

PART 2: AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

The final budget outcome financial statements consist of an operating statement, including other economic flows, a balance sheet, and a cash flow statement for the Australian Government general government sector (GGS), the public non-financial corporations sector (PNFC), the total non-financial public sector (NFPS) and the public financial corporations sector (PFC). This statement also contains notes showing disaggregated information for the GGS.

The *Charter of Budget Honesty Act 1998* (the Charter) requires the final budget outcome be based on external reporting standards and for departures from these standards to be disclosed.

The Government has produced a single set of financial statements that comply with both Australian Bureau of Statistics Government Finance Statistics (ABS GFS) and Australian Accounting Standards (AAS), meeting the requirement of the Charter, with departures disclosed. The financial statements for the *Final Budget Outcome 2008-09* have been prepared on a basis consistent with the 2009-10 Budget. This enables comparison of the 2008-09 revised estimates published at the 2009-10 Budget and the outcome. The statements reflect the Government's accounting policy that ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

The Australian, State and Territory governments have an agreed framework — the Accrual Uniform Presentation Framework (UPF) — for the presentation of government financial information on a basis broadly consistent with AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049). The final budget outcome financial statements are consistent with the requirements of the UPF.

In accordance with the UPF requirements, this statement also contains an update of the Australian Government's Loan Council Allocation.

AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

Table 8: Australian Government general government sector operating statement

		2008-09 Estimate at 2009-10 Budget \$m	Month of June 2009(e) \$m	2008-09 Outcome \$m
	Note			
Revenue				
Taxation revenue	3	275,751	21,326	278,653
Sales of goods and services	4	6,373	692	6,406
Interest income	5	5,454	396	5,124
Dividend income	5	3,194	284	3,474
Other	6	5,166	305	5,275
Total revenue		295,939	23,004	298,933
Expenses				
Gross operating expenses				
Wages and salaries(a)	7	15,691	1,022	15,142
Superannuation	7	2,945	493	2,902
Depreciation and amortisation	8	5,520	575	5,695
Payment for supply of goods and services	9	57,925	7,059	57,621
Other operating expenses(a)	7	4,694	711	4,999
Total gross operating expenses		86,774	9,861	86,359
Superannuation interest expense	7	6,432	944	6,715
Interest expenses	10	5,358	863	5,560
Current transfers				
Current grants	11	94,804	11,901	93,238
Subsidy expenses		8,088	732	8,200
Personal benefits	12	111,556	11,645	111,611
Total current transfers		214,448	24,277	213,049
Capital transfers	11			
Mutually agreed write-downs		1,717	514	1,861
Other capital grants		9,712	2,191	11,026
Total capital transfers		11,430	2,705	12,886
Total expenses		324,443	38,649	324,569
Net operating balance		-28,504	-15,645	-25,636
Other economic flows				
Revaluation of equity(b)		-8,490	9,066	1,786
Net write-downs of assets (including bad and doubtful debts)		-4,089	-3,669	-7,780
Assets recognised for the first time		316	175	813
Actuarial revaluations		-1,866	-19,257	-19,257
Net foreign exchange gains		-143	-1,543	-1,122
Net swap interest received		-25	8	-26
Market valuation of debt		-3,245	930	-232
Other economic revaluations(c)		-112	-2,015	10
Total other economic flows		-17,653	-16,307	-25,808
Comprehensive result - Total change in net worth	13	-46,157	-31,952	-51,444
Net operating balance		-28,504	-15,645	-25,636
less Net acquisition of non-financial assets				
Purchases of non-financial assets		9,910	2,398	9,541
less Sales of non-financial assets		516	22	289
less Depreciation		5,520	575	5,695
plus Change in inventories		417	171	600
plus Other movements in non-financial assets		56	-250	-93
Total net acquisition of non-financial assets		4,347	1,721	4,064
Fiscal balance (Net lending/borrowing)(d)		-32,851	-17,366	-29,700

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

(b) Revaluations of equity reflects changes in the market valuation of investments. This line also reflects any equity revaluations at the point of disposal or sale.

(c) Largely reflects other revaluation of assets and liabilities.

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

(e) The month of June is derived by deducting May year to date published data from the annual outcome. Statistically, June movements in some series relate to earlier published months that are not reissued, this can result in negative movements.

