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For the period ended 30 June 2025 (continued)

	Notes	2025 (\$million)	2024 (\$million)	Budget 2025 (\$million)
<b>Financing activities</b>				
<b>Cash received</b>				
Proceeds from borrowings		210,732	145,172	527,745
Other receipts		106	86	128
<b>Total cash received</b>		<b>210,838</b>	<b>145,258</b>	<b>527,873</b>
<b>Cash used</b>				
Repayment of borrowings		(193,933)	(130,314)	(502,240)
Other payments		(105)	(86)	(128)
<b>Total cash used</b>		<b>(194,038)</b>	<b>(130,400)</b>	<b>(502,368)</b>
<b>Net cash from financing activities</b>		<b>16,800</b>	<b>14,858</b>	<b>25,505</b>
<b>Cash from Official Public Account</b>				
Cash management account transfers		-	3,345	-
Appropriations – unlimited special	9	220,424	159,646	527,811
Appropriations – special accounts		189	89	593
<b>Total cash from Official Public Account</b>		<b>220,613</b>	<b>163,080</b>	<b>528,404</b>
<b>Cash to Official Public Account</b>				
Cash management account transfers		(17,172)	-	(27,994)
Receipts to OPA – special accounts		(309)	(461)	(276)
Receipts to OPA – other		(215,615)	(154,602)	(530,834)
<b>Total cash to Official Public Account</b>		<b>(233,096)</b>	<b>(155,063)</b>	<b>(559,104)</b>
<b>Net (decrease)/increase in cash held</b>		<b>(17,173)</b>	<b>3,345</b>	<b>(27,994)</b>
Cash at the beginning of the reporting period		85,553	82,208	78,389
<b>Cash held at the end of the reporting period</b>		<b>68,380</b>	<b>85,553</b>	<b>50,395</b>

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

## Note 1: Financial risk management

The Government is exposed to financial risks arising from its portfolio of financial assets and liabilities – interest rate risk, inflation risk, credit risk, liquidity risk and refinancing risk. The AOFM – overseen by the CEO and senior management – manages these risks within a financial risk management framework. This framework comprises directions from the Treasurer, as well as policies and limits approved by the Secretary of the Treasury.

### Interest rate risk

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

In its ordinary course of business, the AOFM’s primary measure of interest rate risk is the accrual basis of accounting under the historic cost accounting convention. Fair value measures of interest rate risk are considered to be secondary.

Financial instruments with a fixed interest rate expose the portfolio to changes in fair value with changes in interest rates, while financial instruments at floating interest rates expose the portfolio to changes in debt servicing costs with changes in interest rates. The extent to which the AOFM can match the repricing profile of financial liabilities with financial assets is limited due to the significant differences in the volumes and the need for assets to be available for cash management or other purposes. The interest rate exposure is predominately to fixed interest instruments.

The AOFM does not use financial derivatives such as interest rate swaps to manage interest rate risk.

#### Interest exposure of assets and liabilities

	2025 (\$million)	2024 (\$million)
<b>Fixed interest rate exposures</b>		
Assets	1,319	1,466
Liabilities	(887,016)	(844,234)
<b>Floating interest rate or non-interest bearing exposures</b>		
Assets	68,599	85,875
Liabilities	(5)	(5)

The following sensitivity analysis illustrates the interest rate risk sensitivity of administered financial instruments and the financial impact on profit or loss and equity to financial positions held as at period end.

A sensitivity of 132 basis points (136 basis points for 2023–24) has been used for domestic interest rates as per standard parameters mandated by the Department of Finance.

**Sensitivity of 30 June balances to a 132 basis points rise in interest rates (2023–24: 136 basis points)**

	2025 (\$million)	2024 (\$million)
<b>Financial Liabilities</b>		
<b>Changes in fair value:</b>		
Treasury Bonds	52,337	51,639
Treasury Indexed Bonds	4,667	5,011
Treasury Notes	62	55
<b>Financial Assets</b>		
<b>Changes in interest revenue:</b>		
Structured finance securities	3	2

**Sensitivity of 30 June balances to a 132 basis points fall in interest rates (2023–24: 136 basis points)**

	2025 (\$million)	2024 (\$million)
<b>Financial Liabilities</b>		
<b>Changes in fair value:</b>		
Treasury Bonds	(59,108)	(58,764)
Treasury Indexed Bonds	(5,517)	(6,006)
Treasury Notes	(63)	(55)
<b>Financial Assets</b>		
<b>Changes in interest revenue:</b>		
Structured finance securities	(3)	(2)

In undertaking the sensitivity analysis, a parallel shift in interest rates (real and nominal) is applied to instruments with all other variables held constant.

For fixed rate instruments, a shift in market interest rates on balances at 30 June only influences those instruments carried at fair value, by altering their fair value carrying amount. Fixed rate instruments carried at fair value include Treasury Bonds and Treasury Indexed Bonds.

For floating rate instruments, the impact on interest revenue or interest expense represents an annualised estimate calculated as if the positions as at 30 June were outstanding for the entire year.

Cash and cash equivalents are excluded from the analysis.

## Interest rate benchmarks

Interest rate benchmarks are referenced in a wide range of financial products and are vital for supporting the smooth operation of financial markets.

In Australia, the bank bill swap rate (BBSW) is the major interest rate benchmark for Australian dollar (AUD) denominated debt instruments of tenors from one month to six months. In structured finance contracts the basis for determining contractual interest flows remains the 1-month BBSW. This has not changed as a result of the financial benchmark reforms. However, contractual fall-backs are in place should BBSW cease to be a suitable reference rate in the future.

## Inflation risk

Treasury Indexed Bonds have their principal value indexed on a quarterly basis following the release of the 'All groups Australian Consumer Price Index' (CPI). Interest is paid quarterly at a fixed rate on the accreted principal value. Accordingly, these debt instruments expose the Government to inflation risk on interest payments, and on the value of principal payable on redemption. There is a six-month lag between the calculation period for the CPI and its impact on the value of interest and principal.

**Treasury Indexed Bonds index values for next interest payment as at 30 June  
(Per \$100 of face value)**

	First issued	2025	2024	2023
20 Sep 25 – 3.00%	Sep 2009	<b>151.78</b>	148.17	142.66
21 Nov 27 – 0.75%	Aug 2017	<b>127.24</b>	124.22	119.60
20 Sep 30 – 2.50%	Sep 2010	<b>148.06</b>	144.55	139.17
21 Nov 32 – 0.25%	Aug 2021	<b>119.30</b>	116.47	112.14
21 Aug 35 – 2.00%	Sep 2013	<b>137.25</b>	133.99	129.00
21 Aug 40 – 1.25%	Aug 2015	<b>131.70</b>	128.57	123.78
21 Feb 50 – 1.00%	Sep 2018	<b>124.82</b>	121.86	117.33

## Credit risk

Credit risk is the risk of non-performance (including partial performance) by a counterparty to a financial contract, leading to a financial loss for the creditor.

The AOFM's investment activity comprises balances used for cash management purposes and structured (securitisation) finance securities to support the purposes of the ABSF and SFSF.

Cash management investments are restricted to deposits with the RBA through a cash management account. Cash deposits with the RBA are considered to carry zero credit risk.

For current and proposed investments in structured finance securities, the AOFM uses credit rating assessments by a credit rating agency. Where a structured finance security is not rated by a credit rating agency, the AOFM will engage an advisor to conduct a credit risk assessment, and/or it will evaluate the credit risk internally using other available resources and information.

The AOFM also conducts post-trade performance monitoring, including defaults, prepayment rates, losses, profitability, and level of credit enhancement. The actual historical performance of loan pools may guide revisions to expected future performance. The AOFM uses this information to gauge whether credit risk has increased significantly since acquisition; and to provide an estimate as to expected future credit losses (either for the next 12 months or full life to maturity, depending on the circumstances).

The maximum credit exposure of structured (securitisation) finance securities acquired is the principal outstanding, plus the total amount of undrawn commitments remaining over the life of the respective facilities. However, the likely amount of loss arising from undrawn commitments may be less than the total amount committed, as the commitments are contingent on the maintenance of specific standards.

The table below shows the credit exposure to structured (securitisation) finance facilities as at period end:

**Credit exposure to structured (securitisation) finance facilities as at 30 June 2025**

<b>Exposure by fund</b>	<b>Current exposure (\$million)</b>	<b>Undrawn commitments (\$million)</b>	<b>Total credit committed (\$million)</b>
<b>Australian Business Securitisation Fund (ABSF)</b>			
Public term transactions (a)	46	-	46
Private warehouse transactions (b)	173	174	347
<b>Sub-total</b>	<b>219</b>	<b>174</b>	<b>393</b>
<b>Structured Finance Support Fund (SFSF)</b>			
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>219</b>	<b>174</b>	<b>393</b>

**Credit exposure to structured (securitisation) finance facilities as at 30 June 2024**

Exposure by fund	Current exposure (\$million)	Undrawn commitments (\$million)	Total credit committed (\$million)
<b>Australian Business Securitisation Fund (ABSF)</b>			
Public term transactions (a)	48	-	48
Private warehouse transactions (b)	113	295	408
<b>Sub-total</b>	<b>161</b>	<b>295</b>	<b>456</b>
<b>Structured Finance Support Fund (SFSF)</b>			
Public term transactions (a)	104	-	104
Private warehouse transactions (b)	50	-	50
Forbearance SPV	8	-	8
<b>Sub-total</b>	<b>162</b>	<b>-</b>	<b>162</b>
<b>Total</b>	<b>323</b>	<b>295</b>	<b>618</b>

- (a) Debt securities (backed by underlying collateral) issued by way of public offer by special purpose vehicles for the purposes of funding their lending activities.
- (b) Temporary lines of credit (backed by underlying collateral) provided to special purpose vehicles for the purposes of funding their lending activities.

Under Commonwealth-State financing arrangements between 1945 and 1989, the Australian Government made concessional loans (not evidenced by the issuance of debt securities) to State and Northern Territory governments for specific purposes. As at 30 June 2025, the principal outstanding on these loans was \$1,179 million.

### Composition of loans to state and territory governments as at 30 June 2025

Principal outstanding	2025 (\$million)	2024 (\$million)
New South Wales	515	562
Western Australia	236	254
Queensland	172	186
South Australia	139	146
Northern Territory	117	123
<b>Total</b>	<b>1,179</b>	<b>1,271</b>

The maximum exposure to credit risk is the principal value of loans outstanding.

