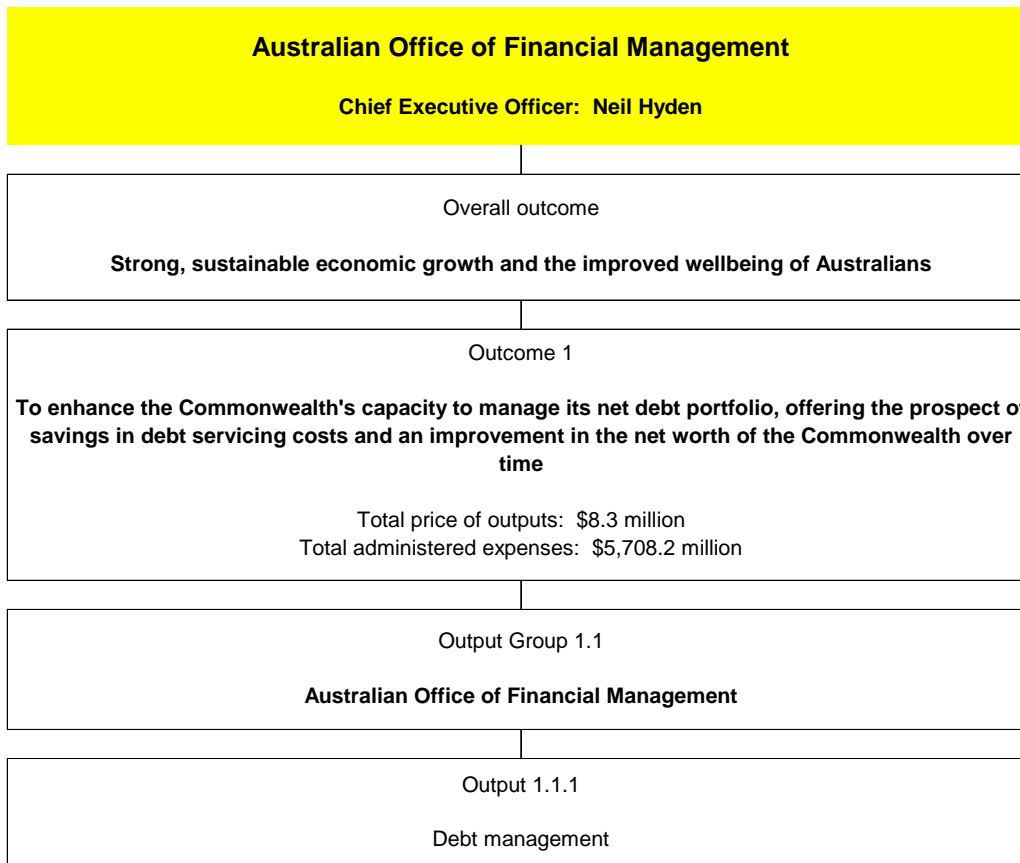


# AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT

## Section 1: Agency overview and resources; variations and measures

### OVERVIEW

There has been no change to the overview included in the *2005-06 Portfolio Budget Statements* (page 115).



**Table 1.1: Agency outcomes and output groups**

Outcome	Description	Output groups
<b>Outcome 1</b>		
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 aims to manage the Australian Government's net debt portfolio at least cost over the medium term, subject to the Government's policies and risk preferences. It also aims to contribute to financial market efficiency by maintaining sufficient Commonwealth Government Securities on issue to support the Treasury bond futures market.	Output Group 1.1 Australian Office of Financial Management

## ADDITIONAL ESTIMATES AND VARIATIONS TO OUTCOMES

The following variations contributed to a net increase in agency outputs of \$0.225 million for the Australian Office of Financial Management (AOFM).

### Variations — measures

The AOFM has no measures since the 2005-06 Budget.

**Table 1.2: Additional estimates and variations to outcomes – measures**

This table is not applicable to AOFM.

### Other variations to appropriations

The AOFM is seeking additional price of outputs funding of \$0.225 million in 2005-06. The increase relates to a \$0.240 million retrospective adjustment to wage cost indexation and a saving of \$0.015 million for a revision to economic parameters since the 2005-06 Budget.

**Table 1.3: Additional estimates and variations to outcomes — other variations**

	2005-06	2006-07	2007-08	2008-09
	\$'000	\$'000	\$'000	\$'000
<b>Outcome 1</b>				
Variations in departmental appropriations				
Wage cost indexation	225	216	204	188

## MEASURES — AGENCY SUMMARY

**Table 1.4: Summary of measures since the 2005-06 Budget**

This table is not applicable to AOFM.

