

Commonwealth of Australia

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

CIRCULATED BY
SENATOR THE HONOURABLE KATY GALLAGHER
MINISTER FOR FINANCE
OF THE COMMONWEALTH OF AUSTRALIA
DECEMBER 2025

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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 2025. The CFS presents the whole of government and general government sector (GGS) financial reports, including the audited accounts of 202 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 2025 and the Australian Government's financial position as at 30 June 2025.

Operating statement

The Australian Government's net operating balance for the year ended 30 June 2025 was a deficit of \$41.2 billion. For the year ended 30 June 2024, the Australian Government reported a net operating balance surplus of \$10.1 billion.

The change in the net operating balance is driven by an increase in revenue of \$29.8 billion (4.1 per cent), due to higher taxation collections, and an increase in expenditure of \$81.1 billion (11.3 per cent).

Balance sheet

The Australian Government's net worth was negative \$632.4 billion as at 30 June 2025. As at 30 June 2024, the Australian Government's net worth was negative \$573.7 billion.

The Australian Government's total assets increased by \$83.8 billion (8.5 per cent). Financial assets increased by \$64.3 billion (9.3 per cent) for the year ended 30 June 2025. Total non-financial assets increased by \$19.5 billion (6.5 per cent).

The Australian Government's liabilities increased by \$142.5 billion (9.1 per cent) for the year ended 30 June 2025.

Cash flows

The Australian Government recorded a cash deficit of \$16.7 billion for the year ended 30 June 2025 from operating activities and investing activities in non-financial assets. The cash position at the end of the year was \$9.2 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 10A of the CFS. Analysis of financial risks that could potentially impact on the Australian Government's financial position is included in Note 10B.

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 2024-25 financial year was released on 29 September 2025, presenting the fiscal outcomes for the Australian Government general 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 13A.

I would like to thank the many Australian Government employees whose efforts have contributed to the completion of the 2024-25 CFS.



Senator the Hon Katy Gallagher
Minister for Finance

**COMMENTARY ON THE
CONSOLIDATED FINANCIAL STATEMENTS**

INTRODUCTION

The 2024-25 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 2024-25 CFS materially align with the 2024-25 Final Budget Outcome.

AT A GLANCE

Table 1: Financial results for the year ended 30 June 2025

| | 2024-25 \$b | 2023-24 \$b | Change \$b | Change % |
|---|----------------|----------------|---------------|----------------|
| Revenue | 757.4 | 727.6 | 29.8 | 4.1 |
| Expenses | 798.6 | 717.5 | 81.1 | 11.3 |
| Net operating balance(a) | (41.2) | 10.1 | (51.3) | 507.9 |
| Per cent of GDP | (1.5) | 0.4 | | |
| Net capital investment | 13.7 | 12.9 | 0.8 | 6.2 |
| Fiscal balance(b) | (54.9) | (2.8) | (52.1) | 1,860.7 |
| Per cent of GDP | (2.0) | (0.1) | | |
| Total assets | 1,073.4 | 989.6 | 83.8 | 8.5 |
| Total liabilities | 1,705.8 | 1,563.3 | 142.5 | 9.1 |
| Net worth(c) | (632.4) | (573.7) | (58.7) | 10.2 |
| Per cent of GDP | (22.8) | (21.5) | | |
| Net movement in cash | 0.7 | 1.4 | (0.7) | 50.0 |
| Cash at beginning of the year | 8.5 | 7.1 | 1.4 | 19.7 |
| Cash at end of year | 9.2 | 8.5 | 0.7 | 8.2 |
| Key fiscal aggregate | | | | |
| Net cash flows from operating activities | 11.6 | 29.7 | (18.1) | 60.9 |
| Net cash flows from investments in non-financial assets | (28.3) | (24.6) | (3.7) | 15.0 |
| Cash surplus/(deficit) | (16.7) | 5.1 | (21.8) | 427.5 |

(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 1.8 of the 2024-25 CFS. Note 15 of the 2024-25 CFS provides the list of Australian Government controlled reporting entities, including their sectoral classification.

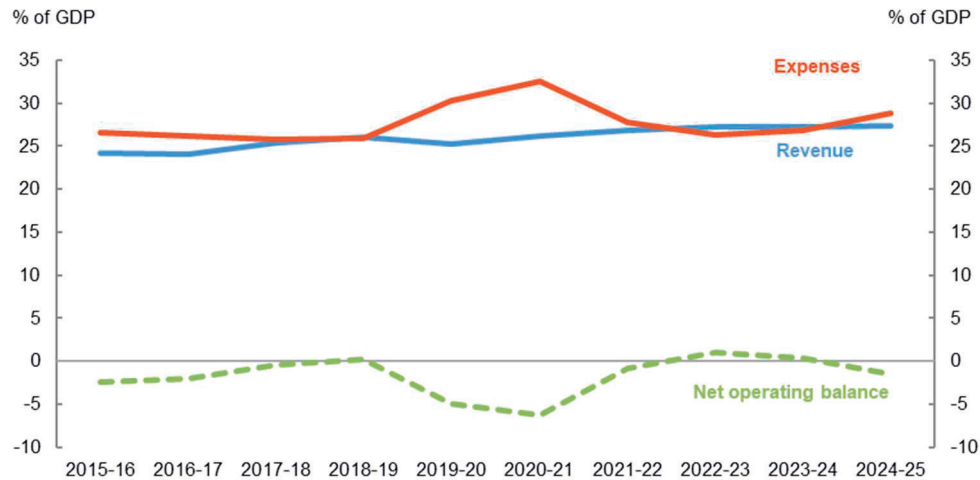
2 The balances and movements detailed in the commentary have been rounded to the nearest tenth of a billion. Discrepancies between totals and sums of components are due to rounding.

Operating statement (net operating balance)

Table 2: Operating statement

| | 2024-25 | 2023-24 | Change | Change |
|------------------------------|---------------|--------------|---------------|----------------|
| | \$b | \$b | \$b | % |
| Revenue | 757.4 | 727.6 | 29.8 | 4.1 |
| Per cent of GDP | 27.3 | 27.2 | | |
| Expenses | 798.6 | 717.5 | 81.1 | 11.3 |
| Per cent of GDP | 28.8 | 26.9 | | |
| Net operating balance | (41.2) | 10.1 | (51.3) | 507.9 |
| Per cent of GDP | (1.5) | 0.4 | | |
| Net capital investment | 13.7 | 12.9 | 0.8 | 6.2 |
| Per cent of GDP | 0.5 | 0.5 | | |
| Fiscal balance | (54.9) | (2.8) | (52.1) | 1,860.7 |
| Per cent of GDP | (2.0) | (0.1) | | |

Chart 1: Operating statement (per cent of GDP) since 2015-16



Balance sheet (net worth)

Table 3: Balance sheet

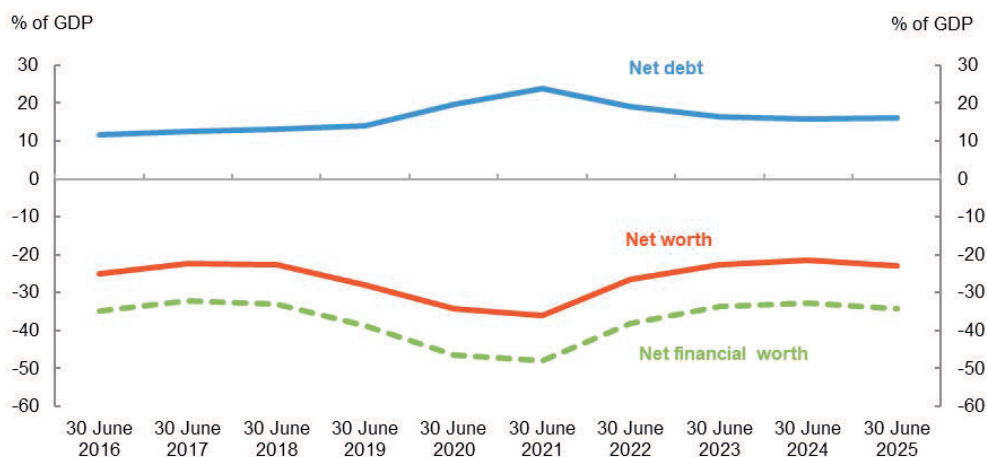
| | 30 June 2025 | 30 June 2024 | Change | Change |
|-------------------------------------|----------------|----------------|---------------|-------------|
| | \$b | \$b | \$b | % |
| Financial assets | 752.9 | 688.6 | 64.3 | 9.3 |
| Non-financial assets | 320.5 | 301.0 | 19.5 | 6.5 |
| Total assets | 1,073.4 | 989.6 | 83.8 | 8.5 |
| Total liabilities | 1,705.8 | 1,563.3 | 142.5 | 9.1 |
| Net worth | (632.4) | (573.7) | (58.7) | 10.2 |
| Per cent of GDP | (22.8) | (21.5) | | |
| Net financial worth(a) | (952.8) | (874.7) | (78.1) | 8.9 |
| Per cent of GDP | (34.4) | (32.8) | | |
| Net financial liabilities(b) | 952.8 | 874.7 | 78.1 | 8.9 |
| Per cent of GDP | 34.4 | 32.8 | | |
| Net debt(c) | 445.8 | 420.7 | 25.1 | 6.0 |
| Per cent of GDP | 16.1 | 15.8 | | |
| Net interest payments | (19.1) | (21.5) | 2.4 | 11.2 |
| Per cent of GDP | (0.6) | (0.8) | | |

(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 2015-16



DISCUSSION AND ANALYSIS

Net operating balance

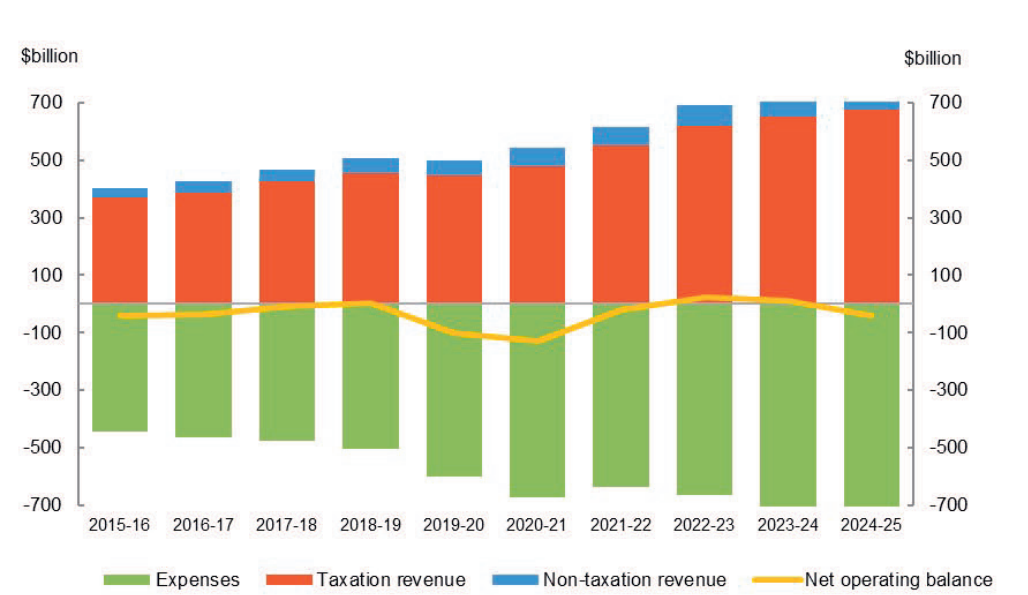
The Australian Government’s net operating balance was a \$41.2 billion deficit for the year ended 30 June 2025.

Table 4: Operating statement

| | 2024-25 | 2023-24 | Change | Change |
|---|---------------|--------------|---------------|----------------|
| | \$b | \$b | \$b | % |
| Revenue | 757.4 | 727.6 | 29.8 | 4.1 |
| Expenses | 798.6 | 717.5 | 81.1 | 11.3 |
| Net operating balance | (41.2) | 10.1 | (51.3) | 507.9 |
| Less Net acquisitions of non-financial assets | 13.7 | 12.9 | 0.8 | 6.2 |
| Fiscal balance | (54.9) | (2.8) | (52.1) | 1,860.7 |

Chart 3 shows the composition of the Australian Government’s net operating balance over the past decade.

Chart 3: Composition of net operating balance



Revenue

The Australian Government's total revenue for the year ended 30 June 2025 was \$757.4 billion.

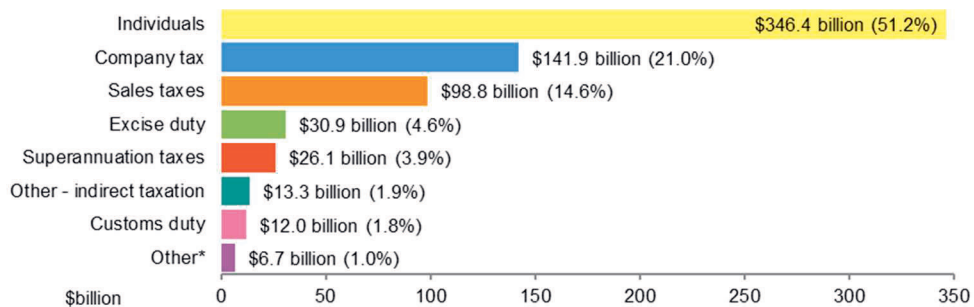
Table 5: Revenue

| | 2024-25 | 2023-24 | Change | Change |
|----------------------|--------------|--------------|-------------|------------|
| | \$b | \$b | \$b | % |
| Taxation revenue | 676.1 | 649.4 | 26.7 | 4.1 |
| Non-taxation revenue | 81.3 | 78.2 | 3.1 | 4.0 |
| Total revenue | 757.4 | 727.6 | 29.8 | 4.1 |

Taxation revenue

The Australian Government's total taxation revenue for the year ended 30 June 2025 was \$676.1 billion. The composition of taxation revenue is shown in Chart 4.

Chart 4: Composition of taxation revenue, 2024-25



* Other includes: Fringe benefits tax (\$5.2 billion) and Resource rent taxes (\$1.5 billion).

Taxation revenue increased by \$26.7 billion (4.1 per cent) in comparison to 2023-24. This increase is primarily driven by:

- a \$13.4 billion increase in **superannuation fund taxes** reflecting growth in contributions and capital gains, and reduced foreign exchange losses;
- a \$7.5 billion increase in **individuals income taxes**, due to growth in employment, wages, business and investment income;
- a \$6.1 billion increase in **sales tax** revenue, underpinned by growth in nominal household consumption; and
- a \$1.0 billion increase in **excise duty** revenue, attributable to both rising demand for fuel and higher excise rates.

See Note 2A of the 2024-25 CFS for further information.

Non-taxation revenue

The Australian Government's total non-taxation revenue for the year ended 30 June 2025 was \$81.3 billion. Further information is provided at Notes 2B, 2C and 2D of the 2024-25 CFS.

Expenses

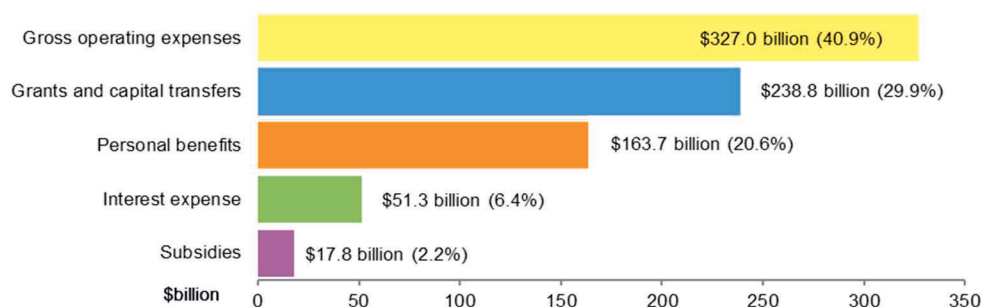
The Australian Government's total expenses for the year ended 30 June 2025 were \$798.6 billion.

Table 6: Expenses

| | 2024-25 | 2023-24 | Change | Change |
|------------------------------|--------------|--------------|-------------|-------------|
| | \$b | \$b | \$b | % |
| Gross operating expenses | 327.0 | 276.5 | 50.5 | 18.3 |
| Interest expense | 51.3 | 52.6 | (1.3) | 2.5 |
| Grants and capital transfers | 238.8 | 216.9 | 21.9 | 10.1 |
| Personal benefits | 163.7 | 153.2 | 10.5 | 6.9 |
| Subsidies | 17.8 | 18.3 | (0.5) | 2.7 |
| Total expenses | 798.6 | 717.5 | 81.1 | 11.3 |

The Australian Government's total expenses increased by \$81.1 billion (11.3 per cent) since 2023-24. The composition of expenses is shown in Chart 5.

Chart 5: Composition of expenses, 2024-25

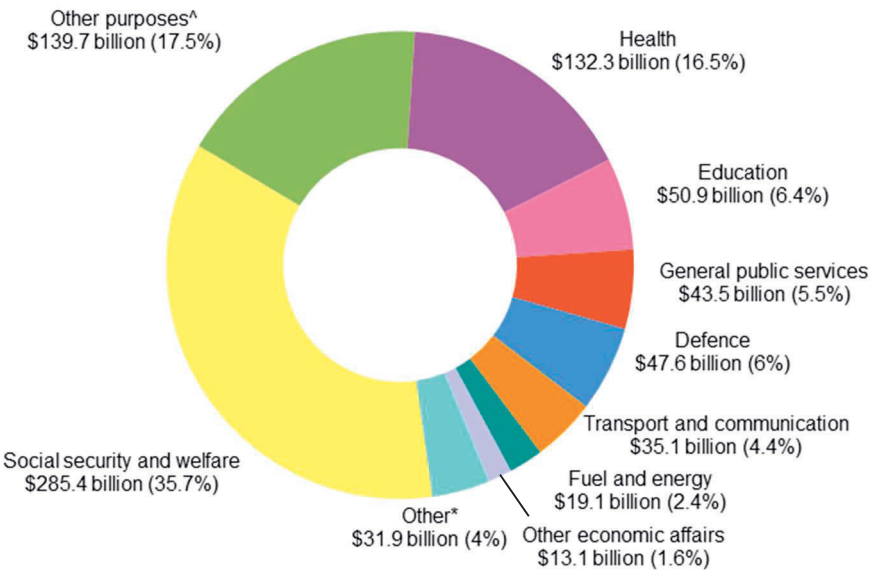


The key movements in **expenses** were:

- an increase in **gross operating expenses** of \$50.5 billion, primarily due to a \$14.3 billion increase in benefit payments to households, driven by demand-led programs in the Health (\$8.3 billion) and Education (\$1.6 billion) portfolios; higher claims and average payments under the National Disability Insurance Scheme (\$4.4 billion); a \$27.8 billion increase in healthcare and other benefit expenses for veterans; and a \$1.6 billion increase in payments related to the Nuclear-Powered Submarine program;
- an increase in **grants expenses** of \$21.9 billion, primarily as a result of increased grants to state and territory governments (\$19.8 billion); and
- increase in **personal benefit expenses** of \$10.5 billion, reflecting higher demand across various social security programs; partially offset by
- \$1.3 billion reduction in total interest expenses, primarily due to the conclusion of the Term Funding Facility program.

Chart 6 presents total expenses across the range of functions funded by the Australian Government.

Chart 6: Total expenses by function, 2024-25



^ 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: Public order and safety (\$8.5 billion); Housing and community amenities (\$8.5 billion); Mining, manufacturing and construction (\$5.1 billion); Recreation and culture (\$6.0 billion); and Agriculture, forestry and fishing (\$3.8 billion).

See Note 3 of the 2024-25 CFS for further information on expenses.

Net worth

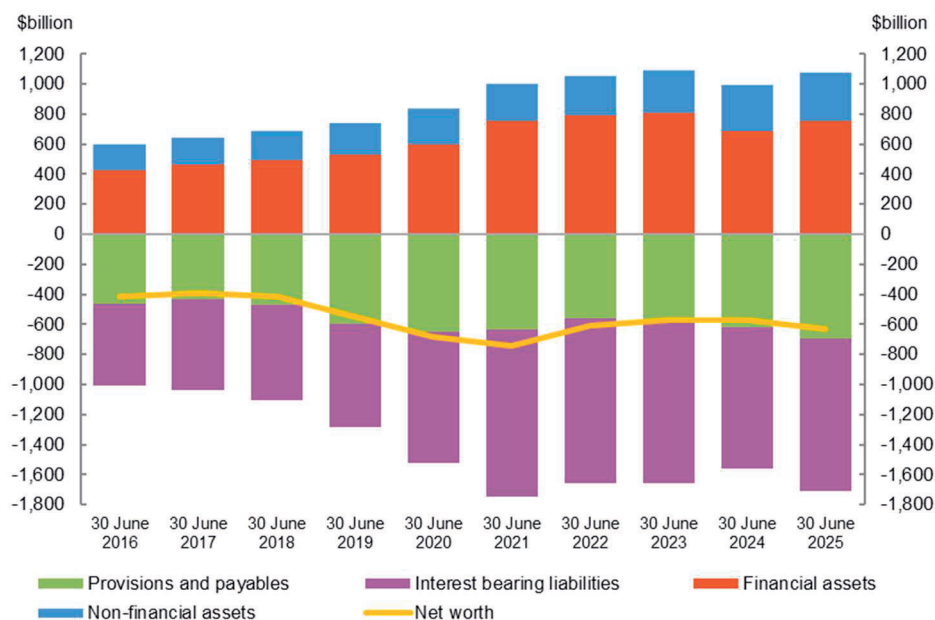
The Australian Government's net worth decreased by \$58.7 billion over the previous year to a negative net worth of \$632.4 billion as at 30 June 2025.

Table 7: Balance sheet

| | 30 June 2025 | 30 June 2024 | Change | Change |
|------------------------------|----------------|----------------|---------------|-------------|
| | \$b | \$b | \$b | % |
| Financial assets | 752.9 | 688.6 | 64.3 | 9.3 |
| Non-financial assets | 320.5 | 301.0 | 19.5 | 6.5 |
| Total assets | 1,073.4 | 989.6 | 83.8 | 8.5 |
| Interest bearing liabilities | 1,009.1 | 943.4 | 65.7 | 7.0 |
| Provisions and payables | 696.7 | 619.9 | 76.8 | 12.4 |
| Total liabilities | 1,705.8 | 1,563.3 | 142.5 | 9.1 |
| Net worth | (632.4) | (573.7) | (58.7) | 10.2 |

Chart 7 shows the composition of the Australian Government's financial position over the past decade.

Chart 7: Balance sheet composition



Assets

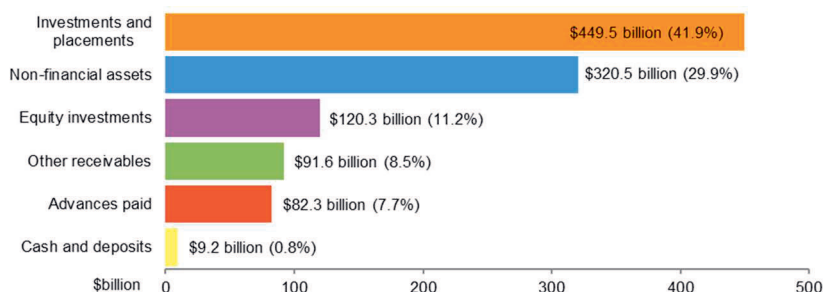
The Australian Government's total assets as at 30 June 2025 were \$1,073.4 billion.

Table 8: Assets

| | 30 June 2025 | 30 June 2024 | Change | Change |
|---------------------------------------|----------------|--------------|-------------|------------|
| | \$b | \$b | \$b | % |
| Financial assets | | | | |
| Cash and deposits | 9.2 | 8.4 | 0.8 | 9.5 |
| Advances paid | 82.3 | 77.0 | 5.3 | 6.9 |
| Other receivables and accrued revenue | 91.6 | 84.7 | 6.9 | 8.1 |
| Investments, loans and placements | 449.5 | 416.9 | 32.6 | 7.8 |
| Equity investments | 120.3 | 101.6 | 18.7 | 18.4 |
| Total financial assets | 752.9 | 688.6 | 64.3 | 9.3 |
| Non-financial assets | 320.5 | 301.0 | 19.5 | 6.5 |
| Total assets | 1,073.4 | 989.6 | 83.8 | 8.5 |

The Australian Government's total assets increased by \$83.8 billion (8.5 per cent) since 30 June 2024. The composition of assets is shown in Chart 8.

Chart 8: Composition of assets, 30 June 2025



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

- an increase of \$32.6 billion in **investments, loans and placements** largely due to higher deposits (\$16.2 billion) and increased holdings in collective investment vehicles (\$15.9 billion); and
- an increase of \$18.7 billion in **equity investments** primarily due to an increase in investments in private funds and corporations (\$18.4 billion).

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

- increases in **plant, equipment and infrastructure** (\$8.1 billion), **specialist military equipment** (\$5.1 billion), **buildings** (\$3.7 billion), **land** (\$0.7 billion), and **other non-financial assets** (\$1.9 billion) as a result of additions and revaluation adjustments.

Note 5 of the 2024-25 CFS provides further information on assets.

Liabilities

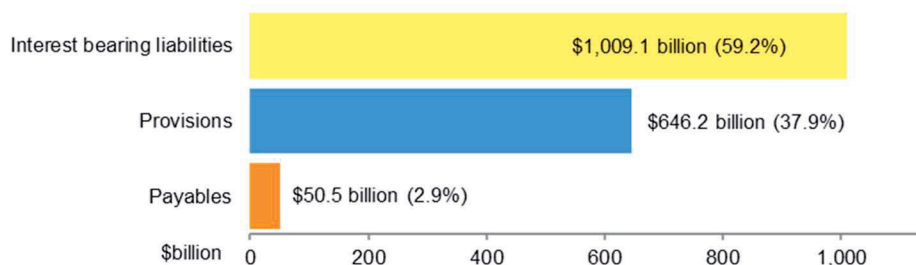
The Australian Government's total liabilities as at 30 June 2025 were \$1,705.8 billion.

Table 9: Liabilities

| | 30 June 2025 | 30 June 2024 | Change | Change |
|------------------------------|----------------|----------------|--------------|------------|
| | \$b | \$b | \$b | % |
| Interest bearing liabilities | 1,009.1 | 943.4 | 65.7 | 7.0 |
| Provisions and payables | 696.7 | 619.9 | 76.8 | 12.4 |
| Total liabilities | 1,705.8 | 1,563.3 | 142.5 | 9.1 |

The Australian Government's liabilities balance increased by \$142.5 billion (9.1 per cent) since 30 June 2024. The composition of liabilities is shown in Chart 9.

Chart 9: Composition of liabilities, 30 June 2025



The increase of \$65.7 billion in **interest bearing liabilities** is primarily due to:

- an increase of Government securities of \$68.4 billion, largely due to Treasury bonds and notes by the Australian Office of Financial Management (AOFM) (\$41.5 billion), and investments in government securities by the Reserve Bank of Australia (RBA) (\$25.5 billion); partially offset by
- a decrease in exchange settlement funds (\$11.1 billion).

The increase in **provisions and payables** of \$76.8 billion is primarily driven by:

- increases in the health care military compensation (\$33.6 billion) and personal benefit military compensation (\$26.2 billion) provisions following a revised actuarial assessment reflecting growth in liability claims (refer to Note 1.6 for details regarding the restatement of the military compensation scheme);
- increases in the Disaster Recovery Funding provision (\$6.1 billion), driven by updated actuarial valuation; and
- an increase in banknotes on issue (\$3.0 billion), reflecting heightened demand for Australian currency.

Note 6 of the 2024-25 CFS provides further information on liabilities.

Cash flows

The Australian Government's cash balance was \$9.2 billion at 30 June 2025. For the year ended 30 June 2025, the Australian Government recorded a cash deficit of \$16.7 billion compared to a cash surplus of \$5.1 billion at 30 June 2024.

