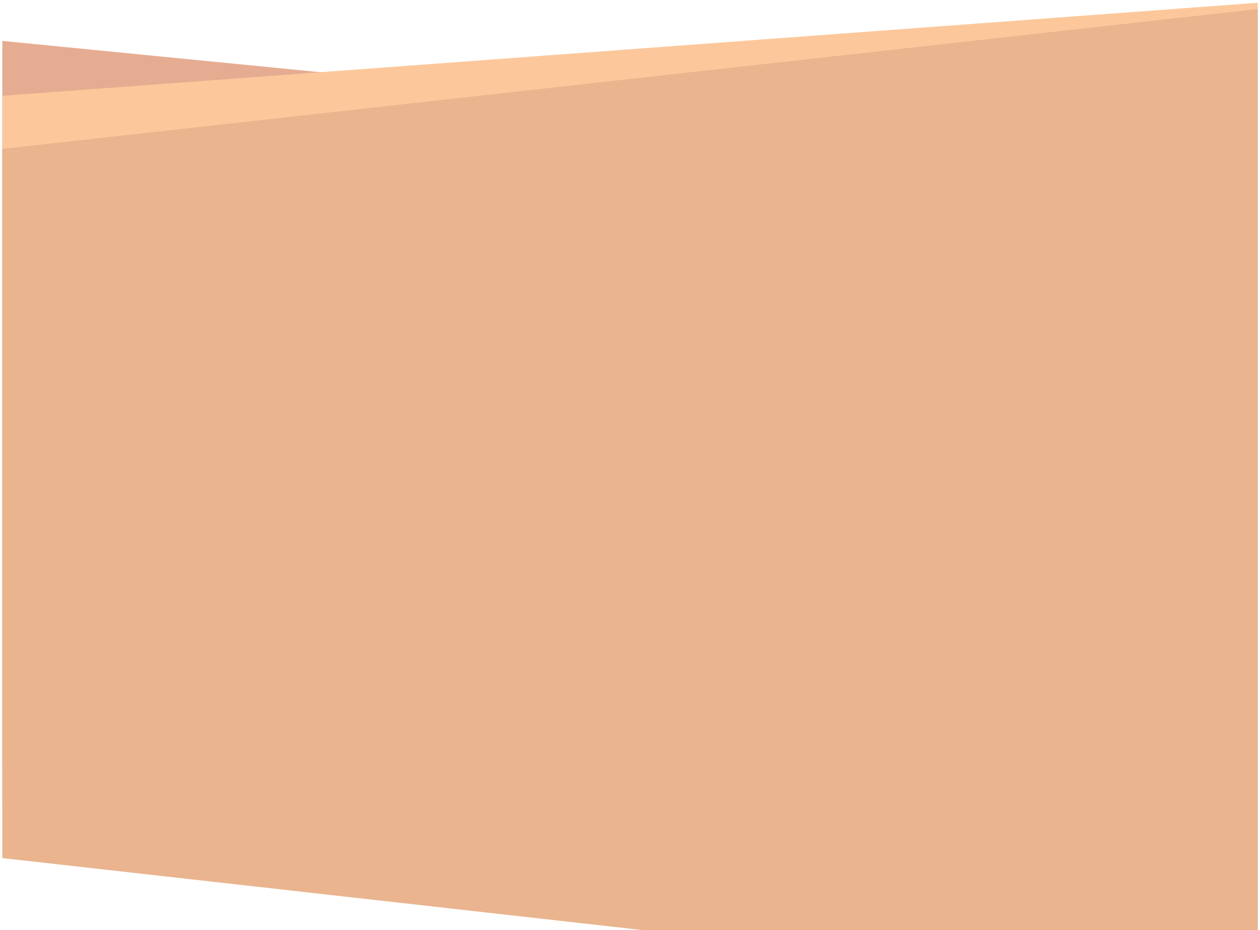
Part 4
Financial statements



Auditor-General for Australia

Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Treasurer

I have audited the accompanying annual financial statements of the Department of the Treasury for the year ended 30 June 2016, which comprise:

- Statement by the Departmental Secretary and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to and forming part of the financial statements comprising significant accounting policies and other explanatory information.

Opinion

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

(a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Department of the Treasury as at 30 June 2016 and its financial performance and cash flows for the year then ended.

Secretary's Responsibility for the Financial Statements

The Secretary of the Department of the Treasury is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act and is also responsible for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility

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

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

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

Independence

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

Australian National Audit Office

Grant Hehir
Auditor-General

Canberra
27 September 2016

The Treasury

Statement by the Departmental Secretary and Chief Finance Officer

In our opinion, the attached financial statements for the year ended 30 June 2016 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Treasury will be able to pay its debts as and when they fall due.

John A. Fraser
Secretary to the Treasury
27 September 2016

George-Philip de Wet
Acting Chief Finance Officer
27 September 2016

Statement of Comprehensive Income

for the period ended 30 June 2016

	Notes	2016 $'000	2015 $'000
NET COST OF SERVICES			
Expenses			
Employee benefits	1.1A	**122,744**	122,940
Suppliers	1.1B	**51,877**	58,570
Grants	1.1C	**2,925**	2,571
Depreciation and amortisation	2.2A	**8,803**	9,667
Write-down and impairment of assets	2.2A	**100**	277
Losses from asset sales	1.1D	**35**	-
Finance costs	2.4	**86**	25
Total expenses		**186,570**	194,050
Own-Source Income			
Own-source revenue			
Rendering of services	1.2A	**9,447**	10,308
Other revenue	1.2B	**1,347**	1,287
Total own-source revenue		**10,794**	11,595
Gains			
Gains from sale of assets	1.2C	**-**	9
Other gains	1.2D	**4,006**	4,642
Total gains		**4,006**	4,651
Total own-source income		**14,800**	16,246
Net (cost of)/contribution by services		**(171,770)**	(177,804)
Revenue from Government		**160,109**	172,767
Surplus/(Deficit)		**(11,661)**	(5,037)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserves		**6,024**	976
Total other comprehensive income		**6,024**	976
Total comprehensive income/(loss) attributable to the Australian Government		**(5,637)**	(4,061)

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

Statement of Financial Position

as at 30 June 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	2.1A	**2,776**	5,152
Trade and other receivables	2.1B	**50,445**	60,141
Total financial assets		**53,221**	65,293
Non-financial assets			
Land and buildings	2.2A	**14,280**	2,500
Plant and equipment	2.2A	**9,627**	8,660
Intangibles	2.2A	**9,730**	12,221
Prepayments	2.2B	**4,888**	3,366
Total non-financial assets		**38,525**	26,747
Total assets		**91,746**	92,040
LIABILITIES			
Payables			
Suppliers	2.3A	**335**	1,289
Other payables	2.3B	**5,911**	11,484
Total payables		**6,246**	12,773
Provisions			
Employee provisions	3.1	**46,567**	43,566
Provision for restoration	2.4	**3,279**	964
Total provisions		**49,846**	44,530
Total liabilities		**56,092**	57,303
Net assets		**35,654**	34,737
EQUITY			
Asset revaluation reserve		**12,186**	6,162
Contributed equity		**58,538**	51,526
Retained surplus/(deficit)		**(35,070)**	(22,951)
Total equity		**35,654**	34,737

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

Statement of Changes in Equity

for the period ended 30 June 2016

	2016 $'000	2015 $'000
CONTRIBUTED EQUITY		
Opening balance	**51,526**	46,153
Transactions with owners		
Contributions by owners		
Equity injection appropriation	**1,700**	-
Departmental capital budget appropriation	**5,312**	5,373
Total transactions with owners	**7,012**	5,373
Closing balance as at 30 June	**58,538**	51,526
RETAINED EARNINGS		
Opening balance	**(22,951)**	(17,914)
Adjustment to opening balance[1]	**(458)**	-
Comprehensive income		
Surplus/(Deficit) for the period	**(11,661)**	(5,037)
Total comprehensive income	**(11,661)**	(5,037)
Closing balance as at 30 June	**(35,070)**	(22,951)
ASSET REVALUATION RESERVE		
Opening balance	**6,162**	5,186
Comprehensive income		
Other comprehensive income	**6,024**	976
Total comprehensive income	**6,024**	976
Closing balance as at 30 June	**12,186**	6,162
TOTAL EQUITY		
Opening balance	**34,737**	33,425
Adjustment to opening balance[1]	**(458)**	-
Comprehensive income		
Other comprehensive income	**6,024**	976
Surplus/(Deficit) for the period	**(11,661)**	(5,037)
Total comprehensive income	**(5,637)**	(4,061)
Transactions with owners		
Contributions by owners		
Equity injection appropriation	**1,700**	-
Departmental capital budget appropriation	**5,312**	5,373
Total transactions with owners	**7,012**	5,373
Closing balance as at 30 June	**35,654**	34,737

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

1. Repeal of quarantined funds relating to the transfer of the Standard Business Reporting function to the Australian Taxation Office.

Accounting Policy

Equity injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

Restructuring of administrative arrangements

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

Other distributions to owners

The Financial Reporting Rule (FRR) requires that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

Cash Flow Statement

for the period ended 30 June 2016

	Notes	2016 $'000	2015 $'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		**170,172**	174,115
Rendering of services		**7,109**	11,348
GST received from ATO		**5,399**	3,317
Other		**1,461**	3,018
Total cash received		**184,141**	191,798
Cash used			
Employees		**122,797**	126,741
Suppliers		**51,481**	52,280
Grants		**2,925**	2,571
Section 74 receipts transferred to OPA[1]		**211**	267
GST paid to ATO		**5,562**	5,170
Other		**2**	15
Total cash used		**182,978**	187,044
Net cash from/(used by) operating activities	6.4A	**1,163**	4,754
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of plant and equipment		**18**	21
Total cash received		**18**	21
Cash used			
Purchase of land and buildings		**4,189**	456
Purchase of plant and equipment		**752**	893
Purchase of intangibles		**5,628**	5,897
Total cash used		**10,569**	7,246
Net cash from/(used by) investing activities		**(10,551)**	(7,225)
FINANCING ACTIVITIES			
Cash received			
Contributed equity - departmental capital budget		**5,312**	5,373
Contributed equity - equity injections		**1,700**	1,595
Total cash received		**7,012**	6,968
Net cash from/(used by) financing activities		**7,012**	6,968
Net increase/(decrease) in cash held		**(2,376)**	4,497
Cash at the beginning of the reporting period		**5,152**	655
Cash at the end of the reporting period		**2,776**	5,152

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

1. The comparative figure has been amended by $0.267 million to reflect the transfer of Section 74 receipts transferred to the Official Public Account (OPA).

Administered Schedule of Comprehensive Income

for the period ended 30 June 2016

	Notes	2016 $'000	2015 $'000
NET COST OF SERVICES			
Expenses			
Grants	4.1	**88,032,393**	83,746,819
Interest		**3,276**	3,427
Suppliers		**2,048**	27,666
Total expenses		**88,037,717**	83,777,912
Income			
Revenue			
Non-taxation revenue			
Rendering of services	4.2A	**690,441**	726,299
Interest	4.2B	**2,680**	3,166
Dividends	4.2C	**3,279,246**	1,941,500
COAG revenue from government agencies	4.2D	**268,887**	993,379
Other	4.2E	**76,604**	154,189
Total non-taxation revenue		**4,317,858**	3,818,533
Total revenue		**4,317,858**	3,818,533
Gains			
Foreign exchange	4.2F	**16,736**	36,629
Total gains		**16,736**	36,629
Total income		**4,334,594**	3,855,162
Net (cost of)/contribution by services		**(83,703,123)**	(79,922,750)
Surplus/(Deficit)		**(83,703,123)**	(79,922,750)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus		**(305,232)**	5,574,357
Total comprehensive income/(loss)		**(84,008,355)**	(74,348,393)

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

Administered Schedule of Assets and Liabilities

as at 30 June 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
Financial assets			
Trade and other receivables	5.1A	**4,168,375**	3,406,908
Investments	5.1B	**37,705,781**	32,565,700
Total financial assets		**41,874,156**	35,972,608
Non-financial assets			
Other		**401**	411
Total non-financial assets		**401**	411
Total assets administered on behalf of Government		**41,874,557**	35,973,019
LIABILITIES			
Payables			
Grants	5.2A	**187,053**	599,925
Other payables	5.2B	**5,796,098**	5,642,592
Unearned income	5.2C	**47,872**	77,019
Total payables		**6,031,023**	6,319,536
Interest bearing liabilities			
Loans	5.3A	**9,651,149**	4,824,704
Total interest bearing liabilities		**9,651,149**	4,824,704
Provisions			
Other provisions	5.4A	**1,725,063**	1,816,251
Total provisions		**1,725,063**	1,816,251
Total liabilities administered on behalf of government		**17,407,235**	12,960,491
Net assets/(liabilities)		**24,467,322**	23,012,528

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

Administered Reconciliation Schedule

for the period ended 30 June 2016

	2016 $'000	2015 $'000
Opening assets less liabilities as at 1 July	**23,012,528**	15,389,085
Net (cost of)/contribution by services		
Income	**4,334,594**	3,855,162
Expenses		
Payments to entities other than corporate Commonwealth entities[1]	**(88,037,717)**	(83,777,912)
Other comprehensive income		
Revaluations transferred to reserves	**(305,232)**	5,574,357
Transfers (to)/from Australian Government		
Appropriation transfers from OPA		
Administered assets and liabilities appropriations	**-**	20
Annual appropriation for administered expenses		
Payments to entities other than corporate Commonwealth entities	**43,913**	72,233
Special appropriations (unlimited)		
Payments to entities other than corporate Commonwealth entities	**80,462,041**	73,367,785
Special accounts - COAG Reform Fund	**9,403,901**	11,521,643
Refunds of receipts (s77 PGPA)	**307**	2,871
Appropriation transfers to OPA		
Transfers to OPA - Appropriations	**(2,940,226)**	(2,942,116)
Transfers to OPA - Special Accounts	**(268,887)**	(50,600)
Restructuring	**(1,237,900)**	-
Closing assets less liabilities as at 30 June	**24,467,322**	23,012,528

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

1. Includes payments that are facilitated by the Treasury to the States and Territories for education services and the Water for the Environment Special Account. Refer to Note 6.1D for more information.

