

AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT

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AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT

Section 1: Entity overview and resources

1.1 STRATEGIC DIRECTION STATEMENT

The Australian Office of Financial Management (AOFM) is responsible for the management of Australian Government debt and certain financial assets. It issues Treasury Bonds, Treasury Indexed Bonds and Treasury Notes, manages the Government's cash balances and invests from time to time in high quality financial assets including term deposits and investment grade fixed interest investments.

The AOFM aims to meet the Government's financing needs in a cost effective manner subject to acceptable risk and to meet the Government's policy objectives of maintaining liquid and efficient Bond and Bond futures markets. Treasury Bonds are the main issuance instrument used by the AOFM. The use of Treasury Indexed Bonds facilitates diversification of the investor base by tapping into additional sources of investor demand. The development of this market has also, at times, been used to facilitate development of the Treasury Bond market.

In managing the Government's cash balances, the AOFM aims to ensure that the Government is able to meet its financial obligations when they fall due, while seeking to minimise the net cost of funding. The issue of Treasury Notes is used to manage cash flow volatility arising from the Government's within year financing task, while investment in financial assets helps to defray the cost of this task.

The AOFM manages the Government's holdings of highly rated residential mortgage backed securities (RMBS) acquired between 2008-09 and 2012-13 in accordance with the Treasurer's directions. No assets have been added to the portfolio since April 2013. The Treasurer has issued a direction for the remaining RMBS holdings to be gradually divested.

1.2 ENTITY RESOURCE STATEMENT

Table 1.1 shows the total resources from all sources. The table summarises how resources will be applied by outcome and by administered and departmental classification.

Table 1.1: Australian Office of Financial Management resource statement — Budget estimates for 2015-16 as at Budget May 2015

	Actual Available Appropriation 2014-15 \$'000	Estimate of prior year amounts available in 2015-16 \$'000	Proposed at 2015-16 Budget \$'000	Total 2015-16 estimate \$'000
Ordinary annual services (a)				
Departmental appropriation				
Prior year appropriations (b)	-	25,020	-	25,020
Departmental appropriation (c)	12,130	-	11,907	11,907
s74 Retained revenue receipts (d)	361	-	811	811
Total	12,491	25,020	12,718	37,738
Administered expenses				
Outcome 1	10	-	10	10
Total	10	-	10	10
Total ordinary annual services [A]	12,501	25,020	12,728	37,748
Total available annual appropriations [A]	12,501	25,020	12,728	37,748
Special appropriations				
Special appropriations limited by criteria/entitlement - expenses				
<i>Commonwealth Inscribed</i>				
<i>Stock Act 1911</i>	14,466,644	-	15,560,134	15,560,134
<i>Financial Agreement Act 1994</i>	20	-	20	20
<i>Loans Securities Act 1919</i>	942	-	821	821
<i>Public Governance, Performance and Accountability Act 2013 (e)</i>	4,886	-	-	-
Subtotal	14,472,492	-	15,560,975	15,560,975
Special appropriations limited by criteria/entitlement - capital				
<i>Public Governance, Performance and Accountability Act 2013</i>	557,999,377	-	349,680,708	349,680,708
<i>Commonwealth Inscribed</i>				
<i>Stock Act 1911</i>	48,242,956	-	129,901,055	129,901,055
Subtotal	606,242,333	-	479,581,763	479,581,763
Total special appropriations [B]	620,714,825	-	495,142,738	495,142,738

Table 1.1: Australian Office of Financial Management resource statement — Budget estimates for 2015-16 as at Budget May 2015 (continued)

	Actual Available Appropriation 2014-15 \$'000	Estimate of prior year amounts available in 2015-16 \$'000	Proposed at 2015-16 Budget \$'000	Total 2015-16 estimate \$'000
Total appropriations excluding special accounts	620,727,326	25,020	495,155,466	495,180,486
Special accounts				
Opening balance (f)	843	-	-	843
Total special accounts [C]	843	-	-	843
Total resourcing [A+B+C]	620,728,169			495,181,329
Total net resourcing for AOFM	620,728,169	-	-	495,181,329

(a) Appropriation Bill (No. 1) 2015-16.