Table 10: Cash flows

| | 2024-25 \$b | 2023-24 \$b | Change \$b | Change % |
|---|----------------|----------------|---------------|--------------|
| Cash receipts | | | | |
| Operating activities | 739.9 | 708.6 | 31.3 | 4.4 |
| Investing activities in non-financial assets | 0.4 | 3.1 | (2.7) | 87.1 |
| Investing activities in financial assets for policy purposes | 8.2 | 8.6 | (0.4) | 4.7 |
| Financing activities (net) | 91.9 | 50.6 | 41.3 | 81.6 |
| Total cash receipts | 840.4 | 770.9 | 69.5 | 9.0 |
| Cash payments | | | | |
| Operating activities | 728.3 | 678.9 | 49.4 | 7.3 |
| Investing activities in non-financial assets | 28.6 | 27.7 | 0.9 | 3.2 |
| Investing activities in financial assets for policy purposes | 15.2 | 13.3 | 1.9 | 14.3 |
| Investing activities in financial assets for liquidity purposes (net) | 7.8 | (150.4) | 158.2 | 105.2 |
| Financing activities (net) | 59.8 | 200.0 | (140.2) | 70.1 |
| Total cash payments | 839.7 | 769.5 | 70.2 | 9.1 |
| Net movement in cash | 0.7 | 1.4 | (0.7) | 50.0 |
| Cash at beginning of the year | 8.5 | 7.1 | 1.4 | 19.7 |
| Cash at end of year | 9.2 | 8.5 | 0.7 | 8.2 |
| Key fiscal aggregate | | | | |
| Net cash flows from operating activities | 11.6 | 29.7 | (18.1) | 60.9 |
| Net cash flows from investments in non-financial assets | (28.3) | (24.6) | (3.7) | 15.0 |
| Cash surplus/(deficit) | (16.7) | 5.1 | (21.8) | 427.5 |

Receipts and payments

The following charts provide a detailed breakdown of Australian Government receipts and payments for 2024-25, showing the relative composition of each dollar received and paid.

Chart 10: Composition of each dollar of cash received in 2024-25

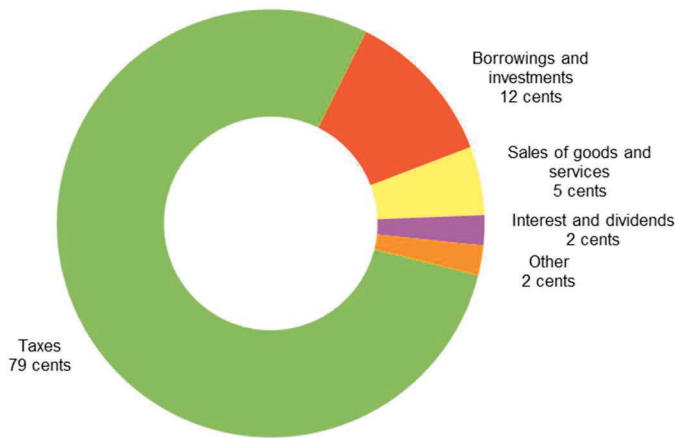
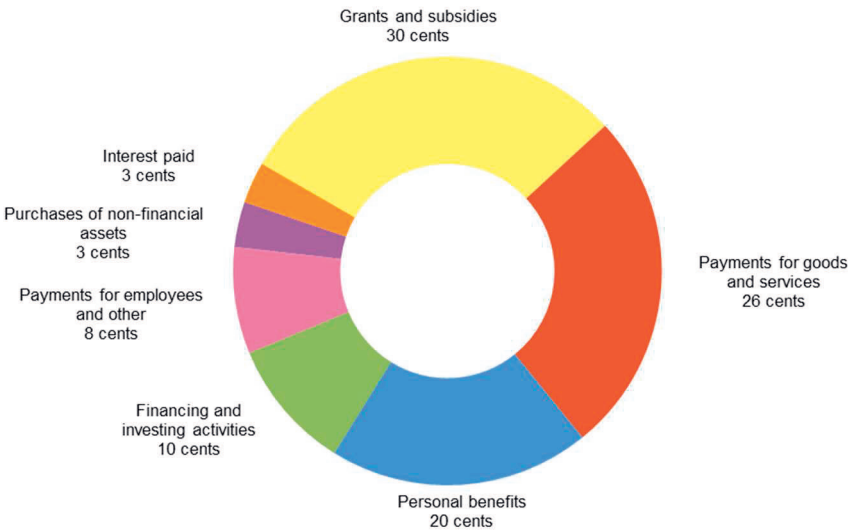


Chart 11: Composition of each dollar of cash paid in 2024-25



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/data/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.

2024-25 Final Budget Outcome

The 2024-25 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 2024-25 financial year and is based on external reporting standards.

The 2024-25 FBO was released on the 29 September 2025 and is available on the Australian Government website at: <https://archive.budget.gov.au/2024-25/>.

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/previous#20242025>.

The historical series datasets are available in electronic format at: <http://data.gov.au/data/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 – 2024-25, the Mid-Year Economic and Fiscal Outlook 2024-25, the Budget Strategy and Outlook – Budget Paper No.1 – 2025-26 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 Expenditures and Insights Statements

The Tax Expenditures and Insights 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/p2025-607085>.

**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 2025:

- (a) comply with Australian Accounting Standards; and
- (b) present fairly the Australian Government and General Government Sectors' financial position as at 30 June 2025 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 2025 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 material accounting policy information 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 \$676.1 billion for the year ended 30 June 2025 (GGs: \$677.2 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>To audit the accuracy of taxation revenue, I:</p> <ul style="list-style-type: none"> assessed the appropriateness of the base for revenue recognition with reference to the accuracy of prior year results and historical trends; assessed the design, implementation and operating effectiveness of the taxation estimation process controls and the associated validation procedures; performed a recalculation, on a sample basis, of processed income tax returns and activity statements by reference to taxation legislation; assessed the reasonableness of the interpretation and analysis of data used for material estimates and recalculated these estimates as at 30 June 2025; and assessed the 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 2025. |
| 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 \$320.5 billion as at 30 June 2025 (GGs: \$234.2 billion). The balance includes:</p> <ul style="list-style-type: none"> specialist military equipment \$93.7 billion (GGs: \$93.8 billion); and other plant, equipment and infrastructure assets of \$96.1 billion (GGs: \$24.0 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</p> | <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 2025; 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 2025; assessed whether the useful lives applied (for the calculation of depreciation) were consistent with other available information |

infrastructure assets due to the high degree of judgement applied by the Australian Government to measure these assets at fair value, including:

- 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.

including expected withdrawal dates for specialist military equipment and operational information and industry benchmarking for other plant, equipment and infrastructure assets; and

- in addition, the following procedures were performed in respect of specialist military equipment:
 - 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;
 - tested a sample of inputs used in the valuation to external sources included prices per the Federal Logistics Database (Fedlog), foreign exchange rates, current unit prices and country of manufacture indices;
 - tested a sample of costs allocated to specialist military equipment assets under construction in the cost attribution model to assess the appropriateness of capitalisation in accordance with Australian Accounting Standards; and
 - 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.
-

| Key audit matter | How the audit addressed the matter |
|---|--|
| <p>Valuation of Government Securities</p> <p><i>Refer to Note 6B: ‘Government securities’ and Note 10B: ‘Financial instruments’</i></p> <p>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.</p> <p>The Australian Government recorded a liability of \$679.5 billion for Government Securities as at 30 June 2025 (GGs: \$887.0 billion).</p> <p>I focused on the valuation of Government Securities due to:</p> <ul style="list-style-type: none"> 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. <p>In addition, disclosures that support the users’ understanding of the valuation of Government Securities are complex.</p> | <p>To audit the valuation of Government Securities, I:</p> <ul style="list-style-type: none"> 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 2025, using the following procedures: <ul style="list-style-type: none"> 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 10B to the Consolidated Financial Statements. |
| 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 10C: ‘Defined benefit superannuation plans’</i></p> <p>The Australian Government recorded a \$313.2 billion superannuation liability at 30 June 2025 (GGs: \$313.2 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>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 arrangements under which superannuation administration services are provided in relation to the 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 |

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:

- 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.

The valuation of the Australian Government's superannuation liability is highly sensitive to changes in these assumptions.

In addition, disclosures that support the users' understanding of the valuation of the superannuation liability are complex.

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 liability by:
 - 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:
 - 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 10C to the Consolidated Financial Statements.

Key audit matter

Valuation of Military Compensation Provision

Refer to Note 6F: 'Employee Benefits' and Note 6H: 'Other Provisions'

The military compensation provision consists of the military compensation employee liabilities at 30 June 2025 of \$80.1 billion (GGS: \$80.1 billion) and the military compensation other provision at 30 June 2025 of \$71.9 billion (GGS: \$71.9 billion). These represent the total \$152.0

How the audit addressed the matter

To address the key audit matter, I:

- tested the accuracy and completeness of data used to calculate the provisions, including, agreeing a sample of historical payments to claimants' records, and assessing the quality assurance and reconciliation processes used by the Entity to provide data to its actuary; and
- obtained the actuarial report to:

billion (GGS: \$152.0 billion) military compensation provision.

I considered the valuation of the military compensation provision to be a key audit matter due to the complexity and use of judgement associated with the unique compensation arrangements arising under legislation.

In addition, there has been a significant increase in the provision from \$92.3 billion in 2023–24 to \$152.0 billion in 2024–25. The increase includes the change in legislation in 2024–25 which increased the provision by \$23.4 billion.

I draw attention to the accounting policies described in Note 6F Employee Benefits and Note 6H Other Provisions that describe the inherent uncertainty associated with a number of the assumptions used in the calculation of these provisions and the sensitivity of the valuation of the provision to changes in these assumptions.

The provision is measured by estimating the present value of the future payments of claims incurred at 30 June 2025 which includes potential claims incurred by veterans but not yet reported. This estimate is dependent on a number of key assumptions and judgements, including the number of new claims not yet reported, the rates at which qualified veterans are expected to receive payments over their lifetime, future inflation in medical costs, the length of time payments are made to a veteran and the appropriate discount rate over the length of the scheme. The Australian Accounting Standards include requirements for the presentation and disclosure of major assumptions made concerning future events.

- assess the appropriateness of the valuation model;
- assess the reasonableness of the key assumptions used in the model by comparing those used with industry compensation and insurance schemes; and
- evaluate the appropriateness of the disclosure of the key assumptions applied and of the uncertainties that impact the key assumptions, including the sensitivity analysis.

- assessed the reasonableness of the key assumptions underpinning the risk adjustment, including consideration of recent trends in claims experience, and weightings applied to data in more recent years.

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 2025 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 'Caralee', written in a cursive style.

Dr Caralee McLiesh PSM
Auditor-General for Australia

Canberra

25 November 2025

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 2025 and its financial performance and cash flows for the year then ended.



Senator the Hon Katy Gallagher
Minister for Finance

23 November 2025

Australian Government operating statement
for the year ended 30 June 2025

| | Note | 2025 \$m | 2024 \$m |
|--|------|-----------------|-----------------|
| Revenue from transactions | | | |
| Taxation revenue | 2A | 676,088 | 649,443 |
| Sales of goods and services | 2B | 43,725 | 41,597 |
| Interest income | 2C | 14,140 | 13,671 |
| Dividend and distribution income | 2C | 7,275 | 6,262 |
| Other | 2D | 16,186 | 16,603 |
| Total revenue | | 757,414 | 727,576 |
| Expenses from transactions | | | |
| <i>Gross operating expenses</i> | | | |
| Wages and salaries | 3A | 34,724 | 31,682 |
| Superannuation | 3A | 10,167 | 9,747 |
| Depreciation and amortisation | 3B | 19,186 | 18,684 |
| Supply of goods and services | 3C | 236,503 | 201,936 |
| Other operating expenses | 3A | 26,395 | 14,410 |
| <i>Total gross operating expenses</i> | | <i>326,975</i> | <i>276,459</i> |
| Superannuation interest expense | 3A | 14,250 | 13,375 |
| Interest expense | 3D | 37,081 | 39,259 |
| <i>Current transfers</i> | | | |
| Current grants | 3E | 212,141 | 197,585 |
| Subsidy expenses | | 17,782 | 18,263 |
| Personal benefits | | 163,674 | 153,237 |
| <i>Total current transfers</i> | | <i>393,597</i> | <i>369,085</i> |
| <i>Capital transfers</i> | | | |
| Mutually agreed write-downs | 3E | 2,790 | 2,282 |
| Other capital grants | 3E | 23,875 | 17,040 |
| <i>Total capital transfers</i> | | <i>26,665</i> | <i>19,322</i> |
| Total expenses | 3F | 798,568 | 717,500 |
| Net operating balance | | (41,154) | 10,076 |
| Other economic flows - included in operating result | | | |
| Net write-down of assets (including bad and doubtful debts) | 4A | (15,926) | (16,370) |
| Net gains/(losses) from the sale of assets | 4B | 11,367 | 4,384 |
| Net foreign exchange gains | 4C | 4,044 | 678 |
| Net interest on derivatives (losses) | 4C | (1,163) | (706) |
| Net fair value gains/(losses) | 4C | (3,840) | 11,196 |
| Net other (losses) | 4C | (31,142) | (29,071) |
| Operating result(a) | | (77,814) | (19,813) |
| Other economic flows - other non-owner movements in equity | | | |
| Items that will not be reclassified to operating result | | | |
| Revaluation of non-financial assets | 7 | 9,788 | 8,954 |
| Actuarial revaluations of superannuation | | 5,970 | 11,919 |
| Other economic revaluations | | (975) | (7,384) |
| Items that may be reclassified subsequently to operating result | | | |
| Revaluation of equity investments | 7 | 4,238 | 2,282 |
| Comprehensive result - total change in net worth | | (58,793) | (4,042) |
| Net operating balance | | (41,154) | 10,076 |
| less Net acquisition of non-financial assets | | | |
| Purchases of non-financial assets | | 33,293 | 31,389 |
| less Sales of non-financial assets | | 2,455 | 1,017 |
| less Depreciation and amortisation | | 19,186 | 18,684 |
| plus Change in inventories | | 2,078 | 1,260 |
| plus Other movements in non-financial assets | | 15 | (9) |
| Total net acquisition of non-financial assets | | 13,745 | 12,939 |
| Fiscal balance (Net lending/(borrowing)) | | (54,899) | (2,863) |

(a) Includes \$24 million attributable to minority interests (2024: \$6 million).

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

Australian Government balance sheet
as at 30 June 2025

| | Note | 2025 \$m | 2024 \$m |
|---|------|------------------|------------------|
| Assets | | | |
| <i>Financial assets</i> | | | |
| Cash and deposits | | 9,214 | 8,449 |
| Advances paid | 5A | 82,265 | 76,990 |
| Other receivables and accrued revenue | 5A | 91,655 | 84,641 |
| Investments, loans and placements | 5B | 449,536 | 416,912 |
| Equity investments | 5C | 120,271 | 101,585 |
| Total financial assets | | 752,941 | 688,577 |
| <i>Non-financial assets(a)</i> | | | |
| Land | 5D | 19,443 | 18,704 |
| Buildings | 5D | 59,082 | 55,414 |
| Specialist military equipment | 5D | 93,739 | 88,607 |
| Other plant, equipment and infrastructure | 5D | 96,146 | 88,068 |
| Intangibles | 5D | 17,575 | 17,113 |
| Investment property | 5D | 332 | 327 |
| Inventories | 5E | 13,407 | 12,579 |
| Heritage and cultural assets | 5D | 13,172 | 12,772 |
| Other non-financial assets | 5F | 7,567 | 7,436 |
| Total non-financial assets | | 320,463 | 301,020 |
| Total assets | 5G | 1,073,404 | 989,597 |
| Liabilities | | | |
| <i>Interest bearing liabilities</i> | | | |
| Deposits held | 6A | 216,120 | 226,641 |
| Government securities | 6B | 679,470 | 611,045 |
| Loans | 6C | 57,892 | 52,873 |
| Leases | 6D | 33,340 | 32,521 |
| Other interest bearing liabilities | 6E | 22,316 | 20,319 |
| Total interest bearing liabilities | | 1,009,138 | 943,399 |
| <i>Provisions and payables</i> | | | |
| Superannuation liability | 6F | 313,210 | 308,469 |
| Other employee liabilities | 6F | 97,558 | 69,927 |
| Supplier payables | 6G | 25,936 | 25,887 |
| Personal benefits payable | 6G | 4,364 | 4,172 |
| Subsidies payable | 6G | 777 | 684 |
| Grants payable | 6G | 4,116 | 4,022 |
| Australian currency on issue | 6H | 103,813 | 100,765 |
| Other payables | 6G | 15,331 | 16,023 |
| Other provisions | 6H | 131,536 | 89,911 |
| Total provisions and payables | | 696,641 | 619,860 |
| Total liabilities | | 1,705,779 | 1,563,259 |
| Net worth | | | |
| Accumulated results | | (767,617) | (685,034) |
| Reserves | | 134,177 | 110,456 |
| Minority interests | | 1,065 | 916 |
| Net worth | | (632,375) | (573,662) |

(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 2025

| | Note | 2025 \$m | 2024 \$m |
|--|------|------------------|------------------|
| OPERATING ACTIVITIES | | | |
| Operating cash received | | | |
| Taxes received | | 657,616 | 633,314 |
| Receipts from sales of goods and services | | 44,052 | 40,813 |
| Interest receipts | | 12,444 | 12,423 |
| Dividend and distribution receipts | | 6,934 | 6,151 |
| Other receipts | | 18,881 | 15,920 |
| Total cash received | | 739,927 | 708,621 |
| Operating cash used | | | |
| Payments for employees | | (53,256) | (48,711) |
| Payments for goods and services | | (216,778) | (199,849) |
| Grants and subsidies paid | | (248,708) | (232,261) |
| Interest paid | | (30,051) | (32,453) |
| Interest payments on lease liabilities | | (1,520) | (1,469) |
| Personal benefits paid | | (164,273) | (152,770) |
| Other payments | | (13,722) | (11,394) |
| Total cash used | | (728,308) | (678,907) |
| Net cash flows from operating activities | 8 | 11,619 | 29,714 |
| INVESTING ACTIVITIES | | | |
| Investments in non-financial assets | | | |
| Sales of non-financial assets | | 373 | 3,109 |
| Purchases of non-financial assets | | (28,635) | (27,749) |
| Net investments in non-financial assets | | (28,262) | (24,640) |
| Investments in financial assets for policy purposes | | | |
| Receipts from policy investments | | 8,231 | 8,599 |
| Payments for policy investments | | (15,166) | (13,309) |
| Net investments in financial assets for policy purposes | | (6,935) | (4,710) |
| Investments in financial assets for liquidity purposes | | (7,793) | 150,412 |
| Net cash flows from investing activities | | (42,990) | 121,062 |
| FINANCING ACTIVITIES | | | |
| Net financing cash received | | | |
| Borrowings | | 46,524 | 42,810 |
| Contributed equity | | 100 | 144 |
| Other financing | | 45,235 | 7,617 |
| Net cash received | | 91,859 | 50,571 |
| Net financing cash used | | | |
| Distributions paid | | (31) | (9) |
| Principal payments of lease liabilities | | (3,536) | (3,385) |
| Other financing | | (56,156) | (196,560) |
| Net cash used | | (59,723) | (199,954) |
| Net cash flows from financing activities | | 32,136 | (149,383) |
| Net increase/(decrease) in cash held | | 765 | 1,393 |
| Cash at beginning of year | | 8,449 | 7,056 |
| Cash at end of year | | 9,214 | 8,449 |
| Key fiscal aggregate | | | |
| Net cash flows from operating activities | | 11,619 | 29,714 |
| Net cash flows from investments in non-financial assets | | (28,262) | (24,640) |
| Cash surplus/(deficit) | | (16,643) | 5,074 |

Australian Government statement of changes in equity (net worth)
for the year ended 30 June 2025

| | Reserves | | | | | | | Total net worth |
|--|---------------------|---------------------------|--------------------------------------|---------------------|----------------|----------------|--------------------|------------------|
| | Accumulated results | Asset revaluation reserve | Foreign currency translation reserve | Investments reserve | Other reserves | Total reserves | Contributed equity | |
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Australian Government | | | | | | | | |
| Adjusted opening balance as at 1 July 2023 | (667,734) | 79,871 | 58 | 13,756 | 3,761 | 97,446 | 531 | (569,757) |
| Contribution/(distribution) of equity | - | - | - | - | - | - | 144 | 144 |
| Dividends provided for or paid | (7) | - | - | - | - | - | - | (7) |
| Comprehensive result - change in net worth(a) | (7,783) | 10,606 | (5) | 624 | (511) | 10,714 | - | 2,931 |
| Transfers to/(from)/between reserves | (2,297) | (869) | - | (445) | 3,611 | 2,297 | - | - |
| Adjustment for error(a) | (6,973) | - | - | - | - | - | - | (6,973) |
| Net worth as at 30 June 2024 | (684,794) | 89,608 | 53 | 13,935 | 6,861 | 110,457 | 675 | (573,662) |
| less: Minority interests | 240 | - | - | 1 | - | 1 | 675 | 916 |
| Attributable to the Australian Government | | | | | | | | |
| Sector at 30 June 2024 | (685,034) | 89,608 | 53 | 13,934 | 6,861 | 110,456 | - | (574,578) |
| Contribution/(distribution) of equity | - | - | - | - | - | - | 111 | 111 |
| Dividends provided for or paid | (31) | - | - | - | - | - | - | (31) |
| Comprehensive result - change in net worth | (72,086) | 13,752 | 11 | 268 | (732) | 13,299 | (6) | (58,793) |
| Transfers to/(from)/between reserves | (10,422) | (64) | - | (374) | 10,860 | 10,422 | - | - |
| Net worth as at 30 June 2025 | (767,333) | 103,296 | 64 | 13,829 | 16,989 | 134,178 | 780 | (632,375) |
| less: Minority interests | 284 | - | - | 1 | - | 1 | 780 | 1,065 |
| Attributable to the Australian Government | | | | | | | | |
| Sector at 30 June 2025 | (767,617) | 103,296 | 64 | 13,828 | 16,989 | 134,177 | - | (633,440) |

(a) These line items combined reconcile to the Comprehensive result in the operating statement.

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 2025

| | Note | General Government | | Public non-financial corporations | | Public financial corporations | | Eliminations and netting(a) | | Australian Government | |
|---------------------------------------|------|--------------------|----------------|-----------------------------------|----------------|-------------------------------|----------------|-----------------------------|-----------------|-----------------------|----------------|
| | | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| | | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| Revenue from transactions | | | | | | | | | | | |
| Taxation revenue | 2A | 677,182 | 650,365 | - | - | - | - | (1,094) | (922) | 676,088 | 649,443 |
| Sales of goods and services | 2B | 20,595 | 19,786 | 23,643 | 21,909 | 1,573 | 1,406 | (2,086) | (1,504) | 43,725 | 41,597 |
| Interest income | 2C | 12,101 | 12,222 | 110 | 105 | 10,852 | 11,026 | (8,923) | (9,682) | 14,140 | 13,671 |
| Dividend and distribution income | 2C | 7,495 | 6,455 | - | - | 143 | 63 | (363) | (256) | 7,275 | 6,262 |
| Other | 2D | 16,226 | 16,588 | 219 | 270 | 270 | 245 | (529) | (500) | 16,186 | 16,603 |
| Total revenue | | 733,599 | 705,416 | 23,972 | 22,284 | 12,838 | 12,740 | (12,995) | (12,864) | 757,414 | 727,576 |
| Expenses from transactions | | | | | | | | | | | |
| Gross operating expenses | | | | | | | | | | | |
| Wages and salaries | 3A | 29,376 | 26,547 | 4,960 | 4,784 | 416 | 351 | (28) | - | 34,724 | 31,682 |
| Superannuation | 3A | 9,472 | 9,146 | 620 | 544 | 79 | 61 | (4) | (4) | 10,167 | 9,747 |
| Depreciation and amortisation | 3B | 13,902 | 13,623 | 5,206 | 4,986 | 78 | 75 | - | - | 19,186 | 18,684 |
| Supply of goods and services | 3C | 226,146 | 192,434 | 11,633 | 10,436 | 871 | 685 | (2,147) | (1,619) | 236,503 | 201,936 |
| Other operating expenses | 3A | 25,270 | 13,387 | 1,029 | 953 | 101 | 76 | (5) | (6) | 26,395 | 14,410 |
| Total gross operating expenses | | 304,166 | 255,137 | 23,448 | 21,703 | 1,545 | 1,248 | (2,184) | (1,629) | 326,975 | 276,459 |
| Superannuation interest expense | 3A | 14,250 | 13,375 | - | - | - | - | - | - | 14,250 | 13,375 |
| Interest expense | 3D | 30,128 | 28,257 | 2,232 | 2,056 | 13,645 | 18,628 | (8,924) | (9,682) | 37,081 | 39,259 |
| Current transfers | | | | | | | | | | | |
| Current grants | 3E | 212,186 | 197,590 | - | - | - | - | (45) | (5) | 212,141 | 197,585 |
| Subsidy expenses | | 18,910 | 19,335 | - | - | - | - | (1,128) | (1,072) | 17,782 | 18,263 |
| Personal benefits | | 163,674 | 153,237 | - | - | - | - | - | - | 163,674 | 153,237 |
| Tax expenses | | - | - | 520 | 214 | 19 | 17 | (539) | (231) | - | - |
| Total current transfers | | 394,770 | 370,162 | 520 | 214 | 19 | 17 | (1,712) | (1,308) | 393,597 | 369,085 |
| Capital transfers | | | | | | | | | | | |
| Mutually agreed write-downs | 3E | 2,790 | 2,282 | - | - | - | - | - | - | 2,790 | 2,282 |
| Other capital grants | 3E | 23,917 | 17,131 | - | - | - | - | (42) | (91) | 23,875 | 17,040 |
| Total capital transfers | | 26,707 | 19,413 | - | - | - | - | (42) | (91) | 26,665 | 19,322 |
| Total expenses | 3F | 770,021 | 686,344 | 26,200 | 23,973 | 15,209 | 19,893 | (12,862) | (12,710) | 798,568 | 717,500 |
| Net operating balance | | (36,422) | 19,072 | (2,228) | (1,689) | (2,371) | (7,153) | (133) | (154) | (41,154) | 10,076 |

(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 2025**

| | Note | General Government | | Public non-financial corporations | | Public financial corporations | | Eliminations and netting(a) | | Australian Government | |
|---|------|--------------------|-----------------|-----------------------------------|----------------|-------------------------------|----------------|-----------------------------|--------------|-----------------------|-----------------|
| | | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| | | \$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) | 4A | (14,596) | (14,183) | (749) | (2,151) | (75) | (36) | (506) | - | (15,926) | (16,370) |
| Net gains/(losses) from the sale of assets | 4B | 10,056 | 3,938 | 59 | 47 | 1,252 | 399 | - | - | 11,367 | 4,384 |
| Net foreign exchange gains/(losses) | 4C | (153) | (160) | 5 | (1) | 4,192 | 839 | - | - | 4,044 | 678 |
| Net interest on derivatives (losses) | 4C | (1,131) | (660) | (3) | (2) | (29) | (44) | - | - | (1,163) | (706) |
| Net fair value gains/(losses) | 4C | (13,747) | 8,411 | 611 | (139) | 9,296 | 2,924 | - | - | (3,840) | 11,196 |
| Net other (losses) | 4C | (28,991) | (28,576) | (25) | (31) | (2,126) | (464) | - | - | (31,142) | (29,071) |
| Operating result(b) | | (84,984) | (12,158) | (2,330) | (3,966) | 10,139 | (3,535) | (639) | (154) | (77,814) | (19,813) |
| Other economic flows - through equity | | | | | | | | | | | |
| Will not be reclassified to operating result | | | | | | | | | | | |
| Revaluation of non-financial assets | 7 | 7,933 | 4,688 | 1,880 | 4,316 | (25) | (50) | - | - | 9,788 | 8,954 |
| Actuarial revaluations of superannuation | | 5,684 | 11,901 | 94 | 57 | 192 | (39) | - | - | 5,970 | 11,919 |
| Other economic revaluations | | (94) | (6,931) | (511) | (323) | 4 | - | (374) | (130) | (975) | (7,384) |
| May be reclassified to operating result | | | | | | | | | | | |
| Revaluation of equity investments | 7 | (3,580) | 1,010 | - | - | 3,964 | 1,653 | 3,854 | (381) | 4,238 | 2,282 |
| Comprehensive result | | (75,041) | (1,490) | (867) | 84 | 14,274 | (1,971) | 2,841 | (665) | (58,793) | (4,042) |
| Net operating balance | | (36,422) | 19,072 | (2,228) | (1,689) | (2,371) | (7,153) | (133) | (154) | (41,154) | 10,076 |
| less Net acquisition of non-financial assets | | | | | | | | | | | |
| Purchases of non-financial assets | | 22,360 | 20,066 | 10,896 | 11,065 | 77 | 144 | (40) | 114 | 33,293 | 31,389 |
| less Sales of non-financial assets | | 2,382 | 896 | 71 | 120 | 2 | 1 | - | - | 2,455 | 1,017 |
| less Depreciation and amortisation | | 13,902 | 13,623 | 5,206 | 4,986 | 78 | 75 | - | - | 19,186 | 18,684 |
| plus Change in inventories | | 2,056 | 1,254 | 3 | (22) | 18 | 29 | 1 | (1) | 2,078 | 1,260 |
| plus Other movements in non-financial assets | | 1 | (9) | 14 | - | - | - | - | - | 15 | (9) |
| Total net acquisition of non-financial assets | | 8,133 | 6,792 | 5,636 | 5,937 | 15 | 97 | (39) | 113 | 13,745 | 12,939 |
| Fiscal balance (Net lending/borrowing) | | (44,555) | 12,280 | (7,864) | (7,626) | (2,386) | (7,250) | (94) | (267) | (54,899) | (2,863) |

