PART 3: AUSTRALIAN ACCOUNTING STANDARDS FINANCIAL STATEMENTS

This Part presents financial statements prepared in accordance with applicable Australian Accounting Standards (AAS), including AAS 31 *Financial Reporting by Governments*, 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 AAS financial statements and Government Finance Statistics (GFS) revenue, expenses and operating result is provided in Appendix A.

Table 28: Statement of financial performance for the Australian Government general government sector

	Note	2003-04 Estimate at 2004-05 Budget $m	Month of June 2004(a) $m	2003-04 Outcome $m
Revenues				
Taxation				
Income taxation	3	141,710	9,831	142,067
Indirect taxation	4	27,515	2,412	27,692
Fringe benefits tax		3,180	182	3,277
Other taxes		1,575	385	1,791
Total taxation revenue		173,980	12,810	174,826
Non-taxation				
Sales of goods and services		4,294	473	4,380
Interest and dividends	5	7,324	709	7,415
Net foreign exchange gains		306	455	599
Proceeds from the sale of assets		1,580	-400	1,497
Other sources of non-taxation revenue	6	2,911	1,334	4,006
Total non-taxation revenue		16,416	2,571	17,897
Total revenue		**190,396**	**15,382**	**192,723**
Expenses				
Goods and services				
Employees	7	20,463	2,101	20,246
Suppliers	8	14,642	1,762	14,244
Depreciation and amortisation	9	4,322	384	3,747
Net writedown of assets		2,985	2,724	5,208
Value of assets sold		1,084	-507	1,003
Other goods and services expenses		7,076	1,465	7,762
Total goods and services		50,572	7,929	52,209
Subsidies benefits and grants				
Personal benefits		85,108	11,921	85,339
Subsidies		9,947	1,346	9,944
Grants	10	36,189	2,177	36,277
Total subsidies benefits and grants		131,243	15,444	131,560
Borrowing costs				
Interest		5,850	516	5,787
Other borrowing costs		24	19	31
Total interest and other borrowing costs		5,874	535	5,818
Total expenses		**187,689**	**23,908**	**189,587**
Operating result		**2,707**	**-8,526**	**3,136**

(a) The month of June is derived by deducting May year-to-date published data from the annual outcome. Statistically, June movements in some series relate to earlier published months that are not reissued.

Table 29: Statement of financial position for the Australian Government general government sector as at 30 June

	Note	2003-04 Estimate at 2004-05 Budget $m	2003-04 Outcome $m
Assets			
Financial assets			
Cash		1,607	1,591
Receivables		30,341	28,120
Investments		35,942	40,484
Equity accounted investments		451	401
Accrued revenue		374	543
Other financial assets		24	16
Total financial assets		68,740	71,155
Non-financial assets	11		
Land and buildings (excluding heritage)		17,993	19,347
Infrastructure(a)		38,974	38,867
Heritage and cultural assets(a)		4,949	6,442
Intangibles		1,470	1,550
Inventories		4,237	4,832
Other non-financial assets		1,787	1,968
Total non-financial assets		69,410	73,007
Total assets		**138,150**	**144,162**
Liabilities			
Debt			
Government securities		55,359	55,355
Loans		4,202	4,906
Leases		151	250
Deposits		325	364
Other debt		1,094	1,160
Total debt		61,131	62,036
Provisions and payables			
Employees and superannuation	12	96,295	96,630
Suppliers		2,244	2,349
Personal benefits payable		5,010	5,662
Subsidies payable		373	431
Grants payable	13	9,004	8,577
Other provisions and payables		9,225	10,683
Total provisions and payables		122,152	124,333
Total liabilities		**183,283**	**186,368**
Net assets	14	**-45,133**	**-42,207**
Equity			
Accumulated results		-78,624	-77,509
Reserves		33,491	35,302
Capital		0	0
Total equity		**-45,133**	**-42,207**

(a) Heritage and cultural assets were previously included in infrastructure.

Table 30: Statement of cash flows for the Australian Government general government sector

	Note	2003-04 Estimate at 2004-05 Budget $m	Month of June 2004(a) $m	2003-04 Outcome $m
Operating activities				
Cash received				
Taxation	15	170,442	14,738	172,177
Sales of goods and services		4,443	479	4,488
Interest		3,042	383	2,987
Dividends		3,207	24	3,223
GST input credit receipts		2,461	213	2,462
Other		2,471	257	2,756
Total operating cash received		186,066	16,093	188,093
Cash used				
Payments to employees		18,480	1,929	17,928
Payments to suppliers		17,391	3,203	17,564
Subsidies paid		9,423	1,358	9,340
Personal benefits		83,291	9,399	83,037
Grant payments		35,681	2,061	35,188
Interest and other financing costs		5,870	328	5,837
GST payments to taxation authority		129	-3	89
Other		7,146	588	6,996
Total operating cash used		177,410	18,863	175,979
Net cash from operating activities		**8,656**	**-2,770**	**12,114**
Investing activities				
Cash received				
Proceeds from asset sales program		376	159	376
Proceeds from sales of property, plant and equipment and intangibles		1,142	114	853
Net loans, advances and HECS		0	-360	0
Other net investing cash received		343	-818	281
Total investing cash received		1,860	-904	1,509
Cash used				
Purchase of property, plant and equipment and intangibles		5,187	-65	4,897
Net loans, advances and HECS		752	605	605
Other net investing cash paid		406	-7,485	3,353
Total investing cash used		6,344	-6,945	8,855
Net cash from investing activities		**-4,484**	**6,041**	**-7,345**
Financing activities				
Cash received				
Other		0	-1,879	71
Total financing cash received		0	-1,879	71
Cash used				
Net repayments of borrowings		1,697	-1,575	2,458
Other		3,206	3,100	3,128
Total financing cash used		4,903	1,525	5,586
Net cash from financing activities		**-4,903**	**-3,405**	**-5,515**
Net increase/decrease in cash held	2	**-731**	**-134**	**-747**

