

APPENDIX C: AAS FINANCIAL STATEMENTS

This Appendix 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.

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

Table C1: Statement of financial performance for the Australian Government general government sector — AAS31

	Note	Estimates		Projections	
		2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Revenues					
Taxation					
Income tax	3	138,360	146,060	155,680	165,310
Indirect tax	4	27,585	27,645	28,029	28,523
Fringe benefits tax		3,150	3,090	3,180	3,280
Other taxes		1,491	1,514	1,533	1,541
Total taxation revenue		170,586	178,309	188,422	198,655
Non-taxation					
Sales of goods and services		4,106	4,241	4,378	4,531
Interest and dividends	5	7,104	5,598	5,843	5,953
Net foreign exchange gains		237	0	0	0
Proceeds from the sale of assets		1,313	921	11,709	11,614
Other sources of non-tax revenue	6	3,017	2,703	2,756	2,811
Total non-tax revenue		15,777	13,464	24,686	24,909
Total revenue		186,364	191,773	213,109	223,564
Expenses					
Goods and services					
Employees	7	20,722	21,712	22,112	22,688
Suppliers	8	14,523	14,426	14,005	14,273
Depreciation and amortisation	9	4,061	4,270	4,089	4,216
Net write down of assets		2,538	1,693	2,348	2,072
Net foreign exchange losses		0	0	0	0
Value of assets sold		958	785	2,244	2,138
Other goods and services expenses		7,035	7,239	7,834	8,228
Total goods and services		49,837	50,125	52,631	53,615
Subsidies benefits and grants					
Personal benefits		81,117	86,477	92,182	98,193
Subsidies		9,566	9,978	10,394	10,879
Grants	10	36,042	38,889	39,769	40,300
Total subsidies benefits and grants		126,726	135,344	142,345	149,372
Borrowing costs					
Interest		5,726	5,765	5,240	4,815
Other borrowing costs		31	36	36	35
Total interest and other borrowing costs		5,758	5,801	5,275	4,850
Total expenses		182,320	191,271	200,251	207,838
Operating result		4,044	502	12,858	15,726
Extraordinary items		0	0	0	0
Operating result after extraordinary items		4,044	502	12,858	15,726

Table C2: Statement of financial position for the Australian Government general government sector — AAS31

	Note	Estimates		Projections	
		2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Assets					
Financial assets					
Cash		3,022	3,058	3,021	3,031
Receivables		29,714	29,931	30,755	32,665
Investments	11	25,536	25,465	23,837	22,237
Equity accounted investments		451	451	451	451
Accrued revenue		386	410	464	538
Other financial assets		32	36	38	38
Total financial assets		59,141	59,351	58,567	58,960
Non-financial assets	12				
Land and buildings (excluding heritage)		18,045	17,827	17,943	17,936
Infrastructure(a)		40,070	40,685	42,022	43,346
Heritage and cultural assets(a)		4,761	4,761	4,763	4,766
Intangibles		1,432	1,404	1,372	1,311
Inventories		4,023	3,969	3,910	3,958
Other non-financial assets		1,528	1,482	1,323	1,335
Total non-financial assets		69,859	70,127	71,334	72,653
Total assets		129,001	129,479	129,900	131,613
Liabilities					
Debt					
Government securities	11	43,209	40,568	25,737	8,105
Loans		4,562	4,330	4,150	3,973
Leases		160	134	96	87
Deposits		325	325	325	325
Overdrafts		0	0	0	0
Other debt		1,136	1,135	1,125	1,124
Total debt		49,393	46,492	31,432	13,615
Provisions and payables					
Employees	13	99,570	102,116	104,969	107,752
Suppliers		2,232	2,194	2,174	2,230
Personal benefits payable		3,097	2,554	2,581	2,946
Subsidies payable		381	354	277	249
Grants payable	14	8,910	9,657	9,976	10,237
Other provisions and payables		9,266	9,366	8,770	9,028
Total provisions and payables		123,455	126,240	128,747	132,442
Total liabilities		172,848	172,732	160,179	146,057
Net assets	15	-43,847	-43,253	-30,279	-14,443
Equity					
Accumulated results		-77,084	-76,491	-61,928	-44,577
Reserves		33,237	33,238	31,649	30,133
Capital		0	0	0	0
Total equity		-43,847	-43,253	-30,279	-14,443

