

# Part 4:

## Financial statements

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Auditor-General for Australia



## INDEPENDENT AUDIT REPORT

To the Treasurer

### Scope

#### *The financial statements and Chief Executive's responsibility*

The financial statements comprise:

- Statement by the Departmental Secretary and Chief Finance Officer;
- Income Statement, Balance Sheet and Cash Flow Statement;
- Statement of Changes in Equity;
- Schedules of Commitments and Contingencies;
- Schedule of Administered Items; and
- Notes to and forming part of the Financial Statements

of the Department of the Treasury for the year ended 30 June 2006.

The Department of the Treasury's Chief Executive is responsible for preparing financial statements that give a true and fair presentation of the financial position and performance of the Department of the Treasury, and that they comply with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, Accounting Standards and other mandatory financial reporting requirements in Australia. The Department of the Treasury's Chief Executive is also responsible for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

### *Audit Approach*

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive, rather than conclusive, evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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## Part 4: Financial statements

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

I have performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Department of the Treasury's financial position, and of its financial performance and cash flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Chief Executive.

### ***Independence***

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

### **Audit 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
- (b) give a true and fair view of the Department of the Treasury's financial position as at 30 June 2006 and of its performance and cash flows for the year then ended, in accordance with:
  - (i) the matters required by the Finance Minister's Orders; and
  - (ii) applicable Accounting Standards and other mandatory financial reporting requirements in Australia.

Australian National Audit Office



Ian McPhee

Auditor-General  
Canberra  
22 August 2006

# THE TREASURY

## STATEMENT BY THE DEPARTMENTAL SECRETARY AND CHIEF FINANCE OFFICER

### Certification of financial statements

In our opinion, the attached financial statements for the year ended 30 June 2006 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  
Secretary to the Treasury

21 August 2006



Michael Burton  
Chief Financial Officer

21 August 2006

**Income statement**  
for the year ended 30 June 2006

	Notes	2006 \$'000	2005 \$'000
<b>INCOME</b>			
<b>Revenues from ordinary activities</b>			
Revenues from Government	4A	134,040	126,555
Goods and services	4B	6,258	60,116
Interest	4C	-	479
Other revenues	4D	210	623
<b>Total revenues from ordinary activities</b>		<b>140,508</b>	<b>187,773</b>
<b>Gains</b>			
Net gains from sale of assets	4E	-	1
Resources received free of charge	4E	394	468
<b>Total gains</b>		<b>394</b>	<b>469</b>
<b>TOTAL INCOME</b>		<b>140,902</b>	<b>188,242</b>
<b>EXPENSES</b>			
Employees	5A	84,399	86,444
Suppliers	5B	35,592	78,157
Royalties	5B	-	1,355
Depreciation and amortisation	5C	3,460	4,888
Borrowing costs expense	5D	109	124
Write-down and impairment of assets	5E	7	189
Net losses from sale of assets	5F	43	-
<b>TOTAL EXPENSES</b>		<b>123,610</b>	<b>171,157</b>
<b>Operating result before income tax</b>		<b>17,292</b>	<b>17,085</b>
Income tax equivalent expense	7A	-	286
<b>OPERATING RESULT</b>		<b>17,292</b>	<b>16,799</b>

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

**Balance sheet**  
as at 30 June 2006

	Notes	2006 \$'000	2005 \$'000
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	8A	2,107	12,883
Deferred income tax asset		-	353
Receivables	8B	58,869	37,509
<b>Total financial assets</b>		<b>60,976</b>	<b>50,745</b>
<b>Non-financial assets</b>			
Land and buildings	9A	7,158	7,954
Infrastructure, plant and equipment	9B	8,141	15,118
Inventories	9D	-	21,224
Intangibles	9C	810	1,805
Other non-financial assets	9E	1,809	8,394
<b>Total non-financial assets</b>		<b>17,918</b>	<b>54,495</b>
<b>Total assets</b>		<b>78,894</b>	<b>105,240</b>
<b>LIABILITIES</b>			
<b>Interest bearing liabilities</b>			
Leases	10	1,192	1,422
<b>Total interest bearing liabilities</b>		<b>1,192</b>	<b>1,422</b>
<b>Provisions</b>			
Employees	11A	29,291	31,063
Other provisions	11B	-	152
<b>Total provisions</b>		<b>29,291</b>	<b>31,215</b>
<b>Payables</b>			
Suppliers	12A	1,634	2,587
Seigniorage payable	12B	-	4,384
Other payables	12D	2,737	2,346
<b>Total payables</b>		<b>4,371</b>	<b>9,317</b>
<b>Tax liabilities</b>			
Tax liabilities equivalent	12C	-	823
Deferred income tax liabilities		-	136
<b>Total tax liabilities</b>		<b>-</b>	<b>959</b>
<b>Total liabilities</b>		<b>34,854</b>	<b>42,913</b>
<b>NET ASSETS</b>		<b>44,040</b>	<b>62,327</b>
<b>EQUITY</b>			
Asset revaluation reserve		3,644	9,037
Contributed equity		3,685	12,230
Retained surpluses		36,711	41,060
<b>Total equity</b>		<b>44,040</b>	<b>62,327</b>
<b>Current assets</b>		<b>62,785</b>	<b>53,743</b>
<b>Non-current assets</b>		<b>16,109</b>	<b>51,497</b>
<b>Current liabilities</b>		<b>26,186</b>	<b>37,748</b>
<b>Non-current liabilities</b>		<b>8,668</b>	<b>5,165</b>

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

### Cash flow statement for the year ended 30 June 2006

	Notes	2006 \$'000	2005 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Goods and services		9,642	26,749
Appropriations		110,779	109,597
Face value - circulating coin		-	137,696
Net GST received from ATO		2,813	4,802
Other cash received		1,697	-
<b>Total cash received</b>		<b>124,931</b>	<b>278,844</b>
<b>Cash used</b>			
Employees		83,891	85,001
Suppliers		39,919	89,909
Seigniorage - circulating coins		-	98,927
Grants		1,317	-
Financing costs		110	124
Net GST paid to ATO		140	2,682
Cash to the OPA		225	-
Other cash used		3	5
<b>Total cash used</b>		<b>125,605</b>	<b>276,648</b>
<b>Net cash from/(used by) operating activities</b>	14	<b>(674)</b>	<b>2,196</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sale of property, plant and equipment		10	81
<b>Total cash received</b>		<b>10</b>	<b>81</b>
<b>Cash used</b>			
Purchase of property, plant and equipment		1,252	5,725
Purchase of intangibles		185	449
<b>Total cash used</b>		<b>1,437</b>	<b>6,174</b>
<b>Net cash from/(used by) investing activities</b>		<b>(1,427)</b>	<b>(6,093)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations - contributed equity		-	2,965
Capital injections		33	-
<b>Total cash received</b>		<b>33</b>	<b>2,965</b>
<b>Cash used</b>			
Repayment of debt (includes finance lease principal)		807	1,590
Other cash used		7,901	-
<b>Total cash used</b>		<b>8,708</b>	<b>1,590</b>
<b>Net cash from/(used by) financing activities</b>		<b>(8,675)</b>	<b>1,375</b>
<b>Net increase/(decrease) in cash held</b>		<b>(10,776)</b>	<b>(2,522)</b>
Cash at the beginning of the reporting period		12,883	15,405
<b>Cash at the end of the reporting period</b>	8A	<b>2,107</b>	<b>12,883</b>

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



**Statement of changes in equity**  
for the year ended 30 June 2006

	Accumulated results		Asset revaluation reserve		Contributed equity		Total equity	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Opening balance as at 1 July	41,060	24,258	9,037	6,017	12,230	9,241	62,327	39,516
<b>Income and expense</b>								
Net operating result	17,292	16,799	-	-	-	-	17,292	16,799
Net revaluation increment	-	-	-	3,020	-	-	-	3,020
<b>Total income and expenses recognised directly in equity</b>								
<b>Transactions with owner:</b>								
<i>Distributions to owners:</i>								
Returns of capital								
Restructuring (note 13)	(21,641)	-	(5,393)	-	(8,578)	-	(35,612)	-
<i>Contributions by owners:</i>								
Appropriations (equity injections)	-	-	-	-	33	2,965	33	2,965
Restructuring (note 13)	-	3	-	-	-	24	-	27
<b>Sub-total transactions with owners</b>	<b>(21,641)</b>	<b>3</b>	<b>(5,393)</b>	<b>-</b>	<b>(8,545)</b>	<b>2,989</b>	<b>(35,579)</b>	<b>2,992</b>
<b>Closing balance as at 30 June</b>	<b>36,711</b>	<b>41,060</b>	<b>3,644</b>	<b>9,037</b>	<b>3,685</b>	<b>12,230</b>	<b>44,040</b>	<b>62,327</b>
<b>Total equity attributable to the Australian Government</b>	<b>36,711</b>	<b>41,060</b>	<b>3,644</b>	<b>9,037</b>	<b>3,685</b>	<b>12,230</b>	<b>44,040</b>	<b>62,327</b>

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

## Schedule of commitments

As at 30 June 2006

	2006 \$'000	2005 \$'000
<b>BY TYPE</b>		
<b>Capital commitments</b>		
Infrastructure, plant and equipment <sup>1</sup>	-	1,163
<b>Total capital commitments</b>	-	1,163
<b>Other commitments</b>		
Operating leases <sup>2</sup>	60,993	72,110
Other <sup>3</sup>	22,257	18,915
<b>Total other commitments</b>	83,250	91,025
<b>Commitments receivable</b>		
GST receivable	(7,331)	(6,418)
Other	-	-
<b>Total commitments receivable</b>	(7,331)	(6,418)
<b>NET COMMITMENTS</b>	<b>75,919</b>	<b>85,770</b>
<b>BY MATURITY</b>		
<b>Capital commitments</b>		
One year or less	-	1,163
<b>Total capital commitments</b>	-	1,163
<b>Operating lease commitments</b>		
One year or less	6,123	7,107
From one to five years	24,204	27,741
Over five years	25,397	31,286
<b>Total operating lease commitments</b>	55,724	66,134
<b>Other commitments</b>		
One year or less	16,893	6,061
From one to five years	3,066	12,412
Over five years	236	-
<b>Total other commitments</b>	20,195	18,473
<b>NET COMMITMENTS BY MATURITY</b>	<b>75,919</b>	<b>85,770</b>

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

**Schedule of commitments (continued)**

Note: Commitments are GST inclusive where relevant.

1 Plant and equipment commitments are primarily contracts for purchases of coin presses and furniture and fittings.

2 Operating leases included are effectively non-cancellable and comprise of:

Nature of lease	General description of leasing arrangement
Leases for accommodation	<ul style="list-style-type: none"> <li>• Commercial — leases comprise various periods, including both initial and options periods.</li> <li>• Overseas estate — some commercial lease payments are adjusted annually by two per cent and residential lease payments are reviewed bi-annually to reflect market movements.</li> <li>• The initial periods of office accommodation leases are still current and each may be renewed with options for a further three or five years.</li> <li>• Australian estate — residential lease payments are reviewed bi-annually to reflect market movements.</li> </ul>
Agreements for the provision of motor vehicles to Senior Executive Officers	<ul style="list-style-type: none"> <li>• No contingent rentals exist.</li> <li>• No renewal or purchase options are available to the Treasury.</li> </ul>
Leases for computer equipment and office equipment	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>

Comparative for prior year has been adjusted to reflect correct calculation by \$5,425,000. This has a follow on effect in the GST receivable.

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

## Schedule of contingencies

as at 30 June 2006

	Claims for		Other		TOTAL	
	damages or costs					
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Contingent liabilities</b>						
Balance from previous period	20	400	145	120	165	520
New	-	20	133	145	133	165
Re-measurement	-	-	-	-	-	-
Liabilities crystallised	-	-	-	-	-	-
Obligations expired	(20)	(400)	(145)	(120)	(165)	(520)
<b>Total contingent liabilities</b>	-	20	133	145	133	165
<b>NET CONTINGENT LIABILITIES</b>	-	20	133	145	133	165

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

Note: Departmental remote and unquantifiable contingencies are disclosed in Note 15: Contingent liabilities and assets.

**Schedule of administered items**  
for the year ended 30 June 2006

	Notes	2006 \$'000	2005 \$'000
<b>Income administered on behalf of Government</b>			
for the year ended 30 June 2006			
<b>Non-taxation revenue</b>			
Interest	22	690	3,940
Dividends	22	1,363,000	694,000
Goods and services	22	605,888	591,922
Other sources of non-taxation revenue	22	53,889	184,313
<b>Total revenues administered on behalf of Government</b>		<b>2,023,467</b>	<b>1,474,175</b>
<b>Gains</b>			
Net foreign exchange gains	22	146,143	-
<b>Total gains administered on behalf of Government</b>		<b>146,143</b>	<b>-</b>
<b>Total income administered on behalf of Government</b>		<b>2,169,610</b>	<b>1,474,175</b>
<b>Expenses administered on behalf of Government</b>			
for the year ended 30 June 2006			
Grants	23	38,604,660	36,224,215
Other expenses	23	35,045	24,493
<b>Losses</b>			
Net foreign exchange losses	23	-	448,386
<b>Total expenses administered on behalf of Government</b>		<b>38,639,705</b>	<b>36,697,094</b>

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

**Schedule of administered items (continued)**  
as at 30 June 2006

	Notes	2006 \$'000	2005 \$'000
<b>Assets administered</b>			
<b>on behalf of Government</b>			
as at 30 June 2006			
<b>Financial assets</b>			
Cash and cash equivalents	24	7,736	9,089
Receivables	24	314,063	485,755
Loans	24	-	14,805
Investments	24	20,033,896	14,954,009
<b>Non-financial assets</b>			
Grant prepayments	24	74,600	219,400
Other	24	2,347	2,222
<b>Total assets administered</b>			
<b>on behalf of Government</b>		<b>20,432,642</b>	<b>15,685,280</b>
<b>Liabilities administered</b>			
<b>on behalf of Government</b>			
as at 30 June 2006			
<b>Payables</b>			
Loans	25	3,870,825	3,871,107
Grants	25	7,500	10,000
Other payables	25	961,985	903,352
<b>Provisions</b>			
Other provisions	25	257,486	334,873
<b>Total provisions and payables</b>		<b>5,097,796</b>	<b>5,119,332</b>
<b>Total liabilities administered</b>			
<b>on behalf of Government</b>		<b>5,097,796</b>	<b>5,119,332</b>
<b>Net assets administered</b>			
<b>on behalf of Government</b>		<b>15,334,846</b>	<b>10,565,948</b>
<b>Current assets</b>		<b>398,740</b>	<b>731,240</b>
<b>Non-current assets</b>		<b>20,033,902</b>	<b>14,954,040</b>
<b>Current liabilities</b>		<b>101,420</b>	<b>94,101</b>
<b>Non-current liabilities</b>		<b>4,996,376</b>	<b>5,025,231</b>

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

**Administered cash flows**  
for the year ended 30 June 2006

	Notes	2006 \$'000	2005 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
GST administration fees		595,902	591,922
Interest		690	3,940
International Monetary Fund (IMF) remuneration		25,995	37,019
Dividends		1,383,000	1,338,466
Net GST received from ATO		3,303	4,026
HIH Group liquidation proceeds		26,356	-
Other		9,832	103,217
<b>Total cash received</b>		<b>2,045,078</b>	<b>2,078,590</b>
<b>Cash used</b>			
Grant payments		38,459,858	36,069,855
Other		115,762	111,755
<b>Total cash used</b>		<b>38,575,620</b>	<b>36,181,610</b>
<b>Net cash from/(used in) operating activities</b>		<b>(36,530,542)</b>	<b>(34,103,020)</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
IMF		152,523	-
PNG loan principal repayment		14,805	64,051
<b>Total cash received</b>		<b>167,328</b>	<b>64,051</b>
<b>Cash used</b>			
Settlement of International Financial Institution's obligations		2,299	9,222
<b>Total cash used</b>		<b>2,299</b>	<b>9,222</b>
<b>Net cash from/(used in) investing activities</b>		<b>165,029</b>	<b>54,829</b>
<b>Net increase/(decrease) in cash held</b>		<b>(36,365,513)</b>	<b>(34,048,191)</b>
Cash at the beginning of the reporting period		9,089	3,288
Cash from official public account for appropriations		38,574,011	36,194,381
Cash to official public account for appropriations		2,209,851	2,140,389
<b>Cash at the end of the reporting period</b>	24	<b>7,736</b>	<b>9,089</b>

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

## Administered commitments

as at 30 June 2006

	2006 \$'000	2005 \$'000
<b>BY TYPE</b>		
<b>Other commitments</b>		
Other <sup>1</sup>	3,423	6,782
<b>Total other commitments</b>	<b>3,423</b>	<b>6,782</b>
<b>Commitments receivable</b>		
GST receivable	311	32
<b>Total commitments receivable</b>	<b>311</b>	<b>32</b>
<b>NET ADMINISTERED COMMITMENTS BY TYPE</b>	<b>3,112</b>	<b>6,750</b>
<b>BY MATURITY</b>		
<b>Other commitments</b>		
One year or less	3,067	3,663
From one to five years	356	3,119
<b>Total other commitments</b>	<b>3,423</b>	<b>6,782</b>
<b>Commitments receivable</b>		
One year or less	279	22
From one to five years	32	10
<b>Total commitments receivable</b>	<b>311</b>	<b>32</b>
<b>NET ADMINISTERED COMMITMENTS BY MATURITY</b>	<b>3,112</b>	<b>6,750</b>

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 and the Housing Loan Insurance Corporation.



