

PART 5

FINANCIAL STATEMENTS

Financial statements

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Part 5: Financial statements

Australian Office of Financial Management

Statement by the Chief Executive Officer and Chief Finance Officer

In our opinion, the attached financial statements give a true and fair view of the matters required by Schedule 1 to the Financial Management and Accountability (Financial Statements 2000-2001) Orders made under Section 63 of the *Financial Management and Accountability Act 1997*.

Signed

M Allen
Chief Executive Officer
6 September 2001

Signed

P Raccosta
Chief Finance Officer
6 September 2001

Statement of financial performance

for the period ended 30 June 2001

	Notes	2000-01 \$'000	1999-00 \$'000
Revenues from ordinary activities			
Revenues from government	2A	5,845	4,512
Sales of goods and services		14	20
Interest	2B	112	43
Total revenues from ordinary activities		5,971	4,575
Expenses from ordinary activities			
Employees	3A	2,336	1,628
Suppliers	3B	1,639	905
Depreciation and amortisation	3C	82	235
Total expenses from ordinary activities		4,057	2,768
Net surplus (deficit)		1,914	1,807
Equity interests			
Net surplus (deficit) attributable to the Commonwealth		1,914	1,807
Total changes in equity other than those resulting from transactions with owners as owners		1,914	1,807

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

Part 5: Financial statements

Statement of financial position

as at 30 June 2001

	Notes	2000-01 \$'000	1999-00 \$'000
ASSETS			
Financial assets			
Cash		875	2,344
Receivables	4A	-	63
Investments	4B	2,000	750
Accrued revenues	4C	7	12
Total financial assets		2,882	3,169
Non-financial assets			
Infrastructure, plant and equipment	5A,5B	1,304	8
Intangibles	5A,5B	45	-
Other		29	1
Total non-financial assets		1,378	9
Total assets		4,260	3,178
LIABILITIES			
Provisions			
Capital use charge		81	-
Employees	6	1,074	548
Total provisions		1,155	548
Payables			
Suppliers	7A	150	37
Other	7B	-	1,150
Total payables		150	1,187
Total liabilities		1,305	1,735
EQUITY			
Parent entity interest			
Accumulated surpluses	8A	2,955	1,443
Total parent entity interest		2,955	1,443
Total equity	8A	2,955	1,443
Current liabilities		533	1,267
Non-current liabilities		772	468
Current assets		2,911	3,170
Non-current assets		1,349	8

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

Statement of cash flows

for the period ended 30 June 2001

	Notes	2000-01 \$'000	1999-00 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations for outputs		5,706	5,535
Sale of goods and services		14	20
Interest		117	31
Total cash received		5,837	5,586
Cash used			
Employees		1,811	1,422
Suppliers		1,413	744
Other		1,149	-
Total cash used		4,373	2,166
Net cash from operating activities	9	1,464	3,420
INVESTING ACTIVITIES			
Cash received			
Other		-	-
Total cash received		-	-
Cash used			
Purchase of property, plant and equipment		1,423	-
Other		1,250	750
Total cash used		2,673	750
Net cash used by investing activities		(2,673)	(750)
FINANCING ACTIVITIES			
Cash received			
Other		-	-
Total cash received		-	-
Cash used			
Dividends paid		98	-
Capital use paid		162	326
Total cash used		260	326
Net cash used by financing activities		(260)	(326)
Net increase (decrease) in cash held		(1,469)	2,344
Cash at the beginning of the reporting period		2,344	-
Cash at the end of the reporting period		875	2,344

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

Part 5: Financial statements

Schedule of commitments
as at 30 June 2001

	Notes	2000-01 \$'000	1999-00 \$'000
BY TYPE			
CAPITAL COMMITMENTS			
Infrastructure, plant and equipment		-	1,097
Total capital commitments		-	1,097
OTHER COMMITMENTS			
Operating leases ⁽¹⁾		5,569	-
Other commitments		18	14
Total other commitments		5,587	14
COMMITMENTS RECEIVABLE			
		-	-
Net commitments		5,587	1,111
BY MATURITY			
All net commitments			
One year or less		362	1,111
From one to five years		1,532	-
Over five years		3,693	-
Net commitments		5,587	1,111
Operating lease commitments			
One year or less		344	-
From one to five years		1,532	-
Over five years		3,693	-
Net commitments		5,569	-

Note: Commitments are GST inclusive where relevant.

(1) Operating leases included are effectively non-cancellable and comprise:

Nature of lease	General description of leasing arrangement
Lease for office accommodation	<ul style="list-style-type: none"> ▪ the lease term is for 15 years less one day with no option to renew ▪ lease payments are subject to review on each second anniversary of the lease commencement date

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

Schedule of contingencies

as at 30 June 2001

	2000-01 \$'000	1999-00 \$'000
The AOFM is not aware of any contingent liabilities or assets as of the signing date which require disclosure in the Financial Statements.		
Net contingencies	-	-

Schedule of unquantifiable contingencies

The AOFM is not aware of any unquantifiable contingencies as of the signing date that require disclosure in the Financial Statements.

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

Part 5: Financial statements

Schedule of administered revenues and expenses
for the period ended 30 June 2001

	Notes	2000-01 \$'000	1999-00 \$'000
Revenues from ordinary activities			
Non taxation			
Revenues from government	15A	33,678,529	55,785,716
Interest	15B	3,137,447	2,541,508
Other sources of non-taxation revenue		49	30
Total non-taxation		36,816,025	58,327,254
Total revenues from ordinary activities		36,816,025	58,327,254
Expenses from ordinary activities			
Grants	16A	56,674	64,635
Net foreign exchange losses	16B	1,924,157	1,110,529
Other	16C	613	121,589
Total expenses from ordinary activities		1,981,444	1,296,753
Borrowing costs expense	16D	8,581,345	8,384,221
Cash transferred to Official Public Account		(19,349,408)	(40,190,360)
Extraordinary items	17	-	2,730,000
Net increase (decrease) in administered net assets		6,903,828	11,185,920

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

Schedule of administered assets and liabilities

as at 30 June 2001

	Notes	2000-01 \$'000	1999-00 \$'000
ASSETS			
Financial assets			
Cash		53	347
Receivables	18A	7,853,763	8,329,944
Investments	18B	13,400,000	9,200,000
Accrued revenues	18C	160,187	145,980
Total financial assets		21,414,003	17,676,271
Total assets		21,414,003	17,676,271
LIABILITIES			
Interest bearing liabilities			
Commonwealth securities	19A	67,384,019	76,496,582
Other	19B	3,794,529	2,164,760
Total interest bearing liabilities		71,178,548	78,661,342
Payables			
Suppliers	19C	3	10
Other	19D	16,242,979	11,926,274
Total payables		16,242,982	11,926,284
Total liabilities		87,421,530	90,587,626
EQUITY			
Accumulated results		(66,007,527)	(72,911,355)
Total equity	20A	(66,007,527)	(72,911,355)
Current liabilities		27,079,265	25,595,638
Non-current liabilities		60,342,265	64,991,988
Current assets		17,088,378	13,127,329
Non-current assets		4,325,625	4,548,942