(b) Estimated adjusted balance carried forward from previous year.

(c) Includes an amount of \$0.72m in 2015-16 for the Departmental Capital Budget (refer to Table 3.2.5 for further details). For accounting purposes this amount has been designated as 'contributions by owners'.

(d) Estimated Retained revenue receipts under section 74 of the PGPA Act.

(e) Repayments not provided for under other appropriations.

(f) Estimated opening balance for special accounts. For further information on special accounts, see Table 3.1.2.

Reader note: All figures are GST exclusive.

1.3 BUDGET MEASURES

Table 1.2: Entity 2015-16 Budget measures

Part 1: Measures announced since the 2014-15 Mid-Year Economic and Fiscal Outlook (MYEFO)

The AOFM does not have any new budget measures.

Part 2: Measures not previously reported in a portfolio statement

Programme	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000
Expense measures					
Communications and Public Affairs					
Functions - targeted savings	1.1				
Departmental expenses		(4)	(7)	(7)	(7)
Total		(4)	(7)	(7)	(7)
Total expense measures					
Departmental		(4)	(7)	(7)	(7)
Total		(4)	(7)	(7)	(7)

This measure was included in Budget Paper No.2, *Budget Measures 2014-15* and has not previously appeared in a portfolio statement.

Prepared on a Government Finance Statistics (fiscal) basis.

Section 2: Outcomes and planned performance

2.1 OUTCOMES AND PERFORMANCE INFORMATION

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programmes are the primary vehicle by which government entities achieve the intended results of their outcome statements. Entities are required to identify the programmes which contribute to government outcomes over the Budget and forward years.

Each outcome is described below together with its related programmes, specifying the performance indicators and targets used to assess and monitor the performance of the AOFM in achieving government outcomes.

Outcome 1: The advancement of macroeconomic growth and stability, and the effective operation of financial markets, through issuing debt, investing in financial assets and managing debt, investments and cash for the Australian Government

Outcome 1 strategy

The AOFM's activities include debt issuance, cash management, investment, portfolio management, compliance monitoring, financial reporting, transaction settlement, debt administration, regular communication with investors, monitoring of market conditions and liaison with market intermediaries.

Debt issuance is directed to meeting the Government's Budget funding needs. Both Treasury Bonds and Treasury Indexed Bonds are issued to meet this objective. The composition and maturity of debt issuance will remain flexible to achieve an appropriate balance between the following considerations: domestic financial market efficiency, managing investor demand, refinancing risk and the costs of the debt portfolio faced by the Government.

The within year cash management task results from differences in the timing of receipts and payments in the Official Public Account. In managing the Government's cash balances, the AOFM will issue Treasury Notes, and make short-term term deposits with the Reserve Bank of Australia. The AOFM may also from time to time invest in fixed interest investments (as provided for under the *Public Governance, Performance and Accountability Act 2013*) and may raise funds by entering into repurchase agreements.

The AOFM's financial assets and financial liabilities are managed in accordance with legislative requirements; delegations and directions from the Treasurer; and instructions from the Secretary to the Treasury and the AOFM Chief Executive.

Outcome expense statement

Table 2.1 provides an overview of the total expenses for Outcome 1.

Table 2.1: Budgeted expenses for Outcome 1

	2014-15 Estimated actual expenses \$'000	2015-16 Estimated expenses \$'000
Outcome 1: The advancement of macroeconomic growth and stability, and the effective operation of financial markets, through issuing debt, investing in financial assets and managing debt, investments and cash for the Australian Government		
Programme 1.1: Australian Office of Financial Management		
Administered expenses		
Ordinary annual services (Appropriation Bill No. 1)	10	10
Special appropriations	14,472,492	15,560,975
Expenses not requiring appropriation in the Budget year	7,199	-
Departmental expenses		
Departmental appropriation (a)	9,909	11,998
Expenses not requiring appropriation in the Budget year (b)	820	820
Total for Programme 1.1	14,490,430	15,573,803
Total expenses for Outcome 1	14,490,430	15,573,803
	2014-15	2015-16
Average staffing level (number)	42	41

(a) Departmental Appropriation combines 'Ordinary annual services (Appropriation Bill No. 1)' and 'Revenue from independent sources (s 74)'.

