

## **PART FOUR**

# **FINANCIAL STATEMENTS**





## INDEPENDENT AUDITOR'S REPORT

### To the Treasurer

#### Report on the Financial Statements

I have audited the accompanying financial statements of the Department of the Treasury for the year ended 30 June 2012, which comprise: a Statement by the Departmental Secretary and Chief Finance Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Contingencies; Schedule of Administered Comprehensive Income; Schedule of Administered Assets and Liabilities; Administered Reconciliation Schedule; Schedule of Administered Cash Flows; Schedule of Administered Commitments; Schedule of Administered Contingencies; and Notes comprising a summary of significant accounting policies and other explanatory information.

#### *Secretary's Responsibility for the Financial Statements*

The Secretary of the Department of the Treasury is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department of the Treasury's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department of the Treasury's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Secretary of the Department of the Treasury, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Independence***

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

***Opinion***

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

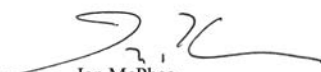
- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the Department of the Treasury's financial position as at 30 June 2012 and of its financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

Note 29 *Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund* discloses information on the Department of the Treasury's review of its exposure to risks of not complying with statutory conditions on payments from special appropriations and special accounts. Non-compliance with statutory conditions may lead to a contravention of section 83 of the Constitution, which requires that no money shall be drawn from the Treasury of the Commonwealth except under an appropriation made by law.

As disclosed in Note 29, three groups of payments were made in 2011-12 potentially in breach of section 83 of the Constitution, totalling \$4,320,123, in respect of which the Department of the Treasury is seeking legal advice as at the date of this report.

Australian National Audit Office



Ian McPhee  
Auditor-General

Canberra

11 October 2012

## THE TREASURY

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### Statement by the Departmental Secretary and Chief Finance Officer

#### Certification of financial statements

In our opinion, the attached financial statements for the year ended 30 June 2012 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.



Martin Parkinson

Secretary to the Treasury



Matthew King

Chief Finance Officer

**Statement of comprehensive income**  
for the period ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
<b>EXPENSES</b>			
Employee benefits	3A	135,386	119,553
Supplier expenses	3B	39,663	42,958
Grants	3C	4,109	3,077
Depreciation and amortisation	3D	13,418	12,015
Finance costs	3E	17	56
Write-down and impairment of assets	3F	245	108
<b>TOTAL EXPENSES</b>		<b>192,838</b>	<b>177,767</b>
<b>LESS:</b>			
<b>OWN-SOURCE INCOME</b>			
<b>Own-source revenue</b>			
Sale of goods and rendering of services	4A	8,333	8,623
Other revenues	4B	868	726
<b>Total own-source revenue</b>		<b>9,201</b>	<b>9,349</b>
<b>Gains</b>			
Sale of assets	4C	4	22
Other gains	4D	526	549
<b>Total gains</b>		<b>530</b>	<b>571</b>
<b>TOTAL OWN-SOURCE INCOME</b>		<b>9,731</b>	<b>9,920</b>
<b>Net cost of services</b>		<b>183,107</b>	<b>167,847</b>
Revenue from Government	4E	158,119	158,268
<b>Surplus / (Deficit) attributable to the Australian Government</b>		<b>(24,988)</b>	<b>(9,579)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in asset revaluation reserves		(60)	-
<b>Total other comprehensive income</b>		<b>(60)</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b>			
<b>ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT</b>			
		<b>(25,048)</b>	<b>(9,579)</b>

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

**Balance sheet**  
as at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	5A	1,108	836
Trade and other receivables	5B	55,141	78,211
<b>Total financial assets</b>		<b>56,249</b>	<b>79,047</b>
<b>Non-Financial Assets</b>			
Land and buildings	6A	7,028	7,878
Plant and equipment	6B	12,927	8,395
Intangibles	6C	25,711	31,117
Other non-financial assets	6D	2,502	2,336
<b>Total non-financial assets</b>		<b>48,168</b>	<b>49,726</b>
<b>TOTAL ASSETS</b>		<b>104,417</b>	<b>128,773</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	7A	311	3,204
Other payables	7B	7,278	8,193
<b>Total payables</b>		<b>7,589</b>	<b>11,397</b>
<b>Provisions</b>			
Employee provisions	8A	41,876	38,714
<b>Total provisions</b>		<b>41,876</b>	<b>38,714</b>
<b>TOTAL LIABILITIES</b>		<b>49,465</b>	<b>50,111</b>
<b>NET ASSETS</b>		<b>54,952</b>	<b>78,662</b>
<b>EQUITY</b>			
Asset revaluation reserve		5,186	5,246
Contributed equity		47,959	46,621
Retained surplus		1,807	26,795
<b>TOTAL EQUITY</b>		<b>54,952</b>	<b>78,662</b>

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

**Statement of changes in equity**  
for the period ended 30 June 2012

	Retained earnings		Asset revaluation reserves		Contributed equity		Total equity	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Opening balance as at 1 July</b>	<b>26,795</b>	36,374	<b>5,246</b>	5,246	<b>46,621</b>	38,764	<b>78,662</b>	80,384
<b>Comprehensive income</b>								
Other comprehensive income	-	-	(60)	-	-	-	(60)	-
Surplus (Deficit) for the period	(24,988)	(9,579)	-	-	-	-	(24,988)	(9,579)
<b>Total comprehensive income</b>	<b>(24,988)</b>	(9,579)	<b>(60)</b>	-	-	-	<b>(25,048)</b>	(9,579)
of which:								
Attributable to the Australian Government	(24,988)	(9,579)	(60)	-	-	-	(25,048)	(9,579)
<b>Transactions with owners</b>								
<b>Distribution to owners</b>								
Return of capital:								
Other — prior year appropriation returned	-	-	-	-	(5,730)	-	(5,730)	-
Contributions by owners								
Equity injection appropriation	-	-	-	-	583	1,395	583	1,395
Departmental capital budget appropriation	-	-	-	-	6,485	6,462	6,485	6,462
<b>Total transactions with owners</b>	<b>-</b>	-	-	-	<b>1,338</b>	7,857	<b>1,338</b>	7,857
<b>Closing balance as at 30 June</b>	<b>1,807</b>	26,795	<b>5,186</b>	5,246	<b>47,959</b>	46,621	<b>54,952</b>	78,662
<b>Closing balance attributable to the Australian Government</b>	<b>1,807</b>	26,795	<b>5,186</b>	5,246	<b>47,959</b>	46,621	<b>54,952</b>	78,662

This statement should be read in conjunction with the accompanying notes  
The Treasury returned \$5.73m in unspent prior year appropriation in 2011-12. The amount related to funding for the Standard Business Reporting software development and the wind up of the Financial Reporting Panel. This figure is also disclosed in Note 28A.



**Cash flow statement**  
for the period ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations		188,594	171,132
Goods and services		12,195	9,302
Net GST received from ATO		2,982	3,637
Other		1,301	947
<b>Total cash received</b>		<b>205,072</b>	185,018
<b>Cash used</b>			
Employees		132,955	120,220
Suppliers		48,098	49,386
Grants		4,109	3,077
Financing costs		17	56
Section 31 receipts transferred to OPA		14,149	12,617
Other		2	4
<b>Total cash used</b>		<b>199,330</b>	185,360
<b>Net cash from (used by) operating activities</b>	10	<b>5,742</b>	(342)
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sales of plant and equipment		9	22
<b>Total cash received</b>		<b>9</b>	22
<b>Cash used</b>			
Purchase of land and buildings		26	-
Purchase of plant and equipment		11,431	3,270
Purchase of intangibles		1,329	4,348
<b>Total cash used</b>		<b>12,786</b>	7,618
<b>Net cash from (used by) investing activities</b>		<b>(12,777)</b>	(7,596)
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Contributed equity — departmental capital budget		6,724	6,223
Contributed equity — equity injections		583	1,395
<b>Total cash received</b>		<b>7,307</b>	7,618
<b>Cash used</b>			
Repayment of borrowings		-	40
<b>Total cash used</b>		<b>-</b>	40
<b>Net cash from (used by) financing activities</b>		<b>7,307</b>	7,578
<b>Net increase (decrease) in cash held</b>		<b>272</b>	(360)
Cash at the beginning of the reporting period		836	1,196
<b>Cash at the end of the reporting period</b>	5A	<b>1,108</b>	836

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

Schedule of commitments

as at 30 June 2012

	2012	2011
	\$'000	\$'000
<b>BY TYPE</b>		
<b>Commitments payable</b>		
Capital commitments		
Land and buildings <sup>1</sup>	1,057	-
Plant and equipment <sup>2</sup>	588	-
Intangibles <sup>3</sup>	108	1,905
<b>Total capital commitments</b>	<b>1,753</b>	<b>1,905</b>
<b>Other commitments</b>		
Operating leases <sup>4</sup>	29,489	36,186
Other <sup>5</sup>	11,859	7,428
<b>Total other commitments</b>	<b>41,348</b>	<b>43,614</b>
<b>Total commitments payable</b>	<b>43,101</b>	<b>45,519</b>
<b>Commitments receivable</b>		
GST receivable <sup>6</sup>	(3,700)	(4,038)
<b>Total commitments receivable</b>	<b>(3,700)</b>	<b>(4,038)</b>
<b>NET COMMITMENTS BY TYPE</b>	<b>39,401</b>	<b>41,481</b>
<b>BY MATURITY</b>		
<b>Commitments payable</b>		
<b>Capital commitments</b>		
One year or less	1,744	1,893
From one to five years	9	12
<b>Total capital commitments</b>	<b>1,753</b>	<b>1,905</b>
<b>Operating lease commitments</b>		
One year or less	8,528	8,267
From one to five years	20,961	27,919
<b>Total operating lease commitments</b>	<b>29,489</b>	<b>36,186</b>
<b>Other commitments</b>		
One year or less	8,359	4,559
From one to five years	3,500	2,869
<b>Total other commitments</b>	<b>11,859</b>	<b>7,428</b>
<b>Total commitments payable</b>	<b>43,101</b>	<b>45,519</b>
<b>Commitments receivable</b>		
One year or less	(1,585)	(1,276)
From one to five years	(2,115)	(2,762)
<b>Total commitments receivable</b>	<b>(3,700)</b>	<b>(4,038)</b>
<b>NET COMMITMENTS BY MATURITY</b>	<b>39,401</b>	<b>41,481</b>

1. Land and buildings commitments relate to ongoing capital works.

2. Plant and equipment commitments primarily relate to office equipment and computers.

3. Intangible commitments relate to developed software.

4. Operating lease commitments relate to leases for office accommodation.

5. Other commitments primarily relate to contracts for operational expenses and consultants.

6. Commitments are GST inclusive where relevant.

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

**Schedule of commitments (continued)**

as at 30 June 2012

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

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

**Schedule of contingencies**

as at 30 June 2012

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Contingent liabilities</b>		
Studies Assistance	297	300
<b>Total contingent liabilities</b>	<b>297</b>	<b>300</b>
<b>NET CONTINGENT LIABILITIES</b>	<b>(297)</b>	<b>(300)</b>

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

Note: Departmental quantifiable and unquantifiable contingencies are disclosed in Note 11: Contingent liabilities and assets.

**Schedule of administered comprehensive income**  
for the period ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
<b>EXPENSES</b>			
Grants	16A	86,845,786	86,935,637
Interest	16B	11,289	18,734
Other	16C	11,388	6,765
<b>Total expenses administered on behalf of government</b>		<b>86,868,463</b>	86,961,136
<b>LESS:</b>			
<b>OWN-SOURCE INCOME</b>			
<b>Own-source revenue</b>			
<b>Non-taxation revenue</b>			
Interest	17A	4,039	3,840
Dividends	17B	900,000	-
Sale of goods and rendering of services	17C	1,588,520	1,879,543
COAG revenue from government agencies	17D	3,230,916	1,351,057
Other	17E	28,767	72,269
<b>Total non-taxation revenue</b>		<b>5,752,242</b>	3,306,709
<b>Total own-source revenue administered on behalf of government</b>		<b>5,752,242</b>	3,306,709
<b>Gains</b>			
Foreign exchange	17F	5,894	338,219
Other	17G	-	-
<b>Total gains</b>		<b>5,894</b>	338,219
<b>Total own-source income administered on behalf of government</b>		<b>5,758,136</b>	3,644,928
<b>Net cost of (contribution by) services</b>		<b>81,110,327</b>	83,316,208
<b>Surplus (Deficit)</b>		<b>(81,110,327)</b>	(83,316,208)
<b>OTHER COMPREHENSIVE INCOME</b>			
Administered revaluations taken to/from reserves		713,548	(4,993,614)
<b>Total comprehensive income</b>		<b>713,548</b>	(4,993,614)
<b>Total comprehensive income (loss)</b>		<b>(80,396,779)</b>	(88,309,822)

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

Schedule of administered assets and liabilities  
as at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	18A	1,735	4,763
Trade and other receivables	18B	2,989,864	2,922,847
Investments	18C D	12,165,485	11,383,633
<b>Total financial assets</b>		<b>15,157,084</b>	<b>14,311,243</b>
<b>Non-Financial Assets</b>			
Other	19A	88,260	14,791
<b>Total non-financial assets</b>		<b>88,260</b>	<b>14,791</b>
<b>Total assets administered on behalf of Government</b>		<b>15,245,344</b>	<b>14,326,034</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Grants	20A	473,356	884,081
Other payables	20B	4,571,394	4,589,348
Unearned income	20C	1,330,104	2,127,855
<b>Total payables</b>		<b>6,374,854</b>	<b>7,601,284</b>
<b>Interest bearing liabilities</b>			
Loans	21A	3,259,907	3,851,036
<b>Total interest bearing liabilities</b>		<b>3,259,907</b>	<b>3,851,036</b>
<b>Provisions</b>			
Other provisions	22A	3,955,066	4,596,860
<b>Total provisions</b>		<b>3,955,066</b>	<b>4,596,860</b>
<b>Total liabilities administered on behalf of government</b>		<b>13,589,827</b>	<b>16,049,180</b>
<b>Net assets/(liabilities)</b>		<b>1,655,517</b>	<b>(1,723,146)</b>

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

**Administered reconciliation schedule**  
for the period ended 30 June 2012

	2012 \$'000	2011 \$'000
<b>Opening administered assets less administered liabilities as at 1 July</b>	<b>(1,723,146)</b>	7,885,440
Surplus (deficit) items		
Plus: Administered income	<b>5,758,136</b>	3,644,928
Less: Administered expenses (non CAC)	<b>(86,868,463)</b>	(86,961,136)
Other comprehensive income		
Administered revaluations taken to/(from) reserves	<b>713,548</b>	(4,993,614)
Administered transfers to/(from) Australian Government:		
Appropriation transfers from OPA:		
Annual appropriation for administered expenses (non CAC)	<b>12,748</b>	14,880
Administered assets and liabilities appropriations	<b>15,561</b>	4,079
Special appropriations (limited)	<b>14,812</b>	18,687
Special appropriations (unlimited)	<b>66,448,615</b>	64,058,585
Special accounts — COAG Reform Fund	<b>21,474,821</b>	18,402,547
Refunds of receipts (s28 FMA)	-	-
Transfers to OPA	<b>(4,191,115)</b>	(3,797,542)
Restructuring	-	-
<b>Closing administered assets less administered liabilities as at 30 June</b>	<b>1,655,517</b>	(1,723,146)

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

Schedule of administered cash flows  
for the period ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Sale of goods and rendering of services		930,357	1,238,387
Interest		4,580	3,144
Dividends		-	750,000
Net GST received		1,352	3
HIH Group liquidation proceeds		23,479	62,244
COAG receipts from government agencies		11,584,682	10,990,758
Other		4,853	4,590
<b>Total cash received</b>		<b>12,549,303</b>	<b>13,049,126</b>
<b>Cash used</b>			
Grant payments		95,518,128	91,552,618
Interest		14,273	16,965
Other		17,412	23,166
<b>Total cash used</b>		<b>95,549,813</b>	<b>91,592,749</b>
<b>Net cash from (used by) operating activities</b>	23	<b>(83,000,510)</b>	<b>(78,543,623)</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
IMF		58	401,962
<b>Total cash received</b>		<b>58</b>	<b>401,962</b>
<b>Cash used</b>			
Settlement of IMF obligations		736,184	315,051
Settlement of international financial institution's obligations		26,984	243,824
Settlement of Loans to States and Territories		14,850	-
<b>Total cash used</b>		<b>778,018</b>	<b>558,875</b>
<b>Net cash from (used by) investing activities</b>		<b>(777,960)</b>	<b>(156,913)</b>
<b>Net increase (decrease) in cash held</b>		<b>(83,778,470)</b>	<b>(78,700,536)</b>
<b>CASH TO/(FROM) OFFICIAL PUBLIC ACCOUNT</b>			
Cash and cash equivalents at the beginning of the reporting period		4,763	4,063
Cash from Official Public Account for:			
- Appropriations		66,491,736	64,096,231
- Special accounts		21,474,821	18,402,547
		<b>87,966,557</b>	<b>82,498,778</b>
Cash to Official Public Account for:			
- Appropriations		4,191,115	2,468,045
- Special accounts		-	1,329,497
		<b>4,191,115</b>	<b>3,797,542</b>
<b>Total cash to/(from) Official Public Account</b>		<b>83,780,205</b>	<b>78,705,299</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	18A	<b>1,735</b>	<b>4,763</b>

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



**Schedule of administered commitments**  
as at 30 June 2012

	2012	2011
	\$'000	\$'000
<b>BY TYPE</b>		
<b>Commitments payable</b>		
<b>Capital commitments</b>		
Investments	103,293	147,193
<b>Total capital commitments</b>	<b>103,293</b>	<b>147,193</b>
<b>Commitments receivable</b>		
GST receivable	(51)	(72)
<b>Total commitments receivable</b>	<b>(51)</b>	<b>(72)</b>
<b>Net commitments by type</b>	<b>103,242</b>	<b>147,121</b>
<b>BY MATURITY</b>		
<b>Commitments payable</b>		
<b>Capital commitments</b>		
One year or less	18,064	36,798
From one to five years	85,229	110,395
<b>Total capital commitments</b>	<b>103,293</b>	<b>147,193</b>
<b>Commitments receivable</b>		
One year or less	(51)	(72)
<b>Total commitments receivable</b>	<b>(51)</b>	<b>(72)</b>
<b>Net commitments by maturity</b>	<b>103,242</b>	<b>147,121</b>

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

Notes:

- a) All commitments are GST inclusive where relevant
- b) In 2012 the Treasury received an exemption from the Finance Minister related to the commitments for grants payable to the States and Territories (for the current and comparative years). The budgeted information for payment of grants to States and Territories can be found in Budget Paper 3. Refer to Note 1.26 for more information.