### Credit exposure to state and territory governments by credit rating

Principal value	2025 (\$million)	2024 (\$million)
Aaa / AAA	236	254
Aa1 / AA+	826	894
Aa3 / AA-	117	123
<b>Total</b>	<b>1,179</b>	<b>1,271</b>

Where a counterparty has a split rating between the rating agencies (S&P and Moody's), the AOFM's exposure is allocated to the lower credit rating.

To protect the Australian Government's financial position with respect to securities lending arrangements (which allows market participants to borrow Treasury Bonds and Treasury Indexed Bonds not readily available from other sources), the market value of the collateral taken from counterparties is greater than the market value of the securities lent. There is a right to seek additional collateral if there is a decline in the relative values. As at 30 June 2025 there were no open securities lending transactions.

## Liquidity risk and refinancing risk

The AOFM manages liquidity risk by maintaining a cash buffer and by maintaining access to the Treasury Note market.

The Government also has access to an overdraft facility held by the Department of Finance with the RBA which can be called on at any time. The overdraft facility is to cover temporary, unexpected shortfalls of cash and has a limit of \$10 billion. The overdraft facility is undrawn at the reporting date.

Refinancing risk is the risk that when maturing debt needs to be funded by debt issuance, it may have to be refinanced at a higher cost or market conditions may prevent sufficient funds from being raised in an orderly manner.

The AOFM seeks to manage refinancing risk by avoiding excessive short dated borrowing; spacing of maturity dates; avoiding overly large bond maturities in any one year; and maintaining access to the Treasury Note market.

The following table discloses the undiscounted value of the contractual maturities of financial liabilities as at the reporting date, including estimated future interest payments. Interest payments and the principal value on redemption of Treasury Indexed Bonds are based on capital values as at period end.

### Future undiscounted cash outflows of liabilities as at 30 June 2025

	Treasury Bonds (\$million)	Treasury Indexed Bonds (\$million)	Treasury Notes & Other (\$million)	Total (\$million)
<b>Principal payments:</b>				
within 1 year	78,800	6,135	32,615	117,550
1 to 5 years	315,299	9,352	-	324,651
5 to 10 years	336,850	18,282	-	355,132
10 to 15 years	63,300	8,921	-	72,221
15 years+	59,500	13,450	-	72,950
<b>Total Principal</b>	<b>853,749</b>	<b>56,140</b>	<b>32,615</b>	<b>942,504</b>
<b>Interest payments:</b>				
within 1 year	21,858	740	391	22,989
1 to 5 years	66,475	2,602	-	69,077
5 to 10 years	44,039	1,776	-	45,815
10 to 15 years	12,212	814	-	13,026
15 years+	13,617	578	-	14,195
<b>Total Interest</b>	<b>158,201</b>	<b>6,510</b>	<b>391</b>	<b>165,102</b>

**Future undiscounted cash outflows of liabilities as at 30 June 2024**

	Treasury Bonds (\$million)	Treasury Indexed Bonds (\$million)	Treasury Notes & Other (\$million)	Total (\$million)
<b>Principal payments:</b>				
Within 1 year	82,800	-	27,647	110,447
1 to 5 years	295,199	17,835	-	313,034
5 to 10 years	342,100	16,236	-	358,336
10 to 15 years	61,150	8,240	-	69,390
15 years+	56,700	11,790	-	68,490
<b>Total Principal</b>	<b>837,949</b>	<b>54,101</b>	<b>27,647</b>	<b>919,697</b>
<b>Interest payments:</b>				
within 1 year	19,968	904	358	21,230
1 to 5 years	62,260	2,507	-	64,767
5 to 10 years	38,936	1,865	-	40,801
10 to 15 years	11,877	876	-	12,753
15 years+	14,241	677	-	14,918
<b>Total Interest</b>	<b>147,282</b>	<b>6,829</b>	<b>358</b>	<b>154,469</b>

## Fair value reported

Fair value is the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction between market participants. This is the quoted market price if one is available.

AASB 13 Fair Value Measurement requires assets and liabilities measured at fair value to be disclosed according to their position in a fair value hierarchy. The hierarchy has 3 levels:

- **Level 1** is based on quoted prices in active markets for identical instruments;
- **Level 2** is based on quoted prices or other observable market data not included in Level 1;
- **Level 3** is based on significant inputs to valuation other than observable market data.

### Fair value hierarchy for assets and liabilities as at 30 June 2025

	Carried at fair value (\$million)			Carried at amortised cost (\$million)
	Level 1	Level 2	Level 3	
<b>Liabilities</b>	(887,016)	-	-	(5)
<b>Assets</b>	-	-	-	69,918

### Fair value hierarchy for assets and liabilities as at 30 June 2024

	Carried at fair value (\$million)			Carried at amortised cost (\$million)
	Level 1	Level 2	Level 3	
<b>Liabilities</b>	(844,234)	-	-	(5)
<b>Assets</b>	-	-	-	87,341

## Note 2: Treasury Bonds

Treasury Bonds are denominated in Australian dollars and pay a fixed coupon semi-annually in arrears. Treasury Bonds are redeemable at face value on maturity. There are no options available to either the Australian Government or the holders of the securities to exchange or convert Treasury Bonds. There are also no options available to either party for early redemption.

The AOFM issues Treasury Bonds primarily through a competitive auction process to registered bidders. Based on market conditions, the AOFM may consider syndicated issuance to reduce the execution risk in meeting Government financing needs.

The AOFM's buyback activities are based on a transaction entered by the AOFM and the bondholder. If the AOFM buys back bonds, it does so at prevailing market prices and then cancels them.

For details of Green Treasury Bonds see the annual report.

### **Accounting policy**

The AOFM monitors the cost and risk of Treasury Bonds on issue primarily on an accrual basis, but also on a fair value basis. The AOFM has designated Treasury Bonds to be carried at fair value through profit or loss under AASB 9 Financial Instruments.

The fair value of Treasury Bonds is determined by reference to observable market rates for these instruments. As such, they are included as Level 1 financial instruments in the fair value hierarchy.

## Key aggregates

### Interest expense

	2025 (\$million)	2024 (\$million)
<b>Treasury Bonds</b>		
Interest paid / payable	21,459	19,861
Amortisation of net premiums	(1,004)	(1,447)
<b>Total interest expense</b>	<b>20,455</b>	<b>18,414</b>

The interest expense on the Treasury Bond portfolio has risen over time due to higher borrowing levels, and more recently due to the higher interest rate environment. The accrual yield for 2024–25 was 2.40 per cent, 21 basis points higher than the 2023–24 accrual yield of 2.19 per cent.

### Carrying values – administered liabilities

	2025 (\$million)	2024 (\$million)
<b>Treasury Bonds</b>		
Face value	853,749	837,949
Accrued interest	2,809	2,679
Unamortised net premiums	(5,529)	826
Market value adjustment	(49,887)	(76,805)
<b>Carrying value</b>	<b>801,142</b>	<b>764,649</b>

At 30 June 2025, the weighted average market yield on Treasury Bonds was 3.67 per cent (30 June 2024: 4.20 per cent).

At 30 June 2025, the weighted average (nominal) issuance yield on Treasury Bonds was 2.54 per cent (30 June 2024: 2.24 per cent).

These figures are weighted by aggregate (total) value.

**Changes in principal value (face value) for the period**

	2025 (\$million)	2024 (\$million)
<b>Treasury Bonds</b>		
Issuance	98,600	50,000
Maturities	(82,800)	(35,900)
<b>Total change in principal value</b>	<b>15,800</b>	<b>14,100</b>

**Interest paid –cash flow statement**

	2025 (\$million)	2024 (\$million)
<b>Treasury Bonds</b>		
Coupons paid	22,162	20,301
Interest received on issuance	(834)	(376)
<b>Treasury Bonds interest paid sub-total</b>	<b>21,328</b>	<b>19,925</b>

## Note 3: Treasury Indexed Bonds

Treasury Indexed Bonds are denominated in Australian dollars and are capital indexed with the principal value of the bond adjusted by reference to movements in the CPI.

Interest payments are made quarterly in arrears, at a fixed rate, on the adjusted capital value. At maturity, investors receive the adjusted capital value of the security.

The AOFM issues Treasury Indexed Bonds primarily through a competitive auction process. Based on market conditions, the AOFM may consider a syndicated issuance to reduce the execution risk in meeting Government financing needs.

### Accounting policy

The AOFM monitors the cost and risk on Treasury Indexed Bonds primarily on an accrual basis, but also on a fair value basis. The AOFM has designated Treasury Indexed Bonds to be carried at fair value through profit or loss under AASB 9 Financial Instruments.

The fair value of Treasury Indexed Bonds is determined by reference to observable market rates for these instruments. As such, they are included as Level 1 financial instruments in the fair value hierarchy.

Capital accretion is recognised in interest expense over time with each quarterly release of the CPI.

As future inflation rates are uncertain and it is not appropriate for the AOFM to express a view on the inflation outlook, an estimate of the adjusted capital value on maturity of each series of Treasury Indexed Bonds is not disclosed in the financial statements.

## Key aggregates

### Interest expense

	2025 (\$million)	2024 (\$million)
Interest paid / payable	885	911
Capital accretion and amortisation of net premiums	1,086	2,021
<b>Interest expense</b>	<b>1,971</b>	<b>2,932</b>

The interest expense on the Treasury Indexed Bond portfolio has fallen more recently due to the lower inflationary environment. The accrual yield for 2024–25 was 3.56 per cent, 201 basis points lower than the 2023–24 accrual yield of 5.57 per cent.

**Carrying values – administered liabilities**

	2025 (\$million)	2024 (\$million)
<b>Principal (adjusted capital value):</b>		
Face value	41,885	40,985
Capital accretion (to next coupon)	14,256	13,117
<b>Principal value</b>	<b>56,141</b>	<b>54,102</b>
Accrued interest	61	58
Unamortised net premiums	632	1,167
Market value adjustment	(3,787)	(3,564)
<b>Carrying value</b>	<b>53,047</b>	<b>51,763</b>

At 30 June 2025, the weighted average market (real) yield on Treasury Indexed Bonds was 1.71 per cent (30 June 2024: 1.80 per cent). At 30 June 2025, the weighted average (real) issuance yield on Treasury Indexed Bonds was 0.99 per cent (30 June 2024: 1.02 per cent).

These figures are weighted by aggregate (total) value.