(b) Expenses not requiring appropriation in the Budget year are made up of depreciation expenses, amortisation expenses and audit fees.

Note: Departmental appropriation splits and totals are indicative estimates and may change in the course of the budget year as government priorities change.

Contributions to Outcome 1

Programme 1.1: Australian Office of Financial Management

Programme objectives

- To meet the Budget financing task in a cost-effective manner subject to acceptable risk;
- To facilitate the Government's cash outlay requirements as and when they fall due;
- To be a credible custodian of the Australian Government Securities market and other portfolio responsibilities; and
- To be a well-managed organisation.

Programme expenses

With the increased level of debt on the AOFM's administered balance sheet, total debt servicing costs arising from the issuance will also rise.

Table 2.2: Programme expenses

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
Annual administered expenses:					
Administered items	10	10	10	10	10
Special appropriations:					
<i>Commonwealth Inscribed Stock Act 1911</i>	14,466,644	15,560,134	16,454,223	16,845,590	17,363,688
<i>Financial Agreement Act 1994</i>	20	20	20	20	20
<i>Loans Securities Act 1919</i>	942	821	658	-	-
<i>Public Governance, Performance and Accountability Act 2013</i>	4,886	-	-	-	-
Expenses not requiring appropriation in the Budget year	7,199	-	-	-	-
Annual departmental expenses:					
Employee benefits	6,715	6,885	7,092	7,296	7,446
Suppliers	3,194	5,113	4,852	4,759	4,719
Expenses not requiring appropriation in the Budget year (a)	820	820	820	820	820
Total programme expenses	14,490,430	15,573,803	16,467,675	16,858,495	17,376,703

(a) Expenses not requiring appropriation in the Budget year are made up of depreciation expenses, amortisation expenses and audit fees.

Programme 1.1 deliverables

- Issue Treasury Bonds, Treasury Indexed Bonds and Treasury Notes;
- Manage the Official Public Account balance; and
- Manage the Australian residential mortgage-backed securities portfolio.

Programme 1.1 key performance indicators against each programme objective

- To meet the Budget financing task in a cost-effective manner subject to acceptable risk:
 - The financing task is met, by comparing the actual volume of debt issued with the volume of debt issuance that was necessary to fund the Budget;

- Cost efficient debt issuance, by comparing actual issuance prices with secondary market prices; and
- A cost efficient debt portfolio, by monitoring the debt servicing costs of the debt portfolio.
- To facilitate the Government's cash outlay requirements as and when they fall due:
 - Efficient cash management, by non-reliance on the overdraft facility with the Reserve Bank of Australia to meet the Government's cash outlays.
- To be a credible custodian of the Australian Government Securities market and other portfolio responsibilities:
 - Liquid Treasury Bonds and Treasury Indexed Bonds markets, by monitoring the trading volumes in these markets and usage of the AOFM's securities lending facility.
- To be a well-managed organisation:
 - A cost efficient organisation, by monitoring administrative cost ratios to issue debt and to manage the debt portfolio;
 - A risk mature organisation, by comparing actual risk management capability with risk management capability targets;
 - A prudently operated organisation, through compliance with all relevant financial management and borrowing legislative requirements; and
 - A financially strong organisation, through operating within financial constraints.

Section 3: Explanatory tables and budgeted financial statements

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2015-16 budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and programme expenses, movements in administered funds, special accounts and government indigenous expenditure.

3.1 EXPLANATORY TABLES

3.1.1 Movement of administered funds between years

The AOFM has not moved administered funds between years.

3.1.2 Special accounts

Special accounts provide a means to set aside and record amounts used for specified purposes. Special accounts can be created by a Finance Minister's determination under section 78 of the PGPA Act or under separate enabling legislation (section 80 of the PGPA Act). Table 3.1.2 shows the expected additions (receipts) and reductions (payments) for each account used by the AOFM.