**Schedule of administered contingencies**  
as at 30 June 2012

	2012 \$'000	2011 \$'000
<b>Total administered contingent assets</b>	-	-
<b>Administered contingent liabilities</b>		
Uncalled shares or capital subscriptions <sup>1</sup>	10,144,409	9,600,802
<b>Total administered contingent liabilities</b>	10,144,409	9,600,802
<b>NET ADMINISTERED CONTINGENT ASSETS (LIABILITIES)</b>	10,144,409	9,600,802

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

Note: Administered unquantifiable contingencies are disclosed in Note 24: Administered contingent liabilities and assets. The Treasury has given financial guarantees for which the details are disclosed at Note 1.31 and Note 26: Administered financial instruments.

1 Comprises uncalled shares or capital subscriptions in the European Bank for Reconstruction and Development (EBRD), the International Bank for Reconstruction and Development (IBRD), the Multilateral Investment Guarantee Agency (MIGA) and the Asian Development Bank (ADB). See Note 1.3 for further details.

**Notes to and forming part of the financial statements**  
for the period ended 30 June 2012

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

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

The Treasury is an Australian Government controlled, not for profit entity.

The Treasury's mission is to improve the wellbeing of the Australian people by providing sound and timely advice to the Government, based on objective and thorough analysis of options, and by assisting Treasury Ministers in the administration of their responsibilities and the implementation of government decisions.

The Treasury is structured to meet one outcome:

Outcome 1: Informed decisions on the development and implementation of policies to improve the wellbeing of the Australian people, including by achieving strong, sustainable economic growth, through the provision of advice to government and the efficient administration of federal financial relations.

The reporting entity, hereafter referred to as 'the Treasury', comprises the Treasury and the Australian Government Actuary.

Activities contributing towards the outcome detailed above are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by the Treasury in its own right. Administered activities involve the management or oversight by the Treasury, on behalf of the Government, of items controlled or incurred by the Government.

Departmental activities are identified under Program 1.1. Administered activities are identified under Programs 1.1 to 1.10 listed below:

- Program 1.1 — Department of the Treasury
- Program 1.2 — Payments to International Financial Institutions
- Program 1.3 — Support for Markets and Business
- Program 1.4 — General Revenue Assistance
- Program 1.5 — Assistance to the States for Healthcare Services
- Program 1.6 — Assistance to the States for Schools
- Program 1.7 — Assistance to the States for Skills and Workforce Development
- Program 1.8 — Assistance to the States for Disability Services
- Program 1.9 — Assistance to the States for Affordable Housing
- Program 1.10 — National Partnership Payments to the States

Program 1.2 provides for administered payments to International Financial Institutions as required to:

- promote international monetary cooperation, exchange stability and orderly exchange arrangements;
- strengthen the international financial system; and
- support development objectives through the multilateral development banks.

Program 1.3 provides for administered activities in respect of:

- insurance claims arising from the residual Housing Loans Insurance Corporation (HLIC) portfolio;
- assistance under the HIH Claims Support Scheme (HCSS);
- the Guarantee of State and Territory Borrowing in assisting state and territory governments to access funding;
- the Guarantee Scheme for Large Deposits and Wholesale Funding to promote financial system stability in Australia; and
- developing the Centre for International Finance and Regulation.

Program 1.4 provides for administered payments of general revenue assistance to the States and Territories, including payments of revenue received from the GST.

Programs 1.5 to 1.9 provide for administered payments to the States and Territories for healthcare services, schools services, skills and workforce development services, disability services and affordable housing services; according to the payment arrangements specified in the *Intergovernmental Agreement on Federal Financial Relations*.

Program 1.10 provides for administered payments to the States and Territories, according to National Partnership agreements, providing financial support for the States and Territories to be spent on improving outcomes in the areas specified.

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

## 1.2 Basis of preparation of the financial statements

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

The Financial Statements and notes have been prepared in accordance with:

- Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the Treasury or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

Unless alternative treatment is specifically required by an accounting standard or the FMOs, income and expenses are recognised in the statement of comprehensive income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

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

### 1.3 Significant accounting judgements and estimates

In the process of applying the accounting policies listed in this note, the Treasury has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- the employee provision is based on the actuarial assessment determined by the Australian Government Actuary (AGA);
- the fair value of land and buildings has been taken to be the market value of similar properties or depreciated replacement value as determined by an independent valuer;
- the valuation of the HCSS liability is based on an independent actuarial assessment by the AGA;
- uncalled shares disclosed in the administered contingencies table, the Treasury has judged the risk of these shares being called as low for the foreseeable future. This judgment is based on historic and current performance of the international financial institutions. Some of the factors considered are the financial strength of the development banks (that is, most have AAA credit ratings), established risk management policies, healthy debt ratios and no adverse financial statement audit opinions; and

- the NDRRA liability represents the Treasury's best estimate of payments expected to be made to States and Territories as at balance date under NDRRA and is based on information provided by States and Territories to the Attorney General's Department, the Commonwealth agency responsible for the administration of disaster relief. The estimates provided by States and Territories are based on their assessment of the costs expected to be incurred that would be eligible for assistance under NDRRA for disasters occurring prior to 1 July 2012. Given the nature of disasters and uncertainty around the costs and timing of the reconstruction effort, the liability may require adjustment in future reporting periods.

## 1.4 Changes in Australian Accounting Standards

### Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. None of the new standards, amendments to standards and interpretations issued by the AASB that are applicable to the current period have had a material financial impact on the Treasury. The following standards or amendments to standards have become effective but have had no financial impact to the operations of the Treasury.

#### Standards

- AASB 1 — *First-time Adoption of Australian Accounting Standards (Compilation)*
- AASB 3 — *Business Combinations (Compilation)*
- AASB 4 — *Insurance Contracts (Compilation)*
- AASB 5 — *Non-current Assets Held for Sale and Discontinued Operations (Compilation)*
- AASB 7 — *Financial Instruments: Disclosures (Compilation)*
- AASB 8 — *Operating Segments (Compilation)*
- AASB101 — *Presentation of Financial Statements (Compilation)*
- AASB107 — *Statement of Cash Flows (Compilation)*
- AASB 108 — *Accounting Policies, Changes in Accounting Estimates and Errors (Compilation)*
- AASB 110 — *Events after the Reporting Period (Compilation)*
- AASB 112 — *Income Taxes (Compilation)*
- AASB 118 — *Revenue (Compilation)*
- AASB 119 — *Employee Benefits (Compilation)*
- AASB 121 — *The Effects of Changes in Foreign Exchange Rates (Compilation)*
- AASB 124 — *Related Party Disclosures (Principal)*
- AASB 127 — *Consolidated and Separate Financial Statements (Compilation)*
- AASB 128 — *Investments in Associates (Compilation)*

- AASB 131 — *Interests in Joint Ventures (Compilation)*
- AASB 132 — *Financial Instruments: Presentation (Compilation)*
- AASB 133 — *Earnings per Share (Compilation)*
- AASB 134 — *Interim Financial Reporting (Compilation)*
- AASB 137 — *Provisions, Contingent Liabilities and Contingent Assets (Compilation)*
- AASB 139 — *Financial Instruments: Recognition and Measurement (Compilation)*
- AASB 140 — *Investment Property (Compilation)*
- AASB 1023 — *General Insurance Contracts (Compilation)*
- AASB 1031 — *Materiality (Compilation)*
- AASB 1038 — *Life Insurance Contracts (Compilation)*
- AASB 1054 — *Australian Additional Disclosures (Principal)*
- *Interp. 2 — Members' Shares in Co-operative Entities and Similar Instruments (Compilation)*
- *Interp. 4 — Determining whether an Arrangement contains a Lease (Compilation)*
- *Interp. 13 — Customer Loyalty Programmes (Compilation)*
- *Interp. 14 — AASB 119 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Compilation)*
- *Interp. 16 — Hedges of a Net Investment in a Foreign Operation (Compilation)*
- *Interp. 112 — Consolidation — Special Purpose Entities (Compilation)*
- *Interp. 113 — Jointly Controlled Entities — Non-Monetary Contributions by Venturers (Compilation)*
- *Interp. 115 — Operating Leases — Incentives (Compilation)*
- *Interp. 127 — Evaluating the Substance of Transactions Involving the Legal Form of a Lease (Compilation)*
- *Interp. 132 — Intangible Assets — Web Site Costs (Compilation)*
- *Interp. 1039 — Substantive Enactment of Major Tax Bills in Australia (Compilation)*
- *Interp. 1042 — Subscriber Acquisition Costs in the Telecommunications Industry (Compilation)*
- *Interp. 1052 — Tax Consolidation Accounting (Compilation)*

#### Future Australian Accounting Standard requirements

Of the new standards, amendments to standards and interpretations issued by the AASB that are applicable to future periods, it is estimated that the impact of adopting the pronouncements when effective will have no material financial impact on future reporting periods, but may affect disclosures in future financial reports.



## 1.5 Revenue

### Revenue from Government

Amounts appropriated for departmental outputs for the year (adjusted for any formal additions and reductions) are recognised as revenue when the agency gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

### Other types of revenue

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the agency retains no managerial involvement or effective control over the goods;
- the revenue and transaction costs incurred for the transaction can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the entity.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at balance date. Allowances are made when collectability of the debt is no longer probable.

## 1.6 Gains

### Resources received free of charge

Resources received free of charge are recognised as gains when and only when fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another government agency or authority as a consequence of a restructuring of administrative arrangements (refer to Note 1.7).

Resources received free of charge are recorded as either revenue or gains depending on their nature.

#### Sale of Assets

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

### 1.7 Transactions with the Government as owner

#### Contributed equity

Amounts appropriated which are designated as 'equity injections' or from 1 July 2010, departmental capital budget appropriations (less any formal reductions) are recognised directly in contributed equity in that year. Equity injection appropriations in Acts passed after the commencement of the period are recognised from the date of royal assent.

#### Restructuring of administrative arrangements

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

#### Other distributions to owners

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

### 1.8 Employee benefits

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

Liabilities for 'short-term employee benefits' (as defined by AASB 119 *Employee Benefits*) and termination benefits due within twelve months of balance date are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured as the total net present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of the plan's assets (if any) out of which the obligations are to be settled directly.

#### Leave

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

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

The liability for both annual and long service leave has been determined by reference to the work of the Australian Government Actuary (AGA) as at 30 June 2012. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and general pay increases.

#### Separation and redundancy

Provision is made for separation and redundancy benefit payments. The department recognises a provision for termination when it has a detailed formal plan for the terminations and has informed those employees affected that the terminations will be carried out.

No provision has been made for separation and redundancy benefit payments during the year. All payments for the voluntary redundancies offered by the Treasury in 2011-12 were paid before 30 June 2012.

#### Superannuation

Staff of the Treasury are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other defined contribution schemes.

The CSS and PSS are defined benefit schemes of the Australian Government. The PSSap is a defined contribution scheme which opened for new employees on 1 July 2005.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

The Treasury makes employer contributions to the employee superannuation scheme at rates determined by an actuary to be sufficient to meet the cost to the government of the superannuation entitlements of the Treasury's employees. The Treasury accounts for the contribution as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June 2012 represents outstanding contributions for the final fortnight of the year.

### 1.9 Leases

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

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the leased property or, if lower, the present value of minimum lease

payments at the inception of the contract. A liability is recognised at the same time and for the same amount.

The Treasury does not currently hold any assets under finance lease.

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased assets.

#### 1.10 Borrowing costs

All borrowing costs are expensed as incurred.

#### 1.11 Cash

Cash and cash equivalents includes notes and coins held and any deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount. Any interest receivable is credited to revenue as it accrues. The Treasury maintains bank accounts with the Reserve Bank of Australia for administration of the receipt and payment of monies.

#### 1.12 Financial risk management

The Treasury's activities expose it to normal commercial financial risk. As a result of the nature of the Treasury's business and internal and Australian Government policies dealing with the management of financial risk, the Treasury's exposure to market, credit, liquidity, cash flow and fair value interest rate risk is considered to be low.

#### 1.13 Other financial instruments

The Treasury classifies its financial instruments in the following categories:

- financial instruments at fair value through profit or loss;
- held-to-maturity investments;
- available-for-sale financial assets; and
- loans and receivables.

The classification depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition. Financial instruments are recognised and derecognised upon trade date.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are included in current assets, except for maturities greater than 12 months after the balance date. These are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest methods less impairment. Interest is usually recognised by applying the effective interest rate. Collectability of debts is reviewed regularly throughout the year and at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely. Credit terms are net 30 days (2011: 30 days).

### Other financial liabilities

Other financial liabilities include trade creditors and accruals are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). Settlement is usually made net 30 days.

#### 1.14 Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period. No indicators of impairment were identified for assets as at 30 June 2012.

#### Financial assets held at amortised cost

If there is objective evidence that an impairment loss has been incurred for loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the statement of comprehensive income.

#### Available for sale financial assets

If there is objective evidence that an impairment loss on an available for sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the statement of comprehensive income.

#### Financial assets held at cost

If there is objective evidence that an impairment loss has been incurred the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

#### 1.15 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are reported when settlement is probable but

not virtually certain and contingent liabilities are recognised when the probability of settlement is greater than remote.

#### 1.16 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. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

#### 1.17 Property, plant and equipment

##### Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, 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 and total \$20,000 or more).

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

##### Revaluations

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

Asset class	Fair value measured at
Buildings — leasehold improvements	Depreciated replacement cost
Plant and equipment	Market selling price

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Following initial recognition at cost, buildings — leasehold improvements and plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same class that was previously recognised through profit and loss. Revaluation decrements for a class of assets are recognised through profit and loss except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset is restated to the revalued amount.

All assets classified under buildings — leasehold improvements and plant and equipment were formally valued as at 1 July 2011 by Preston Rowe Paterson NSW Ltd.

### Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Treasury using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

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

	2012	2011
Buildings — leasehold improvements	5-10 years	5-10 years
Plant and equipment:		
Computers, plant and equipment	3-10 years	3-10 years
Motor vehicles	4 years	4 years
Office equipment	5 years	5 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 3D.

### Impairment

All assets were assessed for impairment at 30 June 2012. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount. No indicators of impairment were found for departmental assets as at 30 June 2012 (2011: nil).

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Treasury were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

#### 1.18 Intangibles

The Treasury's intangible assets comprise internally developed and purchased software for internal use. These assets are carried at cost less accumulated depreciation and any accumulated impairment losses. Software is amortised on a straight-line basis over its

anticipated useful life. The useful lives of the Treasury's software are 3 to 5 years (2011: 3 to 5 years).

The Treasury's largest intangible asset is the Standard Business Reporting (SBR). SBR is a multi-agency initiative that will simplify business-to-government reporting by introducing a single secure way to interact on-line with participating agencies. For further information visit [www.sbr.gov.au](http://www.sbr.gov.au).

All software assets were assessed for indications of impairment as at 30 June 2012. No indicators of impairment were identified as at 30 June 2012 (2011: nil).

#### **1.19 Taxation/competitive neutrality**

The Treasury is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST:

- except where the amount of GST incurred is not recovered from the Australian Taxation Office; and
- except for receivables and payables.

#### **1.20 Foreign currency**

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

#### **1.21 Insurance**

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



### 1.22 Reporting of administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the schedule of administered items and related notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

### 1.23 Administered cash transfers to and from the Official Public Account

Revenue collected by the Treasury for use by the Australian Government rather than the Treasury is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance and Deregulation. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriations on behalf of the Australian Government. These transfers to and from the OPA are adjustments to administered cash held by the Treasury on behalf of the Australian Government and reported as such in the administered reconciliation schedule. The schedule of administered items largely reflects the Australian Government's transactions, through the Treasury, with parties outside the Australian Government.

### 1.24 Administered revenue

All administered revenues relate to the course of ordinary activities performed by the Treasury on behalf of the Australian Government.

#### Reserve Bank of Australia dividend

The Treasurer is able to determine what portion of the RBA's earnings is made available as a dividend to the Commonwealth having regard to the Reserve Bank Board's advice and in accordance with section 30 of the *Reserve Bank Act 1959*.

Prior to 2011-12, the RBA's dividend for a particular financial year was recognised in the Treasury's administered financial statements in the year the Treasurer made the determination.

As a result of issues raised by the ANAO, the Treasury now recognises the dividend revenue and a corresponding receivable in the year the RBA reports a net profit available to the Commonwealth, subject to reliable measurement. The change does not affect the timing of the dividend receipt in the Cash Flow Statement, only the timing of the accrued revenue in the Statement of Comprehensive Income. Dividends are measured at nominal amounts.

#### Australian Reinsurance Pool Corporation dividend

The dividend from the Australian Reinsurance Pool Corporation (ARPC) is recognised when the Minister for Financial Services and Superannuation signs the legislative instrument, and thus control of the income stream is established. On this basis, the declared dividend of \$400 million for ARPC has been recognised in the financial statements for 2011-12 (2010-11: Nil).

The legislative instrument requires payment over four years, commencing in 2012-13. Further details can be found in the legislative instrument <http://www.comlaw.gov.au/Details/F2012L01542>

#### International Monetary Fund remuneration

Remuneration is interest paid by the International Monetary Fund (IMF) to Australia for the use of its funds. It is paid on the proportion of Australia's IMF capital subscription (quota) that was paid in Special Drawing Rights (SDR), and on the money lent by Australia under the IMF's Financial Transaction Plan, under which members in a strong external position provide quota resources to support IMF lending to borrowing member countries.

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 SDR interest rate. This rate is then adjusted to account for the financial consequences of overdue obligations to the IMF which are shared between members and reflected in Note 18 as 'burden sharing'.

Remuneration is calculated and paid at the end of the IMF's financial quarters. An annual maintenance of value adjustment is made to the IMF's holdings of Australia's quota paid in Australian dollars to maintain their value in terms of the SDR.

Australia also receives interest on amounts lent to the IMF under the New Arrangements to Borrow (NAB). Interest on the NAB is paid quarterly. The NAB provides supplementary resources to the IMF.