## Administered contingencies

as at 30 June 2006

	Guarantees		Indemnities		Uncalled shares or capital subscriptions <sup>1</sup>		Claims for damages or costs		Warranties		Letters of comfort		TOTAL	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Administered contingent liabilities</b>														
Balance from previous period	-	-	-	-	7,095,559	7,865,855	-	75	-	-	-	-	7,095,559	7,865,930
Re-measurement	-	-	-	-	201,330	(770,296)	-	-	-	-	-	-	201,330	(770,296)
Liabilities crystallised	-	-	-	-	-	-	-	(75)	-	-	-	-	-	(75)
<b>Total contingent liabilities</b>	-	-	-	-	<b>7,296,889</b>	<b>7,095,559</b>	-	-	-	-	-	-	<b>7,296,889</b>	<b>7,095,559</b>
<b>Total contingent assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>NET CONTINGENT LIABILITIES</b>	-	-	-	-	<b>7,296,889</b>	<b>7,095,559</b>	-	-	-	-	-	-	<b>7,296,889</b>	<b>7,095,559</b>

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

Note: Administered remote and unquantifiable contingencies are disclosed in Note 27: Administered contingent liabilities and assets.

<sup>1</sup> Other guarantees comprise of 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 three 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 2005-06, which have been tabled in Parliament.

**Notes to and forming part of the financial statements**  
for the period ended 30 June 2006

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## Note 1: Summary of significant accounting policies

### 1.1. Objectives of the Treasury

The Treasury aims to improve the wellbeing of the Australian people. It does so by providing sound and timely advice to the Government, based on objective and thorough analysis of options, and by assisting Treasury Portfolio Ministers in the administration of their responsibilities and implementation of Government decisions.

The Treasury is structured to meet three outcomes:

Outcome 1: Sound macroeconomic environment;

Outcome 2: Effective government spending and taxation arrangements; and

Outcome 3: Well functioning markets.

Until 30 June 2005, the reporting entity comprised the Treasury, the Australian Government Actuary and the Royal Australian Mint (the Mint). On 1 July 2005, the Mint was prescribed as an agency under the *Financial Management and Accountability Act 1997* resulting in the Mint's financial statements no longer being consolidated with the Treasury reports (although it will remain within the Treasury portfolio). Thus, from 1 July 2005, the reporting entity, hereafter referred to as 'the Treasury', comprises the Treasury and the Australian Government Actuary.

Activities contributing towards 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 Claims Support Scheme Trust have been included in the administered schedules.

Departmental activities are identified under four Output Groups. Outcome 1 has one output group, 1.1 Macroeconomic. Outcome 2 has two output groups, 2.1 Fiscal and 2.2 Revenue. There is one output group in Outcome 3, 3.1 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 and 2.1.3
- Output Group 2.2 Revenue — Output 2.2.1
- Output Group 3.1 Markets — Outputs 3.1.1, 3.1.2, 3.1.3 and 3.1.4

All outputs under Output Groups 1 and 2 provide services on a non-profit basis.

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Under Output Group 3.1, Outputs 3.1.1, 3.1.2 and 3.1.3 also provide services on a non-profit basis. Output 3.1.4, that relates to the Australian Government Actuary, operates via a special account.

### 1.2. Basis of accounting

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 (or FMOs, being the Financial Management and Accountability Orders (Financial Statements for reporting periods ending on or after 1 July 2005));
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period; and
- Interpretations issued by the Urgent Issues Group (UIG) that apply for the reporting period.

This is the first financial report to be prepared using Australian Equivalents to International Financial Reporting Standards (AEIFRS). The impacts of adopting AEIFRS are disclosed in Note 2.

The Income Statement and the Balance Sheet have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets, which as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless disclosure of the full amount is specifically required.

Unless alternative treatment is specifically required by an accounting standard, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow 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 unquantifiable or remote contingencies, which are reported at Note 15).

Revenues and expenses are recognised in the Income Statement when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

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

Administered revenues, expenses, assets and 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 agency items, except where otherwise stated at Note 1.25.

### **1.3. Significant accounting judgments and estimates**

Apart from an Australian Government Actuary (AGA) review on employee benefits resulting in changes to on-cost calculations and discount factors, no accounting assumptions or estimates have been identified for agency 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 Note 1.32 and 1.33, the Treasury has obtained independent actuarial assessments of the Housing Loans Insurance Corporation (HLIC) premiums, recoveries, claims and acquisition costs in addition to the HHH Claims Support Scheme liability.

In relation to uncalled shares disclosed in the administered contingencies table, 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**

The financial report complies with Australian Accounting Standards, which include AEIFRS.

Australian Accounting Standards require the Treasury to disclose Australian Accounting Standards that have not been applied, for standards that have been issued but are not yet effective.

The AASB has issued amendments to existing standards, these amendments are denoted by year and then number, for example 2005-1 indicates amendment 1 issued in 2005.

The table below illustrates standards and amendments that will become effective for the Treasury in the future. The nature of the impending change within the table, has been abbreviated and users should consult the full version available on the AASB's website to identify the full impact of the change. The expected impact on the financial report of adoption of these standards is based on the Treasury's initial assessment at this date,

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which may change in future reporting periods. The Treasury intends to adopt all standards upon their application date.

**Notes to and forming part of the financial statements**

<b>Title</b>	<b>Standard affected</b>	<b>Application date*</b>	<b>Nature of impending change</b>	<b>Impact expected on financial report</b>
2005-1	AASB 139	1 Jan 2006	Amends hedging requirements for foreign currency risk of a highly probable intra-group transaction.	No expected impact
2005-4	AASB 139, AASB 132, AASB 1, AASB 1023 and AASB 1038	1 Jan 2006	Amends AASB 139, AASB 1023 and AASB 1038 to restrict the option to fair value through profit or loss and makes consequential amendments to AASB 1 and AASB 132.	No expected impact
2005-5	AASB 1 and AASB 139	1 Jan 2006	Amends AASB 1 to allow an entity to determine whether an arrangement is, or contains, a lease.  Amends AASB 139 to scope out a contractual right to receive reimbursement (in accordance with AASB 137) in the form of cash.	No expected impact
2005-6	AASB 3	1 Jan 2006	Amends the scope to exclude business combinations involving entities or businesses under common control.	No expected impact
2005-9	AASB 4, AASB 1023, AASB 139 and AASB 132	1 Jan 2006	Amended standards in regard to financial guarantee contracts.	No expected impact
2005-10	AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038	1 Jan 2007	Amended requirements subsequent to the issuing of AASB 7.	No expected impact
2006-1	AASB 121	31 Dec 2006	Changes in requirements for net investments in foreign subsidiaries depending on denominated currency.	No expected impact
	AASB 7 Financial Instruments: Disclosures	1 Jan 2007	Revise the disclosure requirements for financial instruments from AASB 132 requirements.	No expected impact

\* Application date is for annual reporting periods beginning on or after the date shown.



## 1.5. Revenue

### Revenues from Government

Amounts appropriated for departmental outputs appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue, 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 revenue

Revenue from the sale of goods is recognised when:

- The risks and rewards of ownership have been transferred to the buyer;
- The seller retains no managerial involvement nor effective control over the goods;
- The revenue and 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 have flowed to the entity.

Receivables for goods and services 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 not longer probable.

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

## 1.6. Gains

### Resources received free of charge

Services 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 at their fair value when the asset qualifies for recognition, unless received from

another Government agency as a consequence of a restructuring of administrative arrangements. (Refer to Note 1.7)

#### **Other Gains**

Gains from disposal of non-current assets were 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 savings offered up in Portfolio Additional Estimates Statements) are recognised directly in contributed equity in that year.

#### **Restructuring of administrative arrangements**

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

#### **Other distributions to owners**

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

### **1.8. Employee benefits**

As required by the FMOs, the Treasury has early adopted AASB 119 Employee Benefits as issued in December 2004.

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 (including wages and salaries and other non-monetary benefits expected to be settled within 12 months of the reporting 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 recreation and long service leave has been determined by reference to the work of an actuary as at 30 June 2006. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

#### **Separation and redundancy**

No provision has been made for separation and redundancy benefit payments during the year (2005: 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). New employees (from 1 July 2005) are eligible to join the new PSS Accumulation Scheme which is a defined contribution scheme.

The liability for their superannuation benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

The Treasury makes employer contributions to the Australian Government 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 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 which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets and operating leases under which 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 beginning of the lease term and a liability 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 8.31 per cent (2005: 7.51 per cent). The lease assets secure the lease liabilities.

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

The net present value of future net outlays in respect of surplus space under non-cancellable lease agreements is expensed in the period in which the space becomes surplus.

#### **1.10. Borrowing costs**

All borrowing costs are expensed as incurred.

#### **1.11. Cash**

Cash means notes and coins held and any deposits held at call with a bank or financial institution. 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 (RBA) for administration of petty cash and for the receipt and payment of monies.

For comparative purposes, under the Government's national competition policy the Mint earns interest equivalent to the daily bank balance at a rate of two per cent. The amount is netted against tax payable to the Government under the policy.

The Mint maintains its own commercial accounts for the conduct of its business operations.

#### **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 and cash flow and fair value interest rate risk is considered to be low.

#### **1.13. Other financial instruments**

Government loans are carried at the balance yet to be repaid. Interest is expensed as it accrues unless it is directly attributable to a qualifying asset.

##### **Receivables for goods and services**

Receivables are recognised at their nominal amounts due less any provision for bad and doubtful debts. 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 (2005: 30 days).

##### **Trade creditors**

Trade creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. 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 (assets) are not recognised in the balance sheet but are disclosed in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability (asset), or represent an existing liability (asset) in respect of which settlement is not probable or the amount cannot be reliably measured. Remote contingencies are part of this disclosure. Where settlement becomes probable, a contingent liability (asset) is recognised. A liability (asset) is recognised when its existence is confirmed by a future event, settlement becomes probable (virtually certain for assets) or reliable measurement becomes possible.

### **1.14. Derecognition of financial assets and liabilities**

As prescribed in the FMOs, the Treasury has applied the option available under AASB 1 of adopting AASB 132 and 139 from 1 July 2005 rather than 1 July 2004. 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 or cancelled or expires.

### **1.15. Impairment of financial assets**

As prescribed in the FMOs, the Treasury has applied the option available under AASB 1 of adopting AASB 132 and 139 from 1 July 2005 rather than 1 July 2004. 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 profit and loss.

#### **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 profit and loss, is transferred from equity to the profit and loss.

### Comparative year

The above policies were not applied for the comparative year. For receivables, amounts were recognised and carried at original invoice amount less a provision for doubtful debts based on an estimate made when collection of the full amount was no longer probable. Bad debts were written off as incurred. Other financial assets carried at cost which were not held to generate net cash inflows, were assessed for indicators of impairment. Where such indicators were found to exist, the recoverable amount of the assets was estimated and compared to the assets carrying amount and, if less, reduced to the carrying amount. The reduction was shown as an impairment loss.

### 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.

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.

### 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 in total).

#### Revaluations

##### Basis

Land, buildings, plant and equipment are carried at fair value, being revalued with sufficient frequency such that the carrying amount of each asset class is not materially different, at reporting date, from its fair value.

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

Asset class	Fair value measured at
Buildings	Market selling price
Leasehold improvements	Depreciated replacement cost
Plant and equipment	Market selling price

Following initial recognition at cost, valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not materially differ with 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 profit and loss. Revaluation decrements for a class of assets are recognised directly through profit and loss 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 of the asset.

The Treasury performed a valuation of buildings, infrastructure, plant and equipment and heritage assets on 1 July 2004. 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) and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

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

	<b>2005-06</b>	2004-05
Computers, plant and equipment	<b>3-10 years</b>	3-10 years
Leasehold improvements	<b>5-10 years</b>	5-10 years
Motor vehicles	<b>4 years</b>	4 years
Office equipment	<b>5 years</b>	5 years
Capitalised software	<b>3-5 years</b>	3-5 years
Factory machinery	<b>10-20 years</b>	10-20 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 5C.

### 1.18. Impairment of non-current assets

All assets were assessed for impairment at 30 June 2006. 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.

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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.

Last year certain internally developed software was identified as being carried above its cost of replacement and was written down as at the 30 June 2005 reporting date (Refer note 5E).

#### **1.19. Intangible assets**

Treasury's intangibles comprise internally developed and purchased software for internal use. These assets are carried at cost.

Software is amortised on a straight line basis over its anticipated useful life. The useful lives of the Treasury's software is 3 to 5 years (2004-05: 2 to 5 years).

All software assets were assessed for indications of impairment as at 30 June 2006.

#### **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). For comparative purposes only, the Mint is liable for FBT and GST on sale of products and via a tax equivalent payment for Payroll Tax and Company Tax. Company Income Tax became applicable for the first time in 1998-99, as a result of the competitive neutrality arrangements.

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 has insured for risks through the Australian Government's insurable risk managed fund, called Comcover. Workers compensation is insured through the Australian Government's insurable risk managed fund called Comcare Australia.



### **1.23. The Mint — seigniorage and repurchase of circulating coins**

Seigniorage is collected by the Mint on behalf of the Australian Government. Seigniorage represents the difference between the face value of coinage sold to the RBA and its cost of production to the Mint.

The Mint repurchases circulating coins on behalf of the Australian Government. The costs incurred by the Mint in repurchasing circulating coins are offset to an extent by the sale of scrap metal and the balance is supplemented by the Australian Government through a reduction in the total amount paid to the Australian Government.

The revenues from circulating coin sales are not directly available to be used by the Mint for its own purposes and are remitted to the Australian Government's Official Public Account.

### **1.24. Economic dependency**

The Mint is economically dependent on the RBA for the purchase of circulating coin.

### **1.25. 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, Accounting Interpretations and UIG Abstracts.

### **1.26. Administered cash transfers to and from Official Public Account (OPA)**

Revenue collected by the Treasury for use by the Government rather than the Treasury is Administered Revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance and Administration. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the Treasury on behalf of the 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 26. Thus the Schedule of Administered Items largely reflects the Government's transactions, through the Treasury, with parties outside the 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.