Table 3.1.2: Estimates of special account flows and balances

	Outcome	Opening balance \$'000	Receipts \$'000	Payments \$'000	Adjustments \$'000	Closing balance \$'000
Debt Retirement Reserve Trust Account (A) 2015-16	1	843	-	-	-	843
<i>Debt Retirement Reserve Trust Account (A) 2014-15</i>	1	843	-	-	-	843
Total special accounts 2015-16 Budget estimate		843	-	-	-	843
<i>Total special accounts 2014-15 estimated actual</i>		<i>843</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>843</i>

(A) = Administered

Until 1990, the Australian Government borrowed on behalf of the State and Northern Territory Governments and allocated a portion of its Treasury Bond raisings to those governments to fund the redemption of previous allocations of bonds. Until 1986, the Australian Government also borrowed on behalf of State and Northern Territory Governments to raise new borrowings. In addition, there are outstanding balances of various loans raised by the State Governments.

The annual funding to meet the redemption of debt allocated to the States and the Northern Territory is governed by the *Financial Agreement Act 1994*, which requires the Australian Government to establish and maintain the Debt Retirement Reserve Trust Account for the States and the Northern Territory. Monies standing to the credit of a State or the Northern Territory are applied by the Australian Government in connection with the repurchase and repayment of the debt of that State or the Northern Territory.

Only perpetual debt with no fixed maturity date remains outstanding under these arrangements for New South Wales and Victoria. Redemption of the perpetual debt is at the discretion of the relevant State.

3.1.3 Australian Government Indigenous expenditure

The AOFM has no specific Australian Government Indigenous expenditure.

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Differences in entity resourcing and financial statements

Departmental

Sales of goods and services revenue as recorded in the comprehensive income statement (Table 3.2.1) includes resources received free of charge from the Australian National Audit Office for audit services. Departmental entity receipts as recorded in the entity resource statement (Table 1.1) exclude the estimated value of these services received free of charge.

Administered

The AOFM receives administered appropriations for expenses and for capital expenditure arising from managing a portfolio of debt and assets. This is reflected in the entity resource statement (Table 1.1). The administered financial statements identify expenses in the schedule of budgeted income and expenses (Table 3.2.7), and capital expenditures in the capital budget schedule (Table 3.2.10).

3.2.2 Analysis of budgeted financial statements

Departmental

The AOFM forecasts that during the forward estimates period it will need to make renewed capital investment in entity infrastructure. Capital expenditure on the AOFM's specialist debt management systems, both for development and replacement, represents the majority of this expenditure.

Administered

The budget and forward estimates reflect expected increases in debt issuance and debt levels to meet the Government's funding needs. With the increased level of debt, total debt servicing costs will also rise.

3.2.3 Budgeted financial statements tables

Table 3.2.1: Comprehensive income statement (showing net cost of services) for the period ended 30 June

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
EXPENSES					
Employee benefits	6,715	6,885	7,092	7,296	7,446
Suppliers	3,514	5,433	5,172	5,079	5,039
Depreciation and amortisation	500	500	500	500	500
Total expenses	10,729	12,818	12,764	12,875	12,985
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services	681	1,131	1,131	1,131	1,131
Total own-source income	681	1,131	1,131	1,131	1,131
Net cost of/(contribution by) services	10,048	11,687	11,633	11,744	11,854
Revenue from Government	11,398	11,187	11,133	11,244	11,354
Surplus/(deficit) attributable to the Australian Government	1,350	(500)	(500)	(500)	(500)
Total comprehensive income/(loss) attributable to the Australian Government	1,350	(500)	(500)	(500)	(500)
Note: Impact of net cash appropriation arrangements					
	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000
Total comprehensive income/(loss) excluding depreciation/amortisation expenses previously funded through revenue appropriations.	1,850	-	-	-	-
less depreciation/amortisation expenses previously funded through revenue appropriations (a)	500	500	500	500	500
Total comprehensive income/(loss) - as per the statement of comprehensive income	1,350	(500)	(500)	(500)	(500)

(a) From 2010-11, the Government introduced net cash appropriation arrangements where Bill 1 revenue appropriations for the depreciation/amortisation expenses of non-corporate Commonwealth entities (and select corporate Commonwealth entities) were replaced with a separate capital budget (the Departmental Capital Budget, or DCB) provided through Bill 1 equity appropriations. For information regarding DCBs, please refer to Table 3.2.5 Departmental Capital Budget Statement.