**BREAKDOWN OF ADDITIONAL ESTIMATES BY APPROPRIATION BILL**

**Table 1.5: Appropriation Bill (No. 3) 2005-06**

	2004-05 available \$'000	2005-06 budget \$'000	2005-06 revised \$'000	Additional estimates \$'000	Reduced estimates \$'000
<b>ADMINISTERED ITEMS</b>					
<b>Outcome 1</b>					
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					
	10	10	10	-	-
<b>Total</b>	10	10	10	-	-
<b>DEPARTMENTAL OUTPUTS</b>					
<b>Outcome 1</b>					
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					
	8,119	8,089	8,314	225	-
<b>Total</b>	8,119	8,089	8,314	225	-
<b>Total administered and departmental</b>	8,129	8,099	8,324	225	-

**Table 1.6: Appropriation Bill (No. 4) 2005-06**

This table is not applicable to AOFM.

**SUMMARY OF STAFFING CHANGES**

**Table 1.7: Average Staffing Level (ASL)**

	2005-06 budget	2005-06 revised	variation
<b>Outcome 1</b>			
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			
	35	35	-
<b>Total</b>	35	35	-

## SUMMARY OF AGENCY SAVINGS

**Table 1.8: Summary of agency savings**

This table is not applicable to AOFM.

## OTHER REVENUES

Table 1.9 provides details of estimated administered and departmental revenues for the AOFM for 2005-06. Departmental revenues are eligible items under the AOFM's *Financial Management and Accountability Act 1997* (FMA) section 31 net appropriation agreement and as a result can be applied to the AOFM's departmental activities. The AOFM's administered revenues are not available to meet financial commitments of the AOFM and are returned to the Official Public Account.

**Table 1.9: Other revenues**

	Budget estimate 2005-06 \$'000	Revised estimate 2005-06 \$'000
<b>Departmental other revenues (other than appropriations)</b>		
Net annotated (section 31) receipts	20	20
<b>Total departmental other revenues (other than appropriations)</b>	20	20
<b>Administered revenues (other than appropriations)</b>		
<i>Financial Agreement Act 1994</i> - Interest paid by States and Northern Territory on other loans	633	684
<i>Financial Management and Accountability Act 1997</i> - Interest on financial assets	650,000	1,061,798
<i>Housing Agreements, Northern Territory Housing Agreement and Housing Assistance Acts</i> - Interest on advances to States and Northern Territory	88,863	88,863
<i>Loans Securities Act 1919</i> - Swaps interest	2,326,811	1,983,223
<i>States (Works and Housing Assistance) Acts</i> - Interest on advances to States	66,889	66,889
<i>War Service Lands Settlements Acts</i> - Interest on advances to States	233	233
<b>Total administered revenues (other than appropriations)</b>	3,133,429	3,201,690

## ESTIMATES OF EXPENSES FROM SPECIAL APPROPRIATIONS

**Table 1.10: Estimates of expenses from special appropriations**

	Budget estimate 2005-06 \$'000	Revised estimate 2005-06 \$'000
<b>Estimated expenses from special appropriations</b>		
<i>Airports (Transitional) Act 1996, section 78 - Interest</i>	-	-
<i>Australian National Railways Commission Sale Act 1997, section 67AW - Interest</i>	-	-
<i>Commonwealth Inscribed Stock Act 1911, section 6 - Loan flotation expenses</i>	150	150
<i>Commonwealth Inscribed Stock Act 1911, section 6 - Interest</i>	3,606,781	3,636,949
<i>Financial Agreement Act 1994, section 5 - Assistance to States for debt redemption<sup>1</sup></i>	220,040	220,040
<i>Financial Agreement Act 1994, section 5 - Contributions to the DRRTA and interest on State debt</i>	325	1,009
<i>Financial Management and Accountability Act 1997, section 39(9) - Repurchase premia</i>	-	-
<i>Loans Redemption and Conversion Act 1921, section 5 - Interest</i>	-	-
<i>Loans Securities Act 1919, section 4 - Interest</i>	4,000	2,000
<i>Loans Securities Act 1919, section 5B(2) - Interest on swaps</i>	2,225,108	1,844,563
<i>Moomba-Sydney Pipeline System Sale Act 1994, section 19(3) - Interest</i>	-	-
<i>Qantas Sale Act 1992, section 18 - Interest</i>	-	-
<i>Snowy Hydro Corporatisation Act 1997, section 22 - Interest</i>	3,480	3,483
<i>Treasury Bills Act 1914, section 6 - Interest</i>	-	-
<b>Total special appropriation expenses</b>	<b>6,059,884</b>	<b>5,708,194</b>
Annual appropriations	10	10
<b>Total administered expenses</b>	<b>6,059,894</b>	<b>5,708,204</b>

<sup>1</sup> Debt redemption assistance to the States ceases in 2005-06. The figure for 2005-06 represents the payment marking finalisation of the arrangements under the *Financial Agreement Act 1994*.

