

PART 4

FINANCIAL STATEMENTS

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treasury



Auditor-General for Australia



INDEPENDENT AUDIT REPORT

To the Treasurer

Matters relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements published in both the annual report and on the website of the Department of the Treasury for the year ended 30 June 2005. The Department's Chief Executive is responsible for the integrity of both the annual report and its web site.

The audit report refers only to the financial statements, schedules and notes named below. It does not provide an opinion on any other information which may have been hyperlinked to/from the audited financial statements.

If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements in the Department's annual report.

Scope

The financial statements and Chief Executive's responsibility

The financial statements comprise:

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

of the Department of the Treasury for the year ended 30 June 2005.

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

Audit approach

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

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

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

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

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

Independence

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

Audit Opinion

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

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*; and
- (b) give a true and fair view of the Department of the Treasury's financial position as at 30 June 2005 and of its performance and cash flows for the year then ended, in accordance with:
 - (i) the matters required by the Finance Minister's Orders; and
 - (ii) applicable accounting standards and other mandatory financial reporting requirements in Australia.

A handwritten signature in black ink, appearing to read "Steve Chapman", with a horizontal line extending from the end of the signature.

Steve Chapman
Acting Auditor-General

Canberra
19 September 2005

The Treasury Statement by the Departmental Secretary and Chief Finance Officer

Certification of financial statements

In our opinion, the attached financial statements for the year ended 30 June 2005 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.



Ken Henry
Secretary to the Treasury

19 September 2005



Michael Burton
Chief Finance Officer

19 September 2005

Statement of financial performance

for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
REVENUES			
Revenues from ordinary activities			
Revenues from Government	4A	126,555	102,370
Goods and services	4B	60,117	44,863
Interest	4C	479	236
Revenue from sale of assets	4D	81	37
Other revenues	4E	1,091	2,301
Revenues from ordinary activities		188,323	149,807
EXPENSES			
Expenses from ordinary activities (excluding borrowing costs expense)			
Employees	5A	86,951	83,588
Suppliers	5B	79,013	59,387
Depreciation and amortisation	5C	4,888	4,820
Write-down and impairment of assets	5D	189	515
Value of assets sold	5E	80	31
Expenses from ordinary activities (excluding borrowing costs expense)		171,121	148,341
Borrowing costs expense	7A	124	165
Operating surplus/(deficit) from ordinary activities		17,078	1,301
Net surplus/(deficit) from ordinary activities before income tax		17,078	1,301
Income tax equivalent expense	7B	186	990
Net surplus/(deficit) attributable to the Australian Government		16,892	311
Net credit/(debit) to asset revaluation reserve accounting standard AASB 1041 <i>Revaluation of Non-Current Assets</i>	13A	3,020	535
Total revenues, expenses and valuation adjustments attributable to the Australian Government and recognised directly in equity		3,020	535
Total changes in equity other than those resulting from transactions with the Australian Government as owner		19,912	846

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

Statement of financial position

as at 30 June 2005

	Notes	2005 \$'000	2004 \$'000
ASSETS			
Financial assets			
Cash	8A	12,883	15,405
Receivables	8B	37,509	20,068
Total financial assets		50,392	35,473
Non-financial assets			
Land and buildings	9A	8,128	6,870
Infrastructure, plant and equipment	9B	14,944	11,192
Inventories	9D	21,224	15,532
Intangibles	9C	1,805	2,086
Other non-financial assets	9E	8,747	9,225
Total non-financial assets		54,848	44,905
Total assets		105,420	80,378
LIABILITIES			
Interest bearing liabilities			
Leases	10	1,422	2,330
Total interest bearing liabilities		1,422	2,330
Provisions			
Employees	11A	31,087	29,032
Other provisions	11B	152	117
Total provisions		31,239	29,149
Payables			
Suppliers	12A	2,587	6,070
Other payables	12B	7,524	3,265
Total payables		10,111	9,335
Total liabilities		42,772	40,814
NET ASSETS		62,468	39,564
EQUITY			
Asset revaluation reserve	13A	9,037	6,017
Contributed equity	13A	12,230	9,241
Retained surpluses	13A	41,201	24,306
Total equity		62,468	39,564
Current assets		53,743	54,835
Non-current assets		51,497	25,543
Current liabilities		25,152	23,655
Non-current liabilities		17,620	17,159

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

Statement of cash flows

for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
OPERATING ACTIVITIES			
Cash received			
Goods and services		26,749	28,438
Appropriations		109,597	98,037
Face value - circulating coin		137,696	76,740
Net GST received from ATO		4,802	4,504
Other		-	1,450
Total cash received		278,844	209,169
Cash used			
Employees		85,001	78,482
Suppliers		89,909	61,298
Seigniorage - circulating coins		98,927	59,889
Borrowing costs		124	165
Net GST paid to ATO		2,682	2,734
Other		5	920
Total cash used		276,648	203,488
Net cash from/(used by) operating activities	14	2,196	5,681
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of property, plant and equipment		81	25
Total cash received		81	25
Cash used			
Purchase of property, plant and equipment		5,725	3,980
Purchase of intangibles		449	246
Total cash used		6,174	4,226
Net cash from/(used by) investing activities		(6,093)	(4,201)
FINANCING ACTIVITIES			
Cash received			
Appropriations - contributed equity		2,965	11,127
Return of contributed equity - ARPC		-	5,000
Other cash received		-	3
Total cash received		2,965	16,130
Cash used			
Repayment of debt		1,590	1,416
Dividends paid		-	5,000
Payment of contributed equity - ARPC		-	5,000
Total cash used		1,590	11,416
Net cash from/(used by) financing activities		1,375	4,714
Net increase/(decrease) in cash held		(2,522)	6,194
Cash at beginning of the reporting period		15,405	9,211
Cash at the end of the reporting period	8A	12,883	15,405

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

Schedule of commitments

as at 30 June 2005

	2005	2004
	\$'000	\$'000
BY TYPE		
Capital commitments		
Infrastructure, plant and equipment ¹	1,163	3,823
Total capital commitments	1,163	3,823
Other commitments		
Operating leases ²	66,685	80,317
Other ³	18,915	13,178
Total other commitments	85,600	93,495
Commitments receivable		
GST receivable	(5,897)	(6,841)
Other	-	(494)
Total commitments receivable	(5,897)	(7,335)
NET COMMITMENTS	80,866	89,983
BY MATURITY		
Capital commitments		
One year or less	1,163	3,823
Total capital commitments	1,163	3,823
Operating lease commitments		
One year or less	7,766	7,460
From one to five years	30,457	28,416
Over five years	23,008	37,869
Total operating lease commitments	61,231	73,745
Other commitments		
One year or less	6,061	8,996
From one to five years	12,411	3,419
Total other commitments	18,472	12,415
NET COMMITMENTS BY MATURITY	80,866	89,983

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

Note: Commitments are GST inclusive where relevant.

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

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

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

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

Schedule of contingencies

as at 30 June 2005

	Claims for damages or costs ¹		Other		TOTAL	
	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Contingent liabilities						
Balance from previous period	400	400	120	-	520	400
New	20	-	145	120	165	120
Obligations expired	(400)	-	(120)	-	(520)	-
Total contingent liabilities	20	400	145	120	165	520
Total contingent gains	-	-	-	-	-	-
NET CONTINGENT LIABILITIES	20	400	145	120	165	520

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

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

1 The amount represents an estimate of the Treasury's liability based on precedent cases. The Treasury is defending the claims.

Schedule of administered items

for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
Revenues administered			
on behalf of Government			
for the year ended 30 June 2005			
Non-taxation revenue			
Interest	22	3,940	8,781
Dividends	22	694,000	2,264,000
Goods and services	22	591,922	541,877
Other sources of non-taxation revenue	22	184,313	106,506
Total revenues administered		1,474,175	2,921,164
Expenses administered			
on behalf of Government			
for the year ended 30 June 2005			
Grants	23	36,224,215	34,045,036
Net foreign exchange losses/(gains)	23	448,386	(440,061)
Other	23	24,493	117,846
Total expenses administered		36,697,094	33,722,821

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

Schedule of administered items (continued)

as at 30 June 2005

	Notes	2005 \$'000	2004 \$'000
Assets administered			
on behalf of Government			
as at 30 June 2005			
Financial assets			
Cash	24	9,089	3,288
Receivables	24	485,755	974,886
Loans	24	14,805	78,855
Investments	24	14,954,009	15,655,679
Non-financial assets			
Grant prepayments	24	219,400	374,223
Other	24	2,222	2,539
Total assets administered		15,685,280	17,089,470
Liabilities administered			
on behalf of Government			
as at 30 June 2005			
Payables			
Loans	25	3,871,107	3,882,650
Grants	25	10,000	12,500
Other payables	25	903,352	1,010,846
Provisions			
Other provisions	25	334,873	448,600
Total provisions and payables		5,119,332	5,354,596
Total liabilities administered		5,119,332	5,354,596
Net assets administered			
on behalf of Government	26	10,565,948	11,734,874
Current assets		731,240	1,414,520
Non-current assets		14,954,040	15,674,950
Current liabilities		94,101	149,964
Non-current liabilities		5,025,231	5,204,632

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

Administered cash flows

for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
OPERATING ACTIVITIES			
Cash received			
GST administration fees		591,922	541,877
Interest		3,940	8,781
IMF remuneration		37,019	36,927
Dividends		1,338,466	1,300,000
GST received from ATO		4,026	3,293
Other		103,217	63,744
Total cash received		2,078,590	1,954,622
Cash used			
Grant payments		36,069,855	33,879,335
Other		111,755	152,491
Total cash used		36,181,610	34,031,826
Net cash from/(used in) operating activities		(34,103,020)	(32,077,204)
INVESTING ACTIVITIES			
Cash received			
IMF		-	805,034
PNG loan principal repayment		64,051	64,051
Total cash received		64,051	869,085
Cash used			
Settlement of IMF obligations		-	221,334
Settlement of IFI obligations		9,222	237,655
Total cash used		9,222	458,989
Net cash from/(used in) investing activities		54,829	410,096
Net increase/(decrease) in cash held		(34,048,191)	(31,667,108)
Cash at the beginning of reporting period		3,288	5,665
Cash from official public account for appropriations		36,194,381	34,033,498
Transfer from other entities (Finance - Whole Of Government)		-	-
Cash to official public account for appropriations		2,140,389	2,368,767
Cash at end of reporting period	24	9,089	3,288

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

Administered commitments

as at 30 June 2005

	2005	2004
	\$'000	\$'000
BY TYPE		
Other commitments		
Other	6,782	-
Total other commitments	6,782	-
Total commitments receivable	-	-
NET ADMINISTERED COMMITMENTS	6,782	-
BY MATURITY		
Other commitments		
One year or less	3,663	-
From one to five years	3,119	-
Total other commitments	6,782	-
Total commitments receivable	-	-
NET ADMINISTERED COMMITMENTS BY MATURITY	6,782	-

Note: All 2004-05 commitments are GST inclusive where relevant.
This schedule should be read in conjunction with the accompanying notes.

Administered contingencies

as at 30 June 2005

	Guarantees		Indemnities		Uncalled shares or capital subscriptions ²		Claims for damages or costs ¹		Warranties		Letters of comfort		TOTAL		
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	
Administered contingent liabilities															
Balance from previous period	-	-	-	-	7,865,855	8,111,660	75	-	-	-	-	-	-	7,865,930	8,111,660
New	-	-	-	-	-	-	-	75	-	-	-	-	-	-	75
Re-measurement	-	-	-	-	(770,296)	(245,805)	-	-	-	-	-	-	-	(770,296)	(245,805)
Liabilities crystallised	-	-	-	-	-	-	(75)	-	-	-	-	-	-	(75)	-
Total contingent liabilities	-	-	-	-	7,095,559	7,865,855	-	75	-	-	-	-	-	7,095,559	7,865,930
Total contingent gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET CONTINGENT LIABILITIES	-	-	-	-	7,095,559	7,865,855	-	75	-	-	-	-	-	7,095,559	7,865,930

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

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

- 1 The opening balance represents a litigation matter in relation to HIH Claims Support Trust and was an estimate of the Treasury's liability based on precedent cases. In 2004-05 the case was settled.
- 2 Other guarantees comprise of EBRD, IBRD, MIGA and ADB uncalled shares.

Statement of activities administered on behalf of Government

The major administered activities of the Treasury are directed towards achieving the three outcomes described in Note 1 to the Financial Statements. Details of planned activities for the year can be found in the Treasury Portfolio Budget Statements, Portfolio Additional Estimates Statements and Portfolio Supplementary Additional Estimates Statements for 2005-06, that have been tabled in Parliament.

Notes to and forming part of the financial statements

for the period ended 30 June 2005

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Note 1: Summary of significant accounting policies

1.1 Objectives of the Treasury

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 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 Treasury, the Australian Government Actuary and the Royal Australian Mint (the Mint) hereafter referred to as 'the Treasury'.

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

Departmental activities are identified under four Output Groups. Outcome 1 has one output group, 1.1 Macroeconomic. Outcome 2 has two output groups, 2.1 Fiscal and 2.2 Revenue. There is one output group in Outcome 3, 3.1 Markets.

