

APPENDIX C: AUSTRALIAN ACCOUNTING STANDARDS FINANCIAL STATEMENTS

This appendix presents financial statements that 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*, 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: Australian Government general government sector income statement

	Note	Estimates		Projections	
		2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Revenues					
Taxation					
Income tax	3	185,340	195,330	207,110	218,750
Indirect tax	4	29,270	29,810	30,510	30,770
Other taxes		2,248	2,226	2,325	2,226
Total taxation revenue		216,858	227,366	239,945	251,746
Non-taxation					
Sales of goods and services		5,040	5,052	5,188	5,340
Interest and dividends	5	8,263	8,317	8,249	8,941
Other sources of non-tax revenue	6	3,546	3,601	3,478	3,373
Total non-tax revenue		16,849	16,970	16,914	17,655
Total revenue		233,707	244,335	256,859	269,401
Gains					
Net foreign exchange gains		0	0	0	0
Net gains from sale of assets		0	-9	1,258	1
Other gains		844	1,497	2,367	2,586
Total Gains		844	1,489	3,625	2,586
Income		234,551	245,824	260,485	271,987
Expenses					
Goods and services					
Employees	7	24,984	25,605	26,193	26,855
Suppliers	8	19,805	21,276	21,188	21,216
Depreciation and amortisation	9	4,911	5,155	5,253	5,147
Net write-down and impairment of assets and fair value losses		3,651	3,474	3,425	3,461
Net foreign exchange losses		73	0	0	0
Net losses from sale of assets		1,024	-17	0	0
Other goods and services expenses	10	9,034	9,184	9,658	10,618
Total goods and services		63,482	64,676	65,717	67,296
Subsidies benefits and grants					
Personal benefits		97,208	103,824	110,978	119,332
Subsidies		12,339	13,246	14,094	14,409
Grants	11	44,049	47,381	48,157	47,681
Total subsidies benefits and grants		153,596	164,450	173,230	181,421
Borrowing costs					
Interest		5,800	5,515	5,008	4,726
Other borrowing costs		8	8	8	8
Total interest and other borrowing costs		5,808	5,523	5,016	4,734
Total expenses		222,886	234,649	243,963	253,452
Operating result		11,664	11,175	16,522	18,536

Table C2: Australian Government general government sector balance sheet

	Note	Estimates		Projections	
		2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Assets					
Financial assets					
Cash		2,014	2,244	2,029	1,993
Receivables	12	35,250	30,903	33,667	36,202
Investments		96,777	116,413	132,796	149,107
Equity accounted investments		616	616	616	616
Accrued revenue		2,853	2,869	2,883	2,897
Other financial assets		23	24	24	25
Total financial assets		137,534	153,068	172,015	190,840
Non-financial assets					
Land and buildings	13	21,241	21,615	22,283	22,599
Infrastructure		43,379	45,593	48,001	50,790
Heritage and cultural assets		7,702	7,715	7,725	7,741
Intangibles		2,137	2,231	2,205	2,169
Investment property		236	237	237	238
Biological assets		0	0	0	0
Assets held for sale		370	358	360	362
Inventories		5,588	5,717	6,060	6,399
Other non-financial assets		4,163	3,001	2,041	1,862
Total non-financial assets		84,817	86,466	88,913	92,159
Total assets		222,351	239,535	260,928	283,000
Liabilities					
Debt					
Government securities		57,923	59,842	59,984	59,260
Loans		4,258	4,277	3,975	3,984
Leases		335	310	588	554
Deposits		300	300	300	300
Overdrafts		0	0	0	0
Other debt		1,202	1,204	1,193	1,174
Total debt		64,019	65,933	66,042	65,273
Provisions and payables					
Employees	14	109,472	113,132	117,022	120,996
Suppliers		2,755	2,811	2,840	2,848
Personal benefits payable		7,582	7,970	8,167	8,194
Subsidies payable		1,653	1,641	1,767	1,827
Grants payable	15	10,220	10,626	11,157	11,350
Other provisions and payables		13,009	12,631	12,614	12,622
Total provisions and payables		144,691	148,811	153,567	157,837
Liabilities associated with assets held for sale					
		0	0	0	0
Total liabilities		208,709	214,743	219,608	223,110
Net assets		13,641	24,791	41,320	59,890
Equity					
Accumulated results		-35,210	-24,075	-7,558	10,959
Reserves		48,851	48,866	48,878	48,931
Capital		0	0	0	0
Total equity		13,641	24,791	41,320	59,890