Accounting Policy

Administered cash transfers to and from the Official Public Account

Revenue collected by the Treasury for use by the Government rather than the Treasury is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriations on behalf of the Government. These transfers to and from the OPA are adjustments to administered cash held by the Treasury on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

Administered Cash Flow Statement

for the period ended 30 June 2016

	Notes	2016 $'000	2015 $'000
OPERATING ACTIVITIES			
Cash received			
Rendering of services		**18,729**	55,179
Interest		**699**	1,735
Dividends		**2,558,672**	675,255
HIH Group liquidation proceeds		**16,362**	92,273
COAG receipts from government agencies		**268,887**	993,121
Other receipts from government agencies[1]		**16,701,161**	15,635,076
Other		**60,359**	61,574
Total cash received		**19,624,869**	17,514,213
Cash used			
Grant payments		**87,962,312**	84,866,204
Other grants to the States and Territories[1]		**16,701,161**	15,635,076
Interest		**3,253**	3,787
Other		**9,957**	23,386
Total cash used		**104,676,683**	100,528,453
Net cash from/(used by) operating activities	6.4B	**(85,051,814)**	(83,014,240)
INVESTING ACTIVITIES			
Cash received			
Repayment of IMF loans		**116,532**	360,317
IMF Maintenance of Value		**167,569**	698,194
Repayment of CEFC Capital		**-**	50,600
Total cash received		**284,101**	1,109,111
Cash used			
Settlement of IMF loans		**64,263**	40,786
Settlement of IMF Maintenance of Value		**36**	38
Settlement of obligations to international financial institutions		**1,869,037**	27,295
Total cash used		**1,933,336**	68,119
Net cash from/(used by) investing activities		**(1,649,235)**	1,040,992
Cash from Official Public Account			
Appropriations		**80,506,261**	73,442,909
Special Accounts		**9,403,901**	11,521,643
Total cash from Official Public Account		**89,910,162**	84,964,552
Cash to Official Public Account			
Appropriations		**2,940,226**	2,942,116
Special Accounts		**268,887**	50,600
Total cash to Official Public Account		**3,209,113**	2,992,716
Net cash from/(to) Official Public Account		**86,701,049**	81,971,836
Cash and cash equivalents at the end of the reporting period		**-**	-

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

1. These balances reflect the payments that are facilitated by the Treasury to the States and Territories for education services and the Water for the Environment Special Account. Refer to Note 6.1D for more information.

Notes to and forming part of the financial statements

for the period ended 30 June 2016

Overview

Objectives of the Treasury

The Department of the Treasury (the Treasury) is an Australian Government controlled, not-for-profit entity.

The Treasury provides policy advice and assists Treasury Ministers in the administration of their responsibilities and the administration of government decisions across a range of policy and program areas.

The Treasury is structured to meet one outcome:

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

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

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

Departmental activities are identified under Program 1.1. Administered activities are identified under Programs 1.1 to 1.9 listed below:

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

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

The Basis of Preparation

The financial statements are general purpose financial statements and are required by Section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The Financial Statements have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2015; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

Reporting of Administered Activities

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

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

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

New Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. There have been no new standards, amended standards or interpretations that were issued prior to the signing of the statement and were applicable to the current reporting period and had a material effect on the Treasury's financial statements.

Future Australian Accounting Standard requirements

The following revised standards were issued by the Australian Accounting Standards Board prior to the signing of the statement by the accountable authority and chief finance officer, which are expected to have a material impact on the entity's financial statements for the future reporting period(s):

Standard	Application date for the entity	Nature of impending changes in accounting policy and likely impact on initial application
AASB 124 — Related Party Disclosures & AASB 1049 — Whole of Government and General Government Sector Financial Reporting	1 July 2016	Extending related party disclosures to not-for-profit public sector entities. The amendments are applied prospectively as of the beginning of the annual reporting period in which the standard is initially applied.

AASB 9 — Financial Instruments	1 January 2018	Key changes are: ▪ requirements for impairment of financial assets based on a three-stage 'expected loss' approach; ▪ addition of a third measurement category for debt instruments 'fair value through other comprehensive income'; ▪ expansion of disclosures required in relation to credit risk.
AASB 16 — Leases	1 January 2019	Requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months. Leases will be initially measured on a present value basis and includes non-cancellable lease payments.

Taxation

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

Revenues, expenses and assets are recognised net of GST except:

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

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.

Breach of Section 83 of the Constitution

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The Department of Finance provided information to all agencies in 2011 regarding the need for risk assessments in relation to compliance with statutory conditions on payments from special appropriations, including special accounts.

The Treasury has continued to review its exposure to risks of not complying with statutory conditions on payments from appropriations and testings have identified no payments were made in contravention of Section 83 of the Constitution.

Events After the Reporting Period

Departmental

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

Administered

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

1. Departmental Financial Performance

This section analyses the financial performance of the Treasury for the year ended 2016.

1.1. Expenses

	2016 $'000	2015 $'000
Note 1.1A: Employee benefits		
Wages and salaries	**89,409**	89,253
Superannuation		
Defined contribution plans	**6,441**	6,053
Defined benefit plans	**9,648**	9,511
Redundancies	**690**	1,945
Leave and other entitlements	**13,675**	12,757
Other	**2,881**	3,421
Total employee benefits	**122,744**	122,940

Accounting Policy

Accounting policies for employee related expenses are contained in Note 3: People and relationships.

	2016 $'000	2015 $'000
Note 1.1B: Suppliers		
Information communication technology	**7,296**	7,325
Conferences and training[1]	**2,412**	10,272
Consultants, secondees and contractors	**16,872**	14,104
Fees - Audit, Accounting, Bank and Other	**1,786**	2,062
Insurance	**657**	951
Legal	**2,103**	1,605
Printing	**370**	513
Property operating expenses	**11,553**	12,073
Publications and subscriptions	**1,693**	1,442
Travel	**4,947**	6,046
Other	**2,188**	2,177
Total suppliers	**51,877**	58,570
Goods and services supplied or rendered		
Goods supplied	**2,749**	3,232
Services rendered	**40,759**	46,363
Total goods and services supplied or rendered	**43,508**	49,595
Other suppliers		
Operating lease rentals in connection with		
Minimum lease payments	**8,019**	8,354
Workers compensation expense	**350**	621
Total other suppliers	**8,369**	8,975
Total suppliers	**51,877**	58,570
Leasing commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:[2]		
Within 1 year	**7,686**	3,475
Between 1 to 5 years	**30,298**	4,659
More than 5 years	**34,466**	-
Total operating lease commitments	**72,450**	8,134

1. In 2014-15 conferences and training expenses included expenditure relating to the 2014 G20 Finance Ministers' and Central Bank Governors' meetings organised by the Treasury.
2. The increase in leasing commitments in 2015-16 reflects the signing of the new Treasury building head agreement for a ten year term. Commitments are GST inclusive where relevant.

Operating leases included are effectively non cancellable and comprise of:

Nature of lease	General description of leasing arrangement
Leases for accommodation	Commercial — leases comprise of various periods, including both initial and options periods. Located in Canberra, Sydney and Melbourne. Overseas estate — some commercial lease payments are adjusted annually and residential lease payments are escalated annually and similarly reviewed every three years to reflect market movements. The initial periods of office accommodation leases are still current and each may be renewed with options for a further six years.

Accounting Policy

Leases

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the leased property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

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

	2016 $'000	2015 $'000
Note 1.1C: Grants		
Public sector		
Australian Government entities - other	**198**	231
Private sector		
Non-profit organisations	**2,727**	2,340
Total grants	**2,925**	2,571
Note 1.1D: Losses from asset sales		
Property, plant and equipment		
Proceeds from sale	**(18)**	-
Carrying value of asset sold	**42**	-
Selling expense	**11**	-
Total losses from asset sales	**35**	-

1.2. Own-Source Revenue and Gains

Own-Source Revenue	2016 $'000	2015 $'000
Note 1.2A: Rendering of services		
Rendering of services	**9,447**	10,308
Total rendering of services	**9,447**	10,308

Accounting Policy

Revenue from rendering of services

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

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

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

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

	2016 $'000	2015 $'000
Note 1.2B: Other revenue		
Legislative and Governance Forum on Consumer Affairs contributions received	**629**	334
ANAO audit services received free of charge	**575**	605
Other	**143**	348
Total other revenue	**1,347**	1,287
Note 1.2C: Gains from sale of assets		
Plant and equipment		
Proceeds from sale	-	21
Net book value of assets disposed	-	(12)
Total gains from sale of assets	-	9
Note 1.2D: Other gains		
Resources received free of charge	**3,558**	4,628
Other	**448**	14
Total other gains	**4,006**	4,642

Accounting Policy

Resources received free of charge

Resources received free of charge are recognised and recorded as revenue depending on their nature 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 of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another government agency or authority as a consequence of a restructuring of administrative arrangements (refer to Note 8.1).

Sale of assets

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

	2016	2015
	$'000	$'000
Note 1.2E: Revenue from Government		
Appropriations		
Departmental appropriations	**160,109**	172,767
Total revenue from Government	**160,109**	172,767

Accounting Policy

Revenue from Government

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

Appropriations receivable are recognised at their nominal amounts.

2. Departmental Financial Position

This section analyses the Treasury assets used to generate financial performance and the operating liabilities incurred as a result.

Employee related information is disclosed in the People and Relationships section.

2.1. Financial Assets

	2016 $'000	2015 $'000
Note 2.1A: Cash and cash equivalents		
Special Accounts	**90**	104
Cash on hand or on deposit	**2,686**	5,048
Total cash and cash equivalents	**2,776**	5,152

Accounting Policy

Cash

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

	2016 $'000	2015 $'000
Note 2.1B: Trade and other receivables		
Appropriations receivable	**47,254**	57,564
Goods and services receivables - related parties	**2,064**	953
Goods and services receivables - external parties	**436**	792
Net GST receivable from the ATO	**691**	832
Total trade and other receivables (net)	**50,445**	60,141
All receivables are current assets		
Receivables (net) are aged as follows:		
Not overdue	**48,344**	59,071
Overdue by		
0 to 30 days	**1,833**	890
31 to 60 days	**90**	111
61 to 90 days	**56**	11
More than 90 days	**122**	58
Total trade and other receivables (net)	**50,445**	60,141

Credit terms for goods and services were within 30 days (2015: 30 days).

Accounting Policy

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’. Loans and receivables are measured at amortised cost using the effective interest methods less impairment. Interest is recognised by applying the effective interest rate. Collectability of debts is reviewed regularly throughout the year and at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely. Credit terms are net 30 days (2015: 30 days).

Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period. No indicators of impairment were identified for assets as at 30 June 2016.

2.2. Non-Financial Assets

Note 2.2A: Reconciliation of the opening and closing balances of property, plant and equipment and computer software (2015-16)

	Buildings – leasehold improvements $'000	Plant and equipment $'000	Computer software internally developed $'000	Computer software purchased $'000	Total $'000
As at 1 July 2015					
Gross book value	7,110	11,221	11,076	11,631	41,038
Accumulated depreciation / amortisation and impairment	(4,610)	(2,561)	(6,339)	(4,147)	(17,657)
Total value as at 1 July 2015	2,500	8,660	4,737	7,484	23,381
Additions					
By purchase[1]	6,797	752	-	3,207	10,755
Internally developed	-	-	2,421	-	2,421
Total additions	6,797	752	2,421	3,207	13,177
Revaluations recognised in other comprehensive income	5,980	44	-	-	6,024
Depreciation and amortisation	(987)	(3,170)	(2,347)	(2,299)	(8,803)
Impairments recognised in net cost of services	-	(83)	-	(17)	(100)
Disposals					
From asset sales	-	(42)	-	-	(42)
Other movements					
Other movements - Gross Value	(393)	-	-	-	(393)
Other movements - Accumulated Depreciation	393	-	-	-	393
Transfers	(9)	3,466	-	(3,457)	-
Total as at 30 June 2016	14,280	9,627	4,811	4,919	33,637
Total as at 30 June 2016 represented by:					
Under construction	183	285	-	-	468
Fair value	14,097	14,715	-	-	28,812
Internally developed - in use	-	-	13,497	-	13,497
Purchased	-	-	-	10,756	10,756
Accumulated depreciation / amortisation and impairment	-	(5,373)	(8,686)	(5,837)	(19,896)
Total as at 30 June 2016	14,280	9,627	4,811	4,919	33,637

1. The purchase figure for Buildings — leaseholds improvements includes an amount ($2.07 million) for first time recognition of make-good (restoration).