(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 \$21 million attributable to minority interests (2024: \$23 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 2025

| | Note | General Government | | Public non-financial corporations | | Public financial corporations | | Eliminations(a) | | Australian Government | |
|---|------|--------------------|----------------|-----------------------------------|---------------|-------------------------------|----------------|------------------|------------------|-----------------------|----------------|
| | | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Assets | | | | | | | | | | | |
| Financial assets | | | | | | | | | | | |
| Cash and deposits | | 78,872 | 97,318 | 2,368 | 1,851 | 1,337 | 1,362 | (73,363) | (92,082) | 9,214 | 8,449 |
| Advances paid | 5A | 78,409 | 73,247 | 36 | 25 | 6,333 | 6,048 | (2,513) | (2,330) | 82,265 | 76,990 |
| Other receivables and accrued revenue | 5A | 86,528 | 80,473 | 6,031 | 4,833 | 428 | 381 | (1,332) | (1,046) | 91,655 | 84,641 |
| Investments, loans and placements | 5B | 249,618 | 233,469 | 1,034 | 894 | 405,735 | 414,911 | (206,851) | (232,362) | 449,536 | 416,912 |
| Equity investments | 5C | 165,355 | 145,412 | 379 | 344 | 1,601 | 1,409 | (47,064) | (45,580) | 120,271 | 101,585 |
| Total financial assets | | 658,782 | 629,919 | 9,848 | 7,947 | 415,434 | 424,111 | (331,123) | (373,400) | 752,941 | 688,577 |
| Non-financial assets(b) | | | | | | | | | | | |
| Land | 5D | 15,243 | 14,631 | 3,953 | 3,812 | 247 | 261 | - | - | 19,443 | 18,704 |
| Buildings | 5D | 53,892 | 50,675 | 4,915 | 4,379 | 278 | 360 | (3) | - | 59,082 | 55,414 |
| Specialist military equipment | 5D | 93,778 | 88,607 | - | - | - | - | (39) | - | 93,739 | 88,607 |
| Other plant, equipment and infrastructure | 5D | 23,950 | 22,143 | 72,018 | 65,756 | 178 | 169 | - | - | 96,146 | 88,068 |
| Intangibles | 5D | 13,874 | 13,228 | 3,878 | 3,771 | 51 | 63 | (228) | 51 | 17,575 | 17,113 |
| Investment property | 5D | 222 | 228 | 110 | 99 | - | - | - | - | 332 | 327 |
| Inventories | 5E | 13,125 | 12,311 | 180 | 184 | 102 | 84 | - | - | 13,407 | 12,579 |
| Heritage and cultural assets | 5D | 13,172 | 12,772 | - | - | - | - | - | - | 13,172 | 12,772 |
| Tax assets | | - | - | 1,464 | 1,318 | 8 | 5 | (1,472) | (1,323) | - | - |
| Other non-financial assets | 5F | 6,948 | 6,763 | 696 | 691 | 105 | 96 | (182) | (114) | 7,567 | 7,436 |
| Total non-financial assets | | 234,204 | 221,358 | 87,214 | 80,010 | 969 | 1,038 | (1,924) | (1,356) | 320,463 | 301,020 |
| Total assets | 5G | 892,986 | 851,277 | 97,062 | 87,957 | 416,403 | 425,149 | (333,047) | (374,786) | 1,073,404 | 989,597 |

(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 2025

| Note | General Government | | Public non-financial corporations | | Public financial corporations | | Eliminations(a) | | Australian Government | |
|---|--------------------|------------------|-----------------------------------|---------------|-------------------------------|-----------------|------------------|------------------|-----------------------|------------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Liabilities | | | | | | | | | | |
| <i>Interest bearing liabilities</i> | | | | | | | | | | |
| Deposits held | 417 | 417 | 14 | 12 | 289,041 | 318,310 | (73,352) | (92,098) | 216,120 | 226,641 |
| Government securities | 887,021 | 844,238 | - | - | - | - | (207,551) | (233,193) | 679,470 | 611,045 |
| Loans | 12,734 | 12,721 | 39,754 | 35,194 | 7,193 | 6,433 | (1,789) | (1,475) | 57,892 | 52,873 |
| Leases | 19,614 | 19,005 | 13,610 | 13,423 | 116 | 93 | - | - | 33,340 | 32,521 |
| Other interest bearing liabilities | 19,674 | 18,624 | - | - | 2,642 | 1,695 | - | - | 22,316 | 20,319 |
| Total interest bearing liabilities | 939,460 | 895,005 | 53,378 | 48,629 | 298,992 | 326,531 | (282,692) | (326,766) | 1,009,138 | 943,399 |
| <i>Provisions and payables</i> | | | | | | | | | | |
| Superannuation liability | 313,201 | 308,461 | 9 | 8 | - | - | - | - | 313,210 | 308,469 |
| Other employee liabilities | 95,172 | 67,685 | 2,172 | 2,042 | 214 | 200 | - | - | 97,558 | 69,927 |
| Supplier payables | 12,284 | 14,034 | 3,730 | 3,308 | 10,289 | 8,631 | (367) | (86) | 25,936 | 25,887 |
| Personal benefits payable | 4,364 | 4,172 | - | - | - | - | - | - | 4,364 | 4,172 |
| Subsidies payable | 793 | 695 | - | - | - | - | (16) | (11) | 777 | 684 |
| Grants payable | 4,110 | 4,015 | 6 | 7 | - | - | - | - | 4,116 | 4,022 |
| Australian currency on issue | - | - | - | - | 103,813 | 100,765 | - | - | 103,813 | 100,765 |
| Tax liabilities | - | - | 1,019 | 809 | - | 3 | (1,019) | (812) | - | - |
| Other payables | 10,632 | 8,986 | 3,003 | 3,034 | 1,845 | 4,148 | (149) | (145) | 15,331 | 16,023 |
| Other provisions | 127,529 | 87,739 | 912 | 966 | 4,094 | 2,110 | (999) | (904) | 131,536 | 89,911 |
| Total provisions and payables | 568,085 | 495,787 | 10,851 | 10,174 | 120,255 | 115,857 | (2,550) | (1,958) | 696,641 | 619,860 |
| Total liabilities | 1,507,545 | 1,390,792 | 64,229 | 58,803 | 419,247 | 442,388 | (285,242) | (328,724) | 1,705,779 | 1,563,259 |
| Net worth | | | | | | | | | | |
| Accumulated results | (684,948) | (604,105) | (42,911) | (40,517) | (34,265) | (33,605) | (5,493) | (6,807) | (767,617) | (685,034) |
| Reserves | 70,323 | 64,537 | 21,206 | 20,039 | 30,395 | 15,493 | 12,253 | 10,387 | 134,177 | 110,456 |
| Contributed equity | (210) | (210) | 54,538 | 49,632 | 1,026 | 873 | (55,354) | (50,295) | - | - |
| Minority interests | 276 | 263 | - | - | - | - | 789 | 653 | 1,065 | 916 |
| Net worth | (614,559) | (539,515) | 32,833 | 29,154 | (2,844) | (17,239) | (47,805) | (46,062) | (632,375) | (573,662) |

(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 2025

| | General Government | | Public non-financial corporations | | Public financial corporations | | Eliminations and netting(a) | | Australian Government | |
|--|--------------------|------------------|-----------------------------------|-----------------|-------------------------------|-----------------|-----------------------------|-----------------|-----------------------|------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| OPERATING ACTIVITIES | | | | | | | | | | |
| Cash received | | | | | | | | | | |
| Taxes received | 657,844 | 633,401 | - | - | - | - | (228) | (87) | 657,616 | 633,314 |
| Receipts from sales of goods and services | 22,024 | 19,897 | 24,987 | 23,076 | 1,521 | 1,465 | (4,480) | (3,625) | 44,052 | 40,813 |
| Interest receipts | 10,546 | 10,510 | 93 | 101 | 10,925 | 11,603 | (9,120) | (9,791) | 12,444 | 12,423 |
| Dividend and distribution receipts | 7,262 | 6,406 | (4) | - | 29 | 9 | (353) | (264) | 6,934 | 6,151 |
| GST receipts | - | - | 177 | 185 | 34 | 40 | (211) | (225) | - | - |
| Other receipts | 18,990 | 15,990 | 116 | 176 | 306 | 241 | (531) | (487) | 18,881 | 15,920 |
| Total cash received | 716,666 | 686,204 | 25,369 | 23,538 | 12,815 | 13,358 | (14,923) | (14,479) | 739,927 | 708,621 |
| Cash used | | | | | | | | | | |
| Taxes paid | - | - | (220) | (106) | (8) | (3) | 228 | 109 | - | - |
| Payments for employees | (47,391) | (43,111) | (5,433) | (5,209) | (464) | (395) | 32 | 4 | (53,256) | (48,711) |
| Payments for goods and services | (207,305) | (191,159) | (12,992) | (11,592) | (745) | (622) | 4,264 | 3,524 | (216,778) | (199,849) |
| Grants and subsidies paid | (249,080) | (232,627) | - | - | - | - | 372 | 366 | (248,708) | (232,261) |
| Interest paid | (23,754) | (22,280) | (1,357) | (1,078) | (13,928) | (18,774) | 8,988 | 9,679 | (30,051) | (32,453) |
| Interest payments on lease liabilities | (516) | (493) | (999) | (974) | (5) | (2) | - | - | (1,520) | (1,469) |
| Personal benefits paid | (164,273) | (152,770) | - | - | - | - | - | - | (164,273) | (152,770) |
| GST paid | - | - | (424) | (357) | (96) | (96) | 520 | 453 | - | - |
| Other payments | (12,724) | (10,387) | (905) | (930) | (93) | (77) | - | - | (13,722) | (11,394) |
| Total cash used | (705,043) | (652,827) | (22,330) | (20,246) | (15,339) | (19,969) | 14,404 | 14,135 | (728,308) | (678,907) |
| Net cash from operating activities | 11,623 | 33,377 | 3,039 | 3,292 | (2,524) | (6,611) | (519) | (344) | 11,619 | 29,714 |
| INVESTING ACTIVITIES | | | | | | | | | | |
| Investments in non-financial assets | | | | | | | | | | |
| Sales of non-financial assets | 302 | 3,001 | 71 | 108 | - | - | - | - | 373 | 3,109 |
| Purchases of non-financial assets | (19,042) | (17,835) | (9,563) | (9,884) | (30) | (30) | - | - | (28,635) | (27,749) |
| Net cash from non-financial assets | (18,740) | (14,834) | (9,492) | (9,776) | (30) | (30) | - | - | (28,262) | (24,640) |

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

**Australian Government cash flow statement by sector – including General Government Sector Financial Report
(continued)**

for the year ended 30 June 2025

| | General Government | | Public non-financial corporations | | Public financial corporations | | Eliminations and netting(a) | | Australian Government | |
|---|--------------------|-----------------|-----------------------------------|----------------|-------------------------------|------------------|-----------------------------|-----------------|-----------------------|------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m | \$m |
| INVESTING ACTIVITIES | | | | | | | | | | |
| Investments in financial assets for policy purposes | | | | | | | | | | |
| Receipts from policy investments | 7,896 | 13,790 | - | - | 609 | 451 | (274) | (5,642) | 8,231 | 8,599 |
| Payments for policy investments | (19,686) | (15,606) | (10) | (2) | (972) | (1,146) | 5,502 | 3,445 | (15,166) | (13,309) |
| Net cash from policy investments | (11,790) | (1,816) | (10) | (2) | (363) | (695) | 5,228 | (2,197) | (6,935) | (4,710) |
| Investments in financial assets for liquidity purposes | (10,143) | (18,364) | (174) | 10 | 28,035 | 187,029 | (25,511) | (18,263) | (7,793) | 150,412 |
| Net cash from investing activities | (40,673) | (35,014) | (9,676) | (9,768) | 27,642 | 186,304 | (20,283) | (20,460) | (42,990) | 121,062 |
| FINANCING ACTIVITIES | | | | | | | | | | |
| Cash flows from financing activities | | | | | | | | | | |
| Net cash received | | | | | | | | | | |
| Borrowings | 16,854 | 15,094 | 3,316 | 3,697 | 1,007 | 359 | 25,347 | 23,660 | 46,524 | 42,810 |
| Contributed equity | - | 24 | 4,893 | 3,057 | 150 | 166 | (4,943) | (3,103) | 100 | 144 |
| Other financing | 20,159 | 11,614 | 54 | 61 | 6,275 | 2,332 | 18,747 | (6,390) | 45,235 | 7,617 |
| Net cash received | 37,013 | 26,732 | 8,263 | 6,815 | 7,432 | 2,857 | 39,151 | 14,167 | 91,859 | 50,571 |
| Net cash used | | | | | | | | | | |
| Distributions paid | (15) | (9) | (343) | (247) | (40) | (19) | 367 | 266 | (31) | (9) |
| Principal payments of lease liabilities | (2,853) | (2,738) | (660) | (623) | (23) | (24) | - | - | (3,536) | (3,385) |
| Other financing | (23,541) | (14,335) | (106) | 280 | (32,512) | (182,508) | 3 | 3 | (56,156) | (196,560) |
| Net cash used | (26,409) | (17,082) | (1,109) | (590) | (32,575) | (182,551) | 370 | 269 | (59,723) | (199,954) |
| Net cash from financing activities | 10,604 | 9,650 | 7,154 | 6,225 | (25,143) | (179,694) | 39,521 | 14,436 | 32,136 | (149,383) |
| Net increase/(decrease) in cash | (18,446) | 8,013 | 517 | (251) | (25) | (1) | 18,719 | (6,368) | 765 | 1,393 |
| Cash at beginning of year | 97,318 | 89,305 | 1,851 | 2,102 | 1,362 | 1,363 | (92,082) | (85,714) | 8,449 | 7,056 |
| Cash at end of year | 78,872 | 97,318 | 2,368 | 1,851 | 1,337 | 1,362 | (73,363) | (92,082) | 9,214 | 8,449 |
| Key fiscal aggregate | | | | | | | | | | |
| Net cash flows from operating activities | 11,623 | 33,377 | 3,039 | 3,292 | (2,524) | (6,611) | (519) | (344) | 11,619 | 29,714 |
| Net cash flows from investments in non-financial assets | (18,740) | (14,834) | (9,492) | (9,776) | (30) | (30) | - | - | (28,262) | (24,640) |
| Cash surplus/(deficit) | (7,117) | 18,543 | (6,453) | (6,484) | (2,554) | (6,641) | (519) | (344) | (16,643) | 5,074 |

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

Australian Government statement of changes in equity (net worth) by sector
for the year ended 30 June 2025

| | 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 | |
| General Government | | | | | | | | |
| Adjusted opening balance as at 1 July 2023 | (598,288) | 62,682 | 57 | (2,858) | - | 163 | 60,044 | 202 (538,042) |
| Dividends provided for or paid | (7) | - | - | - | - | - | - | (7) |
| Comprehensive result - change in net worth(a) | (211) | 4,688 | (5) | 1,005 | - | 6 | 5,694 | 5,483 |
| Contribution of equity | - | - | - | - | - | - | - | 24 |
| Transfers to/(from)/between reserves | 1,410 | (856) | - | (230) | - | (114) | (1,200) | (210) |
| Adjustment for error(a) | (6,973) | - | - | - | - | - | - | (6,973) |
| Net worth as at 30 June 2024 | (604,069) | 66,514 | 52 | (2,083) | - | 55 | 64,538 | 16 (539,515) |
| less: Minority interests | 36 | - | - | 1 | - | - | 1 | 263 |
| Attributable to the General Government | | | | | | | | |
| Sector at 30 June 2024 | (604,105) | 66,514 | 52 | (2,084) | - | 55 | 64,537 | (210) (539,778) |
| Dividends provided for or paid | (15) | - | - | - | - | - | - | (15) |
| Comprehensive result - change in net worth | (79,403) | 7,933 | 8 | (3,586) | - | 7 | 4,362 | - (75,041) |
| Contribution of equity | - | - | - | - | - | - | - | 12 |
| Transfers to/(from)/between reserves | (1,424) | (48) | - | 1,441 | - | 31 | 1,424 | - |
| Net worth as at 30 June 2025 | (684,911) | 74,399 | 60 | (4,228) | - | 93 | 70,324 | 28 (614,559) |
| less: Minority interests | 37 | - | - | 1 | - | - | 1 | 276 |
| Attributable to the General Government | | | | | | | | |
| Sector at 30 June 2025 | (684,948) | 74,399 | 60 | (4,229) | - | 93 | 70,323 | (210) (614,835) |

(a) These line items combined reconcile to the Comprehensive result in the operating statement by sector.

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 2025

| | 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 | |
| Public non-financial corporations | | | | | | | | | |
| Opening balance as at 1 July 2023 | (36,468) | 14,930 | (1) | - | - | 1,113 | 16,042 | 46,686 | 26,260 |
| Comprehensive result - change in net worth | (3,873) | 4,293 | - | - | - | (283) | 4,010 | (53) | 84 |
| Dividends provided for or paid | (247) | - | - | - | - | - | - | - | (247) |
| Contribution of equity | - | - | - | - | - | - | - | 3,057 | 3,057 |
| Net worth as at 30 June 2024 | (40,517) | 19,210 | (1) | - | - | 830 | 20,039 | 49,632 | 29,154 |
| Comprehensive result - change in net worth | (2,063) | 1,817 | 2 | - | - | (636) | 1,183 | 13 | (867) |
| Dividends provided for or paid | (347) | - | - | - | - | - | - | - | (347) |
| Transfers to/(from)/between reserves | 16 | (16) | - | - | - | - | (16) | - | - |
| Contribution of equity | - | - | - | - | - | - | - | 4,893 | 4,893 |
| Net worth as at 30 June 2025 | (42,911) | 21,011 | 1 | - | - | 194 | 21,206 | 54,538 | 32,833 |

Australian Government statement of changes in equity (net worth) by sector (continued)
for the year ended 30 June 2025

| | 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 | |
| Public financial corporations | | | | | | | | | |
| Opening balance as at 1 July 2023 | (26,412) | 8,214 | - | - | - | 2,066 | 10,280 | 707 | (15,425) |
| Comprehensive result - change in net worth | (3,459) | 1,603 | - | - | - | (115) | 1,488 | - | (1,971) |
| Dividends provided for or paid | (9) | - | - | - | - | - | - | - | (9) |
| Transfers to/(from)/between reserves | (3,725) | - | - | - | - | 3,725 | 3,725 | - | - |
| Contribution of equity | - | - | - | - | - | - | - | 166 | 166 |
| Net worth as at 30 June 2024 | (33,605) | 9,817 | - | - | - | 5,676 | 15,493 | 873 | (17,239) |
| Comprehensive result - change in net worth | 10,201 | 3,939 | - | - | - | 134 | 4,073 | - | 14,274 |
| Dividends provided for or paid | (32) | - | - | - | - | - | - | - | (32) |
| Transfers to/(from)/between reserves | (10,829) | - | - | - | - | 10,829 | 10,829 | - | - |
| Contribution of equity | - | - | - | - | - | - | - | 153 | 153 |
| Net worth as at 30 June 2025 | (34,265) | 13,756 | - | - | - | 16,639 | 30,395 | 1,026 | (2,844) |

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 FBO 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 13A).

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 2024-25, the Australian Government adopted all applicable accounting standards that became effective during the year. No new accounting standards had a material impact on the CFS in 2024-25.

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 2023-24 comparatives have been restated to account for the following:

Changes to provision estimates due to actuarial modelling

The Department of Veterans' Affairs (DVA) identified a prior period error relating to the actuarial modelling of the military compensation provision. During the 2024-25 valuation of the Military Compensation Scheme (MCS) provision, DVA identified that a cohort of clients who were entitled to death benefits under section 80 of the *Military Rehabilitation and Compensation Act 2004* (MRCA) had not previously been included in the estimate modelling. The modelling now includes an estimate relating to the death benefits which were not previously included, resulting in an increase in the valuation which should have been applied in prior periods. Due to the complexity in the MCS provision, it is impracticable to estimate the impact on prior year accounting estimates as a result of the change in methodology. The adjustment has been made to the 2023-24 comparative to reflect the updated estimated value of the provision per adjustment (a) in the accompanying table. For further detail, refer to Note 6F.

The Coal Mining Industry (Long Service Leave Funding) Corporation (CMIC) also identified a prior period error relating to the actuarial modelling of its provision for reimbursements which had overstated expected future leave payments. This adjustment has been made to the 2023-24 comparative to reflect the change in the provision per adjustment (c) in the accompanying table. As CMIC is recognised as an equity investment of the Department of Employment and Workplace Relations (the portfolio department), a corresponding adjustment increasing the equity investment was required for the GGS. The adjustment to the equity investment was eliminated at the Australian Government level.

Changes in accounting policy

The Department of Defence (Defence) voluntarily changed its accounting policy for the recognition point of the consumption of general stores inventory to be point of physical consumption by the end user. There were prior period errors identified relating to an overstatement of subsidies expense and employee liabilities in 2023-24. These adjustments have been made to the 2023-24 comparatives as per adjustment (b) in the accompanying table.

Geoscience Australia also had a voluntary change in accounting policy relating to an arrangement that was previously recognised as a service concession arrangement. The arrangement is now considered to be a service contract rather than a service concession arrangement. This adjustment has been made to the 2023-24 comparatives as per adjustment (d) in the accompanying table. As a result of the change in accounting policy, a note disclosing service concession arrangements is not in the 2024-25 CFS.

Reclassification

In addition to the above restatements, some reclassifications between notes have been made to align 2023-24 comparatives to ensure consistency with the current year reporting period. Adjustments have been made to the 2023-24 comparatives as per the reclassification column in the accompanying table. Reclassifications within a note or financial statement category are not shown but noted in the respective note disclosure.

| | | 2024 | (a) | (b) | (c) | Reclass- (d) ifications | Restated 2024 |
|---|------|------------------|----------------|--------------|-------------|----------------------------|------------------|
| | Note | \$m | \$m | \$m | \$m | \$m | \$m |
| Subsidy expenses | | 18,348 | - | (85) | - | - | 18,263 |
| <i>Total current transfers</i> | | <i>369,170</i> | <i>-</i> | <i>(85)</i> | <i>-</i> | <i>-</i> | <i>369,085</i> |
| Total expenses | 3F | 717,585 | - | (85) | - | - | 717,500 |
| Net operating balance | | 9,991 | - | 85 | - | - | 10,076 |
| Other economic flows - included in operating result | | | | | | | |
| Net other gains/(losses) | 4C | (29,238) | - | 91 | 76 | - | (29,071) |
| Other economic flows - items that will not be reclassified to operating result | | | | | | | |
| Other economic revaluations | | (411) | (6,973) | - | - | - | (7,384) |
| Comprehensive result - total change in net worth | | 2,679 | (6,973) | 176 | 76 | - | (4,042) |
| Assets | | | | | | | |
| <i>Non-financial assets</i> | | | | | | | |
| Other plant, equipment and infrastructure | 5D | 88,278 | - | - | - | (210) | 88,068 |
| Inventories | 5E | 12,016 | - | 563 | - | - | 12,579 |
| Other non-financial assets | 5F | 7,226 | - | - | - | 210 | 7,436 |
| <i>Total non-financial assets</i> | | <i>300,457</i> | <i>-</i> | <i>563</i> | <i>-</i> | <i>-</i> | <i>301,020</i> |
| Total assets | 5G | 989,034 | - | 563 | - | - | 989,597 |
| Liabilities | | | | | | | |
| <i>Interest bearing liabilities</i> | | | | | | | |
| Other interest bearing liabilities | 6E | 20,356 | - | - | - | (37) | 20,319 |
| <i>Total interest bearing liabilities</i> | | <i>943,436</i> | <i>-</i> | <i>-</i> | <i>-</i> | <i>(37)</i> | <i>943,399</i> |
| <i>Provisions and payables</i> | | | | | | | |
| Other employee liabilities | 6F | 63,045 | 6,973 | (91) | - | - | 69,927 |
| Supplier payables | 6G | 25,850 | - | - | - | 37 | 25,887 |
| Grants payable | 6G | 4,272 | - | - | - | (250) | 4,022 |
| Other payables | 6G | 16,108 | - | (85) | - | - | 16,023 |
| Other provisions | 6H | 89,737 | - | - | (76) | 250 | 89,911 |
| <i>Total provisions and payables</i> | | <i>613,102</i> | <i>6,973</i> | <i>(176)</i> | <i>(76)</i> | <i>37</i> | <i>619,860</i> |
| Total liabilities | | 1,556,538 | 6,973 | (176) | (76) | - | 1,563,259 |
| Net worth | | | | | | | |
| Opening balance as at 1 July 2024 | | (570,320) | - | 563 | - | - | (569,757) |
| Adjustment for error | | - | (6,973) | - | - | - | (6,973) |
| Comprehensive result - Change in net worth | | 2,679 | - | 176 | 76 | - | 2,931 |
| Net worth | | (567,504) | (6,973) | 739 | 76 | - | (573,662) |

1.7 Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred to obtain control of an acquiree in a business combination is measured at fair value, and consists of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except for deferred tax assets and liabilities which continue to be measured in accordance with AASB 112 *Income Taxes* and employee benefits which continue to be measured in accordance with AASB 119 *Employee Benefits*.

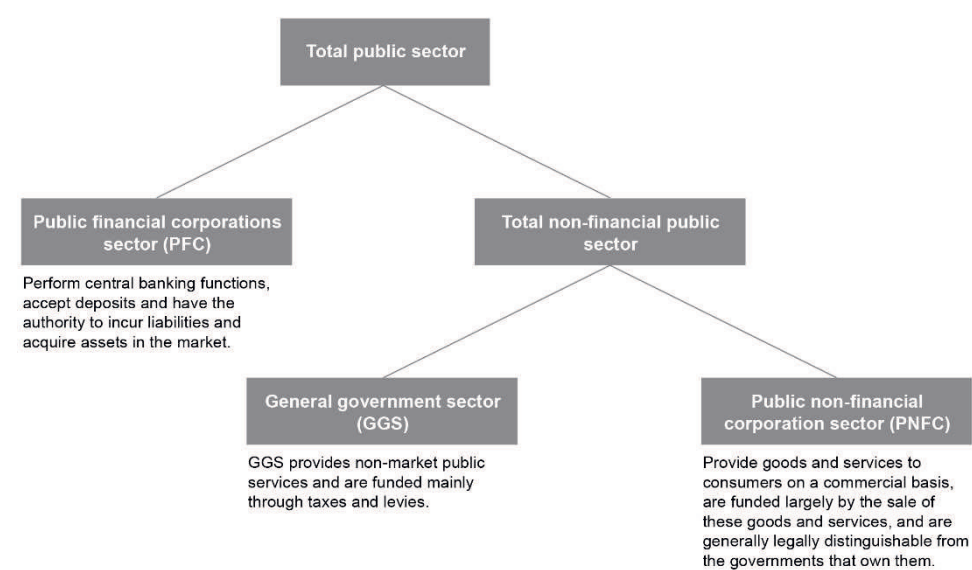
In cases where the sum of the consideration transferred plus the fair value of any previous equity interests exceeds the net value of identifiable assets and liabilities at the acquisition date, goodwill is measured as the excess amount. In cases where a business combination is achieved in stages, any previously held equity interest is remeasured at acquisition, and any resultant gain or loss to be recognised in other comprehensive income.

In 2024-25, the Australian Government acquired a controlling interest in CEA Technologies Pty Limited (CEA), the details of which are disclosed in Note 9.

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 the 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, 10C |
| Recognition and measurement of provisions and contingencies (including military compensation and military health care provisions) – key assumptions about the likelihood and magnitude of an outflow or inflow of resources | 6F, 6H, 10A |

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* (the 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.

