

# AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT

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# 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 *Portfolio Budget Statements 2006-07* (page 113).

**Table 1.1: Agency outcome and output group**

Outcome	Description	Output group
<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 acceptable risk. 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 \$0.1 million for the Australian Office of Financial Management (AOFM) in 2006-07.

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

The AOFM does not have any measures.

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

The additional funding consists of \$0.03 million for indexation and \$0.07 million for meeting expenses previously met from an administered special appropriation.

	2006-07 \$'000	2007-08 \$'000	2008-09 \$'000	2009-10 \$'000
<b>Outcome 1</b>				
Variations (departmental)				
Wage cost indexation	29	62	86	87
To meet expenses previously met from an administered special appropriation	71	71	71	71
	100	133	157	158

## MEASURES — AGENCY SUMMARY

**Table 1.4: Summary of measures since the 2006-07 Budget**

The AOFM does not have any measures.

## BREAKDOWN OF ADDITIONAL ESTIMATES BY APPROPRIATION BILL

**Table 1.5: Appropriation Bill (No. 3) 2006-07**

	2005-06 available \$'000	2006-07 budget \$'000	2006-07 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 administered items</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	8,314	8,373	8,473	100	-
<b>Total departmental outputs</b>	8,314	8,373	8,473	100	-
<b>Total administered and departmental</b>	8,324	8,383	8,483	100	-

**Table 1.6: Appropriation Bill (No. 4) 2006-07**

The AOFM does not have any appropriations from Appropriation Bill (No. 4) 2006-07.

## SUMMARY OF STAFFING CHANGES

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

	2006-07 budget	2006-07 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**

The AOFM does not have any agency savings.

## OTHER REVENUES

Table 1.9 provides details of estimated administered and departmental revenues from sources, other than appropriations, for the AOFM for 2006-07. Departmental revenues are eligible items under the AOFM's net appropriation agreement under section 31 of the *Financial Management and Accountability Act 1997*, 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 2006-07 \$'000	Revised estimate 2006-07 \$'000
<b>Departmental other revenues</b>		
Net annotated (section 31) receipts	559	726
<b>Total departmental other revenues available to be used</b>	<b>559</b>	<b>726</b>
<b>Administered other revenues</b>		
<i>Financial Agreement Act 1994</i> - Interest paid by States and Northern Territory on other loans	-	-
<i>Financial Management and Accountability Act 1997</i> - Interest on financial assets	1,082,000	944,031
<i>Housing Agreements, Northern Territory Housing Agreement and Housing Assistance Acts</i> - Interest on advances to States and Northern Territory	86,131	86,131
<i>Loans Securities Act 1919</i> - Swaps interest	1,720,840	1,822,355
<i>States (Works and Housing Assistance) Acts</i> - Interest on advances to States	66,055	66,055
<i>War Service Lands Settlements Acts</i> - Interest on advances to States	196	196
<b>Total administered other revenues</b>	<b>2,955,222</b>	<b>2,918,768</b>

## ESTIMATES OF EXPENSES FROM SPECIAL APPROPRIATIONS

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

	Budget estimate 2006-07 \$'000	Revised estimate 2006-07 \$'000
<b>Estimated expenses</b>		
<b>Outcome 1 / Programme - Commonwealth Debt Management</b>		
<i>Airports (Transitional) Act 1996</i> , section 78 - Interest	-	-
<i>Australian National Railways Commission Sale Act 1997</i> , section 67AW - Interest	-	-
<i>Commonwealth Inscribed Stock Act 1911</i> , section 6 - Loan flotation expenses	150	-
<i>Commonwealth Inscribed Stock Act 1911</i> , section 6 - Interest	3,510,778	3,613,667
<i>Financial Agreement Act 1994</i> , section 5 - Assistance to States for debt redemption	-	-
<i>Financial Agreement Act 1994</i> , section 5 - Contributions to the Debt Retirement Reserve Trust Account	-	-
<i>Loans Redemption and Conversion Act 1921</i> , section 5 - Interest	-	-
<i>Loans Securities Act 1919</i> , section 4 - Interest	1,000	1,000
<i>Loans Securities Act 1919</i> , section 5B(2) - Interest on swaps	1,610,423	1,812,421
<i>Moomba-Sydney Pipeline System Sale Act 1994</i> , section 19(3) - Interest	-	-
<i>Qantas Sale Act 1992</i> , section 18 - Interest	-	-
<i>Snowy Hydro Corporatisation Act 1997</i> , section 22 - Interest	2,000	2,000
<i>Treasury Bills Act 1914</i> , section 6 - Interest	-	-
<b>Total special appropriation expenses</b>	<b>5,124,351</b>	<b>5,429,088</b>
Annual appropriations	10	10
<b>Total estimated expenses</b>	<b>5,124,361</b>	<b>5,429,098</b>

