

**DEFENCE**

**CHAPTER SEVEN**

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**Table 7.1: Budgeted Departmental Income Statement**

2004-05 Actual Result		2005-06 Budget Estimate	2005-06 Revised Estimate	Variation	2006-07 Forward Estimate	2007-08 Forward Estimate	2008-09 Forward Estimate
\$'000		\$'000	\$'000	%	\$'000	\$'000	\$'000
	<b>INCOME</b>						
	<b>Revenues</b>						
	Revenue from						
15,749,688	Government	15,977,721	16,133,541	1.0	16,362,110	17,061,231	17,311,113
264,237	Goods and services	186,682	374,716	100.7	258,130	262,840	270,138
33	Interest	-	-		-	-	-
206,714	Other	186,159	248,536	35.5	228,076	229,760	233,003
<b>16,220,672</b>	<b>Total Revenue</b>	<b>16,350,562</b>	<b>16,756,793</b>	<b>2.5</b>	<b>16,848,316</b>	<b>17,553,831</b>	<b>17,814,254</b>
	<b>Gains</b>						
	Net gain on foreign						
21,152	exchange	-	-	-	-	-	-
1,007,369	Reversals of previous	30,000	250,000	733.3	72,500	35,000	35,000
	asset, write downs						
62,831	Net gains from sale of	-	-	-	-	-	-
	assets						
<b>1,091,352</b>	<b>Total Gains</b>	<b>30,000</b>	<b>250,000</b>	<b>733.3</b>	<b>72,500</b>	<b>72,500</b>	<b>72,500</b>
<b>17,312,024</b>	<b>Total Income</b>	<b>16,380,562</b>	<b>17,006,793</b>	<b>3.8</b>	<b>16,920,816</b>	<b>17,588,831</b>	<b>17,849,254</b>
	<b>EXPENSES</b>						
6,173,030	Employees	6,587,528	6,358,716	-3.5	6,549,692	6,827,268	7,259,007
6,109,997	Suppliers	6,946,746	7,121,909	2.5	6,885,384	7,257,258	7,061,071
1,941	Grants	1,275	7,275	470.6	5,201	1,327	2,246
	Depreciation and						
3,069,310	amortisation	2,771,838	3,145,023	13.5	3,336,323	3,409,595	3,434,486
25,121	Finance costs	32,075	29,914	-6.7	32,716	26,883	25,994
	Write-down of assets						
2,797,356	and impairment of assets	60,000	275,356	358.9	107,500	65,000	65,000
	Net losses from sale of						
	assets	-	-	-	-	-	-
5,111	Other	-	20,000	-	4,000	1,500	1,500
<b>18,181,866</b>	<b>Total Expenses</b>	<b>16,399,462</b>	<b>16,958,193</b>	<b>3.4</b>	<b>16,920,816</b>	<b>17,588,831</b>	<b>17,849,254</b>
<b>-869,842</b>	<b>Net Operating Result</b>	<b>-18,900</b>	<b>48,600</b>	<b>-357.1</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>EQUITY INTEREST</b>						
	Accumulated surpluses						
36,612,889	at 1 July	38,738,194	35,743,047	-7.7	35,581,258	35,692,828	35,810,538
<b>35,743,047</b>	<b>Total Available for</b>	<b>33,867,354</b>	<b>35,581,258</b>	<b>5.1</b>	<b>35,692,828</b>	<b>35,810,538</b>	<b>35,810,538</b>
	<b>Appropriation</b>						
	Change in accounting						
-	policy	-	-	-	-	-	-
-	Capital withdrawal	-	-	-	-	-	-
<b>35,743,047</b>	<b>Accumulated surpluses at</b>	<b>33,867,354</b>	<b>35,581,258</b>	<b>5.1</b>	<b>35,692,828</b>	<b>35,810,538</b>	<b>35,810,538</b>
	<b>30 June</b>						

