APPENDIX C: AUSTRALIAN ACCOUNTING STANDARDS FINANCIAL STATEMENTS

This Appendix 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.

A reconciliation between the Australian government's general government AAS 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

		Estimates		Projections	
		2004-05	2005-06	2006-07	2007-08
	Note	$m	$m	$m	$m
Revenues					
Taxation					
Income taxation	3	154,200	161,620	170,900	181,535
Indirect taxation	4	28,504	28,550	29,012	29,842
Fringe benefits tax		3,020	3,260	3,350	3,450
Other taxes		1,638	1,751	1,698	1,662
Total taxation revenue		**187,362**	**195,181**	**204,960**	**216,489**
Non-taxation					
Sales of goods and services		4,500	4,586	4,734	4,818
Interest and dividends	5	6,646	6,959	7,046	6,919
Net foreign exchange gains		0	0	0	0
Proceeds from the sale of assets		849	759	11,854	11,854
Other sources of non-tax revenue	6	3,749	3,178	3,059	2,988
Total non-tax revenue		**15,744**	**15,482**	**26,693**	**26,578**
Total revenue		**203,106**	**210,663**	**231,653**	**243,067**
Expenses					
Goods and services					
Employees	7	22,569	22,267	23,045	23,717
Suppliers	8	16,697	16,256	16,593	16,960
Depreciation and amortisation	9	4,449	4,277	4,390	4,523
Net write down of assets		2,829	2,343	2,437	2,465
Net foreign exchange losses		329	0	0	0
Value of assets sold		762	726	2,399	2,381
Other goods and services expenses		7,804	8,169	8,461	8,812
Total goods and services		**55,438**	**54,036**	**57,324**	**58,859**
Subsidies benefits and grants					
Personal benefits		88,588	94,998	101,367	107,983
Subsidies		10,550	11,080	11,560	12,148
Grants	10	39,426	41,249	41,314	43,133
Total subsidies benefits and grants		**138,564**	**147,327**	**154,241**	**163,264**
Borrowing costs					
Interest		6,150	5,881	5,643	5,321
Other borrowing costs		25	24	25	17
Total interest and other borrowing costs		**6,175**	**5,905**	**5,668**	**5,338**
Total expenses		**200,177**	**207,269**	**217,233**	**227,461**
Operating result		**2,928**	**3,395**	**14,420**	**15,606**
Extraordinary items		0	0	0	0
Operating result after extraordinary items		**2,928**	**3,395**	**14,420**	**15,606**

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

		Estimates		Projections	
		2004-05	2005-06	2006-07	2007-08
	Note	$m	$m	$m	$m
Assets					
Financial assets					
Cash		1,376	1,189	1,174	1,199
Receivables		30,189	32,056	35,060	38,290
Investments	11	25,325	25,242	23,526	21,854
Equity accounted investments		402	402	402	402
Accrued revenue		426	430	462	489
Other financial assets		17	19	19	20
Total financial assets		**57,735**	**59,338**	**60,642**	**62,253**
Non-financial assets	12				
Land and buildings		19,227	19,346	19,497	19,704
Infrastructure		39,320	40,569	41,693	43,003
Heritage and cultural assets		6,455	6,468	6,483	6,494
Intangibles		1,681	1,679	1,610	1,566
Inventories		4,908	4,971	5,185	5,315
Other non-financial assets		1,799	1,479	1,494	1,330
Total non-financial assets		**73,389**	**74,512**	**75,962**	**77,412**
Total assets		**131,124**	**133,850**	**136,604**	**139,665**
Liabilities					
Debt					
Government securities	11	36,981	33,511	17,937	999
Loans		4,783	4,625	4,466	4,338
Leases		199	165	151	117
Deposits		365	365	365	365
Overdrafts		0	0	0	0
Other debt		1,136	1,142	1,145	1,149
Total debt		**43,464**	**39,808**	**24,064**	**6,967**
Provisions and payables					
Employees	13	99,030	101,993	105,253	108,566
Suppliers		2,214	2,202	2,208	2,219
Personal benefits payable		5,494	6,038	6,511	7,063
Subsidies payable		390	295	273	255
Grants payable	14	9,899	9,979	10,022	10,358
Other provisions and payables		10,465	9,925	10,138	10,377
Total provisions and payables		**127,492**	**130,433**	**134,406**	**138,840**
Total liabilities		**170,956**	**170,241**	**158,470**	**145,807**
Net assets	15	**-39,832**	**-36,391**	**-21,865**	**-6,142**
Equity					
Accumulated results		-74,865	-71,468	-55,402	-38,154
Reserves		35,032	35,077	33,537	32,012
Capital		0	0	0	0
Total equity		**-39,832**	**-36,391**	**-21,865**	**-6,142**