### Changes in principal value for the period

	2025 (\$million)	2024 (\$million)
<b>Changes in face value due to:</b>		
Issuance	2,900	3,550
Debt repurchased	(2,000)	(2,000)
<b>Changes in capital accretion due to:</b>		
Issuance	823	958
Debt repurchased	(993)	(941)
Accretion for the period	1,309	1,996
<b>Change in principal value</b>	<b>2,039</b>	<b>3,563</b>

### Interest paid – cash flow statement

	2025 (\$million)	2024 (\$million)
Coupons paid	867	908
Interest received on issuance	(3)	(6)
Interest paid on repurchase	19	4
Accretion since issuance (paid on redemption)	988	934
<b>Interest paid</b>	<b>1,871</b>	<b>1,840</b>

## Note 4: Treasury Notes

Treasury Notes are short term discount instruments, denominated in Australian dollars and repayable at face value on maturity.

Treasury Notes are used to accommodate within-year cash requirements. The AOFM conducts issuance of Treasury Notes via competitive tenders.

### Accounting policy

The AOFM monitors the cost and risk on Treasury Notes primarily on an accrual basis, but also on a fair value basis. The AOFM has designated Treasury Notes to be carried at fair value through profit or loss under AASB 9 Financial Instruments.

The fair value of Treasury Notes is determined by reference to observable market rates for these instruments. As such, they are included as Level 1 financial instruments in the fair value hierarchy.

## Key aggregates

### Interest expense

	2025 (\$million)	2024 (\$million)
Interest paid / payable	1,419	1,141
<b>Interest expense</b>	<b>1,419</b>	<b>1,141</b>

The accrual yield on the Treasury Note portfolio was 4.27 per cent for 2024–25, 5 basis points higher than the 2023–24 accrual yield of 4.22 per cent. This increase was due to the higher interest rate environment.

**Carrying values – administered liabilities**

	2025 (\$million)	2024 (\$million)
Face value	33,000	28,000
Unexpired interest discount	(181)	(178)
Market value adjustment	8	-
<b>Carrying value</b>	<b>32,827</b>	<b>27,822</b>

**Changes in principal value (face value) for the period**

	2025 (\$million)	2024 (\$million)
Issuance	115,500	95,000
Maturities	(110,500)	(93,500)
<b>Change in principal value</b>	<b>5,000</b>	<b>1,500</b>

## Note 5: Cash held in the cash management account (CMA)

The CMA was created under the authority of section 53 of the *Public Governance, Performance and Accountability Act 2013*. The CMA resides outside the OPA and earns a market rate of interest. The agreement is structured so that excess OPA balances (above an agreed minimum threshold) are swept to the CMA at the end of each day and returned to the OPA at the start of the next day. The cash balance of the OPA is reported by the Department of Finance.

### Accounting policy

The balances held in the cash management account are effectively 'at call' and classified as 'cash' in the administered schedule of assets and liabilities.

## Key aggregates

### Interest revenue

	2025 (\$million)	2024 (\$million)
Interest received / receivable	2,786	2,872
<b>Interest revenue</b>	<b>2,786</b>	<b>2,872</b>

### Carrying values – administered assets

	2025 (\$million)	2024 (\$million)
Face value	68,379	85,552
Accrued interest (a)	230	295
<b>Carrying value</b>	<b>68,608</b>	<b>85,847</b>

(a) The accrued interest on the cash management account is reported separately to the principal value of the cash balance on the administered schedule of assets and liabilities.

## Note 6: Investments in structured finance securities

Investments acquired by the AOFM through the ABSF and SFSF represent debt securities in structured finance vehicles, and are either public term securitisations, private warehouse financing facilities, or the debt securities issued by the Forbearance SPV. The contractual cash flows received on these debt securities represent payments of principal and interest on outstanding principal. This is consistent with a basic lending arrangement.

During 2024–25, the SFSF exited its remaining warehouse commitments, remaining Forbearance SPV amounts were repaid and remaining public market investments were sold. The SFSF does not hold any public market investments, warehouse commitments or outstanding Forbearance SPV balances as at 30 June 2025.

### Accounting policy

The AOFM recognises these investments at fair value on initial recognition. The AOFM's business model is to hold these investments primarily to collect the contractual cash flows, and as such they are carried at amortised cost on subsequent measurement using the effective interest method.

Periodically, actual historical performance of each investment is used to revise expected future performance. This information is used to gauge whether credit risk has increased significantly since acquisition, and to provide a revised estimate as to the expected future credit losses. Where relevant, the impairment provision is revised accordingly.

Impairments on these investments are required to be measured on an expected credit loss (ECL) basis under AASB 9. The process of calculating the forward-looking loss allowance for both the 12-month ECL and lifetime ECL categories requires the use of significant estimates and judgements of the probability of default, loss given default, exposure at default, and economic conditions.

## Key aggregates

### Interest revenue

	2025 (\$million)	2024 (\$million)
<b>Australian Business Securitisation Fund (ABSF):</b>		
Interest and fees received / receivable	12	21
<b>ABSF Sub-total</b>	<b>12</b>	<b>21</b>
<b>Structured Finance Securitisation Fund:</b>		
Interest and fees received / receivable (a)	4	14
Amortisation of discounts	-	1
<b>SFSF Sub-total</b>	<b>4</b>	<b>15</b>
<b>Total interest revenue</b>	<b>16</b>	<b>36</b>

(a) Includes earnings from debt securities issued by the Forbearance SPV.

**Carrying values – administered assets**

	2025 (\$million)	2024 (\$million)
<b>Australian Business Securitisation Fund (ABSF)</b>		
Face value	219	161
Accrued interest	1	-
Expected credit loss provision	(1)	-
<b>ABSF Sub-total</b>	<b>219</b>	<b>161</b>
<b>Structured Finance Support Fund (SFSF) (a)</b>		
Face value	-	161
Accrued Interest	-	1
<b>SFSF Sub-total</b>	<b>-</b>	<b>162</b>
<b>Total carrying value</b>	<b>219</b>	<b>323</b>
Expected to be received (b):		
Within one year	64	251
In one to five years	65	72
In more than five years	90	-
Carrying value by expected recovery	<b>219</b>	<b>323</b>
<b>Ageing:</b>		
Not overdue	219	323
<b>Carrying value by ageing</b>	<b>219</b>	<b>323</b>

(a) Includes debt securities issued by the Forbearance SPV.

(b) The maturity profile is based on the weighted average life of each investment and disregarding estimated principal repayments (the timing and quantum of which are uncertain) prior to that time.

### Change in principal value (face value) of investments for the period

	2025 (\$million)	2024 (\$million)
<b>Australian Business Securitisation Fund (ABSF)</b>		
Acquisitions	189	89
Redemptions	(132)	(231)
<b>Total change in principal value for ABSF</b>	<b>58</b>	<b>(142)</b>
<b>Structured Finance Support Fund (SFSF) (a)</b>		
Redemptions	(161)	(194)
<b>Total change in principal value for SFSF</b>	<b>(161)</b>	<b>(194)</b>

(a) Includes debt securities issued by the Forbearance SPV.

## The Forbearance SPV

The AOFM forbearance SPV is a single special purpose vehicle funded by AOFM through the Structured Finance Support Fund. The provision of liquidity funding to participating trust vehicles ceased on 31 March 2021.

The value of interest revenue earned, and investments identified in the above tables for the Structured Finance Support Fund are inclusive of the Forbearance SPV.

The AOFM acquired variable funding notes issued by the Forbearance SPV to fund the making of liquidity payment loans to participating trust vehicles. As the Participation Unitholder of the Forbearance SPV, the Commonwealth is entitled to any residual income generated by the Forbearance SPV.

In accordance with the requirements of clause 32 of the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* the Forbearance SPV has not been consolidated in accordance with AASB 10 Consolidated Financial Statements, or in accordance with AASB 128 Investments in Associates and Joint Ventures. The AOFM has applied AASB 9 Financial Instruments to its debt security investments in the Forbearance SPV.

Interest revenue earned from the Forbearance SPV in 2024–25 was \$0.1 million (2023–24: \$0.6 million). As at the end of the financial year the carrying value of debt securities held in the Forbearance SPV was as follows:

**Carrying value of debt securities held in the Forbearance SPV at 30 June 2025**

	2025 (\$million)	2024 (\$million)
<b>Forbearance SPV</b>		
Face value of securities	-	8
<b>Total Carrying Value</b>	<b>-</b>	<b>8</b>

**Change in principal value (face value) of investments for the period**

	2025 (\$million)	2024 (\$million)
<b>Forbearance SPV</b>		
Redemptions	(8)	(8)
<b>Total change in principal value</b>	<b>(8)</b>	<b>(8)</b>

## Note 7: Loans to state and territory governments

Loans to state and territory governments predominantly comprise concessional housing advances and specific purpose capital advances made between 1945 and 1989 under Commonwealth – State financing arrangements. These loans are structured with annual repayments, which incorporate principal and interest.

### Accounting policy

Loans to state and territory governments are measured at fair value on initial recognition and at amortised cost on subsequent measurement using the effective interest method. The expected credit loss is estimated to be nil on these loans due to the federal financial relations system between the Commonwealth and the states and the territories.

## Key aggregates

### Carrying values – administered assets

	2025 (\$million)	2024 (\$million)
Face value	1,179	1,271
Unamortised net discounts	(90)	(101)
<b>Carrying value</b>	<b>1,089</b>	<b>1,170</b>
<b>Expected to be received:</b>		
Within one year	85	81
In one to five years	347	351
In more than five years	657	738
<b>Carrying value by expected recovery</b>	<b>1,089</b>	<b>1,170</b>
<b>Ageing:</b>		
Not overdue	1,089	1,170
<b>Carrying value by ageing</b>	<b>1,089</b>	<b>1,170</b>

The fair value of these loans was \$1,211 million at 30 June 2025 (2023–24: \$1,282 million). Data from Treasury Bonds is used in estimating fair value.

## Note 8: Cash flow reconciliation

The following table reconciles the deficit reported in the Schedule of Comprehensive Income to net cash flows from operating activities reported in the Cash Flow Statement.

