

FINANCIAL STATEMENTS

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Agency Revenues and Expenses

for the year ended 30 June 1998

	Notes	1997-98 \$'000	1996-97 \$'000
NET COST OF SERVICES			
Expenses			
Employees	4A	31,886	33,667
Suppliers	4B	17,451	16,110
Depreciation and amortisation	4C	1,643	1,859
Interest		13	15
Write down of assets	4D	—	(96)
Expenses of business operations	4E	24,520	24,744
Total expenses		75,513	76,299
Revenues from independent sources			
Net gains from sale of assets	7A	2	31
Other revenues from independent sources	8	972	1,382
Revenues of business operations	7B	25,312	26,731
Total revenues from independent sources		26,286	28,144
Net cost of services		49,227	48,155
REVENUES FROM GOVERNMENT			
Appropriations used for:			
Ordinary annual services (net appropriations)	9A	50,137	51,525
Other services		113	130
Resources received free of charge	9B	534	739
Total revenues from government		50,784	52,394
Operating surplus/deficit before extraordinary items		1,557	4,239
Net revenues or expenses from extraordinary items:			
Restructuring	6A	(62)	—
Operating surplus/deficit		1,495	4,239
Accumulated results at 1 July		6,845	2,606
Accumulated results at 30 June		8,340	6,845

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

Administered Revenues and Expenses

for the year ended 30 June 1998

	Notes	1997-98 \$'000	1996-97 \$'000
REVENUES			
NON TAXATION			
Interest revenue	7C	1,692,913	1,573,096
Dividend revenue	7D	2,729,654	1,705,426
Revenue arising from securities other than trading securities	7E	246,267	363,674
Other	7F	9,136,515	2,217,778
Total revenues		13,805,349	5,859,974
EXPENSES			
Grants	5	16,931,550	16,727,648
Net foreign exchange losses		2,698,393	399,648
Interest and other financing costs	4F	8,728,490	10,315,173
Other	4G	7,125,009	1,339,723
Total expenses		35,483,442	28,782,192
Net cost to government		(21,678,093)	(22,922,218)
TRANSFERS			
Cash from the Official Commonwealth Public Account		106,369,105	32,404,081
Cash to the Official Commonwealth Public Account		(76,016,938)	(10,085,155)
Net change in administered net assets before extraordinary items		8,674,074	(603,292)
Net revenue from extraordinary items	6B	95,910	—
Net change in administered net assets		8,769,984	(603,292)
Accumulated results at 1 July	12B	(127,687)	(97,500,398)
Transfer from reserves	12B	—	(2,925,390)
Change in accounting policy	2.3	(101,095,607)	100,901,393
Accumulated results at 30 June	12B	(92,453,310)	(127,687)

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

Agency Assets and Liabilities

as at 30 June 1998

	Notes	1997-98 \$'000	1996-97 \$'000
DEBT			
Leases	10A	22	219
Total debt		22	219
PROVISIONS AND PAYABLES			
Employees	11A	12,742	12,963
Suppliers	11B	1,044	2,632
Other	11C	1,147	1,500
Total provisions and payables		14,933	17,095
Total liabilities		14,955	17,314
EQUITY			
Accumulated results		8,340	6,845
Reserves		4,463	4,463
Total equity	12A	12,803	11,308
Total liabilities and equity		27,758	28,622
FINANCIAL ASSETS			
Cash	13A	36	6,287
Receivable	13B	5,246	3,914
Investments	13D	1,368	—
Total financial assets		6,650	10,201
NON-FINANCIAL ASSETS			
Infrastructure, plant and equipment	14A,B	8,085	9,115
Inventories	14C	5,962	4,573
Intangibles	14 A,B	366	243
Other	14D	6,695	4,490
Total non-financial assets		21,108	18,421
Total assets		27,758	28,622
Current liabilities		5,341	7,521
Non-current liabilities		9,614	9,793
Current assets		16,174	16,096
Non-current assets		11,584	12,526

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

Administered Assets and Liabilities

as at 30 June 1998

	Notes	1997-98 \$'000	1996-97 \$'000
DEBT			
Government securities	10B	97,746,374	111,204,749
Loans	10C	3,523,963	9,390,921
Total debt		101,270,337	120,595,670
PROVISIONS AND PAYABLES			
Grants	11D	27,500	30,000
Payables due to other financial institutions	11E	2,783,627	11,471,955
Other	11F	4,323,022	4,594,047
Total provisions and payables		7,134,149	16,096,002
Total liabilities		108,404,486	136,691,672
EQUITY			
Accumulated results		(92,453,310)	(127,687)
Reserves		8,039,640	8,112,510
Total equity	12B	(84,413,670)	7,984,823
Total liabilities and equity		23,990,816	144,676,495
FINANCIAL ASSETS			
Cash	13C	11,433	2,305,164
Receivables due from other financial institutions	13E	89,019	11,147,914
Loans and advances	13F	7,305,705	9,255,980
Other receivables	13G	2,806,067	108,847,493
Investments	13H	13,756,776	13,119,944
Total financial assets		23,969,000	144,676,495
NON-FINANCIAL ASSETS			
Other – deferred acquisition costs		21,816	—
Total non-financial assets		21,816	—
Total assets		23,990,816	144,676,495
Current liabilities		23,197,539	29,545,837
Non-current liabilities		85,206,947	107,145,835
Current assets		3,052,509	29,474,680
Non-current assets		20,938,307	115,201,815

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

Agency Revenues and Expenses by Program

for the year ended 30 June 1998

	Treasury		Royal Australian Mint		Total	
	1997-98 \$'000	1996-97 \$'000	1997-98 \$'000	1996-97 \$'000	1997-98 \$'000	1996-97 \$'000
NET COST OF SERVICES						
Expenses						
Employees	31,886	33,667	—	—	31,886	33,667
Suppliers	17,451	16,110	—	—	17,451	16,110
Depreciation and amortisation	1,643	1,859	—	—	1,643	1,859
Interest	13	15	—	—	13	15
Write down of assets	—	(96)	—	—	—	(96)
Expenses of business operations	—	—	24,520	24,744	24,520	24,744
Total expenses	50,993	51,555	24,520	24,744	75,513	76,299
Revenues from independent sources						
Net gains from sales of assets	2	31	—	—	2	31
Other revenues from independent sources	972	1,382	—	—	972	1,382
Revenues of business operations	—	—	25,312	26,731	25,312	26,731
Total revenues from independent sources	974	1,413	25,312	26,731	26,286	28,144
Net cost of services	50,019	50,142	(792)	(1,987)	49,227	48,155
REVENUES FROM GOVERNMENT						
Appropriations used for:						
Ordinary annual services (net appropriations)	50,137	51,525	—	—	50,137	51,525
Other services	113	130	—	—	113	130
Resources received free of charge	534	739	—	—	534	739
Total revenues from government	50,784	52,394	—	—	50,784	52,394
Operating result before extraordinary items						
Restructuring	765	2,252	792	1,987	1,557	4,239
	(62)	—	—	—	(62)	—
Operating surplus/deficit	703	2,252	792	1,987	1,495	4,239

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

Administered Revenues and Expenses by Program

for the year ended 30 June 1998

	Treasury		Royal Australian Mint		Total	
	1997-98 \$'000	1996-97 \$'000	1997-98 \$'000	1996-97 \$'000	1997-98 \$'000	1996-97 \$'000
REVENUES						
NON TAXATION						
Interest revenue	1,692,913	1,573,096	—	—	1,692,913	1,573,096
Dividend revenue	2,729,654	1,705,426	—	—	2,729,654	1,705,426
Revenue from securities other than trading securities	246,267	363,674	—	—	246,267	363,674
Other	9,136,515	2,217,778	—	—	9,136,515	2,217,778
Total revenues	13,805,349	5,859,974	—	—	13,805,349	5,859,974
EXPENSES						
Grants	16,931,550	16,727,648	—	—	16,931,550	16,727,648
Net foreign exchange losses	2,698,393	399,648	—	—	2,698,393	399,648
Interest and other financing costs	8,728,490	10,315,173	—	—	8,728,490	10,315,173
Other	7,125,009	1,339,723	—	—	7,125,009	1,339,723
Total expenses	35,483,442	28,782,192	—	—	35,483,442	28,782,192
Net cost to government	(21,678,093)	(22,922,218)	—	—	(21,678,093)	(22,922,218)
TRANSFERS						
Cash from the Official Commonwealth Public Account	106,369,105	32,404,081	—	—	106,369,105	32,404,081
Cash to the Official Commonwealth Public Account	(76,016,938)	(10,085,155)	—	—	(76,016,938)	(10,085,155)
Net change in administered net assets before extraordinary items	8,674,074	(603,292)	—	—	8,674,074	(603,292)
Net revenue from extraordinary items	95,910	—	—	—	95,910	—
Net change in administered net assets	8,769,984	(603,292)	—	—	8,769,984	(603,292)
Accumulated results at 1 July	(127,687)	(97,500,398)	—	—	(127,687)	(97,500,398)
Transfer from reserves	—	(2,925,390)	—	—	—	(2,925,390)
Change in accounting policy	(101,095,607)	100,901,393	—	—	(101,095,607)	100,901,393
Accumulated results at 30 June	(92,453,310)	(127,687)	—	—	(92,453,310)	(127,687)

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

Agency Cash Flows

for the year ended 30 June 1998

	Notes	1997-98 \$'000	1996-97 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		49,740	48,321
Sale of goods and services		24,651	29,833
Total cash received		74,391	78,154
Cash used			
Employees		(38,105)	(39,136)
Suppliers		(39,884)	(32,105)
Interest		(17)	(11)
Trust Fund moneys transferred to Consolidated Revenue Fund		—	533
Total cash used		(78,006)	(70,719)
Net cash from operating activities	15A	(3,615)	7,435
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of infrastructure, plant and equipment		277	58
Total cash received		277	58
Cash used			
Purchase of infrastructure, plant and equipment		(1,658)	(1,281)
Purchase of investments		(750)	(200)
Total cash used		(2,408)	(1,481)
Net cash from investing activities		(2,131)	(1,423)
FINANCING ACTIVITIES			
Cash used			
Trust fund surplus transferred		(505)	—
Total cash used		(505)	—
Net cash used by financing activities		(505)	—
Net increase in cash held		(6,251)	6,012
add cash at 1 July		6,287	275
Cash at 30 June	13A	36	6,287