Table 9: Australian Government general government sector balance sheet

		2008-09 Estimate at 2009-10 Budget	2008-09 Outcome
	Note	\$m	\$m
Assets			
Financial assets			
Cash and deposits	20(a)	1,538	1,654
Advances paid	14	21,948	21,807
Investments, loans and placements	15	102,506	107,127
Other receivables	14	32,708	34,440
Equity investments			
Investments in other public sector entities		18,870	25,949
Equity accounted investments		224	261
Investments - shares		22,856	23,397
<i>Total financial assets</i>		<i>200,650</i>	<i>214,633</i>
Non-financial assets	16		
Land		7,994	8,398
Buildings		18,967	19,417
Plant, equipment and infrastructure		44,465	44,368
Inventories		6,523	6,226
Intangibles		3,101	3,050
Investment property		168	167
Biological assets		29	31
Heritage and cultural assets		8,286	9,029
Assets held for sale		552	130
Other non-financial assets		3,003	2,705
<i>Total non-financial assets</i>		<i>93,088</i>	<i>93,521</i>
Total assets		293,738	308,155
Liabilities			
Interest bearing liabilities			
Deposits held		339	230
Government securities		111,867	107,290
Loans	17	8,170	6,026
Other borrowing		919	893
<i>Total interest bearing liabilities</i>		<i>121,296</i>	<i>114,440</i>
Provisions and payables			
Superannuation liability	18	118,401	124,562
Other employee liabilities	18	9,419	9,539
Suppliers payable	19	3,658	5,536
Personal benefits payable	19	14,222	13,887
Subsidies payable	19	1,586	1,648
Grants payable	19	6,746	6,968
Other provisions and payables	19	7,653	11,855
<i>Total provisions and payables</i>		<i>161,686</i>	<i>173,994</i>
Total liabilities		282,981	288,434
Net worth(a)		10,756	19,721
<i>Net financial worth(b)</i>		<i>-82,331</i>	<i>-73,800</i>
<i>Net financial liabilities(c)</i>		<i>101,201</i>	<i>99,749</i>
<i>Net debt(d)(e)</i>		<i>-4,697</i>	<i>-16,148</i>

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

(b) Net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets.

(c) Net financial liabilities equals total liabilities less financial assets other than investments in other public sector entities.

(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.

(e) Net debt includes the impact of the Future Fund rebalancing its portfolio allocation by increasing its holding of equities, which are not included in the calculation of net debt.

Table 10: Australian Government general government sector cash flow statement^(a)

	2008-09 Estimate at 2009-10 Budget \$m	Month of June 2009(d) \$m	2008-09 Outcome \$m
Cash receipts from operating activities			
Taxes received	269,377	23,427	272,627
Receipts from sales of goods and services	6,356	252	6,110
Interest receipts	5,014	919	5,166
Dividends and income tax equivalents	3,152	266	3,398
Other receipts	5,328	-222	4,970
Total operating receipts	289,228	24,641	292,271
Cash payments for operating activities			
Payments for employees	-21,412	-1,924	-21,110
Payments for goods and services	-56,813	-7,569	-56,148
Grants and subsidies paid	-111,812	-13,854	-110,464
Interest paid	-4,078	-518	-3,970
Personal benefit payments	-110,393	-7,610	-110,811
Other payments	-3,810	2,690	-3,797
Total operating payments	-308,319	-28,786	-306,301
Net cash flows from operating activities	-19,090	-4,144	-14,029
Cash flows from investments in non-financial assets			
Sales of non-financial assets	555	22	328
Purchases of non-financial assets	-9,469	-1,696	-9,180
Net cash flows from investments in non-financial assets	-8,914	-1,675	-8,851
Net cash flows from investments in financial assets for policy purposes	-7,428	-1,054	-7,889
Cash flows from investments in financial assets for liquidity purposes			
Increase in investments	-12,483	-2,125	-16,217
Net cash flows from investments in financial assets for liquidity purposes	-12,483	-2,125	-16,217
Cash receipts from financing activities			
Borrowing	48,124	9,450	47,665
Other financing	1,127	-153	1,010
Total cash receipts from financing activities	49,250	9,297	48,675
Cash payments for financing activities			
Other financing	-1,836	-280	-1,844
Total cash payments for financing activities	-1,836	-280	-1,844
Net cash flows from financing activities	47,414	9,018	46,831
Net increase/(decrease) in cash held	-501	20	-156

Table 10: Australian Government general government sector cash flow statement (continued)^(a)

	2008-09 Estimate at 2009-10 Budget \$m	Month of June 2009(d) \$m	2008-09 Outcome \$m
Net cash flows from operating activities and investments in non-financial assets (Surplus+)/deficit(-)	-28,004	-5,819	-22,881
Finance leases and similar arrangements(b)	-507	2	-566
GFS cash surplus(+)/deficit(-)	-28,511	-5,817	-23,447
less Future Fund earnings	3,603	162	3,633
Equals underlying cash balance(c)	-32,114	-5,979	-27,079
plus Net cash flows from investments in financial assets for policy purposes	-7,428	-1,054	-7,889
plus Future Fund earnings	3,603	162	3,633
Equals headline cash balance	-35,939	-6,871	-31,336

(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.