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

Table C3: Statement of cash flows for the Australian Government general government sector — AAS31

		Estimates		Projections	
	Note	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Operating activities					
Cash received					
Taxes	16	168,123	176,194	186,133	195,901
Sales of goods and services		4,224	4,387	4,524	4,673
Interest		2,961	3,092	3,357	3,879
Dividends		3,139	3,350	2,313	1,828
GST input credit receipts		2,449	2,482	2,509	2,592
Other		2,599	2,573	2,588	2,641
Total operating cash received		183,495	192,077	201,424	211,515
Cash used					
Payments to employees		18,440	19,165	19,259	19,905
Payments to suppliers		17,048	16,922	16,512	16,887
Subsidies paid		9,034	9,440	9,861	10,333
Personal benefits		81,079	87,134	92,200	97,818
Grant payments		35,423	38,074	39,451	40,040
Interest and other financing costs		5,745	5,703	5,898	4,629
GST payments to taxation authority		138	140	143	146
Other		7,069	7,235	7,805	8,199
Total operating cash used		173,976	183,813	191,130	197,957
Net cash from operating activities		9,519	8,264	10,294	13,558
Investing activities					
Cash received					
Proceeds from asset sales program		220	91	11,280	11,280
Proceeds from sales of property, plant and equipment and intangibles		1,113	830	429	334
Other net investing cash received		198	41	0	0
Total investing cash received		1,531	962	11,709	11,614
Cash used					
Purchase of property, plant and equipment and intangibles		5,994	5,422	5,736	5,860
Net loans, advances and HECS		663	861	1,065	1,278
Other net investing cash paid	11	202	0	172	197
Total investing cash used		6,860	6,283	6,973	7,336
Net cash from investing activities		-5,329	-5,321	4,736	4,278
Financing activities					
Cash received					
Net cash received from currency issues		0	0	0	0
Other		0	0	0	0
Total financing cash received		0	0	0	0
Cash used					
Net repayments of borrowings	11	2,969	2,873	15,011	17,808
Other		537	34	56	17
Total financing cash used		3,506	2,907	15,067	17,826
Net cash from financing activities		-3,506	-2,907	-15,067	-17,826
Net increase/decrease in cash held		684	36	-37	10

NOTES TO THE AAS31 FINANCIAL STATEMENTS

Note 1: External reporting standards

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

The financial statements included in this Appendix 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 for the budget year and the three forward years.

The accounting policies in this Appendix 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 budget presentation of financial estimates 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 underlying 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 budget 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 this Appendix is, therefore, recognised the earlier of when an assessment of a tax liability is made or cash payment is received by the Australian Taxation Office or the Australian Customs Service.

Note 2: Reconciliation of cash

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Operating result (revenues less expenses)	4,044	502	12,858	15,726
less Revenues not providing cash				
Foreign exchange gains	237	0	0	0
Gains from asset sales programme	140	38	9,444	9,454
Gains from sale of assets	215	99	21	21
Other	554	275	314	380
Total revenues not providing cash	1,145	412	9,780	9,855
plus Expenses not requiring cash				
Increase/(decrease) in employee entitlements	2,282	2,546	2,853	2,783
Depreciation/amortisation expense	4,061	4,270	4,089	4,216
Provision for bad and doubtful debts	279	244	882	555
Provision for diminution in value of assets	434	128	124	183
Losses from asset sales programme	0	0	0	0
Losses from sale of assets	0	0	0	0
Foreign exchange losses	0	0	0	0
Other	-9	-20	-36	-30
Total expenses not requiring cash	7,047	7,168	7,912	7,706
plus Cash provided by working capital items				
Decrease in inventories	20	54	60	0
Decrease in receivables	0	667	0	0
Decrease in other financial assets	122	0	0	0
Decrease in other non-financial assets	493	75	0	6
Increase in benefits subsidies and grants payable	350	747	346	626
Increase in suppliers' liabilities	0	0	0	56
Increase in other provisions and payables	0	100	0	258
Total cash provided by working capital items	986	1,643	405	946
less Cash used by working capital items				
Increase in inventories	0	0	0	49
Increase in receivables	1,207	0	354	815
Increase in other financial assets	0	28	56	74
Increase in other non-financial assets	0	0	0	0
Decrease in benefits subsidies and grants payable	33	570	76	28
Decrease in other provisions and payables	114	0	596	0
Decrease in suppliers' liabilities	59	38	19	0
Total cash used by working capital items	1,413	637	1,102	965
equals <i>Net cash from/(to) operating activities</i>	9,519	8,264	10,294	13,558
<i>Net cash from/(to) investing activities</i>	-5,329	-5,321	4,736	4,278
Net cash from operating activities and investment	4,190	2,943	15,030	17,836
<i>Net cash from/(to) financing activities</i>	-3,506	-2,907	-15,067	-17,826
equals Net increase/(decrease) in cash	684	36	-37	10

