

NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS

for the year ended 30 June 2001

NOTE 32
FINANCIAL INSTRUMENTS

(a) Terms, Conditions and Accounting Policies

Financial Instrument	Notes	Accounting Policies and Methods	Nature of underlying instrument
Financial Assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	8a/20a	Deposits are measured at their nominal amounts. Interest is recognised as revenue as it accrues.	Interest is earned on the daily balance. The average rate for funds held in bank accounts at balance date was 2.00%.
Receivables for goods and services	8b/20b	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms are generally net 30 days.
Loans receivable	8b/20b	Loans are measured at the amounts lent. Collectability of amounts outstanding is reviewed at balance date. Provision is made for bad and doubtful loans where collection of the loan or part thereof is judged to be less rather than more likely.	Loans are made under contract with varying terms to maturity. No security is generally required. Principal is repaid in full at maturity. Interest rates are fixed or variable. Effective interest rates average 5.48% for Agency and 6.95% for Administered.
Investments	8c/20c	Investments in term deposits are recognised at face value. Cash Bonds are measured at the purchase price.	Investments of surplus cash held in Cash Bonds are made in accordance with s39 of the FMA Act.
Accrued revenue	8d/20d	Revenue is recognised as it is earned or accrues.	Accrued revenue includes interest and sales revenue earned in the reporting periods.
Financial Liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Finance lease liabilities	10a/22a	Liabilities are measured at the present value of the minimum lease payments at the beginning of the lease. The discount rates used are estimates of the interest rates implicit in the leases.	At reporting date, the Department had finance leases with a maximum term of 10 years. The interest rate implicit in the leases averaged 7.50%.

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Financial Instrument	Notes	Accounting Policies and Methods	Nature of underlying instrument
Lease incentives	22b	The lease incentive is recognised as a liability on receipt of the incentive. The amount of the liability is reduced on a straight-line over the life of the lease by allocating lease payments between rental expense and reduction of the liability.	The Department has received incentives in the form of rent-free periods on entering property operating leases.
Surplus leased space	11b/23b	Surplus leased space is recognised as a liability and is measured at the present value of future rental payments reduced by probable rental income from sub-leasing. The liability is amortised on a straight-line basis over the future life of the lease.	The liability arises under the Department's non-cancellable operating leases for office accommodation.
Trade creditors	11b/23b	Creditors and accruals are measured at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).	Settlement is usually made net 30 days from date of invoice.
Grant liabilities	23c	Grants are recognised as liabilities and expenses in the year in which grant agreements are made. The amounts recognised are the full amounts subject to the agreement.	This department makes grants to State and Local Governments for various purposes.
Unrecognised Financial Liabilities			
Guarantees		The amounts guaranteed by the Commonwealth have been disclosed in the Schedule of Contingencies. At the time of completion of the financial statements, there was no reason to believe that the guarantees would be called upon, and recognition of a liability was therefore not required.	The guarantees have been issued to various parties to guarantee the satisfactory completion of certain projects undertaken by the Department.
Indemnities		The maximum amount payable under the indemnities given is disclosed in the Schedule of Contingencies. At the time of completion of the financial statements, there was no reason to believe that the indemnity would be called upon, and recognition of the liability was therefore not required.	Indemnities have been provided with respect to the provision and management of certain services and to limit liability arising from certain contracts and/or any negligence.

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(b) Interest Rate Risk Exposures

The Department's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out on the following pages.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Department intends to hold fixed rate assets and liabilities to maturity.

All off-balance sheet financial liabilities are non-interest bearing.

30 June 2001

Fixed interest maturing in:

		Floating Interest Rate	1 year or less	1 to 5 years	More than 5 years	Non- Interest Bearing	Total	Weighted Average Interest Rate
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
Financial assets								
Cash	8a	38,034	—	—	—	—	38,034	2.00
Receivables	8b	—	2	8	62	45,742	45,814	5.75
Investments	8c	205,000	—	—	—	—	205,000	5.98
Other	8d	—	—	—	—	8,788	8,788	—
Total financial assets		243,034	2	8	62	54,530	297,636	
Financial liabilities								
Provisions & payables	11b/c	—	—	—	—	120,114	120,114	—
Other debt	10b	—	—	—	—	—	—	—
Leases	10a	66,122	—	—	—	—	66,122	7.60
Total financial liabilities		66,122	—	—	—	120,114	186,236	
Net financial assets/ (liabilities)		176,912	2	8	62	(65,584)	111,400	