#### Guarantee Scheme for Large Deposits and Wholesale Funding

Under the Guarantee Scheme for Large Deposits and Wholesale Funding, a fee is paid to guarantee the portion of eligible deposits over \$1 million and for wholesale funding issuances. The fees are reported as a fee for service in accordance with AASB 118 *Revenue*. The Guarantee Scheme closed to new deposits on 31 March 2010.

#### The Guarantee of State and Territory Borrowing

Under the Guarantee of State and Territory Borrowing, a fee is paid to provide the guarantee over new and nominated existing State and Territory securities. The fees are reported as a fee for service in accordance with AASB 118 *Revenue*. The guarantee closed to new issuances of guaranteed liabilities on 31 December 2010.

#### Financial Guarantee Contracts

Financial guarantee contracts are accounted for in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. They are not treated as contingent liabilities, as they are regarded as financial instruments outside the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. The Treasury's administered financial guarantee contracts relate to components of the Guarantee Scheme for Large Deposits and Wholesale Funding and the Guarantee of State and Territory Borrowing.

#### 1.25 Administered capital

Appropriations of administered capital are recognised in administered equity when the amounts appropriated by Parliament are drawn down. For the purposes of the Treasury annual report, administered equity transactions are not disclosed separately.

### 1.26 Grants

The Treasury sought and received an exemption from reporting payments to the States and Territories as administered commitments as required by section 81 of the FMOs. The Treasury formed the view that these payments do not meet the definition of a commitment and should not be reported in the administered commitments schedule.

In consultation with the Department of Finance and Deregulation (Finance) and the Australian National Audit Office (ANAO), it was agreed that the issue has a whole of government context that needed to be considered. To allow time for Finance to develop a whole of government position it was agreed that the Treasury should seek an exemption.

In 2010-11, the Treasury reviewed the accounting treatment of payments made to States and Territories under the Natural Disaster Relief and Recovery Arrangements (NDRRA) in consultation with Finance. The accounting treatment previously applied by the Treasury was to recognise grant liabilities under NDRRA to the extent that (i) the services required to be performed by the State or Territory had been performed or (ii) the grant eligibility criteria had been satisfied, but payments due have not been made. The change in accounting treatment resulted in the Treasury recognising a liability equal to the discounted value of estimated future payments to States and Territories under NDRRA regardless of whether or not a State or Territory has completed eligible disaster reconstruction work or submitted an eligible claim under the NDRRA. As disclosed in Note 1.3, States and Territories were requested to provide an estimate of costs expected to be incurred for disasters affecting States and Territories that occurred prior to 1 July 2012 which would be eligible for assistance.

The new accounting treatment provides readers of the financial statements with an estimate of the amount yet to be paid to States and Territories for eligible disaster assistance which was not provided under the earlier accounting treatment.

With the exception of the accounting treatment of payments to State and Territories under NDRRA detailed above, grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made.

#### Grants to States and Territories

Under the federal financial relations framework, the Treasurer is responsible for payments to the States and Territories, including general revenue assistance (GST and other general revenue), National Specific Purpose Payments (National SPPs) and National Partnership (NP) payments. Portfolio Ministers are accountable for relevant government policies associated with the payment of NPs and other general revenue. An overview of these arrangements is available on the Standing Council for Federal Financial Relations' website.

There are three main types of payments under the framework, as follows:

- General revenue assistance, including GST revenue payments — a financial contribution to a State or Territory which is available for use by the States and Territories for any purpose;
- National SPPs — a financial contribution to support a State or Territory to deliver services in a particular sector; and

- NP payments — a financial contribution in respect of a NP agreement to a State or Territory to support the delivery of specific projects, to facilitate reforms or to reward those jurisdictions that deliver on national reforms or achieve service delivery improvements.

The National SPPs and GST are paid under a special appropriation from the *Federal Financial Relations Act 2009*. After the end of the financial year, the Treasurer determines the amounts that should have been paid and an adjustment is made in respect of advances that were paid during the financial year. The authority to approve advance payments has been delegated to the General Manager, Commonwealth-State Relations Division.

The NP and other general revenue assistance payments are paid under the *Federal Financial Relations Act 2009* through a determination process wherein the Treasurer may determine an amount to be paid to a State or Territory for the purpose of making a grant of financial assistance. Once determined, this amount must be credited to the COAG Reform Fund and the Treasurer must ensure that, as soon as practicable after the amount is credited, the COAG Reform Fund is debited for the purposes of making the grant. In addition, the Treasurer must have regard to the Intergovernmental Agreement on Federal Financial Relations. The Treasury advises the Treasurer on amounts to be determined, based on certified payment advices received from the Chief Financial Officers of Commonwealth agencies.

In 2010-11, several payments made under National Partnership agreements were discovered to have been made in error and were subsequently recovered at the next opportunity. In these circumstances the payments were made to the State or Territory without any legislative basis, which constitutes a breach of section 83 of the Constitution. The Treasury process to complete the 2011-12 financial statements identified no incorrect payments (2011: 8 incorrect payments totalling \$25,963,775). All incorrect payments have been recovered from the States and Territories. Refer to Note 29 for further information.

#### Payments to the States and Territories through the Nation Building Funds

The *Nation-building Funds Act 2008* (the Funds Act) outlines the requirements for payments to be authorised from the three nation building funds (collectively known as 'the Funds'); the responsibilities of Ministers; and the process for channelling payments to recipients through portfolio special accounts.

The Funds were established to provide financing sources to meet the Government's commitment to Australia's future by investment in critical areas of infrastructure.

The three Funds are the:

- Building Australia Fund — make payments in relation to the creation or development of transport, communications, eligible national broadband network matters, energy and water infrastructure;
- Education Investment Fund — make payments in relation to the creation or development of higher education infrastructure, vocational education and training infrastructure, eligible education and research infrastructure; and

- Health and Hospitals Fund — make payments in relation to the creation or development of health infrastructure.

The Treasury receives funds from the relevant portfolio agency and pays the amount to the States and Territories. These amounts are recorded as 'COAG receipts from Government Agencies' to recognise the income and a corresponding grant expense for the payment to the States and Territories.

#### Mirror taxes collected by State Governments

On behalf of the States, the Australian Government imposes mirror taxes which replace State taxes in relation to Australian Government places that may be constitutionally invalid. Mirror taxes are collected and retained by the States, under the *Commonwealth Places (Mirror Taxes) Act 1998*. State Governments bear the administration costs of collecting mirror taxes. Mirror taxes are disclosed at Note 28D.

### 1.27 Administered investments

#### Development banks

Investments in development banks are classified as 'monetary — available for sale financial assets' refer Note 1.32. As such, the foreign currency value of investments is translated into Australian dollars (AUD) using relevant foreign currency exchange rates at balance date.

#### International Monetary Fund

The quota is the current value in Australian dollars of Australia's subscription to the IMF. Quota subscriptions represent a member's shareholding in the IMF and generate most of the IMF's financial resources. Twenty five per cent of the quota increase will be paid in SDR and the remainder will be paid through issuing AUD denominated non-negotiable, non-interest bearing promissory notes.

#### Australian Government entities

Administered investments in controlled entities are not consolidated because their consolidation is relevant only at the whole of government level.

The Australian Government's investment in controlled entities and companies in the Treasury portfolio are measured at their fair value as at 30 June 2012. Fair value has been taken to be the net assets of the entities as at balance date. These entities are listed below:

- Reserve Bank of Australia; and
- Australian Reinsurance Pool Corporation.

#### Impairment of administered investments

Administered investments were assessed for impairment at 30 June 2012. No indicators of impairment were identified (2011: nil).

### 1.28 Promissory notes

Promissory notes have been issued to the IMF, the European Bank for Reconstruction and Development, the International Bank for Reconstruction and Development, the Asian Development Bank and the Multilateral Investment Guarantee Agency.

Where promissory notes have been issued in foreign currencies, they are recorded at their nominal value by translating them at the spot rate at balance date. The promissory notes are non-interest bearing and relate to the undrawn paid-in capital subscriptions.

Foreign currency gains and losses are recognised where applicable.

### 1.29 IMF Special Drawing Rights Allocation

The SDR allocation liability reflects the current value in AUD of the Treasury's liability to repay to the IMF the cumulative allocations of SDRs provided to Australia since joining the IMF. This liability is classified as 'other payables' in Note 21.

### 1.30 Provisions and contingent liabilities

#### HIH Claims Support Scheme liability

The HIH Claims Support Scheme (the Scheme) was established by the Australian Government following the collapse of the HIH Group of companies in March 2001. The purpose of the Scheme is to provide financial assistance to eligible HIH policy-holders affected by the collapse of the group. Initial funding of \$640 million was provided by special appropriation through the *Appropriation (HIH Assistance) Act 2001*.

HIH Claims Support Limited was established by the Insurance Council of Australia as a not-for-profit company in May 2001 to manage claims made under the Scheme and to operate the HIH Claims Support Trust on behalf of the Australian Government. As the sole beneficiary of the trust the Australian Government is entitled to any residual balance of the trust.

Since 2001, a total of 10,900 claims have been granted eligibility for assistance. Each year an actuarial review of the claims portfolio has been conducted to assess the development of claims reserves and to estimate the overall liability associated with the Scheme portfolio. In 2006, approval was sought and obtained to increase the Scheme appropriation to a total of \$861 million to meet the estimated cost of the Scheme portfolio. This additional funding is provided through annual appropriations.

The Australian Government Actuary reviews the portfolio annually to reassess the estimated Scheme liability in future years. The most recent review has indicated that the overall cost of the Scheme is estimated to be \$730.5 million in discounted terms. This amount incorporates an allowance for future inflation and covers the expected cost of past and future claim payments and associated expenses of managing the Scheme. There is an estimated outstanding claims liability of \$18.6m as at 30 June 2012 (2011: \$21.8m) as calculated by the Australian Government Actuary.

### 1.31 Administered financial instruments

AASB 139 *Financial Instruments: Recognition and Measurement* requires financial instruments to be classified into one of four categories. The financial instruments specific to the Treasury's administered items are classified in three of the four categories as detailed below.

Loans and receivables (these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market):

- IMF related monies receivable (measured initially at fair value and then measured at amortised cost using the effective interest rate method);
- Loans to the IMF under the New Arrangements to Borrow (measured initially at fair value and then measured at amortised cost using the effective interest rate method);
- the Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable (measured initially at fair value and then measured at amortised cost using the effective interest rate method); and
- the Guarantee Scheme for State and Territory Borrowing contractual fee receivable (measured initially at fair value and then measured at amortised cost using the effective interest rate method).

Available-for-sale financial assets:

- investments in development banks (measured initially at cost or notional cost and then measured at fair value);
- the IMF quota (measured at cost); and
- Investments in Government Entities (measured at fair value based on net asset position of the entity at 30 June 2012).

Financial liabilities:

- the SDR allocation (measured initially at fair value and then measured at amortised cost using the effective interest rate method);
- promissory notes (measured initially at fair value and then measured at amortised cost using the effective interest rate method);
- IMF related monies payable (measured initially at fair value and then measured at amortised cost using the effective interest rate method); and
- the Guarantee Scheme for Large Deposits and Wholesale Funding contractual guarantee service obligation (measured initially at fair value and then measured at amortised cost using the effective interest rate method).

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or that are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Although a number of the Treasury's financial instruments are classified as 'available-for-sale', the Treasury does not hold these instruments for the purposes of trading. Assets that can be reliably measured at reporting date are valued at fair value, otherwise, at cost.

The Guarantee Scheme for Large Deposits and Wholesale Funding and the Guarantee of State and Territory Borrowing contractual fee receivable represents the requirement under AASB 139 *Financial Instruments: Recognition and Measurement* for the Treasury to recognise up-front, its entitlements under the financial guarantee contract to revenue received or receivable from authorised deposit-taking institutions over the contracted guarantee period. Conversely, the Treasury is required to recognise a corresponding initial liability for its contractual obligation to provide a guarantee service over the period covered by each guarantee contract (analogous to unearned income).

Recognition of these amounts only relates to fee revenue aspects of the financial guarantee contracts. These amounts do not reflect any expected liability under the Guarantee Scheme itself as these are considered remote and unquantifiable. Administered contingent liabilities and assets are disclosed at Note 24.

Administered financial instruments are accounted for in accordance with the accounting policies detailed above and are disclosed at Note 26.



**Note 2: Events after the reporting period**

Departmental

There are no known events occurring after the reporting period that could impact on the financial statements.

Administered

There are no known events occurring after the reporting period that could impact on the financial statements.

**Note 3: Operating expenses**

	2012	2011
	\$'000	\$'000
<b>Note 3A: Employee Benefits</b>		
Wages and salaries	94,753	90,482
Superannuation:		
Defined contribution plans	5,035	4,474
Defined benefit plans	10,407	11,671
Redundancies	5,563	-
Leave and other entitlements <sup>1</sup>	16,663	9,620
Other	2,965	3,306
<b>Total employee benefits</b>	<b>135,386</b>	<b>119,553</b>
<b>Note 3B: Suppliers</b>		
<b>Goods and services</b>		
Information communication technology	4,856	4,749
Conferences and Training	2,397	2,708
Consultants and Contractors	7,280	8,868
Fees — Audit, Accounting, Bank and Other	1,116	1,235
Insurance	1,009	949
Legal	1,810	1,459
Printing	631	643
Property operating expenses	10,899	11,759
Publications and Subscriptions	1,427	1,558
Travel	5,273	5,276
Other	2,965	3,754
<b>Total goods and services</b>	<b>39,663</b>	<b>42,958</b>
<b>Goods and services are made up of:</b>		
Provision of goods from:		
related entities	64	2
external entities	2,511	2,411
Rendering of services from:		
related entities	7,502	6,857
external entities	20,632	24,022
Operating lease rentals: <sup>2</sup>		
related entities	482	212
external entities	7,683	8,755
Workers compensation premiums	789	699
<b>Total supplier expenses</b>	<b>39,663</b>	<b>42,958</b>
<b>Note 3C: Grants</b>		
Grants paid		
Public sector:		
Australian Government entities (related entities)	78	152
Private sector:		
Non-profit organisations	4,031	2,925
<b>Total grants</b>	<b>4,109</b>	<b>3,077</b>

1 The increase in leave and other entitlements was primarily a result of a significant decrease in the bond rate, which is used to discount long service leave liability.

2 Operating lease rentals comprise minimum lease payments only.

**Note 3: Operating expenses (continued)**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
<b>Note 3D: Depreciation and amortisation</b>		
<b>Depreciation</b>		
Plant and equipment	<b>2,568</b>	2,119
Buildings — leasehold improvements	<b>2,365</b>	1,889
<b>Total depreciation</b>	<b>4,933</b>	4,008
<b>Amortisation</b>		
Intangibles — computer software	<b>8,485</b>	7,973
Assets held under finance lease	-	34
<b>Total amortisation</b>	<b>8,485</b>	8,007
<b>Total depreciation and amortisation</b>	<b>13,418</b>	12,015
<b>Note 3E: Finance costs</b>		
Leases	<b>17</b>	56
<b>Total finance costs</b>	<b>17</b>	56
<b>Note 3F: Write-down and impairment of assets</b>		
Financial assets		
Receivables — bad and doubtful debts	-	3
Non-financial assets		
Plant and equipment	<b>245</b>	55
Intangibles	-	50
<b>Total write-down and impairment of assets</b>	<b>245</b>	108

**Note 4: Income**

	2012	2011
	\$'000	\$'000
<b>Note 4A: Sale of goods and rendering of services</b>		
Rendering of services to:		
related entities	7,852	7,387
external entities	387	1,153
Operating lease rental — external entities	94	83
<b>Total sale of goods and rendering of services</b>	<b>8,333</b>	<b>8,623</b>
<b>Note 4B: Other revenue</b>		
MCCA contributions received	500	706
Other	368	20
<b>Total other revenues</b>	<b>868</b>	<b>726</b>
<b>Note 4C: Sale of assets</b>		
Plant and equipment		
Proceeds from sale	11	22
Net book value of assets disposed	(7)	-
<b>Net gain from sale of assets</b>	<b>4</b>	<b>22</b>
<b>Note 4D: Other gains</b>		
Resources received free of charge	526	549
<b>Total other gains</b>	<b>526</b>	<b>549</b>
<b>Note 4E: Revenue from Government</b>		
Appropriations		
Departmental appropriation	158,119	158,268
<b>Total revenue from Government</b>	<b>158,119</b>	<b>158,268</b>

**Note 5: Financial assets**

	2012	2011
	\$'000	\$'000
<b>Note 5A: Cash and cash equivalents</b>		
<b>Cash</b>		
Special Accounts	296	85
Cash on hand or on deposit	812	751
<b>Total cash and cash equivalents</b>	<b>1,108</b>	<b>836</b>
<b>Note 5B: Trade and other receivables</b>		
<b>Goods and Services:</b>		
related entities	790	2,914
external parties	1,128	623
<b>Total goods and services</b>	<b>1,918</b>	<b>3,537</b>
<b>Appropriations Receivable:</b>		
for existing outputs	51,933	73,988
for Departmental Capital Budget	-	239
<b>Total appropriations receivable</b>	<b>51,933</b>	<b>74,227</b>
<b>Other receivables:</b>		
Net GST receivable from the ATO	1,290	447
<b>Total other receivables</b>	<b>1,290</b>	<b>447</b>
<b>Total trade and other receivables (net)</b>	<b>55,141</b>	<b>78,211</b>
All receivables are current assets		
<b>Receivables (gross) are aged as follows:</b>		
Not overdue	54,844	76,572
Overdue by:		
0 to 30 days	176	1,293
31 to 60 days	85	219
61 to 90 days	16	77
More than 90 days	20	50
<b>Total receivables (gross)</b>	<b>55,141</b>	<b>78,211</b>

Credit terms for goods and services were with 30 days (2011:30 days)

**Note 6: Non-financial assets**

	2012	2011
	\$'000	\$'000
<b>Note 6A: Land and buildings</b>		
<b>Buildings — Leasehold improvements — fair value</b>		
Under construction	747	-
At fair value	8,644	19,653
Accumulated depreciation	(2,363)	(11,775)
<b>Total buildings — leasehold improvements — fair value</b>	<b>7,028</b>	<b>7,878</b>
<b>Total land and buildings</b>	<b>7,028</b>	<b>7,878</b>

No indicators of impairment were found for land and buildings. All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1.17.