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

Part 5: Financial statements

Schedule of administered cash flows

for the period ended 30 June 2001

	Notes	2000-01 \$'000	1999-00 \$'000
OPERATING ACTIVITIES			
Cash received			
Cash from Official Public Account		33,590,483	55,711,816
Interest		975,306	2,198,274
GST refunds		50	-
Other		14	30
Total cash received		34,565,853	57,910,120
Cash used			
Suppliers		-	543
Grants		55,079	64,635
Interest		6,757,481	8,428,691
Cash to Official Public Account		18,807,456	39,976,845
GST payments		1	-
Total cash used		25,620,017	48,470,714
Net cash from operating activities	21	8,945,836	9,439,406
INVESTING ACTIVITIES			
Cash received			
Repayments of advances		82,438	82,786
Total cash received		82,438	82,786
Cash used			
Other		-	-
Total cash used		-	-
Net cash from investing activities		82,438	82,786
FINANCING ACTIVITIES			
Cash received			
Proceeds from borrowing		16,938,387	37,243,497
Other		789,746	1,417,857
Total cash received		17,728,133	38,661,354
Cash used			
Repayments of debt		25,710,211	46,505,414
Other		1,046,490	1,677,785
Total cash used		26,756,701	48,183,199
Net cash used by financing activities		(9,028,568)	(9,521,845)
Net increase (decrease) in cash held		(294)	347
Cash at the beginning of the reporting period		347	-
Cash at the end of the reporting period		53	347

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

Schedule of administered commitments

as at 30 June 2001

	Notes	2000-01 \$'000	1999-00 \$'000
BY TYPE			
CAPITAL COMMITMENTS			
Infrastructure, plant and equipment		-	-
Total capital commitments		-	-
OTHER COMMITMENTS			
Other commitments		1,166	1,244
Total other commitments		1,166	1,244
COMMITMENTS RECEIVABLE			
		-	-
Net commitments		1,166	1,244
BY MATURITY			
All net commitments			
One year or less		844	918
From one to five years		120	124
Over five years		202	202
Net commitments		1,166	1,244
Operating lease commitments			
One year or less		-	-
From one to five years		-	-
Over five years		-	-
Net commitments		-	-

Note: Commitments are GST inclusive where relevant.
The above schedule should be read in conjunction with the accompanying notes.

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Schedule of administered contingencies

as at 30 June 2001

	2000-01 \$'000	1999-00 \$'000
The AOFM is not aware of any contingent liabilities or assets as of the signing date which require disclosure in the Financial Statements.		
Net contingencies	-	-

Schedule of unquantifiable contingencies

The AOFM is not aware of any unquantifiable contingencies as of the signing date that require disclosure in the Financial Statements.

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

Notes to and forming part of the financial statements

for the year ended 30 June 2001

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Note I: Summary of significant accounting policies

1.1 Objectives of the AOFM

The Australian Office of Financial Management (AOFM) was established as a 'prescribed agency' under the *Financial Management and Accountability Act 1997* (FMA Act) on 1 July 1999. At that time it assumed responsibility for the Commonwealth's debt management activities previously undertaken by the Department of the Treasury.

The objective of the AOFM is to raise, manage, and retire Commonwealth debt at the lowest possible long-term cost, consistent with an acceptable degree of risk exposure.

The AOFM is structured to meet one outcome, namely to enhance the Commonwealth's capacity to manage its net debt portfolio, offering the prospect of savings in debt servicing costs and an improvement in the net worth of the Commonwealth over time.

The AOFM has a single output — Debt Management. The AOFM's debt management operations include the issue of various borrowing instruments, the strategic formulation and undertaking of portfolio management, including through swap transactions, and the administration of the Commonwealth debt portfolio.

1.2 Basis of accounting

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

The statements have been prepared in accordance with:

- Schedule 1 to Orders made by the Finance Minister (FMOs) for the preparation of Financial Statements in relation to financial years ending on or after 30 June 2001;
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board;
- other authoritative pronouncements of the Board; and
- the Consensus Views of the Urgent Issues Group (UIG) of the Australian Accounting Standards Board.

The financial statements have been prepared having regard to:

- the Explanatory Notes to Schedule 1 and Guidance Notes issued by the Department of Finance and Administration; and
- Statements of Accounting Concepts.

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

Assets and liabilities are recognised in the Departmental Statement of Financial Position and the Schedule of Administered Assets and Liabilities when, and only when, it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured.

Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard. Assets and liabilities that are unrecognised are reported in the Schedule of Commitments or the Schedule of Contingencies.

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

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

1.3 Departmental and administered items

Departmental assets, liabilities, revenues and expenses are those items that are controlled by the AOFM including:

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

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Administered items are those items which are controlled by the Government and managed or overseen by the AOFM on behalf of the Government. These items include the repayment and repurchase of Commonwealth debt, principal and interest transactions on swaps, grant payments to other governments, and interest payments on Commonwealth debt.

The purpose of the separation of administered and departmental items is to enable assessment of the administrative efficiency of the AOFM in providing goods and services.

The basis of accounting described in Note 1.2 applies to both departmental and administered items.

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

1.4 Changes in accounting policy

The accounting policies applied in these financial statements are consistent with those used in 1999-00, subject to one exception. The asset recognition threshold for purchases of infrastructure, plant and equipment was changed, effective from 1 July 2000, from \$1,000 to \$500.

1.5 Departmental revenues

The revenues described in this Note are revenues relating to the activities of the AOFM.

(a) Revenues from Government — agency appropriations

Since 1 July 1999, the Commonwealth Budget has been prepared in accordance with an accrual accounting framework. Appropriations to the AOFM for its departmental outputs are recognised as revenue to the extent that they have been received into the AOFM's bank account or are entitled to be received at year end.

The AOFM's policy has been developed on the assumption that there is no prospect of any unspent moneys being withdrawn by the Department of Finance and Administration.

(b) Resources received free of charge

Services received free of charge are recognised in the Statement of Financial Performance as revenue when, and only when, a fair value can be reliably

determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

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

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

(c) Other revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

1.6 Employee entitlements (Departmental)

(a) Leave

The liability for employee entitlements includes provisions 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 AOFM is estimated to be less than the annual entitlement for sick leave.

The liability for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 2001 and is recognised at its nominal amount.

The non-current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2001. In determining the present value of the liability, the AOFM has taken into account attrition rates and pay increases through promotion and inflation.

(b) Separation and redundancy

Provision is made for separation and redundancy payments in circumstances where the AOFM has formally identified positions as excess to requirements and a reliable estimate of the amount of the payments can be determined.

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(c) *Superannuation*

Staff of the AOFM contribute to the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. Employer contributions amounting to \$141,664 were made during 2000-01.

A liability has been recognised in the Statement of Financial Position for employer superannuation payable on all accrued recreation and long service leave as at 30 June 2001.

Employer Superannuation Productivity Benefit contributions totalled \$52,341 for 2000-01.

1.7 Leases (Departmental)

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

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

Operating lease payments are charged to the Statement of Financial Performance on a basis which is representative of the pattern of benefits derived from the leased assets.

1.8 Acquisition of assets (Departmental)

Assets are recorded at cost on acquisition except as stated in Note 1.5 (b).

1.9 Infrastructure, plant and equipment (Departmental)

Asset recognition threshold

Purchases of infrastructure, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$500, which are expensed in the year of acquisition. The asset recognition threshold is applied to each functional asset, that is, items or components that form an integral part of an asset are grouped as a single asset.