Prepared on Australian Accounting Standards basis.

Table 3.2.2: Budgeted departmental balance sheet (as at 30 June)

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	100	100	100	100	100
Trade and other receivables	24,998	24,546	24,596	24,651	24,651
Total financial assets	25,098	24,646	24,696	24,751	24,751
Non-financial assets					
Property, plant and equipment	586	1,372	1,661	1,959	2,265
Intangibles	2,409	2,343	2,277	2,211	2,145
Other non-financial assets	952	952	952	952	952
Total non-financial assets	3,947	4,667	4,890	5,122	5,362
Total assets	29,045	29,313	29,586	29,873	30,113
LIABILITIES					
Payables					
Suppliers	89	89	89	89	89
Other payables	6	6	6	6	6
Total payables	95	95	95	95	95
Provisions					
Employee provisions	2,186	2,234	2,284	2,339	2,339
Other provisions	140	140	140	140	140
Total provisions	2,326	2,374	2,424	2,479	2,479
Total liabilities	2,421	2,469	2,519	2,574	2,574
Net assets	26,624	26,844	27,067	27,299	27,539
EQUITY*					
Parent entity interest					
Contributed equity	1,416	2,136	2,859	3,591	4,331
Retained surplus (accumulated deficit)	25,208	24,708	24,208	23,708	23,208
Total parent entity interest	26,624	26,844	27,067	27,299	27,539
Total Equity	26,624	26,844	27,067	27,299	27,539

*'Equity' is the residual interest in assets after deduction of liabilities.
Prepared on Australian Accounting Standards basis.

Table 3.2.3: Departmental statement of changes in equity — summary of movement (Budget year 2015-16)

	Retained earnings \$'000	Contributed equity \$'000	Total equity \$'000
Opening balance as at 1 July 2015			
Balance carried forward from previous period	25,208	1,416	26,624
Opening balance	25,208	1,416	26,624
Comprehensive income			
Surplus/(deficit) for the period	(500)	-	(500)
Total comprehensive income	(500)	-	(500)
of which:			
Attributable to the Australian Government	(500)	-	(500)
Transactions with owners			
Contributions by owners			
Departmental Capital Budget (DCB)	-	720	720
Sub-total transactions with owners	-	720	720
Estimated closing balance as at 30 June 2016	24,708	2,136	26,844
Closing balance attributable to the Australian Government	24,708	2,136	26,844

Prepared on Australian Accounting Standards basis.

Table 3.2.4: Budgeted departmental statement of cash flows (for the period ended 30 June)

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	12,312	12,450	11,894	12,000	12,165
Sale of goods and rendering of services	361	811	811	811	811
Total cash received	12,673	13,261	12,705	12,811	12,976
Cash used					
Employees	6,668	6,837	7,042	7,241	7,446
Suppliers	3,194	5,113	4,852	4,759	4,719
s 74 Retained revenue receipts transferred to OPA	361	811	811	811	811
Total cash used	10,223	12,761	12,705	12,811	12,976
Net cash from/(used by) operating activities	2,450	500	-	-	-
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	1,974	1,220	723	732	740
Total cash used	1,974	1,220	723	732	740
Net cash from/(used by) investing activities	(1,974)	(1,220)	(723)	(732)	(740)
FINANCING ACTIVITIES					
Cash received					
Contributed equity	732	720	723	732	740
Total cash received	732	720	723	732	740
Cash used					
Repayments to Government	1,208	-	-	-	-
Total cash used	1,208	-	-	-	-
Net cash from/(used by) financing activities	(476)	720	723	732	740
Net increase/(decrease) in cash held	-	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	100	100	100	100	100
Cash and cash equivalents at the end of the reporting period	100	100	100	100	100

Prepared on Australian Accounting Standards basis.