<b>Note 6B: Plant and equipment</b>		
<b>Plant and equipment — fair value</b>		
Under construction	6,297	742
At fair value	9,157	12,860
Accumulated depreciation	(2,527)	(5,207)
<b>Total plant and equipment — fair value</b>	<b>12,927</b>	<b>8,395</b>
<b>Plant and equipment under finance lease</b>		
Under finance lease	-	53
Accumulated depreciation	-	(53)
<b>Total plant and equipment — fair value</b>	<b>-</b>	<b>-</b>
<b>Total plant and equipment</b>	<b>12,927</b>	<b>8,395</b>

No indicators of impairment were found for plant and equipment. All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 1.17.

<b>Note 6C: Intangibles</b>		
<b>Computer software — at cost</b>		
Internally developed — in progress	538	1,728
Internally developed — in use	40,237	36,551
Purchased	3,176	3,129
Accumulated amortisation	(18,240)	(10,291)
<b>Total computer software — at cost</b>	<b>25,711</b>	<b>31,117</b>
<b>Total intangibles</b>	<b>25,711</b>	<b>31,117</b>

No indicators of impairment were found for Intangibles.  
No intangibles are expected to be sold or disposed of within the next 12 months.

**Note 6: Non-financial assets (continued)**

Table A: Reconciliation of the opening and closing balances of property, plant and equipment (2011-12)

	Buildings — leasehold improvements \$'000	Plant and equipment \$'000	Computer software \$'000	Total \$'000
<b>As at 1 July 2011</b>				
Gross book value	19,653	13,655	41,408	74,716
Accumulated depreciation and impairment	(11,775)	(5,260)	(10,291)	(27,326)
<b>Net book value 1 July 2011</b>	<b>7,878</b>	<b>8,395</b>	<b>31,117</b>	<b>47,390</b>
Additions	1,687	7,232	3,087	12,006
Revaluations and impairments recognised in other comprehensive income	(172)	112	-	(60)
Depreciation / amortisation expense	(2,365)	(2,568)	(8,485)	(13,418)
Disposals				-
Other disposals	-	(244)	(8)	(252)
<b>Net book value 30 June 2012</b>	<b>7,028</b>	<b>12,927</b>	<b>25,711</b>	<b>45,666</b>
<b>Net book value as of 30 June 2012 represented by:</b>				
Gross book value	9,391	15,454	43,951	68,796
Accumulated depreciation and impairment	(2,363)	(2,527)	(18,240)	(23,130)
<b>Net book value 30 June 2012</b>	<b>7,028</b>	<b>12,927</b>	<b>25,711</b>	<b>45,666</b>

A revaluation of Treasury's buildings — leasehold improvement and plant and equipment was conducted on 1 July 2011.

**Note 6: Non-financial assets (continued)**

Table A: Reconciliation of the opening and closing balances of property, plant and equipment (2010-11)

	Buildings — leasehold improvements \$'000	Plant and equipment \$'000	Computer software \$'000	Total \$'000
<b>As at 1 July 2010</b>				
Gross book value	18,600	11,473	39,913	69,986
Accumulated depreciation and impairment	(9,886)	(3,853)	(3,202)	(16,941)
<b>Net book value 1 July 2010</b>	8,714	7,620	36,711	53,045
Additions	1,208	2,829	2,428	6,465
Depreciation / amortisation expense	(1,889)	(2,153)	(7,973)	(12,015)
Disposals				
Other disposals	-	(55)	(50)	(105)
Transfers	(155)	154	1	-
<b>Net book value 30 June 2011</b>	7,878	8,395	31,117	47,390
<b>Net book value as of 30 June 2011 represented by:</b>				
Gross book value	19,653	13,655	41,408	74,716
Accumulated depreciation and impairment	(11,775)	(5,260)	(10,291)	(27,326)
<b>Net book value 30 June 2011</b>	7,878	8,395	31,117	47,390



**Note 6: Non-financial assets (continued)**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
<b>Note 6D: Other non-financial assets</b>		
Prepayments	<b>2,502</b>	2,336
<b>Total other non-financial assets</b>	<b>2,502</b>	2,336
<b>Other non-financial assets are expected to be recovered in:</b>		
No more than 12 months	<b>2,055</b>	1,888
More than 12 months	<b>447</b>	448
<b>Total other non-financial assets</b>	<b>2,502</b>	2,336

No indicators of impairment were found for other non-financial assets.

**Note 7: Payables**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
<b>Note 7A: Suppliers</b>		
Trade creditors		
related entities	112	461
external entities	199	1,962
external entities — non-operating	-	781
Total trade creditors	<u>311</u>	<u>3,204</u>
<b>Total supplier payables</b>	<b><u>311</u></b>	<b><u>3,204</u></b>
All supplier payables are expected to be settled within 12 months		
<b>Note 7B: Other payables</b>		
Salaries and wages	2,313	2,209
Superannuation	411	375
Other creditors	1,393	3,104
Prepayments received	3,161	2,505
<b>Total other payables</b>	<b><u>7,278</u></b>	<b><u>8,193</u></b>
<b>Other payables are expected to be settled in:</b>		
No more than 12 months	7,278	8,191
More than 12 months	-	2
<b>Total other payables</b>	<b><u>7,278</u></b>	<b><u>8,193</u></b>

Note: Settlement is usually made net 30 days.

**Note 8: Provisions**

	2012	2011
	\$'000	\$'000
<b>Note 8A: Employee provisions</b>		
Leave	41,771	38,586
Other employee entitlements	105	128
<b>Total employee provisions</b>	<b>41,876</b>	<b>38,714</b>
<b>Employee provisions are expected to be settled in:</b>		
No more than 12 months	12,860	10,323
More than 12 months	29,016	28,391
<b>Total employee provisions</b>	<b>41,876</b>	<b>38,714</b>

**Note 9: Restructuring**

	2012 \$'000	2011 \$'000
<b>Note 9A: Departmental Restructuring</b>		
<b>Housing policy</b>		
<b>Assets recognised</b>		
Appropriation receivable	161	-
<b>Total assets recognised</b>	<b>161</b>	
<b>Liabilities recognised</b>		
Employer payables	312	
Supplier payables	5	-
<b>Total liabilities recognised</b>	<b>317</b>	-
<b>Net assets/(liabilities) assumed</b>	<b>(156)</b>	-
<b>Income</b>		
Recognised by the receiving entity	1,115	
Recognised by the losing entity	1,445	
<b>Total Income</b>	<b>2,560</b>	-
<b>Expenses</b>		
Recognised by the receiving entity	1,007	-
Recognised by the losing entity	1,445	-
<b>Total Expenses</b>	<b>2,452</b>	-

The Treasury assumed responsibility for the housing policy function from the Department of Sustainability Environment Water Population and Communities (SEWPaC) due to administrative arrangement restructuring on 27 January 2012.

**Note 10: Cash flow reconciliation**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
<b>Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement</b>		
<b>Cash and cash equivalents as per:</b>		
Cash flow statement	<b>1,108</b>	836
Balance sheet	<b>1,108</b>	836
<b>Reconciliation of net cost of services to net cash from operating activities:</b>		
Net cost of services	<b>(24,988)</b>	(9,579)
<b>Adjustments for non-cash items</b>		
Depreciation / amortisation	<b>13,418</b>	12,015
Net write down of non-financial assets	<b>245</b>	108
Gain on disposal of assets	<b>(4)</b>	(22)
Loss on disposal of non-current assets	<b>-</b>	-
<b>Changes in assets / liabilities</b>		
(Increase) / decrease in net receivables	<b>17,102</b>	(718)
(Increase) / decrease in other non financial assets	<b>(166)</b>	(537)
Increase / (decrease) in provisions	<b>3,162</b>	(396)
Increase / (decrease) in other payables	<b>(915)</b>	(1,973)
Increase / (decrease) in supplier payables	<b>(2,112)</b>	760
<b>Net cash from / (used by) operating activities</b>	<b>5,742</b>	(342)

**Note 11: Contingent assets and liabilities**

	Studies Assistance		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Contingent liabilities</b>				
Balance from previous period	300	272	300	272
New	297	286	297	286
Liabilities recognised	-	-	-	-
Obligations expired / crystalised	(300)	(258)	(300)	(258)
<b>Total contingent liabilities</b>	<b>297</b>	<b>300</b>	<b>297</b>	<b>300</b>
<b>NET CONTINGENT LIABILITIES</b>	<b>297</b>	<b>300</b>	<b>297</b>	<b>300</b>

**Quantifiable contingencies**

The schedule of contingencies reports liabilities of \$297,389 (2011: \$299,963). This amount represents an estimate of the Treasury's liability in respect of studies assistance.

**Remote contingencies**

The Treasury's lease on its current premises contains a make good clause which has been estimated by an independent valuer at \$2.7 million. The Treasury has assessed the likelihood of the make good provision being required and has deemed it as remote.

As at 30 June 2012, the Treasury has a number of contracts which may give rise to contingent liabilities based on certain events occurring. The Treasury has assessed the likelihood of such events occurring as being remote and unquantifiable

**Senior executive remuneration**

Note 12A: Senior executive remuneration expense for the reporting period

	2012	2011
	\$	\$
<b>Short-term employee benefits</b>		
Salary	18,874,942	17,276,068
Annual leave accrued	285,042	61,781
Allowances	1,261,848	1,085,577
<b>Total short-term employee benefits</b>	<b>20,421,832</b>	<b>18,423,426</b>
<b>Post-employment benefits</b>		
Superannuation	2,705,122	2,654,245
<b>Total post-employment benefits</b>	<b>2,705,122</b>	<b>2,654,245</b>
<b>Other long-term benefits</b>		
Long-service leave	2,099,405	642,167
<b>Total other long-term benefits</b>	<b>2,099,405</b>	<b>642,167</b>
Termination benefits	481,476	-
<b>Total employment benefits</b>	<b>25,707,835</b>	<b>21,719,838</b>

Notes:

1. Note 12A is prepared on an accrual basis. No performance bonuses were paid in 2012 (2011: Nil).
2. Note 12A excludes acting arrangements and part-year service where total remuneration expensed for a senior executive was less than \$150,000
3. The comparative figures have been revised and do not match what was published in the 2010-11 financial statements due to new disclosure requirements.
4. Note 12A includes employees posted overseas.
5. The increase in long-service leave includes the result of a significant decrease in the bond rate, which is used to discount the long-service leave provision.

**Note 12: Senior executive remuneration (continued)**

Note 12B: Average annual reportable remuneration paid to substantive senior executives during the reporting period

Average annual reportable remuneration <sup>1</sup>	2012				
	Senior Executives	Reportable salary <sup>2</sup>	Contributed superannuation <sup>3</sup>	Reportable allowances <sup>4</sup>	Total
	No.	\$	\$	\$	\$
<b>Total remuneration (including part-time arrangements):</b>					
less than \$150,000	17	63,547	16,625	-	80,172
\$150,000 to \$179,999	5	149,672	21,384	-	171,056
\$180,000 to \$209,999	17	173,026	28,279	-	201,305
\$210,000 to \$239,999	32	184,649	39,302	-	223,951
\$240,000 to \$269,999	10	207,070	45,484	-	252,554
\$270,000 to \$299,999	6	245,183	42,876	-	288,059
\$300,000 to \$329,999	3	261,674	47,624	-	309,298
\$330,000 to \$359,999	3	301,700	37,340	-	339,040
\$360,000 to \$389,999	5	332,615	47,591	-	380,206
\$390,000 to \$419,999	1	329,282	74,086	-	403,368
\$540,000 to \$579,999	1	439,927	114,300	-	554,227
<b>Total</b>	<b>100</b>				

Notes:

- This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
- 'Reportable salary' includes the following:
  - gross payments;
  - reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
  - exempt foreign employment income
- The 'contributed superannuation' amount is the average actual superannuation contributions paid to staff in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, as per the individuals' payslips.
- 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
- No bonuses were paid in 2012.
- Various salary sacrifice arrangements were available to senior executives including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.
- Employees posted overseas are included in this table.



**Note 12: Senior executive remuneration (continued)**

Average annual reportable remuneration <sup>1</sup>	2011				
	Senior Executives	Reportable salary <sup>2</sup>	Contributed superannuation <sup>3</sup>	Reportable allowances <sup>4</sup>	Total
	No.	\$	\$	\$	\$
<b>Total remuneration (including part-time arrangements):</b>					
less than \$150,000	32	65,218	13,250	-	78,467
\$150,000 to \$179,999	3	133,275	29,255	-	162,531
\$180,000 to \$209,999	16	166,537	29,556	-	196,093
\$210,000 to \$239,999	32	182,552	39,727	-	222,279
\$240,000 to \$269,999	14	208,928	46,105	767	255,799
\$270,000 to \$299,999	5	254,499	35,497	-	289,995
\$330,000 to \$359,999	3	300,116	40,872	-	340,988
\$360,000 to \$389,999	4	295,761	79,216	-	374,977
\$420,000 to \$449,999	1	322,408	109,428	-	431,836
\$480,000 to \$509,999	1	478,224	25,282	-	503,505
<b>Total</b>	<b>111</b>				

Notes:

- This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
- 'Reportable salary' includes the following:
  - gross payments;
  - reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
  - exempt foreign employment income
- The 'contributed superannuation' amount is the average actual superannuation contributions paid to staff in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, as per the individuals' payslips.
- 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries
- No bonuses were paid in 2011.
- Various salary sacrifice arrangements were available to senior executives including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.
- Employees posted overseas are included in this table.
- The comparative figures have been revised and do not match what was published in the 2010-11 financial statements due to new disclosure requirements. The reporting requirements can be found in the Finance Ministers Orders, which are available on [www.finance.gov.au](http://www.finance.gov.au).

**Note 12: Senior executive remuneration (continued)****Note 12C: Other highly paid staff**

Average annual reportable remuneration <sup>1</sup>	Staff No.	2012			Total \$
		Reportable salary <sup>2</sup> \$	Contributed superannuation <sup>3</sup> \$	Reportable allowances <sup>4</sup> \$	
<b>Total remuneration (including part time arrangements):</b>					
\$150,000 to \$179,999	59	131,369	25,494	48	156,911
\$180,000 to \$209,999	2	172,821	26,712	-	199,533
\$300,000 to \$329,999	1	290,314	21,034	-	311,348
<b>Total</b>	<b>62</b>				

## Notes:

- This table reports staff:
  - who were employed by the entity during the reporting period;
  - whose reportable remuneration was \$150,000 or more for the financial period; and
  - were not required to be disclosed in Tables A or B.
- Each row is an averaged figure based on headcount for individuals in the band.
- 'Reportable salary' includes the following:
  - gross payments;
  - reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
  - exempt foreign employment income
- The 'contributed superannuation' amount is the average actual superannuation contributions paid to staff in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, as per the individuals' payslips.
- 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
- No bonuses were paid in 2012.
- Various salary sacrifice arrangements were available to other highly paid staff including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.
- Employees posted overseas are included in this table.

**Note 12: Senior executive remuneration (continued)**

Average annual reportable remuneration <sup>1</sup>	Staff No.	2011			Total \$
		Reportable salary <sup>2</sup> \$	Contributed superannuation <sup>3</sup> \$	Reportable allowances <sup>4</sup> \$	
<b>Total remuneration (including part time arrangements):</b>					
\$150,000 to \$179,999	38	124,519	31,627	-	156,146
\$330,000 to \$359,999	1	283,638	52,592	-	336,229
<b>Total</b>	<b>39</b>				

Notes:

1. This table reports staff:
  - a) who were employed by the entity during the reporting period;
  - b) whose reportable remuneration was \$150,000 or more for the financial period; and
  - c) were not required to be disclosed in Tables A or B.
- Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes the following:
  - a) gross payments;
  - b) reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
  - c) exempt foreign employment income
3. The 'contributed superannuation' amount is the average actual superannuation contributions paid to staff in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, as per the individuals' payslips.
4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
5. No bonuses were paid in 2011.
6. Various salary sacrifice arrangements were available to other highly paid staff including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column, excluding salary sacrificed superannuation, which is reported in the 'contributed superannuation' column.
7. Employees posted overseas are included in this table.

**Note 13: Remuneration of auditors**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Financial statement audit services were provided free of charge to the Treasury.		
The fair value of the services provided was:		
Financial statement audit services	<b>398</b>	434
<b>Total</b>	<b>398</b>	434

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



**Note 14: Financial instruments**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
<b>Note 14A: Categories of Financial Instruments</b>		
<b>Financial Assets</b>		
Loans and receivables		
Cash and cash equivalents	<b>1,108</b>	836
Trade receivables	<b>1,918</b>	3,537
<b>Carrying amount of financial assets</b>	<b>3,026</b>	4,373
<b>Financial Liabilities</b>		
Liabilities at amortised cost		
Supplier payables	<b>311</b>	3,204
Other payables — other creditors	<b>1,393</b>	3,104
<b>Carrying amount of financial liabilities</b>	<b>1,704</b>	6,308
<b>Note 14B: Net income and expense from financial liabilities</b>		
<b>Liabilities — at amortised cost</b>		
Interest expense	<b>(17)</b>	(56)
<b>Net gain/(loss) from financial liabilities — at amortised cost</b>	<b>(17)</b>	(56)
<b>Net gain/(loss) from financial liabilities</b>	<b>(17)</b>	(56)

**Note 14C: Fair value of financial instruments**

The net fair values of the Treasury's financial assets and financial liabilities are approximated by their carrying amounts.

The financial assets and financial liabilities as disclosed in Note 14A are measured under Level 2 of the fair value hierarchy as they are based on observable inputs. There have been no reclassifications between levels of the fair value hierarchy.

**Note 14: Financial instruments (continued)**

**Note 14D: Credit risk**

The Treasury is exposed to minimal credit risk as financial assets only include cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2012: \$1,918,669 and 2011: \$3,537,308). The Treasury has assessed the risk of default on payment as being minimal.

Other government agencies and staff members make up the majority of the Treasury's debtors. To aid the Treasury to manage its credit risk there are internal policies and procedures that guide employees on debt recovery techniques that are to be applied.

The Treasury holds no collateral to mitigate against credit risk.