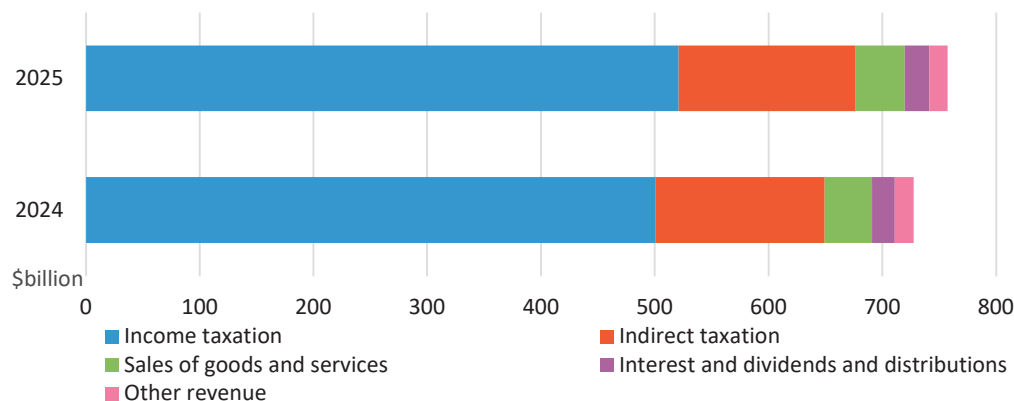
Australian Government entities monitor their level of compliance with section 83 of the Constitution across all legislation for which they have legislative responsibility. Where an entity has identified a potential or actual section 83 breach during the reporting period, the details are disclosed in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

In 2024-25, actual breaches of section 83 were identified across eight Commonwealth entities (2023-24: across five Commonwealth entities). Potential section 83 breaches identified during the reporting period, are not reported separately in the CFS and have been disclosed in the financial statements of the responsible entity.

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 Australian Government’s total 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. Significant items include 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 | |
|--|--------------------|----------------|-----------------------|----------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Income taxation | | | | |
| Individuals and other withholding taxes | | | | |
| Gross income tax withholding | 299,394 | 298,329 | 299,394 | 298,329 |
| Gross other individuals | 86,228 | 78,160 | 86,228 | 78,160 |
| less Refunds | (39,223) | (37,635) | (39,223) | (37,635) |
| Total individuals and other withholding taxation | 346,399 | 338,854 | 346,399 | 338,854 |
| Company tax | 142,159 | 142,945 | 141,900 | 142,824 |
| Superannuation funds taxes | 26,055 | 12,668 | 26,055 | 12,668 |
| Fringe benefits tax | 5,194 | 4,856 | 5,194 | 4,856 |
| Resource rent taxes | 1,483 | 1,276 | 1,483 | 1,276 |
| Total income taxation revenue | 521,290 | 500,599 | 521,031 | 500,478 |
| Indirect taxation | | | | |
| Sales taxes | | | | |
| Goods and services tax | 96,543 | 90,329 | 96,543 | 90,329 |
| Wine equalisation tax | 1,135 | 1,102 | 1,135 | 1,102 |
| Luxury car tax | 1,088 | 1,230 | 1,088 | 1,230 |
| Total sales taxes | 98,766 | 92,661 | 98,766 | 92,661 |
| Excise duty revenue(a) | 30,856 | 29,898 | 30,856 | 29,898 |
| Customs duty revenue(a) | 11,968 | 13,836 | 11,968 | 13,836 |
| Other indirect taxation | | | | |
| Visa application charges | 4,154 | 3,385 | 4,154 | 3,385 |
| Major bank levy | 1,809 | 1,656 | 1,809 | 1,656 |
| Agricultural levies | 671 | 624 | 671 | 624 |
| Other taxes | 7,668 | 7,706 | 6,833 | 6,905 |
| Total other indirect taxation revenue | 14,302 | 13,371 | 13,467 | 12,570 |
| Mirror taxes | 968 | 903 | 968 | 903 |
| less Transfers to States in relation to mirror tax revenue | (968) | (903) | (968) | (903) |
| Mirror tax revenue | - | - | - | - |
| Total indirect taxation revenue | 155,892 | 149,766 | 155,057 | 148,965 |
| Total taxation revenue | 677,182 | 650,365 | 676,088 | 649,443 |

(a) The 2024-25 Final Budget Outcome provides a disaggregation of excise and customs duty revenue by duty type.

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 Expenditures 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 | |
|--|--------------------|---------------|-----------------------|---------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Revenue from contracts with customers | | | | |
| Rendering of services | 16,157 | 15,615 | 32,923 | 31,722 |
| Sales of goods | 1,640 | 1,406 | 6,774 | 5,962 |
| Fees from regulatory services | 1,265 | 1,154 | 1,265 | 1,154 |
| Total revenue from contracts with customers | 19,062 | 18,175 | 40,962 | 38,838 |
| Rental income(a) | | | | |
| Operating leases | 460 | 428 | 554 | 528 |
| Total rental income | 460 | 428 | 554 | 528 |
| Other fees and charges | | | | |
| Rendering of services | 320 | 402 | 1,456 | 1,450 |
| Other fees from regulatory services | 753 | 781 | 753 | 781 |
| Total other fees and charges | 1,073 | 1,183 | 2,209 | 2,231 |
| Total sales of goods and services | 20,595 | 19,786 | 43,725 | 41,597 |

(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 | |
|--|--------------------|---------------|-----------------------|---------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Function of government | | | | |
| Transport and Communications | 122 | 84 | 16,878 | 16,228 |
| Social Security and Welfare | 11,939 | 11,454 | 11,939 | 11,454 |
| Fuel and Energy | 9 | 3 | 4,739 | 4,164 |
| General Public Services | 2,086 | 2,048 | 2,289 | 2,164 |
| Other Economic Affairs | 1,005 | 925 | 1,209 | 1,100 |
| Health | 974 | 894 | 1,000 | 938 |
| Other | 2,927 | 2,767 | 2,908 | 2,790 |
| Total revenue from contracts with customers | 19,062 | 18,175 | 40,962 | 38,838 |

Sale of goods

Revenue from the generation and sale of electricity by Snowy Hydro Limited (SHL) currently accounts for 70 per cent (2024: 69 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 26 per cent (2024: 26 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 17 per cent (2024: 16 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 2025.

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 | |
|--|--------------------|------------|-----------------------|------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Within 1 year | 72 | 63 | 103 | 96 |
| One to two years | 57 | 51 | 83 | 75 |
| Two to three years | 44 | 39 | 65 | 56 |
| Three to four years | 34 | 31 | 47 | 45 |
| Four to five years | 27 | 25 | 36 | 39 |
| More than 5 years | 151 | 154 | 171 | 179 |
| Total undiscounted lease payments receivable | 385 | 363 | 505 | 490 |

Note 2C: Interest and dividend and distribution income

| | General Government | | Australian Government | |
|---|--------------------|---------------|-----------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Interest from other governments | | | | |
| General purpose advances | - | - | 1,725 | 1,891 |
| Housing agreements | 62 | 67 | 62 | 67 |
| State and territory debt | 5 | 14 | 5 | 14 |
| Total interest from other governments | 67 | 81 | 1,792 | 1,972 |
| Interest from other sources | | | | |
| Advances, deposits and other | 7,336 | 7,015 | 7,613 | 6,540 |
| Securities | 2,530 | 2,711 | 2,567 | 2,744 |
| HELP and other student loans | 2,168 | 2,415 | 2,168 | 2,415 |
| Total interest from other sources | 12,034 | 12,141 | 12,348 | 11,699 |
| Total interest | 12,101 | 12,222 | 14,140 | 13,671 |
| Dividends and distributions | | | | |
| Dividends from other public sector entities | 368 | 256 | - | - |
| Other dividends and distributions | 7,127 | 6,199 | 7,275 | 6,262 |
| Total dividends and distributions | 7,495 | 6,455 | 7,275 | 6,262 |
| Total interest and dividend and distributions income | 19,596 | 18,677 | 21,415 | 19,933 |

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 | |
|---|--------------------|----------|-----------------------|--------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Within 1 year | 2 | 1 | 14 | 12 |
| One to two years | 1 | 1 | 14 | 12 |
| Two to three years | 1 | 1 | 16 | 13 |
| Three to four years | 1 | 1 | 15 | 16 |
| Four to five years | 1 | 1 | 14 | 15 |
| More than 5 years | 2 | 1 | 1,027 | 1,039 |
| Total undiscounted lease payments receivable | 8 | 6 | 1,100 | 1,107 |
| Unearned finance income | - | - | (874) | (887) |
| Net investment in leases | 8 | 6 | 226 | 220 |

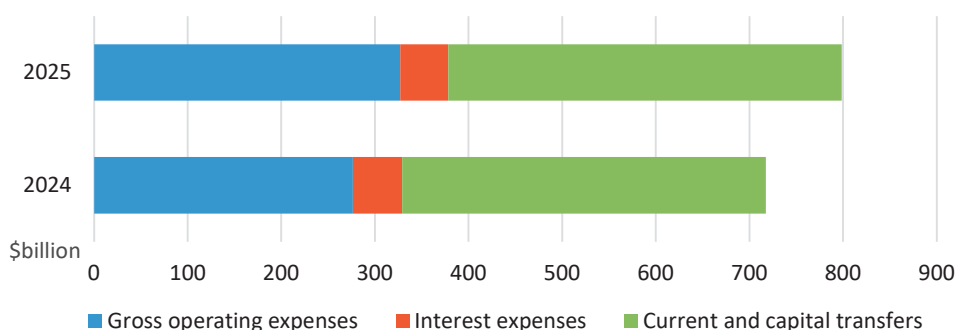
Note 2D: Other sources of non-taxation revenue

| | General Government | | Australian Government | |
|--|--------------------|---------------|-----------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| PBS drug recoveries | 6,764 | 5,333 | 6,764 | 5,333 |
| Child support payments | 2,150 | 2,043 | 2,150 | 2,043 |
| Royalties | 933 | 1,057 | 933 | 1,057 |
| Other contributions from state and territory governments | 928 | 952 | 928 | 952 |
| Unclaimed monies | 686 | 481 | 686 | 481 |
| Private health insurance risk equalisation levy | 405 | 447 | 405 | 447 |
| Seigniorage | 81 | 40 | 81 | 40 |
| Other | 4,279 | 6,235 | 4,239 | 6,250 |
| Total other sources of non-taxation revenue | 16,226 | 16,588 | 16,186 | 16,603 |

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 Australian Government's total 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 | |
|--|--------------------|---------------|-----------------------|---------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Wages and salaries expenses | 29,376 | 26,547 | 34,724 | 31,682 |
| Other operating expenses | | | | |
| Veterans' compensation payments and support(a) | 16,994 | 5,938 | 16,994 | 5,938 |
| Leave and other entitlements | 4,783 | 4,084 | 5,544 | 4,753 |
| Allowances, FBT and other | 3,155 | 2,966 | 3,329 | 3,119 |
| Other workers compensation premiums and claims | 177 | 302 | 276 | 403 |
| Separations and redundancies | 161 | 97 | 252 | 197 |
| Total other operating expenses | 25,270 | 13,387 | 26,395 | 14,410 |
| Superannuation expenses | | | | |
| Superannuation interest | 14,250 | 13,375 | 14,250 | 13,375 |
| Superannuation | 9,472 | 9,146 | 10,167 | 9,747 |
| Total superannuation expenses | 23,722 | 22,521 | 24,417 | 23,122 |
| Total employee and superannuation expenses(b) | 78,368 | 62,455 | 85,536 | 69,214 |

(a) For more detail on the Military compensation provision refer to Note 1 and Note 6F.

(b) Employee benefits accounting policies are disclosed in Note 6F and superannuation is disclosed in Note 10C.

Note 3B: Depreciation and amortisation expenses

| | General Government | | Australian Government | |
|--|--------------------|---------------|-----------------------|---------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Depreciation | | | | |
| Specialist military equipment | 5,159 | 5,111 | 5,159 | 5,111 |
| Buildings | 4,458 | 4,391 | 4,953 | 4,870 |
| Other plant, equipment and infrastructure | 2,927 | 2,777 | 7,206 | 6,743 |
| Heritage and cultural assets | 69 | 67 | 69 | 67 |
| Land | 3 | 4 | 10 | 11 |
| Total depreciation | 12,616 | 12,350 | 17,397 | 16,802 |
| Amortisation | | | | |
| Computer software | 1,286 | 1,273 | 1,789 | 1,882 |
| Other intangibles | 100 | 83 | 170 | 167 |
| Total amortisation | 1,386 | 1,356 | 1,959 | 2,049 |
| <i>add back Amortisation of non-produced assets</i> | <i>(100)</i> | <i>(83)</i> | <i>(170)</i> | <i>(167)</i> |
| Total depreciation and amortisation expenses(a) | 13,902 | 13,623 | 19,186 | 18,684 |

(a) Includes depreciation and amortisation relating to right-of-use assets as disclosed in Note 5D.

Depreciation

Owned land is an asset with an unlimited useful life and 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 or 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.

| | 2025 | 2024 |
|---|-------------------|-------------------|
| Buildings | Up to 230 years | Up to 230 years |
| Specialist military equipment | Up to 52 years | Up to 52 years |
| Other plant, equipment and infrastructure | Up to 400 years | Up to 400 years |
| Heritage and cultural assets | Up to 5,000 years | Up to 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

The majority of 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:

| | 2025 | 2024 |
|-------------------|-----------------|-----------------|
| Computer software | Up to 26 years | Up to 26 years |
| Other intangibles | Up to 100 years | Up to 100 years |

Note 3C: Supply of goods and services

| | General Government | | Australian Government | |
|---|--------------------|----------------|-----------------------|----------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Benefits to households in goods and services | 149,180 | 134,831 | 149,180 | 134,834 |
| Supply of goods and services | 48,193 | 44,595 | 55,800 | 51,583 |
| Military health care payments(a) | 19,213 | 2,523 | 19,213 | 2,524 |
| Other health care payments | 4,007 | 3,867 | 4,007 | 3,867 |
| Use of inventory | 2,465 | 3,272 | 2,921 | 3,711 |
| Short-term leases | 216 | 207 | 1,625 | 1,565 |
| Low-value leases | 6 | 9 | 61 | 66 |
| Variable lease payments | 4 | 4 | 4 | 4 |
| Other | 2,862 | 3,126 | 3,692 | 3,782 |
| Total payment for supply of goods and services | 226,146 | 192,434 | 236,503 | 201,936 |

(a) For more detail on the Military compensation provision refer to Note 1 and Note 6F.

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

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.

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.

Military health care payments

These payments are made to eligible serving and former serving members of the Defence Force are made in accordance with the MRCA and the *Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988* (DRCA). Military compensation payments directly to members, their partners, war widowers and dependents are recorded in Note 3A while Note 3C includes military health care payments via third parties, including hospital services, pharmaceutical benefits, medical, community, counselling and other health services. Refer to Note 6F for further details on the military compensation provision.

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 (2025: \$67 million; 2024: \$66 million) and facilities and diplomatic land subleased by the National Capital Authority in Canberra (2025: \$74 million; 2024: \$76 million).

Note 3D: Interest expense

| | General Government | | Australian Government | |
|--------------------------------------|--------------------|---------------|-----------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Interest on debt | | | | |
| Government securities | 23,844 | 22,488 | 18,382 | 16,412 |
| Exchange settlement funds | - | - | 9,674 | 14,651 |
| Taxation overpayments | 553 | 483 | 553 | 483 |
| Other | 817 | 950 | 2,733 | 2,490 |
| Total interest on debt | 25,214 | 23,921 | 31,342 | 34,036 |
| Other financing costs | | | | |
| Unwinding of provisions and other | 2,862 | 2,083 | 2,627 | 1,940 |
| Discount on concessional instruments | 1,535 | 1,760 | 1,568 | 1,795 |
| Interest on lease liabilities | 517 | 493 | 1,544 | 1,488 |
| Total other financing costs | 4,914 | 4,336 | 5,739 | 5,223 |
| Total interest expense | 30,128 | 28,257 | 37,081 | 39,259 |

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 are expensed as incurred.

Note 3E: Grants expense

| | General Government | | Australian Government | |
|---|--------------------|----------------|-----------------------|----------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Current grants expense | | | | |
| State and territory governments(a) | 171,352 | 158,644 | 171,352 | 158,644 |
| Non-profit organisations | 14,852 | 14,116 | 14,852 | 14,116 |
| Multi-jurisdictional sector | 12,969 | 12,364 | 12,969 | 12,364 |
| Private sector | 4,737 | 4,943 | 4,737 | 4,943 |
| Overseas | 4,333 | 4,206 | 4,333 | 4,206 |
| Other | 3,943 | 3,317 | 3,898 | 3,312 |
| Total current grants expense | 212,186 | 197,590 | 212,141 | 197,585 |
| Capital grants expense | | | | |
| Mutually agreed write-downs | 2,790 | 2,282 | 2,790 | 2,282 |
| <i>Other capital grants expense</i> | | | | |
| State and territory governments(a) | 22,466 | 15,406 | 22,466 | 15,406 |
| Local governments | 882 | 1,090 | 882 | 1,090 |
| Non-profit organisations | 374 | 439 | 374 | 439 |
| Private sector | 51 | 45 | 51 | 45 |
| Overseas | 45 | - | 45 | - |
| Other | 99 | 151 | 57 | 60 |
| <i>Total other capital grants expense</i> | <i>23,917</i> | <i>17,131</i> | <i>23,875</i> | <i>17,040</i> |
| Total capital grants expense | 26,707 | 19,413 | 26,665 | 19,322 |
| Total grants expense | 238,893 | 217,003 | 238,806 | 216,907 |

- (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.

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 write-off 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 2024-25 FBO 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 | |
|--|--------------------|----------------|-----------------------|----------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| General public services | 32,863 | 31,563 | 43,533 | 47,151 |
| Defence(a) | 47,765 | 44,919 | 47,609 | 44,982 |
| Public order and safety | 8,517 | 7,722 | 8,516 | 7,720 |
| Education | 50,901 | 48,008 | 50,901 | 48,008 |
| Health | 132,249 | 107,120 | 132,266 | 107,175 |
| Social security and welfare | 285,464 | 253,428 | 285,407 | 253,374 |
| Housing and community amenities | 8,330 | 6,982 | 8,466 | 7,099 |
| Recreation and culture | 5,966 | 5,088 | 5,966 | 4,992 |
| Fuel and energy | 14,954 | 12,913 | 19,136 | 16,354 |
| Agriculture, forestry and fishing | 3,801 | 3,554 | 3,801 | 3,554 |
| Mining, manufacturing and construction | 4,937 | 5,123 | 5,107 | 5,276 |
| Transport and communication | 16,244 | 14,041 | 35,089 | 31,896 |
| Other economic affairs | 12,895 | 13,490 | 13,103 | 13,599 |
| Other purposes | 145,135 | 132,393 | 139,668 | 126,320 |
| Total expenses | 770,021 | 686,344 | 798,568 | 717,500 |

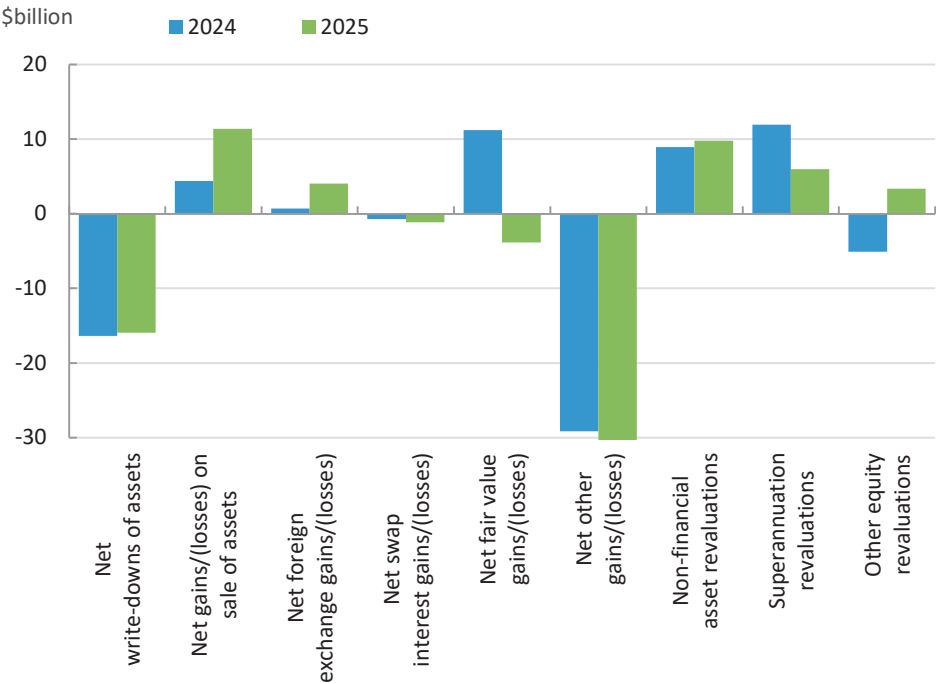
(a) Certain comparatives have been restated. Refer to Note 1.6 for further details.

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 economic flows are distinguished from transactions as they do not involve an interaction between entities. 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 | |
|--|--------------------|---------------|-----------------------|---------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Financial assets | | | | |
| Receivables – impairment gain or loss | | | | |
| Taxes due | 11,098 | 10,269 | 11,098 | 10,269 |
| Receivables from contracts with customers | 65 | 89 | 119 | 135 |
| Other | 685 | 1,695 | 693 | 1,699 |
| Total financial write-down and impairment | 11,848 | 12,053 | 11,910 | 12,103 |
| Non-financial assets | | | | |
| Other infrastructure, plant and equipment | 47 | 90 | 722 | 2,214 |
| Inventories | 1,196 | 1,423 | 1,204 | 1,433 |
| Specialist military equipment | 902 | 412 | 902 | 412 |
| Intangibles | 463 | 137 | 986 | 168 |
| Land | 3 | 56 | - | 58 |
| Heritage and cultural assets | 198 | 2 | 198 | 2 |
| Buildings | (61) | 10 | 4 | (20) |
| Net write-down, impairment and fair value losses arising from the revaluation of non-financial assets | 2,748 | 2,130 | 4,016 | 4,267 |
| Total net write-down and impairment of assets and fair value losses | 14,596 | 14,183 | 15,926 | 16,370 |

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 2025. 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 | |
|---|--------------------|--------------|-----------------------|--------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Financial assets | | | | |
| Net gains/(losses) from sale of investments | 9,988 | 3,953 | 11,231 | 4,351 |
| Non-financial assets | | | | |
| Proceeds from sale of non-financial assets | 2,254 | 813 | 2,326 | 914 |
| less selling costs | (18) | (17) | (18) | (18) |
| less written down value of assets sold | (2,186) | (828) | (2,190) | (881) |
| Net gains/(losses) - non-financial assets | 50 | (32) | 118 | 15 |
| Net gains/(losses) from sale of assets | 10,038 | 3,921 | 11,349 | 4,366 |
| add back selling costs included in expenses | 18 | 17 | 18 | 18 |
| Net gains/(losses) from sale of assets in other economic flows | 10,056 | 3,938 | 11,367 | 4,384 |

Note 4C: Other gains/(losses)

| | General Government | | Australian Government | |
|---|--------------------|-----------------|-----------------------|-----------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Foreign exchange | | | | |
| Net foreign exchange gains/(losses) | (153) | (160) | 4,044 | 678 |
| Net foreign exchange gains/(losses) | (153) | (160) | 4,044 | 678 |
| Interest on derivatives | | | | |
| Net swap interest revenue | 20,023 | 11,505 | 20,137 | 11,596 |
| Net swap interest expense | (21,154) | (12,165) | (21,300) | (12,302) |
| Net interest on derivatives | (1,131) | (660) | (1,163) | (706) |
| Fair value through profit or loss | | | | |
| Net fair value gains/(losses) - financial instruments | (13,714) | 8,410 | (3,813) | 11,203 |
| Net fair value gains/(losses) - biological assets | 1 | 1 | 1 | 1 |
| Net fair value gains/(losses) - investment properties | (34) | - | (28) | (8) |
| Net fair value gains/(losses) | (13,747) | 8,411 | (3,840) | 11,196 |
| Other | | | | |
| Net actuarial gains/(losses)(a) | (29,595) | (28,857) | (31,719) | (29,311) |
| Amortisation of non-produced assets | (100) | (83) | (170) | (167) |
| Net repurchase premiums | (21) | (83) | (21) | (83) |
| Net result from associates and joint ventures | 137 | 146 | 167 | 176 |
| Other(a) | 588 | 301 | 601 | 314 |
| Net other gains/(losses) | (28,991) | (28,576) | (31,142) | (29,071) |
| Total other gains/(losses) | (44,022) | (20,985) | (32,101) | (17,903) |

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

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)

The net actuarial gains/(losses) are revaluations of provisions other than the Australian Government's accumulated superannuation liability. The revaluations represent subsequent changes in the estimate of the expenditure required to settle the present obligation. The revaluations primarily relate to the military compensation provision and Disaster Recovery Funding Arrangements. For further information on the military compensation provision, refer to Note 6F. For further information on the Disaster Recovery Funding Arrangements, refer to Note 6H.

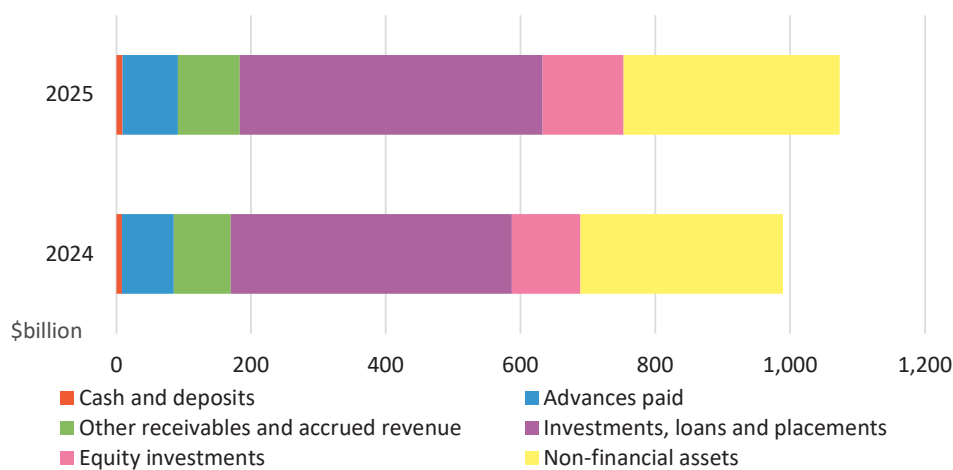
Other gains/(losses) also includes:

- the amortisation of intangible 'non-produced' assets such as goodwill and purchased trademarks;
- net repurchase premiums 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 in addition to being held to collect the contractual cash that are SPPI may also be sold. With the exception of equity accounted investments, equity investments disclosed in Note 5C 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 a type of equity investment that 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 assets held at FVOCI | <p>Measured based on ECL as per financial assets held at amortised cost.</p> <p>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'.</p> |

| Financial asset category | Recognition and measurement of impairment loss |
|--------------------------|---|
| Statutory receivables | <p>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.</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 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 | |
|---|--------------------|----------------|-----------------------|----------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| ADVANCES PAID | | | | |
| Student loans | 57,397 | 54,823 | 57,397 | 54,823 |
| Loans to state and territory governments | 1,362 | 1,494 | 1,362 | 1,494 |
| Other | 20,510 | 17,621 | 24,366 | 21,364 |
| less Impairment allowance(a) | (860) | (691) | (860) | (691) |
| Total advances paid | 78,409 | 73,247 | 82,265 | 76,990 |
| OTHER RECEIVABLES | | | | |
| Taxes receivable | | | | |
| Taxes receivable | 101,174 | 90,587 | 100,333 | 89,779 |
| less Impairment allowance | (50,447) | (43,787) | (50,447) | (43,787) |
| less Credit amendment allowance | (6,819) | (6,100) | (6,819) | (6,100) |
| Net taxes receivable | 43,908 | 40,700 | 43,067 | 39,892 |
| Personal benefits recoverable | | | | |
| Recoveries of benefit payments | 6,886 | 6,500 | 6,886 | 6,500 |
| less Impairment allowance | (2,479) | (2,316) | (2,479) | (2,316) |
| Net personal benefits recoverable | 4,407 | 4,184 | 4,407 | 4,184 |
| Goods and services and other | | | | |
| Goods and services receivable | 1,553 | 1,604 | 4,341 | 4,139 |
| Other receivables | 16,710 | 17,582 | 19,809 | 19,897 |
| less Impairment allowance | (1,807) | (3,226) | (1,979) | (3,375) |
| Net goods and services and other | 16,456 | 15,960 | 22,171 | 20,661 |
| Total other receivables | 64,771 | 60,844 | 69,645 | 64,737 |
| ACCRUED REVENUE | | | | |
| Accrued taxation revenue | 21,215 | 19,030 | 21,215 | 19,030 |
| Other accrued revenue | 542 | 599 | 795 | 874 |
| Total accrued revenue | 21,757 | 19,629 | 22,010 | 19,904 |
| Other receivables and accrued revenue | 86,528 | 80,473 | 91,655 | 84,641 |
| Total advances paid and receivables | 164,937 | 153,720 | 173,920 | 161,631 |
| By maturity: | | | | |
| No more than 12 months | 75,546 | 66,963 | 80,464 | 71,021 |
| More than 12 months | 89,391 | 86,757 | 93,456 | 90,610 |
| Total by maturity | 164,937 | 153,720 | 173,920 | 161,631 |
| By category of financial assets | | | | |
| Amortised cost | 27,034 | 26,793 | 31,985 | 31,724 |
| <i>Fair value:</i> | | | | |
| Fair value through profit and loss | 66,638 | 61,029 | 70,125 | 63,432 |
| Fair value through other comprehensive income | - | - | 1,386 | 1,385 |
| Statutory and other | 71,265 | 65,898 | 70,424 | 65,090 |
| Total by category of financial asset | 164,937 | 153,720 | 173,920 | 161,631 |

- (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.