Revaluations

Schedule 1 of the FMOs requires that buildings, infrastructure, plant and equipment be progressively revalued in accordance with the 'deprival' method of valuation in successive 3-year cycles. The AOFM expects to implement the requirements of Schedule 1 by commissioning independent valuations during the 2001-02 financial year for:

- leasehold improvements; and
- information technology assets.

In applying the 'deprival' method, the AOFM recognises infrastructure, plant and equipment at its depreciated replacement cost. Any assets which would not be replaced or are surplus to requirements are valued at net realisable value (net sale proceeds). At 30 June 2001, the AOFM had no such assets.

Recoverable amount test

Schedule 1 requires the application of the recoverable amount test to departmental non-current assets in accordance with *AAS 10 Recoverable Amount of Non-Current Assets*. The carrying amounts of these non-current assets have been reviewed to determine whether they are in excess of their recoverable amounts. In assessing recoverable amounts, the relevant cash flows have been discounted to their present value.

Depreciation and amortisation

Depreciable infrastructure, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the AOFM using the straight line method of depreciation.

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

	2000-01
Leasehold improvements	10 years
Computers, plant and equipment	3-5 years
Office equipment	5 years
Furniture	10 years
Software	3-5 years

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

1.10 Intangibles — computer software (Departmental)

Purchases of computer software are recognised at cost in the Statement of Financial Position except for purchases costing less than \$10,000 which are expensed in the year of acquisition.

An item of software represents:

- a software licence granted for greater than 12 months; or
- an internally developed software application.

Internally developed software is brought to account by capitalising all attributable internal and external costs which enhance the software's functionality and therefore service potential.

1.11 Capital usage charge (Departmental)

A capital usage charge of 12 per cent is imposed by the Commonwealth on the net departmental assets of the AOFM. The charge is adjusted to take account of asset gifts and revaluation increments during the financial year.

1.12 Administered revenue

All revenues described in this note are revenues relating to the activities performed by the AOFM on behalf of the Commonwealth.

Revenues from Government — administered appropriations

Appropriations for administered expenses may be unlimited or limited as to amount. Where the appropriation is an annual appropriation and limited as to amount, revenue is recognised to the extent of the lesser of:

- the amount appropriated by the Parliament; and
- an amount determined by the Finance Minister — this amount is determined having regard to the expenses incurred for the reporting period.

In addition, unlimited (or special) appropriations continue under the accrual appropriations framework and fund the majority of payments from the consolidated revenue fund, including gross debt redemption and gross financial investment activity.

1.13 Administered grants

Under the *Financial Agreement Act 1994*, the Commonwealth compensates the State and Territory governments:

- for additional interest costs of replacing maturing Commonwealth debt with borrowings in their own names, or through their authorities, rather than by the Commonwealth borrowing on their behalf; and
- for reduction in contributions from the Commonwealth resulting from the new arrangements.

In addition to the above compensation, the Commonwealth assists the State and Territory governments to redeem maturing debt issued by the Commonwealth on their behalf.

Payments made to the State and Territory governments under these arrangements are recognised as expenses as and when they fall due and payable.

1.14 Borrowing costs (Administered)

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

The AOFM does not have any qualifying assets for which funds were specifically borrowed in 2000-01.

1.15 State and Territory advances (Administered)

Until July 1990, the Commonwealth borrowed on behalf of the State and Territory governments and allocated a portion of the proceeds of its bond raisings to these governments. The States and Territories are responsible for

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meeting all obligations as to interest and principal on the Commonwealth debt on allocation to them.

Debt on allocation to the State and Territory governments, and other advances made under Commonwealth — State financing arrangements not evidenced by the issue of securities, are recognised as loans to State and Territory governments.

Loans to State and Territory governments are measured on an amortised cost basis and reduced to the extent to which they are impaired or uncollectable.

1.16 Administered investments

The value of Commonwealth issued securities held as an investment in the Treasurer's name through the investment power under the *Financial Management and Accountability Act 1997* is deducted from the face value of the administered borrowings liability. Any gain or loss on acquiring investments is reported in the Statement of Financial Performance and recognised at the time the investment is made.

The net effect of this accounting policy is to report the impact of transactions with external parties only.

1.17 Administered borrowings — Commonwealth Government Securities

Coupon securities and capital indexed securities are measured on an amortised cost basis. Discount (zero-coupon) securities are measured at their discounted value.

Where a security is issued at a premium or discount, the premium or discount is recognised at that time and deferred in the Schedule of Administered Assets and Liabilities. The discount or premium is amortised on a straight-line basis over the life of the security.

Where a security is re-purchased (whether for cancellation or investment) prior to maturity, any unamortised balance of issue discount or premium for the security is fully amortised at that time.

Net premiums and discounts on the re-purchase of Commonwealth government securities is measured as the difference between:

- purchase value less accrued interest; and
- book value.

Borrowings are recognised on a gross basis, that is, they include borrowings on behalf of the State and Territory governments.

1.18 Derivative transactions (Administered)

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

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

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

1.19 Cash

Cash includes notes and coins held, deposits held with a bank or financial institution for a term of three months or less, and balances of commercial trust accounts held in the Official Public Account (OPA).

1.20 Investments

Deposits held with a bank or financial institution for greater than three months are classified as investments.

1.21 Financial instruments

Accounting policies for financial instruments are stated at Notes 14 and 22.

1.22 Taxation

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

The financial statements have been prepared in accordance with the GST accounting guidelines of the UIG. That is, expenses and assets are recognised net of recoverable GST and revenues are recognised net of GST payable.

The AOFM's activities are 100 per cent input taxed under the GST legislation, however the AOFM is entitled to a reduced input tax credit (equal to 75 per cent of the GST paid) on some purchases such as security transactions services.

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1.23 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.

Realised and unrealised exchange gains and losses arising from foreign currency transactions are recognised in the Statement of Financial Performance and Schedule of Administered Revenues and Expenses.

1.24 Insurance

The Commonwealth's insurable risk management fund, 'Comcover', commenced operation in the 1998-99 financial year. The AOFM has insured with the fund for risks other than workers' compensation, which is dealt with via continuing arrangements with 'Comcare'.

1.25 Comparative figures

In certain instances, comparative figures have been re-cast as a result of changes in the form, content and disclosure requirements applicable to the AOFM since the previous financial year.

1.26 Rounding

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

- appropriations;
- transactions of Special Accounts;
- act of grace payments and waivers;
- remuneration of auditors; and
- remuneration of executives.

Note 2: Operating revenues

	2000-01 \$'000	1999-00 \$'000
Note 2A: Revenues from government		
Appropriations for outputs	5,706	4,385
Resources received free of charge	139	127
Total	5,845	4,512
Note 2B: Interest		
Deposits	85	30
Other	27	13
Total	112	43

Note 3: Operating expenses

	2000-01 \$'000	1999-00 \$'000
Note 3A: Employee expenses		
Remuneration (for services provided)	2,333	1,625
Separation and redundancy	-	-
Total remuneration	2,333	1,625
Other employee expenses	3	3
Total	2,336	1,628
Note 3B: Suppliers expenses		
Supply of goods and services	1,452	888
Operating lease rentals	187	17
Total	1,639	905
Note 3C: Depreciation and amortisation		
Depreciation of infrastructure, plant and equipment	82	8
Amortisation of intangibles	-	227
Total	82	235

The aggregate amounts of depreciation and amortisation expensed during the reporting period for each class of depreciable asset are as follows:⁽¹⁾

Computers, plant and equipment	39	8
Leasehold improvements	43	-
Intangibles	-	227
Total	82	235

(1) No depreciation or amortisation was allocated to the carrying amounts of other assets.

