

PART 3: AUSTRALIAN ACCOUNTING STANDARDS FINANCIAL STATEMENTS

This part presents financial statements prepared in accordance with applicable Australian Accounting Standards (AAS), being the Australian Equivalents to International Financial Reporting Standards (AEIFRS) and AAS 31 *Financial Reporting by Governments*, except where departures from the standard are identified in Note 1. This part also provides notes showing disaggregated information and month of June figures.

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

Table 27: Australian Government general government sector income statement

		2005-06 Estimate at 2006-07 Budget \$m	Month of June 2006(a) \$m	2005-06 Outcome \$m
	Note			
Revenues				
Taxation				
Income tax	3	173,760	13,669	172,114
Indirect tax	4	28,231	2,506	28,116
Fringe benefits tax		3,300	667	4,084
Other taxes		2,242	170	2,287
Total taxation revenue		207,533	17,012	206,600
Non-taxation				
Sales of goods and services		4,898	268	4,604
Interest and dividends	5	8,691	863	8,805
Other sources of non-tax revenue	6	3,502	650	4,156
Total non-tax revenue		17,092	1,781	17,565
Total revenue		224,625	18,793	224,165
Gains				
Net foreign exchange gains		85	61	139
Net gains from sale of assets		99	-21	0
Other gains		977	1	1,208
Total gains		1,161	41	1,347
Income		225,786	18,833	225,513
Expenses				
Goods and services				
Employees	7	22,789	2,443	23,555
Suppliers	8	18,487	2,027	17,701
Depreciation and amortisation	9	4,554	738	4,617
Net write-down and impairment of assets and fair value losses		3,085	1,021	3,465
Net losses from sale of assets		0	2	2
Other goods and services expenses	10	7,649	702	7,345
Total goods and services		56,564	6,933	56,684
Subsidies benefits and grants				
Personal benefits		93,371	8,001	92,981
Subsidies		11,004	1,204	11,099
Grants	11	42,501	3,125	43,122
Total subsidies benefits and grants		146,876	12,330	147,202
Borrowing costs				
Interest		5,932	471	5,843
Other borrowing costs		17	31	68
Total interest and other borrowing costs		5,949	502	5,911
Total expenses		209,388	19,765	209,797
Operating result		16,397	-932	15,715

(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, and this can result in negative movements.

Table 28: Australian Government general government sector balance sheet

		2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
	Note		
Assets			
Financial assets			
Cash		1,785	2,190
Receivables	12	32,069	31,010
Investments		89,829	90,698
Equity accounted investments		399	573
Accrued revenue		563	2,695
Other financial assets		17	27
Total financial assets		124,663	127,193
Non-financial assets	13		
Land and buildings		19,558	21,172
Infrastructure		40,031	41,190
Heritage and cultural assets		7,723	7,675
Intangibles		1,916	1,896
Investment property		851	152
Biological assets		0	0
Assets held for sale		65	383
Inventories		4,625	5,046
Other non-financial assets		4,596	3,898
Total non-financial assets		79,364	81,412
Total assets		204,027	208,605
Liabilities			
Debt			
Government securities		59,547	58,894
Loans		4,224	4,208
Leases		233	153
Deposits		405	318
Overdrafts		0	0
Other debt		1,099	1,198
Total debt		65,508	64,771
Provisions and payables			
Employees	14	103,948	105,999
Suppliers		2,680	3,150
Personal benefits payable		6,290	5,380
Subsidies payable		1,313	1,642
Grants payable	15	10,209	10,042
Other provisions and payables		11,529	14,437
Total provisions and payables		135,970	140,649
Liabilities associated with assets held for sale			
Total liabilities		201,478	205,420
Net assets		2,549	3,185
Equity			
Accumulated results		-55,956	-34,564
Reserves		58,505	37,749
Capital		0	0
Total equity		2,549	3,185

Table 29: Australian Government general government sector statement of changes in equity