**Table 7.2: Budgeted Departmental Balance Sheet**

2004-05 Actual Result		2005-06 Budget Estimate	2005-06 Revised Estimate	Variation	Forward Estimate 2006-07	Forward Estimate 2007-08	Forward Estimate 2008-09
\$'000		\$'000	\$'000	%	\$'000	\$'000	\$'000
<b>ASSETS</b>							
<b>Financial assets:</b>							
254,425	Cash	77,584	161,249	107.8	161,249	161,249	161,249
897,492	Receivables	787,252	738,129	-6.2	694,486	630,363	552,994
<b>1,151,917</b>	<b>Total financial assets</b>	<b>864,836</b>	<b>899,378</b>	<b>4.0</b>	<b>855,735</b>	<b>791,612</b>	<b>714,243</b>
<b>Non-financial assets:</b>							
11,018,882	Land and buildings	9,894,468	10,945,697	10.6	10,906,161	10,861,437	10,808,690
	Infrastructure, plant and						
36,226,866	equipment	34,681,656	28,475,371	-17.9	29,578,070	30,687,723	32,211,603
414,797	Intangibles	131,592	309,774	135.4	306,148	302,558	299,004
800,459	Heritage and cultural	26,010	800,459	2977.5	800,459	800,459	800,459
3,387,440	Inventories	-	3,734,613	-	4,150,815	4,437,599	4,761,745
799,479	Other	2,345,795	8,604,028	266.8	8,604,028	8,604,028	8,604,028
<b>52,647,923</b>	<b>Total non-financial assets</b>	<b>47,079,521</b>	<b>53,869,942</b>	<b>14.4</b>	<b>54,345,681</b>	<b>55,693,804</b>	<b>57,485,529</b>
<b>53,799,840</b>	<b>Total assets</b>	<b>47,944,357</b>	<b>53,769,320</b>	<b>12.2</b>	<b>55,201,416</b>	<b>56,485,416</b>	<b>58,199,772</b>
<b>LIABILITIES</b>							
<b>Debt:</b>							
258,190	Leases	339,856	243,710	-28.3	228,290	211,930	194,630
	Other interest bearing						
2,631	liabilities	-	2,631	-	2,631	2,631	2,631
<b>260,821</b>	<b>Total debt</b>	<b>339,856</b>	<b>246,341</b>	<b>-27.5</b>	<b>230,921</b>	<b>214,561</b>	<b>197,261</b>
<b>Provisions and payables:</b>							
1,743,638	Employees	1,754,288	1,589,308	-9.4	1,532,896	1,452,828	1,480,277
1,184,968	Suppliers	448,489	584,885	30.4	608,219	631,553	654,887
491,760	Other	407,723	527,606	29.4	527,606	527,606	527,606
<b>3,420,366</b>	<b>Total provisions and payables</b>	<b>2,610,500</b>	<b>2,701,799</b>	<b>3.5</b>	<b>2,668,721</b>	<b>2,611,987</b>	<b>2,662,770</b>
<b>3,681,187</b>	<b>Total liabilities</b>	<b>2,950,356</b>	<b>2,948,140</b>	<b>-0.1</b>	<b>2,899,642</b>	<b>2,826,548</b>	<b>2,860,031</b>
<b>51,118,653</b>	<b>Net assets</b>	<b>44,994,001</b>	<b>50,821,180</b>	<b>13.0</b>	<b>52,301,774</b>	<b>53,658,868</b>	<b>55,339,741</b>
<b>EQUITY</b>							
<b>Parent entity interest</b>							
3,764,746	Contributed equity	2,950,417	4,629,062	56.9	5,998,086	7,237,470	8,918,343
10,610,860	Reserves	8,176,230	10,610,860	29.8	10,610,860	10,610,860	10,610,860
	Retained surpluses or						
35,743,047	accumulated deficits	33,867,354	35,581,258	5.1	35,692,828	35,810,538	35,810,538
<b>50,118,653</b>	<b>Total parent entity interest</b>	<b>44,994,001</b>	<b>50,821,180</b>	<b>13.0</b>	<b>52,301,774</b>	<b>53,658,868</b>	<b>55,339,741</b>
<b>50,118,653</b>	<b>Total equity</b>	<b>44,994,001</b>	<b>50,821,180</b>	<b>13.0</b>	<b>52,301,774</b>	<b>53,658,868</b>	<b>55,339,741</b>
790,697	Current assets	1,772,256	795,409	-53.8	816,457	835,328	860,524
53,009,143	Non-current assets	46,172,101	52,973,911	14.6	54,384,959	55,650,088	57,339,248
2,160,130	Current liabilities	1,793,870	1,283,845	-28.4	1,255,387	1,212,495	1,232,142
1,521,058	Non-current liabilities	1,156,480	1,664,295	43.9	1,644,255	1,614,053	1,627,889

