



Consolidated Financial Statements for the year ended 30 June 2023

December 2023

Circulated by
Senator the Honourable Katy Gallagher
Minister for Finance of the Commonwealth of Australia

Commonwealth of Australia

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

CIRCULATED BY

SENATOR THE HONOURABLE KATY GALLAGHER
MINISTER FOR FINANCE
OF THE COMMONWEALTH OF AUSTRALIA
DECEMBER 2023

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PREFACE

I am pleased to present the Australian Government's Consolidated Financial Statements (CFS) for the financial year ended 30 June 2023. The CFS presents the whole of government and general government sector (GGS) financial reports, including the audited accounts of 197 entities across the public sector.

The CFS has been prepared in accordance with the regulations of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and applicable Australian Accounting Standards (AAS), including the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049). The CFS shows the results of the Australian Government's financial performance and cash flows for the year ended 30 June 2023 and the Australian Government's financial position as at 30 June 2023.

The Preface and the Commentary should be read in light of the information and explanations provided in the CFS.

Operating statement

The Australian Government's net operating balance for the year ended 30 June 2023 was a surplus of \$24.9 billion. For the year ended 30 June 2022, the Australian Government reported a net operating balance deficit of \$20.6 billion.

The improvement in the net operating balance is driven by an increase in revenue of \$73.2 billion (11.9 per cent), due to higher taxation collections, partially offset by an increase in expenditure of \$27.7 billion (4.4 per cent).

Information on the operating results is included in the Commentary on the CFS.

Balance sheet

The Australian Government's net worth was negative \$570.2 billion as at 30 June 2023. As at 30 June 2022, the Australian Government's net worth was negative \$608.7 billion.

The Australian Government's financial assets increased by \$19.9 billion (2.5 per cent) for the year ended 30 June 2023. Total non-financial assets increased by \$18.6 billion (7.0 per cent).

The Australian Government's liabilities balance remained at a similar level to that at 30 June 2022.

Cash flows

The Australian Government recorded a cash surplus of \$18.0 billion for the year ended 30 June 2023 from operating activities and investing activities in non-financial assets. The cash position at the end of the year was \$7.5 billion.

Contingent liabilities, contingent assets and risks

Contingent liabilities and contingent assets for the Australian Government are not disclosed in the balance sheet but are set out in detail in Note 9A of the CFS. Analysis of financial risks that could potentially impact on the Australian Government's financial position is included in Note 9B and Note 9C.

Final Budget Outcome

Under the *Charter of Budget Honesty Act 1998* (the Charter), the Australian Government is required to publicly release and table a Final Budget Outcome (FBO) report no later than three months after the end of the financial year. The FBO for the 2022-23 financial year was released on 22 September 2023, presenting the fiscal outcomes for the Australian Government general government sector.

Consistent with the requirements of the Charter, the FBO is prepared on an accrual basis that complies with both the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication and the Australian Accounting Standards, except for the departures disclosed in the FBO. An explanation of the differences between the key fiscal aggregates reported in the CFS under AASB 1049 and the corresponding fiscal aggregates reported under the ABS GFS publication is included in Note 12A.

I would like to thank the many Australian Government employees whose efforts have contributed to the completion of the 2022-23 CFS.



Senator the Hon Katy Gallagher
Minister for Finance

**COMMENTARY ON THE
CONSOLIDATED FINANCIAL STATEMENTS**

INTRODUCTION

The 2022-23 Consolidated Financial Statements (CFS) for the Australian Government present the whole of government and general government sector (GGs) financial reports and are prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049). They are required by section 48 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The CFS includes the consolidated results for all Australian Government controlled entities as well as disaggregated information on government sectors (GGs, public non-financial corporations (PNFC) and public financial corporations (PFC))¹. Unless explicitly stated, the financial results reported in this commentary comprise consolidated amounts for the Australian Government as a whole, inclusive of the GGs, PNFC and PFC sectors². The GGs results in the 2022-23 CFS materially align with the 2022-23 Final Budget Outcome.

AT A GLANCE

Table 1: Financial results for the year ended 30 June 2023

	2022-23	2021-22	Change	Change
	\$b	\$b	\$b	%
Revenue	689.9	616.7	73.2	11.9
Expenses	665.0	637.2	27.7	4.4
Net operating balance(a)	24.9	(20.6)	45.5	221.4
Per cent of GDP	1.0	(0.9)	-	-
Net capital investment	14.7	11.0	3.7	34.1
Fiscal balance(b)	10.2	(31.5)	41.8	132.4
Per cent of GDP	0.4	(1.4)	-	-
Total assets	1,090.3	1,051.8	38.5	3.7
Total liabilities	1,660.6	1,660.5	0.0	0.0
Net worth(c)	(570.2)	(608.7)	38.5	6.3
Per cent of GDP	(22.5)	(26.5)	-	-
Net cash flows from operating activities	42.8	(6.0)	48.8	813.1
Net cash flows from investments in non-financial assets	(24.8)	(23.8)	(1.0)	4.2
Cash surplus/(deficit)	18.0	(29.8)	47.8	160.3

(a) Net operating balance equals total revenue minus total expenses.

(b) Fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment.

(c) Net worth is calculated as total assets minus total liabilities.

1 The institutional structure of the public sector is explained in Note 1 of the 2022-23 CFS. Note 14 of the 2022-23 CFS provides the list of Australian Government controlled reporting entities, including their sectoral classification.

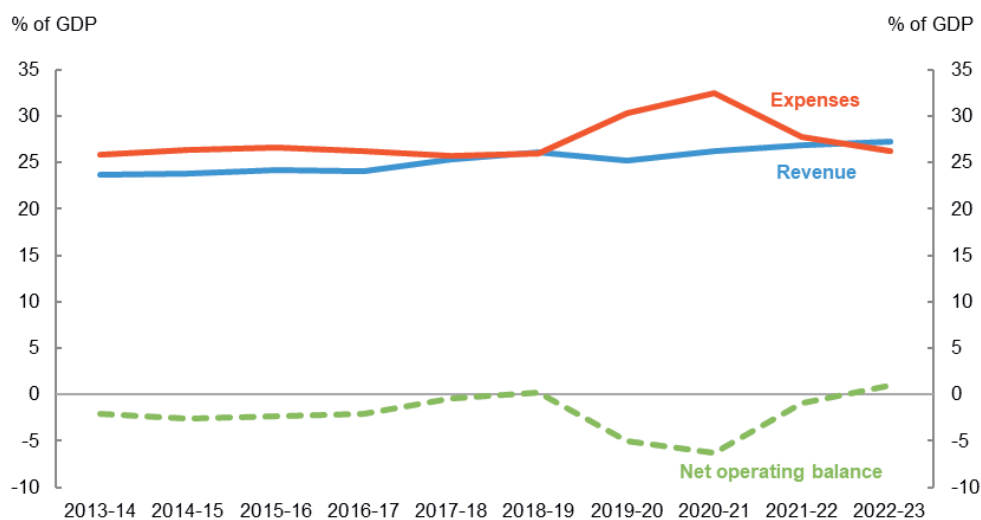
2 The balances and movements detailed in the commentary have been rounded to the nearest tenth of a billion. Discrepancies between totals and sums of components are due to rounding.

Operating statement (net operating balance)

Table 2: Operating statement

	2022-23	2021-22	Change	Change
	\$b	\$b	\$b	%
Revenue	689.9	616.7	73.2	11.9
Per cent of GDP	27.3	26.9	-	-
Expenses	665.0	637.2	27.7	4.4
Per cent of GDP	26.3	27.7	-	-
Net operating balance	24.9	(20.6)	45.5	221.4
Per cent of GDP	1.0	(0.9)	-	-
Net capital investment	14.7	11.0	3.7	34.1
Per cent of GDP	0.6	0.5	-	-
Fiscal balance	10.2	(31.5)	41.8	132.4
Per cent of GDP	0.4	(1.4)	-	-

Chart 1: Operating statement (per cent of GDP) since 2013-14



Balance sheet (net worth)

Table 3: Balance sheet

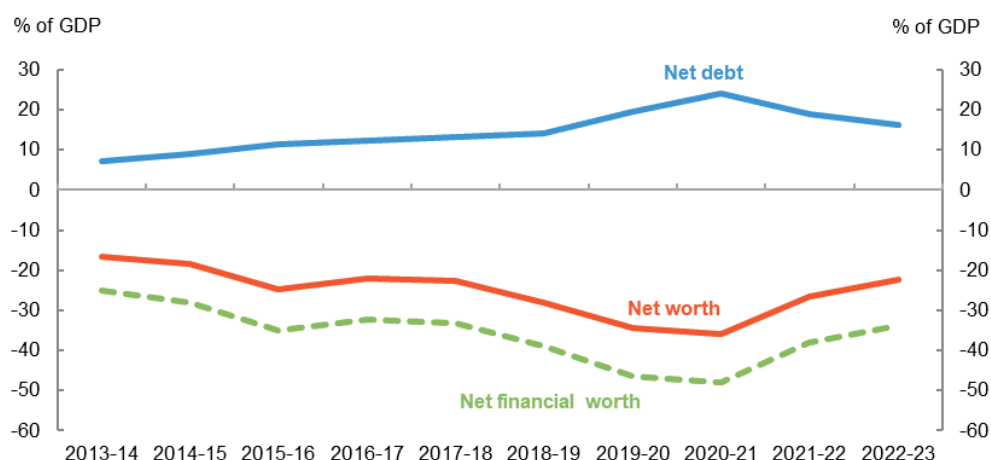
	2022-23	2021-22	Change	Change
	\$b	\$b	\$b	%
Financial assets	807.7	787.8	19.9	2.5
Non-financial assets	282.6	264.0	18.6	7.0
Total assets	1,090.3	1,051.8	38.5	3.7
Total liabilities	1,660.6	1,660.5	0.0	0.0
Net worth	(570.2)	(608.7)	38.5	6.3
Per cent of GDP	(22.5)	(26.5)	-	-
Net financial worth(a)	(852.8)	(872.8)	19.9	2.3
Per cent of GDP	(33.7)	(38.0)	-	-
Net financial liabilities(b)	852.8	872.8	(19.9)	2.3
Per cent of GDP	33.7	38.0	-	-
Net debt(c)	412.5	435.1	(22.6)	5.2
Per cent of GDP	16.3	18.9	-	-
Net interest payments	(14.9)	(9.5)	(5.4)	56.6
Per cent of GDP	(0.5)	(0.4)	-	-

(a) Net financial worth equals total financial assets minus total liabilities.

(b) Net financial liabilities equals total liabilities less financial assets other than investments in other public sector entities.

(c) Net debt is the sum of deposits held, government securities, loans and lease liabilities less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).

Chart 2: Balance sheet (per cent of GDP) since 2013-14



DISCUSSION AND ANALYSIS

Net operating balance

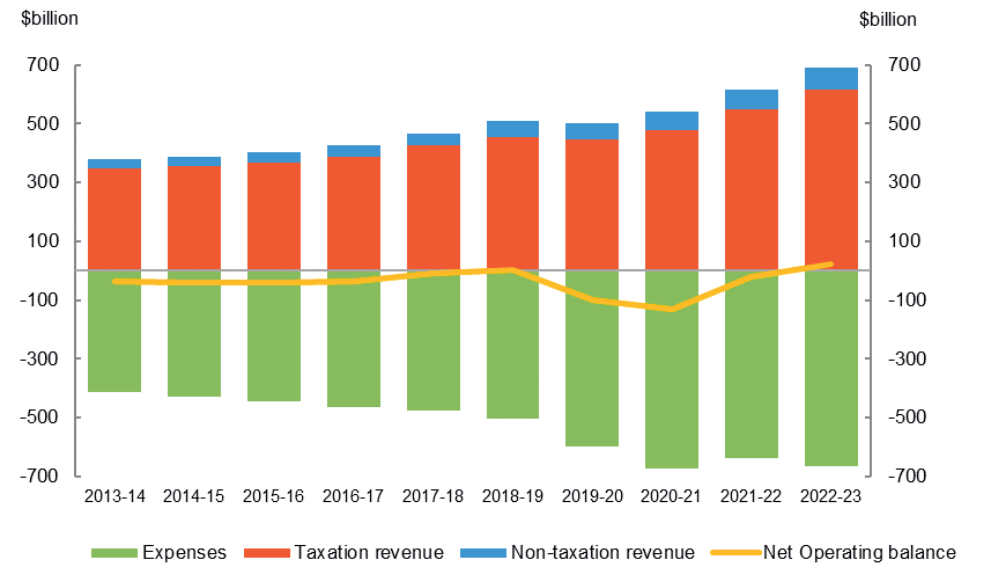
The Australian Government’s net operating balance was a \$24.9 billion surplus for the year ended 30 June 2023, an improvement of \$45.5 billion against the 30 June 2022 result.

Table 4: Operating statement

	2022-23	2021-22	Change	Change
	\$b	\$b	\$b	%
Revenue	689.9	616.7	73.2	11.9
Expenses	665.0	637.2	27.7	4.4
Net operating balance	24.9	(20.6)	45.5	221.4
Less Net acquisitions of non-financial assets	14.7	11.0	3.7	34.1
Fiscal balance	10.2	(31.5)	41.8	132.4

Chart 3 below shows the composition of the Australian Government’s net operating balance since 2013-14.

Chart 3: Operating statement since 2013-14



Revenue

The Australian Government's revenue increased by \$73.2 billion (11.9 per cent) in 2022-23 to \$689.9 billion.

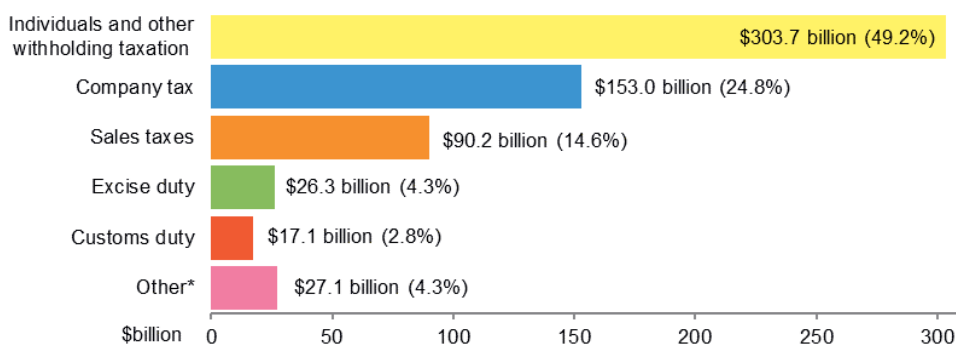
Table 5: Revenue

	2022-23	2021-22	Change	Change
	\$b	\$b	\$b	%
Taxation revenue	617.4	549.4	68.0	12.4
Non-taxation revenue	72.6	67.3	5.3	7.8
Total revenue	689.9	616.7	73.2	11.9

Taxation revenue

The Australian Government's total taxation revenue for the year ended 30 June 2023 was \$617.4 billion. The composition of taxation revenue is shown in Chart 4 below.

Chart 4: Composition of taxation revenue



* Other includes: Other indirect taxation (\$10.9 billion); Superannuation fund taxes (\$10.4 billion); Fringe benefits tax (\$4.1 billion) and Resource rent taxes (\$1.7 billion).

Taxation revenue increased by \$68.0 billion (12.4 per cent) in comparison to 2021-22. This increase is primarily driven by:

- a \$39.1 billion increase in **individuals and other withholding taxes** reflecting strong growth in employment and wages;
- a \$27.4 billion increase in **company taxes**, as a result of sustained elevated commodity prices; and
- a \$11.1 billion increase in **sales taxes**, resulting from increased consumption subject to GST; partially offset by
- a \$16.2 billion decrease in **superannuation fund taxes** reflecting higher utilisation of franking credits.

Refer to Note 2A of the 2022-23 CFS for further information.

Non-taxation revenue

The Australian Government's total non-taxation revenue for the year ended 30 June 2023 was \$72.6 billion. For more information, refer to Notes 2B to 2D of the 2022-23 CFS.

Expenses

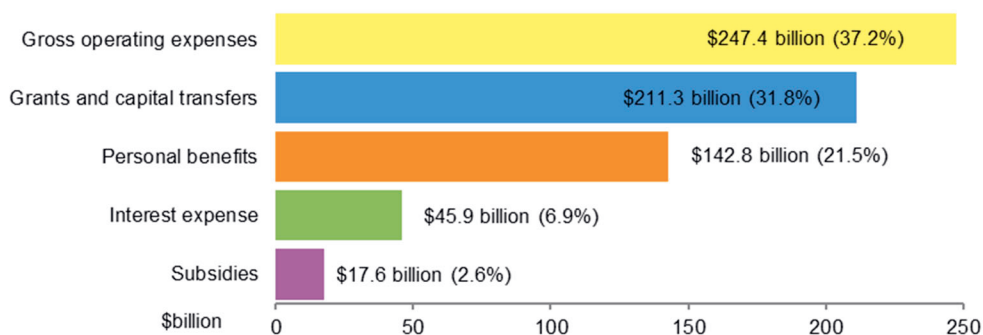
The Australian Government's total expenses as at 30 June 2023 were \$665.0 billion.

Table 6: Expenses

	2022-23	2021-22	Change	Change
	\$b	\$b	\$b	%
Gross operating expenses	247.4	238.4	9.0	3.8
Interest expense	45.9	24.0	21.9	91.3
Grants and capital transfers	211.3	203.5	7.8	3.8
Personal benefits	142.8	154.5	(11.7)	7.6
Subsidies	17.6	16.9	0.8	4.5
Total expenses	665.0	637.2	27.7	4.4

The Australian Government's total expenses increased by \$27.7 billion (4.4 per cent) since 30 June 2022. The composition of expenses is shown in Chart 5 below.

Chart 5: Composition of expenses



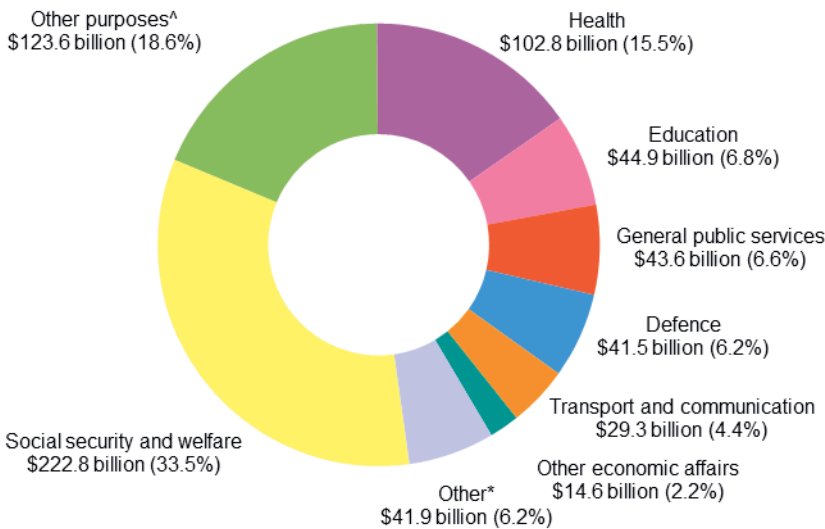
The key movements in **expenses** were:

- an increase in **interest expense** of \$21.9 billion, primarily driven by higher exchange settlement balances for the Reserve Bank of Australia (\$12.6 billion) and an increase in superannuation interest expense (\$3.4 billion) due to a change in discount rates;
- an increase in **gross operating expenses** of \$9.0 billion, driven by an increase in benefits to households in goods and services of \$9.1 billion, primarily relating to an increase in participants under the National Disability Insurance Scheme (\$6.6 billion);
- an increase of \$7.8 billion in **grants and capital transfers**, primarily as a result of increased grants to state and territory governments (\$6.7 billion); offset by

- a decrease in **personal benefit expenses** of \$11.7 billion, primarily reflecting the significant reduction in demand for payments relating to the COVID-19 pandemic.

Chart 6 below provides a presentation of total expenses based on how the Australian Government allocated resources across the range of functions. The chart highlights the relative cost of each function for 2022-23.

Chart 6: Total expenses by function



^ Other purposes includes public debt transactions, general purpose inter government transactions and natural disaster relief. Grants to and through state and territory governments are recorded against the 'other purposes' function.

* Other includes: Fuel and energy (\$12.8 billion); Housing and community amenities (\$8.4 billion); Public order and safety (\$7.5 billion); Mining, manufacturing and construction (\$5.3 billion); Recreation and culture (\$4.5 billion); and Agriculture, forestry and fishing (\$3.4 billion).

Refer to Note 3 of the 2022-23 CFS for further information on expenses.

Net worth

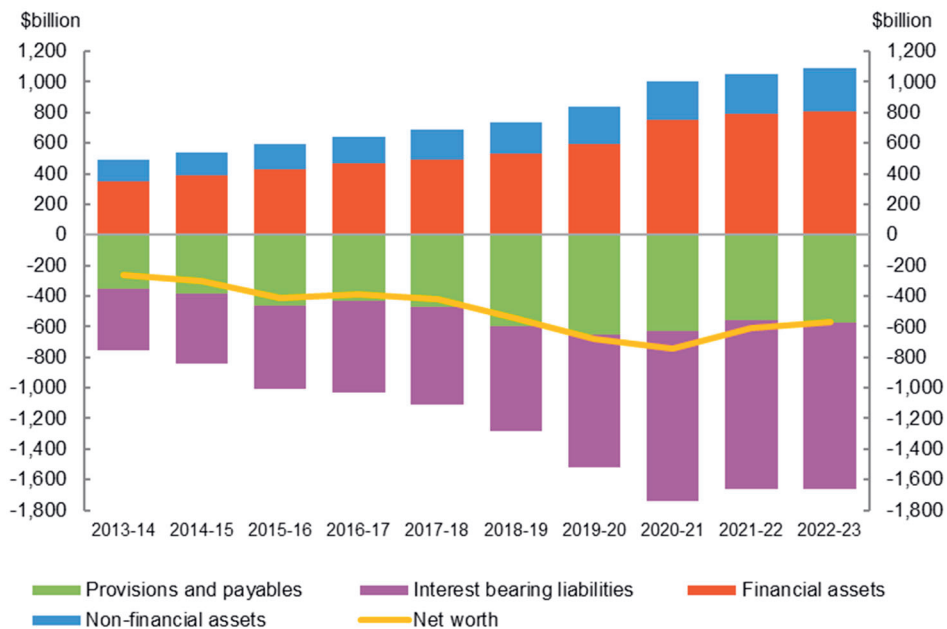
The Australian Government's net worth increased by \$38.5 billion in 2022-23 to a negative net worth of \$570.2 billion as at 30 June 2023.

Table 7: Balance sheet

	2022-23	2021-22	Change	Change
	\$b	\$b	\$b	%
Financial assets	807.7	787.8	19.9	2.5
Non-financial assets	282.6	264.0	18.6	7.0
Total assets	1,090.3	1,051.8	38.5	3.7
Interest bearing liabilities	1,089.2	1,098.7	(9.5)	0.9
Provisions and payables	571.4	561.8	9.6	1.7
Total liabilities	1,660.6	1,660.5	0.0	0.0
Net worth	(570.2)	(608.7)	38.5	6.3

Chart 7 below shows the composition of the Australian Government's financial position since 2013-14.

Chart 7: Balance sheet since 2013-14



Assets

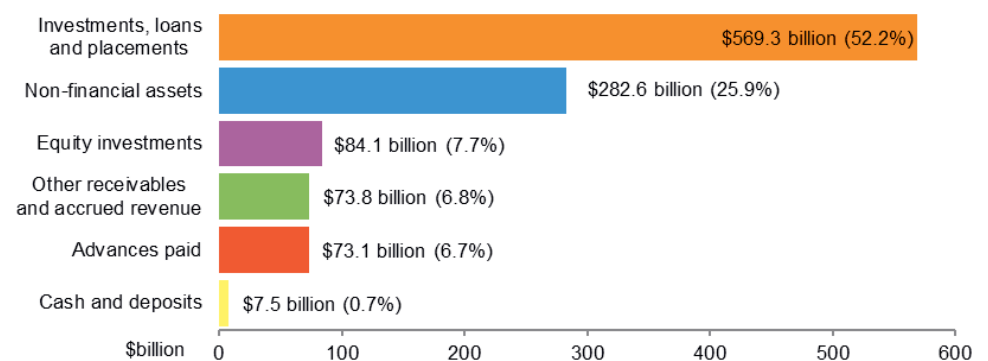
The Australian Government's total assets as at 30 June 2023 were \$1,090.3 billion.

Table 8: Assets

	2022-23 \$b	2021-22 \$b	Change \$b	Change %
Financial assets				
Cash and deposits	7.5	8.7	(1.2)	14.2
Advances paid	73.1	70.6	2.5	3.6
Other receivables and accrued revenue	73.8	74.4	(0.6)	0.8
Investments, loans and placements	569.3	558.2	11.1	2.0
Equity investments	84.1	75.9	8.2	10.8
Total financial assets	807.7	787.8	19.9	2.5
Non-financial assets	282.6	264.0	18.6	7.0
Total assets	1,090.3	1,051.8	38.5	3.7

The Australian Government's total assets increased by \$38.5 billion (3.7 per cent) since 30 June 2022. The composition of assets is shown in Chart 8 below.

Chart 8: Composition of assets



The key changes in **financial assets** were:

- an increase of \$11.1 billion in **investments, loans and placements**, primarily driven by an increase in Government securities (\$9.1 billion).
- an increase of \$8.2 billion in **equity investments**, mainly due to a change in the composition of investments held by the Future Fund.

The key changes in **non-financial assets** were:

- increases in **other plant, equipment and infrastructure** (\$7.9 billion), **specialist military equipment** (\$3.4 billion), **buildings** (\$3.1 billion), and **land** (\$1.7 billion) as a result of additions and revaluation adjustments.

Note 5 of the 2022-23 CFS provides further information on assets.

Liabilities

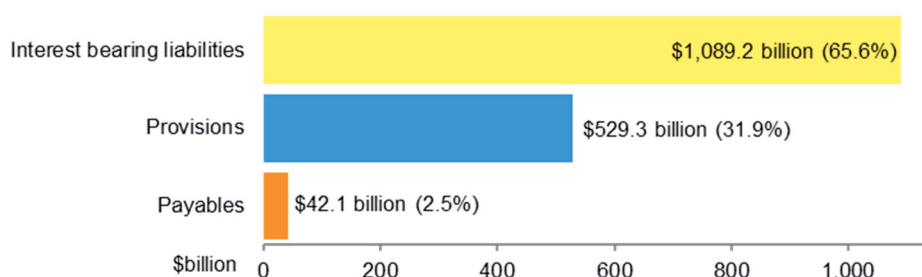
The Australian Government's total liabilities were \$1,660.6 billion as at 30 June 2023.

Table 9: Liabilities

	2022-23 \$b	2021-22 \$b	Change \$b	Change %
Interest bearing liabilities	1,089.2	1,098.7	(9.5)	0.9
Provisions and payables	571.4	561.8	9.6	1.7
Total liabilities	1,660.6	1,660.5	0.0	0.0

The Australian Government's liabilities balance remained consistent since 30 June 2022. The composition of liabilities is shown in Chart 9 below.

Chart 9: Composition of liabilities



The decrease of \$9.5 billion in **interest bearing liabilities** is primarily due to:

- a decrease in exchange settlement funds (\$10.8 billion) and deposits held by foreign governments (\$2.3 billion); partially offset by
- an increase of \$3.9 billion in loans, primarily due to increased borrowings from NBN Co (\$2.1 billion).

The increase in **provisions and payables** of \$9.6 billion is primarily driven by:

- increases in the personal benefit military compensation (\$8.9 billion) and health care military compensation (\$4.7 billion) provisions, primarily due to actuarial revaluations;
- an increase in supplier payables of \$6.8 billion primarily due to higher unsettled purchases of securities (\$5.7 billion); partially offset by
- a decrease in unfunded superannuation provisions (\$8.9 billion) primarily due to an actuarial revaluation (refer Note 9C for further information); and
- a decrease in swaps held by the Future Fund (\$2.6 billion).

Note 6 of the 2022-23 CFS provides further information on liabilities.

Cash flows

The Australian Government's cash balance was \$7.5 billion at 30 June 2023. For the year ended 30 June 2023, the Australian Government recorded a cash surplus of \$18.0 billion compared to a cash deficit of \$30.0 billion for 2021-22.

Table 10: Cash flows

	2022-23 \$b	2021-22 \$b	Change \$b	Change %
Cash receipts				
Operating activities	670.9	600.1	70.7	11.8
Investing activities in non-financial assets	0.4	0.6	(0.2)	34.4
Investing activities in financial assets for policy purposes	9.3	8.4	0.9	10.7
Financing activities (net)	32.9	132.1	(99.2)	75.1
Total cash receipts	713.4	741.1	(27.7)	3.7
Cash payments				
Operating activities	628.1	606.1	22.0	3.6
Investing activities in non-financial assets	25.2	24.4	0.8	3.3
Investing activities in financial assets for policy purposes	13.2	13.9	(0.7)	5.3
Investing activities in financial assets for liquidity purposes (net)	6.8	54.7	(47.8)	87.5
Financing activities (net)	41.4	41.1	0.3	0.7
Total cash payments	714.7	740.2	(25.5)	3.4
Net movement in cash	(1.2)	1.0	(2.2)	228.0
Cash at beginning of the year	8.7	7.7	1.0	12.5
Cash at end of year	7.5	8.7	(1.2)	14.2
Key fiscal aggregate				
Net cash flows from operating activities	42.8	(6.0)	48.8	813.1
Net cash flows from investments in non- financial assets	(24.8)	(23.8)	(1.0)	4.2
Cash surplus/(deficit)	18.0	(29.8)	47.8	160.3

Receipts and payments

The following charts provide a detailed breakdown of Australian Government receipts and payments for 2022-23, showing the relative composition of each dollar received and paid.

Chart 10: Composition of each dollar of cash received in 2022-23

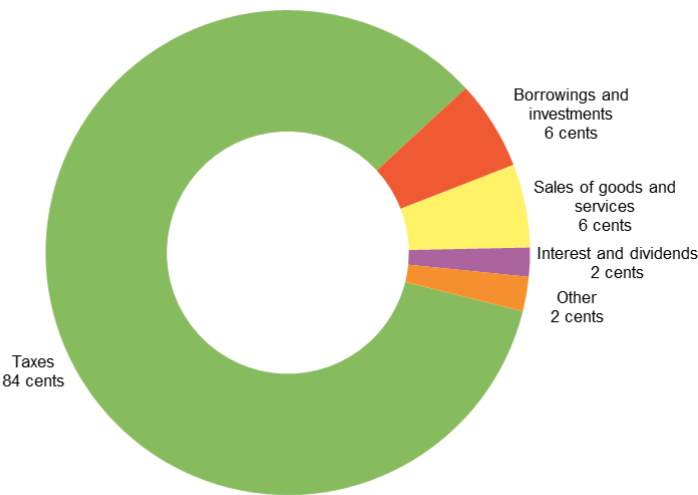
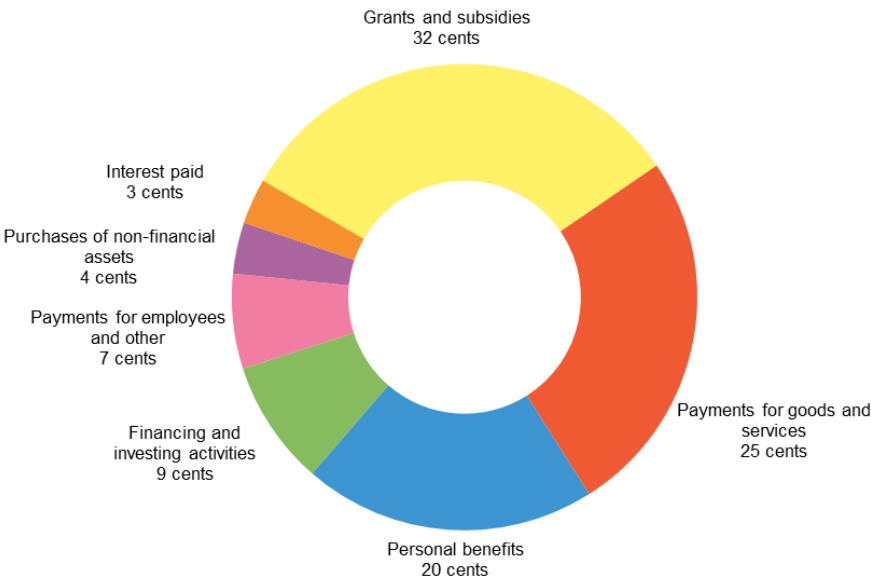


Chart 11: Composition of each dollar of cash paid in 2022-23



APPENDIX A

PREVIOUS YEARS

The CFS since 1995-96 are available on the Department of Finance website at: <http://www.finance.gov.au/publications/commonwealth-consolidated-financial-statements>.

The historical series datasets are available in electronic format at: <http://data.gov.au/dataset/australian-government-consolidated-financial-statements-tables-and-data>.

LINKS TO OTHER PUBLICATIONS

The Australian Government publishes a range of information about its projected and actual financial position. Links to some of these documents are set out below. The information in the following documents has been prepared for different purposes and therefore does not form part of the CFS. Further, the documents listed below are not subject to audit.

2022-23 Final Budget Outcome

The 2022-23 Final Budget Outcome (FBO) was prepared in a manner consistent with the *Charter of Budget Honesty Act 1998* (the Charter). The Charter requires that the Government provide the FBO no later than three months after the end of the financial year. Consistent with these requirements, the FBO encompasses Australian Government GGS fiscal outcomes for the 2022-23 financial year and is based on external reporting standards.

The 2022-23 FBO was released on the 22 September 2023 and is available on the Australian Government website at: <https://archive.budget.gov.au/2022-23-october/index.htm>.

Australian Government Monthly Financial Statements

The Australian Government GGS monthly financial statements (MFS) are prepared on a basis consistent with the Budget as required under section 47 of the PGPA Act. The statements are prepared in accordance with AASB 1049.

The Australian Government GGS MFS are available on the website of the Minister for Finance as well as the Department of Finance website: <https://www.finance.gov.au/publications/commonwealth-monthly-financial-statements#20222023>.

The historical series datasets are available in electronic format at: <http://data.gov.au/dataset/australian-government-general-government-sector-monthly-financial-statements-tables-and-data>.

Budget Strategy and Outlook and Mid-Year Economic and Fiscal Outlook

The Budget Strategy and Outlook – Budget Paper No.1 – 2022-23, the Mid-Year Economic and Fiscal Outlook 2022-23, the Budget Strategy and Outlook – Budget Paper No.1 – 2023-24 have been prepared in accordance with the Charter.

These Budget papers are available on the Australian Government website at <http://www.budget.gov.au/>.

Tax Benchmarks and Variations Statement 2021

The Tax Benchmarks and Variations Statement provides details of concessions, benefits, incentives and charges provided through the tax system (tax expenditures) to taxpayers by the Australian Government. Information is published on the Treasury website at:
<https://treasury.gov.au/publication/p2022-244177>.

**CONSOLIDATED FINANCIAL STATEMENTS,
INCLUDING THE AUSTRALIAN GOVERNMENT
AND GENERAL GOVERNMENT SECTOR
FINANCIAL REPORTS**



Auditor-General for Australia



INDEPENDENT AUDITOR'S REPORT

To the Minister for Finance

Opinion

In my opinion, the Consolidated Financial Statements which include the Australian Government and the General Government Sector (GGS) Financial Statements for the year ended 30 June 2023:

- (a) comply with Australian Accounting Standards; and
- (b) present fairly the Australian Government and General Government Sectors' financial position as at 30 June 2023 and their financial performance and cash flows for the year then ended.

The Consolidated Financial Statements, which I have audited, comprise the following as at 30 June 2023 and for the year then ended:

- Statement of Compliance;
- Australian Government operating statement and Australian Government operating statement by sector – including General Government Sector Financial Report;
- Australian Government balance sheet and Australian Government balance sheet by sector – including General Government Sector Financial Report;
- Australian Government cash flow statement and Australian Government cash flow statement by sector – including General Government Sector Financial Report;
- Australian Government statement of changes in equity (net worth) and Australian Government statement of changes in equity (net worth) by sector; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Australian Government and General Government Sector in accordance with the relevant ethical requirements for financial statement audits conducted by me. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of my audit of the Consolidated Financial Statements as a whole and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matter	How the audit addressed the matter
<p>Accuracy of taxation revenue</p> <p><i>Refer to Note 2A: 'Taxation revenue'</i></p> <p>Taxation revenue is significant to the Australian Government operating statement. The Australian Government recorded taxation revenue of \$617.4 billion for the year ended 30 June 2023 (GGS: \$618.3 billion). The most significant components of taxation revenue relate to income taxation from individuals, companies and superannuation funds collected by the Australian Taxation Office.</p> <p>I focused on the accuracy of taxation revenue, given the value of the transactions and the complexity and judgement involved in the estimation processes and calculations.</p> <p>The reliable estimation of taxation revenue is complex due to uncertain timing of tax return assessments, payments and forecasting of likely taxation revenue outcomes. The Australian Government applies significant judgement when selecting the appropriate base for revenue recognition.</p> <p>In respect of the completeness, relevance and accuracy of data used in developing taxation revenue estimates, I identified internal control weaknesses relating to controls over change management for key information technology systems. These internal control weaknesses increased the risk that the data analysed as part of the estimation process was not complete, relevant and accurate.</p>	<p>To audit the accuracy of taxation revenue, I assessed the:</p> <ul style="list-style-type: none"> • appropriateness of the base for revenue recognition with reference to the accuracy of prior year results and historical trends; • design, implementation and operating effectiveness of the taxation estimation process controls and the associated validation procedures together with the completeness, relevance and accuracy of data used in developing taxation revenue estimates; • evaluated the impact of the identified internal control weaknesses relating to controls over change management by independently assessing the completeness, relevance and accuracy of data. This included reconciling report data to known sources, identifying reliable system logs and testing a sample of system logs to determine whether only valid changes were made; • reasonableness of the interpretation and analysis of data used for material estimates and recalculated these estimates as at 30 June 2023; and • adequacy of documentation to support the judgements made in relation to key estimates and allocations of revenue at year-end. This included an assessment of the quality assurance process over manual adjustments processed as at 30 June 2023.
Key audit matter	How the audit addressed the matter
<p>Accuracy and occurrence of personal benefits</p> <p>Personal benefits recorded by the Australian Government was \$142.8 billion (GGS: \$142.8 billion) for the year ended 30 June 2023.</p> <p>I focused on the accuracy and occurrence of personal benefits which are dependent on the correct self-disclosure of personal circumstances by a large number of diverse recipients.</p> <p>The accuracy of personal benefits is also reliant on a complex information technology system for the processing of a high volume of payments across numerous personal benefit types with varying conditions for determining payment amount.</p>	<p>To audit the accuracy and occurrence of personal benefits, I:</p> <ul style="list-style-type: none"> • assessed the design, implementation and operating effectiveness of internal controls in place over the personal benefits payments, focusing on processes for monitoring compliance with requirements to disclose accurate personal information; • assessed the information technology general controls, specifically access controls, to personal circumstances data and controls designed to prevent and detect unauthorised changes to the information technology environment; and • recalculated a sample of personal benefits payments made to recipients, based on relevant legislation and personal circumstances data held by the Australian Government.

