

Notes to and forming part of the Financial Statements
for the year ended 30 June 1999

Note No.	Description	Page No.
1	Reporting Entity and Objectives	171
2	Summary of Significant Accounting Policies	172
3	Events Occurring After Balance Date	188
4	Goods and Services Expenses	189
5	Grants	190
6	Extraordinary Items	190
7	Non-taxation Revenue	191
8	Reconciliation of Revenues from Independent Sources	192
9	Revenues from Government	192
10	Debt	193
11	Provisions and Payables	194
12	Equity	195
13	Financial Assets	196
14	Non-Financial Assets	198
15	Cash Flow Reconciliation	201
16	Administered Remote Contingencies	203
17	Receipts of the Consolidated Revenue Fund	204
18	Expenditure from Special Appropriations	206
19	Expenditure from Annual Appropriations	207
20	Reconciliation of Agency Running Costs	210
21	Receipts and Expenditure of the Commercial Activities, Reserved Money Fund and Special Public Money	210
22	Appropriation for Future Reporting Periods	221
23	Related Party Transactions	221
24	Payments to the Commonwealth from Business Operations	221
25	Executive Remuneration	222
26	Services Provided by the Auditor-General	223
27	Act of Grace Payments, Waivers and amounts Written-Off	223
28	Average Staffing Levels	224
29	Financial Instruments: Departmental	225
30	Financial Instruments: Administered	226

Note 1: Reporting Entity and Objectives

The reporting entity comprises the Department of the Treasury, the Foreign Investment Review Board, the Loan Council and the Royal Australian Mint (the Mint), hereafter referred to as 'the Department'. In these statements, 'the Department' does not correspond with the Department of the Treasury.

The Department comprises two programs:

Program 1: Treasury (including the secretariats of the Foreign Investment Review Board and the Loan Council).

Program 2: Royal Australian Mint.

The objectives of these programs are respectively:

Program 1: To improve the wellbeing of the Australian community through high, sustainable economic and employment growth with low inflation and efficient and sustainable use of resources.

Program 2: To produce and supply Australia's coinage needs and to pursue ancillary commercial opportunities in a way that maximises returns to Government.

Treasury is funded predominantly by Parliamentary appropriations. The Mint operates as a government business, and seeks to make a commercial return on investment.

The financial report encompasses various trust accounts and all the Funds through which the Department controls resources to carry on its functions. In the process of reporting on the Department as a single entity all transactions and balances within that entity have been eliminated.

Note 2: Summary of Significant Accounting Policies

2.1 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 financial statements have been prepared in accordance with Schedule 2 to the Financial Management and Accountability (FMA) Orders made by the Minister for Finance and Administration in December 1998.

The financial statements have been prepared:

- in compliance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Boards and the Consensus Views of the Urgent Issues Group; and
- having regard to Statements of Accounting Concepts.

The financial statements have been prepared on an accrual basis and 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 continued existence of the Department in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for the Department's administration and programs.

2.2 Agency and Administered Items

Agency assets, liabilities, revenues and expenses are those items that are controlled by the Department including:

- computers, plant and equipment used in providing goods and services;
- liabilities for employee entitlements;
- revenues from running cost appropriations;

- revenues from user charging, etc, where the proceeds are deemed appropriated under section 31 of the *Financial Management and Accountability Act 1997*; and
- employee expenses and other administrative expenses incurred in providing goods and services.

Administered items are those items which are controlled by the Government and managed or overseen by the Department on behalf of the Government. These items include grant payments to other governments, interest on public debt and dividend revenue from financial institutions.

The purpose of the separation of administered and agency items is to enable assessment of the administrative efficiency of the Department in providing goods and services. The basis of accounting described in Note 2.1 applies to both agency and administered items.

Administered items are distinguished from agency items in the financial statements by shading.

2.3 Changes in Accounting Policy

Changes in accounting policy have been identified in this note under their appropriate headings.

2.4 Principles of Aggregation

In the process of reporting the Department as a single unit, and in preparation of the program statements, all intra- and inter-program transactions and balances have been eliminated in full.

The financial statements of the Mint are aggregated into the Department's financial statements. Where accounting policies differ between the business operations and the Department, adjustments are made on aggregation to bring any dissimilar accounting policies into alignment.

Administered investments in controlled entities are not consolidated on a line-by-line basis because their aggregation is relevant only on the Whole of Government level (see note 2.21).

2.5 Revenues from Government

Revenues from government are revenues relating to the core operating activities of the Department, except to the extent that they represent the receipt of assets arising from a restructuring of administrative arrangements.

Agency Appropriations

Appropriations for agency operations other than running costs are recognised as revenue to the extent that the appropriations are spent.

Appropriations for agency running costs have, until 1998-99, been recognised as revenue in the year of appropriation, except to the extent that:

- amounts unspent at year end are not automatically carried over into the new financial year, and
- the appropriations involve running costs borrowings, the repayment of which has effected by an appropriate reduction in the appropriation actually received in the year of repayment. (Interest may also be charged on borrowings).

With the introduction of accrual budgeting by the Commonwealth for 1999-2000, any re-appropriation to the Department of the automatic running costs carryover for 1999-2000 will be by way of a capital rather than a revenue appropriation. Accordingly, the carryover is not recognised as revenue but is included directly in equity in the financial statements for 1998-99.

Administered Appropriations

Administered appropriations are recognised as revenue only to the extent that

- cash is transferred from the Official Commonwealth Public Account to enable administered liabilities to be settled; and
- special appropriations expenses have been incurred but no payment has been made at balance date.

The amount of revenue is disclosed as 'transfers – cash from Official Commonwealth Public Account' and 'Special Appropriations Accrued' in the statement of Administered Revenues and Expenses. The 'Special Appropriations Accrued' gives rise to an Appropriation Receivable as disclosed in the statement of Administered Assets and Liabilities.

Resources Received Free of Charge

Services received free of charge are recognised in the statement of Agency Revenues and Expenses as revenue 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 in the 'Net cost of services'.

2.6 Other Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established. Revenue from disposal of non-current assets is recognised when control of the asset is passed to the buyer.

All revenues described in this note are revenues relating to the core operating activities of the Department, whether in its own right or on behalf of the Commonwealth, except for gains from the sale of agency assets. Details of revenue amounts are given in Note 7.

2.7 Grants (Administered)

The Treasury Department administers a number of grant schemes on behalf of the Commonwealth. Grants are generally expensed when the payment is made. That is, there is no liability recognised. However, the Department recognises a liability for future grant payments to the International Monetary Fund (IMF) Enhanced Structural Adjustment Facility. In 1997-98, the Department of the Treasury agreed to contribute \$30,000,000 in twelve annual installments of \$2,500,000 to the IMF's Enhanced Structural Adjustment Facility. The Department has made two payments and has a liability of \$25,000,000.

2.8 Revenue Replacement Payments

The Commonwealth collects a number of revenue replacement taxes as an agent for the States and Territories. These taxes have replaced constitutionally invalid business franchise fees and are passed directly by the Commonwealth to the State and Territory Governments, with an adjustment for administration costs. Reflecting the Commonwealth's agency role in the collection of these taxes, they have not been recognised in these financial statements. Under the previous accounting policy, the revenue replacement payments were treated on a gross basis. The

relevant amounts for 1997-98 and 1998-99 are outlined in the table below.

	1998-99 \$'000	1997-98 \$'000
Transfers to the States and Territories in relation to revenue replacement payments	6,751,952	5,217,767
Cash from the Official Commonwealth Public Account in relation to revenue replacement payments	6,751,952	5,217,767

2.9 Mirror taxes collected by State and Territory Governments

The Commonwealth imposes mirror taxes on behalf of the States which replace constitutionally invalid State taxes on Commonwealth places. Mirror taxes are collected by the States and will be passed to the Commonwealth and immediately repaid to the States. The State Governments bear the administration costs of collecting mirror taxes. There has to date been no mirror taxes paid to the Commonwealth by the States as not all States have yet passed legislation facilitating such payment.

2.10 Employee Entitlements

Leave

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

The liability for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 1999 and is recognised at the nominal amount.

The non-current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 1999. In determining the present value of the liability, the Department has taken into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

Provision is also made for separation and redundancy payments in circumstances where the Department has formally identified positions as

excess to requirements and a reliable estimate of the amount of the payments can be determined.

Superannuation

Staff of the Department contribute to the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. Employer contributions amounting to \$3,509,235 have been expensed in these financial statements.

No liability is shown for superannuation in the statement of Agency Assets and Liabilities as the employer contributions fully extinguish the accruing liability, which is assumed by the Commonwealth.

Employer Superannuation Productivity Benefit contributions totalled \$680,005.

2.11 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 the present value of minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the statement of Agency Revenues and Expenses on a basis which is representative of the pattern of benefits derived from the leased assets.

2.12 Cash

Cash includes notes and coins held, deposits held at call with a bank or financial institution and balances of commercial trust accounts held in the Official Commonwealth Public Account (CPA).

2.13 Financial Instruments and Specific Disclosures by Financial Institutions

The Department is complying with the requirements of the following Australian Accounting Standards:

- (a) AAS 23 Set-off and Extinguishment of Debt;
- (b) AAS 32 Specific Disclosures by Financial Institutions; and
- (c) AAS 33 Presentations and Disclosure of Financial Instruments.

Where practicable, comparative information has been disclosed. Accounting policies for financial instruments are stated at notes 29 and 30A.

2.14 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 revenue at their fair value at the date of acquisition, unless acquired as a consequence of restructuring administrative arrangements. In the latter case, assets are initially recognised at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

2.15 Property Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of Agency Assets and Liabilities, 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).

Revaluation

Schedule 2 of the FMA Orders requires that property, plant and equipment be progressively revalued in accordance with the 'deprival' method of valuation by 1 July 1999. Thereafter they are to be revalued progressively on that basis every three years.

Revaluations of property, plant and equipment are accounted for by separately restating the gross amount and the related accumulated depreciation of the revalued asset.

The carrying amounts of property, plant and equipment held by the Mint have been reviewed to determine whether they are in excess of their

recoverable amounts. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

The Department is implementing its progressive revaluations as follows:

- leasehold improvements are to be revalued every three years
- plant and equipment has been revalued over the financial year 1998-99, and will be revalued in successive three-year periods.

Assets in each class acquired after the commencement of the progressive revaluation cycle will be reported on the basis of the value initially recognised on acquisition for the duration of the progressive revaluation then in progress.

The financial effect of the move to progressive revaluation is that the carrying amounts of assets will reflect current values and depreciation charges will reflect the current cost of the service potential consumed in each period.

Intangible Assets

Where recognised, intangible assets are reported at the lower of cost, recoverable amount or valuation. They are amortised on a straight line basis over their anticipated useful lives.

Depreciation and Amortisation

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

Depreciation and amortisation rates applying to each class of depreciable assets are as follows:

	1998-99	1997-98
Computers, plant and equipment	3 - 20 years	3 - 20 years
Leasehold improvements	5 - 10 years	5 years
Motor vehicles	4 years	7 years
Office equipment	5 years	5 years
Capitalised software	3 - 5 years	3 - 5 years

Depreciation and amortisation rates and methods are reviewed at each balance date and necessary adjustments are recognised in the current and future reporting periods as appropriate.