**Table 7.3: Budgeted Departmental Statement of Cash Flows**

2004-05 Actual Result \$'000		2005-06 Budget Estimate \$'000	2005-06 Revised Estimate \$'000	Variation %	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
<b>OPERATING ACTIVITIES</b>							
171,217	Goods and services	196,660	384,694	95.6	268,234	273,144	280,622
15,742,599	Appropriations from Government	15,977,721	16,133,541	1.0	16,362,110	17,061,231	17,311,113
33	Interest	-	-	-	-	-	-
813,002	Net GST refund	287,007	287,007	-	296,921	314,384	316,168
179,283	Other	184,659	247,036	33.8	226,576	228,260	231,503
-	Cash transfer from Official Public Account (receivables)	34,681	86,445	149.3	43,643	64,123	77,369
<b>16,906,134</b>	<b>Total cash received</b>	<b>16,680,728</b>	<b>17,138,723</b>	<b>2.7</b>	<b>17,197,484</b>	<b>17,941,142</b>	<b>18,216,775</b>
6,432,231	Employees	6,523,786	6,296,564	-3.5	6,494,534	6,789,626	7,231,558
5,750,682	Suppliers	7,282,131	6,637,844	-8.8	6,347,578	6,698,369	6,493,030
1,941	Grants	1,275	7,275	470.6	5,201	1,327	2,246
25,121	Financing costs	32,075	32,075	-	32,716	26,883	25,944
-	Inventory	-	-	-	-	-	-
5,111	Other	-	20,000	-	4,000	1,500	1,500
-	Cash transfer to Official Public Account	-	70,000	-	-	-	-
<b>12,215,086</b>	<b>Total cash used</b>	<b>13,839,267</b>	<b>13,063,758</b>	<b>-5.6</b>	<b>12,884,029</b>	<b>13,517,705</b>	<b>13,754,278</b>
<b>4,691,049</b>	<b>Net cash from/(to) operating activities</b>	<b>2,841,461</b>	<b>4,074,965</b>	<b>43.4</b>	<b>4,313,455</b>	<b>4,423,437</b>	<b>4,462,497</b>
<b>INVESTING ACTIVITIES</b>							
<b>Cash received:</b>							
198,994	Proceeds from sales of property, plant and equipment	95,063	83,363	-12.3	5,792	5,108	4,410
<b>198,994</b>	<b>Total cash received</b>	<b>95,063</b>	<b>83,363</b>	<b>-12.3</b>	<b>5,792</b>	<b>5,108</b>	<b>4,410</b>
<b>Cash used:</b>							
678,883	Purchase of property, plant and equipment	565,062	485,608	-14.1	466,708	436,905	445,026
2,965,265	Purchase of specialist military equipment	3,407,930	3,420,757	0.4	3,969,944	4,069,137	4,491,449
1,221,255	Purchase of inventory	-	1,194,799	-	1,236,199	1,459,527	1,194,005
<b>4,865,403</b>	<b>Total cash used</b>	<b>3,972,992</b>	<b>5,101,164</b>	<b>28.4</b>	<b>5,672,851</b>	<b>5,651,569</b>	<b>6,130,480</b>
<b>-4,666,409</b>	<b>Net cash from/(to) investing activities</b>	<b>-3,877,929</b>	<b>-5,017,801</b>	<b>29.4</b>	<b>-5,667,059</b>	<b>-5,646,461</b>	<b>-6,126,070</b>
<b>FINANCING ACTIVITIES</b>							
<b>Cash received:</b>							
393,286	Appropriations - contributed equity	1,121,148	972,080	-13.3	1,369,024	1,239,384	1,680,873
<b>393,286</b>	<b>Total cash received</b>	<b>1,121,148</b>	<b>972,080</b>	<b>-13.3</b>	<b>1,369,024</b>	<b>1,239,384</b>	<b>1,680,873</b>
<b>Cash used:</b>							
109,753	Repayments of debt	14,480	14,480	-	15,420	16,360	17,300
312,709	Capital use charge	-	-	-	-	-	-
312,709	Return of contributed equity	70,200	107,764	53.5	-	-	-
<b>422,462</b>	<b>Total cash used</b>	<b>84,680</b>	<b>122,244</b>	<b>44.4</b>	<b>15,420</b>	<b>16,360</b>	<b>17,300</b>
<b>-29,176</b>	<b>Net cash from/(to) financing activities</b>	<b>1,036,468</b>	<b>849,836</b>	<b>-18.0</b>	<b>1,353,604</b>	<b>1,223,024</b>	<b>1,663,573</b>
<b>-4,536</b>	<b>Net increase/(decrease) in cash held</b>	<b>-</b>	<b>-93,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
237,809	Cash at 1 July	87,584	254,425	190.5	161,249	161,249	161,249
21,152	Other movements	-10,000	-176	-98.2	-	-	-
<b>254,425</b>	<b>Cash at 30 June</b>	<b>77,584</b>	<b>161,249</b>	<b>107.8</b>	<b>161,249</b>	<b>161,249</b>	<b>161,249</b>