	Accumulated results				Asset revaluation reserve				Other reserves				Contributed equity/capital				Total equity			
	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06	2005-06
	Estimate	Outcome	Estimate	Outcome	Estimate	Outcome	Estimate	Outcome	Estimate	Outcome	Estimate	Outcome	Estimate	Outcome	Estimate	Outcome	Estimate	Outcome	Estimate	Outcome
	at		at		at		at		at		at		at		at		at		at	
	2006-07	2006-07	2006-07	2006-07	2006-07	2006-07	2006-07	2006-07	2006-07	2006-07	2006-07	2006-07	2006-07	2006-07	2006-07	2006-07	2006-07	2006-07	2006-07	2006-07
	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Opening balance																				
Balance carried forward from previous period(a)	-74,934	-72,841	16,939	16,695	21,505	21,484							0	0	-36,490	-34,661				
Adjustment for errors / entity adjustments	-1,014	61	-222	3	-9	452							16	0	-1,230	516				
Adjustment for changes in accounting policy(b)	23,127	25,548	na	na	na	na							na	na	23,127	25,548				
Adjusted opening balance	-52,822	-47,231	16,717	16,699	21,496	21,936							16	0	-14,593	-8,597				
Income and expense																				
Revenues and expenses recognised directly in equity																				
Currency translation gain (loss)	na	na	na	na	0	0							na	na	0	0				
Financial asset revaluations	na	na	-15	-12	na	na							na	na	-15	-12				
Non-financial asset revaluations	na	na	68	1,218	na	na							na	na	68	1,218				
Total revenues and expenses recognised directly in equity	0	0	53	1,207	0	0							0	0	53	1,207				
Net operating result	16,397	15,715	na	na	na	na							na	na	16,397	15,715				
Total income and expenses																				
Transfers between reserves	-19,978	51	224	-29	19,754	-21							na	na	0	0				
Dividends	0	0	0	0	0	0							na	na	0	0				
Other movements(c)	446	-3,098	-253	0	514	-2,042							-16	0	692	-5,140				
Closing balance	-55,956	-34,564	16,741	17,877	41,764	19,873							0	0	2,549	3,185				

(a) Balance carried forward from previous period differs from the 2004-05 outcomes due to the move to new Australian accounting standards.

(b) Includes change in the valuation of financial assets and liabilities with the adoption of the new accounting standards.

(c) Includes actuarial adjustments on defined benefit superannuation plans.

Table 30: Australian Government general government sector cash flow statement

		2005-06 Estimate at 2006-07 Budget \$m	Month of June 2006(a) \$m	2005-06 Outcome \$m
	Note			
Operating activities				
Cash received				
Taxation	16	204,012	18,723	203,830
Sales of goods and services		5,204	1,001	5,566
Interest		4,308	577	4,355
Dividends		4,341	22	4,360
GST input credit receipts		2,973	-91	2,528
Other		3,026	-169	3,046
Total operating cash received		223,849	20,079	223,684
Cash used				
Payments to employees		19,953	2,634	20,036
Payments to suppliers		21,643	2,953	21,006
Subsidies paid		10,451	946	10,318
Personal benefits		92,382	8,658	92,150
Grant payments		44,559	5,283	44,413
Interest and other financing costs		6,744	355	6,548
GST payments to taxation authority		86	-39	55
Other		7,144	408	6,966
Total operating cash used		202,948	21,216	201,491
Net cash from operating activities		20,901	-1,137	22,193
Investing activities				
Cash received				
Proceeds from asset sales program		0	0	0
Proceeds from sales of property, plant and equipment and intangibles		224	-39	181
Net loans, advances and HECS		0	0	0
Other net investing cash received		380	-69	346
Total investing cash received		604	-108	527
Cash used				
Purchase of property, plant and equipment and intangibles		6,188	1,051	6,499
Net loans, advances and HECS		1,238	1,375	1,494
Other net investing cash paid		12,798	-4,997	13,101
Total investing cash used		20,224	-2,571	21,095
Net cash from investing activities		-19,620	2,464	-20,567
Financing activities				
Cash received				
Net cash received from currency issues		0	0	0
Other		459	575	301
Total financing cash received		459	575	301
Cash used				
Net repayments of borrowings		1,754	1,961	1,314
Other		1	-1,378	181
Total financing cash used		1,755	584	1,495
Net cash from financing activities		-1,296	-8	-1,194
Net increase/decrease in cash held	2	-15	1,319	432

(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, and this can result in negative movements.

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), being the Australian Equivalents to International Financial Reporting Standards (AEIFRS) and AAS 31 *Financial Reporting by Governments* (AAS 31).

AAS requires governments to prepare accrual-based general purpose financial reports. This means that assets, liabilities, income 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, an income statement, a balance sheet, a statement of changes in equity and a cash flow statement have been prepared for the year ended 30 June 2006.

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 (the States), and appropriated to the States. Therefore, accrued GST revenues and associated payments to the States are not recorded in the financial statements.

Where measurement is reliable, the budget and related documents from 2005-06 onwards recognise tax revenue when the economic event giving rise to the taxpayer's liability occurs, known as the Economic Transactions Method (ETM). ETM is the preferred method for measuring revenue since it recognises the event when economic benefit accrues to the Australian Government. However, certain categories of revenue cannot yet be reliably measured according to ETM, including revenue from individuals, company and superannuation. For these items, revenue is 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, known as the Tax Liability Method (TLM). This means that for these items there is a short lag between the time at which the underlying economic activity giving rise to the tax liability occurs

and when the revenue is recognised. Longer lags occur for some elements of company and superannuation funds taxation. TLM is permitted under AAS where taxation revenues can not be reliably measured at the time the underlying transaction or event occurs. The financial effect of this change is recognised in the Statement of Changes in Equity.