Table C3: Australian Government general government sector statement of changes in equity

	Accumulated results		Asset revaluation reserve		Other reserves		Contributed equity/capital		Total equity	
	2006-07 \$m	2007-08 \$m	2006-07 \$m	2007-08 \$m	2006-07 \$m	2007-08 \$m	2006-07 \$m	2007-08 \$m	2006-07 \$m	2007-08 \$m
Opening balance										
Balance carried forward from previous period	-37,466	-35,210	17,883	19,470	19,870	29,382	0	0	287	13,641
Adjustment for errors/entity adjustments	-34,260	131	0	0	34,060	0	0	0	-200	131
Adjustment for changes in accounting policy	0	0	0	0	108	0	0	0	108	0
Adjusted opening balance	-71,726	-35,079	17,883	19,470	54,037	29,382	0	0	194	13,772
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	1,555	76	na	na	na	na	1,555	76
Non-financial asset revaluations	na	na	41	4	na	na	na	na	41	4
Total revenues and expenses recognised directly in equity	0	0	1,596	81	0	0	0	0	1,596	81
Net operating result	11,664	11,175	0	0	0	0	0	0	11,664	11,175
Total income and expenses										
Transfers between reserves	24,717	17	-9	-17	-24,708	0	0	0	0	0
Dividends	0	0	0	0	0	0	0	0	0	0
Other movements	135	-187	0	0	52	-49	0	0	187	-236
Closing balance	-35,210	-24,075	19,470	19,534	29,382	29,332	0	0	13,641	24,791

Table C3: Australian Government general government sector statement of changes in equity (continued)

	Accumulated results		Asset revaluation reserve		Other reserves		Contributed equity/capital		Total equity	
	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09	2009-10
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Opening balance										
Balance carried forward from previous period	-24,075	-7,558	19,534	19,594	29,332	29,283	0	0	24,791	41,320
Adjustment for errors/entity adjustments	-12	-13	0	0	0	0	0	0	-12	-13
Adjustment for changes in accounting policy	0	0	0	0	0	0	0	0	0	0
Adjusted opening balance	-24,087	-7,571	19,534	19,594	29,332	29,283	0	0	24,779	41,307
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	35	50	na	na	na	na	35	50
Non-financial asset revaluations	na	na	24	51	na	na	na	na	24	51
Total revenues and expenses recognised directly in equity	0	0	59	101	0	0	0	0	59	101
Net operating result	16,522	18,536	0	0	0	0	0	0	16,522	18,536
Total income and expenses										
Transfers between reserves	-2	-1	2	1	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0	0	0	0
Other movements	8	-5	0	0	-49	-49	0	0	-41	-54
Closing balance	-7,558	10,959	19,594	19,697	29,283	29,234	0	0	41,320	59,890