### 1.27. Revenue

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

#### Reserve Bank of Australia dividend

Dividends from the 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 2005-06 will be recognised in the Treasury's Financial Statements in 2006-07. 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 Government having regard to the Reserve Bank Board's advice and in accordance with section 30 of the *Reserve Bank Act 1959*.

#### Interest on Papua New Guinea loan

The interest on the outstanding principal amount is paid annually in arrears, due on 30 June every year until paid in full.

The loan to Papua New Guinea is made under contract with the interest and principle components fully repaid as at 30 June 2006. The loan is measured at the amount lent with collectibility of amounts outstanding reviewed at balance date.

#### 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 quota that was paid in special drawing rights 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 Special Drawing Rights (SDR) interest rate. This rate is then adjusted for burden sharing. Remuneration is calculated and paid at the end of the IMF's financial quarters. An annual adjustment maintenance of value (MOV) is made to the IMF's holdings of member currencies (quota) to maintain their value in terms of the SDR. In 2005-06, this gave rise to a payable (2004-05 gave rise to a receivable).

### 1.28. Administered capital

Appropriations of 'administered capital' are recognised in administered equity where the amounts appropriated by Parliament are drawn down.

## 1.29. 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 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 (EASF), 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 installments of \$2.5 million over a 12 year period.

### Grants to States and Territories

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

The outcome of the taxation reform process is a taxation system which provides a stable and equitable revenue source to fund governmental services essential to the wellbeing of Australians. 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 2005-06 were distributed in accordance with relativities recommended by the Commonwealth Grants Commission. The Treasury also administered General Revenue Assistance payments to the States and Territories consisting of Budget Balancing Assistance, Residual Adjustment Amounts and National Competition Policy Payments in 2005-06.

Budget Balancing Assistance arises from the Australian Government's guarantee that in each of the transitional years following the introduction of the GST, each State and Territory budgetary position will be no worse off than had the reforms in the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* not been implemented.

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The Australian Government introduced Residual Adjustment Amounts to ensure that all States receive their appropriate payments under *The New Tax System* as they move on or off Budget Balancing Assistance. Residual Adjustment Amounts offset any underestimate or overestimate of payments that cannot be paid or recovered using other mechanisms under *The New Tax System*.

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.

As a consequence of the Australian Taxation Office (ATO) 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*.

On 9 March 2001, the Australian Government announced that an additional \$7,000 grant, fully funded by the Australian Government, would be available for first home owners building or purchasing new but previously unoccupied homes before 31 December 2001. In December 2001, the Government announced a phase down of the additional grant making it available for a further six months, from 1 January 2002, at a reduced rate of \$3,000 per grant. The additional grant ceased on 30 June 2002, while the original scheme will continue to offer \$7,000 grants to eligible first home buyers. The Government also announced that more liberal construction commencement and completion requirements will apply to additional First Home Owners Scheme grants for contracts made on or after 9 October 2001.

#### 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 31F.

#### 1.30. Administered investments

Administered investments were assessed for impairment at 30 June 2006. 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.

#### **International Monetary Fund**

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 this portfolio are measured at their fair value. Fair value has been taken to be the net assets of the entities as at balance date. For the comparative period, these investments were measured at aggregate value of the Australian Government's share of the net assets and net liabilities of each entity as at 30 June 1997. Where controlled entities came into existence after 30 June 1997, the investment was valued at the Australian Government's share of capital contributions by Government at the date of inception.

#### **1.31. 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 not interest bearing and relate to the undrawn paid in capital subscriptions.

Foreign currency gains and losses are recognised where applicable.

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

The Australian Government sold HLIC on 12 December 1997. Under the terms and conditions of the sale the Australian Government remained responsible for the mortgage insurance policies written up to the time of the sale.

The Treasury maintains bank accounts with a commercial bank for the purposes of making claims payments arising from mortgage insurance policies written by HLIC prior to the sale and a bank account for administering the wrap-up of the final accounts and other minor details up to the point of wind-up or sale of HLIC.

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'.

#### **Recoveries**

Claims incurred recoveries and a receivable for outstanding recoveries are recognised in respect of insurance policies. The asset is assessed on an actuarial basis and covers recoveries incurred but not yet received, incurred but not yet reported and the anticipated direct and indirect costs of settling those claims. The asset (HLIC premiums receivable) has been recognised in Note 24, 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 is assessed on an actuarial basis and 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.

#### **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.

### 1.33. Provisions and contingent liabilities

#### HIH Claims Support Scheme liability

HIH Claims Support Scheme (the Scheme) was established by the Australian Government to provide financial assistance to eligible HIH policy-holders effected by the collapse of the HIH Group of companies in March 2001. HIH Claims Support Limited (HCSL) was established by the Insurance Council of Australia as a not-for-profit company to manage claims made under the Scheme on behalf of the Australian Government. The HIH Claims Support Trust was established in order to perform HCSL's obligations under the *Commonwealth Management Agreement* dated 6 July 2001. As the beneficiary of this trust, the Australian Government is entitled to any residual balance of the trust, after the collection of recoveries and making of payments to claimants.

Following a strategic review in 2003 the operation of the Scheme was restructured. HCSL withdrew from claims management, a new claims manager was appointed and the Scheme was closed to new applications in 2004. A Gateway facility was retained to handle for special circumstance applications. HCSL was subsequently sold by the Insurance Council of Australia to the Australian Government in August 2005.

An actuarial assessment was conducted by an independent actuary as at February 2006, and the results of the review indicated that the overall cost of the scheme discounted to present value is estimated to be \$810 million. This estimate incorporates an allowance for future inflation and provides for the estimated costs of both the claim payments and the scheme management fees.

The Australian Government will continue to assess the estimated liability in future years. Further assessments will also include quantifying possible recoveries to be made by HCSL (which is currently acting as the Trustee on behalf of the Australian Government in relation to the Scheme) and the new claims manager (which will be acting as an agent of the Australian Government).

### 1.34. 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 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),
  - RBA dividend receivable (measured at amortised cost using the effective interest rate method),
  - Papua New Guinea loan 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),
  - Investments in Australian Government entities (measured at fair value),
  - 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' they do not have a quoted market price in an active market and their fair value can not be reliably measured at the reporting date. These items are valued at cost. The Treasury holds these instruments for policy reasons and as such 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 reporting date.



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

The Treasury is applying the exemption under AASB 132 and AASB 139 from reporting comparative disclosures and has not restated comparatives for financial instruments as allowed by AASB 1. There are no adjustments between AEIFRS and the previous Australian Generally Accepted Accounting Principles (AGAAP) figures to be taken up at 1 July 2005. The accounting policies for the Treasury's financial instruments under AEIFRS are consistent with those applied under AGAAP except in respect to impairments. The new policies are outlined at Note 1.15.

Administered financial instruments are disclosed at Note 29.

**Note 2: The impact of the transition to AEIFRS from previous AGAAP**

	2005 \$'000	2004 \$'000
<b>Reconciliation of total equity as presented under previous AGAAP to that under AEIFRS</b>		
Total equity under previous AGAAP	62,468	39,564
Adjustments to retained earnings:		
Employee provisions <sup>1</sup>	24	23
Other payables <sup>2</sup>	(165)	(171)
Deferred income tax asset <sup>3</sup>	-	186
Deferred income tax liability <sup>3</sup>	-	(86)
Total equity translated to AEIFRS	<u>62,327</u>	<u>39,516</u>
<b>Reconciliation of profit or loss as presented under previous AGAAP to AEIFRS</b>		
Prior year profit as previously reported	16,892	
Adjustments:		
Employee expenses <sup>1</sup>	1	
Supplier expenses <sup>2</sup>	6	
Income tax equivalent expense <sup>3</sup>	(100)	
Prior year profit translated to AEIFRS	<u>16,799</u>	

Note: The cash flow statement presented under previous AGAAP is equivalent to that prepared under AEIFRS.

- 1 AEIFRS requires that annual leave that is not expected to be taken within 12 months of balance date is to be discounted. After assessing the staff leave profile, the employee provision liability was reduced.
- 2 AEIFRS requires that the operating lease rental expense be recognised on a straight line basis over the lease term. Upon review of the lease agreement, this adjustment was recognised accordingly.
- 3 AEIFRS requires that deferred tax balances are to be determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the balance sheet and their associated tax bases. Amounts for the deferred tax asset and liability relating to the Mint have been recognised accordingly.

**Note 3: Events occurring after reporting date**

The RBA has calculated a dividend of \$1.177 billion in respect of its results for the year ended 30 June 2006 (\$1.363 billion 2004-05). 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 2007 in accordance with its accounting policy (Note 1.27).

**Note 4: Operating revenues**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
<b>Note 4A: Revenue from Government</b>		
<b>Appropriations</b>		
Departmental outputs	<b>134,040</b>	124,144
Revenues from prior year	-	2,411
<b>Total revenues from Government</b>	<b>134,040</b>	126,555
<b>Note 4B: Goods and services</b>		
Provision of goods to:		
Related entities	-	37,383
External entities	<b>66</b>	17,262
Rendering of services to:		
Related entities	<b>5,217</b>	5,420
External entities	<b>921</b>	(4)
Operating lease rental	<b>54</b>	55
<b>Total goods and services</b>	<b>6,258</b>	60,116
<b>Note 4C: Interest</b>		
Interest on deposits	-	479
<b>Total interest</b>	-	479
<b>Note 4D: Other revenues</b>		
Other	<b>210</b>	623
<b>Total other revenues</b>	<b>210</b>	623
<b>Note 4E: Gains</b>		
Resources received free of charge	<b>394</b>	468
Net gains from sale of assets:		
Other infrastructure, plant and equipment		
Proceeds from disposal	-	81
Net book value of assets disposed	-	(80)
Net gain from disposal	-	1
<b>Total gains</b>	<b>394</b>	469

**Note 5: Operating expenses**

	2006	2005
	\$'000	\$'000
<b>Note 5A: Employee expenses</b>		
Wages and salary	61,288	63,252
Superannuation	13,941	13,100
Leave and other entitlements	6,843	7,566
Separation and redundancies	-	24
Other	2,327	2,502
<b>Total employee expenses</b>	<b>84,399</b>	<b>86,444</b>
<b>Note 5B: Supplier expenses</b>		
Provision of goods from:		
Related entities	58	282
External entities	2,033	38,918
Rendering of services from:		
Related entities	4,716	13,364
External entities	20,606	17,070
Operating lease rentals <sup>1</sup>	7,731	8,017
Workers Compensation Premiums	448	506
<b>Total supplier expenses</b>	<b>35,592</b>	<b>78,157</b>
<b>Royalties</b>		
Royalty on numismatic sales	-	1,355
<b>Total royalties</b>	<b>-</b>	<b>1,355</b>
<b>Note 5C: Depreciation and amortisation</b>		
<b>Depreciation</b>		
Other infrastructure, plant and equipment	1,368	1,717
Buildings - leasehold improvements	797	735
<b>Total depreciation</b>	<b>2,165</b>	<b>2,452</b>
<b>Amortisation</b>		
Intangibles - computer software	571	815
Assets held under finance lease	724	1,621
<b>Total amortisation</b>	<b>1,295</b>	<b>2,436</b>
<b>Total depreciation and amortisation</b>	<b>3,460</b>	<b>4,888</b>
<b>The aggregate amounts of depreciation or amortisation expensed during the reporting period for each class of depreciable asset are as follows:</b>		
Depreciation - personal computers	18	23
Depreciation - other IT equipment	498	139
Depreciation - office equipment	519	1,234
Depreciation - furniture	300	284
Depreciation - motor vehicles	33	37
Depreciation - leasehold improvements	797	735
Depreciation - computer software	571	815
Depreciation - finance leases	724	1,621
	<b>3,460</b>	<b>4,888</b>

1 These comprise minimum lease payments only.

**Note 5: Operating expenses (continued)**

	2006 \$'000	2005 \$'000
<b>Note 5D: Borrowing costs expense</b>		
Leases	109	124
<b>Total borrowing costs expense</b>	<b>109</b>	<b>124</b>
<b>Note 5E: Write down and impairment of assets</b>		
Financial assets		
Receivables - bad and doubtful debt expense	7	9
Non-financial assets		
Infrastructure, plant and equipment	-	148
Intangibles	-	32
<b>Total write down and impairment of assets</b>	<b>7</b>	<b>189</b>
<b>Note 5F: Losses</b>		
Other infrastructure, plant and equipment		
Proceeds from disposal	(6)	-
Net book value of assets disposed	49	-
Net losses from disposal	43	-
<b>Total losses</b>	<b>43</b>	<b>-</b>

**Note 6: Business operations**

In 2005-06, as a result of restructuring, the Royal Australian Mint became a prescribed agency under the *Financial Management and Accountability Act 1997*. The Royal Australian Mint gained financial autonomy from the Treasury on 1 July 2005.

The Australian Government Actuary continues to operate via a special account and the balance of the special account is disclosed at Note 31G.

### Note 7: Competitive neutrality expense

	2006	2005
	\$'000	\$'000
<b>Note 7A: Competitive neutrality expense</b>		
Bank deposit interest equivalent	-	(479)
Payroll tax equivalent	-	416
Income tax equivalent expense	-	286
<b>Total competitive neutrality expense</b>	<b>-</b>	<b>223</b>

### Note 8: Financial assets

	2006	2005
	\$'000	\$'000
<b>Note 8A: Cash and cash equivalents</b>		
<b>Cash:</b>		
Special accounts	1,560	9,290
Departmental (other than special accounts)	547	3,593
<b>Total cash</b>	<b>2,107</b>	<b>12,883</b>
<b>Note 8B: Receivables</b>		
Goods and services	877	1,555
Less: Provision for doubtful debts	-	(5)
Total goods and services	877	1,550
Net GST receivable from the ATO	206	623
Interest	-	479
Appropriations receivable - undrawn	56,683	33,197
Other	1,103	1,660
<b>Total receivables (net)</b>	<b>58,869</b>	<b>37,509</b>
All receivables are current assets		
<b>Receivables (gross) are aged as follows:</b>		
Not overdue	58,388	35,833
Overdue by:		
Less than 30 days	315	1,499
30 to 60 days	46	16
61 to 90 days	-	6
More than 90 days	120	160
<b>Total receivables (gross)</b>	<b>58,869</b>	<b>37,514</b>
<b>The provision for doubtful debts is aged as follows:</b>		
Overdue by:		
More than 90 days	-	(5)
<b>Total provision for doubtful debts</b>	<b>-</b>	<b>(5)</b>

**Note 9: Non-financial assets**

	2006	2005
	\$'000	\$'000
<b>Note 9A: Land and buildings</b>		
<b>Leasehold improvements - fair value</b>		
- At fair value	10,943	10,942
- Accumulated amortisation	(3,785)	(2,988)
<b>Total leasehold improvements - fair value</b>	<b>7,158</b>	<b>7,954</b>
<b>Total land and buildings (non-current)</b>	<b>7,158</b>	<b>7,954</b>
<b>Note 9B: Infrastructure, plant and equipment</b>		
<b>Plant and equipment - fair value</b>		
- At fair value	9,146	15,454
- Accumulated depreciation	(2,206)	(1,690)
<b>Total plant and equipment - fair value</b>	<b>6,940</b>	<b>13,764</b>
<b>Plant and equipment under finance lease</b>		
- Under finance lease	2,762	2,722
- Accumulated amortisation	(1,561)	(1,368)
<b>Total plant and equipment under finance lease</b>	<b>1,201</b>	<b>1,354</b>
<b>Total infrastructure, plant and equipment (non-current)</b>	<b>8,141</b>	<b>15,118</b>
<b>Note 9C: Intangibles</b>		
<b>Computer software - fair value</b>		
- At fair value	3,360	5,268
- Accumulated amortisation	(2,550)	(3,463)
<b>Total computer software</b>	<b>810</b>	<b>1,805</b>
<b>Total intangibles (non-current)</b>	<b>810</b>	<b>1,805</b>