The output groups comprise the following outputs:

- Output Group 1.1 Macroeconomic — Outputs 1.1.1 and 1.1.2
- Output Group 2.1 Fiscal — Outputs 2.1.1, 2.1.2 and 2.1.3
- Output Group 2.2 Revenue — Output 2.2.1
- Output Group 3.1 Markets — Outputs 3.1.1, 3.1.2, 3.1.3, 3.1.4 and 3.1.5

All outputs under Output Groups 1 and 2 provide services on a not-for-profit basis.

Under Output Group 3.1, Outputs 3.1.1, 3.1.2 and 3.1.3 also provide services on a not-for-profit basis. Output 3.1.4, that relates to the Australian Government Actuary, operates via a special account. Output 3.1.5, that relates to the Mint, provides services on a not-for-profit basis and also operates via a special account.

1.2 Basis of accounting

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

The statements have been prepared in accordance with:

- Finance Minister's Orders (FMO's) for reporting periods ending on or after 30 June 2005;
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board (AASB); and
- Consensus Views of the Urgent Issues Group (UIG).

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 that are unrecognised are reported in the schedule of commitments and the schedule of contingencies (other than unquantifiable or remote contingencies, which are reported at Note 15).

Revenues and expenses are recognised in the 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 2003-04.

1.4 Revenue

Revenues from Government

Amounts appropriated for departmental outputs appropriations for the year (less any current year savings and reductions offered in Portfolio Additional Estimates Statements) are recognised as

revenue, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

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. (Refer to Note 1.5)

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.

Receivables for goods and services are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.

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

Amounts appropriated 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.

Restructuring of administrative arrangements

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

Other distributions to owners

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

1.6 Employee benefits

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

Liabilities for wages and salaries (including non-monetary benefits) and annual 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.

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

Leave

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

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

The liability for 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

No provision has been made for separation and redundancy benefit payments during the year or comparative year.

Superannuation

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

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 beginning of the lease term and a liability recognised at the same time and for the same amount. The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

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. Cash is recognised at its nominal amount.

1.10 Other financial instruments

Accounting policies for financial instruments are stated at Note 21A.

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 Property, plant and equipment

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases of less than \$2,000 and computer equipment of less than \$1,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Revaluations

Basis

Leasehold improvements, plant and equipment are carried at valuation. Revaluations are undertaken at fair value; up to 30 June 2002 they were done on a deprival basis. This was 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.

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

The Treasury performed a valuation of leasehold improvements, infrastructure, plant and equipment and heritage assets on 1 July 2004. The valuation was performed by Preston Rowe Paterson NSW Pty Limited and was based on valuing the assets at fair value. The financial effect of this change in policy relates to those assets recognised at fair value for the first time in the current period where the measurement basis for fair value is different to that previously used for deprival values. The financial effect of the change is given by the difference between the fair values obtained for these assets in the current period and the deprival values recognised at the end of the previous period. The financial effect by class is as follows:

Asset class	Adjustment	Contra account
Leasehold improvements	\$1,380,000 increase	Asset revaluation reserve
Plant and equipment	\$1,640,000 increase	Asset revaluation reserve

The financial effect was to increase the carrying amount of property, plant and equipment by \$3,020,000.

The fair values shown as at 30 June 2005, were confirmed by Preston Rowe Paterson NSW Pty Limited.

The Mint performed a valuation of infrastructure, plant and equipment on 30 June 2004, to provide valuations at 1 July 2003 and 30 June 2004. The valuation was performed by the Australian Valuation Office and was based on valuing the assets at fair value. The financial effect of this change in policy relates to those assets recognised at fair value for the first time in the current period where the measurement basis for fair value is different to that previously used for deprival values. The financial effect of the change is given by the difference between the fair values obtained from these assets in the current period and the deprival values recognised at the end of the previous period. The financial effect by class is as follows:

Asset class	Increment/(decrement) (to asset class)	Contra account
Property, plant and equipment	2004: \$535,000	Asset revaluation

The financial effect was to increase the carrying amount of property, plant and equipment by \$535,000.

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

Frequency

Formal valuations of leasehold improvements, plant and equipment are carried out at least once every five years. The fair values of all assets not subject to a formal valuation in any given year are reviewed and the carrying amounts adjusted where they are materially different from fair value.

Acquisitions subsequent to the valuation are valued at historic cost.

Conduct

All valuations are conducted by independent qualified valuers.

Depreciation

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

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

Depreciation rates are generally based on the remaining useful lives determined by valuation or as per the following schedule:

	2004-05	2003-04
Computers, plant and equipment	3-10 years	3-10 years
Leasehold improvements	5-10 years	5-10 years
Motor vehicles	4 years	4 years
Office equipment	5 years	5 years
Capitalised software	3-5 years	3-5 years
Factory machinery	10-20 years	10-20 years

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

1.13 Impairment of non-current assets

Non-current assets carried at up-to-date fair value at the reporting date are not subject to impairment testing.

1.14 Intangibles

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Treasury's software are:

	2004-05	2003-04
Internally developed software	2-5 years	2-5 years

1.15 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 overheads. 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.

1.16 Taxation/competitive neutrality

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

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

1.17 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.

1.18 Insurance

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

1.19 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;

- remuneration of auditors; and
- remote administered contingencies.

1.20 The Mint — seigniorage and repurchase of circulating coins

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

1.21 The Mint — economic dependency

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

1.22 Reporting of administered activities

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

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

1.23 Administered cash transfers to and from Official Public Account (OPA)

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

These transfers of cash are reported as administered (operating) cash flows and in the administered reconciliation table in Note 26.

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

1.24 Revenue

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

Reserve Bank of Australia dividend

Dividends from the 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 2004-05 will be recognised in Treasury's Financial Statements in 2005-06.

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.

International Monetary Fund remuneration

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

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

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

1.25 Administered capital

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

1.26 Grants

The Treasury 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.

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. The Treasury has responsibility for administering these payments.

The largest payment is the provision of GST revenue. The Australian Government pays to the States and Territories all GST collected, and commenced monthly payments of GST revenue to the States and Territories in July 2000. GST revenue payments to the States and Territories in 2004-05 were distributed in accordance with relativities recommended by the Commonwealth Grants Commission. The Treasury also administered General Revenue Assistance payments to the States and Territories consisting of Budget Balancing Assistance, National Competition Policy Payments and Special Revenue Assistance in 2004-05.

Budget Balancing Assistance arises from the Australian Government's guarantee that in each of the transitional years following the introduction of the GST, each State and Territory budgetary position will be no worse off than had the reforms in the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* not been implemented. No payments were made in 2004-05.

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 (ATO) collecting GST for distribution to the States and Territories, the States and Territories make payments to the Australian Government to meet the agreed costs incurred in administering the GST. The Treasury is responsible for collection of GST administration fees from the States and Territories.

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

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

Mirror taxes collected by State Governments

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

1.27 Administered investments

Development banks

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

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

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

International Monetary Fund

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

1.28 Promissory notes

Promissory notes have been issued to the International Monetary Fund, the European Bank for Reconstruction and Development, 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.

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

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

Recoveries

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

1.30 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 policy holders suffering financial hardship as a result of the collapse of the HIH Group of 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 *Commonwealth Management Agreement* dated 6 July 2001. As the beneficiary of this trust, the Australian Government is entitled to any residual balance of the trust, after the collection of recoveries and making of payments to claimants.

An actuarial assessment was conducted by an independent actuary as at February 2005, and the results of the review indicated that the overall cost of the scheme discounted to present value is estimated to be \$800 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.

Following a strategic review, the Scheme was closed to new applications on 27 February 2004, however the Australian Government has established a Gateway facility for special circumstance claims. Future applications will continue to be lodged under the Gateway, but at a substantially reduced level.

HHH Claims Support Limited was wound-out of the Scheme at the end of August 2004, and a new claims manager took over the claims management, payment and recovery services from 1 September 2004.

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 the new claims manager (which will be acting as an agent of the Australian Government).

Note 2: Adoption of Australian Equivalents to International Financial Reporting Standards from 2005-2006

The Australian Accounting Standards Board has issued replacement Australian Accounting Standards to apply from 2005-06. The new standards are the Australian Equivalents to International Financial Reporting Standards (AEIFRS). The International Financial Reporting Standards are issued by the International Accounting Standards Board. The new standards cannot be adopted early. The standards being replaced are to be withdrawn with effect from 2005-06, but continue to apply in the meantime, including reporting periods ending on 30 June 2005.

The purpose of issuing AEIFRS is to enable Australian reporting entities reporting under the *Corporations Act 2001* to be able to more readily access overseas capital markets by preparing their financial reports according to accounting standards more widely used overseas.

For-profit entities complying with AEIFRS will be able to make an explicit and unreserved statement of compliance with International Financial Reporting Standards (IFRS) as well as a statement that the financial report has been prepared in accordance with Australian Accounting Standards.

AEIFRS contain certain additional provisions that will apply to not-for-profit entities, including Australian Government agencies. Some of these provisions are in conflict with IFRS, and therefore the Treasury will only be able to assert that the financial report has been prepared in accordance with Australian Accounting Standards.

AAS 29 *Financial Reporting by Government Departments* will continue to apply under AEIFRS.

Accounting Standard AASB 1047 *Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards* requires that the financial statements for 2004-05 disclose:

- an explanation of how the transition to AEIFRS is being managed;
- narrative explanations of the key policy differences arising from the adoption of AEIFRS;
- any known or reliably estimable information about the impacts on the financial report had it been prepared using the Australian equivalents to IFRS; and
- if the impacts of the above are not known or reliably estimable, a statement to that effect.

Where an entity is not able to make a reliable estimate, or where quantitative information is not known, the entity should update the narrative disclosures of the key differences in accounting policies that are expected to arise from the adoption of AEIFRS.

The purpose of this Note is to make these disclosures.

Management of the transition to AEIFRS

The Treasury developed a plan for the implementation of Australian Equivalents to International Financial Reporting Standards. The Implementation Strategy Report was tabled and approved by the Audit Committee who is tasked with oversight of the transition to and implementation of

AEIFRS. The Implementation Strategy Report also addresses the risks to successful achievement of the objectives and includes strategies to keep implementation on track to meet deadlines. The Chief Finance Officer is formally responsible for the project and reports regularly to the Audit Committee on progress against the formal plan approved by the Committee.

The Treasury engaged a subject matter expert to assist in the implementation of AEIFRS. As part of the implementation plan and for the smooth transition to AEIFRS, the following key tasks were completed.

- A gap analysis was completed in October 2004, addressing the Treasury's accounting policy differences between the current AASB standards and AEIFRS;
- System changes, including FMIS, operational procedures and processes, were identified to enable Treasury to report under the AEIFRS, including those necessary to capture data under both sets of rules for 2004-05. This included the testing and implementation of those changes; and
- A transitional balance sheet as at 1 July 2004 under AEIFRS was audited and presented to the Audit Committee on 20 May 2005.

The Treasury's 2004-05 balance sheet under AEIFRS will be reported to the Department of Finance and Administration in line with their reporting deadlines, that is 30 September 2005.

Major changes in accounting policy

The Treasury believes that the first financial report prepared under AEIFRS that is at 30 June 2006, will be prepared on the basis that the Treasury will be a first time adopter under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. Changes in accounting policies under AEIFRS are applied retrospectively that is as if the new policy had always applied except in relation to the exemptions available under AASB 1. This means that an AEIFRS compliant balance sheet had to be prepared as at 1 July 2004. This will enable the 2005-06 financial statements to report comparatives under AEIFRS.

The Treasury has elected to apply the exemptions allowed by AASB 1 on items relating to AASB 132 *Financial Instruments: Presentation and Disclosure*, AASB 139: *Financial Instruments: Recognition and Measurement* and AASB 1023: *General Insurance Contracts*. Opening balances for these items have not been restated.

Changes to major accounting policies are discussed in the following paragraphs.

Management's review of the quantitative impacts of AEIFRS represents the best estimates of the impacts of the changes as at reporting date. The actual effects of the impacts of AEIFRS may differ from these estimates due to:

- continuing review of the impacts of AEIFRS on the Treasury operations;
- potential amendments to the AEIFRS and AEIFRS Interpretations; and

- emerging interpretation as to the accepted practice in the application of AEIFRS and the AEIFRS Interpretations.

Property plant and equipment

It is expected that the 2005-06 *Finance Minister's Orders* will continue to require property plant and equipment assets to be valued at fair value in 2005-06.

The impact of this change on these financial statements would be to recognise an increment on the re-valued assets.

Accordingly, Note 9 reflects these changes.

Intangible Assets

The Treasury currently recognises internally-developed software assets on the cost basis. The carrying amounts include amounts that were originally measured at deprival valuation and subsequently deemed to be cost under transitional provisions available on the introduction of AAS 38 *Revaluation of Non-current Assets* in 2000-01 and AASB 1041 of the same title in 2001-02.

The Australian Equivalent on Intangibles does not permit intangibles to be measured at valuation unless there is an active market for the intangible. The Treasury's internally-developed software is specific to the needs of the Treasury and is not traded. Accordingly, the Treasury will derecognise the revaluation component of the carrying amount of these assets on adoption of the Australian Equivalent.