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 14B.

2.16 Inventories

Inventories are brought to account at the lower of cost and net realisable value. Work in progress and finished goods are brought to account at actual costs to include direct costs and a proportion of direct labour and overhead. All precious metals are purchased and brought to account at cost and expensed as used. Indirect materials are expensed at the time of purchase.

2.17 Taxation

The Department of the Treasury is exempt from all forms of taxation except for Fringe Benefits Tax. The Mint is liable for all forms of taxation including Payroll tax, Companies profit tax, fringe benefit tax and sales tax on non-coin products.

2.18 Insurance

A new Commonwealth insurable risk managed fund called 'Comcover', commenced operations as from 1 July 1998. From that date, the Department has insured with the fund for risks other than workers compensation, which is dealt with via continuing arrangements with Comcare.

The new arrangements replace the previous policy of non-insurance and require the systematic identification, quantification, reporting and management of risk across the department.

2.19 Bad and Doubtful Debts

Bad debts are written off during the year in which they are identified to the extent to which they have not been provided for.

A provision is raised for any doubtful debts based on a review of all outstanding accounts as at year end.

2.20 Comparative Figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation within these financial statements.

2.21 Statement of Significant Accounting Policies for Administered Items

Administered items include:

Unclaimed Moneys

Moneys from bank accounts inactive for seven years are transferred to the Commonwealth from banking institutions. These unclaimed moneys are deposited in the Consolidated Revenue Fund and are recognised as administered revenue. A provision representing the expected recovery of these moneys less refunds paid, based on an analysis of historical transactions, is recognised.

Guarantees

Guarantees provided under legislation within the portfolio responsibility of the Treasurer are recognised as liabilities when it is probable that the guarantee will be called and it can be reliably measured. In all other instances such guarantees are disclosed in statement of Administered Remote Contingencies (Note 16).

State and Territory Advances

Advances made to the States and Territories are recognised at their expected recoverable amount at balance date.

Royal Australian Mint — Seigniorage and Repurchase of Circulating Coins

Seigniorage is collected by the Mint on behalf of the Commonwealth. Seigniorage represents the difference between the face value of coinage sold to the Reserve Bank of Australia and its cost of production to the Mint.

The Mint repurchases circulating coins on behalf of the Commonwealth. 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 Commonwealth via a reduction in the total amount paid to the Commonwealth by the Mint.

Loan Consolidation and Investment Reserve

The value of Commonwealth issued securities held in the Loan Consolidation and Investment Reserve is deducted from the face value of the administered borrowings liability. Any gain or loss on repurchase is reported in the statement of Administered Revenues and Expenses. The net effect is to report the impact of transactions with external parties.

Reserve Bank of Australia Dividend

In these accounts, the treatment of the Reserve Bank of Australia dividend has been changed, reflecting a change in the revenue recognition standard (AAS 15/AASB 1004) for 1998-99. This means that revenue, including dividends, can now only be brought to account once the right to control the income stream is established. On this basis, the RBA's dividend for 1998-99 will be recognised in Treasury's accounts in 1999-2000. An amount of \$2,725,982,788 (Note 17) was received in 1998-99 representing the balance of the dividend receivable at 30 June 1998.

Investments

Development Banks

Investments in development banks are classified as non-monetary assets.

Where the information is available, these investments are recognised at historical cost. Where historical cost records are not readily obtainable, a notional cost has been established at 30 June 1993 by reference to the Development Banks' financial statements and exchange rates at that time.

The investment in the European Bank for Reconstruction and Development (EBRD) is recognised at historical cost, whereas the investments in the Asian Development Bank (ADB), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Bank for Reconstruction and Development (IBRD) are recognised at notional cost.

Owing to their nature, these investments are only revalued periodically.

International Monetary Fund (IMF)

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

The Special Drawing Rights (SDR) allocation liability reflects the current value in Australian dollars of the liability to repay to the IMF Australia's cumulative allocation of SDRs, and is classified as an 'Other Provisions and Payables'.

Portfolio Agencies

The Commonwealth's investment in other controlled authorities and companies in this portfolio is valued at the aggregate of the Commonwealth's share of the net assets and net liabilities of each entity as at 30 June 1997.

Promissory Notes

Promissory notes which have been issued in foreign currencies are translated at the spot rate at balance date. Foreign currency gains and losses are recognised where applicable. Promissory notes have been issued to the International Monetary Fund, International Bank for Reconstruction and Development, the European Bank for Reconstruction and Development, the Asian Development Bank and the Multilateral Investment Guarantee Agency.

Payments to the States

Grants are recognised as expenses at the time that conditions under the grant agreement have been satisfied or payment has been made.

Borrowings

Borrowings are measured at face value. Premiums and discounts in relation to borrowings are netted and amortised over the life of the borrowings on a straight line basis.

Borrowings are recognised on a gross basis, including borrowings on behalf of the State and Territory Governments. Receivables relating to borrowings on behalf of the State and Territory Governments are recognised as administered assets.

Foreign Currency Transactions

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.

Where a purchase denominated in foreign currency is specifically hedged, exchange gains or losses on hedging transactions arising up to the date of purchase or sale and costs, premiums and discounts relative to the hedging transactions are included with the purchase or sale. Exchange gains and losses arising on the hedge transactions after that date are taken to the statement of Revenues and Expenses.

Derivative Transactions

The Department undertakes derivative transactions on behalf of the Commonwealth to assist with the management of market risk associated with the Commonwealth debt portfolio. The Department manages this market risk by entering into interest rate swaps and cross-currency swaps.

Swap principal associated with cross-currency swaps is recognised on a net basis using the cost method. The notional principal associated with interest rate swaps is not recognised as assets or liabilities.

Swap interest payable and receivable in relation to interest rate and cross-currency swaps is also recognised on a net basis.

Prior to 1997/98, swap contracts were recognised on a gross cost basis.

Mortgage Insurance Policies Written by Housing Loans Insurance Corporation (HLIC) up to 12 December 1997

The HLIC was sold by the Commonwealth on 12 December 1997. Terms and conditions of the sale included that the Commonwealth shall remain responsible for the mortgage insurance policies written up to the time of the sale.

The sale of the HLIC was conducted by the Office of Asset Sales and Information Technology Outsourcing.

Accounting policies adopted are:

Premiums

Premiums comprise amounts charged to the policyholder 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'.

Claims

Claims incurred expense 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.

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.

2.22 Investment in Sydney 2000 Olympic Coin Program (STOCP)

General

The Royal Australian Mint and the Perth Mint have formed a partnership to market and distribute Sydney 2000 Olympic Coins. This partnership will conclude in 2001 after the Sydney Olympics.

The Royal Australian Mint's interest in STOCP is carried at the recoverable amount.

The Sydney 2000 Olympic Coin Program consists of 28 base metal coins, 16 silver coins and 8 gold coins.

Profit Distribution

The distribution of any profit is made on the following basis:

	Royal Australian Mint	Perth Mint
Base metal	60%	40%
Silver	40%	60%
Gold	40%	60%

Foreign Currency Hedge

The STOCP entered into a foreign currency hedge (the hedge) on 25 June 1997 to the value of \$US34 million for the purpose of reducing the risk of foreign currency exposure on overseas sales. The currency hedge matures on 31 December 2000 and is expected to cover all

overseas revenues. At present the STOCP has a commitment to the hedge of \$US26 million.

The hedge has been accounted for in accordance with *AAS 20 (Part A) 'Foreign Currency Transactions'*. Pursuant to this accounting standard the hedge has been classified as a specific hedge, being a specific hedge of all future overseas sales of the STOCP.

2.23 Rounding

Amounts are rounded to the nearest \$1,000 except in relation to the following items:

- transactions of the Consolidated Revenue Fund , the Commercial Activities Fund, the Reserved Money Fund and Special Public Monies;
- act of grace payments, waivers and write-offs;
- remuneration of executives; and
- remuneration of auditors.

It should be noted that in some cases totals may not add due to rounding.

Note 3: Events Occurring After Balance Date

1. The Government has introduced an accrual budgeting framework with effect from 1 July 1999. Under this framework, among other things:
 - departmental annual appropriations will be paid into a bank account controlled by the Department and will not lapse at year-end; as a result in future years the practice of carrying over revenue to the new financial year becomes redundant. Accounting for carryovers to 1999-2000 is affected by the re-appropriation of the carryover as a capital rather than a revenue appropriation in 1999-2000 (refer note 2.5);
 - the Commercial Activities Fund and the Reserved Money Fund are abolished and consolidated into the Consolidated Revenue Fund (CRF); components of these funds as at 30 June 99 become 'special accounts' within the CRF, the funds of which are hypothecated for the purposes of each account.
2. The Australian Office of Financial Management (AOFM) is an independent Treasury Agency within the Treasury portfolio, having been established as a 'prescribed agency' under the *Financial Management and Accountability Act* (FMAA) as of the 1 July, 1999. The AOFM assumed all functions formerly carried out by the Debt Management Office within Treasury from that date. The AOFM is responsible for all aspects of the Commonwealth's funding, debt redemption and risk management functions. The AOFM's objective is to raise, manage and retire Commonwealth government security debt at the lowest possible long-term cost, consistent with an acceptable degree of risk exposure.
3. The Reserve Bank of Australia declared a dividend of \$3,676 million as at 30 June 1999 in respect of its results for the year ended on that date. The Treasurer ratified the payment of this amount on 12 August 1999 in accordance with the recommendation of the RBA's Board of Directors. Treasury will record an amount of \$3,000 million as Dividend Income received and an amount of \$676 million as Dividends receivable in its accounts for the year ended 30 June 2000 in accordance with its accounting policy (Note 2.21).

Note 4: Goods and Services Expenses

	1998-99 \$'000	1997-98 \$'000
Note 4A: Employee expenses		
Remuneration (for services provided)	35,675	31,470
Separation and redundancy	567	416
Total employee expenses	36,242	31,886
Note 4B: Suppliers expenses		
Supply of goods and services	15,745	13,654
Operating lease rentals	857	3,797
Total supplier expenses	16,602	17,451
Note 4C: Depreciation and amortisation		
Depreciation of property, plant and equipment	1,651	1,546
Amortisation of leased assets	298	97
Total expenses	1,949	1,643
Note 4D: Expenses of businesses operations — Royal Australian Mint		
Employees	5,906	6,007
Suppliers	24,444	17,811
Write down of assets	—	18
Interest	—	—
Depreciation and amortisation	458	500
Prior year adjustment to seigniorage — abnormal expense	—	184
Total expenses of businesses operations	30,808	24,520
Note 4F: Interest and other financing costs		
Government securities	7,283,049	7,942,026
Swaps	1,266,788	786,464
Total interest and other financing costs	8,549,837	8,728,490
Note 4G: Other administered expenses		
Revenue replacement payments under safety net arrangements with States and Territories	—	5,217,767
Payments to States in lieu of stamp duty on airport sales	—	94,400
Assumption of debt of Australian National Railways Commission	230,101	460,812
Premium paid on redemption of debt	508,127	1,302,973
Debt waiver – Victoria	180,411	—
Other	80,482	49,057
Total other administered expenses	999,121	7,125,009

Note 5: Grants

	1998-99	1997-98
	\$'000	\$'000
Grants to other sectors (appropriations to other Commonwealth entities)	330,708	258,573
Grants to State and Territory governments	17,062,716	16,672,977
Other	793	—
Total Grants	17,394,217	16,931,550

Note 6: Extraordinary Items

Note 6A: Restructuring

During the year, the Consumer Affairs Division was transferred to the Treasury Department.