Note objective

Advances paid comprises 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

| | General Government | | Australian Government | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | Goods and | | Goods and | |
| | Advances and loans \$m | services and other \$m | Advances and loans \$m | services and other \$m |
| Opening balance at 1 July 2023 | (545) | (2,533) | (545) | (2,664) |
| less Amounts written off | (7) | (767) | (7) | (796) |
| less Amounts recovered and reversed | (1) | 9 | (1) | 9 |
| plus (Increase)/decrease recognised in operating result | (154) | (1,451) | (154) | (1,498) |
| Closing balance at 30 June 2024 | (691) | (3,226) | (691) | (3,375) |
| less Amounts written off | - | (1,850) | - | (1,876) |
| less Amounts recovered and reversed | - | 3 | - | 3 |
| plus (Increase)/decrease recognised in operating result | (169) | (428) | (169) | (477) |
| Closing balance at 30 June 2025(a) | (860) | (1,807) | (860) | (1,979) |

(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 student loans was \$76,217 million at 30 June 2025 (2024: \$75,115 million) and no collateral is held. The following table shows the changes in the fair value of HELP loans due to credit risk.

| | Australian Government | |
|--|-----------------------|---------------|
| | 2025 | 2024 |
| | \$m | \$m |
| Fair value changes (decreases) due to credit risk: | | |
| During the period | 925 | 918 |
| Prior periods (cumulative) | 15,115 | 16,220 |
| Cumulative change | 16,040 | 17,138 |

Collateral

In limited circumstances, Australian Government entities are required to hold collateral in order 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 \$2,169 million sold and contracted for purchase under repurchase agreements at 30 June 2025 (2024: \$1,695 million). Indigenous Business Australia holds collateral in the form of personal guarantees or security against home and business loans of \$1,250 million at 30 June 2025 (2024: \$1,071 million). In addition, the Future Fund received collateral of \$2,536 million at 30 June 2025 (2024: \$2,421 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 | |
|--|--------------------|---------------|-----------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Advances paid and receivables at fair value | | | | |
| Level 1 | 121 | 30 | 135 | 65 |
| Level 2 | 7,483 | 4,690 | 9,962 | 6,774 |
| Level 3 | 59,034 | 56,309 | 61,414 | 57,978 |
| Total fair value | 66,638 | 61,029 | 71,511 | 64,817 |

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 | |
|---|--------------------|---------------|-----------------------|---------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Level 3 advances paid and receivables | | | | |
| Opening balance at 1 July | 56,309 | 53,443 | 57,978 | 55,242 |
| Purchases/payments | 8,804 | 8,014 | 9,359 | 8,377 |
| Sales/repayments | (6,690) | (7,905) | (7,178) | (8,243) |
| Gains/(losses) recognised in the operating result | 611 | 2,757 | 1,255 | 2,602 |
| Total fair value | 59,034 | 56,309 | 61,414 | 57,978 |

Note 5B: Investments, loans and placements

| | General Government | | Australian Government | |
|--|--------------------|----------------|-----------------------|----------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Government securities(a) | - | - | 148,657 | 147,107 |
| Collective investment vehicles | 133,273 | 117,329 | 133,273 | 117,329 |
| IMF quota and SDR holdings | 26,477 | 25,423 | 36,562 | 34,943 |
| Deposits | 10,860 | 6,277 | 34,602 | 18,445 |
| Gold | - | - | 12,887 | 9,035 |
| Defined benefit superannuation plan assets | - | - | 850 | 681 |
| Structured finance securities | 219 | 322 | 219 | 322 |
| Other interest bearing securities | 51,154 | 56,567 | 51,954 | 57,350 |
| Other | 27,635 | 27,551 | 30,532 | 31,700 |
| Total investments, loans and placements | 249,618 | 233,469 | 449,536 | 416,912 |
| By category of financial assets | | | | |
| Amortised cost | 23,810 | 17,201 | 89,616 | 61,288 |
| <i>Fair value:</i> | | | | |
| Fair value through profit and loss | 198,324 | 189,960 | 318,699 | 319,600 |
| Fair value through other comprehensive income | 27,484 | 26,308 | 27,484 | 26,308 |
| Other(b) | - | - | 13,737 | 9,716 |
| Total by category of financial asset | 249,618 | 233,469 | 449,536 | 416,912 |

(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) 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*.

Note objective

The GGS holds deposits for liquidity management and the 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 10B. 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 with the majority recoverable within 12 months.

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 in more than 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 IMF, an organisation of 191 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 CFS is equal to Australia's quota at 30 June 2025, 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 10B) 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 | |
|--|--------------------|----------------|-----------------------|----------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Investments, loans and placements at fair value | | | | |
| Level 1 | 14,871 | 16,687 | 131,677 | 138,657 |
| Level 2 | 48,185 | 53,892 | 64,058 | 70,130 |
| Level 3 | 162,752 | 145,689 | 163,335 | 146,156 |
| Total fair value(a) | 225,808 | 216,268 | 359,070 | 354,943 |

(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 | |
|---|--------------------|----------------|-----------------------|----------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Level 3 investments, loans and placements | | | | |
| Opening balance at 1 July | 145,689 | 143,057 | 146,156 | 143,461 |
| Purchases/payments | 27,003 | 15,162 | 27,126 | 15,245 |
| Sales/repayments | (18,333) | (15,380) | (18,341) | (15,402) |
| Gains/(losses) recognised in the operating result | 8,427 | 2,947 | 8,428 | 2,949 |
| Gains/(losses) recognised in equity | 6 | - | 6 | - |
| Transfers in/(out) of Level 3 | (40) | (97) | (40) | (97) |
| Total fair value | 162,752 | 145,689 | 163,335 | 146,156 |

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. However, Australian Government entities with 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 details are provided in the Future Fund Management Agency and Board of Guardians financial statements;
- the PFC 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 (CEFC) have a significant concentration of exposure to the energy and renewables sectors. CEFC has been established for investment in commercialisation and deployment of (or use of) Australian based renewable energy, energy efficiency and low emissions technologies (or businesses that supply goods or services); 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.

Note 5C: Equity investments

| | General Government | | Australian Government | |
|---|--------------------|----------------|-----------------------|----------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Investments in private funds and corporations | 111,794 | 93,623 | 113,421 | 95,054 |
| Investment in public corporations(a) | 47,090 | 45,602 | - | - |
| Equity accounted investments | 6,471 | 6,187 | 6,850 | 6,531 |
| Total equity investments | 165,355 | 145,412 | 120,271 | 101,585 |
| By category of financial assets | | | | |
| <i>Fair value:</i> | | | | |
| Fair value through profit and loss | 106,260 | 88,287 | 106,943 | 88,938 |
| Fair value through other comprehensive income | 52,624 | 50,938 | 6,478 | 6,116 |
| Other | 6,471 | 6,187 | 6,850 | 6,531 |
| Total by category of financial asset | 165,355 | 145,412 | 120,271 | 101,585 |

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

Note objective

Shares are held by the Investment Funds as detailed in Note 10B. 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 Australia Post, 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 based on 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 | |
|---|--------------------|----------------|-----------------------|---------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Equity investments at fair value | | | | |
| Level 1 | 103,717 | 85,999 | 103,717 | 85,999 |
| Level 2 | 1,449 | 1,416 | 1,449 | 1,416 |
| Level 3(a) | 53,718 | 51,810 | 8,255 | 7,639 |
| Total fair value | 158,884 | 139,225 | 113,421 | 95,054 |

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

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 \$1,712 million at 30 June 2025 (2024: \$1,615 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 2025.

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 6.8 per cent to 8.0 per cent (2024: 7.0 per cent to 8.1 per cent) resulted in a calculated fair value in the range of \$1,200 million to \$2,300 million.

- NBN Co was valued at \$21,800 million at 30 June 2025 (2024: \$20,600 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 2045. 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 9.8 per cent (2024: 9.7 per cent).

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 9.3 per cent to 10.3 per cent (2024: 9.2 per cent to 10.2 per cent) resulted in a calculated fair value in the range of \$19,800 million to \$24,100 million at 30 June 2025 (2024: \$19,000 million to \$22,400 million).

- SHL was valued at \$9,750 million at 30 June 2025 (2024: \$9,750 million). The discounted cash flow valuation uses cash flow projections based on the Snowy Hydro Limited Corporate Plan (2026 to 2035). The valuation was supported by crosschecking against the capitalisation of future maintainable earnings method based on an analysis of share trading in energy companies.

The valuation was subject to independent sensitivity analysis, including sensitivity to the discount rate. With all other assumptions remaining the same, a change in the discount rate of 0.25 per cent resulted in a calculated fair value in the range of \$8,400 million to \$10,500 million at 30 June 2025 (2024: \$8,800 million to \$10,900 million).

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

During the year, the Australian Government acquired a controlling interest in CEA, with CEA becoming a Government Business Enterprise. Further information on the acquisition of CEA is at Note 9.

Marinus Link Pty Ltd (MLPL) is a joint venture arrangement between the Australian Government and the Victorian and Tasmanian State to complete the Marinus Link Project. The Australian Government holds 49 per cent of the MLPL equity with the Victorian Government holding 33.3 per cent and the Tasmanian Government holding the remaining 17.7 per cent.

The Australian Submarine Corporation (ASC) was also previously valued using a discounted cash flow method. Due to uncertainty in cash flows in the short term as a result of investments related to the Australian Government's AUKUS initiative,

the 2024-25 valuation uses an adjusted net assets methodology (net assets less intangible and deferred tax assets).

Other public corporations in which the GGS investment value is based on the net assets of the investee are as follows:

- Australian Hearing Services (Hearing Australia)
- Australian Naval Infrastructure Pty Ltd
- Australian Postal Corporation (Australia Post)
- Australian Reinsurance Pool Corporation
- Coal Mining Industry (Long Service Leave Funding) Corporation
- CSIRO Innovation Funds
- Export Finance Australia
- National Intermodal Company Limited
- WSA Co Ltd

Since 2023-24, the valuation methodology to adjust net assets for fair value of land for WSA Co Ltd is no longer adopted given the stage of the project construction.

Noting that the value of an investment cannot go below zero, a net asset valuation has resulted in the following investees being carried at no value:

- Housing Australia
- Reserve Bank of Australia
- Voyages Indigenous Tourism Australia Pty 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 | |
|---|--------------------|---------------|-----------------------|--------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Level 3 equity investments | | | | |
| Opening balance at 1 July(a) | 51,810 | 47,600 | 7,639 | 6,740 |
| Purchases/Payments | 4,357 | 2,143 | 2,438 | 241 |
| Sales/Repayments | (229) | (65) | (243) | (66) |
| Gains/(losses) recognised in the operating result | 124 | (132) | 145 | (151) |
| Gains/(losses) recognised in equity | (2,347) | 2,234 | (1,727) | 845 |
| Transfers in/(out) of level 3 | 3 | 30 | 3 | 30 |
| Total fair value | 53,718 | 51,810 | 8,255 | 7,639 |

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

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

Australian Government

| Measurement basis(b) | Land | | Buildings | | Specialist military equipment | | Other plant, equipment and infrastructure(a) | | Heritage and cultural assets | | Investment property | | Computer software | | Other intangibles | | Total |
|---|------|---------------|-----------|---------------|-------------------------------|---------------|--|---------------|------------------------------|---------------|---------------------|------------|-------------------|--------------|-------------------|--------------|----------------|
| | \$m | Fair value | \$m | Fair value | \$m | Fair value | \$m | Fair value | \$m | Fair value | \$m | Fair value | \$m | Cost | \$m | Cost | \$m |
| Net book value at 30 June 2025 | | | | | | | | | | | | | | | | | |
| Gross book value | | 19,489 | | 77,165 | | 94,085 | | 134,038 | | 13,346 | | 332 | | 24,308 | | 10,686 | 373,449 |
| Accumulated depreciation/amortisation | | (46) | | (18,083) | | (346) | | (37,892) | | (174) | | - | | (15,937) | | (1,482) | (73,960) |
| Net book value at 30 June 2025 | | 19,443 | | 59,082 | | 93,739 | | 96,146 | | 13,172 | | 332 | | 8,371 | | 9,204 | 299,489 |
| Carrying amount of right-of-use assets | | | | | | | | | | | | | | | | | |
| Assets at fair value by level of the fair value hierarchy: | | | | | | | | | | | | | | | | | |
| Level 2 | | 210 | | 17,163 | | 170 | | 9,942 | | - | | - | | - | | 32 | 27,517 |
| Level 3 | | 15,223 | | 6,005 | | - | | 17,304 | | 1,892 | | 193 | | - | | - | 40,617 |
| | | 4,010 | | 35,914 | | 93,569 | | 68,900 | | 11,280 | | 139 | | - | | - | 213,812 |
| Fair value at 30 June 2025 | | 19,233 | | 41,919 | | 93,569 | | 86,204 | | 13,172 | | 332 | | - | | - | 254,429 |
| Net book value at 30 June 2024 | | | | | | | | | | | | | | | | | |
| Gross book value | | 18,751 | | 71,377 | | 89,402 | | 118,992 | | 12,996 | | 327 | | 23,313 | | 10,120 | 345,278 |
| Accumulated depreciation/amortisation | | (47) | | (15,963) | | (795) | | (30,924) | | (224) | | - | | (15,015) | | (1,305) | (64,273) |
| Net book value at 30 June 2024 | | 18,704 | | 55,414 | | 88,607 | | 88,068 | | 12,772 | | 327 | | 8,298 | | 8,815 | 281,005 |
| Carrying amount of right-of-use assets | | | | | | | | | | | | | | | | | |
| Assets at fair value by level of the fair value hierarchy: | | | | | | | | | | | | | | | | | |
| Level 2 | | 215 | | 16,718 | | 209 | | 10,127 | | - | | - | | - | | 38 | 27,307 |
| Level 3 | | 15,224 | | 5,171 | | - | | 13,274 | | 1,880 | | 262 | | - | | - | 35,811 |
| | | 3,265 | | 33,525 | | 88,398 | | 64,667 | | 10,892 | | 65 | | - | | - | 200,812 |
| Fair value at 30 June 2024 | | 18,489 | | 38,696 | | 88,398 | | 77,941 | | 12,772 | | 327 | | - | | - | 236,623 |

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

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

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

General Government

| Measurement basis(b) | Land | | Buildings | | Specialist military equipment | | Other plant, equipment and infrastructure(a) | | Heritage and cultural assets | | Investment property | | Computer software | | Other intangibles | | Total | |
|---|---------------|---------------|---------------|---------------|-------------------------------|------------|--|--------------|------------------------------|------------|---------------------|------------|-------------------|------|-------------------|------|-------|-----|
| | \$m | Fair value | \$m | Fair value | \$m | Fair value | \$m | Fair value | \$m | Fair value | \$m | Fair value | \$m | Cost | \$m | Cost | \$m | \$m |
| Net book value at 30 June 2025 | | | | | | | | | | | | | | | | | | |
| Gross book value | 15,256 | 70,428 | 94,124 | 30,738 | 13,346 | 222 | 17,589 | 7,990 | 249,693 | | | | | | | | | |
| Accumulated depreciation/amortisation | (13) | (16,536) | (346) | (6,788) | (174) | - | (10,876) | (829) | (35,562) | | | | | | | | | |
| Net book value at 30 June 2025 | 15,243 | 53,892 | 93,778 | 23,950 | 13,172 | 222 | 6,713 | 7,161 | 214,131 | | | | | | | | | |
| Carrying amount of right-of-use assets | 154 | 15,900 | 170 | 1,208 | - | - | - | - | 17,432 | | | | | | | | | |
| Assets at fair value by level of the fair value hierarchy: | | | | | | | | | | | | | | | | | | |
| Level 2 | 11,654 | 4,646 | - | 1,875 | 1,894 | 147 | - | - | 20,216 | | | | | | | | | |
| Level 3 | 3,435 | 33,346 | 93,608 | 20,867 | 11,278 | 75 | - | - | 162,609 | | | | | | | | | |
| Fair value at 30 June 2025 | 15,089 | 37,992 | 93,608 | 22,742 | 13,172 | 222 | - | - | 182,825 | | | | | | | | | |
| Net book value at 30 June 2024 | | | | | | | | | | | | | | | | | | |
| Gross book value | 14,643 | 65,342 | 89,402 | 27,796 | 12,996 | 228 | 16,605 | 7,450 | 234,462 | | | | | | | | | |
| Accumulated depreciation/amortisation | (12) | (14,667) | (795) | (5,653) | (224) | - | (10,089) | (738) | (32,178) | | | | | | | | | |
| Net book value at 30 June 2024 | 14,631 | 50,675 | 88,607 | 22,143 | 12,772 | 228 | 6,516 | 6,712 | 202,284 | | | | | | | | | |
| Carrying amount of right-of-use assets | 155 | 15,482 | 209 | 1,400 | - | - | - | - | 17,246 | | | | | | | | | |
| Assets at fair value by level of the fair value hierarchy: | | | | | | | | | | | | | | | | | | |
| Level 2 | 11,795 | 3,869 | - | 1,886 | 1,880 | 228 | - | - | 19,658 | | | | | | | | | |
| Level 3 | 2,681 | 31,324 | 88,398 | 18,857 | 10,892 | - | - | - | 152,152 | | | | | | | | | |
| Fair value at 30 June 2024 | 14,476 | 35,193 | 88,398 | 20,743 | 12,772 | 228 | - | - | 171,810 | | | | | | | | | |

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

(b) 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

| | Land \$m | Buildings \$m | Specialist equipment \$m | Other plant, equipment and infrastructure(a) \$m | Heritage and cultural assets \$m | Investment property \$m | Computer software \$m | Other intangibles \$m | Total \$m |
|--|---------------|------------------|--------------------------------|---|---|-------------------------------|-----------------------------|-----------------------------|----------------|
| Net book value at 1 July 2023 | 16,818 | 54,121 | 83,716 | 78,900 | 12,618 | 343 | 7,881 | 8,594 | 262,991 |
| Additions: | | | | | | | | | |
| Purchases and entity acquisitions | 179 | 2,420 | 10,277 | 12,718 | 90 | 5 | 755 | 543 | 26,987 |
| Internally developed | - | - | - | - | - | - | 1,517 | - | 1,517 |
| Right-of-use assets | 3 | 2,174 | - | 497 | - | - | - | 1 | 2,675 |
| Revaluations | 1,806 | 1,711 | 109 | 4,509 | 97 | (8) | - | 722 | 8,946 |
| Depreciation/amortisation expense(b) | - | (1,985) | (5,072) | (5,920) | (67) | - | (1,882) | (158) | (15,084) |
| Depreciation of right-of-use assets | (11) | (2,885) | (39) | (823) | - | - | - | (9) | (3,767) |
| Recoverable amount write-downs | (60) | (44) | (769) | (2,301) | (26) | - | (150) | (32) | (3,382) |
| Net write-down of right-of-use assets | (4) | 12 | - | (2) | - | - | - | - | 6 |
| Reversal of write-downs | 6 | 52 | 357 | 89 | 24 | - | 11 | 3 | 542 |
| Other movements | (3) | 89 | 32 | (81) | 36 | (1) | 196 | (128) | 140 |
| Other movements of right-of-use assets | (3) | (229) | - | 529 | - | - | - | 1 | 298 |
| Disposals | (27) | (22) | (4) | (47) | - | (12) | (30) | (722) | (864) |
| As at 30 June 2024 | 18,704 | 55,414 | 88,607 | 88,068 | 12,772 | 327 | 8,298 | 8,815 | 281,005 |
| Additions: | | | | | | | | | |
| Purchases and entity acquisitions | 127 | 2,862 | 10,414 | 12,734 | 123 | 5 | 992 | 812 | 28,069 |
| Internally developed | - | - | - | - | - | - | 1,125 | - | 1,125 |
| Right-of-use assets | 3 | 2,797 | - | 340 | - | - | - | 2 | 3,142 |
| Revaluations | 584 | 2,255 | 2,082 | 2,241 | 545 | (28) | 1 | 2,098 | 9,778 |
| Depreciation/amortisation expense(b) | - | (2,056) | (5,120) | (6,349) | (69) | - | (1,789) | (163) | (15,546) |
| Depreciation of right-of-use assets | (10) | (2,897) | (39) | (857) | - | - | - | (7) | (3,810) |
| Recoverable amount write-downs | - | (51) | (1,182) | (818) | (206) | - | (384) | (617) | (3,258) |
| Net write-down of right-of-use assets | - | (12) | - | - | - | - | - | - | (12) |
| Reversal of write-downs | - | 59 | 280 | 96 | 8 | - | 9 | 6 | 458 |
| Other movements | 42 | 146 | (1,258) | 411 | (1) | 63 | 127 | 351 | (119) |
| Other movements of right-of-use assets | 1 | 556 | - | 332 | - | - | - | (1) | 888 |
| Disposals | (8) | 9 | (45) | (52) | - | (35) | (8) | (2,092) | (2,231) |
| As at 30 June 2025 | 19,443 | 59,082 | 93,739 | 96,146 | 13,172 | 332 | 8,371 | 9,204 | 299,489 |

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

(b) The depreciation/amortisation expense movement includes the amortisation of non-produced intangible assets as reported in Note 4C.

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

General Government

| | Land \$m | Buildings \$m | Specialist military equipment \$m | Other plant, equipment and infrastructure(a) \$m | Heritage and cultural assets \$m | Investment property \$m | Computer software \$m | Other intangibles \$m | Total \$m |
|--|---------------|------------------|--|---|---|-------------------------------|-----------------------------|-----------------------------|----------------|
| Net book value at 1 July 2023 | 13,474 | 49,509 | 83,716 | 20,134 | 12,618 | 219 | 5,897 | 6,693 | 192,260 |
| Additions: | | | | | | | | | |
| Purchases and entity acquisitions | 123 | 2,262 | 10,277 | 3,519 | 90 | 5 | 727 | 244 | 17,247 |
| Internally developed | - | - | - | - | - | - | 1,133 | - | 1,133 |
| Right-of-use assets | 1 | 1,821 | - | 246 | - | - | - | - | 2,068 |
| Revaluations | 1,101 | 1,622 | 109 | 1,037 | 97 | - | - | 722 | 4,688 |
| Depreciation/amortisation expense(b) | - | (1,796) | (5,072) | (2,434) | (67) | - | (1,273) | (83) | (10,725) |
| Depreciation of right-of-use assets | (4) | (2,595) | (39) | (343) | - | - | - | - | (2,981) |
| Recoverable amount write-downs | (58) | (89) | (769) | (177) | (26) | - | (124) | (27) | (1,270) |
| Net write-down of right-of-use assets | (4) | 27 | - | (2) | - | - | - | - | 21 |
| Reversal of write-downs | 6 | 52 | 357 | 89 | 24 | - | 11 | 3 | 542 |
| Other movements | - | 169 | 32 | 55 | 36 | 4 | 175 | (118) | 353 |
| Other movements of right-of-use assets | (4) | (285) | - | 57 | - | - | - | - | (232) |
| Disposals | (4) | (22) | (4) | (38) | - | - | (30) | (722) | (820) |
| As at 30 June 2024 | 14,631 | 50,675 | 88,607 | 22,143 | 12,772 | 228 | 6,516 | 6,712 | 202,284 |
| Additions: | | | | | | | | | |
| Purchases and entity acquisitions | 90 | 2,483 | 10,453 | 3,648 | 123 | - | 721 | 535 | 18,053 |
| Internally developed | - | - | - | - | - | - | 1,004 | - | 1,004 |
| Right-of-use assets | 1 | 2,513 | - | 138 | - | - | - | - | 2,652 |
| Revaluations | 490 | 2,059 | 2,082 | 676 | 545 | (34) | 1 | 2,098 | 7,917 |
| Depreciation/amortisation expense(b) | - | (1,861) | (5,120) | (2,586) | (69) | - | (1,286) | (100) | (11,022) |
| Depreciation of right-of-use assets | (3) | (2,597) | (39) | (341) | - | - | - | - | (2,980) |
| Recoverable amount write-downs | (3) | 7 | (1,182) | (140) | (206) | - | (378) | (100) | (2,002) |
| Net write-down of right-of-use assets | - | (5) | - | - | - | - | - | - | (5) |
| Reversal of write-downs | - | 59 | 280 | 93 | 8 | - | 9 | 6 | 455 |
| Other movements | 44 | 65 | (1,258) | 346 | (1) | 63 | 132 | 102 | (507) |
| Other movements of right-of-use assets | - | 506 | - | 11 | - | - | - | - | 517 |
| Disposals | (7) | (12) | (45) | (38) | - | (35) | (6) | (2,092) | (2,235) |
| As at 30 June 2025 | 15,243 | 53,892 | 93,778 | 23,950 | 13,172 | 222 | 6,713 | 7,161 | 214,131 |

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

(b) The depreciation/amortisation expense movement includes the amortisation of non-produced intangible assets as reported in Note 4C.

Note objective

Property, plant and equipment are held for operational purposes as is computer software. 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. Refer Note 9 for a reconciliation of the movement in 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 | 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 |
| | 3 | Market approach Cost approach | Adjusted market transactions Replacement cost of new assets Consumed economic benefit |

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. The 2024-25 fair value assessment of specialist military equipment utilised 169 indices and 25 foreign currencies. National indices from Australia

and the USA are the significant contributors for fair value movement in 2024-25. 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 | | | |
|---|------------------------------------|-------|------|-------|
| | 2025 | | 2024 | |
| | + | - | + | - |
| | \$m | \$m | \$m | \$m |
| Change in price indices (+/- 1%) | 412 | (401) | 380 | (379) |
| Change in foreign currencies (+/- 1.8%) | 475 | (465) | 615 | (610) |

For further information refer to the 2024-25 annual report 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 \$2,841 million at 30 June 2025 (2024: \$2,600 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 0.4 per cent to 4.3 per cent (2024: 0.6 per cent to 4.1 per cent). The nominal post-tax weighted average cost of capital has been estimated in the range of 6.8 per cent to 8.0 per cent (2024: 7.0 per cent to 8.1 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 | | | |
|---|--|-------|-------|-------|
| | 2025 | | 2024 | |
| | + | - | + | - |
| | \$m | \$m | \$m | \$m |
| Annual revenue (1% revenue movement p.a.) | 119 | (119) | 113 | (113) |
| Discount rate (+/- 100bps movement) | (341) | 459 | (347) | 467 |

Electricity generation assets and related retail assets were valued at \$17,782 million at 30 June 2025 (2024: \$14,308 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 7.1 per cent to 8.4 per cent, with an adopted rate of 7.8 per cent (2024: 7.7 per cent). The independent valuer developed a range of scenarios to test sensitivity to changes in key assumptions.