Key audit matter	How the audit addressed the matter
<p>Valuation of superannuation liability</p> <p><i>Refer to Note 6F: 'Employee benefits' and Note 9C: 'Defined benefit superannuation plans'</i></p> <p>The Australian Government recorded a \$313.1 billion superannuation liability at 30 June 2023 (GGs: \$313.1 billion). The balance of the superannuation liability has a significant impact on the Australian Government's net worth.</p> <p>The Australian Government's superannuation liability represents retirement and death benefits for Commonwealth and Defence Force employees, based on past service.</p> <p>I focused on the valuation of the Australian Government's superannuation due to the complexity of the process to measure the value of the liability. The measurement of the liability requires significant judgement and estimation in the selection of long-term assumptions, which include:</p> <ul style="list-style-type: none"> • salary growth rates and pension indexation rates; • discount rates and other economic factors; and • actuarial factors, including rates of mortality, redundancy, resignation, disability and retirement. <p>The valuation of the Australian Government's superannuation liability is highly sensitive to changes in these assumptions.</p> <p>In addition, disclosures that support the users' understanding of the valuation of the superannuation liability are complex.</p>	<p>To audit the valuation of the superannuation liability, I:</p> <ul style="list-style-type: none"> • assessed the design, implementation and operating effectiveness of internal controls over the management of defined benefit schemes including management of members' data applied in the valuation model; • tested the accuracy and completeness of the data used to calculate superannuation liability, including assessing the quality assurance and reconciliation processes used by the Australian Government to provide data to its actuary; • evaluated the appropriateness of the methodology and reasonableness of the key assumptions applied in estimating the superannuation provision by: <ul style="list-style-type: none"> ◦ comparing economic assumptions to realistic long-term expectations over the term of the schemes' liabilities, based on the Government's economic forecasts; ◦ assessing the detailed analysis undertaken by the Australian Government's actuary for consistency with historical data on the membership experience with regards to: <ul style="list-style-type: none"> ▪ rates of mortality, redundancy, resignation, disability and retirement; ▪ the proportion of members who will select each form of payment option available under the plan terms; and ▪ promotional salary increases; • assessed the reasonableness of the results of the valuation including the explanations for the changes in the valuation; and • evaluated the appropriateness of the disclosures of key assumptions applied and of the uncertainties that impact the key assumptions, including the sensitivity analysis in Note 9C to the Consolidated Financial Statements.
Key audit matter	How the audit addressed the matter
<p>Valuation of collective investment vehicles held at fair value through profit or loss</p> <p><i>Refer to Note 5B: 'Investments, loans and placements' and Note 9B: 'Financial instruments'</i></p> <p>The Australian Government reported \$114.8 billion of collective investment vehicles at 30 June 2023 (GGs: \$114.8 billion). The balance of collective investment vehicles mainly includes investments</p>	<p>To audit the valuation of all collective investment vehicles, I:</p> <ul style="list-style-type: none"> • inspected the custodian's independent auditor's assurance report in respect of the design, implementation and operating effectiveness of relevant controls over the valuation of investments by the custodian; • assessed the qualifications, competence and

made on behalf of the Australian Government by the Future Fund, the DisabilityCare Australia Fund and the Medical Research Future Fund.

Collective investment vehicles comprise holdings of a diverse range of asset categories including private equity funds, hedge funds, debt funds, infrastructure funds, property funds and timberland assets. Valuation techniques vary depending on the particular asset category and holding. All investments are held in custody by the Australian Government's appointed custodians.

I focused on the valuation of collective investment vehicles due to the size of the investments and the inherent subjectivity, significant judgements and estimates required where market data is not available to determine the fair value of these investments.

In addition, disclosures that support the users' understanding of the valuation of collective investment vehicles are complex.

objectivity of the custodian's independent auditor; and

- tested the design, implementation and operating effectiveness of a selection of the controls established by the Australian Government to assess the valuation of collective investment vehicles whether they be performed by the custodian, the collective investment vehicle manager, a valuation expert or the Australian Government.

I assessed, on a sample basis, the valuation of indirectly held single infrastructure and timberland investments as at 30 June 2023. To do so I:

- evaluated the qualifications, competence and objectivity of the valuation expert used by the Australian Government; and
- tested the valuation models used including the reasonableness of key assumptions regarding growth rates, discount rates and multiples applied to earnings within the models by performing a cross-check between the Australian Government's valuation and the valuation applied by comparable companies, including considering the underlying assumptions.

To assess the valuation of all other collective investment vehicles as at 30 June 2023, on a sample basis, I:

- agreed the fair value to capital account statements received from the underlying investment manager;
- obtained audited financial statements of each underlying collective investment vehicle as at 30 June 2023, where available, and agreed the audited net asset value to the capital account statement;
- performed an assessment of the audited financial statements of the collective investment vehicles which included;
 - considering the regulatory framework under which the financial statements were prepared and the accounting policies adopted; and
 - evaluating the qualifications, competence and objectivity of the audit firm performing the audit and the opinion provided;
- where 30 June 2023 audited financial statements were unavailable, investigated significant movements from the date of the most recent audited financial statements, obtained any additional information to support these

	<p>movements; and</p> <ul style="list-style-type: none"> assessed the accuracy and completeness of the related disclosures in Note 5B and Note 9B to the Consolidated Financial Statements to support the user's understanding of collective investment vehicles.
Key audit matter	How the audit addressed the matter
<p>Valuation of specialist military equipment and other plant, equipment and infrastructure assets</p> <p><i>Refer to Note 5D 'Land and buildings, plant, equipment and infrastructure, heritage and cultural assets and intangibles'</i></p> <p>The Australian Government reported a balance of non-financial assets of \$282.6 billion as at 30 June 2023 (GGs: \$210.9 billion). The balance includes:</p> <ul style="list-style-type: none"> specialist military equipment \$84.6 billion (GGs: \$84.6 billion); and other plant, equipment and infrastructure assets of \$78.8 billion (GGs: \$20.0 billion). Other plant, equipment and infrastructure assets mainly comprises communications (postal and national broadband network), transport and electricity infrastructure. <p>I focused on the valuation of specialist military equipment and other plant, equipment and infrastructure assets due to the high degree of judgement applied by the Australian Government to measure these assets at fair value, including:</p> <ul style="list-style-type: none"> the subjectivity in the valuation assessment due to the difficulty in obtaining the replacement costs of assets with a similar capability in the absence of an active market; the selection and application of appropriate indices applied in the valuation; the determination and assessment of appropriate useful lives; the identification of indicators of impairment; and in respect of specialist military equipment the complexity and high degree of judgement in the cost attribution model that allocates accumulated capitalised costs on large scale acquisition projects between individual platform assets, associated spares and inventory; in respect of the cost attribution model applied in the valuation of specialist military equipment, prior year weaknesses identified in the internal controls for the Asset Valuation Model that 	<p>To address the key audit matter, I:</p> <ul style="list-style-type: none"> assessed whether the selection of the method for determining fair value was appropriate for each asset class and whether the key assumptions used in the valuation methodology were reasonable; assessed the competence, capability and objectivity of the valuation subject matter experts where the Australian Government sought advice in determining the appropriate fair value of assets at 30 June 2023; tested the completeness and accuracy of data applied in the assessment of fair value of specialist military equipment and other plant, equipment and infrastructure assets at 30 June 2023; assessed whether the useful lives applied (for the calculation of depreciation) were consistent with other available information including expected withdrawal dates for specialist military equipment and operational information and industry benchmarking for other plant, equipment and infrastructure assets; and performed the following procedures particularly in respect of specialist military equipment: <ul style="list-style-type: none"> assessed whether the assumptions and judgements used to determine the impairment of specialist military equipment were consistent with other available information including changes to planned capability and unscheduled repairs and maintenance; evaluated the sufficiency and appropriateness of the disclosure of the valuation process and balances reported in the financial statements; assessed the Australian Government's assurance process for impairment and inspected a sample of assets to test for indicators of impairment; tested a sample of costs allocated to specialist military equipment assets under construction in the cost attribution model

allocate costs to assets under construction. The control weaknesses increase the risk that assets rolled out from assets under construction may be recorded at the incorrect value.

to assess the appropriateness of capitalisation in accordance with Australian Accounting Standards;

- for significant projects, reviewed the quality assurance processes performed by management on the cost attribution model and the approval of cost allocations related to specialist military equipment under construction;
- assessed the Australian Government's calculation of employee costs not capitalised for specialist military equipment assets under construction to determine whether that impact could result in a material misstatement; and
- in response to prior year control weaknesses, for a sample of projects, tested the quality assurance and compliance processes undertaken by management around the Asset Valuation Model that allocate costs to assets under construction.

Key audit matter

Valuation of Government Securities

Refer to Note 6B: 'Government securities' and Note 9B: 'Financial instruments'

Government Securities primarily comprise treasury bonds, treasury indexed bonds and treasury notes issued by the Australian Office of Financial Management to meet the Australian Government's financing needs.

The Australian Government recorded a liability of \$574.0 billion for Government Securities as at 30 June 2023 (GGs: \$825.5 billion).

I focused on the valuation of Government Securities due to:

- the significance of the value of Government Securities to the Australian Government's net worth; and
- the variety of methodologies used to determine the fair value of Government Securities. These include the use of assumptions relating to forward yield curves, the consumer price index and discount rates.

In addition, disclosures that support the users' understanding of the valuation of Government Securities are complex.

How the audit addressed the matter

To audit the valuation of Government Securities, I:

- tested the design, implementation and operating effectiveness of relevant controls related to the issuance of Government Securities;
- tested the design, implementation and operating effectiveness of relevant controls in relation to the ongoing assessment and recalculation of market valuations of securities; and
- assessed the valuation of Government Securities at 30 June 2023, using the following procedures:
 - agreed the face values and coupon rates of treasury bonds, treasury indexed bonds and treasury notes to independent third party reports;
 - assessed the reasonableness of the yield to maturity assumption on securities, relative to market interest rates and performed a recalculation of the fair value of Government Securities for issued treasury bonds, treasury indexed bonds and treasury notes; and
 - evaluated the appropriateness of the disclosures of sensitivities and risks related to Government Securities as disclosed in Note 6B and 9B to the Consolidated Financial Statements.

Other information

The Minister for Finance (the Minister) is responsible for the other information. The other information comprises the information included in the Preface and Commentary on the Consolidated Financial Statements for the year ended 30 June 2023 but does not include the Consolidated Financial Statements and my auditor's report thereon.

My opinion on the Consolidated Financial Statements does not cover the other information, and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the Consolidated Financial Statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Minister for Finance's responsibility for the Consolidated Financial Statements

The Minister is responsible under section 48 of the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of Consolidated Financial Statements that comply with Australian Accounting Standards and the rules made under the Act. The Minister is also responsible for such internal control as the Minister determines is necessary to enable the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Minister is responsible for assessing the ability of the Australian Government and the General Government Sector to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the Consolidated Financial Statements

My objective is to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Consolidated Financial Statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Australian Government's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Minister;
- conclude on the appropriateness of the Minister's use of the going concern basis of accounting applied in preparing the Consolidated Financial Statements, up to the date of my auditor's report, based on the audit evidence I have obtained;
- evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Australian Government to express an opinion on the Consolidated Financial Statements.

I am responsible for the direction, supervision and performance of the Australian Government and General Government sector audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office

A handwritten signature in black ink, appearing to read 'Grant Hehir'.

Grant Hehir
Auditor-General

Canberra

17 November 2023

STATEMENT OF COMPLIANCE

The annual Consolidated Financial Statements of the Australian Government are required by section 48 of the *Public Governance, Performance and Accountability Act 2013*.

In my opinion, the attached annual Consolidated Financial Statements of the Australian Government, which includes the whole of government and general government sector financial statements:

- (a) comply with Australian Accounting Standards and any other requirements prescribed by the rules; and
- (b) present fairly the Australian Government's consolidated financial position as at 30 June 2023 and its financial performance and cash flows for the year then ended.



Senator the Hon Katy Gallagher
Minister for Finance

15 November 2023

Australian Government operating statement
for the year ended 30 June 2023

	Note	2023 \$m	2022 \$m
Revenue from transactions			
Taxation revenue	2A	617,367	549,394
Sales of goods and services	2B	39,499	37,244
Interest income	2C	11,926	6,439
Dividend and distribution income	2C	5,230	8,846
Other	2D	15,899	14,755
Total revenue		689,921	616,678
Expenses from transactions			
<i>Gross operating expenses</i>			
Wages and salaries	3A	28,785	27,627
Superannuation	3A	9,808	12,872
Depreciation and amortisation	3B	17,250	16,360
Supply of goods and services	3C	180,809	173,096
Other operating expenses	3A	10,767	8,494
<i>Total gross operating expenses</i>		<i>247,419</i>	<i>238,449</i>
Superannuation interest expense	3A	12,336	8,974
Interest expense	3D	33,586	15,029
<i>Current transfers</i>			
Current grants	3E	190,846	184,534
Subsidy expenses		17,606	16,852
Personal benefits		142,770	154,452
<i>Total current transfers</i>		<i>351,222</i>	<i>355,838</i>
<i>Capital transfers</i>			
Mutually agreed write-downs	3E	2,714	2,884
Other capital grants	3E	17,695	16,056
<i>Total capital transfers</i>		<i>20,409</i>	<i>18,940</i>
Total expenses	3F	664,972	637,230
Net operating balance		24,949	(20,552)
Other economic flows - included in operating result			
Net write-down of assets (including bad and doubtful debts)	4A	(18,049)	(12,270)
Net gains/(losses) from the sale of assets	4B	(2,146)	(1,985)
Net foreign exchange gains/(losses)	4C	2,611	2,010
Net interest on derivatives gains/(losses)	4C	(1,676)	(409)
Net fair value gains/(losses)	4C	20,294	54,441
Net other gains/(losses)	4C	(12,236)	7,082
Operating result(a)		13,747	28,317
Other economic flows - other non-owner movements in equity			
<i>Items that will not be reclassified to operating result</i>			
Revaluation of non-financial assets	7	7,047	10,176
Actuarial revaluations of superannuation		16,429	95,210
Other economic revaluations		2	1,751
<i>Items that may be reclassified subsequently to operating result</i>			
Revaluation of equity investments	7	1,180	373
Comprehensive result - total change in net worth		38,405	135,827
Net operating balance		24,949	(20,552)
less Net acquisition of non-financial assets			
Purchases of non-financial assets		29,314	26,351
less Sales of non-financial assets		285	1,388
less Depreciation and amortisation		17,250	16,360
plus Change in inventories		2,951	2,392
plus Other movements in non-financial assets		(8)	(18)
Total net acquisition of non-financial assets		14,722	10,977
Fiscal balance (Net lending/(borrowing))		10,227	(31,529)

(a) Includes \$56 million attributable to minority interests (2022: \$101 million).
Certain comparatives have been restated. Refer to Note 1.6 for further details.

Australian Government balance sheet
as at 30 June 2023

	Note	2023 \$m	2022 \$m
Assets			
<i>Financial assets</i>			
Cash and deposits		7,464	8,698
Advances paid	5A	73,135	70,598
Other receivables and accrued revenue	5A	73,814	74,405
Investments, loans and placements	5B	569,265	558,191
Equity investments	5C	84,051	75,891
<i>Total financial assets</i>		<i>807,729</i>	<i>787,783</i>
<i>Non-financial assets(a)</i>			
Land	5D	16,818	15,113
Buildings	5D	53,831	50,742
Specialist military equipment	5D	84,627	81,255
Other plant, equipment and infrastructure	5D	78,806	70,918
Intangibles	5D	15,810	15,008
Investment property	5D	343	365
Inventories	5E	12,976	11,979
Heritage and cultural assets	5D	12,618	12,632
Other non-financial assets	5F	6,790	6,036
<i>Total non-financial assets</i>		<i>282,619</i>	<i>264,048</i>
Total assets	5G	1,090,348	1,051,831
Liabilities			
<i>Interest bearing liabilities</i>			
Deposits held	6A	412,584	426,128
Government securities	6B	573,980	575,625
Loans	6C	42,897	39,017
Leases	6D	32,913	31,783
Other interest bearing liabilities	6E	26,818	26,188
<i>Total interest bearing liabilities</i>		<i>1,089,192</i>	<i>1,098,741</i>
<i>Provisions and payables</i>			
Superannuation liability	6F	313,080	321,998
Other employee liabilities	6F	46,563	36,910
Supplier payables	6G	20,854	14,011
Personal benefits payable	6G	3,142	2,999
Subsidies payable	6G	561	908
Grants payable	6G	3,570	3,926
Australian currency on issue	6H	101,285	102,345
Other payables	6G	13,922	16,444
Other provisions	6H	68,403	62,263
<i>Total provisions and payables</i>		<i>571,380</i>	<i>561,804</i>
Total liabilities		1,660,572	1,660,545
Net worth			
Accumulated results		(668,095)	(698,304)
Reserves		97,099	88,960
Minority interests		772	630
Net worth		(570,224)	(608,714)

(a) Right-of-use assets are included in the following line items: Land, Buildings and Other plant, equipment and infrastructure.

Certain comparatives have been restated. Refer to Note 1.6 for further details.

Australian Government cash flow statement
for the year ended 30 June 2023

	Note	2023 \$m	2022 \$m
OPERATING ACTIVITIES			
Operating cash received			
Taxes received		601,053	536,053
Receipts from sales of goods and services		39,689	36,093
Interest receipts		8,724	3,927
Dividend and distribution receipts		5,049	8,621
Other receipts		16,360	15,435
Total cash received		670,875	600,129
Operating cash used			
Payments for employees		(44,362)	(42,236)
Payments for goods and services		(180,470)	(168,312)
Grants and subsidies paid		(226,819)	(217,850)
Interest paid		(22,247)	(12,175)
Interest payments on lease liabilities		(1,329)	(1,239)
Personal benefits paid		(143,652)	(156,276)
Other payments		(9,231)	(8,038)
Total cash used		(628,110)	(606,126)
Net cash flows from operating activities	8	42,765	(5,997)
INVESTING ACTIVITIES			
Investments in non-financial assets			
Sales of non-financial assets		368	561
Purchases of non-financial assets		(25,153)	(24,357)
Net investments in non-financial assets		(24,785)	(23,796)
Investments in financial assets for policy purposes			
Receipts from policy investments		9,276	8,378
Payments for policy investments		(13,153)	(13,893)
Net investments in financial assets for policy purposes		(3,877)	(5,515)
Investments in financial assets for liquidity purposes		(6,824)	(54,650)
Net cash from investing activities		(35,486)	(83,961)
FINANCING ACTIVITIES			
Net financing cash received			
Borrowings		14,814	21,009
Contributed equity		99	168
Other financing		17,985	110,881
Net cash received		32,898	132,058
Net financing cash used			
Distributions paid		(15)	(16)
Principal payments of lease liabilities		(3,189)	(2,947)
Other financing		(38,207)	(38,173)
Net cash used		(41,411)	(41,136)
Net cash flows from financing activities		(8,513)	90,922
Net increase/(decrease) in cash held		(1,234)	964
Cash at beginning of year		8,698	7,734
Cash at end of year		7,464	8,698
Key fiscal aggregate			
Net cash flows from operating activities		42,765	(5,997)
Net cash flows from investments in non-financial assets		(24,785)	(23,796)
Cash surplus/(deficit)		17,980	(29,793)

Certain comparatives have been restated. Refer to Note 1.6 for further details.

Australian Government statement of changes in equity (net worth)
for the year ended 30 June 2023

Item	Reserves										Total net worth \$m
	Accumulated results \$m	Asset revaluation reserve \$m	Foreign currency translation reserve \$m	Investments reserve \$m	Statutory funds \$m	Other reserves \$m	Total reserves \$m	Contributed equity \$m			
Australian Government											
Adjusted opening balance as at 1 July 2021	(830,961)	60,915	78	13,756	9,761	1,495	86,005	263	(744,693)		
Contribution/(distribution) of equity	-	-	-	-	-	-	-	168		168	
Dividends provided for or paid	(16)	-	-	-	-	-	-	-	(16)		
Comprehensive result - change in net worth	123,032	10,959	(20)	(417)	-	2,273	12,795	-	135,827		
Transfers to/(from)/between reserves	9,839	(11)	-	417	(9,761)	(484)	(9,839)	-			
Net worth as at 30 June 2022	(698,106)	71,863	58	13,756	-	3,284	88,961	431	(608,714)		
less: Minority interests	198	-	-	1	-	-	1	431	630		
Attributable to the Australian Government											
Sector at 30 June 2022	(698,304)	71,863	58	13,755	-	3,284	88,960	-	(609,344)		
Contribution/(distribution) of equity	-	-	-	-	-	-	-	100	100		
Dividends provided for or paid	(15)	-	-	-	-	-	-	-	(15)		
Comprehensive result - change in net worth	30,025	7,706	-	519	-	155	8,380	-	38,405		
Transfers to/(from)/between reserves	241	(44)	-	(519)	-	322	(241)	-			
Net worth as at 30 June 2023	(667,855)	79,525	58	13,756	-	3,761	97,100	531	(570,224)		
less: Minority interests	240	-	-	1	-	-	1	531	772		
Attributable to the Australian Government											
Sector at 30 June 2023	(668,095)	79,525	58	13,755	-	3,761	97,099	-	(570,996)		

The above statements should be read in conjunction with the accompanying notes.
Certain comparatives have been restated. Refer to Note 1.6 for further details.

SECTOR STATEMENTS

Australian Government operating statement by sector — including General Government Sector Financial Report
for the year ended 30 June 2023

	Note	General Government		Public non-financial corporations		Public financial corporations		Eliminations and netting(a)		Australian Government	
		2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Revenue from transactions											
Taxation revenue	2A	618,288	550,355	-	-	-	-	(921)	(961)	617,367	549,394
Sales of goods and services	2B	19,014	17,834	21,018	19,770	833	715	(1,366)	(1,075)	39,499	37,244
Interest income	2C	9,892	4,453	75	17	10,903	8,966	(8,944)	(6,997)	11,926	6,439
Dividend and distribution income	2C	5,291	9,052	-	-	56	100	(117)	(306)	5,230	8,846
Other	2D	15,907	14,746	301	980	169	151	(478)	(1,122)	15,899	14,755
Total revenue		688,392	596,440	21,394	20,767	11,961	9,932	(11,826)	(10,461)	689,921	616,678
Expenses from transactions											
<i>Gross operating expenses</i>											
Wages and salaries	3A	23,830	22,778	4,652	4,595	303	254	-	-	28,785	27,627
Superannuation	3A	9,217	12,217	526	563	68	96	(3)	(4)	9,808	12,872
Depreciation and amortisation	3B	12,661	11,462	4,506	4,816	83	82	-	-	17,250	16,360
Supply of goods and services	3C	170,953	163,435	10,760	10,372	573	472	(1,477)	(1,183)	180,809	173,096
Other operating expenses	3A	9,697	7,819	980	647	98	35	(8)	(7)	10,767	8,494
Total gross operating expenses		226,358	217,711	21,424	20,993	1,125	939	(1,488)	(1,194)	247,419	238,449
Superannuation interest expense	3A	12,336	8,974	-	-	-	-	-	-	12,336	8,974
Interest expense	3D	25,651	19,944	1,821	1,597	15,058	484	(8,944)	(6,996)	33,586	15,029
<i>Current transfers</i>											
Current grants	3E	190,895	184,580	-	-	-	-	(49)	(46)	190,846	184,534
Subsidy expenses		18,562	17,764	-	-	-	-	(956)	(912)	17,606	16,852
Personal benefits		142,768	154,450	-	-	2	2	-	-	142,770	154,452
Tax expenses		-	-	69	(450)	11	5	(80)	445	-	-
Total current transfers		352,225	356,794	69	(450)	13	7	(1,085)	(513)	351,222	355,838
<i>Capital transfers</i>											
Mutually agreed write-downs	3E	2,714	2,884	-	-	-	-	-	-	2,714	2,884
Other capital grants	3E	17,808	16,816	-	-	-	-	(113)	(760)	17,695	16,056
Total capital transfers		20,522	19,700	-	-	-	-	(113)	(760)	20,409	18,940
Total expenses	3F	637,092	623,123	23,314	22,140	16,196	1,430	(11,630)	(9,463)	664,972	637,230
Net operating balance		31,300	(26,683)	(1,920)	(1,373)	(4,235)	8,502	(196)	(998)	24,949	(20,552)

(a) The eliminations and netting column includes the elimination of inter-sector transactions and the netting of gains and losses across sectors. Certain comparatives have been restated. Refer to Note 1.6 for further details.

Australian Government operating statement by sector — including General Government Sector Financial Report
(continued)
for the year ended 30 June 2023

Note	General Government		Public non-financial corporations		Public financial corporations		Eliminations and netting(a)		Australian Government	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Other economic flows - included in operating result										
Net write-down of assets (including bad and doubtful debts)	(16,169)	(11,231)	(1,880)	(1,038)	-	(1)	-	-	(18,049)	(12,270)
Net gains/(losses) from the sale of assets	(1,846)	(1,297)	20	13	(320)	(707)	-	6	(2,146)	(1,985)
Net foreign exchange gains/(losses)	(510)	243	3	(2)	3,118	1,769	-	-	2,611	2,010
Net interest on derivatives gains/(losses)	(1,642)	(428)	-	(2)	(34)	21	-	-	(1,676)	(409)
Net fair value gains/(losses)	23,848	100,228	347	173	(3,901)	(45,960)	-	-	20,294	54,441
Net other gains/(losses)	(11,900)	7,134	(62)	25	(274)	(78)	-	1	(12,236)	7,082
Operating result(b)	23,081	67,966	(3,492)	(2,204)	(5,646)	(36,454)	(196)	(991)	13,747	28,317
Other economic flows - through equity										
Will not be reclassified to operating result										
Revaluation of non-financial assets	3,219	8,751	3,969	1,394	(141)	31	-	-	7,047	10,176
Actuarial revaluations of superannuation	16,653	93,954	(79)	230	(145)	1,026	-	-	16,429	95,210
Other economic revaluations	3	(44)	29	1,171	-	-	(30)	624	2	1,751
May be reclassified to operating result										
Revaluation of equity investments	(664)	(26,265)	-	-	661	774	1,183	25,864	1,180	373
Comprehensive result	42,292	144,362	427	591	(5,271)	(34,623)	957	25,497	38,405	135,827
Net operating balance	31,300	(26,683)	(1,920)	(1,373)	(4,235)	8,502	(196)	(998)	24,949	(20,552)
less Net acquisition of non-financial assets										
Purchases of non-financial assets	19,422	18,867	9,812	7,386	81	93	(1)	5	29,314	26,351
less Sales of non-financial assets	224	1,327	61	59	1	1	(1)	1	285	1,388
less Depreciation and amortisation	12,661	11,462	4,506	4,816	83	82	-	-	17,250	16,360
plus Change in inventories	2,964	2,335	(24)	72	11	(15)	-	-	2,951	2,392
plus Other movements in non-financial assets	(8)	(18)	-	-	-	-	-	-	(8)	(18)
Total net acquisition of non-financial assets	9,493	8,395	5,221	2,583	8	(5)	-	4	14,722	10,977
Fiscal balance (Net lending/borrowing)	21,807	(35,078)	(7,141)	(3,956)	(4,243)	8,507	(196)	(1,002)	10,227	(31,529)

(a) The eliminations and netting column includes the elimination of inter-sector transactions and the netting of gains and losses across sectors.

(b) General Government operating result includes \$15 million attributable to minority interests (2022: \$2 million).

Certain comparatives have been restated. Refer to Note 1.6 for further details.

Australian Government balance sheet by sector — including General Government Sector Financial Report
as at 30 June 2023

	Note	General Government		Public non-financial corporations		Public financial corporations		Eliminations(a)		Australian Government	
		2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Assets											
Financial assets											
Cash and deposits		89,713	94,762		1,379	1,333	686	(85,714)	(88,129)	7,464	8,698
Advances paid	5A	74,658	73,117	29	21	6,171	5,915	(7,723)	(8,455)	73,135	70,598
Other receivables and accrued revenue	5A	69,261	69,719	5,227	5,451	260	135	(934)	(900)	73,814	74,405
Investments, loans and placements	5B	221,180	214,457	968	1,536	597,742	613,883	(250,625)	(271,685)	569,265	558,191
Equity investments	5C	124,514	112,719	321	294	1,312	1,125	(42,096)	(38,247)	84,051	75,891
Total financial assets		579,326	564,774	8,647	8,681	606,848	621,744	(387,092)	(407,416)	807,729	787,783
Non-financial assets(b)											
Land	5D	13,474	12,718	3,033	2,131	311	264	-	-	16,818	15,113
Buildings	5D	49,219	46,065	4,273	4,176	348	509	(9)	(8)	53,831	50,742
Specialist military equipment	5D	84,627	81,255	-	-	-	-	-	-	84,627	81,255
Other plant, equipment and infrastructure	5D	20,040	18,417	58,630	52,341	136	160	-	-	78,806	70,918
Intangibles	5D	11,925	11,106	3,761	3,767	73	84	51	51	15,810	15,008
Investment property	5D	219	206	124	159	-	-	-	-	343	365
Inventories	5E	12,705	11,686	216	249	55	44	-	-	12,976	11,979
Heritage and cultural assets	5D	12,618	12,632	-	-	-	-	-	-	12,618	12,632
Tax assets		-	-	1,227	1,260	5	5	(1,232)	(1,265)	-	-
Other non-financial assets	5F	6,112	5,264	669	775	67	56	(58)	(59)	6,790	6,036
Total non-financial assets		210,939	199,349	71,933	64,858	995	1,122	(1,248)	(1,281)	282,619	264,048
Total assets	5G	790,265	764,123	80,580	73,539	607,843	622,866	(388,340)	(408,697)	1,090,348	1,051,831

(a) Comprises the elimination of inter-sector balances.

(b) Right-of-use assets are included in the following line items: Land, Buildings and Other plant, equipment and infrastructure. Certain comparatives have been restated. Refer to Note 1.6 for further details.

Australian Government balance sheet by sector — including General Government Sector Financial Report (continued)
as at 30 June 2023

	Note	General Government		Public non-financial corporations		Public financial corporations		Eliminations(a)		Australian Government	
		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Liabilities											
<i>Interest bearing liabilities</i>											
Deposits held	6A	415	406	16	18	497,862	513,807	(85,709)	(88,103)	412,584	426,128
Government securities	6B	825,548	848,456	-	-	-	-	(251,568)	(272,831)	573,980	575,625
Loans	6C	11,778	11,781	31,462	29,682	6,415	4,838	(6,758)	(7,284)	42,897	39,017
Leases	6D	19,848	19,194	13,036	12,551	38	47	(9)	(9)	32,913	31,783
Other interest bearing liabilities	6E	18,885	18,152	-	-	7,933	8,036	-	-	26,818	26,188
Total interest bearing liabilities		876,474	897,989	44,514	42,251	512,248	526,728	(344,044)	(368,227)	1,089,192	1,098,741
<i>Provisions and payables</i>											
Superannuation liability	6F	313,069	321,983	11	13	-	2	-	-	313,080	321,998
Other employee liabilities	6F	44,351	34,902	2,014	1,816	198	192	-	-	46,563	36,910
Supplier payables	6G	11,739	10,417	3,277	3,551	5,922	89	(84)	(46)	20,854	14,011
Personal benefits payable	6G	3,142	2,999	-	-	-	-	-	-	3,142	2,999
Subsidies payable	6G	559	933	-	-	-	-	2	(25)	561	908
Grants payable	6G	3,562	3,912	8	14	-	-	-	-	3,570	3,926
Australian currency on issue	6H	-	-	-	-	101,285	102,345	-	-	101,285	102,345
Tax liabilities		-	-	743	891	4	-	(747)	(891)	-	-
Other payables	6G	9,496	11,485	2,739	3,055	1,796	2,092	(109)	(188)	13,922	16,444
Other provisions	6H	66,382	60,304	1,014	991	1,815	1,696	(808)	(728)	68,403	62,263
Total provisions and payables		452,300	446,935	9,806	10,337	111,020	106,416	(1,746)	(1,878)	571,380	561,804
Total liabilities		1,328,774	1,344,924	54,320	52,582	623,268	633,144	(345,790)	(370,105)	1,660,572	1,660,545
Net worth											
Accumulated results		(598,428)	(637,022)	(36,468)	(32,843)	(26,412)	(20,222)	(6,787)	(8,217)	(668,095)	(698,304)
Reserves		59,697	56,015	16,042	12,101	10,280	9,367	11,080	11,477	97,099	88,960
Contributed equity		-	-	46,686	41,699	707	577	(47,393)	(42,276)	-	-
Minority interests		222	206	-	-	-	-	550	424	772	630
Net worth		(538,509)	(580,801)	26,260	20,957	(15,425)	(10,278)	(42,550)	(38,592)	(570,224)	(608,714)

(a) Comprises the elimination of inter-sector balances.

Certain comparatives have been restated. Refer to Note 1.6 for further details.

Australian Government cash flow statement by sector — including General Government Sector Financial Report
for the year ended 30 June 2023

	General Government		Public non-financial corporations		Public financial corporations		Eliminations and netting(a)		Australian Government	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
OPERATING ACTIVITIES										
Cash received										
Taxes received	601,299	536,586	-	-	-	-	(246)	(533)	601,053	536,053
Receipts from sales of goods and services	19,301	17,725	23,019	20,738	799	663	(3,430)	(3,033)	39,689	36,093
Interest receipts	7,006	2,446	54	7	10,555	8,122	(8,891)	(6,648)	8,724	3,927
Dividend and distribution receipts	5,149	11,564	-	-	22	26	(122)	(2,969)	5,049	8,621
GST receipts	-	-	185	116	24	21	(209)	(137)	-	-
Other receipts	16,351	15,543	287	862	169	178	(447)	(1,148)	16,360	15,435
Total cash received	649,106	583,864	23,545	21,723	11,569	9,010	(13,345)	(14,468)	670,875	600,129
Cash used										
Taxes paid	-	-	(164)	(248)	1	(2)	163	250	-	-
Payments for employees	(38,901)	(36,801)	(5,147)	(5,139)	(317)	(300)	3	4	(44,362)	(42,236)
Payments for goods and services	(171,095)	(159,032)	(12,265)	(11,648)	(529)	(472)	3,419	2,840	(180,470)	(168,312)
Grants and subsidies paid	(227,148)	(219,188)	-	-	-	-	329	1,338	(226,819)	(217,850)
Interest paid	(18,454)	(17,060)	(848)	(670)	(13,416)	(210)	10,471	5,765	(22,247)	(12,175)
Interest payments on lease liabilities	(408)	(363)	(920)	(876)	(1)	-	-	-	(1,329)	(1,239)
Personal benefits paid	(143,652)	(156,276)	-	-	-	-	-	-	(143,652)	(156,276)
GST paid	-	-	(421)	(382)	(29)	(23)	450	405	-	-
Other payments	(8,307)	(7,343)	(830)	(633)	(94)	(62)	-	-	(9,231)	(8,038)
Total cash used	(607,965)	(596,063)	(20,595)	(19,596)	(14,385)	(1,069)	14,835	10,602	(628,110)	(606,126)
Net cash from operating activities	41,141	(12,199)	2,950	2,127	(2,816)	7,941	1,490	(3,866)	42,765	(5,997)
INVESTING ACTIVITIES										
Investments in non-financial assets										
Sales of non-financial assets	311	494	57	67	-	-	-	-	368	561
Purchases of non-financial assets	(16,779)	(17,787)	(8,306)	(6,506)	(78)	(70)	-	6	(25,153)	(24,357)
Net cash from non-financial assets	(16,468)	(17,293)	(8,249)	(6,439)	(78)	(70)	-	6	(24,785)	(23,796)

(a) The eliminations and netting column includes the elimination of inter-sector transactions and the netting of certain cash flows across sectors.

Certain comparatives have been restated. Refer to Note 1.6 for further details.

