PART 3: AAS FINANCIAL STATEMENTS

This Part presents financial statements that have been prepared on an accrual basis in accordance with applicable Australian Accounting Standards, including Australian Accounting Standard No. 31 *Financial Reporting by Governments* (AAS31), except where departures from the standard are identified in Note 1. This Part also provides month of June figures.

A reconciliation between the Australian Government's general government AAS31 and Government Finance Statistics (GFS) revenue, expenses and operating result is provided in Appendix A.

Table 24: Statement of financial performance for the Australian Government general government sector — AAS31

	Note	2002-03 Estimate at 2003-04 Budget $m	Month of June 2003 $m	2002-03 Outcome $m
Revenues				
Taxation				
Income tax	3	128,723	10,053	132,111
Indirect tax	4	27,110	2,451	27,255
Fringe benefits tax(a)		3,220	-504	2,832
Other taxes		1,502	170	1,595
Total taxation revenue		160,556	12,170	163,793
Non-taxation				
Sales of goods and services		3,894	400	3,901
Interest and dividends	5	7,053	290	7,043
Net foreign exchange gains		753	61	786
Proceeds from the sale of assets		1,278	908	2,994
Other sources of non-tax revenue	6	4,640	1,814	5,143
Total non-tax revenue		17,619	3,473	19,866
Total revenue		**178,175**	**15,643**	**183,659**
Expenses				
Goods and services				
Employees	7	24,863	2,001	25,362
Suppliers	8	13,722	1,352	13,878
Depreciation and amortisation	9	3,836	424	3,986
Net write down of assets		2,480	2,080	3,498
Net foreign exchange losses		0	0	0
Value of assets sold		1,224	871	2,868
Other goods and services expenses		6,208	624	6,113
Total goods and services		52,333	7,352	55,705
Subsidies benefits and grants				
Personal benefits		76,666	6,441	76,259
Subsidies		8,689	797	8,811
Grants	10	35,358	2,149	34,834
Total subsidies benefits and grants		120,713	9,387	119,904
Borrowing costs				
Interest		6,572	462	6,617
Other borrowing costs		24	29	42
Total interest and other borrowing costs		6,597	491	6,658
Total expenses		**179,643**	**17,230**	**182,268**
Net result		**-1,468**	**-1,587**	**1,391**
Extraordinary items		0	0	0
Operating result after extraordinary items		**-1,468**	**-1,587**	**1,391**

(a) The fringe benefits tax result for June is largely due to a reclassification of revenue provisions between fringe benefits tax and other individuals (which has been revised up).

Table 25: Statement of financial position for the Australian Government general government sector — AAS31

	Note	2002-03 Estimate at 2003-04 Budget $m	2002-03 Outcome $m
Assets			
Financial assets			
Cash		2,507	2,339
Receivables		27,301	28,159
Investments		34,977	37,517
Equity accounted investments		0	451
Accrued revenue		565	517
Other financial assets		25	23
Total financial assets		65,374	69,006
Non-financial assets	11		
Land and buildings (excluding heritage assets)		16,700	18,275
Heritage and cultural assets(a)		-	4,765
Infrastructure		43,972	38,938
Intangibles		1,327	1,357
Inventories		3,903	4,044
Other non-financial assets		1,680	1,936
Total non-financial assets		67,582	69,315
Total assets		**132,957**	**138,321**
Liabilities			
Debt			
Government securities		57,963	57,953
Loans		5,169	5,130
Leases		197	213
Deposits		300	325
Overdrafts		0	0
Other debt		2,355	1,709
Total debt		65,984	65,331
Provisions and payables			
Employees	12	96,489	97,253
Suppliers		2,017	2,317
Personal benefits payable		2,954	2,892
Subsidies payable		406	414
Grants payable	13	8,848	7,815
Other provisions and payables		6,010	9,445
Total provisions and payables		116,725	120,137
Total liabilities		**182,709**	**185,468**
Net assets	14	**-49,752**	**-47,147**
Equity			
Accumulated results		-81,225	-80,527
Reserves		31,474	33,380
Capital		0	0
Total equity		**-49,752**	**-47,147**

(a) A separate class of assets, Heritage and cultural assets, was established for 2002-03 in the Finance Minister's Orders for the Preparation of Financial Statements. Heritage and cultural assets were previously included in Infrastructure.