Broadband network infrastructure assets held at fair value (excluding of leased assets valued at cost) were valued at \$37,409 million at 30 June 2025 (2024: \$35,896 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. The use of the income approach in this instance 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(a) \$m | Heritage & cultural assets \$m | Land \$m | Buildings \$m | Specialist military equipment \$m | Other IPE(a) \$m | Heritage & cultural assets \$m |
| Level 3 fair value at 1 July 2023 | 2,704 | 29,017 | 83,468 | 16,582 | 10,870 | 3,259 | 31,085 | 83,468 | 58,456 | 10,870 |
| Additions | - | 2,058 | 10,277 | 3,090 | 48 | 41 | 2,106 | 10,277 | 7,000 | 48 |
| Disposals | - | (46) | (4) | (23) | - | - | (46) | (4) | (21) | - |
| Gains/(losses) recognised in the operating result | (2) | (1,811) | (5,452) | (2,254) | (53) | (4) | (1,920) | (5,452) | (4,957) | (53) |
| Gains/(losses) recognised in equity | 76 | 1,685 | 109 | 978 | 27 | 66 | 1,760 | 109 | 3,756 | 27 |
| Transfers in/(out) of level 3 | (97) | 421 | - | 484 | - | (97) | 540 | - | 433 | - |
| As at 30 June 2024 | 2,681 | 31,324 | 88,398 | 18,857 | 10,892 | 3,265 | 33,525 | 88,398 | 64,667 | 10,892 |
| Additions | 1 | 2,160 | 10,453 | 3,091 | 53 | 5 | 2,327 | 10,414 | 7,561 | 53 |
| Disposals | - | (90) | (45) | (19) | - | - | (90) | (45) | (22) | - |
| Gains/(losses) recognised in the operating result | 71 | (1,550) | (7,280) | (2,280) | (33) | 73 | (1,557) | (7,280) | (5,454) | (33) |
| Gains/(losses) recognised in equity | 175 | 1,514 | 2,082 | 610 | 417 | 160 | 1,721 | 2,082 | 1,372 | 419 |
| Transfers in/(out) of level 3 | 507 | (12) | - | 608 | (51) | 507 | (12) | - | 776 | (51) |
| As at 30 June 2025 | 3,435 | 33,346 | 93,608 | 20,867 | 11,278 | 4,010 | 35,914 | 93,569 | 68,900 | 11,280 |

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

Contractual capital commitments

At the reporting date, commitments for capital works comprised:

| | General Government | | Australian Government | |
|--|--------------------|---------------|-----------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Capital commitments | | | | |
| Specialist military equipment | 43,799 | 40,210 | 43,799 | 40,210 |
| Other plant, equipment and intangibles | 3,172 | 3,543 | 10,029 | 12,025 |
| Land and buildings commitments | 3,818 | 1,688 | 4,494 | 2,744 |
| Total capital commitments | 50,789 | 45,441 | 58,322 | 54,979 |

Assets under construction

At the reporting date, the Australian Government had the following assets under construction:

| | General Government | | Australian Government | |
|--|--------------------|---------------|-----------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Assets under construction | | | | |
| Specialist military equipment | 30,307 | 31,135 | 30,307 | 31,135 |
| Land and buildings(a) | 2,945 | 2,814 | 3,218 | 3,051 |
| Other plant, equipment and infrastructure(a) | 5,213 | 4,881 | 22,785 | 17,123 |
| Heritage and cultural assets | 6 | 24 | 6 | 24 |
| Computer software(a) | 2,498 | 2,451 | 2,673 | 2,620 |
| Other intangibles(a) | 1,280 | 1,264 | 2,240 | 2,069 |
| Total assets under construction | 42,249 | 42,569 | 61,229 | 56,022 |

(a) Certain comparatives have been reclassified between asset classes.

Joint operations

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

| | Share of Output | |
|---|-----------------|------|
| | 2025 | 2024 |
| | % | % |
| Joint Operations | | |
| Southern Positioning Augmentation Network | 75 | 75 |
| River Murray Operations | 20 | 20 |
| Living Murray Initiative | 20 | 20 |

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 | |
|-------------|-----------------------|-------|
| | 2025 | 2024 |
| | \$m | \$m |
| Expenses | 31 | 26 |
| Income | 108 | 29 |
| Assets | 1,138 | 1,014 |
| Liabilities | 6 | 39 |

Note 5E: Inventories

| | General Government | | Australian Government | |
|--|--------------------|---------------|-----------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Inventories held for sale | | | | |
| Finished goods(a) | 121 | 125 | 244 | 259 |
| Raw materials and stores | 87 | 92 | 128 | 120 |
| Work in progress | 234 | 199 | 246 | 208 |
| Total inventories held for sale | 442 | 416 | 618 | 587 |
| Consumable stores and inventories held for distribution(b) | 12,683 | 11,895 | 12,789 | 11,992 |
| Total inventories | 13,125 | 12,311 | 13,407 | 12,579 |

(a) Australian Government finished goods include \$90 million valued at net realisable value (2024: \$42 million). General Government recorded \$7 million finished goods at realisable value (2024: nil).

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

Note 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 \$2,262 million (2024: \$3,612 million) expected to be consumed or sold within the next 12 months. General Government inventories include \$1,980 million (2024: \$3,343 million) expected to be consumed or sold within the next 12 months.

Note 5F: Other non-financial assets

| | General Government | | Australian Government | |
|---|--------------------|--------------|-----------------------|--------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Prepayments(a) | 6,888 | 6,657 | 7,492 | 7,321 |
| Assets held for sale | 48 | 95 | 49 | 104 |
| Biological assets | 6 | 5 | 6 | 5 |
| Other | 6 | 6 | 20 | 6 |
| Total other non-financial assets | 6,948 | 6,763 | 7,567 | 7,436 |

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

Note 5G: Assets by function

| | General Government | | Australian Government | |
|--|--------------------|----------------|-----------------------|----------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| General public services | 448,018 | 414,410 | 446,707 | 412,965 |
| Defence(a) | 160,577 | 148,880 | 160,709 | 148,583 |
| Public order and safety | 6,044 | 6,047 | 6,044 | 6,047 |
| Education | 61,113 | 58,284 | 61,113 | 58,284 |
| Health | 5,744 | 5,298 | 5,737 | 5,313 |
| Social security and welfare | 12,597 | 11,486 | 12,260 | 11,156 |
| Housing and community amenities | 9,033 | 6,597 | 11,638 | 9,252 |
| Recreation and culture | 21,667 | 20,452 | 12,095 | 13,580 |
| Fuel and energy | 19,676 | 17,973 | 32,043 | 26,596 |
| Agriculture, forestry and fishing | 9,371 | 8,783 | 9,371 | 8,783 |
| Mining, manufacturing and construction | 2,703 | 2,454 | 4,323 | 3,990 |
| Transport and communication | 36,803 | 35,088 | 81,646 | 75,898 |
| Other economic affairs(a) | 8,267 | 9,405 | 184,498 | 180,027 |
| Other purposes(b) | 91,373 | 106,120 | 45,220 | 29,123 |
| Total assets | 892,986 | 851,277 | 1,073,404 | 989,597 |

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

(b) 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 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 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 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 | |
|------------------------------------|--------------------|-------------|-----------------------|----------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Exchange settlement funds | - | - | 212,424 | 223,491 |
| Foreign governments | - | - | 1,937 | 1,419 |
| Drawing accounts held with the RBA | - | - | 795 | 723 |
| Monies held in trust | 405 | 403 | 405 | 403 |
| State governments | - | - | 3 | 2 |
| Other | 12 | 14 | 556 | 603 |
| Total deposit liabilities | 417 | 417 | 216,120 | 226,641 |

Note 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 | |
|--|--------------------|------------|-----------------------|----------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Exposure to liquidity risk on deposits held | | | | |
| On demand | 405 | 403 | 216,110 | 226,627 |
| 1 to 5 years | 12 | 14 | 12 | 14 |
| Total | 417 | 417 | 216,122 | 226,641 |

Note 6B: Government securities

| | General Government | | Australian Government | |
|------------------------------------|--------------------|----------------|-----------------------|----------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Treasury bonds | 593,845 | 531,710 | 593,591 | 531,456 |
| Treasury indexed bonds | 53,047 | 51,763 | 53,047 | 51,763 |
| Treasury notes | 32,827 | 27,821 | 32,827 | 27,821 |
| Other(a) | 207,302 | 232,944 | 5 | 5 |
| Total government securities | 887,021 | 844,238 | 679,470 | 611,045 |

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

Note 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 | |
|--|--------------------|------------------|-----------------------|----------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Exposure to liquidity risk on government securities | | | | |
| 1 year or less | 140,539 | 131,677 | 97,069 | 95,971 |
| 1 to 5 years | 393,728 | 377,801 | 246,458 | 251,461 |
| 5 to 10 years | 400,947 | 399,137 | 335,541 | 276,017 |
| 10 to 15 years | 85,247 | 82,143 | 85,247 | 82,143 |
| More than 15 years | 87,145 | 83,408 | 87,145 | 83,408 |
| Total | 1,107,606 | 1,074,166 | 851,460 | 789,000 |

The reported value of AGS is exposed to movements in market interest rates. Unrealised losses from the remeasurement of Government securities amounted to \$26,703 million in 2024-25, increasing the AGS liability (2024: unrealised losses \$4,178 million). Further detail on interest rate risk is provided in Note 10B.

Note 6C: Loans

| | General Government | | Australian Government | |
|--|--------------------|---------------|-----------------------|---------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Loans | 1,033 | 817 | 39,181 | 35,060 |
| Bills of exchange and promissory notes | 9,361 | 9,632 | 10,343 | 10,746 |
| Bonds (non-Treasury) | 2,340 | 2,272 | 8,368 | 7,067 |
| Total loans | 12,734 | 12,721 | 57,892 | 52,873 |
| By maturity: | | | | |
| No more than 12 months | 269 | 477 | 9,708 | 8,654 |
| More than 12 months | 12,465 | 12,244 | 48,184 | 44,219 |
| Total by maturity | 12,734 | 12,721 | 57,892 | 52,873 |
| By category and valuation of financial liability: | | | | |
| Amortised cost | 10,394 | 10,260 | 51,801 | 47,713 |
| Fair value: | | | | |
| Level 2 | 2,340 | 2,461 | 6,091 | 5,160 |
| Total by category and valuation | 12,734 | 12,721 | 57,892 | 52,873 |

Note 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 GGS, 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 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 | |
|--|--------------------|---------------|-----------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Exposure to liquidity risk on loans | | | | |
| 1 year or less | 357 | 517 | 12,516 | 12,365 |
| 1 to 5 years | 2,927 | 2,947 | 26,496 | 22,550 |
| More than 5 years | 10,505 | 10,370 | 28,113 | 24,968 |
| Total | 13,789 | 13,834 | 67,125 | 59,883 |

Note 6D: Leases

| | General Government | | Australian Government | |
|---------------------|--------------------|---------------|-----------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Lease liabilities | 19,614 | 19,005 | 33,340 | 32,521 |
| Total leases | 19,614 | 19,005 | 33,340 | 32,521 |

Note objective

Australian Government leasing obligations for premises occupied and other infrastructure, plant and equipment used but not owned.

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.

Total cash outflows for leases for the year ended 30 June 2025 for the Australian Government amounted to \$6,746 million (2024: \$6,489 million) and \$3,595 million (2024: \$3,451 million) for the GGS.

Maturity analysis – contractual undiscounted cash flows

| | General Government | | Australian Government | |
|----------------------|--------------------|---------------|-----------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Within 1 year | 2,995 | 2,812 | 4,938 | 4,695 |
| Between 1 to 5 years | 9,344 | 8,572 | 15,076 | 14,263 |
| More than 5 years | 11,659 | 10,687 | 31,776 | 31,395 |
| Total leases | 23,998 | 22,071 | 51,790 | 50,353 |

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 and Trade 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 | |
|--|--------------------|---------------|-----------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Special reserve - IMF special drawing rights | 19,674 | 18,624 | 19,674 | 18,624 |
| Amounts outstanding under repurchase agreements | - | - | 2,169 | 1,695 |
| Other(a) | - | - | 473 | - |
| Total other interest bearing liabilities | 19,674 | 18,624 | 22,316 | 20,319 |
| By category and valuation of financial liability: | | | | |
| Amortised cost | 19,674 | 18,624 | 22,316 | 20,319 |
| Total by category and valuation | 19,674 | 18,624 | 22,316 | 20,319 |

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

Note objective

The IMF 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 10B 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 | |
|---|--------------------|---------------|-----------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Exposure to liquidity risk on other debt | | | | |
| 1 year or less(a) | - | - | 2,281 | 1,695 |
| 1 to 5 years | - | - | 362 | - |
| More than 5 years | 19,674 | 18,624 | 19,673 | 18,624 |
| Total | 19,674 | 18,624 | 22,316 | 20,319 |

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

Note 6F: Employee benefits

| | General Government | | Australian Government | |
|--|--------------------|----------------|-----------------------|----------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Total superannuation liability | 313,201 | 308,461 | 313,210 | 308,469 |
| Other employee liabilities | | | | |
| Military compensation(a) | 80,099 | 53,935 | 80,099 | 53,935 |
| Leave and other entitlements(a) | 11,018 | 10,071 | 12,749 | 11,717 |
| Workers compensation claims | 2,046 | 2,045 | 2,348 | 2,320 |
| Accrued salaries and wages | 1,188 | 952 | 1,397 | 1,142 |
| Separations and redundancies | 90 | 66 | 162 | 146 |
| Other | 731 | 616 | 803 | 667 |
| Total other employee liabilities | 95,172 | 67,685 | 97,558 | 69,927 |
| Total employee and superannuation liabilities | 408,373 | 376,146 | 410,768 | 378,396 |
| Employee benefits maturity schedule(a)(b): | | | | |
| No more than 12 months | 24,582 | 21,889 | 26,441 | 23,644 |
| More than 12 months | 383,791 | 354,257 | 384,327 | 354,752 |
| Total employee benefits by maturity | 408,373 | 376,146 | 410,768 | 378,396 |

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

(b) Note 10C provides the average expected maturity for each of the Australian Government's large defined benefit superannuation schemes.

Note objective

The management of the Australian Government's accumulated superannuation liability is discussed in Note 10C. 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 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 *Employee Benefits*) 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.

Military compensation

The military compensation provision represents an estimate of the present value of future payments in respect of claims under the MRCA and the DRCA arising from service rendered before 30 June 2025. From 1 July 2026 legislation harmonisation will occur between DVA's three pieces of legislation (discussed further below). A provision is also recognised under Note 6H for the hospital and other health care costs associated with treatment and was valued at \$71,911 million at 30 June 2025 (2024: \$38,349 million).

Military compensation claims may not be reported until many years after the event and payments can extend for decades post the initial claim. The provision represents a 'best estimate' including a risk adjustment based on the information and data available when the financial statements were prepared. Circumstances and assumptions about future developments may change due to factors such as economic conditions, developments in medicine, technology and/or service delivery, or the legislative environment.

There are also specific sources of uncertainty arising from the nature of the scheme and the data available. The long lag between injury and claim and the long tail in payments means that the estimate of the provision is particularly sensitive to changes in discount rates and other assumptions. This, coupled with variability in recent experience, rapid expenditure growth, and legislative changes to the scheme, presents difficulties in setting assumptions. In particular, with the move from the

DRCA to MRCA in 2004, MRCA experience is far from fully mature, with analysis limited to a maximum of seventeen and a half years after the injury date, whereas the DRCA experience indicates that payments can extend out to 50 years or more after the injury.

In calculating the estimated cost of future claims, a variety of estimation techniques are used, generally based upon statistical analysis of historical experience. The valuation assumes that the development pattern of the current and future claims will generally be consistent with recent experience, with some adjustments based on expected clearing of the claims backlog.

An independent actuary estimates the provisions annually by applying various assumptions and by continually updating the modelling methodology as a result of emerging experience as new data becomes available. The MCS provision is complex and it is impracticable to estimate the impact on prior year accounting estimates as a result of methodology changes. The provision is calculated by discounting future payments using a yield curve derived from the yields on Commonwealth bonds of various durations as at 30 June 2025.

The movement in the liability at 30 June 2025 is the net effect of changes in assumptions as a result of new data that was not available since the previous valuation. Due to complexity of the analysis, the full valuation as at 30 June 2024 is rolled forward to 30 June 2025 by adjusting for an additional year of accident, expected payments made during the year, and interest costs over the year.

Since the previous valuation, a number of key assumption changes have been made:

- Modelling of MRCA medical entrants is now based on the projection for MRCA Initial Liability (IL) claims to better reflect the chain of events which lead to entry into medical benefits. Previously this was based on a proportion of Australian Defence Force (ADF) numbers within a year.
- Additional analysis to estimate future Permanent Impairment (PI) lodgements has been incorporated into the modelling for MRCA Gold Card holders.
- Separate assumptions and modelling for pharmaceuticals. Previously pharmaceuticals were included as a loading to total medical expenditure.
- The modelling used to project future MRCA IL claim lodgements has been extended to DRCA IL claims. This has a flow on impact to all benefit types. DRCA PI claims modelling now aligns with MRCA.
- Due to the growth in veterans receiving section 80 (80+ impairment points and Eligible Young Person payments) benefits, select assumptions have been applied to project the portion of future PI recipients who will receive a section 80 benefit. The provision now explicitly includes an estimate of death benefits payable when a veteran eligible under section 80 dies (previously captured in total death benefits). This section 80 cohort was not previously modelled in the provision so a prior period adjustment has been recognised. Refer to Note 1 for further detail.

The provision is calculated as the discounted value of future cash flows applying a discount rate yield curve between 3.2 per cent and 5.2 per cent on 30 June 2025 (2024: between 4.0 per cent and 4.5 per cent). Estimated future payments are inflated at a payment inflation rate of between 2.5 per cent to 5.0 per cent which is consistent with 2023-24. Due to the uncertainty in the provision as a result of compensation claims backlog and pending legislation reform, a risk adjustment has been applied to the provision valuation. The risk adjustment is based on the average risk margin applied by the employer liability insurance industry and was applied at a rate of 14.5 per cent in 2024-25 which amounted to \$19,250 million at 30 June 2025 across the military compensation provision and provision for hospital and other health care costs (2024: 14.9 per cent and \$11,063 million).

The 2024-25 DVA annual report includes a sensitivity analysis table that further demonstrates how the balance of this provision would be impacted by different changes in assumptions given the uncertainty inherent in the provision. The long-term over which liabilities will be paid out makes the results sensitive to relatively small changes in assumptions.

The Parliament passed the *Veterans' Entitlements, Treatment and Support (Simplification and Harmonisation) Act 2025* (VETS Act) in February 2025. This means that from 1 July 2026, all new compensation and rehabilitation claims will be administered under MRCA only (previously claims have been made under MRCA, DRCA, or *Veteran's Entitlements Act 1986* (VEA)). In light of this, the actuary has included an adjustment to the 30 June 2025 balance of the provisions to reflect the expected changes as a result of the VETS Act.

Workers compensation claims

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 2025 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 2024-25 annual report for Comcare includes greater detail on this provision.

Note 6G: Other payables

| | General Government | | Australian Government | |
|--|--------------------|---------------|-----------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Supplier payables | | | | |
| Trade creditors and accrued expenses(a) | 8,609 | 7,978 | 11,352 | 10,589 |
| Personal benefits - indirect | 1,877 | 1,524 | 1,877 | 1,524 |
| Other creditors | 1,798 | 4,532 | 12,707 | 13,774 |
| Total supplier payables | 12,284 | 14,034 | 25,936 | 25,887 |
| Total personal benefits payable - direct | 4,364 | 4,172 | 4,364 | 4,172 |
| Total subsidies payable | 793 | 695 | 777 | 684 |
| Grants payable | | | | |
| Overseas | 1,240 | 1,528 | 1,240 | 1,528 |
| State and territory governments(a) | 1,983 | 935 | 1,983 | 935 |
| Private sector | 537 | 1,120 | 537 | 1,120 |
| Other | 350 | 432 | 356 | 439 |
| Total grants payable | 4,110 | 4,015 | 4,116 | 4,022 |
| Other payables | | | | |
| Swap principal payable | 3,504 | 1,925 | 5,646 | 6,561 |
| Unearned income | 3,268 | 4,171 | 5,767 | 6,488 |
| Tax refunds | 2,463 | 2,175 | 2,463 | 2,175 |
| Other(a) | 1,397 | 715 | 1,455 | 799 |
| Total other payables | 10,632 | 8,986 | 15,331 | 16,023 |
| Total payables | 32,183 | 31,902 | 50,524 | 50,788 |
| By category and valuation of financial liability: | | | | |
| Amortised cost - statutory liability | 7,620 | 7,042 | 6,827 | 6,347 |
| Amortised cost(a) | 16,727 | 17,387 | 31,747 | 33,405 |
| Fair value: | | | | |
| Level 1 | 78 | 32 | 105 | 70 |
| Level 2 | 3,426 | 1,892 | 4,639 | 2,721 |
| Level 3 | 1,064 | 1,378 | 1,439 | 1,757 |
| Unearned income | 3,268 | 4,171 | 5,767 | 6,488 |
| Total by category and valuation | 32,183 | 31,902 | 50,524 | 50,788 |

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

Note 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 | |
|---|--------------------|--------------|-----------------------|--------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Level 3 payables | | | | |
| Opening balance at 1 July | 1,378 | 1,681 | 1,757 | 1,948 |
| Purchases/payments | - | - | 149 | 185 |
| Sales/repayments | (410) | (373) | (410) | (373) |
| Gains/(losses) recognised in the operating result | 96 | 70 | (57) | (3) |
| Total fair value | 1,064 | 1,378 | 1,439 | 1,757 |

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 2025 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 | |
|---|--------------------|--------------|-----------------------|--------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Exposure to swap principal and other multilateral grants payable | | | | |
| 1 year or less | 4,007 | 2,363 | 5,242 | 6,121 |
| 1 to 5 years | 660 | 894 | 1,890 | 2,009 |
| More than 5 years | 51 | 126 | 1,586 | 866 |
| Total | 4,718 | 3,383 | 8,718 | 8,996 |

Note 6H: Other provisions

| | General Government | | Australian Government | |
|---|--------------------|---------------|-----------------------|----------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Australian currency on issue | - | - | 103,813 | 100,765 |
| Other provisions | | | | |
| Military compensation(a) | 71,911 | 38,349 | 71,911 | 38,349 |
| Grant provisions(b) | 21,257 | 15,467 | 21,257 | 15,467 |
| Provision for other outstanding benefits and claims(b) | 15,708 | 14,725 | 19,753 | 16,816 |
| Subsidy provisions | 7,792 | 7,585 | 6,925 | 6,745 |
| Provision for restoration, decommissioning and makegood | 5,951 | 5,966 | 6,366 | 6,382 |
| Provision for tax refunds | 1,851 | 2,220 | 1,851 | 2,220 |
| Other | 3,059 | 3,427 | 3,473 | 3,932 |
| Total other provisions | 127,529 | 87,739 | 131,536 | 89,911 |
| Total provisions | 127,529 | 87,739 | 235,349 | 190,676 |

(a) For more detail on the Military compensation provision refer to Note 1 and Note 6F.

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

Note 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 grant 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 regions.

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.

Grant Provisions

Grant provisions includes the Disaster Recovery Funding Arrangements (DRFA) Provision (managed through the Treasury) and was valued at \$16,551 million at 30 June 2025 (2024: \$10,477 million). For categories of events not requiring Prime Minister approval, the liability is valued through an actuarial approach developed by the Australian Government Actuary (AGA). For categories of events requiring Prime Minister approval, the liability is equal to the discounted value of estimated future payments to states and territories.

The provision reflects estimates of eligible expenditure reported by the states and territories as at 30 June 2025. This estimate is based on a combination of a cost development model and a geospatial model which are used to project the expenditure that has occurred prior to the valuation date. The development model is based on historical trends. The geospatial model combines spatial hazard, physical exposure data (including roads and residential buildings) population data and past

DRFA expenditure data to estimate the cost of natural disasters before state and territories estimates are available. The estimated cost is notionally calculated using damage to road infrastructure as a proxy to calculate the value of essential public assets impacted, calibrated against past events to derive an estimated cost.

The two models are combined for all events that occurred prior to the valuation date with the projected Commonwealth reimbursements discounted to estimate the provision in respect of future DRFA payments at the valuation date.

In 2024-25, a new valuation methodology has been applied for categories of events not requiring Prime Minister approval. The new valuation methodology calculates a more reliable estimate of the provision by including factors to reflect growth in cost estimates over time and geospatial data. The new valuation method also incorporates estimates for recent eligible events that did not previously have reported estimates (and were reported as unquantifiable contingent liabilities). Refer to the Treasury 2024-25 annual report for further detail.

Reconciliation of movement in provisions

| | General Government | Australian Government |
|--|--------------------|-----------------------|
| | 2025 | 2025 |
| | \$m | \$m |
| Balance of provisions at 1 July 2024(a) | 87,739 | 190,676 |
| Provisions made during the year | 49,941 | 52,813 |
| Provisions used during the year | (25,705) | (25,567) |
| Provisions remeasured, reversed or unwound during the year | 15,554 | 17,427 |
| Balance of provisions at 30 June 2025 | 127,529 | 235,349 |

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

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

| | General Government | | Australian Government | |
|--|--------------------|--------------|-----------------------|---------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Financial assets | | | | |
| Financial assets | - | - | 3,964 | 1,653 |
| Administered investments(a) | (3,580) | 1,010 | 274 | 629 |
| Total financial assets | (3,580) | 1,010 | 4,238 | 2,282 |
| Non-financial assets | | | | |
| Other plant, equipment and infrastructure | 676 | 1,037 | 2,241 | 4,509 |
| Land | 490 | 1,101 | 584 | 1,806 |
| Buildings | 2,059 | 1,622 | 2,255 | 1,711 |
| Specialist military equipment | 2,082 | 109 | 2,082 | 109 |
| Heritage and cultural assets | 545 | 97 | 545 | 97 |
| Provision for restoration, decommissioning and makegood | (18) | - | (18) | - |
| Intangibles | 2,099 | 722 | 2,099 | 722 |
| Total non-financial assets | 7,933 | 4,688 | 9,788 | 8,954 |
| Total revaluation increases/(decreases) in other comprehensive income | 4,353 | 5,698 | 14,026 | 11,236 |

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

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 | |
|--|--------------------|---------------|-----------------------|---------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Net operating balance(a) | (36,422) | 19,072 | (41,154) | 10,076 |
| <i>less</i> Revenues not providing cash | | | | |
| Other non-cash revenues | 3,919 | 3,371 | 3,728 | 3,475 |
| Total revenues not providing cash | 3,919 | 3,371 | 3,728 | 3,475 |
| <i>plus</i> Expenses not requiring cash | | | | |
| Increase/(decrease) in employee entitlements | 9,652 | (1,112) | 7,957 | (1,596) |
| Depreciation and amortisation expenses | 13,902 | 13,623 | 19,185 | 18,684 |
| Mutually agreed write-downs | 2,789 | 2,283 | 2,789 | 2,283 |
| Other non-cash expenses | 4,253 | 3,858 | 4,215 | 3,943 |
| Total expenses not requiring cash | 30,596 | 18,652 | 34,146 | 23,314 |
| <i>plus</i> Cash provided by working capital items | | | | |
| (Increase)/decrease in inventories | (2,574) | (465) | (2,595) | (471) |
| (Increase)/decrease in receivables | (16,475) | (15,955) | (16,801) | (16,153) |
| (Increase)/decrease in other financial assets | (2,069) | (2,019) | (2,269) | (1,377) |
| (Increase)/decrease in other non-financial assets | 1,453 | (942) | 1,514 | (948) |
| Increase/(decrease) in benefits, subsidies and grants liabilities(a) | 5,551 | 2,750 | 5,083 | 2,704 |
| Increase/(decrease) in supplier payables | 575 | (330) | 632 | 75 |
| Increase/(decrease) in other provisions and payables | 34,907 | 15,985 | 36,791 | 15,969 |
| Total cash provided/(used by) working capital items | 21,368 | (976) | 22,355 | (201) |
| equals Net cash from/(used by) operating activities | 11,623 | 33,377 | 11,619 | 29,714 |

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

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 2023 | Cash flows | Non-cash movements | | Closing balance at 30 June 2024 |
|------------------------------|-----------------------------------|------------------|--------------------|-----------------|------------------------------------|
| | | | Acquisition | Other movements | |
| Australian currency on issue | 101,285 | (520) | - | - | 100,765 |
| Government securities | 573,980 | 31,172 | - | 5,893 | 611,045 |
| Loans | 31,488 | 9,719 | - | (179) | 41,028 |
| Leases | 33,013 | (3,099) | 2,674 | (67) | 32,521 |
| Deposits held | 412,584 | (185,939) | - | (4) | 226,641 |
| Other | - | (9) | - | 9 | - |
| Total | 1,152,350 | (148,676) | 2,674 | 5,652 | 1,012,000 |

| Australian Government | Opening balance at 1 July 2024 | Cash flows | Non-cash movements | | Closing balance at 30 June 2025 |
|------------------------------|-----------------------------------|---------------|--------------------|-----------------|------------------------------------|
| | | | Acquisition | Other movements | |
| Australian currency on issue | 100,765 | 3,048 | - | - | 103,813 |
| Government securities | 611,045 | 40,201 | - | 28,224 | 679,470 |
| Loans | 41,028 | 4,198 | - | 1,503 | 46,729 |
| Leases | 32,521 | (3,610) | 3,142 | 1,287 | 33,340 |
| Deposits held | 226,641 | (10,523) | - | 2 | 216,120 |
| Other | - | (30) | - | 30 | - |
| Total | 1,012,000 | 33,284 | 3,142 | 31,046 | 1,079,472 |

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

| General Government Sector | Opening balance at 1 July 2023 | Cash flows | Non-cash movements | | Closing balance at 30 June 2024 |
|---------------------------|-----------------------------------|---------------|--------------------|-----------------|------------------------------------|
| | | | Acquisition | Other movements | |
| Government securities | 825,548 | 12,796 | - | 5,894 | 844,238 |
| Loans | 2,947 | 262 | - | (250) | 2,959 |
| Leases | 19,948 | (2,741) | 2,068 | (270) | 19,005 |
| Deposits held | 415 | 2 | - | - | 417 |
| Other | - | (9) | - | 9 | - |
| Total | 848,858 | 10,310 | 2,068 | 5,383 | 866,619 |

| General Government Sector | Opening balance at 1 July 2024 | Cash flows | Non-cash movements | | Closing balance at 30 June 2025 |
|---------------------------|-----------------------------------|---------------|--------------------|-----------------|------------------------------------|
| | | | Acquisition | Other movements | |
| Government securities | 844,238 | 14,559 | - | 28,224 | 887,021 |
| Loans | 2,959 | 55 | - | 258 | 3,272 |
| Leases | 19,005 | (2,867) | 2,652 | 824 | 19,614 |
| Deposits held | 417 | - | - | - | 417 |
| Other | - | (15) | - | 15 | - |
| Total | 866,619 | 11,732 | 2,652 | 29,321 | 910,324 |

Note 9: Business combinations

Significant business combinations for the year ended 30 June 2025, were as follows:

Acquisition of CEA Technologies Pty Ltd (CEA)

On 28 July 2023, the Australian Government purchased a non-controlling (49.01 per cent) shareholding in CEA, which manufactures defence radar systems. At that time, the Australian Government also acquired convertible notes issued by ITC Technologies Pty Ltd (ITC), which held a 22.83 per cent shareholding in CEA. On 28 January 2025 (the acquisition date for control), the convertible notes converted to equity in ITC and following a transfer of shares from ITC, the Australian Government's shareholding in CEA increased to 71.84 per cent and giving the Commonwealth control over the company. CEA has been classified as a Public Non-Financial Corporation.