Table C4: Australian Government general government sector cash flow statement

	Note	Estimates		Projections	
		2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Operating activities					
Cash received					
Taxation	16	213,282	223,454	235,529	247,709
Sales of goods and services		5,280	5,238	5,392	5,517
Interest		5,273	5,356	4,742	5,392
Dividends		3,170	2,782	3,343	3,338
GST input credit receipts		3,027	2,988	2,996	3,058
Other		3,161	3,314	3,183	3,056
Total operating cash received		233,193	243,133	255,186	268,070
Cash used					
Payments to employees		21,161	21,915	22,268	22,846
Payments to suppliers		23,537	24,518	24,626	24,691
Subsidies paid		11,626	12,565	13,274	13,696
Personal benefits		96,398	103,151	110,762	119,290
Grant payments		43,752	46,407	46,799	47,308
Interest and other financing costs		5,631	5,586	5,151	4,737
GST payments to taxation authority		79	81	82	85
Other		8,700	9,108	9,601	10,563
Total operating cash used		210,883	223,330	232,564	243,215
Net cash from operating activities		22,310	19,802	22,622	24,855
Investing activities					
Cash received					
Proceeds from asset sales program		8,685	6,797	2,015	0
Proceeds from sales of property, plant and equipment and intangibles		185	267	147	77
Other net investing cash received		254	250	255	264
Total investing cash received		9,123	7,313	2,417	341
Cash used					
Purchase of property, plant and equipment and intangibles		8,237	7,765	7,883	8,463
Net loans, advances and HECS		1,484	1,755	1,857	1,912
Other net investing cash paid		20,801	19,557	15,327	14,246
Total investing cash used		30,521	29,077	25,067	24,620
Net cash from investing activities		-21,398	-21,763	-22,650	-24,279
Financing activities					
Cash received					
Net cash received from currency issues		0	0	0	0
Other		161	14	0	0
Total financing cash received		161	14	0	0
Cash used					
Net repayments of borrowings		943	-2,186	-92	589
Other		60	9	280	23
Total financing cash used		1,003	-2,177	188	612
Net cash from financing activities		-843	2,191	-188	-612
Net increase/decrease in cash held	2	70	230	-215	-36

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), 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 budget year and the three forward years.

The accounting policies in this Appendix 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 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 (the States), and appropriated to the States. Therefore, 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 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. Rather than 10 year government spot rate at balance date, 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 has been sought to clarify the differing interpretations in applying AASB 119.

Note 2: Reconciliation of cash

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Operating result (revenues less expenses)	11,664	11,175	16,522	18,536
less Revenues not providing cash				
Foreign exchange gains	0	0	0	0
Gains from asset sales programme	0	0	1,252	0
Gains from sale of assets	19	35	6	1
Other	1,242	1,949	2,856	3,109
Total revenues not providing cash	1,261	1,984	4,114	3,109
plus Expenses not requiring cash				
Increase/(decrease) in employee entitlements	3,811	3,660	3,890	3,974
Depreciation/amortisation expense	4,911	5,155	5,253	5,147
Provision for bad and doubtful debts	419	462	496	524
Provision for diminution in value of assets	306	257	152	147
Losses from asset sales programme	1,042	27	0	0
Losses from sale of assets	0	0	0	0
Foreign exchange losses	73	0	0	0
Other	27	-12	26	21
Total expenses not requiring cash	10,589	9,548	9,816	9,814
plus Cash provided by working capital items				
Decrease in inventories	0	0	0	0
Decrease in receivables	843	0	0	0
Decrease in other financial assets	0	50	35	1
Decrease in other non-financial assets	284	848	955	307
Increase in benefits subsidies and grants payable	416	661	734	182
Increase in suppliers' liabilities	0	56	28	8
Increase in other provisions and payables	416	40	0	103
Total cash provided by working capital items	1,960	1,654	1,752	602
less Cash used by working capital items				
Increase in inventories	270	213	399	351
Increase in receivables	0	365	925	635
Increase in other financial assets	227	0	0	0
Increase in other non-financial assets	0	0	0	0
Decrease in benefits subsidies and grants payable	0	12	0	0
Decrease in other provisions and payables	0	0	30	0
Decrease in suppliers' liabilities	146	0	0	0
Total cash used by working capital items	642	591	1,354	987
equals <i>Net cash from/(to) operating activities</i>	22,310	19,802	22,622	24,855
plus <i>Net cash from/(to) investing activities</i>	-21,398	-21,763	-22,650	-24,279
Net cash from operating activities and investment	912	-1,961	-28	576
plus <i>Net cash from/(to) financing activities</i>	-843	2,191	-188	-612
equals Net (decrease)/increase in cash	70	230	-215	-36

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 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.