No indicators of impairment were found for land and buildings, plant and equipment or intangibles (comprising both internally developed and purchased computer software).

No significant non-financial assets are expected to be sold or disposed within the next 12 months.

All revaluations are independent and are conducted in accordance with the revaluation policy stated at Note 7.5.

The fair value of land and buildings, and property, plant and equipment has been taken to be the market value of similar properties or depreciated replacement value as determined by an independent valuer.

Contractual commitments[1] for the acquisition of property, plant and equipment and intangible assets	2016 $'000	2015 $'000
Within 1 year	**3,060**	2,716
Between 1 to 5 years	**314**	-
Total commitments	**3,374**	2,716

1. Commitments are GST inclusive where relevant.

Accounting Policy

Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

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

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than $5,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to make good (restoration) provisions in property leases taken up by the Treasury where there exists an obligation to restore the property to its original condition. These costs are included in the value of the Treasury's leasehold improvements with a corresponding provision for the make-good (restoration) recognised.

Revaluations

Following initial recognition at cost, buildings — leasehold improvements and plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets. The most recent full revaluation was conducted by Preston Rowe Patterson NSW Pty Limited (PRP) as at 1 July 2014. A subsequent valuation of leasehold was conducted as at 30 June 2016 by the Australian Valuation Services (AVS) as a result of a new lease agreement for the Treasury building. Motor vehicles were also tested for materiality and revalued accordingly.

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

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

In addition to revaluations the Treasury received a fair value confirmation of leasehold improvements and plant and equipment assets as at 30 June 2016. The fair value confirmation was performed by AVS in accordance with AASB 13. AVS confirmed that net asset values materially reflected fair value at 30 June 2016.

Depreciation

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the Treasury using, in all cases, the straight line method of depreciation. Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

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

	2016	2015
Buildings - leasehold improvements	1.75-25 years	5-10 years
Plant and equipment:		
Computers, plant and equipment	3-10 years	3-10 years
Motor vehicles	4 years	4 years
Office equipment	5 years	5 years

Impairment

All assets were assessed for impairment at 30 June 2016. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount. No indicators of impairment were found for departmental non-financial assets as at 30 June 2016 (2015: nil).

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

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Intangibles

The Treasury's intangible assets comprise internally developed and purchased software for internal use. These assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Software is amortised on a straight line basis over its anticipated useful life. The useful lives of the Treasury's software are three to five years (2015: three to five years).

All software assets were assessed for indications of impairment as at 30 June 2016. No indicators of impairment were identified as at 30 June 2016 (2015: nil).

Accounting Judgement and Estimates

The fair value of buildings — leasehold improvements and plant and equipment has taken to be the market value of similar properties or depreciated replacement value as determined by an independent valuer.

Note 2.2A: Reconciliation of the opening and closing balances of property, plant and equipment and computer software (2014-15)

	Buildings – leasehold improvements $'000	Plant and equipment $'000	Computer software internally developed $'000	Computer software purchased $'000	Total $'000
As at 1 July 2014					
Gross book value	15,042	17,431	11,153	6,666	50,292
Accumulated depreciation and impairment	(9,321)	(6,710)	(4,885)	(3,620)	(24,536)
Total as at 1 July 2014	5,721	10,721	6,268	3,046	25,756
Additions					
By purchase	451	1,135	-	4,738	6,324
Internally developed	-	-	281	-	281
Total additions	451	1,135	281	4,738	6,605
Revaluations recognised in other comprehensive income	521	455	-	-	976
Depreciation and amortisation	(4,273)	(2,626)	(1,765)	(1,003)	(9,667)
Impairments recognised in net cost of services	(6)	(112)	(47)	(112)	(277)
Disposals					
From asset sales	-	(12)	-	-	(12)
Transfers	86	(901)	-	815	-
Total as at 30 June 2015	2,500	8,660	4,737	7,484	23,381
Total as at 30 June 2015 represented by:					
Under construction	208	602	197	4,394	5,401
Fair value	6,902	10,619	-	-	17,521
Internally developed - in use	-	-	10,879	-	10,879
Purchased	-	-	-	7,237	7,237
Accumulated depreciation / amortisation and impairment	(4,610)	(2,561)	(6,339)	(4,147)	(17,657)
Total as at 30 June 2015	2,500	8,660	4,737	7,484	23,381

	2016 $'000	2015 $'000
Note 2.2B: Prepayments		
Prepayments	**4,888**	3,366
Total prepayments	**4,888**	3,366
Prepayments		
No more than 12 months	**3,171**	2,642
More than 12 months	**1,717**	724
Total prepayments	**4,888**	3,366

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

2.3. Payables

	2016 $'000	2015 $'000
Note 2.3A: Suppliers		
Trade creditors and accruals	**335**	1,289
Total suppliers	**335**	1,289
Suppliers expected to be settled		
No more than 12 months	**335**	1,289
Total suppliers	**335**	1,289

Note: Settlement was usually made within 30 days.

	2016 $'000	2015 $'000
Note 2.3B: Other payables		
Salaries and wages	**322**	3,014
Superannuation	**62**	539
Separations and redundancies	**212**	-
Other creditors	**2,883**	3,890
Unearned income	**2,432**	4,041
Total other payables	**5,911**	11,484

Other payables are expected to be settled in no more than 12 months.

Accounting Policy

Financial liabilities

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

2.4. Other Provisions

	Provision for restoration $'000	Total $'000
Carrying amount 1 July 2015	**964**	**964**
Additional provisions made	**2,782**	**2,782**
Amounts reversed	**(448)**	**(448)**
Amounts used	**(105)**	**(105)**
Unwinding of discount or change in discount rate	**86**	**86**
Closing balance 30 June 2016	**3,279**	**3,279**

	2016 $'000	2015 $'000
Provision for restoration expected to be settled		
No more than 12 months	**139**	859
More than 12 months	**3,140**	105
Total provisions for restoration	**3,279**	964

The department has 5 (2015: 3) lease agreements containing provisions to restore the premises to their original condition at the conclusion of the lease. The department has made a provision to reflect the present value of this obligation. The value of the provision has been estimated by an independent valuer based on occupied floor space as per the leasing agreements. Additional provision has been recognised in 2015-16 on the Treasury building as a result of a new lease agreement ($2.6 million).

3. People and relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

3.1. Employee Provisions

	2016 $'000	2015 $'000
Note 3.1: Employee provisions		
Leave	**46,358**	43,345
Other employee entitlements	**209**	221
Total employee provisions	**46,567**	43,566
Employee provisions expected to be settled		
No more than 12 months	**13,308**	13,050
More than 12 months	**33,259**	30,516
Total employee provisions	**46,567**	43,566

Accounting Policy

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled. Liabilities for termination benefits due within twelve months of balance date are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

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

Leave

The liability for employee benefits includes provision for annual leave and long service leave.

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

The liability for both annual and long service leave has been determined by reference to standard parameters provided by the Department of Finance. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and general pay increases.

Separation and redundancy

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

Superannuation

Staff of the Treasury are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other superannuation funds held outside the Australian Government.

The CSS and PSS are defined benefit schemes of the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The Treasury makes employer contributions to the employee superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The Treasury accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June 2016 represents outstanding contributions.

Accounting Judgement and Estimates

The employee provision has been determined by reference to standard parameters provided by the Department of Finance.

3.2. Senior Management Personnel Remuneration

	2016 $'000	2015 $'000
Short-term employee benefits		
Salary	**16,803**	17,868
Allowances	**1,910**	1,647
Total short-term employee benefits	**18,713**	19,515
Post-employment benefits		
Superannuation	**2,954**	3,133
Total post-employment benefits	**2,954**	3,133
Other long-term employee benefits		
Annual leave accrued	**1,830**	1,663
Long-service leave	**1,343**	1,310
Total other long-term employee benefits	**3,173**	2,973
Termination benefits		
Termination benefits	**-**	665
Total termination benefits	**-**	665
Total senior executive remuneration expenses	**24,840**	26,286

This note is prepared on an accruals basis. No performance bonuses were paid in 2016 (2015: Nil).

The total number of senior management personnel that are included in the above table are 88 (2015: 99).

Includes secondees received free of charge of $341,453 (2015: $515,807). Revenue is reflected in Note 1.2D.

Long-service leave benefits have increased due to the leave revaluation as at 30 June 2016. The long-term government bond rate as at the reporting date was used to value the leave provision.

Allowances include payments made to employees on overseas posts.

4. Income and Expenses Administered on Behalf of Government

This section analyses the activities that the Treasury does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

4.1. Administered — Expenses

	2016 $'000	2015 $'000
Note 4.1: Grants		
Public sector		
State and Territory Governments	**87,730,649**	82,704,840
Payment of COAG receipts from Government agencies	**268,887**	993,379
Grants to international financial institutions	**17,500**	37,972
Private sector		
Grants to private sector	**15,357**	10,628
Total grants	**88,032,393**	83,746,819

Accounting Policy

The Treasury administers a number of grants on behalf of the Government. With the exception of the accounting treatment of payments to State and Territories under Natural Disaster Relief and Recovery Arrangements (NDRRA) detailed below, grant liabilities are recognised to the extent that (i) the services required to be performed by the grantee have been performed or (ii) the grant eligibility criteria have been satisfied, but payments due have not been made.

Grants to States and Territories

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

There are three main types of payments under the framework:

- General revenue assistance, including GST revenue payments — a financial contribution to a State or Territory which is available for use for any purpose.
- National SPPs — a financial contribution to support a State or Territory to deliver services in a particular sector.
- NP payments — a financial contribution in respect of a NP agreement with a State or Territory to support the delivery of specific projects, to facilitate reforms or to reward jurisdictions that deliver on national reforms or achieve service delivery improvements.

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

NP and other general revenue assistance payments are paid under the *Federal Financial Relations Act 2009* which allows the Treasurer to determine an amount to be paid to a State or Territory for the purpose of making a grant of financial assistance. Once determined, this amount must be credited to the COAG Reform Fund and the Treasurer must ensure that, as soon as practicable after the amount is credited, the COAG Reform Fund is debited for the purposes of making the grant. In addition, the Treasurer must have regard to the Intergovernmental Agreement on Federal Financial Relations.

The Treasury is primarily reliant on certified payment advice from the Chief Finance Officers of Commonwealth agencies, who have policy and program responsibility to assure that the terms and conditions of the NP have been met prior to making a payment. The Treasury then advises the Treasurer on amounts to be determined.

Natural Disaster Relief and Recovery Arrangements

The Treasury accounts for payments made to States and Territories under NDRRA by recognising a liability equal to the discounted value of estimated future payments to States and Territories regardless of whether or not a State or Territory has completed eligible disaster reconstruction work or submitted an eligible claim to the Commonwealth. States and Territories were requested to provide to the Attorney-General's Department (AGD) an estimate of costs expected to be incurred for disasters affecting States and Territories that occurred prior to 1 July 2016 which would be eligible for assistance. The signed representations from the States and Territories are quality assured by AGD, which in turn provides a certification of the expenditure estimates to the Treasury.

Payments to the States and Territories through the COAG special account

COAG receipts are received from other government agencies for the following payments:

- Department of Social Services — Commonwealth's share of the wage increases arising from Fair Work Australia's decision on 1 February 2012 to grant an Equal Remuneration Order in the Social and Community Services sector.
- Department of Infrastructure and Regional Development — distribution of interstate road transport fees to the States and Territories for the maintenance and upkeep of roads.
- Department of Infrastructure and Regional Development — Building Australia Fund infrastructure projects.
- Department of Health — Health and Hospitals Fund infrastructure projects.