### Reconciliation of net cash from operating activities

	2025 (\$million)	2024 (\$million)
<b>(Deficit)</b>	<b>(47,722)</b>	<b>(23,780)</b>
<b>Adjustments for non-cash items:</b>		
Amortisation and capital accretion of debt instruments	82	575
Amortisation of financial assets	(12)	(13)
Re-measurements	26,703	4,178
<b>Adjustments for cash items:</b>		
Capital accretion costs on redemption of debt	(988)	(934)
Debt repurchases	22	82
<b>Accrual adjustments:</b>		
Interest accruals on debt	163	(68)
Interest accruals on assets	66	-
<b>Net cash from operating activities</b>	<b>(21,686)</b>	<b>(19,960)</b>

## Note 9: Appropriations

### Administered special appropriations – unlimited

	2025 (\$'000)	2024 (\$'000)
<b><i>Commonwealth Inscribed Stock Act 1911</i></b>		
s13AA – payment of principal and interest on money raised by Stock issued under the Act and payments on depository interests in Stock issued under the Act	216,471,364	150,720,507
s13A – payment of costs and expenses incurred in relation to issuing and managing debt and depository interests	24,984	15,199
s13B – payment of costs and expenses incurred in repurchasing debt prior to maturity	3,026,482	3,003,501
<b><i>Financial Agreement Act 1994</i></b>		
s5 – debt redemption assistance and payment of interest to bond holders on behalf of the State and Northern Territory governments on public debt under the Act (a)	12	11
<b><i>Loan Securities Act 1919</i></b>		
s5BA – payment of money to enter into securities lending arrangements	901,368	5,907,176
<b>Total</b>	<b>220,424,209</b>	<b>159,646,394</b>

(a) The 2024–25 amount includes \$7,465 paid into the Debt Retirement Reserve Trust Account (2023–24: \$7,215).

The following administered special appropriations were not drawn upon in the current or prior year:

- *Australian National Railways Commission Sale Act 1997*, ss 67AH(4), 67AW
- *Loans Redemption and Conversion Act 1921*, s5
- *Loans Securities Act 1919*, ss4, 5B(2)
- *Moomba-Sydney Pipeline System Sale Act 1994*, s19(3)
- *Public Governance, Performance and Accountability Act 2013*, ss58(7), 77
- *Treasury Bills Act 1914*, s6

### Special account – Australian Business Securitisation Fund (ABSF)

	2025 (\$'000)	2024 (\$'000)
<b>Opening balance</b>	1,880,005	1,216,421
Statutory credit to the special account	-	500,000
Investments made	(189,295)	(89,119)
Management expenses	(414)	-
Capital proceeds received from investments	131,505	231,284
Interest and commitment fees received	11,851	21,419
<b>Closing balance</b>	<b>1,833,651</b>	<b>1,880,005</b>
<b>Balance represented by:</b>		
Cash – held in the CMA	1,833,651	1,880,005

The purpose of the ABSF is to increase the availability and reduce the cost of credit provided to small and medium enterprises. This is achieved by the Commonwealth investing in debt securities in accordance with the *Australian Business Securitisation Fund Act 2019*. The ABSF was established under the *Australian Business Securitisation Fund Act 2019* and has received total funding of \$2 billion.

### Special account – Structured Finance Support Fund (SFSF)

	2025 (\$'000)	2024 (\$'000)
<b>Opening balance</b>	14,968,674	14,759,997
Other payments	(3)	-
Capital proceeds received from investments	161,692	194,272
Interest and commitment fees received	4,238	14,405
<b>Closing balance</b>	<b>15,134,601</b>	<b>14,968,674</b>
<b>Balance represented by:</b>		
Cash – held in the Official Public Account (CMA)	15,134,601	14,968,674

Receipts and payments reported above are inclusive of receipts from and payments to the Forbearance SPV.

Receipts from and payments to the Forbearance SPV are as follows:

**Forbearance SPV – receipts and payments**

	2025 (\$'000)	2024 (\$'000)
Capital proceeds received from investments	8,176	7,599
Interest received	163	570
Other receipts	78	-
<b>Net cash inflows (outflows) for the Forbearance SPV</b>	<b>8,417</b>	<b>8,169</b>

The purpose of the SFSF was to ensure smaller lenders have continued access to funding markets during the COVID-19 pandemic. The SFSF was established under the *Structured Finance Support (Coronavirus Economic Response Package) Act 2020*.

The SFSF Special Account received a statutory funding credit of \$15 billion on 25 March 2020.

**Special account – Debt Retirement Reserve Trust Account (DRRTA)**

	2025 (\$'000)	2024 (\$'000)
<b>Opening balance</b>	171	163
<b>Commonwealth contributions and interest paid</b>	7	7
State contributions	-	1
<b>Closing balance</b>	<b>178</b>	<b>171</b>
<b>Balance represented by:</b>		
Cash – held in the Official Public Account	178	171

The purpose of the DRRTA is to fund the redemption of the state and territory debt governed by the *Financial Agreement Act 1994*. Monies standing to the credit of the DRRTA are held on behalf of New South Wales and Victoria. These monies are held for the purposes prescribed by the *Financial Agreement Act 1994*. The account was established under the *Public Governance, Performance and Accountability Act 2013*.

## Note 10: Administered budget variances

The projections of debt issuance and asset holdings are a consequence of the expenditure, investment and revenue decisions and assumptions made by the Government in producing its Budget together with estimates of debt to mature during the period. As part of the Budget process, the AOFM receives an estimate of the aggregated annual financing task for the Budget year and forward years from the Treasury. The annual financing task, plus the volume of maturing AGS and planned early repurchases of AGS (that would otherwise mature in a future year), are central to determining the size of the planned issuance program in each year.

The volume of AGS that needs to be issued in face value terms to generate the required level of financing will depend on the level of AGS yields and the chosen maturities and mix of debt to be issued. These decisions are based on the debt management strategy, which takes into account longer term portfolio considerations.

It is assumed that the future AGS yields for different tenors will be the same as the prevailing market rates at the time the Budget estimates are prepared.

The following provides explanations for significant variances between AOFM’s original Budget estimates, as published in the 2024–25 Portfolio Budget Statements, and the actual financial performance and position for the year.

Explanations of major variances	Affected line items
Interest expense for Treasury Indexed Bonds was \$261 million lower than forecast at the 2024–25 Budget due to lower capital accretion (indexation) recognised based on lower inflation rates.	Interest Expense: Treasury Indexed Bonds – Administered schedule of comprehensive income
Interest income from cash and deposits was \$900 million higher than forecast at the 2024–25 Budget due to higher than expected balances held in the cash management account during the year. The cash held in the cash management account was \$18 billion higher at year end than forecast at the 2024–25 Budget.	Interest income: Cash and deposits – Administered schedule of comprehensive income Financial assets: Cash held in the cash management account – Administered schedule of assets and liabilities
The net re-measurement loss on Treasury Bonds was \$14 billion higher than forecast at the 2024–25 Budget due to lower market rates at year end increasing the valuation. The fair value of Treasury Bonds at 30 June 2025 was \$15 billion higher than forecast at the 2024–25 Budget	Re-measurements: Treasury Bonds – Administered schedule of comprehensive income Interest bearing liabilities at fair value: Treasury Bonds – Administered schedule of assets and liabilities

## Note 11: Securities lending facility

The AOFM has a securities lending facility for Treasury Bonds and Treasury Indexed Bonds, which is operated by the RBA.

The purpose of the facility is to enhance the efficiency of the bond markets by allowing market participants to borrow Treasury Bonds and Treasury Indexed Bonds when they are not readily available. Bonds are lent on an intra-day or overnight basis.

Counterparties borrowing bonds through the facility must provide collateral in the form of cash or acceptable securities.

### Transactions completed during the period

	Number		Face value	
	2025	2024	2025 (\$million)	2024 (\$million)
Overnight:				
Treasury Bonds	16	239	767	9,595
Treasury Indexed Bonds	2	12	284	298
<b>Total</b>	<b>18</b>	<b>251</b>	<b>1,051</b>	<b>9,893</b>

No transactions were open as at 30 June 2025.

Separate to the securities lending facility, bond market participants can borrow Treasury Bonds and Treasury Indexed Bonds from the RBA's holdings.

## Other information

### Current/non-current distinction for assets and liabilities

	2025 (\$million)	2024 (\$million)
<b>Assets expected to be recovered in:</b>		
<b>No more than 12 months</b>		
Cash held in the OPA	1	1
Cash held in the cash management account	68,379	85,552
Structured finance securities	64	251
Loans to State and Territory governments	85	81
Accrued interest on cash management account	230	295
<b>Total no more than 12 months</b>	<b>68,759</b>	<b>86,180</b>
<b>More than 12 months</b>		
Structured finance securities	155	72
Loans to State and Territory governments	1,004	1,089
<b>Total more than 12 months</b>	<b>1,159</b>	<b>1,161</b>
<b>Total assets</b>	<b>69,918</b>	<b>87,341</b>
<b>Liabilities expected to be recovered in:</b>		
<b>No more than 12 months</b>		
Treasury Bonds	78,926	82,040
Treasury Indexed Bonds	6,130	-
Treasury Notes	32,827	27,822
Other debt	5	5
<b>Total no more than 12 months</b>	<b>117,888</b>	<b>109,867</b>
<b>More than 12 months</b>		
Treasury Bonds	722,216	682,609
Treasury Indexed Bonds	46,917	51,763
<b>Total more than 12 months</b>	<b>769,133</b>	<b>734,372</b>
<b>Total liabilities</b>	<b>887,021</b>	<b>844,239</b>

# DEPARTMENTAL FINANCIAL STATEMENTS

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## Departmental statement of comprehensive income

For the period ended 30 June 2025

	Notes	2025 \$'000	2024 \$'000	Budget 2025 \$'000
<b>Net cost of services</b>				
<b>Expenses</b>				
Employee benefits	<b>A</b>	10,808	9,256	9,996
Supplier expenses	<b>A</b>	5,650	5,533	6,304
Depreciation and amortisation	<b>C</b>	586	650	598
Interest on lease liabilities		50	54	71
Interest on makegood liability	<b>F</b>	20	20	-
Asset write-offs		-	8	-
<b>Total expenses</b>		<b>17,114</b>	<b>15,521</b>	<b>16,969</b>
<b>Own-source income</b>				
Other revenue		269	112	25
Resources received free of charge		250	250	250
<b>Total own-source income</b>		<b>519</b>	<b>362</b>	<b>275</b>
<b>Net cost of services</b>		<b>(16,595)</b>	<b>(15,159)</b>	<b>(16,694)</b>
<b>Appropriation funding</b>				
Revenue from Government		16,357	19,121	16,357
<b>Total appropriation funding</b>		<b>16,357</b>	<b>19,121</b>	<b>16,357</b>
(Deficit)/surplus		<b>(238)</b>	<b>3,962</b>	<b>(337)</b>
<b>Total comprehensive (loss)/income</b>		<b>(238)</b>	<b>3,962</b>	<b>(337)</b>

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

Note I explains significant variances between actuals and the original budget as presented in the 2024–25 Portfolio Budget Statements.