Australian Government cash flow statement by sector — including General Government Sector Financial Report
(continued)
for the year ended 30 June 2023

	General Government		Public non-financial corporations		Public financial corporations		Eliminations and netting(a)		Australian Government	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
INVESTING ACTIVITIES										
Investments in financial assets for policy purposes										
Receipts from policy investments	9,887	14,799	-	-	447	588	(1,058)	(7,009)	9,276	8,378
Payments for policy investments	(17,849)	(16,148)	(2)	(8)	(591)	(619)	5,289	2,882	(13,153)	(13,893)
Net cash from policy investments	(7,962)	(1,349)	(2)	(8)	(144)	(31)	4,231	(4,127)	(3,877)	(5,515)
Investments in financial assets for liquidity purposes										
Net cash from investing activities	(6,223)	(8,543)	(36)	50	20,494	(11,095)	(21,059)	64,938	(6,824)	(54,650)
	(30,643)	(27,185)	(8,287)	(6,397)	20,272	(11,196)	(16,828)	60,817	(35,486)	(83,961)
FINANCING ACTIVITIES										
Cash flows from financing activities										
Net cash received										
Borrowings	(7,238)	78,894	1,605	1,449	180	484	20,267	(59,818)	14,814	21,009
Contributed equity	15	56	5,039	2,587	130	129	(5,085)	(2,604)	99	188
Other financing	29,305	33,381	149	269	(13,862)	105,125	2,393	(27,894)	17,985	110,881
Net cash received	22,082	112,331	6,793	4,305	(13,552)	105,738	17,575	(90,316)	32,898	132,058
Net cash used										
Distributions paid	(15)	(16)	(111)	(301)	(15)	(2,677)	126	2,978	(15)	(16)
Principal payments of lease liabilities	(2,645)	(2,456)	(534)	(484)	(10)	(7)	-	-	(3,189)	(2,947)
Other financing	(34,959)	(38,124)	(88)	(37)	(3,202)	(9)	52	(3)	(38,207)	(38,173)
Net cash used	(37,629)	(40,596)	(733)	(822)	(3,227)	(2,693)	178	2,975	(41,411)	(41,136)
Net cash from financing activities	(15,547)	71,735	6,060	3,483	(16,779)	103,045	17,753	(87,341)	(8,513)	90,922
Net increase/(decrease) in cash	(5,049)	32,351	723	(787)	677	(210)	2,415	(30,390)	(1,234)	964
Cash at beginning of year	94,762	62,411	1,379	2,166	686	896	(88,129)	(57,739)	8,698	7,734
Cash at end of year	89,713	94,762	2,102	1,379	1,363	686	(85,714)	(88,129)	7,464	8,698
Key fiscal aggregate										
Net cash flows from operating activities	41,141	(12,199)	2,950	2,127	(2,816)	7,941	1,490	(3,866)	42,765	(5,997)
Net cash flows from investments in non-financial assets	(16,458)	(17,293)	(8,249)	(6,439)	(78)	(70)	-	6	(24,785)	(23,796)
Cash surplus/(deficit)	24,683	(29,492)	(5,299)	(4,312)	(2,894)	7,871	1,490	(3,860)	17,980	(29,793)

(a) The eliminations and netting column includes the elimination of inter-sector transactions and the netting of certain cash flows across sectors. Certain comparatives have been restated. Refer to Note 1.6 for further details.

Australian Government statement of changes in equity (net worth) by sector
for the year ended 30 June 2023

Item	Reserves								Total Net Worth \$m
	Accumulated results \$m	Asset revaluation reserve \$m	Foreign currency translation reserve \$m	Investments reserve \$m	Statutory funds \$m	Other reserves \$m	Total reserves \$m	Contributed equity \$m	
General Government									
Opening balance as at 1 July 2021	(798,514)	50,417	78	22,600	-	85	73,180	131	(725,203)
Dividends provided for or paid	(16)	-	-	-	-	-	-	-	(16)
Comprehensive result - change in net worth	161,904	8,760	(23)	(26,281)	-	2	(17,542)	-	144,362
Contribution/(distribution) of equity	-	-	-	-	-	-	-	56	56
Transfers to/(from)/between reserves	(378)	(14)	-	399	-	(7)	378	-	-
Net worth as at 30 June 2022	(637,004)	59,163	55	(3,282)	-	80	56,016	187	(580,801)
less: Minority interests	18	-	-	1	-	-	1	187	206
Attributable to the General Government									
Sector at 30 June 2022	(637,022)	59,163	55	(3,283)	-	80	56,015	-	(581,007)
Dividends provided for or paid	(15)	-	-	-	-	-	-	-	(15)
Comprehensive result - change in net worth	39,730	3,217	2	(664)	-	7	2,562	-	42,292
Contribution/(distribution) of equity	-	-	-	-	-	-	-	15	15
Transfers to/(from)/between reserves	(1,120)	(44)	-	1,088	-	76	1,120	-	-
Net worth as at 30 June 2023	(598,409)	62,336	57	(2,858)	-	163	59,698	202	(538,509)
less: Minority interests	19	-	-	1	-	-	1	202	222
Attributable to the General Government									
Sector at 30 June 2023	(598,428)	62,336	57	(2,859)	-	163	59,697	-	(538,731)

Certain comparatives have been restated. Refer to Note 1.6 for further details.

Australian Government statement of changes in equity (net worth) by sector (continued)
for the year ended 30 June 2023

Item	Reserves								Total Net Worth \$m	
	Accumulated results \$m	Asset revaluation reserve \$m	Foreign currency translation reserve		Investments reserve \$m	Statutory funds \$m	Other reserves \$m	Total reserves \$m		Contributed equity \$m
			\$m	\$m						
Public non-financial corporations										
Adjusted opening balance as at 1 July 2021	(30,599)	9,629	-	-	-	(63)	9,566	39,123	18,090	
Comprehensive result - change in net worth	(2,033)	1,368	2	-	-	1,254	2,624	-	591	
Dividends provided for or paid	(300)	-	-	-	-	-	-	-	(300)	
Transfers to/(from)/between reserves	89	(1)	-	-	-	(88)	(89)	-	-	
Contribution/(distribution) of equity	-	-	-	-	-	-	-	2,576	2,576	
Net worth as at 30 June 2022	(32,843)	10,996	2	-	-	1,103	12,101	41,699	20,957	
Comprehensive result - change in net worth	(3,514)	3,934	(3)	-	-	10	3,941	-	427	
Dividends provided for or paid	(111)	-	-	-	-	-	-	-	(111)	
Contribution/(distribution) of equity	-	-	-	-	-	-	-	4,987	4,987	
Net worth as at 30 June 2023	(36,468)	14,930	(1)	-	-	1,113	16,042	46,686	26,260	

Certain comparatives have been restated. Refer to Note 1.6 for further details.

Australian Government statement of changes in equity (net worth) by sector (continued)
for the year ended 30 June 2023

Item	Reserves								Total Net Worth \$m	
	Accumulated results \$m	Asset revaluation reserve \$m	Foreign currency			Statutory funds \$m	Other reserves \$m	Total reserves \$m		Contributed equity \$m
			translation reserve \$m	Investments reserve \$m						
Public financial corporations										
Opening balance as at 1 July 2021	(56)	6,885	-	-	15,366	1,579	23,830	448	24,222	
Comprehensive result - change in net worth	(35,911)	805	-	-	-	483	1,288	-	(34,623)	
Dividends provided for or paid	(6)	-	-	-	-	-	-	-	(6)	
Transfers to/(from)/between reserves	15,751	4	-	-	(15,366)	(389)	(15,751)	-	-	
Contribution/(distribution) of equity	-	-	-	-	-	-	-	129	129	
Net worth as at 30 June 2022	(20,222)	7,694	-	-	-	1,673	9,367	577	(10,278)	
Comprehensive result - change in net worth	(5,938)	520	-	-	-	147	667	-	(5,271)	
Dividends provided for or paid	(6)	-	-	-	-	-	-	-	(6)	
Transfers to/(from)/between reserves	(246)	-	-	-	-	246	246	-	-	
Contribution/(distribution) of equity	-	-	-	-	-	-	-	130	130	
Net worth as at 30 June 2023	(26,412)	8,214	-	-	-	2,066	10,280	707	(15,425)	

Certain comparatives have been restated. Refer to Note 1.6 for further details.

The above statements should be read in conjunction with the accompanying note.

NOTES TO THE FINANCIAL STATEMENTS

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Note 1: Basis of financial statements preparation

1.1 Purpose

The purpose of this note is to outline the basis on which the financial statements for the Australian Government (whole of government) and the general government sector (GGS) have been prepared.

Significant accounting policies that are relevant to understanding the financial statements are provided throughout the notes to the financial statements. Except as otherwise noted, the accounting policies detailed in this note and throughout the financial statements are applicable at both the whole of government level and for the GGS.

1.2 Statement of compliance

The Australian Government Consolidated Financial Statements (CFS) are required by section 48 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The CFS are general purpose financial statements that have been prepared for the whole of government and the GGS in accordance with Australian Accounting Standards (AAS), including AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049).

The GGS financial statements are included in the CFS and can be found in the Sector statements and the Notes to the financial statements.

1.3 Basis of accounting

The CFS provides users with information about the stewardship by the Australian Government and accountability for the resources entrusted to it; information about the financial position, performance and cash flows of the Australian Government; and information that facilitates assessment of the macroeconomic impact.

The principles and rules in the Australian Bureau of Statistics *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015 – ABS Catalogue No. 5514.0* (ABS GFS Manual) have been applied in the production of these financial statements, except in instances in which their application would conflict with AAS, or for reporting by the functions of Government as discussed below.

The CFS presents financial aggregates according to the Uniform Presentation Framework (UPF). The UPF is an agreed framework between the Australian, state and territory governments for the presentation of government financial information.

The CFS also presents expenses and assets classified according to the functions of Government (refer Notes 3F and 5G respectively). The Classifications of Functions of Government - Australia (COFOG-A) in the 2015 ABS GFS Manual replaced the former Government Purpose Classification (GPC). However, consistent with the Final Budget Outcome and historical reporting, the CFS adopts the GPC under the

previous ABS 2005 GFS Manual (*Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005 – ABS Catalogue No. 5514.0*).

The adoption of COFOG-A would result in the reallocation of Government superannuation expenses from the General Public Services function across all functions and the grouping or reallocation of certain sub-functions.

Under the 2019 UPF, jurisdictions which apply the former GPC hierarchy must reference the previous ABS 2005 GFS Manual.

Where the key fiscal aggregates presented on the face of the financial statements are materially different to those measured in accordance with the applied ABS GFS Manual, an explanation of the differences between the two measures is provided (refer Note 12A).

The CFS has been prepared on an accrual basis and is presented in Australian dollars.

1.4 New Australian Accounting Standards

Adoption of new Australian Accounting Standard requirements

During 2022-23, the Australian Government adopted all applicable accounting standards that became effective during the year. There were no new accounting standards applicable to the CFS in 2022-23.

1.5 The reporting entity and basis of consolidation

For the purposes of these financial statements, the Australian Government means the executive (consisting principally of Ministers and their departments), the legislature (that is, the Parliament) and the judiciary (that is, the courts). Where the 'Australian Government' is referred to throughout these statements, it is intended to also mean the 'Commonwealth of Australia'. The Australian Government reporting entity (referred to as the reporting entity) includes Australian Government Departments of State, Parliamentary Departments, other non-corporate Commonwealth entities, corporate Commonwealth entities and companies in which the Australian Government holds a controlling interest.

The Australian Government controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The existence of control in the context of these financial statements does not in any way indicate that there is necessarily control over the manner in which statutory/professional functions are performed by an entity.

In the process of reporting the Australian Government as a single economic entity, all material transactions and balances between Australian Government controlled entities are eliminated. Any dissimilar accounting policies applied at the entity level

are amended to ensure consistent policies are adopted in these financial statements where the effect is material.

Where control of an entity is obtained during a financial year, results are included in the consolidated operating statement and the consolidated cash flow statement from the date on which control commenced. Where control of an entity ceases during a financial year, results are included for that part of the year for which control existed.

1.6 Prior period error and reclassification of comparatives

The 2021-22 comparatives have been restated to account for the following:

- An overstatement in the value of infrastructure assets due to the inclusion of certain right-of-use assets at fair value when reporting the value of non-financial assets. The Australian Government's accounting policy is that right-of-use assets are held at cost. Adjustments have been made to the 2021-22 comparatives as per adjustment (a) in the table below.
- A bond purchase program introduced by the Reserve Bank of Australia (RBA) in November 2020 was designed to ease financial conditions by lowering bond yields further out the curve and contributing to downward pressure on the exchange rate during the COVID-19 pandemic. To the extent the purchase program included Australian Government Securities (AGS) issued by the Australian Office of Financial Management (AOFM), the interest received by the RBA was not previously eliminated in the Consolidated Financial Statements as the securities were largely purchased in secondary markets and not directly from the AOFM. Further, the interest would flow via third party financial intermediaries who bought and sold AGS to investors and other market makers. Following a review of the accounting treatment of this arrangement, the interest flow will be eliminated in the CFS on the basis that the financial intermediaries are acting in an agency capacity. Adjustments have been made to the 2021-22 comparatives as per adjustment (b) in the table below.

In addition to the above restatements, material reclassifications have been made to the 2021-22 comparatives to ensure consistency with the current year reporting period (reclassifications within a note or financial statement category are not shown). These reclassifications are to align the consolidated financial statements with the disclosures included in the budget statements and include the reclassification of:

- Derivative financial assets from *Note 5B Investments, loans and placements* to *Note 5A Advances paid and receivables* as derivatives instruments are not an investment and do not impact on net debt.
- Derivative financial liabilities from *Note 6E Other interest bearing liabilities* to *Note 6G Other payables* as derivatives instruments are not an interest bearing and do not impact on net debt.

- Tax refund payables from Note 6H Other provisions to Note 6G Other payables to better reflect the nature of the liability.

Adjustments have been made to the 2021-22 comparatives as per the reclassification column in the table below.

	Note	2022 \$m	(a) \$m	(b) \$m	Reclass- ifications \$m	Restated 2022 \$m
Revenue from transactions						
Interest income	2C	12,974	-	(6,535)	-	6,439
Total revenue		623,213	-	(6,535)	-	616,678
Expenses from transactions						
<i>Gross operating expenses</i>						
Depreciation and amortisation	3B	16,266	94	-	-	16,360
<i>Total gross operating expenses</i>		<i>238,355</i>	<i>94</i>	<i>-</i>	<i>-</i>	<i>238,449</i>
Interest expense	3D	21,564	-	(6,535)	-	15,029
Total expenses	3F	643,671	94	(6,535)	-	637,230
Net operating balance		(20,458)	(94)	-	-	(20,552)
Other economic flows - other non-owner movements in equity						
Revaluation of non-financial assets	7	10,149	27	-	-	10,176
Comprehensive result - total change in net worth		135,894	(67)	-	-	135,827
Assets						
<i>Financial assets</i>						
Other receivables and accrued revenue	5A	68,639	-	-	5,766	74,405
Investments, loans and placements	5B	563,957	-	-	(5,766)	558,191
<i>Total financial assets</i>		<i>787,783</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>787,783</i>
<i>Non-financial assets</i>						
Buildings	5D	50,731	11	-	-	50,742
Other plant, equipment and infrastructure	5D	72,469	(1,551)	-	-	70,918
<i>Total non-financial assets</i>		<i>265,588</i>	<i>(1,540)</i>	<i>-</i>	<i>-</i>	<i>264,048</i>
Total assets	5G	1,053,371	(1,540)	-	-	1,051,831
Liabilities						
<i>Interest bearing liabilities</i>						
Government securities	6B	576,517	-	(892)	-	575,625
Loans	6C	38,125	-	892	-	39,017
Other interest bearing liabilities	6E	36,354	-	-	(10,166)	26,188
<i>Total interest bearing liabilities</i>		<i>1,108,907</i>	<i>-</i>	<i>-</i>	<i>(10,166)</i>	<i>1,098,741</i>
<i>Provisions and payables</i>						
Other payables	6G	4,339	-	-	12,105	16,444
Other provisions	6H	64,202	-	-	(1,939)	62,263
<i>Total provisions and payables</i>		<i>551,638</i>	<i>-</i>	<i>-</i>	<i>10,166</i>	<i>561,804</i>
Total liabilities		1,660,545	-	-	-	1,660,545
Net worth						
Opening balance as at 1 July 2021		(743,220)	(1,473)	-	-	(744,693)
Comprehensive result - Change in net worth		135,894	(67)	-	-	135,827
Net worth		(607,174)	(1,540)	-	-	(608,714)

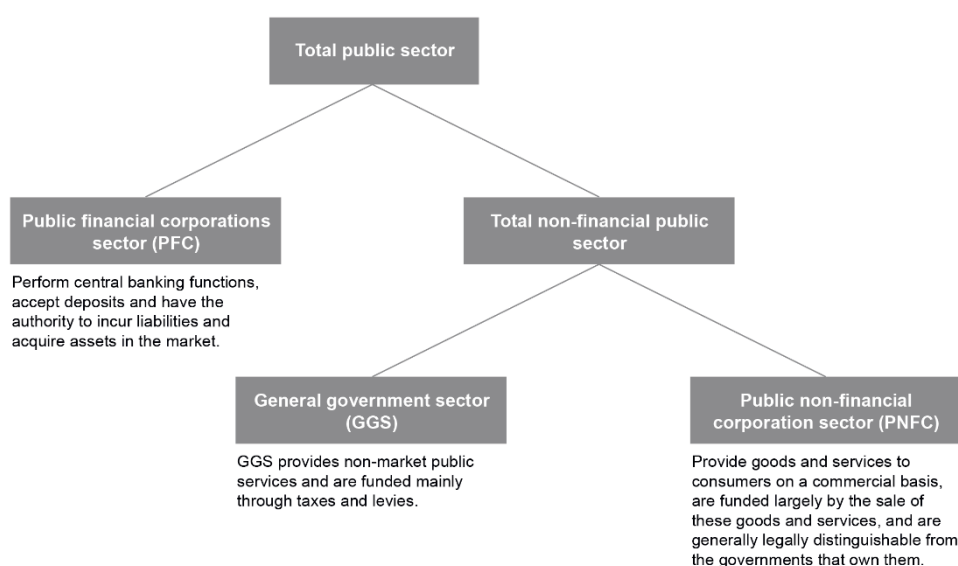
1.7 Business combinations

There were no material business combinations in 2022-23 or the comparative year.

1.8 Sectors

The sector classification of Australian Government entities follows that defined by the Australian Bureau of Statistics for the purposes of GFS. This, in turn, is based on international standards issued by the International Monetary Fund (IMF).

Figure 1: Institutional structure of the public sector



1.9 Significant accounting judgements and estimates

In preparing financial statements, Australian Government entities are required to make judgements and estimates that impact:

- income and expenses for the year;
- the reported amounts of assets and liabilities; and
- the disclosure of off-balance sheet arrangements, including contingent assets and contingent liabilities.

Judgements and estimates are subject to periodic review, including through the receipt of actuarial advice. They are based on historical experience, various other assumptions believed to be reasonable under the circumstances and, where appropriate, practices adopted by other entities.

Judgements and estimates made by Australian Government entities that have the most significant impact on the amounts recorded in these financial statements include:

Significant accounting estimate / judgement	Note
Taxation revenue items reported under the Economic Transactions Method	2A
Revenue recognition – whether revenue from contracts with customers is recognised over time or at a point in time	2B
Impairment — key assumptions and methodologies used to estimate the recoverability of accounts receivable, statutory debts and inventory	4A
Fair value — assumptions used in valuation techniques for the fair value of financial assets and liabilities, including derivatives	5, 6
Fair value and impairment test — key assumptions underlying recoverable amount and valuations of land, property, plant and equipment and infrastructure	5D
Lease terms – whether Commonwealth entities are reasonably certain to exercise extension options	5D, 6D
Measurement of defined benefit obligations — principal actuarial assumptions	6F, 9C
Recognition and measurement of provisions and contingencies — key assumptions about the likelihood and magnitude of an outflow or inflow of resources	6H, 9A

The ABS GFS Manual requires assets and liabilities to be measured at market value. Under AASB 1049, the Australian Government applies the AASB 13 *Fair Value Measurement* fair value hierarchy to assets and liabilities except where another standard requires an alternate treatment. The fair value hierarchy categorises fair value measurements into three levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability.

The classification of each asset and liability class by fair value level is disclosed in the relevant notes to the balance sheet.

Australian Government entities utilise a range of valuation techniques and inputs in determining fair value. The following table summarises the valuation techniques used by entities in determining the values of Level 2 and Level 3 categorised assets and liabilities.

Valuation technique	Description
Cost approach / Current replacement cost (CRC)	The amount a market participant would be prepared to pay to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence. Obsolescence is determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration.
Income approach / Discounted cash flows	Converts future amounts (cash flow or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
Market approach	Market approach seeks to estimate the current value of an asset with reference to recent market evidence including transactions of comparable assets within local second-hand markets.
Net assets of entities	The value of the entity's assets less the value of its liabilities.

The following table summarises the inputs used by entities.

Input used	Description
Cost of new assets	The amount a market participant would pay to acquire or construct a new substitute asset of comparable utility.
Per square metre cost	The square metre cost of new or replacement assets.
Consumed economic benefit	Physical deterioration, functional or technical obsolescence and conditions of the economic environment specific to the asset.
Capitalisation rate	Rate of return on a real estate investment property based on the income that the property is expected to generate.
Market transactions	Market transactions of comparable assets, adjusted to reflect differences in price sensitive characteristics (for example size, condition).
Adjusted market transactions	Market transactions of comparable assets, involving significant professional judgement to adjust for other factors (for example economic conditions) and their impact on price sensitive characteristics.
Principal due	The amount of the principal remaining to be repaid.
Discount rate	Rate at which cash flows are discounted back to the value at measurement date.
Future cash flows	The future predicted cash flows of the asset.
Foreign exchange rates	Rates used to convert foreign currencies into Australian dollars.
Weighted average cost of capital	The rate of return expected to pay on average to security holders to finance assets.
Net assets of entities	The value of the entity's assets less the value of its liabilities.

1.10 Insurance

Australian Government entities operating in the GGS are members of the Australian Government's self-managed fund for insurable risks, Comcover. This excludes workers' compensation where the risk is managed by Comcare. Australian Government entities operating outside the GGS adopt their own insurance strategies, which includes both self-insurance and commercial insurance coverage.

1.11 Rounding

All amounts have been rounded to the nearest million dollars, unless otherwise noted.

1.12 Compliance with the Commonwealth of Australia Constitution Act

Section 83 of the *Commonwealth of Australia Constitution Act* (Constitution) provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. It is important to note that it is not possible in all instances to fully remove the potential for Section 83 breaches under existing legislation. In many cases the Australian Government relies on information provided by payment recipients to calculate and pay appropriate entitlements and this information is not always timely or accurate.

Australian Government entities monitor their level of compliance with Section 83 of the Constitution across all legislation for which they have legislative responsibility. If an entity identified a potential or actual Section 83 breach during the reporting period, the details have been disclosed in the financial statements of the responsible entity.

In 2022-23, actual breaches of Section 83 were identified across seven Commonwealth entities, with a total value of \$19.7 million (2021-22: across eight Commonwealth entities, with a total value of \$34.3 million).

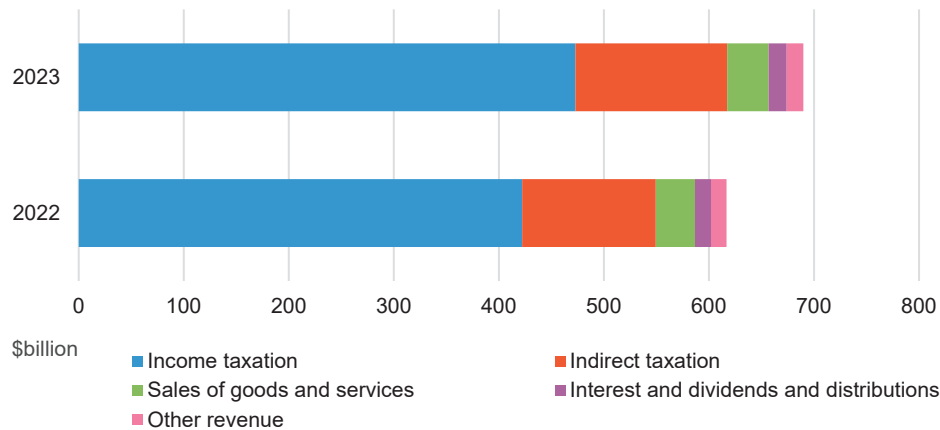
The Australian Government is considering the implications of reliance on the *Financial Framework (Supplementary Powers) Act 1997* (FFSP Act) and associated regulations for Commonwealth spending, in circumstances where that Act may not have provided legislative authority for the spending (in particular, where the spending could have been engaged in under other legislation).

At reporting date, it is not possible to estimate or quantify the consequence or financial impact of these risks. The Australian Government is considering responses to mitigate risks related to this issue.

Note 2: Revenue from transactions

Revenue from transactions arise from interactions between the Australian Government and other entities, including households, private corporations, the not-for-profit sector and other governments. It excludes gains resulting from changes in price levels and other changes in the volume of assets. These are disclosed separately in Note 4 as ‘other economic flows’. The total Australian Government revenue and relative composition of revenue sources were as follows:

Revenue composition



- **Income taxation** (refer Note 2A) is the largest source of Australian Government revenue and refers to the taxation of income, profits and capital gains.
- **Indirect taxation** (refer Note 2A) includes taxes on the sale and use of goods and services and other taxes. This includes the goods and services tax (GST), customs and excise duties and other taxes levied on particular products or industries.
- **Revenue from sales of goods and services** (refer Note 2B) is distinguished from taxation in that the revenue is received in return for the direct provision of goods and services (including the provision of regulatory services) to the payer as well as rental income which relates to income received in return for the right-to-use an asset.
- **Interest income** (refer Note 2C) refers to income accrued on financial assets such as deposits, securities other than shares, loans and accounts receivable.
- **Dividend and distribution income** (refer Note 2C) includes equity distributions received by the Australian Government investment funds (investment funds) and corporations and, at the GGS level, also includes distributions from corporate Commonwealth entities or companies (which are eliminated upon consolidation).
- **Other sources of non-taxation revenue** (refer Note 2D) includes transaction revenue not categorised elsewhere, with significant items including the Pharmaceutical Benefits Scheme (PBS) drug recoveries, the collection of royalties, the collection of

child support payments to pass on to custodial parents and in-kind contributions from states and territories for services provided under the National Disability Support Scheme.

Note 2A: Taxation revenue

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Income taxation				
Individuals and other withholding taxes				
Gross income tax withholding	271,628	242,138	271,628	242,138
Gross other individuals	74,064	60,486	74,064	60,486
less Refunds	(42,014)	(38,048)	(42,014)	(38,048)
Total individuals and other withholding taxation	303,678	264,576	303,678	264,576
Fringe benefits tax	4,147	3,261	4,147	3,261
Company tax	153,159	125,858	153,005	125,617
Superannuation funds taxes	10,356	26,559	10,356	26,559
Resource rent taxes	1,725	2,166	1,725	2,166
Total income taxation revenue	473,065	422,420	472,911	422,179
Indirect taxation				
Sales taxes				
Goods and services tax	87,908	76,996	87,908	76,996
Wine equalisation tax	1,141	1,133	1,141	1,133
Luxury car tax	1,187	963	1,187	963
Total sales taxes	90,236	79,092	90,236	79,092
Excise duty revenue(a)	26,281	22,561	26,281	22,561
Customs duty revenue(a)	17,079	16,945	17,079	16,945
Other indirect taxation				
Major bank levy	1,542	1,456	1,542	1,456
Agricultural levies	677	646	677	646
Visa application charges(b)	3,156	1,982	3,156	1,982
Other taxes(b)	6,252	5,253	5,485	4,533
Total other indirect taxation revenue	11,627	9,337	10,860	8,617
Mirror taxes	762	649	762	649
less Transfers to States in relation to mirror tax revenue	(762)	(649)	(762)	(649)
Mirror tax revenue	-	-	-	-
Total indirect taxation revenue	145,223	127,935	144,456	127,215
Total taxation revenue	618,288	550,355	617,367	549,394

(a) The 2022-23 Final Budget Outcome provides a disaggregation of excise and customs duty revenue by duty type.

(b) Comparatives have been restated to align with current year classification.

Taxation revenue

Taxation revenues are recognised when there is a basis establishing the Australian Government's right to receive the revenue, it is probable that future economic benefits will be received, and the amount of revenue to be received can be reliably measured. Estimation of some revenues can be difficult due to impacts of economic conditions and the timing of final taxable income, hence the Australian Government uses two bases of recognition:

- **Economic Transactions Method (ETM)** - Revenue is recognised when the Government, through the application of legislation to taxation and other relevant activities, gains control over the future economic benefits that arise from taxes and other statutory charges. Where a taxation revenue type is able to be measured reliably (even in cases where the transactions are yet to occur, but are likely to be reported) the ETM method is used to recognise revenue.
- **Taxation Liability Method (TLM)** - Revenue is recognised at the earlier of when an assessment of a tax or superannuation liability is made, or payment is received. Furthermore, revenue is recognised when there is sufficient information to raise an assessment, but an event has occurred which delays the issue of the assessment. This method is permitted when there is an 'inability to reliably measure taxes when the underlying transactions or events occur'. Revenue recognised under this policy is generally measured at a later time than would be the case if it were measured under ETM.

The revenue recognition policy adopted by the Australian Government for each major type of taxation revenue is as follows:

Type of taxation revenue	Method	Basis of revenue recognition
Income tax – individuals	TLM	Comprise income tax withholding (ITW), other individuals, Medicare levy and income tax refunds. ITW represents amounts withheld from payments of remuneration for the year. Other individuals income tax revenue includes income tax instalments and final tax returns received during the year. It does not include estimates of individual income tax revenue or refunds related to the reporting year that will be recognised in annual income tax returns lodged after the reporting date.
Income tax – companies	TLM	Comprise amounts of tax payable by companies that relate to instalments and final payments received/raised for current and former periods. It does not include estimates of revenue related to the reporting year that will be recognised in annual income tax returns lodged after the reporting date.
Income tax – superannuation funds	TLM	Superannuation funds income tax is levied on earnings and taxable contributions. Superannuation funds tax revenue includes amounts payable by superannuation funds that relate to income tax instalments and final payments for the current and prior reporting periods. It does not include estimates of revenue related to the reporting year that will be recognised in annual income tax returns lodged after the reporting date.

Type of taxation revenue	Method	Basis of revenue recognition
Petroleum resource rent tax (Resource rent taxes)	ETM	Recognised based on the actual taxable profits in respect to offshore petroleum projects excluding some of the North-West Shelf production and associated exploration areas, which are subject to excise (included in excise on petroleum and other fuel products) and royalties.
Goods and services tax (GST)	ETM	Recognised based on the actual liabilities raised during the year and includes an estimate of amounts outstanding that relate to transactions occurring in the reporting period.
Excise duty	ETM	Recognised based on the actual and estimated duty payable. Excise duty becomes payable when certain goods are distributed for home consumption during the reporting period.
Customs duty	ETM	Recognised when imported goods are distributed for home consumption.
Luxury car tax	ETM	Recognised at the time the sale (or private import) of a luxury vehicle occurs within the reporting period and includes an estimate of amounts outstanding that relate to transactions occurring in the reporting period.
Wine equalisation tax	ETM	Recognised when an assessable dealing occurs within the reporting period giving rise to a tax liability and includes an estimate of amounts outstanding that relate to transactions occurring in the reporting period.
Fringe benefits tax (FBT)	ETM	Recognised on fringe benefits provided by employers to employees during the reporting period and includes an estimate of outstanding instalments and balancing payments for the annual FBT return.
Major bank levy	ETM	Calculated within the reporting period on authorised deposit-taking institutions with a total liability threshold of greater than \$100 billion.

Penalties and general interest charges (GIC) arising under taxation legislation are recognised as revenue at the time the penalty and GIC are imposed on the taxpayer and included within the relevant revenue categories. Generally, subsequent remissions and write-offs of such penalties and interest are treated as an expense (mutually agreed write-down) or other economic flow of the period. Penalties and interest that are imposed by law and immediately cancelled by the Commissioner of Taxation are not recognised as revenue or expense.

Taxpayers are entitled to dispute amounts assessed by the Australian Government. Where the Government considers that the probable outcome will be a reduction in the amount of tax owed by a taxpayer, an allowance for credit amendment (if the disputed debt is unpaid) or a provision for refund (if the disputed debt has been paid) will be created and there will be a corresponding reduction in revenue.

Concessions and other forms of tax expenditures constitute revenue foregone and are not reported as taxation revenue or an expense (unless available to beneficiaries regardless of whether they are required to pay tax in which case an expense is recorded). The Department of the Treasury (the Treasury) issues an annual Tax Benchmarks and Insights Statement (unaudited), which provides a list of tax expenditures provided by the Australian Government to individuals and businesses.

Note 2B: Sales of goods and services

	General Government		Australian Government	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Revenue from contracts with customers				
Sales of goods	1,400	1,613	5,834	5,539
Rendering of services	14,840	14,236	30,324	29,316
Fees from regulatory services	1,132	549	1,132	549
Total revenue from contracts with customers	17,372	16,398	37,290	35,404
Rental income(a)				
Operating leases	405	357	503	444
Total rental income	405	357	503	444
Other fees and charges				
Rendering of services	355	51	824	368
Other fees from regulatory services	882	1,028	882	1,028
Total other fees and charges	1,237	1,079	1,706	1,396
Total sales of goods and services	19,014	17,834	39,499	37,244

(a) Comprises revenue from operating leases where an Australian Government entity is the lessor.

Disaggregation of revenue from contracts with customers

	General Government		Australian Government	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Function of government				
Transport and Communications	71	66	15,634	15,105
Social Security and Welfare	10,762	10,253	10,761	10,253
Fuel and Energy	3	265	3,928	3,788
General Public Services	2,056	1,373	2,229	1,649
Other Economic Affairs	779	971	919	1,039
Health	852	814	942	900
Other	2,849	2,656	2,877	2,670
Total revenue from contracts with customers	17,372	16,398	37,290	35,404

Sale of goods

Revenue from the generation and sale of electricity by Snowy Hydro Limited (SHL) currently accounts for over 67 per cent (2022: 63 per cent) of Australian Government sales of goods revenue and is recognised at a point in time, being when SHL fulfils its performance obligations in generating energy.

Rendering of services

Revenue from postal services currently accounts for over 27 per cent (2022: 28 per cent) of Australian Government rendering of services revenue and includes domestic mail products, parcels and express services and international letters and parcels along with associated retail services. The collection, processing and distribution of articles is identified collectively as a single performance obligation to deliver the series of articles lodged to the specified destination in the manner requested by the customer and is recognised progressively over time.

Telecommunications revenue for NBN Co Limited (NBN Co) currently accounts for over 17 per cent (2022: 17 per cent) of Australian Government rendering of services revenue and includes recurring wholesale-only broadband network revenue and recurring facility access services revenue. The performance obligations associated with these products are satisfied over time. Non-refundable upfront fees for connection and installation charges and similar are recognised at the point in time when these services are provided.

Remaining performance obligations

The Australian Government's contracts with customers for certain products and services include performance obligations which Commonwealth entities have either not satisfied, or partially satisfied, at 30 June 2023.

Other fees and services

The requirements of AASB 1058 *Income for Not-for-Profit Entities* apply to not-for-profit transactions that are not contracts with customers. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset), received by an entity.

Revenue is recognised upon receipt of funding, unless received to construct non-financial assets which are recognised as unearned revenue when received, and subsequently recognised progressively through construction of the asset.

The Government charges fees for both regulatory and other services. These fees are designed to cover all or part of the cost of providing a regulatory function. If the revenue collected is clearly out of proportion to the costs of providing the regulatory service, then the fee is classified as taxation revenue. Fees from regulatory services are recognised when collected or when due and payable under the relevant legislation.

Operating lease receivables

The following table sets out a maturity analysis of operating lease receipts, showing the undiscounted lease payments to be received after the reporting date.

Maturity analysis of operating lease income receivables:	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Within 1 year	64	56	107	107
One to two years	46	50	73	86
Two to three years	35	44	53	61
Three to four years	31	38	45	49
Four to five years	25	36	40	54
More than 5 years	186	160	222	195
Total undiscounted lease payments receivable	387	384	540	552

Note 2C: Interest and dividend and distribution income

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Interest from other governments				
State and territory debt	8	12	8	12
Housing agreements	72	77	72	77
General purpose advances	-	-	1,924	1,776
Total interest from other governments	80	89	2,004	1,865
Interest from other sources				
Indexation of HELP receivable and other student loans	3,411	2,179	3,411	2,179
Securities	1,905	829	1,924	836
Advances, deposits and other	4,496	1,356	4,587	1,559
Total interest from other sources	9,812	4,364	9,922	4,574
Total interest	9,892	4,453	11,926	6,439
Dividends and distributions				
Dividends from other public sector entities	116	325	-	-
Other dividends and distributions	5,175	8,727	5,230	8,846
Total dividends and distributions	5,291	9,052	5,230	8,846
Total interest and dividend and distributions income	15,183	13,505	17,156	15,285

Interest and dividend and distribution income

Interest revenue is recognised using the effective interest method. Dividend and distribution revenue is recognised when the right to receive a dividend or distribution has been established.

Finance lease receivables

The following table sets out a maturity analysis of finance lease receipts, disclosed in Advances, deposits and other above, showing the undiscounted lease payments to be received after the reporting date.