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

Administered Cash Flows

for the year ended 30 June 1998

	Notes	1997-98 \$'000	1996-97 \$'000
OPERATING ACTIVITIES			
Cash received			
NON TAXATION			
Interest		1,991,220	1,582,218
Dividends		1,706,728	2,141,559
Cash from Official Commonwealth Public Account		31,841,379	27,649,405
Other		1,070,270	1,238,161
Total cash received		36,609,597	32,611,343
Cash used			
Borrowing costs		9,467,110	10,368,941
Grants		16,934,050	16,697,648
Cash to Official Commonwealth Public Account		4,757,919	4,961,938
Other		5,351,744	582,816
Total cash used		36,510,823	32,611,343
Net cash from operating activities	15B	98,774	—
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of equity instruments		—	12,500
Repayments of advances		158,119	85,183
Cash from Official Commonwealth Public Account		2,165,211	4,265,256
Other		2,101,654	4,797,397
Total cash received		4,424,984	9,160,336
Cash used			
Purchase of equity instruments		19,772	11,536
Cash to Official Commonwealth Public Account		2,259,773	4,895,080
Other		2,158,319	4,253,720
Total cash used		4,437,864	9,160,336
Net cash from investing activities		(12,880)	—
FINANCING ACTIVITIES			
Cash received			
Proceeds from borrowing		60,038,086	67,279,424
Cash from Commonwealth Public Account		72,362,515	67,850,653
Other		10,166,867	781,714
Total cash received		142,567,468	135,911,791
Cash used			
Repayment of debt		75,487,035	66,334,273
Cash to Commonwealth Public Account		68,999,246	67,783,582
Other		460,812	—
Total cash used		144,947,093	134,117,855
Net cash from financing activities		(2,379,625)	1,793,936
Net increase in cash held		(2,293,731)	1,793,936
Add cash at 1 July		2,305,164	511,228
Cash at 30 June	13C	11,433	2,305,164

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

Schedule of Commitments

as at 30 June 1998

	Agency		Administered	
	1997-98 \$'000	1996-97 \$'000	1997-98 \$'000	1996-97 \$'000
OTHER COMMITMENTS				
Operating leases	6,213	10,828	—	—
Other commitments	557	119	—	—
Total other commitments	6,770	10,947	—	—
COMMITMENTS RECEIVABLE	—	—	—	—
Net commitments	6,770	10,947	—	—
BY MATURITY				
All net commitments				
One year or less	3,405	4,129	—	—
From one to two years	2,790	3,942	—	—
From two to five years	575	2,876	—	—
Over five years	—	—	—	—
Net commitments	6,770	10,947	—	—
Operating Lease Commitments				
One year or less	3,092	4,056	—	—
From one to two years	2,546	3,896	—	—
From two to five years	575	2,876	—	—
Over five years	—	—	—	—
Net commitments	6,213	10,828	—	—

Schedule of Contingencies

as at 30 June 1998

	Agency		Administered	
	1997-98 \$'000	1996-97 \$'000	1997-98 \$'000	1996-97 \$'000
CONTINGENT LOSSES				
Uncalled shares	—	—	8,636,836	7,107,565
Claims for damages/costs ¹	500	500	—	—
Total contingent losses	500	500	8,636,836	7,107,565
CONTINGENT GAINS				
Claims for damages	—	—	—	500
Total contingent gains	—	—	—	500
Net contingencies	500	500	8,636,836	7,107,065

Note 1: This is a claim for compensation for an injury due to an accident at the Treasury/DoFA Cafeteria.

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

Notes to and forming part of the Financial Statements

for the year ended 30 June 1998

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Note 1: Reporting Entity and Objectives

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

The Department comprises two programs:

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

Program 2: Royal Australian Mint.

The objectives of these programs are respectively:

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

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

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

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

Note 2: Summary of Significant Accounting Policies

2.1 Basis of Accounting

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

The financial statements have been prepared in accordance with Schedule 2 to the Financial Management and Accountability (FMA) Orders made by the Minister

for Finance and Administration. Schedule 2 requires that the financial statements are prepared:

- in compliance with Australian Accounting Standards, Accounting Guidance Releases and Urgent Issues Group consensus views; and
- having regard to Statements of Accounting Concepts.

The financial statements have also been prepared on an accrual basis and in accordance with the historical cost convention. Except where stated they do not take account of changing money values.

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

2.2 Agency and Administered Items

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

- computers, plant and equipment used in providing goods and services;
- liabilities for employee entitlements;
- revenues from running cost appropriations;
- revenues from user charging, etc, where the proceeds are deemed appropriated under section 31 of the *Financial Management and Accountability Act 1997*; and
- employee expenses and other administrative expenses incurred in providing goods and services.

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

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

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

2.3 Change in Accounting Policy

Schedule 2 requires that the administered transactions be accounted for on a double entry basis. The effect of this requirement is that transfers of cash to and from the Official Commonwealth Public Account (CPA) will be reported on the face of the statement of Administered Revenues and Expenses where operating transactions are involved, and that, where transactions involving financial assets and liabilities not arising from operations are involved, receivables from and payables to the CPA will be recognised in the statement of Administered Assets and Liabilities.

On initial application of this policy as at 1 July 1996, an adjustment of \$100,901,393 thousand was made to administered accumulated results.

In 1997-98 financial year, this policy was amended as advised by DoFA, so as to effect all administered transactions to be recognised on the face of the statement of Administered Revenues and Expenses irrespective of their nature. This change in accounting policy has resulted in an adjustment of \$101,095,607 thousand to administered accumulated results.

In previous years the costs incurred by the Commonwealth in repurchasing circulating coins were deducted from the seigniorage. This has raised an abnormal expense of \$184,000 in this year's statements.

2.4 Principles of Aggregation

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

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

2.5 Appropriations

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

Schedule 2 requires that amounts received as appropriations for running costs operations are to be recognised according to their nature under the Running Costs Arrangements. Under these arrangements, the Department receives a base amount of funding by way of appropriation for running costs each year. The base amount may be supplemented in any year by a carryover from the previous year of

unspent appropriations up to allowable limits, as well as by borrowings at a discount against future appropriations of the base amount. The repayment of a borrowing is effected by an appropriate reduction in the appropriation actually received in the year of repayment. Interest may be charged on borrowings.

The Department now recognises:

- as revenue an amount equal to the base funding spent in the year or carried over to the next year;
- as a receivable, an amount equal to the amount of unspent appropriation carried over to the next financial year; and
- as a liability, outstanding amounts of running costs borrowings. The interest cost of the borrowing is expensed over the life of the borrowing.

2.6 Resources Received Free of Charge

Services received free of charge are recognised in the statement of Agency Revenues and Expenses as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised in the 'Net cost of services'.

Contribution of assets at nil 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. In the latter case, assets are initially recognised at the amounts at which they were recognised by the transferring agency immediately prior to the transfer.

2.7 Employee Entitlements

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

The provision for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 1998 and is recognised at its nominal value.

The non-current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 1998. In determining the present value of the liability, the Department has taken into account attrition rates and pay increases through promotion and inflation.

2.8 Superannuation

Staff of the Department contribute to the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. Employer contributions have been expensed in these financial statements.

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

Employer Superannuation Productivity Benefit contributions have been expensed in these financial statements.

2.9 Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases, under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

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

2.10 Cash

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

2.11 Financial Instruments and Specific Disclosures by Financial Institutions

The Department is complying with the requirements of the following Australian Accounting Standards, which became operative for the first time during the financial year:

- (a) AAS 23 Set-off and Extinguishment of Debt;
- (b) AAS 32 Specific Disclosures by Financial Institutions; and

(c) AAS 33 Presentations and Disclosure of Financial Instruments.

Where practicable, comparative information has been disclosed.

2.12 Acquisition of Assets

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

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

2.13 Property Plant and Equipment

Asset recognition threshold

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

Revaluation

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

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

The carrying amounts of property, plant and equipment held by the Mint have been reviewed to determine whether they are in excess of their recoverable amounts. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

The Department is implementing its progressive revaluations as follows:

- leasehold improvements will continue to be revalued progressively every three years; the current revaluation commenced in 1995-96; and

- plant and equipment will be initially revalued over the financial year 1998-99, and thereafter over successive three-year periods. (Previous policy was to carry these assets on the basis of the value recognised on acquisition).

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

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

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

Intangible assets

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

Depreciation and amortisation

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

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

	1997-98	1996-97
Computers, plant and equipment	3 - 20 years	3 - 20 years
Leasehold improvements	5 years	5 years
Motor vehicles	7 years	7 years
Buildings	10 years	10 years
Office equipment	5 years	5 years
Capitalised software	3 - 5 years	3 - 5 years

2.14 Inventories

Inventories are brought to account at the lower of cost and net realisable value. Work in progress and finished goods are brought to account at actual costs to include direct costs and a proportion of direct labour and overhead. Prior to May 1998, leased precious metals were brought to account at the commodity price for the weight of silver and gold held at balance date. All precious metals are now

purchased and brought to account at cost and expensed as used. Indirect materials are expensed at the time of purchase.

2.15 Taxation

The Department is exempt from all forms of taxation, except for fringe benefits tax and sales tax on the Mint's non-coin products.

2.16 Insurance

In accordance with Commonwealth Government policy, assets are not insured and losses are expensed as they are incurred.