## ESTIMATES OF SPECIAL ACCOUNT FLOWS

**Table 1.11: Estimates of special account flows**

	Opening balance	Receipts	Payments	Adjustments	Closing balance
	<b>2005-06<sup>1</sup></b>	<b>2005-06</b>	<b>2005-06</b>	<b>2005-06</b>	<b>2005-06</b>
	<i>2004-05<sup>1</sup></i>	<i>2004-05</i>	<i>2004-05</i>	<i>2004-05</i>	<i>2004-05</i>
	\$'000	\$'000	\$'000	\$'000	\$'000
Debt Retirement Reserve Trust	<b>1,602</b>	<b>129,116</b>	<b>130,718</b>	-	-
Account - FMA Act 1997 (s21) <sup>2</sup>	204	76,431	75,033	-	1,602
<b>Total special accounts</b>					
<b>2005-06 Budget estimate</b>	<b>1,602</b>	<b>129,116</b>	<b>130,718</b>	-	-
<i>Total special accounts</i>					
<i>2004-05 actual</i>	204	76,431	75,033	-	1,602

1 The revised opening balance for 2005-06 is the same as the final actual closing balance for 2004-05. This balance has changed from that shown in the *2005-06 Portfolio Budget Statements* as the actual for 2004-05 will have been updated to reflect the final budget outcome for the year.

2 This special account is administered in nature and is governed by the *Financial Agreement Act 1994*.

## Section 2: Revisions to agency outcomes

### **OUTCOMES, ADMINISTERED ITEMS AND OUTPUTS**

Table 1.1 'Agency outcomes and output groups' lists the outcome statements and output groups for the Agency.

The Australian Office of Financial Management (AOFM) has not made any changes to its outcome or outputs since the *2005-06 Portfolio Budget Statements*.

#### **Output cost attribution**

The AOFM delivers a single output – debt management – therefore cost attribution between outputs is not required.

Agency Additional Estimates Statements – AOFM

**Total Resourcing for Outcome 1**

	2005-06 Budget estimate \$'000	2005-06 Revised estimate \$'000
<b>Administered appropriations</b>		
Special Appropriation - to Debt Retirement Reserve Trust Account	325	325
Other Special Appropriations <sup>1</sup>	148,684,841	188,164,329
Annual Appropriations	10	10
<b>Total administered appropriations</b>	<b>148,685,176</b>	<b>188,164,664</b>
<b>Special Accounts (estimated payments from Special Account balances)<sup>2</sup></b>		
Debt Retirement Reserve Trust Account - s21 FMA Act <sup>3</sup>	130,677	130,718
<b>Total Special Account outflows</b>	<b>130,677</b>	<b>130,718</b>
<b>Departmental appropriations</b>		
Output Group 1.1 - Australian Office of Financial Management		
Output 1.1.1 - Debt management	8,089	8,314
<b>Total revenue from government (appropriations)</b>		
<b>Contributing to price of departmental outputs</b>	<b>8,089</b>	<b>8,314</b>
<b>Revenue from other sources</b>		
Other revenues	20	20
<b>Total revenue from other sources</b>	<b>20</b>	<b>20</b>
<b>Total price from departmental outputs</b>		
(Total revenue from government and from other sources)	8,109	8,334
<b>Total estimated resourcing for Outcome 2</b>		
(Total price of outputs and administered appropriations)	<b>148,693,285</b>	<b>188,172,998</b>
	2005-06	2005-06
<b>Average staffing level (number)</b>	<b>35</b>	<b>35</b>

- 1 The headline cash balance reported in *2004-05 Final Budget Outcome* was \$12.5 billion, against an estimate at Budget time of \$7.9 billion. The *2005-06 Mid-Year Economic Fiscal Outlook* reported an increase in the estimated headline cash balance for 2005-06 from \$7.9 billion to \$10.2 billion. The stronger budget position has led to a significant increase in estimated investment activity for 2005-06.
- 2 Special Account outflows are shown in the payments column of the Special Account table in Table 1.11. The estimated payments from special account balances are provided by way of note only and do not form part of the total estimated resourcing.
- 3 Where names of Acts have been abbreviated, the full name of the Act can be found in the Acts Glossary.

**Revised performance information — 2005-06**

The AOFM has not made any changes to its performance information since the *2005-06 Portfolio Budget Statements*.

## Section 3: Budgeted financial statements

Budgeted agency and administered financial statements and related notes for the Australian Office of Financial Management (AOFM) are presented in this section. The financial statements are produced for 2004-05 (actual results), 2005-06 (revised Budget estimate) and three forward years. The financial statements should be read in conjunction with the accompanying notes.

### **ANALYSIS OF BUDGETED FINANCIAL STATEMENTS**

There have been no significant changes to the analysis of AOFM's budgeted financial statements since the *2005-06 Portfolio Budget Statements*.

### **BUDGETED FINANCIAL STATEMENTS**

#### **Departmental financial statements**

##### **Budgeted departmental income statement**

This statement provides a picture of the expected financial results for the AOFM by identifying full accrual expenses and revenues.

##### **Budgeted departmental balance sheet**

This statement shows the financial position of the AOFM. It enables decision-makers to track the management of the agency's assets and liabilities.

