

# 04

## Part 4

04



### Financial Statements

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## INDEPENDENT AUDIT REPORT

### To the Treasurer

#### Scope

I have audited the financial statements of the Department of the Treasury for the year ended 30 June 2003. The financial statements comprise:

- Statement by the Secretary and the Chief Finance Officer;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedules of Contingencies and Commitments;
- Schedule of Administered Items; and
- Notes to and forming part of the Financial Statements.

The Department of the Treasury's Secretary is responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you.

The audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view of the Department of the Treasury which is consistent with my understanding of its financial position, its financial performance and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

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### **Audit Opinion**

In my opinion the financial statements:

- (i) have been prepared in accordance with Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*; and
- (ii) give a true and fair view, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Finance Minister's Orders, of the financial position of the Department of the Treasury as at 30 June 2003, and its financial performance and cash flows for the year then ended.

### **Inherent Uncertainty regarding the liability for the HIH Claims Support Scheme**

Without qualification to the opinion expressed above, attention is drawn to the following matter. As indicated in Note 1.29 to the financial statements, the Department of the Treasury has recorded an estimate of \$457.83 million in relation to the Commonwealth's liability for the HIH Claims Support Scheme. This estimate is based on an independent actuarial assessment. As explained in the notes, there is inherent uncertainty regarding this estimate of the Commonwealth liability and the Commonwealth will continue to assess this amount in future years.

The issue regarding the HIH Claims Support Scheme liability resulted in a similar emphasis of matter in the prior year.

### **Other Statutory Matters**

The Department of the Treasury has breached section 48 of the *Financial Management and Accountability Act 1997* as detailed in Note 30D of the financial statements.

Australian National Audit Office



P.J. Barrett  
Auditor-General

Canberra  
10 September 2003

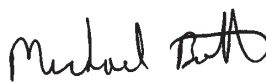
Department of the Treasury  
statement by the Departmental Secretary

Certification of financial statements

In my opinion, the attached financial statements for the year ended  
30 June 2003 give a true and fair view of the matters required by the Finance  
Minister's Orders made under the *Financial Management and Accountability  
Act 1997*.



Ken Henry  
Secretary to the Treasury  
8 September 2003



Michael Bott  
Chief Finance Officer  
8 September 2003



## Department of the Treasury statement of financial performance

for the year ended 30 June 2003

	Notes	2002-03 \$'000	2001-02 \$'000
<b>Revenues from ordinary activities</b>			
Revenues from government	3A	104,813	87,687
Sales of goods and services	3B	43,621	67,696
Interest	3C	1,058	1,495
Revenue from sale of assets	3D	130	52
Reversals of previous asset write-downs	3E	-	-
Other	3E	1,671	399
<b>Revenues from ordinary activities</b>		<b>151,293</b>	<b>157,329</b>
<b>Expenses from ordinary activities (excluding borrowing costs expense)</b>			
Employees	4A	75,205	51,726
Suppliers	4B	66,075	87,180
Depreciation and amortisation	4C	5,172	3,968
Write-down of assets	4D	55	2,191
Value of assets sold	3D	289	44
<b>Expenses from ordinary activities (excluding borrowing costs expense)</b>		<b>146,796</b>	<b>145,109</b>
<b>Borrowing costs expense</b>	5	<b>196</b>	<b>749</b>
<b>Net surplus from ordinary activities before income tax</b>		<b>4,301</b>	<b>11,471</b>
Income tax expense equivalent		(569)	(603)
<b>Net surplus</b>		<b>3,732</b>	<b>10,868</b>
Net credit/(debit) to asset revaluation reserve	12	1,864	(96)
Decrease in accumulated results on initial application of fair value under accounting standard AASB 1041 <i>Revaluation of non-current assets</i>	12	-	-
<b>Total revenues, expenses and valuation adjustments attributable to the Australian Government and recognised directly in equity</b>		<b>1,864</b>	<b>(96)</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>5,596</b>	<b>10,772</b>

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

## Department of the Treasury statement of financial position

as at 30 June 2003

	Notes	2002-03 \$'000	2001-02 \$'000
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash	7A	9,211	10,432
Receivables	7B	15,025	2,310
Other investments	7C	-	8,000
<b>Total financial assets</b>		<b>24,236</b>	<b>20,742</b>
<b>Non-financial assets</b>			
Land and buildings	8A,D,E	7,866	7,180
Infrastructure, plant and equipment	8B,D	12,537	10,037
Inventories	8F	15,418	17,222
Intangibles	8C,D	2,157	2,436
Other	8G	8,101	6,852
<b>Total non-financial assets</b>		<b>46,079</b>	<b>43,727</b>
<b>Total assets</b>		<b>70,315</b>	<b>64,469</b>
<b>LIABILITIES</b>			
<b>Interest bearing liabilities</b>			
Loans	9A	-	-
Leases	9A	3,276	736
Other	9C	-	-
<b>Total interest bearing liabilities</b>		<b>3,276</b>	<b>736</b>
<b>Provisions</b>			
Capital use charge	10A	-	1,281
Other	10B	1,562	-
Employees	10C	24,514	17,020
<b>Total provisions</b>		<b>26,076</b>	<b>18,301</b>
<b>Payables</b>			
Suppliers	11A	3,907	5,655
Other	11B	3,503	5,723
<b>Total payables</b>		<b>7,410</b>	<b>11,378</b>
<b>Total liabilities</b>		<b>36,762</b>	<b>30,415</b>
<b>NET ASSETS</b>		<b>33,553</b>	<b>34,054</b>
<b>EQUITY</b>			
Asset revaluation reserve	12	5,482	3,618
Contributed equity	12	4,076	4,076
Retained surpluses	12	23,995	26,360
<b>Total equity</b>		<b>33,553</b>	<b>34,054</b>
<b>Current liabilities</b>		<b>21,673</b>	<b>20,689</b>
<b>Non-current liabilities</b>		<b>15,089</b>	<b>9,726</b>
<b>Current assets</b>		<b>42,359</b>	<b>44,816</b>
<b>Non-current assets</b>		<b>27,956</b>	<b>19,653</b>

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



## Department of the Treasury statement of cash flows

for the year ended 30 June 2003

	Notes	2002-03 \$'000	2001-02 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Goods and services		27,976	72,250
Appropriations		104,461	87,409
Face value - circulating coin		96,773	-
Interest		1,009	1,421
GST received from ATO		3,819	2,665
Other		1,671	-
<b>Total cash received</b>		<b>235,709</b>	<b>163,745</b>
<b>Cash used</b>			
Employees		68,109	51,143
Suppliers		69,568	98,985
Seigniorage - circulating coins		80,242	-
Borrowing costs		196	749
GST paid to ATO		1,197	-
Cash to OPA		12,000	-
Other		569	-
<b>Total cash used</b>		<b>231,881</b>	<b>150,877</b>
<b>Net cash from operating activities</b>	13	<b>3,828</b>	<b>12,868</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sale of property, plant and equipment		129	42
Proceeds from sale of financial instruments		8,000	5,000
Other		-	620
<b>Total cash received</b>		<b>8,129</b>	<b>5,662</b>
<b>Cash used</b>			
Purchase of property, plant and equipment		5,798	3,489
Purchase of financial instruments		-	-
Purchase of intangibles		-	-
Other		-	-
<b>Total cash used</b>		<b>5,798</b>	<b>3,489</b>
<b>Net cash from investing activities</b>		<b>2,331</b>	<b>2,173</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Transfer from trust fund		-	-
Other		-	3,303
<b>Total cash received</b>		<b>-</b>	<b>3,303</b>
<b>Cash used</b>			
Repayment of leases		-	133
Repayment of debt		-	10,762
Dividends paid		1,145	-
Capital use charge paid		6,235	1,681
Trust fund surplus transferred		-	159
<b>Total cash used</b>		<b>7,380</b>	<b>12,735</b>
<b>Net cash used by financing activities</b>		<b>(7,380)</b>	<b>(9,432)</b>
<b>Net increase/(decrease) in cash held</b>		<b>(1,221)</b>	<b>5,609</b>
Cash at beginning of the reporting period		10,432	4,823
<b>Cash at the end of the reporting period</b>	7A	<b>9,211</b>	<b>10,432</b>

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

## Schedule of commitments

as at 30 June 2003

	2002-03 \$'000	2001-02 \$'000
<b>BY TYPE</b>		
<b>CAPITAL COMMITMENTS</b>		
Infrastructure, plant and equipment <sup>1</sup>	-	36
<b>Total capital commitments</b>	<b>-</b>	<b>36</b>
<b>OTHER COMMITMENTS</b>		
Operating leases <sup>2</sup>	107,938	105,877
Other commitments <sup>3</sup>	5,783	8,932
<b>Total other commitments</b>	<b>113,721</b>	<b>114,809</b>
<b>COMMITMENTS RECEIVABLE</b>		
GST receivable	(10,338)	(8,446)
<b>Net commitments</b>	<b>103,383</b>	<b>106,399</b>
<b>BY MATURITY</b>		
<b>Other commitments</b>		
One year or less	4,958	6,796
From one to five years	372	1,843
Over five years	-	-
<b>Operating lease commitments</b>		
One year or less	11,319	8,162
From one to five years	36,777	35,710
Over five years	49,955	53,888
<b>Net commitments by maturity</b>	<b>103,382</b>	<b>106,399</b>

Note: Commitments are GST inclusive where relevant.

- 1 Plant and equipment commitments are primarily contracts for purchases of furniture and fittings for new building.
- 2 Operating leases included are effectively non-cancellable and comprise of :

Nature of lease	General description of leasing arrangement
Leases for accommodation	<p>Commercial — leases comprise various periods, including both initial and options periods.</p> <ul style="list-style-type: none"> <li>■ Overseas estate — commercial lease payments are adjusted annually by 2 per cent and residential lease payments are reviewed biannually to reflect market movements.</li> <li>■ The initial periods of office accommodation leases are still current and each may be renewed with options for a further 3 or 5 years.</li> <li>■ Australian estate — residential lease payments are reviewed biannually to reflect market movements.</li> </ul>
Agreements for the provision of motor vehicles to Senior Executive Officers	<ul style="list-style-type: none"> <li>■ No contingent rentals exists.</li> <li>■ No renewal or purchase options are available to the department.</li> </ul>
Leases for computer equipment	<ul style="list-style-type: none"> <li>■ The lessor provides all computer equipment designated as necessary in the supply contract for 3 years with an option to extend the term for a fixed period as agreed by both parties.</li> </ul>

- 3 Other commitments includes commitments for contracted staff, electricity costs for the Treasury building, car lease expenses, and other miscellaneous commitments.

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

## Schedule of contingencies

as at 30 June 2003

	2002-03	2001-02
	\$'000	\$'000
<b>CONTINGENT LIABILITIES</b>		
Claims for damages/costs <sup>a</sup>	400	400
<b>CONTINGENT ASSETS</b>		
<b>Total contingent gains<sup>b</sup></b>	7	80
<b><i>Net contingent liabilities</i></b>	<b>393</b>	<b>320</b>

(a) The amount represents an estimate of the department's liability based on precedent cases. The department is defending the claims.

(b) The department is expecting to succeed in claims, although the cases are continuing. The estimate is based on precedent in such cases.

## Schedule of unquantifiable contingencies

As at 30 June 2003, the department had a number of legal claims outstanding. It is not possible to estimate the amounts of any eventual payments, which may be required in relation to these claims.

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

## Department of the Treasury schedule of administered items

for the year ended 30 June 2003

		2002-03	2001-02
	Notes	\$'000	\$'000
<b>Revenues administered on behalf of government</b>			
for the year ended 30 June 2003			
<b>Non-taxation revenue</b>			
Interest	21	12,523	13,679
Dividends	21	1,889,226	2,833,702
Goods and services	21	562,955	516,133
Other	21	147,586	244,929
<b>Total revenues administered on behalf of government</b>		<b>2,612,290</b>	<b>3,608,443</b>
<b>Expenses administered on behalf of government</b>			
for the year ended 30 June 2003			
Grants	22	32,458,438	31,968,403
Net foreign exchange losses	22	413,172	9,417
Other	22	277,138	541,069
<b>Total expenses administered on behalf of government</b>		<b>33,148,748</b>	<b>32,518,889</b>

		2002-03	2001-02
	Notes	\$'000	\$'000
<b>Assets Administered on behalf of government</b>			
as at 30 June 2003			
<b>Financial assets</b>			
Cash	23	5,665	8,041
Receivables	23	240,430	336,170
Loans	23	142,906	192,152
Investments	23	15,553,850	16,314,239
Non-financial assets	23	546,159	2,129
<b>Total assets administered on behalf of government</b>		<b>16,489,010</b>	<b>16,852,731</b>
<b>Liabilities administered on behalf of government</b>			
as at 30 June 2003			
<b>Payables</b>			
Loans	24	4,110,576	4,941,937
Grants and subsidies	24	15,183	17,689
Suppliers	24	-	4,237
Other provisions and payables	24	1,484,496	2,147,692
<b>Total liabilities administered on behalf of government</b>		<b>5,610,255</b>	<b>7,111,555</b>
<b>Net assets administered on behalf of government</b>	25	<b>10,878,755</b>	<b>9,741,176</b>

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

## Administered cash flows

for the year ended 30 June 2003

	Notes	2002-03 \$'000	2001-02 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
GST administration fees		562,955	516,133
Interest received		25,659	13,769
IMF remuneration		51,810	55,739
Dividends		1,889,226	2,833,702
Cash from Official Public Account:			
- Appropriations		34,025,272	32,459,855
- Special Accounts		-	-
- Other	25	-	-
GST refunds received from ATO		996	1,228
Other		85,292	133,817
<b>Total cash received</b>		<b>36,641,210</b>	<b>36,014,243</b>
<b>Cash used</b>			
Borrowing costs		21,263	31,818
GST paid to ATO		-	-
Grants		33,005,817	31,968,718
Subsidies		-	-
Cash to Official Public Account:			
- Appropriations		-	-
- Special Accounts		-	-
- Other		2,972,773	3,548,922
Other		181,442	117,587
<b>Total cash used</b>		<b>36,181,295</b>	<b>35,667,045</b>
<b>Net cash from operating activities</b>		<b>459,915</b>	<b>347,198</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
IMF		307,611	-
Investments - redemption/maturity		-	-
Other		49,246	-
<b>Total cash received</b>		<b>356,857</b>	<b>-</b>
<b>Cash used</b>			
Loans		-	340,261
Settlement of IMF obligations		814,492	-
Investments - deposits made		-	-
Purchase of property, plant and equipment		-	106
Other		4,656	2,500
<b>Total cash used</b>		<b>819,148</b>	<b>342,867</b>
<b>Net cash used by investing activities</b>		<b>(462,291)</b>	<b>(342,867)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Cash from Official Public Account		-	-
GST Appropriations		-	2,339
Other financing		-	-
<b>Total cash received</b>		<b>-</b>	<b>2,339</b>
<b>Cash used</b>			
Repayment of borrowings		-	-
Return of GST appropriations to Official Public Account		-	1,228
<b>Total cash used</b>		<b>-</b>	<b>1,228</b>
<b>Net cash from financing activities</b>		<b>-</b>	<b>1,111</b>
<b>Net increase/(decrease) in cash held</b>		<b>(2,376)</b>	<b>5,442</b>
Cash at the beginning of the reporting period		8,041	2,599
<b>Cash at the end of the reporting period</b>	23	<b>5,665</b>	<b>8,041</b>

## Administered commitments

as at 30 June 2003

	2002-03 \$'000	2001-02 \$'000
<b>BY TYPE</b>		
<b>CAPITAL COMMITMENTS</b>		
Total capital commitments	-	-
<b>OTHER COMMITMENTS</b>		
Total other commitments	-	-
<b>COMMITMENTS RECEIVABLE</b>		
Net commitments	-	-
<b>BY MATURITY</b>		
All net commitments		
Net commitments	-	-

Note: All 2002-03 commitments are GST inclusive where relevant.  
This schedule should be read in conjunction with the accompanying notes.