Part 5: Financial statements

Note 4: Financial assets — receivables, investments and accrued revenues

	2000-01 \$'000	1999-00 \$'000
Note 4A: Receivables		
Other	-	63
Total	-	63
Gross receivables are aged as follows:		
Not Overdue	-	63
Note 4B: Investments		
Deposits	2,000	750
Total	2,000	750
Note 4C: Accrued revenues		
Interest	7	12
Total	7	12

Note 5: Non-financial assets — infrastructure, plant and equipment and intangibles

	2000-01 \$'000	1999-00 \$'000
Note 5A: Infrastructure, plant and equipment & intangibles		
Computers, plant and equipment — at cost	437	18
Accumulated depreciation	(47)	(10)
	390	8
Leasehold improvements — at cost	957	-
Accumulated amortisation	(43)	-
	914	-
Total infrastructure, plant and equipment	1,304	8
Intangibles — at cost	503	458
Accumulated amortisation	(458)	(458)
Total intangibles	45	-
Total infrastructure, plant and equipment and intangibles	1,349	8

Note 5: Non-financial assets — infrastructure, plant and equipment and intangibles (continued)

Movement summary 2000-01 for all assets irrespective of valuation basis

Item	Infrastructure, plant & equipment \$'000	Intangibles \$'000	Total \$'000
Note 5B: Analysis of infrastructure, plant and equipment and intangibles			
Gross value as at 1 July 2000	18	458	476
Additions	1,378	45	1,423
Transfers in — restructuring	-	-	-
Disposals	(2)	-	(2)
Revaluations	-	-	-
Gross value as at 30 June 2001	1,394	503	1,897
Accumulated depreciation/amortisation as at 1 July 2000	(10)	(458)	(468)
Depreciation/amortisation charge for assets as at 1 July 2000	(8)	-	(8)
Depreciation/amortisation charge for additions	(74)	-	(74)
Transfers in — restructuring	-	-	-
Adjustment for disposals	2	-	2
Revaluations	-	-	-
Accumulated depreciation/amortisation as at 30 June 2001	(90)	(458)	(548)
Net book value as at 30 June 2001	1,304	45	1,349
Net book value as at 1 July 2000	8	-	8

Note 6: Provisions

	2000-01 \$'000	1999-00 \$'000
Note 6: Employee provisions		
Salaries and wages	273	37
Leave	263	164
Long service leave	453	283
Superannuation	85	64
Total employee entitlement liability	1,074	548

Part 5: Financial statements

Note 7: Payables

	2000-01 \$'000	1999-00 \$'000
Note 7A: Suppliers		
Trade creditors	42	37
Make good liability	108	-
Total suppliers	150	37
Note 7B: Other		
Unearned revenue	-	1,150
Total other	-	1,150

Note 8: Equity

Note 8A — Equity table

Item	Accumulated results		Total equity	
	2000-01 \$'000	1999-00 \$'000	2000-01 \$'000	1999-00 \$'000
Balance 1 July	1,443	-	1,443	-
Net surplus (deficit)	1,914	1,807	1,914	1,807
Restructuring (see note 8B)	-	(100)	-	(100)
Dividends	-	(98)	-	(98)
Capital use charge	(402)	(166)	(402)	(166)
Balance 30 June	2,955	1,443	2,955	1,443

Note 8B — Restructuring

On 1 July 1999, the AOFM assumed responsibility for all functions previously undertaken by the Debt Management Office within the Department of the Treasury, including the assumption of net departmental liabilities of \$0.1 million.

Note 9: Cash flow reconciliation

	2000-01 \$'000	1999-00 \$'000
Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows		
Cash at period end per Statement of Cash Flows	875	2,344
Statement of Financial Position items comprising above cash: 'Financial Asset-Cash'	875	2,344
Reconciliation of net surplus to net cash from operating activities:		
Net surplus (deficit)	1,914	1,807
Depreciation/amortisation	82	235
<i>Changes in assets and liabilities:</i>		
(Increase) decrease in accrued revenues	5	(14)
(Increase) in other assets	(28)	(1)
Increase in employee liabilities	526	207
Increase in suppliers	114	36
Increase (decrease) in other payables	(1,149)	1,150
Net cash from operating activities	1,464	3,420

Note 10: Executive remuneration

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

	2000-01 Number	1999-00 Number
\$140,001 to \$150,000	1	-
\$170,001 to \$180,000	-	1
\$300,001 to \$310,000	1	-
The aggregate amount of total remuneration of Executives shown above	\$446,559	_(1)
The aggregate amount of separation and redundancy payments during the year to Executives shown above	-	-

(1) The AOFM obtained an exemption from disclosing total remuneration of executives for 1999-00.

The above remuneration figures do not include performance pay for the period 1 February 2001 to 30 June 2001 inclusive, as a determination in relation to performance pay had not been made at the time of finalising the financial statements.

Part 5: Financial statements

Remuneration means any money, consideration or benefit including wages, salaries, performance pay, accrued leave entitlements, superannuation contributions, the cost of motor vehicles, housing and allowances. Remuneration does not include out-of-pocket expenses.

Note 11: Remuneration of auditors

Financial statement audit services are provided free of charge to the AOFM. The fair value of the audit services received was:

	2000-01	1999-00
	\$	\$
	139,150	126,500

Auditors' remuneration is GST inclusive where relevant.

No other services were provided by the Auditor-General.

Note 12: Average staffing level

The average staffing level for the AOFM during the year was:

	2000-01	1999-00
	Number	Number
	23	20

Note 13: Act of grace payments, waivers and defective administration scheme

No act of grace payments were made during the reporting period (Nil for 1999-00).

Two waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the *Financial Management and Accountability Act 1997* during the reporting period totalling \$12 (Nil for 1999-00).

No payments were made under the Defective Administration Scheme during the reporting period (Nil for 1999-00).

Note 14: Departmental financial instruments

Note 14A: Terms, conditions and accounting policies — departmental

Financial Instruments	Notes	Accounting Policies and Methods	Nature of Underlying Instruments
<i>Financial Assets</i>		<i>Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.</i>	
Cash		Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	The AOFM maintains an operational bank account with the Reserve Bank of Australia. Monies in the account are swept into the Official Public Account nightly and interest is earned on the daily balance at a fixed annual rate of 2 per cent. Interest is paid quarterly.
Receivables — goods and services	4A	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit sales are normally on 30 day terms.
Investments — deposits	4B	Deposits held with financial institutions for terms of greater than 3 months are recognised as ‘investments’ and at their nominal amounts. Interest is credited to revenue as it accrues.	The AOFM invests surplus funds in fixed term deposits with the Reserve Bank of Australia. Interest rates have averaged 5.61 per cent for the year. Interest is paid on maturity of each deposit.
<i>Financial Liabilities</i>		<i>Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.</i>	
Payables	7A 7B	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).	Trade liabilities are normally settled on 30 day terms.