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

		Estimates		Projections	
		2004-05	2005-06	2006-07	2007-08
	Note	$m	$m	$m	$m
Operating activities					
Cash received					
Taxes	16	183,315	191,813	201,068	212,504
Sales of goods and services		4,682	4,787	4,925	5,018
Interest		3,428	3,659	4,137	4,783
Dividends		3,713	3,396	2,677	1,919
GST input credit receipts		2,936	2,863	2,908	3,020
Other		3,029	2,877	2,798	2,770
Total operating cash received		**201,102**	**209,395**	**218,514**	**230,015**
Cash used					
Payments to employees		18,881	19,291	19,777	20,396
Payments to suppliers		19,858	19,293	19,780	20,183
Subsidies paid		9,987	10,565	10,980	11,563
Personal benefits		88,731	94,378	100,887	107,457
Grant payments		38,285	40,838	41,208	42,772
Interest and other financing costs		6,016	6,708	5,789	5,467
GST payments to taxation authority		125	127	133	140
Other		7,830	8,134	8,434	8,784
Total operating cash used		**189,713**	**199,333**	**206,988**	**216,762**
Net cash from operating activities		**11,389**	**10,061**	**11,526**	**13,253**
Investing activities					
Cash received					
Proceeds from asset sales program		0	0	11,280	11,280
Proceeds from sales of property, plant and equipment and intangibles		743	660	486	486
Other net investing cash received		106	99	88	88
Total investing cash received		**849**	**759**	**11,854**	**11,854**
Cash used					
Purchase of property, plant and equipment and intangibles		6,112	6,213	6,033	6,204
Net loans, advances and HECS		1,152	1,321	1,639	1,785
Other net investing cash paid	11	119	26	205	229
Total investing cash used		**7,383**	**7,560**	**7,878**	**8,217**
Net cash from investing activities		**-6,535**	**-6,801**	**3,976**	**3,636**
Financing activities					
Cash received					
Net cash received from currency issues		0	0	0	0
Other		0	218	252	242
Total financing cash received		**0**	**218**	**252**	**242**
Cash used					
Net repayments of borrowings	11	3,721	3,628	15,732	17,067
Other		1,347	38	37	40
Total financing cash used		**5,069**	**3,666**	**15,769**	**17,106**
Net cash from financing activities		**-5,069**	**-3,448**	**-15,517**	**-16,864**
Net increase/decrease in cash held		**-214**	**-187**	**-16**	**25**

NOTES TO THE AAS FINANCIAL STATEMENTS

Note 1: External reporting standards and accounting policies

The *Charter of Budget Honesty Act 1998* requires that the Mid-Year Economic and Fiscal Outlook 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 (AAS), including AAS 31 *Financial Reporting by Governments* except as noted below. AAS will change from 2005-06, with the introduction of Australian Equivalents to the International Financial Reporting Standards released in July 2004. Given the timing of the release, the financial statements in this Appendix are prepared on the same basis as the 2004-05 Budget and not in accordance with the Australian Equivalents to the International Finance Reporting Standards.

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 for the budget year and the three forward years.

