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 departures discussed in Attachment A.

Table 14: Australian Government general government sector operating statement

	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m
Revenue				
Taxation revenue	170,687	178,411	188,523	198,755
Current grants and subsidies	0	0	0	0
Sales of goods and services	4,106	4,241	4,378	4,531
Interest income	1,146	1,197	1,707	2,662
Dividend income	4,103	2,386	2,313	1,828
Other	2,613	2,580	2,634	2,689
Total revenue	**182,655**	**188,814**	**199,554**	**210,466**
Expenses				
Gross operating expenses				
Depreciation	1,882	1,903	2,059	2,118
Superannuation	2,041	2,098	2,111	2,131
Salaries and wages	11,607	12,175	12,163	12,613
Payment for supply of goods and services	40,030	41,063	42,956	44,891
Other operating expenses	2,161	2,190	2,152	2,160
Total gross operating expenses	*57,721*	*59,429*	*61,442*	*63,912*
Nominal superannuation interest expense	4,913	5,248	5,686	5,785
Other interest expenses	4,259	4,056	3,702	3,620
Other property expenses	0	0	0	0
Current transfers				
Grant expenses	34,669	36,642	38,308	38,899
Subsidy expenses	5,757	5,917	6,037	6,327
Personal benefit payments in cash	68,491	72,950	77,710	82,977
Other current transfers	0	0	0	0
Total current transfers	108,918	115,509	122,054	128,203
Capital transfers	3,047	3,330	3,155	3,115
Total expenses	**178,858**	**187,571**	**196,039**	**204,635**
Net operating balance	**3,798**	**1,243**	**3,515**	**5,831**
Net acquisition of non-financial assets				
Purchases of non-financial assets	2,727	2,443	2,373	2,177
less Sales of non-financial assets	893	755	424	329
less Depreciation	1,882	1,903	2,059	2,118
plus Change in inventories	-20	-54	-59	49
plus Other movements in non-financial assets	-136	-46	40	20
Total net acquisition of non-financial assets	**-205**	**-315**	**-129**	**-201**
Net lending/fiscal balance(a)	**4,002**	**1,558**	**3,645**	**6,032**

(a) The term fiscal balance is not used by the ABS.

Table 15: Australian Government general government sector balance sheet

	2003-04	2004-05	2005-06	2006-07
	$m	$m	$m	$m
Assets				
Financial assets				
Cash and deposits	3,022	3,058	3,021	3,031
Advances paid	19,295	20,589	20,930	21,903
Investments, loans and placements	9,701	9,563	9,517	9,479
Other non-equity assets	16,251	15,689	16,237	17,252
Equity(a)	47,681	47,571	38,900	27,601
Total financial assets	*95,950*	*96,471*	*88,605*	*79,266*
Non-financial assets				
Land	4,609	4,461	4,531	4,655
Buildings	13,436	13,366	13,413	13,281
Plant, equipment and infrastructure(b)	7,768	7,887	8,040	7,895
Inventories	4,023	3,969	3,910	3,958
Heritage buildings and collections(b)	4,761	4,761	4,763	4,766
Other non-financial assets	1,765	1,765	1,575	1,533
Total non-financial assets	*36,362*	*36,209*	*36,231*	*36,088*
Total assets	**132,312**	**132,680**	**124,836**	**115,355**
Liabilities				
Deposits held	325	325	325	325
Advances received	0	0	0	0
Government securities	49,163	46,022	30,158	12,433
Loans	5,678	5,447	5,257	5,082
Other borrowing	183	155	115	106
Superannuation liability	91,597	94,004	96,740	99,404
Other employee entitlements and provisions	7,972	8,111	8,229	8,348
Other non-equity liabilities	20,728	20,869	21,145	21,836
Total liabilities	**175,648**	**174,934**	**161,970**	**147,534**
Net worth(c)	**-43,336**	**-42,254**	**-37,134**	**-32,179**
Net debt(d)	23,332	18,739	2,387	-16,467

(a) Equity includes the valuation 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 expected sale price.
(b) Heritage and cultural assets were previously included in plant, equipment and infrastructure.
(c) Net worth is calculated as total assets minus total liabilities.
(d) 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 16: Australian Government general government sector cash flow statement[(a)]

