

Attachment B

BUDGET FINANCIAL STATEMENTS

The budget financial statements consist of an operating statement, balance sheet, cash flow statement and statement of other economic flows (reconciliation of net worth) for the Australian Government general government sector. The budget financial statements are based on GFS Standards with the exception of the divergences discussed in Attachment A.

Table 6: Australian Government general government sector operating statement

	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m
Revenue				
Taxation revenue	186,381	194,593	204,841	215,620
Current grants and subsidies	0	0	0	0
Sales of goods and services	4,406	4,500	4,638	4,728
Interest income	1,430	1,548	2,406	3,422
Dividend income	3,031	3,106	2,990	2,273
Other	2,631	2,642	2,628	2,632
Total revenue	197,879	206,390	217,502	228,676
Expenses				
Gross operating expenses				
Depreciation	1,933	2,135	2,200	2,259
Superannuation	2,221	2,167	2,106	2,167
Salaries and wages	11,974	12,551	12,841	12,972
Payment for supply of goods and services	44,072	45,477	47,892	50,677
Other operating expenses	2,522	2,487	2,484	2,483
<i>Total gross operating expenses</i>	<i>62,722</i>	<i>64,816</i>	<i>67,523</i>	<i>70,558</i>
Nominal superannuation interest expense	5,304	5,275	5,391	5,710
Other interest expenses	4,180	3,854	3,791	3,796
Other property expenses	0	0	0	0
Current transfers				
Grant expenses	37,483	38,493	39,094	40,782
Subsidy expenses	6,369	6,472	6,550	6,763
Personal benefit payments in cash	74,493	80,088	85,516	91,202
Other current transfers	0	0	0	0
<i>Total current transfers</i>	<i>118,345</i>	<i>125,053</i>	<i>131,160</i>	<i>138,747</i>
Capital transfers	3,425	3,227	3,420	3,550
Total expenses	193,976	202,225	211,284	222,361
Net operating balance	3,903	4,165	6,218	6,315
Net acquisition of non-financial assets				
Purchases of non-financial assets	2,900	2,732	2,547	2,288
<i>less</i> Sales of non-financial assets	<i>749</i>	<i>643</i>	<i>484</i>	<i>484</i>
<i>less</i> Depreciation	<i>1,933</i>	<i>2,135</i>	<i>2,200</i>	<i>2,259</i>
<i>plus</i> Change in inventories	<i>72</i>	<i>-69</i>	<i>21</i>	<i>4</i>
<i>plus</i> Other movements in non-financial assets	<i>24</i>	<i>168</i>	<i>-35</i>	<i>0</i>
Total net acquisition of non-financial assets	315	53	-151	-452
Net lending/fiscal balance(a)	3,589	4,112	6,369	6,766

(a) The term fiscal balance is not used by the Australian Bureau of Statistics.

Table 7: Australian Government general government sector balance sheet

	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m
Assets				
Financial assets				
Cash and deposits	1,401	1,300	1,387	1,452
Advances paid	19,373	20,406	21,781	23,553
Investments, loans and placements(a)	9,440	9,331	9,241	9,195
Other non-equity assets	17,437	18,086	19,944	22,031
Equity(b)	48,734	48,645	39,706	28,426
<i>Total financial assets</i>	<i>96,384</i>	<i>97,769</i>	<i>92,058</i>	<i>84,657</i>
Non-financial assets				
Land	5,034	5,034	5,115	5,160
Buildings (excluding heritage)	14,007	14,113	14,165	14,224
Plant, equipment and infrastructure(c)	8,404	8,535	8,415	8,113
Inventories	4,904	4,835	4,856	4,860
Heritage and cultural assets(c)	6,465	6,491	6,517	6,541
Other non-financial assets	1,984	1,943	1,841	1,706
<i>Total non-financial assets</i>	<i>40,799</i>	<i>40,951</i>	<i>40,908</i>	<i>40,603</i>
Total assets	137,183	138,720	132,966	125,260
Liabilities				
Deposits held	365	365	365	365
Advances received	0	0	0	0
Government securities(a)	43,491	38,501	21,657	4,334
Loans	5,935	5,768	5,605	5,497
Other borrowing	225	187	176	141
Superannuation liability	89,876	92,992	96,008	99,336
Other employee entitlements and provisions	8,432	8,571	8,695	8,807
Other non-equity liabilities	24,902	25,096	25,551	26,609
Total liabilities	173,226	171,479	158,058	145,088
Net worth(d)	-36,043	-32,759	-25,092	-19,829
Net debt(e)	19,803	13,783	-4,605	-23,863

(a) For 2004-05 and the forward years, transactions relating to debt management activities in assets — investments, loans and placements and liabilities — government securities have been netted. This treatment has been applied because of the uncertainty associated with the actual split between government securities and financial assets acquired for debt management purposes.