## ESTIMATES OF SPECIAL ACCOUNT FLOWS

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

	Opening Balance 2006-07 2005-06 \$'000	Credits 2006-07 2005-06 \$'000	Debits 2006-07 2005-06 \$'000	Adjustments 2006-07 2005-06 \$'000	Closing Balance 2006-07 2005-06 \$'000
Debt Retirement Reserve Trust	<b>410</b>	-	-	-	<b>410</b>
Account - <i>FMA Act 1997</i> (section 21) <sup>1</sup>	1,602	124,699	125,891	-	410
<b>Total special accounts</b>					
<b>2006-07 Budget estimate</b>	<b>410</b>	-	-	-	<b>410</b>
<i>Total special accounts</i>					
<i>2005-06 actual</i>	1,602	124,699	125,891	-	410

<sup>1</sup> This special account is administered in nature and is governed by the *Financial Agreement Act 1994*.

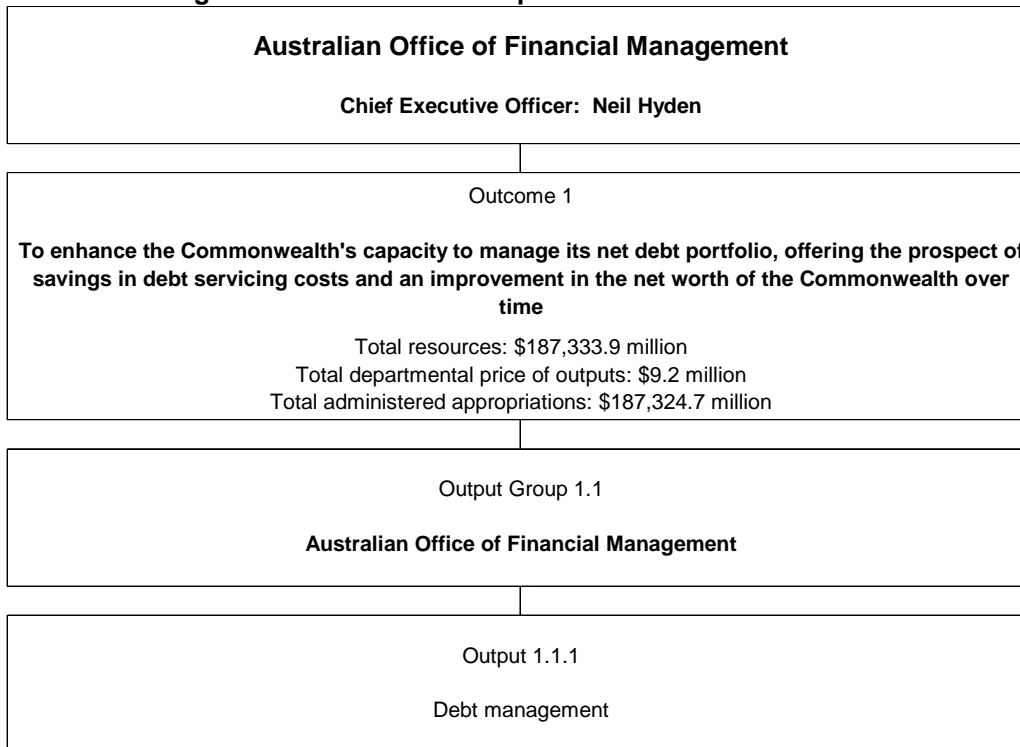
## Section 2: Revisions to agency outcomes