Note 2(a): Consolidated Revenue Fund

The estimated and projected cash balances reflected in the statement of financial position for the Australian Government general government sector (Table C2) include 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.

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Total general government sector cash	3,022	3,058	3,021	3,031
<i>less</i> CAC Agency cash balances	1,515	1,502	1,413	1,417
<i>plus</i> Special public monies	81	72	69	94
Balance of Consolidated Revenue Fund at 30 June	1,588	1,628	1,678	1,708

Note 3: Income tax revenue — accrual AAS31

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Individuals and other withholding				
Gross income tax withholding	88,750	94,430	101,080	107,980
Gross other individuals	19,410	20,220	21,230	22,350
<i>less</i> Refunds	12,300	12,930	13,720	14,790
Total individuals and other withholding	95,860	101,720	108,590	115,540
Companies	35,650	37,630	40,060	42,450
Superannuation funds				
Contributions and earnings	4,400	4,590	4,970	5,290
Superannuation surcharge	1,170	1,200	1,250	1,300
Total superannuation funds	5,570	5,790	6,220	6,590
Petroleum resource rent tax	1,280	920	810	730
Total income tax revenue	138,360	146,060	155,680	165,310

Appendix C: AAS Financial Statements

Note 4: Indirect tax revenue — accrual AAS31

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Excise duty				
Petroleum and other fuel products and crude oil	13,390	13,390	13,570	13,850
Other excise	7,360	7,430	7,480	7,600
Total excise duty	20,750	20,820	21,050	21,450
Customs duty	5,915	5,825	5,899	5,923
Other indirect taxes	920	1,000	1,080	1,150
GST	33,050	34,630	36,600	38,710
less transfers to States and Territories in relation to GST revenue	33,050	34,630	36,600	38,710
GST revenue	0	0	0	0
Mirror taxes	269	270	284	299
less transfers to States and Territories in relation to mirror tax revenue	269	270	284	299
Mirror tax revenue	0	0	0	0
Indirect tax revenue	27,585	27,645	28,029	28,523

Note 5: Interest and dividend revenue

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Interest				
Interest from other governments				
State and Territory debt	38	28	17	15
Housing agreements	178	174	170	166
Total interest from other governments	215	202	187	181
Interest from other sources				
Swap interest	1,855	2,016	1,824	1,463
Advances	21	21	21	21
Deposits	3	3	3	3
Bills receivable	6	6	6	6
Bank deposits	171	164	170	169
Indexation of HECS receivable and other student loans	272	273	313	378
Other	458	527	1,007	1,903
Total interest from other sources	2,785	3,011	3,344	3,943
Total interest	3,001	3,213	3,531	4,125
Dividends				
Dividends from associated entities	4,047	2,351	2,271	1,757
Other dividends	57	35	42	71
Total dividends	4,103	2,386	2,313	1,828
Total interest and dividends	7,104	5,598	5,843	5,953

Note 6: Other sources of non-taxation revenue

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Industry contributions	121	107	101	95
International Monetary Fund related revenue	41	40	40	40
Other	2,855	2,557	2,616	2,676
Total other sources of non-taxation revenue	3,017	2,703	2,756	2,811

Note 7: Employee expenses

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Salaries and wages(a)	11,607	12,175	12,163	12,613
Leave and other entitlements	1,446	1,472	1,494	1,506
Separations and redundancies	72	72	81	81
Workers compensation premiums	0	0	0	0
Other (including superannuation)	7,598	7,993	8,374	8,488
Total employee expenses	20,722	21,712	22,112	22,688

(a) Salaries and wages do not include superannuation.