**Credit quality of financial instruments not past due or individually determined as impaired**

	<b>Not past due nor impaired</b>	Not past due nor impaired	<b>Past due or impaired</b>	Past due or impaired
	<b>2012</b>	2011	<b>2012</b>	2011
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>Loans and receivables</b>				
Cash and cash equivalents	1,108	836	-	-
Trade receivables	1,620	1,898	298	1,639
<b>Total</b>	<b>2,728</b>	2,734	<b>298</b>	1,639

**Ageing of financial assets that were past due but not impaired for 2012**

	<b>0 to 30 days</b>	<b>31 to 60 days</b>	<b>61 to 90 days</b>	<b>90+ days</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Loans and receivables</b>					
Trade receivables	176	86	16	20	298
<b>Total</b>	<b>176</b>	<b>86</b>	<b>16</b>	<b>20</b>	<b>298</b>

**Ageing of financial assets that were past due but not impaired for 2011**

	<b>0 to 30 days</b>	<b>31 to 60 days</b>	<b>61 to 90 days</b>	<b>90+ days</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>and receivables</b>					
Trade receivables	1,293	219	77	50	1,639
<b>Total</b>	<b>1,293</b>	<b>219</b>	<b>77</b>	<b>50</b>	<b>1,639</b>

**Note 14: Financial instruments (continued)**

**Note 14E: Liquidity risk**

The Treasury's financial liabilities are payables. The exposure to liquidity risk is based on the notion that the Treasury will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to the appropriation funding mechanisms available to the Treasury and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

The Treasury is appropriated funding from the Australian Government. The Treasury manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the Treasury has policies in place to ensure timely payments are made when due and has no past experience of default.

**Maturities for non-derivative financial liabilities 2012**

	On demand \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
<b>Liabilities at amortised cost</b>						
Payables — suppliers	-	311	-	-	-	311
Other payables	-	1,393	-	-	-	1,393
<b>Total</b>	-	1,704	-	-	-	1,704

**Maturities for non-derivative financial liabilities 2011**

	On demand \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
<b>Liabilities at amortised cost</b>						
Payables — suppliers	-	3,204	-	-	-	3,204
Other payables	-	3,102	2	-	-	3,104
<b>Total</b>	-	6,306	2	-	-	6,308

**Note 14F: Market risk**

The Treasury holds only basic financial instruments that do not expose the department to certain market risks.

**Note 15: Financial assets reconciliation**

		2012	2011
		\$'000	\$'000
<b>Financial assets</b>	<b>Notes</b>		
<b>Total financial assets as per balance sheet</b>		<b>56,249</b>	79,047
Less: non-financial instrument components			
Appropriation receivables	5B	<b>51,933</b>	74,227
GST receivable from the ATO	5B	<b>1,290</b>	447
Total non-financial instrument components		<b>53,223</b>	74,674
<b>Total financial assets as per financial instruments note</b>	14A	<b>3,026</b>	4,373



**Note 16: Administered expenses**

	2012	2011
	\$'000	\$'000
<b>Note 16A: Grants</b>		
Public sector:		
State and Territory Governments	83,612,420	85,548,292
Payment of COAG receipts from Government agencies	3,230,916	1,332,351
Other grants	2,450	54,994
<b>Total grants</b>	<b>86,845,786</b>	<b>86,935,637</b>
<b>Note 16B: Interest</b>		
IMF charges	11,289	18,734
<b>Total interest</b>	<b>11,289</b>	<b>18,734</b>
<b>Note 16C: Other expenses</b>		
Suppliers expenses	11,388	6,765
<b>Total other expenses</b>	<b>11,388</b>	<b>6,765</b>

**Note 17: Administered income**

	2012	2011
	\$'000	\$'000
<b>Note 17A: Interest</b>		
Gross IMF remuneration	3,129	3,734
Less: Burden sharing	(63)	(21)
Net IMF remuneration	3,066	3,713
Interest on loan to IMF under New Arrangements to Borrow	722	127
Interest on loans to States and Territories	251	-
<b>Total interest</b>	<b>4,039</b>	<b>3,840</b>
<b>Note 17B: Dividends</b>		
Reserve Bank of Australia	500,000	-
Australian Reinsurance Pool Corporation	400,000	-
<b>Total dividends</b>	<b>900,000</b>	<b>-</b>
<b>Note 17C: Sale of goods and rendering of services</b>		
GST administration fees — external entities	677,367	673,347
Guarantee Scheme for Large Deposits and Wholesale Funding Fee	847,780	1,106,067
Guarantee of State and Territory Borrowing	63,373	100,129
<b>Total sale of goods and rendering of services</b>	<b>1,588,520</b>	<b>1,879,543</b>
<b>Note 17D: COAG revenue from Government</b>		
Building Australia Fund revenue	2,236,700	826,100
Health and Hospital Fund revenue	885,575	408,179
Education and Innovation Fund revenue	24,877	21,698
Interstate road transport revenue	83,764	87,380
Non-government schools revenue	-	7,700
<b>Total COAG receipts from government agencies</b>	<b>3,230,916</b>	<b>1,351,057</b>
<b>Note 17E: Other revenue</b>		
Write back of HCS Scheme	-	5,434
HIH Group liquidation proceeds	23,479	62,244
Other revenue	5,288	4,591
<b>Total other revenue</b>	<b>28,767</b>	<b>72,269</b>
<b>Note 17F: Foreign exchange gains</b>		
IMF SDR allocation	14,954	869,147
IMF maintenance of value	6,309	342,113
IMF quota revaluation	(15,697)	(788,040)
IFIs revaluation	2,552	(95,035)
Other	(2,224)	10,034
<b>Total foreign exchange gains</b>	<b>5,894</b>	<b>338,219</b>

**Note 18: Administered financial assets**

	2012	2011
	\$'000	\$'000
<b>Note 18A: Cash and cash equivalents</b>		
Cash on hand or on deposit	1,735	4,763
<b>Total cash and cash equivalents</b>	<b>1,735</b>	<b>4,763</b>
<b>Note 18B: Receivables &amp; loans</b>		
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable	1,064,144	1,825,935
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	60,882	78,824
Guarantee of State and Territory Borrowing contractual fee receivable	265,960	301,920
Guarantee of State and Territory Borrowing fee receivable	4,738	5,998
Net GST receivable from the ATO	52	17
HLIC premiums receivable	-	40
Loans to States and Territories	15,101	-
IMF related moneys owing	277	950
IMF maintenance of value	-	342,113
IMF new arrangements to borrow loan	661,133	224,547
Dividends receivable	900,000	-
NDRRA receivables	-	128,643
Other receivables	17,577	13,860
<b>Total receivables (gross)</b>	<b>2,989,864</b>	<b>2,922,847</b>
Receivables are expected to be recovered in:		
No more than 12 months	1,452,023	570,445
More than 12 months	1,537,841	2,352,402
<b>Total receivables (gross)</b>	<b>2,989,864</b>	<b>2,922,847</b>
Receivables are aged as follows:		
Not overdue	2,989,864	2,922,847
<b>Total receivables (gross)</b>	<b>2,989,864</b>	<b>2,922,847</b>

**Note 18: Administered financial assets (continued)**

	2012 \$'000	2011 \$'000
<b>Note 18C: Investments</b>		
<b>International financial institutions</b>		
Asian Development Bank	338,793	261,954
European Bank for Reconstruction and Development	77,360	84,537
International Bank for Reconstruction and Development	180,902	169,244
International Finance Corporation	46,442	44,072
Multilateral Investment Guarantee Agency	6,084	5,774
<b>Total international financial institutions</b>	<b>649,581</b>	<b>565,581</b>
<b>Australian Government entities</b>		
Reserve Bank of Australia	6,369,000	5,339,000
Australian Reinsurance Pool Corporation	349,394	665,846
<b>Total Australian Government entities</b>	<b>6,718,394</b>	<b>6,004,846</b>
<b>Total Investments</b>	<b>7,367,975</b>	<b>6,570,427</b>
Investments are expected to be recovered in:		
No more than 12 months	-	-
More than 12 months	7,367,975	6,570,427
<b>Total Investments</b>	<b>7,367,975</b>	<b>6,570,427</b>
<b>Note 18D: Other investments</b>		
IMF quota	4,797,510	4,813,206
<b>Total other investments</b>	<b>4,797,510</b>	<b>4,813,206</b>
Other Investments are expected to be recovered in:		
No more than 12 months	-	-
More than 12 months	4,797,510	4,813,206
<b>Total other investments</b>	<b>4,797,510</b>	<b>4,813,206</b>

**Note 19: Administered non-financial assets**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
<b>Note 19A: Other non-financial assets</b>		
Prepayments — Infrastructure	<b>1,788</b>	14,526
Prepayments — FaHCSIA	<b>26,900</b>	-
Prepayments — Health	<b>59,572</b>	-
Prepayments — NSPP/GST payments to States and Territories	-	265
<b>Total other non-financial assets</b>	<b>88,260</b>	14,791
Other non-financial assets are expected to be recovered in:		
No more than 12 months	<b>88,260</b>	14,791
More than 12 months	-	-
<b>Total other non-financial assets</b>	<b>88,260</b>	14,791

**Note 20: Administered payables**

	2012 \$'000	2011 \$'000
<b>Note 20A: Grants</b>		
COAG grants payable	473,356	884,081
<b>Total grants</b>	<b>473,356</b>	<b>884,081</b>
Total grants are expected to be settled in:		
No more than 12 months	473,356	884,081
More than 12 months	-	-
<b>Total grants, subsidies and personal benefits</b>	<b>473,356</b>	<b>884,081</b>
<b>Note 20B: Other payables</b>		
GST appropriation payable	51	38
IMF SDR allocation	4,570,369	4,585,323
IMF related monies owing	973	3,982
Other	1	5
<b>Total other payables</b>	<b>4,571,394</b>	<b>4,589,348</b>
Total other payables are expected to be settled in:		
No more than 12 months	1,025	4,025
More than 12 months	4,570,369	4,585,323
<b>Total other payables</b>	<b>4,571,394</b>	<b>4,589,348</b>
<b>Note 20C: Unearned income</b>		
Guarantee Scheme for Large Deposits and Wholesale Funding Contractual guarantee service obligation	1,064,144	1,825,935
Guarantee of State and Territory Borrowing contractual guarantee service obligation	265,960	301,920
<b>Total Unearned income</b>	<b>1,330,104</b>	<b>2,127,855</b>
Total unearned income are expected to be settled in:		
No more than 12 months	693,497	902,380
More than 12 months	636,607	1,225,475
<b>Total unearned income</b>	<b>1,330,104</b>	<b>2,127,855</b>

**Note 21: Administered interest bearing liabilities**

	2012	2011
	\$'000	\$'000
<b>Note 21A: Loans</b>		
IMF promissory notes <sup>1</sup>	3,141,726	3,781,655
Other promissory notes <sup>1</sup>	118,181	69,381
<b>Total loans</b>	<b>3,259,907</b>	<b>3,851,036</b>
<b>Payable:</b>		
Within one year	-	-
In one to five years	50,247	28,030
In more than five years	3,209,660	3,823,006
<b>Total loans</b>	<b>3,259,907</b>	<b>3,851,036</b>

<sup>1</sup> Promissory notes held by the Treasury are at face value and have no interest rate associated.

**Note 22: Administered provisions**

<b>Note 22A: Other provisions</b>		
Provision for HCS Scheme	18,162	21,773
NDRRA provision	3,936,904	4,575,087
<b>Total other provisions</b>	<b>3,955,066</b>	<b>4,596,860</b>
Other provisions are expected to be settled in:		
No more than 12 months	420,943	563,981
More than 12 months	3,534,123	4,032,879
<b>Total other provisions</b>	<b>3,955,066</b>	<b>4,596,860</b>

Reconciliation of movements in other provisions	Provision	NDRRA	Total
	for HCS	provision	
	Scheme		
	\$'000	\$'000	\$'000
<b>Carrying amount 1 July 2011</b>	21,773	4,575,087	4,596,860
Additional provisions made	-	1,148,730	1,148,730
Amounts used	(3,611)	(2,960,564)	(2,964,175)
Amounts revalued	-	836,062	836,062
Unwinding of discount or change in discount rate	-	337,589	337,589
<b>Closing balance 2012</b>	<b>18,162</b>	<b>3,936,904</b>	<b>3,955,066</b>

**Note 23: Administered cash flow reconciliation**

	2012 \$'000	2011 \$'000
<b>Reconciliation of cash and cash equivalents as per Schedule of Administered Assets and Liabilities to Cash Flow Statement</b>		
<b>Cash and cash equivalents as per:</b>		
Schedule of Administered Cash Flows	1,735	4,763
Schedule of Administered Assets and Liabilities	1,735	4,763
<b>Difference</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of net cost of services to net cash from operating activities:</b>		
Net cost of services	81,110,327	83,316,208
<b>Adjustments for non-cash items</b>		
Foreign exchange loss/(gain)	(5,894)	(338,219)
<b>Changes in assets / liabilities</b>		
(Increase) / decrease in net receivables	42,424	1,835,833
(Increase) / decrease in other non-financial assets	(73,469)	530,555
Increase / (decrease) in grants payable	(410,725)	476,628
Increase / (decrease) in unearned income	(797,751)	(1,195,053)
Increase / (decrease) in loans	-	-
Increase / (decrease) in other payables	(2,974)	(14,122)
Increase / (decrease) in other provisions	(641,794)	3,476,963
<b>Net cash from (used by) operating activities</b>	<b>(83,000,510)</b>	<b>(78,543,623)</b>



**Note 24: Administered contingent assets and liabilities**

***Quantifiable administered contingencies***

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

*Commitments under expanded IMF New Arrangements to Borrow (NAB)*

Australia has made a line of credit available to the IMF under its NAB since 1998. In line with G20 Leaders' commitments, Australia has joined with other countries to increase its credit line under an expanded NAB. The NAB is a contingent loan to help ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. The funds are drawn upon by the IMF as needed to supplement the IMF's usual quota resources and will be repaid in full with interest.

When the expanded NAB came into effect on 11 March 2011, Australia's NAB credit arrangement increased from SDR801.3 million (A\$1,187.8 million as at 30 June 2012) to SDR 4,370.4 million (A\$6,478.5 million as at 30 June 2012).

***Unquantifiable administered contingencies***

***Contingent Liabilities***

*Housing Loans Insurance Corporation — guarantee*

The Australian Government sold HLIC on 12 December 1997 and has assumed all residual contingencies. The contingent liability relates to the HLIC's contracts of mortgage insurance and any borrowings approved by the Treasurer up to the time of sale. The principal amount covered by the guarantee and the balances outstanding cannot be determined accurately.

*Terrorism insurance — Australian Reinsurance Pool Corporation*

The *Terrorism Insurance Act 2003* established a scheme for replacement terrorism insurance covering damage to commercial property including associated business interruption and public liability. The Australian Reinsurance Pool Corporation (ARPC) uses reinsurance premiums paid by insurers to meet its administrative expenses and to build a reserve for claims and purchase retrocession to help meet future claims. The Act provides for an Australian Government guarantee of the liabilities of the ARPC, but the Treasurer must declare a reduced payout rate to insured parties if the Australian Government's overall liability would otherwise exceed \$10 billion.

*Commitments under expanded IMF New Arrangements to Borrow (NAB)*

Australia has made a line of credit available to the IMF under its NAB since 1998. During 2011-2012 Australia met four calls under the NAB totalling A\$444.6 million (SDR 295.1 million). In 2010-11 Australia provided A\$225.1 million (SDR150.9 million) under the NAB. These calls have been recognised as loans to the IMF in Note 18.

**Note 24: Administered contingent assets and liabilities (continued)**

Under the IMF's current 'Resource Mobilization Plan', a maximum of SDR 177.7 million (A\$263.4 million as at 30 June 2012) could be called by the IMF between the period 1 July 2011 to 30 September 2012. As at the completion of these statements, the IMF has not called on the NAB.

*Grants to States and Territories*

As the Treasury has responsibility for all payments to the States and Territories under the Federal Financial Relations Framework, there may exist contingent liabilities which are remote and unquantifiable in relation to some agreements between the relevant agency with policy responsibility and the States and Territories. Whilst the Treasury does not bear the risk of the contingent event, the resultant payment would be made and reported by the Treasury under the Federal Financial Relations Framework.

*Loan to New South Wales for James Hardie Asbestos Injuries Compensation Fund*

The Australian Government has agreed to lend up to \$160 million to the State Government of New South Wales (NSW) to support the loan facility to top up the James Hardie Asbestos Injuries Compensation Fund. Drawing on the loan is subject to the James Hardie Asbestos Injuries Compensation Fund requiring funds to meet its liabilities and is contingent on NSW meeting a number of conditions under the loan agreement with the Australian Government. The timing and amounts that may be drawn down by NSW cannot be determined accurately. On 16 February 2012 a loan of \$14.9 million was provided to the State Government of NSW in respect of the loan facility. (2011: Nil).

**Contingent Assets**

*HIH Claims Support Scheme*

As the beneficiary of the HIH Claims Support Trust, the Australian Government is entitled to the residual balance of the Trust, after the collection of recoveries. Due to the inherent uncertainty of future recoveries, it is not possible to quantify these amounts accurately. During 2011-12 the Treasury received distributions from the Trust, however the amount and timing of future recoveries and subsequent distributions is unknown.

*Burden sharing in the International Monetary Fund remuneration*

Since 1986, the IMF has used its burden sharing mechanism to make up for the loss of income from unpaid interest charges on the loans of debtor members and to accumulate precautionary balances in a Special Contingent Account to protect the IMF against losses arising from the failure of a member to repay its overdue principal obligations.

The mechanism works by providing for additions to the rate of charge on IMF loans and deductions to the rate of remuneration for creditor members such as Australia. Resources collected from individual members under the burden sharing mechanism are refundable to them as arrears cases are resolved, or as may be decided by the IMF.

**Note 24: Administered contingent assets and liabilities (continued)**

Thus, resources collected for unpaid charges are refunded when these charges are eventually settled.

Likewise, precautionary balances held in the Special Contingent Account would be distributed back to members in proportion to their cumulative contributions when there are no overdue charges or principal balances. The IMF could also decide to make an early distribution.

