

## **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**

		2006-07 Estimate at 2007-08 Budget \$m	Month of June 2007(a) \$m	2006-07 Outcome \$m
	Note			
<b>Revenues</b>				
Taxation				
Income taxation	3	188,530	13,837	189,378
Indirect taxation	4	29,510	2,379	29,656
Other taxes		2,227	341	2,273
<b>Total taxation revenue</b>		<b>220,267</b>	<b>16,557</b>	<b>221,308</b>
Non-taxation				
Sales of goods and services		5,070	393	5,064
Interest and dividends	5	8,428	894	8,583
Other sources of non-taxation revenue	6	3,586	195	3,796
<b>Total non-taxation revenue</b>		<b>17,084</b>	<b>1,482</b>	<b>17,443</b>
<b>Total revenue</b>		<b>237,351</b>	<b>18,039</b>	<b>238,750</b>
<b>Gains</b>				
Net foreign exchange gains		0	89	0
Net gains from sale of assets		0	0	0
Other gains		14,941	2,661	16,011
<b>Total gains</b>		<b>14,941</b>	<b>2,750</b>	<b>16,011</b>
<b>Income</b>		<b>252,293</b>	<b>20,789</b>	<b>254,761</b>
<b>Expenses</b>				
Goods and services				
Employee	7	25,105	2,127	25,602
Suppliers	8	19,614	2,484	19,905
Depreciation and amortisation	9	4,899	608	5,140
Net write-down and impairment of assets and fair value losses		3,812	876	4,110
Net foreign exchange losses		52	0	170
Net losses from sale of assets		1,040	239	958
Other goods and services expenses	10	7,947	654	7,600
<b>Total goods and services</b>		<b>62,469</b>	<b>6,988</b>	<b>63,484</b>
Subsidies, benefits and grants				
Personal benefits		99,959	10,177	98,894
Subsidies		11,904	812	11,850
Grants	11	44,492	1,411	44,065
<b>Total subsidies, benefits and grants</b>		<b>156,355</b>	<b>12,400</b>	<b>154,810</b>
<b>Borrowing costs</b>				
Interest		5,730	486	5,684
Other borrowing costs		31	533	602
<b>Total interest and other borrowing costs</b>		<b>5,761</b>	<b>1,019</b>	<b>6,286</b>
<b>Total expenses</b>		<b>224,584</b>	<b>20,408</b>	<b>224,579</b>
<b>Operating result</b>		<b>27,708</b>	<b>381</b>	<b>30,182</b>

(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, this can result in negative movements.

**Table 28: Australian Government general government sector balance sheet**

		2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
	Note		
<b>Assets</b>			
Financial assets			
Cash		2,008	1,154
Receivables	12	39,962	39,912
Investments		98,637	104,634
Equity accounted investments		616	185
Accrued revenue		2,908	2,391
Other financial assets		23	37
<b>Total financial assets</b>		<b>144,155</b>	<b>148,313</b>
Non-financial assets			
Land and buildings	13	21,374	23,432
Infrastructure		43,404	41,809
Heritage and cultural assets		8,074	8,212
Intangibles		2,148	2,102
Investment property		262	129
Biological assets		2	2
Assets held for sale		370	210
Inventories		5,532	5,880
Other non-financial assets		4,212	4,552
<b>Total non-financial assets</b>		<b>85,378</b>	<b>86,328</b>
<b>Total assets</b>		<b>229,533</b>	<b>234,642</b>
<b>Liabilities</b>			
Debt			
Government securities		57,275	56,526
Loans		4,743	4,839
Leases		344	320
Deposits		300	261
Overdrafts		0	0
Other debt		1,184	1,645
<b>Total debt</b>		<b>63,846</b>	<b>63,590</b>
Provisions and payables			
Employees	14	110,960	111,144
Suppliers		2,873	3,912
Personal benefits payable		8,108	7,270
Subsidies payable		1,383	1,373
Grants payable	15	9,562	9,509
Other provisions and payables		13,064	13,118
<b>Total provisions and payables</b>		<b>145,948</b>	<b>146,326</b>
Liabilities associated with assets held for sale			
		0	0
<b>Total liabilities</b>		<b>209,795</b>	<b>209,916</b>
<b>Net assets</b>		<b>19,738</b>	<b>24,725</b>
<b>Equity</b>			
Accumulated results		-37,173	-3,212
Reserves		56,911	27,937
Capital		0	0
<b>Total equity</b>		<b>19,738</b>	<b>24,725</b>