Table 26: Statement of cash flows for the Australian Government general government sector — AAS31

	Note	2002-03 Estimate at 2003-04 Budget $m	Month of June 2003 $m	2002-03 Outcome $m
Operating activities				
Cash received				
Taxes	15	158,408	14,693	160,565
Sales of goods and services		4,132	439	4,015
Interest		3,241	335	3,267
Dividends		3,960	113	3,961
GST input credit receipts		2,277	370	2,406
Other		2,875	147	2,923
Total operating cash received		174,893	16,097	177,138
Cash used				
Payments to employees		17,131	1,352	16,967
Payments to suppliers		16,227	1,344	15,875
Subsidies paid		8,119	759	8,236
Personal benefits		76,662	6,308	76,598
Grant payments		35,448	1,485	34,698
Interest and other financing costs		6,407	268	6,448
GST payments to taxation authority		145	-11	68
Other		6,147	541	5,952
Total operating cash used		166,287	12,046	164,841
Net cash from operating activities		**8,605**	**4,052**	**12,296**
Investing activities				
Cash received				
Proceeds from asset sales program		0	0	0
Proceeds from sales of property, plant and equipment and intangibles		1,312	554	1,314
Other net investing cash received		1,990	294	1,646
Total investing cash received		3,302	848	2,960
Cash used				
Purchase of property, plant and equipment and intangibles		5,897	1,527	6,010
Net loans, advances and HECS		64	625	5
Other net investing cash paid		0	521	3,437
Total investing cash used		5,961	2,673	9,452
Net cash from investing activities		**-2,659**	**-1,825**	**-6,492**
Financing activities				
Cash received				
Net cash received from currency issues		0	0	0
Other		276	-1,467	333
Total financing cash received		276	-1,467	333
Cash used				
Net repayments of borrowings		5,945	49	6,012
Other		0	17	17
Total financing cash used		5,945	66	6,029
Net cash from financing activities		**-5,670**	**-1,533**	**-5,696**
Net increase/decrease in cash held	2	**277**	**693**	**108**

Statistics, concepts and notes to the financial statements

Note 1: External reporting standards

The *Charter of Budget Honesty Act 1998* requires that the Final Budget Outcome be based on external reporting standards and that departures from applicable external reporting standards be identified.

The financial statements included in the Final Budget Outcome have been prepared on an accrual basis in accordance with applicable Australian Accounting Standards, including Australian Accounting Standard No. 31 *Financial Reporting by Governments* (AAS31).

AAS31 requires governments to prepare accrual based general purpose financial reports. This means that assets, liabilities, revenues and expenses are recorded in financial statements when they have their economic impact on the government, rather than when the cash flow associated with these transactions occurs. Consistent with AAS31, a statement of financial performance, a statement of financial position and a statement of cash flows have been prepared using results for 2002-03.

The accounting policies in this section are generally consistent with the accounting policies in AAS31. While the scope for financial reporting recommended in AAS31 is the Whole of Government (that is, the Australian Government public sector), in accordance with the *Charter of Budget Honesty Act 1998*, the presentation of financial outcomes covers the general government sector only.

AAS31 and other relevant accounting standards would suggest the gross amount of goods and services tax (GST) be included in the Australian Government's financial statements. However, under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations,* GST is collected by the Australian Taxation Office as an agent for the States and Territories, and appropriated to the States and Territories. Therefore, accrued GST revenues and associated payments to the States and Territories are not recorded in the financial statements.

In relation to taxation revenue, AAS31 suggests revenue be recognised at the time the income (or economic activity) giving rise to a tax liability occurs, where this can be measured reliably. At this stage, the Australian Government does not consider its taxation revenues can be reliably measured on this basis for outcome reporting purposes. Under AAS31, an inability to reliably measure tax revenues when the underlying transactions or events occur means, in some cases, they may need to be recognised at a later time. Taxation revenue in the Final Budget Outcome is, therefore, recognised the earlier of when an assessment of a tax liability is made or cash payment is received by the Australian Tax Office or the Australian Customs Service.

The Australian Government is continuing its processing of claims for asbestos related injuries for military and civilian personnel, including former waterside workers. The Australian Government is currently undertaking processes to measure the extent of its exposure for asbestos related claims, including the use of external actuarial experts. However, at the date of this report, a reliable actuarial measure is not available.