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

**Note 9: Non-financial assets (continued)**

Table A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles

	Land \$'000	Buildings on freehold land \$'000	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
<b>As at 1 July 2005:</b>						
Gross book value	-	-	10,942	18,176	5,268	34,386
Accumulated depreciation/amortisation	-	-	(2,988)	(3,058)	(3,463)	(9,509)
<b>Opening net book value</b>	-	-	7,954	15,118	1,805	24,877
<b>Additions</b>						
By purchase	-	-	565	687	185	1,437
By finance lease	-	-	-	576	-	576
Depreciation/amortisation expense	-	-	(797)	(2,092)	(571)	(3,460)
<b>Disposals</b>						
From disposal of entities or operations (including restructuring)	-	-	-	(6,620)	(649)	(7,269)
Other disposals	-	-	-	(49)	-	(49)
<b>Transfers</b>	-	-	(564)	521	40	(3)
<b>As at 30 June 2006:</b>						
Gross book value	-	-	10,943	11,908	3,360	26,211
Accumulated depreciation/amortisation	-	-	(3,785)	(3,767)	(2,550)	(10,102)
<b>Closing net book value</b>	-	-	7,158	8,141	810	16,109



## Note 9: Non-financial assets (continued)

Table B: Property, plant and equipment and intangibles held under finance lease

	Land \$'000	Buildings on freehold land \$'000	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
<b>As at 30 June 2006:</b>						
Gross book value	-	-	-	2,762	-	2,762
Accumulated depreciation/amortisation	-	-	-	(1,561)	-	(1,561)
<b>Closing net book value</b>	-	-	-	1,201	-	1,201
<b>As at 30 June 2005:</b>						
Gross book value	-	-	-	2,722	-	2,722
Accumulated depreciation/amortisation	-	-	-	(1,368)	-	(1,368)
<b>Closing net book value</b>	-	-	-	1,354	-	1,354

Table C: Property, plant and equipment and intangibles under construction

	Land \$'000	Buildings on freehold land \$'000	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
<b>As at 30 June 2006:</b>						
Gross book value	-	-	47	-	-	47
<b>As at 30 June 2005:</b>						
Gross book value	-	-	550	-	-	550

**Note 9: Non-financial assets (continued)**

	2006	2005
	\$'000	\$'000
<b>Note 9D: Inventories</b>		
Raw materials	-	11,003
Work in progress (cost)	-	1,680
Finished goods (cost)	-	8,541
<b>Inventories held for sale</b>	-	21,224
Inventories not held for sale (cost)	-	-
<b>Total inventories</b>	-	21,224
<b>Note 9E: Other non-financial assets</b>		
Coin collection - at valuation	-	5,396
Prepayments	1,454	2,998
Other	355	-
<b>Total other non-financial assets</b>	1,809	8,394

Note: Other non-financial assets except for the coin collection and prepayments in the comparative year only are current assets.

**Note 10: Interest bearing liabilities**

	2006	2005
	\$'000	\$'000
<b>Note 10: Leases</b>		
Finance lease commitments:	1,192	1,422
Payable:		
Within one year		
Minimum lease payments	591	780
Deduct: future finance charges	(84)	(89)
	507	691
In one to five years		
Minimum lease payments	745	806
Deduct: future finance charges	(60)	(75)
	685	731
<b>Finance lease recognised in balance sheet</b>	1,192	1,422

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 Department guarantees the residual values of all assets leased. There are no contingent rentals.

**Note 11: Provisions**

	2006	2005
	\$'000	\$'000
<b>Note 11A: Employee provisions</b>		
Salaries and wages	486	216
Leave	28,381	30,657
Superannuation	285	46
<b>Aggregate employee benefit liability</b>	<b>29,152</b>	<b>30,919</b>
Other employee entitlements	139	144
<b>Aggregate employee benefit liability and related on-costs</b>	<b>29,291</b>	<b>31,063</b>
Current	21,308	26,640
Non-current	7,983	4,423
<b>Note 11B: Other provisions</b>		
Fees and sales in advance	-	152
<b>Total other provisions</b>	<b>-</b>	<b>152</b>

Note: All other provisions are current liabilities.

The split between current and non-current liabilities has changed for the comparative year as a result of a requirement to use a new method of recognising long service leave. Previously estimated long service leave to be taken in the following 12 months was considered to be current; the above calculations now consider all long service leave balances for staff members with unconditional leave entitlements as a current liability.

**Note 12: Payables**

	2006	2005
	\$'000	\$'000
<b>Note 12A: Supplier payables</b>		
Trade creditors	1,634	2,587
<b>Total supplier payables</b>	<b>1,634</b>	<b>2,587</b>
All supplier payables are current liabilities		
<b>Note 12B: Seigniorage payable</b>		
Seigniorage payable	-	4,384
<b>Total seigniorage payable</b>	<b>-</b>	<b>4,384</b>
All seigniorage payable is a current liability		
<b>Note 12C: Tax liabilities equivalent</b>		
Payroll tax equivalent	-	420
Income tax equivalent	-	403
<b>Competitive neutrality tax liabilities equivalent</b>	<b>-</b>	<b>823</b>
<b>Note 12D: Other payables</b>		
Other creditors	2,737	2,346
<b>Total other payables</b>	<b>2,737</b>	<b>2,346</b>

Note: All other payables are current liabilities. Settlement of payables is usually made net 30 days.

Comparative information has changed from previously published statements to due AEIFRS adjustments which have led to the inclusion of tax liability equivalences as well as a reclassification in other creditors.

### Note 13: Restructuring

In 2005-06, as a result of restructuring, the Royal Australian Mint became a prescribed agency under the *Financial Management and Accountability Act 1997*. The Royal Australian Mint gained financial autonomy from the Treasury as at 1 July 2005.

In 2004-05, as a result of restructuring, the Treasury relinquished responsibility for administration of product safety and related consumer information functions to the Australian Competition and Consumer Commission (ACCC) effective from 26 October 2004.

In respect of the functions relinquished, the following assets and liabilities were transferred by the Treasury:

	2006 \$'000	2005 \$'000
<b>Royal Australian Mint</b>		
Assets related to operating activities	29,426	-
Liabilities related to operating activities	(8,983)	-
<b>Net assets relating to operating activities relinquished</b>	<b>20,443</b>	-
Assets related to non-operating activities	15,169	-
Liabilities related to non-operating activities	-	-
<b>Net assets relating to non operating activities relinquished</b>	<b>15,169</b>	-
<b>Net assets relinquished</b>	<b>35,612</b>	-
<b>ACCC</b>		
Assets related to operating activities	-	97
Liabilities related to operating activities	-	(121)
<b>Net assets relating to operating activities relinquished</b>	-	(24)
<b>Net assets relinquished</b>	-	(24)
<b>Net decrease in Departmental net assets during the year</b>	<b>35,612</b>	<b>(24)</b>

**Note 14: Cash flow reconciliation**

	2006	2005
	\$'000	\$'000
<b>Reconciliation of cash per balance sheet to cash flow statement</b>		
Cash at year end per cash flow statement	2,107	12,883
Balance sheet items comprising above cash:		
Financial asset - cash	2,107	12,883
<b>Reconciliation of net surplus to net cash from operating activities</b>		
Net surplus/(deficit)	17,292	16,799
Restructuring	(20,443)	24
Depreciation/amortisation	3,460	4,888
Loss on disposal of non-current assets	43	1
Net write down of non-financial assets	-	180
(Increase)/decrease in net receivables	(21,359)	(17,854)
(Increase)/decrease in other non financial assets	6,938	831
(Increase)/decrease in inventories	21,224	(5,692)
Increase/(decrease) in provisions	(1,924)	2,241
Increase/(decrease) in other payables	(4,952)	3,302
Increase/(decrease) in supplier payables	(953)	(3,483)
Increase/(decrease) in tax liabilities	-	959
<b>Net cash from/(used by) operating activities</b>	<b>(674)</b>	<b>2,196</b>

As a restructuring of the Mint occurred on 1 July 2005, certain assets and liabilities were relinquished. Note 13 refers.

## **Note 15: Contingent liabilities and assets**

### **Quantifiable contingencies**

The schedule of contingencies reports liabilities in respect of claims for damages/costs of \$0 (2005: \$20,000). The amount for the comparative year represents an estimate of the Treasury's liability based on precedent cases as at 30 June 2005.

The schedule of contingencies also reports liabilities in respect of other of \$133,000 (2005: \$145,000). The amount represents an estimate of the Treasury's liability in respect of studies assistance.

### **Unquantifiable contingencies**

As at 30 June 2006, 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.

### **Remote contingencies**

The Treasury has entered into a contract which contains a limited liability clause amounting to \$5 million. The probability of events taking place which would result in this amount being utilised has been deemed as remote.

The Treasury's lease on its current premises contains a make good clause which has been estimated by an independent valuer at \$1.3 million. Treasury has received an external assessment on the likelihood of this being needed, and has deemed it as remote.

**Note 16: Executive remuneration**

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

	2006	2005
<b>The number of executives who received or were due to receive total remuneration of \$130,000 or more:</b>		
\$130,000 to \$144,999	2	1
\$145,000 to \$159,999	-	2
\$160,000 to \$174,999	2	5
\$175,000 to \$189,999	5	2
\$190,000 to \$204,999	9	10
\$205,000 to \$219,999	17	9
\$220,000 to \$234,999	9	14
\$235,000 to \$249,999	4	3
\$250,000 to \$264,999	2	3
\$265,000 to \$279,999	-	5
\$280,000 to \$294,999	2	1
\$295,000 to \$309,999	-	1
\$310,000 to \$324,000	3	1
\$325,000 to \$339,999	-	1
\$340,000 to \$354,999	3	1
\$355,000 to \$369,999	-	2
\$370,000 to \$384,999	2	-
\$400,000 to \$414,999	-	1
\$415,000 to \$429,999	1	-
\$430,000 to \$444,999	1	-
\$505,000 to \$519,999	-	1
\$520,000 to \$534,999	1	-
	<b>63</b>	<b>63</b>
<b>Aggregate amount of total remuneration of executives as shown above</b>	<b>\$15,153,616</b>	<b>\$14,800,897</b>
<b>Aggregate amount of separation and redundancy / termination benefit payments during the year to executives shown above</b>	<b>\$0</b>	<b>\$0</b>

Note: The 2004-05 comparative does not match what was published in the Treasury's Annual Report for 2005-06 due to a revision in the method of calculation. Prior year included 13 overseas staff members who should have been excluded, and the method in deriving the total remuneration was flawed with regard to calculating leave expense.

### Note 17: Remuneration of auditors

	2006 \$'000	2005 \$'000
Financial statement audit services are provided free of charge to the Treasury		
The fair value of the services provided was:		
Treasury	320	319
Royal Australian Mint	-	125
<b>Total</b>	<b>320</b>	<b>444</b>

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

### Note 18: Average staffing levels

	2006	2005
Treasury	806	782
Locally engaged staff	-	7
Royal Australian Mint	-	115
<b>Total</b>	<b>806</b>	<b>904</b>

Note: Locally engaged staff relate to overseas posts. These staff are engaged by the Department of Foreign Affairs and Trade (DFAT) on behalf of the Treasury. Costs for these staff are recovered by DFAT through a Service Level Agreement with the Treasury.

### Note 19: Act of grace payments, waivers and defective administration scheme

	2006 \$	2005 \$
<b>Administered</b>		
One 'act of grace' payment was made during the reporting period. (2005 - no payments made)	2,182	-
No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> . (2005 - no waivers made)	-	-
<b>Total</b>	<b>2,182</b>	<b>-</b>
<b>Departmental</b>		
No 'act of grace' payments were made during the reporting period. (2005 - no payments made)	-	-
No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> . (2005 - no waivers made)	-	-
No payments were made under s73 of the <i>Public Service Act 1999</i> during the reporting period. (2005: one payment made)	-	17,965
<b>Total</b>	<b>-</b>	<b>17,965</b>



## Note 20: Departmental consolidation

	Treasury		Royal Australian Mint		Total	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>INCOME</b>						
<b>Revenues from ordinary activities</b>						
Revenues from Government	134,040	126,555	-	-	134,040	126,555
Goods and services	6,258	5,609	-	54,507	6,258	60,116
Interest	-	-	-	479	-	479
Other revenues	210	459	-	164	210	623
<b>Total revenues from ordinary activities</b>	<b>140,508</b>	<b>132,623</b>	<b>-</b>	<b>55,150</b>	<b>140,508</b>	<b>187,773</b>
<b>Gains</b>						
Net gains from sale of assets	-	1	-	-	-	1
Resources received free of charge	394	330	-	138	394	468
<b>Total gains</b>	<b>394</b>	<b>331</b>	<b>-</b>	<b>138</b>	<b>394</b>	<b>469</b>
<b>TOTAL INCOME</b>	<b>140,902</b>	<b>132,954</b>	<b>-</b>	<b>55,288</b>	<b>140,902</b>	<b>188,242</b>
<b>EXPENSES</b>						
Employees	84,399	78,679	-	7,765	84,399	86,444
Suppliers	35,592	33,943	-	44,214	35,592	78,157
Royalties	-	-	-	1,355	-	1,355
Depreciation and amortisation	3,460	3,898	-	990	3,460	4,888
Borrowing costs expense	109	124	-	-	109	124
Write-down and impairment of assets	7	188	-	1	7	189
Net losses from sale of assets	43	-	-	-	43	-
<b>TOTAL EXPENSES</b>	<b>123,610</b>	<b>116,832</b>	<b>-</b>	<b>54,325</b>	<b>123,610</b>	<b>171,157</b>
<b>Operating result before income tax</b>	<b>17,292</b>	<b>16,122</b>	<b>-</b>	<b>963</b>	<b>17,292</b>	<b>17,085</b>
Income tax expense equivalent	-	-	-	286	-	286
<b>OPERATING RESULT</b>	<b>17,292</b>	<b>16,122</b>	<b>-</b>	<b>677</b>	<b>17,292</b>	<b>16,799</b>

Note: The above amounts have been consolidated into the Treasury's balances shown in these financial statements.

**Note 20: Departmental consolidation (continued)**

	Treasury		Royal Australian Mint		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>ASSETS</b>						
<b>Financial assets</b>						
Cash and cash equivalents	2,107	4,982	-	7,901	2,107	12,883
Deferred income tax asset	-	-	-	353	-	353
Receivables	58,869	36,035	-	1,474	58,869	37,509
<b>Total financial assets</b>	<b>60,976</b>	<b>41,017</b>	<b>-</b>	<b>9,728</b>	<b>60,976</b>	<b>50,745</b>
<b>Non-financial assets</b>						
Land and buildings	7,158	7,954	-	-	7,158	7,954
Infrastructure, plant and equipment	8,141	8,499	-	6,619	8,141	15,118
Inventories	-	-	-	21,224	-	21,224
Intangibles	810	1,156	-	649	810	1,805
Other non-financial assets	1,809	2,019	-	6,375	1,809	8,394
<b>Total non-financial assets</b>	<b>17,918</b>	<b>19,628</b>	<b>-</b>	<b>34,867</b>	<b>17,918</b>	<b>54,495</b>
<b>Total assets</b>	<b>78,894</b>	<b>60,645</b>	<b>-</b>	<b>44,595</b>	<b>78,894</b>	<b>105,240</b>
<b>LIABILITIES</b>						
<b>Interest bearing liabilities</b>						
Leases	1,192	1,422	-	-	1,192	1,422
<b>Total interest bearing liabilities</b>	<b>1,192</b>	<b>1,422</b>	<b>-</b>	<b>-</b>	<b>1,192</b>	<b>1,422</b>
<b>Provisions</b>						
Employees	29,291	28,138	-	2,925	29,291	31,063
Other provisions	-	-	-	152	-	152
<b>Total provisions</b>	<b>29,291</b>	<b>28,138</b>	<b>-</b>	<b>3,077</b>	<b>29,291</b>	<b>31,215</b>

Note: The above amounts have been consolidated into the Treasury's balances shown in these financial statements.