## Departmental statement of financial position

As at 30 June 2025

	Notes	2025 \$'000	2024 \$'000	Budget 2025 \$'000
<b>Assets</b>				
<b>Financial assets:</b>				
Cash and cash equivalents		207	100	100
Receivables	<b>B</b>	36,256	36,578	36,582
<b>Non-financial assets:</b>				
Property, plant, and equipment <sup>1</sup>	<b>C</b>	5,046	5,345	5,464
Software	<b>C</b>	235	72	213
Supplier prepayments		230	494	344
<b>Total assets</b>		<b>41,974</b>	<b>42,589</b>	<b>42,703</b>
<b>Liabilities</b>				
Payables:				
Supplier payables		778	869	883
Salary and superannuation		292	264	864
<b>Provisions:</b>				
Employee provisions	<b>D</b>	2,667	3,275	2,400
Lease liabilities	<b>E</b>	3,519	3,649	3,388
Other provisions	<b>F</b>	623	603	624
<b>Total liabilities</b>		<b>7,879</b>	<b>8,660</b>	<b>8,159</b>
<b>Net assets</b>		<b>34,095</b>	<b>33,929</b>	<b>34,544</b>
<b>Equity</b>				
Retained surplus		45,381	45,619	43,706
Asset revaluation reserve		715	715	715
Contributed equity		(12,001)	(12,406)	(9,877)
<b>Total equity</b>		<b>34,095</b>	<b>33,929</b>	<b>34,544</b>

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

Note I explains significant variances between actuals and the original budget as presented in the 2024–25 Portfolio Budget Statements.

1 Right-of-use assets are included in property, plant and equipment.

## Departmental statement of changes in equity

For the period ended 30 June 2025

	Notes	2025 \$'000	2024 \$'000	Budget 2025 \$'000
<b>Retained earnings</b>				
Opening balance		45,619	41,658	44,043
(Deficit)/surplus for the period		(238)	3,962	(337)
<b>Closing balance as at 30 June</b>		<b>45,381</b>	<b>45,620</b>	<b>43,706</b>
<b>Asset revaluation reserve</b>				
Opening balance		715	715	715
<b>Closing balance as at 30 June</b>		<b>715</b>	<b>715</b>	<b>715</b>
<b>Contributed equity</b>				
Opening balance as at 1 July		(12,406)	(10,677)	(10,282)
Departmental capital budget		405	395	405
Appropriations extinguished	H	-	(2,124)	-
<b>Closing balance as at 30 June</b>		<b>(12,001)</b>	<b>(12,406)</b>	<b>(9,877)</b>
<b>Total equity</b>		<b>34,095</b>	<b>33,929</b>	<b>34,544</b>

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

Note I explains significant variances between actuals and the original budget as presented in the 2024–25 Portfolio Budget Statements.

### Accounting Policy

#### Equity Injections

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

## Departmental cash flow statement

For the period ended 30 June 2025

	Notes	2025 \$'000	2024 \$'000	Budget 2025 \$'000
<b>Operating activities</b>				
Appropriations		17,285	14,936	16,357
GST received		11	6	-
Services and other		981	267	25
Employees		(11,081)	(9,108)	(9,996)
Suppliers		(6,240)	(5,522)	(6,050)
Interest paid on leases		(52)	(54)	(50)
Section 74 receipts transferred to OPA		(532)	(272)	(25)
<b>Net cash from operating activities</b>	<b>G</b>	<b>372</b>	<b>253</b>	<b>261</b>
<b>Investing activities</b>				
Purchase of assets		(318)	(2)	(405)
<b>Net cash (used by) investing activities</b>		<b>(318)</b>	<b>(2)</b>	<b>(405)</b>
<b>Financing activities</b>				
Contributed equity		318	2	405
Principal payments of lease liabilities		(265)	(253)	(261)
<b>Net cash from/(used by) financing activities</b>		<b>53</b>	<b>(251)</b>	<b>144</b>
<b>Net increase/(decrease) in cash held</b>		<b>107</b>	<b>-</b>	<b>-</b>
<b>Cash at the beginning of the reporting period</b>		<b>100</b>	<b>100</b>	<b>100</b>
<b>Cash at the end of the reporting period</b>		<b>207</b>	<b>100</b>	<b>100</b>

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

Note I explains significant variances between actuals and the original budget as presented in the 2024–25 Portfolio Budget Statements.

# FINANCIAL PERFORMANCE

## Note A: Expenses

### Employee benefits

	2025 \$'000	2024 \$'000
Wages and salaries	7,494	7,683
Superannuation	1,339	1,294
Leave	886	198
Separation and redundancies	764	-
Other	325	81
<b>Total</b>	<b>10,808</b>	<b>9,256</b>

### Accounting Policy

Accounting policies for employee related expenses are at Note D Employee Provisions.

### Supplier expenses

	2025 \$'000	2024 \$'000
Corporate support services	1,352	1,268
Internal and external audit services	440	286
Investment management services for ABSF and SFSF	-	621
Legal	112	135
Market data services	707	674
Travel	509	501
Treasury management system	740	636
Website and software	395	131
Recruitment	237	-
Trust management expenses <sup>1</sup>	66	91
Other	1,092	1,190
<b>Total</b>	<b>5,650</b>	<b>5,533</b>

<sup>1</sup> These expenses are wholly attributable to the operation of the Forbearance SPV.

The AOFM has no short-term lease commitments as at 30 June 2025 (2024: nil).

Remuneration for the financial statements audit is \$250,000 in 2024–25 (2024: \$250,000).

## Note B: Receivables

### Receivables

	2025 \$'000	2024 \$'000
Goods and services	15	27
Appropriations receivables	36,240	36,550
Other	1	1
<b>Total</b>	<b>36,256</b>	<b>36,578</b>

Credit terms for goods and services were within 28 days (2024: 28 days)

#### Accounting policy

Receivables are measured at fair value on initial recognition and at amortised cost on subsequent measurement.

Appropriation receivables are recognised at their nominal amounts. Appropriation receivables are appropriations controlled by the AOFM but held in the OPA under the Government's 'just in time' drawdown arrangements.

## Note C: Property, plant, and equipment

### Reconciliation of the opening balances of property, plant and equipment for 2025

	Buildings	Leasehold improvements	Plant and equipment	Software	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2024</b>					
Gross book value	4,820	2,582	264	1,696	9,362
Accumulated depreciation, amortisation and impairment	(1,462)	(826)	(33)	(1,624)	(3,945)
<b>Total as at 1 July 2024</b>	<b>3,358</b>	<b>1,756</b>	<b>231</b>	<b>72</b>	<b>5,417</b>
Additions					
Purchase	-	-	46	272	318
Depreciation and amortisation	(299)	(152)	(26)	(109)	(586)
Revaluation of right-of-use asset due to rent review	132	-	-	-	132
<b>Total as at 1 July 2025</b>	<b>3,191</b>	<b>1,604</b>	<b>251</b>	<b>235</b>	<b>5,281</b>
<b>Total as at 30 June 2025 represented by</b>					
Gross book value	4,952	2,582	310	1,968	9,813
Accumulated depreciation, amortisation and impairment	(1,761)	(978)	(59)	(1,733)	(4,531)
<b>Total as at 30 June 2025</b>	<b>3,191</b>	<b>1,604</b>	<b>251</b>	<b>235</b>	<b>5,281</b>
<b>Carrying amount of right of use assets</b>	<b>3,191</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,191</b>

## Reconciliation of the opening balances of property, plant and equipment for 2025

Reconciliation of the opening balances of property, plant and equipment for 2024					
	Buildings	Leasehold improvements	Plant and equipment	Software	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2023</b>					
Gross book value	4,820	2,582	273	1,696	9,371
Accumulated depreciation, amortisation and impairment	(1,170)	(673)	(11)	(1,444)	(3,298)
<b>Total as at 1 July 2023</b>	<b>3,650</b>	<b>1,909</b>	<b>262</b>	<b>252</b>	<b>6,073</b>
Additions					
Purchase	-	2	-	-	2
Depreciation and amortisation	(292)	(153)	(25)	(180)	(650)
Disposals	-	(2)	(6)	-	(8)
<b>Total as at 1 July 2024</b>	<b>3,358</b>	<b>1,756</b>	<b>231</b>	<b>72</b>	<b>5,417</b>
<b>Total as at 30 June 2024 represented by</b>					
Gross book value	4,820	2,582	264	1,696	9,362
Accumulated depreciation, amortisation and impairment	(1,462)	(826)	(33)	(1,624)	(3,945)
<b>Total as at 30 June 2024</b>	<b>3,358</b>	<b>1,756</b>	<b>231</b>	<b>72</b>	<b>5,417</b>
<b>Carrying amount of right of use assets</b>	<b>3,358</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,358</b>

## **Accounting policy**

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. 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 are recognised in the transferor's accounts immediately prior to the restructuring.

### **Asset recognition threshold**

Purchases of property, plant and equipment are recognised initially in the statement of financial position, except for purchases costing less than the threshold 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 asset thresholds are listed under 'Depreciation'.

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' provisions in leasehold improvements taken up by the AOFM where there exists an obligation to make good. These costs are included in the value of the AOFM's leasehold improvements with a corresponding provision for the 'make good' recognised.

### **Leased Right of Use (ROU) Assets**

Leased ROU assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for as separate asset classes to corresponding assets owned outright but included in the same column where the corresponding assets would be presented if they were owned.

On initial adoption of AASB 16 the AOFM adjusted the ROU assets at the date of initial application by the amount of any provision for onerous leases recognised immediately before the date of initial application. Following initial application, an impairment review is undertaken for any right of use lease asset that shows indicators of impairment and an impairment loss is recognised against any right of use lease asset that is impaired. Leased ROU assets continue to be measured at cost after initial recognition.

### **Revaluations**

Following initial recognition at cost, property, plant, and equipment (excluding ROU assets) are carried at fair value (or an amount not materially different from fair value) less subsequent depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not materially differ from the assets' fair value as at the reporting date. The regularity of independent valuations depended upon the volatility of movements in market values for the relevant assets.

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 reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit.

Revaluation decrements for an asset class are recognised directly in the surplus/deficit except to the extent that they reversed 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 restated to the revalued amount.

### **Intangibles**

Intangible assets comprise of software. Software assets are carried at cost less accumulated amortisation and accumulated impairment losses, except for assets costing less than the relevant asset recognition threshold. All software assets were assessed for indicators of impairment at 30 June 2025.