Impairment of Non-Current Assets

Treasury's policy on impairment of non-current assets is at Note 1.13.

Under AEIFRS these assets will be subject to assessment for impairment and, if there are indications of impairment, an assessment of the degree of impairment. (Impairment measurement must also be done, irrespective of any indications of impairment, for intangible assets not yet available for use). The impairment test is that the carrying amount of an asset must not exceed the greater of (a) its fair value less costs to sell and (b) its value in use. 'Value in use' is the net present value of net cash inflows for cash generating units of the Treasury and depreciated replacement cost for other assets which would be replaced if Treasury were deprived of them.

An impairment assessment of the Treasury's assets indicated that no adjustments will be required.

Decommissioning, Restoration and Make-good

When assessing accommodation leases for the preparation of the opening balance sheet, no obligations under the leases for make-good were determined.

Inventory

The Treasury recognises inventory not held for sale at cost, except where no longer required, in which case net realisable value is applied.

The new Australian Equivalent standard will require inventory held for distribution for no consideration or at a nominal amount to be carried at the lower of cost or current replacement cost.

An assessment was made and it was found that in all instances the current replacement cost of inventory was equal or greater than the original cost. Therefore no adjustment was required.

Income tax equivalents

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the Statement of Financial Position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

Employee benefits

The provision for long service leave is measured at the present value of estimated future cash outflows using market yields as at the reporting date on national government bonds.

The 2003-04 financial reports noted that the AEIFRS standards may require the market yield on corporate bonds to be used. The AASB has decided that a deep market in high quality corporate bonds does not exist and therefore national government bonds will be referenced.

AEIFRS require that annual leave that is not expected to be taken within 12 months of balance date is to be discounted. After assessing the staff leave profile, the Treasury reduced its employee provision liability by \$23,408.

Administered items

Assessment of the administered assets and liabilities of the Treasury indicate that there are no adjustments due to the transition to AEIFRS.

Financial instruments

AEIFRS include an option for entities not to restate comparative information in respect of financial instruments in the first AEIFRS report. It is expected that the FMO's will require entities to use this option. Therefore, the amounts for financial instruments presented in the Treasury's 2004-05 primary financial statements are not expected to change as a result of the adoption of AEIFRS.

The Treasury will be required by AEIFRS to review the carrying amounts of financial instruments at 1 July 2005 to ensure they align with the accounting policies required by AEIFRS. It is expected that the carrying amounts of financial instruments held by Treasury will not materially change as a result of this process.

Reconciliation of impacts — AGAAP to AEIFRS

	2005 \$'000	2004 \$'000
Reconciliation of departmental equity		
Total departmental equity under AGAAP	62,468	39,564
Adjustments to accumulated results	23	3,043
Total equity under AEIFRS	62,491	42,607
Reconciliation of Departmental Accumulated Results		
Total Departmental Accumulated Results under AGAAP	41,201	24,306
Adjustments to employee provisions	23	23
Total accumulated results under AEIFRS	41,224	24,329
Reconciliation of departmental reserves		
Total departmental reserves under AGAAP	9,037	6,017
Adjustments	-	3,020
Total reserves under AEIFRS	9,037	9,037
Reconciliation of departmental contributed equity		
Total departmental contributed equity under AGAAP	12,230	9,241
Adjustments	-	-
Total contributed equity under AEIFRS	12,230	9,241
Reconciliation of net surplus from ordinary activities for the year ended 30 June 2005		
Total departmental surplus under AGAAP	16,892	
Adjustments	-	
Total net surplus under AEIFRS	16,892	

Note: 30 June 2005 total represents the accumulated impacts of AEIFRS from the date of transition.

Note 3: Events occurring after balance date

The Reserve Bank of Australia has calculated a dividend of \$1.363 billion in respect of its results for the year ended 30 June 2005 (\$0.694 billion 2003-04). The Treasurer will ratify the payment in accordance with the recommendation of the Reserve Bank of Australia's Board of Directors. As a consequence, the Treasury will record this dividend income in its accounts for the year ended 30 June 2006 in accordance with its accounting policy (Note 1.24).

On 1 July 2005 the Royal Australian Mint was prescribed as an agency under the *Financial Management and Accountability Act 1997* and as such will cease to be consolidated in the Treasury annual report from this date, however it will remain within the Treasury portfolio.

Note 4: Operating revenues

	2005	2004
	\$'000	\$'000
Note 4A: Revenue from Government		
Appropriations		
Departmental outputs	124,144	99,965
Revenues from prior year	2,411	2,405
Total revenues from Government	126,555	102,370
Note 4B: Goods and services		
Provision of goods to:		
Related entities	37,384	17,885
External entities	17,262	21,776
Rendering of services to:		
Related entities	5,420	2,927
External entities	(4)	2,275
Operating lease rental	55	-
Total goods and services	60,117	44,863
Note 4C: Interest		
Interest on deposits	479	236
Note 4D: Revenue from sale of assets		
Infrastructure, plant and equipment	81	23
Intangibles	-	14
Total revenue from sale of assets	81	37
Note 4E: Other revenues		
Other	623	1,895
Resources received free of charge	468	406
Total other revenues	1,091	2,301

Note 5: Operating expenses

	2005 \$'000	2004 \$'000
Note 5A: Employee expenses		
Wages and salary	63,252	59,461
Superannuation	13,100	11,293
Leave and other entitlements	7,566	9,930
Separation and redundancies	24	106
Workers compensation premiums	506	662
Other	2,503	2,136
Total employee expenses	86,951	83,588
Note 5B: Supplier expenses		
Provision of goods from:		
Related entities	282	698
External entities	40,280	27,717
Rendering of services from:		
Related entities	13,364	8,732
External entities	17,070	14,658
Operating lease rentals ¹	8,017	7,582
Total supplier expenses	79,013	59,387
Note 5C: Depreciation and amortisation		
Depreciation		
Other infrastructure, plant and equipment	1,717	1,346
Buildings - leasehold improvements	735	831
Total depreciation	2,452	2,177
Amortisation		
Intangibles - computer software	815	1,080
Assets held under finance lease	1,621	1,563
Total amortisation	2,436	2,643
Total depreciation and amortisation	4,888	4,820
Note 5D: Write down and impairment of assets		
Financial assets		
Receivables - bad and doubtful debt expense	9	1
Non-financial assets		
Infrastructure, plant and equipment	148	514
Intangibles	32	-
Total write down and impairment of assets	189	515
Note 5E: Value of assets sold		
Infrastructure, plant and equipment	80	19
Intangibles	-	12
Total value of assets sold	80	31

1 These comprise minimum lease payments only.

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 31G.

During 2004-05 the Australian Government Actuary's business operation status was revoked by the Minister for Finance and Administration. The Australian Government Actuary continues to operate via a special account and the balance of the special account is disclosed at Note 31G.

Note 7: Borrowing cost expense/Competitive neutrality expense

	2005	2004
	\$'000	\$'000
Note 7A: Borrowing costs expense		
Leases	124	165
Total borrowing costs expense	124	165
Note 7B: Competitive neutrality expense		
Bank deposit interest equivalent	(479)	(236)
Payroll tax equivalent	416	374
Australian income tax equivalent	186	990
Total competitive neutrality expense	123	1,128

Note 8: Financial assets

	2005	2004
	\$'000	\$'000
Note 8A: Cash		
Cash:		
Special accounts	9,290	12,666
Departmental (other than special accounts)	3,593	2,739
Total cash	12,883	15,405
Note 8B: Receivables		
Goods and services	1,555	2,421
Less: Provision for doubtful debts	(5)	(5)
Total goods and services	1,550	2,416
Net GST receivable from the ATO	623	395
Interest	479	286
Appropriations receivable - undrawn	33,197	16,333
Other	1,660	638
Total receivables (net)	37,509	20,068
All receivables are current assets		
Receivables (gross) are aged as follows:		
Not overdue	35,833	18,571
Overdue by:		
Less than 30 days	1,499	1,381
30 to 60 days	16	34
61 to 90 days	6	19
More than 90 days	160	68
Total receivables (gross)	37,514	20,073
The provision for doubtful debts is aged as follows:		
Current	-	(5)
Overdue by:		
More than 90 days	(5)	-
Total provision for doubtful debts	(5)	(5)

Note 9: Non-financial assets

	2005 \$'000	2004 \$'000
Note 9A: Land and buildings		
Leasehold improvements - at cost		
At cost	613	-
Accumulated amortisation	(12)	-
Total leasehold improvements - at cost	601	-
Leasehold improvements - at 2005 valuation		
At valuation (fair value)	10,514	-
Accumulated amortisation	(2,987)	-
Total leasehold improvements - at 2005 valuation	7,527	-
Leasehold improvements - at 2002 valuation		
At valuation (deprival)	-	9,953
Accumulated amortisation	-	(3,083)
Total leasehold improvements - at 2002 valuation	-	6,870
Total land and buildings (non-current)	8,128	6,870
Note 9B: Infrastructure, plant and equipment		
Plant and equipment - at cost		
At cost	5,049	6,930
Accumulated depreciation	(217)	(2,057)
Total plant and equipment - at cost	4,832	4,873
Plant and equipment - at 2005 valuation		
At valuation (fair value)	7,320	-
Accumulated depreciation	(932)	-
Total plant and equipment - at 2005 valuation	6,388	-
Plant and equipment - at 2004 valuation		
At valuation (fair value)	2,900	2,905
Accumulated depreciation	(530)	-
Total plant and equipment - at 2004 valuation	2,370	2,905
Plant and equipment - at 2002 valuation		
At valuation (deprival)	-	2,510
Accumulated depreciation	-	(1,387)
Total plant and equipment - at 2002 valuation	-	1,123
Plant and equipment under finance lease		
Under finance lease	2,722	4,884
Accumulated amortisation	(1,368)	(2,593)
Total plant and equipment under finance lease	1,354	2,291
Total infrastructure, plant and equipment (non-current)	14,944	11,192
Note 9C: Intangibles computer software		
Externally acquired (in progress)	-	209
At cost	6,963	7,859
Accumulated amortisation	(5,158)	(5,982)
Total computer software	1,805	2,086
Total intangibles (non-current)	1,805	2,086

All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1.12. In 2004-05 the revaluations were performed by an independent valuer, Preston Rowe Paterson NSW Pty Limited. The revaluations in 2003-04 were performed by an independent valuer, the Australian Valuation Office.

Revaluation increments of \$1,380,000 for leasehold improvements (2004: \$0) and \$1,640,000 for property, plant and equipment (2004: \$535,000) was made to the asset revaluation reserve.

Note 9: Non-financial assets (continued)

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

	Land \$'000	Buildings on freehold land \$'000	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
As at 1 July 2004:						
Gross book value	-	-	9,953	17,229	8,068	35,250
Accumulated depreciation/amortisation	-	-	(3,083)	(6,037)	(5,982)	(15,102)
Opening net book value	-	-	6,870	11,192	2,086	20,148
Additions						
By purchase	-	-	613	4,994	566	6,173
By finance lease	-	-	-	684	-	684
Net revaluation increment/(decrement)	-	-	1,380	1,640	-	3,020
Depreciation/amortisation expense	-	-	(735)	(3,338)	(815)	(4,888)
Disposals						
From disposal of entities or operations (including restructuring)	-	-	-	(3)	-	(3)
Other disposals	-	-	-	(225)	(32)	(257)
As at 30 June 2005:						
Gross book value	-	-	11,127	17,991	6,963	36,081
Accumulated depreciation/amortisation	-	-	(2,999)	(3,047)	(5,158)	(11,204)
Closing net book value	-	-	8,128	14,944	1,805	24,877

Note 9: Non-financial assets (continued)

Table B: Property, plant and equipment and intangibles at valuation

	Land \$'000	Buildings on freehold land \$'000	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
As at 30 June 2005:						
Gross book value	-	-	10,514	10,220	-	20,734
Accumulated depreciation/amortisation	-	-	(2,987)	(1,462)	-	(4,449)
Closing net book value	-	-	7,527	8,758	-	16,285
As at 30 June 2004:						
Gross book value	-	-	9,953	5,415	-	15,368
Accumulated depreciation/amortisation	-	-	(3,083)	(1,387)	-	(4,470)
Closing net book value	-	-	6,870	4,028	-	10,898

Note: This table does not include assets purchased in 2003-04 or 2004-05 financial years as these assets are held at cost.