(a) The month of June is derived by deducting May year-to-date published data from the annual outcome. Statistically, June movements in some series relate to earlier published months that are not reissued.

Notes to the financial statements

Note 1: External reporting standards and accounting policies

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 this section of the Final Budget Outcome have been prepared on an accrual basis in accordance with applicable Australian Accounting Standards (AAS), including AAS 31 *Financial Reporting by Governments* except as noted below.

AAS requires governments to prepare accrual-based general purpose financial reports. This means that assets, liabilities, revenues and expenses are recorded in financial statements when transactions have an economic impact on the government, rather than when the cash flow associated with these transactions occurs. Consistent with AAS, a statement of financial performance, a statement of financial position and a statement of cash flows have been prepared using results for 2003-04.

The accounting policies in this Part are generally consistent with the requirements of AAS. While the scope for financial reporting recommended in AAS 31 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 in Part 3 covers the general government sector only.

AAS 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.

Note 2: Reconciliation of cash

	2003-04 Estimate at 2004-05 Budget $m	2003-04 Outcome $m
Operating result (revenues less expenses)	**2,707**	**3,136**
less **Revenues not providing cash**		
Foreign exchange gains	306	599
Gains from asset sales programme	267	376
Gains from sale of assets	234	1,121
Other	473	1,206
Total revenues not providing cash	**1,281**	**3,302**
plus **Expenses not requiring cash**		
Increase/(decrease) in employee entitlements	1,983	-685
Depreciation/amortisation expense	4,322	3,747
Provision for bad and doubtful debts	624	1,500
Provision for diminution in value of assets	391	1,044
Losses from asset sales programme	0	133
Losses from sale of assets	0	853
Other	-56	3,064
Total expenses not requiring cash	**7,264**	**9,655**
plus **Cash provided by working capital items**		
Decrease in other financial assets	57	0
Decrease in other non-financial assets	146	50
Increase in benefits subsidies and grants payable	2,350	3,998
Increase in suppliers' liabilities	0	72
Increase in other provisions and payables	0	87
Total cash provided by working capital items	**2,553**	**4,207**
less **Cash used by working capital items**		
Increase in inventories	88	576
Increase in receivables	2,111	896
Increase in other financial assets	0	110
Decrease in benefits subsidies and grants payable	41	0
Decrease in other provisions and payables	275	0
Decrease in suppliers' liabilities	73	0
Total cash used by working capital items	**2,588**	**1,582**
equals Net cash from/(to) operating activities	8,656	12,114
Net cash from/(to) investing activities	-4,484	-7,345
Net cash from operating activities and investment	**4,172**	**4,769**
Net cash from/(to) financing activities	-4,903	-5,515
equals Net (decrease)/increase in cash	**-731**	**-747**

Note 2(a): Consolidated Revenue Fund

The cash balance reflected in the statement of financial position for the Australian Government general government sector (Table 29) 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 monies 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 by 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.

	2003-04 Estimate at 2004-05 Budget $m	2003-04 Outcome $m
Total general government sector cash	**1,607**	**1,591**
less CAC Agency cash balances	814	938
plus Special public monies	74	91
Balance of Consolidated Revenue Fund at 30 June	**867**	**744**

Note 3: Income tax revenue — accrual

	2003-04 Estimate at 2004-05 Budget $m	2003-04 Outcome $m
Individuals and other withholding taxes		
Gross income tax withholding	89,870	90,095
Gross other individuals	19,760	21,010
less Refunds	12,200	12,325
Total individuals and other withholding taxes	97,430	98,779
Companies	37,310	36,337
Superannuation funds		
Contributions and earnings	4,510	4,487
Superannuation surcharge	1,260	1,298
Total superannuation funds	5,770	5,785
Petroleum resource rent tax	1,200	1,165
Total income taxation revenue	**141,710**	**142,067**

Note 4: Indirect tax revenue — accrual

	2003-04 Estimate at 2004-05 Budget $m	2003-04 Outcome $m
Excise duty		
Petroleum and other fuel products and crude oil	13,470	13,529
Other excise	7,470	7,539
Total excise duty	20,940	21,068
Customs duty	5,585	5,622
Other indirect tax	990	1,002
GST	34,175	34,121
less GST revenue to States and Territories	34,175	34,121
GST revenue	0	0
Mirror taxes	312	312
less mirror tax revenue to States and Territories	312	312
Mirror tax revenue	0	0
Total indirect taxation revenue	**27,515**	**27,692**