## Administered contingencies

as at 30 June 2003

	2002-03 \$'000	2001-02 \$'000
<b>Administered contingent liabilities</b>		
Guarantees to public trading enterprises	-	-
Other guarantees <sup>1</sup>	8,111,660	9,563,998
Indemnities	-	29
<b>Total contingent losses</b>	<b>8,111,660</b>	<b>9,564,027</b>
<b>Administered contingent assets</b>		
Claims for damages	-	-
<b>Net contingencies</b>	<b>8,111,660</b>	<b>9,564,027</b>

Note: Administered remote and unquantifiable contingencies are disclosed in Note 26: Administered Contingent Liabilities and Assets.

1 Other guarantees comprise of EBRD, IBRD, MIGA and ADB uncalled shares.

## Statement of activities administered on behalf of government

The major administered activities of Treasury are directed towards achieving the three outcomes described in Note 1 to the Financial Statements. Details of planned activities for the year can be found in the Treasury Portfolio Budget Statements and Portfolio Additional Estimates Statements for 2002-03, which have been tabled in Parliament.

This schedule is to be read in conjunction with the accompanying notes.

## Notes to and forming part of the financial statements

for the year ended 30 June 2003

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## **Note 1: Summary of significant accounting policies**

### **1.1 Objectives of the Department of the Treasury**

The **Department of the Treasury** is structured to meet three outcomes:

Outcome 1: Sound macroeconomic environment;

Outcome 2: Effective government spending and taxation arrangements; and

Outcome 3: Well functioning markets.

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

The reporting entity comprises the Department of the Treasury, the Australian Government Actuary and the Royal Australian Mint (the Mint) hereafter referred to as 'the department'.

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

Only one output group is identified for each of Outcomes 1, 2 and 3. From 1 July 2003 Outcome 2 will have two output groups.

### **1.2 Basis of accounting**

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

The statements have been prepared in accordance with:

- Finance Minister's Orders (or FMOs, being the Financial Management and Accountability (Financial Statements for reporting periods ending on or after 30 June 2003) Orders);
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board; and,
- Consensus Views of the Urgent Issues Group.

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



Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets, which are unrecognised, are reported in the Schedule of Commitments and the Schedule of Contingencies (other than unquantifiable or remote contingencies, which are reported at Note 14).

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

The continued existence of the 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.

Administered revenues, expenses, assets and liabilities and cash flows reported in the Schedule of Administered Items and related notes are accounted for on the same basis and using the same policies as for Agency items, except where otherwise stated at Note 1.22.

### **1.3 Changes in accounting policy**

The accounting policies used in the preparation of these financial statements are consistent with those used in 2001-02, except in respect of:

- the accounting for output appropriations (refer to Note 1.4);
- recognition of equity injections (refer to Note 1.5);
- measurement of certain employee benefits at nominal amounts (refer to Note 1.6);
- the initial revaluation of property plant and equipment on a fair value basis (refer to Note 1.12);
- the imposition of an impairment test for non-current assets carried at cost (refer to Note 1.13);
- recognition of seigniorage received from the Mint in the Departmental statement of cash flows (refer note 1.19);
- recognition of Provisions, Contingent Liabilities and Contingent Assets (refer to Note 1.29); and
- recognition of the Reserve Bank of Australia (RBA) contingent liability (refer Note 1.29).

### **1.4 Revenues**

#### **Revenues from government**

Departmental outputs appropriations for the year (less any savings offered up in Portfolio Additional Estimates Statements) are recognised as revenue, except for certain amounts which relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

## Resources received free of charge

Services received free of charge are recognised 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 as an expense.

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

## Other revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts or other agreements to provide services. The stage of completion is determined according to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

## 1.5 Transactions by the government as owner

### Equity injections

From 1 July 2002, the Finance Minister's Orders require that amounts of appropriations designated as 'equity injections' (less any savings offered up in Portfolio Additional Estimates Statements) are recognised directly in Contributed Equity as at 1 July or later date of effect of the appropriation.

This is a change of accounting policy from 2001-02 to the extent any part of an equity injection that was dependent on specific future events occurring was not recognised until the appropriation was drawn down.

The change in policy has no financial effect in 2002-03 because the full amount of the equity injections for 2001-02 were recognised in that year.

### Restructuring of administrative arrangements

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

### Capital Use Charge

A Capital Use Charge of 11 per cent (2002: 11 per cent) is imposed by the government on the departmental net assets of the department at year end. The net assets figure is adjusted to take into account of asset gifts and revaluation increments during the financial year. The Charge is accounted for as a dividend to the government.

In accordance with the recommendations of the Budget Estimates and Framework Review, the government has decided that the charge will not operate after 30 June 2003.

### Other distributions to owners

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

## 1.6 Employee entitlements

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

Liabilities for wages and salaries (including non-monetary benefits), annual leave, sick leave are measured at their nominal amounts. Other employee benefits expected to be settled within 12 months of the reporting date are also measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability. This is a change in accounting policy from last year required by an initial application of a new Accounting Standard AASB 1028 from 1 July 2002. This change in accounting policy had an immaterial effect on employee benefits. All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

### Leave

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

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

The liability for long service leave has been determined by reference to the work of an actuary as at 30 June 2003. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

### Separation and redundancy

Provision is made for separation and redundancy benefit payments. The department where considered necessary, will develop a detailed formal plan for the terminations and inform those employees affected that it will carry out the terminations.

### Superannuation

Staff of the department are members of the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. The liability for their superannuation benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

The department makes employer contributions to the Australian Government at rates determined by an actuary to be sufficient to meet the cost to the Australian Government of the superannuation entitlements of the department's employees.

## **1.7 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 expensed on a basis, which is representative of the pattern of benefits derived from the leased assets. The net present value of future net outlays in respect of surplus space under non-cancellable lease agreements is expensed in the period in which the space becomes surplus.

## **1.8 Borrowing costs**

All borrowing costs are expensed as incurred except to the extent that they are directly attributable to qualifying assets, in which case they are capitalised. The amount capitalised in a reporting period does not exceed the amounts of costs incurred in that period.

## **1.9 Cash**

Cash means notes and coins held and any deposits held at call with a bank or financial institution.

## **1.10 Financial instruments**

Accounting policies for financial instruments are stated at Notes 28A and 28B.

## **1.11 Acquisition of assets**

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

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

## **1.12 Infrastructure, plant and equipment**

### **Asset recognition threshold**

Purchases of infrastructure, plant and equipment are recognised initially at cost in the department's Statement of Financial Position, except for purchases of less than \$2,000 and computer equipment

of less than \$1,000. These 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

### Basis

Land, buildings, plant and equipment are carried at valuation. Revaluations undertaken up to 30 June 2002 were performed on a deprival basis; revaluations since that date are at fair value. This change in accounting policy is required by Australian Accounting Standard AASB 1041 Revaluation of Non-Current Assets.

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

<b>Asset Class</b>	<b>Fair Value Measured at:</b>	<b>Deprival value measured at:</b>
Land	Market selling price	Market selling price
Buildings	Market selling price	Depreciated replacement cost
Leasehold improvements	Depreciated replacement cost	Depreciated replacement cost
Plant and equipment	Market selling price	Depreciated replacement cost
Heritage assets and artworks	Market selling price	Not applicable

The department performed a valuation of buildings, infrastructure, plant and equipment on 30 June 2002. The valuation was performed by the Australian Valuation Office and was based on valuing assets using the deprival method of valuation.

The department had its heritage assets valued at 30 June 2003 by Herron, Todd and White (Canberra) Pty Ltd.

The Mint performed a valuation of infrastructure, plant and equipment (except master tooling) on 30 June 2001. The valuation was performed by the Australian Valuation Office and was based on valuing assets using the deprival method of valuation.

Master tooling was valued by an independent appraiser at 30 June 2003 and includes all dyes and plasters, although under the control of the Mint, not available to be sold or otherwise disposed of.

Under both deprival and fair value, assets, which are surplus to requirements, are measured at their net realisable value.

### Frequency

Infrastructure, plant and equipment are revalued progressively in successive three-year cycles. All current cycles commenced on 1 July 2001 and finish on 30 June 2004.

Acquisitions subsequent to the valuation are valued at historic cost.

### Conduct

All valuations are conducted by an independent qualified valuer.

## Depreciation

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

Depreciation rates (useful lives) and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

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

	<b>2002-03</b>	2001-02
Computers, plant and equipment	<b>3-10 years</b>	3-10 years
Leasehold improvements	<b>5-10 years</b>	5-10 years
Motor vehicles	<b>4 years</b>	4 years
Office equipment	<b>5 years</b>	5 years
Capitalised software	<b>3-5 years</b>	3-5 years
Factory machinery	<b>10-20 years</b>	10-20 years

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

### Recoverable amount test

From 1 July 2002, the Schedule 1 no longer requires the application of the recoverable amount test in Australian Accounting Standard AAS 10 Recoverable Amount of Non-Current Assets to the assets of agencies when the primary purpose of the asset is not the generation of net cash inflows.

No property, plant and equipment assets other than land now held for sale have been written down to recoverable amount per AAS 10. Accordingly, the change in policy has had no financial effect.

### 1.13 Inventories

The department's intangibles comprise externally acquired software and internally developed software for internal use. These assets are carried at cost.

From 1 July 2002, Schedule 1 no longer requires the application of the recoverable amount test in Australian Accounting Standard AAS 10 Recoverable Amount of Non-Current Assets to the assets of agencies when the primary purpose of the asset is not the generation of net cash inflows.

However Schedule 1 now requires such assets, if carried on the cost basis, to be assessed for indications of impairment. The carrying amount of impaired assets must be written down to the higher of its net market selling price or depreciated replacement cost. Software is amortised on a straight-line basis over its anticipated useful life.

Useful lives are:

	<b>2002-03</b>	<b>2001-02</b>
Internally developed software	2-5 years	2-5 years

### **1.14 Inventories**

Inventories held for resale are valued at the lower of cost and net realisable value. Work in progress and finished goods are brought to account 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 time of purchase.

Inventories not held for resale are valued at cost, unless they are no longer required, in which case they are valued at net realisable value.

### **1.15 Taxation**

The department is exempt from all forms of taxation except for Fringe Benefits Tax and Goods and Services Tax. The Mint is liable for Fringe Benefits Tax and Goods and Services Tax on sales of products and via a tax equivalent payment to the Department of the Treasury for Payroll Tax and Company Income Tax. Companies Income Tax became applicable for the first time in 1998-99, as a result of the competitive neutrality arrangements.

Revenues expenses and assets are recognised net of GST, except for receivables and payables, and where the amount of GST incurred is not recoverable from the Australian Taxation Office.

### **1.16 Foreign currency**

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

### **1.17 Insurance**

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

### **1.18 Rounding**

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

- act of grace payments and waivers;
- Appropriations, special accounts and special public monies;
- remuneration of executives; and
- remuneration of auditors.

### **1.19 Royal Australian Mint — seigniorage and repurchase of circulating coins**

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

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

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

#### **Change in accounting policy reporting of seigniorage cash-flow.**

From 2002-03 the departmental statement of cash-flow has recognised for the first time the inflow and outflow of costs associated with the collection of seigniorage for the Australian Government.

### **1.20 Investment in Sydney 2000 Olympic Coin Program**

The Royal Australian Mint and the Perth Mint were joint venturers in the Sydney 2000 Olympic Coin Program (STOCP), marketing and distributing Sydney 2000 Olympic Coins. This joint venture concluded in June 2002.

### **1.21 Economic dependency**

The Mint is economically dependent on the Reserve Bank of Australia for the purchase of circulating coin.

### **1.22 Reporting of administered items**

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the Schedule of Administered Items and related Notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application to the greatest extent possible of Accounting Standards, Accounting Interpretations and Urgent Issues Group Consensus Views.

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

These transfers of cash are reported as administered (operating) cash flows and in the administered reconciliation table in Note 25.

Accounting policies which are relevant to administered activities are disclosed below.



### 1.23 Revenue

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

#### Reserve Bank of Australia dividend

Dividends from the Reserve Bank of Australia are recognised when a determination is made by the Treasurer. Dividend revenue is brought to account once the right to control the income stream is established. On this basis, the Reserve Bank of Australia's dividend for 2002-03 will be recognised in Treasury's Financial Statements in 2003-04.

The amount of the dividend for 2002-03 was \$2.397 billion.

#### Interest on Papua New Guinea loan

The interest on the outstanding principal amount is paid annually in arrears, due on 30 June every year until paid in full. The department received \$11.872 million in interest payments for 2002-03.

#### International Monetary Fund remuneration

Remuneration is interest paid by the International Monetary Fund to Australia for the use of its funds. It includes the proportion of the quota that was paid in special drawing rights and held by the Fund and money lent out under the Financial Transaction Plan.

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

The outcome of the taxation reform process is a taxation system, which provides a stable and equitable revenue source to fund governmental services essential to the wellbeing of Australians. Special appropriations relating to this legislation fall under three categories, GST Payments to the States, Budget Balancing Assistance Grants and National Competition Policy Payments.

### 1.24 Administered capital

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

### 1.25 Grants

The department administers a number of grant schemes on behalf of the government.

Grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied.

A commitment is recorded when the government has a binding agreement to make the grants but services have not been performed or criteria satisfied.

#### Grants to states and territories

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

The largest payment is the provision of GST revenue. The Australian Government pays to the States all GST collected, and commenced monthly payments of GST revenue to the States in July 2000. GST revenue payments to the States in 2002-03 were distributed in accordance with relativities recommended by the Commonwealth Grants Commission. Treasury also administered General Revenue Assistance payments to the States and Territories consisting of Budget Balancing Assistance, National Competition Policy Payments and Special Revenue Assistance in 2002-03.

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

National Competition Policy Payments to the States and Territories are conditional on the States and Territories meeting their obligations under the agreement to implement the national competition policy and related reforms.

Special Revenue Assistance was provided to the ACT in recognition that certain Commonwealth-State financial relations differ from Commonwealth-ACT financial relations in certain specific respects.

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

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

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

### Mirror taxes collected by state and territory governments

On behalf of the States, the Australian Government imposes mirror taxes, which replace State taxes in relation to Australian Government places that may be constitutionally invalid. Mirror taxes are collected by the States and are paid to the Australian Government and immediately repaid to the States. State governments bear the administration costs of collecting mirror taxes.

## **1.26 Administered investments**

### **Development banks**

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

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

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

### **International Monetary Fund**

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

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

### **Portfolio agencies**

The Australian Government's investment in other controlled authorities and companies in this portfolio is valued at the aggregate of the Australian Government's share of the net assets and net liabilities of each entity as at 30 June 1997. Where Australian Government entities controlled by the portfolio came into existence after 30 June 1997, the investment is valued at the Australian Government's share of capital contributions by Government at the date of inception.

## **1.27 Promissory notes**

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.

Where promissory notes have been issued in foreign currencies, they are translated at the spot rate at balance date. Foreign currency gains and losses are recognised where applicable.

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

The Australian Government sold the Housing Loans Insurance Corporation on 12 December 1997. Terms and conditions of the sale included that the Australian Government shall remain responsible for the mortgage insurance policies written up to the time of the sale.

The sale of the Housing Loans Insurance Corporation 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'.

### Recoveries

Claims incurred recoveries and a receivable for outstanding recoveries are recognised in respect of insurance policies. The asset is assessed on an actuarial basis and covers recoveries incurred but not yet received, incurred but not yet reported and the anticipated direct and indirect costs of settling those claims. The asset (Housing Loans Insurance Corporation premiums receivable) has been recognised in Note 21C, based on the estimated discounted future cash flows.