Note I4: Departmental financial instruments (continued)

Note I4B: Interest rate risk — departmental

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

Financial Instrument	Floating Interest Rate		Fixed Interest Rate								Non-Interest Bearing		Total		Weighted Average Effective Interest Rate	
			1 year or less		1 to 2 years		2 to 5 years		> 5 years							
	00-01 \$'000	99-00 \$'000	00-01 \$'000	99-00 \$'000	00-01 \$'000	99-00 \$'000	00-01 \$'000	99-00 \$'000	00-01 \$'000	99-00 \$'000	00-01 \$'000	99-00 \$'000	00-01 \$'000	99-00 \$'000	00-01 %	99-00 %
Financial assets																
Cash	-	2,344	875	-	-	-	-	-	-	-	-	-	875	2,344	2.00	4.22
Accrued revenues	-	8	7	4	-	-	-	-	-	-	-	-	7	12	4.05	4.66
Term deposits	-	-	2,000	750	-	-	-	-	-	-	-	-	2,000	750	4.95	6.03
Other receivables	-	-	-	-	-	-	-	-	-	-	-	63	-	63	-	-
Total financial assets (Recognised)	-	2,352	2,882	754	-	-	-	-	-	-	-	63	2,882	3,169		
Total assets													4,260	3,178		
Financial liabilities																
Trade creditors	-	-	-	-	-	-	-	-	-	-	150	37	150	37	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-	1,150	-	1,150	-	-
Capital use charge	-	-	-	-	-	-	-	-	-	-	81	-	81	-	-	
Total financial liabilities (Recognised)	-	-	-	-	-	-	-	-	-	-	231	1,187	231	1,187		
Total liabilities													1,305	1,735		

Note 14: Departmental financial instruments (continued)

Note 14C: Net fair values of financial assets and liabilities

	Note	Total Carrying Amount		Aggregate Net Fair Value	
		2000-01 \$'000	1999-00 \$'000	2000-01 \$'000	1999-00 \$'000
Financial assets (Recognised)					
Cash at bank		875	2,344	875	2,344
Receivables	4A	-	63	-	63
Investments	4B	2,000	750	2,000	750
Accrued revenues	4C	7	12	7	12
Total financial assets (Recognised)		2,882	3,169	2,882	3,169
Financial liabilities (Recognised)					
Suppliers	7A	150	37	150	37
Capital use charge		81	-	81	-
Unearned revenue	7B	-	1,150	-	1,150
Total financial liabilities (Recognised)		231	1,187	231	1,187

Part 5: Financial statements

Note 14: Departmental financial instruments (continued)

Note 14C: Net fair values of financial assets and liabilities (continued)

Financial assets

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

Financial liabilities

The net fair values for suppliers are short-term in nature and are approximated by their carrying amounts.

Note 14D: Credit risk exposures

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

Note 15: Administered revenues

	2000-01 \$'000	1999-00 \$'000
Note 15A: Revenues from government		
Transfers from Official Public Account	33,590,483	55,711,816
Appropriations accrued	88,046	73,900
Total	33,678,529	55,785,716
Note 15B: Interest		
Loans		
State and Territory governments:		
State and Territory debt	52,479	122,006
Housing agreements	172,262	175,152
Deposits	523,396	285,044
Swaps	2,389,310	1,959,306
Total	3,137,447	2,541,508

Note 16: Administered expenses

	2000-01 \$'000	1999-00 \$'000
Note 16A: Grants		
Grants to State and Territory governments	56,674	64,635
Total	56,674	64,635
Note 16B: Net foreign exchange losses		
Non-speculative	1,924,157	1,110,529
Total	1,924,157	1,110,529
Note 16C: Other		
Other — assumption of debt	-	119,012
Other	613	2,577
Total	613	121,589
Note 16D: Borrowing costs expense		
Commonwealth securities interest	6,148,639	6,548,025
Swaps interest	2,431,258	1,834,338
Other	1,448	1,858
Total	8,581,345	8,384,221

Note 17: Administered extraordinary items

As from 1 July 1999, with the introduction of the accrual framework and the abolition of funds accounting, the Loan Consolidation and Investment Reserve (a trust account within the Reserved Money Fund) and the Loan Fund were abolished.

This resulted in the assumption by the Department of Finance and Administration of a liability of \$2,730 million from the AOFM for Internal Treasury Bills issued by the Loan Fund to Commonwealth Agencies on 30 June 1999.

Part 5: Financial statements

Note 18: Administered financial assets

	2000-01	1999-00
	\$'000	\$'000
Note 18A: Receivables		
Loans to State and Territory governments	4,516,765	5,074,441
Less: provision for doubtful debts	-	-
Net loans to State and Territory governments	4,516,765	5,074,441
Appropriations	3,304,187	3,222,785
Swap principal	32,761	32,718
GST receivable	37	-
Other	13	-
Total	7,853,763	8,329,944
Loans to State and Territories receivable:		
within one year	222,657	558,216
in one to two years	109,108	223,501
in two to five years	744,487	643,470
in more than five years	3,440,513	3,649,254
	4,516,765	5,074,441
Note 18B: Investments		
Deposits	13,400,000	9,200,000
Total	13,400,000	9,200,000
Note 18C: Accrued revenues		
Interest	160,187	145,980
Total	160,187	145,980

Note 19: Administered liabilities

	2000-01 \$'000	1999-00 \$'000
Note 19A: Commonwealth securities		
Securities issued on behalf of the Commonwealth	65,596,865	74,203,922
Securities issued on behalf of the States and Territories	690,894	1,183,442
	66,287,759	75,387,364
Unamortised net premiums on Commonwealth Government Securities on issue	1,096,260	1,109,218
Total Commonwealth securities	67,384,019	76,496,582
Payable:		
within one year	9,797,815	13,479,177
in one to two years	3,763,962	6,769,966
in two to five years	19,158,511	14,926,876
in more than five years	33,567,471	40,211,345
	66,287,759	75,387,364
Note 19B: Other		
Swaps	3,794,529	2,164,760
Total swaps	3,794,529	2,164,760
Payable:		
within one year	1,012,643	185,533
in one to two years	623,123	575,457
in two to five years	1,295,393	916,581
in more than five years	863,370	487,189
	3,794,529	2,164,760
Note 19C: Suppliers		
Trade creditors	3	10
Total	3	10
Note 19D: Other		
Interest payable on interest bearing securities and swaps	2,842,979	2,726,274
Payable to the Department of Finance and Administration	13,400,000	9,200,000
Total	16,242,979	11,926,274

Part 5: Financial statements

Note 20: Administered equity

Note 20A — Movements in equity

Item	Accumulated results		Total equity	
	2000-01 \$'000	1999-00 \$'000	2000-01 \$'000	1999-00 \$'000
Balance 1 July	(72,911,355)	-	(72,911,355)	-
Net increase (decrease) in administered net assets	6,903,828	11,185,920	6,903,828	11,185,920
Restructuring (see note 20B)	-	(84,097,275)	-	(84,097,275)
Balance 30 June	(66,007,527)	(72,911,355)	(66,007,527)	(72,911,355)

Note 20B – Restructuring

On 1 July 1999, the AOFM assumed responsibility for all functions previously undertaken by the Debt Management Office within the Department of the Treasury, including the assumption of net administered liabilities of \$84,097.3 million.

