4,173	**13,605**	11,546	**12,349**	9,329	**1,078**	967	**31,344**	26,015
Suppliers and grants	**1,455**	1,638	**10,177**	9,554	**10,291**	15,833	**423**	355	**22,346**	27,380
Depreciation and amortisation	**149**	152	**440**	424	**359**	277	**3**	2	**951**	855
Write down of assets	**2**	2	**6**	5	**5**	4	**-**	-	**13**	11
Finance costs	**4**	6	**11**	14	**10**	11	**-**	-	**25**	31
Net losses from sale of assets	**1**	-	**2**	-	**2**	-	**-**	-	**5**	-
Total departmental expenses	**5,923**	5,971	**24,241**	21,543	**23,016**	25,454	**1,504**	1,324	**54,684**	54,292
Funded by:										
Revenues from Government	**5,686**	4,764	**23,584**	22,011	**28,049**	13,468	**-**	-	**57,319**	40,243
Sale of goods and services	**164**	395	**1,189**	238	**169**	268	**1,539**	1,395	**3,061**	2,296
Other non-taxation revenues	**9**	61	**121**	155	**71**	79	**-**	-	**201**	295
Sale of assets	**-**	3	**-**	7	**-**	6	**-**	-	**-**	16
Net gains	**15**	15	**40**	37	**36**	29	**-**	-	**91**	81
Total departmental revenues	**5,874**	5,238	**24,934**	22,448	**28,325**	13,850	**1,539**	1,395	**60,672**	42,931

Note 28: Reporting of outcomes (continued)

Note 28C: Major classes of administered revenues and expenses by outcome

	Outcome 1		Outcome 2		Outcome 3		Outcome 4		Total	
	Sound macroeconomic environment		Effective government spending arrangements		Effective taxation and retirement income arrangements		Well functioning markets			
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Administered revenues										
Interest	**3,404**	10,010	**-**	-	**-**	-	**248**	225	**3,652**	10,235
Dividends	**1,084,822**	1,177,725	**-**	-	**-**	-	**-**	-	**1,084,822**	1,177,725
Goods and services	**-**	-	**600,200**	618,792	**-**	-	**-**	-	**600,200**	618,792
HIH Group liquidation proceeds	**-**	-	**-**	-	**-**	-	**55,271**	43,646	**55,271**	43,646
Other	**-**	-	**900**	2,300	**-**	-	**12,809**	20,311	**13,709**	22,611
Net foreign exchange gains	**67,519**	-	**-**	-	**-**	-	**-**	-	**67,519**	-
Total administered revenues	**1,155,745**	1,187,735	**601,100**	621,092	**-**	-	**68,328**	64,182	**1,825,173**	1,873,009
Administered expenses										
Grants	**-**	-	**42,453,196**	39,551,938	**-**	-	**173,957**	169,966	**42,627,153**	39,721,904
Other	**28,738**	35,779	**-**	-	**-**	-	**(203)**	7	**28,535**	35,786
Net foreign exchange losses	**-**	197,948	**-**	-	**-**	-	**-**	-	**-**	197,948
Total administered expenses	**28,738**	233,727	**42,453,196**	39,551,938	**-**	-	**173,754**	169,973	**42,655,688**	39,955,638