2.17 Bad and Doubtful Debts

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

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

2.18 Comparative Figures

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

2.19 Statement of Significant Accounting Policies for Administered Items

Administered items include:

(i) Unclaimed Moneys

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

(ii) Guarantees

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

(iii) State and Territory Advances

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

(iv) Royal Australian Mint — Seigniorage and Repurchase of Circulating Coins

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

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

(v) Loan Consolidation and Investment Reserve

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

(vi) Dividends

Dividends are recognised as revenue at the time the dividend is declared.

(vii) Profit Distributions Receivable

Profit distributions receivable by the Commonwealth from the Reserve Bank of Australia are recognised in the financial year in which the profit is earned.

If a profit distribution has not been determined prior to finalisation of the Department's financial statements, it is recognised as revenue only where it can be reliably measured.

(viii) Investments

(a) *Development Banks*

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

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

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

Owing to their nature, these investments are not to be revalued periodically.

(b) *International Monetary Fund (IMF)*

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

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

(c) *Portfolio Agencies*

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

(ix) *Promissory Notes*

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

(x) *Payments to the States*

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

(xi) *Borrowings*

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

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

(xii) Foreign Currency Transactions

Foreign currency transactions are converted into Australian currency at the spot rate on the date of the transaction.

Amounts payable and receivable in foreign currencies are converted into Australian currency at the spot rates applicable at balance date. Resulting exchange differences are recognised as administered items.

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

(xiii) Derivative Transactions

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

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

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

In previous financial years swap contracts were recognised on a gross cost basis.

(xiv) Mortgage insurance policies written by Housing Loans Insurance Corporation (HLIC) up to 12 December 1997

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

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

Accounting policies adopted are:

(a) *Premiums*

Premium comprises amounts charged to the policyholder or other insurer, excluding amounts collected on behalf of third parties, principally stamp duties.

The earned portion of premiums received and receivable is recognised as revenue. Premium is 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'.

(b) *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 reported and the anticipated direct and indirect costs of settling those claims.

(c) *Acquisition Costs*

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

2.20 Investment in Sydney 2000 Olympic Coin Program (STOCP)

(i) *General*

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

The Royal Australian Mint's interest in STOCP is carried forward at the lower of cost and recoverable amount.

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

(ii) *Profit distribution*

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

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

(iii) Foreign Currency Hedge

The STOCP entered into a foreign currency hedge (the hedge) on 25 June 1997 to the value of \$US34 million for the purpose of reducing the risk of foreign currency exposure on overseas sales. The currency hedge matures on 11 March 1999 and is expected to cover all overseas revenues. At present the STOCP has a commitment to the hedge of \$US33 million.

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

2.21 Rounding

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

- transactions of the Consolidated Revenue Fund , the Commercial Activities Fund, the Reserve Money Fund and Special Public Moneys;
- Act of Grace Payments, Waivers and Write-offs;
- remuneration of executives; and
- remuneration of auditors.

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

Note 3: Events Occurring After Balance Date

No events have occurred after balance date that effect the financial statements.

	1997-98 \$'000	1996-97 \$'000
Note 4: Goods and Services Expenses		
Note 4A: Employee expenses		
Remuneration (for services provided)	31,470	33,404
Separation and redundancy	416	263
Total employee expenses	31,886	33,667
Note 4B: Suppliers expenses		
Supply of goods and services	13,654	11,727
Operating lease rentals	3,797	4,383
Total supplier expenses	17,451	16,110
Note 4C: Depreciation and amortisation		
Depreciation of property, plant and equipment	1,546	1,859
Amortisation of leased assets	97	—
Total expenses	1,643	1,859
Note 4D: Write down of assets		
Write down of receivables	—	(96)
Total write down of assets	—	(96)
Note 4E: Expenses of businesses operations		
Employees	6,007	6,535
Suppliers	17,811	17,635
Loss on sale of assets	—	63
Write down of assets	18	—
Interest	—	36
Depreciation and amortisation	500	475
Prior year adjustment to seigniorage — abnormal expense	184	—
Total expenses of businesses operations	24,520	24,744

1997-98	1996-97
\$'000	\$'000

Note 4: Goods and Services Expenses (Continued)

Note 4F: Interest and other financing costs		
Government securities	7,942,026	9,697,429
Swaps	786,464	617,744
Total interest and other financing costs	8,728,490	10,315,173
Note 4G: Other administered expenses		
Revenue replacement payments under safety net arrangements with States and Territories	5,217,767	—
Payments to States in lieu of stamp duty on airport sales	94,400	—
Assumption of debt of Australian National Railways Commission	460,812	—
Premium paid on redemption of debt	1,302,973	124,622
Payment of <i>Tax Receipts (Victoria) Act 1996</i>	—	555,618
Assumption of debt of Federal Airports Corporation	—	626,410
Other	49,057	33,073
Total other administered expenses	7,125,009	1,339,723

Note 5: Grants

Grants to other sectors (appropriations to other Commonwealth entities)	258,573	130,615
Grants to State and Territory governments	16,672,977	16,567,033
Other – International Monetary Fund	—	30,000
Total Grants	16,931,550	16,727,648

Note 6: Extraordinary Items

Note 6A: Restructuring

During the year the DAA was transferred to the Australian Taxation Office (ATO).

Assets with a gross value of \$154,152 and a written down value of \$62,358 were transferred to ATO during 1997-98.

Note 6B: Administered net revenues from extraordinary items

On 12 December 1997 the Commonwealth sold the Housing Loans Insurance Corporation. As part of the sale the Commonwealth assumed the following assets and liabilities in relation to insurance policies written up to the point of sale:

		1997-98 \$'000
Assets:	Cash	261,673
	Deferred acquisition costs	28,988
	Premiums receivable	9,698
		<hr/> 300,359
Liabilities:	Outstanding claims	29,557
	Unearned premiums	174,892
		<hr/> 204,449
Net revenues from extraordinary items		<hr/> 95,910

1997-98	1996-97
\$'000	\$'000

Note 7: Non-taxation Revenue

Note 7A: Net gains from asset sales

Net gains from sale of assets	2	31
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Note 7B: Revenues of business operations

Sales of goods and services	23,583	25,983
Other	1,729	748
Total revenues of business operations	25,312	26,731

Note 7C: Administered interest revenue

Interest from other governments:

Housing agreements	241,894	245,403
State and Territory debt	473,827	449,832

Total interest from other governments	715,721	695,235
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Interest from other sources:

Other loans	3,578	5,761
Swaps	973,525	870,477
Other	89	1,623

Total interest from other sources	977,192	877,861
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Total interest revenue	1,692,913	1,573,096
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Note 7D: Administered dividend revenue

Commonwealth authorities	2,729,654	1,705,426
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Total dividend revenue	2,729,654	1,705,426
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Note 7E: Revenues arising from securities other than trading securities

Amortisation of premiums for Commonwealth Government Securities on issue	246,267	363,674
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1997-98	1996-97
\$'000	\$'000

Note 7: Non-taxation Revenue (Continued)

Note 7F: Other Administered Revenue

Transfer from Consolidated Revenue Fund to Trust Fund (LCIR)	8,305,125	1,442,613
Australian Securities Commission regulation fees and receipts	326,015	297,918
State Fiscal Contributions	406,593	395,225
Other	98,782	82,022
Total other administered revenue	9,136,515	2,217,778

Note 8: Revenue from Independent Sources

Gross revenue earned:

Sale of goods and services	568	926
Other	404	456
Total revenue earned	972	1,382

Note 9: Revenues from Government

Note 9A: Appropriations

Appropriations	46,294	48,192
Parliamentary appropriations carried over to following year	3,843	3,333
Ordinary annual services	50,137	51,525

Note 9B: Resources Received Free of Charge

ANAO Audit fees	200	210
OPG: Contribution to lease payments	61	339
Australian Archives: file storage	18	18
Attorney General's: Legal advice	40	—
DOFA: Internal audit	200	139
DOFA: Payroll, accounting and printing	15	33
	534	739

Note 10: Debt

Note 10A: Leases

Finance Lease Commitments:

	1997-98 \$'000	1996-97 \$'000
Not later than one year	22	99
Later than one year and not later than two years	—	98
Later than two years and not later than five years	—	51
Minimum lease payments	22	248
Deduct: future finance charges	—	29
Lease liability	22	219
Total Lease liability is represented by:		
Current	22	81
Non-current	—	138

1997-98	1996-97
\$'000	\$'000

Note 10B: Administered Debt

Government securities:

Securities issued on behalf of the Commonwealth	94,514,019	106,708,387
Securities issued on behalf of the States and Territories	1,890,552	3,717,821
	96,404,571	110,426,208
Unamortised net premiums on Commonwealth Government Securities on issue	1,341,803	778,541
Total government securities	97,746,374	111,204,749

Maturity schedule for government securities as at 30 June 1998 is as follows:

Payable:

within one year	19,405,769
in one to two years	9,825,720
in two to five years	23,077,014
in more than five years	44,096,068
	96,404,571

Note 10C: Loans

Maturity schedule for loans is as follows:	3,523,963	3,778,141
Payable:		
within one year	7,728	6,365
in one to two years	12,554	6,365
in two to five years	18,836	21,878
in more than five years*	3,484,845	3,743,533
	3,523,963	3,778,141
Payable to CPA – Loans to States	—	5,612,780
Total loans	3,523,963	9,390,921

(a) IMF promissory notes have been disclosed in this category as the ageing analysis could not be reliably performed for this item.