Maturity analysis of finance lease receivables:	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Within 1 year	2	1	12	10
One to two years	3	1	14	10
Two to three years	2	1	13	10
Three to four years	2	1	2	10
Four to five years	1	1	12	10
More than 5 years	2	2	861	858
Total undiscounted lease payments receivable	12	7	914	908
Unearned finance income	-	-	(725)	(733)
Net investment in leases	12	7	189	175

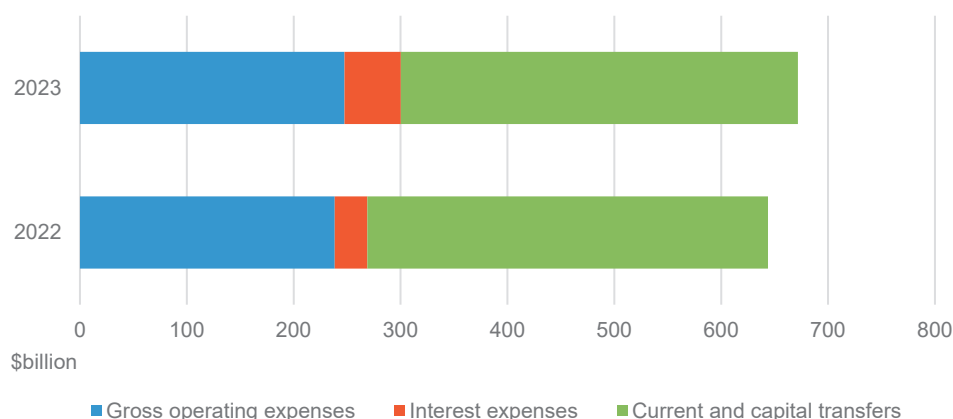
Note 2D: Other sources of non-taxation revenue

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Royalties	2,079	1,559	2,079	1,559
Seigniorage	70	63	70	63
Child support payments	1,916	1,806	1,916	1,806
PBS drug recoveries	4,652	3,746	4,652	3,746
Contributions from state and territory governments	1,088	1,564	1,088	1,564
Unclaimed superannuation monies	464	703	464	703
Other	5,638	5,305	5,630	5,314
Total other sources of non-taxation revenue	15,907	14,746	15,899	14,755

Note 3: Expenses from transactions

Expenses from transactions arise from interactions between the Australian Government and other entities, including households, private corporations, the not-for-profit sector and other governments. They exclude losses resulting from changes in price levels and other changes in the volume of assets. These are disclosed separately in Note 4 as 'other economic flows'. The total Australian Government expenses and relative composition of expenses are as follows:

Expense composition



- **Gross operating expenses** cover the costs incurred by the Government in the provision of services, including benefit payments to third parties to provide services to households (such as Medicare). Included in gross operating expenses are:
 - employee and superannuation expenses (refer Note 3A);
 - depreciation and amortisation (refer Note 3B); and
 - supply of goods and services (refer Note 3C).
- **Interest expenses** comprise the nominal growth in the Government's unfunded superannuation liabilities (refer Note 3A), interest incurred on financial liabilities and the initial discount recognised on the provision of concessional loans (refer Note 3D).
- **Current and capital transfers** are unrequited transfers in the form of:
 - personal benefits paid directly to individuals or households;
 - subsidies to public and private entities to allow them to provide goods or services at a reduced cost; or
 - financial assistance in the form of current or capital grants (refer Note 3E) to third parties to achieve particular government outcomes.

Note 3A: Employee and superannuation expenses

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Wages and salaries expenses	23,830	22,778	28,785	27,627
Other operating expenses				
Leave and other entitlements	3,535	2,553	4,273	2,991
Separations and redundancies	148	107	300	176
Workers compensation premiums and claims	3,460	2,753	3,538	2,820
Allowances, FBT and other	2,554	2,406	2,656	2,507
Total other operating expenses	9,697	7,819	10,767	8,494
Superannuation expenses				
Superannuation	9,217	12,217	9,808	12,872
Superannuation interest	12,336	8,974	12,336	8,974
Total superannuation expenses	21,553	21,191	22,144	21,846
Total employee and superannuation expenses(a)	55,080	51,788	61,696	57,967

(a) Employee benefits accounting policies are disclosed in Note 6F and superannuation is disclosed in Note 9C.

Note 3B: Depreciation and amortisation expenses

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Depreciation				
Specialist military equipment	4,706	3,927	4,706	3,927
Buildings(a)	4,202	3,953	4,673	4,401
Other plant, equipment and infrastructure(a)	2,561	2,374	6,109	6,254
Heritage and cultural assets	73	92	73	92
Land	6	7	13	14
Total depreciation	11,548	10,353	15,574	14,688
Amortisation				
Computer software	1,113	1,109	1,676	1,672
Other intangibles	66	87	159	180
Total amortisation	1,179	1,196	1,835	1,852
<i>add back</i> Amortisation of non-produced assets	(66)	(87)	(159)	(180)
Total depreciation and amortisation expenses(a)	12,661	11,462	17,250	16,360

(a) Certain comparatives have been restated. Refer to Note 1.6 for further details

(b) Includes depreciation and amortisation relating to right-of-use assets which is separately disclosed in Note 5D.

Depreciation

Land, being an asset with an unlimited useful life, is not depreciated. The depreciation amounts reported above represent the right-of-use of land held under lease arrangements. Some heritage and cultural assets are not depreciated as they are considered to have infinite useful lives given they have appropriate curatorial and preservation policies and procedures in place. The majority of buildings, plant, equipment and infrastructure are depreciated on a straight-line basis over their useful life, or over the lesser of the lease term and useful life for leasehold improvements.

Given the breadth of government operations there is a significant range in the remaining useful lives of Australian Government assets as shown below.

	2023	2022
Buildings	1-230 years	1-200 years
Specialist military equipment	1-52 years	2-52 years
Other plant, equipment and infrastructure	1-400 years	1-400 years
Heritage and cultural assets	1-5,000 years	1-5,000 years

The depreciation rates for right-of-use assets are based on the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Amortisation

Software is amortised on a straight-line basis over its anticipated useful life. Other intangible assets are amortised from the date they are available for use, unless classified as an indefinite life intangible (for example, goodwill and water entitlements). Amortisation rates applying to each class of intangible asset are based on the following useful lives:

	2023	2022
Computer software	1-26 years	1-26 years
Other intangibles	1-100 years	1-100 years

Note 3C: Supply of goods and services

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Supply of goods and services	42,507	43,791	49,784	50,856
Use of inventory	4,090	4,184	4,690	4,797
Health care payments	5,260	5,669	5,261	5,670
Benefits to households in goods and services	115,938	106,842	115,940	106,844
Short-term leases	436	241	1,764	1,598
Low-value leases	9	43	61	93
Variable lease payments	3	7	3	7
Other	2,710	2,658	3,306	3,231
Total payment for supply of goods and services	170,953	163,435	180,809	173,096

The above lease disclosures should be read in conjunction with the accompanying Notes 2B, 3D, 4B, 5D and 6D.

Supply of goods and services

The expense recognition policy for the supply of goods and services is consistent with the revenue policy detailed in Note 2B.

Short-term leases and leases of low-value assets

The Australian Government has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (less than \$10,000). The Australian Government recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Subleases

Within the Australian Government, the majority of sublease commitments involve property arrangements between controlled entities. Some entities also sublease to external parties, with the largest arrangements including commercial, industrial and retail sites subleased by Australia Post (2023: \$84 million; 2022: \$100 million) and facilities and diplomatic land subleased by the National Capital Authority in Canberra (2023: \$78 million; 2022: \$79 million).

Benefits to households in goods and services (indirect personal benefits)

These benefits are provided to households as social transfers and delivered by a third party (for example, medical and pharmaceutical benefits). The benefits are reported separately to personal benefits which comprise current transfers provided directly to individuals or households, rather than via a third party. Direct and indirect personal benefit payments are determined in accordance with provisions under social security law and other legislation.

Note 3D: Interest expense

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Interest on debt				
Government securities(a)	22,218	18,502	15,422	11,967
Taxation overpayments	208	204	208	204
Exchange settlement funds(b)	-	-	12,603	299
Other	639	53	1,864	477
Total interest on debt	23,065	18,759	30,097	12,947
Other financing costs				
Discount on concessional instruments	1,181	708	1,210	716
Unwinding of provisions and other	993	134	924	116
Interest on lease liabilities	412	343	1,355	1,250
Total other financing costs	2,586	1,185	3,489	2,082
Total interest expense	25,651	19,944	33,586	15,029

(a) Certain comparatives have been restated. Refer to Note 1.6 for further details

(b) The increase in exchange settlement funds is driven by significantly higher interest rates on exchange settlement accounts following a 325-basis points increase in the cash rate target.

The above lease disclosures should be read in conjunction with the accompanying Notes 2B, 3C, 4B, 5D and 6D.

Interest expense

Interest on outstanding borrowings and other finance costs directly related to borrowings is expensed as incurred.

Note 3E: Grants expense

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Current grants expense				
State and territory governments(a)	153,418	148,441	153,418	148,441
Private sector	4,649	4,727	4,649	4,727
Overseas	4,379	4,417	4,379	4,417
Non-profit organisations(b)	13,331	12,162	13,331	12,162
Multi-jurisdictional sector(b)	12,064	12,209	12,064	12,209
Other	3,054	2,624	3,005	2,578
Total current grants expense	190,895	184,580	190,846	184,534
Capital grants expense				
Mutually agreed write-downs	2,714	2,884	2,714	2,884
<i>Other capital grants expense</i>				
State and territory governments(a)	16,029	14,346	16,029	14,346
Local governments	850	1,098	850	1,098
Non-profit organisations	488	471	488	471
Private sector	312	64	312	64
Overseas	-	49	-	49
Other	129	788	16	28
<i>Total other capital grants expense</i>	<i>17,808</i>	<i>16,816</i>	<i>17,695</i>	<i>16,056</i>
Total capital grants expense	20,522	19,700	20,409	18,940
Total grants expense	211,417	204,280	211,255	203,474

- (a) Current and capital grants to and through state and territory governments are limited to grants under the Federal Financial Relations framework, as disclosed in Budget Paper No. 3 and the Final Budget Outcome. Commonwealth entities may also provide grants to individual state and territory government entities, including under the Commonwealth Grants Rules and Guidelines (CGRGs). These are disclosed as grants to non-profit organisations or other grants as appropriate.
- (b) Comparatives have been restated to align with current year classification.

Current and capital transfers (grants)

Where no economic benefits are receivable in return for transfers, amounts are recognised as current transfers. For other transfers, the distinction between current and capital transfers is based on the nature of the activities or assets for which the transfers are made. If the activities or assets relate to the acquisition of assets, other than inventories that will be used in production for one year or more, the transfers are treated as capital transfers. Otherwise, they are treated as current transfers.

Where a transaction or event gives rise to legal, social, political or economic consequences such that the Australian Government has little discretion to avoid the sacrifice of future economic benefits, a liability and expense is recognised. In other circumstances, grants are recognised to the extent that the services required to be performed by the grantee have been performed or the grant eligibility criteria have been satisfied.

Multi-year government-to-government grants, including education grants, are recognised when the recipient government has met the grant eligibility criteria or provided the services or facilities that make it eligible to receive the grant.

Capital transfers also include mutually agreed write-downs. These transactions occur when both parties agree to the write-off of an amount owed to the Australian Government, rather than the Australian Government unilaterally deciding to write-down or write-off a debt. Mutually agreed write-downs include, for example, the remission of a penalty raised for overdue taxes receivable. Mutually agreed write-downs are recorded as an expense rather than a revaluation.

The 2022-23 Final Budget Outcome provides a disaggregation of current and capital grants to state and territory governments, and local governments, by jurisdiction.

Note 3F: Expenses by function

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
General public services	30,051	31,273	43,571	32,042
Defence	41,471	38,335	41,548	38,404
Public order and safety	7,513	6,658	7,510	6,510
Education	44,932	43,225	44,932	43,225
Health	102,680	106,185	102,767	106,249
Social security and welfare	222,897	221,411	222,844	221,341
Housing and community amenities	8,357	7,033	8,444	7,088
Recreation and culture	4,641	4,270	4,543	4,261
Fuel and energy	9,093	9,437	12,763	12,784
Agriculture, forestry and fishing	3,371	3,185	3,370	3,185
Mining, manufacturing and construction	5,167	3,816	5,266	3,870
Transport and communication(a)	12,166	11,503	29,302	27,773
Other economic affairs	14,399	21,781	14,550	22,033
Other purposes(a)	130,354	115,011	123,562	108,465
Total expenses	637,092	623,123	664,972	637,230

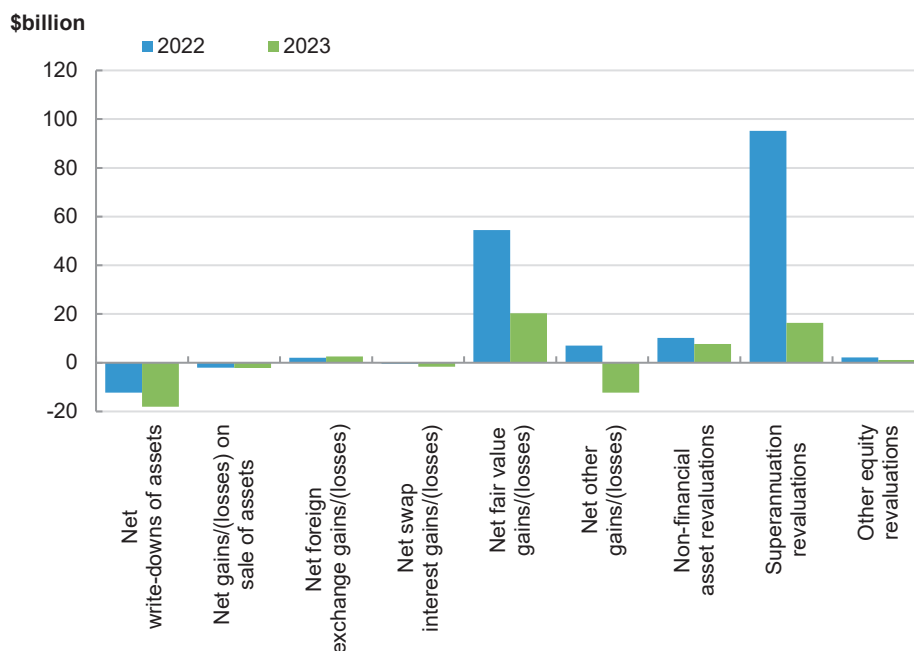
(a) Certain comparatives have been restated. Refer to Note 1.6 for further details.

The functional classification of expenses shows the total accrual outlays according to the socioeconomic objectives that the Australian Government aims to achieve. The following table provides a description of each function.

Function	Description
General public services	Includes legislative and executive affairs, financial and fiscal affairs, foreign affairs, foreign economic aid, general research, general economic and social planning, statistical services and government superannuation benefits.
Defence	Includes military and civil defence affairs, foreign military aid and defence research.
Public order and safety	Includes administration of the federal legal system and the provision for legal services, including legal aids, to the community. Public order and safety expenses also include law enforcement and intelligence activities and the protection of Australian Government property.
Education	Includes primary and secondary education, university and other higher education, technical and further education, preschool and special education and transportation of students.
Health	Includes general hospitals, repatriation hospitals, mental health institutions, nursing homes, special hospitals, hospital benefits, medical benefits, medical clinics and practitioners, dental clinics and practitioners, maternal and infant health, ambulance services, school and other public health services, pharmaceuticals, medical aids and appliances and health research.
Social security and welfare	Includes sickness benefits, benefits to ex-service people and their dependants, invalid and other permanent disablement benefits, old age benefits, widows, deserted wives, divorcees and orphans' benefits, unemployment benefits, family and child benefits, sole parent benefits, family and child welfare and aged and disability welfare.
Housing and community amenities	Includes housing and community development, water supply, household garbage and other sanitation, sewerage, urban stormwater drainage, protection of the environment and street lighting.
Recreation and culture	Includes public halls and civic centres, swimming pools and beaches, national parks and wildlife, libraries, creative and performing arts, museums, art galleries, broadcasting and film production.
Fuel and energy	Includes coal, petroleum, gas, nuclear affairs and electricity.
Agriculture, forestry and fishing	Includes agricultural land management, agricultural water resources management, agricultural support schemes, agricultural research and extension services, forestry and fishing.
Mining, manufacturing and construction	Includes activities relating to prospecting, mining and mineral resources development, manufacturing activities and research into manufacturing methods, materials and industrial management and activities associated with the building and construction industry.
Transport and communication	Includes road construction, road maintenance, parking, water transport, rail transport, air transport, pipelines, multi-mode urban transit systems and communications.
Other economic affairs	Includes storage, saleyards, markets, tourism and area promotion and labour and employment affairs.
Other purposes	Includes public debt transactions, general purpose inter-government transactions and natural disaster relief. Grants to and through state and territory governments are recorded against the 'other purposes' function.

Note 4: Other economic flows

Other economic flows are the changes in the volume or value of assets and liabilities that do not result from transactions. This includes impairment write-downs (unless mutually agreed with the counter-party), fair value movements, changes in assumptions underpinning actuarial assessments and foreign exchange gains or losses. For government reporting, these flows are distinguished from transactions as they do not involve an interaction between entities and are often not related to economic activities (for example, production, income generation, consumption, wealth accumulation). Noting that other economic flows comprise both gains and losses, the predominant sources of other economic flows are as follows:



Of the above, the following flows are included in the measurement of the accounting operating result. The remaining movements are adjusted directly to equity.

- **Net write-down of assets (including bad and doubtful debts)** (refer Note 4A) comprise the revaluation and impairment of financial and non-financial assets.
- **Net gains/(losses) from the sale of assets** (refer Note 4B) is the difference between the proceeds and the carrying amount of assets sold after selling costs.
- **Net foreign exchange gains/(losses)** (refer Note 4C) comprise unrealised gains/losses from the translation of assets and liabilities held overseas.
- **Net swap interest gains/(losses)** (refer Note 4C) comprise interest accrued or incurred on swaps and other derivatives (a form of financing transaction).

- **Net fair value and other gains/(losses)** (refer Note 4C) comprise fair value movements and other volume or price movements included in the calculation of the operating result for accounting purposes.

Note 4A: Net write-down of assets (including bad and doubtful debts)

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Financial assets				
Receivables – impairment gain or loss				
Taxes due	13,135	6,767	13,135	6,767
Receivables from contracts with customers	75	6	111	21
Other	739	787	743	787
Total financial write-down and impairment	13,949	7,560	13,989	7,575
Non-financial assets				
Inventories	1,558	1,253	1,568	1,259
Land	5	12	2	12
Buildings	(39)	49	(31)	56
Specialist military equipment	316	2,176	316	2,176
Other infrastructure, plant and equipment	24	80	1,842	1,091
Heritage and cultural assets	(21)	(9)	(21)	(9)
Intangibles	377	110	384	110
Net write-down, impairment and fair value losses arising from the revaluation of non-financial assets	2,220	3,671	4,060	4,695
Total net write-down and impairment of assets and fair value losses	16,169	11,231	18,049	12,270

Impairment of statutory receivables - taxes due

Impairment losses for taxes due are recognised as incurred. Impairment for large tax receivables (greater than \$30 million) are estimated on an individual assessment basis, with a default percentage impairment rate (based on historical collectability rates) applied to debts where the taxpayer is insolvent or has entered into a payment arrangement. The remaining tax receivables (less than or equal to \$30 million) impairment loss is derived using an automated model which allows large debt populations to be examined and provides for statistical credibility, in conjunction with interpretive judgement.

Impairment of receivables from contracts with customers

Applying the simplified approach under AASB 9 *Financial Instruments*, an impairment loss allowance is recognised for goods and services receivable based on lifetime expected credit losses (ECLs). Australian Government entities use impairment loss allowance matrices to measure the ECL from individual customers, which comprise a large number of small balances. Estimated losses are based on previous credit loss experience, adjusted to reflect changes in economic conditions where appropriate.

Impairment of non-financial assets

Non-financial assets were assessed for impairment at 30 June 2023. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. Where an asset is held for continuing use and not primarily for its ability to generate net cash flows, its value in use is taken to be its current replacement cost (CRC).

Note 4B: Net gains/(losses) from the sale of assets

	General Government		Australian Government	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Financial assets				
Net gains/(losses) from sale of investments	(1,867)	(1,333)	(2,188)	(2,041)
Non-financial assets				
Proceeds from sale of non-financial assets	172	1,194	234	1,252
less selling costs	(27)	(28)	(27)	(28)
less written down value of assets sold	(151)	(1,158)	(192)	(1,196)
Net gains/(losses) - non-financial assets	(6)	8	15	28
Net gains/(losses) from sale of assets	(1,873)	(1,325)	(2,173)	(2,013)
add back selling costs included in expenses	27	28	27	28
Net gains/(losses) from sale of assets in other economic flows	(1,846)	(1,297)	(2,146)	(1,985)

Note 4C: Other gains/(losses)

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Foreign exchange				
Net foreign exchange gains/(losses)	(510)	243	2,611	2,010
Net foreign exchange gains/(losses)	(510)	243	2,611	2,010
Interest on derivatives				
Net swap interest revenue	29,241	33,381	29,311	33,415
Net swap interest expense	(30,883)	(33,809)	(30,987)	(33,824)
Net interest on derivatives	(1,642)	(428)	(1,676)	(409)
Fair value through profit or loss				
Net fair value gains/(losses) - financial instruments	23,863	100,235	20,309	54,433
Net fair value gains/(losses) - biological assets	(9)	(9)	(9)	(9)
Net fair value gains/(losses) - investment properties	(6)	2	(6)	17
Net fair value gains/(losses)	23,848	100,228	20,294	54,441
Other				
Net repurchase premia	-	(34)	-	(34)
Net actuarial gains/(losses)	(11,654)	6,024	(11,928)	5,946
Amortisation of non-produced assets	(66)	(87)	(159)	(180)
Net result from associates and joint ventures	(85)	29	(58)	76
Other	(95)	1,202	(91)	1,274
Net other gains/(losses)	(11,900)	7,134	(12,236)	7,082
Total other gains/(losses)	9,796	107,177	8,993	63,124

Foreign currency translation

Transactions are translated to Australian dollars at the rate of exchange applicable at the date of the transaction. Balances and investments are translated at the exchange rates applicable at balance date.

Swap interest

Consistent with the ABS GFS Manual, interest on swaps and other derivatives are classified as a financing transaction and recorded in 'other economic flows'.

Fair value through profit or loss

Comprises fair value gains and losses in financial assets and liabilities categorised as 'held at fair value through profit or loss' (FVTPL) and fair value movements in biological assets and investment properties. Financial assets categorised as FVTPL include student loans and investments held by the Future Fund and other Australian Government Investment Funds. Financial liabilities classified as FVTPL include Government securities.

Other gains/(losses)

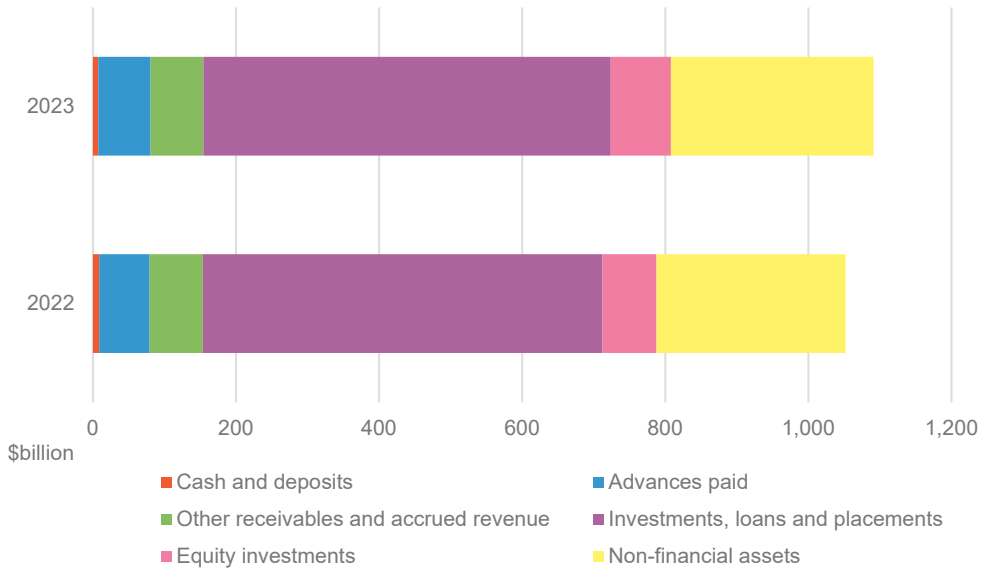
Other gains/(losses) include:

- the actuarial revaluation of provisions, other than superannuation;
- the amortisation of intangible 'non-produced' assets such as goodwill and purchased trademarks;
- net repurchase premia on Government securities; and
- gains and losses from Australian Government investments in associates and joint ventures.

Note 5: Assets

Assets are probable future economic benefits obtained or controlled by an Australian Government entity as a result of past transactions and activities undertaken and other events. The value and composition of Australian Government assets are as follows:

Asset composition



General recognition and measurement policies

Financial assets

Financial assets are classified in accordance with the Uniform Presentation Framework as follows:

- **Cash and deposits** include cash on hand or at bank and short-term deposits.
- **Advances paid** (refer Note 5A) include loans receivable and are predominantly provided for policy purposes such as student loans.
- **Other receivables and accrued revenue** (refer Note 5A) include statutory amounts due for the collection of tax or the recovery of benefits and contractual amounts due for the provision of goods and services or other arrangements.
- **Investments, loans and placements** (refer Note 5B) comprise securities and other non-equity investments held for liquidity or policy purposes.

- **Equity investments** (refer Note 5C) cover shares held by the Investment Funds and corporations and, at the GGS level, include the investment in public corporations (which are eliminated upon consolidation).

The Australian Government also discloses financial assets by category of financial instrument. The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Statutory receivables, gold holdings and equity accounted investments are included in financial assets in the balance sheet, but are excluded from additional financial instrument disclosures as they are not contractual in nature. Financial assets are allocated into the following categories:

AASB 9 Financial Instruments			Statutory receivables, gold holdings and equity accounted investments
Amortised cost	Fair value through other comprehensive income (FVOCI)	Financial assets at fair value through profit or loss (FVTPL)	
Financial assets held in order to collect contractual cash flows, the contractual terms of which give rise to cash flows which are solely payments of principal and interest (SPPI) on the amount outstanding.	Financial assets which give rise to cash flows which are SPPI on the amount outstanding and which are held for collecting cash flows and/or for selling. Equity investments are also categorised as FVOCI where the Australian Government intends to hold for the long term for policy purposes.	Financial assets which do not meet the SPPI criteria or are irrevocably designated as such in order to eliminate or reduce a recognition or measurement inconsistency. Certain equity investments are designated as FVTPL because their performance is actively monitored and they are managed on a fair value basis. Concessional and other loans are categorised as FVTPL where they exhibit repayment features that are not SPPI.	Financial assets which are statutory in nature, or are excluded from the scope of AASB 9. Statutory receivables are measured at amortised cost. Gold holdings are valued at fair value. Equity accounted investments are recognised and measured in accordance with AASB 128, <i>Investments in Associates and Joint Ventures</i> .

Financial assets at amortised cost or FVOCI are assessed for impairment at each balance date as follows:

Financial asset category	Recognition and measurement of impairment loss
Financial assets held at amortised cost: Contractual	<p>Measured based on Expected Credit Losses (ECL), using the general approach which measures the loss allowance based on an amount equal to lifetime expected credit losses where risk has significantly increased, or an amount equal to the 12 month expected credit losses if risk has not increased.</p> <p>The simplified approach for trade, contract and lease receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.</p> <p>The impairment is recognised by way of an allowance loss account which reduces the carrying amount of the financial asset, with the loss recognised in the operating statement as an 'other economic flow – included in operating result'.</p>

Financial asset category	Recognition and measurement of impairment loss
Financial assets held at FVOCI	Measured based on ECL as per financial assets held at amortised cost. The impairment does not reduce the carrying amount of the financial asset, which is held at fair value, but is recognised in the operating statement as an 'other economic flow – other non-owner movements in equity'.
Statutory receivables	Measured based on estimated incurred losses with the impairment loss representing the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets. The impairment is recognised by way of an allowance loss account which reduces the carrying amount of the financial asset, with the loss recognised in the operating statement as an 'other economic flow – included in operating result'.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or the asset is transferred to another entity. In the case of a transfer to another entity, it is necessary that the risks and rewards of ownership are also transferred.

Non-financial assets

Non-financial assets comprise the Government's holdings of land and buildings, plant, equipment and infrastructure, heritage and cultural assets, investment properties and intangibles (refer Note 5D). Non-financial assets also includes inventories for sale, use or distribution (refer Note 5E) and other non-financial assets (refer Note 5F).

Land and buildings, plant, equipment and infrastructure, heritage and cultural assets and investment properties are stated at fair value. Intangibles are measured at cost unless there is an active market in which case fair value is applied.

Inventories held for sale are valued at the lower of cost and net realisable value. Inventories held for distribution are measured at cost, adjusted for any loss of service potential.

Prepayments are recognised at amortised cost.

Note 5A: Advances paid and receivables

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
ADVANCES PAID				
Loans to state and territory governments	1,659	1,826	1,659	1,826
Student loans	52,366	51,950	52,366	51,950
Other	21,178	19,743	19,655	17,224
/less Impairment allowance(a)	(545)	(402)	(545)	(402)
Total advances paid	74,658	73,117	73,135	70,598
OTHER RECEIVABLES				
Taxes receivable				
Taxes receivable	82,911	73,440	82,158	72,652
/less Impairment allowance	(40,315)	(30,599)	(40,315)	(30,599)
/less Credit amendment allowance	(4,748)	(5,858)	(4,748)	(5,858)
Net taxes receivable	37,848	36,983	37,095	36,195
Personal benefits recoverable				
Recoveries of benefit payments	6,298	5,965	6,298	5,965
/less Impairment allowance	(2,202)	(1,909)	(2,202)	(1,909)
Net personal benefits recoverable	4,096	4,056	4,096	4,056
Goods and services and other				
Goods and services receivable	1,478	1,511	3,664	3,654
Other receivables(b)	9,701	12,819	12,787	16,126
/less Impairment allowance	(1,467)	(1,305)	(1,598)	(1,425)
Net goods and services and other	9,712	13,025	14,853	18,355
Total other receivables	51,656	54,064	56,044	58,606
ACCRUED REVENUE				
Accrued taxation revenue	17,110	15,101	17,110	15,101
Other accrued revenue	495	554	660	698
Total accrued revenue	17,605	15,655	17,770	15,799
Other receivables and accrued revenue	69,261	69,719	73,814	74,405
Total advances paid and receivables	143,919	142,836	146,949	145,003
By maturity:				
No more than 12 months	61,810	55,495	60,619	61,666
More than 12 months	82,109	87,341	86,330	83,337
Total by maturity	143,919	142,836	146,949	145,003
By category of financial assets				
Amortised cost	26,473	31,436	25,842	29,871
<i>Fair value:</i>				
Fair value through profit and loss	56,473	54,998	58,935	58,101
Fair value through other comprehensive income	-	-	1,952	1,417
Statutory and other	60,973	56,402	60,220	55,614
Total by category of financial asset	143,919	142,836	146,949	145,003

(a) An impairment allowance is separately recognised for financial assets measured at amortised cost. Financial assets measured at fair value through profit or loss, such as student loans, are reported net of impairment and after fair value movements.

(b) Certain comparatives have been restated. Refer to Note 1.6 for further details.

Objective

Advances paid comprises of concessional and commercial loans which are provided in pursuit of policy objectives, the largest of which are for student loans provided under the Higher Education Loan Program (HELP). Other receivables include statutory amounts due under tax and social security legislation and contractual receivables for the provision of goods and services.

Recognition and measurement of advances paid and receivables

Advances are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method (less impairment), unless these loans have been designated as 'held at fair value through profit or loss'. Interest is recognised on loans evenly in proportion to the amount outstanding over the period to repayment. Loans designated as 'held at fair value through profit or loss' are those which exhibit cash flow characteristics which are not solely payments of principal and interest (SPPI) and include HELP student loans.

Trade debtors, bills of exchange, promissory notes and other receivables are initially recorded at the fair value of the amounts to be received and are subsequently measured at amortised cost using the effective interest rate method, less any impairment loss allowance. Other accrued revenue is recognised when a service has been provided but has not been invoiced. Accrued revenue is recognised at the nominal amounts due. Taxation related accounting policies are disclosed in Note 2A.

At any point in time, there are benefit recipients who have received a benefit in excess of their entitlement and owe money to the Commonwealth. The amount owing is recognised as a personal benefit recoverable. For certain programs, the amount of overpayment is subject to eligibility requirements including a year-end reconciliation after the reporting date, generally on the receipt of tax returns. For relevant programs, a receivable is recognised based on actuarial advice as to the likely level of debt recovery, unless the estimate is subject to significant uncertainty, in which case a receivable is not recognised until the year-end reconciliation has been completed. Personal benefit recoveries for overpayments are offset against personal benefits expense in the Statement of Comprehensive Income.

Accounting judgement and estimate – Credit risk

Credit risk in relation to financial assets is the risk that a third party will not meet its obligations in accordance with agreed terms. Generally, the Australian Government's maximum exposure to credit risk in relation to each class of advances paid and receivables is the carrying amount of those assets as indicated in the consolidated balance sheet and the majority of Australian Government entities do not have significant exposures to concentrations of credit risk.

Accounting judgement and estimate – Expected credit losses (ECLs) on amortised cost receivables

Advances paid, excluding those held at fair value, are assessed for impairment based on ECL models underpinned by assumptions which require judgements about the recoverability of the loan. The judgements are based on expected cash flow forecasts, indicative credit ratings and probabilities of default events occurring. Significant judgement may be involved where there is an absence of market comparisons.

ECL allowances on other contractual receivables and accrued revenue are estimated using the simplified approach through the use of provision matrices based on historical credit loss experience within invoice ageing categories, adjusted for forward-looking estimates of recovery conditions based on macroeconomic data. ECLs are not recognised on receivables or accrued revenue from state and territory government entities as the probability of default is negligible.

Reconciliation of the impairment loss allowance^(a)

	General Government		Australian Government	
	Advances and loans	Goods and services and other	Advances and loans	Goods and services and other
	\$m	\$m	\$m	\$m
Opening balance at 1 July 2021	(295)	(843)	(295)	(980)
less Amounts written off	(8)	(147)	(8)	(178)
less Amounts recovered and reversed	-	(11)	-	(11)
plus (Increase)/decrease recognised in operating result	(105)	(545)	(105)	(559)
plus Other movement	(10)	(75)	(10)	(75)
Closing balance at 30 June 2022	(402)	(1,305)	(402)	(1,425)
less Amounts written off	(65)	(81)	(65)	(102)
less Amounts recovered and reversed	-	8	-	8
plus (Increase)/decrease recognised in operating result	(208)	(150)	(208)	(182)
plus Other movement	-	(85)	-	(85)
Closing balance at 30 June 2023	(545)	(1,467)	(545)	(1,598)

(a) Excludes statutory receivables such as taxes receivable and personal benefits recoverable.

Accounting judgement and estimate – Credit risk on fair value advances

The largest of the fair value loans are student loans, including those under HELP. The recoverability of these loans is factored into the annual fair value actuarial assessment. The actuarial assessment takes into account future income projections, the pattern and timing of repayments and debt not expected to be recovered (DNER). The gross nominal value of HELP loans was \$71,921 million at 30 June 2023 (2022: \$67,747 million) and no collateral is held. The following table shows the changes in the fair value of HELP loans due to credit risk.

	2023 \$m	2022 \$m
Fair value changes (decreases) due to credit risk:		
During the period	946	837
Prior periods (cumulative)	18,916	16,069
Cumulative change	19,862	16,906

Collateral

The majority of Australian Government entities do not hold collateral to manage credit risk. Cash invested in overseas markets by the RBA under repurchase agreements is secured by collateral to the value of 102 per cent of the cash invested with \$6,844 million sold and contracted for purchase under repurchase agreements (2022: \$7,893 million). Indigenous Business Australia holds collateral in the form of personal guarantees or security against home and business loans of \$974 million at 30 June 2023 (2022: \$911 million). In addition, the Future Fund received collateral of \$1,479 million at 30 June 2023 (2022: \$598 million).

Accounting judgement and estimate – Fair value

The following tables provide an analysis of advances paid and receivables that are measured at fair value against the AASB 13 fair value hierarchy.

	General Government		Australian Government	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Advances paid and receivables at fair value				
Level 1	45	50	68	192
Level 2	2,835	2,807	5,427	5,200
Level 3	53,593	52,141	55,392	54,126
Total fair value	56,473	54,998	60,887	59,518

Advances paid and receivables categorised as Level 2 and Level 3 have predominantly been valued using a discounted cash flow approach with the exception for derivative instruments that have been valued using a market approach based on observable market transactions.

The primary inputs have been valued using a market approach based on observable market transactions including principal due and the discount rate. Level 3 receivables are differentiated from Level 2 in that they are generally actuarially assessed. The two main valuation inputs are DNER and the fair value of the remaining receivable, calculated as the present value of projected future cash flows.

These balances are sensitive to changes in the underlying assumptions, including the discount rate. Student loans are sensitive to changes in the future CPI growth, the discount rate (yield curve) and DNER. Level 3 advances paid and receivables are reconciled as follows.

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Level 3 advances paid and receivables				
Opening balance at 1 July	52,141	55,610	54,126	56,837
Adjustment to opening balance	-	15	-	65
Purchases/payments	8,570	7,346	8,940	7,694
Sales/repayments	(8,336)	(5,444)	(8,665)	(5,992)
Gains/(losses) recognised in the operating result	1,218	(5,385)	991	(4,477)
Transfers in/(out) of Level 3	-	(1)	-	(1)
Total fair value	53,593	52,141	55,392	54,126

Note 5B: Investments, loans and placements

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Gold	-	-	7,406	6,772
Deposits	8,544	9,823	23,270	25,665
Government securities(a)(b)	-	-	312,440	309,701
Structured finance securities	658	803	658	803
IMF quota and SDR holdings(b)	25,865	24,902	35,301	31,296
Defined benefit superannuation plan assets	-	-	781	1,230
Collective investment vehicles	114,805	106,865	114,805	106,865
Other interest bearing securities	56,072	55,439	56,852	56,331
Other(b)	15,236	16,625	17,752	19,528
Total investments, loans and placements	221,180	214,457	569,265	558,191
By category of financial assets				
Amortised cost	17,888	16,866	234,315	239,726
<i>Fair value:</i>				
Fair value through profit and loss	176,841	172,337	300,311	285,209
Fair value through other comprehensive income	26,451	25,254	26,452	25,254
Other(c)	-	-	8,187	8,002
Total by category of financial asset	221,180	214,457	569,265	558,191

- (a) Comprise government securities (non-Australian Government) held by the RBA for monetary policy objectives. Government securities held for investment purposes are included in other interest bearing securities.
- (b) Certain comparatives have been restated to align with current year treatment or refer to Note 1.6 for further details.
- (c) Gold holdings and superannuation plan assets are included in financial assets in the balance sheet, but are not financial instruments for the purposes of AASB 7 *Financial Instruments: Disclosures*.