### **Depreciation**

Depreciable property, plant and equipment assets are written-off to their estimated useful lives to the AOFM using, in all cases, the straight-line method of depreciation. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvements and the unexpired period of the lease.

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. The depreciation rates for ROU assets are based on the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

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

	Threshold		Useful lives	
	2025	2024	2025	2024
Leasehold improvements	\$10,000	\$10,000	Lease term	Lease term
Furniture and fittings	\$1,000	\$1,000	Lease term	Lease term
Artwork	\$1,000	\$1,000	100 years	100 years
ICT equipment	\$1,000	\$1,000	3-5 years	3-5 years
Software	\$10,000	\$10,000	3-10 years	3-10 years

### Impairment

All assets have been assessed for impairment at 30 June 2025. Where indications of impairment exist, the asset recoverable amount is estimated and an impairment adjustment made if the asset recoverable amount is less than its carrying amount. The recoverable amount of an asset is the higher of its fair value less costs of disposal 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 AOFM 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.

## Note D: Employee provisions

	2025 \$'000	2024 \$'000
Leave	2,602	3,275
Other	65	-
<b>Total</b>	<b>2,667</b>	<b>3,275</b>
<b>Employee provisions expected to be settled</b>		
No more than 12 months	1,018	974
More than 12 months	1,649	2,301
<b>Total employee provisions</b>	<b>2,667</b>	<b>3,275</b>

### Accounting policy

Liabilities for short-term employee benefits and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts. Other long-term employee benefits are measured as net total of the 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 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 AOFM'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 long service leave has been determined by the 'shorthand method' outlined in the Resource Management Guide No. 125 – Commonwealth Entities Financial Statements Guide and the recommended probability factors have been applied, along with a discount factor which is the combination of a salary growth rate and the Government 10-year bond rate. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

### **Superannuation**

The AOFM's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government.

The CSS and PSS are defined benefit schemes for 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 AOFM makes employer contributions to the employee's defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The AOFM accounts for the contributions as if they were contributions to defined contributions plans.

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

## **Key Management Personnel Remuneration**

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the AOFM, directly or indirectly. The Chief Executive Officer (CEO), the Secretary to the Treasury and the Treasurer have been determined to be key management personnel for the AOFM. The AOFM's CEO is appointed by the Secretary to the Treasury.

It is AOFM policy that employees acting in a KMP role are included if they hold the position continuously for more than three months.

In 2024–25 two new SES positions were created: Deputy CEO and Chief Operating Officer (COO). These new positions were filled from June 2025 and May 2025 respectively. Both positions have been determined as KMP however due to the positions being held for less than three months each, their remuneration has been excluded from reporting.

	2025 \$'000	2024 \$'000
Short-term employee benefits	326	371
Post employment benefits	68	66
Other long-term employee benefits	9	9
<b>Total</b>	<b>403</b>	<b>446</b>

The total number of key management personnel included in the above table is 1 (2024: 1).

## Related Part Disclosures

### Related party relationships:

The AOFM is an Australian Government controlled entity. The AOFM's related parties are Key Management Personnel (KMP) including the Secretary to the Treasury, the Treasurer and other Australian Government entities.

### Transactions with related parties:

Given the breadth of Australian Government activities, related parties may transact with the Government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been separately disclosed in this note.

There are no transactions with Key Management Personnel (KMP) besides remuneration disclosed above and travel allowances paid in the ordinary course of business.

The AOFM transacts with other Australian Government controlled entities consistent with normal day-to-day business operations provided under normal terms and conditions, including provision of advice and other services, payment of workers compensation, insurance premiums and superannuation. Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the AOFM, it has been determined that there are no related party transactions to be separately disclosed.

There are no related party transactions by Ministers requiring disclosure by the AOFM in 2025 (2024: nil).

## Note E: Lease liabilities

### Lease liabilities

	2025 \$'000	2024 \$'000
Lease liabilities	3,519	3,649
<b>Total</b>	<b>3,519</b>	<b>3,649</b>

### Maturity analysis – contractual undiscounted cash flows

	2025 \$'000	2024 \$'000
<b>Undiscounted cash flows:</b>		
Less than 1 year	323	311
One to five years	1,373	1,288
More than five years	2,105	2,372
<b>Total</b>	<b>3,801</b>	<b>3,971</b>

Total cash outflow for leases for the year ended 30 June 2025 was \$0.317 million (2024: \$0.307 million).

The AOFM's significant leasing arrangement is for office accommodation at Parkes, ACT. This lease expires 22 December 2035 and rent payable has a 3% annual increase.

The above lease disclosures should be read in conjunction with Note C.

## Accounting policy

### Leases

A lease is defined as ‘a contract, or part of a contract. That conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’.

Once it has been determined that a contract is, or contains a lease, the lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily determinable, or the AOFM's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification to the lease. When the lease liability is remeasured, the corresponding adjustment is reflected in the right of use asset or profit and loss depending on the nature of the reassessment or modification.

## Note F: Other provisions

Other provisions are for the restoration costs of the AOFM's leasehold premises on expiry of its lease. The AOFM lease for its office premises ends on 21 December 2030, there is one remaining 5-year extension option exercisable at the AOFM's discretion. The present value of the makegood provision was last assessed as at 31 March 2023 in accordance with advice from an independent expert.

### Other provisions

	2025 \$'000	2024 \$'000
Makegood on leasehold premises	623	603
<b>Total</b>	<b>623</b>	<b>603</b>

### Reconciliation of movements in other provisions (\$'000)

	2025 \$'000	2024 \$'000
Opening balance	603	583
Interest expense on makegood provision	20	20
<b>Total</b>	<b>623</b>	<b>603</b>

## Note G: Cash flow reconciliation

The following table reconciles the AOFM's operating cash flows as presented in the Cash Flow Statement to its net cost of services presented in the Statement of Comprehensive Income.

### Reconciliation of cash as per statement of financial position and cash flow statement

	2025 \$'000	2024 \$'000
<b>Net cost of services</b>	<b>(16,595)</b>	<b>(15,159)</b>
<b>Revenue from Government</b>	<b>16,357</b>	<b>19,121</b>
<b>Adjustments for non-cash items:</b>		
Depreciation and amortisation	586	650
Appropriations extinguished	-	(2,124)
Interest on makegood liability	20	20
Loss on disposal of assets	-	8
Change in receivables for capital budget	89	393
<b>Movement in assets:</b>		
Decrease/(Increase) in receivables	322	(2,726)
Decrease/(Increase) in supplier prepayments	264	(150)
<b>Movement in liabilities:</b>		
(Decrease)/Increase in supplier payables	(91)	(55)
Increase in salary and superannuation	28	31
(Decrease)/Increase in employee provisions	(608)	244
<b>Net cash from operating activities</b>	<b>372</b>	<b>253</b>

## Note H: Appropriations

### Annual appropriations ('recoverable GST exclusive')

#### Annual appropriations for 2025

Annual appropriations	Annual Appropriation \$'000	Adjustments to appropriation <sup>1</sup> \$'000	Total appropriation \$'000	Appropriation applied in 2025 (current and prior years) \$'000	Variance <sup>2</sup> \$'000
Ordinary annual services	16,357	532	16,889	17,285	(396)
Capital budget <sup>3</sup>	405	-	405	318	87
<b>Total</b>	<b>16,762</b>	<b>532</b>	<b>17,294</b>	<b>17,603</b>	<b>(309)</b>

1 Current year annual appropriations adjustments include PGPA Act section 74 receipts.

2 The variances were due to higher than planned staff costs including redundancies and terminations.

3 Capital budgets are appropriated through Appropriation Act No. 1. They form part of ordinary annual services and are not separately identified in the Appropriation Acts.

#### Annual appropriations for 2024

Annual appropriations	Annual Appropriation \$'000	Adjustments to appropriation <sup>1</sup> \$'000	Total appropriation \$'000	Appropriation applied in 2024 (current and prior years) \$'000	Variance <sup>2</sup> \$'000
Ordinary annual services	19,121	272	19,393	15,113	4,280
Capital budget	395	-	395	2	393
<b>Total</b>	<b>19,516</b>	<b>272</b>	<b>19,788</b>	<b>15,115</b>	<b>4,673</b>

1 Current year annual appropriations adjustments include PGPA Act section 74 receipts.

2 The variances were due to lower than planned staff and supplier costs, including from the management of policy assets.

3 Capital budgets are appropriated through Appropriation Act No. 1. They form part of ordinary annual services and are not separately identified in the Appropriation Acts.

**Unspent annual appropriations ('recoverable GST exclusive')**

	2025 \$'000	2024 \$'000
Appropriation Act (No. 1) 2021–22 <sup>1</sup>	-	1,758
Appropriation Act (No. 1) 2021–22 – DCB <sup>1</sup>	-	366
Supply Act (No. 1) 2022–23	-	7,080
Supply Act (No. 1) 2022–23 – DCB	-	157
Supply Act (No. 3) 2022–23	-	9,405
Supply Act (No. 3) 2022–23 – DCB <sup>2</sup>	58	220
Appropriation Act (No.1) 2023-24	18,493	19,393
Appropriation Act (No.1) 2023–24 – DCB	395	395
Appropriation Act (No. 1) 2024–25	16,889	-
Appropriation Act (No. 1) 2024–25 – DCB	405	-
<b>Total</b>	<b>36,240</b>	<b>38,774</b>

1 Appropriation Act (No. 1) 2021–22 lapsed on 1 July 2024 in accordance with the repeal clause of the Appropriation Act.

**Net cash appropriation arrangements**

	2025 \$'000	2024 \$'000
<b>Total comprehensive income as per Statement of comprehensive income</b>	(238)	3,962
<b>Plus:</b> depreciation/amortisation of assets funded through appropriations <sup>1</sup>	287	358
<b>Plus:</b> depreciation of right-of-use assets	299	292
<b>Less:</b> lease principal repayments	(265)	(253)
<b>Net cash operating surplus</b>	<b>83</b>	<b>4,359</b>

1 From 2010–11, the Australian Government introduced net cash appropriation arrangements where revenue appropriations for depreciation/amortisation expenses of non-corporate Commonwealth entities and selected corporate Commonwealth entities were replaced with 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.

2 The inclusion of depreciation expenses related to ROU leased assets and the lease liability principal repayment amount reflects the impact of AASB16 Leases, which does not directly reflect a change in appropriation arrangements.