	1997-98 \$'000	1996-97 \$'000
Note 11: Provisions and Payables		
Note 11A: Employee liabilities		
Salaries and wages	599	496
Annual leave	4,310	4,577
Long service leave	7,666	7,813
Superannuation	74	10
Separation and redundancies	93	67
Total employee entitlement liability	12,742	12,963
Note 11B: Suppliers		
Trade creditors	1,044	3,310
Total suppliers	1,044	3,310
Note 11C: Other		
Other creditors	1,110	1,435
Unearned income	37	65
Total other	1,147	1,500
Note 11D: Grants		
Grants – International Monetary Fund	27,500	30,000
Maturity schedule for grants is as follows:		
Payable:		
within one year	2,500	2,500
in one to two years	2,500	2,500
in two to five years	7,500	7,500
in more than five years	15,000	17,500
	27,500	30,000
Note 11E: Payables due to other financial institutions		
Swap principal	2,761,134	11,275,384
Swap interest	22,493	196,571
	2,783,627	11,471,955

1997-98	1996-97
\$'000	\$'000

Note 11: Provisions and Payables (Continued)

Maturity schedule for payables due to other financial institutions as at 30 June 1998 is as follows:

Payable:

within one year	632,273
in one to two years	288,373
in two to five years	926,968
in more than five years	936,013
	<hr/> 2,783,627 <hr/>

NOTE 11F: Provisions and payables — Other

Interest payable	3,083,987	3,653,373
IMF SDR allocation	1,019,157	880,017
Provisions for unclaimed moneys repayments	41,392	34,521
Provision for insurance claims	29,533	—
Provision for unearned premiums	141,384	—
Other	7,569	26,136
Total other	<hr/> 4,323,022 <hr/>	4,594,047

Note 12: Equity

Note 12A: Equity — Departmental

Item	Accumulated results \$'000	Asset revaluation reserve \$'000	Total \$'000
Balance 1 July 1997	6,845	4,463	11,308
Operating result	1,495	—	1,495
Balance 30 June 1998	<hr/> 8,340 <hr/>	<hr/> 4,463 <hr/>	<hr/> 12,803 <hr/>

Note 12B: Equity – Administered

Item	Accumulated results \$'000	Administered Investments reserve \$'000	TOTAL \$'000
Balance 1 July 1997	(127,687)	8,112,510	7,984,823
Net change in administered net assets	8,769,984	—	8,769,984
Net revaluation increase	—	229	229
Net decrease in investment	—	(73,099)	(73,099)
Change in accounting policy	(101,095,607)	—	(101,095,607)
Balance 30 June 1998	(92,453,310)	8,039,640	(84,413,670)

1997-98	1996-97
\$'000	\$'000

Note 13: Financial Assets

Note 13A: Cash

Cash at bank and on hand	36	6,287
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Note 13B: Receivables

Trade debtors	1,414	602
Other debtors	3,856	3,333
Less provision for doubtful debts	(24)	(21)
Total receivables	<u>5,246</u>	<u>3,914</u>

Receivables (gross) are aged as follows:	5,270	3,935
Not overdue	4,818	3,744
Over due by:		
Less than 30 days	93	74
30 to 60 days	133	35
More than 60 days	226	82

Note 13C: Financial Assets — Cash

Cash at bank	8,792	—
Cash in trust accounts	2,641	2,305,164
	<u>11,433</u>	<u>2,305,164</u>

Note 13D: Investments

RAM Interest in the STOCP at cost	618	—
RAM Interest in ITBs	750	—
	<u>1,368</u>	<u>—</u>

1997-98	1996-97
\$'000	\$'000

Note 13E: Financial Assets — Receivables due from other financial institutions

Swap principal	26,899	10,883,395
Swap interest	62,120	264,519
	89,019	11,147,914

Maturity schedule for receivables due from other financial institutions as at 30 June 1998 is as follows:

Payable:

Within one year	65,592
In one to two years	—
In two to five years	—
In more than five years	23,427
	89,019

Note 13F: Financial Assets — Loans and advances

Loans to State and Territory governments	7,305,705	9,584,919
Less provision for doubtful debts	—	(328,939)
	7,305,705	9,255,980

Maturity schedule for Loans to State and Territory governments as at 30 June 1998 is as follows:

Payable:

Within one year	125,910
In one to two years	731,613
In two to five years	974,304
In more than five years	5,473,878
	7,305,705

Note 13G: Financial assets — Other receivables

Receivable from CPA Commonwealth securities	—	106,708,387
Profit transfer/Dividends owing	2,726,000	1,703,074
IMF related moneys owing	7,411	198,452
Other loans	—	69,400
Interest receivable	71,520	167,428
Other	1,136	752
Total receivables	2,806,067	108,847,493

1997-98	1996-97
\$'000	\$'000

Note 13: Financial Assets (Continued)

Note 13H: Investments

International Financial Institutions

Asian Development Bank	281,430	281,430
European Bank for Reconstruction and Development	51,486	51,486
International Finance Corporation	52,760	45,868
International Bank for Reconstruction and Development	265,082	265,082
	650,758	643,866

Quota

International Monetary Fund	5,053,498	4,363,568
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Investment in Commonwealth Entities

Reserve Bank of Australia	8,035,041	8,035,041
Housing Loans Insurance Corporation	—	73,099
Australian Securities Commission	4,267	4,267
Companies and Securities Advisory Committee	332	103
	8,039,640	8,112,510

Government Securities

Internal Treasury Bills	12,880	—
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Total Investments	13,756,776	13,119,944
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1997-98	1996-97
\$'000	\$'000

Note 14: Non-financial Assets

Note 14A: Infrastructure, plant and equipment

Computers, plant and equipment — at valuation	6,284	7,191
Accumulated depreciation	(2,220)	(2,552)
	4,065	4,639
Computers, plant and equipment — at cost	6,842	6,276
Accumulated depreciation	(3,422)	(2,884)
	3,420	3,392
Computers, plant and equipment under finance lease	35	313
Accumulated amortisation	(13)	(61)
	22	252
Leasehold improvements — at valuation	897	897
Accumulated amortisation	(732)	(553)
	164	344
Leasehold improvements — at cost	910	837
Accumulated amortisation	(496)	(349)
	414	488
Total Infrastructure, Plant and Equipment	8,085	9,115

Note: Intangibles have not been included in infrastructure, plant and equipment in the above table.

Intangibles	787	529
Accumulated depreciation	(421)	(286)
	366	243

Note 14: Non-financial Assets (Continued)

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

Table A: Movement summary 1997-98 for all assets irrespective of valuation basis

Item	Leasehold Improvements \$'000	Computers, Intangibles plant & equipment \$'000	\$'000	Total \$'000
Gross value as at 1 July 1997	1,734	13,780	529	16,043
Additions	111	1,321	257	1,689
Disposals	(38)	(1,940)	(1)	(1,979)
Gross value as at 30 June 1998	1,807	13,161	785	15,753
Accumulated Depreciation/Amortisation as at 1 July 1997	902	5,499	286	6,687
Depreciation/amortisation charge for assets held 1 July 1997	352	1,650	134	2,136
Depreciation/amortisation charge for additions	—	5	—	5
Adjustment for Disposals	(26)	(1,499)	(1)	(1,526)
Accumulated Depreciation/Amortisation as at 30 June 1998	1,228	5,655	419	7,302
Net book value as at 30 June 1998	579	7,506	366	8,451
Net book value as at 1 July 1997	832	8,283	243	9,358

Note 14: Non-financial Assets (Continued)

Table B: Summary of balances of assets at valuation as at 30 June 1998

Item	Leasehold Improvements \$'000	Infra-structure, plant & equipment \$'000	Total \$'000
As at 30 June 1998			
Gross value	896	6,284	7,180
Accumulated Depreciation/Amortisation	(732)	(2,220)	(2,952)
Net book value	164	4,064	4,228
As at 30 June 1997			
Gross value	896	7,191	8,087
Accumulated Depreciation/Amortisation	(553)	(2,552)	(3,105)
Net book value	343	4,639	4,982

Table C: Summary of finance leases at 30 June 1998

Item	Finance lease \$'000	Total \$'000
As at 30 June 1998		
Gross value	35	35
Accumulated Depreciation/Amortisation	(13)	(13)
Net book value	22	22
As at 30 June 1997		
Gross value	313	313
Accumulated Depreciation/Amortisation	(61)	(61)
Net book value	252	252

1997-98	1996-97
\$'000	\$'000

Note 14: Non-financial Assets

Note 14C: Inventories

Raw materials	3,559	3,017
Work in progress	165	368
Finished goods	2,238	1,188
less provision for irrecoverable amount	—	—
Total inventories	5,962	4,573

Note 14D: Other

Coin Collection	3,100	3,168
Prepayments	3,595	1,322
Total other	6,695	4,490

Note 15: Cash Flow Reconciliation

Note 15A: Departmental Reconciliation

Reconciliation of net cost of services to net cash provided by operating activities:

Net Cost of Services including business operations	(49,227)	(48,155)
Revenue from government (Appropriation Receipts)	50,249	51,655
Abnormal item seigniorage	184	—
Resources received free of charge	534	739
Operating result	1,740	4,239
Profit distribution	(618)	—
Depreciation/Amortisation	2,143	2,334
Asset write-off	72	—
Transfer of inventory to coin collection	(4)	—
Loss of sale on disposal of infrastructure, plant and equipment	—	63
Profit on sale of infrastructure, plant and equipment	(47)	(31)
Changes in assets and liabilities		
Increase in receivables	(1,332)	(1,503)
Increase in other assets	(2,273)	352
Increase in inventories	(1,389)	1,499
Decrease in employee liabilities	(221)	46
Decrease in suppliers	(1,588)	(863)
Decrease in other liabilities	(32)	1,382
Decrease in finance lease liability	(46)	(51)
Asset adjustments	(20)	(31)
Net cash provided by operating activities	(3,615)	7,435

1997-98	1996-97
\$'000	\$'000

Note 15: Cash Flow Reconciliation (Continued)

Note 15B: Administered Reconciliation

Reconciliation of net change in administered assets
to net cash provided by operating activities:

Net cost to government	(21,678,093)	(22,922,218)
Cash from the Commonwealth Public Account - gross	106,369,105	32,404,081
Cash to the Commonwealth Public Account - gross	(76,016,938)	(10,085,155)
Net revenue from extraordinary items	95,910	—
Net change in administered net assets	8,769,984	(603,292)
Cash from the Official Commonwealth Public Account	(74,527,726)	(4,754,676)
Cash to the Official Commonwealth Public Account	71,259,019	5,123,217
Transfer of funds from Consolidated Revenue to Trust Fund	(8,305,125)	(1,442,613)
Assumption of non cash assets of Housing Loans Insurance Corporation	(38,686)	—
Assumption of liabilities of Housing Loans Insurance Corporation	204,449	—
Assumption of debt of Australian National Railways Commission	460,812	—
Assumption of debt of Federal Airports Corporation	—	626,410
Foreign exchange losses	2,698,393	399,648
Amortisation of net premium on issue of debt	(246,267)	(363,673)
Premium on redemption of debt	1,302,973	124,620
Other	5,128	3,831
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in dividend and interest receivables	(724,379)	422,741
(Increase)/decrease in IMF remuneration receivables	(5,467)	449,088
(Increase)/decrease in premiums receivable	9,312	—
(Increase)/decrease in non-financial assets	7,173	—
Increase/(decrease) in insurance claims and unearned premium provisions and payables	(33,532)	—
Increase/(decrease) in unclaimed moneys provisions and payables	6,871	3,112
Increase/(decrease) in grant provisions and payables	(2,500)	30,000
Increase/(decrease) in interest provisions and payables	(743,464)	(34,918)
Increase/(decrease) in IMF provisions and payables	1,806	16,505
Net Cash from Operating Activities	98,774	—

Note 16: Administered Remote Contingencies

Note 16: Guarantees

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

Borrower	Legislation Authorising Guarantee	Balance Outstanding 1997-98 \$'000	Balance Outstanding 1996-97 \$'000
Papua New Guinea	<i>PNG Act 1949-75 & PNG Loans Guarantee Act 1975</i>	5,775	6,130
Commonwealth Bank of Australia (a)	<i>CBA Act 1959 s117</i>	99,745,900	104,174,000
Commonwealth Bank of Australia Superannuation Corporation (a) (d)	<i>CBA Act 1959 s117</i>	4,017,000	—
Commonwealth Development Bank (a)	<i>CBA Act 1959 s117</i>	472,500	1,102,000
Reserve Bank of Australia (b)	<i>RBA Act s77</i>	34,755,086	41,190,050
Housing Loans Insurance Corporation (c)	<i>HLIC Act 1965 s30, 31(b)</i>	—	—

- (a) In relation to the Commonwealth Bank of Australia, the Commonwealth Bank of Australia Superannuation Corporation and the Commonwealth Development Bank, the Commonwealth guarantees all moneys that are, or may at any time become, payable to a person other than the Commonwealth. Such guarantee will be progressively phased out following the Government sell-down on 19 July 1996.
- (b) In relation to the Reserve Bank of Australia, the Commonwealth guarantees all moneys that are, or may at any time become, payable to a person other than the Commonwealth.
- (c) The HLIC was sold during the year and residual contingencies have been assumed by the Commonwealth. The principal amount covered by the guarantee and the balances outstanding are unable to be reliably measured. The guarantee relates essentially to the Housing Loans Insurance Corporation's (HLIC) contracts of mortgage insurance and any borrowings approved by the Treasurer up to 12 December 1997.
- (d) This amount became available following the completion of the 1996-97 financial statements.

Note 17: Receipts to the Consolidated Revenue Fund

	1997-98 Estimate \$	1997-98 Actual \$	1996-97 Actual \$
Receipts			
Advances to the Australian Capital Territory			
Interest	3,321,000	3,320,582	3,320,582
Advances to the States under the Housing Agreements			
Interest	145,700,000	145,687,049	148,441,133
Principal	70,400,000	70,432,056	67,677,972
Advances to the Northern Territory for Housing			
Interest	1,606,000	1,608,044	1,624,187
Principal	377,000	374,878	358,735
Advances to the States under the <i>Housing Assistance Act 1973</i>			
Interest	193,000	203,438	207,131
Principal	96,000	96,022	92,329
Advances to the States under the States (Works and Housing Assistance) Acts			
Interest	94,400,000	94,395,361	95,130,887
Principal	17,000,000	17,080,548	16,345,022
Advances to the States under the War Service Lands Settlements Acts			
Principal	736,000	736,060	709,456
Australian National Railways Commission Debt repayment	700,000,000	460,812,450	—
<i>Banking Act 1959</i> — Unclaimed moneys	15,000,000	16,803,384	20,751,331
Bank dividends	1,200,000,000	1,700,000,000	2,135,807,027
Borrowing levy and guarantee charge on borrowings by Commonwealth Government Enterprises	7,500,000	5,256,153	8,383,867
Commonwealth Bank — Proceeds of sale	—	—	3,804,609,537
Commonwealth Development Bank — Proceeds of sale	—	—	12,500,000
Fiscal contributions by State Government	—	406,592,890	395,225,418
Housing Loans Insurance Corporation — Dividend and special annual payment	3,000,000	6,728,000	5,752,000
Payment of reserves to the Consolidated Revenue Fund	6,000,000	251,672,927	—
Premiums from old book stock	—	8,561,778	—
Recoveries from old book stock	—	1,737,339	—
Interest paid by States and the Northern Territory on other loans	388,385,000	566,898,890	469,289,046
International Monetary Fund Maintenance of value adjustment	—	—	448,990,968
Remuneration	10,681,000	2,915,156	10,922,470

Note 17: Receipts to the Consolidated Revenue Fund (Continued)

	1997-98 Estimate \$	1997-98 Actual \$	1996-97 Actual \$
Loan management expenses — recoveries from the States and the Northern Territory	90,000	81,570	111,069
<i>Loans Securities Amendment Act 1988</i> — receipts from swap counterparties	4,950,000,000	3,277,578,379	5,655,841,179
Loan PNG — Interest	3,582,000	3,578,426	5,760,200
— Principal	69,400,000	69,400,000	—
Regulation of companies and securities	308,600,000	326,015,066	297,918,357
Royal Australian Mint and Coinage Trust Account — moneys in excess of requirements	64,000,000	49,000,000	55,000,000
Seigniorage payments — Gold Corporation	750,000	818,806	807,643
Miscellaneous	105,000	125,827	161,592
Section 31 of the <i>Financial Management and Accountability Act 1997</i> — to be credited to Running Costs — Division 670	911,000	928,913	1,380,686
Total receipts	8,061,833,000	7,489,439,992	13,663,119,824

Note 18: Expenditure from Special Appropriations

	1997-98 Budget \$	1997-98 Actual \$	1996-97 Actual \$
Expenditure from Special Appropriations:			
<i>Airports (Transitional) Act 1996</i> — former debts of the Federal Airports Corporation — Interest	48,800,000	51,133,618	4,950,000
<i>Airports (Transitional) Act 1996</i> — former debts of the Federal Airports Corporation — Loan Management Expenses	—	—	8,185
<i>Commonwealth Inscribed Stock Act 1911, Loans Securities Act 1919, Loans Redemption & Conversion Act 1921</i>	9,183,550,000	15,141,784,855	9,767,391,569
<i>Loans Securities Amendment Act 1988</i> payments to swap counterparties	4,775,000,000	3,118,861,511	4,834,623,221
<i>Financial Agreement Act 1994</i> — Assistance for Debt Redemption	62,300,000	62,265,944	220,358,956
<i>Loans Redemption and Conversion Act 1921</i>	5,000	—	—
<i>Moomba — Sydney Pipeline System Sale Act 1994</i>	18,945,000	18,936,779	16,177,481
<i>Financial Agreement Act 1994</i> — Commonwealth contribution to Debt Retirement Reserve Trust Account on State and Northern Territory Debt	10,410,000	10,395,310	12,583,805
Interest on Debt Retirement Reserve Trust Account Balances	829,000	269,233	633,828
<i>Payment of Tax Receipt (Victoria) Act 1996</i>	—	—	555,618,065
<i>States Grants (General Purposes) Act 1993 and 1994</i>	16,168,875,000	21,783,582,539	16,174,138,968
<i>Asian Development Bank (Additional Subscription) Act 1995</i>	2,195,000	2,424,381	2,169,883
<i>Banking Act 1959</i>	15,000,000	10,006,817	10,849,389
<i>Commonwealth Inscribed Stock Act 1911, Treasury Bills Act 1914</i> — Payment of Special Bond premiums on redemption	5,000	149	408
<i>European Bank for Reconstruction and Development Act 1990</i>	—	—	1,535,539
<i>International Monetary Agreements Act 1947</i>	39,392,000	726,603,211	16,348,091
<i>Proposed Multilateral Investment Guarantee Agency Act 1996</i>	—	—	—
<i>Qantas Sale Act 1992</i> — Qantas Debt Servicing	61,770,000	70,188,194	62,971,914
Total Expenditure from Special Appropriations	30,378,077,000	40,996,452,541	31,680,359,302

Note 19: Expenditure from Annual Appropriations

Ordinary Annual Services of Government Appropriation Act	1997-98 Budget Estimates	1997-98 Additional Appropriations	1997-98 Advance to the Minister for Finance	1997-98 Total Appropriations	1997-98 Actual Expenditure	1996-97 Actual Expenditure
	Act No 1 \$	Act No 3 \$	\$	\$	\$	\$
Division 670 - Administrative						
1 Running Costs	50,494,913	3,904,000	—	54,398,913	50,555,856	49,572,516
2 Other Services						
01. Compensation and legal expenses	233,000	467,000	—	700,000	112,748	129,915
02. Loan management expenses	3,390,000	—	—	3,390,000	2,581,443	3,711,110
03. Overseas bond issues – Payments in respect of lapsed coupons	10,000	10,000	—	20,000	6,583	924
04. Australian National Railways Commission – Debt acquisition	1,035,100,000	174,000,000	—	1,209,100,000	923,812,450	—
05. Proposed new Housing Loans Insurance Company – Payments in respect of insurance claims	20,000,000	—	—	20,000,000	18,408,127	—
06. International Finance Corporation – Capital subscription	6,860,000	33,000	—	6,893,000	6,892,163	6,527,919
07. International Bank for Reconstruction and Development – Capital subscription	4,132,000	233,000	—	4,365,000	4,303,056	1,302,329
Division 673 – Australian Securities Commission						
01. For expenditure under the <i>Australian Securities Commission Act 1989</i>	119,398,000	35,000	—	119,433,000	119,433,000	122,548,000

Note: Budget estimates include section 31 deemed appropriation.