Objective

The GGS holds deposits for liquidity management and the International Monetary Fund (IMF) quota to meet its subscription obligations to the IMF. Investments in collective investment vehicles (CIVs) and other interest bearing liabilities are held by the Australian Government Investment Funds (Investment Funds) as detailed in Note 9B. The RBA holds gold and government securities in conducting monetary policy.

Recognition and measurement of investments, loans and placements

The fair value of gold holdings is equal to the Australian dollar equivalent of the benchmark rate set at 3:00 pm London time in the London gold market on balance date.

Depending on the type of instrument, deposits are recognised at either nominal or market value. Interest is credited to revenue as it accrues. Deposits have varying terms and rates of interest.

Investments in domestic and foreign government securities are predominantly held by the RBA and are used to manage liquidity risk and for monetary policy. The majority of these securities are recoverable within 12 months. With the exception of securities contracted for sale under repurchase agreements, these securities are classified by the RBA as 'at fair value through profit or loss'. Securities purchased and contracted for sale under repurchase agreements are valued at amortised cost. The difference between the purchase and sale price is accrued over the term of the agreement and recognised as interest revenue.

The IMF quota represents Australia's membership subscription to the International Monetary Fund (IMF), an organisation of 190 member countries working to ensure the stability of the international monetary system. Under the IMF Articles of Agreement, each member country is assigned a quota denominated in special drawing rights (SDR), the payment of which is used by the IMF to finance its activities. The SDR is the IMF's unit of account, the value of which is determined daily based on the market exchange rates of a basket of national currencies. The value of the investment reported in the Consolidated Financial Statements is equal to Australia's quota at 30 June 2023, translated to Australian dollars, as this is the amount that would be payable under the IMF Articles if a country were to withdraw from the IMF. The investment is classified as FVOCI and is not expected to be realised in the next 12 months.

CIVs are held by the Investment Funds as part of their investment strategy. CIVs are entities that enable investors to pool their money and invest the pooled funds, rather than buying securities directly. They allow the investor to invest in a range of assets, such as debt securities, equity, commodity-linked investments, real estate, shares in other investment funds and structured assets. Investments in CIVs are recorded at fair value on the date which consideration is provided to the contractual counterparty under the terms of the relevant subscription agreement.

Other interest bearing securities are primarily held by the Investment Funds (refer Note 9B) and include negotiable certificates of deposit, mortgage and asset backed securities, bank bills and corporate debt securities.

Investments in CIVs and other interest bearing securities by the Future Fund and Investment Funds are held for the longer term, consistent with each fund's investment mandate.

Accounting judgement and estimate – Fair value

The following tables provide an analysis of investments, loans and placements that are measured at fair value.

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Investments, loans and placements at fair value				
Level 1	6,563	10,166	124,260	117,377
Level 2	53,544	53,646	66,320	65,710
Level 3	143,185	133,779	143,589	134,148
Total fair value(a)	203,292	197,591	334,169	317,235

(a) Includes gold holdings which are not a financial instrument under AASB 7 but are held at fair value.

Investments, loans and placements categorised as Level 2 have been valued using a market approach based on observable market transactions. Those categorised as Level 3 use the following techniques:

	Valuation technique(s)	Inputs used
IMF quota	Cost approach	Foreign exchange rates
Collective investment vehicles	Discounted cash flow	Discount rate
	Market approach	Adjusted market transactions
Other interest bearing securities	Discounted cash flow	Discount rate
Other	Net assets of entities	Net assets of entities

Investments, loans and placements categorised as Level 3 that are valued using the net assets technique have been based on either the latest available audited accounts of those entities or internal management accounts because this is the most relevant available information at the end of the period.

In determining the fair value of CIVs, reference is made to the underlying unit price provided by the CIV Manager (where available), associated Manager or independent expert valuation reports and capital account statements and the most recent audited financial statements of each CIV. Manager valuation reports are reviewed to ensure the underlying valuation principles are materially compliant with Australian Accounting Standards and applicable industry standards.

For the IMF quota investment, the value of shares are held in foreign currency and converted to an Australian dollar equivalent for inclusion in the financial statements.

The following table reconciles the movement in the balance of investments, loans and placements classified as Level 3.

	General Government		Australian Government	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Level 3 investments, loans and placements				
Opening balance at 1 July	133,779	105,844	134,148	106,235
Adjustment to opening balance	-	(15)	-	(65)
Purchases/payments	17,378	38,618	17,409	38,676
Sales/repayments	(10,624)	(18,490)	(10,624)	(18,506)
Gains/(losses) recognised in the operating result	2,509	7,225	2,513	7,211
Gains/(losses) recognised in equity	31	(2)	31	(2)
Transfers in/(out) of Level 3	112	599	112	599
Total fair value	143,185	133,779	143,589	134,148

Accounting judgement and estimate – Credit risk

Generally, Australian Government entities' credit risk exposures on investments are limited to highly rated counterparties and their credit risks are low. Australian Government entities that have material concentrations of credit risk include:

- the Investment Funds' exposure to debt securities issued by domestic banks. The Future Fund utilises credit default swaps for exposure to credit risk. The counterparties for these swaps include major banking firms and their affiliates with exposure managed by utilising multiple counterparties and considering each counterparty's credit rating. The credit risk exposure is concentrated in securities with 'A' ratings. Further detail is provided in the financial statements for the Future Fund Management Agency and Board of Guardians;
- the Public Financial Corporation sector's exposure on financing and credit facilities extended to non-government clients, including commercial account exposures for Export Finance Australia (EFA) and the RBA's exposure to the issuers of held securities, banks with which the RBA deposits funds and counterparties that are yet to settle transactions;
- investments, loans and placements managed by the Clean Energy Finance Corporation (the Corporation) have a significant concentration of exposure to the energy and renewables sectors as the Corporation has been established for investment in commercialisation and deployment of (or in relation to the use of) Australian based renewable energy, energy efficiency and low emissions technologies (or businesses that supply goods or services needed to develop the same); and
- the AOFM's financial investments including loans to state and territory governments, deposits and securities.

The Boards responsible for governing the above organisations manage exposure by setting limits on the credit rating of counterparties.

The Australian Government is also exposed to credit risk on foreign exchange swaps and interest rate derivatives. The net derivative exposure is detailed in Note 9B.

Note 5C: Equity investments

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Investments in private funds and corporations	76,997	70,548	78,329	71,693
Investment in public corporations	42,116	38,267	-	-
Equity accounted investments	5,401	3,904	5,722	4,198
Total equity investments	124,514	112,719	84,051	75,891
By category of financial assets				
<i>Fair value:</i>				
Fair value through profit and loss	72,204	65,561	72,827	66,170
Fair value through other comprehensive income	46,909	43,254	5,502	5,523
Other	5,401	3,904	5,722	4,198
Total by category of financial asset	124,514	112,719	84,051	75,891

Objective

Shares are held by the Investment Funds as detailed in Note 9B. The Australian Government also holds share equity in international financial institutions and multilateral aid organisations to meet its international policy obligations. The investment in public corporations represents the Government's ownership interest in public corporations such as the RBA, SHL and NBN Co. Equity investments are not expected to be realised within the next 12 months.

Recognition and measurement of equity investments

At the whole of government level, equity investments primarily consist of the Future Fund's holdings of listed equities and listed managed investment schemes. These investments are designated as 'financial assets through profit or loss' on acquisition.

At the GGS level, equity investments also include the Australian Government's ownership interest in public corporations. The investments are eliminated at whole of government level. Where the public corporation is a government business enterprise whose principal function is to engage in commercial activities in the private sector and the corporation generates significant non-government cash inflows (compared to inflows from Government), the investment is measured at fair value applying a discounted cash flow technique. Investments in other public corporations are measured as the Australian Government's proportional interest in the net assets of the public corporation as at the end of the reporting period.

Accounting judgement and estimate – Fair value

In the fair value hierarchy, equity investments were valued as follows:

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Equity investments at fair value				
Level 1	70,173	63,678	70,173	63,678
Level 2	1,416	1,932	1,416	1,930
Level 3	47,524	43,205	6,740	6,085
Total fair value	119,113	108,815	78,329	71,693

Equity investments categorised as Level 2 have been valued using a market approach based on observable market transactions. Those categorised as Level 3 use the following techniques:

	Valuation technique(s)	Inputs used
Shares	Values of shares held	Foreign exchange rates
	Net assets of entities	Net assets of entities
Investment in public corporations	Net assets of entities	Net assets of entities
	Discounted cash flow	Weighted average cost of capital

For general government investments in public corporations valued using a discounted cash flow technique, cash flow projections for a forecast period and terminal year are based on management corporate plans and have been discounted using a weighted average cost of capital appropriate to the public corporation.

The fair value of the GGS investment in the following corporations has been determined based on a discounted cash flow method prepared with the advice of independent valuation experts:

- Australian Rail Track Corporation (ARTC) was valued at \$1,785 million at 30 June 2023 (2022: \$2,648 million). The discounted cash flow method was applied to ARTC's valuation of its interstate and Hunter Valley rail network assets, modified where necessary for cash flows associated with its other asset and liability categories. ARTC measures assets arising from construction of the Inland Rail project at cost, with subsequent impairment using multiple valuation methods including market assessments and discounted cash flow calculations. These assets will be integrated into the valuation of ARTC's interstate network assets once the project is substantially complete but have been impaired to zero value, or close to zero value, at 30 June 2023.

The valuation was subject to independent sensitivity analysis, including sensitivity to the discount rate. With all other assumptions remaining the same, a discount rate in the range of 6.20 per cent to 7.30 per cent (2022: 6.20 per cent

to 7.30 per cent) resulted in a calculated fair value in the range of \$1,700 million to \$3,100 million.

- NBN Co was valued at \$19,500 million at 30 June 2023 (2022: \$19,700 million) using a discounted cash flow valuation. The discounted cash flow valuation adopts an equity approach using the free cash flows forecast in NBN Co's Integrated Operating Plan (IOP) extrapolated to 2040. The cash flow forecasts were adjusted where appropriate for assumptions on investments and other decisions that would be adopted by a hypothetical purchaser and included calculation of a terminal value, discounted using an assumed rate of return on equity of 9.35 per cent.

A conservative fair value estimate of \$19,500 million at 30 June 2023, (\$19,700 million at 30 June 2022), was adopted to reflect the sensitivity of the valuation to changes in key assumptions and ongoing uncertainties of the impact of the COVID-19 pandemic on economic conditions. The valuation was subject to independent sensitivity analysis, including sensitivity to the discount rate. With all other assumptions remaining the same, a discount rate in the range of 8.85 per cent to 9.85 per cent (2022: 8.8 per cent to 9.8 per cent) resulted in a calculated fair value in the range of \$17,600 million to \$21,700 million (2022: \$17,800 million to \$21,900 million).

- SHL was valued at \$8,750 million at 30 June 2023 (2022: \$8,250 million). The discounted cash flow valuation was supported by crosschecking against the capitalisation of future maintainable earnings method based on an analysis of share trading in energy generation companies.

Other corporations where the GGS investment has been valued applying a discounted cash flow method include Airservices Australia and the Australian Submarine Corporation.

The Australian Postal Corporation (Australia Post) was previously valued using a discounted cash flow method, however, this year has reverted to net assets due to the significant level of uncertainty surrounding Australia Post's future cash flows.

Noting that the value of the investment cannot go below zero, other public corporations in which the GGS investment value is based on the net assets of the investee are as follows:

- ANSTO Nuclear Medicine Pty Ltd
- Australian Hearing Services (Hearing Australia)
- Australian Naval Infrastructure Pty Ltd
- Australian Reinsurance Pool Corporation
- Coal Mining Industry (Long Service Leave Funding) Corporation
- CSIRO Innovation Funds
- Export Finance Australia
- National Intermodal Company Limited
- Housing Australia

- Reserve Bank of Australia
- Voyages Indigenous Tourism Australia Pty Ltd
- WSA Co Ltd

For shares in international financial institutions held by the Australian Government, the value is held in foreign currency and converted to an Australian dollar equivalent for inclusion in the financial statements. This information is an observable input.

The following table reconciles the movement in the balance of equity investments classified as Level 3.

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Level 3 equity investments				
Opening balance at 1 July	43,205	66,406	6,085	5,707
Purchases/Payments	2,329	3,867	439	3,998
Sales/Repayments	(99)	(108)	(46)	(108)
Gains/(losses) recognised in the operating result	140	246	198	402
Gains/(losses) recognised in equity	1,965	(27,229)	80	(3,937)
Transfers in/(out) of level 3	(16)	23	(16)	23
Total fair value	47,524	43,205	6,740	6,085

Note 5D: Land and buildings, plant, equipment and infrastructure, heritage and cultural assets and intangibles
Land and buildings, plant, equipment and infrastructure, heritage and cultural assets and intangibles by basis of valuation

Item	Australian Government	Land(b)	(b)	Specialist	Other plant, equipment and infrastructure(b)	Heritage and cultural assets	Investment property	Computer software	Other intangibles	Total
Measurement basis(a)		Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Cost	Cost	\$m
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Net book value at 30 June 2023										
Gross book value		16,864	67,125	85,658	105,328	12,865	343	22,056	8,856	319,095
Accumulated depreciation/amortisation		(46)	(13,294)	(1,031)	(26,522)	(247)	-	(13,929)	(1,173)	(56,242)
Net book value at 30 June 2023		16,818	53,831	84,627	78,806	12,618	343	8,127	7,683	262,853
Carrying amount of right-of-use assets										
Assets at fair value by level of the fair value hierarchy:		229	17,551	248	9,926	-	-	-	45	27,999
Level 2		13,330	5,386	-	10,440	1,748	273	-	-	31,177
Level 3		3,259	30,894	84,379	58,440	10,870	70	-	-	187,912
Fair value at 30 June 2023		16,589	36,280	84,379	68,880	12,618	343	-	-	219,089
Net book value at 30 June 2022										
Gross book value		15,159	61,996	81,513	96,053	12,848	365	21,125	8,289	297,348
Accumulated depreciation/amortisation		(46)	(11,254)	(258)	(25,135)	(216)	-	(13,402)	(1,004)	(51,315)
Net book value at 30 June 2022		15,113	50,742	81,255	70,918	12,632	365	7,723	7,285	246,033
Carrying amount of right-of-use assets										
Assets at fair value by level of the fair value hierarchy:		225	17,502	287	9,648	-	-	-	53	27,715
Level 2		11,536	4,694	-	6,611	169	287	-	-	23,297
Level 3		3,352	28,546	80,968	54,659	12,463	78	-	-	180,066
Fair value at 30 June 2022		14,888	33,240	80,968	61,270	12,632	365	-	-	203,363

(a) Fair value excludes right-of-use assets which are held at cost.

(b) Certain comparatives have been restated. Refer to Note 1.6 for further details.

Land and buildings, plant, equipment and infrastructure, heritage and cultural assets and intangibles by basis of valuation
(continued)

General Government		Land		Buildings		Specialist military equipment		Other plant, equipment and infrastructure		Heritage and cultural assets		Investment property		Computer software		Other intangibles		Total
Item		\$m		\$m		\$m		\$m		\$m		\$m		\$m		\$m		\$m
Measurement basis(a)		Fair value		Fair value		Fair value		Fair value		Fair value		Fair value		Fair value		Fair value		Cost
Net book value at 30 June 2023																		
Gross book value		13,483		61,461		85,658		25,464		12,865		219		15,404		6,289		220,843
Accumulated depreciation/amortisation		(9)		(12,242)		(1,031)		(5,424)		(247)		-		(9,261)		(507)		(28,721)
Net book value at 30 June 2023		13,474		49,219		84,627		20,040		12,618		219		6,143		5,782		192,122
Carrying amount of right-of-use assets		165		16,419		248		1,442		-		-		-		-		18,274
Assets at fair value by level of the fair value hierarchy:																		
Level 2		10,605		3,974		-		2,032		1,748		219		-		-		18,578
Level 3		2,704		28,826		84,379		16,566		10,870		-		-		-		143,345
Fair value at 30 June 2023		13,309		32,800		84,379		18,598		12,618		219		-		-		161,923
Net book value at 30 June 2022																		
Gross book value		12,734		56,473		81,513		23,425		12,848		206		14,589		5,914		207,702
Accumulated depreciation/amortisation		(16)		(10,408)		(258)		(5,008)		(216)		-		(8,964)		(433)		(25,303)
Net book value at 30 June 2022		12,718		46,065		81,255		18,417		12,632		206		5,625		5,481		182,399
Carrying amount of right-of-use assets		166		16,177		287		1,575		-		-		-		-		18,205
Assets at fair value by level of the fair value hierarchy:																		
Level 2		9,694		3,363		-		1,167		169		206		-		-		14,599
Level 3		2,858		26,525		80,968		15,675		12,463		-		-		-		138,489
Fair value at 30 June 2022		12,552		29,888		80,968		16,842		12,632		206		-		-		153,088

(a) Fair value excludes right-of-use assets which are held at cost.

Reconciliation of movement in land and buildings, plant, equipment and infrastructure, heritage and cultural assets and intangibles

Australian Government										
Item	Land \$m	Buildings \$m	Specialist military equipment \$m	Other plant, equipment and infrastructure \$m	Heritage and cultural assets \$m	Investment property \$m	Computer software \$m	Other intangibles \$m	Total \$m	
Net book value at 1 July 2021	14,085	47,755	74,387	68,002	11,861	348	7,160	6,514	230,112	
Additions:										
Purchases and entity acquisitions	165	3,384	8,256	8,484	62	11	736	981	22,079	
Internally developed	-	-	-	-	-	-	1,592	-	1,592	
Right-of-use assets	26	2,112	-	191	-	-	-	-	2,329	
Revaluations	1,026	2,029	4,453	1,194	782	17	-	652	10,153	
Depreciation/amortisation expense(a)	-	(1,689)	(3,892)	(5,491)	(92)	-	(1,672)	(172)	(13,008)	
Depreciation of right-of-use assets	(14)	(2,712)	(35)	(763)	-	-	-	(8)	(3,532)	
Recoverable amount write-downs	(12)	(96)	(2,508)	(1,138)	(11)	-	(110)	(11)	(3,886)	
Net write-down of right-of-use assets	-	16	-	-	-	-	-	-	16	
Reversal of write-downs	-	24	332	47	20	-	10	1	434	
Other movements	(123)	(38)	284	40	10	2	15	(19)	171	
Other movements of right-of-use assets	(6)	26	61	421	-	-	-	-	502	
Disposals	(34)	(69)	(83)	(69)	-	(13)	(8)	(653)	(929)	
As at 30 June 2022	15,113	50,742	81,255	70,918	12,632	365	7,723	7,285	246,033	
Additions:										
Purchases and entity acquisitions	425	2,617	8,539	10,617	103	3	888	551	23,743	
Internally developed	-	-	-	-	-	-	1,634	-	1,634	
Right-of-use assets	9	2,790	-	225	-	-	-	-	3,024	
Revaluations	1,076	1,873	(167)	4,367	(70)	(6)	2	(2)	7,073	
Depreciation/amortisation expense(a)	-	(1,870)	(4,667)	(5,363)	(73)	-	(1,676)	(151)	(13,800)	
Depreciation of right-of-use assets	(13)	(2,803)	(39)	(746)	-	-	-	(8)	(3,609)	
Recoverable amount write-downs	1	(141)	(728)	(1,966)	(1)	-	(352)	(46)	(3,233)	
Net write-down of right-of-use assets	(3)	20	-	(1)	-	-	-	-	16	
Reversal of write-downs	-	152	412	125	22	-	7	7	725	
Other movements	279	429	22	(144)	5	11	(88)	48	562	
Other movements of right-of-use assets	11	57	-	803	-	-	-	-	871	
Disposals	(80)	(35)	-	(29)	-	(30)	(11)	(1)	(186)	
As at 30 June 2023	16,818	53,831	84,627	78,806	12,618	343	8,127	7,683	262,853	

(a) The depreciation/amortisation expense movement includes the amortisation of non-produced intangible assets as reported in Note 4C: Other gains/(losses).

Reconciliation of movement in land and buildings, plant, equipment and infrastructure, heritage and cultural assets and intangibles (continued)

General Government										
Item	Land \$m	Buildings \$m	Specialist military equipment \$m	Other plant, equipment and infrastructure \$m	Heritage and cultural assets \$m	Investment property \$m	Computer software \$m	Other intangibles \$m	Total \$m	
Net book value at 1 July 2021	12,070	43,311	74,387	17,714	11,861	192	4,989	4,806	169,330	
Additions:										
Purchases and entity acquisitions	53	3,174	8,256	2,538	62	11	550	794	15,438	
Internally developed	-	-	-	-	-	-	1,286	-	1,286	
Right-of-use assets	25	1,905	-	113	-	-	-	-	2,043	
Revaluations	742	1,747	4,453	335	782	2	-	652	8,713	
Depreciation/amortisation expense(a)	-	(1,529)	(3,892)	(2,032)	(92)	-	(1,109)	(87)	(8,741)	
Depreciation of right-of-use assets	(7)	(2,424)	(35)	(342)	-	-	-	-	(2,808)	
Recoverable amount write-downs	(12)	(96)	(2,508)	(119)	(11)	-	(110)	(11)	(2,867)	
Net write-down of right-of-use assets	-	23	-	-	-	-	-	-	23	
Reversal of write-downs	-	24	332	39	20	-	10	1	426	
Other movements	(122)	(20)	284	40	10	1	17	(21)	189	
Other movements of right-of-use assets	2	(4)	61	192	-	-	-	-	251	
Disposals	(33)	(46)	(83)	(61)	-	-	(8)	(653)	(884)	
As at 30 June 2022	12,718	46,065	81,255	18,417	12,632	206	5,625	5,481	182,399	
Additions:										
Purchases and entity acquisitions	73	2,282	8,539	3,084	103	3	741	337	15,162	
Internally developed	-	-	-	-	-	-	1,300	-	1,300	
Right-of-use assets	1	2,602	-	146	-	-	-	-	2,749	
Revaluations	488	1,869	(167)	1,131	(70)	(6)	2	(2)	3,245	
Depreciation/amortisation expense(a)	-	(1,659)	(4,667)	(2,248)	(73)	-	(1,113)	(66)	(9,826)	
Depreciation of right-of-use assets	(6)	(2,543)	(39)	(313)	-	-	-	-	(2,901)	
Recoverable amount write-downs	(2)	(137)	(728)	(148)	(1)	-	(352)	(39)	(1,407)	
Net write-down of right-of-use assets	(3)	24	-	-	-	-	-	-	21	
Reversal of write-downs	-	152	412	124	22	-	7	7	724	
Other movements	277	421	22	(167)	5	17	(55)	64	584	
Other movements of right-of-use assets	7	174	-	37	-	-	-	-	218	
Disposals	(79)	(31)	-	(23)	-	(1)	(12)	-	(146)	
As at 30 June 2023	13,474	49,219	84,627	20,040	12,618	219	6,143	5,782	192,122	

(a) The depreciation/amortisation expense movement includes the amortisation of non-produced intangible assets as reported in Note 4C: Other gains/(losses).

Objective

Property, plant and equipment are held for operational purposes as is computer software. The Department of Defence (Defence) is the largest holder of non-financial assets. Heritage and cultural assets include the cultural collections of the national gallery, library and museums while other intangibles include the Australian Government's portfolio of water entitlements acquired and which are held for environmental water purposes.

Recognition and measurement of non-financial assets

Where available, the fair value of property, plant and equipment is determined by reference to market based evidence including, for example, the market value of similar properties. Fair value is estimated using an income (net present value/discounted cash flows) or a cost (current replacement cost (CRC)) approach, if there is no market-based evidence of fair value because of the specialised nature of the item of property, plant or equipment and the item is rarely sold.

The cost of restoration or removal is included in the measurement of property, plant and equipment when a legal or constructive obligation exists. These costs include obligations relating to the dismantling, removal, remediation, restoration and other expenditure associated with the Australian Government's fixed assets or site fit-outs. Restoration provisions are initially recorded when a reliable estimate of the costs to be incurred can be determined and are discounted to present value. Estimates are based upon a review of lease contracts, legal requirements, historical information and expected future costs. Any changes to these estimates are adjusted on a progressive basis as required.

The Australian Government's intangibles comprise internally developed software for internal use, water entitlements, goodwill and intangible assets acquired by public corporations (PNFCs and PFCs). Intangibles are carried at cost. Water entitlements, goodwill and other indefinite life intangibles are not amortised but tested for impairment on an annual basis. When public corporations acquire investments in controlled entities, and pay an amount greater than the fair value of the net identifiable assets of the entity, this excess is recognised as goodwill.

Right-of-use assets

Leased right-of-use assets are capitalised at the commencement date of the lease and comprise of: the initial lease liability amount; initial direct costs incurred when entering into the lease; less any lease incentives received. The initial right-of-use value will also include the estimated provision for restoration costs where there is a requirement to restore the premises not related to the specific leasehold improvement. These assets are accounted for by Commonwealth lessees as separate asset classes to corresponding assets owned outright, but included in the same column as where the corresponding underlying assets would be presented if they were owned.

Accounting judgement and estimate - Fair value

The analysis of land and buildings, plant, equipment and infrastructure, heritage and cultural assets and intangibles by basis of valuation includes a disaggregation of asset values against the AASB 13 fair value hierarchy. Non-financial assets categorised as Level 2 and 3 have been valued using the following techniques:

	Category	Valuation technique(s)	Inputs used
Land	2	Market approach Income approach	Market transactions Future cash flows
	3	Market approach Income approach	Adjusted market transactions Future cash flows
Buildings	2	Market approach Income approach Cost approach	Market transactions Future cash flows Replacement cost of new assets
	3	Market approach Income approach Cost approach	Adjusted market transactions Future cash flows Replacement cost of new assets Consumed economic benefit
Specialist military equipment	3	Market approach Cost approach	Adjusted market transactions Replacement cost of new assets Market indices Consumed economic benefit
Other plant, equipment and infrastructure (Other IPE)	2	Market approach Cost approach	Market transactions Replacement cost of new assets
	3	Market approach Income approach Cost approach	Adjusted market transactions Future cash flows Replacement cost of new assets Consumed economic benefit
Heritage and cultural assets	2	Market approach Cost approach	Market transactions Replacement cost of new assets
	3	Market approach Cost approach	Adjusted market transactions Replacement cost of new assets Consumed economic benefit
Other	2	Market approach	Market transactions

Level 3 non-financial assets valued using the market approach utilise market transactions of similar assets adjusted using professional judgement for each individual asset's characteristics to determine fair value. Non-financial assets that do not transact with enough frequency and transparency to develop objective

opinions of value from observable market evidence have been valued utilising the cost (CRC) approach, unless this cannot be reliably calculated.

Valuations are undertaken with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. Details pertaining to valuations can be found in the audited financial statements of individual Australian Government controlled entities and is summarised below.

Land

Land which will continue to be used is valued by independent valuers at fair value (highest and best use). Highest and best use is determined from the perspective of market participants with the current use of the land presumed to be its highest and best use unless market or other factors suggest otherwise.

Buildings

The majority of Government owned buildings are in the defence estate, domestic and overseas property portfolio, CSIRO and Parliament House. The fair value of buildings is performed by independent valuers using inputs such as sales prices of comparable assets, replacement cost, expected useful life and adjustments for obsolescence. Buildings categorised as Level 3 in the fair value hierarchy include those held for specialised purposes and where there is no readily available market price.

Specialist military equipment

Specialist military equipment assets are specialised in nature and there is generally limited availability of observable market inputs to assess fair value. As it is often necessary to use professional judgement when estimating fair value of these assets, independent valuers are used.

Assets in this class have largely been valued using the cost approach or, to a lesser degree, the market approach. Under the cost approach, an estimate is determined by establishing a replacement cost of a new asset and allowing for deductions for physical deterioration and obsolescence. The cost price of assets that are still under construction is considered to be their fair values as there is no market for partially completed military assets.

Valuation techniques include reference to comparable assets, recently purchased assets, recent market data where available, and indexation based on country of manufacture. Some 160 indices and 18 foreign currencies were utilised in 2022-23 in the fair value assessments of specialist military equipment. National indices from Australia, the USA and France are the significant contributors for fair value movement in 2022-23. The Australian dollar, US dollar and the Euro are the primary currencies impacting prices applied during indexation.

The table below demonstrates the sensitivity of hypothetical movements in these valuation inputs and the magnitude of impact these have to the adopted fair value measurement of specialist military equipment.

	Impact on fair value and net worth	
	2023	
	+	-
	\$m	\$m
Change in price indices (+/- 1%)	354	(422)
Change in foreign currencies(+/- 1.8%)	573	(612)

For further information refer to the 2022-23 annual report of the Department of Defence.

Other plant, equipment and infrastructure

This asset class includes a range of cash-generating assets, including those held by public corporations, and assets held for internal use. These assets are typically valued using an income approach or a cost approach. Given the specialised nature of the assets and the fact that these assets are not collectively sold or traded, fair value cannot generally be determined with reference to observable market prices or recent market transactions.

Cash generating assets are grouped into cash-generating units for valuation and impairment purposes. Significant infrastructure assets held by the Australian Government include rail infrastructure, electricity generation assets, the broadband network and defence infrastructure.

Rail infrastructure assets were valued at \$2,419 million at 30 June 2023 (2022: \$3,288 million). This value was calculated using the income approach reflecting current market expectations of future cash flows discounted to their present value using a post-tax discount rate that reflects an expert's assessment of current market assessments of the time value of money and the business risk. Long term growth rates for annual revenue reflect contract data, GDP and inflation forecasts and have been estimated in the range 1.1 per cent to 4.3 per cent (2022: 1.8 per cent to 4.4 per cent). The nominal post-tax weighted average cost of capital has been estimated in the range of 6.8 per cent to 7.9 per cent (2022: 6.2 per cent to 7.3 per cent). The fair value of these assets is therefore sensitive to changes in these unobservable inputs as illustrated below.

	Impact on operating result and net worth			
	2023		2022	
	+	-	+	-
	\$m	\$m	\$m	\$m
Annual revenue (1% revenue movement p.a.)	121	(121)	135	(135)
Discount rate (+/- 100bps movement)	(361)	492	(544)	778

Electricity generation assets and related retail assets were valued at \$10,802 million at 30 June 2023 (2022: \$10,181 million) by an independent valuer using both the income approach and the cost approach. In calculating the income approach, a nominal pre-tax weighted average cost of capital was estimated in the range of 6.7 per cent to 8.0 per cent, with an adopted rate of 7.4 per cent (2022: 6.7 per cent). The independent valuer developed a range of scenarios to test sensitivity to changes in key assumptions.

Broadband network infrastructure assets were valued at \$40,928 million at 30 June 2023 (2022: \$37,117 million) and continue to be valued using a cost approach which involves the calculation of a replacement cost and obsolescence. Replacement cost is the cost that is relevant to determining the price that a market participant would pay as it is based on replicating the utility of the asset. An income approach was not applied to the valuation of the broadband infrastructure assets as it is not possible to reliably identify or attribute income to individual or grouped infrastructure assets (with the exception of leased assets) and the use of the income approach could result in the allocation of intangible assets valued to the tangible infrastructure assets.

Non-cash generating assets include specialised assets and plant and equipment measured by independent valuers at fair value (highest and best use).

Heritage and cultural assets

Australian Government cultural organisations hold significant collections of heritage and cultural assets, comprising sculptures, artefacts, paintings, drawings, prints, books, photography and memorabilia. This asset class also includes buildings, residences and equipment that may be used but which are primarily held for their heritage or cultural significance.

Heritage and cultural assets are stored, managed, displayed, repaired and restored in ways that will maintain their cultural or heritage value over time. The valuation method for heritage and cultural collections is by market based evidence where a market exists for items in the collection. The valuation of heritage and cultural assets categorised as Level 3 in the fair value hierarchy can be subject to a high level of estimation uncertainty where collection assets are unique and there are few comparable transactions and/or a limited market.

Reconciliation for recurring Level 3 fair value measurements

The following table reconciles the movement in the balance of non-financial assets classified as Level 3.

Item	General Government						Australian Government					
	Land \$m	Buildings \$m	Specialist military equipment \$m	Other IPE \$m	Heritage & cultural assets \$m		Land \$m	Buildings \$m	Specialist military equipment \$m	Other IPE \$m	Heritage & cultural assets \$m	
Level 3 fair value at 1 July 2021	2,685	23,329	74,126	14,766	10,111		3,152	24,905	74,126	53,244	10,111	
Additions	1	2,954	8,256	2,221	59		98	3,039	8,256	6,346	58	
Disposals	5	(37)	(83)	(54)	(6)		5	(38)	(83)	(62)	(6)	
Gains/(losses) recognised in the operating result	1	(1,393)	(5,784)	(2,046)	(83)		(36)	(1,483)	(5,784)	(5,947)	(82)	
Gains/(losses) recognised in equity	136	1,402	4,453	371	772		155	1,623	4,453	932	772	
Transfers in/(out) of level 3(a)	30	270	-	417	1,610		(22)	500	-	146	1,610	
As at 30 June 2022	2,858	26,525	80,968	15,675	12,463		3,352	28,546	80,968	54,659	12,463	
Additions	2	1,977	8,539	2,641	59		2	2,213	8,539	7,249	59	
Disposals	-	(88)	-	(19)	-		-	(88)	-	(21)	-	
Gains/(losses) recognised in the operating result	(2)	(1,232)	(4,961)	(1,925)	(44)		1	(1,313)	(4,961)	(6,499)	(44)	
Gains/(losses) recognised in equity	242	1,416	(167)	275	(67)		295	1,307	(167)	3,131	(67)	
Transfers in/(out) of level 3	(396)	228	-	(81)	(1,541)		(391)	229	-	(79)	(1,541)	
As at 30 June 2023	2,704	28,826	84,379	16,566	10,870		3,259	30,894	84,379	58,440	10,870	

(a) An independent revaluation undertaken during the year of the heritage and cultural assets held by the National Gallery of Australia determined that the valuation inputs used were more aligned to level 3 of the fair value hierarchy given the diverse nature of the assets held. This resulted in a transfer into level 3 as these assets were previously valued using level 2 inputs.

Contractual capital commitments

At the reporting date, commitments for capital works comprised:

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Capital commitments				
Land and buildings commitments	2,834	1,794	4,475	4,197
Specialist military equipment	25,676	21,825	25,676	21,825
Other plant, equipment and intangibles	3,422	3,793	8,755	10,215
Total capital commitments	31,932	27,412	38,906	36,237

Assets under construction

Australian Government assets under construction include \$2,897 million (2022: \$2,408 million) in land and buildings, \$20,909 million (2022: \$18,551 million) in specialist military equipment and \$17,492 million (2022: \$12,938 million) in other plant, equipment and infrastructure (including computer software and intangibles).

GGs assets under construction include \$2,504 million (2022: \$2,089 million) in land and buildings, \$20,909 million (2022: \$18,551 million) in specialist military equipment and \$7,044 million (2022: \$5,728 million) in other plant, equipment and infrastructure (including computer software and intangibles).

Joint operations

The Australian Government is a joint operator in the following jointly controlled operations and assets:

	Share of Output	
	2023	2022
	%	%
Joint Operations		
River Murray Operations	20	20
Living Murray Initiative	20	20
Southern Positioning Augmentation Network	75	-

The Australian Government recognises its share of the jointly controlled assets in its financial statements, classified according to the nature of the assets, its share of any liabilities incurred in respect of the joint operation and any income from the sale or use of its share of the output of the joint operation, together with its share of any expenses incurred by the joint operation. The Australian Government's share of each of these is detailed below.

	Australian Government	
	2023	2022
	\$m	\$m
Expenses	24	8
Income	32	85
Assets	929	753
Liabilities	13	-

Service concession assets

As part of the Southern Positioning Augmentation Network (SouthPAN) joint operation, the joint operators have entered into a service concession arrangement. The arrangement is expected to become fully operational in 2027 and continue through to 2042 (19 years).

The joint operators are required to pay consideration for the construction and operation of the network over its duration. The service provider is required to deliver Satellite-Based Augmentation System services including designing, building, operating and maintenance of SouthPAN. At the completion of the project, certain SouthPAN assets are to be transferred to Geoscience Australia on behalf of the Australian Government.

As at 30 June 2023, assets associated with the service concession arrangement are under construction and consisted of \$138 million in computer software and \$30 million in infrastructure, plant and equipment.

Note 5E: Inventories

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Inventories held for sale				
Finished goods(a)	114	420	228	581
Raw materials and stores	103	75	128	101
Work in progress	176	187	188	202
Total inventories held for sale	393	682	544	884
Consumable stores and inventories held for distribution	12,312	11,004	12,432	11,095
Total inventories	12,705	11,686	12,976	11,979

(a) Australian Government finished goods include \$50 million valued at net realisable value (2022: \$150 million). GGS recorded nil finished goods at realisable value(2022: \$76 million).

Objective

Inventories not held for sale include explosive ordnance, general spares and consumables and strategic stockpiles held for distribution.

Recognition and measurement of inventories

Inventories held for sale are valued at the lower of cost and net realisable value. Inventories held for distribution are measured at cost, adjusted for any loss of service potential. Quantities on hand and items of inventory are periodically evaluated with excess and obsolete inventory recorded as a reduction to inventory and an expense.