Assets with a gross value of \$608,000 and a written down value of \$184,000 were transferred during 1998-99.

As a result of the restructuring of administrative arrangements the Treasury Department assumed responsibility on 21 October from Department of Industry Science & Resources.

In respect of the programs assumed the following assets and liabilities were recognised at the date of transfer:

Provisions and Payables	683,000
Infrastructure, plant and equipment	184,000
Net assets transferred	(499,000)

	1998-99	1997-98
	\$'000	\$'000
Consumer Affairs Division		
Revenues		
Recognised by Department of Industry, Science and Resources	841	—
Recognised by Department of Treasury	1,899	—
Total Revenues	2,740	—
Expenses		
Recognised by Department of Industry, Science and Resources	615	—
Recognised by Department of Treasury	1,845	—
Total Expenses	2,460	—

Note 6B: Capitalisation of Assets

	1998-99	1997-98
	\$'000	\$'000
Capitalisation of assets	7,652	—
	7,652	—

The above amount represents the value of assets not capitalised in prior years.

Note 7: Non-taxation Revenue

	1998-99	1997-98
	\$'000	\$'000
Note 7A: Net gains from sale of assets		
Net gains from sale of assets	—	2
Note 7B: Revenues of business operations		
Sales of goods and services	30,930	23,583
Other	—	1,729
Total revenues of business operations	30,930	25,312
Note 7C: Administered interest revenue		
Interest from other governments:		
Housing agreements	223,085	241,894
State and Territory debt	174,927	473,827
Total interest from other governments	398,012	715,721
Interest from other sources:		
Other loans	—	3,578
Swaps	1,480,773	973,525
Other	1,853	89
Total interest from other sources	1,482,626	977,192
Total interest revenue	1,880,638	1,692,913
Note 7D: Administered dividend revenue		
Commonwealth authorities	—	2,729,654
Total dividend revenue	—	2,729,654
Note 7E: Revenues arising from securities other than trading securities		
Amortisation of premiums for Commonwealth Government Securities on issue	281,139	246,267
Note 7F: Other administered revenue		
Transfer from Consolidated Revenue Fund to Trust Fund (LCIR)	8,544,540	8,305,125
Australian Securities and Investments Commission regulation fees and receipts	331,778	326,015
State Fiscal Contributions	199,584	406,593
Other	261,810	98,782
Total other administered revenue	9,337,712	9,136,515

Note 8: Reconciliation of Revenues from Independent Sources

	1998-99	1997-98
	\$'000	\$'000
Gross revenue earned:		
Sale of goods and services	653	568
Other	1,540	404
Other Revenues from independent sources	2,193	972

Note 9: Revenues from Government

	1998-99	1997-98
	\$'000	\$'000
Note 9A: Ordinary annual services		
Appropriations	50,449	46,294
Parliamentary appropriations carried over to following year	—	3,843
Net Appropriations	50,449	50,137
Note 9B: Resources received free of charge		
ANAO Audit fees	215	200
OPG: Contribution to lease payments	—	61
Australian Archives: File storage	18	18
Attorney General's: Legal advice	—	40
DOFA: Internal audit	—	200
DOFA: Payroll, accounting and printing	—	15
DOFA: Comcover premium	60	—
	293	534

Note 10: Debt

	1998-99 \$'000	1997-98 \$'000
Note 10A: Leases		
Finance Lease Commitments:		
Not later than one year	653	22
Later than one year and not later than two years	644	—
Later than two years and not later than five years	310	—
Minimum lease payments	1,607	22
Deduct: future finance charges	(106)	—
Lease liability	1,501	22
Total Lease liability is represented by:		
Current	589	22
Non-current	912	—
Lease liability	1,501	22
Note 10B: Government securities		
Government securities:		
Securities issued on behalf of the Commonwealth	85,897,242	94,514,019
Securities issued on behalf of the States and Territories	1,796,458	1,890,552
	87,693,700	96,404,571
Unamortised net premiums on Commonwealth Government Securities on issue	1,359,804	1,341,803
Total government securities	89,053,504	97,746,374
Maturity schedule for government securities as at 30 June 1999 is as follows:		
Payable:		
within one year	17,081,236	19,405,769
in one to two years	12,580,412	9,825,720
in two to five years	16,503,480	23,077,014
in more than five years	41,528,572	44,096,068
	87,693,700	96,404,571
Note 10C: Loans		
Loans	36,522	43,943
IMF Promissory Notes	4,310,199	3,480,020
	4,346,721	3,523,963
Maturity schedule for loans is as follows:		
Payable:		
within one year	11,686	7,728
in one to two years	6,988	12,554
In two to five years	15,038	18,836
in more than five years	2,810	4,825
IMF Promissory notes payable on demand	4,310,199	3,480,020
	4,346,721	3,523,963

Note 11: Provisions and Payables

	1998-99 \$'000	1997-98 \$'000
Note 11A: Employee liabilities		
Salaries and wages	597	599
Annual leave	4,473	4,310
Long service leave	8,236	7,666
Superannuation	102	74
Separation and redundancies	—	93
Total employee entitlement liability	13,408	12,742
Note 11B: Suppliers		
Trade creditors	1,126	1,044
Total suppliers	1,126	1,044
Note 11C: Other		
Other creditors	4,965	1,110
Unearned income	—	37
Total other	4,965	1,147
Note 11D: Grants		
Grants – IMF – Enhanced Structural Adjustment Facility	25,000	27,500
Maturity schedule for grants is as follows:		
Payable:		
within one year	2,500	2,500
in one to two years	2,500	2,500
in two to five years	7,500	7,500
in more than five years	12,500	15,000
	25,000	27,500
Note 11E: Payables due to other financial institutions		
Swap principal	1,396,333	2,761,134
Swap interest	10,501	22,493
Total Payables	1,406,834	2,783,627
Maturity schedule for payables due to other financial institutions as at 30 June 1999 is as follows:		
Payable:		
within one year	181,667	632,273
in one to two years	110,575	288,373
in two to five years	774,765	926,968
in more than five years	339,827	936,013
	1,406,834	2,783,627
NOTE 11F: Provisions and payables — Other		
Interest payable	2,788,392	3,083,987
IMF SDR allocation	954,065	1,019,157
Provisions for unclaimed moneys repayments	48,975	41,392
Provision for insurance claims	20,894	29,533
Provision for unearned premiums	87,749	141,384
Other	5,332	7,569
Total Other	3,905,407	4,323,022

Note 12: Equity

Item	Accumulated results		Asset revaluation reserve		Total equity	
	1998-99 \$'000	1997-98 \$'000	1998-99 \$'000	1997-98 \$'000	1998-99 \$'000	1997-98 \$'000
Note 12A: Equity – Agency						
Balance 1 July 1998	8,340	6,845	4,463	4,463	12,803	11,308
Operating result	(3,049)	1,495	—	—	(3,049)	1,495
Capitalisation of assets	7,652	—	—	—	7,652	—
Net asset revaluation reserve	—	—	1,210	—	1,210	—
Carry forward appropriation	3,763	—	—	—	3,763	—
Balance 30 June 1999	16,706	8,340	5,673	4,463	22,379	12,803
Note 12B: Equity – Administered						
Balance 1 July 1998	(92,453,310)	(127,687)	8,039,640	8,112,510	(84,413,670)	7,984,823
Net change in administered net assets	10,186,896	8,769,984	—	—	10,186,896	8,769,984
Net revaluation increase	—	—	—	229	—	229
Net decrease in investment	—	—	—	(73,099)	—	(73,099)
Change in accounting policy	—	(101,095,607)	—	—	—	(101,095,607)
Balance 30 June 1999	(82,266,414)	(92,453,310)	8,039,640	8,039,640	(74,226,774)	(84,413,670)

Note 13: Financial Assets

	1998-99 \$'000	1997-98 \$'000
Note 13A: Cash		
Cash at bank and on hand	547	36
Note 13B: Receivables		
Trade debtors	1,007	1,414
Other debtors	3,802	3,856
Less: Provision for Doubtful Debts	(77)	(24)
Total receivables	4,732	5,246
Receivables (gross) are aged as follows:		
Over due by:		
Less than 30 days	4,614	4,911
30 to 60 days	84	133
More than 60 days	111	226
	4,809	5,270
Note 13C: Investments		
RAM Interest in the STOCP at cost	—	618
RAM Interest in ITBs	—	750
	—	1,368
Note 13D: Administered Financial Assets — Cash		
Cash at bank	3,626	8,792
Cash in trust accounts	9,155	2,641
	12,781	11,433
Note 13E: Administered Financial assets — Receivables due from other financial institutions		
Swap principal	54,810	26,899
Swap interest	93,557	62,120
Total receivables	148,367	89,019
Maturity schedule for receivables due from other financial institutions as at 30 June 1999 is as follows:		
Payable:		
Within one year	93,557	65,592
In one to two years	—	—
In two to five years	24,736	—
In more than five years	30,074	23,427
	148,367	89,019

Note 13: Financial Assets (continued)

	1998-99 \$'000	1997-98 \$'000
Note 13F: Administered Financial assets —		
Loans and advances		
Loans to State and Territory governments	5,783,453	7,305,705
Less provision for doubtful debts	—	—
Total Loans and Advances	5,783,453	7,305,705
Maturity schedule for Loans to State and Territory governments as at 30 June 1999 is as follows:		
Payable:		
Within one year	708,966	125,910
In one to two years	564,926	731,613
In two to five years	710,756	974,304
In more than five years	3,798,805	5,473,878
	5,783,453	7,305,705
Note 13G: Administered Financial assets —		
Other receivables		
Appropriation Receivable	3,195,537	—
APRA Supervisory levies	11,106	—
Profit transfer/Dividends owing	—	2,726,000
IMF related moneys owing	10,647	7,411
Interest receivable	69,224	71,520
Other	711	1,136
Total Other receivables	3,287,225	2,806,067
Note 13H: Administered financial assets — Investments		
International financial institutions		
Asian Development Bank	281,430	281,430
European Bank for Reconstruction and Development	51,486	51,486
International Finance Corporation	61,180	52,760
International Bank for Reconstruction and Development	265,082	265,082
Multilateral Investment Guarantee Agency	5,819	—
	664,997	650,758
Quota		
International Monetary Fund	6,562,044	5,053,498
Investment in Commonwealth entities		
Reserve Bank of Australia	8,035,041	8,035,041
Australian Securities and Investments Commission	4,267	4,267
Companies and Securities Advisory Committee	332	332
	8,039,640	8,039,640
Government securities		
Internal Treasury Bills	—	12,880
Total investments	15,266,681	13,756,776