### 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. The liability has been recognised based on the estimated discounted future cash flows.

### Acquisition costs

A portion of acquisition costs relating to unearned premium revenue is deferred in recognition that it represents future benefits. Deferred acquisition costs are amortised on an actuarial basis over the reporting periods expected to benefit from the expenditure.

## 1.29 Provisions and contingent liabilities

### HIH Claims Support Scheme liability

HIH Claims Support Limited was established by the Insurance Council of Australia as a not-for-profit company to provide Australian Government funded assistance to policyholders suffering financial hardship as a result of the failure of the HIH Group Companies, and the appointment on 15 March 2001 of the Provisional Liquidators of the HIH Group Companies. The HIH Claims Support Trust was established in order to perform its obligations under the Australian Government Management Agreement dated 6 July 2001. As the beneficiary of this trust, the Australian Government is entitled to any residual balance of the trust, after the collection of recoveries and making of payments to claimants.

An actuarial assessment was conducted by an independent actuary as at 31 March 2003, and the results of the review indicated that the overall cost of the scheme discounted to present value is estimated to be \$732 million. This estimate incorporates an allowance for future inflation and provides for the estimated costs of both the claim handling expenses and the scheme management fees.

There is inherent uncertainty regarding the measurement of the Australian Government liability. One of the key results of the independent actuarial assessment was that due to the relative immaturity of the scheme, and because at the time of the assessment a significant portion of the major claim types were yet to be reviewed by the claims managers, the result remains highly uncertain and requires close monitoring. As the scheme matures, this element of the uncertainty should reduce.

The Australian Government will continue to assess the estimated liability in future years. Further assessments will also include quantifying possible recoveries to be made by HIH Claims Support Limited, which is acting as the Trustee on behalf of the Australian Government in relation to the HIH Claims Support Scheme.

#### Change in accounting policy — initial adoption of AASB 1044 ‘Provisions, Contingent Liabilities and Contingent Assets’

The department has adopted the treatment of provisions of AASB 1044 in 2002-03. This has led to the department discounting the provision for the overall cost of the scheme to present value for the first time in this financial year. The cumulative financial effect of the change has been adjusted directly against the opening balance of accumulated results in line with the specific transitional provisions in AASB 1044. The amount of the adjustment was a decrease of \$120.737 million to the value of the provision.

#### Remote contingency Reserve Bank of Australia

The Australian Government guarantees all monies that are, or has at any time become, payable, to a person other than the Australian Government. The department has changed the methodology for calculating this remote contingency to exclude *Financial Management and Accountability Act 1997* Agency deposits. The effect of this change in accounting policy for 2002-03 is to reduce the remote contingency by \$13.784 billion.

#### United Medical Protection Limited and Australasian Medical Insurance Limited

Following the decision on 29 April 2002 by the Boards of United Medical Protection Limited and Australasian Medical Insurance Limited to seek the appointment of a provisional liquidator, the Australian Government committed to providing an indemnity to the provisional liquidator, the terms of which were set out in a letter from the Minister for Health and Ageing to medical practitioners, dated 1 May 2002 and in the Prime Minister’s subsequent press release of 31 May 2002.

During 2002-03 the government has transferred responsibility for administering this liability to the Department of Health and Ageing. This has led to an adjustment of \$500.8 million directly against administered equity.

## **Note 2: Events occurring after balance date**

- 1 The Reserve Bank of Australia has calculated a dividend of \$2.397 billion in respect of its results for the year ended 30 June 2003. The Treasurer will ratify the payment in accordance with the recommendation of the Reserve Bank of Australia's Board of Directors. As a consequence, Treasury will record this dividend income in its accounts for the year ended 30 June 2004 in accordance with its accounting policy (Note 1.23).
2. On 1 July 2003 the Australian Reinsurance Pool Corporation was created under the *Terrorism Insurance Act 2003*. For further information please refer to Note 26 Administered Contingent Liabilities and Assets.

### Note 3: Operating revenues

	2002-03 \$'000	2001-02 \$'000
<b>Note 3A: Revenues from government</b>		
Appropriations for outputs	104,461	87,409
Resources received free of charge	352	278
<b>Total revenues from government</b>	<b>104,813</b>	<b>87,687</b>
<b>Note 3B: Goods and services</b>		
<b>Sales of goods and services</b>		
Goods	37,029	62,460
Services	6,592	5,236
<b>Total sales of goods and services</b>	<b>43,621</b>	<b>67,696</b>
<b>Provision of goods</b>		
Related entities	-	1,950
External entities	37,029	60,510
<b>Total sales of goods</b>	<b>37,029</b>	<b>62,460</b>
<b>Rendering of services</b>		
Related entities	2,277	163
External entities	4,315	5,073
<b>Total rendering of services</b>	<b>6,592</b>	<b>5,236</b>
Cost of sales of goods	39,999	64,384
<b>Note 3C: Interest revenue</b>		
Interest on deposits	1,058	1,495
<b>Note 3D: Net gains from sale of assets</b>		
<b>Land and buildings</b>		
Proceeds from disposal	(1)	-
Net book value of assets disposed	1	-
<b>Net gain from disposal of land and buildings</b>	<b>-</b>	<b>-</b>
<b>Infrastructure, plant and equipment</b>		
Proceeds from disposal	124	52
Net book value of assets disposed	(296)	(44)
Write-offs	29	(67)
<b>Net loss from disposal of infrastructure</b>		
<b>Plant and equipment</b>	<b>(143)</b>	<b>(59)</b>
<b>Intangibles:</b>		
Proceeds from disposal	7	-
Net book value of assets disposed	(23)	-
<b>Net loss from disposal of intangibles</b>	<b>(16)</b>	<b>-</b>
<b>Net Loss from disposal of assets</b>		
Total proceeds from disposals	130	52
Total value of assets disposed	(289)	(44)
<b>Total net loss from disposal of assets</b>	<b>(159)</b>	<b>8</b>
<b>Note 3E: Reversals of previous asset write-downs</b>		
<b>Financial assets</b>		
Doubtful debts received - receivables	-	-
<b>Non-financial assets</b>		
Plant and equipment revaluation increment	-	-
<b>Total reversals of previous asset write-downs</b>	<b>-</b>	<b>-</b>

### Note 3: Operating revenues (continued)

	2002-03	2001-02
	\$'000	\$'000
<b>Note 3F: Other revenues</b>		
Revenue from the Sydney 2000 Olympic Coin programme	17	125
Other	1,654	274
<b>Total other revenue</b>	<b>1,671</b>	<b>399</b>

### Note 4: Operating expenses

	2002-03	2001-02
	\$'000	\$'000
<b>Note 4A: Employee expenses</b>		
<b>Employee benefits expense</b>		
Wages and salary	56,158	40,685
Superannuation	7,246	5,101
Leave and other entitlements	9,668	3,968
Separation and redundancy	75	727
Other employee expenses	1,921	950
<b>Total employee benefits expense</b>	<b>75,068</b>	<b>51,431</b>
Workers compensation premiums	137	295
<b>Total employee expenses</b>	<b>75,205</b>	<b>51,726</b>
<b>Note 4B: Supplier expenses</b>		
Goods from related entities	1,583	-
Goods from external entities	3,311	8,454
Services from related entities	285	-
Services from external entities	53,357	70,682
Operating lease rentals <sup>1</sup>	7,539	8,044
<b>Total supplier expenses</b>	<b>66,075</b>	<b>87,180</b>
<b>Note 4C: Depreciation and amortisation</b>		
<b>Depreciation</b>		
Other infrastructure, plant and equipment	1,527	2,231
Buildings	796	-
<b>Total depreciation</b>	<b>2,323</b>	<b>2,231</b>
<b>Amortisation</b>		
Intangibles - computer software	1,606	874
Leased assets	1,243	863
<b>Total amortisation</b>	<b>2,849</b>	<b>1,737</b>
<b>Total depreciation and amortisation</b>	<b>5,172</b>	<b>3,968</b>
<b>Note 4D: Write down of assets</b>		
<b>Financial assets</b>		
Bad and doubtful debts expense	6	-
<b>Non-financial assets</b>		
Plant and equipment - revaluation decrement	49	2,191
<b>Total write down of assets</b>	<b>55</b>	<b>2,191</b>

1 These comprise minimum lease payments only.



## Note 5: Borrowing cost expenses

	2002-03	2001-02
	\$'000	\$'000
Loans	-	667
Leases	196	82
<b>Total borrowing costs expense</b>	<b>196</b>	<b>749</b>

## Note 6: Business operations

The Mint operates via a special account. Payments made from this account are for the purposes of business operations. The balance of the special account is disclosed at Note 30D.

The Australia Government Actuary operates via a special account. Payments made from this account are for the purposes of business operations. The balance of the special account is disclosed at Note 30D. The Australian Government Actuary has been granted an exemption under Sub Clause 1B.1 (C) of the 2002-03 Finance Minister's Orders for the preparation of a complete set of 2002-03 Financial Statements on materiality grounds. The exemption has been approved by the Minister for Finance and Administration.

## Note 7: Financial assets

	2002-03	2001-02
	\$'000	\$'000
<b>Note 7A: Cash</b>		
<b>Cash on hand:</b>		
Special accounts	6,840	2,064
Departmental (other than special accounts)	2,371	8,368
<b>Total cash</b>	<b>9,211</b>	<b>10,432</b>
<b>Note 7B: Receivables</b>		
Goods and services	1,759	1,972
Less: provision for doubtful debts	(5)	(54)
Total goods and services	1,754	1,918
GST receivable from the Australian Taxation Office	614	258
Interest receivable	49	-
Appropriations receivable	12,000	-
Other debtors	608	134
<b>Total receivables (net)</b>	<b>15,025</b>	<b>2,310</b>
All receivables are current assets		
<b>Receivables (gross) are aged as follows:</b>		
Not overdue	14,143	1,732
Overdue by:		
Less than 30 days	869	459
30 to 60 days	15	89
60 to 90 days	3	61
More than 90 days	-	23
<b>Total receivables (gross)</b>	<b>15,030</b>	<b>2,364</b>
<b>The provision for doubtful debts is aged as follows:</b>		
Not overdue	(5)	(54)
Overdue by:		
Less than 30 days	-	-
30 to 60 days	-	-
60 to 90 days	-	-
More than 90 days	-	-
<b>Total provision for doubtful debts</b>	<b>(5)</b>	<b>(54)</b>
<b>The provision for doubtful debts is aged as follows:</b>		
More than 90 days	5	54
<b>Total provision for doubtful debts</b>	<b>5</b>	<b>54</b>
<b>Note 7C: Investments</b>		
Term deposits	-	8,000
<b>Total investments</b>	<b>-</b>	<b>8,000</b>

## Note 8: Non-financial assets

	2002-03 \$'000	2001-02 \$'000
<b>Note 8A: Land and buildings</b>		
Freehold land	-	-
Buildings on freehold land	-	-
<b>Leasehold improvements:</b>		
Leasehold improvements - at 2002 valuation (deprival)	10,236	8,760
Accumulated amortisation	(2,370)	(1,580)
<b>Total leasehold improvements</b>	<b>7,866</b>	<b>7,180</b>
<b>Total land and buildings (non-current)</b>	<b>7,866</b>	<b>7,180</b>
<b>Note 8B: Infrastructure, plant and equipment</b>		
<b>Plant and equipment - at cost:</b>		
Plant and equipment - at cost	8,042	1,724
Accumulated depreciation	(1,623)	(227)
<b>Total plant and equipment - at cost</b>	<b>6,419</b>	<b>1,497</b>
<b>Plant and equipment - at 2003 valuation (master tooling):</b>		
Master tooling - at valuation	463	-
<b>Total plant and equipment - at 2003 valuation (master tooling)</b>	<b>463</b>	<b>-</b>
<b>Plant and equipment - at 2002 valuation (deprival):</b>		
Plant and equipment - at 2002 valuation	3,040	8,299
Accumulated depreciation	(1,782)	(2,153)
<b>Total plant and equipment - at 2002 valuation (deprival)</b>	<b>1,258</b>	<b>6,146</b>
<b>Plant and equipment - at 2001 valuation (deprival):</b>		
Plant and equipment - at 2001 valuation	7,145	8,163
Accumulated depreciation	(6,064)	(6,589)
<b>Total plant and equipment - at 2001 valuation (deprival)</b>	<b>1,081</b>	<b>1,574</b>
<b>Plant and equipment under finance lease:</b>		
Plant and equipment under finance lease	4,857	1,672
Accumulated amortisation	(1,541)	(852)
<b>Total plant and equipment under finance lease</b>	<b>3,316</b>	<b>820</b>
<b>Total infrastructure, plant and equipment (non-current)</b>	<b>12,537</b>	<b>10,037</b>
<b>Note 8C: Intangibles</b>		
<b>Computer software:</b>		
Intangibles - at cost	7,123	5,821
Accumulated amortisation	(4,966)	(3,385)
<b>Total computer software</b>	<b>2,157</b>	<b>2,436</b>
<b>Total intangibles (non-current)</b>	<b>2,157</b>	<b>2,436</b>

## Note 8: Non-financial assets (continued)

### Note 8D: Analysis of property, plant, equipment and intangibles

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

	Land \$'000	Buildings on freehold land \$'000	Buildings - leasehold improvements \$'000	Other plant & equipment \$'000	Computer software \$'000	Total \$'000
<b>As at 1 July 2002:</b>						
Gross book value	-	-	8,760	19,859	5,821	34,440
Accumulated depreciation / amortisation	-	-	(1,580)	(9,822)	(3,385)	(14,787)
<b>Net book value</b>	<b>-</b>	<b>-</b>	<b>7,180</b>	<b>10,037</b>	<b>2,436</b>	<b>19,653</b>
<b>Additions</b>						
By purchase	-	-	1,481	5,518	1,349	8,348
From acquisition of operations	-	-	-	-	-	-
Net revaluation increment / (decrement)	-	-	-	49	-	49
Depreciation / amortisation expense	-	-	(796)	(2,771)	(1,606)	(5,173)
Recoverable amount write-downs	-	-	-	-	-	-
<b>Disposals</b>						
From disposal of operations	-	-	-	-	-	-
From disposal of operations	-	-	1	(296)	(22)	(317)
<b>As at 30 June 2003:</b>						
Gross book value	-	-	10,236	23,547	7,123	40,906
Accumulated depreciation / amortisation	-	-	(2,370)	(11,010)	(4,966)	(18,346)
<b>Net book value</b>	<b>-</b>	<b>-</b>	<b>7,866</b>	<b>12,537</b>	<b>2,157</b>	<b>22,560</b>

## Note 8: Non-financial assets (continued)

### Note 8E: Analysis of property, plant, equipment and intangibles

Table B: Assets at valuation

	Land \$'000	Buildings on freehold land \$'000	Buildings - leasehold improvements \$'000	Other plant & equipment \$'000	Computer software \$'000	Total \$'000
<b>As at 30 June 2003:</b>						
Gross book value	-	-	10,236	10,648	-	20,884
Accumulated depreciation / amortisation	-	-	(2,370)	(7,846)	-	(10,216)
<b>Net book value</b>	-	-	<b>7,866</b>	<b>2,802</b>	-	<b>10,668</b>
<b>As at 30 June 2002:</b>						
Gross book value	-	-	8,760	16,462	-	25,222
Accumulated depreciation / amortisation	-	-	(1,580)	(8,742)	-	(10,322)
<b>Net book value</b>	-	-	<b>7,180</b>	<b>7,720</b>	-	<b>14,900</b>

Note: This table does not include assets purchased in 2002-03 as these assets are held at cost.