(b) Equity includes the valuation of Telstra shareholding, which is valued at the average of the daily share price over a 90-day period, except in sales years where the valuation is based on the Australian Government's expected sale price.

(c) Heritage and cultural assets were previously included in plant, equipment and infrastructure.

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

(e) Net debt equals the sum of deposits held, advances received, government securities, loans and other borrowings, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 8: Australian Government general government sector cash flow statement^(a)

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Cash receipts from operating activities				
Taxes received	182,478	191,106	201,050	211,580
Receipts from sales of goods and services	4,559	4,678	4,805	4,902
Grants and subsidies received	0	0	0	0
Interest receipts	1,393	1,379	2,104	3,121
Dividends	3,694	3,426	2,990	2,273
GST input credits received by general government	2,920	2,839	2,924	3,038
Other receipts	2,720	2,614	2,573	2,549
Total operating receipts	197,764	206,043	216,445	227,465
Cash payments for operating activities				
Payments for goods and services	-47,285	-48,415	-50,991	-53,876
Grants and subsidies paid	-45,534	-46,373	-47,750	-49,671
Interest paid	-3,886	-4,630	-3,909	-3,570
Personal benefit payments	-74,597	-79,910	-85,099	-90,588
Salaries, wages and other entitlements	-16,375	-16,851	-17,310	-17,507
GST payments by general government to taxation authority	-131	-132	-137	-140
Other payments for operating activities	-2,525	-2,363	-2,363	-2,379
Total operating payments	-190,333	-198,674	-207,560	-217,731
Net cash flows from operating activities	7,432	7,369	8,885	9,734
Cash flows from investments in non-financial assets				
Sales of non-financial assets	808	648	489	487
Purchases of new and secondhand non-financial assets	-2,974	-2,900	-2,488	-2,287
Net cash flows from investments in non-financial assets	-2,166	-2,252	-1,999	-1,800
Net cash flows from investments in financial assets for policy purposes	-1,334	-1,471	9,470	9,325
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	10	35	63	9
Net cash flows from investments in financial assets for liquidity purposes	10	35	63	9
Cash flows from financing activities				
Advances received (net)	0	0	0	0
Borrowing (net)	-2,824	-4,130	-16,777	-17,340
Deposits received (net)	0	0	0	0
Other financing (net)	-1,308	348	444	137
Net cash flows from financing activities	-4,132	-3,782	-16,333	-17,203
Net increase/decrease in cash held	-190	-101	87	65
Net cash from operating activities and investments in non-financial assets	5,266	5,116	6,886	7,934
Finance leases and similar arrangements ^(b)	-8	-7	-29	-4
Equals underlying cash balance	5,258	5,109	6,857	7,930
<i>plus</i> net cash flows from investments in financial assets for policy purposes	-1,334	-1,471	9,470	9,325
Equals headline cash balance	3,924	3,639	16,327	17,255

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.

(b) The acquisition of assets under finance leases decreases the underlying cash balance. The disposal of assets previously held under finance leases increases the underlying cash balance.

Table 9: Australian Government general government sector statement of other economic flows (reconciliation of net worth)

	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m
Opening net worth	-37,803	-36,043	-32,759	-25,092
Change in net worth from operating transactions	3,903	4,165	6,218	6,315
Change in net worth from other economic flows				
Revaluation of equity(a)	-788	-51	2,391	20
Net writedowns of assets (including bad and doubtful debts)(b)	-1,407	-1,475	-1,548	-1,630
Assets recognised for the first time(b)	23	25	24	23
Defence weapon platform adjustment(b)	0	0	0	0
Liabilities recognised for the first time	0	0	0	0
Actuarial revaluations	0	0	0	0
Net foreign exchange gains	2	0	0	0
Net swap interest received	186	191	183	162
Market valuation of debt	-14	358	298	237
Other economic revaluations(b)(c)	-145	71	101	137
Total other economic flows	-2,143	-882	1,449	-1,052
Closing net worth	-36,043	-32,759	-25,092	-19,829

(a) Revaluations of equity reflects changes in the market valuation of commercial entities, including a change in the value of the Telstra shareholding which is valued at the average of the daily share price over a 90-day period, except in the sale years where the valuation is based on the Australian Government's expected sale price. This line also reflects any equity revaluations at the point of disposal or sale.

(b) Defence weapons are treated as expenses rather than assets under the GFS framework; hence, changes in value do not contribute to net worth and are not included in other economic flows. The adjustment to remove defence weapons has now been reallocated to net write-down of assets, assets recognised for the first time and other economic revaluations.

(c) Largely reflects revaluation of assets and liabilities.