**Note 20: Departmental consolidation (continued)**

	Treasury		Royal Australian Mint		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Payables</b>						
Suppliers	1,634	2,344	-	243	1,634	2,587
Seigniorage payable	-	-	-	4,384	-	4,384
Other payables	2,737	2,026	-	320	2,737	2,346
<b>Total payables</b>	<b>4,371</b>	<b>4,370</b>	<b>-</b>	<b>4,947</b>	<b>4,371</b>	<b>9,317</b>
<b>Tax liabilities</b>						
Tax liabilities equivalent	-	-	-	823	-	823
Deferred income tax liabilities	-	-	-	136	-	136
<b>Total tax liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>959</b>	<b>-</b>	<b>959</b>
<b>Total liabilities</b>	<b>34,854</b>	<b>33,930</b>	<b>-</b>	<b>8,983</b>	<b>34,854</b>	<b>42,913</b>
<b>NET ASSETS</b>	<b>44,040</b>	<b>26,715</b>	<b>-</b>	<b>35,612</b>	<b>44,040</b>	<b>62,327</b>
<b>EQUITY</b>						
Asset revaluation reserve	3,644	3,644	-	5,393	3,644	9,037
Contributed equity	3,685	3,652	-	8,578	3,685	12,230
Retained surpluses	36,711	19,419	-	21,641	36,711	41,060
<b>Total equity</b>	<b>44,040</b>	<b>26,715</b>	<b>-</b>	<b>35,612</b>	<b>44,040</b>	<b>62,327</b>

Note: The above amounts have been consolidated into the Treasury's balances shown in these financial statements.

**Note 21: Financial instruments****Note 21A: Interest rate risk**

Financial instrument	Notes	Floating interest rate		Fixed interest rate maturing in:						Non-interest bearing		Total		Weighted average effective interest rate	
				1 year or less		1 to 5 years		> 5 years							
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 %	2005 %
<b>Financial assets</b>															
Cash at bank	8A	-	-	-	7,901	-	-	-	-	2,107	4,982	2,107	12,883	-	2.00
Deferred income tax asset		-	-	-	-	-	-	-	-	-	353	-	353	-	-
Receivables (gross):															
Goods and services	8B	-	-	-	-	-	-	-	-	877	1,555	877	1,555	-	-
Other	8B	-	-	-	-	-	-	-	-	1,309	2,283	1,309	2,283	-	-
Interest	8B	-	-	-	-	-	-	-	-	-	479	-	479	-	-
Appropriations	8B	-	-	-	-	-	-	-	-	56,683	33,197	56,683	33,197	-	-
<b>Total financial assets</b>		-	-	-	7,901	-	-	-	-	60,976	42,849	60,976	50,750	n/a	n/a
<b>TOTAL ASSETS</b>												78,894	105,240	n/a	n/a
<b>Financial liabilities</b>															
Finance lease liabilities	10	-	-	507	691	685	731	-	-	-	-	1,192	1,422	8.31	7.51
Trade creditors	12A	-	-	-	-	-	-	-	-	1,634	2,587	1,634	2,587	-	-
Seiniorage payable	12B	-	-	-	-	-	-	-	-	-	4,384	-	4,384	-	-
Tax liabilities equivalent	12C	-	-	-	-	-	-	-	-	-	823	-	823	-	-
Deferred income tax liabilities		-	-	-	-	-	-	-	-	-	136	-	136	-	-
Other liabilities	12D	-	-	-	-	-	-	-	-	2,737	2,346	2,737	2,346	-	-
<b>Total financial liabilities</b>		-	-	507	691	685	731	-	-	4,371	10,276	5,563	11,698	n/a	n/a
<b>TOTAL LIABILITIES</b>												34,854	42,913	n/a	n/a

**Note 21: Financial Instruments (continued)****Note 21B: Net fair values of financial assets and liabilities**

	Notes	2006		2005	
		Total carrying amount \$'000	Aggregate net fair value \$'000	Total carrying amount \$'000	Aggregate net fair value \$'000
<b>Departmental financial assets</b>					
Cash at bank	8A	2,107	2,107	12,883	12,883
Deferred income tax asset		-	-	353	353
Receivables (net):					
Goods and services	8B	877	877	1,550	1,550
Other	8B	1,309	1,309	2,283	2,283
Interest	8B	-	-	479	479
Appropriations	8B	56,683	56,683	33,197	33,197
<b>Total financial assets</b>		<b>60,976</b>	<b>60,976</b>	<b>50,745</b>	<b>50,745</b>
<b>Financial liabilities (recognised)</b>					
Finance lease liabilities	10	1,192	1,192	1,422	1,422
Trade creditors	12A	1,634	1,634	2,587	2,587
Seiniorage payable	12B	-	-	4,384	4,384
Tax liabilities equivalent	12C	-	-	823	823
Deferred income tax liabilities		-	-	136	136
Other liabilities	12D	2,737	2,737	2,346	2,346
<b>Total financial liabilities (recognised)</b>		<b>5,563</b>	<b>5,563</b>	<b>11,698</b>	<b>11,698</b>

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

**Note 21C: Credit risk exposures**

For both Departmental and Administered the Treasury's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet.

The Treasury has no significant exposures to any concentrations of credit risk.

All figures for credit risk referred to do not take into account the value of any collateral or other security.

**Note 22: Income administered on behalf of Government**

	2006	2005
	\$'000	\$'000
<b>Non-taxation revenue</b>		
<b>Interest</b>		
Interest on Papua New Guinea loan	479	3,637
Other interest	211	303
<b>Total interest</b>	<b>690</b>	<b>3,940</b>
<b>Dividends</b>		
Reserve Bank of Australia	1,363,000	694,000
<b>Total dividends</b>	<b>1,363,000</b>	<b>694,000</b>
<b>Goods and services</b>		
GST administration fees - external entities	605,888	591,922
<b>Total goods and services</b>	<b>605,888</b>	<b>591,922</b>
<b>Other revenues</b>		
Gross IMF remuneration	24,403	39,202
Less: Burden sharing	(1,937)	(2,188)
Add: Burden sharing refunds	320	-
Net IMF remuneration	22,786	37,014
Write back of HCS Scheme	-	21,647
Royal Australian Mint - monies in excess of requirements	-	104,620
Increased investment in Australian Government entities	-	14,917
HIH Group liquidation proceeds	26,356	-
Other revenues	4,747	6,115
<b>Total other revenues</b>	<b>53,889</b>	<b>184,313</b>
<b>Total revenues administered on behalf of Government</b>	<b>2,023,467</b>	<b>1,474,175</b>
<b>Gains</b>		
<b>Net foreign exchange gains/(losses)</b>		
IMF SDR allocation	(29,813)	-
IMF maintenance of value	(27,082)	-
IMF quota revaluation	205,056	-
Other	(2,018)	-
<b>Total net foreign exchange gains/(losses)</b>	<b>146,143</b>	<b>-</b>
<b>Total gains administered on behalf of Government</b>	<b>146,143</b>	<b>-</b>
<b>Total income administered on behalf of Government</b>	<b>2,169,610</b>	<b>1,474,175</b>

**Note 23: Expenses administered on behalf of Government**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
<b>Grants</b>		
Grants to State and Territory Governments	<b>38,603,409</b>	36,221,000
Other grants	<b>1,251</b>	3,215
<b>Total grants</b>	<b>38,604,660</b>	36,224,215
<b>Other expenses</b>		
IMF charges	<b>28,498</b>	20,371
HLIC claims <sup>1</sup>	<b>(3,736)</b>	(878)
HCS Scheme claims <sup>2</sup>	<b>10,283</b>	-
Decreased investment in Australian Government entities	-	5,000
<b>Total other expenses</b>	<b>35,045</b>	24,493
<b>Losses</b>		
<b>Net foreign exchange losses/(gains)</b>		
IMF SDR allocation	-	(103,423)
IMF maintenance of value	-	(152,523)
IMF quota revaluation	-	711,343
Other	-	(7,011)
<b>Total net foreign exchange losses/(gains)</b>	-	448,386
<b>Total losses administered on behalf of Government</b>	-	448,386
<b>Total expenses administered on behalf of Government</b>	<b>38,639,705</b>	36,697,094

1 HLIC claims expenses include payments and management fees.

2 HCS Scheme claims expenses include payments and management fees.

**Note 24: Assets administered on behalf of Government**

	2006 \$'000	2005 \$'000
<b>Financial assets</b>		
<b>Cash and cash equivalents</b>		
Administered bank accounts - The Treasury	7,736	9,089
<b>Receivables</b>		
GST appropriation receivable	-	128
Net GST receivable from the ATO	111	-
HLIC premiums receivable	1,886	3,120
IMF related moneys owing	2,515	5,724
IMF maintenance of value	-	152,523
RBA dividend receivable	299,534	319,534
Other receivables	10,017	4,726
<b>Total receivables (net)</b>	<b>314,063</b>	<b>485,755</b>
<b>Receivables (gross) are aged as follows:</b>		
Current	314,063	485,755
<b>Total receivables (gross)</b>	<b>314,063</b>	<b>485,755</b>
<b>Loan</b>		
Loan to Papua New Guinea	-	14,805
Maturity schedule for the loan is as follows:		
Payable: Within one year	-	14,805
<b>Total loan</b>	<b>-</b>	<b>14,805</b>
<b>Investments</b>		
<b>International financial institutions</b>		
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
<b>Total international financial institutions</b>	<b>710,780</b>	<b>710,780</b>
<b>Quota</b>		
International Monetary Fund	6,388,472	6,183,416
<b>Australian Government entities</b>		
Reserve Bank of Australia	12,685,000	8,035,042
Australian Securities and Investments Commission	10,450	16,184
Corporations and Markets Advisory Committee	32	332
Australian Reinsurance Pool Corporation	220,711	-
Australian Prudential Regulation Authority	15,932	8,255
Australian Accounting Standards Board	2,156	-
Auditing and Assurance Standards Board	363	-
<b>Total Australian Government entities</b>	<b>12,934,644</b>	<b>8,059,813</b>
<b>Total investments</b>	<b>20,033,896</b>	<b>14,954,009</b>
<b>Non-financial assets</b>		
<b>Prepayments</b>		
Prepayment of grants State and Territory Governments	74,600	219,400
<b>Other</b>		
Deferred acquisition costs	31	111
Other prepayments	2,316	2,111
<b>Total other</b>	<b>2,347</b>	<b>2,222</b>
<b>Total non-financial assets</b>	<b>76,947</b>	<b>221,622</b>
<b>Total assets administered on behalf of Government</b>	<b>20,432,642</b>	<b>15,685,280</b>



**Note 25: Liabilities administered on behalf of Government**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
<b>Loans</b>		
IMF promissory notes	<b>3,807,615</b>	3,807,615
Other promissory notes	<b>63,210</b>	63,492
<b>Total loans</b>	<b>3,870,825</b>	3,871,107
Maturity schedule for loans is as follows:		
Payable: Within one year	<b>1,733</b>	2,138
In one to two years	<b>1,156</b>	1,603
In two to five years	<b>578</b>	1,603
In more than five years	<b>3,867,358</b>	3,865,763
<b>Total loans</b>	<b>3,870,825</b>	3,871,107
<b>Grants</b>		
IMF - poverty reduction and growth facility	<b>7,500</b>	10,000
Maturity schedule for grants is as follows:		
Payable: Within one year	<b>2,500</b>	2,500
In one to two years	<b>2,500</b>	2,500
In two to five years	<b>2,500</b>	5,000
<b>Total grants</b>	<b>7,500</b>	10,000
<b>Other payables</b>		
Net GST payable to the ATO	-	128
GST appropriation payable	<b>111</b>	-
IMF SDR allocation	<b>928,829</b>	899,016
IMF maintenance of value	<b>27,082</b>	-
IMF related monies owing	<b>5,600</b>	3,731
Other	<b>363</b>	477
<b>Total other payables</b>	<b>961,985</b>	903,352
<b>Other provisions</b>		
Provision for insurance claims	<b>1,157</b>	5,965
Provision for unearned premiums	<b>248</b>	858
Provision for HCS Scheme	<b>256,081</b>	328,050
<b>Total other provisions</b>	<b>257,486</b>	334,873
<b>Total other provisions and payables</b>	<b>1,219,471</b>	1,238,225
<b>Total liabilities administered on behalf of Government</b>	<b>5,097,796</b>	5,119,332

**Note 26: Administered reconciliation table**

	Notes	2006 \$'000	2005 \$'000
<b>Opening administered assets less administered liabilities at 1 July</b>		<b>10,565,948</b>	11,734,874
Opening balances fair value adjustment			
- administered investments		<b>1,678,520</b>	-
<b>Plus</b> administered revenues	22	<b>2,169,610</b>	1,474,175
<b>Less</b> administered expenses	23	<b>(38,639,705)</b>	(36,697,094)
Administered transfers to/from Australian Government			
Appropriation transfers from OPA:			
Annual appropriations administered expenses		<b>512,036</b>	175,264
Administered assets and liabilities appropriations		<b>4,799</b>	7,066
Special appropriations (limited)		<b>81,404</b>	92,541
Special appropriations (unlimited)		<b>37,975,268</b>	35,919,511
Refunds of receipts (s28 FMA)		<b>504</b>	-
Transfers to OPA		<b>(2,209,851)</b>	(2,140,389)
Administered investments - gains/(losses)		<b>3,196,313</b>	-
<b>Closing administered assets less administered liabilities</b>		<b>15,334,846</b>	10,565,948

## **Note 27: Administered contingent liabilities and assets**

### **1.1 Quantifiable administered contingencies**

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

### **1.2 Unquantifiable administered contingencies**

#### **Contingent Loss**

##### *Terrorism insurance — Australian Reinsurance Pool Corporation (ARPC)*

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 scheme plans to accumulate approximately \$300 million from reinsurance premiums paid to the Australian Reinsurance Pool Corporation (ARPC) to help meet administrative expenses and future claims. The Commonwealth guarantees to pay any liabilities of the ARPC, but the Treasurer must declare a reduced payout rate to insured's if the Commonwealth's liability would otherwise exceed \$10 billion.

#### **Contingent gain**

##### *HIH Claims Support Scheme*

As a beneficiary of the HIH Claims Support Trust, the Australian Government will be entitled to the residual balance of the Trust, after the collection of recoveries and making of payments to claimants. Due to the inherent uncertainty regarding the measurement of the recoveries, it is not possible to quantify these amounts at this time. In June 2006 the Treasury received a distribution from this Trust, however the amount and timing of future recoveries is unknown.

##### *International Monetary Fund*

Under a policy adopted by the Executive Board of the IMF since 1986, an amount equal to overdue charges and an allocation to the Special Contingent Account have been generated each quarter by downward adjustment to the rate of IMF remuneration paid to the Treasury and other member countries. This charge, known as burden sharing is levied on member countries to cover the financial consequences to the IMF of overdue obligations. 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.