Australian Government inventories include \$3,791 million (2022: \$4,686 million) expected to be consumed or sold within the next 12 months. GGS inventories include \$3,518 million (2022: \$4,393 million) expected to be consumed or sold within the next 12 months.

Note 5F: Other non-financial assets

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Biological assets	6	16	6	16
Assets held for sale	131	307	138	307
Prepayments	5,960	4,919	6,631	5,691
Other	15	22	15	22
Total other non-financial assets	6,112	5,264	6,790	6,036

Note 5G: Assets by function

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
General public services	371,981	352,963	370,857	351,646
Defence	138,436	129,523	138,158	129,198
Public order and safety	6,224	5,739	6,224	5,739
Education	55,607	55,022	55,607	55,022
Health	6,673	6,040	6,673	6,048
Social security and welfare	10,749	10,729	10,440	10,433
Housing and community amenities	6,134	4,865	8,171	6,820
Recreation and culture	19,965	19,720	13,093	16,193
Fuel and energy	15,251	15,400	21,415	22,668
Agriculture, forestry and fishing	8,566	8,158	8,566	8,158
Mining, manufacturing and construction	2,002	1,584	3,527	3,175
Transport and communication	39,238	37,258	72,079	62,249
Other economic affairs	8,543	7,815	342,460	335,449
Other purposes(a)	100,896	109,307	33,078	39,033
Total assets	790,265	764,123	1,090,348	1,051,831

(a) Cash and deposits that are not allocated to other functions are included in the 'other purposes' function.

Refer to Note 3F for a description of each function.

Note 6: Liabilities

Liabilities are obligations to another entity to provide economic value as a result of past transactions and activities undertaken by Australian Government entities. The value and composition of Australian Government liabilities are as follows:

Liabilities composition



Interest bearing liabilities

Interest bearing liabilities are classified in accordance with the ABS GFS Manual as follows:

- **Deposits held** (refer Note 6A) are predominantly the liability for cash and deposits held with the Reserve Bank of Australia (RBA).
- **Government securities** (refer Note 6B) are issued by the Australian Government in the form of Treasury Bonds, Treasury Indexed Bonds and Treasury Notes.
- **Loans** (refer Note 6C) comprise promissory notes issued to the International Monetary Fund (IMF) and other multilateral organisations to meet Australia's international financial obligations, bonds issued by public corporations and other loans.
- **Leases** (refer Note 6D) covers obligations under lease arrangements and includes liabilities for right-of-use assets.
- **Other interest bearing liabilities** (refer Note 6E) include Australia's liability to the IMF as denominated in Special Drawing Rights (SDR), repurchase agreements entered into by the RBA and other debt not classified elsewhere.

The Australian Government also discloses interest bearing liabilities and other financial liabilities by category of financial instrument. Financial liabilities are allocated into the following categories:

Financial liabilities at fair value through profit or loss	Other liabilities
Financial liabilities, including derivative liabilities, designated at fair value through profit or loss in order to eliminate or reduce a measurement or recognition inconsistency or where a group of financial assets or liabilities is managed and evaluated on a fair value basis.	Non-derivative financial liabilities measured at amortised cost.

Financial liabilities are derecognised when the obligation under the contract is discharged, cancelled or expired.

Provisions and payables

Provisions and payables reported in the balance sheet are summarised into:

- **Employee benefits** (refer Note 6F) capture amounts owing to current and former employees, the largest of which is the Australian Government obligation for the unfunded portion of the public sector and military superannuation schemes.
- **Other payables** (refer Note 6G) include year-end obligations for goods and services, grants and unearned income.
- **Other provisions** (refer Note 6H) include a liability for currency notes issued by the RBA and provisions for benefits and claims, grants, subsidies and tax refunds.

Note 6A: Deposit liabilities

	General Government		Australian Government	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Exchange settlement funds	-	-	409,436	420,211
Drawing accounts held with the RBA	-	-	651	762
State governments	-	-	9	37
Monies held in trust	398	387	398	387
Foreign governments	-	-	1,575	3,914
Other	17	19	515	817
Total deposit liabilities	415	406	412,584	426,128

Objective

Exchange settlement accounts are provided by the RBA for financial institutions to settle financial obligations arising from the clearing of payments, while state and foreign governments may also hold deposits at the RBA. Deposits held by Commonwealth entities are not reported as these are internal to Government and eliminated on consolidation.

Recognition and measurement of deposits held

Deposits include deposits at call and term deposits and are classified as financial liabilities. Deposit balances are shown at their amortised cost, which is equivalent to their face value. Interest is accrued over the term of deposits and is paid periodically or at maturity.

Liquidity risk on deposits held

Liquidity risk is the risk that the Australian Government will not be able to meet its obligations as they fall due. The outflows disclosed in the following table represent the contractual undiscounted cash flows relating to deposits held at the reporting date:

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Exposure to liquidity risk on deposits held				
On demand	400	385	412,570	426,106
1 to 5 years	15	21	15	22
Total	415	406	412,585	426,128

Note 6B: Government securities

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Treasury bonds(b)	498,390	503,198	498,136	502,944
Treasury notes	26,345	27,451	26,345	27,451
Treasury indexed bonds	49,493	45,224	49,493	45,224
Other(a)(b)	251,320	272,583	6	6
Total government securities	825,548	848,456	573,980	575,625

(a) Primarily securities held by Australian Government public corporations.

(b) Certain comparatives have been restated. Refer to Note 1.6 for further details.

Objective

Australian Government Securities (AGS) are issued through the AOFM to meet the Australian Government's financing needs.

Recognition and measurement of government securities

Government securities are recognised at fair value through profit or loss applying Level 1 in the fair value hierarchy. Where a security is issued at a premium or discount, the premium or discount is recognised at that time and included in the book value of the liability.

Liquidity risk on government securities

The outflows disclosed in the following table represent the contractual undiscounted cash flows relating to government securities issued at the reporting date.

	General Government		Australian Government	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Exposure to liquidity risk on government securities				
1 year or less	82,589	133,600	58,496	115,356
1 to 5 years	383,055	334,114	229,722	194,274
5 to 10 years	409,358	403,760	267,497	223,956
10 to 15 years	96,716	101,779	96,716	101,779
More than 15 years	78,898	75,241	78,898	75,241
Total	1,050,616	1,048,494	731,329	710,606

The reported value of AGS is exposed to movements in market interest rates. Unrealised gains from the remeasurement of Government securities amounted to \$13,435 million in 2022-23, decreasing the AGS liability (2022: unrealised gains \$115,931 million). Further detail on interest rate risk is provided in Note 9B.

Note 6C: Loans

	General Government		Australian Government	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Bills of exchange and promissory notes	8,707	11,169	9,947	12,130
Bonds (non-Treasury)	2,304	-	6,451	4,048
Loans(a)	767	612	26,499	22,839
Total loans	11,778	11,781	42,897	39,017
By maturity:				
No more than 12 months	298	2,651	5,481	3,736
More than 12 months	11,480	9,130	37,416	35,281
Total by maturity	11,778	11,781	42,897	39,017
By category and valuation of financial liability:				
Amortised cost	11,778	11,781	39,793	36,287
Fair value:				
Level 2	-	-	3,104	2,730
Total by category and valuation	11,778	11,781	42,897	39,017

(a) Certain comparatives have been restated. Refer to Note 1.6 for further details.

Objective

General Government promissory notes are issued to the IMF and international financial institutions and relate to the undrawn paid in capital subscriptions to these international organisations. Outside the General Government Sector, Export Finance Australia (EFA) borrows to fund lending activities.

Recognition and measurement of loans

Loans are initially recognised at fair value plus any transaction costs that are directly attributable to the issue and are subsequently measured at either amortised cost or at fair value through profit or loss. Any differences between the final amounts paid to discharge the loan and the initial loan proceeds (including transaction costs) are recognised in the operating statement over the borrowing period using the effective interest method.

Accounting judgements and estimates – Fair value

Loans designated at fair value through profit or loss and categorised as Level 2 and Level 3 are limited to EFA borrowings. The fair value designation reduces the accounting mismatch that would otherwise arise with derivatives that have been entered by EFA to hedge transactions. The fair value of these loans have been determined using market interest rates and valuation techniques which incorporate discounted cash flows.

Liquidity risk on loans

The outflows disclosed in the following table represent the contractual undiscounted cash flows relating to loans issued at the reporting date:

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Exposure to liquidity risk on loans				
1 year or less	344	2,656	16,161	5,885
1 to 5 years	3,050	297	21,449	28,312
More than 5 years	9,001	8,959	18,374	18,552
Total	12,395	11,912	55,984	52,749

Note 6D: Leases

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Lease liabilities	19,848	19,194	32,913	31,783
Total leases	19,848	19,194	32,913	31,783

Total cash outflows for leases for the year ended 30 June 2023 for the Australian Government amounted to \$6,346 million (2022: \$5,936 million) and \$3,501 million (2022: \$3,162 million) for the General Government Sector.

Recognition and measurement of leases

For all new contracts entered into, the Australian Government considers whether the contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

Once it has been determined that a contract is, or contains a lease, the lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily determinable, or the Government's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification to the lease. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss depending on the nature of the reassessment or modification.

Maturity analysis – contractual undiscounted cash flows

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Within 1 year	2,522	2,428	4,399	4,250
Between 1 to 5 years	8,216	7,859	13,816	13,427
More than 5 years	10,939	11,126	31,389	31,451
Total leases	21,677	21,413	49,604	49,128

The Australian Government in its capacity as lessee has significant leasing arrangements for premises occupied by entities within the Defence, Social Services, Home Affairs and Foreign Affairs portfolios and for network assets operated by NBN Co.

The above lease disclosures should be read in conjunction with the accompanying Notes 2B, 3C, 3D, 4B and 5D.

Note 6E: Other interest bearing liabilities

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Amounts outstanding under repurchase agreements	-	-	6,844	7,893
Special reserve - IMF special drawing rights	18,875	18,152	18,875	18,152
Other	10	-	1,099	143
Total other interest bearing liabilities (a)	18,885	18,152	26,818	26,188
By category and valuation of financial liability:				
Amortised cost	18,885	18,152	26,818	26,188
Total by category and valuation	18,885	18,152	26,818	26,188

(a) Comparatives have been restated to align with current year classification.

Objective

The IMF Special Drawing Rights (SDR) liability reflects the Government's obligation to repay to the IMF the cumulative allocations of SDRs provided to Australia since joining the IMF.

The RBA enters into repurchase agreements in carrying out its operations to manage domestic liquidity and foreign reserves. Refer Note 9B for a discussion of swap agreements.

Recognition and measurement of other interest bearing liabilities

The IMF SDR allocation liability reflects the amortised cost adjusted for foreign currency translation in Australian dollars of the Australian Government's liability to repay Australia's cumulative allocations of SDRs. Interest is payable to the IMF in relation to the amount by which Australia's SDR holdings are below Australia's net cumulative allocations.

In the course of financial market operations, the RBA engages in repurchase agreements involving foreign and Australian dollar marketable securities. Securities sold but contracted for purchase under repurchase agreements are reported within the relevant investment category and are valued at market prices. The counterparty obligation to repurchase is reported as an interest bearing liability and is measured at amortised cost. The difference between the sale and purchase price is recognised as interest expense over the term of the agreement.

Liquidity risk on other interest bearing liabilities

The outflows disclosed in the following table represent the contractual undiscounted cash flows relating to other interest bearing liabilities at the reporting date:

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Exposure to liquidity risk on other debt				
1 year or less	10	-	7,943	7,507
1 to 5 years	-	-	-	529
More than 5 years	18,875	18,152	18,875	18,152
Total	18,885	18,152	26,818	26,188

Note 6F: Employee benefits

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Total superannuation liability	313,069	321,983	313,080	321,998
Other employee liabilities				
Leave and other entitlements	9,538	9,136	11,127	10,626
Accrued salaries and wages	837	730	1,020	888
Workers compensation claims	1,952	1,924	2,207	2,169
Separations and redundancies	82	80	197	112
Military compensation	31,407	22,521	31,407	22,521
Other	535	511	605	594
Total other employee liabilities	44,351	34,902	46,563	36,910
Total employee and superannuation liabilities	357,420	356,885	359,643	358,908
Employee benefits maturity schedule(a):				
No more than 12 months	18,814	17,695	20,548	19,250
More than 12 months	338,606	339,190	339,095	339,658
Total employee benefits by maturity	357,420	356,885	359,643	358,908

(a) Note 9C provides the average expected maturity for each of the Australian Government's large defined benefit superannuation schemes.

Objective

The management of the Australian Government's accumulated superannuation liability is discussed in Note 9C. Other employee liabilities include provisions for the accumulated leave entitlements of Australian Government employees, claims for workers compensation (managed through Comcare) and military compensation (managed through the Department of Veterans' Affairs (DVA)).

Recognition and measurement of employee benefits

The superannuation liability represents the present value of the Australian Government's unfunded liability to employees for past services as estimated by the actuaries of the respective superannuation plans.

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within 12 months of balance date are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability. The liability for leave and other entitlements includes provision for annual leave and long service leave.

All other employee benefits liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Accounting judgements and estimates — employee benefits

The liability for long service leave is calculated using expected future increases in wages and salary rates including related on-costs and is discounted using applicable government bond rates. In determining the present value of the liability, attrition rates, pay increases through promotion and inflation are taken into account. The liability for long service leave has been determined by reference to the work of actuaries.

The provision for workers compensation claims represents an estimate of the present value of future payments in respect of claims for events occurring on or before 30 June 2023 with a 75 per cent probability of sufficiency. The expected future payments are discounted to present value using a risk free rate. The expected future payments include claims reported but not yet paid, claims incurred but not yet reported and anticipated claims handling costs.

An independent actuary is engaged to value the provision. The provision is subject to a variety of assumptions, including external economic conditions, short-term and long-term continuance rates and administration costs. Small changes in these assumptions can have a material impact on the provision. To provide for the risks and uncertainties associated with the combination of these assumptions, the actuary applies a risk premium to the central estimate (13 per cent for premium claims liabilities and 17 per cent for pre-premium claims liabilities) which results in the 75 per cent probability of sufficiency. The 2022-23 annual report for Comcare includes greater detail on this provision.

The military compensation provision represents an estimate of the present value of future payments in respect of claims under the *Military Rehabilitation and Compensation Act 2004* and the *Safety, Rehabilitation and Compensation Act 1988* arising from service rendered before 30 June 2023. A provision is also recognised under Note 6H for the hospital and other health care costs associated with treatment and was valued at \$24,281 million at 30 June 2023 (2022: \$19,618 million). The provisions are calculated by discounting future payments using a yield curve derived from the yields on Commonwealth bonds of various durations as at 30 June 2023. As 'long tail' provisions, the assumptions underpinning the valuation estimate contain inherent uncertainties. These include assumptions as to the impacts of health costs, technology and economic conditions on the growth in payments, short-term and long-term incapacity rates and a range of other factors as set out in the 2022-23 DVA annual report.

Note 6G: Other payables

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Supplier payables				
Trade creditors and accrued expenses	8,076	7,525	10,476	10,292
Personal benefits - indirect	1,481	1,293	1,481	1,293
Other creditors	2,182	1,599	8,897	2,426
Total supplier payables	11,739	10,417	20,854	14,011
Total personal benefits payable - direct	3,142	2,999	3,142	2,999
Total subsidies payable	559	933	561	908
Grants payable				
State and territory governments	525	1,346	525	1,346
Private sector	812	507	812	507
Overseas	1,866	1,744	1,866	1,744
Other	359	315	367	329
Total grants payable	3,562	3,912	3,570	3,926
Other payables				
Swap principal payable(a)	3,745	6,783	6,033	10,166
Tax refunds(a)	2,121	1,939	2,121	1,939
Unearned income	2,056	1,874	4,140	3,412
Other	1,574	889	1,628	927
Total other payables	9,496	11,485	13,922	16,444
Total payables	28,498	29,746	42,049	38,288
By category and valuation of financial liability:				
Amortised cost - statutory liability	5,822	5,871	5,263	5,871
Amortised cost	15,193	13,722	25,841	18,228
Fair value:				
Level 1	77	44	163	539
Level 2	3,669	6,739	4,694	8,190
Level 3	1,681	1,496	1,948	2,048
Unearned income	2,056	1,874	4,140	3,412
Total by category and valuation	28,498	29,746	42,049	38,288

(a) Comparatives have been restated to align with current year classification.

Objective

Supplier payables are mostly managed in accordance with the Commonwealth Procurement Rules (CPRs) issued under section 105B(1) of the PGPA Act and which apply to all non-corporate Commonwealth entities and prescribed corporate Commonwealth entities. The CPRs set out rules and principles for achieving value for money in Commonwealth procurement. Settlement of suppliers depends on the contractual terms but is generally less than 20 days.

Grant payables are governed by the Commonwealth Grants Rules and Guidelines (CGRGs) issued under section 105C of the PGPA Act, with some exceptions such as state and territory grants. Personal benefit payables represent amounts for which recipients are currently entitled to payment at the reporting date.

Contract liabilities in the form of payments received in advance are reported as unearned income. Income is recognised at either point in time as the performance obligation is met or over time as the customer consumes the benefit of the service being provided. This is dependent on the nature of the contractual arrangement.

Recognition and measurement of other payables

Trade and other payables, including accruals, are recorded when Australian Government entities are required to make future payments as a result of a purchase of assets or services. Payables are initially recognised at fair value and are subsequently measured at amortised cost. Most payables are expected to be settled within 12 months.

Accounting judgements and estimates – Fair value

Payables categorised as Level 2 have been determined using market interest rates and valuation techniques which incorporate discounted cash flows. Payables classified as Level 3 predominantly include multilateral grants and contributions payable which have been valued at Level 3 applying a discounted cash flow method using a discounted rate range and a 10-year government bond rate. The following table reconciles the movement in the balance of Level 3 payables.

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Level 3 payables				
Opening balance at 1 July	1,496	1,841	2,048	2,112
Purchases/payments	-	-	188	153
Sales/repayments	(341)	(329)	(341)	(329)
Gains/(losses) recognised in the operating result	526	(16)	53	112
Total fair value	1,681	1,496	1,948	2,048

Liquidity risk on other payables

Supplier and related contractual payables are largely due within the next 30 days to 12 months. In assessing liquidity risk, the remaining contractual cash flow maturities of these liabilities do not differ materially from the carrying amount reported above.

With the exception of grants payable to multilateral aid organisations, grant and subsidies payable at 30 June 2023 are for amounts contractually due within the next

twelve months. As such, they are not subject to discounting on recognition in the financial statements.

The maturity profile for multilateral grants and swap principal payable is as follows:

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Exposure to swap principal and other multilateral grants payable				
1 year or less	4,226	7,068	5,816	9,562
1 to 5 years	1,100	1,052	1,889	1,807
More than 5 years	251	160	507	388
Total	5,577	8,280	8,212	11,757

Note 6H: Other provisions

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Australian currency on issue	-	-	101,285	102,345
Other provisions				
Grant provisions	11,588	10,746	11,588	10,746
Provision for outstanding benefits and claims	37,958	33,964	39,743	35,651
Provision for tax refunds(a)	2,224	2,390	2,224	2,390
Provision for restoration, decommissioning and makegood	4,735	4,702	5,172	5,195
Subsidy provisions	6,870	5,361	6,062	4,633
Other	3,007	3,141	3,614	3,648
Total other provisions	66,382	60,304	68,403	62,263
Total provisions	66,382	60,304	169,688	164,608

(a) Certain comparatives have been restated. Refer to Note 1.6 for further details.

Objective

Australian banknote currency is issued by the RBA. The RBA's objective in issuing Australian note currency is to maintain public confidence in the supply, security and quality of Australian banknotes. The provisions for outstanding benefits and claims, taxation refunds and for subsidies are for amounts to which recipients are entitled under legislation, but which are not yet payable. This includes tax, social security and health legislation. Grant provisions are typically incurred in pursuit of government policy objectives and include the provision for unfunded university superannuation and provisions for recovery from identified disasters.

The provision for restoration, decommissioning and make good arises where the Government has a legal or constructive obligation to remediate a site, including Defence sites and sites on Antarctica and sub-Antarctic Macquarie Island.

Recognition and measurement of other provisions

Australian currency issued represents a liability of the RBA in favour of the holder. Currency issued for circulation, including demonetised currency, is measured at face value. When the RBA issues currency notes to the commercial banks it receives funds equal to the full face value of the notes issued in exchange.

Non-employee provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect is material, provisions are determined by discounting the expected future cash flows required to settle the obligation. This is done using a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The calculation of provisions is subject to the volatility of economic assumptions, in particular, discount rates, inflation and payment pattern assumptions. In calculating the estimated cost of future payments for each provision, actuarial advice is generally obtained.

Reconciliation of movement in provisions

	General Government	Australian Government
	2023	2023
	\$m	\$m
Balance of provisions at 1 July 2022	60,304	164,608
Provisions made during the year	24,570	23,448
Provisions used during the year	(22,296)	(22,075)
Provisions remeasured, reversed or unwound during the year	3,804	3,707
Balance of provisions at 30 June 2023	66,382	169,688

Note 7: Net revaluation increases/(decreases) in other comprehensive income

	General Government		Australian Government	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Financial assets				
Financial assets	-	12	661	786
Administered investments	(664)	(26,277)	519	(413)
Total financial assets	(664)	(26,265)	1,180	373
Non-financial assets				
Land	488	742	1,076	1,026
Buildings	1,869	1,747	1,873	2,029
Specialist military equipment	(167)	4,453	(167)	4,453
Other plant, equipment and infrastructure	1,131	335	4,367	1,194
Heritage and cultural assets	(70)	782	(70)	782
Provision for restoration, decommissioning and makegood	(32)	40	(32)	40
Intangibles	-	652	-	652
Total non-financial assets	3,219	8,751	7,047	10,176
Total revaluation increases/(decreases) in other comprehensive income	2,555	(17,514)	8,227	10,549

Note 8: Reconciliation of cash

Cash includes cash at bank and on hand; short term deposits at call; and investments in short-term money market instruments that are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts. Cash and cash equivalents includes notes and coins held and any deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Deposits at call, which are held for longer-term investment purposes, are classified as investments. Cash is recognised at its nominal amount.

Reconciliation of net operating balance to net cash flows from operating activities

In the cash flow statement, certain flows are reported on a net basis as this is considered to provide more reliable and comparable information to users. Cash flows reported on a net basis include taxation receipts (net of refunds) and cash flows undertaken for liquidity or financing purposes.

	General Government		Australian Government	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Net operating balance	31,300	(26,683)	24,949	(20,552)
<i>less</i> Revenues not providing cash				
Other non-cash revenues	3,769	4,277	3,822	4,416
Total revenues not providing cash	3,769	4,277	3,822	4,416
<i>plus</i> Expenses not requiring cash				
Increase in employee entitlements	6,976	13,151	6,676	13,596
Depreciation and amortisation expenses	12,661	11,462	17,250	16,360
Mutually agreed write-downs	2,712	2,884	2,712	2,884
Other non-cash expenses	3,437	4,440	3,505	4,572
Total expenses not requiring cash	25,786	31,937	30,143	37,412
<i>plus</i> Cash provided by working capital items				
(Increase)/decrease in inventories	(2,577)	(2,215)	(2,564)	(2,272)
(Increase)/decrease in receivables	(12,321)	(11,330)	(12,425)	(13,916)
(Increase)/decrease in other financial assets	(2,237)	(1,109)	(2,031)	(2,067)
(Increase)/decrease in other non-financial assets	(664)	8	(551)	(781)
Increase/(decrease) in benefits, subsidies and grants liabilities	52	(1,000)	(8)	(1,422)
Increase/(decrease) in supplier payables	757	542	607	67
Increase/(decrease) in other provisions and payables	4,814	1,928	8,467	1,950
Total cash provided/(used by) working capital items	(12,176)	(13,176)	(8,505)	(18,441)
equals Net cash from/(used by) operating activities	41,141	(12,199)	42,765	(5,997)

Reconciliation of changes in liabilities arising from financing activities

The following table shows changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Australian Government	Opening balance at 1 July 2021	Cash flows	Non-cash movements		Closing balance at 30 June 2022
			Acquisition	Other movements	
Australian currency on issue	95,485	6,860	-	-	102,345
Government securities	683,915	3,578	-	(111,868)	575,625
Loans	18,268	11,366	-	(2,997)	26,637
Leases	31,964	(2,654)	2,329	144	31,783
Deposits held	356,014	70,284	-	(170)	426,128
Other	-	(16)	-	16	-
Total	1,185,646	89,418	2,329	(114,875)	1,162,518

Australian Government	Opening balance at 1 July 2022	Cash flows	Non-cash movements		Closing balance at 30 June 2023
			Acquisition	Other movements	
Australian currency on issue	102,345	(1,060)	-	-	101,285
Government securities	575,625	8,846	-	(10,491)	573,980
Loans	26,637	1,547	-	3,304	31,488
Leases	31,783	(2,615)	3,024	721	32,913
Deposits held	426,128	(13,541)	-	(3)	412,584
Other	-	(15)	-	15	-
Total	1,162,518	(6,838)	3,024	(6,454)	1,152,250

Reconciliation of changes in liabilities arising from financing activities (continued)

General Government Sector	Opening balance at 1 July 2021	Cash flows	Non-cash movements		Closing balance at 30 June 2022
			Acquisition	Other movements	
Australian currency on issue	-	-	-	-	-
Government securities	888,419	71,905	-	(111,868)	848,456
Loans	429	2,596	-	(2,433)	592
Leases	19,440	(2,450)	2,044	160	19,194
Deposits held	598	(3)	-	(189)	406
Other	-	(16)	-	16	-
Total	908,886	72,032	2,044	(114,314)	868,648

General Government Sector	Opening balance at 1 July 2022	Cash flows	Non-cash movements		Closing balance at 30 June 2023
			Acquisition	Other movements	
Australian currency on issue	-	-	-	-	-
Government securities	848,456	(11,524)	-	(11,384)	825,548
Loans	592	(217)	-	2,572	2,947
Leases	19,194	(2,162)	2,748	68	19,848
Deposits held	406	11	-	(2)	415
Other	-	(15)	-	15	-
Total	868,648	(13,907)	2,748	(8,731)	848,758

Note 9: Risks

The assets and liabilities in the CFS incorporate assumptions and judgements based on the best information available at the date of signing. The judgements and estimates made by Australian Government entities that have the most significant impact on the amounts recorded in the financial statements are disclosed in Note 1.9. In addition to these, there are a range of factors that may influence the amounts ultimately realised or settled in future years that relate to past events. The disclosure of these factors increases the transparency of the risks to the Government's financial position. These risks have been grouped into the following disclosures:

- **Contingencies** (refer Note 9A) comprise possible obligations or assets arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events.
- **Financial instrument market risk** disclosures (refer Note 9B) concern the contractual arrangements that the Australian Government has entered into for policy, liquidity or financing purposes.
- **Defined benefit superannuation plans** disclosures (refer Note 9C) explain the characteristics of the major defined benefit plans and the associated risks and describe how the plans may affect the amount, timing and uncertainty of the Australian Government's future cash flows. The Future Fund is a long-term investment fund that is designed to enhance the ability of the Australian Government to discharge unfunded superannuation liabilities.

Consistent with the amounts recognised in the financial statements, the disclosures are based on the policies, events and arrangements up to the reporting date and do not include policy decisions announced in the 2023-24 Budget which have not yet been enacted or implemented.

Note 9A: Contingencies

Contingencies are possible obligations or assets arising from past events whose existence will be confirmed by future events. Material Australian Government contingencies include the following:

Indemnities, guarantees and warranties

An indemnity is a legally binding promise whereby the Australian Government undertakes to accept the risk of loss or damage another party may suffer. A guarantee is a promise whereby the Australian Government assumes responsibility for the debt, or performance obligations, of another party on default of its obligation. A guarantee may also involve a promise to provide a loan if certain future conditions are met. A warranty is a promise whereby the Australian Government provides certain assurances to the other party to an arrangement.

Non-corporate Australian Government entities are bound by section 60 of the PGPA Act in relation to the provision of indemnities, guarantees or warranties on behalf of the Australian Government. Arrangements above \$30 million or considered more than remote must be approved by the Cabinet, the National Security Committee of the Cabinet, the Prime Minister, or by a written determination of the Minister for Finance. Corporate Australian Government entities are legally separate from the Commonwealth and may act in their own right subject to rules that may be prescribed under section 61 of the PGPA Act.

The following table reconciles the movement in quantifiable indemnities, guarantees and warranties.

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Opening balance as at 1 July	61,112	46,249	49,348	46,874
Increases(a)	6,913	14,703	1,855	2,484
Remeasurement	522	248	529	354
Liabilities crystallised	(29)	-	(29)	-
Expired	(22)	(88)	(156)	(364)
As at 30 June	68,496	61,112	51,547	49,348

(a) Comparatives have been restated to align with current year treatment.

In addition to the above, the Commonwealth has entered into a number of indemnities, guarantees and warranties, for which the exposure cannot be reliably quantified, including some that are unlimited. The following table lists the major unquantifiable indemnities, guarantees and warranties and the administering portfolio. Greater detail on each contingency can be found in the annual report for the respective portfolio departments and entities.

Unquantifiable indemnities, guarantees and warranties	Administering portfolio
<i>Terrorism and cyclone related.</i> Under the <i>Terrorism and Cyclone Insurance Act 2003</i> the Australian Reinsurance Pool Corporation administers a terrorism reinsurance scheme for commercial property and associated business interruption losses arising from a Declared Terrorism Incident and a cyclone reinsurance scheme for households and small businesses for cyclone and cyclone-related flood damage. The Australian Government guarantees payment above the private sector retrocession balance up to a maximum of \$10 billion for each pool. The Australian Government also operates the Australian Victims of Terrorism Overseas Payment Scheme to provide financial assistance to Australians who are victims of a declared overseas terrorist act.	Treasury / Home Affairs
<i>Medical indemnities.</i> The Australian Government indemnifies potential liabilities under the <i>Medical Indemnity Act 2002</i> and the <i>Midwife Professional Indemnity (Commonwealth Contribution) Scheme Act 2010</i> . The Australian Government also indemnifies certain health-care organisations for adverse events arising from the provision of agreed services or health-care products (including blood products and vaccines).	Health

Unquantifiable indemnities, guarantees and warranties	Administering portfolio
Garrison and welfare services and immigration detention services. The Australian Government has negotiated limited liability contracts with providers of garrison and welfare services at regional processing centres; and immigration detention and related services in Australia.	Home Affairs
Small and Medium Enterprise Guarantee Scheme. The Australian Government provides guarantees to eligible lenders to enhance lenders' willingness and ability to provide credit, to support small and medium enterprise (SME) to access additional funding to continue operating through the COVID-19 outbreak.	Treasury
Officers and directors assisting the Commonwealth in relation to asset sales, reviews and other arrangements. From time to time, the Australian Government has provided warranties, undertakings and indemnities to directors, committee members, advisers, officers and/or staff of organisations for activities undertaken in good faith in assisting the Commonwealth in relation to asset sales, reviews and other arrangements.	Various

In addition to the above, the following contingencies are considered remote but are significant to the Australian Government financial position.

Significant but remote indemnities, guarantees and warranties	Administering portfolio
Financial Claims Scheme – Deposits. Authorised under the Banking Act 1959 and guarantees deposits up to \$250,000 at eligible authorised deposit-taking institutions. When last estimated as at 31 December 2022, deposits eligible for coverage under the Financial Claims Scheme were approximately \$1.2 trillion (31 December 2021: \$1.0 trillion).	Treasury
Financial Claims Scheme – Insurance. The Policyholder Compensation Facility established under the <i>Insurance Act 1973</i> provides a mechanism for making payments to eligible beneficiaries with a valid claim against a failed general insurer.	Treasury

The Australian Government has also entered into significant but remote guarantees in respect of the NBN Co financial obligations to Telstra and Optus, further details of which are contained in the 2022-23 annual report for the Department of Infrastructure, Transport, Regional Development, Communications and the Arts. Other guarantees and indemnities considered remote are excluded from this disclosure.

Uncalled shares and capital subscriptions

The Australian Government holds uncalled capital subscriptions to the European Bank for Reconstruction and Development, the International Bank for Reconstruction and Development, the Multilateral Investment Guarantee Agency and the Asian Development Bank. The following table reconciles the movement in uncalled shares and capital subscriptions.

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Opening balance as at 1 July	20,868	18,977	20,938	19,045
Remeasurement	1,066	1,891	1,070	1,893
Liabilities/assets crystallised	(20)	-	(20)	-
As at 30 June	21,914	20,868	21,988	20,938

Claims and proceedings

At any time various Australian Government entities are subject to claims and legal actions that are pending court or other processes. The majority of Australian Government entities are insured through the Australian Government general insurance fund, Comcover. The following table reconciles the movement in quantifiable contingencies for claims and damages.

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Opening balance as at 1 July	161	142	163	143
Increases	150	90	150	91
Remeasurement	134	(9)	132	(9)
Liabilities crystallised	(213)	(48)	(213)	(48)
Expired	(50)	(14)	(50)	(14)
As at 30 June	182	161	182	163

In addition to the above, the Commonwealth is subject to various claims including income apportionment that are before the Administrative Appeals Tribunal and courts for which the exposure cannot be reliably quantified as the claim is either not sufficiently progressed and/or the costs are not reliable.

Greater detail on each contingency can be found in the annual report for the respective portfolio departments and entities.

Remediation and decontamination

From time to time, the Australian Government may have ownership of properties that have a potential or possible environmental and associated concern. Where this is the case, further reviews may be undertaken to determine the extent, nature and estimated costs of remediation, if required. Financial provision has been made for the estimated costs in restoring, decontaminating and decommissioning property. Sites where the potential costs cannot be quantified include contingencies for Defence properties, the Googong Dam lease agreement with the Australian Capital Territory Government and the clean-up of the former British atomic test site at Maralinga.

The Australian Government has also provided a number of indemnities or other guarantees in relation to the costs associated with the management and clean-up of sites following incidents or other events. These include potential incidents arising from liquid fuel emergencies, ship sourced marine pollution and carbon dioxide leakage from the Gorgon liquefied natural gas and carbon dioxide storage project.

Other contingencies

The RBA provides a Committed Liquidity Facility (CLF) to eligible authorised deposit-taking institutions (ADIs) as part of Australia's implementation of the Basel III liquidity standards. The CLF provides ADIs with a contractual commitment to funding under repurchase agreements with the RBA, subject to certain conditions. It was established to ensure that ADIs are able to meet their liquidity requirements under Basel III and was made available because the supply of high-quality liquid assets is lower in Australia than is typical in other major countries. In September 2021, it was assessed that there was sufficient high-quality liquid assets for locally incorporated ADIs to meet their liquidity requirements without the need to utilise the CLF. Accordingly, the CLF was remeasured to zero as at 1 January 2023.

The following table reconciles the movement in the CLF and other quantifiable contingencies.

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Opening balance as at 1 July	9,535	7,010	74,951	122,087
Increases	3,639	3,198	3,685	3,262
Remeasurement	224	887	(65,167)	(48,833)
Liabilities crystallised	-	(45)	-	(45)
Expired	(1,774)	(1,515)	(1,775)	(1,520)
As at 30 June	11,624	9,535	11,694	74,951

In addition to the above, a select number of entities have identified unquantifiable contingencies in relation to potential underpayments of employee on-costs.

Contingent assets

The following table reconciles the movement in quantifiable contingent assets.

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
Opening balance as at 1 July	373	258	390	301
Increases	719	260	733	263
Remeasurement	(24)	27	(24)	27
Assets crystallised	(204)	(145)	(204)	(145)
Expired	(96)	(27)	(110)	(56)
As at 30 June	768	373	785	390

Additionally, at any time various Australian Government entities are pursuing other claims and legal actions that are pending court or other processes.

Note 9B: Financial instruments

The Notes to the balance sheet include information on the classification of financial assets and liabilities under AASB 7 *Financial Instruments - Disclosures*.

AASB 7 also requires disclosure of items of income, expenses, gains and losses by financial instrument category. This disclosure is to assist users to understand the financial performance results, given the different measurement basis applied to each category.

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
FINANCIAL ASSETS				
Amortised cost				
Interest income	3,475	1,305	4,462	1,383
Net foreign exchange gain/(loss)	(223)	(296)	2,897	(297)
Write-down and impairment	(496)	(807)	(536)	(822)
Interest expenses	(889)	(509)	(918)	(516)
Net gain/(loss)	1,867	(307)	5,905	(252)
Fair value through other comprehensive income				
Interest income	442	31	442	31
Dividend income	115	308	-	3
Net gain/(loss) on disposal	9	1	9	1
Net foreign exchange gain/(loss)	(148)	(148)	(148)	(148)
Other gains/(losses)	51	1	74	1
Fair value movements in equity	(664)	(26,265)	1,180	373
Net gain/(loss)	(195)	(26,072)	1,557	261
Fair value through profit and loss				
Interest income	35,216	36,498	36,333	38,440
Net gain/(loss) on disposal	(1,876)	(1,334)	(2,197)	(2,042)
Dividend income	5,176	8,744	5,230	8,843
Net foreign exchange gain/(loss)	(186)	126	(185)	1,894
Write-down and impairment	(1,128)	(1,270)	(1,128)	(1,270)
Interest expenses	-	(200)	-	(200)
Other gains/(losses)	10,426	(15,720)	6,850	(61,521)
Net gain/(loss)	47,628	26,844	44,903	(15,856)

	General Government		Australian Government	
	2023	2022	2023	2022
	\$m	\$m	\$m	\$m
FINANCIAL LIABILITIES				
Fair value through profit and loss				
Interest expenses	(51,043)	(51,005)	(42,335)	(44,355)
Other gains/(losses)	13,386	115,954	13,385	115,953
Net gain/(loss)	(37,657)	64,949	(28,950)	71,598
Other financial liabilities				
Interest expenses	(3,499)	(1,735)	(20,286)	(3,496)
Net foreign exchange gain/(loss)	47	561	47	561
Net gain/(loss)	(3,452)	(1,174)	(20,239)	(2,935)

For assets and liabilities held at fair value through profit or loss, interest and dividends are reported separately from gains and losses.