Note 14: Non-financial Assets

	1998-99	1997-98
	\$'000	\$'000
Note 14A: Infrastructure, plant and equipment		
Computers, plant and equipment — at valuation	7,458	6,284
Accumulated depreciation	(975)	(2,220)
	6,483	4,064
Computers, plant and equipment — at cost	3,124	6,842
Accumulated depreciation	(1,247)	(3,422)
	1,877	3,420
Computers, plant and equipment under finance lease	2,177	35
Accumulated amortisation	(298)	(13)
	1,879	22
Leasehold improvements — at valuation	—	897
Accumulated amortisation	—	(732)
	—	165
Leasehold improvements — at cost	414	910
Accumulated amortisation	(77)	(496)
	337	414
Total infrastructure, plant and equipment	10,576	8,085
Intangibles	8,135	787
Accumulated amortisation	(630)	(421)
	7,505	366
Total infrastructure, Plant and Equipment and intangibles	18,081	8,451

Note 14: Non-financial Assets (continued)

Note 14B: Analysis of Infrastructure, Plant, Equipment and Intangibles

Table A: Movement summary 1998-99 for all assets irrespective of valuation basis

Item	Leasehold improvements \$'000	Computers, plant & equipment \$'000	Intangibles \$'000	Total \$'000
Gross value as at 1 July 1998	1,807	13,159	787	15,753
Additions	221	3,779	7,510	11,510
Disposals	(1,614)	(1,134)	(132)	(2,880)
Revaluations	—	(3,045)	(30)	(3,075)
Gross value as at 30 June 1999	414	12,759	8,135	21,308
Accumulated depreciation/amortisation as at 1 July 1998	1,228	5,654	421	7,303
Depreciation/amortisation charge for assets held 1 July 1998	346	1,337	59	1,742
Depreciation/amortisation charge for additions	—	315	306	621
Adjustment for disposals	(1,497)	(642)	(133)	(2,272)
Revaluations	—	(4,144)	(23)	(4,167)
Accumulated depreciation/amortisation as at 30 June 1999	77	2,520	630	3,227
Net book value as at 30 June 1999	337	10,239	7,505	18,081
Net book value as at 1 July 1998	579	7,506	366	8,451

Table B: Summary of balances of assets at valuation as at 30 June 1999

Item	Infrastructure, plant & equipment \$'000
As at 30 June 1999	
Gross value	7,458
Accumulated depreciation/amortisation	(975)
Net book value	6,483
As at 30 June 1998	
Gross value	7,181
Accumulated depreciation/amortisation	(2,952)
Net book value	4,229

Note 14: Non-financial Assets (continued)

Note 14B: Analysis of Infrastructure, Plant, Equipment and Intangibles (continued)

Table C: Summary of balances of assets held under finance lease as at 30 June 1999

Item	Computer, Plant & Equipment \$'000
As at 30 June 1999	
Gross value	2,177
Accumulated depreciation/amortisation	(298)
Net book value	1,879
As at 30 June 1998	
Gross value	35
Accumulated depreciation/amortisation	(13)
Net book value	22

Note 14: Non-financial Assets (continued)

	1998-99 \$'000	1997-98 \$'000
Note 14C: Inventories		
All Departmental inventories are current assets.		
Raw materials	7,031	3,559
Work in progress (cost)	1,281	165
Finished goods (cost)	4,881	2,238
Total inventories	13,193	5,962
Note 14D: Other		
Coin collection	3,660	3,100
Prepayments	3,166	3,595
Total other	6,826	6,695

Note 15: Cash Flow Reconciliation

	1998-99	1997-98
	\$'000	\$'000
Note 15A: Departmental reconciliation		
Reconciliation of net cost of services to net cash provided by operating activities:		
Net cost of services including business operations	(53,044)	(49,227)
Revenue from government (Appropriation Receipts)	50,799	50,250
Abnormal item – Company profits tax (Royal Australian Mint)	(598)	—
Resources received free of charge	293	534
Extraordinary item restructuring	(499)	(62)
Operating result	(3,049)	1,495
Profit distribution	618	(618)
Depreciation/amortisation	2,407	2,143
Asset write-off (Olympic Coin project costs)	64	72
Transfer of inventory to coin collection	2	(4)
Loss of sale on disposal of infrastructure, plant and equipment	556	—
Profit on sale of infrastructure, plant and equipment	—	(47)
Changes in assets and liabilities		
Decrease in receivables	943	(1,332)
Increase in other assets	(131)	(2,273)
Increase in inventories	(7,231)	(1,389)
Increase in employee liabilities	666	(221)
Increase in suppliers	82	(1,588)
Increase in other liabilities	3,818	(32)
Increase in finance lease liability	1,479	(46)
Asset adjustments	—	(20)
Net cash provided by operating activities	224	(3,615)

Note 15: Cash Flow Reconciliation (continued)

	1998-99 \$'000	1997-98 \$'000
Note 15B: Administered reconciliation		
Reconciliation of net change in administered assets to net cash provided by operating activities:		
Net cost to government	(14,857,490)	(21,678,093)
Cash from the Commonwealth Public Account - gross	101,178,986	106,369,105
Special Appropriation Accrued	3,195,537	—
Cash to the Commonwealth Public Account - gross	(79,330,137)	(76,016,938)
Net revenue from extraordinary items	—	95,910
Net change in administered net assets	10,186,896	8,769,984
Cash from the Official Commonwealth Public Account	(74,512,272)	(74,527,726)
Cash to the Official Commonwealth Public Account	74,003,248	71,259,019
Transfer of funds from Consolidated Revenue to Trust Fund	(8,544,540)	(8,305,125)
Assumption of non cash assets of Housing Loans Insurance Corporation	—	(38,686)
Assumption of liabilities of Housing Loans Insurance Corporation	—	204,449
Assumption of debt of Australian National Railways Commission	230,101	460,812
Waiver of debt - Victoria	180,411	—
Foreign exchange losses/(gains)	(586,197)	2,698,393
Amortisation of net premium on issue of debt	(281,139)	(246,267)
Premium on redemption of debt	508,127	1,302,973
Other	—	5,128
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in dividend and interest receivables	2,696,859	(724,379)
(Increase)/decrease in IMF remuneration receivables	(3,216)	(5,467)
(Increase)/decrease in premiums receivable	386	9,312
(Increase)/decrease in appropriations receivable	(3,195,537)	—
(Increase)/decrease in other financial assets	(11,040)	—
(Increase)/decrease in non-financial assets	9,631	7,173
Increase/(decrease) in insurance claims and unearned premium provisions and payables	(62,279)	(33,532)
Increase/(decrease) in unclaimed moneys provisions and payables	7,583	6,871
Increase/(decrease) in grant provisions and payables	(2,500)	(2,500)
Increase/(decrease) in interest provisions and payables	(307,587)	(743,464)
Increase/(decrease) in IMF provisions and payables	(2,263)	1,806
Net Cash from operating activities	314,672	98,774

Note 16: Administered Remote Contingencies

The following borrowings have been guaranteed by the Commonwealth in respect of authorities within the Treasury portfolio:

Borrower	Legislation authorising guarantee	Balance outstanding 1998-99 \$'000	Balance outstanding 1997-98 \$'000
Papua New Guinea	<i>PNG Act 1949-75 & PNG Loans Guarantee Act 1975</i>	5,775	5,775
Commonwealth Bank of Australia (a)	<i>CBA Act 1959 s117</i>	94,124,900	99,745,900
Commonwealth Bank of Australia Officers' of Superannuation Fund (a)	<i>CBA Act 1959 s117</i>	(d)	4,017,000
Commonwealth Development Bank (a)	<i>CBA Act 1959 s117</i>	272,600	472,500
Reserve Bank of Australia (b)	<i>RBA Act s77</i>	38,160,000	34,755,086
Housing Loans Insurance Corporation (c)	<i>HLIC Act 1965 s30, 31(b)</i>	—	—

- (a) In relation to the Commonwealth Bank of Australia, the Commonwealth Bank of Australia Officers' of Superannuation Fund and the Commonwealth Development Bank, the Commonwealth guarantees all moneys that are, or may at any time become, payable to a person other than the Commonwealth. Such guarantee will be progressively phased out following the Government sell-down on 19 July 1996.
- (b) In relation to the Reserve Bank of Australia, the Commonwealth guarantees all moneys that are, or may at any time become, payable to a person other than the Commonwealth.
- (c) The HLIC was sold last year and residual contingencies have been assumed by the Commonwealth. The principal amount covered by the guarantee and the balances outstanding are unable to be reliably measured. The guarantee relates essentially to the Housing Loans Insurance Corporation's (HLIC) contracts of mortgage insurance and any borrowings approved by the Treasurer up to 12 December 1997.
- (d) At the finalisation of these statements this figure was unavailable.

Note 17: Receipts of the Consolidated Revenue Fund

	1998-99 Budget \$	1998-99 Actual \$	1997-98 Actual \$
Receipts			
Advances to the Australian Capital Territory			
Interest	3,321,000	3,320,582	3,320,582
Advances to the States under the Housing Agreements			
Interest	142,818,000	133,121,241	145,687,049
Principal	73,301,000	847,554,007	70,432,056
Advances to the Northern Territory for Housing			
Interest	1,591,000	1,591,175	1,608,044
Principal	392,000	391,747	374,878
Advances to the States under the <i>Housing Assistance Act 1973</i>			
Interest	200,000	188,201	203,438
Principal	100,000	1,038,161	96,022
Advances to the States under the States (Works and Housing Assistance) Acts			
Interest	93,627,000	88,184,418	94,395,361
Principal	17,849,000	430,364,355	17,080,548
Advances to the States under the War Service Lands Settlements Acts			
Principal	764,000	763,663	736,060
Australian National Railways Commission Debt repayment	58,000,000	230,103,846	460,812,450
Australian Prudential Regulation Authority Supervisory levies	65,659,000	62,767,351	
<i>Banking Act 1959</i> — Unclaimed moneys	15,000,000	31,029,923	16,803,384
Bank dividends	2,600,000,000	2,725,982,788	1,700,000,000
Borrowing levy and guarantee charge on borrowings by Commonwealth Government Enterprises	—	—	5,256,153
Fiscal contributions by State Government	—	199,583,520	406,592,890
Housing Loans Insurance Corporation — Dividend and special annual payment	—	—	6,728,000
Payment of reserves to the Consolidated Revenue Fund	—	—	251,672,927
Payment of balance liquidation account to CRF	—	5,885,935	—
Premiums from old book stock	—	1,048,998	8,561,778
Recoveries from old book stock	3,000,000	2,243,987	1,737,339
Interest paid by States and the Northern Territory on other loans	316,958,000	173,902,925	566,898,890
Interests on Financial Assets	214,000,000	—	—
Remuneration	23,089,000	52,817,681	2,915,156