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

	Accumulated results		Asset revaluation reserve		Other reserves		Contributed equity/capital		Total equity	
	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>Opening balance</b>										
Balance carried forward from previous period	-37,466	-33,258	17,883	17,870	19,870	19,870	0	0	286	4,483
Adjustment for errors/entity adjustments	-34,057	-174	4	-37	34,052	85	0	36	-1	-91
Adjustment for changes in accounting policy	4,880	745	0	0	0	0	0	0	4,880	745
<b>Adjusted opening balance</b>	<b>-66,643</b>	<b>-32,687</b>	<b>17,886</b>	<b>17,833</b>	<b>53,922</b>	<b>19,955</b>	<b>0</b>	<b>36</b>	<b>5,164</b>	<b>5,137</b>
<b>Income and expense</b>										
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	1,364	25	129	na	na	na	1,493	25
Non-financial asset revaluations	na	na	462	1,956	na	na	na	na	462	1,956
Total revenues and expenses recognised directly in equity	0	0	1,825	1,981	129	0	0	0	1,954	1,981
Net operating result	<b>27,708</b>	<b>30,182</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>27,708</b>	<b>30,182</b>
<b>Total income and expenses</b>										
Transfers between reserves	-8	59	-8	-41	17	-18	0	na	0	0
Dividends	0	0	0	0	0	0	0	na	0	0
Other movements(a)	1,770	-766	7	-448	-16,867	-11,325	0	-36	-15,089	-12,575
<b>Closing balance</b>	<b>-37,173</b>	<b>-3,212</b>	<b>19,711</b>	<b>19,325</b>	<b>37,201</b>	<b>8,612</b>	<b>0</b>	<b>0</b>	<b>19,738</b>	<b>24,725</b>

(a) Other reserves includes the removal of Telstra following its sale. Under AEIFRS, fair value gains (and losses) are recorded in equity until the investment is sold at which point all accumulated fair value gains/losses are transferred into the income statement.

**Table 30: Australian Government general government sector cash flow statement**

		2006-07 Estimate at 2007-08 Budget	Month of June 2007(a)	2006-07 Outcome
	Note	\$m	\$m	\$m
<b>Operating activities</b>				
Cash received				
Taxation	16	216,321	19,701	217,764
Sales of goods and services		5,221	151	5,025
Interest		5,528	377	5,523
Dividends		3,120	80	3,197
GST input credit receipts		3,027	367	3,413
Other		3,011	-228	3,374
<b>Total operating cash received</b>		<b>236,227</b>	<b>20,448</b>	<b>238,297</b>
Cash used				
Payments to employees		21,285	2,505	21,336
Payments to suppliers		23,192	2,882	24,004
Subsidies paid		11,486	953	11,429
Personal benefits		98,732	9,833	98,405
Grant payments		44,397	2,514	44,096
Interest and other financing costs		5,587	148	5,606
GST payments to taxation authority		79	-25	64
Other		7,441	-628	6,968
<b>Total operating cash used</b>		<b>212,200</b>	<b>18,184</b>	<b>211,908</b>
<b>Net cash from operating activities</b>		<b>24,027</b>	<b>2,265</b>	<b>26,389</b>
<b>Investing activities</b>				
Cash received				
Proceeds from asset sales program		8,801	86	8,908
Proceeds from sales of property, plant and equipment and intangibles		184	62	213
Net loans, advances and HELP		0	0	0
Other net investing cash received		289	5,141	5,156
<b>Total investing cash received</b>		<b>9,274</b>	<b>5,290</b>	<b>14,277</b>
Cash used				
Purchase of property, plant and equipment and intangibles		8,085	968	7,084
Net loans, advances and HELP		1,152	1,880	1,316
Other net investing cash paid		22,982	4,471	32,265
<b>Total investing cash used</b>		<b>32,218</b>	<b>7,320</b>	<b>40,665</b>
<b>Net cash from investing activities</b>		<b>-22,944</b>	<b>-2,030</b>	<b>-26,388</b>
<b>Financing activities</b>				
Cash received				
Net cash received from currency issues		0	0	0
Other		339	-683	190
<b>Total financing cash received</b>		<b>339</b>	<b>-683</b>	<b>190</b>
Cash used				
Net repayments of borrowings		1,312	-214	889
Other		48	90	90
<b>Total financing cash used</b>		<b>1,359</b>	<b>-124</b>	<b>980</b>
<b>Net cash from financing activities</b>		<b>-1,020</b>	<b>-559</b>	<b>-790</b>
<b>Net increase/decrease in cash held</b>	2	<b>63</b>	<b>-325</b>	<b>-789</b>

(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, 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 2007.

The accounting policies in this part are generally consistent with the accounting policies in 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, GST cash flows and any accrued GST revenues and associated payments to the States are not recorded in the financial statements.

The new AEIFRS standard relating to superannuation is AASB 119 *Employee Benefits*. The standard requires the government bond rate at balance date 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 is only 10 years, significantly shorter than the term of the superannuation liability. Therefore, in applying this standard for budgets and outcomes, a longer term rate of 6 per cent as determined by actuaries has been adopted to discount the liability rather than the 10 year government bond rate (6.4 per cent at 30 June 2007). Guidance has been sought from the Australian Accounting Standards Board to clarify the differing interpretations in applying AASB 119 for outcomes.