Table C: Assets held under finance lease

	Land \$'000	Buildings on freehold land \$'000	Buildings - leasehold improvements \$'000	Other plant & equipment \$'000	Computer software \$'000	Total \$'000
<b>As at 30 June 2003:</b>						
Gross book value	-	-	-	4,857	-	4,857
Accumulated depreciation / amortisation	-	-	-	(1,541)	-	(1,541)
<b>Net book value</b>	-	-	-	<b>3,316</b>	-	<b>3,316</b>
<b>As at 30 June 2002:</b>						
Gross book value	-	-	-	1,672	-	1,672
Accumulated depreciation / amortisation	-	-	-	(852)	-	(852)
<b>Net book value</b>	-	-	-	<b>820</b>	-	<b>820</b>

Note: This table does not include assets purchased in 2002-03 as these assets are held at cost.

**Note 8: Non-financial assets (continued)**

**Note 8E: Analysis of property, plant, equipment and intangibles (continued)**

Table D: Assets under construction

	Land \$'000	Buildings on freehold land \$'000	Buildings - leasehold improvements \$'000	Other plant & equipment \$'000	Computer software \$'000	Total \$'000
<b>As at 30 June 2003:</b>						
Gross book value	-	-	-	-	-	-
<b>As at 30 June 2002:</b>						
Gross book value	-	-	-	149	-	149

## Note 8: Non-financial assets (continued)

	2002-03 \$'000	2001-02 \$'000
<b>Note 8F: Inventories</b>		
Raw materials	7,092	6,620
Work in progress (cost)	1,666	2,249
Finished goods (cost)	6,660	8,353
<b>Inventories held for sale</b>	<b>15,418</b>	<b>17,222</b>
Inventories not held for sale (cost)	-	-
<b>Total inventories</b>	<b>15,418</b>	<b>17,222</b>
<b>Note 8G: Other non-financial assets</b>		
Coin collection - at valuation	5,396	3,660
Prepayments	2,705	2,470
Prepaid precious metal	-	722
<b>Total other non-financial assets</b>	<b>8,101</b>	<b>6,852</b>

Note: Other non-financial assets except for the coin collection are current assets

## Note 9: Interest bearing liabilities

	2002-03 \$'000	2001-02 \$'000
<b>Note 9A: Loans</b>		
Loans from government	-	-
Maturity schedule for loans:		
Payable:		
within one year	-	-
in one to five years	-	-
in more than five years	-	-
<b>Total loan liability</b>	<b>-</b>	<b>-</b>
<b>Note 9A: Leases</b>		
Finance lease commitments:		
Payable		
within one year	1,569	378
in one to five years	1,950	437
in more than five years	-	-
Minimum lease payments	3,519	815
Deduct: future finance charges	(243)	(79)
<b>Net lease liability</b>	<b>3,276</b>	<b>736</b>
Lease liability is represented by:		
Current	1,421	330
Non-current	1,855	406
<b>Lease liability</b>	<b>3,276</b>	<b>736</b>

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

## Note 10: Provisions

	2002-03 \$'000	2001-02 \$'000
<b>Note 10A: Capital use charge provision</b>		
Capital use charge	-	1,281
Balance owing 1 July	1,281	-
Capital use charge provided for during the period	4,954	1,281
Capital use charge paid	6,235	-
Balance owing 30 June	-	1,281
The capital use charge provision is a current liability		
<b>Note 10B: Other provisions</b>		
Fees and sales in advance	1,562	-
<b>Total Other provisions</b>	1,562	-
<b>Note 10C: Employee provisions</b>		
Salaries and wages	141	1,176
Leave	24,196	14,917
Superannuation	22	746
Separations and redundancies	-	-
<b>Aggregate employee entitlement liability</b>	24,359	16,839
Workers' compensation	-	-
Other employee entitlements	155	181
<b>Aggregate employee entitlement liability and related on-costs</b>	24,514	17,020
Current	11,280	7,700
Non-current	13,234	9,320

Note: The Capital Use Charge has been abolished from 1 July 2003.

## Note 11: Payables

	2002-03 \$'000	2001-02 \$'000
<b>Note 11A: Supplier payables</b>		
Trade creditors	3,907	5,655
<b>Total supplier payables</b>	3,907	5,655
All supplier payables are current liabilities.		
<b>Note 11B: Other payables</b>		
Trust fund surplus	318	754
GST payable to ATO	234	-
Other creditors	2,951	4,969
<b>Total other payables</b>	3,503	5,723

Note: All other payables are current liabilities.



## Note 12: Equity

	Accumulated results		Asset revaluation reserves		Contributed equity		Total equity	
	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000
<b>Note 12: Analysis of equity</b>								
Balance 1 July	26,360	18,652	3,618	3,714	4,076	3,763	34,054	26,129
Net surplus / (deficit)	3,732	10,868	-	-	-	-	3,732	10,868
Net revaluation increment / (decrement)	-	-	1,864	(96)	-	-	1,864	(96)
<b>Transactions with owner:</b>								
<b>Distributions to owner:</b>								
Returns on capital	(1,143)	-	-	-	-	-	(1,143)	-
Dividends	-	-	-	-	-	-	-	-
Capital use charge	(4,954)	(3,160)	-	-	-	-	(4,954)	(3,160)
<b>Returns of capital:</b>								
Restructuring	-	-	-	-	-	-	-	-
Returns of contributed equity	-	-	-	-	-	-	-	-
<b>Contributions by owner:</b>								
Appropriations (equity injections)	-	-	-	-	-	313	-	313
Restructuring	-	-	-	-	-	-	-	-
<b>Closing balance as at 30 June</b>	<b>23,995</b>	<b>26,360</b>	<b>5,482</b>	<b>3,618</b>	<b>4,076</b>	<b>4,076</b>	<b>33,553</b>	<b>34,054</b>
Less: outside equity interests	-	-	-	-	-	-	-	-
<b>Total equity attributable to the Commonwealth</b>	<b>23,995</b>	<b>26,360</b>	<b>5,482</b>	<b>3,618</b>	<b>4,076</b>	<b>4,076</b>	<b>33,553</b>	<b>34,054</b>

Note: Return on capital in 2002-03 relates to monies returned to Government due to the cessation of the Agency Banking Incentive Scheme (ABIS).

## Note 13: Cash flow reconciliation

	2002-03 \$'000	2001-02 \$'000
<b>Reconciliation of cash per statement of financial position to statement of cash flows</b>		
Cash at year-end per statement of cash flows	9,211	10,432
Statement of financial position items comprising above cash: financial asset - cash	9,211	10,432
<b>Reconciliation of net surplus to net cash from operating activities</b>		
Net surplus	3,732	10,868
Depreciation / amortisation	5,172	3,939
Loss on disposal of non-current assets	159	69
Gain on disposal of non-current assets	-	(9)
Net write down of non-financial assets	55	2,127
Assets recognised for the first time	-	(274)
(Increase)/decrease in net receivables	(12,715)	3,714
(Increase)/decrease in other non financial assets	533	(298)
(Increase)/decrease in inventories	1,804	(3,208)
Increase/(decrease) in employee provisions	7,493	988
Increase/(decrease) in other liabilities	(657)	(2,382)
Increase/(decrease) in supplier payables	(1,748)	(2,667)
<b>Net cash from operating activities</b>	<b>3,828</b>	<b>12,868</b>

## **Note 14: Contingent liabilities and assets**

### **Quantifiable Contingencies**

The Schedule of Contingencies reports liabilities in respect of claims for damages/costs of \$400,000 (2002: \$400,000). The amount represents an estimate of Treasurer's liability based on precedent cases. Treasury is defending the claim.

The Schedule also reports contingent assets in respect of claims for damages/costs of \$7,000 (2002: \$80,000). Treasury is expecting to succeed in claims against suppliers, although the cases are continuing. The estimate is based on precedent cases.

### **Remote Contingencies**

The Treasury has no remote contingencies.

## Note 15: Executive remuneration

Total remuneration includes actual salary, all allowances, employer superannuation component, vehicle costs and an estimate of the non-salary component of the Senior Executive Service package.

The number of senior executives who received or were due to receive total remuneration of \$100,000 or more:

	2002-03	2001-02
\$100,000 to \$110,000	1	-
\$110,001 to \$120,000	1	-
\$120,001 to \$130,000	2	1
\$130,001 to \$140,000	5	2
\$140,001 to \$150,000	8	7
\$150,001 to \$160,000	6	8
\$160,001 to \$170,000	6	5
\$170,001 to \$180,000	7	3
\$180,001 to \$190,000	4	1
\$190,001 to \$200,000	3	5
\$200,001 to \$210,000	2	-
\$210,001 to \$220,000	4	1
\$230,001 to \$240,000	1	1
\$240,001 to \$250,000	1	-
\$260,001 to \$270,000	-	1
\$280,001 to \$290,000	1	-
\$290,001 to \$300,000	1	-
\$300,001 to \$310,000	1	1
\$410,000 to \$420,000	1	-
	<b>55</b>	<b>36</b>
The aggregate amount of total remuneration of executives shown above	<b>\$9,859,307</b>	<b>\$6,194,862</b>
The aggregate amount of separation and redundancy/termination benefit payments during the year to executives shown above.	<b>\$50,611</b>	<b>\$340,005</b>

## Note 16: Remuneration of Auditors

	2002-03	2001-02
	\$'000	\$'000
Financial statement audit services are provided free of charge to the department.		
The fair value of the services provided was:		
Royal Australian Mint	100	80
Treasury	252	198
<b>Total</b>	<b>352</b>	<b>278</b>

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

## Note 17: Average staffing levels

	2002-03	2001-02
Treasury	732	562
Royal Australian Mint	98	99
<b>Total</b>	<b>830</b>	<b>661</b>

## Note 18: Act of Grace payments, waivers and defective administration scheme

	2002-03	2001-02
	\$	\$
No 'Act of Grace' payments were made during the reporting period. ( 2002: one payment made)	-	7,000
No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> . (2002: no waivers made)	-	-

## Note 19: Consolidation

	Treasury		Royal Australian Mint		Total	
	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenues from ordinary activities</b>						
Revenues from government	104,713	87,607	100	80	104,813	87,687
Sales of goods and services	4,546	2,219	39,075	65,477	43,621	67,696
Interest	314	731	744	764	1,058	1,495
Revenue from sale of assets	67	52	63	-	130	52
Other	1,654	274	17	125	1,671	399
<b>Total revenues from ordinary activities</b>	<b>111,294</b>	<b>90,883</b>	<b>39,999</b>	<b>66,446</b>	<b>151,293</b>	<b>157,329</b>
<b>Expenses from ordinary activities (excluding borrowing costs expense)</b>						
Employees	69,305	45,594	5,900	6,132	75,205	51,726
Suppliers	34,504	29,456	31,571	57,724	66,075	87,180
Depreciation and amortisation	4,642	3,440	530	528	5,172	3,968
Write down of assets	-	2,191	55	-	55	2,191
Value of assets sold	239	44	50	-	289	44
<b>Total expenses from ordinary activities (excluding borrowing costs expense)</b>	<b>108,690</b>	<b>80,725</b>	<b>38,106</b>	<b>64,384</b>	<b>146,796</b>	<b>145,109</b>
<b>Borrowing costs expense</b>	<b>196</b>	<b>749</b>	<b>-</b>	<b>-</b>	<b>196</b>	<b>749</b>
<b>Net surplus / (deficit) from ordinary activities before equivalent income tax</b>	<b>2,408</b>	<b>9,409</b>	<b>1,893</b>	<b>2,062</b>	<b>4,301</b>	<b>11,471</b>
Income tax expense equivalent	-	-	(569)	(603)	(569)	(603)
<b>Net surplus / (deficit) after income tax expense</b>	<b>2,408</b>	<b>9,409</b>	<b>1,324</b>	<b>1,459</b>	<b>3,732</b>	<b>10,868</b>
Net credit / (debit) to asset revaluation reserve	-	(96)	1,864	-	1,864	(96)
Decrease in accumulated results on initial application of fair value under accounting standard AASB 1041 <i>Revaluation of Non-current Assets</i>	-	-	-	-	-	-
<b>Total revenues, expenses and valuation adjustments attributable to the Australian Government and recognised directly in equity</b>	<b>-</b>	<b>(96)</b>	<b>1,864</b>	<b>-</b>	<b>1,864</b>	<b>(96)</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	<b>2,408</b>	<b>9,313</b>	<b>3,188</b>	<b>1,459</b>	<b>5,596</b>	<b>10,772</b>

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

## Note 19: Consolidation (continued)

	Treasury		Royal Australian Mint		Total	
	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000
<b>ASSETS</b>						
<b>Financial assets</b>						
Cash	3,754	8,368	5,457	2,064	9,211	10,432
Receivables	12,948	1,213	2,077	1,097	15,025	2,310
Other investments	-	8,000	-	-	-	8,000
<b>Total financial assets</b>	<b>16,702</b>	<b>17,581</b>	<b>7,534</b>	<b>3,161</b>	<b>24,236</b>	<b>20,742</b>
<b>Non-financial assets</b>						
Land and buildings	7,866	7,180	-	-	7,866	7,180
Infrastructure, plant and equipment	9,634	6,966	2,903	3,071	12,537	10,037
Inventories	-	-	15,418	17,222	15,418	17,222
Intangibles	1,822	2,010	335	426	2,157	2,436
Other	2,610	1,968	5,491	4,884	8,101	6,852
<b>Total non-financial assets</b>	<b>21,932</b>	<b>18,124</b>	<b>24,147</b>	<b>25,603</b>	<b>46,079</b>	<b>43,727</b>
<b>Total assets</b>	<b>38,634</b>	<b>35,705</b>	<b>31,681</b>	<b>28,764</b>	<b>70,315</b>	<b>64,469</b>
<b>LIABILITIES</b>						
<b>Interest bearing liabilities</b>						
Leases	3,276	736	-	-	3,276	736
<b>Total interest bearing liabilities</b>	<b>3,276</b>	<b>736</b>	<b>-</b>	<b>-</b>	<b>3,276</b>	<b>736</b>
<b>Provisions</b>						
Capital Use Charge	-	1,281	-	-	-	1,281
Employees	21,681	14,410	2,833	2,429	24,514	16,839
Other	-	160	1,562	21	1,562	181
<b>Total provisions</b>	<b>21,681</b>	<b>15,851</b>	<b>4,395</b>	<b>2,450</b>	<b>26,076</b>	<b>18,301</b>
<b>Payables</b>						
Suppliers	2,249	3,725	1,658	1,930	3,907	5,655
Other	2,103	2,378	1,400	3,345	3,503	5,723
<b>Total payables</b>	<b>4,352</b>	<b>6,103</b>	<b>3,058</b>	<b>5,275</b>	<b>7,410</b>	<b>11,378</b>
<b>Total liabilities</b>	<b>29,309</b>	<b>22,690</b>	<b>7,453</b>	<b>7,725</b>	<b>36,762</b>	<b>30,415</b>
<b>NET ASSETS</b>	<b>9,325</b>	<b>13,015</b>	<b>24,228</b>	<b>21,039</b>	<b>33,553</b>	<b>34,054</b>
<b>EQUITY</b>						
Asset revaluation reserve	624	624	4,858	2,994	5,482	3,618
Contributed equity	3,763	3,763	313	313	4,076	4,076
Retained surpluses	4,938	8,628	19,057	17,732	23,995	26,360
<b>Total equity</b>	<b>9,325</b>	<b>13,015</b>	<b>24,228</b>	<b>21,039</b>	<b>33,553</b>	<b>34,054</b>

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

## Note 20: Financial instruments

### Note 20A: Terms, conditions and accounting policies

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)
<b>Financial assets</b>			
		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	7A	Deposits are recognised at their nominal amounts. Interest on cash at bank is credited to revenue as it accrues.	The Treasury maintains bank accounts with the Reserve Bank of Australia for the administration of petty cash and for the receipt and payment of monies. The Royal Australian Mint maintains its own commercial accounts for the conduct of its business operations.  Credit terms are net 30 days (2002: 30 days).
Receivables for goods and services	7B	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.	
Interest receivable	7B	Interest is accrued as it is earned.	The Treasury maintains term deposit accounts with the Reserve Bank of Australia.
Appropriations receivable	7B	These are recognised at their nominal amounts.	Amounts appropriated by the Parliament in the current or previous years which are available to be drawn down by Treasury. Also includes amounts to be appropriated by the Parliament in a future year for services provided in previous years under a purchasing, workload or similar agreement.