Note 21: Administered cash flow reconciliation

	2000-01 \$'000	1999-00 \$'000
Reconciliation of cash per Schedule of Administered Assets and Liabilities and Administered Cash Flows		
Cash at year end per Statement of Administered Cash Flows	53	347
Schedule of Administered Assets and Liabilities items comprising above cash: 'Financial Asset-Cash'	53	347
Reconciliation of 'Net increase (decrease) in administered net assets' from Schedule of Administered Revenues and Expenses to net cash from operating activities:		
Net increase (decrease) in administered net assets	6,903,828	11,185,920
Foreign exchange losses	1,924,157	1,110,529
Amortisation of net premium on issue of debt	(212,877)	(220,322)
Premium on redemption of debt	314,333	101,952
Assumption of debt of Australian National Railways Commission	-	119,012
Other	1,999	2,023
Change in assets and liabilities:		
(Increase) decrease in interest receivable	(14,207)	16,801
(Increase) in appropriations receivable	(88,045)	(73,900)
(Increase) in other receivables	(50)	-
Increase (decrease) in interest payable	116,705	(72,619)
Increase (decrease) in supplier payables	(7)	10
Extraordinary items	-	(2,730,000)
Net cash from operating activities	8,945,836	9,439,406

Note 22: Administered financial instruments

Note 22A: Terms, conditions and accounting policies

Financial Instruments	Notes	Accounting Policies and Methods	Nature of Underlying Instruments
<i>Financial Assets</i>		<i>Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.</i>	
Cash — at bank		Deposits are recognised at their nominal amounts.	The AOFM maintains two operational bank accounts with the Reserve Bank of Australia. Interest is not paid on these accounts.
Accrued revenues	18C	Interest is credited to revenue as it accrues.	Interest is receivable on swaps and loans to State and Territory Governments.
Deposits	18B	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	Under s.39(2) of the FMA Act, the AOFM invests public money in authorised investments for the purpose of managing the Commonwealth debt.
Loans to State and Territory governments	18A	Loans are recognised at the amounts lent. Interest is credited to revenue as it accrues. In relation to non Commonwealth Government Securities, collectability of amounts outstanding is reviewed at balance date. Provision is made for bad and doubtful loans where collection of the loan or part thereof is judged to be less rather than more likely. In rare circumstances, loan repayments may be waived.	Until July 1990, the Commonwealth borrowed on behalf of the State and Territory Governments and allocated a portion of the proceeds of its Treasury Fixed Coupon Bond raisings to those Governments to fund the redemption of previous allocations of Commonwealth Government Securities (CGS). The States and Territories are responsible for meeting all obligations as to interest and principal on the CGS on allocation to them in accordance with the provisions of the <i>Financial Agreement Act 1994</i> . In addition to the CGS, there are outstanding balances of loans raised specifically for the States. State and Territory Government loans include advances, not evidenced by the issue of securities, made for housing and specific purpose capital payments.

Note 22: Administered financial instruments (continued)

Note 22A: Terms, conditions and accounting policies (continued)

Financial Instruments	Notes	Accounting Policies and Methods	Nature of Underlying Instruments
Swaps	18A 19B	Swap principal associated with cross-currency swaps is recognised on a net basis using the cost method. Interest revenue and expense is recognised as it accrues. The notional principal associated with interest rate swaps is not recognised as assets or liabilities.	The AOFM undertakes derivative transactions on behalf of the Commonwealth to assist with the management of market risk associated with the Commonwealth debt portfolio. The two main sources of market risk in respect of the Commonwealth debt portfolio are interest rate risk and exchange rate risk. The AOFM manages this market risk by managing the Commonwealth debt portfolio to a benchmark which reflects a portfolio composition that, ex ante, can be expected to minimise the cost of Commonwealth debt over the long term, subject to an acceptable degree of volatility in annual debt service costs. Derivative transactions offer a cost-effective means of managing the Commonwealth debt portfolio more closely in line with the benchmark than would otherwise be possible. Derivative transactions are currently limited to interest rate swaps and cross-currency swaps.
<i>Financial Liabilities</i>		<i>Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.</i>	
Interest payable	19D	Interest expense is recognised as it accrues.	Interest is payable on Commonwealth Government Securities, swaps and other loans.
Commonwealth Government Securities	19A	Coupon securities are measured at face value and discount securities are measured at cash value. Premiums and discounts in relation to such borrowings are netted and amortised over the life of the borrowing on a straight line basis.	The AOFM is responsible for advising the Treasurer on all aspects of debt management on behalf of the Commonwealth, including the issue of various borrowing instruments and the administration of the redemption of debt. The AOFM also administers the redemption of Commonwealth Government security debt on allocation to the States and Territories.

Note 22: Administered financial instruments (continued)

Note 22B: Derivatives

	30 June 2001 \$'000	30 June 2000 \$'000		
(i) Interest Rate Swap Contracts – Notional Principal Amounts				
The AOFM has entered into interest rate contracts under which it is obliged to receive and pay interest at fixed and/or floating interest rates.				
The notional principal amounts of the interest rate swaps, which have not been recognised as assets or liabilities, and their associated maturity are as follows:				
within one year	1,600,000	1,500,000		
in one to two years	3,375,000	1,600,000		
in two to five years	11,150,000	8,775,000		
in more than five years	14,450,000	12,350,000		
Total	30,575,000	24,225,000		
(ii) Cross-Currency Swap Contracts				
Swap principal and interest payable/receivable in relation to cross-currency swaps are disclosed in the financial statements on a net basis.				
The gross amounts together with their carrying amounts in the financial statements are as follows:				
	Total Carrying Amount		Gross Amount (Cost)	
	30 June 2001 \$'000	30 June 2000 \$'000	30 June 2001 \$'000	30 June 2000 \$'000
Financial assets				
Swaps	32,761	32,718	9,317,389	8,983,007
Interest receivable — Swaps	12,082	15,530	158,896	181,167
Total	44,843	48,248	9,476,285	9,164,174
Financial liabilities				
Swaps	3,794,529	2,164,760	13,079,156	11,115,049
Interest payable — Swaps	32,592	27,926	179,406	193,563
Total	3,827,121	2,192,686	13,258,562	11,308,612

Part 5: Financial statements

Note 22: Administered financial instruments (continued)

Note 22C: Foreign exchange risk

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

- cross-currency swap contracts; and
- foreign currency loans.

As a matter of portfolio benchmark policy, the exposure to the movement in the Australian dollar is not hedged.