**Note 2: Reconciliation of cash**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>Operating result (revenues less expenses)</b>	<b>27,708</b>	<b>30,182</b>
less <b>Revenues not providing cash</b>		
Foreign exchange gains	0	0
Gains from asset sales programme	0	0
Gains from sale of assets	6	0
Other	15,310	16,978
<b>Total revenues not providing cash</b>	<b>15,316</b>	<b>16,978</b>
plus <b>Expenses not requiring cash</b>		
Increase/(decrease) in employee entitlements	3,856	4,179
Depreciation/amortisation expense	4,899	5,140
Provision for bad and doubtful debts	450	11
Provision for diminution in value of assets	291	670
Losses from asset sales programme	1,040	949
Losses from sale of assets	0	-12
Foreign exchange losses	52	170
Other	7	1,644
<b>Total expenses not requiring cash</b>	<b>10,596</b>	<b>12,751</b>
plus <b>Cash provided by working capital items</b>		
Decrease in inventories	0	0
Decrease in receivables	347	598
Decrease in other financial assets	0	213
Decrease in other non-financial assets	0	0
Increase in benefits, subsidies and grants payable	1,049	616
Increase in suppliers' liabilities	0	981
Increase in other provisions and payables	469	0
<b>Total cash provided by working capital items</b>	<b>1,865</b>	<b>2,407</b>
less <b>Cash used by working capital items</b>		
Increase in inventories	214	661
Increase in receivables	0	0
Increase in other financial assets	283	0
Increase in other non-financial assets	42	320
Decrease in benefits, subsidies and grants payable	260	361
Decrease in other provisions and payables	0	631
Decrease in suppliers' liabilities	28	0
<b>Total cash used by working capital items</b>	<b>826</b>	<b>1,973</b>
equals <i>Net cash from/(to) operating activities</i>	24,027	26,389
<i>plus Net cash from/(to) investing activities</i>	-22,944	-26,388
<b>Net cash from operating activities and investment</b>	<b>1,083</b>	<b>1</b>
<i>plus Net cash from/(to) financing activities</i>	-1,020	-790
<b>equals Net (decrease)/increase in cash</b>	<b>63</b>	<b>-789</b>

**Note 2(a): Consolidated Revenue Fund**

The cash balance reflected in the balance sheet 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.

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>Total general government sector</b>		
<b>cash (Statement 10)</b>	2,008	1,154
<i>less</i> CAC Agency cash balances	978	1,000
<i>plus</i> Special public monies	105	127
<b>Balance of Consolidated Revenue Fund</b>		
<b>at 30 June</b>	<b>1,135</b>	<b>281</b>

**Note 3: Income taxation revenue**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
Individuals and other withholding taxation		
Gross income tax withholding	107,710	107,809
Gross other individuals	26,820	26,952
less: Refunds	17,140	17,147
Total individuals and other withholding taxation	117,390	117,614
Fringe benefits tax	3,850	3,754
Superannuation funds		
Contributions and earnings	7,190	7,577
Surcharge	270	302
Total superannuation taxation	7,460	7,879
Company tax	58,270	58,538
Petroleum resource rent tax	1,560	1,594
<b>Total income taxation revenue</b>	<b>188,530</b>	<b>189,378</b>

**Note 4: Indirect taxation revenue**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
Excise duty		
Petroleum and other fuel products	14,150	14,128
Crude oil	530	525
Other excise	8,050	8,082
Customs duty	5,600	5,644
Other indirect taxation	1,180	1,278
GST	40,720	41,006
less transfers to States in relation to GST revenue	40,720	41,006
GST revenue	0	0
Mirror taxes	353	355
less transfers to States in relation to mirror tax revenue	353	355
Mirror tax revenue	0	0
<b>Total indirect taxation revenue</b>	<b>29,510</b>	<b>29,656</b>

**Note 5: Interest and dividend revenue**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>Interest</b>		
Interest from other governments		
State and Territory debt	15	14
Housing agreements	192	192
<b>Total interest from other governments</b>	<b>207</b>	<b>206</b>
Interest from other sources		
Swap interest	1,813	1,813
Advances	59	27
Deposits	0	0
Bills receivable	10	11
Bank deposits	249	323
Indexation of HELP receivable and other student loans(a)	357	0
Other	2,959	3,204
<b>Total interest from other sources</b>	<b>5,447</b>	<b>5,378</b>
<b>Total interest</b>	<b>5,654</b>	<b>5,584</b>
<b>Dividends</b>		
Dividends from controlled entities	2,171	2,549
Other dividends	604	450
<b>Total dividends</b>	<b>2,774</b>	<b>2,999</b>
<b>Total interest and dividend revenue</b>	<b>8,428</b>	<b>8,583</b>

(a) Under AEIFRS HELP and other student loans are now reported at fair value. Any changes in fair value are reported under other gains.