**Table 7.4: Departmental Statement of Changes in Equity - Summary of Movement (Budget Year 2005-06)**

	Accumulated results \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/capital \$'000	Total Equity \$'000
<b>Opening balance as at 1 July 2005</b>					
Balance carried forward from previous period	35,743,047	10,610,860	-	3,764,746	50,118,653
Adjustment for changes in accounting policies	(210,389)	-	-	-	(210,389)
<b>Adjusted opening balance</b>	-	-	-	-	-
<b>Income and expense</b>	-	-	-	-	-
Income and expenses recognised directly in equity	-	-	-	-	-
Gain/loss on revaluation of property	-	-	-	-	-
<b>Sub-total income and expense</b>	-	-	-	-	-
Net operating result	48,600	-	-	-	48,600
<b>Total income and expenses recognised directly in equity</b>	<b>35,581,258</b>	<b>10,610,860</b>	-	<b>3,764,746</b>	<b>49,956,864</b>
Transactions with owners	-	-	-	-	-
Distribution to owners	-	-	-	(107,764)	(107,764)
Returns to capital	-	-	-	-	-
Dividends	-	-	-	-	-
Returns on capital	-	-	-	-	-
Restructuring	-	-	-	-	-
Other	-	-	-	-	-
Contribution by owners	-	-	-	-	-
Appropriation (equity injection)	-	-	-	972,080	972,080
Other	-	-	-	-	-
Restructuring	-	-	-	-	-
<b>Sub-total transaction with owners</b>	-	-	-	<b>864,316</b>	<b>864,316</b>
Transfers between equity components	-	-	-	-	-
<b>Closing balance as at 30 June 2006</b>	<b>35,581,258</b>	<b>10,610,860</b>	-	<b>4,629,062</b>	<b>50,821,180</b>