Note 2: Reconciliation of cash

	2002-03 Estimate at 2003-04 Budget $m	2002-03 Outcome $m
Operating result (revenues less expenses)	**-1,468**	**1,391**
less **Revenues not providing cash**		
Foreign exchange gains	753	786
Gains from asset sales programme	0	0
Gains from sale of assets	1,278	2,993
Other	1,594	2,117
Total revenues not providing cash	**3,625**	**5,897**
plus **Expenses not requiring cash**		
Increase/(decrease) in employee entitlements	7,732	8,459
Depreciation/amortisation expense	3,836	3,986
Provision for bad and doubtful debts	488	577
Provision for dimunition in value of assets	577	503
Losses from asset sales programme	0	0
Losses from sale of assets	1,224	2,833
Foreign exchange losses	0	0
Other	0	342
Total expenses not requiring cash	**13,857**	**16,701**
plus **Cash provided by working capital items**		
Decrease in inventories	0	694
Decrease in receivables	440	0
Decrease in other financial assets	4	49
Decrease in other non-financial assets	0	0
Increase in benefits subsidies and grants payable	882	565
Increase in suppliers liabilities	0	276
Increase in other provisions and payables	0	0
Total cash provided by working capital items	**1,326**	**1,584**
less **Cash used by working capital items**		
Increase in inventories	4	0
Increase in receivables	0	163
Increase in other financial assets	0	0
Increase in other non-financial assets	542	728
Decrease in benefits subsidies and grants payable	0	3
Decrease in other provisions and payables	783	588
Decrease in suppliers liabilities	157	0
Total cash used by working capital items	**1,485**	**1,483**
equals *Net cash from/(to) operating activities*	8,605	12,296
Net cash from/(to) investing activities	-2,659	-6,492
Net cash from operating activities and investment	**5,946**	**5,804**
Net cash from/(to) financing activities	-5,670	-5,696
equals Net (decrease)/increase in cash	**277**	**108**

Note 2(a): Consolidated Revenue Fund

The cash balance reflected in the statement of financial position for the Australian Government general government sector (Table 25) includes the reported cash balances controlled and administered by Australian Government agencies subject to the *Financial Management and Accountability Act 1997* and the reported cash balances controlled and administered by entities, subject to the *Commonwealth Authorities and Companies Act 1997* (CAC Act), that implement public policy through the provision of primarily non-market services.

Revenues or moneys raised by the Executive Government automatically form part of the Consolidated Revenue Fund by force of section 81 of the Australian Constitution. For practical purposes, total Australian Government general government sector cash, less cash controlled and administered CAC Act entities, plus special public monies represents the Consolidated Revenue Fund referred to in section 81 of the Australian Constitution. On this basis, the balance of the Consolidated Revenue Fund is shown below.

	2002-03 $m
Total General Government Sector Cash	**2,339**
less CAC Agency cash balances	-955
plus Special public monies	77
Balance of Consolidated Revenue Fund at 30 June	**1,461**

Note 3: Income tax revenue — accrual AAS31

	2002-03 Estimate at 2003-04 Budget $m	2002-03 Outcome $m
Individuals and other withholding		
Gross income tax withholding	84,590	84,640
Gross other individuals	17,300	18,314
less Refunds	11,540	11,651
Total individuals and other withholding	90,350	91,303
Companies	32,093	34,198
Superannuation funds		
Contributions and earnings	3,580	3,617
Superannuation surcharge	980	1,279
Total superannuation funds	4,560	4,896
Petroleum resource rent tax	1,720	1,715
Total income tax revenue	**128,723**	**132,111**

Note 4: Indirect tax revenue — accrual AAS31

	2002-03 Estimate at 2003-04 Budget $m	2002-03 Outcome $m
Excise duty		
Petroleum and other fuel products and crude oil	13,250	13,337
Other excise	7,330	7,450
Total excise duty	20,580	20,787
Customs duty	5,630	5,573
Other indirect tax	900	896
GST	31,230	31,257
less transfers to States and Territories in relation to GST revenue	31,230	31,257
GST revenue	0	0
Mirror taxes	271	295
less transfers to States and Territories in relation to mirror tax revenue	271	295
Mirror tax revenue	0	0
Indirect tax revenue	**27,110**	**27,255**

Note 5: Interest and dividend revenue

	2002-03 Estimate at 2003-04 Budget $m	2002-03 Outcome $m
Interest		
Interest from other governments		
State and Territory debt	50	47
Housing agreements	181	181
Total interest from other governments	232	228
Interest from other sources		
Swap interest	2,198	2,219
Advances	18	21
Deposits	15	12
Bills receivable	6	6
Bank deposits	152	517
Other	473	83
Total interest from other sources	2,861	2,857
Total interest	**3,093**	**3,085**
Dividends		
Dividends from associated entities	3,922	3,958
Other dividends	38	0
Total dividends	**3,960**	**3,958**
Total interest and dividends	**7,053**	**7,043**