### OUTCOMES, ADMINISTERED ITEMS AND OUTPUTS

Table 1.1 'Agency outcome and output group' lists the outcome and output group for the Australian Office of Financial Management (AOFM).

The AOFM has not made any changes to its outcome or outputs since the *Portfolio Budget Statements 2006-07*.

**Figure 2: Outcome and output structure for Outcome 1**



**Table 2.1: Total resources for Outcome 1**

	Budget estimate 2006-07 \$'000	Revised estimate 2006-07 \$'000
<b>Administered appropriations</b>		
Special Appropriations <sup>1</sup>	225,172,351	187,324,722
Annual Appropriations	10	10
<b>Total administered appropriations</b>	<b>225,172,361</b>	<b>187,324,732</b>
<b>Departmental appropriations</b>		
Output Group 1.1 - Australian Office of Financial Management		
Output 1.1.1 - Debt management	8,373	8,473
<b>Total departmental appropriations</b>	<b>8,373</b>	<b>8,473</b>
<b>Revenues from other sources</b>		
Other revenues	559	726
<b>Total revenue from other sources</b>	<b>559</b>	<b>726</b>
<b>Total departmental resources</b>	<b>8,932</b>	<b>9,199</b>
<b>Total estimated resourcing for Outcome 1</b>	<b>225,181,293</b>	<b>187,333,931</b>

1 The AOFM draws administered appropriations to make term deposit investments with the Reserve Bank of Australia. These deposits are used to manage the daily variations in the Commonwealth's cash balances in the Official Public Account (OPA). The cash flows into and out of the OPA are highly variable from day to day and so in consequence are the number, size and timing of term deposits. The deposits are financing transactions.

### Revised performance information — 2006-07

The AOFM has not made any changes to its performance information since the *Portfolio Budget Statements 2006-07*.

## 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 2005-06 (actual results), 2006-07 (revised estimates) 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 *Portfolio Budget Statements 2006-07*.

### **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, investing 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 2006-07 Budget year.

##### **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 2006-07.

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 administered activity**

**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 2005-06 \$'000	Revised budget 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>INCOME</b>					
<b>Revenue</b>					
Revenues from Government	8,314	8,473	8,559	8,662	8,752
Goods and services <sup>1</sup>	1,232	726	726	726	726
<b>Total revenue</b>	<b>9,546</b>	<b>9,199</b>	<b>9,285</b>	<b>9,388</b>	<b>9,478</b>
<b>Total income</b>	<b>9,546</b>	<b>9,199</b>	<b>9,285</b>	<b>9,388</b>	<b>9,478</b>
<b>EXPENSES</b>					
Employees	4,763	5,050	5,336	5,618	5,936
Suppliers <sup>1</sup>	2,948	3,311	3,499	3,320	3,092
Depreciation and amortisation	851	838	450	450	450
Write-down of assets and impairment of assets	76	-	-	-	-
<b>Total expenses</b>	<b>8,638</b>	<b>9,199</b>	<b>9,285</b>	<b>9,388</b>	<b>9,478</b>
<b>Net operating result</b>	<b>908</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net surplus attributable to the Australian Government</b>	<b>908</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