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

	Land \$'000	Buildings on freehold land \$'000	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
As at 30 June 2005:						
Gross book value	-	-	-	2,722	-	2,722
Accumulated depreciation/amortisation	-	-	-	(1,368)	-	(1,368)
Closing net book value	-	-	-	1,354	-	1,354
As at 30 June 2004:						
Gross book value	-	-	-	4,884	-	4,884
Accumulated depreciation/amortisation	-	-	-	(2,593)	-	(2,593)
Closing net book value	-	-	-	2,291	-	2,291

Note 9: Non-financial assets (continued)

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

	Land \$'000	Buildings on freehold land \$'000	Buildings - leasehold improvements \$'000	Other plant and equipment \$'000	Computer software \$'000	Total \$'000
As at 30 June 2005:						
Gross book value	-	-	550	-	-	550
As at 30 June 2004:						
Gross book value	-	-	-	-	-	-

Note 9: Non-financial assets (continued)

	2005	2004
	\$'000	\$'000
Note 9D: Inventories		
Raw materials	11,003	7,577
Work in progress (cost)	1,680	2,155
Finished goods (cost)	8,541	5,800
Total inventories	21,224	15,532
Note 9E: Other non-financial assets		
Coin collection - at valuation	5,396	5,396
Prepayments	2,998	3,829
Other	353	-
Total other non-financial assets	8,747	9,225

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

Note 10: Interest bearing liabilities

	2005	2004
	\$'000	\$'000
Note 10: Leases		
Finance lease commitments:	1,422	2,330
Payable		
Within one year or less	780	1,633
In one to five years	806	853
Minimum lease payments	1,586	2,486
Deduct: future finance charges	(164)	(156)
Net lease liability	1,422	2,330
Lease liability is represented by:		
Current	691	1,530
Non-current	731	800
Lease liability	1,422	2,330

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 interest rate implicit in the leases averaged 7.51 per cent (2004: 5.66 per cent). The Treasury guarantees the residual values of all assets leased. There are no contingent rentals.

Note 11: Provisions

	2005	2004
	\$'000	\$'000
Note 11A: Employee provisions		
Salaries and wages	216	-
Leave	30,681	28,880
Superannuation	46	-
Aggregate employee benefit liability	30,943	28,880
Other employee entitlements	144	152
Aggregate employee benefit liability and related on-costs	31,087	29,032
Current	14,198	12,790
Non-current	16,889	16,242
Note 11B: Other		
Fees and sales in advance	152	117

Note: All other provisions are current liabilities.

The disclosure below for the Australian High Commission Britain — Locally Engaged Staff — Pension Scheme (London Pension Scheme (LPS)) is for note purposes only and is not recognised in the financial statements. Figures for accrued and vested benefits are based on the latest LPS actuarial valuation prepared for funding purposes as at 1 July 2004, updated by the Fund actuary for expected membership movement up to 30 June 2005. The comparative figures are based on an actuarial assessment as at 1 July 2003, updated by the actuary for membership data up to 30 June 2004. Plan assets have been valued by the actuary as at 30 June 2005, based on actual balances as at 31 May 2005, and comparatives are as per the 30 June 2004, based on actual balances as at 31 May 2004.

From 1 July 2005, the fund will be fully reported by the Department of Foreign Affairs and Trade and no further disclosure will be made in the Treasury Annual Report.

	Date measured	2005	Date measured	2004
Accrued benefits	30 June 2005	150,898	30 June 2004	123,360
Plan assets	30 June 2005	131,737	30 June 2004	115,486
Net assets		(19,161)		(7,874)
Vested benefits	30 June 2005	133,519	30 June 2004	110,187

The above figures represent approximately one per cent of the total value of the fund representing the proportion of the fund attributable to the Treasury as advised by Department of Foreign Affairs and Trade.

Note 12: Payables

	2005	2004
	\$'000	\$'000
Note 12A: Supplier payables		
Trade creditors	2,587	6,070
Total supplier payables	2,587	6,070
All supplier payables are current liabilities		
Note 12B: Other payables		
Other tax liabilities	959	1,364
Other creditors	6,565	1,901
Total other payables	7,524	3,265

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

Note 13: Equity

	Accumulated results		Asset revaluation reserve		Contributed equity		Total equity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Note 13A: Analysis of equity								
Opening balance as at 1 July	24,306	23,995	6,017	5,482	9,241	4,076	39,564	33,553
Net surplus	16,892	311	-	-	-	-	16,892	311
Net revaluation increment	-	-	3,020	535	-	-	3,020	535
Transactions with owner:								
Distributions to owner:								
Returns of capital:								
Other - ARPC capital return	-	-	-	-	-	(5,000)	-	(5,000)
Contributions by owners								
Appropriations (equity injections)	-	-	-	-	2,965	11,127	2,965	11,127
Restructuring	3	-	-	-	24	(962)	27	(962)
Closing balance as at 30 June	41,201	24,306	9,037	6,017	12,230	9,241	62,468	39,564
Total equity attributable to the Australian Government	41,201	24,306	9,037	6,017	12,230	9,241	62,468	39,564

Note 13: Equity (continued)

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

In 2003-04, as a result of restructuring, the Treasury relinquished responsibility for AXISS Australia (AXISS) on 1 July 2003, the Inspector-General of Taxation (IGT) on 1 July 2003, and the Australian Reinsurance Pool Corporation (ARPC) on 1 July 2003.

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

	2005 \$'000	2004 \$'000
Note 13B: Restructuring		
ACCC		
Total assets relinquished	97	-
Total liabilities relinquished	(121)	-
Net assets relinquished	(24)	-
AXISS		
Total assets relinquished	-	752
Total liabilities relinquished	-	-
Net assets relinquished	-	752
IGT		
Total assets relinquished	-	2
Total liabilities relinquished	-	-
Net assets relinquished	-	2
ARPC		
Total assets relinquished	-	208
Total liabilities relinquished	-	-
Net assets relinquished	-	208
Net decrease in departmental net assets during the year	(24)	962

Note 14: Cash flow reconciliation

	2005	2004
	\$'000	\$'000
Reconciliation of cash per statement of financial position to statement of cash flows		
Cash at year end per statement of cash flows	12,883	15,405
Statement of financial position items comprising above cash:		
Financial asset - cash	12,883	15,405
Reconciliation of net surplus to net cash from operating activities		
Net surplus/(deficit)	16,892	311
Restructuring	24	(285)
Depreciation/amortisation	4,888	4,820
Loss on disposal of non-current assets	1	508
Net write down of non-financial assets	180	-
Borrowing costs expense	-	165
(Increase)/decrease in net receivables	(17,441)	(5,043)
(Increase)/decrease in other non financial assets	478	(1,124)
(Increase)/decrease in inventories	(5,692)	(114)
Increase/(decrease) in provisions	2,090	4,518
Increase/(decrease) in other payables	4,259	(238)
Increase/(decrease) in supplier payables	(3,483)	2,163
Net cash from/(used by) operating activities	2,196	5,681

Note 15: Contingent liabilities and assets**Quantifiable contingencies**

The schedule of contingencies reports liabilities in respect of claims for damages/costs of \$20,000 (2004: \$400,000). The amount represents an estimate of the Treasury's liability based on precedent cases. The Treasury is defending the claim.

The schedule of contingencies also reports liabilities in respect of other costs totaling \$145,000 (2004: \$120,000). The amount represents an estimate of the Treasury's liability in respect of studies assistance.

Unquantifiable contingencies

As at 30 June 2005, the Treasury had a number of legal claims against it. The Treasury has denied liability and is defending the claims. It is not possible to estimate the amounts of any eventual payments that may be required in relation to these claims.

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

Remote contingencies

The Treasury has no remote contingencies.

Note 16: 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.

	2005	2004
The number of executives who received or were due to receive total remuneration of \$100,000 or more:		
\$100,000 to \$109,999	-	1
\$110,000 to \$119,999	3	1
\$120,000 to \$129,999	1	1
\$130,000 to \$139,999	2	1
\$140,000 to \$149,999	1	2
\$150,000 to \$159,999	5	5
\$160,000 to \$169,999	2	4
\$170,000 to \$179,999	4	11
\$180,000 to \$189,999	8	8
\$190,000 to \$199,999	9	8
\$200,000 to \$209,999	5	2
\$210,000 to \$219,999	8	2
\$220,000 to \$229,000	3	1
\$230,000 to \$239,999	5	3
\$240,000 to \$249,999	6	-
\$250,000 to \$259,999	1	6
\$260,000 to \$269,999	1	-
\$270,000 to \$279,999	1	2
\$290,000 to \$299,999	4	2
\$300,000 to \$309,999	1	-
\$310,000 to \$319,999	2	-
\$330,000 to \$339,999	1	-
\$340,000 to \$349,999	1	1
\$350,000 to \$359,999	1	-
\$370,000 to \$379,999	2	-
\$460,000 to \$469,999	1	1
	78	62
Aggregate amount of total remuneration of executives as shown above	\$17,139,661	\$12,453,986
Aggregate amount of separation and redundancy / termination benefit payments during the year to executives shown above	\$0	\$0

Note 17: Remuneration of auditors

	2005	2004
	\$'000	\$'000
Financial statement audit services are provided free of charge to the Treasury.		
The fair value of the services provided was:		
Treasury	319	296
Royal Australian Mint	125	110
Total	444	406

Note: In addition to the amounts disclosed above, there is an additional amount of auditor remuneration totalling \$23,800 relating to the 2005-06 financial statements audit, arising from work done on the opening balance sheet to be prepared under Australian equivalents to International Financial Reporting Standards. The above amounts are exclusive of GST.

Note 18: Average staffing levels

	2005	2004
Treasury	782	766
Locally engaged staff	7	6
Royal Australian Mint	115	110
Total	904	882

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

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

	2005	2004
	\$	\$
Administered		
No 'act of grace' payments were made during the reporting period. (2004 - two payments made)	-	2,092,275
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> . (2004 - no waivers made)	-	-
Total	-	2,092,275
Departmental		
No 'act of grace' payments were made during the reporting period. (2004 - no payments made)	-	-
No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> . (2004 - no waivers made)	-	-
One payments were made under s73 of the <i>Public Service Act 1999</i> during the reporting period. (2004: no payments made)	17,965	-
Total	17,965	-

Note 20: Consolidation

	Treasury		Royal Australian Mint		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenues from ordinary activities	126,555	102,666	-	110	126,555	102,776
Revenues from Government	5,609	5,206	54,508	39,657	60,117	44,863
Goods and services	-	-	479	236	479	236
Interest	81	30	-	7	81	37
Revenue from sale of assets	789	1,485	302	410	1,091	1,895
Other revenues						
Total revenues from ordinary activities	133,034	109,387	55,289	40,420	188,323	149,807
Expenses from ordinary activities (excluding borrowing costs expense)						
Employees	79,185	76,228	7,766	7,360	86,951	83,588
Suppliers	33,437	30,283	45,576	29,104	79,013	59,387
Depreciation and amortisation	3,898	4,204	990	616	4,888	4,820
Write-down and impairment of assets	188	-	1	1	189	1
Value of assets sold	80	158	-	387	80	545
Total expenses from ordinary activities (excluding borrowing costs expense)	116,788	110,873	54,333	37,468	171,121	148,341
Borrowing costs expense	124	165	-	-	124	165
Net surplus/(deficit) from ordinary activities before equivalent income tax	16,122	(1,651)	956	2,952	17,078	1,301
Income tax expense equivalent	-	-	186	990	186	990

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

Note 20: Consolidation (continued)

	Treasury		Royal Australian Mint		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Net surplus/(deficit) attributable to the Australian Government	16,122	(1,651)	770	1,962	16,892	311
Net credit/(débit) to asset revaluation reserve	3,020	-	-	535	3,020	535
Total revenues, expenses and valuation adjustments attributable to the Australian Government and recognised directly in equity	3,020	-	-	535	3,020	535
Total changes in equity other than those resulting from transactions with the Australian Government as owner	19,142	(1,651)	770	2,497	19,912	846

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

Note 20: Consolidation (continued)

	Treasury		Royal Australian Mint		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
ASSETS						
Financial assets						
Cash	4,982	4,014	7,901	11,391	12,883	15,405
Receivables	36,035	17,601	1,474	2,467	37,509	20,068
Total financial assets	41,017	21,615	9,375	13,858	50,392	35,473
Non-financial assets						
Land and buildings	7,954	6,870	174	-	8,128	6,870
Infrastructure, plant and equipment	8,499	8,200	6,445	2,992	14,944	11,192
Inventories	-	-	21,224	15,532	21,224	15,532
Intangibles	1,156	1,627	649	459	1,805	2,086
Other non-financial assets	2,019	1,795	6,728	7,430	8,747	9,225
Total non-financial assets	19,628	18,492	35,220	26,413	54,848	44,905
Total assets	60,645	40,107	44,595	40,271	105,240	80,378
LIABILITIES						
Interest bearing liabilities						
Leases	1,422	2,330	-	-	1,422	2,330
Total interest bearing liabilities	1,422	2,330	-	-	1,422	2,330
Provisions						
Employees	28,150	26,183	2,937	2,849	31,087	29,032
Other provisions	-	-	152	117	152	117
Total provisions	28,150	26,183	3,089	2,966	31,239	29,149

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

Note 20: Consolidation (continued)

	Treasury		Royal Australian Mint		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Payables						
Suppliers	2,344	2,957	243	3,113	2,587	6,070
Other payables	2,026	1,898	5,498	1,367	7,524	3,265
Total payables	4,370	4,855	5,741	4,480	10,111	9,335
Total liabilities	33,942	33,368	8,830	7,446	42,772	40,814
NET ASSETS	26,703	6,739	35,765	32,825	62,468	39,564
EQUITY						
Asset revaluation reserve	3,644	624	5,393	5,393	9,037	6,017
Contributed equity	3,652	2,828	8,578	6,413	12,230	9,241
Retained surpluses/(Accumulated deficits)	19,407	3,287	21,794	21,019	41,201	24,306
Total equity	26,703	6,739	35,765	32,825	62,468	39,564

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

Note 21: Financial instruments

Note 21A: 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)
Financial assets			
Cash — at bank	8A	Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured. Deposits are recognised at their nominal amounts. 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 Mint maintains its own commercial accounts for the conduct of its business operations.
Receivables for goods and services	8B	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.	Credit terms are net 30 days (2004: 30 days).
Interest receivable	8B	Interest is accrued as it is earned.	Under the Government's national competition policy the Mint earns interest equivalent to the daily bank balance at a rate of two per cent. This amount is netted against tax payable to the Government under the policy.
Appropriations receivable — undrawn	8B	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 the 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 21: Financial instruments (continued)

Note 21A: 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)
Financial liabilities			
		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Finance lease liabilities	10	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 three years and a maximum term of five years. The interest rate implicit in the leases averaged 7.51 per cent (2004: 5.66 per cent). The lease assets secure the lease liabilities.
Trade creditors and accruals	12A	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 Australian Government legal entity. Settlement is usually made net 30 days.