**Table 7.5: Departmental Capital Budget Statement**

2004-05 Actual Result \$'000	2005-06 Budget Estimate \$'000	2005-06 Revised Estimate \$'000	Variation %	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
<b>CAPITAL EXPENDITURE</b>						
2,965,265	3,407,930	3,420,757	0.4	3,969,944	4,069,137	4,491,449
678,883	565,062	485,608	-14.1	466,708	436,905	445,026
<b>3,664,148</b>	<b>3,972,992</b>	<b>3,906,365</b>	<b>-1.7</b>	<b>4,436,652</b>	<b>4,506,042</b>	<b>4,936,475</b>
<b>Funded from:</b>						
393,286	1,121,148	972,080	-13.3	1,369,024	1,239,384	1,680,873
3,145,162	2,826,981	2,909,422	2.9	3,061,836	3,261,550	3,251,192
105,700	24,863	24,863	-	5,792	5,108	4,410
<b>3,644,148</b>	<b>3,972,992</b>	<b>3,906,365</b>	<b>-1.7</b>	<b>4,436,652</b>	<b>4,506,042</b>	<b>4,936,475</b>
<b>CAPITAL RECEIPTS</b>						
10,300	-	-	-	-	-	-
155,200	95,063	83,363	-12.3	5,792	5,108	4,410
35,500	-	-	-	-	-	-
-95,300	70,200	58,500	-16.7	-	-	-
<b>105,700</b>	<b>24,863</b>	<b>24,863</b>	<b>-</b>	<b>5,792</b>	<b>5,108</b>	<b>4,410</b>

**Table 7.6: Departmental Non-Financial Assets – Summary of Movement (Budget Year 2005-06)**

Revised Budget Year 2005-06	Land	Buildings	Other IP&E	Specialist Military Equipment	Software	Other Intangibles	Heritage and Cultural	Total
	\$'000	\$'000	%	\$'000	\$'000	\$'000	\$'000	\$'000
<b>GROSS VALUE</b>								
Gross value as at 30 June 2005	3,864,390	10,425,004	8,586,411	56,042,014	452,605	190,561	800,459	<b>80,361,444</b>
Gross value – additions	-	225,349	258,506	3,420,757	-	1,753	-	<b>3,906,365</b>
Gross value – revaluations	-	-	-	-	-	-	-	-
Gross value – disposals	-	77,000	6,363	-	-	-	-	<b>83,363</b>
Gross value – write offs	-	-	-	280,000	(1,899)	(2,745)	-	<b>275,536</b>
Gross value – Adjustments	-	40,206	-	-	(2,734)	(2,981)	-	<b>34,491</b>
Gross value - assets recognised for the first time	-	-	-	250,000	-	-	-	<b>250,000</b>
Gross value – other movements	-	-	(201,709)	(8,314,212)	(31,516)	(69,380)	-	<b>(8,616,817)</b>
<b>Gross value –as at 30 June 2006</b>	<b>3,864,390</b>	<b>10,613,559</b>	<b>8,636,845</b>	<b>51,118,559</b>	<b>420,254</b>	<b>122,698</b>	<b>800,459</b>	<b>75,576,764</b>
<b>ACCUMULATED DEPRECIATION/AMORTISATION</b>								
Accumulated depreciation/amortisation as at 30 June 2005	-	3,270,512	3,163,742	25,237,817	153,973	74,396	-	<b>31,900,440</b>
Depreciation/amortisation on assets held at beginning of the year	-	261,740	365,383	2,513,091	3,266	1,543	-	<b>3,145,023</b>
Accumulated depreciation/amortisation on assets disposed through year	-	-	-	-	-	-	-	-
<b>Accumulated depreciation/amortisation as at 30 June 2006</b>	<b>-</b>	<b>3,532,252</b>	<b>3,529,128</b>	<b>27,750,908</b>	<b>157,239</b>	<b>75,939</b>	<b>-</b>	<b>35,045,463</b>
<b>Net book value 30 June</b>	<b>3,864,390</b>	<b>7,081,307</b>	<b>5,107,720</b>	<b>23,367,651</b>	<b>263,015</b>	<b>46,759</b>	<b>800,459</b>	<b>40,531,301</b>