1 For 2005-06, the amount includes services received free of charge from the Australian National Audit Office.

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

	Actual 2005-06 \$'000	Revised budget 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash	125	179	764	1,407	1,615
Receivables <sup>1</sup>	9,462	9,462	9,462	9,462	9,462
<b>Total financial assets</b>	<b>9,587</b>	<b>9,641</b>	<b>10,226</b>	<b>10,869</b>	<b>11,077</b>
<b>Non-financial assets</b>					
Infrastructure, plant and equipment	1,044	710	560	310	560
Intangibles	619	1,115	915	715	515
Other non-financial assets	19	19	19	19	19
<b>Total non-financial assets</b>	<b>1,682</b>	<b>1,844</b>	<b>1,494</b>	<b>1,044</b>	<b>1,094</b>
<b>Total assets</b>	<b>11,269</b>	<b>11,485</b>	<b>11,720</b>	<b>11,913</b>	<b>12,171</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Suppliers	95	97	97	97	97
Other payables	2	-	-	-	-
<b>Total payables</b>	<b>97</b>	<b>97</b>	<b>97</b>	<b>97</b>	<b>97</b>
<b>Provisions</b>					
Employees	1,028	1,244	1,479	1,672	1,930
Other provisions	125	125	125	125	125
<b>Total provisions</b>	<b>1,153</b>	<b>1,369</b>	<b>1,604</b>	<b>1,797</b>	<b>2,055</b>
<b>Total liabilities</b>	<b>1,250</b>	<b>1,466</b>	<b>1,701</b>	<b>1,894</b>	<b>2,152</b>
<b>EQUITY</b>					
Contributed equity	3,423	3,423	3,423	3,423	3,423
Retained surpluses	6,596	6,596	6,596	6,596	6,596
<b>Total equity</b>	<b>10,019</b>	<b>10,019</b>	<b>10,019</b>	<b>10,019</b>	<b>10,019</b>
<b>Current assets</b>	<b>349</b>	<b>403</b>	<b>988</b>	<b>1,631</b>	<b>1,839</b>
<b>Non-current assets</b>	<b>10,920</b>	<b>11,082</b>	<b>10,732</b>	<b>10,282</b>	<b>10,332</b>
<b>Current liabilities</b>	<b>961</b>	<b>1,059</b>	<b>1,241</b>	<b>1,377</b>	<b>1,576</b>
<b>Non-current liabilities</b>	<b>289</b>	<b>407</b>	<b>460</b>	<b>517</b>	<b>576</b>

1 Receivables balance includes \$9.3 million of undrawn appropriations held in the Official Public Account.

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

	Actual 2005-06 \$'000	Revised budget 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations	6,848	8,473	8,559	8,662	8,752
Net GST received	69	-	-	-	-
Other cash received	874	726	726	726	726
<b>Total cash received</b>	<b>7,791</b>	<b>9,199</b>	<b>9,285</b>	<b>9,388</b>	<b>9,478</b>
<b>Cash used</b>					
Employees	4,651	4,835	5,101	5,426	5,677
Suppliers	2,704	3,310	3,499	3,319	3,093
Net GST paid	3	-	-	-	-
<b>Total cash used</b>	<b>7,358</b>	<b>8,145</b>	<b>8,600</b>	<b>8,745</b>	<b>8,770</b>
<b>Net cash from or (used by) operating activities</b>	<b>433</b>	<b>1,054</b>	<b>685</b>	<b>643</b>	<b>708</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment	410	1,000	100	-	500
<b>Total cash used</b>	<b>410</b>	<b>1,000</b>	<b>100</b>	<b>-</b>	<b>500</b>
<b>Net cash from or (used by) investing activities</b>	<b>(410)</b>	<b>(1,000)</b>	<b>(100)</b>	<b>-</b>	<b>(500)</b>
<b>Net increase or (decrease) in cash held</b>	<b>23</b>	<b>54</b>	<b>585</b>	<b>643</b>	<b>208</b>
Cash at the beginning of the reporting period	102	125	179	764	1,407
<b>Cash at the end of the reporting period</b>	<b>125</b>	<b>179</b>	<b>764</b>	<b>1,407</b>	<b>1,615</b>