The Australian Government is exposed to the following financial risks:

Interest rate risk	Foreign exchange risk	Other price risk	Credit risk	Liquidity risk
The risk to fair value or future cash flows from changes in market interest rates	The risk to fair value or future cash flows from changes in foreign exchange rates	The risk to fair value or future cash flows from other market changes	The risk of financial loss to the Australian Government if a customer or counterparty fails to meet its contractual obligations	The risk that the Australian Government will encounter difficulty in meeting its financial obligations

Credit risk and liquidity risk are specific to the Australian Government's dealing with its counter-parties and are disclosed in the respective Notes to the balance sheet. This Note focuses on the market risks to which the Australian Government has material exposures, being interest rate risk, foreign exchange risk and equity price risk.

(a) Overview of market risk management in the Australian Government

The management of market risk by Australian Government entities is governed by the PGPA Act and, for some entities such as the RBA, specific legislation. The three sectors of government (GGS, PNFC and PFC) hold financial instruments for different purposes and with different financial risk exposures:

General Government Sector

The GGS holds financial instruments for:

- financing and liquidity management;
- strengthening the Australian Government's long-term financial position through the establishment of investment funds;
- policy purposes through the provision of concessional loans and other instruments; and
- to meet the Australian Government's international commitments to the IMF and other multilateral organisations.

Financing and liquidity management

Australian Government entities subject to the PGPA Act are required to draw down monies on an 'as-needed' basis. As a general principle, Commonwealth GGS entities cannot invest public monies except as delegated under section 58 of the PGPA Act or authorised by legislation. Corporate Commonwealth entities subject to the PGPA Act are also restricted in how they can invest monies that are surplus to operational requirements. As a general principle, surplus money may only be placed on deposit with a bank or invested directly in securities issued or guaranteed by the Australian Government, a state or a territory, unless an exemption is approved by the Minister for Finance. Financial assets held by the majority of GGS entities are non-interest bearing, including trade receivables, or have fixed interest and do not fluctuate due to changes in the market interest rate.

The majority of GGS entities are also prohibited from borrowing. The Australian Office of Financial Management (AOFM) is responsible for debt management and for ensuring that the Australian Government has sufficient cash to meet its needs. To do this, the AOFM manages the issuance of government securities, including medium to long-term Treasury Bonds and Treasury Indexed Bonds and short-term Treasury Notes.

Investment Funds

The Australian Government has also established a number of investment funds to meet future liabilities or provide financing resources for critical areas of infrastructure and research. The investment funds currently comprise of the:

- ***Future Fund*** — a long-term investment fund that is designed to enhance the ability of the Australian Government to discharge unfunded superannuation liabilities;

- **DisabilityCare Australia Fund (DCAF)** — an investment fund to enhance the Commonwealth’s ability to reimburse the Commonwealth, states and territories for expenditure incurred in relation to the *National Disability Insurance Scheme Act 2013*;
- **Medical Research Future Fund (MRFF)** — a financial asset fund established to provide an endowment that will support medical research and innovation into the future;
- **Aboriginal and Torres Strait Islander Land and Sea Future Fund (ATSILSFF)** — to support the Government making annual and discretionary payments to the Indigenous Land and Sea Corporation;
- **Future Drought Fund (FDF)** — established on 1 September 2019 by the *Future Drought Fund Act 2019*. The FDF enhances the Commonwealth’s ability to make arrangements with, and grants to, persons and bodies in relation to drought resilience, preparedness and response. On establishment, the FDF was credited with the balance of the previous Building Australia Fund, which ceased operation on 1 September 2019; and
- **Disaster Ready Fund (DRF)** — initially established as the Emergency Response Fund (ERF) on the commencement of the *Emergency Response Fund Act 2019* on 12 December 2019. On establishment, the DRF was credited with the uncommitted balance of the Education Investment Fund, which has now been closed. On 1 March 2023, the ERF was renamed as the DRF upon commencement of the *Emergency Response Fund Amendment (DRF) Act 2022*. The DRF allows the Government to draw up to \$200 million per annum to fund natural disaster resilience and risk reduction from 2023-2024 onwards.

All the Funds operate under the same governance arrangements with the Future Fund Board of Guardians (the Board) having responsibility for investing decisions and managing the Funds’ assets. The Board is administratively supported by the Future Fund Management Agency. The Department of Finance advises the Minister for Finance on various aspects of the Funds, including policy, legislative and governance matters. Each Fund has an investment mandate that is determined by the Australian Government under legislation.

The Government specifies a benchmark return for each Fund and requires the Board to take an acceptable but not excessive level of risk. The Board sets and reviews asset allocations designed to achieve this outcome. It encapsulates a level of risk that is expected to deliver the key return objectives while limiting the downside risk.

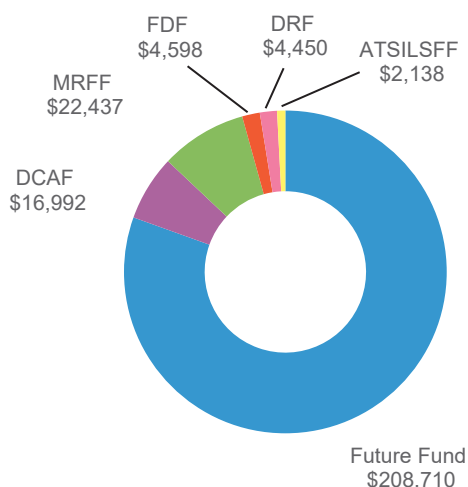
A range of factors are considered in constructing the investment portfolios to ensure that there is adequate diversity so that a negative outcome in any one area does not unduly impact the overall return. The factors considered include the outlook for: global economic growth; inflation; global real interest rates; changes in risk premia attached to various asset classes; movements in the value of currencies held; and changes in liquidity and credit conditions.

The Board has overall responsibility for risk management, including that related to environmental, social and governance (ESG) factors. The Board considers these risks from a risk-adjusted returns perspective. As with social and governance factors, the Board integrates material transition and physical climate-related risks and opportunities into Fund investment processes. This includes understanding the potential risks to company earnings due to climate risk and to what extent markets are pricing-in carbon risk.

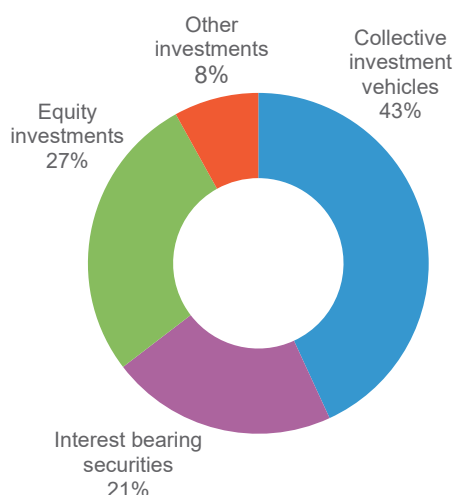
The Board's ESG Policy provides a framework which helps to determine what entities and sectors are excluded from the investment fund portfolio for non-financial reasons.

As at 30 June 2023, the Investment Funds held \$259,325 million in investment assets (2022: \$246,924 million). The allocation of assets by Investment Fund and percentage share by investment category is shown below as at 30 June 2023.

Asset allocation by Fund (\$m)



Allocation by investment category



The Future Fund and the MRFF have long-term investment mandates for which the Future Fund Board constructs a highly diversified portfolio. The remaining funds have shorter-term investment horizons.

The different investment categories provide diversification and exposure to various market risks, consistent with the Future Fund Board's mandate to target appropriate levels of risk to achieve the benchmark returns for each Fund.

The assets of the Investment Funds encompass the following broad investment categories and exposures:

- Equity investments in private funds and corporations (refer Note 5C), which include both domestic and international listed equities and listed managed investment schemes. Equity investments are held both long-term and short-term and provide exposure to price and foreign exchange risk (for international equities).
- Collective Investment Vehicles (CIVs) (refer Note 5B) enable the Future Fund and MRFF to pool funds with multiple investors in investment holding entities in order to manage investment risks through portfolio diversification and provide investment exposure to larger assets. CIVs comprise 43 per cent (2022: 44 per cent) of assets held by the Investment Funds at 30 June 2023 and include a range of underlying strategies including debt, private equity, hedge funds, property, infrastructure and timberland assets, both in Australia and overseas. The diversity of underlying investment strategies in CIVs give rise to credit risk, interest rate risk, price risk and foreign exchange risk, which are summarised in the CFS with further detail provided in the Future Fund's Annual Report.
- Interest bearing securities (refer Note 5B) include international government securities, corporate securities, mortgage and asset-backed securities and interest bearing securities issued by domestic banks. Interest bearing securities are utilised by all of the Investment Funds for return generation and to manage risk, including in the short-term. The portfolio of interest bearing securities provide exposure to credit risk, interest rate risk and foreign exchange risk.
- Other investments (refer Note 5B) include derivatives and cash deposits held for investment purposes, which are not available for Australian Government operating activities.

This Note provides an overview of the interest rate, foreign exchange and equity risks associated with these investments, with credit risk discussed in Note 5B.

The 2022-23 annual report for the Board provides a detailed discussion of the underlying investment strategies, exposures as at the reporting date and the 2022-23 investment performance for each of the Investment Funds.

The investment portfolio includes debt, equity and certain transactions denominated in foreign currencies. These give rise to interest rate risk, price risk and foreign exchange risk.

Advances and investments for policy purposes

The GGS also holds certain financial assets and liabilities for public policy purposes, rather than liquidity management. These include:

- loans and investments to facilitate increased flows of finance into certain industries or sectors and loans provided on concessional terms in pursuit of policy objectives. For example, income contingent student and other loans and loans to fund critical infrastructure;
- loans to state and territory governments under previous Commonwealth-State financing arrangements; and
- equity contributions to public corporations for infrastructure development.

International commitments

Australia has shareholdings in international financial institutions (IFIs) and multilateral development banks, including the IMF and the World Bank Group's International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation and the Multilateral Investment Guarantee Agency. Australia also has shareholdings in the Asian Development Bank, the Asian Infrastructure Investment Bank and the European Bank for Reconstruction and Development. In addition to the shareholdings recognised as financial assets, Australia conducts financial transactions with these institutions to manage existing obligations.

Public Financial Corporations

The PFC sector comprises the RBA and similar entities. The RBA is Australia's central bank with responsibility for monetary policy. Its role is set out in the *Reserve Bank Act 1959*. The RBA also holds Australia's foreign currency reserves, operates Australia's main high value payments system, provides banking services to the Australian Government and designs, produces and issues Australia's banknotes. In undertaking these functions, the RBA has significant exposures to interest rate and currency risk. Export Finance Australia (EFA) is also involved in lending and borrowing activities with exposures to interest rate and currency risk.

In the PFC sector the market operations of the RBA and the EFA make up the majority of the sector's exposure to market risk.

Public Non-Financial Corporations

PNFC entities primarily hold financial instruments as a direct result of operations, including trade receivables and payables, or to finance operations. Certain entities in the PNFC sector also enter into derivative transactions, including interest rate swaps, forward currency contracts and commodity swap contracts. The purpose is to manage the interest rate, currency and commodity risks arising from the entity's operations and sources of finance.

(b) Interest rate risk

Exposure

The Australian Government's main exposures to interest rate risk are reflected in the fair value of Australian Government Securities on issue and in the fair value and future cash flows associated with debt securities held by the Investment Funds and the RBA. The Australian Government's exposure to interest rate risk on relevant asset and liability classes is set out below.

	2023			
	Fixed interest rate \$m	Floating interest rate \$m	Non- interest bearing \$m	Total \$m
Financial assets				
Advances paid and receivables (non-statutory)	14,472	58,661	13,596	86,729
<i>Investments, loans and placements:</i>				
Deposits	21,701	1,569	-	23,270
Government securities	312,440	-	-	312,440
Residential mortgage-backed securities	658	-	-	658
Collective investment vehicles	-	-	114,805	114,805
Other interest bearing securities	46,673	10,179	-	56,852
Total financial assets	395,944	70,409	128,401	594,754
Financial liabilities				
Deposits held	412,495	73	16	412,584
Government securities	573,980	-	-	573,980
Loans	26,422	6,304	10,171	42,897
Total financial liabilities	1,012,897	6,377	10,187	1,029,461
Net exposure to interest rate risk	(616,953)	64,032	118,214	(434,707)

For the comparative period, the exposure to interest rate risk was as follows:

	2022			Total \$m
	Fixed interest rate \$m	Floating interest rate \$m	Non- interest bearing \$m	
Financial assets				
Advances paid and receivables (non-statutory)	11,996	58,467	13,080	83,543
<i>Investments, loans and placements:</i>				
Deposits	24,110	1,555	-	25,665
Government securities	309,701	-	-	309,701
Residential mortgage-backed securities	803	-	-	803
Collective investment vehicles	-	-	106,865	106,865
Other interest bearing securities	45,840	10,491	-	56,331
Total financial assets	392,450	70,513	119,945	582,908
Financial liabilities				
Deposits held	426,061	49	18	426,128
Government securities	575,625	-	-	575,625
Loans	24,944	5,164	8,909	39,017
Total financial liabilities	1,026,630	5,213	8,927	1,040,770
Net exposure to interest rate risk	(634,180)	65,300	111,018	(457,862)

Sensitivity

The following table provides a sensitivity analysis for the individual interest rate exposures where the variability is material to the Australian Government. For fixed interest rate instruments that are carried at fair value, changes in fair value only are considered relevant while for fixed rate instruments that are carried at amortised cost, sensitivity to interest rate risk is not considered relevant.

Individually material exposures	Impact on operating result and net worth			
	2023		2022	
	+ 104 basis points \$m	- 104 basis points \$m	+ 79 basis points \$m	- 79 basis points \$m
Financial assets				
Investment funds	(1,452)	1,621	(2,163)	2,315
RBA Government securities	(14,078)	14,078	(13,110)	13,110
Financial liabilities				
Government securities	46,359	(46,359)	36,827	(36,827)

In the above sensitivity analysis, there is an equivalent impact on operating result and net worth as the identified instruments are not classified as 'available for sale'.

The value of concessional loans held at fair value, such as HELP, are also impacted by changes in market interest rates, however, interest rate changes will have no impact on the future cash flows or principal amounts at maturity.

Management of interest rate risk

The *Loans Securities Act 1919* provides authority to enter into swaps in the management of the debt portfolio. However, the Australian Government does not currently use interest rate swaps in the management of the debt portfolio, with the cost of debt instead managed through debt issuance and investment activities.

The Future Fund's investment managers utilise interest rate derivative contracts to manage the exposure to interest rates and to ensure it remains within approved limits. At 30 June 2023, the notional value of open futures contracts and swaps totalled \$49,997 million (2022: \$52,704 million).

The other investment funds had open positions in exchange traded interest rate futures contracts and interest rate swap agreements at the reporting date. At 30 June 2023, the notional value of open futures contracts and swaps totalled \$5,754 million (2022: \$3,510 million).

The RBA faces interest rate risk because most of its assets are financial assets that have a fixed income stream, such as Australian dollar and foreign currency securities. The RBA uses interest rate futures contracts on overseas exchanges to manage interest rate risk on its portfolio of foreign government securities.

(c) Foreign exchange risk

Exposure

The Australian Government's main exposures to foreign exchange risk are reflected in the foreign currency investments of the RBA and the Investment Funds, foreign currency facilities provided by EFA and in the value of financial assets and liabilities held with international financial institutions (IFIs) and development banks.

The Australian Government's material holdings of foreign exchange assets and liabilities are set out below by class at the reported amount.

	Foreign currency	
	2023 \$m	2022 \$m
Financial assets		
Advances paid and receivables	2,845	2,484
<i>Investments, loans and placements:</i>		
Deposits	13,224	14,567
Government securities	70,362	41,821
IMF quota and SDR holdings	35,301	31,296
Collective investment vehicles	63,900	61,580
Other interest bearing securities	29,248	31,997
Equity investments	57,307	53,441
Total financial assets	272,187	237,186
Financial liabilities		
Loans	9,858	9,626
Other interest bearing liabilities	18,875	22,330
Other payables	413	345
Total financial liabilities	29,146	32,301
Net foreign exchange holdings	243,041	204,885

The foreign exchange holdings of the RBA, the Investment Funds and EFA are in multiple currencies, but predominantly US dollars (USD), while the financial assets and liabilities held with IFIs and development banks are denominated in USD, Euros (EUR) and Special Drawing Rights (SDR).

In addition to the above, certain Commonwealth entities are also exposed to foreign exchange risks on sales and procurement contracts denominated in foreign currency. These are not considered material to the Australian Government balance sheet.

Sensitivity

Given the Australian Government's net holdings of foreign currency assets, an appreciation in the Australian dollar exchange rate results in valuation losses, while a depreciation leads to valuation gains. The following table provides a sensitivity analysis for the individual foreign exchange rate exposures where the variability is material to the Australian Government. The analysis is based on the foreign exchange standardised rate of +/- 8.48 per cent (2022: +/- 8.31 per cent) applied to the value of the Australian dollar exchange rate as at 30 June 2023.

Individually material exposures	Impact on operating result and net worth			
	2023		2022	
	+8.48	-8.48	+8.31	-8.31
	per cent	per cent	per cent	per cent
	\$m	\$m	\$m	\$m
Foreign financial assets				
Investment Funds	(10,935)	9,392	(9,956)	8,606
RBA Government securities	(4,366)	5,337	(3,999)	4,887
IMF and IFI Investments	(1,446)	1,714	(1,390)	1,642
Foreign financial liabilities				
IMF SDR and loan liabilities	1,481	(1,755)	1,398	(1,651)

Management of foreign exchange risk

In the GGS, entities are responsible for the management of their foreign exchange risks. However, it is Australian Government policy that GGS entities do not act to reduce the foreign exchange risk that they would otherwise face in the course of their business arrangements. Unless exempted by the Minister for Finance, entities are not permitted to undertake any form of hedging.

Rather than allowing entities to enter into individual hedging arrangements, the Australian Government has taken a decision to self-insure foreign exchange exposures and not accept the additional costs associated with hedging. This is based on the view that, as a large organisation, the Australian Government has a broad spread of assets and liabilities and a range of revenues and expenses, both geographically and across classes, which assists in the management of movements in exchange rates.

Certain entities have been granted an exemption from the policy, including the Future Fund. The Future Fund Board sets a target exposure to foreign currency risk for the Future Fund and other investment funds with risk managed utilising forward foreign exchange contracts and other derivatives.

The Australian Government is exposed to foreign currency denominated in USD, EUR and SDR on financial assets and liabilities held with IFIs and development banks. These exposures are not hedged as these instruments are held for policy purposes.

In the PFC sector, the RBA's holdings of foreign currency-denominated assets expose the bank and the Australian Government balance sheet to fluctuations in exchange rates. As these assets serve a policy function, the RBA does not seek to eliminate this exchange rate exposure. Rather, the RBA mitigates it by diversifying foreign currency assets across several currencies. The RBA also undertakes foreign currency swaps with market counterparties both to assist daily domestic liquidity management and in managing foreign reserve assets.

EFA eliminates foreign exchange risk on its foreign currency facilities by borrowing in the same currency as the assets or, typically, by borrowing in another currency and using cross-currency swaps and other foreign exchange instruments to remove the foreign exchange exposure.

The following table shows the net reduction in foreign exchange exposure through foreign exchange derivative contracts undertaken by the RBA, Future Fund and other investment funds and EFA.

	2023 \$m	2022 \$m
Forward exchange contracts and foreign currency swaps		
Sell foreign currency	(141,154)	(155,607)
Purchase foreign currency	78,625	93,615
Net forward exchange contracts and foreign currency swaps	(62,528)	(61,992)

(d) Other price risk

Exposure

The Australian Government is exposed to equity price risk arising from equity investments, primarily through the investments of the Future Fund and other investment funds. The equity price risk is the risk that the value of the equity portfolio will decrease as a result of changes in the levels of equity indices and the price of individual stocks. The Investment Funds hold equities at fair value through profit or loss. The following table provides the Investment Funds' equity price risk exposure at the reporting date.

	2023 \$m	2022 \$m
Equity price risk exposure		
Domestic equities and managed investment schemes	18,800	16,444
International equities and managed investment schemes	52,510	39,671
Total equity price risk exposure	71,310	56,115

The Investment Funds are also exposed to other price risks arising from investments in Collective Investment Vehicles.

Sensitivity

The following table demonstrates the impact on the net operating balance and net worth of a +/- 20 per cent change in domestic equities and a +/- 15 per cent change in international equities held by the Investment Funds.

Individually material exposures	Impact on operating result and net worth			
	2023		2022	
	+ 20 & 15 per cent	- 20 & 15 per cent	+ 20 & 15 per cent	- 20 & 15 per cent
	\$m	\$m	\$m	\$m
Domestic equities	5,283	(5,145)	4,533	(4,296)
International equities	14,702	(14,577)	11,745	(12,246)
Total	19,985	(19,722)	16,278	(16,542)

Management of other price risk

The Future Fund and the other investment funds had open positions in exchange traded equity futures contracts and equity option contracts as at the reporting date. The exchange traded equity futures, swaps and options are used to manage market exposures to equity price risk to ensure that asset allocations remain within the Future Fund Board's approved limits. The notional value of the open contracts and their fair market value are set out below.

	2023		2022	
	Notional	Fair	Notional	Fair
	value	value	value	value
	\$m	\$m	\$m	\$m
Total	12,811	662	7,903	(1,060)

Note 9C: Defined benefit superannuation plans

Accounting policy

The Australian Government recognises actuarial gains or losses in other comprehensive income in the year in which they occur. Interest on the net defined benefit liability is recognised as an expense. The return on plan assets excluding the amount included in interest income is recognised in other comprehensive income.

Superannuation liabilities are calculated annually as the present value of future benefit obligations less the fair value of scheme assets. The rate used to discount future benefits of material schemes is determined by reference to the long-term government bond rate. The long-term government bond rate increased from between 3.8 and 3.9 per cent at 30 June 2022 to between 4.2 and 4.4 per cent at

30 June 2023. This drove the decrease in the superannuation liability in comparison to the prior year.

Overview of schemes

Civilian GGS employees will usually be members of the Commonwealth Superannuation Scheme (CSS), Public Sector Superannuation Scheme (PSS) or the Public Sector Superannuation Accumulation Plan (PSSap). The PSS and the CSS are closed to new members, with the PSSap available to most new employees who commenced employment on or after 1 July 2005. The CSS and PSS provide defined benefits. The PSSap provides fully funded accumulation benefits to members, with no ongoing liability to the Australian Government. In this disclosure, unless otherwise specified, reference to the CSS includes both the CSS 1976 scheme and the preceding CSS 1922 scheme.

Australian Government military personnel who entered service prior to 1 July 2016 are members of the Defence Force Retirement and Death Benefits Scheme (DFRDB) or the Military Superannuation Benefits Scheme (MSBS). Both schemes are defined benefit schemes. The DFRDB was closed to new members in 1991. The MSBS was closed to new members from 1 July 2016. Military personnel who entered on or after 1 July 2016 are part of ADF Super, an accumulation scheme. The DFRDB disclosures include the DFRDB and the preceding Defence Forces Retirement Benefits Scheme.

In addition to the above, several schemes have been established under legislation for specified personnel, including the Parliamentary Contributory Superannuation Scheme (PCSS) (closed to new members since 9 October 2004), Judges' Pension Scheme, Governor-General Pension Scheme, Federal Circuit Court Judges Death and Disability Scheme and the North American, London, Dublin and New Delhi pension schemes.

Several Public Corporations are responsible for defined benefit schemes for their employees, including:

Scheme title	Responsible entities
AvSuper(a)	Airservices Australia
Australia Post Superannuation Scheme (APSS)(a)	Australia Post Corporation
State Authorities Superannuation Scheme (SASS), State Superannuation Scheme (SSS), State Authorities Non-contributory Superannuation Scheme (SANCS)(a)	Australian Rail Track Corporation
Australian Submarine Corporation Superannuation Fund (ASCSF)	ASC Pty Ltd
Reserve Bank of Australia Officers' Superannuation Fund (OSF) and UK Pension Scheme (UKPS)(a)	RBA
Energy Industries Superannuation Scheme (EISS), State Superannuation Scheme (SSS) and State Authorities Non-contributory Superannuation Scheme (SANCS)(a)	SHL

- (a) As required under AASB 119, the rate used to discount the superannuation liability is determined by reference to market yields on government bonds. Certain for-profit public corporations have applied the market yield on high quality corporate bonds in discounting their long-term employee benefits. On consolidation into these statements, the discount rate and associated disclosures have been adjusted back to apply government bond rates.

For the purposes of this whole of government disclosure, the smaller schemes have been grouped under 'other'.

Composition

As at 30 June 2023, the composition of the Australian Government's net liability for the defined benefit schemes (as reported in Note 6F) was as follows:

Scheme	General Government		Australian Government	
	2023 \$m	2022 \$m	2023 \$m	2022 \$m
Commonwealth Superannuation Scheme (CSS)	69,464	71,243	69,464	71,243
Public Sector Superannuation Scheme (PSS)	103,249	107,410	103,249	107,410
Defence Force Retirement and Death Benefits Scheme (DFRDB)	33,753	36,103	33,753	36,103
Military Superannuation Benefits Scheme (MSBS)	100,122	101,602	100,122	101,602
Other schemes	6,313	5,475	6,317	5,482
Other superannuation liabilities	168	150	175	158
Total superannuation provision	313,069	321,983	313,080	321,998

The defined benefit plan asset of \$781 million reported in Note 5B (2022: \$1,230 million) relates to certain schemes sponsored by public corporations (included in 'other').

Regulatory framework

The following table details the enabling legislation for each of the individually disclosed defined benefits schemes and whether the scheme must comply with the requirements of the *Superannuation Industry (Supervision) Act 1993*.

Scheme	Enabling Act	Period open for new members	Requirement
CSS	<i>Superannuation Act 1976</i>	1 July 1976 to 30 June 1990	Compliance with the <i>Superannuation Industry (Supervision) Act 1993</i> .
PSS	<i>Superannuation Act 1990</i>	1 July 1990 to 30 June 2005	
MSBS	<i>Military Superannuation and Benefits Act 1991</i>	1 October 1991 to 30 June 2016	
DFRDB	<i>Defence Force Retirement and Death Benefits Act 1973</i>	1 October 1972 to 30 September 1991	Exempt from <i>Superannuation Industry (Supervision) Act 1993</i> .

Funding arrangements

The funding arrangements for the individually disclosed schemes are as follows:

Scheme	Funding
CSS	Partially funded. Contributions generally comprise basic member contributions and employer productivity (up to three per cent) contributions. Benefits are funded on an emerging cost basis (as payments are made to retired employees).
PSS	
MSBS	
DFRDB	Unfunded. DFRDB's member's contribution rate is 5.5 per cent of the highest incremental salary for rank plus Service Allowance, which is paid into consolidated revenue. Benefits are funded on an emerging cost basis. Employer contributions also include the three per cent productivity contributions.

The remaining schemes are a combination of unfunded, partially funded and funded defined benefit schemes.

Entitlements

The nature of the benefits provided under the schemes are as follows:

Scheme	Benefits paid
CSS	<p>Employer financed indexed pension defined by a set formula based on the member's age at retirement, years of contributory service and final superannuation salary. Indexation occurs twice yearly (January and July) in line with changes in the CPI.</p> <p>Member's basic contributions, employer productivity contributions and interest can be taken as a lump sum or an additional non-indexed lifetime pension. This benefit is determined by the value of contributions and investment returns, and in the case of the non-indexed pension, by applying age-based factors.</p> <p>Where a member has preserved their benefit in the scheme, when the benefit becomes payable, the employer financed indexed pension is calculated by applying age-based factors to the amount of two and a half times the member's accumulated basic member contributions and interest.</p>

Scheme	Benefits paid
PSS	<p>The types of benefits payable are a lifetime indexed pension (indexed in January and July) in line with changes in the CPI and a lump sum payment. On retirement a lump sum benefit is payable which is calculated based on the member's length of contributory membership, their rate of member contributions and final average salary (average of a member's superannuation salary on their last three birthdays).</p> <p>Where a member preserves their benefit in the scheme, generally the member's lump sum benefit at that time is crystallised with the funded component of the benefit accumulating with interest and the unfunded component accumulating with changes in the CPI, until the benefit becomes payable.</p> <p>Generally members can convert 50% or more of their lump sum to a lifetime indexed pension. The indexed pension is calculated by applying age-based factors to the amount of the lump sum to be converted to a pension.</p>
MSBS	<p>Benefits payable comprise a lump sum of accumulated member contributions and an employer financed defined benefit. The defined benefit is calculated on the basis of the member's final average salary and length of contributory service.</p> <p>Benefits arising from members contributions, the employer three per cent productivity contribution and amounts notionally carried over from the DFRDB are determined by the value of contributions and investment returns.</p> <p>May be taken as a lump sum or as a pension or as a combination of lump sum and pension.</p>
DFRDB	<p>Length of service is the primary factor that determines benefit entitlement.</p> <p>Members who retire from the Australian Defence Force (Defence) after 20 years of effective service (or after 15 years of service at retirement age for rank) are entitled to a pension based on a percentage of their annual pay on retirement, some of which can be commuted to a lump sum. Members are entitled to a productivity benefit based on three per cent of pay increased with interest, which is paid as a lump sum in addition to the defined benefits.</p>

Generally, benefits may also be payable to any surviving eligible spouse and children on the death of a member or pensioner.

Governance

Commonwealth Superannuation Corporation (CSC), was established under the *Governance of Australian Government Superannuation Schemes Act 2011* and is the trustee for eleven schemes, including the CSS, PSS, DFRDB and MSBS. CSC is responsible for:

- administration of each Scheme;
- management and investment of Scheme assets;
- compliance with superannuation and taxation laws and other applicable laws; and
- compliance with relevant legislation including the *Governance of Australian Government Superannuation Schemes Act 2011*.

CSC is supported by an administrator, a custodian and other specialist providers. The governance arrangements for the 'other' defined benefit superannuation schemes are detailed in the annual reports of the respective employing entities.

Risks

The Australian Government is exposed to risks such as interest rate risk, investment risk, longevity risk and salary risk. The following pages identify and explain the amounts reported in these financial statements and detail the principal actuarial assumptions underpinning each of the major schemes, including an analysis of the sensitivity of changes in these assumptions to the amounts reported in the financial statements.

Assumptions

For the defined benefit obligation, assumptions have been made regarding rates of retirement, death (for active, preserved and pension members), mortality improvements, invalidity, resignation, retrenchment, retention and take up rates of pensions in the schemes. Assumptions have also been made for the ages of spouses and rates of member contributions. These assumptions are consistent to those used within the 2020 Long Term Cost Reports (LTCRs).

Membership data for the CSS, PSS, DFRDB and MSBS as at 30 June 2022 was projected forward to 30 June 2023 applying assumptions in accordance with the LTCRs and adjusted to recognise the difference between actual benefit payments and assumed decrements. Members' account balances were increased to be consistent with the estimated level of earning rates prevailing at 30 June 2023.

For the fair value of plan assets, assumptions have been made as to the expected rate of return. For certain schemes, the fair value of scheme assets as at 30 June 2023 was estimated using the pre-30 June 2023 fair value of scheme assets and adjusted for subsequent cash flows. The following tables explain the amounts reported in the financial statements.

Reconciliation of the present value of the defined benefit obligation for 2022-23

Scheme	2023				
	CSS \$m	PSS \$m	DFRDB \$m	MSBS \$m	Other \$m
Reconciliation of the present value of the defined benefit obligation					
Opening present value	(72,623)	(128,215)	(36,103)	(113,415)	(10,652)
Current service cost	(34)	(2,266)	(45)	(2,525)	(1,882)
Productivity contributions	(4)	(149)	-	-	-
Interest cost	(2,674)	(4,940)	(1,374)	(4,438)	(496)
Contributions by scheme participants	(15)	(494)	-	(209)	(7)
<i>Actuarial gains/(losses) arising from:</i>					
Changes in demographic assumptions	-	-	(550)	(3,005)	-
Changes in financial assumptions	2,442	9,548	3,708	11,871	459
Liability experience	(2,106)	(3,443)	(1,170)	(3,236)	261
Other assumptions	-	-	-	-	28
Benefits paid	4,354	3,299	1,781	1,983	642
Taxes, premiums and expenses paid	1	23	-	-	-
Other	(2)	(3)	-	-	(2)
Exchange rate gains/(losses)	-	-	-	-	(5)
Present value at 30 June	(70,661)	(126,640)	(33,753)	(112,974)	(11,654)
Reconciliation of the fair value of scheme assets					
Opening fair value	1,380	20,805	-	11,813	6,479
Changes in fair value of scheme assets:					
Interest income	47	821	-	460	329
Adjust for actual return on scheme assets	63	1,010	-	629	(60)
Actuarial gains/(losses)	-	-	-	-	(9)
Net appropriation from CRF	4,042	3,433	1,781	1,724	109
Employer contributions	4	149	-	-	81
Participant contributions	15	494	-	209	7
Foreign currency exchange rate changes	-	-	-	-	3
Benefits paid	(4,354)	(3,299)	(1,781)	(1,983)	(639)
Taxes, premiums and expenses paid	(1)	(23)	-	-	(11)
Fair value at 30 June	1,196	23,390	-	12,852	6,289
Composition of scheme assets					
Australian equity	24.0%	25.0%	-	24.0%	13.5%
International equity	21.0%	21.0%	-	22.0%	10.1%
Fixed income	-	-	-	-	19.9%
Property and infrastructure	14.0%	14.0%	-	14.0%	15.2%
Private equity	12.0%	11.0%	-	13.0%	22.0%
Hedge funds	-	-	-	-	1.4%
Debt instruments	4.0%	4.0%	-	-	1.4%
Diversified growth funds	-	-	-	-	0.4%
Other	12.0%	12.0%	-	11.0%	4.3%
Cash	13.0%	13.0%	-	16.0%	11.8%
Total	100%	100%	-	100%	100%
Principal actuarial assumptions at the reporting date					
Discount rate (active members)	4.2%	4.4%	4.2%	4.4%	3.9-5.8%
Discount rate (pensioners)	4.2%	4.4%	4.2%	4.4%	4.4%
Expected rate of return on plan assets	-	-	-	4.4%	-
Expected salary increase rate(a)	3.5-4.0%	3.5-4.0%	3.7%	3.7%	1.8-6.3%
Expected pension increase rate	2.5-3.5%	2.5-3.5%	2.5-3.7%	2.5%	2.6-4.0%

(a) CSS and PSS assume general salary increases of 4.0% to June 2024, 3.5% to June 2025, 3.0% to June 2026 and 3.5% thereafter. DFRDB and MSBS assume general salary increases of 4.0% to June 2024 to June 2026 and 3.7% thereafter.

Reconciliation of the present value of the defined benefit obligation for 2021-22

Scheme	2022				
	CSS \$m	PSS \$m	DFRDB \$m	MSBS \$m	Other \$m
Reconciliation of the present value of the defined benefit obligation					
Opening present value	(87,971)	(158,648)	(45,834)	(143,953)	(12,338)
Current service cost	(62)	(3,367)	(56)	(4,353)	(2,307)
Productivity contributions	(6)	(155)	-	-	-
Interest cost	(1,716)	(3,618)	(943)	(3,343)	(323)
Contributions by scheme participants	(20)	(515)	-	(232)	(6)
<i>Actuarial gains/(losses) arising from:</i>					
Changes in demographic assumptions	-	-	-	(7,087)	1
Changes in financial assumptions	15,017	39,027	10,461	47,219	3,546
Liability experience	(2,230)	(3,860)	(1,532)	(3,450)	159
Other assumptions	-	-	-	-	(13)
Benefits paid	4,361	2,897	1,801	1,784	632
Taxes, premiums and expenses paid	1	23	-	-	-
Other	3	1	-	-	(1)
Exchange rate gains/(losses)	-	-	-	-	(2)
Present value at 30 June	(72,623)	(128,215)	(36,103)	(113,415)	(10,652)
Reconciliation of the fair value of scheme assets					
Opening fair value	1,780	21,208	61	12,219	6,977
Changes in fair value of scheme assets:					
Interest income	32	479	-	281	197
Adjust for actual return on scheme assets	(66)	(984)	-	(700)	(275)
Actuarial gains/(losses)	-	-	-	-	(6)
Net appropriation from CRF	3,971	2,352	1,740	1,563	152
Employer contributions	6	155	-	-	80
Participant contributions	20	515	-	232	6
Foreign currency exchange rate changes	-	-	-	-	(2)
Benefits paid	(4,361)	(2,897)	(1,801)	(1,784)	(635)
Taxes, premiums and expenses paid	(1)	(23)	-	-	(12)
Other	(1)	-	-	2	(3)
Fair value at 30 June	1,380	20,805	-	11,813	6,479
Composition of scheme assets					
Australian equity	25.0%	25.0%	-	24.0%	10.7%
International equity	21.0%	21.0%	-	22.0%	7.4%
Fixed income	-	-	-	-	24.9%
Property	13.0%	13.0%	-	13.0%	15.4%
Private equity	11.0%	11.0%	-	12.0%	26.0%
Hedge funds	-	-	-	-	0.8%
Debt instruments	5.0%	5.0%	-	-	1.0%
Diversified growth funds	-	-	-	-	0.3%
Other	12.0%	12.0%	-	11.0%	2.5%
Cash	13.0%	13.0%	-	18.0%	11.0%
Total	100%	100%	-	100%	100%
Principal actuarial assumptions at the reporting date					
Discount rate (active members)	3.8%	3.9%	3.9%	3.9%	2.3-5.5%
Discount rate (pensioners)	3.8%	3.9%	3.9%	3.9%	3.9%
Expected rate of return on plan assets	-	-	-	3.9%	-
Expected salary increase rate (a)	2.7-3.5%	2.7-3.5%	4.0%	4.0%	1.8-6.5%
Expected pension increase rate	2.5-4.0%	2.5-4.0%	2.5-4.0%	2.5%	1.8-4.0%

(a) CSS and PSS assume general salary increases of 2.7% to June 2023, 3.1% to June 2024, 3.3% to June 2025 and 3.5% thereafter. DFRDB and MSBS assume general salary increases of 2.0% to June 2023 and 4.0% from 2024.

