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 13: Australian Government general government sector operating statement

	Estimates		Projections	
	2004-05	2005-06	2006-07	2007-08
	$m	$m	$m	$m
Revenue				
Taxation revenue	187,622	195,427	205,192	216,709
Current grants and subsidies	0	0	0	0
Sales of goods and services	4,404	4,491	4,638	4,722
Interest income	1,435	1,602	2,231	3,185
Dividend income	3,050	3,076	2,677	1,919
Other	2,932	2,903	2,832	2,806
Total revenue	**199,443**	**207,497**	**217,570**	**229,341**
Expenses				
Gross operating expenses				
Depreciation	1,932	2,145	2,224	2,289
Superannuation	2,442	2,219	2,267	2,289
Salaries and wages	12,008	12,344	12,723	12,973
Payment for supply of goods and services	45,670	47,309	49,612	52,143
Other operating expenses	2,557	2,596	2,626	2,742
Total gross operating expenses	*64,609*	*66,613*	*69,451*	*72,436*
Nominal superannuation interest expense	4,763	5,107	5,429	5,714
Other interest expenses	4,136	3,824	3,729	3,702
Other property expenses	0	0	0	0
Current transfers				
Grant expenses	37,023	39,320	39,376	40,943
Subsidy expenses	6,351	6,506	6,666	6,884
Personal benefit payments in cash	73,312	78,530	84,000	89,485
Other current transfers	0	0	0	0
Total current transfers	*116,687*	*124,357*	*130,042*	*137,311*
Capital transfers	3,613	3,684	3,712	3,727
Total expenses	**193,808**	**203,585**	**212,363**	**222,890**
Net operating balance	**5,634**	**3,912**	**5,207**	**6,451**
Net acquisition of non-financial assets				
Purchases of non-financial assets	3,155	2,994	2,663	2,550
less Sales of non-financial assets	670	653	484	484
less Depreciation	1,932	2,145	2,224	2,289
plus Change in inventories	174	63	214	131
plus Other movements in non-financial assets	-22	155	54	-34
Total net acquisition of non-financial assets	**705**	**415**	**223**	**-125**
Net lending/fiscal balance(a)	**4,929**	**3,497**	**4,984**	**6,577**

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

Table 14: Australian Government general government sector balance sheet

	Estimates		Projections	
	2004-05	2005-06	2006-07	2007-08
	$m	$m	$m	$m
Assets				
Financial assets				
Cash and deposits	1,376	1,189	1,174	1,199
Advances paid	19,400	20,469	21,804	23,540
Investments, loans and placements(a)	9,375	9,187	9,054	8,935
Other non-equity assets	17,460	17,981	19,626	21,406
Equity(b)	48,068	48,060	40,007	28,728
Total financial assets	*95,680*	*96,886*	*91,664*	*83,808*
Non-financial assets				
Land	5,052	5,057	5,135	5,190
Buildings	14,175	14,289	14,361	14,514
Plant, equipment and infrastructure	8,482	8,836	8,824	8,706
Inventories	4,908	4,971	5,185	5,315
Heritage buildings and collections	6,455	6,468	6,483	6,494
Other non-financial assets	2,020	1,978	1,959	1,741
Total non-financial assets	*41,092*	*41,599*	*41,947*	*41,961*
Total assets	**136,773**	**138,486**	**133,611**	**125,769**
Liabilities				
Deposits held	365	365	365	365
Advances received	0	0	0	0
Government securities(a)	43,313	38,705	22,818	5,697
Loans	5,945	5,779	5,613	5,466
Other borrowing	222	188	174	139
Superannuation liability	90,506	93,333	96,458	99,652
Other employee entitlements and provisions	8,524	8,660	8,795	8,914
Other non-equity liabilities	25,049	25,631	26,192	27,129
Total liabilities	**173,924**	**172,661**	**160,415**	**147,362**
Net worth(c)	**-37,152**	**-34,175**	**-26,803**	**-21,593**
Net debt(d)	19,693	14,192	-3,061	-22,007

(a) For 2004-05 and 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 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.
(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 borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 15: Australian Government general government sector cash flow statement[a]