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

Mirror taxes collected by State Governments

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

4.2. Administered — Income

Revenue	2016 $'000	2015 $'000
Non-taxation Revenue		
Note 4.2A: Rendering of services		
GST administration fees - external entities	**672,192**	680,318
Guarantee Scheme for Large Deposits and Wholesale Funding fee	**50**	22,218
Guarantee of State and Territory Borrowing fee	**18,199**	23,763
Total rendering of services	**690,441**	726,299
Note 4.2B: Interest		
Gross IMF remuneration	**253**	689
Less: Burden sharing	**(27)**	(41)
Net IMF remuneration	**226**	648
Interest on loan to IMF under New Arrangements to Borrow	**418**	575
Interest on loans to States and Territories	**2,036**	1,943
Total interest	**2,680**	3,166
Note 4.2C: Dividends		
Reserve Bank of Australia	**3,221,746**	1,884,000
Australian Reinsurance Pool Corporation	**57,500**	57,500
Total dividends	**3,279,246**	1,941,500
Note 4.2D: COAG revenue from government agencies		
Building Australia Fund revenue	**6,920**	184,680
Health and Hospital Fund revenue	**46,891**	659,480
Interstate road transport revenue	**70,357**	73,615
Social and Community Services Sector Special Account	**144,719**	75,604
Total COAG receipts from government agencies	**268,887**	993,379
Note 4.2E: Other revenue		
HIH Group liquidation proceeds	**16,362**	92,273
Australian Reinsurance Pool Corporation Fee	**55,000**	55,000
Other revenue	**5,242**	6,916
Total other revenue	**76,604**	154,189
Gains		
Note 4.2F: Net Foreign exchange gains		
IMF SDR allocation	**(162,014)**	(579,042)
IMF Maintenance of Value	**167,533**	(212,328)
IMF quota revaluation	**(29,252)**	607,819
IFIs revaluation	**18,960**	129,423
IMF New Arrangements to Borrow loans revaluation	**23,487**	101,437
Other	**(1,978)**	(10,680)
Total foreign exchange gains	**16,736**	36,629

Accounting Policy

Administered revenue

All administered revenue relate to ordinary activities performed by the Treasury on behalf of the Australian Government. As such, administered appropriations are not revenue of the individual entity that oversees distribution or expenditure of the funds as directed.

Reserve Bank of Australia dividend

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

The Treasury recognise the dividend revenue and a corresponding receivable in the year the RBA reports a net profit available to the Commonwealth, subject to reliable measurement. This does not affect the timing of the dividend receipt in the Cash Flow Statement, only the timing of the accrued revenue in the Statement of Comprehensive Income. Dividends are measured at nominal amounts.

Australian Reinsurance Pool Corporation dividend and fee

The dividend and fee from the Australian Reinsurance Pool Corporation (ARPC) are recognised when the relevant Minister signs the legislative instrument, and thus control of the income stream is established. These are measured at nominal amounts.

International Monetary Fund remuneration

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

Where the IMF's holdings of Australian dollars fall below a specified level, it pays remuneration on Australia's average remunerated reserve tranche position. The rate of remuneration is equal to the SDR interest rate. The SDR interest rate is the market interest rate computed by the IMF for the purposes of paying interest on holdings of SDRs, which is based on the weighted 3 month bond rates of the four entities whose currencies make up the SDR basket: the United States, United Kingdom, European Union and Japan. This rate is then adjusted to account for the financial consequences of overdue obligations to the IMF which are shared between members and reflected at Note 4.2B as 'burden sharing'.

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

International Monetary Fund New Arrangement to Borrow (NAB)

Australia also receives interest on amounts lent to the IMF under the New Arrangements to Borrow (NAB). Amounts lent to the IMF under the NAB accrue interest daily at the IMF's SDR interest rate (or such other rate as agreed by 85 per cent of NAB participants). The IMF pays interest on NAB amounts quarterly.

The IMF must repay amounts lent through the NAB five years after each call is made. Amounts can be repaid earlier at the IMF's discretion.

The Guarantee of State and Territory Borrowing

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

Financial Guarantee Contracts

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

5. Assets and Liabilities Administered on Behalf of Government

This section analyses assets used to generate financial performance and the operating liabilities incurred as a result the Treasury does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

5.1. Administered — Financial Assets

	2016 $'000	2015 $'000
Note 5.1A: Receivables & loans		
Advances and loans		
Loans to States and Territories	**46,269**	44,233
IMF New Arrangements to Borrow loan	**737,805**	766,588
Total advances and loans	**784,074**	810,821
Other receivables		
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	**-**	13
Guarantee of State and Territory Borrowing contractual fee receivable[1]	**47,872**	77,019
Guarantee of State and Territory Borrowing fee receivable	**1,374**	1,765
Net GST receivable from the ATO	**172**	761
IMF related monies owing	**-**	55
Dividends receivable	**3,221,819**	2,501,245
Other receivables	**113,064**	15,229
Total other receivables	**3,384,301**	2,596,087
Total trade and other receivables (gross)	**4,168,375**	3,406,908
Receivables are expected to be recovered in		
No more than 12 months	**3,380,651**	1,597,006
More than 12 months	**787,724**	1,809,902
Total receivables (gross)	**4,168,375**	3,406,908
Receivables (gross) are aged as follows		
Not overdue	**4,168,375**	3,406,908
Total receivables (gross)	**4,168,375**	3,406,908

1. Refer to Note 5.2C for corresponding liability.

Accounting Policy

Refer to Note 7.4 (Administered Financial Instruments) for details on accounting treatment.

	2016 $'000	2015 $'000
Note 5.1B: Investments		
International financial institutions		
Asian Development Bank	**577,387**	561,246
Asian Infrastructure Investment Bank	**198,815**	-
European Bank for Reconstruction and Development	**93,447**	91,174
International Bank for Reconstruction and Development	**314,236**	291,378
International Finance Corporation	**63,734**	61,626
Multilateral Investment Guarantee Agency	**8,350**	8,074
Total international financial institutions	**1,255,969**	1,013,498
Australian Government entities		
Reserve Bank of Australia	**23,592,000**	23,869,000
Australian Reinsurance Pool Corporation	**503,677**	537,700
Clean Energy Finance Corporation[1]	**-**	1,232,109
Total Australian Government entities	**24,095,677**	25,638,809
Other Investments		
IMF quota	**12,354,135**	5,913,393
Total other investments	**12,354,135**	5,913,393
Total Investments	**37,705,781**	32,565,700

Investments are expected to be recovered in more than 12 months.

1. Refer to Note 8.2 for restructuring details.

Administered investments

Development banks

Investments in development banks are classified as 'monetary — available for sale financial assets' refer Note 7.4. As such, the foreign currency value of investments is translated into Australian dollars (AUD) using relevant foreign currency exchange rates at balance date.

Principal activities:

The European Bank for Reconstruction and Development (EBRD) was established in 1991 to assist former communist eastern European countries committed to the principles of multi-party democracy, pluralism and market economies, to develop their private sector and capital markets. The EBRD currently operates in more than 30 countries from Central and Eastern Europe to Central Asia and the Southern and Eastern Mediterranean region. It provides project financing for banks, industries and businesses, both new ventures and investments in existing companies. It also works with publicly owned companies, to support privatisation, restructuring state owned firms and improvement of municipal services.

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

The World Bank was established in 1944 and comprises the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The World Bank, alongside the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID), form the World Bank Group.

The IBRD provides financing and technical assistance to middle income countries and creditworthy poor countries. The IDA provides grants, concessional finance and technical assistance to low income countries. The IFC supports the development of the private sector by providing direct finance to private sector operations. MIGA provides guarantee services for projects, which reduce the risks for other co-financing partners including the private sector. ICSID provides international facilities for conciliation and arbitration of investment disputes.

The Asian Infrastructure Investment Bank (AIIB) was established on 25 December 2015. The AIIB focuses on the development of infrastructure and other productive sectors in Asia, including energy and power, transportation and telecommunications, and water supply and sanitation. The AIIB also aims to promote interconnectivity and economic integration in the region by working in close collaboration with other multilateral and bilateral development institutions.

International Monetary Fund

The IMF is an organisation with 189 member countries, working to ensure the stability of the international monetary system — the system of exchange rates and international payments that enables countries (and their citizens) to transact with each other. The IMF does this through: surveillance, including annual economic assessments of member countries; technical assistance to member countries; and by making resources available (with adequate safeguards) to members experiencing balance of payments difficulties.

Quota subscriptions which are denominated in SDR's represent a member's shareholding in the IMF and generate most of the IMF's financial resources.

Australian Government entities

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

The Australian Government's investment in controlled corporate entities and companies in the Treasury portfolio are measured at their fair value as at 30 June 2016. Fair value has been taken to be the net assets of the entities, adjusted for the discount of employee benefit obligations with reference to the yield on Australian Government bonds for the Reserve Bank of Australia, as at balance date. These entities are listed below:

Reserve Bank of Australia

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

Australian Reinsurance Pool Corporation

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

Impairment of administered investments

Administered investments were assessed for impairment at 30 June 2016. No indicators of impairment were identified (2015: nil).

5.2. Administered — Payables

	2016 $'000	2015 $'000
Note 5.2A: Grants		
Public sector		
COAG grants payable	**186,830**	599,530
Other grants payable	**223**	395
Total grants	**187,053**	599,925
Grants are expected to be settled in no more than 12 months.		
Note 5.2B: Other payables		
GST appropriation payable	**172**	761
IMF SDR allocation	**5,795,434**	5,633,420
IMF related monies owing	**492**	469
Suppliers	**-**	7,942
Total other payables	**5,796,098**	5,642,592
Other payables expected to be settled		
No more than 12 months	**664**	9,172
More than 12 months	**5,795,434**	5,633,420
Total other payables	**5,796,098**	5,642,592
Note 5.2C: Unearned income		
Guarantee of State and Territory Borrowing contractual guarantee service obligation[1]	**47,872**	77,019
Total unearned income	**47,872**	77,019
Total unearned income expected to be settled		
No more than 12 months	**14,823**	19,938
More than 12 months	**33,049**	57,081
Total unearned income	**47,872**	77,019

1. Refer Note 5.1A for corresponding receivable.

IMF Special Drawing Right Allocation

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

5.3. Administered — Interest Bearing Liabilities

	2016 $'000	2015 $'000
Note 5.3A: Loans		
IMF promissory notes[1]	**9,494,540**	4,642,044
Other promissory notes[1]	**156,609**	182,660
Total loans	**9,651,149**	4,824,704
Loans expected to be settled		
Within 1 year	**22,218**	-
Between 1 to 5 years	**74,591**	124,839
More than 5 years	**9,554,340**	4,699,865
Total loans	**9,651,149**	4,824,704

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

Promissory notes

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

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

Foreign currency gains and losses are recognised where applicable.

5.4. Administered — Other Provisions

	2016 $'000	2015 $'000
Note 5.4A: Other Provisions		
NDRRA provision	**1,725,063**	1,816,251
Queensland	*1,337,645*	*1,523,777*
Victoria	*117,992*	*77,246*
New South Wales	*112,625*	*110,473*
Northern Territory	*68,716*	*92,458*
Tasmania	*64,834*	*107*
Western Australia	*16,587*	*8,566*
South Australia	*6,664*	*3,624*
Total other provisions	**1,725,063**	1,816,251

	2016 $'000	2015 $'000
Other provisions expected to be settled		
No more than 12 months	**1,617,519**	1,406,684
More than 12 months	**107,544**	409,567
Total other provisions	**1,725,063**	1,816,251

	NDRRA provision $'000	**Total $'000**
As at 1 July 2015	**1,816,251**	**1,816,251**
Additional provisions made	**182,316**	**182,316**
Amounts used	**-**	**-**
Amounts reversed	**(315,239)**	**(315,239)**
Unwinding of discount or change in discount rate	**41,735**	**41,735**
Total as at 30 June 2016	**1,725,063**	**1,725,063**

Accounting Judgements and Estimates

The Natural Disaster Relief and Recovery Arrangements (NDRRA) liability represents the Treasury's best estimate of payments expected to be made to States and Territories as at balance date.

The estimate is based on information provided by States and Territories to the Attorney General's Department (AGD), the Commonwealth agency responsible for the administration of disaster relief. The estimates provided by States and Territories are based on their assessment of the costs expected to be incurred that would be eligible for assistance under NDRRA. AGD performs a review of estimates provided by the States and Territories in order to assess the reasonableness of estimated expenditure with regard to eligibility under the NDRRA. The Treasury reviews the estimates to ensure they are consistent with government decisions and then calculates the provision by discounting the future cashflows. Given the nature of disasters, there is a level of uncertainty in the estimated reconstruction costs at the time of a disaster. This uncertainty decreases as reconstruction efforts progress to completion. Consistent with accounting principles, the Treasury adopts a prudent position at this time to ensure that liabilities are not understated.

The liability at 30 June 2016 includes estimated payments for disaster events that occurred prior to 1 July 2016, with the exception of new events for which reliable expenditure data is unavailable at the time States and Territories submitted their cost estimates to AGD in late June. Not included in the liability balance at 30 June 2016 are the estimated costs of the following events:

- New South Wales thunderstorms in January 2016;
- South West Queensland floods in May 2016;
- South Australia Charles Sturt storms in May 2016; and
- New South Wales East Coast storms and floods in June 2016.

6. Funding

This section identifies the Treasury funding structure.