The accounting policies in this Appendix 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 covers the general government sector only. This Appendix includes notes showing disaggregated information.

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

	Estimates		Projections	
	2004-05	2005-06	2006-07	2007-08
	$m	$m	$m	$m
Operating result (revenues less expenses)	**2,928**	**3,395**	**14,420**	**15,606**
less **Revenues not providing cash**				
Foreign exchange gains	0	0	0	0
Gains from asset sales programme	0	0	9,436	9,454
Gains from sale of assets	93	36	18	18
Other	946	504	503	523
Total revenues not providing cash	**1,039**	**539**	**9,958**	**9,995**
plus **Expenses not requiring cash**				
Increase/(decrease) in employee entitlements	3,682	2,963	3,260	3,313
Depreciation/amortisation expense	4,449	4,277	4,390	4,523
Provision for bad and doubtful debts	401	491	556	608
Provision for dimunition in value of assets	828	148	119	85
Losses from asset sales programme	0	0	0	0
Losses from sale of assets	0	0	0	0
Foreign exchange losses	329	0	0	0
Other	-4	-5	1	-6
Total expenses not requiring cash	**9,685**	**7,874**	**8,325**	**8,523**
plus **Cash provided by working capital items**				
Decrease in inventories	0	0	0	0
Decrease in receivables	0	0	0	0
Decrease in other financial assets	37	0	0	46
Decrease in other non-financial assets	311	279	34	0
Increase in benefits subsidies and grants payable	928	664	550	914
Increase in suppliers' liabilities	0	0	6	11
Increase in other provisions and payables	125	0	0	0
Total cash provided by working capital items	**1,400**	**943**	**590**	**970**
less **Cash used by working capital items**				
Increase in inventories	174	63	214	130
Increase in receivables	991	653	1,521	1,600
Increase in other financial assets	0	20	8	0
Increase in other non-financial assets	0	0	0	9
Decrease in benefits subsidies and grants payable	325	95	23	17
Decrease in other provisions and payables	0	771	87	93
Decrease in suppliers' liabilities	96	9	0	0
Total cash used by working capital items	**1,585**	**1,611**	**1,852**	**1,851**
equals *Net cash from/(to) operating activities*	11,389	10,061	11,526	13,253
Net cash from/(to) investing activities	-6,535	-6,801	3,976	3,636
Net cash from operating activities and investment	**4,855**	**3,261**	**15,502**	**16,890**
Net cash from/(to) financing activities	-5,069	-3,448	-15,517	-16,864
equals Net (increase)/decrease in cash	**-214**	**-187**	**-16**	**25**

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 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 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	
	2004-05 $m	2005-06 $m	2006-07 $m	2007-08 $m
Total General Government sector cash (Appendix C)	**1,376**	**1,189**	**1,174**	**1,199**
less CAC Agency cash balances	600	648	664	690
plus Special public monies	81	85	90	97
Balance of Consolidated Revenue Fund at 30 June	**857**	**626**	**600**	**607**

Note 3: Income taxation revenue — accrual

	Estimates		Projections	
	2004-05 $m	2005-06 $m	2006-07 $m	2007-08 $m
Individuals and other withholding tax				
Gross income tax withholding	96,550	102,210	109,550	117,410
Gross other individuals	22,210	23,030	23,172	24,060
less Refunds	13,700	15,020	16,612	17,965
Total individuals and other withholding tax	105,060	110,220	116,110	123,505
Companies	40,870	43,360	46,380	49,380
Superannuation funds				
Contributions and earnings	5,390	5,380	5,710	6,140
Superannuation surcharge	1,320	1,200	1,000	930
Total superannuation funds	6,710	6,580	6,710	7,070
Petroleum resource rent tax	1,560	1,460	1,700	1,580
Total income taxation revenue	**154,200**	**161,620**	**170,900**	**181,535**