## Note 20: Financial instruments (continued)

### Note 20A: Terms, conditions and accounting policies (continued)

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)
<b>Financial liabilities</b>			
		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Finance lease liabilities	9	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.	At reporting date, the Treasury had finance leases with terms averaging 3 years and a maximum term of five years. The interest rate implicit in the leases averaged 5.18 per cent (2002: 9.06 per cent). The lease assets secure the lease liabilities.
Capital Use Charge payable	10A	This payable is recognised as the amount outstanding on the estimated amount to be paid in accordance with the calculations outlined by the Department of Finance and Administration.	There is no CUC payable in 2002-03. In 2001-02 the final amount payable was based on 11% of the closing balance of Equity less movements in the Asset Revaluation Reserve and any capital injections, less any amount settled before 30 June 2002.
Trade creditors and accruals	11A	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).	All creditors are entities that are not part of the Commonwealth legal entity. Settlement is usually made net 30 days.

## Note 20: Financial instruments (continued)

### Note 20B: Interest rate risk

Financial instrument	Notes	Floating interest rate		Fixed interest rate				Non-interest bearing		Total		Weighted average effective interest rate	
		rate		Maturing in		> 5 years		bearing		\$'000		%	
		02-03 \$'000	01-02 \$'000	02-03 \$'000	01-02 \$'000	02-03 \$'000	01-02 \$'000	02-03 \$'000	01-02 \$'000	02-03 \$'000	01-02 %	02-03 %	
<b>Financial assets</b>													
Cash at bank	7A	5,457	10,432	-	-	-	-	3,754	-	9,211	10,432	2.00	4.40
Investments	7C	-	-	8,000	-	-	-	-	-	-	8,000	-	4.40
Receivables for goods and services (gross)	7B	-	-	-	-	-	-	1,759	1,917	1,759	1,917	-	-
Other receivables	7B	-	-	-	-	-	-	1,222	-	1,222	-	-	-
Interest receivable	7B	-	-	-	-	-	-	49	-	49	-	-	-
Appropriation receivable	7B	-	-	-	-	-	-	12,000	-	12,000	-	-	-
<b>Total financial assets</b>		<b>5,457</b>	<b>10,432</b>	<b>-</b>	<b>8,000</b>	<b>-</b>	<b>-</b>	<b>18,784</b>	<b>1,917</b>	<b>24,241</b>	<b>20,349</b>	<b>n/a</b>	<b>n/a</b>
<b>TOTAL ASSETS</b>										<b>70,315</b>	<b>64,469</b>	<b>n/a</b>	<b>n/a</b>
<b>Financial liabilities</b>													
Finance lease liabilities	9	-	-	1,421	330	1,855	406	-	-	3,276	736	5.18	9.06
Capital usage charge	10A	-	-	-	-	-	-	-	1,281	-	1,281	-	11.00
Trade creditors	11A	-	-	-	-	-	-	3,907	5,655	3,907	5,655	-	-
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>1,421</b>	<b>330</b>	<b>1,855</b>	<b>406</b>	<b>3,907</b>	<b>6,936</b>	<b>7,183</b>	<b>7,672</b>	<b>n/a</b>	<b>n/a</b>
<b>TOTAL LIABILITIES</b>										<b>36,762</b>	<b>30,415</b>	<b>n/a</b>	<b>n/a</b>
Unrecognised indemnity													

## Note 20: Financial instruments (continued)

### Note 20C: Net fair values of financial assets and liabilities

	Note	2002-03		2001-02	
		Total carrying amount \$'000	Aggregate net fair value \$'000	Total carrying amount \$'000	Aggregate net fair value \$'000
<b>Departmental financial assets</b>					
Cash at bank	7A	9,211	9,211	10,432	10,432
Interest receivable	7B	49	49	-	-
Appropriations receivable	7B	12,000	12,000	-	-
Investments	7C	-	-	8,000	8,000
Other receivables (net)	7B	2,976	2,976	1,917	1,917
<b>Total financial assets</b>		<b>24,236</b>	<b>24,236</b>	<b>20,349</b>	<b>20,349</b>
<b>Financial liabilities (recognised)</b>					
Finance lease liabilities	9	3,276	3,118	736	736
Capital usage charge	10A	-	-	1,281	1,281
Trade creditors	11A	3,907	3,907	5,655	5,655
<b>Total financial liabilities (recognised)</b>		<b>7,183</b>	<b>7,025</b>	<b>7,672</b>	<b>7,672</b>
<b>Financial liabilities (unrecognised)</b>					
Remote contingencies	14	-	-	-	-

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

The net fair values of the finance lease and government loan liabilities are based on discounted cash flows using current interest rates for liabilities with similar risk profiles.

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

The net fair value of the indemnity given is taken to be nil as the likelihood of any part of it being called upon is regarded as remote.

## **Note 20: Financial Instruments (continued)**

### **Note 20D: 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 Financial Position.

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

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

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

## Note 21: Revenues administered on behalf of government

for the year ended 30 June 2003

	2002-03 \$'000	2001-02 \$'000
<b>Interest</b>		
Interest on Papua New Guinea loan	11,872	13,136
Other	651	543
<b>Total interest</b>	<b>12,523</b>	<b>13,679</b>
<b>Dividends</b>		
Reserve Bank of Australia	1,889,226	2,833,702
<b>Total dividends</b>	<b>1,889,226</b>	<b>2,833,702</b>
<b>Goods and services</b>		
GST Administration fees - external entities	562,955	516,133
<b>Total goods and services</b>	<b>562,955</b>	<b>516,133</b>
<b>Other revenue</b>		
Write back of HCS Scheme	-	43,000
IMF remuneration	51,830	52,879
Royal Australian Mint - monies in excess of requirements	81,539	127,332
Other	14,217	21,718
<b>Total other revenue</b>	<b>147,586</b>	<b>244,929</b>
<b>Total revenues administered on behalf of government</b>	<b>2,612,290</b>	<b>3,608,443</b>

## Note 22: Expenses administered on behalf of government

for the year ended 30 June 2003

	2002-03 \$'000	2001-02 \$'000
<b>Grants</b>		
Grants to State and Territory governments	32,379,454	31,620,953
Other	78,984	347,450
<b>Total grants</b>	<b>32,458,438</b>	<b>31,968,403</b>
<b>Net foreign exchange loss/(gain)</b>		
IMF SDR allocation	(111,843)	(54,253)
IMF maintenance of value	(228,288)	(307,611)
IMF quota revaluation	769,255	373,151
Other	(15,952)	(1,870)
<b>Total net foreign exchange loss</b>	<b>413,172</b>	<b>9,417</b>
<b>Other expenses</b>		
IMF charges	21,263	28,401
HLIC claims <sup>1</sup>	86	11,867
HCS Scheme claims <sup>2</sup>	255,789	-
UMP/AMIL claims	-	500,800
Other	-	1
<b>Total other expenses</b>	<b>277,138</b>	<b>541,069</b>
<b>Total expenses administered on behalf of government</b>	<b>33,148,748</b>	<b>32,518,889</b>

1. HLIC claims expenses include payments and management fees.

2. HCS Scheme claims expenses include payments and management fees.

## Note 23: Assets administered on behalf of government

as at 30 June 2003

	2002-03 \$'000	2001-02 \$'000
<b>Financial assets</b>		
<b>Cash</b>		
Administered bank accounts - Department of the Treasury	5,665	8,041
<b>Receivables</b>		
Net GST receivable	312	1,308
PNG loan interest receivable	-	13,136
HLIC premiums receivable	4,803	4,852
IMF related moneys owing	235,289	315,879
Gold Corporation royalty receivable	-	980
Other	26	15
<b>Total receivables (net)</b>	<b>240,430</b>	<b>336,170</b>
Receivables (gross) are aged as follows:		
Not overdue	240,430	336,170
<b>Loans</b>		
Loan to Papua New Guinea	142,906	192,152
Maturity schedule for loans as at 30 June 2003 is as follows:		
Payable:		
within one year	64,051	49,246
in one to two years	64,051	64,050
in two to five years	14,804	78,856
<b>Total loans</b>	<b>142,906</b>	<b>192,152</b>
<b>Investments</b>		
<b>International financial institutions</b>		
Asian Development Bank	287,069	281,431
European Bank for Reconstruction and Development	85,267	87,262
International Finance Corporation	69,144	69,144
International Bank for Reconstruction and Development	259,049	258,958
Multilateral Investment Guarantee Agency	10,694	10,818
<b>Total international financial institutions</b>	<b>711,223</b>	<b>707,613</b>
<b>Quota</b>		
International Monetary Fund	6,797,732	7,566,986
<b>Commonwealth entities</b>		
Reserve Bank of Australia	8,035,041	8,035,041
Australian Securities and Investments Commission	4,267	4,267
Corporations and Markets Advisory Committee	332	332
Australian Prudential Regulation Authority	5,255	-
<b>Total Commonwealth entities</b>	<b>8,044,895</b>	<b>8,039,640</b>
<b>Total investments</b>	<b>15,553,850</b>	<b>16,314,239</b>
<b>Non-financial assets</b>		
Deferred acquisition costs	817	1,781
Prepayment of BBA grants to States and Territories	544,879	-
Property, plant and equipment	80	106
Other prepayments	383	242
<b>Total non-financial assets</b>	<b>546,159</b>	<b>2,129</b>
<b>Total assets administered on behalf of government</b>	<b>16,489,010</b>	<b>16,852,731</b>

## Note 24: Liabilities administered on behalf of government

as at 30 June 2003

	2002-03 \$'000	2001-02 \$'000
<b>Loans</b>		
IMF promissory notes	4,028,948	4,843,440
Other promissory notes	81,628	98,497
<b>Total loans</b>	<b>4,110,576</b>	<b>4,941,937</b>
Maturity schedule for loans is as follows:		
Payable:		
within one year	6,967	7,018
in one to two years	6,390	6,427
in two to five years	1,734	6,427
Promissory notes payable on demand	4,095,485	4,922,065
<b>Total loans</b>	<b>4,110,576</b>	<b>4,941,937</b>
<b>Grants</b>		
IMF - poverty reduction and growth facility	15,000	17,500
Maturity schedule for loans 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	2,500	5,000
<b>Total Grants</b>	<b>15,000</b>	<b>17,500</b>
<b>Subsidies</b>		
Provision for direct assistance payments	183	189
<b>Total grants and subsidies</b>	<b>15,183</b>	<b>17,689</b>
<b>Suppliers payable</b>		
Trade creditors	-	4,237
<b>Other Payables</b>		
GST appropriation payable	347	1,540
IMF SDR allocation	988,332	1,100,175
IMF related monies owing	2,754	4,186
Other	16,840	14,764
<b>Total other payables</b>	<b>1,008,273</b>	<b>1,120,665</b>
<b>Other Provisions</b>		
Provision for insurance claims	12,809	18,320
Provision for unearned premiums	5,582	11,557
Provision for HCS Scheme	457,832	496,350
Provision for UMP/AMIL claims	-	500,800
<b>Total other provisions</b>	<b>476,223</b>	<b>1,027,027</b>
<b>Total other provisions and payables</b>	<b>1,484,496</b>	<b>2,147,692</b>
<b>Total provisions and payables</b>	<b>1,484,496</b>	<b>2,151,929</b>
<b>Total liabilities administered on behalf of government</b>	<b>5,610,255</b>	<b>7,111,555</b>

## Note 25: Administered reconciliation table

	Note	2002-03 \$'000
<b>Administered assets less administered liabilities as at 1 July</b>		<b>9,741,176</b>
<i>Plus</i> Administered revenues		2,612,291
<i>Less</i> Administered expenses		(33,148,748)
Administered transfers to/from Government		
Appropriation transfers from OPA		34,025,272
Transfers to OPA		(2,972,773)
Administered revaluations taken to/from reserves		-
Transfer of UMP/AMIL Scheme	1.29	500,800
Change in Accounting Policy	1.29	120,737
<b>Administered assets less administered liabilities as at 30 June</b>		<b>10,878,755</b>



## Note 26: Administered contingent liabilities and assets

### Quantifiable administered contingencies

Quantifiable Administered Contingencies that are not remote are disclosed in the Schedule of Administered Items as Quantifiable Administered Contingencies.

### Quantifiable administered contingencies.

#### Unquantifiable administered contingencies

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

The scheme will provide a pool of funds (initially planned to accumulate to about \$300 million) generated by reinsurance premiums paid to the ARPC. The pool will be supplemented by a back up line of credit of \$1 billion, underwritten by the Commonwealth, as well as a Commonwealth Government indemnity of \$9 billion, giving aggregate cover of up to \$10.3 billion when the fund is fully funded. Under the Terrorism Insurance Bill 2002, the Commonwealth guarantees the payment of liabilities incurred by the ARPC. The ARPC may recoup payouts under the scheme by increasing premiums for terrorism insurance, and pass these funds on to the Commonwealth. However, such repayments to the Commonwealth may take some years.

##### *Contingent gain*

As a beneficiary of the HIH Claims Support Trust, the Commonwealth will be entitled to the residual balance of the Trust, after the collection of recoveries and making of payments to claimants. Due to the inherent uncertainty regarding the measurement of the recoveries, it is not possible to quantify these amounts at this time.

## Note 26: Administered contingent liabilities and assets (continued)

### Remote administered contingencies

#### Guarantees

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

<b>Borrower</b>	<b>Legislation authorising guarantee</b>	<b>Principal covered by guarantee 2002-03</b>	<b>Balance outstanding 2002-03</b>	<b>Balance outstanding 2001-02</b>
Papua New Guinea	<i>PNG Act 1949-75 and PNG Loans Guarantee Act 1975</i>	<b>5,170,000</b>	<b>5,170,000</b>	5,470,000
Housing Loans Insurance Corporation	<i>HLIC Act 1965</i>	<b>19,036,000</b>	<b>19,036,000</b>	(c)
Commonwealth Bank of Australia <sup>(a)</sup>	<i>CBA Act 1959 s117</i>	(c)	(c)	(c)
Commonwealth Bank of Australia Officers' Superannuation Fund <sup>(a)</sup>	<i>CBA Act 1959 s117</i>	(c)	(c)	(c)
Commonwealth Development Bank <sup>(a)</sup>	<i>CBA Act 1959 s117</i>	(c)	(c)	(c)
Reserve Bank of Australia <sup>(b)</sup>	<i>RBA Act s77</i>	<b>41,131,000,000</b>	<b>41,131,000,000</b>	48,724,000,000
<b>Total</b>		<b>41,155,206,000</b>	<b>41,155,206,000</b>	48,729,470,000

- (a) Under the terms of the Commonwealth Bank Sale Act 1995, the Commonwealth has guaranteed various liabilities of the Commonwealth Bank of Australia (CBA), the Commonwealth Bank Officers' Superannuation Corporation (CBOSC) and the Commonwealth Development Bank. The guarantee for the CBA relates to both on and off balance sheet liabilities. The guarantee of the CBOSC covers the due payments of any amount that is payable to or from Officers' of the Superannuation Fund (the Fund), by CBOSC or by CBA, in respect of a person who was a member, retired member or beneficiary of the Fund immediately before 19 July 1996. As of 1 July 1996 the Commonwealth Development Bank ceased to write new business and no additional liabilities are being incurred. The existing contingent liability will gradually decline with the retirement of existing loans and exposures.
- (b) The contingent liability for the Reserve Bank of Australia, (RBA) relates to the Commonwealth's guarantee of the RBA. It is measured as the Bank's total liabilities excluding capital, reserves and Commonwealth deposits. The RBA Guarantee for 2001-02 includes Commonwealth deposits.
- (c) At the finalisation of these statements this was not reliably measurable.