## Note I: Departmental budget variances

The following table provides explanations for significant variances between the AOFM’s original budget estimates, as published in the 2024–25 Portfolio Budget Statements, and the actual financial performance and position for the year. The budget is not audited.

Explanations of major variances	Affected line items
Employee expenses were \$0.8 million higher than forecast at the 2024–25 Budget due to higher than anticipated staff termination costs.	Employee benefits – Departmental statement of comprehensive income
Supplier expenses were \$0.7 million less than forecast at the 2024–25 Budget due to the reclassification of expenses related to the management of the ABSF and SFSF investments as administered expenses.	Supplier expenses – Departmental statement of comprehensive income Supplier prepayments – Departmental statement of financial position
Salary and superannuation liabilities were \$0.6 million less than forecast at the 2024–25 Budget due to payments being made closer to 30 June resulting in unpaid liabilities being lower than assumed in the budget.	Salary and superannuation liabilities – Departmental statement of financial position

## OVERVIEW

The AOFM is an Australian Government controlled, not-for-profit entity. The AOFM is a listed entity under the *Public Governance, Performance and Accountability Rule 2014*.

The outcome of the AOFM is the advancement of macroeconomic growth and stability, and the effective operation of financial markets, through issuing debt, investing in financial assets and managing debt, investments and cash for the Australian Government. The AOFM is structured to achieve this outcome.

The continued existence of the AOFM in its present form and with its present program is dependent on Government policy and on continuing funding by Parliament for the AOFM's administration and activities.

Entity activities contributing toward the outcome are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the entity in its own right. Administered activities involve the management or oversight by the entity, on behalf of the Government, of items controlled or incurred by the Government.

## Basis of preparation of the financial statements

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:

1. Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR); and
2. 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 in accordance with the historical cost convention, except for certain assets and liabilities at fair value or on a discounted cash flow basis. 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.

## New Australian Accounting Standards

During 2024–25 the AOFM adopted all applicable Australian Accounting Standards that became effective during the reporting period. These did not have a material impact on the AOFM’s accounts.

## Taxation

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

### Reporting of administered activities

Administered revenue, 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.

## Events after the reporting period

### Departmental

There were no events occurring after 30 June 2025 that would have a material impact on the departmental financial statements.

### Administered

There were no events occurring after 30 June 2025 that would have a material impact on the administered financial statements.

## Managing uncertainties

### Contingent assets and liabilities

At 30 June 2025, the AOFM had no departmental contingent assets or liabilities (2024: nil).

#### Accounting Policy

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 settlement is greater than remote.

## Litigation – Kathleen O’Donnell V Commonwealth of Australia and Others

On 22 July 2020 the Applicant lodged in the Federal Court of Australia (FCA) proceedings against the Commonwealth, the Secretary to the Treasury and the Chief Executive of the AOFM for failure of fiduciary duties, failure of duties of care, and breaches of the *Australian Securities and Investments Commission Act 2001* (ASIC Act), for not disclosing climate change risks in retail investor product disclosure documents for Australian Government Bonds. The Applicant lodged the pleadings as a class action. The Applicant was seeking injunctive relief only.

On 11 October 2023, the parties agreed that the Applicant would discontinue the proceedings with no order as to costs. As part of the non-monetary settlement, the parties agreed to make a public statement on the matter. The statement was published on the Treasury website on 16 October 2023. It was also published on the website of the Applicant’s lawyers, Equity Generation Lawyers.

## Financial instruments

	2025 \$'000	2024 \$'000
<b>Financial assets</b>		
Cash	207	100
Goods and services receivable	15	27
<b>Total financial assets</b>	<b>222</b>	<b>127</b>
<b>Financial liabilities</b>		
Trade creditors and accruals	778	869
<b>Total financial liabilities</b>	<b>778</b>	<b>869</b>

### Accounting Policy

In accordance with AASB9 Financial Instruments, the AOFM classifies its financial assets in the following categories:

- a) financial assets at fair value through profit or loss;
- b) financial assets at fair value through other comprehensive income; and
- c) financial assets measured at amortised cost.

The classification depends on both the AOFM's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition. Financial assets are recognised when the AOFM becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

### Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period based on Expected Credit Losses, using the general approach which measures the loss allowance based on an amount equal to lifetime expected credit losses where risk has significantly increased, or an amount equal to 12-month expected credit losses if risk has not increased.

The simplified approach for trade, contract and lease receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.

A write-off constitutes a derecognition event where the write-off directly reduces the gross carrying amount of the financial asset.

### **Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'. Supplier payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or service have been received (and irrespective of having been invoiced).

## Other information

### Current/non-current distinction for assets and liabilities

	2025 \$'000	2024 \$'000
<b>Assets expected to be recovered in:</b>		
<b>No more than 12 months</b>		
Cash and cash equivalents	207	100
Receivables	18,962	16,890
Prepayments	230	494
<b>Total no more than 12 months</b>	<b>19,399</b>	<b>17,484</b>
<b>More than 12 months</b>		
Receivables	17,294	19,688
Property, plant, and equipment	5,281	5,417
<b>Total more than 12 months</b>	<b>22,575</b>	<b>25,105</b>
<b>Total assets</b>	<b>41,974</b>	<b>42,589</b>
<b>Liabilities expected to be recovered in:</b>		
<b>No more than 12 months</b>		
Supplier payables	778	869
Employee payables	292	264
Employee provisions	1,018	974
Lease liabilities	323	261
<b>Total no more than 12 months</b>	<b>2,411</b>	<b>2,368</b>
<b>More than 12 months</b>		
Employee provisions	1,649	2,301
Lease liabilities	3,196	3,388
Other provisions	623	603
<b>Total more than 12 months</b>	<b>5,468</b>	<b>6,292</b>
<b>Total liabilities</b>	<b>7,879</b>	<b>8,660</b>

# ANAO AUDIT OPINION



## INDEPENDENT AUDITOR'S REPORT

### To the Treasurer

#### Opinion

In my opinion, the financial statements of the Australian Office of Financial Management (the Entity) for the year ended 30 June 2025:

- (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 Entity as at 30 June 2025 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2025 and for the year then ended:

- Statement by the Chief Executive Officer and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Schedule of Reconciliation;
- Administered Schedule of Cash Flows; and
- Notes to the financial statements, comprising material accounting policy information and other explanatory information.

#### Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted me. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

GPO Box 707, Canberra ACT 2601  
38 Sydney Avenue, Forrest ACT 2603  
Phone (02) 6203 7300

Key audit matter	How the audit addressed the matter
<p><b>Valuation of Australian Government Securities</b></p> <p><i>Refer to Administered Notes 1 'Financial Risk Management', 2 'Treasury Bonds (including Green Treasury Bonds)', 3 'Treasury Indexed Bonds' and 4 'Treasury Notes'</i></p> <p>The Entity issues Australian Government Securities (AGS) on behalf of the Commonwealth Government. The securities primarily comprise treasury bonds, treasury indexed bonds and treasury notes. I consider the valuation of AGS to be a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The significant value of AGS relative to the Entity's Administered Schedule of Assets and Liabilities (\$887,021 million at 30 June 2025). There is a range of AGS issued and measured at fair value; and</li> <li>• The variety of methodologies used to determine the fair value of financial instruments. These methodologies include the use of assumptions relating to forward yield curves, the consumer price index and discount rates.</li> </ul>	<p>The audit procedures that I applied to address the matter included:</p> <ul style="list-style-type: none"> <li>• Testing the design, implementation and operating effectiveness of relevant controls related to the issuance of AGS.</li> <li>• Testing the design, implementation, and operating effectiveness of relevant controls in relation to the ongoing assessment and recalculation of market valuations of AGS; and</li> <li>• Assessing the valuation of AGS on 30 June 2025, using the following procedures: <ul style="list-style-type: none"> <li>◦ agreeing the face values and coupon rates of treasury bonds, treasury indexed bonds and treasury notes to independent third-party reports; and</li> <li>◦ assessing the reasonableness of the yield to maturity assumption on securities, relative to market interest rates and performing a recalculation of the fair value of AGS for issued treasury bonds, treasury indexed bonds and treasury notes.</li> </ul> </li> </ul>

**Accountable Authority's responsibility for the financial statements**

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

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Chief Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate.

**Auditor's responsibilities for the audit of the financial statements**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the Accountable Authority, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office



Dr Caralee McLiesh PSM  
Auditor General for Australia  
Canberra  
1 September 2025



## **PART 5: AIDS TO ACCESS**

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## GLOSSARY OF ABBREVIATIONS

<b>AASB</b>	Australian Accounting Standards Board
<b>ABS</b>	asset-backed securities
<b>ABSF</b>	Australian Business Securitisation Fund
<b>ACT</b>	Australian Capital Territory
<b>ADB</b>	Asian Development Bank
<b>AGS</b>	Australian Government Securities
<b>ANAO</b>	Australian National Audit Office
<b>ANZ</b>	Australia and New Zealand Banking Group Limited
<b>AOFM</b>	Australian Office of Financial Management
<b>APS</b>	Australian Public Service
<b>ASF</b>	Australian Securitisation Forum
<b>ASX</b>	Australian Securities Exchange
<b>bps</b>	basis points
<b>CEO</b>	Chief Executive Officer
<b>CMA</b>	cash management account
<b>CMP</b>	Cash Management Portfolio
<b>COFO</b>	Chief Operating and Finance Officer
<b>CPA</b>	Certified Public Accountant
<b>CPI</b>	Consumer Price Index
<b>CPRs</b>	Commonwealth Procurement Rules
<b>CRAO</b>	Chief Risk and Assurance Officer
<b>Cth</b>	Commonwealth
<b>DFAT</b>	Department of Foreign Affairs and Trade
<b>ECL</b>	expected credit losses
<b>ELG</b>	Executive Leadership Group
<b>ESG</b>	environmental, social and governance
<b>FA Act</b>	Financial Agreement Act 1994
<b>FCA</b>	Federal Court of Australia
<b>FOI Act</b>	Freedom of Information Act 1982