**Table 3.4: Departmental statement of changes in equity — summary of  
movement (Budget 2006-07)**

	Accumulated results \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2006</b>					
Balance carried forward from previous period	6,596	-	-	3,423	10,019
<b>Opening balance</b>	<b>6,596</b>	<b>-</b>	<b>-</b>	<b>3,423</b>	<b>10,019</b>
<b>Income and expense</b>					
Net operating result	-	-	-	-	-
<b>Total income and expense recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Estimated closing balance as at 30 June 2007</b>	<b>6,596</b>	<b>-</b>	<b>-</b>	<b>3,423</b>	<b>10,019</b>

**Table 3.5: Departmental capital budget statement**

	Actual 2005-06 \$'000	Revised budget 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'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	410	1,000	100	-	500
<b>Total</b>	410	1,000	100	-	500

**Table 3.6: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)**

	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 2006</b>									
Gross book value	-	-	-	-	1,516	-	2,715	-	4,231
Accumulated depreciation	-	-	-	-	(472)	-	(2,096)	-	(2,568)
<b>Opening net book value</b>	-	-	-	-	1,044	-	619	-	1,663
Additions:									
by purchase	-	-	-	-	-	-	1,000	-	1,000
Depreciation/amortisation expense	-	-	-	-	(334)	-	(504)	-	(838)
<b>As at 30 June 2007</b>									
Gross book value	-	-	-	-	1,516	-	3,715	-	5,231
Accumulated depreciation	-	-	-	-	(806)	-	(2,600)	-	(3,406)
<b>Estimated closing net book value</b>	-	-	-	-	710	-	1,115	-	1,825

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

	Actual 2005-06 \$'000	Revised budget 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>INCOME AND EXPENSES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Revenue before re-measurements</b>					
<b>Non-taxation</b>					
Interest	3,450,055	2,918,768	2,589,874	2,759,611	3,273,621
Other sources of non-taxation revenues	258	-	-	-	-
<b>Total non-taxation</b>	<b>3,450,313</b>	<b>2,918,768</b>	<b>2,589,874</b>	<b>2,759,611</b>	<b>3,273,621</b>
<b>Total revenues before re-measurements</b>	<b>3,450,313</b>	<b>2,918,768</b>	<b>2,589,874</b>	<b>2,759,611</b>	<b>3,273,621</b>
<b>Expenses before re-measurements</b>					
Grants	220,373	-	-	-	-
Interest and financing costs	5,472,687	5,429,098	5,154,111	4,658,702	4,393,290
Net foreign exchange losses	483	-	-	-	-
<b>Total expenses before re-measurements</b>	<b>5,693,543</b>	<b>5,429,098</b>	<b>5,154,111</b>	<b>4,658,702</b>	<b>4,393,290</b>
<b>Operating result before re-measurements</b>	<b>(2,243,230)</b>	<b>(2,510,330)</b>	<b>(2,564,237)</b>	<b>(1,899,091)</b>	<b>(1,119,669)</b>
<b>Re-measurements</b>					
Net Market valuation gains / (losses)	910,741	126,668	251,000	166,000	139,000
<b>Total re-measurements</b>	<b>910,741</b>	<b>126,668</b>	<b>251,000</b>	<b>166,000</b>	<b>139,000</b>
<b>Comprehensive Income</b>	<b>(1,332,489)</b>	<b>(2,383,662)</b>	<b>(2,313,237)</b>	<b>(1,733,091)</b>	<b>(980,669)</b>