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

**Note 27: Administered contingent liabilities and assets (continued)****1.3 Remote administered contingencies****Guarantees**

The following borrowings have been guaranteed by the Australian Government in respect of Authorities within the Treasury portfolio:

Borrower	Legislation authorising guarantee	Principal covered by guarantee 2006	Balance outstanding 2006	Balance outstanding 2005
Papua New Guinea	<i>PNG Act 1949-75 and PNG Loans Guarantee Act 1975</i>	<b>4,930,000</b>	<b>4,930,000</b>	5,170,000
Housing Loans Insurance Corporation	<i>HLIC Act 1965</i>	<b>5,726,000</b>	<b>5,726,000</b>	5,397,000
Commonwealth Bank of Australia <sup>a</sup>	<i>CBA Act 1959 s117</i>	<b>9,316,000,000</b>	<b>9,316,000,000</b>	9,316,000,000
Commonwealth Bank of Australia - Officers				
Superannuation Fund <sup>a</sup>	<i>CBA Act 1959 s117</i>	<b>3,511,000,000</b>	<b>3,511,000,000</b>	3,511,000,000
Reserve Bank of Australia <sup>b</sup>	<i>RBA Act s77</i>	<b>63,507,000,000</b>	<b>63,507,000,000</b>	46,828,000,000
<b>Total</b>		<b>76,344,656,000</b>	<b>76,344,656,000</b>	59,665,567,000

a Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government has guaranteed various liabilities of the Commonwealth Bank of Australia (CBA), and the Commonwealth Bank Officers' Superannuation Corporation (CBOSC). The guarantee for the CBA relates to both on and off balance sheet liabilities. The guarantee of the CBOSC covers the due payments of any amount that is payable to or from Officers' of the Superannuation Fund (the Fund), by CBOSC or by CBA, in respect of a person who was a member, retired member or beneficiary of the Fund immediately before 19 July 1996. The guarantee of the CBA and CBOSC reflected in the above table is the value at 30 September 2004 and 30 June 2004 respectively. At the time of finalisation of these statements the 30 June 2006 figure was not reliably measurable.

b The contingent liability for the Reserve Bank of Australia (RBA), relates to the Australian Government's guarantee of the liabilities of the RBA. It is measured as the Bank's total liabilities excluding capital, reserves and Australian Government deposits. The major component of the Bank's liabilities are notes (that is, currency) on issue. As at 30 June 2006, notes on issue totalled \$38.1 billion.

**HIH Claims Support Scheme**

The Australian Government has a number of indemnities and guarantees in respect of the Scheme.

## **Note 28: Administered investments**

**The principal activities of each of Treasury's administered investments are as follows:**

### **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.

### **International Monetary Fund**

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

The Special Drawing Rights allocation liability reflects the current value in Australian dollars of the liability to repay to the IMF. This is classified as 'Other payables'.

### **Australian Government entities**

The Australian Government's investment in controlled entities and companies in this portfolio are measured at their fair value. Fair value has been taken to be the net assets of the entities as at balance date. For the comparative period, these investments were measured at aggregate value of the Australian Government's share of the net assets and net liabilities of each entity as at 30 June 1997. Where controlled entities came into existence after 30 June 1997, the investment was valued at the Australian Government's share of capital contributions by Government at the date of inception.

**Note 29: Administered financial instruments**

## Note 29A: Administered interest rate risk

Financial instrument	Note	Floating interest rate		Fixed interest rate maturing in						Non-interest bearing		Total		Weighted average effective interest rate	
		2006 \$'000	2005 \$'000	< 1 year		1 to 5 years		> 5 years		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 %	2005 %
				2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000						
<b>Financial assets</b>															
Cash	24	4,296	4,711	-	-	-	-	-	-	3,440	4,378	7,736	9,089	4.41	4.34
IMF monies															
owing	24	-	-	-	-	-	-	-	-	2,515	158,247	2,515	158,247	-	-
Loan to PNG	24	-	-	-	14,805	-	-	-	-	-	-	-	14,805	-	6.80
RBA dividend															
receivable	24	-	-	-	-	-	-	-	-	299,534	319,534	299,534	319,534	-	-
Other															
receivables	24	-	-	-	-	-	-	-	-	12,014	7,974	12,014	7,974	-	-
<b>Total</b>		<b>4,296</b>	<b>4,711</b>	<b>-</b>	<b>14,805</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>317,503</b>	<b>490,133</b>	<b>321,799</b>	<b>509,649</b>	<b>n/a</b>	<b>n/a</b>
<b>Total assets</b>												<b>20,432,642</b>	<b>15,685,280</b>		
<b>Financial liabilities</b>															
Grant liabilities	25	-	-	-	-	-	-	-	-	7,500	10,000	7,500	10,000	-	-
IMF allocation															
liability	25	928,829	899,016	-	-	-	-	-	-	-	-	928,829	899,016	4.20	3.31
Loans:															
Promissory															
notes	25	-	-	-	-	-	-	-	-	3,870,825	3,871,107	3,870,825	3,871,107	-	-
Other liabilities	25	-	-	-	-	-	-	-	-	290,642	339,209	290,642	339,209	-	-
<b>Total</b>		<b>928,829</b>	<b>899,016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,168,967</b>	<b>4,220,316</b>	<b>5,097,796</b>	<b>5,119,332</b>	<b>n/a</b>	<b>n/a</b>
<b>Total liabilities</b>												<b>5,097,796</b>	<b>5,119,332</b>		
<b>Liabilities</b>															
<b>unrecognised</b>															
Unrecognised															
indemnity	27	-	-	-	-	-	-	-	-	76,344,656	59,665,567	76,344,656	59,665,567	n/a	n/a

**Note 29: Administered financial instruments (continued)****Note 29B: Net fair values of financial assets and liabilities**

	Note	2006		2005	
		Total carrying amount \$'000	Aggregate net fair value \$'000	Total carrying amount \$'000	Aggregate net fair value \$'000
<b>Administered financial assets</b>					
Cash	24	7,736	7,736	9,089	9,089
IMF related monies owing	24	2,515	2,515	158,247	158,247
Loan to Papua New Guinea	24	-	-	14,805	14,805
RBA dividend receivable	24	299,534	299,534	319,534	319,534
Other receivables	24	12,014	12,014	7,974	7,974
<b>Total financial assets</b>		<b>321,799</b>	<b>321,799</b>	<b>509,649</b>	<b>509,649</b>
<b>Financial liabilities (recognised)</b>					
Grant liabilities	25	7,500	7,500	10,000	10,000
IMF allocation liability	25	928,829	928,829	899,016	899,016
Loans - promissory notes	25	3,870,825	3,870,825	3,871,107	3,871,107
Other financial liabilities	25	290,642	290,642	339,209	339,209
<b>Total financial liabilities (recognised)</b>		<b>5,097,796</b>	<b>5,097,796</b>	<b>5,119,332</b>	<b>5,119,332</b>
<b>Financial liabilities (unrecognised)</b>					
Guarantees	27	76,344,656	76,344,656	59,665,567	59,665,567
<b>Total financial liabilities (unrecognised)</b>		<b>76,344,656</b>	<b>76,344,656</b>	<b>59,665,567</b>	<b>59,665,567</b>

**Note 30: Administered consolidation**

	Treasury		HCS Scheme		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>REVENUE:</b>						
<b>Non-taxation revenue</b>						
<b>Interest</b>						
Interest Papua New Guinea loan	479	3,637	-	-	479	3,637
Other interest	34	42	177	261	211	303
<b>Total interest</b>	<b>513</b>	<b>3,679</b>	<b>177</b>	<b>261</b>	<b>690</b>	<b>3,940</b>
<b>Dividends</b>						
Reserve Bank of Australia	1,363,000	694,000	-	-	1,363,000	694,000
<b>Total dividends</b>	<b>1,363,000</b>	<b>694,000</b>	<b>-</b>	<b>-</b>	<b>1,363,000</b>	<b>694,000</b>
<b>Goods and services</b>						
GST administration fees						
- external entities	605,888	591,922	-	-	605,888	591,922
<b>Total goods and services</b>	<b>605,888</b>	<b>591,922</b>	<b>-</b>	<b>-</b>	<b>605,888</b>	<b>591,922</b>
<b>Other sources of non-taxation revenue</b>						
Gross IMF remuneration	24,403	39,202	-	-	24,403	39,202
Less: Burden sharing	(1,937)	(2,188)	-	-	(1,937)	(2,188)
Add: Burden sharing refunds	320	-	-	-	320	-
Net IMF remuneration	22,786	37,014	-	-	22,786	37,014
Write back of HCS scheme	-	21,647	-	-	-	21,647
Royal Australian Mint	-	104,620	-	-	-	104,620
Increased investment in Australian Government entities	-	14,917	-	-	-	14,917
HIH group liquidation proceeds	26,356	-	-	-	26,356	-
Other revenues	4,720	6,115	27	-	4,747	6,115
<b>Total other revenues</b>	<b>53,862</b>	<b>184,313</b>	<b>27</b>	<b>-</b>	<b>53,889</b>	<b>184,313</b>
<b>Total revenues administered on behalf of Government</b>	<b>2,023,263</b>	<b>1,473,914</b>	<b>204</b>	<b>261</b>	<b>2,023,467</b>	<b>1,474,175</b>



**Note 30: Administered consolidation (continued)**

	Treasury		HCS Scheme		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Gains</b>						
<b>Net foreign exchange gains/(losses)</b>						
IMF SDR allocation	(29,813)	-	-	-	(29,813)	-
IMF maintenance of value	(27,082)	-	-	-	(27,082)	-
IMF quota revaluation	205,056	-	-	-	205,056	-
Other foreign exchange	(2,018)	-	-	-	(2,018)	-
<b>Total net foreign exchange gains/(losses)</b>	<b>146,143</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>146,143</b>	<b>-</b>
<b>Total gains administered on behalf of Government</b>	<b>146,143</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>146,143</b>	<b>-</b>
<b>Total income administered on behalf of Government</b>	<b>2,169,406</b>	<b>1,473,914</b>	<b>204</b>	<b>261</b>	<b>2,169,610</b>	<b>1,474,175</b>

**Note 30: Administered consolidation (continued)**

	Treasury		HCS Scheme		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>EXPENSES:</b>						
<b>Grants</b>						
Grants to State and Territory Governments	38,603,409	36,221,000	-	-	38,603,409	36,221,000
Other grants	1,251	3,215	-	-	1,251	3,215
<b>Total grants</b>	<b>38,604,660</b>	<b>36,224,215</b>	<b>-</b>	<b>-</b>	<b>38,604,660</b>	<b>36,224,215</b>
<b>Other expenses</b>						
IMF charges	28,498	20,371	-	-	28,498	20,371
HLIC claims	(3,736)	(878)	-	-	(3,736)	(878)
HCS Scheme claims	10,283	-	-	-	10,283	-
Decreased investment in Australian Government entities	-	5,000	-	-	-	5,000
<b>Total other expenses</b>	<b>35,045</b>	<b>24,493</b>	<b>-</b>	<b>-</b>	<b>35,045</b>	<b>24,493</b>
<b>Losses</b>						
<b>Net foreign exchange losses/(gains)</b>						
IMF SDR allocation	-	(103,423)	-	-	-	(103,423)
IMF maintenance of value	-	(152,523)	-	-	-	(152,523)
IMF quota revaluation	-	711,343	-	-	-	711,343
Other	-	(7,011)	-	-	-	(7,011)
<b>Total net foreign exchange losses/(gains)</b>	<b>-</b>	<b>448,386</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>448,386</b>
<b>Total losses administered on behalf of Government</b>	<b>-</b>	<b>448,386</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>448,386</b>
<b>Total expenses administered on behalf of Government</b>	<b>38,639,705</b>	<b>36,697,094</b>	<b>-</b>	<b>-</b>	<b>38,639,705</b>	<b>36,697,094</b>

**Note 30: Administered consolidation (continued)**

	Treasury		HCS Scheme		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>ASSETS:</b>						
<b>Financial assets</b>						
<b>Cash and cash equivalents</b>						
Administered bank accounts						
- Department of the Treasury	4,000	5,341	3,736	3,748	7,736	9,089
<b>Receivables</b>						
GST appropriation receivable	-	128	-	-	-	128
Net GST receivable						
from the ATO	111	-	-	-	111	-
HLIC premiums receivable	1,886	3,120	-	-	1,886	3,120
IMF related moneys owing	2,515	5,724	-	-	2,515	5,724
IMF maintenance of value	-	152,523	-	-	-	152,523
RBA dividend receivable	299,534	319,534	-	-	299,534	319,534
Other receivables	9,986	4,671	31	55	10,017	4,726
<b>Total receivables (net)</b>	<b>314,032</b>	<b>485,700</b>	<b>31</b>	<b>55</b>	<b>314,063</b>	<b>485,755</b>
<b>Loans</b>						
Loan to Papua New Guinea	-	14,805	-	-	-	14,805
<b>Investments</b>						
<b>International financial institutions</b>						
Asian Development Bank	287,069	287,069	-	-	287,069	287,069
European Bank for						
Reconstruction & Development	84,824	84,824	-	-	84,824	84,824
International Finance Corporation	69,144	69,144	-	-	69,144	69,144
International Bank for						
Reconstruction & Development	259,049	259,049	-	-	259,049	259,049
Multilateral Investment						
Guarantee Agency	10,694	10,694	-	-	10,694	10,694
<b>Total international financial institutions</b>	<b>710,780</b>	<b>710,780</b>	<b>-</b>	<b>-</b>	<b>710,780</b>	<b>710,780</b>
<b>Quota</b>						
International Monetary Fund	6,388,472	6,183,416	-	-	6,388,472	6,183,416

**Note 30: Administered consolidation (continued)**

	Treasury		HCS Scheme		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Australian Government entities</b>						
Reserve Bank of Australia	12,685,000	8,035,042	-	-	12,685,000	8,035,042
Australian Securities and Investments Commission	10,450	16,184	-	-	10,450	16,184
Corporations and Markets Advisory Committee	32	332	-	-	32	332
Australian Reinsurance Pool Corporation	220,711	-	-	-	220,711	-
Australian Prudential Regulation Authority	15,932	8,255	-	-	15,932	8,255
Australian Accounting Standards Board	2,156	-	-	-	2,156	-
Auditing and Assurance Standards Board	363	-	-	-	363	-
<b>Total Australian Government entities</b>	<b>12,934,644</b>	<b>8,059,813</b>	<b>-</b>	<b>-</b>	<b>12,934,644</b>	<b>8,059,813</b>
<b>Total investments</b>	<b>20,033,896</b>	<b>14,954,009</b>	<b>-</b>	<b>-</b>	<b>20,033,896</b>	<b>14,954,009</b>
<b>Non-financial assets</b>						
Prepayment of grants to State and Territory Governments	74,600	219,400	-	-	74,600	219,400
Deferred acquisition costs	31	111	-	-	31	111
Other prepayments	3,691	3,700	(1,375)	(1,589)	2,316	2,111
<b>Total non-financial assets</b>	<b>78,322</b>	<b>223,211</b>	<b>(1,375)</b>	<b>(1,589)</b>	<b>76,947</b>	<b>221,622</b>
<b>Total assets administered on behalf of Government</b>	<b>20,430,250</b>	<b>15,683,066</b>	<b>2,392</b>	<b>2,214</b>	<b>20,432,642</b>	<b>15,685,280</b>