#### HIH Claims Support Scheme

The Commonwealth has a number of indemnities and guarantees in respect of the HIH Support Scheme.

## Note 27: Administered investments

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

### Development Banks

Investments in development banks are classified as non-monetary assets and owing to their nature, these investments are not revalued. As such, these investments are recognised at historical cost where the information is available. Where historical cost records are not readily obtainable, a notional cost has been established at 30 June 1993 by reference to the development banks' financial statements and exchange rates at the time. Initial investments in the European Bank for Reconstruction and Development, Asian Development Bank, the International Finance Corporation and the International Bank for Reconstruction and Development have been recognised at notional cost. Subsequent capital subscriptions have been recognised at historical cost. Investment in the Multilateral Investment Guarantee Agency is recognised at historical cost.

### International Monetary Fund

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

The Special Drawing Rights 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 'Other 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. Where the Commonwealth entities controlled by the portfolio came into existence after 30 June 1997. The investment is valued at the Commonwealth's share of capital contributions by Government at the date of inception.

## Note 28: Administered financial instruments

### (a) Terms, conditions and accounting policies

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)
<b>FINANCIAL ASSETS</b>			
Cash	21	<p>Financial assets are recognised when control over future economic benefits can be established and the amount of the benefit can be reliably measured.</p> <p>Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.</p>	<p>The department maintains 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 wind-up or sale of the HLIC.</p>
International Monetary Fund monies owing	21	<p>Amounts owing from the International Monetary Fund are credited to revenue as they accrue.</p>	<p>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.</p>
Loan receivable	21	<p>The loan to Papua New Guinea is measured at the amount lent. Collectibility 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 considered to be less than rather than more likely. In rare circumstances, loan repayment may be waived. Interest is credited to revenue as it accrues.</p>	<p>The loan to Papua New Guinea is made under contract with the principal and interest components of the loan to be repaid in full by 30 June 2006. The interest rate on the loan is fixed at 6.80 per cent per annum.</p>

## Note 28: Administered financial instruments (continued)

### (a) Terms, conditions and accounting policies (continued)

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)
<b>FINANCIAL LIABILITIES</b>			
Grant liabilities	22	<p>Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.</p> <p>Grants are recognised to the extent that:</p> <ul style="list-style-type: none"> <li>* the services required to be performed by the grantee have been performed; or</li> <li>* the grant eligibility criteria have been satisfied and settlement is outstanding.</li> </ul>	<p>This represents Australia's contribution to the Poverty Reduction and Growth Facility (PRGF), previously known as the Enhanced Structural Adjustment Facility (EASF), of the IMF. The PRGF will enable the IMF to provide concessional funding to support medium term macroeconomic adjustment and structural reforms in low income countries. The PRGF will assist Australia to promote its international economic and aid interests with developing countries in the Asian region. Australia's contribution involves \$30 million to be paid in annual instalments of \$2.5 million over a 12-year period.</p>
International Monetary Fund (IMF) Special Drawing Right (SDR) allocation liability	22	<p>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.</p>	<p>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.</p>
Loans - promissory notes	22	<p>The promissory notes are measured at nominal face value.</p>	<p>The Department has on issue promissory notes to the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), the Asian Development Bank (ADB) and European Bank for Reconstruction and Development (EBRD), Multilateral Investment Guarantee Agency (MIGA). These promissory notes are in relation to undrawn paid-in capital subscriptions. Promissory notes to the value of \$4.1 billion do not possess established drawdown schedules. The promissory notes are non-interest bearing.</p>

## Note 28: Administered financial instruments (continued)

### (a) Terms, conditions and accounting policies (continued)

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)
<b>UNRECOGNISED FINANCIAL LIABILITIES</b>			
Other guarantees	26	The amounts guaranteed by the Commonwealth have been disclosed in Note 26. At the time of completion of the financial statements, there was no reason to believe that the guarantees would be called upon, and recognition of a liability was therefore not required.	The Guarantees are in relation to the Reserve Bank of Australia, Papua New Guinea, Commonwealth Bank of Australia, Commonwealth Bank of Australia Officers Superannuation Fund, the Commonwealth Development Bank and the HIH Claims Support Scheme.
Indemnities	26	The maximum amount payable under the indemnities given is disclosed in the Schedule of Contingencies. At the time of completion of the financial statements, there was no reason to believe that the indemnities would be called upon, and recognition of the liability was therefore not required.	The Commonwealth has a number of indemnities in respect of the HIH Claims Support Scheme.

## Note 28: Administered financial instruments (continued)

### (b) Administered interest rate risk

Financial instrument	Notes	Floating interest rate		Fixed interest rate				Non-interest bearing		Total		Weighted average effective interest rate	
		02-03 \$'000	01-02 \$'000	< 1 year 02-03 \$'000	01-02 \$'000	1 to 5 years 02-03 \$'000	01-02 \$'000	> 5 years 02-03 \$'000	01-02 \$'000	02-03 \$'000	01-02 \$'000	02-03 \$'000	01-02 %
<b>Financial Assets</b>													
Cash	23	5,665	7,857	-	-	-	-	184	-	5,665	8,041	4.76	4.10
Interest receivable	23	-	-	13,136	-	-	-	-	-	-	13,136	-	7.05
IMF monies owing	23	-	-	-	-	-	-	235,289	315,879	235,289	315,879	-	-
Loan to PNG	23	-	-	64,051	49,246	78,855	142,906	-	-	142,906	192,152	6.80	7.05
Other receivables	23	-	-	-	-	-	-	26	995	26	995	-	-
<b>Total</b>		<b>5,665</b>	<b>7,857</b>	<b>64,051</b>	<b>62,382</b>	<b>78,855</b>	<b>142,906</b>	<b>235,315</b>	<b>317,058</b>	<b>383,886</b>	<b>530,203</b>		
<b>Total assets</b>										<b>16,489,010</b>	<b>16,852,731</b>		
<b>Financial Liabilities</b>													
Grant liabilities	24	-	-	-	-	-	-	15,000	17,500	15,000	17,500	-	-
IMF allocation liability	24	988,332	-	-	-	-	-	-	1,100,175	988,332	1,100,175	2.55	-
Loans - promissory notes	24	-	-	-	-	-	-	4,110,576	4,941,937	4,110,576	4,941,937	-	-
Other	24	-	-	-	-	-	-	496,347	1,020,526	496,347	1,020,526	-	-
<b>Total</b>		<b>988,332</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,621,923</b>	<b>7,080,138</b>	<b>5,610,255</b>	<b>7,080,138</b>		
<b>Total Liabilities</b>										<b>5,610,255</b>	<b>7,111,555</b>		
<b>Unrecognised</b>													
Unrecognised indemnity	26	-	-	-	-	-	-	41,155,206	48,729,470	41,155,206	48,729,470	n/a	n/a

## Note 28: Administered financial instruments (continued)

### (c) Net fair values of financial assets and liabilities

	Note	2002-03		2001-02	
		Total carrying amount	Aggregate net fair value	Total carrying amount	Aggregate net fair value
		2002-03 \$'000	2002-03 \$'000	2001-02 \$'000	2001-02 \$'000
<b>Administered</b>					
<b>Financial assets</b>					
Cash	23	5,665	5,665	8,041	8,041
Interest receivable	23	-	-	13,136	13,136
IMF related monies owing	23	235,289	235,289	315,879	315,879
Loan to Papua New Guinea	23	142,906	142,906	192,152	192,152
Other receivables	23	26	26	995	995
<b>Total financial assets</b>		<b>383,886</b>	<b>383,886</b>	<b>530,203</b>	<b>530,203</b>
<b>Financial liabilities (recognised)</b>					
Grant liabilities	24	15,000	15,000	17,500	17,500
IMF allocation liability	24	988,332	988,332	1,100,175	1,100,175
Loans - promissory notes	24	4,110,576	4,110,576	4,941,937	4,941,937
Other	24	496,347	496,347	1,020,526	1,051,943
<b>Total financial liabilities (recognised)</b>		<b>5,610,255</b>	<b>5,610,255</b>	<b>7,080,138</b>	<b>7,111,555</b>
<b>Financial liabilities (unrecognised)</b>					
Guarantees	26	41,155,206	41,155,206	48,729,470	48,729,470
<b>Total financial liabilities (unrecognised)</b>		<b>41,155,206</b>	<b>41,155,206</b>	<b>48,729,470</b>	<b>48,729,470</b>

#### Financial assets

The net fair values of cash and non-interest-bearing monetary financial assets approximate their carrying amounts. The net fair value of loans receivable are based on discounted cash flows using current interest rates for assets with similar risk profiles. Loan to Papua New Guinea is carried at cost which is above their net fair value. It is intended that all loans will be held until maturity.

#### Financial liabilities

The net fair values of unrecognised guarantees and indemnities are subsequently below the Government's maximum exposure, because the likelihood that they will be called upon has been assessed as remote.

The net fair values for trade creditors and grant liabilities are short-term in nature and are approximated by their carrying amounts.



## Note 29: Administered consolidation

	Treasury		HCS Scheme		Total	
	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000
<b>Interest revenue</b>						
Interest on Papua New Guinea loan	11,872	13,136	-	-	11,872	13,136
Other	-	79	650	464	650	543
<b>Total interest revenue</b>	<b>11,872</b>	<b>13,215</b>	<b>650</b>	<b>464</b>	<b>12,522</b>	<b>13,679</b>
<b>Dividend revenue</b>						
Reserve Bank of Australia	1,889,226	2,833,702	-	-	1,889,226	2,833,702
<b>Goods and services</b>						
GST administration fees	562,955	516,133	-	-	562,955	516,133
<b>Other revenue</b>						
Write back of HCS Scheme	-	43,000	-	-	-	43,000
IMF remuneration	51,830	52,879	-	-	51,830	52,879
Other revenue	95,756	149,049	-	1	95,756	149,050
<b>Total other revenue</b>	<b>147,586</b>	<b>244,928</b>	<b>-</b>	<b>1</b>	<b>147,586</b>	<b>244,929</b>
<b>Total revenues administered on behalf of government</b>	<b>2,611,639</b>	<b>3,607,978</b>	<b>650</b>	<b>465</b>	<b>2,612,289</b>	<b>3,608,443</b>
<b>Grants</b>						
Grants to State and Territory governments	32,379,454	31,620,953	-	-	32,379,454	31,620,953
Other	78,984	347,450	-	-	78,984	347,450
<b>Total grants</b>	<b>32,458,438</b>	<b>31,968,403</b>	<b>-</b>	<b>-</b>	<b>32,458,438</b>	<b>31,968,403</b>
<b>Exchange loss</b>						
IMF SDR allocation	(111,843)	(54,253)	-	-	(111,843)	(54,253)
IMF maintenance of value	(228,288)	(307,611)	-	-	(228,288)	(307,611)
IMF quota revaluation	769,255	373,151	-	-	769,255	373,151
Other	(15,952)	(1,870)	-	-	(15,952)	(1,870)
<b>Total net foreign exchange loss</b>	<b>413,172</b>	<b>9,417</b>	<b>-</b>	<b>-</b>	<b>413,172</b>	<b>9,417</b>
<b>Other Expenses</b>						
IMF charges	21,263	28,401	-	-	21,263	28,401
HLIC claims <sup>1</sup>	86	11,867	-	-	86	11,867
HCS Scheme claims <sup>2</sup>	255,789	-	-	-	255,789	-
UMP/AMIL claims	-	500,800	-	-	-	500,800
Other	-	1	-	-	-	1
<b>Total other expenses</b>	<b>277,138</b>	<b>541,069</b>	<b>-</b>	<b>-</b>	<b>277,138</b>	<b>541,069</b>
<b>Total expenses administered on behalf of government</b>	<b>33,148,748</b>	<b>32,518,889</b>	<b>-</b>	<b>-</b>	<b>33,148,748</b>	<b>32,518,889</b>

1 HLIC claims expenses include payments and management fees.

2 HCS Scheme claims expenses include payments and management fees.

## Note 29: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000
<b>Financial assets</b>						
<b>Cash</b>						
Cash at bank and on hand	2,453	3,087	3,212	4,954	5,665	8,041
<b>Receivables</b>						
Repayment of subsidies	-	-	-	-	-	-
Net GST receivable	312	1,193	-	115	312	1,308
PNG loan interest receivable	-	13,136	-	-	-	13,136
HLIC premiums receivable	4,803	4,852	-	-	4,803	4,852
IMF related moneys owing	235,289	315,879	-	-	235,289	315,879
Gold Corporation royalty receivable	-	980	-	-	-	980
Other	-	-	26	15	26	15
<b>Total receivables</b>	<b>240,404</b>	<b>336,040</b>	<b>26</b>	<b>130</b>	<b>240,430</b>	<b>336,170</b>
<b>Loans</b>						
Loan to PNG	142,906	192,152	-	-	142,906	192,152
<b>Investments</b>						
<b>International financial institutions</b>						
Asian Development Bank	287,069	281,431	-	-	287,069	281,431
European Bank for Reconstruction and Development	85,267	87,262	-	-	85,267	87,262
International Finance Corporation	69,144	69,144	-	-	69,144	69,144
International Bank for Reconstruction and Development	259,049	258,958	-	-	259,049	258,958
Multilateral Investment Guarantee Agency	10,694	10,818	-	-	10,694	10,818
<b>Total international financial institutions</b>	<b>711,223</b>	<b>707,613</b>	<b>-</b>	<b>-</b>	<b>711,223</b>	<b>707,613</b>
<b>Quota</b>						
International Monetary Fund	6,797,732	7,566,986	-	-	6,797,732	7,566,986
<b>Commonwealth entities</b>						
Reserve Bank of Australia	8,035,041	8,035,041	-	-	8,035,041	8,035,041
Australian Securities and Investments Commission	4,267	4,267	-	-	4,267	4,267
Corporations and Markets Advisory Committee	332	332	-	-	332	332
Australian Prudential Regulation Authority	5,255	-	-	-	5,255	-
<b>Total commonwealth entities</b>	<b>8,044,895</b>	<b>8,039,640</b>	<b>-</b>	<b>-</b>	<b>8,044,895</b>	<b>8,039,640</b>
<b>Total investments</b>	<b>15,553,850</b>	<b>16,314,239</b>	<b>-</b>	<b>-</b>	<b>15,553,850</b>	<b>16,314,239</b>