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
Cash receipts from operating activities				
Taxes received	168,223	176,295	186,233	196,002
Receipts from sales of goods and services	4,224	4,387	4,524	4,673
Grants and subsidies received	0	0	0	0
Interest receipts	1,014	1,116	1,457	2,397
Dividends	3,139	3,350	2,313	1,828
GST input credits received by general government	2,449	2,482	2,509	2,592
Other receipts	2,476	2,452	2,468	2,521
Total receipts	**181,526**	**190,081**	**199,504**	**210,012**
Cash payments for operating activities				
Payments for goods and services	-43,804	-44,751	-46,674	-48,714
Grants and subsidies paid	-41,640	-44,468	-46,040	-46,895
Interest paid	-4,118	-3,878	-4,520	-3,634
Personal benefit payments	-68,453	-73,606	-77,728	-82,602
Salaries, wages and other entitlements	-16,264	-17,046	-16,916	-17,552
GST payments by general government to taxation authority	-138	-140	-143	-146
Other payments for operating activities	-797	-720	-886	-869
Total payments	**-175,214**	**-184,610**	**-192,907**	**-200,411**
Net cash flows from operating activities	**6,312**	**5,471**	**6,597**	**9,601**
Cash flows from investments in non-financial assets assets				
Sales of non-financial assets	1,113	830	429	334
Purchases of new and secondhand non-financial assets	-2,792	-2,466	-2,411	-2,193
Net cash flows from investments in non-financial assets	**-1,679**	**-1,635**	**-1,982**	**-1,860**
Net cash flows from investments in financial assets for policy purposes	**-666**	**-953**	**10,061**	**9,837**
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	-4	51	2	-23
Net cash flows from investments in financial assets for liquidity purposes	**-4**	**51**	**2**	**-23**
Cash flows from financing activities				
Advances received (net)	0	0	0	0
Borrowing (net)	-2,969	-2,873	-15,011	-17,808
Deposits received (net)	-1	0	0	0
Other financing (net)	-308	-25	296	263
Net cash flows from financing activities	**-3,278**	**-2,898**	**-14,715**	**-17,546**
Net increase/decrease in cash held	**684**	**36**	**-37**	**10**
Net cash from operating activities and investments in non-financial assets	**4,633**	**3,836**	**4,615**	**7,741**
Finance leases and similar arrangements(b)	3	-6	-7	-8
Equals underlying cash balance	**4,635**	**3,829**	**4,608**	**7,733**
plus net cash flows from investments in financial assets for policy purposes	-666	-953	10,061	9,837
Equals headline cash balance	**3,969**	**2,877**	**14,668**	**17,570**

(a) A positive number denotes a cash inflow; a negative sign denotes a cash outflow.
(b) The acquisition of assets under finance leases reduces the underlying cash balance. The disposal of assets previously held under finance leases improves the underlying cash balance.

Table 17: Australian Government general government sector statement of other economic flows (reconciliation of net worth)

	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m
Opening net worth	**-50,442**	**-43,336**	**-42,254**	**-37,134**
Opening net worth adjustments	**-891**	**0**	**0**	**0**
Adjusted opening net worth(a)	**-51,333**	**-43,336**	**-42,254**	**-37,134**
Change in net worth from operating transactions	**3,798**	**1,243**	**3,515**	**5,831**
Change in net worth from other economic flows				
Revaluation of equity(b)	3,663	99	2,650	21
Net writedowns of assets (including bad and doubtful debts)	-2,080	-1,250	-1,893	-1,596
Assets recognised for the first time	281	2	2	2
Defence weapon platform adjustment(c)	100	100	100	100
Liabilities recognised for the first time	0	0	0	0
Actuarial revaluations	0	0	0	0
Net foreign exchange gains	237	0	0	0
Net swap interest received	381	310	278	250
Market valuation of debt	1,449	466	332	217
Other economic revaluations(d)	169	112	137	130
Total other economic flows	**4,200**	**-161**	**1,605**	**-877**
Closing net worth	**-43,336**	**-42,254**	**-37,134**	**-32,179**

(a) Includes the initial recognition of a provision for asbestos related claims. At the time of the 2002-03 Final Budget Outcome a reliable actuarial measure was not available. Following an actuarial review a provision for asbestos related claims was included in the audited 2002-03 Consolidated Financial Statements. This liability has now been back-dated to 2002-03.

(b) 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 expected sale price. This line also reflects any equity revaluations at the point of disposal or sale.

(c) 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. This component represents the removal of defence weapons included in net writedowns and other movements.

(d) Largely reflects revaluation of assets.