Note 21: Financial instruments (continued)

Financial instrument	Notes	Floating interest rate	Fixed interest rate maturing in:						Non-interest bearing	Total	Weighted average effective interest rate		
			1 year or less		1 to 5 years		> 5 years						
			2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000				2005 \$'000	2004 \$'000
Note 21B: Interest rate risk													
Financial assets													
Cash at bank	8A	-	-	-	-	-	-	12,883	15,405	12,883	15,405	2.00	2.00
Receivables (gross):													
Goods and services	8B	-	-	-	-	-	-	1,555	2,421	1,555	2,421	-	-
Other	8B	-	-	-	-	-	-	2,283	1,033	2,283	1,033	-	-
Interest	8B	-	-	-	-	-	-	479	286	479	286	2.00	2.00
Appropriations	8B	-	-	-	-	-	-	33,197	16,333	33,197	16,333	-	-
Total financial assets		-	-	-	-	-	-	50,397	35,478	50,397	35,478	n/a	n/a
TOTAL ASSETS								105,240	80,378	105,240	80,378	n/a	n/a
Financial liabilities													
Finance lease liabilities	10	-	-	691	1,530	731	800	-	-	1,422	2,330	7.51	5.66
Trade creditors	12A	-	-	-	-	-	-	2,587	6,070	2,587	6,070	-	-
Other liabilities	12B	-	-	-	-	-	-	7,524	3,265	7,524	3,265	-	-
Total financial liabilities		-	-	691	1,530	731	800	10,111	9,335	11,533	11,665	n/a	n/a
TOTAL LIABILITIES								42,772	40,814	42,772	40,814	n/a	n/a

Note 21: Financial instruments (continued)

	Notes	2005		2004	
		Total	Aggregate	Total	Aggregate
		carrying amount \$'000	net fair value \$'000	carrying amount \$'000	net fair value \$'000
Note 21C: Net fair values of financial assets and liabilities					
Departmental financial assets					
Cash at bank	8A	12,883	12,883	15,405	15,405
Receivables (net):					
Goods and services	8B	1,550	1,550	2,416	2,416
Other	8B	2,283	2,283	1,033	1,033
Interest	8B	479	479	286	286
Appropriations	8B	33,197	33,197	16,333	16,333
Total financial assets		50,392	50,392	35,473	35,473
Financial liabilities (recognised)					
Finance lease liabilities	10	1,422	1,422	2,330	2,330
Trade creditors	12A	2,587	2,587	6,070	6,070
Other liabilities	12B	7,524	7,524	3,265	3,265
Total financial liabilities (recognised)		11,533	11,533	11,665	11,665

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

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

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

Note 21D: Credit risk exposures

The Treasury's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of financial position.

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

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

Note 22: Revenues administered on behalf of Government

	2005 \$'000	2004 \$'000
Interest		
Interest on Papua New Guinea loan	3,637	7,991
Other interest	303	790
Total interest	3,940	8,781
Dividends		
Reserve Bank of Australia	694,000	2,264,000
Total dividends	694,000	2,264,000
Goods and services		
GST administration fees - external entities	591,922	541,877
Total goods and services	591,922	541,877
Other revenues		
Gross IMF remuneration	39,202	37,823
Less: Burden sharing	(2,188)	(2,168)
Net IMF remuneration	37,014	35,655
Write back of HCS Scheme	21,647	-
Royal Australian Mint - monies in excess of requirements	104,620	59,266
Increased investment in Australian Government entities	14,917	5,000
Other revenues	6,115	6,585
Total other revenues	184,313	106,506
Total revenues administered on behalf of Government	1,474,175	2,921,164

Note 23: Expenses administered on behalf of Government

	2005 \$'000	2004 \$'000
Grants		
Grants to State and Territory Governments	36,221,000	34,036,840
Other grants	3,215	8,196
Total grants	36,224,215	34,045,036
Net foreign exchange loss/(gain)		
IMF SDR allocation	(103,423)	14,107
IMF maintenance of value	(152,523)	(355,414)
IMF quota revaluation	711,343	(97,028)
Other foreign exchange	(7,011)	(1,726)
Total net foreign exchange loss/(gain)	448,386	(440,061)
Other expenses		
IMF charges	20,371	15,310
HLIC claims ¹	(878)	(1,380)
HCS Scheme claims ²	-	101,824
Decreased investment in Australian Government entities	5,000	-
Other expenses	-	2,092
Total other expenses	24,493	117,846
Total expenses administered on behalf of Government	36,697,094	33,722,821

1 HLIC claims expenses include payments and management fees.

2 HCS Scheme claims expenses include payments and management fees.

Note 24: Assets administered on behalf of Government

	2005	2004
	\$'000	\$'000
Financial assets		
Cash		
Administered bank accounts - The Treasury	9,089	3,288
Receivables		
GST appropriation receivable	128	(86)
HLIC premiums receivable	3,120	3,864
IMF related moneys owing	5,724	5,730
IMF MOV receivable	152,523	-
RBA dividend receivable	319,534	964,000
Other receivables	4,726	1,378
Total receivables (net)	485,755	974,886
Receivables (gross) are aged as follows:		
Current	485,755	974,886
Total receivables (gross)	485,755	974,886
Loan		
Loan to Papua New Guinea	14,805	78,855
Maturity schedule for the loan as at 30 June 2005 is as follows:		
Payable: Within one year	14,805	64,051
In one to two years	-	14,804
Total loan	14,805	78,855
Investments		
International financial institutions		
Asian Development Bank	287,069	287,069
European Bank for Reconstruction and Development	84,824	85,068
International Finance Corporation	69,144	69,144
International Bank for Reconstruction and Development	259,049	259,049
Multilateral Investment Guarantee Agency	10,694	10,694
Total international financial institutions	710,780	711,024
Quota		
International Monetary Fund	6,183,416	6,894,759
Australian Government entities		
Reserve Bank of Australia	8,035,042	8,035,042
Australian Securities and Investments Commission	16,184	4,267
Corporations and Markets Advisory Committee	332	332
Australian Reinsurance Pool Corporation	-	5,000
Australian Prudential Regulation Authority	8,255	5,255
Total Australian Government entities	8,059,813	8,049,896
Total investments	14,954,009	15,655,679
Non-financial assets		
Prepayments		
Prepayment of grants to State and Territory Governments	219,400	374,223
Other		
Deferred acquisition costs	111	327
Other prepayments	2,111	2,212
Total other	2,222	2,539
Total non-financial assets	221,622	376,762
Total assets administered on behalf of Government	15,685,280	17,089,470

Note 25: Liabilities administered on behalf of Government

	2005	2004
	\$'000	\$'000
Loans		
IMF promissory notes	3,807,615	3,807,614
Other promissory notes	63,492	75,036
Total loans	3,871,107	3,882,650
Maturity schedule for loans is as follows:		
Payable: Within one year	2,138	7,022
In one to two years	1,603	1,776
In two to five years	1,603	1,776
In more than five years	3,865,763	3,872,076
Total loans	3,871,107	3,882,650
Grants		
IMF - poverty reduction and growth facility	10,000	12,500
Maturity schedule for grants is as follows:		
Payable: Within one year	2,500	2,500
In one to two years	2,500	2,500
In two to five years	5,000	7,500
In more than five years	-	-
Total grants	10,000	12,500
Total grants	10,000	12,500
Other payables		
Net GST payable to ATO	128	(86)
IMF Special Drawing Rights allocation	899,016	1,002,439
IMF related monies owing	3,731	2,849
Other	477	5,644
Total other payables	903,352	1,010,846
Other provisions		
Provision for insurance claims	5,965	8,240
Provision for unearned premiums	858	2,377
Provision for HCS Scheme	328,050	437,983
Total other provisions	334,873	448,600
Total other provisions and payables	1,238,225	1,459,446
Total liabilities administered on behalf of Government	5,119,332	5,354,596

Note 26: Administered reconciliation table

	Notes	2005 \$'000	2004 \$'000
Opening administered assets less administered liabilities at 1 July		11,734,874	10,878,755
Plus administered revenues		1,474,175	2,921,164
Less administered expenses		(36,697,094)	(33,722,821)
Administered transfers to/from Australian Government			
Appropriation transfers from OPA:			
Annual appropriations administered expenses		182,330	183,778
Special appropriations (unlimited)		36,012,052	34,071,053
Transfers to OPA		(2,140,389)	(2,597,055)
Closing administered assets less administered liabilities		10,565,948	11,734,874

Note 27: Administered contingent liabilities and assets

Quantifiable administered contingencies

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

Unquantifiable administered contingencies

Terrorism insurance —Australian Reinsurance Pool Corporation (ARPC)

The Australian Government's Scheme for replacement terrorism insurance commenced on 1 July 2003 and will operate until commercial insurance and reinsurance providers recommence provision of terrorism insurance. The scheme covers commercial property and infrastructure facilities and associated business interruption and public liability. The scheme provides for a pool of funds (initially planned to accumulate to about \$300 million) funded by reinsurance premiums paid to the ARPC. The pool is supplemented by a bank line of credit of \$1 billion, underwritten by the Commonwealth, as well as a Commonwealth indemnity of \$9 billion, giving aggregate cover of up to \$10.3 billion when the pool is fully funded. Under the *Terrorism Insurance Act 2003* the Commonwealth guarantees the payment of liabilities incurred by the ARPC. The Treasurer has the ability to declare a reduced payout rate to insured parties if, in the absence of such a declaration, the Commonwealth's liability would exceed \$10 billion. While the guarantee to the ARPC is unlimited, the pro-rata reduction will be used to try to limit the Commonwealth's exposure to \$10 billion. The ARPC may recoup payouts under the Scheme by increasing premiums for terrorism reinsurance, 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 HIIH Claims Support Trust, the Australian Government will be entitled to the residual balance of the Trust, after the collection of recoveries and making of payments to claimants. Due to the inherent uncertainty regarding the measurement of the recoveries, it is not possible to quantify these amounts at this time.

Under a policy adopted by the Executive Board of the IMF since 1986, an amount equal to overdue charges and an allocation to the Special Contingent Account have been generated each quarter by downward adjustment to the rate of IMF remuneration paid to the Treasury and other member countries. This charge, known as burden sharing is levied on member countries to cover the financial consequences to the IMF of overdue obligations. Resources collected from individual members under the burden sharing mechanism are refundable to them as arrears cases are resolved, or as may be decided by the IMF. Thus, resources collected for unpaid charges are refunded when these charges are eventually settled.

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

Note 27: Administered contingent liabilities and assets (continued)

Remote administered contingencies

Guarantees

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

Borrower	Legislation authorising guarantee	Principal covered by guarantee 2005	Balance outstanding 2005	Balance outstanding 2004
Papua New Guinea	PNG Act 1949-75 and PNG Loans Guarantee Act 1975	5,170,000	5,170,000	5,170,000
Housing Loans Insurance Corporation	HLIC Act 1965	5,397,000	5,397,000	5,087,000
Commonwealth Bank of Australia ^a	CBA Act 1959 s117	9,316,000,000	9,316,000,000	9,316,000,000
Commonwealth Bank of Australia - Officers' Superannuation Fund ^a	CBA Act 1959 s117	3,511,000,000	3,511,000,000	3,459,600,000
Reserve Bank of Australia ^b	RBA Act s77	46,828,000,000	46,828,000,000	44,455,000,000
Total		59,665,567,000	59,665,567,000	57,240,857,000

a Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government has guaranteed various liabilities of the Commonwealth Bank of Australia (CBA), and the Commonwealth Bank Officers' Superannuation Corporation (CBOSC). The guarantee for the CBA relates to both on and off balance sheet liabilities. The guarantee of the CBOSC covers the due payments of any amount that is payable to or from Officers' of the Superannuation Fund (the Fund), by CBOSC or by CBA, in respect of a person who was a member, retired member or beneficiary of the Fund immediately before 19 July 1996. The guarantee of the CBA and CBOSC reflected in the above table is the value at 30 September 2004 and 30 June 2004 respectively. At the time of finalisation of these statements the 30 June 2005 figure was not reliably measurable.

b The contingent liability for the Reserve Bank of Australia (RBA), relates to the Australian Government's guarantee of the liabilities of the RBA. It is measured as the Bank's total liabilities excluding capital, reserves and Australian Government deposits. The major component of the Bank's liabilities are notes (that is, currency) on issue. As at 30 June 2005, notes on issue totalled \$35.6 billion.