The discount rate for 'Other' Schemes includes schemes sponsored by for-profit entities which apply a corporate bond rate for measurement of the liability. In the CFS, these discount rates are adjusted back to a Government bond rate for the consistent measurement of the overall Australian Government liability.

Sensitivity analysis for significant actuarial assumptions

The impact of a change in the defined benefit obligation reported as at 30 June 2023 under several scenarios is presented below. The balance has been recalculated by changing the assumptions as outlined below, whilst retaining all other assumptions.

		Impact on defined benefit obligation	
	Change in assumption	Increase \$m	Decrease \$m
CSS			
Discount rate	0.5%	(3,468)	3,786
Salary growth rate	0.5%	21	(20)
Rate of CPI increase	0.5%	3,308	(3,060)
PSS			
Discount rate	0.5%	(9,268)	10,462
Salary growth rate	0.5%	1,617	(1,536)
Rate of CPI increase	0.5%	8,206	(7,447)
DFRDB and MSBS			
Discount rate	0.5%	(11,993)	15,088
Salary growth rate	0.5%	2,960	(1,408)
Rate of CPI increase	0.5%	12,002	(7,024)
Other			
Discount rate	0.5%	(297)	324
Salary growth rate	0.5%	194	(180)

Employer contributions

The following table shows the expected contributions for 2023-24 by scheme.

Scheme	2024 \$m
Commonwealth Superannuation Scheme	3
Public Sector Superannuation Scheme	123
Defence Force Retirement and Death Benefits Scheme	1,865
Military Superannuation Benefits Scheme	1,916
Other schemes	195

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation in years for each of the schemes is outlined below.

Scheme	Weighted average duration of the defined benefit obligation in years
Commonwealth Superannuation Scheme 1976	10.9 years
Commonwealth Superannuation Scheme 1922	6.7 years
Public Sector Superannuation Scheme	17.3 years
Defence Force Retirement and Death Benefits Scheme	13.2 years
Defence Forces Retirement Benefits Scheme	8.1 years
Military Superannuation Benefits Scheme	23.4 years
Other schemes	10.6 years

Note 10: Related parties

Note 10A: Ministerial remuneration

Cabinet Ministers are key management personnel of the Australian Government. The disclosure includes all Cabinet Ministers who have served during the financial year.

Ministerial benefits that are not considered to be for personal benefit, such as electorate allowance for staff, transport, printing and communication, as well as costs incurred by portfolio departments on behalf of Ministers, are excluded from this disclosure. Costs associated with The Lodge and Kirribilli House are not included, as these are national assets and incur costs regardless of who uses them. Key management personnel remuneration is reported below:

Remuneration	2023 \$m	2022 \$m
Short-term employee benefits(a)	9.9	10.1
Post-employment benefits(b)	1.5	31.2
Total key management personnel remuneration	11.4	41.3

- (a) Short-term benefits comprise total salary (including the additional ministerial component), motor vehicle and other fringe benefit costs including related fringe benefits tax.
- (b) Post-employment benefits comprise superannuation contributions, post-retirement travel and resettlement allowance. The amount reported in 2022 includes an estimate of the long-term benefits (including staff, office, and vehicle costs) that will be made available to the Prime Minister upon retirement from his ministerial office. The estimate was actuarially determined based on a series of assumptions and is recognised when a new Prime Minister takes office. The resources provided to former Prime Ministers are set out in the *Parliamentary Business Resources (former Prime Ministers) Determination 2017*.

The number of Cabinet Minister positions during the financial year was 23 (2022: 23).

Note 10B: Related party disclosures

For the Government, related parties include Cabinet Ministers, their close family members and bodies they control.

Cabinet Ministers transact with the Government in respect of their remuneration (refer Note 10A) and public resources under the Parliamentary Business Resources Act 2017. Additionally, they or their close family members and bodies they control may transact with government on the same basis as other Australians, such as for the payment of taxes.

Besides these general transaction categories, there were no related party transactions between Cabinet Ministers, close family members and bodies they control and Government to be disclosed.

Transactions with superannuation funds represent contributions and payments of benefits to members or their beneficiaries. These are made in accordance with the rules of the relevant fund. Contributions to the funds for Cabinet Ministers totalled \$1.5 million (2022: \$1.3 million). Further information about defined benefit funds are included at Note 9C.

The Government may also receive taxes and other government charges from entities it jointly controls or in which it is an associate.

Note 11: Events occurring after balance date

In accordance with AASB 110 *Events after the Reporting Period*, reporting entities are required to disclose any event between the balance sheet date and the date the financial statements are authorised for issue that may affect the financial statements. The standard classifies these events as either 'adjusting' or 'non-adjusting'.

In September 2023, the Government agreed to not pursue the return of the MRH-90 Taipans (MRH-90) helicopter fleet to flying operations. In 2023-24, the Department of Defence will subsequently pursue disposal options for the MRH-90 fleet.

This is considered to be a non-adjusting event as this decision occurred subsequent to 30 June 2023. The impact of this decision is not fully known or able to be reliably measured as at 30 June 2023. The financial impact of this decision and any subsequent disposals will be reflected in the 2023-24 Department of Defence financial statements. The net assets balance as at 30 June 2023 includes \$484.4 million relating to MRH-90 helicopters and associated spare components.

After 30 June 2023, SHL announced and quantified the outcomes of a reset of Snowy 2.0 and the Hunter Power Project which includes increased forecast capital expenditures. This is an adjusting event as the financial implications of SHL's forecast cashflows have been factored into the valuation of SHL as at 30 June 2023 (refer Department of Climate Change, Energy, the Environment and Water financial statements).

Note 12: Reconciliations and explanations

Prepared in accordance with AASB 1049, the whole of government and GGS financial statements provide users with information about the financial position, performance and cash flows of the Australian Government and its sectors; and information that facilitates assessments of the macroeconomic impact of the Australian Government and its sectors.

Reporting at the whole of government and sector level is also distinguished by the following two characteristics:

- the application of two international reporting frameworks, being the accounting standards issued by the International Accounting Standards Board (through the AASB) and the system of Government Finance Statistics (GFS) issued by the IMF and, in Australia, administered by the Australian Bureau of Statistics (ABS); and
- the public release of budget information for the GGS.

To assist the differing users of these whole of government accounts, AASB 1049 requires the following reconciliations and explanations:

- **Explanation of differences to ABS GFS measures** (refer Note 12A) which explains the material differences in key fiscal aggregates between the CFS and the corresponding ABS GFS measures;
- **Reconciliation to original budget** (refer Note 12B), also required by AASB 1055 *Budgetary Reporting*, which compares the reported results to the original budget for 2022-23 as outlined in October 2022 with explanations for key movements; and
- **Glossary of key fiscal aggregates** (refer Note 12C) which explains the key technical terms reported in the CFS and which are not common to financial reports prepared by other entities.

Note 12A: Explanation of differences to ABS GFS measures

The Government Finance Statistics (GFS) framework reports key fiscal aggregates that measure the financial activities of each government and the impacts of those activities on other sectors of the economy. In Australia, the GFS framework is set out in the Australian Bureau of Statistics (ABS) GFS Manual. The main convergence differences between the key fiscal aggregates reported in the CFS under AASB 1049 and the corresponding fiscal aggregates reported under the ABS GFS Manual include:

Issue	CFS treatment	ABS GFS treatment
Circulating coins – seigniorage	The profit between the cost and sale of circulating coins (seigniorage) is treated as revenue.	Circulating coins is treated as a liability, and the cost of producing the coins is treated as an expense.
Valuation of loans	Changes in the valuation of loans are treated as a revenue or an expense. In some circumstances recognition as a revenue or an expense is delayed until the loan ends or is transferred.	Changes in the valuation of loans (excluding mutually agreed write-downs) are treated as an 'other economic flow'.
Timing recognition of Boosting Cash Flow for Employers	Expense recognition is based on underlying economic activity that gives rise to the Cash Flow Boost payment.	Recognised when the businesses receive payments after submitting their activity statements and having met all requirements.
Leases	AASB 16 introduced a single lease accounting framework for lessees, which replaced the distinction between operating and finance leases. Right of use assets and lease liabilities are recognised on the balance sheets for leases that were previously accounted for as operating expense.	The distinction between operating leases and finance leases is continued for lessees.
Concessional loans	Concessional elements are treated as an expense on initial recognition and unwound over the loan term.	Concessional elements are treated as an 'other economic flow'.
Investment in other public sector entities	Valued at fair value in the balance sheet as long as it can be reliably measured, otherwise net assets is used.	Unlisted entities are valued based on their net assets in the balance sheet.
Provision for restoration, decommissioning and make-good	Capitalised when the asset is acquired.	Capitalised when make-good activity takes place.
Renewable Energy Certificates (RECs)	Recognise revenue from the surrender of RECs and expenses associated with the refund of shortfall charges.	The issuance and registration of RECs is considered to be government financial transactions resulting in the recognition of assets, liabilities, revenue and expenses.
Dividends paid by public corporations	Treated as an equity distribution. Equity distributions are treated as a distribution of profits, as opposed to an expense.	Dividends are treated as an expense.
Dividends paid by the Reserve Bank of Australia	Dividends are recognised in the year profit was earned.	Dividends are recognised when the Treasurer makes a determination.
National Disability Insurance Scheme (NDIS) revenue	Funding contributions by the state and territory governments to NDIS are treated as sales of goods and services revenue. In-kind disability services provided by the state and territory governments are treated as other revenue.	Funding contributions by the state and territory governments to NDIS are treated as grants revenue. In-kind disability services provided by the state and territory governments are treated as sales of goods and services revenue.
Commercial tax effect accounting assets and liabilities	Corporations in the PNFC and PFC sectors record tax expenses on a commercial basis.	Deferred tax assets and liabilities are reversed so that corporations record tax expenses on a consistent basis to the Australian Taxation Office.

Issue	CFS treatment	ABS GFS treatment
Inventory	Inventory held for sale is measured at the lower of cost and net realisable value. Inventory held for distribution is measured at cost, adjusted for any loss of service potential.	The ABS GFS Manual measures inventory at market value.
Timing recognition of vaccine expense	Recognised when vaccines are delivered to the states and territories.	Recognised when the vaccine doses are administered. Vaccine wastage after distributions is recognised as an 'other economic flow'.
Regional Broadband Scheme	The revenue from the levy on internet service providers (ISPs) and the associated subsidy expense to NBN Co for the provision of regional broadband services are recorded separately on a gross basis.	The revenue from the levy on ISPs and the associated subsidy expense to NBN Co are recorded on a net basis.
Fiscal aggregates differences		
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.
Net financial worth of PNFC and PFC sectors	Calculated as financial assets less total liabilities.	Calculated as financial assets less total liabilities less shares and contributed capital.
Classification differences		
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.
Spectrum sales	Recognise non-financial asset sale for fiscal balance when licences take effect, which may be after the auction of licences, as this is regarded as the point at which control is transferred. Recognise cash at the time of receipt.	Recognise non-financial asset sale for fiscal balance at time of auction as this is regarded as the point at which control is transferred. Recognise cash at the time of receipt.
Classification of Australian Government funding of non-government schools	Direct grants to states and territories made in accordance with bilateral agreements with the Commonwealth and consistent with section 96 of the Constitution.	Personal benefit payments – Indirect included in goods and services expenses.

Note 12B: Reconciliation to original budget

The following tables provide a comparison of the October 2022 Budget to the final actual results for the GGS, with explanations provided for major variances. Variances are treated as major when it is considered important for the reader's understanding and is not focused solely on numerical differences between Budget and actual amounts. Variances relating to cash flows are a result of the factors explained in the Operating Statement and Balance Sheet.

The Australian Government does not present budgets at the whole of government level and therefore, only the GGS is presented in this note. The Budget is not audited.

In the following tables the Budget for 2022-23 in the 2022-23 Budget papers, released in October 2022, is presented on the same basis as the actual information to facilitate comparison.

General government sector operating statement 2022-23

	2023 Actual \$m	Original budget \$m	Budget variance \$m
Revenue from transactions			
Taxation revenue	618,288	577,868	40,420
Sales of goods and services	19,014	18,371	643
Interest income	9,892	8,193	1,699
Dividend and distribution income	5,291	5,695	(404)
Other	15,907	14,891	1,016
Total revenue	668,392	625,016	43,376
Expenses from transactions			
<i>Gross operating expenses</i>			
Wages and salaries	23,830	24,201	(371)
Superannuation	9,217	8,912	305
Depreciation and amortisation	12,661	12,111	550
Supply of goods and services	170,953	176,526	(5,573)
Other operating expenses	9,697	9,186	511
<i>Total gross operating expenses</i>	<i>226,358</i>	<i>230,936</i>	<i>(4,578)</i>
Superannuation interest expense	12,336	12,264	72
Interest expense	25,651	26,188	(537)
<i>Current transfers</i>			
Current grants	190,895	196,498	(5,603)
Subsidy expenses	18,562	16,213	2,349
Personal benefits	142,768	146,940	(4,172)
<i>Total current transfers</i>	<i>352,225</i>	<i>359,651</i>	<i>(7,426)</i>
<i>Capital transfers</i>			
Mutually agreed write-downs	2,714	2,676	38
Other capital grants	17,808	19,207	(1,399)
<i>Total capital transfers</i>	<i>20,522</i>	<i>21,883</i>	<i>(1,361)</i>
Total expenses	637,092	650,922	(13,830)
Net operating balance	31,300	(25,905)	57,205
Other economic flows - included in operating result			
Net write-down of assets	(16,169)	(7,800)	(8,369)
Net gain/(loss) from the sale of assets	(1,846)	677	(2,523)
Net foreign exchange gains/(losses)	(510)	(573)	63
Net interest on derivatives gains/(losses)	(1,642)	-	(1,642)
Net fair value gains/(losses)	23,848	2,151	21,697
Net other gains/(losses)	(11,900)	(421)	(11,479)
Operating result	23,081	(31,867)	54,948
Other economic flows - through equity			
Will not be reclassified to operating result			
Revaluation of non-financial assets	3,219	359	2,860
Actuarial revaluations of superannuation	16,653	(19,774)	36,427
Other economic revaluations	3	(354)	357
May be reclassified to operating result			
Revaluation of equity investments	(664)	(92)	(572)
Comprehensive result	42,292	(51,728)	94,020
Net operating balance	31,300	(25,905)	57,205
less Net acquisition of non-financial assets			
Purchases of non-financial assets	19,422	23,317	(3,895)
less Sales of non-financial assets	224	206	18
less Depreciation and amortisation	12,661	12,111	550
plus Change in inventories	2,964	1,788	1,176
plus Other movements in non-financial assets	(8)	(6)	(2)
Total net acquisition of non-financial assets	9,493	12,781	(3,288)
Fiscal balance (Net lending/borrowing)	21,807	(38,686)	60,493

Revenue

Line item	Variance	Explanation
Taxation revenue	\$40.4b	<p>Total taxation revenue was \$40.4 billion higher than the original budget, largely driven by the following:</p> <ul style="list-style-type: none"> Company tax (\$23.3 billion higher), reflecting higher than expected commodity prices which has flowed through to higher corporate profitability, as well as an improved outlook across the broader economy; and Individuals and other withholding taxes (\$17.4 billion higher), as a result of stronger than expected labour market conditions.
Interest income	\$1.7b	Interest revenue was \$1.7 billion higher than the original budget, primarily driven by a higher average cash position and a higher interest rate environment due to monetary policy tightening.

Expenses

Line item	Variance	Explanation
Current grants expenses	(\$5.6b)	Current grants expenses were \$5.6 billion lower than the original budget, mainly due to lower than estimated payments across a range of programs.
Supply of goods and services	(\$5.6b)	<p>Supply of goods and services were \$5.6 billion lower than the original budget, primarily due to:</p> <ul style="list-style-type: none"> lower expenses for indirect personal benefits, which were \$8.0 billion lower than the original budget. This was driven by lower than anticipated demand for COVID-19 vaccines and National Medical Stockpile (NMS) deployments as a result of the pandemic easing; partially offset by an increase (\$2.7 billion) in repair and overhaul expenses, training, research and development and inventory consumption at Defence.
Personal benefits	(\$4.2b)	<p>Personal benefits expenses were \$4.2 billion lower than the original budget reflecting the continuation of the underlying economic recovery since the COVID-19 lockdown period;</p> <ul style="list-style-type: none"> lower than estimated payments for Family Tax Benefit (FTB), driven by the continued strong labour market; reduction in income support for seniors due to subdued take-up of the Age Pension; and reduced student payments due to increased student participation in the work force.

Notes to the financial statements

Line item	Variance	Explanation
Subsidy expenses	\$2.3b	<p>Subsidy expenses were \$2.3 billion higher than the original budget, primarily due to:</p> <ul style="list-style-type: none"> greater than expected payments for COVID-19-related wage subsidies available through the Australian Apprenticeships Incentive Program, driven by higher than forecast apprentice commencement and retention rates; and strength in Research and Development Tax Incentive claims.

Other economic flows

Line item	Variance	Explanation
Actuarial revaluations of superannuation	\$36.4b	The movement of \$36.4 billion in the value of the superannuation liability compared to original budget is primarily a result of actuarial revaluations from changes in the discount rates used to calculate the liability in the CFS (from a range between 3.7 and 3.9 per cent per annum as at 30 June 2022 to a range between 4.0 and 4.4 per cent per annum as at 30 June 2023) as well as changes in scheme experience and other demographic changes.
Net fair value gains/(losses)	\$21.7b	<p>Net fair value gains were \$21.7 billion higher than the original budget, primarily reflecting:</p> <ul style="list-style-type: none"> a significantly higher market value of Australian Government Securities as a result of higher market yields; the change in valuation of investments held by the Future Fund; and changes in actuarial assumptions between original budget and the end of the year for higher education, vocational student and trade support loans.
Net other gains/(losses)	(\$11.5b)	Net other losses were \$11.5 billion higher than budget, mainly relating to the actuarial revaluation of military compensation provisions.
Net write-down of assets	(\$8.4b)	Net write-down of assets was \$8.4 billion higher than the original budget, primarily attributable to the continued increase in aged debt and the write-off of expired stock within the National Medical Stockpile.

General government sector balance sheet as at 30 June 2023

	2023 Actual \$m	Original budget \$m	Budget variance \$m
Assets			
<i>Financial assets</i>			
Cash and deposits	89,713	54,975	34,738
Advances paid	74,658	76,622	(1,964)
Other receivables and accrued revenue	69,261	71,107	(1,846)
Investments, loans and placements	221,180	225,772	(4,592)
Equity investments	124,514	128,496	(3,982)
Total financial assets	579,326	556,972	22,354
<i>Non-financial assets</i>			
Land	13,474	12,876	598
Buildings	49,219	48,082	1,137
Other plant, equipment and infrastructure (including specialist military equipment)	104,667	106,034	(1,367)
Intangibles	11,925	12,511	(586)
Investment property	219	207	12
Inventories	12,705	12,895	(190)
Heritage and cultural assets	12,618	12,645	(27)
Other non-financial assets	6,112	3,743	2,369
Total non-financial assets	210,939	208,993	1,946
Total assets	790,265	765,966	24,299
Liabilities			
<i>Interest bearing liabilities</i>			
Deposits held	415	406	9
Government securities	825,548	877,947	(52,399)
Loans	11,778	14,366	(2,588)
Leases	19,848	18,997	851
Other interest bearing liabilities	18,885	17,837	1,048
Total interest bearing liabilities	876,474	929,554	(53,080)
<i>Provisions and payables</i>			
Superannuation liability	313,069	271,366	41,703
Other employee liabilities	44,351	35,535	8,816
Supplier payables	11,739	10,908	831
Personal benefits payable	3,142	3,044	98
Subsidies payable	559	884	(325)
Grants payable	3,562	2,997	565
Other payables	9,496	6,179	3,317
Other provisions	66,382	61,162	5,220
Total provisions and payables	452,300	392,076	60,224
Total liabilities	1,328,774	1,321,631	7,143
Net worth	(538,509)	(555,665)	17,156

Assets

Line item	Variance	Explanation
Cash and deposits	\$34.7b	Cash and deposits were \$34.7 billion higher than the original budget, primarily reflecting a better than expected fiscal performance, resulting in an improved cash position for the Australian Office of Financial Management (AOFM).
Investments loans and placements	(\$4.6b)	Investments, loans and placements were \$4.6 billion lower than the original budget, primarily driven by: <ul style="list-style-type: none"> Housing Australia Future Fund which was established in 2023-24, but budgeted for 2022-23; lower than estimated State and Commonwealth contributions being held as term deposits by the National Disability Insurance Agency (NDIA); partially offset by higher Commonwealth contributions into the DisabilityCare Australia Fund and higher net value of investments managed by Future Fund.
Equity investments	(\$4.0b)	Equity investments were \$4.0 billion lower than the original budget, primarily due to the Future Fund managing a lower value of equity investments than included in the original budget.
Other Non-Financial Assets	\$2.4b	Other non-financial assets were \$2.4 billion higher than the original budget, predominantly due to higher prepayments made by Defence.
Advances paid	(\$2.0b)	Advances paid were \$2.0 billion lower than the original budget, largely as a result of changes in the government bond rate for higher education loans.

Liabilities

Line item	Variance	Explanation
Government securities	(\$52.4b)	The fair value of Australian Government Securities managed by the AOFM was \$52.4 billion lower than the original budget, mainly due to a stronger fiscal position, which resulted in lower issuance activities.
Superannuation liability	\$41.7b	The superannuation liability was \$41.7 billion higher than the original budget, resulting from the difference between discount rates used to value the Government's defined benefit superannuation liability at the 2022-23 Budget and as at 30 June 2023 for the CFS.
Other employee liabilities	\$8.8b	Other employee liabilities were \$8.8 billion higher than the original budget, driven by higher Military Compensation provision.
Other provisions	\$5.2b	Other provisions were \$5.2 billion higher than the original budget, primarily related to the actuarial revaluation of the personal benefit military compensation provisions.

General government sector cash flow statement 2022-23

	2023 Actual \$m	Original budget \$m	Budget variance \$m
OPERATING ACTIVITIES			
Cash received			
Taxes received	601,299	562,858	38,441
Receipts from sales of goods and services	19,301	18,550	751
Interest receipts	7,006	5,275	1,731
Dividend and distribution receipts	5,149	5,677	(528)
Other receipts	16,351	14,533	1,818
Total cash received	649,106	606,893	42,213
Cash used			
Payments for employees	(38,901)	(38,601)	(300)
Payments for goods and services	(171,095)	(174,888)	3,793
Grants and subsidies paid	(227,148)	(233,753)	6,605
Interest paid	(18,454)	(18,910)	456
Interest payments on lease liabilities	(408)	-	(408)
Personal benefits paid	(143,652)	(147,190)	3,538
Other payments	(8,307)	(8,486)	179
Total cash used	(607,965)	(621,828)	13,863
Net cash from/(used by) operating activities	41,141	(14,934)	56,075
INVESTING ACTIVITIES			
Investments in non-financial assets			
Sales of non-financial assets	311	336	(25)
Purchases of non-financial assets	(16,769)	(19,825)	3,056
Net cash from non-financial assets	(16,458)	(19,490)	3,032
Net cash flows from investments in financial assets for policy purposes	(7,962)	(12,720)	4,758
Net cash flows from investments in financial assets for liquidity purposes	(6,223)	(17,780)	11,557
Net cash from/(used by) investing activities	(30,643)	(49,990)	19,347
FINANCING ACTIVITIES			
Cash flows from financing activities			
Net cash received			
Borrowings	(7,238)	32,083	(39,321)
Contributed equity	15	-	15
Other financing	29,305	11	29,294
Net cash received	22,082	32,094	(10,012)
Net cash used			
Distributions paid	(15)	-	(15)
Principal payments of lease liabilities	(2,645)	-	(2,645)
Other financing	(34,969)	(6,958)	(28,011)
Net cash used	(37,629)	(6,958)	(30,671)
Net cash flows from financing activities	(15,547)	25,137	(40,684)
Net (decrease)/increase in cash held	(5,049)	(39,788)	34,739
Cash at beginning of year	94,762	94,763	(1)
Cash at end of year	89,713	54,975	34,738
Key fiscal aggregate			
Net cash flows from operating activities	41,141	(14,934)	56,075
Net cash flows from investments in non-financial assets	(16,458)	(19,490)	3,032
Cash surplus/(deficit)	24,683	(34,424)	59,107

Note 12C: Glossary of key fiscal aggregates

Balance sheet

The balance sheet shows stocks of assets, liabilities and net worth. In accordance with the Uniform Presentation Framework, net debt, net financial worth and net financial liabilities are also reported in the balance sheet.

Comprehensive result (total change in net worth before transactions with owners as owners)

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other movements in equity, other than transactions with owners as owners.

Fiscal balance

The fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment. The fiscal balance includes the impact of net expenditure (effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.

The fiscal balance measures the Australian Government's investment-saving balance. It measures in accrual terms the gap between government savings plus net capital transfers and investment in non-financial assets. As such, it approximates the contribution of the GGS to the balance on the current account in the balance of payments.

Mutually agreed bad debts

Financial assets written-off where there was prior knowledge and consent by the counterparties.

Net actuarial gains

Includes actuarial gains and losses on defined benefits superannuation plans.

Net lending/borrowing

This is the net operating balance minus the net acquisition/(disposal) of non-financial assets. It is also equal to transactions in the net acquisition/(disposal) of financial assets minus the net incurrence of liabilities. It indicates the extent to which financial resources are placed at the disposal of the rest of the economy or the utilisation of financial resources generated by the rest of the economy. It is an indicator of the financial impact on the rest of the economy.

Net other economic flows

The net change in the volume or value of assets and liabilities that does not result from transactions.

Net operating balance

This is calculated as income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net worth

The net worth of the GGS, PNFC and PFC sectors are defined as assets less liabilities. This differs from the ABS GFS definition for the PNFC and PFC sectors where net worth is defined as assets less liabilities less shares and other contributed capital. Net worth is an economic measure of wealth, reflecting the Australian Government's contribution to the wealth of Australia.

Operating result

A measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movements in equity'.

Operating statement

The operating statement presents details of transactions in revenues, expenses, the net acquisition of non-financial assets (net capital investment) and other economic flows for an accounting period.

Transactions

Interactions between two units by mutual agreement or an action within a unit that is analytically useful to treat as a transaction.

Unilaterally determined bad debts

Financial assets written-off without an agreement with the debtor in cases such as bankruptcy of the debtor.

Note 13: Audit expenses

With the exception of a small number of entities, audit services within the reporting entity are provided by the Auditor-General. The cost of these services, which include performance and financial statement audits, totalled \$95.0 million (2022: \$86.4 million). The audit of the CFS cost \$0.7 million (2022: \$0.7 million).

Note 14: List of Australian Government reporting entities

The following is a list of Australian Government reporting entities which have been consolidated for the purposes of the financial report. Unless otherwise noted, all such entities are wholly owned. The list is based on the Australian Government Administrative Arrangement Orders in place at 30 June 2023.

Agriculture, Fisheries and Forestry Portfolio

General Government:

Australian Fisheries Management Authority	Grains Research and Development Corporation
Australian Pesticides and Veterinary Medicines Authority	Regional Investment Corporation
Cotton Research and Development Corporation	Rural Industries Research and Development Corporation
Department of Agriculture, Fisheries and Forestry	Wine Australia
Fisheries Research and Development Corporation	

Attorney-General's Portfolio

General Government:

Administrative Appeals Tribunal	Federal Court of Australia
Attorney-General's Department	High Court of Australia
Australian Commission for Law Enforcement Integrity(a)	Office of Parliamentary Counsel
Australian Crime Commission (Australian Criminal Intelligence Commission)	Office of the Australian Information Commissioner
Australian Federal Police	Office of the Commonwealth Ombudsman
Australian Financial Security Authority	Office of the Director of Public Prosecutions
Australian Human Rights Commission	Office of the Inspector-General of Intelligence and Security
Australian Institute of Criminology	Office of the Special Investigator
Australian Law Reform Commission	
Australian Transaction Reports and Analysis Centre	

Climate Change, Energy, the Environment and Water Portfolio

General Government:

Australian Institute of Marine Science	Director of National Parks
Australian Renewable Energy Agency	Great Barrier Reef Marine Park Authority
Bureau of Meteorology	Murray-Darling Basin Authority
Clean Energy Finance Corporation	North Queensland Water Infrastructure Authority(b)
Clean Energy Regulator	Sydney Harbour Federation Trust
Climate Change Authority	
Department of Climate Change, Energy, the Environment and Water	

Public Non-Financial Corporation:

Snowy Hydro Limited

- (a) The Australian Commission for Law Enforcement Integrity ceased on 1 July 2023.
 (b) The North Queensland Water Infrastructure Authority ceased on 31 August 2023.

Defence Portfolio

General Government:

AAF Company (company limited by guarantee)	Department of Defence
Army and Air Force Canteen Service (Frontline Defence Services)	Department of Veterans' Affairs
Australian Military Forces Relief Trust Fund (Army Relief Trust Fund)	RAAF Welfare Recreational Company (company limited by guarantee)
Australian Signals Directorate	Royal Australian Air Force Veterans' Residences Trust Fund
Australian Strategic Policy Institute Ltd (company limited by guarantee)	Royal Australian Air Force Welfare Trust Fund
Australian War Memorial	Royal Australian Navy Central Canteens Board
Defence Housing Australia	Royal Australian Navy Relief Trust Fund

Education Portfolio

General Government:

Australian Curriculum, Assessment and Reporting Authority	Department of Education
Australian Institute for Teaching and School Leadership Ltd (company limited by guarantee)	Tertiary Education Quality and Standards Agency
Australian Research Council	

Employment and Workplace Relations Portfolio

General Government:

Asbestos Safety and Eradication Agency	Fair Work Commission
Australian Skills Quality Authority (National Vocational Education and Training Regulator)	Office of the Fair Work Ombudsman
Comcare	Safe Work Australia
Department of Employment and Workplace Relations	Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority)

Public Financial Corporation:

Coal Mining Industry (Long Service Leave Funding) Corporation

Finance Portfolio

General Government:

Australian Electoral Commission	Digital Transformation Agency
Commonwealth Superannuation Corporation	Future Fund Management Agency
Department of Finance	Independent Parliamentary Expenses Authority

Public Non-Financial Corporations:

ASC Pty Ltd	Australian Naval Infrastructure Pty Ltd
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Foreign Affairs and Trade Portfolio

General Government:

Australian Centre for International
Agricultural Research
Australian Secret Intelligence Service
Australian Trade and Investment
Commission

Department of Foreign Affairs and Trade
Export Finance and Insurance Corporation (National
Interest Account)
Tourism Australia

Public Financial Corporation:

Export Finance and Insurance
Corporation (Export Finance Australia)

Health and Aged Care Portfolio

General Government:

Aged Care Quality and Safety
Commission
Australian Commission on Safety and
Quality in Health Care
Australian Digital Health Agency
Australian Institute of Health and
Welfare
Australian National Preventive Health
Agency
Australian Radiation Protection and
Nuclear Safety Agency
Australian Sports Commission
(Australian Institute of Sport)
Australian Sports Foundation Limited
(company limited by guarantee)

Cancer Australia
Department of Health and Aged Care
Food Standards Australia New Zealand
Independent Health and Aged Care Pricing Authority
National Blood Authority
National Health and Medical Research Council
National Health Funding Body
National Mental Health Commission
Organ and Tissue Authority
Professional Services Review
Sport Integrity Australia

Home Affairs Portfolio

General Government:

Australian Security Intelligence
Organisation
Department of Home Affairs

National Emergency Management Agency

Industry, Science and Resources Portfolio

General Government:

Australian Nuclear Science and Technology Organisation
Commonwealth Scientific and Industrial Research Organisation
Department of Industry, Science and Resources

Geoscience Australia
IP Australia
National Offshore Petroleum Safety and Environmental Management Authority

Public Non-Financial Corporation:

ANSTO Nuclear Medicine Pty Ltd

Public Financial Corporations:

CSIRO Coinvestment Fund Pty Ltd
CSIRO FollowOn Services Pty Ltd
CSIRO FollowOn Services 2 Pty Ltd
CSIRO General Partner Pty Ltd
CSIRO General Partner 2 Pty Ltd

CSIROGP Fund 2 Pty Ltd
MS GP Fund 3 Pty Ltd
MS NGS Pty Ltd
MS Opportunity Fund Pty Ltd
MS Parallel Fund Pty Ltd

Infrastructure, Transport, Regional Development, Communications and the Arts Portfolio

General Government:

Australia Council(a)
Australian Broadcasting Corporation
Australian Communications and Media Authority
Australian Film, Television and Radio School
Australian Maritime Safety Authority
Australian National Maritime Museum
Australian Transport Safety Bureau
Bundanon Trust (company limited by guarantee)
Civil Aviation Safety Authority
Creative Partnerships Australia Ltd (company limited by guarantee)(b)
Department of Infrastructure, Transport, Regional Development, Communications and the Arts
High Speed Rail Authority
Infrastructure Australia

National Archives Australia
National Capital Authority
National Film and Sound Archive of Australia
National Gallery of Australia
National Library of Australia
National Museum of Australia
National Portrait Gallery of Australia
National Transport Commission
Norfolk Island Health and Residential Aged Care Service
Northern Australia Infrastructure Facility
Old Parliament House
Screen Australia
Special Broadcasting Service Corporation

Public Non-Financial Corporations:

Airservices Australia
Australian Postal Corporation (Australia Post)
Australian Rail Track Corporation Limited

National Intermodal Corporation Limited
NBN Co Limited
WSA Co Ltd

(a) On 24 August 2023, the Australia Council has been renamed to Creative Australia.

(b) Creative Partnerships Australia Ltd ceased on 1 July 2023.

Prime Minister and Cabinet Portfolio

General Government:

Aboriginal Hostels Limited (company limited by guarantee)
 Australian Institute of Aboriginal and Torres Strait Islander Studies
 Australian National Audit Office
 Australian Public Service Commission
 Department of the Prime Minister and Cabinet
 Indigenous Business Australia
 Indigenous Land and Sea Corporation

National Australia Day Council Limited (company limited by guarantee)
 National Indigenous Australians Agency
 Northern Territory Aboriginal Investment Corporation
 Office of National Intelligence
 Office of the Official Secretary to the Governor-General
 Outback Stores Pty Limited
 Torres Strait Regional Authority
 Workplace Gender Equality Agency

Public Non-Financial Corporation:

Voyages Indigenous Tourism Australia Pty Ltd

Social Services Portfolio

General Government:

Australian Institute of Family Studies
 Department of Social Services
 Domestic, Family and Sexual Violence Commission

National Disability Insurance Agency
 NDIS Quality and Safeguards Commission
 Services Australia

Public Non-Financial Corporation:

Australian Hearing Services (Hearing Australia)

Treasury Portfolio

General Government:

Australian Bureau of Statistics
 Australian Competition and Consumer Commission
 Australian Office of Financial Management
 Australian Prudential Regulation Authority
 Australian Securities and Investments Commission
 Australian Taxation Office
 Commonwealth Grants Commission
 Department of the Treasury

Inspector-General of Taxation
 National Competition Council
 National Housing Finance and Investment Corporation (National Housing Infrastructure Facility)
 Office of the Auditing and Assurance Standards Board
 Office of the Australian Accounting Standards Board
 Productivity Commission
 Royal Australian Mint

Public Financial Corporations:

Australian Reinsurance Pool Corporation
 National Housing Finance and Investment Corporation(a)

Reserve Bank of Australia

Parliamentary Departments

General Government:

Department of Parliamentary Services
 Department of the House of Representatives

Department of the Senate
 Parliamentary Budget Office

(a) On 12 October 2023, the National Housing Finance and Investment Corporation has been renamed to Housing Australia.

Entity changes during 2022-23

Entity no longer consolidated

National Recovery and Resilience Agency (3 September 2022)
Australian Building and Construction Commission (6 February 2023)
Fair Work Ombudsman and Registered Organisations Commission Entity (6 March 2023)
National Faster Rail Agency (12 June 2023)

Entity newly controlled/established in 2022-23

Department of Employment and Workplace Relations (1 July 2022)
Department of Climate Change, Energy, the Environment and Water (1 July 2022)
National Emergency Management Agency (1 September 2022)
MS GP Fund 3 Pty Ltd (October 2022)
MS NGS Pty Ltd (October 2022)
MS Opportunity Fund Pty Ltd (October 2022)
Domestic, Family and Sexual Violence Commission (1 November 2022)
Northern Territory Aboriginal Investment Corporation (15 November 2022)
MS Parallel Fund Pty Ltd (February 2023)
Office of the Fair Work Ombudsman (6 March 2023)
High Speed Rail Authority (12 June 2023)

Entities with name changes

Department of Infrastructure, Transport, Regional Development,
Communications and the Arts
(previously Department of Infrastructure, Transport, Regional Development
and Communications)
Department of Industry, Science and Resources
(previously Department of Industry, Science, Energy and Resources)
Department of Health and Aged Care
(previously Department of Health)
Department of Education
(previously Department of Education, Skills and Employment)
Department of Agriculture, Fisheries and Forestry
(previously Department of Agriculture, Water and the Environment)
Independent Health and Aged Care Pricing Authority
(previously Independent Hospital Pricing Authority)

The Australian Government Organisations Register (www.directory.gov.au) provides information on the function, composition, origins and other details of more than 1,200 Australian Government entities and bodies, including the reporting entities consolidated in the financial statements.