Ordinary Annual Services of Government Appropriation Act	1997-98 Budget Estimates Act No 1 \$	1997-98 Additional Appropriations Act No 3 \$	1997-98 Advance to the Minister for Finance \$	1997-98 Total Appropriations \$	1997-98 Actual Expenditure \$	1996-97 Actual Expenditure \$
Division 674 – Companies and Securities Advisory Committee						
01. For expenditure under Part 9 of the <i>Australian Securities Commission Act 1989</i>	811,000	—	—	811,000	811,000	818,000
Total – Appropriations Acts No 1 & 3	1,240,428,913	178,682,000	—	1,419,110,913	1,126,916,426	184,610,713

Other Annual Services of Government Appropriation Act	1997-98 Budget Estimates	1997-98 Additional Appropriations	1997-98 Advance to the Minister for Finance	1997-98 Total Appropriations	1997-98 Actual Expenditure	1996-97 Actual Expenditure
	Act No 2 \$	Act No 4 \$	\$	\$	\$	\$
Division 976 – Capital Works and Services						
1 Australian Securities Commission For expenditure under the <i>Australian Securities Commission Act 1989</i>	5,778,000	—	—	5,778,000	5,778,000	7,249,000
Division 977 – Payments to or for the States, the Northern Territory and the Australian Capital Territory						
01. Australian Capital Territory – Special revenue assistance	34,500,000	—	—	34,500,000	34,500,000	42,200,000
02. Companies and securities regulation – Compensation for loss of revenue	134,376,000	—	—	134,376,000	132,550,960	130,335,260
04. Payments to State Governments in lieu of stamp duty on Airport sales	—	96,100,000	—	96,100,000	94,400,000	—
Division 978 – Other Services						
01. Contributions to the International Monetary Fund – Enhanced Structural Adjustment Facility	2,500,000	—	—	2,500,000	2,500,000	—
02. Ex gratia payment to approved charitable organisations or trust funds in memory of the Princess of Wales	—	550,000	—	—	—	—
04. Community education and information program on the tax system	—	—	250,000	250,000	57,194	—
Total – Appropriations Acts No 2&4	177,154,000	96,650	250,000	273,504,000	269,786,154	179,784,260

Note 20: Reconciliation of Agency Running Costs

	1997-98 Actual \$	1996-97 Actual \$
Running cost appropriation spent (Div 550-1)	50,555,856	44,312,694
Less: appropriation under the FMA Act section 31	(928,913)	(1,031,971)
	49,626,943	43,280,723
Add carryover 30 June	3,843,057	3,333,170
Less carryover 1 July	3,333,170	—
	509,887	3,333,170
Revenue from Government (per operating statement)	50,136,830	51,524,999

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

Loan Fund

	1997-98 Actual \$	1996-97 Actual \$
Receipts and Payments of Loan Fund		
Receipts		
Treasury Bonds	4,503,634,000	6,964,599,847
Treasury Notes	50,631,650,942	57,372,248,513
Treasury Bills – Internal	11,895,600,000	1,463,000,000
Treasury Indexed Bonds	695,727,157	770,416,201
Treasury (Adjustable Rate) Bonds	—	900,000,000
Premiums on issue of Commonwealth Securities	801,815,117	313,206,638
Total Loan Fund Receipts	68,528,427,216	67,783,471,199
Expenditure		
<i>Financial Agreement Act 1928, Act 1929, Act 1944, Act 1966 and Act 1976</i>		
Loan Flotation Expenses	121,046	136,862
<i>Loans Redemption and Conversion Act 1921</i>		
Treasury Notes	53,540,947,994	59,187,732,743
Australian Savings Bonds	342,400	476,780
Special Bonds	3,670	13,590
Treasury (Adjustable Rate) Bonds	3,697,602,779	—
Foreign currency redemptions	230,619,753	749,281,825
Other	318	450
Treasury Bonds	4,768,015,625	4,229,252,351
Treasury Bills — Internal	1,463,000,000	3,456,000,000
Premiums on redemptions — Treasury Bonds	301,785,571	160,500,066
Premiums on redemptions — Treasury (Adjustable Rate) Bonds	23,434,902	—
Discount on redemptions — Foreign Currency	744,414	84,526
Total Redemptions	64,026,497,424	67,783,342,331
Total Loan Fund Expenditure	64,026,618,470	67,783,479,193

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

Other Trust Moneys

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

	1997-98 Budget \$	1997-98 Actual \$	1996-97 Actual \$
Balance at beginning of reporting period	13,000	13,000	13,000
Receipts	1,000	—	1,960
Expenditure	1,000	—	1,960
Balance at end of reporting period	13,000	13,000	13,000

Investment Transactions Account

	1997-98 Actual \$	1996-97 Actual \$
Investment balance at beginning of reporting period	—	—
Purchase of investments	10,000	—
Realisation of investments	—	—
Invested balance at end of reporting period	10,000	—
Cash balance at end of reporting period	3,000	13,000

Investments

The balance of investments at 30 June includes the following investments held in the corporate name of the Minister for Finance and Administration pursuant to subsection 39 (1) of the *Financial Management and Accountability Act 1997*.

	Rate of Interest %	Date of Maturity	Face Value of Investment \$	Cost of Investment \$
Internal Treasury Bills	1	30 June 1999	10,000	10,000

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

Services for other government and non-departmental bodies

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

	1997-98 Budget \$	1997-98 Actual \$	1996-97 Actual \$
Balance at beginning of reporting period	13,301	13,301	8,065
Receipts	471,000	333,550	395,101
Expenditure	471,000	327,388	389,864
Balance at end of reporting period	13,301	19,463	13,301

Investment Transactions Account

	1997-98 Actual \$	1996-97 Actual \$
Investment balance at beginning of reporting period	—	—
Purchase of investments	10,000	—
Realisation of investments	—	—
Invested balance at end of reporting period	10,000	—
Cash balance at end of reporting period	9,463	13,301

Investments

The balance of investments at 30 June includes the following investments held in the corporate name of the Minister for Finance and Administration pursuant to subsection 39 (1) of the *Financial Management and Accountability Act 1997*.

	Rate of Interest %	Date of Maturity	Face Value of Investment \$	Cost of Investment \$
Internal Treasury Bills	1	30 June 1999	10,000	10,000

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

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

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

	1997-98 Budget \$	1997-98 Actual \$	1996-97 Actual \$
Balance at beginning of reporting period	157,702	157,702	352,654
Receipts	69,300,000	64,124,315	69,219,489
Expenditure	69,300,000	63,613,422	69,414,441
Balance at end of reporting period	157,702	668,595	157,702

Investment Transactions Account

	1997-98 Actual \$	1996-97 Actual \$
Investment balance at beginning of reporting period	—	—
Purchase of investments	660,000	—
Realisation of investments	—	—
Invested balance at end of reporting period	660,000	—
Cash balance at end of reporting period	8,595	157,702

Investments

The balance of investments at 30 June includes the following investments held in the corporate name of the Minister for Finance and Administration pursuant to subsection 39 (1) of the *Financial Management and Accountability Act 1997*.

	Rate of Interest %	Date of Maturity	Face Value of Investment \$	Cost of Investment \$
Internal Treasury Bills	1	30 June 1999	660,000	660,000

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

Trustee Companies (ACT) Deposits Trust Fund.

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

	1997-98 Budget \$	1997-98 Actual \$	1996-97 Actual \$
Balance at beginning of reporting period	121,213	121,213	149,140
Receipts	—	32,993	61,875
Expenditure	—	30,415	89,802
Balance at end of reporting period	121,213	123,791	121,213

Investment Transactions Account

Invested Balance at beginning of Reporting period	121,013	121,013	148,940
Purchase of Investment	—	32,993	50,000
Realisation of Investment	—	30,415	77,927
Invested Balance at end of reporting period	121,013	123,591	121,013
Cash Balance at end of reporting period	200	200	200

Investments

The balance of investments at 30 June 1998 includes the following investments held in the corporate name of the Treasurer of the Commonwealth pursuant to subsection 10 (1) of the Trustee Companies Ordinance 1947 on behalf of the Trust.

Rate of Interest %	Date of Maturity	Face Value of Investment \$	Cost of Investment \$
6.25	March 1999	20,000	20,874
9.5	August 2003	10,000	12,119
7.0	April 2000	20,000	19,999
10.0	October 2002	20,000	20,599
7.5	July 2005	30,000	30,000
7.5	July 2005	20,000	20,000
Total		120,000	123,591

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

Royal Australian Mint and Coinage Trust Account

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

	1997-98 Budget \$	1997-98 Actual \$	1996-97 Actual \$
Balance at beginning of reporting period	6,028,893	6,028,893	249,885
Receipts	79,000,000	58,984,306	69,129,412
Expenses	84,000,000	64,253,958	63,350,404
Balance at end of reporting period	1,028,893	759,241	6,028,893

Investment Transactions Account

	1997-98 Actual \$	1996-97 Actual \$
Investment balance at beginning of reporting period	—	—
Purchase of investments	750,000	—
Realisation of investments	—	—
Invested balance at end of reporting period	750,000	—
Cash balance at end of reporting period	9,241	6,028,893

Investments

The balance of investments at 30 June includes the following investments held in the corporate name of the Minister for Finance and Administration pursuant to subsection 39 (1) of the *Financial Management and Accountability Act 1997*.