Note 8: Suppliers expenses

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Supply of goods and services	12,940	12,834	12,382	12,633
Operating lease rental expenses	1,543	1,552	1,587	1,602
Other	40	40	36	39
Total suppliers	14,523	14,426	14,005	14,273

Note 9: Depreciation and amortisation expenses

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Depreciation				
Specialist military equipment	2,179	2,367	2,029	2,098
Buildings	529	507	576	593
Other infrastructure, plant and equipment	979	990	1,083	1,112
Heritage and cultural assets	34	34	35	35
Total depreciation	3,721	3,898	3,723	3,838
Total amortisation	340	372	366	378
Total depreciation and amortisation	4,061	4,270	4,089	4,216

Note 10: Grants expenses

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
State and Territory governments	24,107	24,994	25,729	26,394
Non-profit organisations	1,681	1,741	1,806	1,836
Overseas	300	943	395	295
Private sector	1,408	1,403	1,431	897
Local governments	394	344	98	102
Other	8,153	9,464	10,310	10,776
Total grants	36,042	38,889	39,769	40,300

Note 11: Government securities

For 2003-04 and the forward years, transactions relating to debt management activities have been netted in the statement of financial position and cash flows. In the statement of financial position, the *financial assets – investments* category excludes financial assets acquired for debt management purposes, while the *debt – government securities* category is shown net of financial assets acquired for debt management purposes. In the statement of cash flows, the *investing activities – cash used/received – other* categories exclude cash used to acquire/redeem financial assets for debt management purposes, while the *financing activities – cash used – net repayments of borrowings* category is shown net of these amounts.

This netting treatment has been applied because of the uncertainty associated with the actual split between government securities and financial assets acquired for debt management purposes.

Note 12: Total non-financial assets

	Estimates	Projections		
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Land and buildings				
Land	4,609	4,461	4,531	4,655
Buildings	13,436	13,366	13,413	13,281
Total land and buildings	18,045	17,827	17,943	17,936
Infrastructure				
Specialist military equipment	32,301	32,797	33,983	35,451
Other	7,768	7,887	8,040	7,895
Total infrastructure	40,070	40,685	42,022	43,346
Intangibles				
Computer software	1,353	1,354	1,347	1,309
Other	79	49	26	1
Total intangibles	1,432	1,404	1,372	1,311
Heritage and cultural assets	4,761	4,761	4,763	4,766
Total heritage and cultural assets	4,761	4,761	4,763	4,766
Inventories	4,023	3,969	3,910	3,958
Total inventories	4,023	3,969	3,910	3,958
Other non-financial assets				
Prepayments	1,195	1,121	1,120	1,114
Other	333	361	203	222
Total other non-financial assets	1,528	1,482	1,323	1,335
Total non-financial assets	69,859	70,127	71,334	72,653

Note 13: Employee liabilities

	Estimates	Projections		
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Superannuation	91,597	94,004	96,740	99,404
Leave and other entitlements	3,769	3,924	3,931	4,021
Accrued salaries and wages	317	179	262	318
Workers compensation claims	1,377	1,365	1,356	1,351
Separations and redundancies	39	39	40	40
Workers compensation premiums	1,692	1,790	1,814	1,778
Other	779	814	827	840
Total employee entitlements	99,570	102,116	104,969	107,752

Appendix C: AAS Financial Statements

Note 14: Grants payable

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
State and Territory governments	3,693	3,914	4,156	4,401
Non-profit organisations	31	32	32	32
Private sector	46	45	36	35
Overseas	828	1,223	1,116	897
Local governments	1	1	1	1
Other	4,311	4,441	4,635	4,872
Total grants payable	8,910	9,657	9,976	10,237

Note 15: Net asset movements

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Opening net assets	-48,075	-43,847	-43,253	-30,279
Operating result after extraordinary items	4,044	502	12,858	15,726
Asset revaluation reserve	190	112	172	136
Other movements	-6	-20	-56	-26
Closing net assets	-43,847	-43,253	-30,279	-14,443

Note 16: Tax receipts — cash AAS31

	Estimates		Projections	
	2003-04 \$m	2004-05 \$m	2005-06 \$m	2006-07 \$m
Total tax receipts	200,792	210,584	222,487	234,351
less payments to States and Territories in relation to GST revenue	32,400	34,120	36,070	38,150
less payments to States and Territories in relation to mirror tax revenue	269	270	284	299
Tax receipts	168,123	176,194	186,133	195,901