## Note 29: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000
<b>Non-financial assets</b>						
Deferred acquisition costs	817	1,781	-	-	817	1,781
Prepayment of BBA grants to States and Territories	544,879	-	-	-	544,879	-
Property, plant and equipment	-	-	80	106	80	106
Other prepayments	276	16,000	107	(15,758)	383	242
<b>Total non-financial assets</b>	<b>545,972</b>	<b>17,781</b>	<b>187</b>	<b>(15,652)</b>	<b>546,159</b>	<b>2,129</b>
<b>Total assets administered on behalf of government</b>	<b>16,485,585</b>	<b>16,863,299</b>	<b>3,425</b>	<b>(10,568)</b>	<b>16,489,010</b>	<b>16,852,731</b>
<b>Loans</b>						
IMF promissory notes	4,028,948	4,843,440	-	-	4,028,948	4,843,440
Other promissory notes	81,628	98,497	-	-	81,628	98,497
<b>Total loans</b>	<b>4,110,576</b>	<b>4,941,937</b>	<b>-</b>	<b>-</b>	<b>4,110,576</b>	<b>4,941,937</b>
<b>Grants</b>						
IMF - poverty reduction and growth facility	15,000	17,500	-	-	15,000	17,500
<b>Subsidies</b>						
Provision for direct assistance payments	183	189	-	-	183	189
<b>Total grants and subsidies</b>	<b>15,183</b>	<b>17,689</b>	<b>-</b>	<b>-</b>	<b>15,183</b>	<b>17,689</b>
<b>Suppliers</b>						
Trade creditors	-	-	-	4,237	-	4,237
<b>Other payables</b>						
GST appropriation payable	347	1,540	-	-	347	1,540
IMF SDR allocation	988,332	1,100,175	-	-	988,332	1,100,175
IMF related moneys owing	2,754	4,186	-	-	2,754	4,186
Other	13,415	14,764	3,425	-	16,840	14,764
<b>Total other payables</b>	<b>1,004,848</b>	<b>1,120,665</b>	<b>3,425</b>	<b>-</b>	<b>1,008,273</b>	<b>1,120,665</b>
<b>Other provisions</b>						
Provision for insurance claims	12,809	18,320	-	-	12,809	18,320
Provision for unearned premiums	5,582	11,557	-	-	5,582	11,557
Provision for HCS Scheme	458,948	511,620	(1,116)	(15,270)	457,832	496,350
Provision for UMP/AMIL claims	-	500,800	-	-	-	500,800
<b>Total other provisions</b>	<b>477,339</b>	<b>1,042,297</b>	<b>(1,116)</b>	<b>(15,270)</b>	<b>476,223</b>	<b>1,027,027</b>
<b>Total other provisions and payables</b>	<b>1,482,187</b>	<b>2,162,962</b>	<b>2,309</b>	<b>(15,270)</b>	<b>1,484,496</b>	<b>2,147,692</b>
<b>Total provisions and payables</b>	<b>1,497,370</b>	<b>2,180,651</b>	<b>2,309</b>	<b>(11,033)</b>	<b>1,499,679</b>	<b>2,169,618</b>
<b>Total liabilities administered on behalf of government</b>	<b>5,607,946</b>	<b>7,122,588</b>	<b>2,309</b>	<b>(11,033)</b>	<b>5,610,255</b>	<b>7,111,555</b>

## Note 30: Appropriations

### Note 30A: Cash basis acquittal of appropriations from Acts 1 and 3

	Administered Expenses			Departmental Outputs		Total
	Outcome 1	Outcome 2	Outcome 3			
<b>Year ended 30 June 2003</b>						
Balance carried from previous year	-	10,063,000	8,327,000	16,682,000	35,072,000	
<i>Adjustments to opening balance</i>						
Less: Recognise AGA as a special account (refer note 30D)	-	-	-	(888,444)	(888,444)	
Add: Reclassify MCCA as not being a special account (refer note 30D)	-	-	-	436,101	436,101	
Add: Reclassify CCAAC as not being a special account (refer note 30D)	-	-	-	2,331	2,331	
Add: Reclassify APMAIF as not being a special account (refer note 30D)	-	-	-	-	-	
Less: Lapsed administered appropriation from previous years	-	(10,063,000)	(8,327,000)	-	(18,390,000)	
Less: Other adjustments	-	-	-	(145,042)	(145,042)	
Adjusted balance carried from previous year	-	-	-	16,086,946	16,086,946	
Appropriation for reporting period (Act 1)	-	-	11,000,000	98,784,000	109,784,000	
Appropriation for reporting period (Act 3)	-	-	-	5,677,000	5,677,000	
Adjustments by the Finance Minister	-	-	-	-	-	
Amounts from Advance to the Finance Minister	-	-	-	-	-	
Refunds credited (FMA s30)	-	-	-	-	-	
GST credits (FMA s30A)	-	-	-	4,168,889	4,168,889	
Annotations to 'net appropriations' (FMA s31)	-	-	-	4,036,011	4,036,011	
Transfer to/from other agencies (FMA s32)	-	-	-	-	-	
Administered appropriations lapsed	-	-	(7,112,457)	-	(7,112,457)	
<b>Available for payments</b>	-	-	<b>3,887,543</b>	<b>128,752,846</b>	<b>132,640,389</b>	
Payments made	-	-	<b>1,649,135</b>	<b>114,166,408</b>	<b>115,815,543</b>	
<b>Appropriations credited to Special Accounts</b>	-	-	-	-	-	
<b>Balance carried to next year</b>	-	-	<b>2,238,408</b>	<b>14,586,438</b>	<b>16,824,846</b>	
Represented by: Cash	-	-	2,238,408	2,370,791	4,609,199	
Add: Appropriations receivable	-	-	-	12,000,000	12,000,000	
Add: Receivables - goods and services - GST receivable from customers	-	-	-	14,070	14,070	
Add: Return of contributed equity	-	-	-	-	-	
Add: Receivables - Net GST receivable from the ATO	-	-	-	330,149	330,149	
Less: Payable - suppliers - GST portion	-	-	-	(128,572)	(128,572)	
Add: Savings in Portfolio Additional Estimates Statement	-	-	-	-	-	
<b>Total</b>	-	-	<b>2,238,408</b>	<b>14,586,438</b>	<b>16,824,846</b>	

Any amounts of administered appropriations for 2002-03 shown above as lapsed are estimates only as determinations are not made by the Finance Minister until after the completion of these statements.

## Note 30: Appropriations (continued)

### Note 30A: Cash basis acquittal of appropriations from Acts 1 and 3 (continued)

	Administered Expenses			Departmental	
	Outcome 1	Outcome 2	Outcome 3	Outputs	Total
<b>Year ended 30 June 2002</b>					
Balance carried from previous year	-	10,063,000	5,391,000	16,481,000	31,935,000
Total annual appropriation	-	-	12,000,000	87,409,000	99,409,000
Adjustments and annotations to appropriations	-	-	-	6,148,000	6,148,000
Transfers to/ from other agencies (FMA s32)	-	-	-	-	-
Administered appropriation lapsed	-	-	-	-	-
Available for payments	-	10,063,000	17,391,000	110,038,000	137,492,000
Payments made during the year	-	-	9,064,000	93,356,000	102,420,000
Appropriations credited to special accounts	-	-	-	-	-
<b>Balance carried to the next year</b>	-	10,063,000	8,327,000	16,682,000	35,072,000
Represented by: Cash	-	-	2,903,062	7,929,256	10,832,318
Add: Appropriations receivable	-	10,063,000	5,423,938	-	15,486,938
Add: Receivables - Goods and Services - GST receivable from customers	-	-	-	30,267	30,267
Add: Investment in term deposits	-	-	-	8,000,000	8,000,000
Add: Receivables - Net GST receivable from the ATO	-	-	-	586,244	586,244
Less: Payable - Suppliers - GST portion	-	-	-	(8,809)	(8,809)
Less: Other	-	-	-	145,042	145,042
<b>Total</b>	-	10,063,000	8,327,000	16,682,000	35,072,000

## Note 30: Appropriations (continued)

### Note 30B: Cash basis acquittal of appropriations from Acts 2 and 4

Particulars	Administered			Non-operating			Total
	Outcome 1 SPPs Other	Outcome 2 SPPs Other	Outcome 3 SPPs Other	Equity Loans	Previous years' outputs	Admin assets and liabilities	
<b>Year ended 30 June 2003</b>							
Balance carried from previous year	-	12,230,000	279,000	-	3,763,000	356,000	16,628,000
Less: Payments made in previous years	-	-	-	-	(3,763,000)	-	(3,763,000)
Less: Lapsed administered appropriation from previous years	-	(12,230,000)	(279,000)	-	-	-	(12,509,000)
Adjusted balance carried from previous year	-	-	-	-	-	356,000	356,000
Appropriation for reporting period (Act 2)	-	44,702,000	153,084,000	-	-	7,330,000	205,116,000
Appropriation for reporting period (Act 4)	-	29,998,000	-	-	-	-	29,998,000
Adjustments determined by the Finance Minister	-	-	-	-	-	-	-
Amounts from Advance to the Finance Minister	-	-	-	-	-	-	-
Refunds credited (FMA s30)	-	-	-	-	-	-	-
GST credits (FMA s30A)	-	-	-	-	-	-	-
Transfer to/from other agencies (FMA s32)	-	-	-	-	-	-	-
Administered appropriations lapsed	-	(3,470,266)	(1,329,289)	-	-	-	(4,799,555)
Available for payments	-	71,229,734	151,754,711	-	-	7,686,000	230,670,445
Payments made	-	71,229,734	151,754,711	-	-	7,503,937	230,488,382
Appropriations credited to Special Accounts	-	-	-	-	-	-	-
<b>Balance carried to next year</b>	-	-	-	-	-	182,063	182,063
Represented by: Cash	-	-	-	-	-	-	-
Appropriations receivable	-	-	-	-	-	182,063	182,063
<b>Total</b>	-	-	-	-	-	182,063	182,063

Any amounts of administered appropriations for 2002-03 shown above as lapsed are estimates only as determinations are not made by the Finance Minister until after the completion of these statements.

### Note 30: Appropriations (continued)

#### Note 30B: Cash basis acquittal of appropriations from Acts 2 and 4 (continued)

Particulars	Administered				Non-operating			Total
	Outcome 1 SPPs Other	Outcome 2 SPPs Other	Outcome 3 SPPs Other	Equity _oans	Previous years' outputs	Admin assets and liabilities		
<b>Year ended 30 June 2002</b>								
Balance carried from previous year	-	-	-	-	-	-	-	15,993,000
Total annual appropriation	-	299,198,000	147,900,000	-	-	9,862,000	-	456,960,000
Adjustments and annotations to appropriations	-	52,460,000	-	-	-	-	-	52,460,000
Transfer to/from other agencies (FMA s32)	-	-	-	-	-	-	-	-
Administered appropriations lapse	-	-	-	-	-	-	-	-
Available for payments	-	351,658,000	147,900,000	-	-	9,862,000	-	525,413,000
Payments made during the year	-	351,658,000	147,621,000	-	-	9,506,000	-	508,785,000
Appropriations credited to Special Accounts	-	-	-	-	-	-	-	-
<b>Balance carried to next year</b>	-	-	279,000	-	-	356,000	-	16,628,000
<i>Represented by:</i>								
Cash	-	183,978	-	-	-	-	-	183,978
Appropriations receivable	-	12,046,022	279,000	-	-	356,000	-	16,444,022
<b>Total</b>	-	12,230,000	279,000	-	-	356,000	-	16,628,000

## Note 30: Appropriations (continued)

### Note 30C: Cash basis acquittal of special appropriations (unlimited amount)

Particulars of legislation providing appropriation (including purpose)	2003 \$	2002 \$
		<b>Outcome 2</b>

#### Legislation: A New Tax System (Commonwealth) - State Financial Arrangements Act 1999

*Purpose:* An Act under which the Commonwealth guaranteed that in the transitional years following the introduction of tax reform, each State's budgetary position would be no worse off than had the reforms not been implemented.

Budget estimate	31,860,998,000	31,122,976,000
<b>Payments made</b>	<b>32,757,878,592</b>	<b>31,457,979,000</b>
Appropriations credited to Special Accounts	-	-
Refunds credited (s30)	-	-

#### Particulars of legislation providing appropriation (including purpose)

Particulars of legislation providing appropriation (including purpose)	2003 \$	2002 \$
		<b>Outcome 3</b>

#### Legislation: Superannuation Industry (Supervision) Act 1993 (SIS Act)

*Purpose:* An Act to provide the framework for providing financial assistance to superannuation funds that had suffered an eligible loss, that is a loss as a result of fraudulent conduct or theft.

Budget estimate	-	-
<b>Payments made</b>	<b>19,121,734</b>	<b>12,179,000</b>
Appropriations credited to Special Accounts	-	-
Refunds credited (s30)	-	-



### Note 30: Appropriations (continued)

#### Note 30C: Cash basis acquittal of special appropriations (unlimited amount) (continued)

Particulars of legislation providing appropriation (including purpose)	2003 \$	2002 \$
		<b>Outcome 3</b>

##### Legislation: Appropriation HIH Act 2001

*Purpose:* An Act to provide Commonwealth funded assistance to policy holders suffering financial hardship as a result of the failure of the HIH Group Companies and the appointment of the provisional liquidators of the HIH Group Companies.

Budget estimate	150,569,000	
<b>Payments made</b>	<b>172,000,000</b>	<b>102,710,000</b>
Appropriations credited to Special Accounts	-	-
Refunds credited (\$30)	-	-

An amount of \$3,212,152 was drawn down from the OPA to meet liabilities incurred under this Act and has not been distributed at 30 June 2003. This is held in Treasury's administered bank account.

##### Particulars of legislation providing appropriation (including purpose)

Particulars of legislation providing appropriation (including purpose)	2003 \$	2002 \$
		<b>Outcome 1</b>

##### Legislation: Asian Development Bank (Additional Subscription) Act 1995

*Purpose:* An Act to represent an instrument of subscription whereby Australia agrees to purchase 102370 additional shares. The ADB assists with the economic and social development of countries in the Asian Pacific region by providing financial and technical assistance for projects and programs.

Budget estimate	4,656,000	6,606,000
<b>Payments made</b>	<b>4,655,822</b>	<b>6,606,459</b>
Appropriations credited to Special Accounts	-	-
Refunds credited (\$30)	-	-

**Note 30: Appropriations (continued)**

**Note 30C: Cash basis acquittal of special appropriations (unlimited amount) (continued)**

Particulars of legislation providing appropriation (including purpose)	2003 \$	2002 \$
		<b>Outcome 1</b>

*Legislation: International Monetary Agreements Act 1947*

*Purpose:* An Act to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease the balance of payments adjustment.

Budget estimate	149,604,000	37,465,000
Payments made	837,186,710	364,903,892
Appropriations credited to Special Accounts	-	-
Refunds credited (\$30)	-	-

**Totals for unlimited special appropriations**

	2003 \$	2002 \$
Budget estimate	32,165,827,000	31,167,047,000
Payments made	33,790,842,858	31,944,378,351
Appropriations credited to Special Accounts	-	-
Refunds credited (\$30)	-	-

An amount of \$32,126 drawn from the OPA on 30 June 2003 to meet liabilities incurred under these Acts had not been disbursed at that date and was held in Treasury's Administered Bank Account

### Note 30: Appropriations (continued)

#### Note 30D: Special accounts

Account Name	2003 \$	2002 \$
<b>Other Trust Moneys (Departmental)</b>		
<i>Legislation: Financial Management and Accountability Act 1997; s20</i>		
<i>Purpose: For the receipt of moneys temporarily held in trust for other people.</i>		
Balance carried from previous year	-	13,000
Appropriations for reporting period	-	-
Costs recovered from non-government sector	-	-
Other receipts - industry contributions	-	-
GST credit (FMA s30A)	-	-
Available for payments	-	13,000
Payments made	-	13,000
<b>Balance carried to next year</b>	-	-

## Note 30: Appropriations (continued)

### Note 30D: Special accounts (continued)

Account Name	2003 \$	2002 \$
<b>Royal Australian Mint and Coinage Trust (Departmental)</b>		
<i>Legislation: Financial Management and Accountability Act 1997; s20</i>		
<i>Purpose: a) Payment of goods and services, salaries and expenses incurred for activities entered into by the Royal Australian Mint approved by the Treasurer.</i>		
<i>b) Repayment of capital funds and payment of moneys in excess of requirements to Consolidated Revenue Fund.</i>		
Balance carried from previous year	2,064,000	1,629,000
Appropriations for reporting period	-	-
Costs recovered from non-government sector	-	-
Sales of goods and services	23,649,000	69,531,000
Other receipts		
Payments received from the Commonwealth for circulating coins	96,773,000	-
Interest revenue	607,000	-
Other receipts	530,000	4,649,000
GST credit (FMA s30A)	723,000	-
Available for payments	124,346,000	75,809,000
Payments made		
Payment of Seigniorage to the Commonwealth	(80,242,000)	-
Suppliers	(31,668,000)	(65,581,000)
Employees	(5,540,000)	(7,332,000)
GST payment	(1,197,000)	-
Other payments	(242,000)	(832,000)
<b>Balance carried to next year</b>	<b>5,457,000</b>	<b>2,064,000</b>
<i>Represented by:</i>		
Cash	5,457,000	2,064,000
Add: Receivables - goods and services - GST receivable from customers	131,000	-
Add: Receivables - net GST receivable from the ATO	240,000	-
Less: Other payables - net GST payable to the ATO	(220,000)	-
Less: Payable - suppliers - GST portion	(151,000)	-
<b>Total</b>	<b>5,457,000</b>	<b>2,064,000</b>

## Note 30: Appropriations (continued)

### Note 30D: Special accounts (continued)

Account Name	2003	2002
	\$	\$
<b>Australian Government Actuary</b>		
<i>Legislation: Financial Management and Accountability Act 1997; s20</i>		
<i>Purpose: for receipt of all moneys and payment of all expenditure related to the operation of the Australian Government Actuary.</i>		
Balance carried from previous year	888,444	
Appropriations for reporting period	-	
Rendering of services	1,543,454	
Other receipts	209,249	
GST credit (FMA s30A)	162,302	
Available for payments	2,803,449	
Payments made		
Employees	(837,604)	
Suppliers	(379,610)	
GST payment	(143,659)	
Other payments	(56,233)	
<b>Balance carried to next year</b>	<b>1,386,343</b>	
<i>Represented by:</i>		
Cash	1,383,385	
Add: Receivables - goods and services - GST receivable from customers	17,298	
Less: Other payables - net GST payable to the ATO	(8,196)	
Less: Payable - suppliers - GST portion	(6,144)	
<b>Total</b>	<b>1,386,343</b>	

Note: The AGA was not disclosed as a special account in 2001-02. This has resulted in an adjustment to the AGA special account opening balance for 2002-03.