**Note 30: Administered consolidation (continued)**

	Treasury		HCS Scheme		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>LIABILITIES:</b>						
<b>Loans</b>						
IMF promissory notes	3,807,615	3,807,615	-	-	3,807,615	3,807,615
Other promissory notes	63,210	63,492	-	-	63,210	63,492
<b>Total loans</b>	<b>3,870,825</b>	<b>3,871,107</b>	<b>-</b>	<b>-</b>	<b>3,870,825</b>	<b>3,871,107</b>
<b>Grants</b>						
IMF - poverty reduction and growth facility	7,500	10,000	-	-	7,500	10,000
<b>Total grants</b>	<b>7,500</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>7,500</b>	<b>10,000</b>
<b>Other payables</b>						
Net GST payable to the ATO	-	128	-	-	-	128
GST appropriation payable	111	-	-	-	111	-
IMF SDR allocation	928,829	899,016	-	-	928,829	899,016
IMF maintenance of value	27,082	-	-	-	27,082	-
IMF related monies owing	5,600	3,731	-	-	5,600	3,731
Other	287	374	76	103	363	477
<b>Total other payables</b>	<b>961,909</b>	<b>903,249</b>	<b>76</b>	<b>103</b>	<b>961,985</b>	<b>903,352</b>
<b>Other provisions</b>						
Provision for insurance claims	1,157	5,965	-	-	1,157	5,965
Provision for unearned premiums	248	858	-	-	248	858
Provision for HCS scheme	256,081	328,050	-	-	256,081	328,050
<b>Total other provisions</b>	<b>257,486</b>	<b>334,873</b>	<b>-</b>	<b>-</b>	<b>257,486</b>	<b>334,873</b>
<b>Total other provisions and payables</b>	<b>1,219,395</b>	<b>1,238,122</b>	<b>76</b>	<b>103</b>	<b>1,219,471</b>	<b>1,238,225</b>
<b>Total liabilities administered on behalf of Government</b>	<b>5,097,720</b>	<b>5,119,229</b>	<b>76</b>	<b>103</b>	<b>5,097,796</b>	<b>5,119,332</b>
<b>Net assets administered on behalf of Government</b>	<b>15,332,530</b>	<b>10,563,837</b>	<b>2,316</b>	<b>2,111</b>	<b>15,334,846</b>	<b>10,565,948</b>

Notes to and forming part of the financial statements

**Note 31: Appropriations**

Note 31A: 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		2006	2005	2006	2005
	2006	2005	2006	2005	2006	2005				
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Balance carried from previous period	-	-	-	-	7,719,416	-	31,735,053	16,873,643	39,454,469	16,873,643
Adjustment to prior year	-	-	-	-	-	-	5,654,639	-	5,654,639	-
Reductions of appropriations (prior years)	-	-	-	-	(7,719,416)	-	-	-	(7,719,416)	-
Adjusted balance carried from previous period	-	-	-	-	-	-	37,389,692	16,873,643	37,389,692	16,873,643
Appropriation Act (No.1)	-	-	-	-	6,000,000	9,000,000	134,151,000	109,064,000	140,151,000	118,064,000
Appropriation Act (No.3)	-	-	-	-	-	-	72,000	13,944,000	72,000	13,944,000
Appropriation Act (No.5)	-	-	-	-	-	-	-	1,800,000	-	1,800,000
Adjustment to appropriations on change of entity function (FMAA s32)	-	-	-	-	-	-	(183,000)	(663,786)	(183,000)	(663,786)
Refunds credited (FMAA s30)	-	-	-	-	-	-	-	-	-	-
Appropriation reduced by section 9 determination (current year)	-	-	-	-	-	-	-	-	-	-
Sub-total annual appropriation	-	-	-	-	6,000,000	9,000,000	134,040,000	124,144,214	140,040,000	133,144,214
Adjusted annual appropriation balance	-	-	-	-	6,000,000	9,000,000	134,040,000	124,144,214	140,040,000	133,144,214
Comcover Receipts (Appropriation Act s13)	-	-	-	-	-	-	1,946	-	1,946	-
Appropriations to take account of recoverable GST (FMA s30A)	-	-	-	-	57,418	44,500	2,871,334	2,977,806	2,928,752	3,022,306
Annotations to 'net appropriations' (FMA s31)	-	-	-	-	-	-	8,999,226	4,958,426	8,999,226	4,958,426
Total appropriations available for payments	-	-	-	-	6,057,418	9,044,500	183,302,198	148,954,089	189,359,616	157,998,589

### Note 31: Appropriations (continued)

Note 31A: 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		2006	2005	2006	2005
	2006	2005	2006	2005	2006	2005				
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Cash payments made during the year (GST inclusive)	-	-	-	-	(633,783)	(1,325,084)	(125,959,962)	(117,219,036)	(126,593,745)	(118,544,120)
Balance of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations	-	-	-	-	5,423,635	7,719,416	57,342,236	31,735,053	62,765,871	39,454,469
<i>Represented by:</i>										
Cash at bank and on hand	-	-	-	-	-	-	547,426	2,793,279	547,426	2,793,279
Departmental appropriations receivable	-	-	-	-	-	-	56,683,423	28,380,942	56,683,423	28,380,942
GST receivable from the ATO	-	-	-	-	-	-	166,027	625,895	166,027	625,895
Receivables - goods and services - GST receivable from customers	-	-	-	-	-	-	38,439	26,571	38,439	26,571
Payables - suppliers - GST portion	-	-	-	-	-	-	(93,079)	(91,634)	(93,079)	(91,634)
Undrawn, unexpired administered appropriations	-	-	-	-	5,423,635	7,719,416	-	-	5,423,635	7,719,416
<b>Total</b>	-	-	-	-	<b>5,423,635</b>	<b>7,719,416</b>	<b>57,342,236</b>	<b>31,735,053</b>	<b>62,765,871</b>	<b>39,454,469</b>

**Note 31: Appropriations (continued)**

Note 31B: 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			
	SPPs		NAE		SPPs		NAE		SPPs		NAE	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Balance carried from previous period	-	-	-	-	4,475,000	-	-	-	50,610	-	-	-
Reduction of appropriations (prior years)	-	-	-	-	(4,475,000)	-	-	-	(610)	-	-	-
Adjusted balance carried from previous period	-	-	-	-	-	-	-	-	50,000	-	-	-
Appropriation Act (No.2)	-	-	-	-	4,272,000	16,414,000	-	-	164,701,000	159,799,000	-	-
Appropriation Act (No.4)	-	-	-	-	346,187,000	2,296,000	-	-	-	-	-	-
Adjustment of appropriations change of entity function (FMA s32)	-	-	-	-	-	-	-	-	-	-	-	-
Refunds credited (net) (FMA s30)	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation reduced by section 11 determination (current period)	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total annual appropriation	-	-	-	-	350,459,000	18,710,000	-	-	164,701,000	159,799,000	-	-
Appropriations to take account of recoverable GST (FMA s30A)	-	-	-	-	-	-	-	-	-	-	-	-
Departmental adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Total appropriations available for payments	-	-	-	-	350,459,000	18,710,000	-	-	164,751,000	159,799,000	-	-



**Note 31: Appropriations (continued)**

Note 31B: 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			
	SPPs		NAE		SPPs		NAE		SPPs		NAE	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
\$		\$		\$		\$		\$		\$		
Cash payments made during the year (GST inclusive)	-	-	-	-	(347,717,000)	(14,235,000)	-	-	(163,742,100)	(159,748,390)	-	-
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	-	-	-	-	2,742,000	4,475,000	-	-	1,008,900	50,610	-	-
Represented by:												
Undrawn, unexpired administered appropriations	-	-	-	-	2,742,000	4,475,000	-	-	1,008,900	50,610	-	-
<b>Total</b>	-	-	-	-	<b>2,742,000</b>	<b>4,475,000</b>	-	-	<b>1,008,900</b>	<b>50,610</b>	-	-

Notes to and forming part of the financial statements

**Note 31: Appropriations (continued)**

Note 31B: Acquittal of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations (continued)

	Non-operating								Total	
	Equity		Loans		Previous years' outputs		Admin assets and liabilities		Previous years' outputs	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance carried from previous period	-	-	-	-	-	-	730,327	400,986	-	-
Reduction of appropriations (prior years)	-	-	-	-	-	-	-	-	-	-
Adjusted balance carried from previous period	-	-	-	-	-	-	730,327	400,986	-	-
Appropriation Act (No.2)	4,243,000	2,165,000	-	-	-	5,216,000	2,500,000	7,223,000	-	5,216,000
Appropriation Act (No.4)	-	800,000	-	-	-	-	2,237,000	172,000	-	-
Adjustment of appropriations change of entity function (FMA s32)	(4,210,000)	-	-	-	-	-	-	-	-	-
Sub-total annual (FMA s30) appropriation	33,000	2,965,000	-	-	-	5,216,000	4,737,000	7,395,000	-	5,216,000
Appropriations to take account of recoverable GST (FMA s30A)	3,300	-	-	-	-	-	-	-	-	-
Departmental adjustments	-	-	-	-	-	(400,000)	-	-	-	(400,000)
Total appropriations available for payments	36,300	2,965,000	-	-	-	4,816,000	5,467,327	7,795,986	-	4,816,000

### Note 31: Appropriations (continued)

Note 31B: Acquittal of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations (continued)

	Non-operating								Total	
	Equity		Loans		Previous years' outputs		Admin assets and liabilities		Previous years' outputs	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cash payments made during the year (GST inclusive)	(36,300)	(2,965,000)	-	-	-	(4,816,000)	(4,798,851)	(7,065,659)	-	(4,816,000)
Balance of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations	-	-	-	-	-	-	668,476	730,327	-	-
Represented by: Undrawn, unexpired administered appropriations	-	-	-	-	-	-	668,476	730,327	-	-
<b>Total</b>	-	-	-	-	-	-	668,476	730,327	-	-

Note: The 2004-05 Annual Report incorrectly disclosed the Admin assets and liabilities 'Cash payments made during the year (GST inclusive)' as \$(7,795,986) and the 2005 closing balance to be carried forward as \$nil. The table above reflects the correct comparative amounts.

**Note 31: Appropriations (continued)**

Note 31C: Acquittal of authority to draw cash from the consolidated revenue fund — Special Appropriations (unlimited amount)

<i>A New Tax System (Commonwealth-State) Financial Arrangements Act 1999</i>	2006	2005
	\$	\$
	<b>Outcome 2</b>	
<i>Purpose:</i> 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	<b>(37,948,467,173)</b>	(35,892,228,319)
Total charged to appropriation	<b>(37,948,467,173)</b>	(35,892,228,319)
Budget estimate	<b>37,728,225,000</b>	36,319,192,000
	<b>2006</b>	2005
	\$	\$
	<b>Outcome 1</b>	
<i>Purpose:</i> An Act is to represent an instrument of subscription whereby Australia agrees to purchase 102,370 additional shares. The ADB assists with the economic and social development of countries in the Asian Pacific region by providing financial and technical assistance for projects and programs.		
All transactions under this Act are recognised as administered items.		
Cash payments made during the year	-	(4,655,773)
Total charged to appropriation	-	(4,655,773)
Budget estimate	-	4,656,000

### Note 31: Appropriations (continued)

Note 31C: Acquittal of authority to draw cash from the consolidated revenue fund — Special Appropriations (unlimited amount) (continued)

<b>International Monetary Agreements Act 1947</b>	<b>2006</b>	2005
	<b>\$</b>	<b>\$</b>
	<b>Outcome 1</b>	
<i>Purpose:</i> 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	<b>(26,628,555)</b>	(19,489,312)
Total charged to appropriation	<b>(26,628,555)</b>	(19,489,312)
Budget estimate	<b>28,359,000</b>	19,539,000
<hr/>		
<b>Superannuation Industry (Supervision) Act 1993</b>	<b>2006</b>	2005
	<b>\$</b>	<b>\$</b>
	<b>Outcome 3</b>	
<i>Purpose:</i> 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	<b>(172,457)</b>	(3,188,026)
Total charged to appropriation	<b>(172,457)</b>	(3,188,026)
Budget estimate	<b>1,158,000</b>	3,308,000
<hr/>		
<b>Totals for unlimited special appropriations</b>	<b>2006</b>	2005
	<b>\$</b>	<b>\$</b>
Cash payments made during the year	<b>(37,975,268,185)</b>	(35,919,561,430)
Total charged to appropriation	<b>(37,975,268,185)</b>	(35,919,561,430)
Budget estimate	<b>37,757,742,000</b>	36,346,695,000

**Note 31: Appropriations (continued)**

Note 31C: Acquittal of authority to draw cash from the consolidated revenue fund — Special Appropriations (limited amount) (continued)

<i>Appropriation (HIH Assistance) Act 2001</i>	2006 \$	2005 \$
	<b>Outcome 3</b>	
<i>Purpose:</i> 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	152,456,980	240,619,647
Appropriations to take account for recoverable GST (FMA s30A)	3,083,133	940,084
Available for payments	155,540,113	241,559,731
Cash payments made during the year	(85,425,055)	(89,102,751)
Amount available carried to the next period	70,115,058	152,456,980
<i>Represented by:</i>		
Cash	3,439,996	4,378,235
Undrawn, unexpired administered appropriations	66,675,062	148,078,745
Total	70,115,058	152,456,980

Note: In previous Annual Reports, details of the *Appropriation (HIH Assistance) Act 2001* had been disclosed as 'Special Appropriations (unlimited amount)'.

**Note 31: Appropriations (continued)**

Note 31D: Acquittal of authority to draw cash from the consolidated revenue fund — Special Appropriations (Refund Provisions)

<i><b>Financial Management and Accountability Act 1997</b></i>	<b>2006</b>	2005
Transactions reported in this table are Administered items	<b>\$</b>	<b>\$</b>
	<b>Outcome 2</b>	
Cash payments made during the year	<b>501,287</b>	-
Appropriations credited to Special Accounts	-	-
Refunds credited (net) (FMA s30)	-	-
Total charged to appropriation	<b>501,287</b>	-
Budget estimate (FMA s28)	-	-
	<b>Outcome 3</b>	
Cash payments made during the year	<b>3,105</b>	-
Appropriations credited to Special Accounts	-	-
Refunds credited (net) (FMA s30)	-	-
Total charged to appropriation	<b>3,105</b>	-
Budget estimate (FMA s28)	-	-

Note 31E: Acquittal of authority to draw cash from the consolidated revenue fund — Special Appropriations (Section 39 of the FMA Act)

For the periods 2004-05 and 2005-06, Treasury has not used section 39 of the FMA Act.

**Note 31: Appropriations (continued)****Note 31F: 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 and were not used in the current reporting period or the previous reporting period and are therefore not shown in separate tables.

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



**Note 31: Appropriations (continued)****Note 31F: 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 for the purpose of paying compensation to the States in respect of 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 retained the following taxes pursuant to the Act:

	<b>2006</b>	2005
	<b>Actual</b>	Actual
	<b>\$</b>	<b>\$</b>
Total mirror tax collection	<b>327,631,464</b>	306,725,426

**Note 31: Appropriations (continued)****Note 31G: Special Accounts****Royal Australian Mint and Coinage (Departmental)***Legal authority: Financial Management and Accountability Act 1997; s20**Purpose: (a) Payment of goods and services, salaries and expenses incurred for activities entered into by the Mint approved by the Treasurer.**(b) Repayment of capital funds and payment of moneys in excess of requirements to consolidated revenue fund.*

	2006	2005
	\$	\$
<i>This account is non-interest bearing</i>		
Balance carried from previous period	8,021,448	11,526,739
Transfer due to restructure of special account	(8,021,448)	-
Appropriation Act (No. 2) current period	-	2,165,000
Costs recovered from provision of goods	-	20,233,668
GST credits (FMA s30A)	-	2,682,074
Other receipts		
Goods - provision of goods to related entities	-	137,696,000
Services - rendering of services to related entities	-	-
Available for payments	-	174,303,481
Payment made to the Australian Government for seigniorage	-	(97,563,078)
Payments made for competitive neutrality	-	(1,364,265)
Payments made to employees	-	(7,677,840)
Payments made to suppliers	-	(54,869,408)
Other payments	-	(4,807,442)
<b>Balance carried to next period</b>	-	8,021,448
<i>Represented by:</i>		
Cash held by the Royal Australian Mint	-	7,900,533
Add: Receivables - goods and services - GST receivable from customers	-	84,199
Add: Receivables - net GST receivable from the ATO	-	36,716
<b>Total balance carried to the next period</b>	-	8,021,448

During 2005-06 the Mint gained control of their Special Account as a result of a restructure making the Mint a prescribed entity and is no longer being consolidated with the Treasury. This Special Account is now disclosed in the Mint's Accounts.