	Rate of Interest %	Date of Maturity	Face Value of Investment \$	Cost of Investment \$
Internal Treasury Bills	1	30 June 1999	750,000	750,000

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

Debt Retirement Reserve Trust Account

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

	1997-98 Budget \$	1997-98 Actual \$	1996-97 Actual \$
Balance at beginning of reporting period	5,210,334	5,210,334	17,287,094
Receipts	761,798,000	2,045,394,033	781,714,331
Expenses	761,371,000	2,037,723,759	793,791,091
Balance at end of reporting period	5,637,334	12,880,608	5,210,334

Investment Transactions Account

	1997-98 Actual \$	1996-97 Actual \$
Investment balance at beginning of reporting period	—	—
Purchase of investments	12,880,000	—
Realisation of investments	—	—
Invested balance at end of reporting period	12,880,000	—
Cash balance at end of reporting period	608	5,210,334

Investments

The balance of investments at 30 June includes the following investments held in the corporate name of the Minister for Finance and Administration pursuant to subsection 39 (1) of the *Financial Management and Accountability Act 1997*.

	Rate of Interest %	Date of Maturity	Face Value of Investment \$	Cost of Investment \$
Internal Treasury Bills	1	30 June 1999	12,880,000	12,880,000

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

Loan Consolidation and Investment Reserve Trust Account

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

	1997-98 Budget \$	1997-98 Actual \$	1996-97 Actual \$
Balance at beginning of reporting period	3,827,132,114	3,827,132,114	2,848,034,375
Receipts	1,665,987,000	8,397,988,796	1,480,113,151
Expenses	—	4,015,484	501,015,412
Balance at end of reporting period	5,493,119,114	12,221,105,426	3,827,132,114

Investment Transactions Account

	1997-98 Actual \$	1996-97 Actual \$
Invested Balance at beginning of reporting period	1,527,178,532	2,836,207,621
Purchase of Investment	12,172,225,623	1,464,546,153
Realisation of Investment	1,480,939,069	2,773,575,242
Invested Balance at end of reporting period	12,218,465,086	1,527,178,532
Cash balance at end of reporting period	2,640,340	2,299,953,582

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

Investments

The balance of investments at 30 June 1998 includes the following investments in Commonwealth Government Inscribed Stock held in the corporate name of the Treasurer of the Commonwealth pursuant to subsection 6(3) of the *Loan Consolidation and Investment Reserve Act 1955*.

	Rate of Interest %	Date of Maturity	Face Value of Investment \$	Cost of Investment \$
Treasury Fixed Coupon Bonds				
	13.50	15 July 98	7,030,000	7,403,416
	14.50	15 Sep 98	1,790,000	1,920,120
	14.00	15 April 99	5,224,000	5,862,755
	13.00	15 Feb 00	123,588,000	143,345,181
	13.00	15 May 00	69,167,148	80,509,261
	7.00	15 Feb 01	23,132,700	24,129,477
	10.00	15 Oct 02	885,000,000	1,041,068,327
	5.25	15 July 03	27,076,600	25,374,842
	6.50	15 July 03	1,559,200	1,606,624
	5.40	15 May 04	10,500	8,478
	9.00	15 Sept 04	760,000,000	889,372,140
	7.00	15 July 05	2,000	1,927
	10.00	15 Feb 06	1,160,000,000	1,457,336,305
			3,063,580,148	3,677,938,853
Internal Treasury Bills				
	1.00	30 Jun 1999	8,508,280,000	8,508,280,000
Total Australian Dollar Denominated Securities			11,571,860,148	12,186,218,853
Dutch Guilder Loans*				
	8.25	1 Nov 1999	24,987,615	20,153,174
	7.25	1 Jan 2001	16,612,865	12,093,059
Total Foreign Currency Denominated Securities			41,600,480	32,246,233
Total Investments			11,613,460,628	12,218,465,086

*Converted at SA=NLG 1.2515

Note 22: Appropriation for Future Reporting Periods

The following table summarises appropriations for the 1998-99 financial year at 30 June 1998:

	1998-99 \$	1997-98 \$
Special Appropriations	39,864,078,000	40,996,452,541
Appropriation Act No 1#	351,190,000	1,126,916,426
Appropriation Act No 2#	159,805,000	269,786,154
	40,375,073,000	42,393,155,121

Note: Appropriations for 1997-98 include Appropriations Acts No. 3 & 4.

Note 23: Related parties transactions

The related party transactions with STOCP are as follows:

	1997-98 \$'000	1996-97 \$'000
Sale of goods and services		
- coin sales	2,080	—
Other income		
- profit share	618	—
- administration fee	357	—
Expenditure paid on behalf of the STOCP has been or is to be reimbursed	1,297	—
Receivables		
- coin sales	196	—
- administration fee	89	—
- reimbursable expenditure	266	—

Note 24: Payments to the Commonwealth from Business Operations

	1997-98 \$'000	1996-97 \$'000
Seigniorage	47,434	55,754
Royalty on Numismatic Coin Sales	756	947
Rent reduction from previous year	—	385
STOCP royalty to Treasury	763	—
Loss from withdrawn circulating coin	(458)	(655)
Trust Fund surplus	321	(1,431)
Prior year adjustment to seigniorage	184	—
Actual surplus funds paid to the Commonwealth	49,000	55,000

Note 25: Executive Remuneration

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

	1997-98	1996-97
	Number	Number
\$100,000 to \$110,000	15	6
\$110,001 to \$120,000	14	15
\$120,001 to \$130,000	4	8
\$130,001 to \$140,000	2	3
\$140,001 to \$150,000	3	4
\$150,001 to \$160,000	1	1
\$160,001 to \$170,000	—	4
\$180,001 to \$190,000	—	1
\$230,001 to \$240,000	1	—
\$240,001 to \$250,000	—	1
\$260,001 to \$270,000	1	—
	41	43

The aggregate amount of total remuneration of executive officers shown above.	*\$5,086,764	\$5,604,788
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The aggregate amount of performance pay paid during the year to executive officers shown above.	—	\$68,950
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The aggregate amount of redundancy payments to the executive officers shown above.	\$82,120	—
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The definition of executive officer in the FMO effectively requires the number of qualifying positions to be reported, rather than individuals (ie individuals were not necessarily remunerated at the levels shown). This means that the remuneration for each position will reflect that of the substantive occupant and any officers who acted in the position.

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

In light of changes to SES salary arrangements resulting from the Treasury Certified Agreement, it was decided that no payment of performance based pay would be made for the cycle payable in 1997-98.

* 1996-97 figures included overseas allowances, which are NOT included in the 1997-98 figures.

Note 26: Services Provided by the Auditor-General

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

	1997-98	1996-97
	\$	\$
Royal Australian Mint	70,000	70,000
Treasury	200,000	210,000
	270,000	280,000

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

	1997-98	1996-97
	\$	\$
No Act of Grace payments were made during the reporting period. Amounts written off in accordance with subsection 47 (1) of the <i>Financial Management and Accountability Act 1997</i> :		
Theft of cash advance for travel	4,279	—

	\$	\$
Administered Waivers		
Waivers of amounts owing to the Commonwealth were made pursuant to subsection 70C(2) of the <i>Audit Act 1901</i> . These were amounts payable by South Australia in relation to Commonwealth advances under the <i>States(Works and Housing) Assistance Acts</i> and Commonwealth-State Housing Agreements.	328,938,649	19,856,910

Note 28: Average Staffing Levels

Average staffing levels by program and in total were as follows

	1997-98	1996-97
	Number	Number
Program 1: Treasury	480	523
Program 2: Royal Australian Mint	127	135
Total	607	658

Note 29: Financial Instruments Note: Departmental (A) Terms, Conditions and Accounting Policies

Financial Instruments	Accounting Policies and Methods	Nature of underlying instruments
<i>Financial Assets</i>	Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash — at bank	Deposits are recognised at their nominal amounts. Cash is received during day-to-day operations by the Collector of Public Money.	The Department of Treasury maintains a bank account with the Reserve Bank of Australia for the administration of petty cash and for the receipt and payment of moneys. The Royal Australian Mint maintains its own commercial accounts for the conduct of its business operations.
Receivables for goods and services	Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Credit sales are normally on 30 day terms.
Investments	The Royal Australian Mint and the Perth Mint have formed a partnership to market and distribute Sydney 2000 Olympic Coins. The Royal Australian Mint's 50 per cent interest in the STOCP is carried at the lower of cost and recoverable amount. The Mint also has an investment of \$750,000 in Internal Treasury Bills as at 30 June 1998.	The terms of the partnership are that any annual surplus will be retained in the partnership unless unanimously agreed by the partners.
<i>Financial Liabilities</i>	Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade creditors and accruals.	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the entity.	Trade liabilities are normally settled on 30 day terms.
Finance lease liabilities	Liabilities are recognised at the present value of minimum lease payments at the beginning of the lease. Discount rates used are estimates of the interest rates implicit in the leases.	1998-99 is the final year of the lease and covers the lease of three photocopiers.

(B) Departmental Interest Rate and Credit Risk

- 1) Interest Rate Risk: The net fair values of cash and non-interest bearing monetary financial assets approximates their carrying value.
- 2) Credit Risk: The maximum exposure to credit risk at the reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet. The Department does not have any significant exposures to any concentrations of credit risk. The maximum value of credit risk exposure does not take into account the value of any collateral or other security.