**Note 6: Other sources of non-taxation revenue**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
Industry contributions	224	245
International Monetary Fund related revenue	10	10
Royalties	1,180	1,157
Seigniorage	101	61
Other	2,071	2,323
<b>Total other sources of non-taxation revenue</b>	<b>3,586</b>	<b>3,796</b>

**Note 7: Employees expenses**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
Salaries and wages(a)	13,854	13,253
Leave and other entitlements	1,442	1,869
Separations and redundancies	57	58
Workers compensation premiums	2	0
Other (including superannuation)	9,750	10,422
<b>Total employee expenses</b>	<b>25,105</b>	<b>25,602</b>

(a) Salaries and wages do not include superannuation.

**Note 8: Suppliers expenses**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
Supply of goods and services	17,356	17,213
Operating lease rental expenses	1,795	2,044
Other	463	649
<b>Total suppliers expenses</b>	<b>19,614</b>	<b>19,905</b>

**Note 9: Depreciation and amortisation expenses**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
<b>Depreciation</b>		
Specialist military equipment	2,683	2,766
Buildings	685	797
Other infrastructure, plant and equipment	1,091	1,081
Heritage and cultural assets	45	40
Investment property	0	0
<b>Total depreciation</b>	<b>4,504</b>	<b>4,684</b>
<b>Total amortisation</b>	<b>395</b>	<b>456</b>
<b>Total depreciation and amortisation expenses</b>	<b>4,899</b>	<b>5,140</b>

**Note 10: Other goods and services expenses**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
Health care payments	4,458	4,391
Development Cooperation Program	1,470	1,429
Other	2,020	1,780
<b>Total other goods and services expenses</b>	<b>7,947</b>	<b>7,600</b>

**Note 11: Grants expenses**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
State and Territory governments	27,876	28,166
Non-profit organisations	1,616	4,460
Overseas	601	651
Private sector	1,698	1,780
Local governments	374	381
Multi-jurisdictional sector	5,935	5,950
Other	6,391	2,677
<b>Total grant expenses</b>	<b>44,492</b>	<b>44,065</b>

**Note 12: Receivables**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
Taxes receivable	10,566	10,356
Advances and loans	19,126	18,988
Other receivables	10,271	10,568
<b>Total receivables</b>	<b>39,962</b>	<b>39,912</b>

**Note 13: Total non-financial assets**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
Land and buildings		
Land	6,181	6,842
Buildings	15,193	16,589
<b>Total land and buildings</b>	<b>21,374</b>	<b>23,432</b>
Infrastructure		
Specialist military equipment	33,922	32,388
Other	9,481	9,421
<b>Total infrastructure</b>	<b>43,404</b>	<b>41,809</b>
Intangibles		
Computer software	2,016	2,002
Other	132	101
<b>Total intangibles</b>	<b>2,148</b>	<b>2,102</b>
<b>Total heritage and cultural assets</b>	<b>8,074</b>	<b>8,212</b>
<b>Total investment properties</b>	<b>262</b>	<b>129</b>
<b>Total biological assets</b>	<b>2</b>	<b>2</b>
<b>Total assets held for sale</b>	<b>370</b>	<b>210</b>
<b>Total inventories</b>	<b>5,532</b>	<b>5,880</b>
Other non-financial assets		
Prepayments	3,607	4,280
Other	605	272
<b>Total other non-financial assets</b>	<b>4,212</b>	<b>4,552</b>
<b>Total non-financial assets</b>	<b>85,378</b>	<b>86,328</b>

**Note 14: Employee and superannuation liabilities**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
Superannuation	102,166	102,379
Leave and other entitlements	4,411	4,554
Accrued salaries and wages	209	207
Workers compensation claims	1,483	1,486
Separations and redundancies	43	34
Workers compensation premiums	1,618	1,542
Other	1,029	942
<b>Total employee and superannuation liabilities</b>	<b>110,960</b>	<b>111,144</b>

**Note 15: Grants payable**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
State and Territory governments	4,581	4,483
Non-profit organisations	111	115
Private sector	433	444
Overseas	309	331
Local governments	11	4
Other	4,117	4,132
<b>Total grants payable</b>	<b>9,562</b>	<b>9,509</b>

**Note 16: Taxation receipts — cash**

	2006-07 Estimate at 2007-08 Budget \$m	2006-07 Outcome \$m
Total taxation receipts	256,254	257,680
less payments to States and Territories in relation to GST receipts	39,580	39,560
less payments to States and Territories in relation to mirror tax receipts	353	355
<b>Taxation receipts</b>	<b>216,321</b>	<b>217,764</b>