##### **Budgeted departmental statement of cash flows**

This statement provides information on the amount and nature of budgeted cash flows, categorised into expected cash flows from operating activities, investing activities and financing activities.

##### **Departmental statement of changes in equity — summary of movement**

This statement provides information on changes in the amount and nature of equity for the Budget year 2005-06.

##### **Departmental capital budget statement**

This statement shows all proposed capital expenditure on non-financial assets, whether funded through capital appropriations (equity or borrowings) or from internally sourced funds.

**Departmental property, plant, equipment and intangibles — summary of movement**

This statement shows the budgeted movement in the AOFM's non-financial assets during the Budget year 2005-06.

**Schedule of administered activity**

Details of transactions administered by the AOFM on behalf of the Australian Government are shown in the following schedules to the financial statements.

**Schedule of budgeted income and expenses administered on behalf of government**

This schedule identifies the revenues and expenses administered by the AOFM on behalf of the Australian Government.

**Schedule of budgeted assets and liabilities administered on behalf of government**

This schedule shows the assets and liabilities administered by the AOFM on behalf of the Australian Government.

**Schedule of budgeted administered cash flows**

This schedule shows cash flows administered by the AOFM on behalf of the Australian Government, categorised into expected cash flows from operating activities, investing activities and financing activities.

**Schedule of administered capital budget**

This schedule shows all proposed capital expenditure on net debt management activities sourced from special appropriations.

**Table 3.1: Budgeted departmental income statement  
(for the period ended 30 June)**

	Actual 2004-05 \$'000	Revised budget 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>INCOME</b>					
<b>Revenue</b>					
Revenues from government	8,119	8,314	8,365	8,410	8,490
Goods and services <sup>1</sup>	248	-	-	-	-
Other	640	20	-	-	-
<b>Total income</b>	<b>9,007</b>	<b>8,334</b>	<b>8,365</b>	<b>8,410</b>	<b>8,490</b>
<b>EXPENSE</b>					
Employees	4,138	4,111	4,383	4,647	4,914
Suppliers	3,173	3,468	3,227	3,213	3,026
Depreciation and amortisation	805	755	755	550	550
Write-down of assets and impairment of assets	5	-	-	-	-
<b>Total expenses</b>	<b>8,121</b>	<b>8,334</b>	<b>8,365</b>	<b>8,410</b>	<b>8,490</b>
<b>Operating result from continuing operations</b>	<b>886</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net surplus or (deficit) attributable to the Australian Government</b>	<b>886</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

1 For 2004-05, the amount comprises services received free of charge from the Australian National Audit Office.

**Table 3.2: Budgeted departmental balance sheet  
(as at 30 June)**

	Actual 2004-05 \$'000	Revised budget 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash	102	625	76	739	1,461
Receivables <sup>1</sup>	7,971	7,971	7,971	7,971	7,971
<b>Total financial assets</b>	<b>8,073</b>	<b>8,596</b>	<b>8,047</b>	<b>8,710</b>	<b>9,432</b>
<b>Non-financial assets</b>					
Infrastructure, plant and equipment	1,043	1,192	1,442	1,292	1,042
Intangibles	1,178	674	1,170	870	570
Other	50	50	50	50	50
<b>Total non-financial assets</b>	<b>2,271</b>	<b>1,916</b>	<b>2,662</b>	<b>2,212</b>	<b>1,662</b>
<b>Total assets</b>	<b>10,344</b>	<b>10,512</b>	<b>10,709</b>	<b>10,922</b>	<b>11,094</b>
<b>LIABILITIES</b>					
<b>Provisions</b>					
Employees	902	1,070	1,267	1,480	1,652
Other	110	110	110	110	110
<b>Total provisions</b>	<b>1,012</b>	<b>1,180</b>	<b>1,377</b>	<b>1,590</b>	<b>1,762</b>
<b>Payables</b>					
Suppliers	83	83	83	83	83
<b>Total payables</b>	<b>83</b>	<b>83</b>	<b>83</b>	<b>83</b>	<b>83</b>
<b>Total liabilities</b>	<b>1,095</b>	<b>1,263</b>	<b>1,460</b>	<b>1,673</b>	<b>1,845</b>
<b>EQUITY*</b>					
Contributed equity	3,423	3,423	3,423	3,423	3,423
Reserves	138	138	138	138	138
Retained surpluses	5,688	5,688	5,688	5,688	5,688
<b>Total equity</b>	<b>9,249</b>	<b>9,249</b>	<b>9,249</b>	<b>9,249</b>	<b>9,249</b>
<b>Current assets</b>	<b>332</b>	<b>855</b>	<b>306</b>	<b>969</b>	<b>1,691</b>
<b>Non-current assets</b>	<b>10,012</b>	<b>9,657</b>	<b>10,403</b>	<b>9,953</b>	<b>9,403</b>
<b>Current liabilities</b>	<b>490</b>	<b>290</b>	<b>317</b>	<b>347</b>	<b>325</b>
<b>Non-current liabilities</b>	<b>605</b>	<b>973</b>	<b>1,143</b>	<b>1,326</b>	<b>1,520</b>

<sup>1</sup> Receivables balance includes \$7.8 million of undrawn appropriations held in the Official Public Account.