Table 3.2.5: Departmental capital budget statement (for the period ended 30 June)

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
NEW CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 (DCB)	732	720	723	732	740
Total new capital appropriations	732	720	723	732	740
<i>Provided for:</i>					
Purchase of non-financial assets	732	720	723	732	740
Total Items	732	720	723	732	740
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation - DCB (a)	1,974	1,220	723	732	740
TOTAL	1,974	1,220	723	732	740
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	1,974	1,220	723	732	740
Total cash used to acquire assets	1,974	1,220	723	732	740

(a) Includes purchases from current and previous years' Departmental Capital Budgets (DCBs). Prepared on Australian Accounting Standards basis.

Table 3.2.6: Statement of asset movements (Budget year 2015-16)

	Property, plant and equipment \$'000	Computer software \$'000	Total \$'000
As at 1 July 2015			
Gross book value	2,002	5,987	7,989
Accumulated depreciation/amortisation and impairment	(1,416)	(3,578)	(4,994)
Opening net book balance	586	2,409	2,995
Capital asset additions			
Estimated expenditure on new or replacement assets			
By purchase - appropriation ordinary annual services (a)	986	234	1,220
Total additions	986	234	1,220
Other movements			
Depreciation/amortisation expense	(200)	(300)	(500)
Total other movements	(200)	(300)	(500)
As at 30 June 2016			
Gross book value	2,988	6,221	9,209
Accumulated depreciation/amortisation and impairment	(1,616)	(3,878)	(5,494)
Closing net book balance	1,372	2,343	3,715

(a) 'Appropriation ordinary annual services' refers to funding provided through Appropriation Bill (No. 1) 2015-16 for depreciation/amortisation expenses, DCBs or other operational expenses. Prepared on Australian Accounting Standards basis.

Table 3.2.7: Schedule of budgeted income and expenses administered on behalf of Government (for the period ended 30 June)

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
EXPENSES					
Grants	20	20	20	20	20
Interest costs	14,449,596	15,559,965	16,453,891	16,844,600	17,362,698
Other expenses	22,886	1,000	1,000	1,000	1,000
Total expenses before re-measurements	14,472,502	15,560,985	16,454,911	16,845,620	17,363,718
LESS:					
OWN-SOURCE INCOME					
Non-taxation revenue					
Interest	914,031	794,638	644,161	458,060	560,084
Other	4,886	-	-	-	-
Total revenue before re-measurements	918,917	794,638	644,161	458,060	560,084
GAINS (LOSSES) BEFORE RE-MEASUREMENTS					
Net loss on repurchase of debt	(7,199)	-	-	-	-
Net gain on sale of financial assets	1,469	16,938	-	-	-
Total gains (losses) before re-measurements	(5,730)	16,938	-	-	-
Operating result before re-measurement	(13,559,315)	(14,749,409)	(15,810,750)	(16,387,560)	(16,803,634)
RE-MEASUREMENTS					
Net market revaluation gains (losses)	(14,532,837)	3,604,294	3,114,556	2,601,503	2,396,374
Total re-measurements	(14,532,837)	3,604,294	3,114,556	2,601,503	2,396,374
Total comprehensive income/(loss)	(28,092,152)	(11,145,115)	(12,696,194)	(13,786,057)	(14,407,260)

Prepared on Australian Accounting Standards basis.