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

	Actual 2005-06 \$'000	Revised budget 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>ASSETS ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Financial assets</b>					
Cash	1,698	1,698	1,698	1,698	1,698
Receivables	2,985,461	2,781,698	2,679,951	2,586,023	2,492,015
Investments (section 39 FMA Act)	18,157,039	13,763,000	23,070,000	35,353,000	48,492,000
Accrued revenues	107	107	107	107	107
<b>Total financial assets</b>	<b>21,144,305</b>	<b>16,546,503</b>	<b>25,751,756</b>	<b>37,940,828</b>	<b>50,985,820</b>
<b>Total assets administered on behalf of Government</b>	<b>21,144,305</b>	<b>16,546,503</b>	<b>25,751,756</b>	<b>37,940,828</b>	<b>50,985,820</b>
<b>LIABILITIES ADMINISTERED ON BEHALF OF GOVERNMENT</b>					
<b>Interest bearing liabilities</b>					
Commonwealth Government Securities	58,927,183	57,953,893	59,869,893	60,007,893	59,281,893
<b>Total interest bearing liabilities</b>	<b>58,927,183</b>	<b>57,953,893</b>	<b>59,869,893</b>	<b>60,007,893</b>	<b>59,281,893</b>
<b>Payables</b>					
Other payables	107	107	107	107	107
<b>Total payables</b>	<b>107</b>	<b>107</b>	<b>107</b>	<b>107</b>	<b>107</b>
<b>Total liabilities administered on behalf of Government</b>	<b>58,927,290</b>	<b>57,954,000</b>	<b>59,870,000</b>	<b>60,008,000</b>	<b>59,282,000</b>

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

	Actual 2005-06 \$'000	Revised budget 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Interest	1,796,833	2,864,191	2,656,141	2,808,752	3,289,103
Net GST received	3	-	-	-	-
Other	259	-	-	-	-
<b>Total cash received</b>	<b>1,797,095</b>	<b>2,864,191</b>	<b>2,656,141</b>	<b>2,808,752</b>	<b>3,289,103</b>
<b>Cash used</b>					
Grant payments	219,993	-	-	-	-
Interest paid	4,240,647	5,191,370	5,155,570	4,742,532	4,344,020
<b>Total cash used</b>	<b>4,460,640</b>	<b>5,191,370</b>	<b>5,155,570</b>	<b>4,742,532</b>	<b>4,344,020</b>
<b>Net cash from or (used by) operating activities</b>	<b>(2,663,545)</b>	<b>(2,327,179)</b>	<b>(2,499,429)</b>	<b>(1,933,780)</b>	<b>(1,054,917)</b>
<b>INVESTING ACTIVITIES</b>					
<b>Cash received</b>					
Repayments of advances	84,406	86,703	88,821	91,430	93,686
<b>Total cash received</b>	<b>84,406</b>	<b>86,703</b>	<b>88,821</b>	<b>91,430</b>	<b>93,686</b>
<b>Net cash from or (used by) investing activities</b>	<b>84,406</b>	<b>86,703</b>	<b>88,821</b>	<b>91,430</b>	<b>93,686</b>
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Proceeds from borrowing	6,252,884	5,173,959	4,718,118	5,106,187	4,725,570
Term deposit maturities	275,250,000	180,203,000	166,495,000	163,533,000	162,676,000
<b>Total cash received</b>	<b>281,502,884</b>	<b>185,376,959</b>	<b>171,213,118</b>	<b>168,639,187</b>	<b>167,401,570</b>
<b>Cash used</b>					
Net repayment of borrowings	7,200,198	6,112,634	2,622,000	4,798,000	5,409,000
Term deposit investments	267,950,000	175,783,000	175,783,000	175,783,000	175,783,000
<b>Total cash used</b>	<b>275,150,198</b>	<b>181,895,634</b>	<b>178,405,000</b>	<b>180,581,000</b>	<b>181,192,000</b>
<b>Net cash from or (used by) financing activities</b>	<b>6,352,686</b>	<b>3,481,325</b>	<b>(7,191,882)</b>	<b>(11,941,813)</b>	<b>(13,790,430)</b>
<b>Net increase or (decrease) in cash held</b>	<b>3,773,547</b>	<b>1,240,849</b>	<b>(9,602,490)</b>	<b>(13,784,163)</b>	<b>(14,751,661)</b>
Cash at beginning of reporting period	609	1,698	1,698	1,698	1,698
Cash from Official Public Account for:					
- appropriations	279,695,301	187,147,635	183,621,888	185,374,758	185,588,326
Cash to Official Public Account for:					
- appropriations	(283,467,759)	(188,388,484)	(174,019,398)	(171,590,595)	(170,836,665)
<b>Cash at end of reporting period</b>	<b>1,698</b>	<b>1,698</b>	<b>1,698</b>	<b>1,698</b>	<b>1,698</b>