### Note 30: Appropriations (continued)

#### Note 30D: Special accounts (continued)

Account Name	2003 \$	2002 \$
<b>Trustee Companies (ACT) Deposits Trust Fund</b>		
<i>Legislation: Financial Management and Accountability Act 1997; s20</i>		
<i>Purpose: for administering the Trustee companies Act 1947 in relation to trustee companies.</i>		
Balance carried from previous year	120,000	127,263
Appropriations for reporting period	-	-
Costs recovered from external entities	-	-
Services - rendering of services to external entities	-	-
Other receipts	10,500	10,900
GST credit (FMA s30A)	-	-
Available for payments	130,500	138,163
Payments made to suppliers	10,500	18,163
<b>Balance carried to next year</b>	<b>120,000</b>	<b>120,000</b>

Represented by:

Cash	120,000	120,000
<b>Total</b>	<b>120,000</b>	<b>120,000</b>

Note: The Trustee Companies (ACT) Deposits Trust Fund was disclosed under special public monies in 2001-02. Given that the Trust is also a special account, it has been disclosed in the special accounts note.

## Note 30: Appropriations (continued)

### Note 30D: Special accounts (continued)

Account Name	2003 \$	2002 \$
<b>Lloyd's Deposit Fund</b>		
<i>Legislation: Financial Management and Accountability Act 1997; s20</i>		
<i>Purpose: to meet the costs of the judicial management and wind-up in the event the company ceases to trade.</i>		
Balance carried from previous year	2,000,000	2,148,405
Appropriations for reporting period	-	-
Costs recovered from external entities	-	-
Services - rendering of services to external entities	-	-
Other receipts	190,000	311,875
GST credit (FMA s30A)	-	-
Available for payments	2,190,000	2,460,280
Payments made to suppliers	190,000	460,280
<b>Balance carried to next year</b>	<b>2,000,000</b>	<b>2,000,000</b>
<i>Represented by:</i>		
Cash	2,000,000	2,000,000
<b>Total</b>	<b>2,000,000</b>	<b>2,000,000</b>

Note: The Lloyd's Deposits Fund was disclosed under special public monies in 2001-02. The fund has been reclassified as a special account in 2002-03.

### Services for Other Governments and Non Agency Bodies Account

Treasury has a 'Services for Other Governments and Non Agency Bodies Account'. For the years ended 30 June 2002 and 30 June 2003 this special account had nil balances and no transaction were credited or debited to the account.

## **Note 30: Appropriations (continued)**

### **Note 30D: Special accounts (continued)**

During 2002-03, three special accounts were identified as not having the appropriate Determination as required by section 20 of the *Financial Management and Accountability Act 1997* (FMA Act). These accounts are the Ministerial Council on Consumer Affairs (MCCA), the Commonwealth Consumer Affairs Advisory Council (CCAAC) and the Advisory Panel for Marketing in Australia of Infant Formula (APMAIF). As there is no available evidence that these accounts were determined to be special accounts under s20 of the FMA Act and to remove any doubt as to their legal existence, these accounts were abolished by the Minister for Finance and Administration on 25 June 2003. The department has disclosed these accounts as "special accounts" from 1999-00 to 2001-02. While the payments have now been correctly disclosed, the department is in breach of section 48 of the FMA Act as prior year financial statements disclosed receipts and payments incorrectly as special accounts. The total value of payments made from these accounts from 1 July 1999 to 30 June 2002 was \$815,421. Payments made in 2002-03 were \$102,168.

## **Note 31: Reporting of outcomes**

Treasury uses a process of cost allocation to estimate the costs of each output identified in Note 31. The cost of each output is comprised of direct and indirect costs. Direct costs are assigned to outputs according to detailed cost profiles. Indirect costs that comprise corporate and overhead items such as information technology, accommodation and human resource management are allocated to outputs based on a (cost driver) consumption basis.



## Note 31: Reporting of outcomes (continued)

### Note 31A: Net cost of outcome delivery

	Outcome 1		Outcome 2		Outcome 3		Total	
	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000
<b>Expenses</b>								
Administered expenses	434,436	37,818	32,284,123	31,809,709	430,190	671,362	33,148,748	32,518,889
Departmental expenses	20,025	18,832	47,854	28,679	79,112	98,347	146,991	145,858
<b>Total expenses</b>	<b>454,461</b>	<b>56,650</b>	<b>32,331,977</b>	<b>31,838,388</b>	<b>509,302</b>	<b>769,709</b>	<b>33,295,739</b>	<b>32,664,747</b>
<b>Costs recovered from provision of goods and services to the non-government sector</b>								
Administered	-	-	-	-	-	-	-	-
Departmental	-	-	-	-	41,344	65,583	41,344	65,583
<b>Total costs recovered</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,344</b>	<b>65,583</b>	<b>41,344</b>	<b>65,583</b>
<b>Other external revenues</b>								
Administered								
Interest	11,872	13,136	-	-	651	-	12,523	13,136
Dividends	1,889,226	2,833,702	-	-	-	-	1,889,226	2,833,702
Fees / levies collected	-	-	562,955	516,133	-	-	562,955	516,133
Premiums received	-	-	-	-	5,975	-	5,975	-
Remuneration payments	51,830	52,879	-	-	-	-	51,830	52,879
Other revenue	-	-	-	-	89,781	192,593	89,781	192,593
<b>Total administered</b>	<b>1,952,928</b>	<b>2,899,717</b>	<b>562,955</b>	<b>516,133</b>	<b>96,407</b>	<b>192,593</b>	<b>2,612,290</b>	<b>3,608,443</b>
<b>Departmental</b>								
Interest on all cash deposits	74	137	145	451	839	907	1,058	1,495
Revenue from disposal of assets	24	10	-	32	105	10	129	52
Reversals of previous asset write-downs	-	-	-	-	-	-	-	-
Other	176	51	344	169	1,151	179	1,671	399
Goods and services revenue	783	416	1,249	1,369	41,589	65,911	43,621	67,696
<b>Total departmental</b>	<b>1,057</b>	<b>614</b>	<b>1,738</b>	<b>2,021</b>	<b>43,684</b>	<b>67,007</b>	<b>46,479</b>	<b>69,642</b>
<b>Total other external revenues</b>	<b>1,953,985</b>	<b>2,900,331</b>	<b>564,693</b>	<b>518,154</b>	<b>140,091</b>	<b>259,600</b>	<b>2,658,769</b>	<b>3,678,085</b>
<b>Net cost/(contribution) of outcome</b>	<b>(1,499,524)</b>	<b>(2,843,681)</b>	<b>31,767,283</b>	<b>31,320,234</b>	<b>369,211</b>	<b>510,108</b>	<b>30,636,970</b>	<b>28,986,662</b>

Outcomes 1, 2 and 3 are described in Note 1.1 Net costs shown include intra-government in calculating the actual Budget outcome. The Capital Usage Charge is not included in any of the outcomes as it is not an operating expense in end-of-year financial reports.

## Note 31: Reporting of outcomes (continued)

### Note 31B: Major classes of departmental revenues and expenses by output group and outputs

	Output Group 1.1		Output Group 1.1	
	Output 1.1.1	Output 1.1.2	Outcome 1 Total	
	2002-03 \$'000	2002-03 \$'000	2002-03 \$'000	2001-02 \$'000
<b>Departmental expenses</b>				
Employees	5,265	7,491	12,756	11,411
Suppliers	2,621	3,730	6,351	6,552
Depreciation and amortisation	353	502	855	807
Write down of assets	-	-	-	-
Value of assets sold	18	26	44	6
Borrowing costs expense	8	11	19	56
<b>Total departmental expenses</b>	<b>8,265</b>	<b>11,760</b>	<b>20,025</b>	<b>18,832</b>
<b>Funded by:</b>				
Revenues from government	10,677	9,192	19,869	20,314
Revenue from disposal of assets	6	18	24	10
Interest revenue	17	57	74	137
Goods and services revenue	180	603	783	416
Other	40	136	176	51
<b>Total departmental revenues</b>	<b>10,920</b>	<b>10,006</b>	<b>20,926</b>	<b>20,920</b>

**Note 31: Reporting of outcomes (continued)**

**Note 31B: Major classes of departmental revenues and expenses by output group and outputs (continued)**

	Output Group 2.1		Output Group 2.1		Output Group 2.1		Output Group 2.2		Output Group 2.2	
	Output 2.1.1	Output 2.1.2	Output 2.1.3	Output 2.1.3	Output 2.2.1	Output 2.2.1	Output 2.2.1	Output 2.2.1	Output 2.2.1	Output 2.2.1
	2002-03	2002-03	2002-03	2002-03	2002-03	2002-03	2002-03	2002-03	2002-03	2001-02
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Departmental expenses</b>										
Employees	3,221	1,387	3,168	3,168	22,710	22,710	30,486	30,486	17,479	
Suppliers	1,604	690	1,577	1,577	11,306	11,306	15,177	15,177	9,816	
Depreciation and amortisation	216	93	212	212	1,520	1,520	2,041	2,041	1,300	
Write down of assets	-	-	-	-	-	-	-	-	-	
Value of assets sold	11	5	11	11	78	78	105	105	-	
Borrowing costs expense	5	2	5	5	33	33	45	45	84	
<b>Total departmental expenses</b>	<b>5,057</b>	<b>2,177</b>	<b>4,973</b>	<b>4,973</b>	<b>35,647</b>	<b>35,647</b>	<b>47,854</b>	<b>47,854</b>	<b>28,679</b>	
<b>Funded by:</b>										
Revenues from government	4,618	2,011	4,765	4,765	37,525	37,525	48,919	48,919	32,884	
Revenue from disposal of assets	-	-	-	-	-	-	-	-	32	
Interest revenue	4	4	47	47	89	89	145	145	451	
Goods and services revenue	37	37	408	408	768	768	1,249	1,249	1,369	
Other	10	10	112	112	211	211	344	344	169	
<b>Total departmental revenues</b>	<b>4,669</b>	<b>2,062</b>	<b>5,332</b>	<b>5,332</b>	<b>38,593</b>	<b>38,593</b>	<b>50,657</b>	<b>50,657</b>	<b>34,878</b>	

## Note 31: Reporting of outcomes (continued)

### Note 31B: Major classes of departmental revenues and expenses by output group and outputs (continued)

	Output Group 3.1						Outcome 3 Total
	Output 3.1.1	Output 3.1.2	Output 3.1.3	Output 3.1.4	Output 3.1.5	2001-02	
	2002-03	2002-03	2002-03	2002-03	2002-03	2001-02	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Departmental expenses</b>							
Employees	2,670	15,694	6,421	1,279	5,899	31,963	22,836
Suppliers	1,329	7,813	3,197	637	31,571	44,547	70,812
Depreciation and amortisation	179	1,051	430	86	530	2,276	1,861
Write down of assets	-	-	-	-	55	55	2,191
Value of assets sold	9	54	22	4	50	139	38
Borrowing costs expense	4	23	9	2	94	132	609
<b>Total departmental expenses</b>	<b>4,191</b>	<b>24,635</b>	<b>10,079</b>	<b>2,008</b>	<b>38,199</b>	<b>79,112</b>	<b>98,347</b>
<b>Funded by:</b>							
Revenues from government	3,441	23,171	9,313	-	100	36,025	34,489
Revenue from disposal of assets	-	18	-	23	63	105	10
Interest revenue	-	42	-	52	744	839	907
Goods and services revenue	6	1,124	3	1,381	39,075	41,589	65,911
Other	2	508	1	623	17	1,151	179
<b>Total departmental revenues</b>	<b>3,449</b>	<b>24,864</b>	<b>9,318</b>	<b>2,079</b>	<b>39,999</b>	<b>79,709</b>	<b>98,896</b>

**Note 31: Reporting of outcomes (continued)**

**Note 31C: Major classes of administered revenues and expenses by outcomes**

	Outcome 1		Outcome 2		Outcome 3		Total	
	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000	2002-03 \$'000	2001-02 \$'000
<b>Administered revenues</b>								
Dividends	1,889,226	2,833,702	-	-	-	-	1,889,226	2,833,702
Other non-taxation revenues	63,702	66,015	562,955	516,133	96,407	192,593	723,064	774,741
<b>Total administered revenues</b>	<b>1,952,928</b>	<b>2,899,717</b>	<b>562,955</b>	<b>516,133</b>	<b>96,407</b>	<b>192,593</b>	<b>2,612,290</b>	<b>3,608,443</b>
<b>Administered expenses</b>								
Grants	-	-	32,284,123	31,809,709	174,315	158,694	32,458,438	31,968,403
Net foreign exchange losses	413,172	9,417	-	-	-	-	413,172	9,417
Other	21,263	28,401	-	-	255,874	512,668	277,138	541,069
<b>Total administered expenses</b>	<b>434,435</b>	<b>37,818</b>	<b>32,284,123</b>	<b>31,809,709</b>	<b>430,190</b>	<b>671,362</b>	<b>33,148,748</b>	<b>32,518,889</b>

## Note 32: Assets held in trust

### Comcare Trust Account

#### Legal Authority

*Financial Management and Accountability Act 1997, section 20*

#### Purpose

Monies held in a trust and advanced to the Treasury by Comcare for the purpose of distributing compensation payments made in accordance with the *Safety Rehabilitation and Compensation Act 1998*.

	<b>2002-03</b>	2001-02
	<b>Actual</b>	Actual
	<b>\$</b>	<b>\$</b>
Balance carried forward from previous period	<b>8,588</b>	7,656
Plus receipts during the year	<b>143,879</b>	1,458
Available for payments	<b>152,467</b>	9,114
Less payments made during the year	<b>121,725</b>	526
<b>Balance carried forward to next year</b>	<b>30,742</b>	8,588

## Note 33: Related party transactions

	<b>2002-03</b>	2001-02
	<b>Actual</b>	Actual
	<b>\$'000</b>	<b>\$'000</b>
Other Income		
Profit Share	<b>17</b>	125