Note 17: Receipts of the Consolidated Revenue Fund (continued)

	1998-99 Budget \$	1998-99 Actual \$	1997-98 Actual \$
Loan management expenses — recoveries from the States and the Northern Territory	75,000	44,289	81,570
<i>Loans Securities Amendment Act 1988</i> — receipts from swap counterparties	5,550,000,000	5,035,530,178	3,277,578,379
Loan to Papua New Guinea			
Interest	—	—	3,578,426
Principal	—	—	69,400,000
Loan to Brazil — Principal	—	161,621,012	—
Regulation of companies and securities	326,863,000	331,778,258	326,015,066
Royal Australian Mint and Coinage Trust Account — moneys in excess of requirements	65,600,000	63,300,000	49,000,000
Seigniorage payments — Gold Corporation	750,000	680,800	818,806
Miscellaneous	—	80,563	125,827
Section 31 of the <i>Financial Management and Accountability Act 1997</i> — to be credited to Running Costs — Division 670	991,000	653,045	928,913
Total receipts	9,573,948,000	10,585,572,647	7,489,439,992

Note 18: Expenditure from Special Appropriations

	1998-99 Budget \$	1998-99 Actual \$	1997-98 Actual \$
Expenditure from Special Appropriations:			
<i>Airports (Transitional) Act 1996</i> — former debts of the Federal Airports Corporation — Interest	51,900,000	52,457,364	51,133,618
<i>Commonwealth Inscribed Stock Act 1911, Loans Securities Act 1919, Loans Redemption & Conversion Act 1921</i>	8,243,025,000	7,806,844,638	15,141,784,855
<i>Loans Securities Amendment Act 1988</i> payments to swap counterparties	7,398,000,000	5,413,262,843	3,118,861,511
<i>Financial Agreement Act 1994</i> — Assistance for Debt Redemption	28,100,000	81,692,916	62,265,944
<i>Loans Redemption and Conversion Act 1921</i>	5,000	—	—
<i>Moomba — Sydney Pipeline System Sale Act 1994</i>	19,070,000	19,061,690	18,936,779
<i>Financial Agreement Act 1994</i> — Commonwealth contribution to Debt Retirement Reserve Trust Account on State and Northern Territory Debt	8,270,000	5,182,953	10,395,310
Interest on Debt Retirement Reserve Trust Account Balances	829,000	386,014	269,233
<i>Payment of Tax Receipt (Victoria) Act 1996</i>	—	—	—
<i>States Grants (General Purposes) Act 1993 and 1994</i>	23,237,843,000	23,702,792,607	21,783,582,539
<i>Asian Development Bank (Additional Subscription) Act 1995</i>	2,352,000	2,686,812	2,424,381
<i>Banking Act 1959</i>	15,000,000	10,569,949	10,006,817
<i>Commonwealth Inscribed Stock Act 1911, Treasury Bills Act 1914</i> — Payment of Special Bond premiums on redemption	5,000	71	149
<i>Life Insurance Act 1995</i>	1,200,000	2,700,000	—
<i>International Monetary Agreements Act 1947</i>	522,695,000	1,264,716,623	726,603,211
<i>Multilateral Investment Guarantee Agency Act 1996</i>	—	2,909,680	—
<i>Qantas Sale Act 1992</i> — Qantas Debt Servicing	336,984,000	352,234,973	70,188,194
Total expenditure from special appropriations	39,865,278,000	38,717,499,133	40,996,452,541

Note 19: Expenditure from Annual Appropriations

	1998-99 Budget Estimates	1998-99 Additional Appropriations	1998-99 Advance to the Minister for Finance	1998-99 Total Appropriations	1998-99 Actual Expenditure	1997-98 Actual Expenditure
Ordinary Annual Services of Government Appropriation Act	Act No 1 \$	Act No 3 \$	\$	\$	\$	\$
Division 670 – Administrative						
1 Running Costs	52,921,045	2,362,000	—	55,283,045	54,944,631	50,555,856
2 Other Services						
01. Compensation and legal expenses	943,000	—	—	943,000	350,065	112,748
02. Loan management expenses	3,153,000	—	—	3,153,000	2,739,558	2,581,443
03. Overseas bond issues – Payments in respect of lapsed coupons	10,000	—	—	10,000	—	6,583
04. Australian National Railways Commission – Debt acquisition	118,100,000	247,500,000	—	365,600,000	284,332,939	923,812,450
05. Proposed new Housing Loans Insurance Company – Payments in respect of insurance claims	26,000,000	—	1,468,233	27,468,233	27,468,232	18,408,127
06. International Finance Corporation – Capital subscription	7,350,000	1,071,000	—	8,421,000	8,420,622	6,892,163
07. International Bank for Reconstruction and Development – Capital subscription	4,427,000	824,000	—	5,251,000	5,174,734	4,303,056
08. Contributions to the International Monetary Fund - Enhanced Structural Adjustment Facility	2,500,000	—	—	2,500,000	2,500,000	2,500,000
09. Ex-Gratia payment to approved charitable organisations or trust funds in memory of the Princess of Wales	793,000	—	—	793,000	793,000	—

Note: Budget estimates include section 31 deemed appropriation.

Note 19: Expenditure from Annual Appropriations (continued)

	1998-99 Budget Estimates	1998-99 Additional Appropriations	1998-99 Advance to the Minister for Finance	1998-99 Total Appropriations	1998-99 Actual Expenditure	1997-98 Actual Expenditure
Ordinary Annual Services of Government Appropriation Act	Act No 1 \$	Act No 3 \$	\$	\$	\$	\$
Division 673 – Australian Securities and Investments Commission						
01. For expenditure under the <i>Australian Securities and Investments Commission Act 1989</i>	134,830,000	—	—	134,830,000	134,830,000	119,433,000
Division 674 – Companies and Securities Advisory Committee						
01. For expenditure under Part 9 of the <i>Australian Securities and Investments Commission Act 1989</i>	816,000	—	—	816,000	816,000	811,000
Division 677 – Australian Prudential Regulation Authority						
1 Running Costs	61,264,000	—	—	61,264,000	61,264,000	41,824,000
2 Other Services						
01. Compensation and legal expenses	319,000	—	—	319,000	319,000	333,000
Total – Appropriations Acts No 1 and 3	359,562,000	249,395,000	1,468,233	610,425,233	528,658,085	1,120,904,822

Note 19: Expenditure from Annual Appropriations (continued)

	1998-99 Budget Estimates	1998-99 Additional Appropriations	1998-99 Advance to the Minister for Finance	1998-99 Total Appropriations	1998-99 Actual Expenditure	1997-98 Actual Expenditure
Other Annual Services of Government Appropriation Act	Act No 1 \$	Act No 3 \$	\$	\$	\$	\$
Division 976 – Capital Works and Services						
1 Australian Securities and Investments Commission For expenditure under the <i>Australian Securities and Investments Commission Act 1989</i>	—	—	—	—	—	5,778,000
Division 977 – Payments to or for the States, the Northern Territory and the Australian Capital Territory						
01. Australian Capital Territory – Special revenue assistance	25,000,000	—	—	25,000,000	25,000,000	34,500,000
02. Companies and securities regulation – Compensation for loss of revenue	134,805,000	—	—	134,805,000	133,478,817	132,550,960
04. Payments to State Governments in lieu of stamp duty on airport sales	—	—	—	—	—	94,400,000
Division 978 – Other Services						
01. Community education and information program on the tax system		19,443,000	—	19,443,000	12,801,286	57,194
Total – Appropriations Acts No 2 and 4	159,805,000	19,443,000	—	179,248,000	171,280,103	267,286,154

Note 20: Reconciliation of Agency Running Costs

	1998-99 Actual \$	1997-98 Actual \$
Running cost appropriation spent (Div 670-1)	54,944,631	50,555,856
Less: appropriation under the FMA Act section 31	(653,044)	(928,913)
	54,291,587	49,626,943
Add carryover 30 June	—	3,843,057
Less carryover 1 July	(3,843,057)	3,333,170
	(3,843,057)	509,887
Revenue from Government (per operating statement)	50,448,530	50,136,830

Note 21: Receipts and Expenditure of the Commercial Activities, Reserved Money Fund and Special Public Money

Loan Fund

	1998-99 Actual \$	1997-98 Actual \$
Receipts and Payments of Loan Fund		
Receipts		
Treasury Bonds	3,896,387,000	4,503,634,000
Treasury Notes	45,064,391,363	50,631,650,942
Treasury Bills – Internal	18,935,000,000	11,895,600,000
Treasury Indexed Bonds	550,300,000	695,727,157
Treasury (Adjustable Rate) Bonds	—	—
Premiums on issue of Commonwealth Securities	299,139,229	801,815,117
Total Loan Fund Receipts	68,745,217,592	68,528,427,216
Expenditure		
<i>Financial Agreement Act 1928, 1929, 1944, 1966 and 1976</i>		
Loan Flotation Expenses	120,974	121,046
<i>Loans Redemption and Conversion Act 1921</i>		
Treasury Notes	48,282,258,502	53,540,947,994
Australian Savings Bonds	378,300	342,400
Special Bonds	2,360	3,670
Treasury (Adjustable Rate) Bonds	120,782,630	3,697,602,779
Foreign currency redemptions	212,151,916	230,619,753
Other	28	318
Treasury Bonds	7,596,839,204	4,768,015,625
Treasury Bills — Internal	11,895,600,000	1,463,000,000
Premiums on redemptions — Treasury Bonds	324,419,659	301,785,571
Premiums on redemptions — Treasury (adjustable rate) Bonds	80,015,508	23,434,902
Discount on redemptions — Foreign currency	931,576	744,414
Total redemptions	68,513,379,683	64,026,497,424
Total loan fund expenditure	68,513,500,657	64,026,618,470

Note 21: Receipts and Expenditure of the Commercial Activities, Reserved Money Fund and Special Public Money (continued)

Other Trust Moneys

- Legal Authority — *Financial Management and Accountability Act 1997*, section 20.
- Purpose — for the receipt of moneys temporarily held in trust for other persons.

	1998-99 Budget \$	1998-99 Actual \$	1997-98 Actual \$
Balance at beginning of reporting period	13,000	13,000	13,000
Receipts	2,000	—	—
Expenditure	2,000	—	—
Balance at end of reporting period	13,000	13,000	13,000

Investment Transactions Account

	1998-99 Actual \$	1997-98 Actual \$
Investment balance at beginning of reporting period	10,000	—
Purchase of investments	—	10,000
Realisation of investments	10,000	—
Invested balance at end of reporting period	—	10,000
Cash balance at end of reporting period	13,000	3,000

Note 21: Receipts and Expenditure of the Commercial Activities, Reserved Money Fund and Special Public Money (continued)

Services for other government and non-departmental bodies

- Legal Authority — *Financial Management and Accountability Act 1997*, section 20.
- Purpose — for the payment of moneys in connection with services performed on behalf of other governments and non-departmental bodies.