6.1. Appropriations

Note 6.1A: Annual Appropriations (‘Recoverable GST exclusive’)

Annual Appropriations 2016

	Appropriation Act		*PGPA Act*				
	Annual Appropriation $'000	AFM $'000	Section 74 Receipts $'000	Section 75 Transfers[2] $'000	Total appropriation $'000	Appropriation applied in 2016 (current and prior years) $'000	Variance[3] $'000
DEPARTMENTAL							
Ordinary annual services	161,109	-	15,534	(1,000)	175,643	(188,016)	(12,373)
Capital Budget[1]	5,312	-	-	-	5,312	(5,312)	-
Other services							
Equity	1,700	-	-	-	1,700	(1,700)	-
Total departmental	**168,121**	**-**	**15,534**	**(1,000)**	**182,655**	**(195,028)**	**(12,373)**
ADMINISTERED							
Ordinary annual services							
Administered items	38,124	-	-	-	38,124	(43,833)	(5,709)
Payments to Corporate Commonwealth Entities	-	-	-	-	-	-	-
Other services							
Administered assets and liabilities	-	-	-	-	-	-	-
Total administered	**38,124**	**-**	**-**	**-**	**38,124**	**(43,833)**	**(5,709)**

1. Departmental Capital Budgets are appropriated through Appropriation Acts (No.1 and 3). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

2. Transfer of departmental appropriation to the Department of Industry, Innovation and Science for the Northern Australia Infrastructure Facility.

3. Variances largely driven by the timing of cash payments.

Annual Appropriations 2015[1]

	Appropriation Act		*PGPA Act*				
	Annual Appropriation $'000	AFM $'000	Section 74 Receipts $'000	Section 75 Transfers $'000	Total appropriation $'000	Appropriation applied in 2015 (current and prior years) $'000	Variance $'000
DEPARTMENTAL							
Ordinary annual services	173,027	-	15,425	(260)	188,192	(185,020)	3,172
Capital Budget	5,373	-	-	-	5,373	(5,373)	-
Other services							
Equity	2,613	-	-	(2,613)	-	(1,595)	(1,595)
Total departmental	181,013	-	15,425	(2,873)	193,565	(191,988)	1,577
ADMINISTERED							
Ordinary annual services							
Administered items [2]	79,712	-	-	6,856	86,568	(72,859)	13,709
Payments to Corporate Commonwealth Entities	-	-	-	-	-	-	-
Other services							
Administered assets and liabilities	-	-	-	-	-	(20)	(20)
Total administered	79,712	-	-	6,856	86,568	(72,879)	13,689

1. Variation to presentation as published in the 2014-15 financial statements to align with the 2015-16 presentation.
2. Variance relates to undrawn appropriation for the community engagement campaign on Australia's economic challenges.

Note 6.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')

Authority	2016 $'000	2015 $'000
Departmental		
Appropriation Act (No. 1) 2012-13[1]	**865**	865
Appropriation Act (No. 2) 2012-13[1]	**208**	208
Appropriation Act (No. 3) 2013-14	**-**	7,473
Appropriation Act (No. 1) 2014-15	**-**	50,770
Appropriation Act (No. 3) 2014-15	**-**	620
Appropriation Act (No. 1) 2015-16[2]	**44,264**	-
Appropriation Act (No. 3) 2015-16	**1,768**	-
Total departmental	**47,105**	59,936

Authority	2016 $'000	2015 $'000
Administered		
Appropriation Act (No. 1) 2012-13[3]	**2**	2
Appropriation Act (No. 2) 2012-13[3]	**42,705**	42,705
Appropriation Act (No. 2) 2013-14	**47,101**	47,101
Appropriation Act (No. 4) 2013-14	**18**	18
Appropriation Act (No. 1) 2014-15	**-**	2,304
Appropriation Act (No. 3) 2014-15	**308**	308
Appropriation Act (No. 5) 2014-15	**4,510**	13,798
Appropriation Act (No. 1) 2015-16	**5,280**	-
Appropriation Act (No. 3) 2015-16	**1,400**	-
Total administered	**101,324**	106,236

1. Balances include quarantined funds of $1.073 million relating to the transfer of the Standard Business Reporting function to the Australian Taxation Office.
2. Cash held amounts (2016:$2.686 million, 2015: $5.047 million) are included in Appropriation Act (No.1) for the relevant year.
3. Balances include quarantined funds totalling $42.707 million pending the repeal of 2012-13 Appropriations.

Note 6.1C: Special Appropriations ('Recoverable GST exclusive')

The following table lists current special appropriations contained in legislation that the Treasury is responsible for administering.

	Appropriation applied	
	2016	2015
Authority	**$'000**	$'000
Asian Development Bank Act 1966	**-**	-
Asian Development Bank (Additional Subscription) Act 2009	**(28,030)**	(16,979)
Asian Infrastructure Investment Bank Act 2015	**(210,884)**	-
Clean Energy Act 2011	**-**	-
Clean Energy Finance Corporation Act 2012 *(Limited amount; $2.0 billion in 2015-16)*	**(2,000,000)**	(2,000,000)
Commonwealth Places (Mirror Taxes) Act 1998	**(513,235)**	(502,976)
European Bank for Reconstruction and Development Act 1990	**-**	-
Federal Financial Relations Act 2009	**(78,525,449)**	(73,296,353)
Financial Agreements (Commonwealth Liability) Act 1932	**-**	-
Financial Services Reform Act 2001	**-**	-
Guarantee Scheme for Large Deposits and Wholesale Funding Appropriation Act 2008	**-**	-
International Bank for Reconstruction and Development (General Capital Increase) Act 1989	**-**	-
International Bank for Reconstruction and Development (Share Increase) Act 1988	**-**	-
International Finance Corporation Act 1955	**-**	-
International Finance Institutions (Share Increase) Act 1982	**-**	-
International Finance Institutions (Share Increase) Act 1986	**-**	-
International Monetary Agreements Act 1947	**(1,697,678)**	(54,453)
Multilateral Investment Guarantee Agency Act 1997	**-**	-
Papua New Guinea Loan (International Bank) Act 1970	**-**	-

Note 6.1C: Special Appropriations ('Recoverable GST exclusive')

	Appropriation applied	
Authority	**2016 $'000**	2015 $'000
Papua New Guinea Loans Guarantee Act 1975	**-**	-
Payment of Tax Receipts (Victoria) Act 1996	**-**	-
Public Governance, Performance and Accountability Act 2013	**(307)**	(2,871)
State Grants Act 1927	**-**	-
States (Works and Housing) Assistance Act 1984	**-**	-
States (Works and Housing) Assistance Act 1988	**-**	-
Superannuation Industry (Supervision) Act 1993	**-**	-
Terrorism Insurance Act 2003	**-**	-
Total	**(82,975,583)**	**(75,873,632)**

Note 6.1D: Disclosure by agent in relation to Annual and Special Appropriations ('Recoverable GST exclusive')

2016	**Department of Education and Training** Payments to the States and Territories: education services **$'000**	**Department of Agriculture and Water Resources** Payments to the States and Territories: Water for the Environment Special Account **$'000**	**Inspector-General of Taxation** Transaction service provider **$'000**
Total receipts	**16,698,587**	**2,574**	**6,344**
Total payments	**16,698,587**	**2,574**	**6,351**

2015	**Department of Education and Training** Payments to the States and Territories: education services **$'000**	**Department of Agriculture and Water Resources** Payments to the States and Territories: Water for the Environment Special Account **$'000**	**Inspector-General of Taxation** Transaction service provider **$'000**
Total receipts	15,635,076	-	2,786
Total payments	15,635,076	-	2,714

6.2. Special Accounts

	Actuarial Services Special Account[1]		Clean Energy Finance Corporation Special Account[2]		Fuel Indexation Special Account[3]		COAG Reform Fund Special Account[4]		Services for Other Entities and Trust Money Special Account[5]	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Balance brought forward from previous period	**2,632**	2,446	**2,919,000**	868,400	**-**	-	**-**	-	**-**	-
Increases										
Appropriation for reporting period	**-**	-	**2,000,000**	2,000,000	**98,000**	-	**9,037,014**	10,528,522	**-**	-
Other receipts	**2,100**	2,026	**-**	50,600	**-**	-	**366,887**	993,121	**2,037**	1,996
Total increases	**2,100**	2,026	**2,000,000**	2,050,600	**98,000**	-	**9,403,901**	11,521,643	**2,037**	1,996
Available for payments	**4,732**	4,472	**4,919,000**	2,919,000	**98,000**	-	**9,403,901**	11,521,643	**2,037**	1,996
Decreases										
Departmental										
Payments made to employees	**(1,537)**	(1,487)	**-**	-	**-**	-	**-**	-	**-**	-
Payments made to suppliers	**(360)**	(353)	**-**	-	**-**	-	**-**	-	**-**	-
Total departmental	**(1,897)**	(1,840)	**-**	-	**-**	-	**-**	-	**-**	-
Administered										
Payments made to States and Territories	**-**	-	**-**	-	**-**	-	**(9,403,901)**	(11,521,643)	**-**	-
Payments made to other entities	**-**	-	**-**	-	**-**	-	**-**	-	**(2,037)**	(1,996)
Transfers made to other entities	**-**	-	**(4,919,000)**	-	**-**	-	**-**	-	**-**	-
Transfers made to COAG Reform Fund Special Account	**-**	-	**-**	-	**(98,000)**	-	**-**	-	**-**	-
Total administered	**-**	-	**(4,919,000)**	-	**(98,000)**	-	**(9,403,901)**	(11,521,643)	**(2,037)**	(1,996)
Total decreases	**(1,897)**	(1,840)	**(4,919,000)**	-	**(98,000)**	-	**(9,403,901)**	(11,521,643)	**(2,037)**	(1,996)
Total balance carried to the next period	**2,835**	2,632	**-**	2,919,000	**-**	-		-	**-**	-

1. Legal authority: Initially Financial Management and Accountability Determination 2006/34 — Actuarial Services Special Account Establishment 2006, taken to have been made under subsection 78(1) of the Public Governance, Performance and Accountability Act 2013.
Purpose: Providing actuarial services and advice.
Note: Actuarial Services Special Account was established on 1 October 2006. This special account determination is to sunset on 1 October 2016.

2. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
   Establishing instrument: *Clean Energy Finance Corporation Act 2012*, section 5.
   Purpose: To facilitate increased flows of finance into the clean energy sector. The return of capital to the Clean Energy Finance Corporation (CEFC) special account represents the return of surplus money from the CEFC to the Commonwealth.
   Note: The CEFC special account of $4.919 billion was transferred to Department of the Environment and Energy as a result of the restructuring of administrative arrangements on 21 September 2015.
3. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
   Establishing instrument: Fuel Indexation (Road Funding) Special Account Act 2015, subsection 8(1).
   Purpose: To ensure that amounts equal to the net revenue from indexation on customs and excise duties on fuel are transferred to the COAG Reform Fund in order to provide funding to the States and Territories for expenditure in relation to Australian road infrastructure investment.
4. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
   Establishing instrument: COAG Reform Fund Act 2008, section 5.
   Purpose: For the making of grants of financial assistance to the States and Territories.
   Note: The Treasury makes payments to the States and Territories from the COAG Reform Fund special account based on information provided by other Government departments that have policy and program implementation responsibility.
5. Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.
   Establishing instrument: Establishment of SOTEM Special Account — Treasury Determination 2012/09.
   Purpose: To disburse amounts held on trust for the benefit of a person other than the Commonwealth or in connection with services performed on or behalf of other governments and bodies.
   Note: Receipt relates to funding received and held on trust for the Global Infrastructure Hub.

6.2 Special Accounts — continued

Financial System Stability Special Account (Administered)

The Treasury's 'Financial System Stability' special account established under section 70E of *the Banking Act 1959 for* the making of payments authorised under specified sections of the *Banking Act 1959*, the *Insurance Act 1973* and the *Life Insurance Act 1995* and to meet expenses of administering the special account. For the years ended 30 June 2015 and 30 June 2016 this special account had nil balances and no transactions were credited or debited to the account.