The new AEIFRS standard relating to superannuation is AASB 119 *Employee Benefits*. The standard requires the government bond rate to be referenced when valuing the superannuation liability, with the relevant bond yield to match the term of the liability. However, the longest maturing government bond available is only 10 years, significantly shorter than the term of the superannuation liability. Rather than the 10 year government bond rate at 30 June 2006 (of 5.9 per cent), a longer term rate (of 6 per cent) as determined by actuaries has been adopted to discount the liability. Guidance from the Australian Accounting Standards Board is being sought to clarify differing interpretations in applying AASB 119.

Consistent with the market basis of valuation of assets adopted elsewhere in this document, the basis of valuation of the Government's investment in Telstra Corporation Limited and other Commonwealth entities under AAS, has changed from cost to fair value. The financial effect of this change is recognised in the Statement of Changes in Equity.

On 25 August 2006 the Australian Government announced the further sale of Telstra shares. The timing of the sale is expected to be in the 2006-07 financial year. As at 30 June 2006, there is no financial effect of this announcement on the Government's investment in Telstra and any subsequent financial effect can not, at this time, be reliably measured.

Note 2: Reconciliation of cash

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Operating result (revenues less expenses)	16,397	15,715
less Revenues not providing cash		
Foreign exchange gains	85	139
Gains from asset sales programme	0	0
Gains from sale of assets	99	0
Other	1,469	2,566
Total revenues not providing cash	1,653	2,705
plus Expenses not requiring cash		
Increase/(decrease) in employee entitlements	2,872	3,522
Depreciation/amortisation expense	4,554	4,617
Provision for bad and doubtful debts	352	150
Provision for diminution in value of assets	539	726
Losses from asset sales programme	0	0
Losses from sale of assets	0	-3
Foreign exchange losses	0	0
Other	27	553
Total expenses not requiring cash	8,344	9,565
plus Cash provided by working capital items		
Decrease in inventories	0	0
Decrease in receivables	0	0
Decrease in other financial assets	99	0
Decrease in other non-financial assets	0	0
Increase in benefits subsidies and grants payable	1,284	1,722
Increase in suppliers' liabilities	333	702
Increase in other provisions and payables	0	134
Total cash provided by working capital items	1,716	2,558
less Cash used by working capital items		
Increase in inventories	230	210
Increase in receivables	474	281
Increase in other financial assets	0	308
Increase in other non-financial assets	2,674	2,139
Decrease in benefits subsidies and grants payable	150	0
Decrease in other provisions and payables	375	0
Decrease in suppliers' liabilities	0	0
Total cash used by working capital items	3,903	2,940
equals <i>Net cash from/(to) operating activities</i>	20,901	22,193
<i>plus Net cash from/(to) investing activities</i>	-19,620	-20,567
Net cash from operating activities and investment	1,282	1,626
<i>plus Net cash from/(to) financing activities</i>	-1,296	-1,194
equals Net (decrease)/increase in cash	-15	432

Note 2(a): Consolidated Revenue Fund

The cash balance reflected in the statement of financial position for the Australian Government general government sector (Table 28) 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.

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Total general government sector cash (Statement 10)	1,785	2,190
<i>less</i> CAC Agency cash balances	911	1,026
<i>plus</i> Special public monies	81	117
Balance of Consolidated Revenue Fund at 30 June	955	1,281

Note 3: Income taxation revenue

	2005-06 Estimate at 2006-07 Budget \$m	Outcome 2005-06 \$m
Individuals and other withholding taxes		
Gross income tax withholding	103,830	103,811
Gross other individuals	26,410	25,859
less: Refunds	15,350	15,239
Total individuals and other withholding taxation	114,890	114,431
Superannuation funds		
Contributions and earnings	5,390	5,416
Superannuation surcharge	1,030	1,289
Total superannuation taxation	6,420	6,705
Company tax	50,480	48,987
Petroleum resource rent tax	1,970	1,991
Income taxation revenue	173,760	172,114

Note 4: Indirect taxation revenue

	2005-06 Estimate at 2006-07 Budget \$m	Outcome 2005-06 \$m
Excise duty		
Petroleum and other fuel products	13,740	13,711
Crude oil	330	362
Other excise	7,830	7,854
Customs duty	5,171	4,988
Other indirect taxation	1,160	1,202
GST	37,860	38,884
less transfers to States in relation to GST revenue	37,860	38,884
GST revenue	0	0
Mirror taxes	372	328
less transfers to States in relation to mirror tax revenue	372	328
Mirror tax revenue	0	0
Total indirect taxation revenue	28,231	28,116