HIH Claims Support Scheme

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

Note 28: Administered investments

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

Development Banks

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

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

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

International Monetary Fund

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

Note 29: Administered financial instruments

Note 29A: 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)
Financial assets		Financial assets are recognised when control over future economic benefits can be established and the amount of the benefit can be reliably measured.	
Cash	24	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	The Treasury 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.
International Monetary Fund monies owing	24	Amounts owing from the International Monetary Fund are credited to revenue as they accrue.	Where the IMF's holdings of Australian dollars fall below a specified level, it pays remuneration on Australia's average remunerated reserve tranche position. The rate of remuneration is equal to the Special Drawing Rights (SDR) interest rate. This rate is then adjusted for burden sharing. Remuneration is calculated and paid at the end of the IMF's financial quarters. An annual adjustment (MOV) is made to the IMF's holdings of member's currencies (Quota) to maintain their value in terms of the Special Drawing Rights (SDR). In 2005 this adjustment gave rise to a receivable.
Loan receivable	24	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.	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.

Note 29: Administered financial instruments (continued)

Note 29A: 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)
Financial assets (continued)			
RBA dividend receivable	24	Dividends owing from the RBA are recognised at the time of declaration and are measured at their nominal amount. Receivable amounts are paid to Treasury within twelve months. Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	With regards to the Reserve Bank Board's advice and in accordance with s30 of the <i>Reserve Bank Act 1959</i> , the Treasurer is able to determine what portion of the RBA's earnings is made available as a dividend to Government.
Financial liabilities			
Grant liabilities	25	Grants are recognised to the extent that: * the services required to be performed by the grantee have been performed; or * the grant eligibility criteria have been satisfied and settlement is outstanding.	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.
International Monetary Fund (IMF) Special Drawing Right (SDR) allocation liability	25	This liability is recognised as a monetary liability. It is valued at the Australian dollar equivalent of its liability in Special Drawing Rights. Interest expense is recognised as it accrues.	The SDR allocation liability reflects the current value in Australian dollars of the Treasury'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.

Note 29: Administered financial instruments (continued)

Note 29A: 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)
Financial liabilities (continued)			
Loans - promissory notes	25	The promissory notes are measured at nominal face value.	The Treasury has on issue promissory notes to the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), the European Bank for Reconstruction and Development (EBRD) and the Multilateral Investment Guarantee Agency (MIGA). These promissory notes are in relation to undrawn paid-in capital subscriptions. Promissory notes have a 30 June value of \$3.9 billion. Only EBRD ADB possess an established drawdown schedule. The promissory notes are non-interest bearing.
Unrecognised financial liabilities			
Other guarantees	27	The amounts guaranteed by the Australian Government have been disclosed in Note 27. 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, Housing Loan Insurance Corporation and the HIH Claims Support Scheme.
Indemnities	27	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 Australian Government has a number of indemnities in respect of the HIH Claims Support Scheme.

Note 29: Administered financial instruments (continued)

Note 29B: Administered interest rate risk

Financial instrument	Note	Floating interest rate		Fixed interest rate maturing in						Non-interest bearing		Total		Weighted average effective interest rate		
		2005 \$'000	2004 \$'000	< 1 year		1 to 5 years		> 5 years		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 %	2004 %	
				2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000							
Financial assets																
Cash	24	4,711	3,288	-	-	-	-	-	4,378	-	9,089	3,288	4.34	4.19		
IMF monies owing	24	-	-	-	-	-	-	158,247	5,730	-	158,247	5,730	-	-		
Loan to PNG	24	-	-	14,805	64,051	-	14,804	-	-	-	14,805	78,855	6.80	6.80		
RBA dividend receivable	24	-	-	-	-	-	-	319,534	964,000	-	319,534	964,000	-	-		
Other receivables	24	-	-	-	-	-	-	7,974	5,156	-	7,974	5,156	-	-		
Total		4,711	3,288	14,805	64,051	-	14,804	490,133	974,886	-	509,649	1,057,029				
Total assets											15,685,280	17,089,470				
Financial liabilities																
Grant liabilities	25	-	-	-	-	-	-	10,000	12,500	-	10,000	12,500	-	-		
IMF allocation liability	25	899,016	1,002,439	-	-	-	-	-	-	-	899,016	1,002,439	3.31	2.32		
Loans:																
Promissory notes	25	-	-	-	-	-	-	3,871,107	3,882,650	-	3,871,107	3,882,650	-	-		
Other liabilities	25	-	-	-	-	-	-	339,209	457,007	-	339,209	457,007	-	-		
Total		899,016	1,002,439	-	-	-	-	4,220,316	4,352,157	-	5,119,332	5,354,596				
Total liabilities											5,119,332	5,354,596				
Liabilities																
unrecognised indemnity	27	-	-	-	-	-	-	59,665,567	57,240,857	-	59,665,567	57,240,857	n/a	n/a		

Note 29: Administered financial instruments (continued)

Note 29C: Net fair values of financial assets and liabilities

	Note	2005		2004	
		Total carrying amount \$'000	Aggregate net fair value \$'000	Total carrying amount \$'000	Aggregate net fair value \$'000
Administered financial assets					
Cash	24	9,089	9,089	3,288	3,288
IMF related monies owing	24	158,247	158,247	5,730	5,730
Loan to Papua New Guinea	24	14,805	14,805	78,855	78,855
RBA dividend receivable	24	319,534	319,534	964,000	964,000
Other receivables	24	7,974	7,974	5,156	5,156
Total financial assets		509,649	509,649	1,057,029	1,057,029
Financial liabilities (recognised)					
Grant liabilities	25	10,000	10,000	12,500	12,500
IMF allocation liability	25	899,016	899,016	1,002,439	1,002,439
Loans - promissory notes	25	3,871,107	3,871,107	3,882,650	3,882,650
Other financial liabilities	25	339,209	339,209	457,007	457,007
Total financial liabilities (recognised)		5,119,332	5,119,332	5,354,596	5,354,596
Financial liabilities (unrecognised)					
Guarantees	27	59,665,567	59,665,567	57,240,857	57,240,857
Total financial liabilities (unrecognised)		59,665,567	59,665,567	57,240,857	57,240,857

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. The 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 30: Administered consolidation

	Treasury		HCS Scheme		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
REVENUE:						
Interest						
Interest Papua New Guinea loan	3,637	7,991	-	-	3,637	7,991
Other interest	42	56	261	734	303	790
Total interest	3,679	8,047	261	734	3,940	8,781
Dividends						
Reserve Bank of Australia	694,000	2,264,000	-	-	694,000	2,264,000
Total dividends	694,000	2,264,000	-	-	694,000	2,264,000
Goods and services						
GST administration fees						
- external entities	591,922	541,877	-	-	591,922	541,877
Total goods and services	591,922	541,877	-	-	591,922	541,877
Other sources of non-taxation revenue						
Gross IMF remuneration	39,202	37,823	-	-	39,202	37,823
Less: Burden sharing	(2,188)	(2,168)	-	-	(2,188)	(2,168)
Net IMF remuneration	37,014	35,655	-	-	37,014	35,655
Write back of HCS scheme	21,647	-	-	-	21,647	-
Royal Australian Mint	104,620	59,266	-	-	104,620	59,266
Increased investment in Australian Government entities	14,917	5,000	-	-	14,917	5,000
Other revenues	6,115	6,585	-	-	6,115	6,585
Total other revenues	184,313	106,506	-	-	184,313	106,506
Total revenues administered on behalf of Government	1,473,914	2,920,430	261	734	1,474,175	2,921,164

Note 30: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
EXPENSES:						
Grants						
Grants to State and Territory Governments	36,221,000	34,036,840	-	-	36,221,000	34,036,840
Other grants	3,215	8,196	-	-	3,215	8,196
Total grants	36,224,215	34,045,036	-	-	36,224,215	34,045,036
Net foreign exchange loss / (gain)						
IMF SDR allocation	(103,423)	14,107	-	-	(103,423)	14,107
IMF maintenance of value	(152,523)	(355,414)	-	-	(152,523)	(355,414)
IMF quota revaluation	711,343	(97,028)	-	-	711,343	(97,028)
Other foreign exchange	(7,011)	(1,726)	-	-	(7,011)	(1,726)
Total net foreign exchange loss/(gain)	448,386	(440,061)	-	-	448,386	(440,061)
Other expenses						
IMF charges	20,371	15,310	-	-	20,371	15,310
HLIC claims ¹	(878)	(1,380)	-	-	(878)	(1,380)
HCS Scheme claims ²	-	101,824	-	-	-	101,824
Decreased investment in Australian Government entities	5,000	-	-	-	5,000	-
Other expenses	-	2,092	-	-	-	2,092
Total other expenses	24,493	117,846	-	-	24,493	117,846
Total expenses administered on behalf of Government	36,697,094	33,722,821	-	-	36,697,094	33,722,821

1 HLIC claims expenses include payments and management fees.

2 HCS scheme claims expenses include payments and management fees.

Note 30: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
ASSETS: Financial assets						
Cash						
Administered bank accounts						
Department of the Treasury	5,341	829	3,748	2,459	9,089	3,288
Receivables						
Repayment of subsidies	-	-	-	-	-	-
GST appropriation receivable	128	(86)	-	-	128	(86)
HLIC premiums receivable	3,120	3,864	-	-	3,120	3,864
IMF related moneys owing	5,724	5,730	-	-	5,724	5,730
IMF maintenance of value receivable	152,523	-	-	-	152,523	-
RBA dividend receivable	319,534	964,000	-	-	319,534	964,000
Other receivables	4,671	-	55	1,378	4,726	1,378
Total receivables (net)	485,700	973,508	55	1,378	485,755	974,886
Loans						
Loan to Papua New Guinea	14,805	78,855	-	-	14,805	78,855
Investments						
International financial institutions						
Asian Development Bank	287,069	287,069	-	-	287,069	287,069
European Bank for Reconstruction and Development	84,824	85,068	-	-	84,824	85,068
International Finance Corporation	69,144	69,144	-	-	69,144	69,144
International Bank for Reconstruction and Development	259,049	259,049	-	-	259,049	259,049
Multilateral Investment Guarantee Agency	10,694	10,694	-	-	10,694	10,694
Total international financial institutions	710,780	711,024	-	-	710,780	711,024
Quota						
International Monetary Fund	6,183,416	6,894,759	-	-	6,183,416	6,894,759

Note 30: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Australian Government entities	8,035,042	8,035,042	-	-	8,035,042	8,035,042
Reserve Bank of Australia						
Australian Securities and Investments Commission	16,184	4,267	-	-	16,184	4,267
Corporations and Markets Advisory Committee	332	332	-	-	332	332
Australian Reinsurance Pool Corporation	-	5,000	-	-	-	5,000
Australian Prudential Regulation Authority	8,255	5,255	-	-	8,255	5,255
Total Australian Government entities	8,059,813	8,049,896	-	-	8,059,813	8,049,896
Total investments	14,954,009	15,655,679	-	-	14,954,009	15,655,679
Non-financial assets						
Prepayment of grants to State and Territory Governments	219,400	374,223	-	-	219,400	374,223
Deferred acquisition costs	111	327	-	-	111	327
Other prepayments	3,700	3,488	(1,589)	(1,276)	2,111	2,212
Total non-financial assets	223,211	378,038	(1,589)	(1,276)	221,622	376,762
Total assets administered on behalf of Government	15,683,066	17,086,909	2,214	2,561	15,685,280	17,089,470

Note 30: Administered consolidation (continued)

	Treasury		HCS Scheme		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
LIABILITIES:						
Loans						
IMF promissory notes	3,807,615	3,807,614	-	-	3,807,615	3,807,614
Other promissory notes	63,492	75,036	-	-	63,492	75,036
Total loans	3,871,107	3,882,650	-	-	3,871,107	3,882,650
Grants						
IMF - poverty reduction and growth facility	10,000	12,500	-	-	10,000	12,500
Subsidies						
Provision for direct assistance payments	-	-	-	-	-	-
Total subsidies	-	-	-	-	-	-
Total grants	10,000	12,500	-	-	10,000	12,500
Other payables						
Net GST payable to ATO	128	(86)	-	-	128	(86)
IMF SDR allocation	899,016	1,002,439	-	-	899,016	1,002,439
IMF related monies owing	3,731	2,849	-	-	3,731	2,849
Other	374	4,933	103	711	477	5,644
Total other payables	903,249	1,010,135	103	711	903,352	1,010,846
Other provisions						
Provision for insurance claims	5,965	8,240	-	-	5,965	8,240
Provision for unearned premiums	858	2,377	-	-	858	2,377
Provision for HCS scheme	328,050	437,983	-	-	328,050	437,983
Total other provisions	334,873	448,600	-	-	334,873	448,600
Total other provisions and payables	1,238,122	1,458,735	103	711	1,238,225	1,459,446
Total liabilities administered on behalf of Government	5,119,229	5,353,885	103	711	5,119,332	5,354,596
Net assets administered on behalf of Government	10,563,837	11,733,024	2,111	1,850	10,565,948	11,734,874