## Note 31: Appropriations (continued)

### Note 31G: Special Accounts (continued)

#### Australian Government Actuary Account (Departmental)

*Legal authority: Financial Management and Accountability Act 1997; s20*

*Purpose: for receipt of all moneys and payment of all expenditure related to the operation of the Australian Government Actuary.*

	2006	2005
	\$	\$
<i>This account is non-interest bearing</i>		
Balance carried from previous period	1,368,544	1,283,803
Adjustment to prior year	8,274	-
Adjusted balance carried forward from previous period	1,376,818	1,283,803
Costs recovered from services	135	6,126
GST credit (FMA s30A)	6,351	14,514
Other receipts from rendering of services	1,661,357	1,633,424
Available for payments	3,044,661	2,937,867
Payments made to employees	(1,051,826)	(1,005,385)
Payments made to suppliers	(435,971)	(563,938)
<b>Balance carried to next period</b>	<b>1,556,864</b>	<b>1,368,544</b>
<i>Represented by:</i>		
Cash held by the Australian Government Actuary	1,559,690	1,388,558
Add: Receivables - goods and services - GST receivable from customers	33,422	19,951
Less: Other payables - net GST payable to the ATO	(35,538)	(38,859)
Less: Payable - suppliers - GST portion	(710)	(1,106)
<b>Total balance carried to the next period</b>	<b>1,556,864</b>	<b>1,368,544</b>

Notes to and forming part of the financial statements

**Note 31: Appropriations (continued)****Note 31G: Special Accounts (continued)****Trustee Companies (ACT) Deposits Trust Account (Departmental)**

*Legal authority: Financial Management and Accountability Act 1997; s20*

*Purpose: for the purpose of the Australian Capital Territory ordinance in relation to Trustee Companies. The ordinance became the Trustee Companies Act 1947 (ACT).*

	2006	2005
	\$	\$
<i>This account is non-interest bearing</i>		
Balance carried from previous period	120,000	120,000
Other receipts from rendering of services	8,400	8,400
Available for payments	128,400	128,400
Payments made to suppliers	(128,400)	(8,400)
<b>Balance carried to next period</b>	-	120,000
<i>Represented by:</i>		
Securities held by Treasury	-	120,000
<b>Total balance carried to the next period</b>	-	120,000

Note: The transactions in this special account ceased on 23/5/06. All monies were transferred back to the Trustee Companies following a change in ACT Government Legislation. This special account will be abolished in 2006-07.

## Note 31: Appropriations (continued)

### Note 31G: 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*

	2006	2005
	\$	\$
<i>This account is non-interest bearing</i>		
Balance carried from previous period	2,000,000	2,000,000
Other receipts from provision of goods	150,000	165,000
Available for payments	2,150,000	2,165,000
Payments made to suppliers	(150,000)	(165,000)
<b>Balance carried to next period</b>	<b>2,000,000</b>	<b>2,000,000</b>
<i>Represented by:</i>		
Securities held by Treasury	2,000,000	2,000,000
<b>Total balance carried to the next period</b>	<b>2,000,000</b>	<b>2,000,000</b>

**Note 31: Appropriations (continued)****Note 31G: Special Accounts (continued)****Services for other Governments and non agency bodies special 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 2005 and 30 June 2006 this special account had nil balances and no transaction were credited or debited to the account.

**Other trust moneys special 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 monies 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 2005 and 30 June 2006 this special account held monies advanced to the Treasury by Comcare for the purpose of distributing compensation payments made in accordance with the *Safety Rehabilitation and Compensation Act 1998*. Where the Treasury makes payments against accrued sick leave entitlements pending determination of an employee's claim, permission is obtained in writing from each individual to allow Treasury to recover the payments from the monies in the account. Treasury obtains 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.

	<b>2006</b>	2005
	<b>Actual</b>	Actual
	<b>\$</b>	\$
Balance carried forward from previous year	-	29,287
Receipts during the year	<b>39,684</b>	24,664
Available for payments	<b>39,684</b>	53,951
Payments made	<b>(39,684)</b>	(53,951)
<b>Balance carried forward to next year held by the entity</b>	<b>-</b>	<b>-</b>

**Other trust moneys special 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 monies 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 monies 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 monies.

	<b>2006</b>	2005
	<b>Actual</b>	Actual
	<b>\$</b>	\$
Balance carried forward from previous year	-	-
Receipts during the year	<b>509,239</b>	407,588
Available for payments	<b>509,239</b>	407,588
Payments made	<b>(464,523)</b>	(407,588)
<b>Balance carried forward to next year held by the entity</b>	<b>44,716</b>	-
<i>Represented by:</i>		
Cash held by Treasury	<b>44,716</b>	-
<b>Balance carried forward to next year held by the entity</b>	<b>44,716</b>	-

**Note 31H: Special Accounts investment of public money**

For the periods 2004-05 and 2005-06, Treasury has not used section 39 of the FMA Act or section 18 and 19 of the *Commonwealth Authorities and Companies Act 1997* in respect of this Special Account.

**Note 32: Reporting of outcomes**

The Treasury uses a process of cost allocation to estimate the allocation of shared costs. The cost of each output is comprised of 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 32: Reporting of outcomes (continued)****Note 32A: Net cost of outcome delivery**

	Outcome 1		Outcome 2		Outcome 3		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Expenses</b>								
Administered expenses	28,498	471,803	38,440,984	36,063,089	170,223	162,202	38,639,705	36,697,094
Departmental expenses	31,142	27,086	55,334	52,603	37,134	91,754	123,610	171,443
<b>Total expenses</b>	<b>59,640</b>	<b>498,889</b>	<b>38,496,318</b>	<b>36,115,692</b>	<b>207,357</b>	<b>253,956</b>	<b>38,763,315</b>	<b>36,868,537</b>
<b>Costs recovered from provision of goods and services to the non-government sector</b>								
Administered	-	365	-	230	-	1,634	-	2,229
Departmental	3,463	3,276	169	122	254	35	3,886	3,433
<b>Total costs recovered</b>	<b>3,463</b>	<b>3,641</b>	<b>169</b>	<b>352</b>	<b>254</b>	<b>1,669</b>	<b>3,886</b>	<b>5,662</b>
<b>Other external revenues</b>								
<b>Administered</b>								
Interest	479	3,637	-	-	211	303	690	3,940
Dividends	1,363,000	694,000	-	-	-	-	1,363,000	694,000
GST administration fees	-	-	605,888	591,922	-	-	605,888	591,922
Premiums received	-	-	-	-	-	1,519	-	1,519
HIH Group liquidation proceeds	-	-	-	-	26,356	-	26,356	-
IMF remuneration payments	22,786	37,014	-	-	-	-	22,786	37,014
Net gains	146,143	-	-	-	-	-	146,143	-
Other revenue	-	9,155	-	5,420	4,747	128,976	4,747	143,551
<b>Total administered</b>	<b>1,532,408</b>	<b>743,806</b>	<b>605,888</b>	<b>597,342</b>	<b>31,314</b>	<b>130,798</b>	<b>2,169,610</b>	<b>1,471,946</b>
<b>Departmental</b>								
Interest on all cash deposits	-	-	-	-	-	479	-	479
Net gains	95	99	225	155	74	215	394	469
Other	64	163	98	195	48	265	210	623
Related goods and services revenue	253	83	415	183	1,326	40,095	1,994	40,361
External goods and services revenue	48	33	79	124	251	16,166	378	16,323
<b>Total departmental</b>	<b>460</b>	<b>378</b>	<b>817</b>	<b>657</b>	<b>1,699</b>	<b>57,220</b>	<b>2,976</b>	<b>58,255</b>
<b>Total other external revenues</b>	<b>1,532,868</b>	<b>744,184</b>	<b>606,705</b>	<b>597,999</b>	<b>33,013</b>	<b>188,018</b>	<b>2,172,586</b>	<b>1,530,201</b>
<b>Net cost/(contribution) of outcome</b>	<b>(1,476,691)</b>	<b>(248,936)</b>	<b>37,889,444</b>	<b>35,517,341</b>	<b>174,090</b>	<b>64,269</b>	<b>36,586,843</b>	<b>35,332,674</b>

Outcomes 1, 2 and 3 are described in Note 1.1. Net costs shown include intra-government cost that are eliminated in calculating the actual budget outcome.



**Note 32: Reporting of outcomes (continued)**

Note 32B: Major classes of Departmental revenues and expenses by output group and outputs

	Output Group 1.1		Output Group 1.1		Outcome 1	
	Output 1.1.1		Output 1.1.2		Total	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Departmental expenses</b>						
Employees	6,142	6,204	15,470	12,930	21,612	19,134
Suppliers	1,850	2,049	6,660	4,729	8,510	6,778
Depreciation and amortisation	238	320	745	767	983	1,087
Write down of assets	-	16	-	37	-	53
Borrowing costs expense	8	10	22	24	30	34
Net losses from sale of assets	2	-	5	-	7	-
Income tax equivalent expense	-	-	-	-	-	-
<b>Total Departmental expenses</b>	<b>8,240</b>	<b>8,599</b>	<b>22,902</b>	<b>18,487</b>	<b>31,142</b>	<b>27,086</b>
<b>Funded by:</b>						
Revenues from Government	8,465	8,765	23,050	17,293	31,515	26,058
Interest revenue	-	-	-	-	-	-
Sale of goods and services	163	72	3,601	3,320	3,764	3,392
Other non-taxation revenues	15	32	49	131	64	163
Net gains	22	26	73	73	95	99
<b>Total Departmental revenues</b>	<b>8,665</b>	<b>8,895</b>	<b>26,773</b>	<b>20,817</b>	<b>35,438</b>	<b>29,712</b>

**Note 32: Reporting of outcomes (continued)**

## Note 32B: Major classes of Departmental revenues and expenses by output group and outputs (continued)

	Output Group 2.1						Output Group 2.2		Outcome 2			
	Output 2.1.1		Output 2.1.2		Output 2.1.3		Output 2.1 Total		Output 2.2.1		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Departmental expenses</b>												
Employees	2,478	2,576	2,088	2,228	6,195	5,892	10,761	10,696	29,802	28,289	40,563	38,985
Suppliers	922	806	898	872	1,575	1,290	3,395	2,968	9,661	8,598	13,056	11,566
Depreciation and amortisation	103	135	84	109	242	246	429	490	1,220	1,410	1,649	1,900
Write down of assets	-	7	-	5	-	12	-	24	-	68	-	92
Borrowing costs expense	3	4	3	3	8	8	14	15	39	45	53	60
Net losses from sale of assets	1	-	1	-	2	-	4	-	9	-	13	-
Income tax equivalent expense	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Departmental expenses</b>	<b>3,507</b>	<b>3,528</b>	<b>3,074</b>	<b>3,217</b>	<b>8,022</b>	<b>7,448</b>	<b>14,603</b>	<b>14,193</b>	<b>40,731</b>	<b>38,410</b>	<b>55,334</b>	<b>52,603</b>
<b>Funded by:</b>												
Revenues from Government	4,402	3,522	2,791	5,843	7,748	7,111	14,941	16,476	41,679	39,732	56,620	56,208
Interest revenue	-	-	-	-	-	-	-	-	-	-	-	-
Sale of goods and services	41	29	33	24	94	55	168	108	495	321	663	429
Other non-taxation revenues	6	14	5	11	14	28	25	53	73	142	98	195
Net gains	9	9	8	9	22	22	39	40	186	115	225	155
<b>Total Departmental revenues</b>	<b>4,458</b>	<b>3,574</b>	<b>2,837</b>	<b>5,887</b>	<b>7,878</b>	<b>7,216</b>	<b>15,173</b>	<b>16,677</b>	<b>42,433</b>	<b>40,310</b>	<b>57,606</b>	<b>56,987</b>

## Note 32: Reporting of outcomes (continued)

### Note 32B: Major classes of Departmental revenues and expenses by output group and outputs (continued)

	Output Group 3.1										Outcome 3	
	Output 3.1.1		Output 3.1.2		Output 3.1.3		Output 3.1.4		Output 3.1.5		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Departmental expenses</b>												
Employees	3,584	3,089	10,458	10,723	7,131	6,215	1,051	1,038	-	7,766	22,224	28,831
Suppliers	1,307	1,068	9,027	8,093	3,878	5,504	(186)	429	-	45,568	14,026	60,662
Depreciation and amortisation	157	174	399	460	265	268	7	9	-	990	828	1,901
Write down of assets	-	8	-	22	-	13	7	-	-	1	7	44
Borrowing costs expense	5	6	13	15	8	9	-	-	-	-	26	30
Net losses from sale of assets	1	-	3	-	2	-	17	-	-	-	23	-
Income tax equivalent expense	-	-	-	-	-	-	-	-	-	286	-	286
<b>Total Departmental expenses</b>	<b>5,054</b>	<b>4,345</b>	<b>19,900</b>	<b>19,313</b>	<b>11,284</b>	<b>12,009</b>	<b>896</b>	<b>1,476</b>	<b>-</b>	<b>54,611</b>	<b>37,134</b>	<b>91,754</b>
<b>Funded by:</b>												
Revenues from Government	4,502	4,229	21,998	21,048	19,405	19,012	-	-	-	-	45,905	44,289
Interest revenue	-	-	-	-	-	-	-	-	-	479	-	479
Sale of goods and services	59	38	501	92	103	61	1,168	1,597	-	54,507	1,831	56,295
Other non-taxation revenues	9	17	23	49	16	35	-	-	-	164	48	265
Net gains	14	13	35	40	25	24	-	-	-	138	74	215
<b>Total Departmental revenues</b>	<b>4,584</b>	<b>4,297</b>	<b>22,557</b>	<b>21,229</b>	<b>19,549</b>	<b>19,132</b>	<b>1,168</b>	<b>1,597</b>	<b>-</b>	<b>55,288</b>	<b>47,858</b>	<b>101,543</b>

Notes to and forming part of the financial statements

**Note 32: Reporting of outcomes (continued)**

Note 32C: Major classes of Administered revenues and expenses by outcome

	Outcome 1		Outcome 2		Outcome 3		Total	
	Sound macroeconomic environment		Effective Government spending and taxation arrangements		Well functioning markets			
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Administered revenues</b>								
Interest	479	3,637	-	-	211	303	690	3,940
Dividends	1,363,000	694,000	-	-	-	-	1,363,000	694,000
Goods and services	-	-	605,888	591,922	-	-	605,888	591,922
HIH Group liquidation proceeds	-	-	-	-	26,356	-	26,356	-
Other	22,786	46,534	-	5,650	4,747	132,129	27,533	184,313
Net gains	146,143	-	-	-	-	-	146,143	-
<b>Total administered revenues</b>	<b>1,532,408</b>	<b>744,171</b>	<b>605,888</b>	<b>597,572</b>	<b>31,314</b>	<b>132,432</b>	<b>2,169,610</b>	<b>1,474,175</b>
<b>Administered expenses</b>								
Grants	-	-	38,440,984	36,061,287	163,676	162,928	38,604,660	36,224,215
Other	28,498	23,417	-	1,802	6,547	(726)	35,045	24,493
Foreign exchange losses	-	448,386	-	-	-	-	-	448,386
<b>Total administered expenses</b>	<b>28,498</b>	<b>471,803</b>	<b>38,440,984</b>	<b>36,063,089</b>	<b>170,223</b>	<b>162,202</b>	<b>38,639,705</b>	<b>36,697,094</b>