**Table 7.7: Schedule of Budgeted Income and Expenses Administered on Behalf of Government**

<b>2004-05 Actual Result \$'000</b>	<b>2005-06 Budget Estimate \$'000</b>	<b>2005-06 Revised Estimate \$'000</b>	<b>Variation  %</b>	<b>Forward Estimate 2006-07 \$'000</b>	<b>Forward Estimate 2007-08 \$'000</b>	<b>Forward Estimate 2008-09 \$'000</b>
	<b>Revenues administered on behalf of Government</b>					
73,716	17,776	17,776	-	21,579	27,689	27,689
672,222	683,975	683,975	-	682,475	682,475	682,475
<b>745,938</b>	<b>701,751</b>	<b>701,751</b>	<b>-</b>	<b>704,054</b>	<b>710,164</b>	<b>710,164</b>
	<b>Expenses administered on behalf of Government</b>					
2,772,568	2,530,100	2,592,100	2.5	2,606,100	2,687,100	2,775,100
9,177	9,250	10,000	8.1	10,000	10,000	10,000
11,708	-	-	-	-	-	-
<b>2,793,453</b>	<b>2,539,350</b>	<b>2,602,100</b>	<b>2.5</b>	<b>2,616,100</b>	<b>2,697,100</b>	<b>2,785,100</b>

**Table 7.8: Schedule of Budgeted Assets and Liabilities Administered on Behalf of Government**

2004-05 Actual Result \$'000		2005-06 Budget Estimate \$'000	2005-06 Revised Estimate \$'000	Variation %	Forward Estimate 2006-07 \$'000	Forward Estimate 2007-08 \$'000	Forward Estimate 2008-09 \$'000
	<b>Assets administered on behalf of Government</b>						
	Cash						
3,225	Receivables	1,000	3,225	-	3,225	3,225	3,225
1,258,883	<b>Investments</b>	1,258,883	1,258,883	-	1,258,883	1,258,883	1,258,883
79,632	<b>Non-financial assets</b>	105,000	84,632	-19.4	89,632	94,632	99,632
<b>1,341,740</b>	<b>Total assets administered on behalf of Government</b>	<b>1,364,883</b>	<b>1,346,740</b>	<b>-1.3</b>	<b>1,351,740</b>	<b>1,356,740</b>	<b>1,361,740</b>
	<b>Liabilities administered on behalf of Government</b>						
30,439,000	Military benefits	31,000,000	31,551,000	1.8	32,638,000	33,761,000	34,929,000
4,883	Other	5,000	9,883	97.7	9,883	9,883	9,883
<b>30,443,883</b>	<b>Total liabilities administered on behalf of Government</b>	<b>31,005,000</b>	<b>31,560,883</b>	<b>1.8</b>	<b>32,647,883</b>	<b>33,770,883</b>	<b>34,938,883</b>
	<b>Represented by:</b>						
82,857	Current assets	1,000	87,857	8685.7	92,857	97,857	102,857
1,258,883	Non-current assets	1,363,883	1,258,883	-7.7	1,258,883	1,258,883	1,258,883
1,412,863	Current liabilities	-	1,408,000	-	1,456,493	1,506,593	1,558,700
29,031,000	Non-current liabilities	31,005,000	30,152,883	-2.7	31,191,390	32,264,290	33,380,153