\* 'Equity' is the residual interest in assets after deduction of liabilities.

**Table 3.3: Budgeted departmental statement of cash flows  
(for the period ended 30 June)**

	Actual 2004-05 \$'000	Revised budget 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations	6,146	8,314	8,365	8,410	8,490
Other	709	20	-	-	-
<b>Total cash received</b>	<b>6,855</b>	<b>8,334</b>	<b>8,365</b>	<b>8,410</b>	<b>8,490</b>
<b>Cash used</b>					
Employees	3,807	3,943	4,186	4,435	4,742
Suppliers	3,176	3,468	3,228	3,212	3,026
Other	24	-	-	-	-
<b>Total cash used</b>	<b>7,007</b>	<b>7,411</b>	<b>7,414</b>	<b>7,647</b>	<b>7,768</b>
<b>Net cash from or (used by) operating activities</b>	<b>(152)</b>	<b>923</b>	<b>951</b>	<b>763</b>	<b>722</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment and intangibles	79	400	1,500	100	-
<b>Total cash used</b>	<b>79</b>	<b>400</b>	<b>1,500</b>	<b>100</b>	<b>-</b>
<b>Net cash from or (used by) investing activities</b>	<b>(79)</b>	<b>(400)</b>	<b>(1,500)</b>	<b>(100)</b>	<b>-</b>
<b>Net increase or (decrease) in cash held</b>	<b>(231)</b>	<b>523</b>	<b>(549)</b>	<b>663</b>	<b>722</b>
Cash at the beginning of the reporting period	333	102	625	76	739
<b>Cash at the end of the reporting period</b>	<b>102</b>	<b>625</b>	<b>76</b>	<b>739</b>	<b>1,461</b>

**Table 3.4: Departmental statement of changes in equity — summary of movement (Budget year 2005-06)**

	Retained surpluses \$'000	Asset revaluation reserve \$'000	Contributed equity/ capital \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2005</b>				
Balance carried forward from previous period	5,688	138	3,423	9,249
<b>Opening balance</b>	5,688	138	3,243	9,249
<b>Income and expense</b>				
Net operating result	-	-	-	-
<b>Total income and expenses recognised directly in equity</b>	-	-	-	-
<b>Closing balance as at 30 June 2006</b>	5,688	138	3,243	9,249

**Table 3.5: Departmental capital budget statement**

	Actual 2004-05 \$'000	Revised budget 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Total equity injections	-	-	-	-	-
Total loans	-	-	-	-	-
<b>Total capital appropriations</b>	-	-	-	-	-
<b>Represented by:</b>					
Purchase of non-financial assets	-	-	-	-	-
Other	-	-	-	-	-
<b>Total represented by</b>	-	-	-	-	-
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriation	-	-	-	-	-
Funded internally by					
Departmental resources	79	400	1,500	100	-
<b>Total</b>	79	400	1,500	100	-

**Table 3.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2005-06)**

	Land	Investment property	Buildings	Specialist military equipment	Other infrastructure plant and equipment	Heritage and cultural assets	Computer software	Other intangibles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2005</b>									
Gross book value	-	-	-	-	1,631	-	2,680	-	4,311
Accumulated depreciation/amortisation	-	-	-	-	(588)	-	(1,502)	-	(2,090)
<b>Opening net book value</b>	-	-	-	-	1,043	-	1,178	-	2,221
Additions:									
by purchase	-	-	-	-	400	-	-	-	400
Depreciation/amortisation expense	-	-	-	-	(251)	-	(504)	-	(755)
<b>As at 30 June 2006</b>									
Gross book value	-	-	-	-	2,031	-	2,680	-	4,711
Accumulated depreciation/amortisation	-	-	-	-	(839)	-	(2,006)	-	(2,845)
<b>Closing net book value</b>	-	-	-	-	1,192	-	674	-	1,866

**Table 3.7: Schedule of budgeted income and expenses administered on behalf of government (for the period ended 30 June)**