Table 3.2.8: Schedule of budgeted assets and liabilities administered on behalf of Government (as at 30 June)

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	622	622	622	622	622
Receivables	2,033,268	1,958,242	1,881,186	1,801,797	1,720,160
Investments	34,814,023	22,417,738	32,177,679	25,717,135	25,472,358
Total assets administered on behalf of Government	36,847,913	24,376,602	34,059,487	27,519,554	27,193,140
LIABILITIES					
Interest bearing liabilities					
Australian Government Securities	418,309,237	464,299,067	527,454,584	550,071,616	569,504,213
Other	124	124	124	124	124
Total liabilities administered on behalf of Government	418,309,361	464,299,191	527,454,708	550,071,740	569,504,337
Net assets/ (liabilities)	(381,461,448)	(439,922,589)	(493,395,221)	(522,552,186)	(542,311,197)

Prepared on Australian Accounting Standards basis.

Table 3.2.9: Schedule of budgeted administered cash flows (for the period ended 30 June)

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Interest	890,362	790,969	618,636	447,217	547,141
Other	4,886	-	-	-	-
Total cash received	895,248	790,969	618,636	447,217	547,141
Cash used					
Grant	20	20	20	20	20
Borrowing costs	15,633,067	16,969,336	18,202,709	19,116,330	19,906,156
Other	4,886	-	-	-	-
Total cash used	15,637,973	16,969,356	18,202,729	19,116,350	19,906,176
Net cash from/(used by) operating activities	(14,742,725)	(16,178,387)	(17,584,093)	(18,669,133)	(19,359,035)
INVESTING ACTIVITIES					
Cash received					
Repayments of advances and loans	90,681	92,229	93,947	95,937	97,813
Net cash from/(used by) investing activities	90,681	92,229	93,947	95,937	97,813
FINANCING ACTIVITIES					
Cash received					
Proceeds from borrowing	101,803,812	180,923,940	236,360,348	196,669,644	131,052,670
Investment redemptions	556,356,926	362,060,008	292,344,487	198,475,979	259,606,663
Total cash received	658,160,738	542,983,948	528,704,835	395,145,623	390,659,333
Cash used					
Repayment of borrowings	48,242,956	129,901,055	168,342,325	169,178,913	106,679,942
Investments made	557,999,377	349,680,708	302,095,927	192,022,606	259,366,418
Total cash used	606,242,333	479,581,763	470,438,252	361,201,519	366,046,360

Table 3.2.9: Schedule of budgeted administered cash flows (for the period ended 30 June) (continued)

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
Net cash from/(used by) financing activities	51,918,405	63,402,185	58,266,583	33,944,104	24,612,973
Net increase/(decrease) in cash held	37,266,361	47,316,027	40,776,437	15,370,908	5,351,751
Cash and cash equivalents at beginning of reporting period	622	622	622	622	622
Cash from Official Public Account for:					
- Appropriations	622,329,179	497,236,354	489,302,635	380,906,094	386,478,570
Total cash from Official Public Account	622,329,179	497,236,354	489,302,635	380,906,094	386,478,570
Cash to Official Public Account for:					
- Appropriations	(659,595,540)	(544,552,381)	(530,079,072)	(396,277,002)	(391,830,321)
Total cash to Official Public Account	(659,595,540)	(544,552,381)	(530,079,072)	(396,277,002)	(391,830,321)
Cash and cash equivalents at end of reporting period	622	622	622	622	622

Prepared on Australian Accounting Standards basis.

Table 3.2.10: Administered capital budget statement (for the period ended 30 June)

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
NEW CAPITAL APPROPRIATIONS					
Administered capital - special appropriation (Admin only)	606,242,333	479,581,763	470,438,252	361,201,519	366,046,360
Total new capital appropriations	606,242,333	479,581,763	470,438,252	361,201,519	366,046,360
Provided for:					
Repayment of borrowings and purchases of investments	606,242,333	479,581,763	470,438,252	361,201,519	366,046,360
Total items	606,242,333	479,581,763	470,438,252	361,201,519	366,046,360

Prepared on Australian Accounting Standards basis.

3.2.4 Notes to the financial statements

The financial statements contain estimates prepared in accordance with the requirements of the Australian Government's financial budgeting and reporting framework, including Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance.

The departmental financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for infrastructure, plant and equipment assets and employee entitlements.

With the exception of loans to the States and the Northern Territory, the administered financial statements have been prepared on a fair value basis in accordance with Australian Accounting Standards. Loans to the States and the Northern Territory are measured on an amortised cost basis, after initial recognition at fair value.