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

**Note 24: Administered contingent assets and liabilities (continued)**

*Significant Remote administered contingencies*

*Guarantees*

The following borrowings have been guaranteed by the Australian Government and are the Treasury's responsibility:

Borrower	Legislation authorising guarantee	Principal covered by guarantee	Balance outstanding	Balance outstanding
		2012 \$'000	2012 \$'000	2011 \$'000
Papua New Guinea	Papua New Guinea 1949 Papua New Guinea 1975 Papua New Guinea Loans Guarantee Act 1975	1,800	1,800	4,895
Commonwealth Bank of Australia <sup>1</sup>	Commonwealth Bank of Australia Act 1959 s117	780,811	780,811	750,252
Commonwealth Bank of Australia — Officers Superannuation Corporation <sup>1</sup>	Commonwealth Bank of Australia Act 1959 s117	3,721,200	3,721,200	3,709,000
Guarantee Scheme for Large Deposits and Wholesale Funding	Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008	91,000,000	91,000,000	118,004,000
Guarantee of State and Territory Borrowing	Guarantee of State and Territory Borrowing Appropriation Act 2009	32,000,000	32,000,000	39,500,000
Reserve Bank of Australia <sup>2</sup>	Reserve Bank of Australia Act 1959 s77	58,349,000	58,349,000	55,727,000
<b>Total</b>		<b>185,852,811</b>	<b>185,852,811</b>	<b>217,695,147</b>

1 Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government has guaranteed various liabilities of the Commonwealth Bank of Australia (CBA), and the Commonwealth Bank Officers' Superannuation Corporation (CBOSC). The guarantee for the CBA relates to both on and off balance sheet liabilities. The guarantee of the CBOSC covers the due payments of any amount that is payable to or from Officers' of the Superannuation Fund (the Fund), by CBOSC or by CBA, in respect of a person who was a member, retired member or beneficiary of the Fund immediately before 19 July 1996. The guarantee of the CBA and CBOSC reflected in the above table is the value at 30 June 2012.

2 The contingent liability for the RBA, relates to the Australian Government's guarantee of the liabilities of the RBA. It is measured as the Bank's total liabilities excluding the Bank's distribution to the Commonwealth and Australian Government deposits. The major component of the Bank's liabilities are notes (that is, currency) on issue.

**Note 24: Administered contingent assets and liabilities (continued)**

*Guarantee Scheme for Large Deposits and Wholesale Funding*

The Australian Government announced the guarantee of eligible deposits and wholesale funding for authorised deposit taking institutions from 12 October 2008 under the Guarantee Scheme for Large Deposits and Wholesale Funding.

The Scheme closed to new deposits from 31 March 2010. Since then, Australian authorised deposit-taking institutions have been prohibited from issuing any new guaranteed wholesale funding or accepting new guaranteed deposits above \$1 million. Existing guaranteed wholesale funding is guaranteed to maturity. Depositors who covered their balances above \$1 million under the Guarantee Scheme can have those funds covered to maturity for term deposits up to five years, or until October 2015 for at call deposits.

The expected liability for the Government under the Guarantee Scheme is remote and unquantifiable. Australia's financial system is considered among the strongest and best regulated in the world. Authorised deposit-taking institutions are subject to prudential regulation by APRA in accordance with international standards, which are designed to ensure that financial institutions have the capacity to meet their financial obligations. This framework requires institutions to be adequately capitalised and have appropriate risk management systems in place.

Government expenditure would arise under the guarantee only in the unlikely event that an institution failed to meet its obligations with respect to a commitment that was subject to the guarantee and the guarantee was called upon. The impact on the Government's budget would depend on the extent of the institution's default.

As at 30 June 2012, total liabilities covered by the Guarantee Scheme were estimated at \$91.0 billion, including \$2.9 billion of large deposits and \$88.1 billion of wholesale funding.

*Guarantee of State and Territory Borrowing*

The Guarantee of State and Territory Borrowing commenced on 24 July 2009 and closed to new issuances of guaranteed liabilities on 31 December 2010. Securities covered by the guarantee will continue to be guaranteed until these securities either mature or are bought back and extinguished by the issuer.

The expected liability under the guarantee is remote and unquantifiable. Government expenditure would arise under the guarantee only in the unlikely event that a State or Territory failed to meet its obligations with respect to a commitment that was subject to the guarantee and the guarantee was called upon. In such a case, the Government would likely be able to recover any such expenditure through a claim on the relevant State or Territory at a future date. The impact on the Government's budget would depend upon the extent of the default and the State or Territory's ability to meet the Government's claim.

As at 30 June 2012, the face value of state and territory borrowings covered by the guarantee was \$32.0 billion.

### Note 25: Administered investments

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

#### *Development Banks*

The European Bank for Reconstruction and Development (EBRD) was established in 1991 to assist former communist eastern European countries committed to the principles of multi-party democracy, pluralism and market economies, to develop their private sector and capital markets. The EBRD currently operates in 29 countries from Central Europe to Central Asia. It provides project financing for banks, industries and businesses, both new ventures and investments in existing companies. It also works with publicly owned companies, to support privatisation, restructuring state-owned firms and improvement of municipal services. The EBRD uses its close relationship with governments in the region to promote policies that will bolster the business environment.

The Asian Development Bank (ADB) was established in 1966 and has a mandate to reduce poverty and promote economic development in its developing member countries. The ADB does this by financing (through a mix of loans, grants, guarantees and co-financing activities with both other donors and the private sector) public sector and private sector activities. It also provides technical assistance to developing member countries so they can improve their policy and business investment environments. A significant portion of the ADB's activities are focused in the infrastructure and energy sectors.

The World Bank was established in 1944 and comprises the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). The IBRD provides financing and technical assistance to middle income countries and lends on harder terms than the IDA. The IDA provides concessional finance and technical assistance to low income countries. The IFC supports the development of the private sector by providing direct finance to private sector operations. MIGA provides guarantee services for projects, which reduce the risks for other co-financing partners including the private sector.

#### *International Monetary Fund*

The IMF is an organisation of 188 countries, working to foster global monetary cooperation and exchange rate stability, facilitate the balanced growth of international trade, and provide resources to help members in balance of payments difficulties or to assist with poverty reduction. The IMF undertakes surveillance and annual economic assessments, and provides technical assistance to member countries.

#### *Australian Government entities*

The Australian Government's investment in controlled entities and companies in the Treasury portfolio are measured at their fair value. Fair value has been taken to be the net assets of the entities as at balance date.

**Note 25: Administered investments (continued)**

*Reserve Bank of Australia*

The Reserve Bank of Australia is Australia's central bank. Its duty is to contribute to the maintenance of price stability, full employment, and the economic prosperity and welfare of the Australian people. It does this by setting the cash rate to meet a medium-term inflation target, working to maintain a strong financial system and efficient payments system, and issuing the nation's banknotes. The Bank provides selected banking services to the Australian Government and its agencies, and to a number of overseas central banks and official institutions. Additionally, it manages Australia's gold and foreign exchange reserves.

*Australian Reinsurance Pool Corporation*

ARPC is a statutory authority established by the Terrorism Insurance Act 2003 to administer the terrorism reinsurance scheme, providing primary insurers with reinsurance for commercial property and associated business interruption losses arising from a declared terrorist incident.

**Note 26: Administered financial instruments**

	2012 \$'000	2011 \$'000
<b>Note 26A: Categories of financial instruments</b>		
<b>Financial Assets</b>		
<b>Loans and receivables:</b>		
Cash and cash equivalents	1,735	4,763
IMF related monies owing	277	950
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable	1,064,144	1,825,935
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	60,882	78,824
Guarantee of State and Territory Borrowing contractual fee receivable	265,960	301,920
Guarantee of State and Territory Borrowing fee receivable	4,738	5,998
IMF maintenance of value	-	342,113
IMF new arrangements to borrow loan	661,133	224,547
Loans to States and Territories	15,101	-
Dividends receivable	900,000	-
NDRRA receivables	-	128,643
Other receivables	17,577	13,900
<b>Total loans and receivables</b>	<b>2,991,547</b>	<b>2,927,593</b>
<b>Available for sale:</b>		
International financial institutions	649,581	565,581
Australian Government entities	6,718,394	6,004,846
IMF Quota	4,797,510	4,813,206
<b>Total available for sale</b>	<b>12,165,485</b>	<b>11,383,633</b>
<b>Carrying amount of financial assets</b>	<b>15,157,032</b>	<b>14,311,226</b>
<b>Financial Liabilities</b>		
<b>At amortised cost:</b>		
Promissory notes	3,259,907	3,851,036
Grant liabilities	473,356	884,081
IMF SDR allocation liability	4,570,369	4,585,323
Other payables	974	3,987
Guarantee Scheme for Large Deposits and Wholesale funding contractual guarantee service obligation	1,064,144	1,825,935
Guarantee of State and Territory Borrowing contractual guarantee service obligation	265,960	301,920
Other liabilities	18,162	21,773
<b>Total financial liabilities at amortised cost</b>	<b>9,652,872</b>	<b>11,474,055</b>
<b>Carrying amount of financial liabilities</b>	<b>9,652,872</b>	<b>11,474,055</b>



**Note 26: Administered financial instruments (continued)**

	2012	2011
	\$'000	\$'000
<b>Note 26B: Net income and expense from financial assets</b>		
<b>Loans and receivables</b>		
Guarantee Scheme for Large Deposits and Wholesale Funding fee	847,780	1,106,067
Guarantee of State and Territory Borrowing	63,373	100,129
Interest revenue	973	127
<b>Net gain/(loss) loans and receivables</b>	<b>912,126</b>	<b>1,206,323</b>
<b>Available for sale financial assets</b>		
Interest revenue	3,066	3,840
Exchange gains/(loss)	1,071	(541,679)
<b>Net gain/(loss) available for sale</b>	<b>4,137</b>	<b>(537,839)</b>
<b>Net gain/(loss) from financial assets</b>	<b>916,263</b>	<b>668,484</b>
<b>Note 26C: Net income and expense from financial liabilities</b>		
<b>Financial liabilities — at amortised cost</b>		
IMF Charges	11,289	(18,734)
Exchange gains/(loss)	12,730	879,898
<b>Net gain/(loss) financial liabilities — at amortised cost</b>	<b>24,019</b>	<b>861,164</b>
<b>Net gain/(loss) from financial liabilities</b>	<b>24,019</b>	<b>861,164</b>

**Note 26: Administered financial instruments (continued)****Note 26D: Fair value of financial instruments**

The net fair values of Treasury's administered financial instruments are equal to the carrying amount.

**Fair value measurements categorised by fair value hierarchy**

The following table provides an analysis of financial instruments that are measured at fair value, by valuation method. The different levels are defined below:

Level 1 — quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Fair value hierarchy for financial assets**

	Level 1		Level 2		Level 3		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Loans and receivables</b>								
IMF related monies owing	-	-	277	950	-	-	277	950
Guarantee Scheme for Large Deposits and Wholesale Funding contractual fee receivable	-	-	-	-	1,064,144	1,825,935	1,064,144	1,825,935
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	-	-	60,882	78,824	-	-	60,882	78,824
Guarantee of State and Territory Borrowing contractual fee receivable	-	-	-	-	265,960	301,920	265,960	301,920
Guarantee of State and Territory Borrowing fee receivable	-	-	4,738	5,998	-	-	4,738	5,998
IMF maintenance of value	-	-	-	342,113	-	-	-	342,113
IMF new arrangements to borrow loan	-	-	661,133	224,547	-	-	661,133	224,547
Loans to States and Territories	-	-	15,101	-	-	-	15,101	-
HLIC premiums receivable	-	-	-	40	-	-	-	40
Dividend receivables	-	-	900,000	-	-	-	900,000	-
NDRRA receivables	-	-	-	128,643	-	-	-	128,643
Other receivables	-	-	17,577	13,860	-	-	17,577	13,860
<b>Total</b>	-	-	<b>1,659,708</b>	<b>794,975</b>	<b>1,330,104</b>	<b>2,127,855</b>	<b>2,989,812</b>	<b>2,922,830</b>

**Note 26: Administered financial instruments (continued)**

Note 26D: Fair value of financial instruments (continued)

<b>Available for sale</b>								
International financial institutions	-	-	<b>649,581</b>	565,581	-	-	<b>649,581</b>	565,581
Australian Government entities	-	-	<b>6,718,394</b>	6,004,846	-	-	<b>6,718,394</b>	6,004,846
IMF Quota	-	-	<b>4,797,510</b>	4,813,206	-	-	<b>4,797,510</b>	4,813,206
<b>Total</b>	-	-	<b>12,165,485</b>	11,383,633	-	-	<b>12,165,485</b>	11,383,633
<b>Amortised cost</b>								
Promissory notes	-	-	<b>3,259,907</b>	3,851,036	-	-	<b>3,259,907</b>	3,851,036
Grant liabilities	-	-	<b>473,356</b>	884,081	-	-	<b>473,356</b>	884,081
IMF SDR allocation liability	-	-	<b>4,570,369</b>	4,585,323	-	-	<b>4,570,369</b>	4,585,323
Other payables	-	-	<b>974</b>	4,025	-	-	<b>974</b>	4,025
Other liabilities	-	-	-	-	<b>18,162</b>	21,773	<b>18,162</b>	21,773
Guarantee Scheme for Large Deposits and Wholesale funding contractual guarantee service obligation	-	-	-	-	<b>1,064,144</b>	1,825,935	<b>1,064,144</b>	1,825,935
Guarantee of State and Territory Borrowing contractual guarantee service obligation	-	-	-	-	<b>265,960</b>	301,920	<b>265,960</b>	301,920
<b>Total</b>	-	-	<b>8,304,606</b>	9,324,465	<b>1,348,266</b>	2,149,628	<b>9,652,872</b>	11,474,093

**Note 26: Administered financial instruments (continued)**

<b>Fair value measurements categorised by fair value hierarchy</b>		
	<b>Loans and receivables</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets at fair value — Level 3</b>		
<b>Opening balance</b>	<b>2,127,855</b>	3,322,908
Settlement	<b>(797,751)</b>	(1,195,053)
<b>Closing balance</b>	<b>1,330,104</b>	2,127,855
<b>Available for sale financial assets</b>		
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets at fair value — level 3</b>		
<b>Opening balance</b>	<b>6,570,427</b>	17,213,607
Total gains or losses for the period recognised in profit or loss <sup>1</sup>	<b>10,439</b>	(883,077)
Total gains or losses recognised in other comprehensive income <sup>2</sup>	<b>713,548</b>	(4,993,614)
Purchases	<b>73,561</b>	46,717
Transfers out of Level 3 <sup>3</sup>	<b>(7,367,975)</b>	-
<b>Closing balance</b>	<b>-</b>	11,383,633
<p>1. These gains and losses are presented in the schedule of administered comprehensive income under other gains, net foreign exchange gains exchange losses.</p> <p>2. These gains and losses are presented in the Administered Reconciliation Schedule</p> <p>3. Investments in International Financial Institutions are based on paid in capital, and in Australian Government entities are based on the Net asset position of the entity. Both are recorded at fair value using observable prices and should be recorded as Level 2 financial assets.</p>		
<b>At amortised cost</b>		
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial liabilities at fair value — Level 3</b>		
<b>Opening balance</b>	<b>2,149,628</b>	3,358,370
Total gains or losses recognised in other comprehensive income	<b>-</b>	3,085,498
Issues	<b>(797,751)</b>	(1,195,053)
Settlements	<b>(3,611)</b>	(3,099,187)
<b>Closing balance</b>	<b>1,348,266</b>	2,149,628

**Note 26: Administered financial instruments (continued)**

**Note 26F: Credit risk**

The maximum exposure to credit risk of the Treasury's administered financial assets is the carrying amount of 'loans and receivables' (2012: \$2,991,547,000 and 2011: \$2,927,593,000) and the carrying amount of 'available for sale financial assets' (2012: \$12,165,485,000 and 2011: \$11,383,633,000).

However, the international financial institutions that the Treasury holds its financial assets with, hold a minimum of AAA credit ratings. The contractual fee receivable arising from the Guarantee Scheme for Large Deposits and Wholesale Funding and Guarantee of State and Territory Borrowing that the Treasury holds relates only to prudentially regulated Authorised Deposit-taking Institutions (ADIs) and State and Territory Governments. These entities hold a minimum of AA credit ratings, therefore the Treasury does not consider any of its financial assets to be at risk of default.

**Note 26: Administered financial instruments (continued)****Note 26G: Liquidity risk**

The Treasury's administered financial liabilities are promissory notes grant liabilities the IMF SDR allocation and HIH and HLIC provisions. The contractual guarantee service obligation arising from the guarantee scheme for large deposits and wholesale funding and State and Territory borrowing are not included as there are no liquidity risks associated with these items. They are contingent on the value of the associated contractual fee receivable. The exposure to liquidity risk is based on the notion that the Treasury will encounter difficulty in meeting its obligations associated with administered financial liabilities. This is highly unlikely due to appropriation funding through special appropriations and non-lapsing capital appropriations as well as internal policies and procedures put in place to ensure there are appropriate resources for the Treasury to meet its financial obligations.

The following tables illustrate the maturities for financial liabilities:

	On demand \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Promissory notes	-	-	-	50,247	3,209,660	3,259,907
Grant liabilities	-	473,356	-	-	-	473,356
IMF SDR allocation liabilities	-	-	-	-	4,570,369	4,570,369
Other payables	974	-	-	-	-	974
Other liabilities	18,162	-	-	-	-	18,162
<b>Total</b>	<b>19,136</b>	<b>473,356</b>	<b>-</b>	<b>50,247</b>	<b>7,780,029</b>	<b>8,322,768</b>

	On demand \$'000	Within 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	> 5 years \$'000	Total \$'000
Promissory notes	-	-	-	-	3,851,036	3,851,036
Grant liabilities	-	884,081	-	-	-	884,081
IMF SDR allocation liabilities	-	-	-	-	4,585,323	4,585,323
Other payables	3,987	-	-	-	-	3,987
Other liabilities	21,773	-	-	-	-	21,773
<b>Total</b>	<b>25,760</b>	<b>884,081</b>	<b>-</b>	<b>-</b>	<b>8,436,359</b>	<b>9,346,200</b>

**Note 26: Administered financial instruments (continued)**

**Note 26H: Market risk**

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Treasury is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency.

The Treasury is exposed to foreign currency denominated in USD, EUR and SDR. The following table details the effect on profit and equity as at 30 June 2012 from a 15 per cent (30 June 2011 from a 15 per cent) favourable/unfavourable change in AUD against the Treasury with all other variables held constant.