	Actual 2004-05 \$'000	Revised budget 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>REVENUES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Revenue</b>					
<b>Non-taxation</b>					
Interest	3,121,564	3,201,690	2,724,903	2,992,926	3,057,172
Other sources of non-taxation revenues	88	-	-	-	-
<b>Total non-taxation</b>	<b>3,121,652</b>	<b>3,201,690</b>	<b>2,724,903</b>	<b>2,992,926</b>	<b>3,057,172</b>
<b>Total revenues administered on behalf of government</b>	<b>3,121,652</b>	<b>3,201,690</b>	<b>2,724,903</b>	<b>2,992,926</b>	<b>3,057,172</b>
<b>EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
Grants	32,507	220,365	-	-	-
Interest	5,887,833	5,487,839	5,112,315	4,847,138	4,323,232
<b>Total expenses administered on behalf of government</b>	<b>5,920,340</b>	<b>5,708,204</b>	<b>5,112,315</b>	<b>4,847,138</b>	<b>4,323,232</b>
<b>Gains/(Losses)</b>					
Net foreign exchange gains/(losses)	9,729	-	-	-	-
<b>Total gains/(losses)</b>	<b>9,729</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>REVENUES LESS EXPENSES BEFORE REMEASUREMENTS</b>	<b>(2,788,959)</b>	<b>(2,506,514)</b>	<b>(2,387,412)</b>	<b>(1,854,212)</b>	<b>(1,266,060)</b>
<b>REMEASUREMENTS</b>					
Net market valuation gains	-	587,037	339,763	265,867	171,127
<b>Total remeasurements<sup>1</sup></b>	<b>-</b>	<b>587,037</b>	<b>339,763</b>	<b>265,867</b>	<b>171,127</b>
<b>Comprehensive income</b>	<b>(2,788,959)</b>	<b>(1,919,477)</b>	<b>(2,047,649)</b>	<b>(1,588,345)</b>	<b>(1,094,933)</b>

1 Since 1 July 2005 the AOFM's administered financial statements have been prepared on a fair value basis. Prior to that the financial statements were prepared in accordance with the historical cost convention. Under fair value accounting, changes in the valuation of financial assets and financial liabilities due to changes in interest rates are reflected through the schedule of income and expenses (net market valuation gains).

**Table 3.8: Schedule of budgeted assets and liabilities administered on behalf of government (as at 30 June)<sup>1</sup>**

	Actual 2004-05 \$'000	Revised budget 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Financial assets</b>					
Cash	609	609	609	609	609
Receivables	3,648,378	3,798,691	3,631,988	3,469,167	3,312,737
Investments (s.39 FMA Act)	25,450,000	14,911,000	23,968,000	34,844,000	44,323,000
Accrued revenues	212,608	-	-	-	-
<b>Total financial assets</b>	<b>29,311,595</b>	<b>18,710,300</b>	<b>27,600,597</b>	<b>38,313,776</b>	<b>47,636,346</b>
<b>Total assets administered on behalf of government</b>	<b>29,311,595</b>	<b>18,710,300</b>	<b>27,600,597</b>	<b>38,313,776</b>	<b>47,636,346</b>
<b>LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Interest bearing liabilities</b>					
Commonwealth government securities	55,760,541	59,854,000	59,648,000	61,466,000	61,125,000
<b>Total interest bearing liabilities</b>	<b>55,760,541</b>	<b>59,854,000</b>	<b>59,648,000</b>	<b>61,466,000</b>	<b>61,125,000</b>
<b>Provisions</b>					
Interest	3,413,665	-	-	-	-
<b>Total provisions</b>	<b>3,413,665</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities administered on behalf of government</b>	<b>59,174,206</b>	<b>59,854,000</b>	<b>59,648,000</b>	<b>61,466,000</b>	<b>61,125,000</b>

<sup>1</sup> Under fair value accounting (adopted since 1 July 2005) the aggregate value of a financial asset or financial liability is recorded against a single financial statement class. Under historical cost accounting the value of a financial asset or financial liability was disaggregated and recorded against several financial statement classes.