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Total general government sector cash (Appendix C)	2,014	2,244	2,029	1,993
<i>less</i> CAC Agency cash balances	875	965	982	1,043
<i>plus</i> Special public monies	114	116	119	122
Balance of Consolidated Revenue Fund at 30 June	1,253	1,395	1,166	1,072

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Note 3: Income taxation revenue

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Individuals and other withholding taxes				
Gross income tax withholding	105,580	112,110	119,770	128,820
Gross other individuals	27,350	28,100	29,910	32,100
less: Refunds	16,790	18,820	20,330	21,790
Total individuals and other withholding taxation	116,140	121,390	129,350	139,130
Fringe benefits tax	3,730	4,000	4,160	4,330
Superannuation funds				
Contributions and earnings	6,450	7,270	8,700	9,140
Superannuation surcharge	520	100	10	10
Total superannuation taxation	6,970	7,370	8,710	9,150
Company tax	56,750	60,490	62,430	63,670
Petroleum resource rent tax	1,750	2,080	2,460	2,470
Income taxation revenue	185,340	195,330	207,110	218,750

Note 4: Indirect taxation revenue

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Excise duty				
Petroleum and other fuel products	14,000	14,240	14,480	14,830
Crude oil	580	320	210	120
Other excise	8,020	8,190	8,350	8,510
Customs duty	5,510	5,830	6,170	5,920
Other indirect taxation	1,160	1,230	1,300	1,390
GST	40,630	43,130	45,630	48,000
less transfers to States in relation to GST revenue	40,630	43,130	45,630	48,000
GST revenue	0	0	0	0
Mirror taxes	390	407	429	452
less transfers to States in relation to mirror tax revenue	390	407	429	452
Mirror tax revenue	0	0	0	0
Indirect taxation revenue	29,270	29,810	30,510	30,770

Note 5: Interest and dividend revenue

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Interest				
Interest from other governments				
State and Territory debt	15	16	15	14
Housing agreements	166	162	158	153
Total interest from other governments	181	178	173	167
Interest from other sources				
Swap interest	1,822	1,609	1,258	1,019
Advances	26	27	27	27
Deposits	0	0	0	0
Bills receivable	10	6	5	6
Bank deposits	237	240	247	258
Indexation of HECS receivable and other student loans	399	454	489	524
Other	2,727	2,992	2,707	3,603
Total interest from other sources	5,222	5,327	4,733	5,436
Total interest	5,403	5,505	4,906	5,603
Dividends				
Dividends from controlled entities	2,549	1,979	2,025	2,042
Other dividends	311	832	1,318	1,296
Total dividends	2,860	2,812	3,343	3,338
Total interest and dividend revenue	8,263	8,317	8,249	8,941

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Note 6: Other sources of non-taxation revenue

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Industry contributions	220	207	188	188
International Monetary Fund related revenue	15	15	15	15
Royalties	1,201	1,261	1,112	936
Seigniorage	101	106	103	103
Other	2,009	2,012	2,060	2,131
Total other sources of non-taxation revenue	3,546	3,601	3,478	3,373

Note 7: Employee expenses

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Salaries and wages(a)	13,744	14,062	14,098	14,382
Leave and other entitlements	1,418	1,458	1,480	1,519
Separations and redundancies	57	49	49	49
Workers compensation premiums	1	2	10	4
Other (including superannuation)	9,764	10,035	10,556	10,901
Total employee expenses	24,984	25,605	26,193	26,855

(a) Salaries and wages do not include superannuation.