<b>Sensitivity analysis of the risk that the entity is exposed to for 2012</b>			
	Change in risk variable	Effect on	
		Profit and loss 2012	Equity 2012
Risk Variable	%	\$'000	\$'000
IFI Investments	15	(84,728)	(84,728)
IFI investments	(15)	114,632	114,632
IMF related moneys owing	15	(36)	(36)
IMF related moneys owing	(15)	49	49
IMF new arrangements to borrow loan	15	(86,235)	(86,235)
IMF new arrangements to borrow loan	(15)	116,670	116,670
Quota	15	(625,762)	(625,762)
Quota	(15)	846,619	846,619
Promissory notes	15	5,684	5,684
Promissory notes	(15)	(7,690)	(7,690)
IMF allocation liability	15	596,135	596,135
IMF allocation liability	(15)	(806,536)	(806,536)
Other liabilities	15	127	127
Other liabilities	(15)	(172)	(172)
<b>Sensitivity analysis of the risk that the entity is exposed to for 2011</b>			
	Change in Risk variable	Effect on	
		Profit and loss 2011	Equity 2011
Risk Variable	%	\$'000	\$'000
IFI Investments	15	(73,772)	(73,772)
IFI investments	(15)	99,809	99,809
IMF related moneys owing	15	(124)	(124)
IMF related moneys owing	(15)	168	168
IMF new arrangements to borrow loan	15	(29,272)	(29,272)
IMF new arrangements to borrow loan	(15)	39,604	39,604
Quota	15	(627,810)	(627,810)
Quota	(15)	849,389	849,389
Promissory notes	15	5,394	5,394
Promissory notes	(15)	(7,297)	(7,297)
IMF allocation liability	15	598,086	598,086
IMF allocation liability	(15)	(809,175)	(809,175)
Other liabilities	15	519	519
Other liabilities	(15)	(703)	(703)

**Note 27: Administered financial assets reconciliation**

		2012 \$'000	2011 \$'000
<b>Financial assets</b>	<b>Notes</b>		
Total financial assets per administered schedule of assets and liabilities		<b>15,157,084</b>	14,311,226
Less: non-financial instrument components			
GST receivable		<b>(52)</b>	-
Total non-financial instrument components		<b>(52)</b>	-
<b>Total financial assets as per financial instruments note</b>	26A	<b>15,157,032</b>	14,311,226



## Note 28: Appropriations

### Note 28A: Annual appropriations ('Recoverable GST exclusive')

	2012 Appropriations						Total appropriation \$'000	Appropriation applied in 2012 (current and prior years) \$'000	Variance \$'000
	Appropriation Act			FMA Act					
	Annual Appropriation \$'000	Appropriations reduced <sup>(a)</sup> \$'000	AFM <sup>(b)</sup> \$'000	Section 30 \$'000	Section 31 \$'000	Section 32 \$'000			
<b>DEPARTMENTAL</b>									
Ordinary annual services	161,230	(5,730)	-	-	11,317	1,115	167,932	(191,500)	(23,568)
Other services									
Equity	583	-	-	-	-	-	583	(583)	-
Loans	-	-	-	-	-	-	-	-	-
<b>Total departmental</b>	<b>161,813</b>	<b>(5,730)</b>	<b>-</b>	<b>-</b>	<b>11,317</b>	<b>1,115</b>	<b>168,515</b>	<b>(192,083)</b>	<b>(23,568)</b>
<b>ADMINISTERED</b>									
Ordinary annual services									
Administered items	18,687	-	-	-	-	-	18,687	(12,741)	5,946
Payments to CAC Act bodies	-	-	-	-	-	-	-	-	-
Other services									
States, ACT, NT and Local government	-	-	-	-	-	-	-	-	-
New administered outcomes	-	-	-	-	-	-	-	-	-
Administered assets and liabilities	62,708	(60,571)	-	-	-	-	2,137	(15,561)	(13,424)
Payments to CAC Act bodies	-	-	-	-	-	-	-	-	-
<b>Total administered</b>	<b>81,395</b>	<b>(60,571)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,824</b>	<b>(28,302)</b>	<b>(7,478)</b>

Notes:

(a) Appropriation Acts (Nos. 1, 3) 2011-12: sections 10, 11, 12 and 15. Appropriation Acts (Nos. 2, 4) 2011-12: sections 13 and 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request that the Finance Minister reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. On 26 June 2012, the Finance Minister issued a determination to reduce departmental appropriation following a request by the Minister. The amount of the reduction under Appropriation Act (No.1) was \$5,729,267.00.

As with departmental appropriations, the responsible Minister may decide that part or all of an administered appropriation is not required and request that the Finance Minister reduce that appropriation. For administered appropriations reduced under section 11 of Appropriation Acts (Nos. 1, 3) 2011-12 and section 12 of Appropriation Acts (Nos. 2, 4) 2011-12, the appropriation is taken to be reduced to the required amount specified in Note 28G once the annual report is tabled in Parliament. All administered appropriations may be adjusted by a Finance Minister's determination, which is disallowable by Parliament. On 26 June 2012, the Finance Minister issued a determination to reduce administered appropriations following a request by the Minister. The amount of the reduction under the Appropriation Acts (nos. 2, 4) was \$60,571,841.29.

(b) Advance to the Finance Minister (AFM) — Appropriation Acts (No. 1, 3) 2011-12: section 13 and Appropriation Acts (No. 2, 4) 2011: section 15.

Note: the variance associated with the Departmental ordinary annual services was the result of voluntary redundancies paid during 2011-12 and higher than expected capital purchases.

## Note 28: Appropriations (continued)

	2011 Appropriations						Total appropriation \$'000	Appropriation applied in 2011 (current and prior years) \$'000	Variance \$'000
	Appropriation Act			FMA Act					
	Annual Appropriation \$'000	Appropriations reduced <sup>(a)</sup> \$'000	AFM <sup>(b)</sup> \$'000	Section 30 \$'000	Section 31 \$'000	Section 32 \$'000			
<b>DEPARTMENTAL</b>									
Ordinary annual services	169,592	(926)	-	-	8,370	(938)	176,098	(173,426)	2,672
Other services									
Equity	1,395				n/a		1,395	(1,395)	-
Total departmental	170,987	(926)	-	-	8,370	(938)	177,493	(174,821)	2,672
<b>ADMINISTERED</b>									
Ordinary annual services									
Administered items	47,778	(31,862)			n/a		15,916	(14,880)	1,036
Other services									
States, ACT, NT and Local government				-	n/a	-	-	-	-
New administered outcomes	-	-	-	-	n/a	-	-	-	-
Administered assets and liabilities	162,265	-	-	-	n/a	-	162,265	(4,079)	158,186
<b>Total administered</b>	<b>210,043</b>	<b>(31,862)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>178,181</b>	<b>(18,959)</b>	<b>159,222</b>

## Notes:

(a) Appropriations reduced under Appropriation Acts (Nos. 1,3) 2010-11: sections 10, 11 and 12 and under Appropriation Acts (Nos. 2,4) 2010-11: sections 12, 13 and 14. Departmental appropriations do not lapse at financial year-end. However, the responsible Minister may decide that part or all of a departmental appropriation is not required and request the Finance Minister to reduce that appropriation. The reduction in the appropriation is effected by the Finance Minister's determination and is disallowable by Parliament. On 15 April 2011, the Finance Minister determined a reduction in departmental appropriations following a request by the Treasurer. The amount of reduction determined under Appropriation Act (No.3) 2010-11 was \$926,000.

As with departmental appropriations, the responsible Minister may decide that part or all of an administered appropriation is not required and request that the Finance Minister reduce that appropriation. For administered appropriations reduced under section 11 of Appropriation Acts (Nos. 1, 3) 2010-11 and section 12 of Appropriation Acts (Nos. 2, 4) 2010-11, the appropriation is taken to be reduced to the required amount specified in Note 28G once the annual report is tabled in Parliament. All administered appropriations may be adjusted by a Finance Minister's determination, which is disallowable by Parliament. On 15 April 2011, the Finance Minister issued a determination to reduce administered appropriations following a request by the Minister. The amount of the reduction under the Appropriation Acts (nos. 2, 4) was \$31,862,246.43.

(b) Advance to the Finance Minister (AFM) — Appropriation Acts (No. 1, 3) 2010-11: section 13 and Appropriation Acts (No. 2, 4) 2010: section 15.

**Note 28: Appropriations (continued)**

Note 28B: Departmental and Administered Capital Budgets ('Recoverable GST exclusive')

	2011-12 Capital Budget Appropriations			Capital Budget Appropriations applied in 2011-12 (current and prior years)			Variance \$'000	
	<i>Appropriation Act</i>		<i>FMA Act</i>	Total Capital Budget Appropriations \$'001	Payments for non-financial assets <sup>(c)</sup> \$'000	Payments for other purposes \$'000		Total payments \$'000
	Annual Capital Budget \$'000	Appropriations reduced <sup>(b)</sup> \$'000	Section 32 \$'000					
<b>DEPARTMENTAL</b> Ordinary annual services Capital Budget <sup>(a)</sup>	6,485	-	-	6,485	6,724	-	6,724	(239)
<b>ADMINISTERED</b> Ordinary annual services Capital Budget(a)	-	-	-	-	-	-	-	-

Notes:

(a) Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services and are not separately identified in the Appropriation Acts. For more information on ordinary annual services appropriation, please see Table A: Annual appropriations

(b) Appropriations reduced under Appropriation Acts (No. 1,3,5) 2011-12: sections 10,11,12 and 15 or via a determination by the Finance Minister

(c) Payments made on non-financial assets include purchase of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

**Note 28: Appropriations (continued)**

	2010-11 Capital Budget Appropriations				Capital Budget Appropriations applied in 2010-11 (current and prior years)			Variance \$'000
	Appropriation Act		FMA Act	Total Capital Budget Appropriations \$'001	Payments for non-financial assets <sup>(c)</sup> \$'000	Payments for other purposes \$'000	Total payments \$'000	
	Annual Capital Budget \$'000	Appropriations reduced <sup>(b)</sup> \$'000	Section 32 \$'000					
<b>DEPARTMENTAL</b> <b>Ordinary annual</b> <b>services</b> Capital Budget <sup>(a)</sup>	6,462	-	-	6,462	6,223	-	6,223	239
<b>ADMINISTERED</b> <b>Ordinary annual</b> <b>services</b> Capital Budget <sup>(a)</sup>	-	-	-	-	-	-	-	-

## Notes:

(a) Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1,3,5). They form part of ordinary annual services and are no separately identified in the Appropriation Acts. For more information on ordinary annual services appropriation, please see Table A: Annual appropriations

(b) Appropriations reduced under Appropriation Acts (No. 1,3,5) 2011-12: sections 10,11,12 and 15 or via a determination by the Finance Minister

(c) Payments made on non-financial assets include purchase of assets, expenditure on assets which has been capitalised, costs incurred to make good an asset to its original condition, and the capital repayment component of finance leases.

**Note 28: Appropriations (continued)**

**Note 28C: Unspent annual appropriations ('Recoverable GST exclusive')**

<b>Authority</b>	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Cash held	<b>1,108</b>	836
Appropriation Act (No. 1) 2008-09	<b>578</b>	578
Appropriation Act (No. 1) 2009-10	-	-
Appropriation Act (No. 1) 2010-11	-	71,586
Appropriation Act (No. 1) 2011-12	<b>42,954</b>	-
Appropriation Act (No. 3) 2011-12	<b>4,158</b>	-
<b>Total unspent departmental annual appropriations</b>	<b>50,810</b>	75,011

<b>Authority</b>	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Appropriation Act (No. 2) 2004-05	-	668
Appropriation Act (No. 2) 2006-07	-	62
Appropriation Act (No. 2) 2007-08	-	27,674
Appropriation Act (No. 4) 2006-07	-	14,068
Appropriation Act (No. 4) 2008-09	-	3,996
Appropriation Act (No. 2) 2008-09	-	14,103
Appropriation Act (No. 2) 2009-10	<b>18,508</b>	18,508
Appropriation Act (No. 2) 2010-11	<b>143,336</b>	158,186
Appropriation Act (No. 1) 2010-11	-	7,005
Appropriation Act (No. 3) 2010-11	-	16,493
Appropriation Act (No. 2) 2011-12	<b>61,997</b>	-
Appropriation Act (No. 3) 2011-12	<b>3,281</b>	-
<b>Total unspent administered annual appropriations</b>	<b>227,122</b>	260,763

**Note 28: Appropriations (continued)****Note 28D: Special appropriations ('Recoverable GST exclusive')**

The following table lists current special appropriations contained in legislation that the Treasury is responsible for administering. In 2010-11, the Treasury expanded the list to include special appropriations contained in legislation that are inactive but still current as at 30 June 2011

The Treasury process to complete the 2010-11 financial statements identified 8 payments (2010: 6 payments) made from the COAG Reform Fund special account that resulted in technical breaches of Section 83 of the Constitution (refer to Note 26 for more information).

After reviewing the circumstances of Section 83 breaches in relation to the COAG Reform Fund special account, the Treasury considers that there is a risk of non-compliance with Section 83 of the Constitution where payments are made from special appropriations and special accounts in circumstances where the payments do not accord with conditions included in the relevant legislation.

The Treasury will investigate these circumstances and any impact on its special appropriations and special accounts shown below, seeking legal advice as appropriate.

Authority	Type	Purpose	Appropriation applied	
			2012 \$'000	2011 \$'000
<i>Asian Development Bank (Additional Subscription) Act 2009 (Administered)</i>	Limited	To provide an appropriation for subscription Act 2009 payments to the ADB. The balance available (Administered) is USD\$4,742,173,913.5 in callable shares and USD\$181,781,020.18 in paid-in shares.	(14,812)	(18,687)
<i>Federal Financial Relations Act 2009 (Administered)</i>	Unlimited Amount	To provide an appropriation for payments of financial assistance to the States, the ACT and the NT.	(65,685,936)	(63,441,516)
<i>International Monetary Agreements Act 1947 (Administered)</i>	Unlimited Amount	To provide an appropriation for redemption of securities by the IMF.	(291,567)	(315,051)
<i>International Monetary Agreements Act 1947 (Administered)</i>	Unlimited Amount	To provide appropriation for Australia's obligations as a participant in the IMF's New Arrangements to Borrow.	(444,619)	(225,137)
<i>International Monetary Agreements Act 1947 (Administered)</i>	Unlimited Amount	To provide an appropriation for the payment of charges on Special Drawing Rights issued to Australia by the IMF.	(14,274)	(16,965)
<i>International Monetary Agreements Act 1947 (Administered)</i>	Limited Amount	To provide an appropriation for Australia's purchase of additional shares in the International Bank for Reconstruction and Development. Balance available is USD\$859,886,280.	(12,171)	-

## Note 28: Appropriations (continued)

Note 28D: Special appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2012 \$'000	2011 \$'000
<i>Commonwealth Places (Mirror Taxes) Act 1998</i>	Unlimited Amount	To provide an appropriation for the purpose of paying compensation to the States in respect of constitutionally invalid States levied on Commonwealth Places	(466,870)	(424,285)
<i>Superannuation Industry (Supervision) Act 1993 (Administered)</i>	Unlimited Amount	To provide an appropriation for financial assistance to superannuation funds that have suffered an eligible loss as a result of fraudulent conduct or theft.	-	(54,994)
<i>Car Dealership Financing Guarantee Appropriation Act 2009 (Administered)</i>	Unlimited Amount	To provide an appropriation for claims under Act 2009 the Deed of Guarantee in respect of the (Administered) Australian Government guarantee to support interim funding to car dealerships.	-	(4,922)
<i>Clean Energy Act 2011</i>	Unlimited Amount	Provides a mechanism to deal with climate change by encouraging the use of clean energy.	-	-
<i>International Monetary Agreements Act 1947 (Administered)</i>	Unlimited Amount	To provide an appropriation for Special Drawing Rights sold by the RBA to the Commonwealth.	-	-
<i>International Monetary Agreements Act 1947 (Administered)</i>	Unlimited Amount	To provide an appropriation for Australia's obligations as a participant in the IMF's Special Drawing Rights Department.	-	-
<i>International Monetary Agreements Act 1947 (Administered)</i>	Unlimited Amount	To provide an appropriation for Australia's support of the IMF's programs.	-	-
<i>International Monetary Agreements Act 1947 (Administered)</i>	Unlimited Amount	To provide an appropriation for Australia's support of the World Bank and Asian Development Banks Programs.	-	-
<i>A New Tax System (Commonwealth — State Financial Arrangements Act 1999 (Administered)</i>	Unlimited Amount	To provide an appropriation for payments to States if a State was under paid (Administered) GST revenue in the 2008-09 financial year.	-	-

**Note 28: Appropriations (continued)**

Note 28D: Special appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2012 \$'000	2011 \$'000
<i>Asian Development Bank Act 1996 (Administered)</i>	Limited Amount	To provide an appropriation for payments to establish the Bank. Balance available is USD\$42,500,000 in callable shares.	-	-
<i>Asian Development Bank Act (Additional Subscription) Act 1972 (Administered)</i>	Limited Amount	To provide an appropriation for the additional subscription to the ADB. Balance available USD\$102,000,000 in callable shares.	-	-
<i>Asian Development Bank Act (Additional Subscription) Act 1977 (Administered)</i>	Limited Amount	To provide an appropriation for the additional subscription to the ADB. Balance available USD\$258,180,000 in callable shares.	-	-
<i>Asian Development Bank Act (Additional Subscription) Act 1983 (Administered)</i>	Limited Amount	To provide an appropriation for the additional subscription to the ADB. Balance available USD\$498,110,000 in callable shares.	-	-
<i>Asian Development Bank Act (Additional Subscription) Act 1995 (Administered)</i>	Limited Amount	To provide an appropriation for the additional subscription to the ADB. Balance available USD\$1,210,246,511 in callable shares.	-	-
<i>European Bank for Reconstruction and Development Act 1990 (Administered)</i>	Limited Amount	To provide an appropriation for payments to establish the Bank. Balance available is USD\$81,690,700 in callable shares.	-	-
<i>Financial Agreements (Commonwealth Liability) Act 1932 (Administered)</i>	Unlimited Amount	To provide an appropriation for payment of principal and interest on bonds issued under the Financial Agreement Validation Act 1929, consolidating State debts.	-	-
<i>Financial Services Reform Act 2001 (Administered)</i>	Unlimited Amount	To provide an appropriation for payment of compensation in respect to levys payable by participants in particular financial markets.	-	-
<i>Financial Services Reform Act 2001 (Administered)</i>	Unlimited Amount	To provide an appropriation for payment of compensation in respect of a loss that is connected with a financial market.	-	-
<i>Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008 (Administered)</i>	Unlimited Amount	To provide an appropriation for payment of claims under the Deed of Guarantee in accordance with the Guarantee Scheme for Large Deposits and Wholesale Funding	-	-