	1998-99 Budget \$	1998-99 Actual \$	1997-98 Actual \$
Balance at beginning of reporting period	19,463	19,463	13,301
Receipts	402,000	514,041	333,550
Expenditure	402,000	448,181	327,388
Balance at end of reporting period	19,463	85,323	19,463

Investment Transactions Account

	1998-99 Actual \$	1997-98 Actual \$
Investment balance at beginning of reporting period	10,000	—
Purchase of investments	—	10,000
Realisation of investments	10,000	—
Invested balance at end of reporting period	—	10,000
Cash balance at end of reporting period	85,323	9,463

Note 21: Receipts and Expenditure of the Commercial Activities, Reserved Money Fund and Special Public Money (continued)

Lloyds Deposit Trust Fund

- Legal Authority — *Insurance Laws Amendment Act 1998*, Schedule 2.
- Purpose — to meet the cost of judicial management and wind-up in the event the company ceases to trade.

	1998-99 Budget \$	1998-99 Actual \$	1997-98 Actual \$
Balance at beginning of reporting period	564,000	564,000	564,000
Receipts	—	3,330	—
Expenditure	—	—	—
Balance at end of reporting period	564,000	567,330	564,000

Investment Transactions Account

	1998-99 Actual \$	1997-98 Actual \$
Investment balance at beginning of reporting period	564,000	564,000
Purchase of investments	567,330	—
Realisation of investments	564,000	—
Invested balance at end of reporting period	567,330	564,000
Cash balance at end of reporting period	—	—

Investments

The balance of investments at 30 June 1999 includes the following investments held in the corporate name of the Treasurer of the Commonwealth pursuant to subsection 93(1) of the *Insurance Act 1973* on behalf of the Trust.

Rate of Interest	Date of Maturity	Face Value of Investment	Cost of Investment
%		\$	\$
9.5	31 March 2002	500,000	567,330

Note 21: Receipts and Expenditure of the Commercial Activities, Reserved Money Fund and Special Public Money (continued)

Services for other government and non-departmental bodies — Australian Securities and Investments Commission

- Legal Authority — *Financial Management and Accountability Act 1997*, section 60.
- Purpose — for the payment of moneys in connection with services performed on behalf of the Australian Securities and Investments Commission.

	1998-99 Budget \$	1998-99 Actual \$	1997-98 Actual \$
Balance at beginning of reporting period	668,595	668,595	157,702
Receipts	69,300,000	66,224,203	64,124,315
Expenditure	69,300,000	66,129,648	63,613,422
Balance at end of reporting period	668,595	763,150	668,595

Investment Transactions Account

	1998-99 Actual \$	1997-98 Actual \$
Investment balance at beginning of reporting period	660,000	—
Purchase of investments	—	660,000
Realisation of investments	660,000	—
Invested balance at end of reporting period	—	660,000
Cash balance at end of reporting period	763,150	8,595

Note 21: Receipts and Expenditure of the Commercial Activities, Reserved Money Fund and Special Public Money (continued)

Revenue Replacement Payments

- Legal Authority — *States Grants (General Purposes) Act 1994*, Schedule 5.
- Purpose — for the payment of moneys to the States and Territories in connection with constitutionally invalid business franchise fees.

	1998-99 Budget \$	1998-99 Actual \$	1997-98 Actual \$
Receipts from CRF	6,480,002,000	6,751,952,078	5,217,767,098
Payments to States and Territories	6,480,002,000	6,751,952,078	5,217,767,098
Balance at end of reporting period	—	—	—
Accrued Liability due to adjustments	—	27,101,556	—

Note 21: Receipts and Expenditure of the Commercial Activities, Reserved Money Fund and Special Public Money (continued)

Trustee Companies (ACT) Deposits Trust Fund

- Legal Authority — *Financial Management and Accountability Act 1997*, section 20.
- Purpose — for the purpose of the Australian Capital Territory Ordinance in relation to Trustee Companies.

	1998-99 Budget \$	1998-99 Actual \$	1997-98 Actual \$
Balance at beginning of reporting period	123,791	123,791	121,213
Receipts	—	572	32,993
Expenditure	—	—	30,415
Balance at end of reporting period	123,791	124,363	123,791

Investment Transactions Account

	1998-99 Budget \$	1998-99 Actual \$	1997-98 Actual \$
Invested Balance at beginning of Reporting period	123,591	123,591	121,013
Purchase of investment	—	21,124	32,993
Realisation of investment	—	20,352	30,415
Invested balance at end of reporting period	123,591	124,363	123,591
Cash balance at end of reporting period	200	—	200

Investments

The balance of investments at 30 June 1999 includes the following investments held in the corporate name of the Treasurer of the Commonwealth pursuant to subsection 10 (1) of the Trustee Companies Ordinance 1947 on behalf of the Trust.

Rate of Interest	Date of Maturity	Face Value of Investment	Cost of Investment
%		\$	\$
7.0	April 2000	20,000	21,124
7.0	April 2000	20,000	19,999
10.0	October 2002	20,000	20,599
9.5	August 2003	10,000	12,119
7.5	July 2005	30,000	30,313
7.5	July 2005	20,000	20,209

Note 21: Receipts and Expenditure of the Commercial Activities, Reserved Money Fund and Special Public Money (continued)

Royal Australian Mint and Coinage Trust Account

- Legal Authority — *Financial Management and Accountability Act 1997*, section 21.
- Purpose — (a) payment for goods and services and salaries, wages and other expenses incurred for the production, supply, sale and distribution of coinage, medals, dies, plaques and other like items, and for any other activity entered into by the Royal Australian Mint as approved by the Treasurer, and (b) repayment of capital funds and payment of moneys in excess of requirements to the Consolidated Revenue Fund.

	1998-99 Budget \$	1998-99 Actual \$	1997-98 Actual \$
Balance at beginning of reporting period	759,241	759,241	6,028,893
Receipts	79,000,000	78,379,679	58,984,306
Expenses	79,000,000	78,637,934	64,253,958
Balance at end of reporting period	759,241	500,986	759,241

Investment Transactions Account

	1998-99 Actual \$	1997-98 Actual \$
Investment balance at beginning of reporting period	750,000	—
Purchase of investments	—	750,000
Realisation of investments	750,000	—
Invested balance at end of reporting period	—	750,000
Cash balance at end of reporting period	500,986	9,241

Note 21: Receipts and Expenditure of the Commercial Activities, Reserved Money Fund and Special Public Money (continued)

Debt Retirement Reserve Trust Account

- Legal Authority — *Financial Management and Accountability Act 1997*, section 20.
- Purpose — for the payment and receipt of moneys in accordance with the Financial Agreement Act 1994.

	1998-99 Budget \$	1998-99 Actual \$	1997-98 Actual \$
Balance at beginning of reporting period	12,880,608	12,880,608	5,210,334
Receipts	76,112,000	61,565,464	2,045,394,033
Expenses	67,724,000	67,314,152	2,037,723,759
Balance at end of reporting period	21,268,608	7,131,920	12,880,608

Investment Transactions Account

	1998-99 Actual \$	1997-98 Actual \$
Investment balance at beginning of reporting period	12,880,000	—
Purchase of investments	—	12,880,000
Realisation of investments	12,880,000	—
Invested balance at end of reporting period	—	12,880,000
Cash balance at end of reporting period	7,131,920	608

Note 21: Receipts and Expenditure of the Commercial Activities, Reserved Money Fund and Special Public Money (continued)

Loan Consolidation and Investment Reserve Trust Account

- Legal Authority — *Loan Consolidation and Investment Reserve Act 1955*.
- Purpose — for repurchasing or redeeming securities which represent a portion of the public debt of the Commonwealth.

	1998-99 Budget \$	1998-99 Actual \$	1997-98 Actual \$
Balance at beginning of reporting period	12,221,183,774	12,221,183,774	3,827,132,114
Receipts	372,200,000	8,869,739,812	8,398,067,144
Expenses	—	5,111,041	4,015,484
Balance at end of reporting period	12,593,383,774	21,085,812,545	12,221,183,774

Investment Transactions Account

	1998-99 Actual \$	1997-98 Actual \$
Invested balance at beginning of reporting period	12,218,735,086	1,527,178,532
Purchase of investment	17,402,897,030	12,172,495,623
Realisation of investment	8,537,842,808	1,480,939,069
Invested balance at end of reporting period	21,083,789,308	12,218,735,086
Cash balance at end of reporting period	2,023,236	2,448,688

Note 21: Receipts and Expenditure of the Commercial Activities, Reserved Money Fund and Special Public Money (continued)

Investments

The balance of investments at 30 June 1999 includes the following investments in Commonwealth Government Inscribed Stock held in the corporate name of the Treasurer of the Commonwealth pursuant to sub section 6(3) of the *Loan Consolidation and Investment Reserve Act 1955*.

	Rate of Interest %	Date of Maturity	Face Value of Investment \$	Cost of Investment \$
Treasury Fixed Coupon Bonds				
	13.00	15 Feb 00	123,685,000	143,480,802
	13.00	15 May 00	69,261,148	80,611,986
	7.00	15 Feb 01	42,556,200	44,083,823
	10.00	15 Oct 02	885,000,000	1,041,068,327
	5.25	15 July 03	27,123,600	25,421,909
	6.50	15 July 03	1,563,700	1,611,300
	5.40	15 May 04	10,500	8,478
	9.00	15 Sept 04	760,000,000	889,372,140
	6.00	15 July 05	9,528,000	9,572,822
	7.00	15 July 05	2,000	1,927
	10.00	15 Feb 06	2,057,890,000	2,625,446,077
			3,976,620,148	4,860,649,591
Internal Treasury Bills				
	1.00	30 Jun 2000	16,205,000,000	16,205,000,000
Total Australian Dollar Denominated Securities				
Dutch Guilder Loans ^(a)			20,181,620,148	21,065,649,591
	8.25	1 Nov 1999	11,126,841	10,079,810
	7.25	1 Jan 2001	9,857,722	8,059,907
Total Foreign Currency Denominated Securities				
			20,984,563	18,139,716
Total investments				
			20,202,604,711	21,083,789,308

(a) Converted at \$A=NLG 1.4057

Note 22: Appropriation for Future Reporting Periods

The following table summarises appropriations for the 1999-00 financial year at 30 June 1999:

	1999-2000	1998-99
	\$	\$
Special Appropriations	26,713,062,000	38,717,499,133
Appropriation Act No 1 — Note (a)	99,678,000	528,658,085
Appropriation Act No 2 — Note (a)	238,012,000	171,280,103
	27,050,752,000	39,417,437,321

Note (a): Appropriations for 1998-99 include Appropriations Acts No. 3 & 4.