As at 30 June 2001, the following foreign currency assets and liabilities were not hedged:

	30 June 2001 AUD \$'000	30 June 2000 AUD \$'000
Monetary liabilities		
Current		
United States Dollars	1,012,643	185,533
Pounds Sterling	151	138
Japanese Yen	7	23,745
Swiss Francs	56	52
Deutsche Marks	9	9
Netherlands Guilders	-	23,863
	1,012,866	233,340
Non-current		
United States Dollars	3,040,197	2,352,612
Pounds Sterling	121,590	111,162
	3,161,787	2,463,774
Total monetary liabilities	4,174,653	2,697,114
Monetary assets		
Current		
United States Dollar	1,244	-
Pounds Sterling	5	5
	1,249	5
Non-current		
United States Dollars	31,517	32,718
Pounds Sterling	1,398	1,278
	32,915	33,996
Total monetary assets	34,164	34,001

Note 22: Administered financial instruments (continued)

Note 22D: Interest rate risk

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

Financial Instrument	Floating Interest Rate		Fixed Interest Rate								Non-Interest Bearing		Total		Weighted Average Effective Interest Rate	
			1 year or less		1 to 2 years		2 to 5 years		> 5 years							
	00-01	99-00	00-01	99-00	00-01	99-00	00-01	99-00	00-01	99-00	00-01	99-00	00-01	99-00	00-01	99-00
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%
Financial assets																
Cash	-	-	-	-	-	-	-	-	-	-	53	347	53	347	-	-
Accrued revenues	5,155	6,597	155,032	139,383	-	-	-	-	-	-	-	-	160,187	145,980	5.72	6.11
Swap principal	-	-	-	-	-	-	31,517	32,718	-	-	1,244	-	32,761	32,718	7.39	6.37
Loans to State and Territory governments	261,048	308,607	173,338	509,237	78,255	174,324	563,468	431,598	3,440,514	3,650,532	142	143	4,516,765	5,074,441	4.78	5.45
Term deposits	-	-	13,400,000	9,200,000	-	-	-	-	-	-	-	-	13,400,000	9,200,000	4.87	5.93
Other receivables	986	7,630	-	-	-	-	-	-	-	-	3,303,251	3,215,155	3,304,237	3,222,785	4.90	5.30
Total financial assets (Recognised)	267,189	322,834	13,728,370	9,848,620	78,255	174,324	594,985	464,316	3,440,514	3,650,532	3,304,690	3,215,645	21,414,003	17,676,271		
Total assets													21,414,003	17,676,271		

Note 22: Administered financial instruments (continued)

Note 22D: Interest rate risk (continued)

Financial Instrument	Floating Interest Rate		Fixed Interest Rate								Non-Interest Bearing		Total		Weighted Average Effective Interest Rate	
			1 year or less		1 to 2 years		2 to 5 years		> 5 years							
	00-01 \$'000	99-00 \$'000	00-01 \$'000	99-00 \$'000	00-01 \$'000	99-00 \$'000	00-01 \$'000	99-00 \$'000	00-01 \$'000	99-00 \$'000	00-01 \$'000	99-00 \$'000	00-01 \$'000	99-00 \$'000	00-01 %	99-00 %
Financial liabilities																
Swap principal	2,788,749	1,542,265	244,729	120,815	-	146,609	343,660	132,960	396,335	222,111	21,056	-	3,794,529	2,164,760	5.18	6.45
Interest payable	16,884	63,461	2,826,095	2,662,813	-	-	-	-	-	-	-	-	2,842,979	2,726,274	6.69	7.45
Commonwealth government securities	261,048	2,826,107	9,741,801	10,906,525	3,733,110	6,720,789	18,977,492	14,715,005	33,567,461	40,211,334	6,847	7,604	66,287,759	75,387,364	7.58	7.88
Other	-	-	-	-	-	-	-	-	-	-	13,400,003	9,200,010	13,400,003	9,200,010	-	-
Total financial liabilities (Recognised)	3,066,681	4,431,833	12,812,625	13,690,153	3,733,110	6,867,398	19,321,152	14,847,965	33,963,796	40,433,445	13,427,906	9,207,614	86,325,270	89,478,408		
Total liabilities													87,421,530	90,587,626		

Note 22: Administered financial instruments (continued)

Note 22E: Net fair values of financial assets and liabilities

	Note	Total Carrying Amount		Aggregate Net Fair Value	
		2000-01	1999-00	2000-01	1999-00
		\$'000	\$'000	\$'000	\$'000
Administered financial assets (Recognised)					
Cash		53	347	53	347
Accrued revenues	18C	160,187	145,980	160,187	145,980
Swap principal	18A	32,761	32,718	43,024	18,196
Loans to State and Territory Governments	18A	4,516,765	5,074,441	4,487,824	5,068,765
Term deposits	18B	13,400,000	9,200,000	13,400,000	9,200,000
Other receivables	18A	3,304,237	3,222,785	3,304,237	3,222,785
Total financial assets (Recognised)		21,414,003	17,676,271	21,395,325	17,656,073
Financial liabilities (Recognised)					
Swap principal	19B	3,794,529	2,164,760	3,633,448	1,875,874
Interest payable	19D	2,842,979	2,726,274	2,842,979	2,726,274
Commonwealth government securities	19A	66,287,759	75,387,364	73,900,367	81,003,918
Trade Creditors	19C	3	10	3	10
Other	19D	13,400,000	9,200,000	13,400,000	9,200,000
Total financial liabilities (Recognised)		86,325,270	89,478,408	93,776,797	94,806,076

Part 5: Financial statements

Note 22: Administered financial instruments (continued)

Note 22E: Net fair values of financial assets and liabilities (continued)

Financial assets

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

The net fair value of the swap principal is based on discounted cash flows using market swap rates as at balance date.

Loans to State and Territory Governments are carried at cost, which is above their net fair value, as it is intended to hold them to maturity.

Financial liabilities

The net fair value of the swap principal is based on discounted cash flows using market swap rates as at balance date.

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

The net fair values of Commonwealth Government Securities are based on discounted cash flows using a zero coupon curve valuation methodology. The valuation of Australian dollar denominated debt is based on market yields on Treasury Notes and Treasury Fixed Coupon Bonds which are the most liquid components of the domestic debt portfolio. As the secondary market for the Commonwealth's foreign currency denominated debt is largely illiquid, the valuation approach is based upon deposit and swap rates in each relevant foreign currency.

Note 22F: Credit risk exposures

The AOFM's exposure to credit risk at reporting date in relation to each class of recognised financial assets is the aggregate net fair value of those assets as indicated in Note 22E.

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

Note 23: Appropriations

Note 23A: Annual appropriations for departmental items (price of outputs)

	2000-01 \$	1999-00 \$
Appropriation Acts Nos 1 & 3 credits:		
Section 7: Act 1 — basic appropriations (budget)	5,706,000	5,535,000
Section 7: Act 3 — basic appropriations	-	-
Total current appropriation acts	5,706,000	5,535,000
Add: FMA Act appropriations		
s31 appropriations	131,480	50,880
Total appropriated in the year	5,837,480	5,585,880
Balance brought forward from previous period	3,093,580	-
Total appropriations available for payments	8,931,060	5,585,880
Payments during the year	6,055,772	2,492,300
Balance of appropriations (unspent) at 30 June carried to next period	2,875,288	3,093,580

Part 5: Financial statements

Note 23: Appropriations (continued)

Note 23B: Annual appropriations for administered expense items

Outcome 1 — Enhance the Commonwealth's capacity to manage its net debt portfolio

	Administered expenses		Total	
	Appropriation Act No 1 & 3 2000-01 \$	Appropriation Act No 1 & 3 1999-00 \$	Appropriation Act No 1 & 3 2000-01 \$	Appropriation Act No 1 & 3 1999-00 \$
Appropriation acts credits:				
Act 1/2 — basic appropriations (Budget)	4,429,000	8,078,000	4,429,000	8,078,000
Act 3/4 — Basic appropriations	-	125,475,000	-	125,475,000
Section 11 — Advance to the Finance Minister	-	-	-	-
Section 12 — Comcover receipts	-	-	-	-
Total current appropriation acts	4,429,000	133,553,000	4,429,000	133,553,000
Add: FMA act appropriations				
s30 appropriations	-	-	-	-
s31 appropriations	-	-	-	-
Total appropriated for the year	4,429,000	133,553,000	4,429,000	133,553,000
Less: Amounts lapsed by Ministerial determination ⁽¹⁾	(2,852,696)	(130,943,009)	(2,852,696)	(130,943,009)
Balance available at 1 July brought forward from previous period	821,458	-	821,458	-
Total appropriations available for payments	2,397,762	2,609,991	2,397,762	2,609,991
Payments during the year	1,591,682	1,788,533	1,591,682	1,788,533
Balance of appropriations at 30 June carried to next period	806,080	821,458	806,080	821,458

(1) 1999-00 total includes ANR debt assumption and debt servicing costs transferred to Special Appropriations.