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	Notes	Fixed interest maturing in:					Total \$'000	Weighted Average Interest Rate %
		Floating Interest Rate \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000	Non- Interest Bearing \$'000		
Financial assets								
Cash	8a	119,664	–	–	–	–	119,664	5.00
Receivables	8b	–	11	40	42	77,397	77,490	5.48
Investments	8c	370,000	–	–	–	–	370,000	5.90
Other	8d	–	–	–	–	489	489	–
Total financial assets		489,664	11	40	42	77,886	567,643	
Financial liabilities								
Provisions and payables	11b	–	–	–	–	30,129	30,129	–
Other debt	10b	91,307	17,239	85,500	84,109	513	278,668	8.96
Leases	10a	72,808	–	–	–	4,382	77,190	6.50
Total financial liabilities		164,115	17,239	85,500	84,109	35,024	385,987	
Net financial assets/ (liabilities)		325,549	(17,228)	(85,460)	(84,067)	42,862	181,656	

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Fixed interest maturing in:

	Floating Interest Rate	1 year or less	1 to 5 years	More than 5 years	Non- Interest Bearing	Total	Weighted Average Interest Rate
Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
Financial assets							
Cash	20a (832,168)	–	–	–	–	(832,168)	2.00
Receivables	20b –	30,080	48,856	330,637	45,633	455,206	4.36
Investments	20c –	2,201	10,867	32,611	–	45,679	6.43
Accrued revenue	20d –	–	–	–	59,017	59,017	–
Total financial assets	(832,168)	32,281	59,723	363,248	104,650	(272,266)	
Financial liabilities							
Provisions and payables (including interest)	23c 223	–	–	–	29,593	29,816	–
Other debt & lease incentives	22b –	–	–	–	720	720	–
Leases	22a 192,611	–	–	–	–	192,611	–
Total financial liabilities	192,834	–	–	–	30,313	223,147	
Net financial assets/ (liabilities)	(1,025,002)	32,281	59,723	363,248	74,337	(495,413)	

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		Fixed interest maturing in:					Total	Weighted Average Interest Rate
		Floating Interest Rate	1 year or less	1 to 5 years	More than 5 years	Non- Interest Bearing		
Notes		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
Financial assets								
Cash	20a	987,784	–	–	–	–	987,784	5.11
Receivables	20b	9,368,846	13,041	48,936	343,224	4,705	9,778,752	5.56
Investments	20c	48,290	–	–	–	–	48,290	5.53
Accrued revenue	20d	–	–	–	–	80,295	80,295	–
Total financial assets		10,404,920	13,041	48,936	343,224	85,000	10,895,121	
Financial liabilities								
Provisions and payables (including interest)	23e	–	–	–	–	50,612	50,612	–
Other debt and lease incentives	22b	–	–	–	–	775	775	–
Leases	22a	198,580	–	–	–	–	198,580	5.83
Total financial liabilities		198,580	–	–	–	51,387	249,967	
Net financial assets/ (liabilities)		10,206,340	13,041	48,936	343,224	33,613	10,645,154	

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(c) Credit Risk Exposures

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

The Department has no significant exposures to any concentration of credit risk.

All figures referred to for credit risk do not take into account the value of any collateral or other security.

(d) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Department approximates their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Trade creditors and grant liabilities are short term in nature and their fair values are approximated by their carrying amounts.

There are a number of potential financial liabilities which may arise from certain contingencies disclosed in the Schedule of Contingencies. The value of the contingencies disclosed in the Schedule of Contingencies is an estimate of the fair value of the amount payable by the Department as consideration for the assumption of those contingencies.

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

Asset and Liability Carrying Amounts

Agency	2000-01		1999-00	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
On-balance sheet financial instruments				
Financial assets				
Cash	38,034	38,034	119,664	119,664
Receivables	45,814	45,814	77,490	77,490
Investments	205,000	205,000	370,000	370,000
Other	8,788	8,788	489	489
	297,636	297,636	567,643	567,643
Financial liabilities				
Provisions and payables	120,114	120,114	30,129	30,129
Other debt	—	—	278,668	278,668
Leases	66,122	66,122	77,190	77,190
	186,236	186,236	385,987	385,987

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Asset and Liability Carrying Amounts Administered	2000-01		1999-00	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
On-balance sheet financial instruments				
Financial assets				
Cash	(832,168)	(832,168)	987,784	987,784
Receivables	455,206	455,206	9,778,752	9,778,752
Investments	45,679	45,679	48,290	48,290
Accrued revenues	59,018	59,018	80,295	80,295
	(272,265)	(272,265)	10,895,121	10,895,121
Financial liabilities				
Provisions and payables	29,816	29,816	50,612	50,612
Lease incentives	720	720	775	775
Leases	192,611	192,611	198,580	198,580
	223,147	223,147	249,967	249,967