<b>fSPV</b>	forbearance Special Purpose Vehicle
<b>FTE</b>	full-time equivalent
<b>FV</b>	face value
<b>GST</b>	Goods and Services Tax
<b>IMF</b>	International Monetary Fund
<b>IPS</b>	Information Publication Scheme
<b>IT</b>	Information Technology
<b>KMP</b>	Key management personnel
<b>LTDP</b>	Long-Term Debt Portfolio
<b>MYEFO</b>	Mid-Year Economic and Fiscal Outlook
<b>NAB</b>	National Australia Bank
<b>NSW</b>	New South Wales
<b>NT</b>	Northern Territory
<b>OIS</b>	overnight indexed swap
<b>OPA</b>	Official Public Account
<b>PGPA Act</b>	Public Governance, Performance and Accountability Act 2013
<b>PS Act</b>	Public Service Act 1999
<b>Qld</b>	Queensland
<b>RBA</b>	Reserve Bank of Australia
<b>SA</b>	South Australia
<b>SES</b>	Senior Executive Service
<b>SFSF</b>	Structured Finance Support Fund
<b>SMEs</b>	small and medium enterprises
<b>Tas</b>	Tasmania
<b>TIBs</b>	Treasury Indexed Bonds
<b>T-Notes</b>	Treasury Notes
<b>US</b>	United States of America
<b>Vic</b>	Victoria
<b>WA</b>	Western Australia
<b>WAM</b>	weighted average maturity

# COMPLIANCE WITH ANNUAL REPORT REQUIREMENTS

PGPA rule reference	Part of report	Description	Requirement
<b>17AD(g)</b>	<b>Letter of transmittal</b>		
17AI	Letter of transmittal	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory
<b>17AD(h)</b>	<b>Aids to access</b>		
17AJ(a)	Table of contents	Table of contents (print only).	Mandatory
17AJ(b)	Part 5	Alphabetical index (print only).	Mandatory
17AJ(c)	Part 5	Glossary of abbreviations and acronyms.	Mandatory
17AJ(d)	Part 5	List of requirements.	Mandatory
17AJ(e)	About this report	Details of contact officer.	Mandatory
17AJ(f)	About this report	Entity's website address.	Mandatory
17AJ(g)	About this report	Electronic address of report.	Mandatory
<b>17AD(a)</b>	<b>Review by accountable authority</b>		
17AD(a)	Part 1 (A)	A review by the accountable authority of the entity.	Mandatory
<b>17AD(b)</b>	<b>Overview of the entity</b>		
17AE(1)(a)(i)	Part 1 (B)	A description of the role and functions of the entity.	Mandatory
17AE(1)(a)(ii)	Part 1 (C)	A description of the organisational structure of the entity.	Mandatory
17AE(1)(a)(iii)	Part 1 (B)	A description of the outcomes and programmes administered by the entity.	Mandatory
17AE(1)(a)(iv)	Part 1 (B)	A description of the purposes of the entity as included in corporate plan.	Mandatory
17AE(1)(aa)(i)	Part 2 (A)	Name of the accountable authority or each member of the accountable authority	Mandatory
17AE(1)(aa)(ii)	Part 2 (A)	Position title of the accountable authority or each member of the accountable authority	Mandatory

PGPA rule reference	Part of report	Description	Requirement
17AE(1)(aa)(iii)	Part 1 (C)	Period as the accountable authority or member of the accountable authority within the reporting period	Mandatory
17AE(1)(b)	Not applicable	An outline of the structure of the portfolio of the entity.	Portfolio departments – mandatory
17AE(2)	Not applicable	Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, mandatory
<b>17AD(c)</b>	<b>Report on the performance of the entity</b>		
	<b>Annual performance statements</b>		
17AD(c)(i); 16F	Part 2 (C)	Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory
17AD(c)(ii)	Report on financial performance		
17AF(1)(a)	Part 2 – Performance assessment by purpose	A discussion and analysis of the entity's financial performance.	Mandatory
17AF(1)(b)	Part 3 (E)	A table summarising the total resources and total payments of the entity.	Mandatory
17AF(2)	Not applicable	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, mandatory
<b>17AD(d)</b>	<b>Management and Accountability</b>		
	<b>Corporate Governance</b>		
17AG(2)(a)	Part 3 (A)	Information on compliance with section 10 (fraud systems)	Mandatory
17AG(2)(b)(i)	Letter of transmittal	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory

PGPA rule reference	Part of report	Description	Requirement
17AG(2)(b)(ii)	Letter of transmittal	A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory
17AG(2)(b)(iii)	Letter of transmittal	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory
17AG(2)(c)	Part 3 (A)	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory
17AG(2)(d) – (e)	Not applicable	A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to noncompliance with Finance law and action taken to remedy non-compliance.	If applicable, mandatory
<b>Audit Committee</b>			
17AG(2A)(a)	Part 3 (A)	A direct electronic address of the charter determining the functions of the entity's audit committee.	Mandatory
17AG(2A)(b)	Part 3 (A)	The name of each member of the entity's audit committee.	Mandatory
17AG(2A)(c)	Part 3 (A)	The qualifications, knowledge, skills or experience of each member of the entity's audit committee.	Mandatory
17AG(2A)(d)	Part 3 (A)	Information about the attendance of each member of the entity's audit committee at committee meetings.	Mandatory
17AG(2A)(e)	Part 3 (A)	The remuneration of each member of the entity's audit committee.	Mandatory
<b>External scrutiny</b>			
17AG(3)	Part 3 (A)	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory
17AG(3)(a)	Not applicable	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, mandatory
17AG(3)(b)	Not applicable	Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, mandatory
17AG(3)(c)	Not applicable	Information on any capability reviews on the entity that were released during the period.	If applicable, mandatory

PGPA rule reference	Part of report	Description	Requirement
<b>Management of Human Resources</b>			
17AG(4)(a)	Part 3 (B)	An assessment of the entity’s effectiveness in managing and developing employees to achieve entity objectives.	Mandatory
17AG(4)(aa)	Part 3 (B)	Statistics on the entity’s employees on an ongoing and non-ongoing basis, including the following: (a) statistics on full-time employees (b) statistics on part-time employees (c) statistics on gender (d) statistics on staff location	Mandatory
17AG(4)(b)	Part 3 (B)	Statistics on the entity’s APS employees on an ongoing and non-ongoing basis; including the following: <ul style="list-style-type: none"> <li>• statistics on staffing classification level</li> <li>• statistics on full-time employees</li> <li>• statistics on part-time employees</li> <li>• statistics on gender</li> <li>• statistics on staff location</li> <li>• statistics on employees who identify as Indigenous.</li> </ul>	Mandatory
17AG(4)(c)	Part 3 (B)	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory
17AG(4)(c)(i)	Part 3 (B)	Information on the number of SES and non-SES employees covered by agreements etc identified in paragraph 17AG(4)(c).	Mandatory
17AG(4)(c)(ii)	Part 3 (B)	The salary ranges available for APS employees by classification level.	Mandatory
17AG(4)(c)(iii)	Part 3 (B)	A description of non-salary benefits provided to employees.	Mandatory
17AG(4)(d)(i)	Part 3 (B)	Information on the number of employees at each classification level who received performance pay.	If applicable, mandatory
17AG(4)(d)(ii)	Part 3 (B)	Information on aggregate amounts of performance pay at each classification level.	If applicable, mandatory
17AG(4)(d)(iii)	Part 3 (B)	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, mandatory
17AG(4)(d)(iv)	Part 3 (B)	Information on aggregate amount of performance payments.	If applicable, mandatory

PGPA rule reference	Part of report	Description	Requirement
<b>Assets management</b>			
17AG(5)	Not applicable	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory
<b>Purchasing</b>			
17AG(6)	Part 3 (C)	An assessment of entity performance against the Commonwealth Procurement Rules.	Mandatory
<b>Reportable consultancy contracts</b>			
17AG(7)(a)	Part 3 (C)	A summary statement detailing the number of new reportable consultancy contracts entered into during the period; the total actual expenditure on all such contracts (inclusive of GST); the number of ongoing reportable consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST).	Mandatory
17AG(7)(b)	Part 3 (C)	A statement that 'During [reporting period], [specified number] new reportable consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing reportable consultancy contracts were active during the period, involving total actual expenditure of \$[specified million].'	Mandatory
17AG(7)(c)	Part 3 (C)	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory
17AG(7)(d)	Part 3 (C)	A statement that 'Annual reports contain information about actual expenditure on reportable consultancy contracts. Information on the value of reportable consultancy contracts is available on the AusTender website.'	Mandatory

PGPA rule reference	Part of report	Description	Requirement
<b>Reportable non-consultancy contracts</b>			
17AG(7A)(a)	Part 3 (C)	A summary statement detailing the number of new reportable non-consultancy contracts entered into during the period; the total actual expenditure on such contracts (inclusive of GST); the number of ongoing reportable non-consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST).	Mandatory
17AG(7A)(b)	Part 3 (C)	A statement that 'Annual reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the value of reportable non-consultancy contracts is available on the AusTender website.'	Mandatory
17AD(daa)	Additional information about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts		
17AGA	Part 3 (C)	Additional information, in accordance with section 17AGA, about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts.	Mandatory
<b>Australian National Audit Office access clauses</b>			
17AG(8)	Part 3 (C)	If an entity entered into a contract with a value of more than \$100,000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, mandatory
<b>Exempt contracts</b>			
17AG(9)	Part 3 (C)	If an entity entered into a contract or there is a standing offer with a value greater than \$10,000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, mandatory

PGPA rule reference	Part of report	Description	Requirement
<b>Small business</b>			
17AG(10)(a)	Part 3 (C)	A statement that '[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and medium enterprises (SME) and small enterprise participation statistics are available on the Department of Finance's website.'	Mandatory
17AG(10)(b)	Part 3 (C)	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory
17AG(10)(c)	Part 3 (C)	If the entity is considered by the Department administered by the Finance Minister as material in nature – a statement that '[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website.'	If applicable, mandatory
<b>Financial statements</b>			
17AD(e)	Part 4	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory
<b>Executive remuneration</b>			
17AD(da)	Part 3 (C)	Information about executive remuneration in accordance with Subdivision C of Division 3A of Part 2–3 of the Rule.	Mandatory

PGPA rule reference	Part of report	Description	Requirement
<b>17AD(f)</b>	<b>Other mandatory information</b>		
17AH(1)(a)(i)	Part 3 (C)	If the entity conducted advertising campaigns, a statement that <i>'During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website.'</i>	If applicable, mandatory
17AH(1)(a)(ii)	Part 3 (C)	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, mandatory
17AH(1)(b)	Part 3 (C)	A statement that <i>'Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity's website].'</i>	If applicable, mandatory
17AH(1)(c)	Part 3 (B)	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory
17AH(1)(d)	Part 3 (D)	Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory
17AH(1)(e)	Not applicable	Correction of material errors in previous annual report	If applicable, mandatory
17AH(2)	Part 3 (B and F)	Information required by other legislation	Mandatory

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