## Note 28: Appropriations (continued)

Note 28D: Special appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2012 \$'000	2011 \$'000
<i>Guarantee of State and Territory Borrowing Appropriation Act 2008 (Administered)</i>	Unlimited Amount	To provide an appropriation for payment of claims under the Deed of Guarantee in accordance with the Guarantee of State and Territory Borrowing.	-	-
<i>Housing Loans Insurance Corporation (Transfer of Assets and Abolition) Act 1996 (Administered)</i>	Unlimited Amount	To provide an appropriation for payments of claims made before the transfer period leading to the abolition of the HLIC.	-	-
<i>International Bank for Reconstruction and Development (Share Increase) Act 1988 (Administered)</i>	Limited Amount	To provide an appropriation for the purchase of additional shares in the IBRD.	-	-
<i>International Bank for Reconstruction and Development (General Capital Increase) Act 1989 (Administered)</i>	Limited Amount	To provide an appropriation for the purchase of additional shares in the IBRD.	-	-
<i>International Finance Corporation Act 1955 (Administered)</i>	Limited Amount	To provide an appropriation for the subscription to the capital stock of the IFC.	-	-
<i>International Finance Institutions (Share Increase) Act 1982 (Administered)</i>	Limited Amount	To provide an appropriation for the purchase of additional shares in the IFC and the IBRD. Balance available is USD\$692,927,440 in callable shares.	-	-
<i>International Finance Institutions (Share Increase) Act 1986 (Administered)</i>	Limited Amount	To provide an appropriation for the purchase of additional shares in The IFC and the IBRD.	-	-
<i>International Monetary Agreements Act 1959 (Administered)</i>	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF and increase in Australia's capital stock in the IBRD.	-	-
<i>International Monetary Agreements Act 1960 (Administered)</i>	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF and increase in Australia's capital stock in the IBRD.	-	-
<i>International Monetary Agreements Act 1965 (Administered)</i>	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF.	-	-

**Note 28: Appropriations (continued)**

Note 28D: Special appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2012 \$'000	2011 \$'000
<i>International Monetary Agreements Act 1970 (Administered)</i>	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF.	-	-
<i>International Monetary Agreements Act 1974 (Administered)</i>	Limited Amount	To provide an appropriation for payments to the IBRD. Balance available is USD\$37,368,120 in callable shares.	-	-
<i>International Monetary Fund (Quota Increase) Act 1983 (Administered)</i>	Limited Amount	To provide an appropriation for the increase in Australia's quota in the IMF.	-	-
<i>International Monetary Fund (Quota Increase and Agreements Amendments) Act 1991 (Administered)</i>	Unlimited Amount	To provide an appropriation for the increase in Australia's quota in the IMF.	-	-
<i>Multilateral Investment Guarantee Agency Act 1997 (Administered)</i>	Limited Amount	To provide an appropriation for payments to establish the Agency. Balance available is USD\$14,827,728 in callable shares.	-	-
<i>Papua New Guinea Loans Guarantee Act 1975 (Administered)</i>	Limited Amount	To provide an appropriation for Australia's guarantee of certain public loans raised by Papua New Guinea. Balance available is AUD\$3,530,000.	-	-
<i>Papua New Guinea Loan (International Bank) Act 1970 (Administered)</i>	Limited Amount	To provide an appropriation for Australia's guarantee of the loan to Papua New Guinea by the IBRD. Balance available is \$1,365,000.	-	-
<i>Papua New Guinea Loan (International Bank) Act 1970 (Administered)</i>	Limited Amount	To provide an appropriation for Australia's guarantee of the loan to Papua New Guinea by the IBRD.	-	-
<i>Payment of Tax Receipts (Victoria) Act 1996 (Administered)</i>	Unlimited Amount	To provide an appropriation for payments to Victoria for certain taxes collected by the Australian Government of Victoria's behalf.	-	-
<i>State Grants Act 1927 (Administered)</i>	Unlimited Amount	To provide an appropriation for the distribution of surplus revenue to the States.	-	-

**Note 28: Appropriations (continued)**

Note 28D: Special appropriations ('Recoverable GST exclusive')

Authority	Type	Purpose	Appropriation applied	
			2012 \$'000	2011 \$'000
<i>States (Work and Housing) Assistance Act 1984 (Administered)</i>	Unlimited Amount	To provide an appropriation for financial assistance to the States in connection with expenditure on Public Housing.	-	-
<i>States (Work and Housing) Assistance Act 1988 (Administered)</i>	Unlimited Amount	To provide an appropriation for financial assistance to the States in connection with expenditure on Public Housing.	-	-
<i>Terrorism Insurance Act 2003 (Administered)</i>	Unlimited Amount	To provide an appropriation for payments to the Australian Reinsurance Pool Corporation.	-	-
<i>Terrorism Insurance Act 2003 (Administered)</i>	Unlimited Amount	To provide an appropriation for payments of compensation in the acquisition of land.	-	-
<b>Total</b>			(66,930,249)	(64,501,557)

**Note 28: Appropriations (continued)**

Note 28E: Disclosure by agent in relation to annual and special appropriations ('Recoverable GST exclusive')

	<b>Department of Education, Employment and Workplace Relations</b> National Partnership Payments and Assistance to States and Territories for Non-Government Schools	<b>Inspector General of Taxation</b> Transaction service provider
<b>2012</b>	<b>\$'000</b>	<b>\$'000</b>
Total receipts	8,569,820	2,361
Total payments	8,569,820	2,344
	<b>Department of Education, Employment and Workplace Relations</b> National Partnership Payments and Assistance to States and Territories for Non-Government Schools	<b>Inspector General of Taxation</b> Transaction service provider
<b>2011</b>	<b>\$'000</b>	<b>\$'000</b>
Total receipts	9,653,561	2,192
Total payments	9,653,561	2,213

**Note 28: Appropriations (continued)**

Note 28F: Reduction in administered Items ('Recoverable GST exclusive')

2011-12 Ordinary Annual Services Outcome 1	Amount required <sup>3</sup> — by Appropriation Act			Total amount required <sup>3</sup>	Total amount appropriated <sup>4</sup>	Total reduction <sup>5</sup>
	Act (No.1)	Act (No.3)	Act (No. 5)			
	13,800,581.04	-	-	13,800,581.04	18,687,000.00	4,886,418.96

2010-11 Ordinary Annual Services Outcome 1	Amount required <sup>3</sup> — by Appropriation Act			Total amount required <sup>3</sup>	Total amount appropriated <sup>4</sup>	Total reduction <sup>5</sup>
	Act (No.1)	Act (No.3)	Act (No. 5)			
	15,915,753.57	-	-	15,915,753.57	47,778,000.00	31,862,246.43

Notes:

1. Numbers in this section of the table must be disclosed to the cent.
2. Administered items for 2011-12 were reduced to these amounts when these financial statements were tabled in Parliament as part of the department's 2011-12 annual report. This reduction is effective in 2012-13, but the amounts are reflected in Table A in the 2010-11 financial statements in the column 'Appropriations reduced' as they are adjustments to 2011-12 appropriations.
3. Amount required as per Appropriation Act (Act 1 s. 11; Act 2 s. 12).
4. Total amount appropriated in 2011-12.
5. Total reduction effective in 2012-13.

**Note 29: Compliance with statutory conditions for payments from the Consolidated Revenue Fund**

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The Department of Finance and Deregulation provided information to all agencies in 2011 regarding the need for risk assessments in relation to compliance with statutory conditions on payments from special appropriations, including special accounts. Treasury identified several breaches in 2010-11 and these were reported in the notes to the 2010-11 financial statements. Treasury undertook to investigate the issue during 2011-12.

During 2011-12, the Treasury developed a plan to review exposure to risks of not complying with statutory conditions on payments from appropriations. The plan involved:

- identifying each special appropriation and special account;
- determining the risk of non-compliance by assessing the difficulty of administering the statutory conditions and assessing the extent to which existing payment systems and processes satisfy those conditions;
- determining procedures to confirm risk assessments in medium risk cases and to quantify the extent of non-compliance, if any, in higher risk situations;
- obtaining legal advice as appropriate to resolve questions of potential non-compliance; and
- considering legislative or procedural changes to reduce the risk of non-compliance in the future to an acceptably low level.

The Treasury identified 7 appropriations involving statutory conditions for payment, comprising:

- 6 special appropriations; and
- 1 special account.

As at 30 June 2012 this work had been completed in respect of all appropriations with statutory conditions. 3 groups of payments totalling \$4,320,123 (total payments for all special accounts and appropriations in 2011-12 was \$87,938,199,311) were identified as potential breaches pending legal advice.

The work conducted to date has identified:

- no payments were made without legal authority and are in contravention of section 83 of the Constitution (8 payments totalling \$25,963,775 in 2010-11);
- amounts for which recovery or offset against a later payment has occurred is nil (\$25,963,775 payments in 2010-11); and
- 3 groups of payments totalling \$4,320,123 are subject to pending legal advice to determine whether contraventions of section 83 exist.

**Note 29: Compliance with statutory conditions for payments from the Consolidated Revenue Fund (continued)**

In order to reduce the risks of non-compliance to an acceptably low level, changes were made to the Intergovernmental Agreement on Federal Financial Relations (the IGA). The changes to the IGA mean payments made in good faith that are found to be erroneous do not result in breaches of section 83.

The next stage of the plan is to develop and implement continuous verification processes that will detect possible s83 breach payments. This verification process will include:

- ensuring payments are made in-line with the purpose and conditions of the relevant legislation; and
- analysing payments to identify duplication and offsetting amounts.

**Note 29: Compliance with statutory conditions for payments from the Consolidated Revenue Fund (continued)**

Appropriations	Payment amount 2011-12 \$'000	Review complete?	Breaches identified				Potential breaches to date yet to be resolved		Remedial action taken or proposed
			Number	Total \$'000	Incorrect \$'000	Recovered /offset as at 30 June 2012	Yes/No	Indicative extent	
<i>International Monetary Agreements Act 1947 s7</i>	291,567	Yes	-	-	-	-	N/A	N/A	N/A
<i>International Monetary Agreements Act 1947 s8</i>	14,274	Yes	-	-	-	-	N/A	N/A	N/A
<i>International Monetary Agreements Act 1947 s8B</i>	444,619	Yes	-	-	-	-	N/A	N/A	N/A
<i>International Monetary Agreements Act 1947 s9</i>	12,172	Yes	-	-	-	-	N/A	N/A	N/A
<i>Asian Development Bank (Additional Subscription) Act 2009</i>	14,812	Yes	-	-	-	-	N/A	N/A	N/A
<i>Federal Financial Relations Act 2009</i>	65,685,936	Yes	-	-	-	-	N/A	N/A	N/A
<b>Special accounts</b>									
<i>COAG Reform Fund Act 2008</i>	21,474,820	Yes	-	-	-	-	Yes	3 groups of payments totalling \$4,320	Awaiting legal advice



**Note 29: Compliance with statutory conditions for payments from the Consolidated Revenue Fund (continued)**

<b>2011-12 payments pending legal advice</b>		
<b>Portfolio</b>	<b>Payment Details</b>	<b>Amount (\$)</b>
Department of Agriculture, Fisheries and Forestry	Exotic Disease Preparedness — several payments	38,661
Department of Agriculture, Fisheries and Forestry	Plant Eradication — several payments	409,017
Department of Education, Employment and Workplace Relations	Literacy and Numeracy — several payments	3,872,445
<b>Total</b>		<b>4,320,123</b>

<b>2010-11 payments without legal authority</b>		
<b>Portfolio</b>	<b>Payment Details</b>	<b>Amount (\$)</b>
Department of Education, Employment and Workplace Relations	Better TAFE Facilities — 2 payments	9,225
Department of Health and Ageing	Health Services	136,000
Department of Infrastructure and Transport	Fort Street High School	3,000,000
Department of Sustainability, Environment, Water, Population and Communities	Water for the Future — 2 payments	2,142,800
Department of Education, Employment and Workplace Relations	Trade Training Centres — 2 payments	20,675,750
<b>Total</b>		<b>25,963,775</b>

**Note 30: Special accounts and FMA Act Section 39**

Note 30A: Special accounts ('Recoverable GST exclusive')

	Actuarial Services Special Account <sup>1</sup>		COAG Reform Fund Special Account <sup>2</sup>	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Balance brought forward from previous period</b>	<b>2,149</b>	2,223	-	-
Appropriation for reporting period	-	-	<b>18,247,153</b>	17,065,350
Other receipts from rendering of services	<b>1,842</b>	1,501	-	-
Receipts from other agencies	-	-	<b>3,227,667</b>	1,337,197
<b>Total increase</b>	<b>3,991</b>	3,724	<b>21,474,820</b>	18,402,547
<b>Available for payments</b>	<b>3,991</b>	3,724	-	-
<b>Decreases:</b>				
<b>Departmental</b>				
Payments made to employees	<b>(1,316)</b>	(1,202)	-	-
Payments made to suppliers	<b>(393)</b>	(373)	-	-
<b>Total Departmental decreases</b>	<b>(1,709)</b>	(1,575)	-	-
<b>Administered</b>				
Payments made to suppliers	-	-	<b>(21,474 820)</b>	(18,402 547)
Repayments debited from the Special Account	-	-	-	-
Repayments debited from the Special Account (FMA Act section 39)	-	-	-	-
<b>Total Administered decreases</b>	-	-	<b>(21,474 820)</b>	(18,402 547)
<b>Total decrease</b>	<b>(1,709)</b>	(1,575)	<b>(21,474,820)</b>	(18,402,547)
<b>Total balance carried to the next period</b>	<b>2,282</b>	2,149	-	-

1 Legal authority: Financial Management and Accountability Act 1997; s20  
Purpose: providing actuarial services and advice  
Note: Actuarial Services Special Account was established on 1 October 2006.

2 Legal authority: COAG Reform Fund Act 2008  
Appropriations: Financial Management and Accountability Act 1997; section 21  
Purpose: For the making of grants of financial assistance to the States and Territories.  
Note: The Treasury makes payments to the States and Territories from the COAG Reform Fund special account based on information provided by other Government departments that have policy and program implementation responsibility. Some payments have been found to have breached s83 of the Constitution. See note 29 for more details.

**Note 30: Special accounts and FMA Act Section 39 (continued)**

***Financial System Stability Special Account (Administered)***

The Treasury's 'Financial System Stability' special account established under section 70E of the *Banking Act 1959* for the making of payments authorised under specified sections of the *Banking Act 1959*, the *Insurance Act 1973* and the *Life Insurance Act 1975* and to meet expenses of administering the special account. For the years ended 30 June 2011 and 30 June 2012 this special account had nil balances and no transactions were credited or debited to the account

***Services for other Governments and non agency bodies account (Departmental)***

The Treasury's 'Services for other Governments and non-agency bodies' special account established under section 20 of the *Financial Management and Accountability Act 1997* (FMA Act) was abolished on 12 October 2010. For the years ended 30 June 2011 and 30 June 2012 this special account had nil balances and no transactions were credited or debited to the account.

***Other trust monies account (Departmental — Special Public Money)***

The Treasury has an 'Other trust monies' special account established under section 20 of the FMA Act. The purpose of this special account is for expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Australian Government. Any money held is thus special public money under section 16 of the FMA Act. For the years ended 30 June 2011 and 30 June 2012 this special account had nil balances and no transactions were credited or debited to the account.

***Other trust monies account (Administered — Special Public Money)***

The Treasury has an 'Other trust monies' special account established under section 20 of the FMA Act. The purpose of this special account is for expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Australian Government. Any money held is thus special public money under section 16 of the FMA Act. This account was abolished on 26 June 2012.

For the year ended 30 June 2012 the balance of the account was zero. For the year ended 30 June 2011 this special account had nil balances and no transactions were credited or debited to the account.

***Special Accounts investment of public money***

For the periods 2010-11 and 2011-12, the Treasury has not used section 28 or 39 of the FMA Act in respect of all special accounts.

***Services for Other Entities and Trust Money Special Account***

On 26 June 2012 the *Services for Other Entities and Trust Money Special Account* was established under the section 20 of the FMA Act. The purpose of the account is to hold and expend amounts on behalf of persons or entities other than the Commonwealth.

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There were no transactions on the account during the 2011-12 financial year, the balance of the account is nil.

**Note 31: Compensation and debt relief**

	2012 \$	2011 \$
<b>Departmental</b>		
No 'Act of Grace' expenses were incurred during the reporting period (2011: No expenses).	-	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the Financial Management and Accountability Act 1997.(2011: No waiver)	-	-
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period. (2011: No payments)	-	-
No ex-gratia payments were provided for during the reporting period. (2011: No payments).	-	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the Public Service Act 1999 (PS Act) during the reporting period. (2011: No payments).	-	-
<b>Administered</b>		
No 'Act of Grace' expenses were incurred during the reporting period (2011: No expenses).	-	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the Financial Management and Accountability Act 1997.(2011: No waivers)	-	-
No payments were provided under the Compensation for Detriment caused by Defective Administration (CDDA) Scheme during the reporting period. (2011: No payments)	-	-
No ex-gratia payments were provided for during the reporting period. (2011: No payments).	-	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the Public Service Act 1999 (PS Act) during the reporting period. (2011: No payments).	-	-

**Note 32: Reporting of outcomes**

Note 32A: Net cost of outcome delivery

	Outcome 1	
	2012	2011
	\$'000	\$'000
<b>Departmental</b>		
Expenses	192,838	177,767
Own-source income	9,731	9,920
<b>Administered</b>		
Expenses	86,868,463	86,961,136
Own-source income	5,252,242	3,306,709
<b>Net cost/(contribution) of outcome delivery</b>	<b>81,799,328</b>	<b>83,822,274</b>

**Note 33: Net cash appropriation arrangements**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
<b>Total comprehensive income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations and other comprehensive income<sup>1</sup></b>	<b>(11,570)</b>	2,436
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	<b>(13,418)</b>	(12,015)
Plus: other comprehensive income/(loss)	<b>(60)</b>	-
<b>Total comprehensive income (loss) — as per the Statement of Comprehensive Income</b>	<b>(25,048)</b>	(9,579)

1. From 2010-11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.