Note 23: Appropriations (continued)

Note 23C: Annual appropriations for administered capital items

	Capital 2000-01 \$	Capital 1999-00 \$
Appropriation Act No 2 & 4 credits:		
Section 10 — Act No 2 (Budget)	505,000	80,195,000
Section 10 — Act No 4	-	(66,000)
Advance to the Finance Minister	-	-
Total current appropriation acts	505,000	80,129,000
Add: FMA Act	-	-
s30 appropriations	-	-
Total appropriated in the year	505,000	80,129,000
Balance available at 1 July brought forward from previous period	2,895,000	-
Total appropriations available for payments	3,400,000	80,129,000
Payments during the year	-	-
Balance of appropriations at 30 June carried to next period	3,400,000	2,895,000

Part 5: Financial statements

Note 23: Appropriations (continued)

Note 23D: Special appropriations (unlimited) for administered items

Special appropriation (Act/section)	2000-01	1999-00 ⁽¹⁾
	\$	\$
<i>Airports (Transitional) Act 1996 – Former debts of the Federal Airports Corporation - Principal and Interest</i>		
Budget estimate (expenses)	37,550,000	44,550,000
Payments made (expenditure)	143,985,656	262,703,103
<i>Commonwealth Inscribed Stock Act 1911, Loans Securities Act 1919, Loans Redemption and Conversion Act 1921 - Interest</i>		
Budget estimate (expenses)	6,211,385,000	6,313,197,000
Payments made (expenditure)	5,868,991,506	6,711,288,960
<i>Loans Securities Amendment Act 1988 (Swaps) – Interest</i>		
Budget estimate (expenses)	2,357,339,000	1,775,607,000
Payments made (expenditure)	862,766,190	1,658,350,562
<i>Financial Agreement Act 1994 – Assistance for debt redemption</i>		
Budget estimate (expenses)	53,400,000	59,626,000
Payments made (expenditure)	53,417,269	59,625,322
<i>Loans Redemption and Conversion Act 1921 - Other</i>		
Budget estimate (expenses)	5,000	5,000
Payments made (expenditure)	-	-
<i>Moomba — Sydney Pipeline System Sale Act 1994 – Principal and Interest</i>		
Budget estimate (expenses)	-	1,000
Payments made (expenditure)	-	431
<i>Financial Agreement Act 1994 – Commonwealth contribution to Debt Retirement Reserve Trust Account on State and Northern Territory debt</i>		
Budget estimate (expenses)	3,244,000	5,010,000
Payments made (expenditure)	3,256,809	5,010,114
<i>Financial Agreement Act 1994 – Interest on Debt Retirement Reserve Trust Account balances</i>		
Budget estimate (expenses)	829,000	829,000
Payments made (expenditure)	403,727	383,724
<i>Commonwealth Inscribed Stock Act 1911, Treasury Bills Act 1914 — Payment of special bond premiums on redemption</i>		
Budget estimate (expenses)	5,000	5,000
Payments made (expenditure)	-	68
<i>Qantas Sale Act 1992 – Principal and Interest</i>		
Budget estimate (expenses)	920,000	1,920,000
Payments made (expenditure)	25,766,220	25,414,184

(1) 1999-00 budget estimate figures relate to Additional Estimates

Note 23: Appropriations (continued)

Note 23D: Special appropriations (unlimited) for administered items (continued)

Special appropriation (Act/section)	2000-01 \$	1999-00 ⁽¹⁾ \$
<i>Australian National Railways Commission Act 1983 — Principal and Debt Servicing Costs</i>		
Budget estimate (expenses)	10,426,000	-
Payments made (expenditure)	94,660,024	87,632,000
Other		
<i>Loan Flotation Expenses</i>		
Budget estimate (expenses)	422,000	563,000
Payments made (expenditure)	179,788	206,973
<i>Loans Redemption and Conversion Act 1921 - Principal</i>		
Budget estimate (expenses)	-	-
Payments made (expenditure)	25,486,981,785	46,186,879,283
<i>Loans Securities Amendment Act 1988 (Swaps) — Principal</i>		
Budget estimate (expenses)	-	-
Payments made (expenditure)	1,046,489,446	1,677,785,124
<i>Loans Securities Amendment Act 1988 (Swaps) — Principal</i>		
Budget estimate (expenses)	-	245,988,000
Payments made (expenditure)	-	-
Total budget estimate	8,675,525,000	8,447,301,000
Total payments made	33,586,898,420	56,675,279,848

(1) 1999-00 budget estimate figures relate to Additional Estimates

Part 5: Financial statements

Note 23: Appropriations (continued)

Note 23E : Special accounts

Debt Retirement Reserve Trust Account

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

	2000-01 Actual \$	1999-00 Actual \$
Balance carried forward	7,630,273	7,131,920
Add: Appropriations credited during the year	3,660,536	5,393,838
Other revenue credited during the year	469,694,648	620,833,371
Total available for expenditure	480,985,457	633,359,129
Less: Payments made during the year	479,999,431	625,728,856
Appropriation available at year end	986,026	7,630,273

Note 24: Reporting of outcomes

Reporting by outcomes	Outcome 1 Budget 00-01 \$'000	Outcome 1 Actual 00-01 \$'000
Net subsidies, benefits and grants expenses	56,644	56,674
Other administered expenses	8,623,310	10,506,115
Total net administered expenses	8,679,954	10,562,789
Add net cost of AOFM outputs	5,380	3,931
Outcome before extraordinary items	8,685,334	10,566,720
Extraordinary items	-	-
Net cost to Budget Outcome	8,685,334	10,566,720
Outcome — specific assets deployed as at 30/6/01	7,473,026	21,418,263
Assets that are not outcome specific deployed as at 30/6/01	-	-

Major departmental revenues and expenses by outcome	Outcome 1 Budget \$'000	Outcome 1 Actual \$'000
Major expenses		
Employees	3,300	2,336
Suppliers	2,043	1,639
Depreciation	154	82
Major sources of revenues		
Revenues from government	5,706	5,706
Interest	162	112

Major administered revenues and expenses by outcome	Outcome 1 Budget \$'000	Outcome 1 Actual \$'000
Major expenses		
Interest	8,622,481	8,579,897
Net Foreign Exchange Losses	-	1,924,157
Major sources of revenues		
Revenues from government	60,907,476	33,678,529
Interest	2,973,265	3,137,447