**Table 3.9: Schedule of budgeted administered cash flows  
(for the period ended 30 June)**

	Actual 2004-05 \$'000	Revised budget 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Interest	1,143,205	3,399,106	2,727,652	3,054,190	3,117,337
Other	93	-	-	-	-
<b>Total cash received</b>	<b>1,143,298</b>	<b>3,399,106</b>	<b>2,727,652</b>	<b>3,054,190</b>	<b>3,117,337</b>
<b>Cash used</b>					
Grant payments	31,913	220,365	-	-	-
Interest and other costs	3,862,539	6,265,033	5,119,607	4,938,793	4,503,862
<b>Total cash used</b>	<b>3,894,452</b>	<b>6,485,398</b>	<b>5,119,607</b>	<b>4,938,793</b>	<b>4,503,862</b>
<b>Net cash from or (used by) operating activities</b>	<b>(2,751,154)</b>	<b>(3,086,292)</b>	<b>(2,391,955)</b>	<b>(1,884,603)</b>	<b>(1,386,525)</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Repayments of advances	82,209	84,576	86,703	88,821	91,430
<b>Total cash received</b>	<b>82,209</b>	<b>84,576</b>	<b>86,703</b>	<b>88,821</b>	<b>91,430</b>
<b>Net cash from or (used by) investing activities</b>	<b>82,209</b>	<b>84,576</b>	<b>86,703</b>	<b>88,821</b>	<b>91,430</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Proceeds from borrowing	5,717,179	6,404,095	6,309,306	5,089,258	5,087,592
Term deposit maturities	135,100,000	185,874,000	166,255,000	164,446,000	165,847,000
Other	75,817	-	-	-	-
<b>Total cash received</b>	<b>140,892,996</b>	<b>192,278,095</b>	<b>172,564,306</b>	<b>169,535,258</b>	<b>170,934,592</b>
<b>Cash used</b>					
Net repayment of borrowings	5,211,802	7,156,460	6,103,000	2,923,000	5,098,000
Term deposit investments	145,700,000	175,300,000	175,300,000	175,300,000	175,300,000
<b>Total cash used</b>	<b>150,911,802</b>	<b>182,456,460</b>	<b>181,403,000</b>	<b>178,223,000</b>	<b>180,398,000</b>
<b>Net cash from or (used by) financing activities</b>	<b>(10,018,806)</b>	<b>9,821,635</b>	<b>(8,838,694)</b>	<b>(8,687,742)</b>	<b>(9,463,408)</b>
<b>Net increase or (decrease) in cash held</b>	<b>(12,687,751)</b>	<b>6,819,919</b>	<b>(11,143,946)</b>	<b>(10,483,524)</b>	<b>(10,758,503)</b>
Cash at beginning of reporting period	1,761	609	609	609	609
Cash from Official Public Account for:					
- appropriations	154,730,070	188,940,256	186,522,607	183,161,793	184,901,862
- special accounts	75,033	130,718	-	-	-
Cash to Official Public Account for:					
- receipts	(142,042,687)	(195,761,777)	(175,378,661)	(172,678,269)	(174,143,359)
- special accounts	(75,817)	(129,116)	-	-	-
<b>Cash at end of reporting period</b>	<b>609</b>	<b>609</b>	<b>609</b>	<b>609</b>	<b>609</b>

**Table 3.10: Schedule of administered capital budget**

	Actual 2004-05 \$'000	Revised budget 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Administered capital	-	-	-	-	-
Special appropriations	150,836,769	182,456,460	181,403,000	178,223,000	180,398,000
<b>Total capital appropriations</b>	150,836,769	182,456,460	181,403,000	178,223,000	180,398,000
<b>Represented by:</b>					
Purchase of non-financial assets	-	-	-	-	-
Other	150,836,769	182,456,460	181,403,000	178,223,000	180,398,000
<b>Total represented by</b>	150,836,769	182,456,460	181,403,000	178,223,000	180,398,000

**Table 3.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget year 2005-06)**

This table is not applicable to AOFM.

## NOTES TO THE FINANCIAL STATEMENTS

### Basis of accounting

The departmental financial statements have been prepared on an accrual basis and are in accordance with the historical cost convention, except for infrastructure, plant and equipment assets and employee entitlements. Infrastructure, plant and equipment assets are revalued every three years using a fair value methodology. Employee entitlements are measured at the present value of estimated future cash flows based on periodic actuarial assessment.

Since 1 July 2005, the administered financial statements have been prepared on a fair value basis in accordance with Australian Equivalents to International Financial Reporting Standards. Prior to 1 July 2005 the administered financial statements were prepared on an accrual basis in accordance with the historical cost convention. A one-off adjustment of \$2,542 million (unfavourable) for the change in accounting treatment was made as at 1 July 2005. The adjustment relates to the following financial assets and financial liabilities:

	As at 1 July 2005		
	Book value on a fair value basis	Book value on a historic cost basis	Change in accounting policy
	\$m	\$m	\$m
Interest rate swaps	676	28	648
Loans to States and Territories	3,654	3,652	2
Commonwealth Government Securities	(62,366)	(59,174)	(3,192)
	(58,036)	(55,494)	(2,542)

Fair value is synonymous with market value and represents the estimated exchange equivalent price using relevant inputs from reference markets and valuation techniques. Fair value is determined on the presumption of normal market conditions and the reporting entity is not undertaking transactions on adverse terms.

On behalf of the Department of Communications, Information Technology and the Arts (DCITA), the AOFM currently oversees the investments made by the newly created Communications Fund. These are currently being held as deposits with the Reserve Bank of Australia. These investments and their earnings are reported by DCITA and not the AOFM.

### Budgeted departmental and administered financial statements

The budgeted financial statements contain estimates prepared in accordance with the requirements of the Australian Government's financial budgeting and reporting framework, including the principles of Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration.

Under the Australian Government's accrual budgeting framework, transactions that agencies control (departmental transactions) are separately budgeted for and reported from transactions agencies do not have control over (administered transactions). This ensures that agencies are only held fully accountable for the transactions over which they have control.

- Departmental assets, liabilities, revenues and expenses are those which are controlled by the agency. Agency expenses include employee and supplier expenses and other administrative costs, which are incurred by the agency in providing its goods and services to government.
- Administered assets, liabilities, revenues and expenses are those which are managed on behalf of the Australian Government according to set government directions. Administered expenses include interest incurred on Commonwealth Government Securities. Administered revenues include interest earned on housing agreement loans, interest on investments and interest from swaps.