6.3. Net Cash Appropriation Arrangements

	2016 $'000	2015 $'000
Total comprehensive income/(loss) less depreciation/amortisation expenses previously funded through revenue appropriations	**3,166**	5,606
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	**(8,803)**	(9,667)
Total comprehensive income/(loss) - as per the Statement of Comprehensive Income	**(5,637)**	(4,061)

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

6.4. Cash Flow Reconciliation

	2016 $'000	2015 $'000
Note 6.4A: Cash Flow Reconciliation		
Reconciliation of cash and cash equivalents as per Statement of Financial Position and Cash Flow Statement		
Cash and cash equivalents as per		
Cash flow statement	**2,776**	5,152
Statement of financial position	**2,776**	5,152
Discrepancy	**-**	-
Reconciliation of net cost of services to net cash from/(used by) operating activities		
Net (cost of)/contribution by services	**(171,770)**	(177,804)
Revenue from Government	**160,109**	172,767
Adjustments for non-cash items		
Depreciation/amortisation	**8,803**	9,667
Other non-cash items	**93**	-
Finance costs	**86**	25
Net write down of non-financial assets	**100**	277
Gain on disposal of assets	**-**	(9)
Other gains	**(448)**	(14)
Movements in assets and liabilities		
Assets		
(Increase)/decrease in net receivables[1]	**9,238**	1,312
(Increase)/decrease in other non-financial assets	**(1,522)**	(752)
Liabilities		
Increase/(decrease) in provisions[2]	**3,001**	923
Increase/(decrease) in other payables	**(5,573)**	(531)
Increase/(decrease) in supplier payables	**(954)**	(1,107)
Net cash from/(used by) operating activities	**1,163**	4,754

1. Excludes repeal of quarantined funds ($0.5 million) relating to the transfer of the Standard Business Reporting function to the Australian Taxation Office.
2. Excludes the change in provision ($2.3 million) for recognition of make-good (restoration).

	2016 $'000	2015 $'000
Note 6.4B: Administered Cash Flow Reconciliation		
Reconciliation of net cost of services to net cash from operating activities		
Net cost of services	**(83,703,123)**	(79,922,750)
Adjustments for non-cash items		
Foreign exchange loss/(gain)	**(16,736)**	(36,629)
Movements in assets and liabilities		
Assets		
(Increase)/decrease in net receivables	**(790,250)**	(1,200,511)
(Increase)/decrease in other non-financial assets	**10**	51
Liabilities		
Increase/(decrease) in grants payable	**(412,872)**	(36,474)
Increase/(decrease) in unearned income	**(29,147)**	(59,216)
Increase/(decrease) in other payables	**(8,508)**	8,334
Increase/(decrease) in other provisions	**(91,188)**	(1,767,045)
Net cash from/(used by) operating activities	**(85,051,814)**	(83,014,240)

7. Managing Uncertainties

This section analyses how the Treasury manages financial risks within its operating environment.

7.1. Departmental Contingent Assets and Liabilities

Quantifiable Contingencies

There were no quantifiable contingent assets or liabilities in 2016 (2015: Nil).

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when the probability of settlement is greater than remote.

7.2. Administered Contingent Assets and Liabilities

Quantifiable administered contingencies

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

Commitments under expanded IMF New Arrangements to Borrow (NAB)

Australia has made a line of credit available to the International Monetary Fund (IMF) under its New Arrangements to Borrow (NAB) since 1998. This is a contingent loan to help ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. The IMF's 14th General Review of Quotas, which became effective on 26 January 2016, resulted in a doubling of the IMF's quota resources and a corresponding rollback in the size of the NAB facility. The value of Australia's NAB credit arrangement now stands at Special Drawing Right (SDR, the IMF's unit of account) 2.22 billion (estimated value A$4.17 billion at 30 June 2016).

The Fund does not publish annual estimates of the amount it expects to call under the NAB facility. However, the last NAB activation period was terminated in February 2016 and the IMF is currently relying predominantly on its quota resources to fund new lending. As at the completion of these statements, the IMF had not called on Australia's NAB facility in the current financial year and does not expect to under its most recent 'Resource Mobilisation Plan', which covers the period to October 2016.

IMF Bilateral Loan

In addition to the NAB credit line, as part of a broad international effort to increase the resources available to the IMF, Australia has made available a SDR4.61 billion (approximately A$8.67 billion at 30 June 2016) contingent bilateral loan to the IMF. The contingent loan is on terms consistent with separate bilateral loan and note purchase agreements between the IMF and all contributing countries. It will be drawn upon by the IMF only if needed to supplement the IMF's quota and NAB resources and any loans would be repaid in full with interest. The increase in the IMF's resources will help ensure that it has the capability to address any potential vulnerability facing the global economy.

International financial institutions — uncalled capital subscriptions

The Australian Government has held an uncalled capital subscription in the International Bank for Reconstruction and Development (IBRD) since 1947. Australia's uncalled capital subscription to the IBRD totals US$3.6 billion (estimated value A$4.8 billion as at 30 June 2016).

The Australian Government has also held an uncalled capital subscription in the European Bank for Reconstruction and Development (EBRD) since 1991. Australia's uncalled capital subscription to the EBRD totals €237.5 million (estimated value A$354.6 million as at 30 June 2016).

The Australian Government has further held an uncalled capital subscription in the Asian Development Bank (ADB) since 1966. Australia's uncalled capital subscription to the ADB totals US$7.0 billion (estimated value A$9.5 billion as at 30 June 2016).

The Australian Government has further held an uncalled capital subscription in the Multilateral Investment Guarantee Agency of US$26.5 million (estimated value A$35.6 million as at 30 June 2016).

The Asian Infrastructure Investment Bank (AIIB) was established on 25 December 2015. The Australian Government has subscribed to shares in the AIIB, which includes an uncalled capital subscription. Australia's uncalled capital subscription to the AIIB totals US$3.0 billion (estimated value A$4.0 billion as at 30 June 2016).

None of these international financial institutions have ever drawn on Australia's uncalled capital subscriptions.

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

The Australian Government has agreed to lend up to $160 million to the State Government of New South Wales (NSW) to support the loan facility to top up the James Hardie Asbestos Injuries Compensation Fund. Draw down on the loan is subject to the James Hardie Asbestos Injuries Compensation Fund requiring funds to meet its liabilities and is contingent on NSW meeting a number of conditions under the loan agreement with the Australian Government. The timing and amounts that may be drawn down by NSW cannot be determined accurately. No new loans were provided to the State Government of NSW in respect of the loan facility in 2015-16. (2014-15: nil).

Unquantifiable administered contingencies

Contingent Liabilities

Housing Loans Insurance Corporation (HLIC) — guarantee

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

Terrorism insurance — Australian Reinsurance Pool Corporation

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

Contingent Assets

HIH Claims Support Scheme (HCSS)

As an insured creditor in the liquidation of the HIH Group, the Australian Government is entitled to payments arising from the HCSS's position in the Proof of Debt of respective HIH companies. The Treasury has received payments from the HIH Estate during 2015-16; however the timing and amount of future payments are unknown and will depend on the outcome of the estimation process and the completion of the liquidation of the HIH Group.

Burden sharing in the International Monetary Fund remuneration

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

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

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

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

7.3. Financial Instruments

Note 7.3A: Fair value of financial instruments

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

Note 7.3B: Credit risk

The Treasury is exposed to minimal credit risk as financial assets only include cash and trade receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade receivables (2016: $2.5 million and 2015: $1.7 million). The Treasury has assessed the risk of default on payment as being minimal.

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

The Treasury holds no collateral to mitigate against credit risk.

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

	Not past due nor impaired 2016 $'000	Not past due nor impaired 2015 $'000	**Past due or impaired 2016 $'000**	Past due or impaired 2015 $'000
Loans and receivables				
Cash and cash equivalents	**2,776**	5,152	**-**	-
Trade receivables	**399**	675	**2,101**	1,070
Total	**3,175**	5,827	**2,101**	1,070

Ageing of financial assets that were past due but not impaired for 2016

	0 to 30 days $'000	**31 to 60 days $'000**	**61 to 90 days $'000**	**90+ days $'000**	**Total $'000**
Loans and receivables					
Trade receivables	**1,833**	**90**	**56**	**122**	**2,101**
Total	**1,833**	**90**	**56**	**122**	**2,101**

Ageing of financial assets that were past due but not impaired for 2015

	0 to 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	90+ days $'000	Total $'000
Loans and receivables					
Trade receivables	890	111	11	58	1,070
Total	890	111	11	58	1,070

Note 7.3C: Liquidity risk

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

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

All non-derivative financial liabilities are expected to mature within 1 year (2015: 1 year).

Note 7.3D: Market risk

The Treasury holds only basic financial instruments that do not expose the Treasury to certain market risks, such as 'Currency risk' and 'Other price risk'.

Interest rate risk

The Treasury does not hold financial instruments that expose the Treasury to interest rate risk.

Accounting Policy

Financial risk management

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

7.4. Administered — Financial Instruments

	2016 $'000	2015 $'000
Note 7.4A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
IMF related monies owing	**-**	55
Guarantee Scheme for Large Deposits and Wholesale Funding fee receivable	**-**	13
Guarantee of State and Territory Borrowing contractual fee receivable	**47,872**	77,019
Guarantee of State and Territory Borrowing fee receivable	**1,374**	1,765
IMF new arrangements to borrow loan	**737,805**	766,588
Loans to States and Territories	**46,269**	44,233
Dividends receivable	**3,221,819**	2,501,245
Other receivables	**113,064**	15,229
Total loans and receivables	**4,168,203**	3,406,147
Available-for-sale financial assets		
International financial institutions	**1,255,969**	1,013,498
Australian Government entities	**24,095,677**	25,638,809
IMF Quota	**12,354,135**	5,913,393
Total available-for-sale financial assets	**37,705,781**	32,565,700
Total financial assets	**41,873,984**	35,971,847
Financial Liabilities		
Financial liabilities measured at amortised cost:		
Promissory notes	**9,651,149**	4,824,704
Grant liabilities	**187,053**	599,925
IMF SDR allocation liability	**5,795,434**	5,633,420
Other payables	**492**	8,411
Guarantee of State and Territory Borrowing contractual guarantee service obligation	**47,872**	77,019
Total financial liabilities measured at amortised cost	**15,682,000**	11,143,479
Total financial liabilities	**15,682,000**	11,143,479

Accounting Policy

Financial Assets

The Treasury classifies its financial instruments as loans and receivables.

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

	2016 $'000	2015 $'000
Note 7.4B: Net Gains and Losses on Financial Assets		
Loans and receivables		
Guarantee Scheme for Large Deposits and Wholesale Funding fee	**50**	22,218
Guarantee of State and Territory Borrowing	**18,199**	23,763
Interest revenue	**2,454**	2,518
Net gains/(losses) on loans and receivables	**20,703**	48,499
Available for sale		
Interest revenue	**226**	648
Exchange gains/(loss)	**180,728**	626,351
Net gains/(losses) on available for sale assets	**180,954**	626,999
Net gains/(losses) on financial assets	**201,657**	675,498
Note 7.4C: Net Gains and Losses on Financial Liabilities		
Financial liabilities measured at amortised cost		
IMF Charges	**3,276**	3,427
Exchange gains/(loss)	**(163,992)**	(589,722)
Net gains/(losses) on financial liabilities measured at amortised cost	**(160,716)**	(586,295)
Net gains/(losses) on financial liabilities	**(160,716)**	(586,295)

Note 7.4D: Credit risk

The maximum exposure to credit risk of the Treasury's administered financial assets is the carrying amount of 'loans and receivables' (2016: $4.2 billion and 2015: $3.4 billion) and the carrying amount of 'available for sale financial assets' (2016: $37.7 billion and 2015: $32.6 billion).

With the exception of the newly established Asian Infrastructure Investment Bank which has been funded by member capital, the other international financial institutions that the Treasury holds its financial assets with have a minimum of AAA credit ratings. The contractual fee receivable arising from the Guarantee of State and Territory Borrowing relates to state and territory governments. These entities hold a minimum of AA credit ratings. Therefore the Treasury does not consider any of its financial assets to be at risk of default.

Note 7.4E: Liquidity risk

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

The following tables illustrate the maturities for non-derivative financial liabilities:

Maturities for financial liabilities in 2016

	On demand $'000	**Within 1 year $'000**	**1 to 2 years $'000**	**2 to 5 years $'000**	**> 5 years $'000**	**Total $'000**
Promissory notes	**-**	**22,218**	**24,359**	**50,232**	**9,554,340**	**9,651,149**
Grant liabilities	**-**	**187,053**	**-**	**-**	**-**	**187,053**
IMF SDR allocation liabilities	**-**	**-**	**-**	**-**	**5,795,434**	**5,795,434**
Other payables	**492**	**-**	**-**	**-**	**-**	**492**
Total	**492**	**209,271**	**24,359**	**50,232**	**15,349,774**	**15,634,128**

Maturities for financial liabilities in 2015

	On demand $'000	Within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Promissory notes	-	-	-	124,839	4,699,865	4,824,704
Grant liabilities	-	599,925	-	-	-	599,925
IMF SDR allocation liabilities	-	-	-	-	5,633,420	5,633,420
Other payables	8,411	-	-	-	-	8,411
Total	8,411	599,925	-	124,839	10,333,285	11,066,460

Note 7.4F: Market risk

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

The following table details the effect on profit and equity as at 30 June 2016 from a 10.5 per cent (30 June 2015 from a 10.9 per cent) favourable/unfavourable change in AUD against the Treasury with all other variables held constant. The change in the risk variable has been determined by reference to standard parameters provided by the Department of Finance.