Note 8: Suppliers expenses

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Supply of goods and services	17,553	18,918	18,766	18,730
Operating lease rental expenses	1,747	1,791	1,804	1,838
Other	505	567	618	648
Total suppliers expenses	19,805	21,276	21,188	21,216

Note 9: Depreciation and amortisation expenses

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Depreciation				
Specialist military equipment	2,683	2,738	2,740	2,597
Buildings	657	688	719	726
Other infrastructure, plant and equipment	1,125	1,225	1,262	1,294
Heritage and cultural assets	46	49	49	49
Investment property	0	0	0	0
Total depreciation	4,511	4,699	4,771	4,667
Total amortisation	400	455	482	480
Total depreciation and amortisation expenses	4,911	5,155	5,253	5,147

Note 10: Other goods and services expenses

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Health care payments	4,609	4,850	4,988	5,139
Development Cooperation Program	1,434	2,193	2,450	3,217
Other	2,991	2,140	2,220	2,263
Total other goods and services expenses	9,034	9,184	9,658	10,618

Note 11: Grants expenses

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
State and Territory governments	28,034	29,574	29,951	30,258
Non-profit organisations	1,724	1,749	1,778	1,794
Overseas	649	861	793	381
Private sector	1,858	1,497	1,371	1,320
Local governments	484	544	503	69
Multi-jurisdictional sector	5,993	6,078	6,237	6,404
Other	5,307	7,077	7,523	7,455
Total grant expenses	44,049	47,381	48,157	47,681

Note 12: Receivables

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Taxes receivable	10,376	11,104	12,353	13,266
Advances and loans	14,570	16,078	17,653	19,266
Other receivables	10,304	3,720	3,662	3,670
Total receivables	35,250	30,903	33,667	36,202

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Note 13: Total non-financial assets

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Land and buildings				
Land	6,172	6,244	6,314	6,274
Buildings	15,070	15,370	15,969	16,324
Total land and buildings	21,241	21,615	22,283	22,599
Infrastructure				
Specialist military equipment	33,770	35,851	38,018	40,581
Other	9,609	9,741	9,983	10,209
Total infrastructure	43,379	45,593	48,001	50,790
Intangibles				
Computer software	2,017	2,108	2,080	2,044
Other	120	123	125	126
Total intangibles	2,137	2,231	2,205	2,169
Total heritage and cultural assets	7,702	7,715	7,725	7,741
Total investment properties	236	237	237	238
Total biological assets	0	0	0	0
Total assets held for sale	370	358	360	362
Total inventories	5,588	5,717	6,060	6,399
Other non-financial assets				
Prepayments	3,424	2,576	1,621	1,314
Other	739	424	420	548
Total other non-financial assets	4,163	3,001	2,041	1,862
Total non-financial assets	84,817	86,466	88,913	92,159

Note 14: Employee and superannuation liabilities

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Superannuation	100,722	104,140	107,689	111,303
Leave and other entitlements	4,400	4,454	4,595	4,764
Accrued salaries and wages	207	245	285	342
Workers compensation claims	1,499	1,551	1,598	1,642
Separations and redundancies	43	33	33	33
Workers compensation premiums	1,579	1,651	1,729	1,812
Other	1,022	1,058	1,094	1,100
Total employee and superannuation liabilities	109,472	113,132	117,022	120,996

Appendix C: Australian Accounting Standards Financial Statements

Note 15: Grants payable

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
State and Territory governments	4,593	4,853	5,069	5,353
Non-profit organisations	111	111	111	111
Private sector	414	205	205	205
Overseas	945	1,110	1,275	1,052
Local governments	11	11	11	11
Other	4,146	4,335	4,485	4,618
Total grants payable	10,220	10,626	11,157	11,350

Note 16: Taxation receipts

	Estimates		Projections	
	2006-07 \$m	2007-08 \$m	2008-09 \$m	2009-10 \$m
Total taxation receipts	253,042	265,721	280,338	294,781
less payments to States				
in relation to GST receipts	39,370	41,860	44,380	46,620
less payments to States				
in relation to mirror tax receipts	390	407	429	452
Taxation receipts	213,282	223,454	235,529	247,709