The following table summarises the consideration transferred at the acquisition date:

| | 2025 \$m |
|----------------------------------|-------------|
| Previously held equity interest | 235 |
| Conversion of convertible note | 110 |
| Consideration transferred | 345 |

The fair value of the amount paid for the 71.84 per cent investment in CEA was \$345 million on acquisition of control. The non-controlling interest of 28.16 per cent was valued at \$46.4 million on acquisition date for control using the cost method. The Australian Government paid \$20 million for an option to purchase the remaining interest at a future date for a fixed amount.

CEA had contracts in place with the Defence to supply radar technology, with revenue of \$265 million and unearned income of \$175 million in 2024-25. CEA had a security deed with EFA over a secured property valued at \$77 million at the acquisition date for control. These transactions were separate to the acquisition of CEA and are not part of the acquisition consideration. CEA reported an operating result before income tax of \$36 million for the full year, including \$85 million of income from non-government parties.

The following table summarises the estimated fair values of the separately identified assets acquired and liabilities assumed at the acquisition date for control.

| | 2025 \$m |
|--|-------------|
| Fair value of assets acquired and liabilities assumed | |
| Cash | 95 |
| Receivables and contract assets(a) | 51 |
| Investments | 7 |
| Property, plant and equipment | 203 |
| Intangibles | 106 |
| Inventories | 11 |
| Loans | (77) |
| Other borrowings - leases | (49) |
| Employee liabilities | (21) |
| Supplier and other payables | (14) |
| Contract liabilities | (147) |
| Net identifiable assets and liabilities (excluding other intangibles) | 165 |
| Goodwill | 227 |

(a) The gross contractual amounts receivable was valued at \$50.8 million at the acquisition date, of which \$0.6 million has been provided for as not expected to be collected.

The difference between the consideration paid and the net identifiable assets and liabilities of CEA is recorded as goodwill and other intangibles. The acquisition of CEA is expected to provide benefits through the development of Australia's radar capability, supporting delivery of technology solutions for the ADF and its close allies. These benefits have not been separately recognised in the CFS. Goodwill and other intangibles are reported as 'other intangibles' in Note 5D.

Goodwill is not recognised on public corporations established by the Australian Government as the applicable accounting standards do not permit recognition of internally generated goodwill as an asset. The table below provides a reconciliation of goodwill for 2024-25 across all public corporations acquired by the Australian Government.

| | 2025 \$m |
|--|-------------|
| Reconciliation of goodwill | |
| Opening goodwill gross value | 434 |
| /less impairment losses | - |
| Opening goodwill as at 1 July 2024 | 434 |
| Additional goodwill recognised during the period | 227 |
| Impairment losses recognised during the period | (506) |
| Closing goodwill as at 30 June 2025 | 155 |
| Closing gross value | 661 |
| /less accumulated impairment losses | (506) |
| Closing goodwill | 155 |

Note 10: 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 10A) 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 10B) concern the contractual arrangements that the Australian Government has entered into for policy, liquidity or financing purposes.
- **Defined benefit superannuation plans** disclosures (refer Note 10C) 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 2025-26 Budget which have not yet been enacted or implemented.

Note 10A: 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:

Quantifiable contingencies

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.

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

| | General Government | | Australian Government | |
|------------------------------|--------------------|---------------|-----------------------|---------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Opening balance as at 1 July | 75,745 | 69,560 | 55,917 | 52,578 |
| Increases | 8,913 | 6,775 | 10,198 | 4,181 |
| Remeasurement | (14,104) | (410) | 1,096 | (335) |
| Liabilities crystallised | (382) | (103) | (388) | (103) |
| Expired | (234) | (77) | (1,139) | (404) |
| As at 30 June | 69,938 | 75,745 | 65,684 | 55,917 |

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 | |
|---------------------------------|--------------------|---------------|-----------------------|---------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Opening balance as at 1 July | 22,162 | 21,914 | 22,234 | 21,988 |
| Increases | - | 239 | - | 239 |
| Remeasurement | 1,771 | 14 | 1,774 | 12 |
| Liabilities/assets crystallised | - | (5) | - | (5) |
| As at 30 June | 23,933 | 22,162 | 24,008 | 22,234 |

Claims for damages 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 | |
|------------------------------|--------------------|-------------|-----------------------|-------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Opening balance as at 1 July | 313 | 182 | 315 | 182 |
| Increases | 496 | 267 | 497 | 270 |
| Remeasurement | 14 | 45 | 14 | 44 |
| Liabilities crystallised | (233) | (178) | (233) | (178) |
| Expired | (7) | (3) | (9) | (3) |
| As at 30 June | 583 | 313 | 584 | 315 |

Other contingencies

At any time, the Australian Government is involved in a range of dispute resolution and claim lodgement processes. These include litigation relating to tax disputes, and lodgements for unclaimed monies. Details of the outcome of dispute resolution processes are uncertain and in most cases it is not possible to estimate the financial impact until a court ruling is made and/or agreement is reached.

The following table reconciles the movement in other quantifiable contingencies.

| | General Government | | Australian Government | |
|------------------------------|--------------------|---------------|-----------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Opening balance as at 1 July | 13,469 | 11,624 | 13,469 | 11,625 |
| Increases | 5,675 | 3,983 | 5,675 | 3,982 |
| Remeasurement | 959 | (272) | 959 | (272) |
| Liabilities crystallised | (2) | (11) | (2) | (11) |
| Expired | (3,381) | (1,855) | (3,381) | (1,855) |
| As at 30 June | 16,720 | 13,469 | 16,720 | 13,469 |

Contingent assets

The following table reconciles the movement in quantifiable contingent assets.

| | General Government | | Australian Government | |
|------------------------------|--------------------|------------|-----------------------|------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| Opening balance as at 1 July | 591 | 768 | 610 | 785 |
| Increases | 729 | 478 | 738 | 494 |
| Remeasurement | (46) | 37 | (46) | 37 |
| Assets crystallised | (415) | (673) | (415) | (673) |
| Expired | (11) | (19) | (23) | (33) |
| As at 30 June | 848 | 591 | 864 | 610 |

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

Unquantifiable contingencies

Indemnities, guarantees and warranties

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.

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 |
| <i>Garrison and welfare services and immigration detention services.</i> Comprising limited liability contracts negotiated with providers of garrison and welfare services at regional processing centres; and immigration detention and related services in Australia. | Home Affairs |
| <i>Officers and directors assisting the Commonwealth in relation to asset sales, reviews and other arrangements.</i> From time to time, the Australian Government has provided warranties, undertakings and indemnities (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 <i>Banking Act 1959</i> and guarantees deposits up to \$250,000 at eligible authorised deposit-taking institutions. When last estimated as at 31 December 2024, deposits eligible for coverage under the Financial Claims Scheme were approximately \$1.4 trillion (31 December 2023: \$1.3 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 significant but remote guarantees in respect of the NBN Co financial obligations to Telstra, further details of which are contained in the 2024-25 annual report for the Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts (Infrastructure). Other guarantees and indemnities considered remote are excluded from this disclosure.

Claims and proceedings

In addition to the quantifiable contingent claims and proceeds above, the Commonwealth is subject to various claims including income apportionment that are before the Administrative Review 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, Ranger uranium mine rehabilitation, the clean-up of the former British atomic test site at Maralinga, and possible future management of accumulated nuclear waste arising from the production of nuclear medicine.

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, remediation of Jabiru Township and carbon dioxide leakage from the Gorgon liquified natural gas and carbon dioxide storage project.

Note 10B: 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 | |
|--|--------------------|---------------|-----------------------|---------------|
| | 2025 | 2024 | 2025 | 2024 |
| | \$m | \$m | \$m | \$m |
| FINANCIAL ASSETS | | | | |
| Amortised cost | | | | |
| Interest income | 5,321 | 5,816 | 7,486 | 7,206 |
| Net foreign exchange gain/(loss) | (506) | 98 | (490) | 96 |
| Write-down and impairment | (741) | (1,647) | (803) | (1,698) |
| Interest expenses | (437) | (862) | (471) | (897) |
| Net gain/(loss) | 3,637 | 3,405 | 5,722 | 4,707 |
| Fair value through other comprehensive income | | | | |
| Interest income | 455 | 13 | 455 | 13 |
| Dividend income | 344 | 263 | (16) | 14 |
| Net foreign exchange gain/(loss) | (111) | (353) | (111) | (353) |
| Other gains/(losses) | 19 | 28 | 19 | 28 |
| Fair value movements in equity(a) | (3,580) | 1,010 | 4,238 | 2,282 |
| Net gain/(loss) | (2,873) | 961 | 4,585 | 1,984 |
| Fair value through profit and loss | | | | |
| Interest income | 26,238 | 17,787 | 26,216 | 17,926 |
| Net gain/(loss) on disposal | 9,988 | 3,953 | 11,231 | 4,351 |
| Dividend income | 7,151 | 6,192 | 7,291 | 6,248 |
| Net foreign exchange gain/(loss) | (66) | (170) | 4,115 | 670 |
| Write-down and impairment | (994) | (1,012) | (994) | (1,011) |
| Other gains/(losses) | 13,079 | 12,582 | 22,980 | 15,355 |
| Net gain/(loss) | 55,396 | 39,332 | 70,839 | 43,539 |

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

| | General Government | | Australian Government | |
|---|--------------------|-----------------|-----------------------|-----------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| FINANCIAL LIABILITIES | | | | |
| Fair value through profit and loss | | | | |
| Interest expenses | (46,301) | (35,785) | (43,119) | (32,649) |
| Net foreign exchange gain/(loss) | 560 | 251 | 560 | 251 |
| Other gains/(losses) | (26,814) | (4,208) | (26,814) | (4,208) |
| Net gain/(loss) | (72,555) | (39,742) | (69,373) | (36,606) |
| Other financial liabilities | | | | |
| Interest expenses | (1,202) | (1,292) | (11,688) | (15,675) |
| Net foreign exchange gain/(loss) | (30) | 14 | (30) | 14 |
| Net gain/(loss) | (1,232) | (1,278) | (11,718) | (15,661) |

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. 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 established by the *DisabilityCare Australia Fund Act 2013* to support the Commonwealth's ability to reimburse States and Territories, and the Commonwealth Government for expenditure incurred in relation to the *National Disability Insurance Scheme Act 2013*;
- **Medical Research Future Fund (MRFF)** - an investment fund established under the *Medical Research Future Fund Act 2015* to support medical research and innovation into the future;
- **Aboriginal and Torres Strait Islander Land and Sea Future Fund (ATSILSFF)** - an investment fund established under the *Aboriginal and Torres Strait Islander Land and Sea Future Fund Act 2018* to support the making of annual and discretionary payments to the Indigenous Land and Sea Corporation;
- **Future Drought Fund (FDF)** - an investment fund established under the *Future Drought Fund Act 2019* to fund initiatives that enhance future drought resilience, preparedness and response across Australia;
- **Disaster Ready Fund (DRF)** - an investment fund initially established under the *Emergency Response Fund Act 2019* to fund emergency response and recovery following natural disasters in Australia that have significant or catastrophic impact as well as resilience initiatives. On 1 March 2023, the Emergency Response Fund was renamed to the DRF and is governed by the *Disaster Ready Fund Act 2019*. The Act allows the Government to draw up to \$200 million in any given year to fund natural disaster resilience and risk reduction from 2023-24 onwards;
- **Housing Australia Future Fund (HAFF)** - an investment fund established under the *Housing Australia Future Fund Act 2023* to provide additional funding to support and increase social and affordable housing, as well as other acute housing needs including, but not limited to, the particular needs of Indigenous communities and housing services for women, children and veterans.

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.

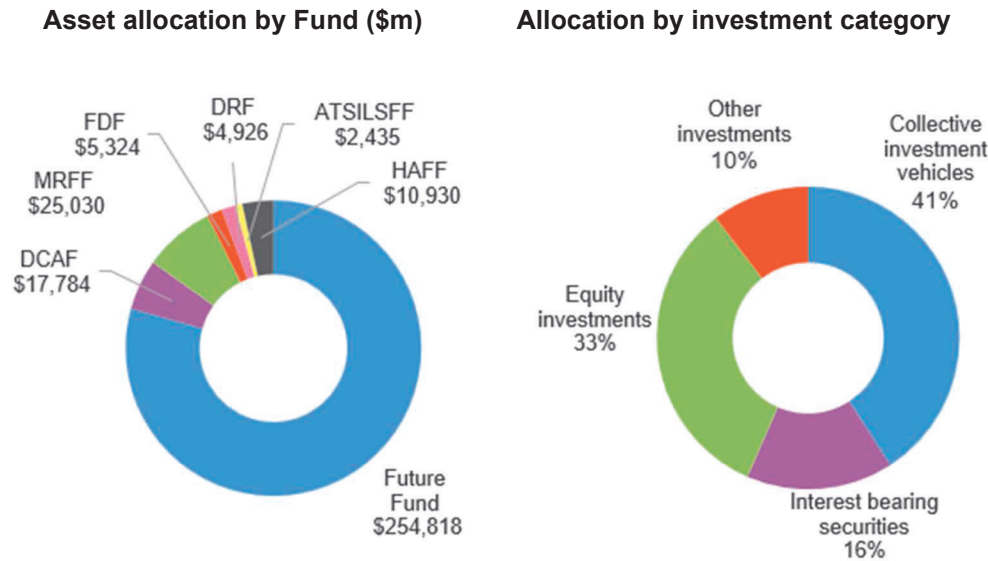
The Government specifies a benchmark return for each Fund and requires the Board to take an acceptable but not excessive level of risk. The Board sets and reviews asset allocations designed to achieve this outcome. It encapsulates a level of risk that is expected to deliver the key return objectives 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 2025, the Investment Funds held \$321,247 million in investment assets (2024: \$291,098 million). The allocation of assets by Investment Fund and percentage share by investment category is shown below as at 30 June 2025.



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 41 per cent (2024: 40 per cent) of assets held by the Investment Funds at 30 June 2025 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 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 2024-25 annual report for the Board provides a detailed discussion of the underlying investment strategies, exposures as at the reporting date and the 2024-25 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. 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 AGS 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.

| | 2025 | | | Total \$m |
|---|----------------------------------|-------------------------------------|------------------------------------|------------------|
| | Fixed interest rate \$m | Floating interest rate \$m | Non- interest bearing \$m | |
| | | | | |
| Financial assets | | | | |
| Advances paid and receivables (non-statutory) | 17,182 | 65,084 | 21,230 | 103,496 |
| <i>Investments, loans and placements:</i> | | | | |
| Deposits | 32,275 | 2,327 | - | 34,602 |
| Government securities | 148,657 | - | - | 148,657 |
| Residential mortgage-backed securities | 219 | - | - | 219 |
| Collective investment vehicles | - | - | 133,273 | 133,273 |
| Other interest bearing securities | 36,799 | 15,155 | - | 51,954 |
| Total financial assets | 235,132 | 82,566 | 154,503 | 472,201 |
| Financial liabilities | | | | |
| Deposits held | 216,106 | - | 14 | 216,120 |
| Government securities | 679,470 | - | - | 679,470 |
| Loans | 35,405 | 12,304 | 10,183 | 57,892 |
| Total financial liabilities | 930,981 | 12,304 | 10,197 | 953,482 |
| Net exposure to interest rate risk | (695,849) | 70,262 | 144,306 | (481,281) |

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

| | 2024 | | | |
|---|---------------------|------------------------|----------------------|------------------|
| | Fixed interest rate | Floating interest rate | Non-interest bearing | Total |
| | \$m | \$m | \$m | \$m |
| Financial assets | | | | |
| Advances paid and receivables (non-statutory) | 15,518 | 61,475 | 20,243 | 97,236 |
| <i>Investments, loans and placements:</i> | | | | |
| Deposits | 17,052 | 1,393 | - | 18,445 |
| Government securities | 147,107 | - | - | 147,107 |
| Residential mortgage-backed securities | 322 | - | - | 322 |
| Collective investment vehicles | - | - | 117,329 | 117,329 |
| Other interest bearing securities | 44,329 | 13,021 | - | 57,350 |
| Total financial assets | 224,328 | 75,889 | 137,572 | 437,789 |
| Financial liabilities | | | | |
| Deposits held | 226,527 | 102 | 12 | 226,641 |
| Government securities | 611,045 | - | - | 611,045 |
| Loans | 33,712 | 8,620 | 10,541 | 52,873 |
| Total financial liabilities | 871,284 | 8,722 | 10,553 | 890,559 |
| Net exposure to interest rate risk | (646,956) | 67,167 | 127,019 | (452,770) |

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 | | | |
|---------------------------------|--|---------------------------|---------------------------|---------------------------|
| | 2025 | | 2024 | |
| | + 132 basis points \$m | - 132 basis points \$m | + 136 basis points \$m | - 136 basis points \$m |
| Financial assets | | | | |
| Investment funds | (4,568) | 5,144 | (3,503) | 3,937 |
| RBA Government securities | (11,578) | 11,578 | (14,838) | 14,838 |
| Financial liabilities | | | | |
| Government securities(a) | 57,066 | (64,688) | 56,705 | (64,825) |

(a) Certain comparatives have been restated.

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 2025, the notional value of open futures contracts and swaps totalled \$121,016 million (2024: \$90,627 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 2025, the notional value of open futures contracts and swaps totalled \$14,521 million (2024: \$7,538 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 | |
|---|------------------|----------------|
| | 2025 \$m | 2024 \$m |
| Financial assets | | |
| Advances paid and receivables | 4,712 | 4,313 |
| <i>Investments, loans and placements:</i> | | |
| Gold | - | 1,799 |
| Deposits | 21,008 | 9,987 |
| Government securities | 74,337 | 77,588 |
| IMF quota and SDR holdings | 34,943 | 34,943 |
| Collective investment vehicles | 69,835 | 64,427 |
| Other interest bearing securities | 38,291 | 40,075 |
| Equity investments | 81,172 | 67,695 |
| Total financial assets | 324,298 | 300,827 |
| Financial liabilities | | |
| Loans | 13,830 | 13,035 |
| Other interest bearing liabilities | 19,674 | 18,624 |
| Other payables | 12,276 | 10,768 |
| Total financial liabilities | 45,780 | 42,427 |
| Net foreign exchange holdings | 278,518 | 258,400 |

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 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 +/- 8.06 per cent (2024: +/- 8.28 per cent) applied to the value of the Australian dollar exchange rate as at 30 June 2025.

| Individually material exposures | Impact on operating result and net worth | | | |
|--------------------------------------|--|----------|----------|----------|
| | 2025 | | 2024 | |
| | +8.06 | -8.06 | +8.28 | -8.28 |
| | per cent | per cent | per cent | per cent |
| | \$m | \$m | \$m | \$m |
| Foreign financial assets | | | | |
| Investment Funds | (14,373) | 12,460 | (11,990) | 10,506 |
| RBA Government securities | (4,720) | 5,769 | (4,432) | 5,417 |
| IMF and IFI Investments | (489) | 575 | (454) | 537 |
| Foreign financial liabilities | | | | |
| IMF SDR and loan liabilities | 1,473 | (1,731) | 1,429 | (1,687) |

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 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:

| | 2025 \$m | 2024 \$m |
|--|-----------------|-----------------|
| Forward exchange contracts and foreign currency swaps | | |
| Sell foreign currency | (218,646) | (163,266) |
| Purchase foreign currency | 153,642 | 85,801 |
| Net forward exchange contracts and foreign currency swaps | (65,004) | (77,465) |

(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:

| | 2025 \$m | 2024 \$m |
|---|----------------|---------------|
| Equity price risk exposure | | |
| Domestic equities and managed investment schemes | 29,514 | 24,826 |
| International equities and managed investment schemes | 74,675 | 55,930 |
| Total equity price risk exposure | 104,189 | 80,756 |

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 & 15 per cent change in domestic equities and a +/- 20 & 15 per cent change in international equities held by the Investment Funds.

| Individually material exposures | Impact on operating result and net worth | | | |
|---------------------------------|--|-----------------------|-----------------------|-----------------------|
| | 2025 | | 2024 | |
| | + 20 & 15 per cent | - 20 & 15 per cent | + 20 & 15 per cent | - 20 & 15 per cent |
| | \$m | \$m | \$m | \$m |
| Domestic equities | 8,574 | (8,564) | 6,680 | (6,615) |
| International equities | 21,082 | (21,266) | 15,988 | (15,526) |
| Total | 29,656 | (29,830) | 22,668 | (22,141) |

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.

| | 2025 | | 2024 | |
|--------------|-------------------|---------------|-------------------|---------------|
| | Notional value | Fair value | Notional value | Fair value |
| | \$m | \$m | \$m | \$m |
| | | | | |
| Total | 24,161 | 1,459 | 30,223 | 1,031 |

Note 10C: 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 4.4 and 4.8 per cent at 30 June 2024 to between 4.4 per cent and 5.0 per cent at 30 June 2025.

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) | 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 2025, 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 | |
|--|--------------------|----------------|-----------------------|----------------|
| | 2025 \$m | 2024 \$m | 2025 \$m | 2024 \$m |
| Commonwealth Superannuation Scheme (CSS) | 65,494 | 66,212 | 65,494 | 66,212 |
| Public Sector Superannuation Scheme (PSS) | 104,267 | 101,678 | 104,267 | 101,678 |
| Defence Force Retirement and Death Benefits Scheme (DFRDB) | 31,880 | 31,694 | 31,880 | 31,694 |
| Military Superannuation Benefits Scheme (MSBS) | 102,166 | 101,205 | 102,166 | 101,205 |
| Other schemes | 9,205 | 7,510 | 9,207 | 7,512 |
| Other superannuation liabilities | 189 | 162 | 196 | 168 |
| Total superannuation provision | 313,201 | 308,461 | 313,210 | 308,469 |

The defined benefit plan asset of \$850 million reported in Note 5B (2024: \$681 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 per cent 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 2023 Long Term Cost Reports (LTCRs).

Membership data for the CSS, PSS, DFRDB and MSBS as at 30 June 2024 was projected forward to 30 June 2025 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 2025.

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 2025 was estimated using the pre-30 June 2025 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 2024-25

| Scheme | 2025 | | | | |
|--|-----------------|------------------|-----------------|------------------|-----------------|
| | CSS \$m | PSS \$m | DFRDB \$m | MSBS \$m | Other \$m |
| Reconciliation of the present value of the defined benefit obligation | | | | | |
| Opening present value | (67,249) | (127,912) | (31,694) | (115,122) | (12,831) |
| Current service cost | (9) | (1,942) | (23) | (1,951) | (2,082) |
| Productivity contributions | (3) | (144) | - | - | - |
| Interest cost | (2,919) | (5,919) | (1,384) | (5,513) | (670) |
| Contributions by scheme participants | (8) | (489) | - | (200) | (6) |
| Changes in demographic assumptions | - | - | (69) | - | (175) |
| Changes in financial assumptions | (766) | 3,662 | (745) | 3,966 | 378 |
| Liability experience | (20) | (1,736) | 127 | (1,230) | 298 |
| Other assumptions | - | - | - | - | (20) |
| Benefits paid | 4,603 | 4,071 | 1,909 | 2,707 | 688 |
| Taxes, premiums and expenses paid | 1 | 22 | - | - | - |
| Other | (1) | (1) | (1) | - | (1) |
| Exchange rate gains/(losses) | - | - | - | - | (5) |
| Present value at 30 June | (66,371) | (130,388) | (31,880) | (117,343) | (14,426) |
| Reconciliation of the fair value of scheme assets | | | | | |
| Opening fair value | 1,037 | 26,234 | - | 13,917 | 6,232 |
| Changes in fair value of scheme assets: | | | | | |
| Interest income | 42 | 1,173 | - | 663 | 332 |
| Adjust for actual return on scheme assets | 40 | 1,335 | - | 811 | 131 |
| Actuarial gains/(losses) | - | - | - | - | (4) |
| Net appropriation from CRF | 4,350 | 838 | 1,909 | 2,293 | 276 |
| Employer contributions | 3 | 144 | - | - | 66 |
| Participant contributions | 8 | 489 | - | 200 | 6 |
| Foreign currency exchange rate changes | - | - | - | - | 4 |
| Benefits paid | (4,603) | (4,071) | (1,909) | (2,707) | (685) |
| Taxes, premiums and expenses paid | (1) | (22) | - | - | (12) |
| Other | 1 | 1 | - | - | 1 |
| Fair value at 30 June | 877 | 26,121 | - | 15,177 | 6,347 |
| Composition of scheme assets | | | | | |
| Australian equity | 25.0% | 24.0% | - | 25.0% | 14.8% |
| Market neutral hedge funds | - | - | - | - | - |
| International equity | 25.0% | 25.0% | - | 25.0% | 13.4% |
| Fixed income | - | - | - | - | 14.8% |
| Property and infrastructure | 12.0% | 12.0% | - | 12.0% | 17.3% |
| Private equity | 10.0% | 10.0% | - | 12.0% | 11.9% |
| Hedge funds | - | - | - | - | 0.8% |
| Debt instruments | 4.0% | 4.0% | - | - | 3.4% |
| Diversified growth funds | - | - | - | - | 0.1% |
| Other | 8.0% | 8.0% | - | 10.0% | 3.8% |
| Cash | 16.0% | 17.0% | - | 16.0% | 19.7% |
| Total | 100% | 100% | - | 100% | 100% |
| Principal actuarial assumptions at the reporting date | | | | | |
| Discount rate (active members) | 4.4% | 4.9% | 4.4% | 5.0% | 4.7-5.8% |
| Discount rate (pensioners) | 4.4% | 4.9% | 4.4% | 5.0% | 4.9% |
| Expected rate of return on plan assets | - | - | - | 5.0% | - |
| Expected salary increase rate(a) | 3.4-3.5% | 3.4-3.5% | 3.4% | 3.4% | 3.2-4.8% |
| Expected pension increase rate | 2.5-3% | 2.5-3% | 2.7-3.7% | 2.5%-3% | 2.5-3.7% |

(a) CSS and PSS assume general salary increases of 3.4% to June 2026, and 3.5% thereafter. DFRDB and MSBS assume general salary increases of 3.4% to June 2026 and 3.5% to June 2027 and 3.7% thereafter.