Note 5: Interest and dividend revenue

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Interest		
Interest from other governments		
State and Territory debt	17	19
Housing agreements	170	174
Total interest from other governments	187	193
Interest from other sources		
Swap interest	1,984	1,981
Advances	19	23
Deposits	0	32
Bills receivable	6	10
Bank deposits	277	220
Indexation of HECS receivable and other student loans	378	382
Other	1,519	1,579
Total interest from other sources	4,183	4,225
Total interest	4,370	4,418
Dividends		
Dividends from controlled entities	4,312	4,366
Other dividends	9	21
Total dividends	4,321	4,387
Total interest and dividend revenue	8,691	8,805

Note 6: Other sources of non-taxation revenue

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Industry contributions	228	325
International Monetary Fund related revenue	23	23
Royalties	1,036	1,016
Seigniorage	125	118
Other	2,091	2,673
Total other sources of non-taxation revenue	3,502	4,156

Note 7: Employees expenses

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Salaries and wages(a)	12,627	12,230
Leave and other entitlements	1,327	1,624
Separations and redundancies	42	80
Workers compensation premiums	0	0
Other (including superannuation)	8,792	9,622
Total employee expenses	22,789	23,555

(a) Salaries and wages do not include superannuation.

Note 8: Suppliers expenses

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Supply of goods and services	16,308	15,313
Operating lease rental expenses	1,700	1,872
Other	479	516
Total suppliers expenses	18,487	17,701

Note 9: Depreciation and amortisation expenses

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Depreciation		
Specialist military equipment	2,513	2,427
Buildings	586	725
Other infrastructure, plant and equipment	1,075	1,008
Heritage and cultural assets	43	43
Investment property	0	0
Total depreciation	4,217	4,204
Total amortisation	337	414
Total depreciation and amortisation expenses	4,554	4,617

Note 10: Other goods and services expenses

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Health care payments	4,593	4,522
Development Cooperation Program	1,339	1,334
Other	1,717	1,488
Total other goods and services expenses	7,649	7,345

Note 11: Grants expenses

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
State and Territory governments	27,264	27,525
Non-profit organisations	1,575	1,884
Overseas	434	457
Private sector	1,982	2,162
Local governments	411	376
Multi-jurisdictional sector	6,081	6,320
Other	4,754	4,397
Total grant expenses	42,501	43,122

Note 12: Receivables

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Taxes receivable	10,726	10,262
Advances and loans	16,571	16,005
Other receivables	4,772	4,743
Total receivables	32,069	31,010

Note 13: Total non-financial assets

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Land and buildings		
Land	6,089	6,095
Buildings	13,469	15,077
Total land and buildings	19,558	21,172
Infrastructure		
Specialist military equipment	31,437	32,126
Other	8,595	9,064
Total infrastructure	40,031	41,190
Intangibles		
Computer software	1,753	1,800
Other	162	96
Total intangibles	1,916	1,896
Heritage and cultural assets	7,723	7,675
Total heritage and cultural assets	7,723	7,675
Investment properties	851	152
Total investment properties	851	152
Biological assets	0	0
Total biological assets	0	0
Assets held for sale	65	383
Total assets held for sale	65	383
Inventories	4,625	5,046
Total inventories	4,625	5,046
Other non-financial assets		
Prepayments	4,066	3,677
Other	530	220
Total other non-financial assets	4,596	3,898
Total non-financial assets	79,364	81,412

Note 14: Employee and superannuation liabilities

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
Superannuation	95,504	97,322
Leave and other entitlements	4,185	4,221
Accrued salaries and wages	162	185
Workers compensation claims	1,562	1,443
Separations and redundancies	33	41
Workers compensation premiums	1,579	1,805
Other	923	982
Total employee and superannuation liabilities	103,948	105,999

Note 15: Grants payable

	2005-06 Estimate at 2006-07 Budget \$m	2005-06 Outcome \$m
State and Territory governments	4,313	4,369
Non-profit organisations	59	111
Private sector	657	609
Overseas	1,110	1,108
Local governments	2	12
Other	4,068	3,832
Total grants payable	10,209	10,042

Note 16: Taxation receipts — cash

	2005-06 Estimate at 2006-07 Budget \$m	Outcome 2005-06 \$m
Total taxation receipts	241,484	241,599
<i>less</i> payments to States and Territories in relation to GST receipts	37,100	37,442
<i>less</i> payments to States and Territories in relation to mirror tax receipts	372	328
Taxation receipts	204,012	203,830