Note 4: Indirect taxation revenue — accrual

	Estimates		Projections	
	2004-05	2005-06	2006-07	2007-08
	$m	$m	$m	$m
Excise duty				
Petroleum and other fuel products	13,400	13,650	13,910	14,220
Crude oil	550	510	490	490
Other excise	7,700	7,830	7,970	8,130
Total excise duty revenue	21,650	21,990	22,370	22,840
Customs duty revenue	5,714	5,350	5,342	5,622
Other indirect tax revenue	1,140	1,210	1,300	1,380
GST	36,040	37,920	40,090	42,290
less transfers to states and territories in relation to GST revenue	36,040	37,920	40,090	42,290
GST revenue	0	0	0	0
Mirror taxes	333	349	367	386
less transfers to States and Territories in relation to mirror tax revenue	333	349	367	386
Mirror tax revenue	0	0	0	0
Indirect taxation revenue	**28,504**	**28,550**	**29,012**	**29,842**

Note 5: Interest and dividend revenue

	Estimates		Projections	
	2004-05	2005-06	2006-07	2007-08
	$m	$m	$m	$m
Interest				
Interest from other governments				
State and territory debt	28	17	15	14
Housing agreements	174	170	166	162
Total interest from other governments	**202**	**187**	**181**	**176**
Interest from other sources				
Swap interest	2,161	2,282	2,138	1,814
Advances	20	20	20	20
Deposits	0	0	0	0
Bills receivable	6	6	6	6
Bank deposits	188	191	196	195
Indexation of HECS receivable and other student loans	310	352	382	433
Other	709	846	1,446	2,355
Total interest from other sources	**3,394**	**3,696**	**4,188**	**4,823**
Total interest	**3,596**	**3,883**	**4,369**	**4,999**
Dividends				
Dividends from associated entities	3,010	3,040	2,624	1,888
Other dividends	41	36	53	31
Total dividends	**3,050**	**3,076**	**2,677**	**1,919**
Total interest and dividend revenue	**6,646**	**6,959**	**7,046**	**6,919**

Note 6: Other sources of non-taxation revenue

	Estimates		Projections	
	2004-05	2005-06	2006-07	2007-08
	$m	$m	$m	$m
Industry contributions	290	267	248	230
International Monetary Fund related revenue	37	38	38	38
Other	3,422	2,873	2,773	2,719
Total other sources of non-taxation revenue	**3,749**	**3,178**	**3,059**	**2,988**

Note 7: Employee expenses

	Estimates		Projections	
	2004-05	2005-06	2006-07	2007-08
	$m	$m	$m	$m
Salaries and wages(a)	12,008	12,344	12,723	12,973
Leave and other entitlements	1,401	1,412	1,437	1,473
Separations and redundancies	63	63	64	66
Workers compensation premiums	0	0	0	0
Other (including superannuation)	9,097	8,448	8,821	9,205
Total employee expenses	**22,569**	**22,267**	**23,045**	**23,717**

(a) Salaries and wages do not include superannuation.

Note 8: Suppliers expenses

	Estimates		Projections	
	2004-05	2005-06	2006-07	2007-08
	$m	$m	$m	$m
Supply of goods and services	14,793	14,363	14,680	15,013
Operating lease rental expenses	1,696	1,700	1,717	1,746
Other	208	193	195	200
Total suppliers expenses	**16,697**	**16,256**	**16,593**	**16,960**

Note 9: Depreciation and amortisation expenses

	Estimates		Projections	
	2004-05	2005-06	2006-07	2007-08
	$m	$m	$m	$m
Depreciation				
Specialist military equipment	2,517	2,132	2,166	2,234
Buildings	520	589	607	622
Other infrastructure, plant and equipment	55	55	56	56
Heritage and cultural assets	1,007	1,128	1,161	1,188
Total depreciation	**4,099**	**3,905**	**3,990**	**4,100**
Total amortisation	**350**	**372**	**400**	**423**
Total depreciation and amortisation expenses	**4,449**	**4,277**	**4,390**	**4,523**