Note 30: Financial Instruments Note: Administered

(A) Terms, Conditions and Accounting Policies

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

(A) Terms, Conditions and Accounting Policies (Continued)

Financial Instruments	Accounting Policies and Methods	Nature of underlying instruments
International Monetary Fund Moneys Owning	Amounts owing from the International Monetary Fund are credited to revenue as they accrue.	Where the IMF's holdings of Australian dollars fall below a specified level, it pays remuneration on Australia's average remunerated reserve tranche position. The rate of remuneration is equal to the Special Drawing Rights (SDR) interest rate (this rate is then adjusted for burden sharing). Remuneration is calculated and paid at the end of the IMF's financial quarters.
Loans to State and Territory Governments	Loans are recognised at the amounts lent. Interest is credited to revenue as it accrues. In relation to non Commonwealth Government Securities collectability of amounts outstanding is reviewed at balance date. Provision is made for bad and doubtful loans where collection of the loan or part thereof is judged to be less rather than more likely. In rare circumstances, loan repayments may be waived.	Until July 1990, the Commonwealth borrowed on behalf of the State and Territory Governments and allocated a portion of the proceeds of its Treasury Fixed Coupon Bond raisings to those Governments to fund the redemption of previous allocations of Commonwealth Government Securities (CGS). The States and Territories are responsible for meeting all obligations as to interest and principal on the CGS on allocation to them in accordance with the provisions of the <i>Financial Agreement Act 1994</i> . In addition to the CGS, there are outstanding balances of loans raised specifically for the States. State and Territory Government loans include advances, not evidenced by the issue of securities, made for housing and specific purpose capital payments.

(A) Terms, Conditions and Accounting Policies (Continued)

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

(A) Terms, Conditions and Accounting Policies (Continued)

Financial Instruments	Accounting Policies and Methods	Nature of underlying instruments
Grant liabilities	Grants are recognised as liabilities and expensed in the year in which the grant agreements are made	This represents Australia's contribution to the Enhanced Structural Adjustment Facility (ESAF) of the IMF. The ESAF will enable the IMF to provide concessional funding to support medium term macroeconomic adjustment and structural reforms in low income members of the IMF facing protracted balance of payment problems. The ESAF will assist Australia to promote its international economic and aid interests with developing countries in the Asian region. Australia's contribution involves \$30 million to be paid in annual instalments of \$2.5 million over a 12 year period.
Swaps	Swap principal associated with cross-currency swaps is recognised on a net basis using the cost method. Interest expense is recognised as it accrues. The notional principal associated with interest rate swaps is not recognised as assets or liabilities.	The Treasury undertakes derivative transactions on behalf of the Commonwealth to assist with the management of market risk associated with the Commonwealth debt portfolio. The two main sources of market risk in respect of the Commonwealth debt portfolio are interest rate risk and exchange rate risk. The Treasury manages this market risk by managing the Commonwealth debt portfolio to a benchmark which reflects a portfolio composition that, ex ante, can be expected to minimise the cost of Commonwealth debt over the long term, subject to an acceptable degree of volatility in annual debt service costs. Derivative transactions offer a cost-effective means of managing the Commonwealth debt portfolio more closely in line with the benchmark than would otherwise be possible. Derivative transactions are currently limited to interest rate swaps and cross-currency swaps.
Interest Payable	Interest expense is recognised as it accrues.	Interest is payable on Commonwealth Government Securities, swaps and other loans.
International Monetary Fund (IMF) Special Drawing Right (SDR) Allocation liability	This liability is recognised as a monetary liability. It is valued at the Australian dollar equivalent of its liability in Special Drawing Rights. Interest expense is recognised as it accrues.	The SDR allocation liability reflects the current value in Australian dollars of the Department's liability to repay to the IMF Australia's cumulative allocations of SDRs. Interest is payable to the IMF in relation to the amount by which Australia's SDR holdings are below Australia's net cumulative allocations.

(A) Terms, Conditions and Accounting Policies (Continued)

Financial Instruments	Accounting Policies and Methods	Nature of underlying instruments
Provision for unclaimed moneys repayments	A provision is recognised at a nominal value representing the expected recovery of these moneys less refunds already made, based on an analysis of historical transactions	This comprises moneys which have been paid to the Commonwealth Government as unclaimed moneys in accordance with Section 69 of the Banking Act 1959. These moneys may be claimed by depositors or their legal representatives by applying to the bank concerned. Interest is not paid by the Commonwealth in relation to these moneys.
Commonwealth Government securities	Debt is measured at face value. Premiums and discounts in relation to such borrowings are netted and amortised over the life of the borrowing on a straight line basis.	The Department is responsible for advising the Treasurer on all aspects of debt management on behalf of the Commonwealth, including the issue of various borrowing instruments and the administration of the redemption of debt. The Department also administers the redemption of Commonwealth Government security debt on allocation to the States and Territories.
Loans — promissory notes	The promissory notes are measured at nominal face value.	The Department has on issue promissory notes to the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD) and the Asian Development Bank (ADB). These promissory notes are in relation to undrawn paid-in capital subscriptions. Promissory notes to the value of \$3,480 million do not possess established drawdown schedules. The promissory notes are non-interest bearing.

(B) Derivatives — Notional Principal Amounts

(i) Interest Rate Swap Contracts

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

As at 30 June 1998, the notional principal amounts of the interest rate swaps, which have not been recognised as assets or liabilities, and their associated maturity were as follows:

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

(ii) Cross-Currency Swap Contracts

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

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

	30 June 1998 Total Carrying Amount \$'000	30 June 1998 Gross Amount (Cost) \$'000
Financial Assets		
Swaps	26,899	11,272,792
Interest receivable — Swaps	62,120	349,665
	89,019	11,622,457
Financial Liabilities		
Swaps	2,761,134	14,007,028
Interest payable — Swaps	22,493	310,039
	2,783,627	14,317,067

(C) Foreign Exchange Risk

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

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

The exposure to the movement in the Australian dollar has not been hedged against. As at 30 June 1998, the following foreign currency assets and liabilities were not hedged:

	30 June 1998
	AUD \$'000
Monetary liabilities	
Current	
United States dollars	1,039,917
Pounds Sterling	1,517
Hong Kong Dollar	17,021
Japanese Yen	19,684
Swiss Francs	33
Deutsche Marks	10
Netherlands Guilders	95,885
Special Drawing Rights	7,569
	1,181,636
Non-Current	
United States dollars	2,690,954
Pounds Sterling	117,646
Euro	100,000
Japanese Yen	34,819
Netherlands Guilders	127,835
Special Drawing Rights	1,019,157
	4,090,411
Total monetary liabilities	5,272,047
Monetary assets	
Current	
United States dollars	3,472
Special Drawing Rights	7,411
Netherlands Guilders	3,634
	14,517
Non-current	
Special Drawing Rights	5,053,498
	5,053,498
Total monetary assets	5,068,015

(D) Interest Rate Exposures

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

Financial Instrument	Floating Interest Rate	Fixed Interest Rate				Non-Interest Bearing	Total	Weighted Average Effective Interest Rate
		1 year or less	1 to 2 years	2 to 5 years	> 5 years			
	97-98 \$'000	97-98 \$'000	97-98 \$'000	97-98 \$'000	97-98 \$'000	97-98 \$'000	97-98 %	
Financial Assets								
Cash	8,792	—	—	—	—	2,641	11,433	4.94
Interest receivable (see Note 30B)	10,461	123,179	—	—	—	—	133,640	6.28
IMF Moneys owing	—	—	—	—	—	7,411	7,411	—
Swaps (see Note 30B)	—	3,472	—	—	23,427	—	26,899	6.62
Loans to State and Territory governments	372,532	95,143	698,455	846,716	5,292,859	—	7,305,705	5.81
Other receivables	—	—	—	—	—	750	750	—
Investments	—	—	—	—	—	5,717,136	5,717,136	—
Total Financial Assets (Recognised)	391,785	221,794	698,455	846,716	5,316,286	5,727,938	13,202,974	—
Total Assets	—	—	—	—	—	—	23,990,816	—

(D) Interest Rate Exposures (Continued)

Financial Instrument	Floating Interest Rate	Fixed Interest Rate				Non-Interest Bearing	Total	Weighted Average Effective Interest Rate
	97-98 \$'000	1 year or less 97-98 \$'000	1 to 2 years 97-98 \$'000	2 to 5 years 97-98 \$'000	> 5 years 97-98 \$'000	97-98 \$'000	97-98 \$'000	97-98 %
Financial Liabilities								
Grant liabilities	—	—	—	—	—	27,500	27,500	—
Swaps (see Note 30B)	2,027,279	173,610	30,220	241,500	288,525	—	2,761,134	5.78
Interest payable (see Note 30B)	62,445	2,288,605	—	—	755,430	—	3,106,480	7.72
IMF allocation liability	—	—	—	—	—	1,019,157	1,019,157	—
Provision for unclaimed moneys repayments	—	—	—	—	—	41,392	41,392	—
Commonwealth Government securities	4,672,532	19,375,002	9,792,561	18,649,426	43,915,050	—	96,404,571	7.14
Loans - promissory notes	—	—	—	—	—	3,523,963	3,523,963	—
Other	—	—	—	—	—	7,569	7,569	—
Total Financial Liabilities (Recognised)	6,762,256	21,837,217	9,822,781	18,890,926	44,959,005	4,619,581	106,891,766	—
Total Liabilities	—	—	—	—	—	—	108,404,486	—

(E) Net Fair Values of Financial Assets And Liabilities

	30 JUNE 1998 TOTAL CARRYING AMOUNT \$'000	30 JUNE 1998 AGGREGATE NET FAIR VALUE \$'000
Financial Assets		
Cash	11,433	11,433
Interest receivable	133,640	133,640
IMF Moneys owing	7,411	7,411
Swaps	26,899	238,209
Loans to State and Territory Governments	7,305,705	7,305,705
Other receivables	750	750
Investments	5,717,136	5,778,053
	13,202,974	13,475,201
Financial Liabilities		
Grant liabilities	27,500	27,500
Swaps	2,761,134	2,173,947
Interest payable	3,106,480	3,106,480
IMF allocation liability	1,019,157	1,019,157
Provision for unclaimed moneys repayments	41,392	41,392
Commonwealth Government Securities	96,404,571	109,744,500
Loans — promissory notes	3,523,963	3,523,964
Other	7,569	7,569
	106,891,766	119,644,509

(F) Credit Risk Exposures

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

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

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