**Table 7.9: Schedule of Budgeted Administered Cash Flows**

<b>2004-05 Actual Result \$'000</b>		<b>2005-06 Budget Estimate \$'000</b>	<b>2005-06 Revised Estimate \$'000</b>	<b>Variation  %</b>	<b>Forward Estimate 2006-07 \$'000</b>	<b>Forward Estimate 2007-08 \$'000</b>	<b>Forward Estimate 2008-09 \$'000</b>
<b>OPERATING ACTIVITIES</b>							
Cash received:							
	Cash from the Official						
1,387,979	Public Account	1,625,981	1,490,100	-8.4	1,529,100	1,575,100	1,617,100
73,716	Interest and dividends	17,776	17,776	-	21,579	27,689	27,689
723,079	Other	683,975	683,975	-	682,475	682,475	682,475
<b>2,184,774</b>	<b>Total cash received</b>	<b>2,327,732</b>	<b>2,191,851</b>	<b>-5.8</b>	<b>2,233,154</b>	<b>2,285,264</b>	<b>2,327,264</b>
Cash used:							
1,392,156	Military benefits	1,616,731	1,480,100	-8.5	1,519,100	1,565,100	1,607,100
9,177	Subsidies	9,250	10,000	8.1	10,000	10,000	10,000
	Cash to the Official Public						
771,733	Account	701,751	701,751	-	704,054	710,164	710,164
11,708	Other	-	-	-	-	-	-
<b>2,184,774</b>	<b>Total cash used</b>	<b>2,327,732</b>	<b>2,191,851</b>	<b>-5.8</b>	<b>2,233,154</b>	<b>2,285,264</b>	<b>2,327,264</b>
	<b>Net cash from/(to) operating activities</b>	-	-	-	-	-	-
	<b>Net (decrease)/increase in cash held:</b>						
	Cash at the beginning of the reporting period	-	-	-	-	-	-
	<b>Cash at the end of the reporting period</b>	-	-	-	-	-	-

## NOTES TO THE BUDGETED FINANCIAL STATEMENTS

### Note 1 – Key Accounting Policies

#### 1.1 Budgeted Financial Statements Overview

Budgeted financial statements have been included to show the planned financial performance over the 2005-06 budget year, and each of the following forward years from 2006-07 to 2008-09.

Budgeted statements of financial performance, financial position and cash flows, and a budgeted capital statement, are provided to show the revenues, expenses, assets, liabilities and equity of Defence. These budgeted statements contain estimates prepared in accordance with the requirements of the Government's financial budgeting and reporting framework.

Budgeted financial estimates are provided for both *departmental* and *administered* financial items. *Departmental*, or controlled, financial statements are those statements which include revenues, expenses, assets and liabilities over which Defence has discretion, responsibility and authority. *Departmental* financial statements represent the financial performance of Defence in delivering its outcomes.

*Administered* financial estimates include revenues, expenses, assets and liabilities that Defence administers on behalf of the Government, but over which Defence does not have management control. These typically include military superannuation benefits.

#### 1.2 Comparative figures and variations

In recognition of the budget development and scrutiny process, variations explained in the budgeted financial statements are between the budget and the revised estimate for 2005-06, unless otherwise noted. The actual result for 2004-05 is also included in these budgeted financial statements for comparative purposes and is based on the audited financial results as provided in the *Defence Annual Report 2004-05*.

#### 1.3 Rounding

Unless otherwise stated, the convention used in these budgeted financial statements is to round amounts to the nearest \$'000. Totals are the sum of unrounded figures.

## 1.4 Budgeted Departmental Financial Statements and Schedule of Budgeted Administered Activity

Note that the term '*budgeted financial statements*' and '*statements*' are used interchangeably.

Under the Australian Government's accrual-based budgeting framework, and consistent with Australian Accounting Standards, transactions that agencies control (Departmental transactions) are separately budgeted for and reported, compared to transactions that agencies do not have control over (Administered transactions). This ensures that agencies are only held fully accountable for the transactions over which they have control.

- Departmental expenses include employee and supplier expenses and other administrative costs which are incurred by Defence in providing its goods and services.
- Administered items are revenues, expenses, assets and liabilities that are managed by Defence on behalf of the Government according to set Government directions and over which Defence does not have management control. These include military superannuation contributions, payments received from the United Nations and foreign governments, bank interest and dividends paid by the Defence Housing Authority.