Sensitivity analysis of the risk that the entity is exposed to for 2016

	Risk variable	**Change in risk variable %**	**Effect on: Net cost of services 2016 $'000**	**Effect on: Equity 2016 $'000**
IFI Investments	Exchange rate	10.5	**(119,346)**	**(119,346)**
IFI Investments	Exchange rate	(10.5)	**147,348**	**147,348**
IMF Remuneration Receivable	Exchange rate	10.5	**-**	**-**
IMF Remuneration Receivable	Exchange rate	(10.5)	**-**	**-**
IMF new arrangements to borrow loan	Exchange rate	10.5	**(70,108)**	**(70,108)**
IMF new arrangements to borrow loan	Exchange rate	(10.5)	**86,558**	**86,558**
IMF Quota	Exchange rate	10.5	**(1,173,923)**	**(1,173,923)**
IMF Quota	Exchange rate	(10.5)	**1,449,368**	**1,449,368**
Promissory notes	Exchange rate	10.5	**(5,682)**	**(5,682)**
Promissory notes	Exchange rate	(10.5)	**7,016**	**7,016**
IMF SDR allocation liability	Exchange rate	10.5	**(550,697)**	**(550,697)**
IMF SDR allocation liability	Exchange rate	(10.5)	**679,911**	**679,911**
IMF Charges Payable	Exchange rate	10.5	**(47)**	**(47)**
IMF Charges Payable	Exchange rate	(10.5)	**58**	**58**

Sensitivity analysis of the risk that the entity is exposed to for 2015

	Risk variable	Change in Risk variable %	Effect on: Net cost of services 2015 $'000	Effect on: Equity 2015 $'000
IFI Investments	Exchange rate	10.9	(99,613)	(99,613)
IFI Investments	Exchange rate	(10.9)	123,986	123,986
IMF Remuneration Receivable	Exchange rate	10.9	(5)	(5)
IMF Remuneration Receivable	Exchange rate	(10.9)	7	7
IMF new arrangements to borrow loan	Exchange rate	10.9	(75,345)	(75,345)
IMF new arrangements to borrow loan	Exchange rate	(10.9)	93,780	93,780
IMF Quota	Exchange rate	10.9	(581,208)	(581,208)
IMF Quota	Exchange rate	(10.9)	723,412	723,412
Promissory notes	Exchange rate	10.9	(5,683)	(5,683)
Promissory notes	Exchange rate	(10.9)	7,074	7,074
IMF SDR allocation liability	Exchange rate	10.9	(553,691)	(553,691)
IMF SDR allocation liability	Exchange rate	(10.9)	689,161	689,161
IMF Charges Payable	Exchange rate	10.9	(46)	(46)
IMF Charges Payable	Exchange rate	(10.9)	57	57

Administered financial instruments

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

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

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

Available for sale financial assets:

- investments in development banks (measured initially at cost or notional cost and then measured at fair value);
- the IMF quota (measured initially at cost or notional cost and then measured at fair value); and
- Investments in Government Entities (measured at fair value based on net asset position of the entity at 30 June 2016).

Financial liabilities:

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

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

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

Promissory notes are financial liabilities that are required to be measured at amortised cost using the effective interest rate method. The contractual terms of the promissory notes are non interest bearing making the effective interest rate zero. Therefore, the measurement would be the initial value less any repayments plus or minus movements in exchange rates as a result of translation on the balance date.

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

Recognition of these amounts only relates to fee revenue aspects of the financial guarantee contracts. These amounts do not reflect any expected liability under the Guarantee Scheme itself as these are considered remote and unquantifiable. Administered contingent liabilities and assets are disclosed at Note 7.2.

7.5. Fair Value Measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value.
The different levels of the fair value hierarchy are defined below.
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Note 7.5A: Fair value measurements, valuation techniques and inputs used

	Fair value measurements at the end of the reporting period			For Levels 2 and 3 fair value measurements	
	2016 $'000	2015 $'000	Category (Level 1, 2 or 3)[3]	Valuation technique(s)	Inputs used
Non-financial assets[1,2]					
Property, plant and equipment - AUC	**285**	-	2	**Current Cost**	Current acquisition prices.
Property, plant and equipment	**3,811**	222	2	**Market Approach:** This approach seeks to estimate the current value of an asset with reference to recent market transactions involving identical or comparable assets.	Prices and other relevant information generated by market transactions involving plant and equipment assets were considered.
Property, plant and equipment	**3,612**	5,933	3	**Depreciated Replacement Cost:** The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, adjusted for physical depreciation and obsolescence.	Current prices for substitute assets. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the assets under consideration.
Library	**1,919**	1,919	3	**Depreciated Replacement Cost**	Current prices for substitute assets. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the assets under consideration.
Land and buildings - AUC	**183**	-	2	**Current Cost**	Current acquisition prices.
Land and buildings	**14,097**	2,292	3	**Depreciated Replacement Cost**	Current costs per square metre of floor area relevant to the location of the asset. Physical depreciation and obsolescence has been determined based on the term of the associated lease.
Total non-financial assets	**23,907**	10,366			

1. No non-financial assets were measured at fair value on a non-recurring basis as at 30 June 2016 (2015: nil).
2. The Treasury's assets are held for operational purposes and not held for the purposes of deriving a profit. The current use of all non-financial assets is considered their highest and best use.
3. There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

Accounting Policy

Fair value measurements — highest and best use differs from current use for non-financial assets (NFAs)

The Treasury's assets are held for operational purposes and are not held for the purposes of deriving a profit. The current use of all NFAs is considered their highest and best use.

Recurring and non-recurring Level 3 fair value measurements — valuation processes

The Treasury procures the valuation services from an independent valuer of the tangible non-financial asset classes once every three years. Asset carrying amounts are tested for materiality at least once every 12 months. If a particular asset class experiences significant and volatile changes in fair value (i.e. where indicators suggest that the value of the class has changed materially since the previous reporting period), that class is subject to specific valuation in the reporting period, where practicable, regardless of the timing of the last specific valuation. There have been no transfers between level 1 and level 2 of the hierarchy during the year.

The Treasury engaged the service of the Australian Valuation Solutions (AVS) to conduct a detailed external valuation of the Land and Buildings and Motor Vehicles non-financial asset classes at 30 June 2016 and has relied upon those outcomes to establish carrying amounts. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. Comprehensive valuations are carried out at least once every three years. During 2014-15, the Treasury appointed Preston Rowe Paterson to undertake a full revaluation of all tangible property, plant and equipment assets as at 1 July 2014. AVS has provided written assurance to the Treasury that the models developed are in compliance with AASB 13.

The methods utilised to determine and substantiate the unobservable inputs are derived and evaluated as follows:

All Asset Classes — Physical Depreciation and Obsolescence.

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the Depreciated Replacement Cost approach. Under the Depreciated Replacement Cost approach the estimated cost to replace the asset is calculated and then adjusted to take into physical depreciation and obsolescence. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration. For all Leasehold Improvement assets, the consumed economic benefit / asset obsolescence deduction is determined based on the term of the associated lease.

Library — Replacement cost

The value of the library was determined on the basis of the average cost for items within each collection. The replacement cost has considered purchases over recent years and these have been evaluated for reasonableness against current market prices.

The Treasury's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There have been no transfers between level 1 and level 2 of the hierarchy during the year.

Note 7.5B: Level 1 and Level 2 transfers for recurring fair value measurements

No assets were transferred between Level 1 and Level 2.

Note 7.5C: Reconciliation for recurring Level 3 fair value measurements

Recurring Level 3 fair value measurements — reconciliation for assets

	Non-financial assets							
	Property, plant and equipment		Library		Land and Buildings		Total	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
As at 1 July	**5,933**	8,713	**1,919**	1,871	**2,292**	5,721	**10,144**	16,305
Total gains/(losses) recognised in net cost of services[1]	**(2,238)**	(2,698)	**-**	-	**(987)**	(4,279)	**(3,225)**	(6,977)
Total gains/(losses) recognised in other comprehensive income[2]	**-**	401	**-**	48	**5,980**	521	**5,980**	970
Impairment	**(83)**	-	**-**	-	**-**	-	**(83)**	-
Purchases	**-**	418	**-**	-	**6,797**	243	**6,797**	661
Settlements	**-**	(901)	**-**	-	**15**	86	**15**	(815)
Total as at 30 June	**3,612**	5,933	**1,919**	1,919	**14,097**	2,292	**19,628**	10,144

1. These gains/(losses) are presented in the Statement of Comprehensive Income under depreciation and amortisation.

2. These gains/(losses) are presented in the Statement of Comprehensive Income under changes in asset revaluation reserves.

The entity's policy for determining when transfers between levels are deemed to have occurred can be found at Note 7.5A.

7.6. Administered — Fair Value Measurement

The following tables provide an analysis of assets and liabilities that are measured at fair value.
The different levels of the fair value hierarchy are defined below.
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Note 7.6A: Fair Value Measurements, Valuation Techniques and Inputs Used

Recurring fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2016

	Fair value measurements at the end of the reporting period using			For Levels 2 and 3 fair value
	2016 $'000	2015 $'000	**Category (Level 1, 2 or 3)**	**Valuation technique(s) and inputs used** [1,2]
Financial assets:				
Investment in Australian Government Entities:	**24,095,677**	25,638,809	**3**	**Net assets**
Australian Reinsurance Pool Corporation	***503,677***	*537,700*		
Clean Energy Finance Corporation	**-**	*1,232,109*		
Reserve Bank of Australia	***23,592,000***	*23,869,000*		
Investment in International Financial Institutions:	**13,610,104**	6,926,891	**3**	**Value of shares held**
IMF quota	***12,354,135***	*5,913,393*		
Asian Development Bank	***577,387***	*561,246*		
Asian Infrastructure and Investment Bank	***198,815***	-		
European Bank for Reconstruction and Development	***93,447***	*91,174*		
International Bank for Reconstruction and Development	***314,236***	*291,378*		
International Finance Corporation	***63,734***	*61,626*		
Multilateral Investment Guarantee Agency	***8,350***	*8,074*		
Total financial assets	**37,705,781**	32,565,700		
Total fair value measurements	**37,705,781**	32,565,700		

1. No change in valuation techniques occurred during the period.
2. Significant observable inputs only.

Fair value measurements

The highest and best use of Treasury's investments in Australian Government entities does not differ because the fair value is based on the net asset position of the entity.

The highest and best use of Treasury's Investments in International Financial Institutions does not differ because the fair value is based on the value of shares held in the relevant institution.

Note 7.6B: Level 1 and Level 2 transfers for recurring fair value measurements

No assets were transferred between Level 1 and Level 2.

Note 7.6C: Reconciliation for recurring Level 3 fair value measurements

Recurring Level 3 fair value measurements — reconciliation for assets

	Financial assets			
	Investments		Total	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
As at 1 July	**32,565,700**	26,277,406	**32,565,700**	26,277,406
Total gains/(losses) recognised in other comprehensive income	**(305,232)**	5,574,357	**(305,232)**	5,574,357
Total gains/(losses) recognised in net cost of services				
IMF Quota foreign exchange gain	**(29,252)**	607,819	**(29,252)**	607,819
International Financial Institutions foreign exchange gain	**18,960**	129,423	**18,960**	129,423
Repayment of CEFC capital	**-**	(50,600)	**-**	(50,600)
Restructuring	**(1,237,900)**	-	**(1,237,900)**	-
Share Purchases				
Increase in investments in the International Financial Institutions	**6,693,505**	27,295	**6,693,505**	27,295
Total as at 30 June	**37,705,781**	32,565,700	**37,705,781**	32,565,700
Changes in unrealised gains/(losses) recognised in net cost of services for the year ended 30 June	**5,140,081**	6,288,294	**5,140,081**	6,288,294

8. Other Information

8.1. Departmental Restructuring

	2015
	Small Business Programs Industry[1]
	$'000
Note 8.1: Departmental restructuring	
FUNCTIONS ASSUMED	
Expenses assumed	
Recognised by the receiving entity	347
Recognised by the losing entity	547
Total Expenses assumed	894

1. The Treasury assumed responsibility for the small business programs from the Department of Industry during 2015 as a result of the restructuring of administrative arrangements on 23 December 2014. No functions were relinquished as part of this arrangement.
2. There was no departmental restructuring activity in 2016.

8.2. Administered Restructuring

	2015 Small Business Programs Industry[2] $'000
Note 8.2A: Administered restructuring	
FUNCTIONS ASSUMED	
Assets recognised	
Trade debtors and accruals	1
Total assets recognised	1
Net assets/(liabilities) assumed	1
Expenses assumed	
Recognised by the receiving entity	6,869
Recognised by the losing entity	564
Total expenses assumed	7,433

	2016 Clean Energy Finance Corporation Environment[1] $'000
Note 8.2B: Administered restructuring	
FUNCTIONS RELINQUISHED	
Assets relinquished	
Investments	**1,237,900**
Total assets relinquished	**1,237,900**
Net assets/(liabilities) relinquished	**1,237,900**

1. The administration of the Clean Energy Finance Corporation's enabling legislation was relinquished to the Department of the Environment during 2016 as a result of the restructuring of administrative arrangements on 21 September 2015.
2. The Treasury assumed responsibility for the small business programs from the Department of Industry during 2015 as a result of the restructuring of administrative arrangements on 23 December 2014. No functions were relinquished as part of this arrangement.