Reconciliation of the present value of the defined benefit obligation for 2023-24

| Scheme | 2024 | | | | |
|--|-----------------|------------------|-----------------|------------------|-----------------|
| | CSS \$m | PSS \$m | DFRDB \$m | MSBS \$m | Other \$m |
| Reconciliation of the present value of the defined benefit obligation | | | | | |
| Opening present value | (70,661) | (126,640) | (33,753) | (112,974) | (11,654) |
| Current service cost | (24) | (2,051) | (30) | (2,172) | (1,924) |
| Productivity contributions | (3) | (145) | - | - | - |
| Interest cost | (2,869) | (5,495) | (1,379) | (4,974) | (579) |
| Contributions by scheme participants | (11) | (485) | - | (204) | (6) |
| <i>Actuarial gains/(losses) arising from:</i> | | | | | |
| Changes in demographic assumptions | 16 | (381) | 436 | (6,031) | (411) |
| Changes in financial assumptions | 2,038 | 5,647 | 1,447 | 9,680 | 662 |
| Liability experience | (276) | (2,054) | (259) | (677) | 400 |
| Other assumptions | - | - | - | - | (42) |
| Benefits paid | 4,540 | 3,671 | 1,843 | 2,230 | 724 |
| Taxes, premiums and expenses paid | 1 | 22 | - | - | - |
| Other | - | (1) | 1 | - | (1) |
| Present value at 30 June | (67,249) | (127,912) | (31,694) | (115,122) | (12,831) |
| Reconciliation of the fair value of scheme assets | | | | | |
| Opening fair value | 1,196 | 23,390 | - | 12,852 | 6,289 |
| Changes in fair value of scheme assets: | | | | | |
| Interest income | 45 | 1,040 | - | 563 | 341 |
| Adjust for actual return on scheme assets | 47 | 1,046 | - | 618 | 23 |
| Net appropriation from CRF | 4,275 | 3,819 | 1,843 | 1,910 | 230 |
| Employer contributions | 3 | 145 | - | - | 72 |
| Participant contributions | 11 | 485 | - | 204 | 6 |
| Benefits paid | (4,540) | (3,671) | (1,843) | (2,230) | (720) |
| Taxes, premiums and expenses paid | (1) | (22) | - | - | (11) |
| Other | 1 | 2 | - | - | 2 |
| Fair value at 30 June | 1,037 | 26,234 | - | 13,917 | 6,232 |
| Composition of scheme assets | | | | | |
| Australian equity | 24.0% | 24.0% | - | 24.0% | 13.7% |
| International equity | 23.0% | 23.0% | - | 23.0% | 10.5% |
| Fixed income | - | - | - | - | 15.0% |
| Property | 14.0% | 14.0% | - | 14.0% | 13.8% |
| Private equity | 11.0% | 11.0% | - | 11.0% | 22.1% |
| Hedge funds | - | - | - | - | 1.2% |
| Debt instruments | 4.0% | 4.0% | - | - | 3.3% |
| Diversified growth funds | - | - | - | - | 0.1% |
| Other | 9.0% | 9.0% | - | 14.0% | 4.1% |
| Cash | 15.0% | 15.0% | - | 14.0% | 16.2% |
| Total | 100% | 100% | - | 100% | 100% |
| Principal actuarial assumptions at the reporting date | | | | | |
| Discount rate (active members) | 4.5% | 4.7% | 4.5% | 4.8% | 4.4-5.7% |
| Discount rate (pensioners) | 4.5% | 4.7% | 4.5% | 4.8% | 4.8% |
| Expected rate of return on plan assets | - | - | - | 4.8% | - |
| Expected salary increase rate (a) | 3.4-3.8% | 3.4-3.8% | 3.8% | 4.0% | 3.2-4.9% |
| Expected pension increase rate | 2.5-3.5% | 2.5-3.5% | 2.7-3.7% | 2.5% | 2.5-4.0% |
| (a) CSS and PSS assume general salary increases of 3.8% to June 2025, 3.4% to June 2026 and 3.5% thereafter. DFRDB and MSBS assume general salary increases of 3.8% to June 2025, 3.4% to June 2026 and 3.7% thereafter. | | | | | |

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 2025 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% | (3,086) | 3,356 |
| Salary growth rate | 0.5% | 10 | (9) |
| Rate of CPI increase | 0.5% | 2,919 | (2,710) |
| PSS | | | |
| Discount rate | 0.5% | (8,810) | 9,874 |
| Salary growth rate | 0.5% | 1,294 | (1,236) |
| Rate of CPI increase | 0.5% | 8,052 | (7,333) |
| DFRDB and MSBS | | | |
| Discount rate | 0.5% | (10,770) | 12,407 |
| Salary growth rate | 0.5% | 1,535 | (1,451) |
| Rate of CPI increase | 0.5% | 10,102 | (8,357) |
| Other | | | |
| Discount rate | 0.5% | (318) | 350 |
| Salary growth rate | 0.5% | 218 | (196) |

Employer contributions

The following table shows the expected contributions for 2025-26 by scheme.

| Scheme | 2026 \$m |
|--|---------------------|
| Commonwealth Superannuation Scheme | 2 |
| Public Sector Superannuation Scheme | 115 |
| Defence Force Retirement and Death Benefits Scheme | 1,924 |
| Military Superannuation Benefits Scheme | 2,395 |
| Other schemes | 319 |

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 | 10.3 years |
| Commonwealth Superannuation Scheme 1922 | 6.4 years |
| Public Sector Superannuation Scheme | 16.1 years |
| Defence Force Retirement and Death Benefits Scheme | 11.8 years |
| Defence Forces Retirement Benefits Scheme | 6.8 years |
| Military Superannuation Benefits Scheme | 20.1 years |
| Other schemes | 10.3 years |

Note 11: Related parties

Note 11A: 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 | 2025 \$m | 2024 \$m |
|--|-------------|-------------|
| Short-term employee benefits(a) | 10.9 | 10.1 |
| Post-employment benefits(b) | 1.5 | 6.6 |
| Total key management personnel remuneration | 12.4 | 16.7 |

- (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 and post-retirement travel. The current year amount reported includes an estimate of the movement in 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. The resources provided to former Prime Ministers are set out in the *Parliamentary Business Resources (former Prime Ministers) Determination 2017*. Comparatives have been restated to align with current year treatment.

The number of Cabinet Minister positions during the financial year was 28 (2024: 23).

Note 11B: 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 11A) 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 (2024: \$1.6 million). Further information about defined benefit funds are included at Note 10C.

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

Note 12: 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'.

On 2 August 2025, the *Universities Accord (Cutting Student Debt by 20 Per Cent) Act 2025* (Universities Accord) received royal assent.

The Universities Accord provides a 20 per cent reduction in student loan debts incurred on or before 1 June 2025 before indexation is applied. It also lowers compulsory repayments by raising the minimum repayment threshold from 1 July 2025 and bases compulsory repayments only on repayment income above the new repayment thresholds, rather than on total repayment income.

The 20 per cent reduction is expected to decrease the total student loan balance by approximately \$10.7 billion. The changes to the repayment threshold and calculation method, which take effect from 1 July 2025, are anticipated to further reduce the balance by around \$3.0 billion. The impact of these measures will be reflected in the 2025-26 CFS. Consistent with AASB 110 *Events after the Reporting Period*, these changes are a non-adjusting subsequent event, as they relate to conditions that arose after the reporting period. Therefore, no adjustments have been made for 2024-25.

On 4 September 2025, the Australian Government agreed to settle the Robodebt class action, pending Federal Court approval. A provision has been raised in the 2024-25 CFS based on the conditions at 30 June 2025.

Note 13: 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 13A) which explains the material differences in key fiscal aggregates between the CFS and the corresponding ABS GFS measures;
- **Reconciliation to original budget** (refer Note 13B), also required by AASB 1055 *Budgetary Reporting*, which compares the reported results to the original budget for 2024-25 as outlined in May 2024 with explanations for key movements; and
- **Glossary of key fiscal aggregates** (refer Note 13C) which explains the key technical terms reported in the CFS and which are not common to financial reports prepared by other entities.

Note 13A: 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 | 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 (ATO). |
| 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. |

Notes to the financial statements

| Issue | CFS treatment | ABS GFS treatment |
|---|---|---|
| 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 13B: Reconciliation to original budget

The following tables provide a comparison of the 2024-25 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.

The Budget for 2024-25 in the 2024-25 Budget papers, is presented in the following tables on the same basis as the actual information to facilitate comparison.

General government sector operating statement 2024-25

| | 2025 Actual \$m | Original budget \$m | Budget variance \$m |
|--|-----------------------|---------------------------|---------------------------|
| Revenue from transactions | | | |
| Taxation revenue | 677,182 | 658,962 | 18,220 |
| Sales of goods and services | 20,595 | 21,636 | (1,041) |
| Interest income | 12,101 | 10,276 | 1,825 |
| Dividend and distribution income | 7,495 | 6,815 | 680 |
| Other | 16,226 | 13,815 | 2,411 |
| Total revenue | 733,599 | 711,505 | 22,094 |
| Expenses from transactions | | | |
| <i>Gross operating expenses</i> | | | |
| Wages and salaries | 29,376 | 29,440 | (64) |
| Superannuation | 9,472 | 8,301 | 1,171 |
| Depreciation and amortisation | 13,902 | 13,003 | 899 |
| Supply of goods and services | 226,146 | 211,677 | 14,469 |
| Other operating expenses | 25,270 | 9,917 | 15,353 |
| <i>Total gross operating expenses</i> | <i>304,166</i> | <i>272,339</i> | <i>31,827</i> |
| Superannuation interest expense | 14,250 | 14,620 | (370) |
| Interest expense | 30,128 | 33,414 | (3,286) |
| <i>Current transfers</i> | | | |
| Current grants | 212,186 | 208,915 | 3,271 |
| Subsidy expenses | 18,910 | 18,791 | 119 |
| Personal benefits | 163,674 | 161,051 | 2,623 |
| <i>Total current transfers</i> | <i>394,770</i> | <i>388,757</i> | <i>6,013</i> |
| <i>Capital transfers</i> | | | |
| Mutually agreed write-downs | 2,790 | 5,137 | (2,347) |
| Other capital grants | 23,917 | 20,226 | 3,691 |
| <i>Total capital transfers</i> | <i>26,707</i> | <i>25,363</i> | <i>1,344</i> |
| Total expenses | 770,021 | 734,493 | 35,528 |
| Net operating balance | (36,422) | (22,989) | (13,433) |
| Other economic flows - included in operating result | | | |
| Net write-down of assets | (14,596) | (11,111) | (3,485) |
| Net gain/(loss) from the sale of assets | 10,056 | 993 | 9,063 |
| Net foreign exchange gains/(losses) | (153) | 5 | (158) |
| Net interest on derivatives gains/(losses) | (1,131) | (24) | (1,107) |
| Net fair value gains/(losses) | (13,747) | (4,837) | (8,910) |
| Net other gains/(losses) | (28,991) | (150) | (28,841) |
| Operating result | (84,984) | (38,112) | (46,872) |
| Other economic flows - through equity | | | |
| Will not be reclassified to operating result | | | |
| Revaluation of non-financial assets | 7,933 | 2,519 | 5,414 |
| Actuarial revaluations | 5,684 | (228) | 5,912 |
| Other economic revaluations | (94) | (306) | 212 |
| May be reclassified to operating result | | | |
| Revaluation of equity investments | (3,580) | (392) | (3,188) |
| Comprehensive result | (75,041) | (36,519) | (38,522) |
| Net operating balance | (36,422) | (22,989) | (13,433) |
| less Net acquisition of non-financial assets | | | |
| Purchases of non-financial assets | 22,360 | 21,960 | 400 |
| less Sales of non-financial assets | 2,382 | 2,407 | (25) |
| less Depreciation and amortisation | 13,902 | 13,003 | 899 |
| plus Change in inventories | 2,056 | (242) | 2,298 |
| plus Other movements in non-financial assets | 1 | (5) | 6 |
| Total net acquisition of non-financial assets | 8,133 | 6,303 | 1,830 |
| Fiscal balance (Net lending/borrowing) | (44,555) | (29,291) | (15,264) |

Revenue

| Line item | Variance | Explanation to original budget |
|------------------|----------|---|
| Taxation revenue | \$18.2b | <p>Total taxation revenue was \$18.2 billion higher than the original budget, largely driven by the following:</p> <ul style="list-style-type: none"> • Individuals taxation revenue (\$10.8 billion higher), primarily due to stronger than expected labour market conditions. • Superannuation taxation revenue (\$6.2m billion higher), primarily due to stronger capital gains and robust share price growth. • Sales tax (\$4.5m billion higher), primarily due to stronger than expected GST revenue. The higher revenue was partially offset by a decrease in customs duty (\$4.0 billion lower) due to lower than expected tobacco collections |
| Interest income | \$1.8b | Interest revenue was \$1.8 billion higher than the original budget, primarily driven by higher-than-estimated interest earnings from the Future Fund and interest on cash management account balances from the AOFM. |
| Other | \$2.4b | Other sources of non-taxation revenue were \$2.4 billion higher than the original budget. This is primarily driven by unbudgeted in-kind contributions made to the National Disability Insurance Agency (NDIA) from states and territory governments; an increase in recoveries due to timing differences between the billing cycle and collections for recoveries by the Department of Health, Disability and Ageing (Health); and an increased inflow of unclaimed superannuation monies by the ATO. |

Expenses

| Line item | Variance | Explanation to original budget |
|-----------------------------------|----------|---|
| Current and Capital grant expense | \$7b | Current grants expenses and capital grants expenses were \$3.3 billion and \$3.7 billion respectively higher than the original budget, mainly due to higher-than-estimated payments across a range of programs. |
| Supply of goods and services | \$14.5b | Supply of goods and services expenses were \$14.5 billion higher than the original budget, primarily driven by an increase in the Military Health Care expenses. This is partially offset by lower expenses in blood and blood-related products and services due to a decrease in demand. |
| Other operating expenses | \$15.4b | Other operating expenses were \$15.4 billion higher than the original budget primarily driven by an increase of Military Compensation provisions and payments. |

Other economic flows

| Line item | Variance | Explanation to original budget |
|--|-----------|---|
| Net write-down of assets | (\$3.5b) | Net write-down of assets was \$3.5 billion higher than budget, primarily attributable to the ongoing increase in aged debt and the write-off of expired stock, including the National Medical Stockpile. Additionally, there were increased write-offs of small debts by the ATO. |
| Net gain/(loss) from the sale of assets | \$9.1b | Net gains from the sale of assets were \$9.1 billion higher than the original budget, primarily attributable to higher than expected gains on the sale of Future Fund investments. |
| Net fair value gains/(losses) | (\$8.9b) | Net fair value losses were \$8.9m higher than budget, primarily driven by a higher re-measurement loss on Treasury Bonds by the AOFM due to lower market rates increasing valuation. |
| Net other gains/(losses) | (\$28.8b) | Net other losses were \$28.8 billion higher than budget, primarily due to the actuarial revaluations and overall increases of the Military Compensation Scheme provisions. |
| Revaluation of non-financial assets | \$5.4b | Revaluation of non-financial assets was \$5.4 billion higher than original budget, predominantly due to the upward revaluation in Land, Buildings and specialist military equipment held by Defence. |
| Actuarial revaluations of superannuation | \$5.9b | The movement of \$5.9 billion in the value of the superannuation liability compared to original budget is attributable to actuarial revaluations as a result of changes in the discount rates used to calculate the liability in the CFS (from a range between 4.2 and 4.8 per cent per annum as at 30 June 2024 to a range between 3.8 and 5.0 per cent per annum as at 30 June 2025) as well as changes in scheme experience and other demographic assumptions. |
| Revaluation of equity investments | (\$3.2b) | Revaluation of equity investments is \$3.2 billion lower than budget, primarily driven by the administered investment revaluations in SHL by the Department of Climate Change, Energy, the Environment and Water (DCCEE) and the Treasury's investment in the Australian Reinsurance Pool Corporation (ARPC). |

General government sector balance sheet as at 30 June 2025

| | 2025 Actual \$m | Original budget \$m | Budget variance \$m |
|--|-----------------------|---------------------------|---------------------------|
| Assets | | | |
| <i>Financial assets</i> | | | |
| Cash and deposits | 78,872 | 61,997 | 16,875 |
| Advances paid | 78,409 | 73,193 | 5,216 |
| Other receivables and accrued revenue | 86,528 | 78,170 | 8,358 |
| Investments, loans and placements | 249,618 | 249,588 | 30 |
| Equity investments | 165,355 | 148,812 | 16,543 |
| Total financial assets | 658,782 | 611,759 | 47,023 |
| <i>Non-financial assets</i> | | | |
| Land | 15,243 | 13,473 | 1,770 |
| Buildings | 53,892 | 52,246 | 1,646 |
| Other plant, equipment and infrastructure (including specialist military equipment) | 117,728 | 114,249 | 3,479 |
| Intangibles | 13,874 | 14,158 | (284) |
| Investment property | 222 | 227 | (5) |
| Inventories | 13,125 | 12,007 | 1,118 |
| Heritage and cultural assets | 13,172 | 12,687 | 485 |
| Assets held for sale | - | 94 | (94) |
| Other non-financial assets | 6,948 | 6,690 | 258 |
| Total non-financial assets | 234,204 | 225,830 | 8,374 |
| Total assets | 892,986 | 837,590 | 55,396 |
| Liabilities | | | |
| <i>Interest bearing liabilities</i> | | | |
| Deposits held | 417 | 415 | 2 |
| Government securities | 887,021 | 885,886 | 1,135 |
| Loans | 12,734 | 13,305 | (571) |
| Leases | 19,614 | 18,649 | 965 |
| Other interest bearing liabilities | 19,674 | 19,051 | 623 |
| Total interest bearing liabilities | 939,460 | 937,306 | 2,154 |
| <i>Provisions and payables</i> | | | |
| Superannuation liability | 313,201 | 304,384 | 8,817 |
| Other employee liabilities | 95,172 | 41,848 | 53,324 |
| Supplier payables | 12,284 | 13,582 | (1,298) |
| Personal benefits payable | 4,364 | 4,096 | 268 |
| Subsidies payable | 793 | 535 | 258 |
| Grants payable | 4,110 | 4,178 | (68) |
| Other payables | 10,632 | 4,801 | 5,831 |
| Other provisions | 127,529 | 71,994 | 55,535 |
| Total provisions and payables | 568,085 | 445,417 | 122,668 |
| Total liabilities | 1,507,545 | 1,382,723 | 124,822 |
| Net worth | (614,559) | (545,133) | (69,426) |

Assets

| Line item | Variance | Explanation to original budget |
|---------------------------------------|----------|---|
| Cash and deposits | \$16.9b | Cash and deposits were \$16.9 billion higher than the original budget, primarily reflecting a stronger fiscal performance resulting in higher than expected balances held in the cash management account for the AOFM. There was an offsetting decrease in cash and deposits primarily driven the NDIA investing more cash than anticipated into term deposits. |
| Advances paid | \$5.2b | Advances paid were \$5.2 billion higher than the original budget, largely as a result of changes in actuarial assumptions and the government bond rate for higher education loans. The increase in actuals compared to budget is partially offset by lower than anticipated other loans and advances and loans to other government agencies. |
| Equity investments | \$16.5b | Equity investments were \$16.5 billion higher than the original budget, primarily due to the Future Fund managing a higher value of equity investments driven by the volatile nature of investment markets. The increase in Future Fund was partially offset by lower administered investment in portfolio entities. |
| Other receivables and accrued revenue | \$8.4b | Other receivables and accrued revenue were \$8.4 billion higher than the original budget, primarily due to stronger than expected financial outcomes by Future Fund and partially offset by increased allowance for credit amendment to tax and lower taxes receivable by the ATO. |

Liabilities

| Line item | Variance | Explanation to original budget |
|----------------------------|----------|--|
| Superannuation liability | \$8.8b | The superannuation liability was \$8.8 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 2024-25 Budget and as at 30 June 2025 for the CFS. |
| Other employee liabilities | \$53.3b | Other employee liabilities were \$53.3 billion higher than the original budget, driven by higher Military Compensation provision. |
| Other provisions | \$55.5b | Other provisions were \$55.5 billion higher than the original budget, primarily related to the actuarial revaluation of the Health Care Military Compensation provisions and Disaster Recovery Funding Arrangements provision. |

General government sector cash flow statement 2024-25

| | 2025 Actual \$m | Original budget \$m | Budget variance \$m |
|---|-----------------------|---------------------------|---------------------------|
| OPERATING ACTIVITIES | | | |
| Cash received | | | |
| Taxes received | 657,844 | 642,542 | 15,302 |
| Receipts from sales of goods and services | 22,024 | 21,396 | 628 |
| Interest receipts | 10,546 | 9,275 | 1,271 |
| Dividend and distribution receipts | 7,262 | 6,789 | 473 |
| Other receipts | 18,990 | 18,231 | 759 |
| Total cash received | 716,666 | 698,233 | 18,433 |
| Cash used | | | |
| Payments for employees | (47,391) | (46,840) | (551) |
| Payments for goods and services | (207,305) | (210,763) | 3,458 |
| Grants and subsidies paid | (249,080) | (251,111) | 2,031 |
| Interest paid | (23,754) | (23,824) | 70 |
| Interest payments on lease liabilities | (516) | - | (516) |
| Personal benefits paid | (164,273) | (161,714) | (2,559) |
| Other payments | (12,724) | (10,389) | (2,335) |
| Total cash used | (705,043) | (704,641) | (402) |
| Net cash from/(used by) operating activities | 11,623 | (6,408) | 18,031 |
| INVESTING ACTIVITIES | | | |
| Investments in non-financial assets | | | |
| Sales of non-financial assets | 302 | 213 | 89 |
| Purchases of non-financial assets | (19,042) | (19,501) | 459 |
| Net cash from non-financial assets | (18,740) | (19,288) | 548 |
| Net cash flows from investments in financial assets for policy purposes | (11,790) | (18,916) | 7,126 |
| Net cash flows from investments in financial assets for liquidity purposes | (10,143) | (4,050) | (6,093) |
| Net cash from/(used by) investing activities | (40,673) | (42,254) | 1,581 |
| FINANCING ACTIVITIES | | | |
| Cash flows from financing activities | | | |
| Net cash received | | | |
| Borrowings | 16,854 | 26,178 | (9,324) |
| Other financing | 20,159 | 127 | 20,032 |
| Net cash received | 37,013 | 26,305 | 10,708 |
| Net cash used | | | |
| Distributions paid | (15) | - | (15) |
| Principal payments of lease liabilities | (2,853) | - | (2,853) |
| Other financing | (23,541) | (4,957) | (18,584) |
| Net cash used | (26,409) | (4,957) | (21,452) |
| Net cash flows from financing activities | 10,604 | 21,348 | (10,744) |
| Net (decrease)/increase in cash held | (18,446) | (27,314) | 8,868 |
| Cash at beginning of year | 97,318 | 89,311 | 8,007 |
| Cash at end of year | 78,872 | 61,997 | 16,875 |
| Key fiscal aggregate | | | |
| Net cash flows from operating activities | 11,623 | (6,408) | 18,031 |
| Net cash flows from investments in non-financial assets | (18,740) | (19,288) | 548 |
| Cash surplus/(deficit) | (7,117) | (25,696) | 18,579 |

Note 13C: 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 14: 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 \$108.6 million (2024: \$104.1 million). The audit of the CFS cost \$1.0 million (2024: \$0.9 million).

Note 15: 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 2025.

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 Review Tribunal ^a | Office of Parliamentary Counsel |
| Attorney-General's Department | Office of the Australian Information Commissioner |
| Australian Human Rights Commission | Office of the Commonwealth Ombudsman |
| Australian Law Reform Commission | Office of the Director of Public Prosecutions |
| Federal Court of Australia | Office of the Inspector-General of Intelligence and Security |
| High Court of Australia | Office of the Special Investigator |
| National Anti-Corruption Commission | |

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 | Sydney Harbour Federation Trust |
| Clean Energy Regulator | |
| Climate Change Authority | |
| Department of Climate Change, Energy, the Environment and Water | |

Public Non-Financial Corporation:

| |
|---------------------|
| Snowy Hydro Limited |
|---------------------|

(a) Administrative Review Tribunal was created on 14 October 2024 replacing the Administrative Appeals Tribunal.

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 Submarine Agency | Royal Australian Navy Central Canteens Board |
| Australian War Memorial | Royal Australian Navy Relief Trust Fund |
| Defence Housing Australia | |

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 and Silica 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 | Future Fund Management Agency |
| Commonwealth Superannuation Corporation | Independent Parliamentary Expenses Authority |
| Department of Finance | ITC Technologies Pty Ltd ^a |
| Digital Transformation Agency | Parliamentary Workplace Support Service |

Public Non-Financial Corporations:

| | |
|---|------------------------------|
| ASC Pty Ltd | CEA Technologies Pty Limited |
| Australian Naval Infrastructure Pty Ltd | |

(a) ITC Technologies Pty Ltd ceased on 22 October 2025.

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, Disability and Ageing 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
Cancer Australia
Department of Health, Disability and Ageing
Food Standards Australia New Zealand

Independent Health and Aged Care Pricing Authority
National Blood Authority
National Disability Insurance Agency
National Health and Medical Research Council
National Health Funding Body
National Mental Health Commission^a
NDIS Quality and Safeguards Commission
Office of the Inspector-General of Aged Care
Organ and Tissue Authority
Professional Services Review

Public Non-Financial Corporation:

Australian Hearing Services (Hearing Australia)

Home Affairs Portfolio

General Government:

Australian Crime Commission (Australian Criminal Intelligence Commission)
Australian Federal Police
Australian Institute of Criminology

Australian Security Intelligence Organisation
Australian Transaction Reports and Analysis Centre
Department of Home Affairs
National Emergency Management Agency

(a) National Mental Health Commission ceased on 30 September 2024.

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
Net Zero Economy Authority

Geoscience Australia
IP Australia
National Offshore Petroleum Safety and Environmental Management Authority
National Reconstruction Fund Corporation

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, Sport and the Arts Portfolio

General Government:

Australian Broadcasting Corporation
Australian Communications and Media Authority
Australian Film, Television and Radio School
Australian Maritime Safety Authority
Australian National Maritime Museum
Australian Sports Commission (Australian Institute of Sport)
Australian Sports Foundation Limited (company limited by guarantee)
Australian Transport Safety Bureau
Bundanon Trust (company limited by guarantee)
Civil Aviation Safety Authority
Creative Australia
Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts
High Speed Rail Authority
Infrastructure Australia

National Archives of 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
Sport Integrity Australia

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

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 (Aboriginal Investment NT)
 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 Commission for Aboriginal and Torres Strait Islander Children and Young People
 Services Australia^a

Treasury Portfolio

General Government:

Australian Bureau of Statistics
 Australian Competition and Consumer Commission
 Australian Financial Security Authority
 Australian Office of Financial Management
 Australian Prudential Regulation Authority
 Australian Securities and Investments Commission
 Australian Taxation Office

Commonwealth Grants Commission
 Department of the Treasury
 Housing Australia
 Inspector-General of Taxation
 National Competition Council
 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
 Housing Australia - Australian Housing Bond Aggregator (AHBA)

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) Services Australia moved from Social Services to the Finance portfolio on 1 July 2025.

Entity changes during 2024-25

Entities no longer consolidated

ANSTO Nuclear Medicine Pty Ltd (21 May 2024)
Administrative Appeals Tribunal (14 October 2024)

Entities newly controlled/established in 2024-25

Administrative Review Tribunal (14 October 2024)
CEA Technologies Pty Limited (28 January 2025)
ITC Technologies Pty Ltd (28 January 2025)
Net Zero Economy Authority (11 December 2024)
National Commission for Aboriginal and Torres Strait Islander Children and Young People (13 January 2025)

Entities with name changes

Department of Health, Disability and Ageing
(previously Department of Health and Aged care)
Department of Infrastructure, Transport, Regional Development,
Communications, Sport and the Arts
(previously Department of Infrastructure, Transport, Regional Development,
Communications and the Arts)

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.