## 1.5 Appropriations in the accrual budgeting framework

Under the Australian Government's accrual budgeting framework, separate annual appropriations are provided for:

- departmental price of outcomes appropriations (representing the Government's funding for outcomes from agencies);
- departmental capital appropriations (representing investments by the Government for either additional equity in or loans to agencies);
- administered expense appropriations (representing estimated Administered expenses relating to an existing outcome, a new outcome or a Specific Purpose Payment to the states); and
- administered capital appropriations (represent increases in Administered equity through funding non-expense administered payments).

Special appropriations fund the majority of payments from the Consolidated Revenue Fund (especially those that are entitlement driven or involve transfers to state and territory governments).

## 1.6 Basis of Accounting

The Budgeted statements have been prepared in accordance with:

- the Financial Management and Accountability Orders under the authority of Section 63 of the *Financial Management and Accountability Act 1997*;
- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board; and
- Consensus Views of the Urgent Issues Group.

The Budgeted Income Statement and Balance Sheet have been prepared on an accrual basis.

Revenues and expenses are recognised in the Income Statement when, and only when, the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Administered revenues, expenses, assets and liabilities and cash flows reported in the Schedules of Administered Item are accounted for on the same basis and using the same policies as for departmental items, except as otherwise stated.

## Note 2 – Summary of Estimated Special Account Balances

**Table 7.10 Summary of Estimated Special Account Balances<sup>(1)(2)</sup>**

	Opening Balance 2005-06 <i>2004-05</i>	Receipts 2005-06 <i>2004-05</i>	Payments 2005-06 <i>2004-05</i>	Adjustments 2005-06 <i>2004-05</i>	Closing Balance 2005-06 <i>2004-05</i>
	\$'000	\$'000	\$'000	\$'000	\$'000
Services for Other Governments and Non-Agency Bodies – <i>Financial Management and Accountability Act 1997<sup>(3)(4)(5)</sup></i>	<b>155,429</b> <i>93,927<sup>(4)</sup></i>	<b>30,209</b> <i>170,759</i>	<b>156,517</b> <i>109,258</i>	- -	<b>29,121</b> <i>155,428</i>
Defence Endowments – <i>Financial Management and Accountability Act 1997<sup>(3)</sup></i>	<b>285</b> <i>266</i>	<b>26</b> <i>50</i>	<b>28</b> <i>31</i>	- -	<b>283</b> <i>285</i>
Fedorczenko Legacy Fund – <i>Financial Management and Accountability Act 1997<sup>(3)</sup></i>	<b>154</b> <i>151</i>	<b>6</b> <i>7</i>	<b>4</b> <i>4</i>	- -	<b>156</b> <i>154</i>
Other Trust Monies – <i>Financial Management and Accountability Act 1997<sup>(3)</sup></i>	<b>7,793</b> <i>9,356</i>	<b>105</b> <i>2,625</i>	<b>205</b> <i>4,188</i>	- -	<b>7,693</b> <i>7,793</i>
Young Endeavour Youth Program – <i>Financial Management and Accountability Act 1997<sup>(3)</sup></i>	<b>827</b> <i>878</i>	<b>784</b> <i>908</i>	<b>782</b> <i>959</i>	- -	<b>829</b> <i>827</i>
<b>Total Special Accounts</b>	<b>164,488</b> <i>104,578</i>	<b>31,130</b> <i>174,349</i>	<b>157,536</b> <i>114,440</i>	- -	<b>38,082</b> <i>164,487</i>

### Notes

1. 2005-06 revised estimates in bold.
2. 2004-05 outcomes in italics.
3. These are Departmental special accounts.
4. The Services for Other Governments and Non-Agency Bodies balance includes money relating to Comcare.
5. With the prescription of DMO on 1 July 2005, Defence has transferred \$125,909,667.45 from Services for Other Governments and Non-Agency Bodies.