Note 10: Grants expenses

	Estimates		Projections	
	2004-05	2005-06	2006-07	2007-08
	$m	$m	$m	$m
State and territory governments	25,845	27,185	27,156	28,353
Non-profit organisations	1,671	1,759	1,831	1,888
Overseas	995	359	291	690
Private sector	1,675	1,574	1,238	1,112
Local governments	343	425	396	388
Other	8,896	9,946	10,402	10,703
Total grants expenses	**39,426**	**41,249**	**41,314**	**43,133**

Note 11: Government securities

For 2004-05 and the forward years, transactions relating to debt management activities have been netted in the statements 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: Non-financial assets

	Estimates		Projections	
	2004-05	2005-06	2006-07	2007-08
	$m	$m	$m	$m
Land and buildings				
Land	5,052	5,057	5,135	5,190
Buildings	14,175	14,289	14,361	14,514
Total land and buildings	**19,227**	**19,346**	**19,497**	**19,704**
Infrastructure				
Specialist military equipment	30,838	31,733	32,870	34,297
Other	8,482	8,836	8,824	8,706
Total infrastructure	**39,320**	**40,569**	**41,693**	**43,003**
Intangibles				
Computer software	1,590	1,609	1,562	1,538
Other	91	70	48	28
Total intangibles	**1,681**	**1,679**	**1,610**	**1,566**
Heitage and cultural assets	6,455	6,468	6,483	6,494
Total heritage and cultural assets	**6,455**	**6,468**	**6,483**	**6,494**
Inventories	4,908	4,971	5,185	5,315
Total inventories	**4,908**	**4,971**	**5,185**	**5,315**
Other non-financial assets				
Prepayments	1,459	1,180	1,146	1,155
Other	339	299	349	175
Total other non-financial assets	**1,799**	**1,479**	**1,494**	**1,330**
Total non-financial assets	**73,389**	**74,512**	**75,962**	**77,412**

Note 13: Employee and superannuation liabilities

	Estimates		Projections	
	2004-05	2005-06	2006-07	2007-08
	$m	$m	$m	$m
Superannuation	90,506	93,333	96,458	99,652
Leave and other entitlements	4,266	4,270	4,281	4,274
Accrued salaries and wages	282	303	309	314
Workers compensation claims	1,394	1,387	1,384	1,384
Separations and redundancies	56	58	58	57
Workers compensation premiums	1,702	1,805	1,917	2,034
Other	825	838	847	852
Total employee and superannuation liabilities	**99,030**	**101,993**	**105,253**	**108,566**

Note 14: Grants payable

	Estimates		Projections	
	2004-05	2005-06	2006-07	2007-08
	$m	$m	$m	$m
State and territory governments	4,009	4,263	4,532	4,807
Non-profit organisations	72	67	67	67
Private sector	672	478	283	74
Overseas	1,296	1,158	932	1,093
Local governments	5	5	5	5
Other	3,844	4,008	4,204	4,311
Total grants payable	**9,899**	**9,979**	**10,022**	**10,358**

Note 15: Net asset movements

	Estimates		Projections	
	2004-05	2005-06	2006-07	2007-08
	$m	$m	$m	$m
Opening net assets	**-42,695**	**-39,832**	**-36,391**	**-21,865**
Operating result after extraordinary items	2,928	3,395	14,420	15,606
Asset revaluation reserve	-53	51	111	126
Other movements	-13	-5	-5	-8
Closing net assets	**-39,832**	**-36,391**	**-21,865**	**-6,142**

Note 16: Taxation receipts — cash

	Estimates		Projections	
	2004-05	2005-06	2006-07	2007-08
	$m	$m	$m	$m
Total taxation receipts	218,917	229,322	240,665	254,220
less payments to states and territories in relation to GST revenue	35,270	37,160	39,230	41,330
less payments to states and territories in relation to mirror tax revenue	333	349	367	386
Taxation receipts	**183,315**	**191,813**	**201,068**	**212,504**