Note 31: Appropriations

Note 31A: Acquittal of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations

	Administered Expenses			Departmental		Total
	Outcome 1	Outcome 2	Outcome 3	Expenses	Outputs	
	\$	\$	\$	\$	\$	\$
2004-05 (Current period)						
Balance carried from previous period	-	-	-	16,873,643		16,873,643
Adjusted balance carried from previous period	-	-	-	16,873,643		16,873,643
<i>Appropriation Act (No. 1) 2004-05</i>	-	-	9,000,000	109,064,000		118,064,000
<i>Appropriation Act (No. 3) 2004-05</i>	-	-	-	13,944,000		13,944,000
<i>Appropriation Act (No. 5) 2004-05</i>	-	-	-	1,800,000		1,800,000
Adjustment to appropriations on change of entity function (FMA s32)	-	-	-	(663,786)		(663,786)
Sub-total 2004-05 annual appropriation	-	-	9,000,000	124,144,214		133,144,214
Appropriations to take account of recoverable GST (FMA s30A)	-	-	44,500	2,977,806		3,022,306
Annotations to 'net appropriations' (FMA s31) ¹	-	-	-	4,958,426		4,958,426
Total appropriations available for payments	-	-	9,044,500	148,954,089		157,998,589
Cash payments made during the year (GST inclusive)	-	-	(1,325,084)	(117,219,036)		(118,544,120)
Balance of authority to draw cash from the consolidated revenue fund for ordinary annual services appropriations	-	-	7,719,416	31,735,053		39,454,469
<i>Represented by:</i>						
Cash at bank and on hand	-	-	-	2,793,279		2,793,279
Departmental appropriations receivable	-	-	-	28,380,942		28,380,942
GST receivable from the ATO	-	-	-	625,895		625,895
Receivables - goods and services - GST receivable from customers	-	-	-	26,571		26,571
Payables - suppliers - GST portion	-	-	-	(91,634)		(91,634)
Undrawn, unexpired administered appropriations	-	-	7,719,416	-		7,719,416
Total	-	-	7,719,416	31,735,053		39,454,469

Note 31: Appropriations (continued)

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

	Administered Expenses			Departmental Outputs			Total
	Outcome 1	Outcome 2	Outcome 3				
	\$	\$	\$			\$	
2003-04 (Comparative period)							
Balance carried from previous period	-	-	2,238,408	14,586,438		16,824,846	
Appropriation Act (No. 1) 2003-04	-	-	10,000,000	100,362,000		110,362,000	
Appropriation Act (No. 3) 2003-04	-	-	-	4,603,000		4,603,000	
Appropriation Act (No. 5) 2003-04	-	-	-	800,000		800,000	
Appropriations to take account of recoverable GST (FMA s30A)	-	-	57,750	3,560,095		3,617,845	
Annotations to 'net appropriations' (FMA s31)	-	-	-	5,041,921		5,041,921	
Adjustments to opening balance	-	53,826	(2,238,408)	-		(2,184,582)	
Adjustment of appropriations on change of entity function (FMA s32)	-	-	-	(5,800,000)		(5,800,000)	
Appropriation lapsed	-	(53,826)	(6,591,936)	-		(6,645,762)	
Total appropriation available for payments	-	-	3,465,814	123,153,454		126,619,268	
Payments made during the year (GST inclusive)	-	-	(3,465,814)	(106,279,811)		(109,745,625)	
Balance carried to the next period	-	-	-	16,873,643		16,873,643	

1 Appropriation Acts 1 and 3 (for the ordinary annual services of government) authorise the supplementation of Treasury's annual net appropriation by amounts received in accordance with agreements made under section 31 of the *Financial Management and Accountability Act 1997* between the Finance Minister and the Treasurer or their delegated or authorised officials.

Doubt has arisen as to whether the Treasury's section 31 agreements covering the periods July 1998 to March 2005 were effective at law because our signatory may not have had an express delegation or authority for signing the agreements. To put the matter beyond doubt, the Treasury's current agreement was revised on 30 June 2005 to capture all monies that were subject to prior agreements to the extent they may have been ineffective.

The period and amounts covered by the agreements are set out below.

	1998-1999						2000-2001			2002-2003			2003-2004		2004-2005		Total	
	653,044	653,044	653,044	653,044	653,044	653,044	2,621,000	2,621,000	3,456,000	3,456,000	4,036,011	4,036,011	5,041,921	(2,542,289)	19,415,932	4,958,426	24,374,358	
Receipts affected							4,261,000	4,261,000	4,261,000	4,261,000	4,036,011	4,036,011	5,041,921	(2,542,289)	19,415,932	4,958,426	24,374,358	
Spent							-	-	-	-	-	-	(2,542,289)	(2,542,289)	(2,542,289)	-	(2,542,289)	
Unspent							4,261,000	4,261,000	4,261,000	4,261,000	4,036,011	4,036,011	2,499,632	16,873,643	16,873,643	4,958,426	21,832,069	

Note: Legal advice indicates that in the circumstances a court is unlikely to conclude that the doubtful agreements are invalid for the purposes of determining whether there has been a breach of section 83 of the Constitution.

Note 31: Appropriations (continued)

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

Particulars	Administered			Non-operating			Total
	Outcome 1 SPPs	Outcome 2 SPPs	Outcome 3 SPPs	Equity	Loans	Previous years' outputs	
	NAE	NAE	NAE				
	\$	\$	\$	\$	\$	\$	\$
2004-05 (current period)							
Balance carried from previous period	-	-	-	-	-	-	400,986
Adjusted balance carried from previous period	-	-	-	-	-	-	400,986
<i>Appropriation Act (No.2) 2004-05</i>	-	16,414,000	159,799,000	2,165,000	-	5,216,000	7,223,000
<i>Appropriation Act (No.4) 2004-05</i>	-	2,296,000	-	800,000	-	-	172,000
Sub-total 2004-05 annual appropriation	-	18,710,000	159,799,000	2,965,000	-	5,216,000	7,395,000
Departmental adjustments	-	-	-	-	-	(400,000)	-
Total appropriations available for payments	-	18,710,000	159,799,000	2,965,000	-	4,816,000	7,795,986
Cash payments made during the year (GST inclusive)	-	(14,235,000)	(159,748,390)	(2,965,000)	-	(4,816,000)	(7,795,986)
Balance of authority to draw cash from the consolidated revenue fund for other than ordinary annual services appropriations	-	4,475,000	50,610	-	-	-	-
Represented by:							
Undrawn, unexpired administered appropriations	-	4,475,000	50,610	-	-	-	-
Total	-	4,475,000	50,610	-	-	-	-
							4,525,610
							4,525,610

Note 31: Appropriations (continued)

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

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

	2005 \$	2004 \$
	Outcome 2	
<i>Purpose:</i> An Act under which the Australian Government guaranteed that in the transitional years following the introduction of tax reform, each State's budgetary position would be no worse off than had the reforms not been implemented.		
All transactions under this Act are recognised as administered items.		
Cash payments made during the year	(35,892,228,319)	(33,695,331,536)
Appropriations credited to Special Accounts	-	-
Refunds credited (net) (FMA s30)	-	-
Total charged to appropriation	(35,892,228,319)	(33,695,331,536)
Budget estimate	36,319,192,000	33,477,854,000

Appropriation (HIH) Act 2001

	2005 \$	2004 \$
	Outcome 3	
<i>Purpose:</i> An Act to provide Australian Government funded assistance to policy holders suffering financial hardship as a result of the failure of the HIH group companies and the appointment of the provisional liquidators of the HIH group companies.		
All transactions under this Act are recognised as administered items.		
Cash payments made during the year	(92,540,902)	(126,000,000)
Appropriations credited to Special Accounts	-	-
Refunds credited (net) (FMA s30)	-	-
Total charged to appropriation	(92,540,902)	(126,000,000)
Budget estimate	127,242,000	131,709,000

Note 31: Appropriations (continued)

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

Asian Development Bank (Additional Subscription) Act 1995

Purpose: An Act is to represent an instrument of subscription whereby Australia agrees to purchase 102,370 additional shares. The ADB assists with the economic and social development of countries in the Asian Pacific region by providing financial and technical assistance for projects and programs.

All transactions under this Act are recognised as administered items.

Cash payments made during the year

Appropriations credited to Special Accounts

Refunds credited (net) (FMA s30)

Total charged to appropriation

Budget estimate

	2005	2004
	\$	\$
Outcome 1		
	(4,655,773)	(4,655,773)
	-	-
	-	-
	(4,655,773)	(4,655,773)
	4,656,000	4,656,000

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.

All transactions under this Act are recognised as administered items.

Cash payments made during the year

Appropriations credited to Special Accounts

Refunds credited (net) (FMA s30)

Total charged to appropriation

Budget estimate

	2005	2004
	\$	\$
Outcome 1		
	(19,489,312)	(236,548,916)
	-	-
	-	-
	(19,489,312)	(236,548,916)
	19,539,000	236,008,000

Note 31: Appropriations (continued)

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

Superannuation Industry (Supervision) Act 1993

	2005	2004
	\$	\$
Outcome 3		
	(3,188,026)	(9,858,747)
	-	-
	-	-
	(3,188,026)	(9,858,747)
	3,308,000	10,000,000

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

All transactions under this Act are recognised as administered items.

Cash payments made during the year

Appropriations credited to Special Accounts

Refunds credited (net) (FMA s30)

Total charged to appropriation

Budget estimate

Totals for unlimited special appropriations

	2005	2004
	\$	\$
	(36,012,102,332)	34,072,394,972
	-	-
	-	-
	(36,012,102,332)	34,072,394,972
	36,473,937,000	33,860,227,000

Cash payments made during the year

Appropriations credited to Special Accounts

Refunds credited (net) (FMA s30)

Total charged to appropriation

Budget estimate

Note 31: Appropriations (continued)

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

For the periods 2003-04 and 2004-05, Treasury has not used section 28 of the FMA Act or any other legislative provisions allowing for refunds to be paid.

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

For the periods 2003-04 and 2004-05, Treasury has not used section 39 of the FMA Act.

Note 31F: Acquittal of authority to draw cash from the consolidated revenue fund — Special Appropriations (other disclosures)

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

Limited	
Act	Purpose
<i>Asian Development Bank Act 1966</i>	Payments and promissory notes to establish the Bank. Balance available is USD\$42,500,000 in callable shares.
<i>Asian Development Bank (Additional Subscription) Act 1972</i>	Subscribe to 2,550 (paid-in) and 10,200 (callable) shares. Balance available is USD\$102,000,000 in callable shares.
<i>Asian Development Bank (Additional Subscription) Act 1977</i>	Subscribe to 2,869 (paid-in) and 25,818 (callable) shares. Balance available is USD\$258,180,000 in callable shares.
<i>Asian Development Bank (Additional Subscription) Act 1983</i>	Subscribe to 2,622 (paid-in) and 49,811 (callable) shares. Balance available is USD\$498,110,000 in callable shares.
<i>European Bank for Reconstruction and Development Act 1990</i>	Payments and promissory notes to establish the Bank. Balance available is USD\$81,690,700 in callable shares.
<i>International Financial Institutions (Share Increase) Act 1982</i>	For payments for additional shares of capital stock in the International Finance Corporation (IFC) and the International Bank for Reconstruction and Development (IBRD). Balance available is USD\$692,927,440 in callable shares (IBRD).
<i>International Monetary Agreements Act 1974</i>	Making payments, including for promissory notes, to the International Bank for Reconstruction and Development (IBRD). Balance available is USD\$37,638,120 in callable shares (IBRD).
<i>Multilateral Investment Guarantee Agency Act 1997</i>	Payments of capital and on securities issued to establish the Agency. Balance available is USD\$14,827,728 in callable shares.
<i>Papua New Guinea Loans Guarantee Act 1975</i>	Continuation of guarantees under the <i>Papua New Guinea Act 1949-75</i> . Balance available is AUD\$5,170,000.
Unlimited	
Act	Purpose
<i>Financial Agreements (Commonwealth Liability) Act 1932</i>	Payment of principal and interest on bonds issued under the <i>Financial Agreement Validation Act 1929</i> , consolidating State debts.
<i>Financial Management and Accountability Act 1997</i>	Payments of refunds not elsewhere appropriated.
<i>Housing Loans Insurance Corporation (Transfer of Assets and Abolition) Act 1996</i>	Payments for amounts arising from claims made before the transfer period leading to the abolition of the HLIC.
<i>Mint Employees Act 1964</i>	Top up superannuation entitlements.
<i>Payment of Tax Receipts (Victoria) Act 1996</i>	Payment to Victoria of certain taxes collected by the Australian Government on Victoria's behalf.
<i>States Grants Act 1927</i>	Distribution of surplus revenue to the States.

