

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2001

NOTE 33 REMOTE CONTINGENCIES

UNQUANTIFIABLE

General

The Department of Finance and Administration from time to time is required, on behalf of the Commonwealth, to accept liabilities not otherwise attributable to specific agencies.

The nature and existence of these liabilities, if any, may generally not be known and therefore not possible to quantify.

National Disaster Relief Arrangements

Payments are made to State Governments under specific criteria relating to costs incurred by the State Governments following natural disasters. The actual level of payments under this scheme would depend on the incidence and severity of natural disasters and thus may not be quantified at this stage.

National Disaster Memorials

Payments are made by the Commonwealth Government to state Governments under specific criteria relating to the building of Disaster Memorials. The expenditure is contingent upon any commitment the Commonwealth Government may make in response to a disaster.

Employment National Ltd (EN)

Board of Members Indemnities

Indemnities by the Commonwealth have been provided to EN board members to protect against civil claims relating to their employment and conduct as directors. These indemnities are unquantifiable and no expiry date has been set.

Letter of Comfort

A Commonwealth letter of comfort has been provided to EN to protect the Government's investment in EN during the company's restructuring. This letter of comfort indicates continuing financial support for the company. The Commonwealth's exposure under these arrangements is unquantifiable.

Sale of Catering Services

The Commonwealth has indemnified Command Services Corporation Ltd and Delaware North Companies International Ltd against cost of claims by ex directors of CAC for loss of office, failures of due diligence with respect to assets and liabilities, cost of claims by former employees for superannuation payments, cost of certain tax imposts and claims arising from pre-sale management actions. The indemnities are ongoing and were issued in 1988.

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Sale of Australian Airlines

The Commonwealth has indemnified Board Members and officials of Australian Airlines Ltd against false or misleading information provided by the Commonwealth relating to the airline's operation resulting in litigation from prospective purchasers. The indemnity is open-ended and was issued on 28 May 1991.

The Commonwealth has indemnified employees of Australian Airlines Ltd against any civil action arising out of the disclosure of information. The indemnity is open-ended and was issued on 19 November 1991.

The Commonwealth has indemnified CS First Boston Australia Ltd against loss caused in proper performance of services. The indemnity is open-ended and was issued on 16 May 1991.

Australian Law Reform Commission (ALRC) employees

Notice of potential claims under the Commonwealth Funds Management (CFM) share sale agreement has been received from the Commonwealth Bank in relation to an action brought against CFM (among others) as successor to the former Superannuation Fund Investment Trust by certain employees of the Australian Law Reform Commission in respect of their superannuation entitlements. The Commonwealth has exercised its right to take over the defence of the action. The financial effect of this claim cannot be quantified at this stage.

Davis Samuel Case

The Department is subject to a counter claim in relation to legal action before the Courts. This matter is subject to sufficient uncertainty that it is not possible to quantify the amount, if any, of the liability. The Department is defending this case and believes no liability will arise.

Commonwealth shareholding in the Australian Submarine Corporation Pty Ltd

An indemnity was issued to Barry AC Hilson and BACH Pty Ltd in relation to liabilities arising from assistance provided to the Commonwealth during the conduct of a review of the Commonwealth's shareholding in the Australian Submarine Corporation Pty Ltd. This indemnity is ongoing.

NOTE 34

POST BALANCE DATE EVENTS

Pursuant to the settlement of the DASFLEET tied contract (refer note 6(a)), future leases of motor vehicles will be treated as operating leases.