Fair value is synonymous with market value and represents the estimated exchange equivalent price using relevant inputs from reference markets and valuation techniques. Fair value is determined on the presumption of normal market conditions and that the reporting entity is not undertaking transactions on adverse terms.

Budgeted departmental and administered financial statements

Under the Australian Government's accrual budgeting framework, transactions that entities control (departmental transactions) are separately budgeted for and reported from transactions entities do not have control over (administered transactions). This ensures that entities are only held fully accountable for the transactions over which they have control.

Departmental assets, liabilities, revenue and expenses are those which are controlled by the entity. Entity expenses include employee and supplier expenses and other administrative costs, which are incurred by the entity in providing its goods and services to government.

Administered assets, liabilities, revenue and expenses are those which are managed on behalf of the Australian Government according to set government directions. Administered expenses include interest incurred on Australian Government Securities. Administered revenue includes interest earned on housing agreement loans, and interest on investments.

Administered internal transactions

Administered transactions between the AOFM and other entities within the general government sector (administered internal transactions) are not reported in the schedule of budgeted administered income and expenses or the schedule of budgeted administered assets and liabilities.

However, for the purposes of disclosing all cash flows through the AOFM's administered bank accounts, cash flows in the schedule of budgeted administered cash flows are reported inclusive of administered internal transactions.

Goods and services tax

Supplies provided by the AOFM are predominantly input taxed under *A New Tax System (Goods and Services Tax) Act 1999*.

Budgeted departmental comprehensive income statement

Appropriations

Under the net cash appropriation framework the AOFM receives an output appropriation to meet budgeted expenses (except depreciation). The output appropriation is recognised in revenue in the year it is appropriated.

The AOFM also receives a capital appropriation for the replacement of infrastructure, plant and equipment and intangibles. The capital appropriation is not recognised in revenue. It is recognised as contributed equity in the departmental balance sheet in the year the appropriation takes effect.

Budgeted departmental balance sheet

Cash and undrawn appropriations

The estimated cash reserves and undrawn appropriations will be maintained to ensure that the AOFM is well placed to:

- settle employee liabilities as they fall due;
- fund future asset replacements; and
- repay liabilities.

Administered schedule of budgeted income and expenses

Table 3.2.11: Non taxation revenue — interest

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
Interest revenue					
Interest on State loans	123,582	119,273	114,865	110,336	105,665
Interest on investments	790,449	675,365	529,296	347,724	454,419
Total interest	914,031	794,638	644,161	458,060	560,084

Net market revaluation gains (losses)

Net market revaluation gains (losses) represent the estimated unrealised fair value gains or losses on the financial asset and financial liability portfolio. The revaluation

effect represents the change in financial exposures due to changes in market conditions and the passage of time.

In a passive 'issue and hold to maturity' strategy, such as that relating to the AOFM's debt issuance and management activities, the revaluation effect will net to zero over the life of a financial instrument.

Administered schedule of budgeted assets and liabilities

Financial assets — investments

The AOFM invests surplus funds in the Official Public Account in deposits and fixed interest securities. Investments also include holdings of residential mortgage backed securities. Estimates of the fair value of these asset holdings are disclosed as administered investments. The asset holdings of the Future Fund and other government entities are not included in these estimates.

Interest bearing liabilities — Australian Government Securities

Interest bearing liabilities represent the fair value of Australian Government Securities on issue.

Table 3.2.12: Australian Government Securities

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward estimate \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000
Australian Government Securities					
Treasury Bonds	372,916,065	411,749,068	464,682,510	492,591,925	512,874,171
Treasury Indexed Bonds	39,379,375	42,537,292	47,772,972	52,470,689	51,621,041
Treasury Notes	5,991,885	9,991,300	14,985,150	4,995,050	4,995,050
Other	21,912	21,407	13,952	13,952	13,951
Total Australian Government Securities (fair value)	418,309,237	464,299,067	527,454,584	550,071,616	569,504,213