Note 31: Appropriations (continued)

Note 31F: Acquittal of authority to draw cash from the consolidated revenue fund — Special Appropriations (other disclosures)(continued)

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

Commonwealth Places (Mirror Taxes) Act 1998

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

	2005	2004
	Actual	Actual
	\$	\$
Total mirror tax collection	306,725,426	312,010,000

Note 31: Appropriations (continued)**Note 31G: Special Accounts****Royal Australian Mint and Coinage (Departmental)**

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

Purpose: a) *Payment of goods and services, salaries and expenses incurred for activities entered into by the Mint approved by the Treasurer.*
b) *Repayment of capital funds and payment of moneys in excess of requirements to consolidated revenue fund.*

	2005	2004
	\$	\$
<i>This account is non-interest bearing</i>		
Balance carried from previous period	11,526,739	5,457,000
Appropriation Act (No. 2) current period	2,165,000	6,100,000
Costs recovered from provision of goods	20,233,668	21,884,217
GST credits (FMA s30A)	2,682,074	1,805,608
Other receipts		
Goods - provision of goods to related entities	137,696,000	77,453,090
Services - rendering of services to related entities	-	819,080
Available for payments	174,303,481	113,518,995
Payment made to the Australian Government for seigniorage	(97,563,078)	(59,034,386)
Payments made for competitive neutrality	(1,364,265)	(854,838)
Payments made to employees	(7,677,840)	(6,869,765)
Payments made to suppliers	(54,869,408)	(32,848,463)
Other payments	(4,807,442)	(2,384,804)
Balance carried to next period	8,021,448	11,526,739
<i>Represented by:</i>		
Cash held by the Royal Australian Mint	7,900,533	11,390,865
Add: Receivables - goods and services - GST receivable from customers	84,199	106,178
Add: Receivables - net GST receivable from the ATO	36,716	29,696
Total balance carried to the next period	8,021,448	11,526,739

Note 31: Appropriations (continued)

Note 31G: Special Accounts (continued)

Australian Government Actuary (Departmental)

Legal authority: Financial Management and Accountability Act 1997: s20

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

	2005	2004
	\$	\$
<i>This account is non-interest bearing</i>		
Balance carried from previous period	1,283,803	1,386,343
Costs recovered from services	6,126	44,392
GST credit (FMA s30A)	14,514	7,908
Realised investments	-	-
Other receipts from rendering of services	1,633,424	1,254,389
Available for payments	2,937,867	2,693,032
Payments made to employees	(1,005,385)	(887,681)
Payments made to suppliers	(563,938)	(521,548)
Balance carried to next period	1,368,544	1,283,803
<i>Represented by:</i>		
Cash held by the Australian Government Actuary	1,388,558	1,281,906
Add: Receivables - goods and services - GST receivable from customers	19,951	17,538
Less: Other payables - net GST payable to the ATO	(38,859)	(15,179)
Less: Payable - suppliers - GST portion	(1,106)	(462)
Total balance carried to the next period	1,368,544	1,283,803

Note 31: Appropriations (continued)**Note 31G: Special Accounts (continued)****Trustee Companies (ACT) Deposits Trust Fund (Departmental)***Legal authority: Financial Management and Accountability Act 1997: s20**Purpose: for administering the Trustee Companies Act 1947 in relation to trustee companies.*

	2005	2004
	\$	\$
<i>This account is non-interest bearing</i>		
Balance carried from previous period	120,000	120,000
Other receipts from rendering of services	8,400	4,650
Available for payments	128,400	124,650
Payments made to suppliers	(8,400)	(4,650)
Balance carried to next period	120,000	120,000
<i>Represented by:</i>		
Securities held by Treasury	120,000	120,000
Total balance carried to the next period	120,000	120,000

Note 31: Appropriations (continued)

Note 31G: Special Accounts (continued)

Lloyd's Deposit Fund (Departmental)

Legal authority: Financial Management and Accountability Act 1997: s20

Purpose: to meet the costs of the judicial management and wind-up in the event the company ceases to trade.

	2005	2004
	\$	\$
<i>This account is non-interest bearing</i>		
Balance carried from previous period	2,000,000	2,000,000
Other receipts from provision of goods	165,000	180,000
Available for payments	2,165,000	2,180,000
Payments made to suppliers	(165,000)	(180,000)
Balance carried to next period	2,000,000	2,000,000
<i>Represented by:</i>		
Securities held by Treasury	2,000,000	2,000,000
Total balance carried to the next period	2,000,000	2,000,000

Note 31G: Special Accounts (continued)**Services for other Governments and non agency bodies special account (Departmental)**

The Treasury has a 'Services for other Governments and non-agency bodies special account' established under section 20 of the *Financial Management and Accountability Act 1997* (FMA Act). The purpose of this special account is for the expenditure in connection with services performed on behalf of other Governments and bodies that are not Agencies under the FMA Act. For the years ended 30 June 2004 and 30 June 2005 this special account had nil balances and no transaction were credited or debited to the account.

Other trust moneys special account (Departmental — Special Public Money)

The Treasury has a 'Other trust moneys special account' established under section 20 of the FMA Act. The purpose of this special account is for expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Australian Government. Any money held is thus special public money under section 16 of the FMA Act. For the years ended 30 June 2004 and 30 June 2005 this special account held monies advanced to the Treasury by Comcare for the purpose of distributing compensation payments made in accordance with the *Safety Rehabilitation and Compensation Act 1998*. Where the Treasury makes payments against accrued sick leave entitlements pending determination of an employee's claim, permission is obtained in writing from each individual to allow Treasury to recover the payments from the monies in the account. During 2004-05 Treasury obtains the employees consent to permission prior to the determination of the claim which allows the Treasury to recover the payments from the monies when received. In this respect only overpayments and errors in payments are special public monies and credited to the account accordingly until returned to Comcare.

	2005	2004
	Actual	Actual
	\$	\$
Balance carried forward from previous year	29,287	30,742
Receipts during the year	24,664	61,059
Available for payments	53,951	91,801
Payments made	(53,951)	(62,514)
Balance carried forward to next year held by the entity	-	29,287

Other trust moneys special account (Administered — Special Public Money)

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

For the year ended 30 June 2005 this special account held monies in relation to HIIH recoveries received from the HIIH Claims Manager (Wyatt Gallagher Bassett), which were recovered from third parties in relation to claims made by persons insured by HIIH. These recoveries comprise a portion which is due to third parties (non-Commonwealth) and part to the Commonwealth. Receipts and subsequent payments relating to third parties (non-Commonwealth) are treated as special public monies.

	2005	2004
	Actual	Actual
	\$	\$
Balance carried forward from previous year	-	-
Receipts during the year	407,588	-
Available for payments	407,588	-
Payments made	(407,588)	-
Balance carried forward to next year held by the entity	-	-

Note 31H: Special Accounts investment of public money

For the periods 2003-04 and 2004-05, Treasury has not used section 39 of the FMA Act or section 18 and 19 of the CAC Act in respect of this Special Account.

Note 32: Reporting of outcomes

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

Note 32: Reporting of outcomes (continued)

Note 32A: Net cost of outcome delivery

	Outcome 1		Outcome 2		Outcome 3		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses								
Administered expenses	471,803	(424,751)	36,063,089	33,883,112	162,202	264,460	36,697,094	33,722,821
Departmental expenses	27,107	23,922	52,642	53,328	91,682	72,246	171,431	149,496
Total expenses	498,910	(400,829)	36,115,731	33,936,440	253,884	336,706	36,868,525	33,872,317
Costs recovered from provision of goods and services to the non-government sector								
Administered	365	-	230	-	1,634	-	2,229	-
Departmental	3,276	1,838	122	599	35	376	3,433	2,813
Total costs recovered	3,641	1,838	352	599	1,669	376	5,662	2,813
Other external revenues								
Administered								
Interest	3,637	7,991	-	-	303	790	3,940	8,781
Dividends	694,000	2,264,000	-	-	-	-	694,000	2,264,000
Fees/levies collected	-	-	591,922	541,877	-	-	591,922	541,877
Premiums received	-	-	-	-	1,519	3,205	1,519	3,205
Remuneration payments	37,014	35,655	-	-	-	-	37,014	35,655
Other revenue	9,155	4,792	5,420	940	128,976	61,914	143,551	67,646
Total administered	743,806	2,312,438	597,342	542,817	130,798	65,909	1,471,946	2,921,164
Departmental								
Interest on all cash deposits	-	-	-	-	479	236	479	236
Revenue from disposal of assets	23	7	38	15	20	15	81	37
Other	262	147	349	231	480	1,517	1,091	1,895
Related goods and services revenue	2,415	1,105	305	639	40,084	19,474	42,804	21,218
External goods and services revenue	977	1,121	124	582	16,212	22,348	17,313	24,051
Total departmental	3,677	2,380	816	1,467	57,275	43,590	61,768	47,437
Total other external revenues	747,483	2,314,818	598,158	544,284	188,073	109,499	1,533,714	2,968,601
Net cost/(contribution) of outcome	(252,214)	(2,717,485)	35,517,221	33,391,557	64,142	226,831	35,329,149	30,900,903

Outcomes 1, 2 and 3 are described in Note 1.1. Net costs shown include intra-government cost that are eliminated in calculating the actual budget outcome. Refer to Outcome 1 — Resourcing table on page 23, Outcome 2 — Resourcing table on page 40, and Outcome 3 — Resourcing table on page 68.

Note 32: Reporting of outcomes (continued)

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

	Output Group 1.1		Output Group 1.1		Outcome 1	
	Output 1.1.1		Output 1.1.2		Total	
	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Departmental expenses						
Employees	6,204	6,409	12,930	10,102	19,134	16,511
Suppliers	2,049	1,976	4,729	4,295	6,778	6,271
Depreciation and amortisation	320	339	767	716	1,087	1,055
Write down of assets	16	-	37	-	53	-
Value of assets sold	7	13	14	28	21	41
Borrowing costs expense	10	14	24	30	34	44
Income tax equivalent expense	-	-	-	-	-	-
Total Departmental expenses	8,606	8,751	18,501	15,171	27,107	23,922
Funded by:						
Revenues from Government	8,765	8,049	17,293	12,587	26,058	20,636
Revenue from disposal of assets	7	2	16	5	23	7
Interest revenue	-	-	-	-	-	-
Sale of goods and services	72	210	3,320	1,881	3,392	2,091
Other non-taxation revenues	58	39	204	108	262	147
Total Departmental revenues	8,902	8,300	20,833	14,581	29,735	22,881

Note 32: Reporting of outcomes (continued)

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

	Output Group 2.1		Output Group 2.1		Output Group 2.1		Output Group 2.2		Output 2	
	Output 2.1.1		Output 2.1.2		Output 2.1.3		Output 2.2.1		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Departmental expenses										
Employees	2,576	2,883	2,228	1,809	5,892	5,905	28,289	27,913	38,985	38,510
Suppliers	806	980	872	1,525	1,290	1,646	8,598	8,508	11,566	12,659
Depreciation and amortisation	135	143	109	87	246	284	1,410	1,488	1,900	2,002
Write down of assets	7	-	5	-	12	-	68	-	92	-
Value of assets sold	3	6	2	3	5	11	29	57	39	77
Borrowing costs expense	4	6	3	4	8	12	45	58	60	80
Income tax equivalent expense	-	-	-	-	-	-	-	-	-	-
Total Departmental expenses	3,531	4,018	3,219	3,428	7,453	7,858	38,439	38,024	52,642	53,328
Funded by:										
Revenues from Government	3,522	3,574	5,843	3,064	7,111	7,447	39,732	36,259	56,208	50,344
Revenue from disposal of assets	2	1	2	1	5	2	29	11	38	15
Interest revenue	-	-	-	-	-	-	-	-	-	-
Sale of goods and services	29	77	24	47	55	161	321	801	429	1,086
Other non-taxation revenues	23	16	20	11	50	33	256	171	349	231
Total Departmental revenues	3,576	3,668	5,889	3,123	7,221	7,643	40,338	37,242	57,024	51,676

Note 32: Reporting of outcomes (continued)

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

	Outcome 1		Outcome 2		Outcome 3		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Administered revenues								
Interest	3,637	7,991	-	-	303	790	3,940	8,781
Dividends	694,000	2,264,000	-	-	-	-	694,000	2,264,000
Goods and services	-	-	591,922	541,877	-	-	591,922	541,877
Other	46,534	40,447	5,650	940	132,129	65,119	184,313	106,506
Total administered revenues	744,171	2,312,438	597,572	542,817	132,432	65,909	1,474,175	2,921,164
Administered expenses								
Grants	-	-	36,061,287	33,883,112	162,928	161,924	36,224,215	34,045,036
Net foreign exchange (gains)/losses	448,386	(440,061)	-	-	-	-	448,386	(440,061)
Other	23,417	15,310	1,802	-	(726)	102,536	24,493	117,846
Total administered expenses	471,803	(424,751)	36,063,089	33,883,112	162,202	264,460	36,697,094	33,722,821

Note 33: Related party transactions

	2005	2004
	Actual	Actual
	\$'000	\$'000
Other income		
Profit share	-	-