Note 23: Related Party transactions

The related party transactions with STOCP are as follows:

	1998-99	1997-98
	\$'000	\$'000
Sale of goods and services		
coin sales	2,670	2,080
Other income		
profit share	1,183	618
administration fee	357	357
Expenditure paid on behalf of the STOCP that has been or is to be reimbursed	370	1,297
Receivables		
coin sales	177	196
administration fee	89	89
reimbursable expenditure	149	266

Note 24: Payments to the Commonwealth from Business Operations

	1998-99	1997-98
	\$'000	\$'000
Seigniorage	63,980	47,434
Royalty on Numismatic Coin Sales	801	756
STOCP royalty to Treasury	1,850	763
Loss from withdrawn circulating coin	(780)	(458)
Trust Fund surplus	(3,503)	321
Prior year adjustment to seigniorage	952	184
Actual surplus funds paid to the Commonwealth	63,300	49,000

Note 25: Executive Remuneration

The number of executive officers that received or were due to receive total remuneration of \$100,000 or more:

	1998-99 Number	1997-98 Number
\$100,000 to \$110,000	4	15
\$110,001 to \$120,000	5	14
\$120,001 to \$130,000	15	4
\$130,001 to \$140,000	3	2
\$140,001 to \$150,000	3	3
\$150,001 to \$160,000	—	1
\$160,001 to \$170,000	2	—
\$170,001 to \$180,000	2	—
\$180,001 to \$190,000	1	—
\$230,001 to \$240,000	—	1
\$240,001 to \$250,000	—	—
\$260,001 to \$270,000	—	1
\$280,001 to \$290,000	1	—
	36	41
The aggregate amount of total remuneration of executive officers shown above	\$4,831,318	\$5,086,764
The aggregate amount of performance pay paid during the year to executive officers shown above	—	—
The aggregate amount of separation and redundancy payments to the executive officers shown above	—	\$82,120

The definition of executive officer in the FMO effectively requires the number of qualifying positions to be reported, rather than individuals (ie individuals were not necessarily remunerated at the levels shown). This means that the remuneration for each position will reflect that of the substantive occupant and any officers who acted in the position.

Total remuneration includes actual salary, higher duties allowance, part day travelling allowance, employer superannuation component, separation and redundancy payments and an estimate of the non-salary component of the SES package.

In light of changes to SES salary arrangements resulting from the Treasury Certified Agreement, it was decided that no payment of performance based pay would be made for the cycle payable in 1998-99.

Note 26: Services Provided by the Auditor-General

Financial statement audit services are provided free of charge to the Department. The trust account business, Royal Australian Mint, is required to remit an amount equivalent to the cost of its audit into the Consolidated Revenue Fund. The fair value of audit services provided was:

	1998-99	1997-98
	\$	\$
Royal Australian Mint	60,000	70,000
Treasury	215,000	200,000
	275,000	270,000

No other services were provided by the Auditor-General.

Note 27: Act of Grace Payments, Waivers and Amounts Written Off

	1998-99	1997-98
	\$	\$
Agency		
No Act of Grace payments were made during the reporting period		
No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the Financial Management and Accountability Act 1997		
Amounts written off in accordance with subsection 47 (1) of the <i>Financial Management and Accountability Act 1997</i>		
Theft of cash advance for travel	—	4,279

	1998-99	1997-98
	\$	\$
Administered		
Waivers		
Waivers of amounts owing to the Commonwealth were made pursuant to subsection 70C(2) of the <i>Audit Act 1901</i> . These were amounts payable by South Australia in relation to Commonwealth advances under the <i>States (Works and Housing) Assistance Acts</i> and Commonwealth-State Housing Agreements.	—	328,938,649
Waivers of amounts owing to the Commonwealth were made pursuant to subsection 70C(2) of the <i>Audit Act 1901</i> . These were amounts payable by Victoria in relation to Commonwealth advances under the <i>States (Works and Housing) Assistance Acts</i> and Commonwealth-State Housing Agreements.	180,411,000	—

Note 28: Average Staffing Levels

Average staffing levels by program and in total were as follows

	1998-99 Number	1997-98 Number
Program 1: Treasury	498	480
Program 2: Royal Australian Mint	121	127
Total	619	607

Note 29: Financial Instruments Departmental

Financial Instruments	Notes	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of underlying instruments (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
<i>Financial Assets</i>			
Cash — at bank		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured. Deposits are recognised at their nominal amounts. Cash is received during day-to-day operations by the Collector of Public Money.	The Department of Treasury maintains a bank account with the Reserve Bank of Australia for the administration of petty cash and for the receipt and payment of moneys. The Royal Australian Mint maintains its own commercial accounts for the conduct of its business operations. Credit sales are normally on 30 day terms.
Receivables for goods and services		These receivables 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 collection of the debt is judged to be less rather than more likely.	
Investments		The Royal Australian Mint and the Perth Mint have formed a partnership to market and distribute Sydney 2000 Olympic Coins. The Royal Australian Mint's 50 per cent interest in the STOCP is carried at the recoverable amount.	The terms of the partnership are that any annual surplus will be retained in the partnership unless unanimously agreed by the partners.
<i>Financial Liabilities</i>			
Trade creditors and accruals	(a)	Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured. 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).	Trade liabilities are normally settled on 30 day terms.
Finance lease liabilities		Liabilities are recognised at the present value of minimum lease payments at the beginning of the lease. The discount rates used are estimates of the interest rates implicit in the leases.	1998-99 is the final year of the lease and covers the lease of three photocopiers.

(a) Credit Risk: The maximum exposure to credit risk at the reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet. The Department does not have any significant exposures to any concentrations of credit risk. The maximum value of credit risk exposure does not take into account the value of any collateral or other security.

Note 30: Financial Instruments Administered

Note 30A: Terms, Conditions and Accounting Policies

Financial Instruments	Notes	Accounting Policies and Methods	Nature of underlying instruments
<i>Financial Assets</i>		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash — at bank		Deposits are recognised at their nominal amounts.	The Department maintains two bank accounts with a commercial bank for the purposes of administering mortgage insurance policies written by the Housing Loans Insurance Corporation (HLIC) up to 12 December 1997 and a bank account for administering the wrap-up of the final accounts and other minor details up to the point of sale of the HLIC.
Cash — in trust accounts		Deposits are recognised at their nominal amounts.	The Department maintains two trust accounts within the Commonwealth Public Account. The Debt Retirement Reserve Trust Account (DRRTA) is held for the purposes of payment and receipt of moneys in relation to the redemption of Commonwealth Government Securities (CGS) on issue for the States and Territories. Interest earned is based on the RBA's Target Cash Rate and is paid monthly in arrears. Moneys are also held in the Loan Consolidation and Investment Reserve (LCIR) for the purpose of repurchase and redemption of CGS on behalf of the Commonwealth. Interest earned on the LCIR's cash balances is included in the interest paid by the RBA to the Commonwealth on its overall cash balances.
Interest and dividends receivable		Interest is credited to revenue as it accrues. Dividends from the Reserve Bank of Australia are recognised when determination is made by the Treasurer.	Interest is receivable on Commonwealth Government Securities, Swaps and other loans. The basis of payment of dividends is a memorandum of understanding with the Treasurer.

Note 30A: Terms, Conditions and Accounting Policies (continued)

Financial Instruments	Notes	Accounting Policies and Methods	Nature of underlying instruments
International Monetary Fund moneys owing		Amounts owing from the International Monetary Fund are credited to revenue as they accrue.	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.
Loans to State and Territory governments		Loans are recognised at the amounts lent. Interest is credited to revenue as it accrues. In relation to non Commonwealth Government Securities collectability of amounts outstanding is reviewed at balance date. Provision is made for bad and doubtful loans where collection of the loan or part thereof is judged to be less rather than more likely. In rare circumstances, loan repayments may be waived.	Until July 1990, the Commonwealth borrowed on behalf of the State and Territory Governments and allocated a portion of the proceeds of its Treasury Fixed Coupon Bond raisings to those Governments to fund the redemption of previous allocations of Commonwealth Government Securities (CGS). The States and Territories are responsible for meeting all obligations as to interest and principal on the CGS on allocation to them in accordance with the provisions of the <i>Financial Agreement Act 1994</i> . In addition to the CGS, there are outstanding balances of loans raised specifically for the States. State and Territory Government loans include advances, not evidenced by the issue of securities, made for housing and specific purpose capital payments.

Note 30A: Terms, Conditions and Accounting Policies (continued)

Financial Instruments	Notes	Accounting Policies and Methods	Nature of underlying instruments
Swaps	(b)	Swap principal associated with cross-currency swaps is recognised on a net basis using the cost method. Interest revenue and expense is recognised in the accounts as it accrues. The notional principal associated with interest rate swaps is not recognised as assets or liabilities.	The Treasury undertakes derivative transactions on behalf of the Commonwealth to assist with the management of market risk associated with the Commonwealth debt portfolio. The two main sources of market risk in respect of the Commonwealth debt portfolio are interest rate risk and exchange rate risk. The Treasury manages this market risk by managing the Commonwealth debt portfolio to a benchmark which reflects a portfolio composition that, ex ante, can be expected to minimise the cost of Commonwealth debt over the long term, subject to an acceptable degree of volatility in annual debt service costs. Derivative transactions offer a cost-effective means of managing the Commonwealth debt portfolio more closely in line with the benchmark than would otherwise be possible. Derivative transactions are currently limited to interest rate swaps and cross-currency swaps.
Investments — Quota-International Monetary Fund		The investment is recognised as a monetary asset. It is denominated in Special Drawing Rights and is valued at the Australian dollar equivalent. Dividend income is not earned from this investment.	The Quota represents Australia's membership subscription to the International Monetary Fund (IMF). Each member is required to pay to the IMF the amount of its initial quota and subsequent increases partly in the member's own currency and the remainder in the form of reserve assets. A member's quota is not increased until the member has consented to the increase.
Investments — International financial institutions		These investments are classified as non-monetary assets and recognised as at historical cost. Dividend income is not earned from these investments.	These investments represent Australia's membership shareholding in the Asian Development Bank, the International Bank for Reconstruction and Development, the International Finance Corporation and the European Bank for Reconstruction and Development.

NOTES

b) Interest Rate Risk: The net fair values of cash and non-interest bearing monetary financial assets approximates their carrying value.

Note 30A: Terms, Conditions and Accounting Policies (continued)

Financial Instruments	Notes	Accounting Policies and Methods	Nature of underlying instruments
Financial Liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Grant liabilities		Grants are recognised as liabilities and expensed in the year in which the grant agreements are made.	This represents Australia's contribution to the Enhanced Structural Adjustment Facility (ESAF) of the IMF. The ESAF will enable the IMF to provide concessional funding to support medium term macroeconomic adjustment and structural reforms in low income members of the IMF facing protracted balance of payment problems. The ESAF will assist Australia to promote its international economic and aid interests with developing countries in the Asian region. Australia's contribution involves \$30 million to be paid in annual instalments of \$2.5 million over a 12 year period.
Interest payable		Interest expense is recognised as it accrues.	Interest is payable on Commonwealth Government Securities, swaps and other loans.
International Monetary Fund (IMF) Special Drawing Right (SDR) allocation liability		This liability is recognised as a monetary liability. It is valued at the Australian dollar equivalent of its liability in Special Drawing Rights. Interest expense is recognised as it accrues.	The SDR allocation liability reflects the current value in Australian dollars of the Department's liability to repay to the IMF Australia's cumulative allocations of SDRs. Interest is payable to the IMF in relation to the amount of SDR holdings that are below Australia's net cumulative allocations.
Provision for unclaimed moneys repayments		A provision is recognised at a nominal value representing the expected recovery of these moneys less refunds already made, based on an analysis of historical transactions.	This comprises moneys which have been paid to the Commonwealth Government as unclaimed moneys in accordance with Section 69 of the Banking Act 1959. These moneys may be claimed by depositors or their legal representatives by applying to the bank concerned. Interest is not paid by the Commonwealth in relation to these moneys.