	Estimates		Projections	
	2004-05	2005-06	2006-07	2007-08
	$m	$m	$m	$m
Cash receipts from operating activities				
Taxes received	183,410	191,908	201,164	212,600
Receipts from sales of goods and services	4,586	4,692	4,830	4,923
Grants and subsidies received	0	0	0	0
Interest receipts	1,355	1,386	1,972	2,886
Dividends	3,713	3,396	2,677	1,919
GST input credits received by general government	2,936	2,863	2,908	3,020
Other receipts	3,000	2,877	2,798	2,770
Total operating receipts	**199,001**	**207,122**	**216,349**	**228,118**
Cash payments for operating activities				
Payments for goods and services	-49,010	-50,456	-52,908	-55,462
Grants and subsidies paid	-44,992	-47,768	-48,235	-50,041
Interest paid	-3,864	-4,609	-3,846	-3,502
Personal benefit payments	-73,455	-77,910	-83,519	-88,959
Salaries, wages and other entitlements	-16,327	-16,820	-17,289	-17,779
GST payments by general government to taxation authority	-125	-127	-133	-140
Other payments for operating activities	-2,560	-2,472	-2,488	-2,618
Total operating payments	**-190,334**	**-200,164**	**-208,418**	**-218,501**
Net cash flows from operating activities	**8,667**	**6,958**	**7,931**	**9,617**
Cash flows from investments in non-financial assets assets				
Sales of non-financial assets	737	660	486	486
Purchases of new and secondhand non-financial assets	-3,192	-3,155	-2,696	-2,513
Net cash flows from investments in non-financial assets	**-2,454**	**-2,495**	**-2,211**	**-2,027**
Net cash flows from investments in financial assets for policy purposes	**-1,334**	**-1,475**	**9,476**	**9,326**
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	-14	72	68	35
Net cash flows from investments in financial assets for liquidity purposes	**-14**	**72**	**68**	**35**
Cash flows from financing activities				
Advances received (net)	0	0	0	0
Borrowing (net)	-3,721	-3,628	-15,732	-17,067
Deposits received (net)	0	0	0	0
Other financing (net)	-1,357	380	453	141
Net cash flows from financing activities	**-5,078**	**-3,248**	**-15,279**	**-16,926**
Net increase/decrease in cash held	**-214**	**-187**	**-16**	**25**
Net cash from operating activities and investments in non-financial assets	**6,213**	**4,463**	**5,720**	**7,590**
Finance leases and similar arrangements(b)	-7	-4	-23	-5
Equals underlying cash balance	**6,206**	**4,459**	**5,697**	**7,584**
plus net cash flows from investments in financial assets for policy purposes	-1,334	-1,475	9,476	9,326
Equals headline cash balance	**4,871**	**2,985**	**15,173**	**16,911**

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

	Estimates		Projections	
	2004-05	2005-06	2006-07	2007-08
	$m	$m	$m	$m
Opening net worth	**-37,803**	**-37,152**	**-34,175**	**-26,803**
Opening net worth adjustments	**0**	**0**	**0**	**0**
Adjusted opening net worth	**-37,803**	**-37,152**	**-34,175**	**-26,803**
Change in net worth from operating transactions	**5,634**	**3,912**	**5,207**	**6,451**
Change in net worth from other economic flows				
Revaluation of equity(a)	-1,468	36	3,274	19
Net writedowns of assets				
(including bad and doubtful debts)(b)	-1,551	-1,700	-1,804	-1,862
Assets recognised for the first time(b)	24	25	26	23
Defence weapon platform adjustment(b)	0	0	0	0
Liabilities recognised for the first time	0	0	0	0
Actuarial revaluations	-799	0	0	0
Net foreign exchange gains	-329	0	0	0
Net swap interest received	207	227	215	184
Market valuation of debt	-554	430	348	277
Other economic revaluations(b)(c)	-513	46	106	118
Total other economic flows	**-4,983**	**-936**	**2,165**	**-1,241**
Closing net worth	**-37,152**	**-34,175**	**-26,803**	**-21,593**

(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 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.

(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. This adjustment to remove defence weapons is allocated to net writedown of assets, assets recognised for the first time and other economic revaluations.

(c) Largely reflects revaluations of assets and liabilities.