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

	Actual 2005-06 \$'000	Revised budget 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Administered capital	-	-	-	-	-
Special appropriations	275,150,198	181,895,634	178,405,000	180,581,000	181,192,000
<b>Total capital appropriations</b>	<b>275,150,198</b>	<b>181,895,634</b>	<b>178,405,000</b>	<b>180,581,000</b>	<b>181,192,000</b>
<b>Represented by:</b>					
Purchase of non-financial assets	-	-	-	-	-
Other	275,150,198	181,895,634	178,405,000	180,581,000	181,192,000
<b>Total represented by</b>	<b>275,150,198</b>	<b>181,895,634</b>	<b>178,405,000</b>	<b>180,581,000</b>	<b>181,192,000</b>

**Table 3.11: Schedule of administered property, plant, equipment and intangibles — summary of movement (Budget year 2006-07)**

The AOFM does not have any administered property, plant, equipment or intangibles.

## 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 re-valued 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.

The administered financial statements have been prepared on a fair value basis in accordance with Australian equivalents to international financial reporting standards, except for housing advances to the States and Northern Territory which are measured on an amortised cost basis. For 2005-06 housing advances were at fair value. Due to changes to AASB 139 *Financial Instruments: Measurement and Recognition*, housing advances are measured at amortised cost from 1 July 2006.

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 that 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 Communications Fund. 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. Departmental 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 Sector (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)**

Supplies provided by the AOFM are primarily 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 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 generally adjusted for wage cost indexation less an efficiency dividend.

For financial years from 2006-07 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.

## 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 2005-06 \$'000	Revised estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>Interest</b>					
Interest on housing agreements	155,975	152,382	148,668	144,838	140,877
Interest on State and Northern Territory debt	658	-	-	-	-
Interest from other sources	3,293,422	2,766,386	2,441,206	2,614,773	3,132,744
<b>Total interest</b>	<b>3,450,055</b>	<b>2,918,768</b>	<b>2,589,874</b>	<b>2,759,611</b>	<b>3,273,621</b>

Interest from other sources includes interest from swaps and investments.

### Expenses — grants

	Actual 2005-06 \$'000	Revised estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>Grants</b>					
Grants to State and Northern Territory Governments	220,373	-	-	-	-
<b>Total grants</b>	<b>220,373</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Expenses — interest and financing costs**

	Actual 2005-06 \$'000	Revised estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>Interest</b>					
Interest on Commonwealth Government Securities	3,627,839	3,616,677	3,493,724	3,354,747	3,333,284
Interest on swaps	1,844,791	1,812,421	1,660,387	1,303,955	1,060,006
Other	57	-	-	-	-
<b>Total interest and financing costs</b>	<b>5,472,687</b>	<b>5,429,098</b>	<b>5,154,111</b>	<b>4,658,702</b>	<b>4,393,290</b>

**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 2005-06 \$'000	Revised estimate 2006-07 \$'000	Forward estimate 2007-08 \$'000	Forward estimate 2008-09 \$'000	Forward estimate 2009-10 \$'000
<b>Receivables</b>					
Loans to State and Northern Territory Governments <sup>1</sup>	2,969,145	2,882,442	2,793,621	2,702,191	2,608,505
Swaps <sup>2</sup>	16,316	(100,744)	(113,670)	(116,168)	(116,490)
<b>Total receivables</b>	<b>2,985,461</b>	<b>2,781,698</b>	<b>2,679,951</b>	<b>2,586,023</b>	<b>2,492,015</b>

<sup>1</sup> At fair value for 2005-06. At amortised cost from 1 July 2006.

<sup>2</sup> At fair value.

**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.