Note 30A: Terms, Conditions and Accounting Policies (continued)

Financial Instruments	Notes	Accounting Policies and Methods	Nature of underlying instruments
Commonwealth Government Securities		Debt is measured at face value. Premiums and discounts in relation to such borrowings are netted and amortised over the life of the borrowing on a straight line basis.	The Department is responsible for advising the Treasurer on all aspects of debt management on behalf of the Commonwealth, including the issue of various borrowing instruments and the administration of the redemption of debt. The Department also administers the redemption of Commonwealth Government security debt on allocation to the States and Territories.
Loans — promissory notes		The promissory notes are measured at nominal face value.	The Department has on issue promissory notes to the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD) and the Asian Development Bank (ADB). These promissory notes are in relation to undrawn paid-in capital subscriptions. Promissory notes to the value of \$3,480 million do not possess established drawdown schedules. The promissory notes are non-interest bearing.

Note 30B: Derivatives — Notional Principal Amounts

(i) Interest Rate Swap Contracts

The Department has entered into interest rate swap contracts under which it is obliged to receive and pay interest at fixed and/or floating interest rates.

As at 30 June 1999, the notional principal amounts of the interest rate swaps, which have not been recognised as assets or liabilities, and their associated maturity were as follows:

	30 June 1999 \$'000	30 June 1998 \$'000
Less than 1 year	500,000	259,501
1 - 2 years	1,500,000	500,000
2 - 3 years	600,000	500,000
3 - 4 years	2,625,000	600,000
4 - 5 years	2,650,000	1,750,000
5 years and over	9,050,000	4,350,000
	16,925,000	7,959,501

(ii) Cross-Currency Swap Contracts

Swap principal and interest payable/receivable in relation to cross-currency swaps are disclosed in the financial statements on a net basis.

The gross amounts together with their carrying amounts in the financial statements are as follows:

	Total Carrying Amount		Gross Amount (Cost)	
	30 June 1999 \$'000	30 June 1998 \$'000	30 June 1999 \$'000	30 June 1998 \$'000
Financial assets				
Swaps	54,810	26,899	10,301,893	11,272,792
Interest receivable — Swaps	43,122	62,120	196,997	349,665
	148,367	89,019	10,737,812	11,622,457
Financial liabilities				
Swaps	1,396,333	2,761,134	11,643,416	14,007,028
Interest payable — Swaps	10,411	22,493	164,286	310,039
	1,406,834	2,783,627	11,996,279	14,317,067

Note 30C: Foreign Exchange Risk

The Department is open to foreign exchange risk as a result of contractual obligations in relation to:

- cross-currency swap contracts;
- promissory note liabilities in foreign denominations; and
- foreign currency loans.

The exposure to the movement in the Australian dollar has not been hedged against. As at 30 June 1999, the following foreign currency assets and liabilities were not hedged:

	30 June 1999 AUD \$'000	30 June 1998 AUD \$'000
Monetary liabilities		
Current		
United States Dollars	207,709	1,039,917
Pounds Sterling	4,639	1,517
Hong Kong Dollars	—	17,021
Euro	2,570	
Japanese Yen	164	19,684
Swiss Francs	50	33
Deutsche Marks	9	10
Netherlands Guilders	62,069	95,885
Special Drawing Rights	5,306	7,569
	282,516	1,181,636
Non-current		
United States Dollars	1,714,014	2,690,954
Pounds Sterling	103,404	117,646
Euro	100,000	100,000
Japanese Yen	37,660	34,819
Netherlands Guilders	56,898	127,835
Special Drawing Rights	954,065	1,019,157
	2,966,041	4,090,411
Total monetary liabilities	3,248,557	5,272,047
Monetary assets		
Current		
United States Dollars	9,292	3,472
Special Drawing Rights	10,647	7,411
Netherlands Guilders	640	3,634
	20,579	14,517
Non-current		
United States Dollars	642	—
Special Drawing Rights	6,583,265	5,053,498
	6,562,686	5,053,498
Total monetary assets	6,583,265	5,068,015

Note 30D: Interest Rate Exposures

The Department's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below

Financial Instrument	Floating Interest Rate		Fixed Interest Rate								Non-Interest Bearing		Total		Weighted Average Effective Interest Rate		
			1 year or less		1 to 2 years		2 to 5 years		> 5 years						Rate		
	98/99	97/98	98/99	97/98	98/99	97/98	98/99	97/98	98/99	97/98	98/99	97/98	98/99	97/98	98/99	97/98	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%
Financial Assets																	
Cash	3,626	8,792	-	-	-	-	-	-	-	-	9,155	2,641	12,781	11,433	4.75	4.94	
Interest receivable	2,814	10,461	159,967	123,179	-	-	-	-	-	-	-	-	162,781	133,640	5.99	6.28	
IMF Monies owing	-	-	-	-	-	-	-	-	-	-	10,647	7,411	10,647	7,411	-	-	
Swap Principal	-	-	-	3,472	-	-	24,736	-	30,074	23,427	-	-	54,810	26,899	5.43	6.62	
Loans to State and Territory governments	341,765	372,532	675,808	95,143	517,368	698,455	517,537	846,716	3,731,155	5,292,859	-	-	5,783,453	7,305,705	8.62	5.81	
Other receivables	-	-	-	-	-	-	-	-	-	-	11,817	750	11,817	750	-	-	
Investments	-	-	-	-	-	-	-	-	-	-	7,227,042	5,717,136	7,227,042	5,717,136	-	-	
Total Financial Assets (Recognised)	348,205	391,785	835,775	221,794	517,368	698,455	542,273	846,716	3,761,229	5,316,286	7,258,661	5,727,938	13,263,331	13,202,974			
Total Assets													21,315,155	23,990,816			

Note 30D: Interest Rate Exposures (continued)

Financial Instrument	Floating Interest Rate		Fixed Interest Rate								Non-Interest Bearing		Total		Weighted Average Effective Interest Rate		
			1 year or less		1 to 2 years		2 to 5 years		> 5 years						Rate		
	98/99	97/98	98/99	97/98	98/99	97/98	98/99	97/98	98/99	97/98	98/99	97/98	98/99	97/98	98/99	97/98	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%
Financial Liabilities																	
Grant liabilities	-	-	-	-	-	-	-	-	-	-	-	25,000	27,500	25,000	27,500	-	-
Swap principal liabilities	1,022,015	2,027,279	21,119	173,610	72,650	30,220	151,713	241,500	128,836	288,525	-	-	1,396,333	2,761,134	5.43	5.78	
Interest payable	64,680	62,445	2,734,213	2,288,605	-	-	-	-	-	755,430	-	-	2,798,893	3,106,480	7.50	7.72	
IMF allocation liability	-	-	-	-	-	-	-	-	-	-	954,065	1,019,157	954,065	1,019,157	-	-	
Provision for unclaimed moneys repayments	-	-	-	-	-	-	-	-	-	-	48,975	41,392	48,975	41,392	-	-	
Commonwealth government securities	4,641,765	4,672,532	17,048,078	19,375,002	8,232,854	9,792,561	16,310,081	18,649,426	41,460,922	43,915,050	-	-	87,693,700	96,404,571	6.54	7.14	
Loans - promissory notes	-	-	-	-	-	-	-	-	-	-	4,346,721	3,523,963	4,346,721	3,523,963	-	-	
Other	-	-	-	-	-	-	-	-	-	-	5,306	7,569	5,306	7,569	-	-	
Total Financial Liabilities (Recognised)	5,728,460	6,762,256	19,803,410	21,837,217	8,305,504	9,822,781	16,461,794	18,890,926	41,589,758	44,959,005	5,380,067	4,619,581	97,268,993	106,891,766			
Total Liabilities													98,737,466	108,404,486			

Note 30E: Net Fair Values of Administered Financial Assets and Liabilities

	Total carrying Amount		Aggregate net Fair value	
	30 June 1999 \$'000	30 June 1998 \$'000	30 June 1999 \$'000	30 June 1998 \$'000
Financial assets				
Cash	12,781	11,433	12,781	11,433
Interest receivable	162,781	133,640	162,781	133,640
IMF moneys owing	10,647	7,411	10,647	7,411
Swaps	54,810	26,899	11,069	238,209
Loans to State and Territory Governments	5,783,453	7,305,705	5,783,453	7,305,705
Other receivables	11,817	750	11,817	750
Investments	7,227,042	5,717,136	7,253,598	5,778,053
	13,263,331	13,202,974	13,246,146	13,475,201
Financial liabilities				
Grant liabilities	25,000	27,500	25,000	27,500
Swaps	1,396,333	2,761,134	1,390,750	2,173,947
Interest payable	2,798,893	3,106,480	2,798,893	3,106,480
IMF allocation liability	954,065	1,019,157	954,065	1,019,157
Provision for unclaimed moneys repayments	48,975	41,392	48,975	41,392
Commonwealth Government Securities	87,693,700	96,404,571	97,191,300	109,744,500
Loans — promissory notes	4,346,721	3,523,963	4,346,721	3,523,964
Other	5,332	7,569	5,332	7,569
	97,269,019	106,891,766	106,761,036	119,644,509

Note 30F: Credit Risk Exposures

The Department's exposure to credit risk at reporting date in relation to each class of recognised financial assets is the aggregate net fair value of those assets as indicated in Note 30 (E).

There is no credit risk exposure in relation to the notional principal associated with interest rate swaps.

The credit risk associated with Commonwealth Guarantees in respect of authorities within the Treasury Portfolio is shown in Note 16.

Note 30G: Net Fair Values of Financial Assets and Liabilities

	Note	1998-99		1997-98	
		Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000	Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000
Departmental financial assets					
Cash at bank		547	547	36	36
Receivables for goods and services	13A	4,809	4,732	5,270	5,246
Total financial assets		5,346	5,279	5,306	5,282
Financial liabilities (recognised)					
Finance lease liabilities	10A	1,501	1,501	22	22
Trade creditors	11B	1,126	1,126	1,044	1,044
Total financial liabilities (recognised)		2,627	2,627	1,066	1,066
Financial liabilities (unrecognised)					
Indemnity on land sale		—	—	—	—

Note 30H: Credit Risk Exposures

The Department'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 Statement of Assets and Liabilities.