Note 6: Other sources of non-taxation revenue

	2002-03 Estimate at 2003-04 Budget $m	2002-03 Outcome $m
Industry contributions	108	126
International Monetary Fund related revenue	55	52
Other	4,477	4,965
Total other sources of non-taxation revenue	**4,640**	**5,143**

Note 7: Employees expenses

	2002-03 Estimate at 2003-04 Budget $m	2002-03 Outcome $m
Salaries and wages(a)	10,625	10,324
Leave and other entitlements	1,327	1,143
Separations and redundancies	65	68
Workers compensation premiums	0	0
Other including superannuation	12,847	13,827
Total employee expenses	**24,863**	**25,362**

(a) Salaries and wages do not include superannuation.

Note 8: Suppliers expenses

	2002-03 Estimate at 2003-04 Budget $m	2002-03 Outcome $m
Supply of goods and services	12,010	12,098
Operating lease rental expenses	1,487	1,643
Other	225	138
Total suppliers	**13,722**	**13,878**

Note 9: Depreciation and amortisation expenses

	2002-03 Estimate at 2003-04 Budget $m	2002-03 Outcome $m
Depreciation		
Specialist military equipment	2,056	2,191
Buildings	519	581
Other infrastructure, plant and equipment	952	868
Heritage and cultural assets	-	42
Total depreciation	**3,527**	**3,682**
Total amortisation	**310**	**304**
Total depreciation and amortisation	**3,836**	**3,986**

Note 10: Grants expenses

	2002-03 Estimate at 2003-04 Budget $m	2002-03 Outcome $m
State and territory governments	23,233	23,016
Non-profit organisations	1,579	1,939
Overseas	737	710
Private sector	794	995
Local governments	290	279
Other	8,726	7,896
Total grants	**35,358**	**34,834**

Note 11: Total non-financial assets

	2002-03 Estimate at 2003-04 Budget $m	2002-03 Outcome $m
Land and buildings		
Land	4,416	4,799
Buildings	12,285	13,476
Total land and buildings	**16,700**	**18,275**
Infrastructure		
Specialist military equipment	31,501	31,383
Other	12,471	7,555
Total infrastructure	**43,972**	**38,938**
Intangibles		
Computer software	1,227	1,249
Other	99	107
Total intangibles	**1,327**	**1,357**
Heritage and cultural assets	-	4,765
Total heritage and cultural assets	**-**	**4,765**
Inventories	3,903	4,044
Total inventories	**3,903**	**4,044**
Other non-financial assets		
Prepayments	1,461	1,714
Other	219	222
Total other non-financial assets	**1,680**	**1,936**
Total non-financial assets	**67,582**	**69,315**

Note 12: Employee liabilities

	2002-03 Estimate at 2003-04 Budget $m	2002-03 Outcome $m
Superannuation	89,040	89,386
Leave and other entitlements	3,556	3,710
Accrued salaries and wages	332	403
Workers compensation claims	1,387	1,393
Separations and redundancies	19	39
Workers compensation premiums	1,425	1,596
Other	730	726
Total employee entitlements	**96,489**	**97,253**

Note 13: Grants payable

	2002-03 Estimate at 2003-04 Budget $m	2002-03 Outcome $m
State and territory governments	3,375	3,279
Non-profit organisations	27	102
Private sector	36	110
Overseas	1,089	1,094
Local governments	2	2
Other	4,319	3,228
Total grants payable	**8,848**	**7,815**

Note 14: Net asset movements

	2002-03 Estimate at 2003-04 Budget $m	2002-03 Outcome $m
Opening net assets	**-48,457**	**-48,457**
Operating result after extraordinary items	-1,468	1,391
Asset revaluation reserve	24	1,631
Other movements	150	-1,711
Closing net assets	**-49,752**	**-47,147**

Note 15: Tax receipts — cash AAS31

	2002-03 Estimate at 2003-04 Budget $m	2002-03 Outcome $m
Total tax receipts	189,393	191,559
less payments to States and Territories in relation to GST revenue	30,670	30,699
less payments to States and Territories in relation to mirror tax revenue	315	295
Tax receipts	**158,408**	**160,565**