Note 5: Interest and dividend revenue

	2003-04 Estimate at 2004-05 Budget $m	2003-04 Outcome $m
Interest		
Interest from other governments		
State and Territory debt	38	38
Housing agreements	178	178
Total interest from other governments	215	215
Interest from other sources		
Swap interest	1,909	1,912
Advances	19	2
Deposits	3	0
Bills receivable	6	4
Bank deposits	172	682
Indexation of HECS receivable and other student loans	276	274
Other	553	126
Total interest from other sources	2,938	3,001
Total interest	**3,153**	**3,216**
Dividends		
Dividends from associated entities	4,126	4,181
Other dividends	45	18
Total dividends	**4,171**	**4,199**
Total interest and dividends	**7,324**	**7,415**

Note 6: Other sources of non-taxation revenue

	2003-04 Estimate at 2004-05 Budget $m	2003-04 Outcome $m
Industry contributions	125	135
International Monetary Fund related revenue	35	36
Other	2,752	3,835
Total other sources of non-taxation revenue	**2,911**	**4,006**

Note 7: Employees expenses

	2003-04 Estimate at 2004-05 Budget $m	2003-04 Outcome $m
Salaries and wages(a)	11,989	11,004
Leave and other entitlements	1,486	1,414
Separations and redundancies	72	99
Workers compensation premiums	0	344
Other (including superannuation)	6,916	7,384
Total employee expenses	**20,463**	**20,246**

(a) Salaries and wages do not include superannuation.

Note 8: Suppliers expenses

	2003-04 Estimate at 2004-05 Budget $m	2003-04 Outcome $m
Supply of goods and services	12,953	9,705
Operating lease rental expenses	1,559	1,606
Other	131	2,932
Total suppliers	**14,642**	**14,244**

Note 9: Depreciation and amortisation expenses

	2003-04 Estimate at 2004-05 Budget $m	2003-04 Outcome $m
Depreciation		
Specialist military equipment	2,729	2,104
Buildings	537	400
Heritage and cultural assets	40	35
Other infrastructure, plant and equipment	712	859
Total depreciation	**4,019**	**3,398**
Total amortisation	**303**	**349**
Total depreciation and amortisation	**4,322**	**3,747**

Note 10: Grants expenses

	2003-04 Estimate at 2004-05 Budget $m	2003-04 Outcome $m
State and territory governments	23,592	23,243
Non-profit organisations	1,675	1,754
Overseas	276	238
Private sector	1,923	2,100
Local governments	362	368
Other	8,361	8,574
Total grants	**36,189**	**36,277**

Note 11: Total non-financial assets

	2003-04 Estimate at 2004-05 Budget $m	2003-04 Outcome $m
Land and buildings		
Land	4,576	5,196
Buildings	13,417	14,152
Total land and buildings	**17,993**	**19,347**
Infrastructure		
Specialist military equipment	31,023	30,746
Other	7,951	8,122
Total infrastructure	**38,974**	**38,867**
Intangibles		
Computer software	1,388	1,417
Other	82	133
Total intangibles	**1,470**	**1,550**
Heritage and cultural assets	4,949	6,442
Total heritage and cultural assets	**4,949**	**6,442**
Inventories	4,237	4,832
Total inventories	**4,237**	**4,832**
Other non-financial assets		
Prepayments	1,543	1,770
Other	244	197
Total other non-financial assets	**1,787**	**1,968**
Total non-financial assets	**69,410**	**73,007**

Note 12: Employee and superannuation liabilities

	2003-04 Estimate at 2004-05 Budget $m	2003-04 Outcome $m
Superannuation	87,869	88,090
Leave and other entitlements	4,173	4,069
Accrued salaries and wages	339	416
Workers compensation claims	1,437	1,400
Separations and redundancies	38	67
Workers compensation premiums	1,641	1,789
Other	798	800
Total employee and superannuation liability	**96,295**	**96,630**

Note 13: Grants payable

	2003-04 Estimate at 2004-05 Budget $m	2003-04 Outcome $m
State and Territory Governments	3,679	3,630
Non-profit organisations	34	78
Private sector	57	856
Overseas	828	822
Local governments	1	7
Other	4,405	3,184
Total grants payable	**9,004**	**8,577**

Note 14: Net asset movements

	2003-04 Estimate at 2004-05 Budget $m	2003-04 Outcome $m
Opening net assets	**-48,075**	**-48,075**
Operating result	2,707	3,136
Asset revaluation reserve	260	2,735
Other movements	-25	-3
Closing net assets	**-45,133**	**-42,207**

Note 15: Tax receipts — cash

	2003-04 Estimate at 2004-05 Budget $m	2003-04 Outcome $m
Total taxation receipts	203,994	205,684
less payments to States and Territories in relation to GST revenue	33,240	33,195
less payments to States and Territories in relation to mirror tax revenue	312	312
Taxation receipts	**170,442**	**172,177**