8.3. Reporting of Outcomes

Note 8.3A: Net Cost of Outcome Delivery

	Outcome 1	
	2016	2015
	$'000	$'000
Departmental		
Expenses	**186,570**	194,050
Own-source income	**14,800**	16,246
Administered		
Expenses	**88,037,717**	83,777,912
Income	**4,334,594**	3,855,162
Net cost/(contribution) of outcome delivery	**83,874,893**	80,100,554
Departmental		
Assets	**91,746**	92,040
Liabilities	**56,092**	57,303
Administered		
Assets	**41,874,557**	35,973,019
Liabilities	**17,407,235**	12,960,491

9. Budgetary Reports and Explanation of Major Variances

9.1. Departmental Budgetary Reports

Statement of Comprehensive Income

for the period ended 30 June 2016

	Actual	Budget estimate	
		Original[1]	Variance[3]
	2016	2016	2016
	$'000	$'000	$'000
NET COST OF SERVICES			
Expenses			
Employee benefits	122,744	125,129	(2,385)
Suppliers	51,877	45,933	5,944
Grants	2,925	2,247	678
Depreciation and amortisation	8,803	7,667	1,136
Other	221	-	221
Total expenses	186,570	180,976	5,594
Own-Source Income			
Own-source revenue			
Sale of goods and rendering of services	9,447	9,268	179
Other revenues[2]	1,347	1,200	147
Total own-source revenue	10,794	10,468	326
Gains			
Other gains[2]	4,006	3,500	506
Total gains	4,006	3,500	506
Total own-source income	14,800	13,968	832
Net cost of services	(171,770)	(167,008)	(4,762)
Revenue from Government	160,109	159,341	768
Surplus / (Deficit)	(11,661)	(7,667)	(3,994)
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation reserves	6,024	-	6,024
Total other comprehensive income	6,024	-	6,024
Total comprehensive income/(loss) attributable to the Australian Government	(5,637)	(7,667)	2,030

1. The Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2015-16 Portfolio Budget Statements (PBS)).
2. The original budget for these line items has been adjusted to align with the presentation and classification adopted in the final outcome.
3. Between the actual and original budgeted amounts for 2016. Explanations of major variances (that are greater than +/- 10 per cent of the original budget for a line item and greater than +/- $1 million) are provided below.

Explanations of major variances	Affected line items
Supplier expenses for 2015-16 were $51.9 million, an increase of $5.9 million compared to the original budget. This change reflects the greater use of paid secondments and contractors to supplement Treasury's lower than anticipated staffing levels.	Suppliers

Statement of Financial Position

as at 30 June 2016

	Actual	Budget estimate	
		Original[1]	Variance[3]
	2016	2016	2016
	$'000	$'000	$'000
ASSETS			
Financial assets			
Cash and cash equivalents	**2,776**	**655**	2,121
Trade and other receivables	**50,445**	**67,048**	(16,603)
Total financial assets	**53,221**	**67,703**	(14,482)
Non-financial assets			
Land and buildings	**14,280**	**3,937**	10,343
Plant and equipment	**9,627**	**6,452**	3,175
Intangibles	**9,730**	**10,838**	(1,108)
Other non-financial assets	**4,888**	**2,614**	2,274
Total non-financial assets	**38,525**	**23,841**	14,684
Total assets	**91,746**	**91,544**	202
LIABILITIES			
Payables			
Suppliers	**335**	**2,396**	(2,061)
Other payables[2]	**5,911**	**12,645**	(6,734)
Total payables	**6,246**	**15,041**	(8,795)
Provisions			
Employee provisions[2]	**46,567**	**46,654**	(87)
Other provisions	**3,279**	**953**	2,326
Total provisions	**49,846**	**47,607**	2,239
Total liabilities	**56,092**	**62,648**	(6,556)
Net assets	**35,654**	**28,896**	6,758
EQUITY			
Asset revaluation reserve	**12,186**	**5,186**	7,000
Contributed equity	**58,538**	**58,538**	-
Retained surplus/(deficit)	**(35,070)**	**(34,828)**	(242)
Total equity	**35,654**	**28,896**	6,758

1. The Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2015-16 Portfolio Budget Statements (PBS).
2. The original budget for these line items has been adjusted to align with the presentation and classification adopted in the final outcome.
3. Between the actual and original budgeted amounts for 2016. Explanations of major variances (that are greater than +/- 10 per cent of the original budget for a line item and greater than +/- $1 million) are provided below.

Explanations of major variances	Affected line items
Cash as at 30 June 2016 was $2.8 million, an increase of $2.1 million compared to the original budget. The increase reflects the timing of receipts.	Cash and cash equivalents
Trade and other receivables as at 30 June 2016 was $50.5 million, a decrease of $16.6 million compared to the original budget. This change relates to changes in appropriation receivable which was driven by: ▪ the incorporation of balance sheet movements from the 2014-15 financial statements into the original budget ($7.4 million); ▪ timing of employee payments ($4.9 million); and ▪ a $3.3 million increase in non-financial assets (before revaluations and recognition of make-good (restoration) for the Treasury building) reflecting an increase in land and buildings and plant and equipment of $5.3 million and decrease in intangibles of $2.0 million. The increase in capital expenditure largely reflects the establishment of the Sydney and Melbourne offices and Treasury building fit out.	Trade and other receivables
Total payables as at 30 June 2016 amounted to $6.3 million, a decrease of $8.8 million to the original budget due to the timing of employee and supplier payments.	Total payables
Other provisions as at 30 June 2016 amounted to $3.3 million, an increase of $2.3 million to the original budget driven by the recognition of make-good (restoration) provision for the Treasury building.	Other provisions
Total equity as at 30 June 2016 was $35.7 million, an increase of $6.8 million compared to the original budget as a result of the revaluation of non-financial assets (which was not budgeted for).	Equity

Cash Flow Statement
for the period ended 30 June 2016

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2016	2016	2016
	$'000	$'000	$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations	**170,172**	**157,341**	12,831
Sale of goods and rendering of services	**7,109**	**9,268**	(2,159)
GST received from ATO	**5,399**	**-**	5,399
Other	**1,461**	**650**	811
Total cash received	**184,141**	**167,259**	16,882
Cash used			
Employees	**122,797**	**123,129**	(332)
Suppliers	**51,481**	**41,883**	9,598
Grants	**2,925**	**2,247**	678
Section 74 receipts transferred to OPA	**211**	**-**	211
GST paid to ATO	**5,562**	**-**	5,562
Other	**2**	**-**	2
Total cash used	**182,978**	**167,259**	15,719
Net cash from/(used by) operating activities	**1,163**	**-**	1,163
INVESTING ACTIVITIES			
Cash received			
Proceeds from sales of plant and equipment	**18**	**-**	18
Total cash received	**18**	**-**	18
Cash used			
Purchase of land and buildings	**4,189**	**1,365**	2,824
Purchase of plant and equipment	**752**	**1,514**	(762)
Purchase of intangibles	**5,628**	**4,133**	1,495
Total cash used	**10,569**	**7,012**	3,557
Net cash from/(used by) investing activities	**(10,551)**	**(7,012)**	(3,539)
FINANCING ACTIVITIES			
Cash received			
Contributed equity - departmental capital budget	**5,312**	**5,312**	-
Contributed equity - equity injections	**1,700**	**1,700**	-
Total cash received	**7,012**	**7,012**	-
Net cash from/(used by) financing activities	**7,012**	**7,012**	-
Net increase/(decrease) in cash held	**(2,376)**	**-**	(2,376)
Cash at the beginning of the reporting period	**5,152**	**655**	4,497
Cash at the end of the reporting period	**2,776**	**655**	2,121

1. Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2015-16 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2016. Explanations of major variances (that are greater than +/- 10 per cent of the original budget for a line item and greater than +/- $1 million) are provided below.

Explanations of major variances	Affected line items
The net change in cash held during 2015-16 was $2.4 million, lower than the balanced position in the original budget. The change was predominantly driven by the drawdown of funds during 2015-16 to meet capital expenditure requirements.	Net increase / (decrease) in cash held

9.2. Administered Budgetary Reports

Statement of Comprehensive Income

for the period ended 30 June 2016

	Actual	Budget estimate	
		Original[1]	Variance[2]
	2016	**2016**	2016
	$'000	**$'000**	$'000
NET COST OF SERVICES			
Expenses			
Grants	**88,032,393**	**88,989,955**	(957,562)
Interest	**3,276**	**2,783**	493
Other	**2,048**	**6,434**	(4,386)
Total expenses	**88,037,717**	**88,999,172**	(961,455)
Income			
Revenue			
Taxation revenue			
Other	**-**	**400,000**	(400,000)
Total taxation revenue	**-**	**400,000**	(400,000)
Non-taxation revenue			
Interest	**2,680**	**11,165**	(8,485)
Dividends	**3,279,246**	**467,500**	2,811,746
Sale of goods and rendering of services	**690,441**	**756,507**	(66,066)
COAG revenue from government agencies	**268,887**	**595,498**	(326,611)
Other	**76,604**	**4,400**	72,204
Total non-taxation revenue	**4,317,858**	**1,835,070**	2,482,788
Total revenue	**4,317,858**	**2,235,070**	2,082,788
Gains			
Foreign exchange	**16,736**	**46,095**	(29,359)
Total gains	**16,736**	**46,095**	(29,359)
Total income	**4,334,594**	**2,281,165**	2,053,429
Net cost of (contribution by) services	**(83,703,123)**	**(86,718,007)**	3,014,884
Surplus/(Deficit)	**(83,703,123)**	**(86,718,007)**	3,014,884
OTHER COMPREHENSIVE INCOME			
Items not subject to subsequent reclassification to net cost of services			
Changes in asset revaluation surplus	**(305,232)**	**-**	(305,232)
Total comprehensive income	**(305,232)**	**-**	(305,232)
Total comprehensive income/(loss)	**(84,008,355)**	**(86,718,007)**	2,709,652

1. Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2015-16 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2016. Explanations of major variances (that are greater than +/- 10 per cent of the original budget for a line item and greater than +/- $1 billion) are provided below.

Explanations of major variances	Affected line items
Dividend revenue for 2015-16 was $3.3 billion, an increase of $2.8 billion compared to the original budget. The increase relates to dividend revenue from the Reserve Bank of Australia (RBA), resulting from higher RBA earnings from realised foreign exchange gains in 2015-16.	Dividends

Administered Schedule of Assets and Liabilities
as at 30 June 2016

	Actual	Budget estimate Original[1]	Variance[2]
	2016	**2016**	2016
	$'000	**$'000**	$'000
ASSETS			
Financial assets			
Cash and cash equivalents	**-**	**1,412**	(1,412)
Trade and other receivables	**4,168,375**	**1,240,439**	2,927,936
Investments	**37,705,781**	**38,082,239**	(376,458)
Total financial assets	**41,874,156**	**39,324,090**	2,550,066
Non-financial assets			
Other	**401**	**-**	401
Total non-financial assets	**401**	**-**	401
Total assets administered on behalf of Government	**41,874,557**	**39,324,090**	2,550,467
LIABILITIES			
Payables			
Grants	**187,053**	**56,232**	130,821
Other payables	**5,796,098**	**5,260,268**	535,830
Unearned income	**47,872**	**59,693**	(11,821)
Total payables	**6,031,023**	**5,376,193**	654,830
Interest bearing liabilities			
Loans	**9,651,149**	**8,265,782**	1,385,367
Total interest bearing liabilities	**9,651,149**	**8,265,782**	1,385,367
Provisions			
Other provisions	**1,725,063**	**280,462**	1,444,601
Total provisions	**1,725,063**	**280,462**	1,444,601
Total liabilities administered on behalf of government	**17,407,235**	**13,922,437**	3,484,798
Net assets	**24,467,322**	**25,401,653**	(934,331)

1. Treasury's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the Treasury's 2015-16 Portfolio Budget Statements (PBS)).
2. Between the actual and original budgeted amounts for 2016. Explanations of major variances (that are greater than +/- 10 per cent of the original budget for a line item and greater than +/- $1 billion) are provided below.

Explanations of major variances	Affected line items
Trade and other receivables at 30 June 2016 was $4.2 billion, an increase of $2.9 billion compared to the original budget. The increase predominantly relates to dividend revenue from the RBA, resulting from higher RBA earnings from realised foreign exchange gains in 2015-16.	Trade and other receivables
Total loans at 30 June 2016 were $9.7 billion, an increase of $1.4 billion compared to the original budget. The increase relates to movements in the balance of IMF promissory notes, primarily attributed to changes in the exchange rate.	Loans
Total provisions at 30 June 2016 were $1.7 billion, an increase of $1.4 billion compared to the original budget. This largely reflects the deferral of NDRRA payments previously expected to be made in 2015-16.	Other provisions