### **Administered internal transactions**

Administered transactions between the AOFM and other agencies within the general government (administered internal transactions) are not reported in the schedule of budgeted administered income and expenses or the schedule of budgeted administered assets and liabilities.

However, for the purposes of disclosing all cash flows through AOFM's administered bank accounts, cash flows in the schedule of budgeted administered cash flows are reported inclusive of administered internal transactions.

### **Goods and services tax (GST)**

All supplies provided by the AOFM are input taxed under *A New Tax System (Goods and Services Tax) Act 1999*.

### **Appropriations in the accrual budgeting framework**

Under the Australian Government's accrual budgeting framework, separate annual appropriations are provided to the AOFM for:

- departmental price of outputs appropriations: representing the Australian Government's purchase of outputs from the AOFM; and
- administered expense appropriations: for the repayment of interest on lapsed coupons not supported by special appropriation.

Special appropriations continue under the accrual budgeting framework and fund the majority of administered payments made by the AOFM, including debt redemption, interest payments and financial investment activity.

## Budgeted departmental income statement

### Appropriations

Price of outputs appropriation estimates are not based on market price indicators. The agreed price of outputs appropriation is based on Budget Process Operational Rules, whereby the AOFM's output appropriation is adjusted for wage cost indexation less efficiency dividend.

For financial years from 2005-06 to 2007-08 (inclusive), the government has imposed an additional 0.25 per cent efficiency dividend on agencies, bringing the efficiency dividend to 1.25 per cent for these financial years. The government is expecting to review the efficiency dividend arrangements in the 2008-09 Budget.

## Budgeted departmental balance sheet

### Cash and undrawn appropriations

The estimated cash reserves and undrawn appropriations will be maintained to ensure that the AOFM is well placed to:

- settle employee liabilities as they fall due;
- make asset replacements; and
- repay liabilities.

Budgeted financial statements have been prepared on the assumption that unspent monies will not be withdrawn by the Department of Finance and Administration.

## Administered schedule of budgeted income and expenses

### Non-taxation revenue — interest

	Actual 2004-05 \$'000	Revised budget 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>Interest</b>					
Interest on housing agreements	159,467	155,985	152,382	148,668	144,838
Interest on State and Northern Territory debt	11,124	684	-	-	-
Interest from other sources	2,950,973	3,045,021	2,572,521	2,844,258	2,912,334
<b>Total interest</b>	<b>3,121,564</b>	<b>3,201,690</b>	<b>2,724,903</b>	<b>2,992,926</b>	<b>3,057,172</b>

Interest from other sources includes interest from swaps and investments.

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**Expenses – grants**

	Actual 2004-05 \$'000	Revised budget 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>Grants</b>					
Grants to State and Northern Territory Governments	32,507	220,365	-	-	-
<b>Total grants</b>	32,507	220,365	-	-	-

**Expenses – interest and financing costs**

	Actual 2004-05 \$'000	Revised budget 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>Interest</b>					
Interest on Commonwealth Government Securities	3,879,875	3,639,643	3,533,704	3,516,536	3,336,202
Interest on swaps	1,964,085	1,844,563	1,576,461	1,330,236	986,664
Interest on other debt	-	3,483	2,000	216	216
Net repurchase premia	43,771	-	-	-	-
Other	102	150	150	150	150
<b>Total interest and financing costs</b>	5,887,833	5,487,839	5,112,315	4,847,138	4,323,232

**Net market valuation gains**

Net market valuation gains represents the estimated unrealised fair value gains on the net debt portfolio. This valuation gain represents the change in financial exposures due to changes in market conditions and the passage of time.

In a passive 'issue and hold to maturity' strategy, such as that relating to the AOFM's debt issuance and management activities, the revaluation effect will net to zero over the life of a financial instrument.

**Administered schedule of budgeted assets and liabilities**

**Financial assets – receivables**

	Actual 2004-05 \$'000	Revised budget 2005-06 \$'000	Forward estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000
<b>Receivables</b>					
Loans to State and Northern Territory Governments	3,648,378	3,433,691	3,346,988	3,258,167	3,166,737
Swaps <sup>1</sup>	-	365,000	285,000	211,000	146,000
<b>Total receivables</b>	3,648,378	3,798,691	3,631,988	3,469,167	3,312,737

<sup>1</sup> For 2004-05 swaps are included in 'Accrued revenues'.

**Financial assets — investments**

The AOFM, on behalf of the Australian Government, holds surplus funds as term deposits with the Reserve Bank of Australia. Estimates of the fair value of these asset holdings are disclosed as administered investments. The asset holdings of the Future Fund and other government agencies are not included in these estimates.

**Interest bearing liabilities — Commonwealth Government Securities**

Commonwealth Government Securities represent the fair value of government securities on issue.