(c) The term underlying cash balance is not used by the ABS.

(d) The month of June is derived by deducting May year-to-date published data from the annual outcome. Statistically, June movements in some series relate to earlier published months that are not reissued, this can result in negative movements.

Table 11: Australian Government public non-financial corporations sector operating statement

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Revenue		
Current grants and subsidies	22	98
Sales of goods and services	6,990	6,832
Interest income	51	59
Other	1	9
Total revenue	7,064	6,998
Expenses		
Gross operating expenses		
Wages and salaries(a)	3,064	2,953
Superannuation	83	119
Depreciation	353	81
Other operating expenses(a)	2,970	3,134
<i>Total gross operating expenses</i>	<i>6,470</i>	<i>6,287</i>
Interest expenses	47	131
Other property expenses	467	470
Current transfers		
Tax expenses	254	688
<i>Total current transfers</i>	<i>254</i>	<i>688</i>
Total expenses	7,238	7,576
Net operating balance	-173	-578
Other economic flows	18	-991
Comprehensive result - Total change in net worth	-155	-1,569
less Net acquisition of non-financial assets		
Purchases of non-financial assets	1,522	1,335
<i>less Sales of non-financial assets</i>	<i>82</i>	<i>77</i>
<i>less Depreciation</i>	<i>353</i>	<i>350</i>
<i>plus Change in inventories</i>	<i>5</i>	<i>0</i>
<i>plus Other movements in non-financial assets</i>	<i>24</i>	<i>9</i>
Total net acquisition of non-financial assets	1,115	917
Fiscal balance (Net lending/borrowing)(b)	-1,288	-1,495

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

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

Table 12: Australian Government public non-financial corporations sector balance sheet

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Assets		
Financial assets		
Cash and deposits	705	933
Investments, loans and placements	1,137	521
Other receivables	819	934
Equity investments	323	310
<i>Total financial assets</i>	<i>2,984</i>	<i>2,698</i>
Non-financial assets		
Land and fixed assets	5,891	5,874
Other non-financial assets(a)	511	0
<i>Total non-financial assets</i>	<i>6,402</i>	<i>5,874</i>
Total assets	9,386	8,573
Liabilities		
Interest bearing liabilities		
Borrowing	734	978
<i>Total interest bearing liabilities</i>	<i>734</i>	<i>978</i>
Provisions and payables		
Other employee entitlements	1,140	1,220
Other provisions(a)	725	633
Account payables	979	803
<i>Total provisions and payables</i>	<i>2,844</i>	<i>2,655</i>
Total liabilities	3,578	3,633
Shares and other contributed capital	5,808	4,939
Net worth(b)	5,808	4,939
<i>Net financial worth(c)</i>	<i>-594</i>	<i>-935</i>
<i>Net debt(d)</i>	<i>-1,108</i>	<i>-476</i>

(a) Excludes the impact of commercial taxation adjustments.

(b) Under AASB1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital.

(c) Under AASB1049, net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets. Under ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital.

(d) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 13: Australian Government public non-financial corporations sector cash flow statement^(a)

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Cash receipts from operating activities		
Receipts from sales of goods and services	7,632	7,423
Grants and subsidies received	0	156
GST input credit receipts	291	282
Other receipts	73	74
Total operating receipts	7,995	7,934
Cash payments for operating activities		
Payment for goods and services	-3,366	-3,131
Interest paid	-46	-137
Payments to employees	-2,851	-2,649
GST payments to taxation authority	-506	-510
Other payments for operating activities	-372	-705
Total operating payments	-7,141	-7,132
Net cash flows from operating activities	854	802
Cash flows from investments in non-financial assets		
Sales of non-financial assets	83	53
Purchases of non-financial assets	-1,545	-1,346
Net cash flows from investments in non-financial assets	-1,462	-1,293
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	479	79
Net cash flows from investments in financial assets for liquidity purposes	479	79
Cash receipts from financing activities		
Borrowing	15	258
Other financing	156	422
Total cash receipts from financing activities	170	680
Cash payments for financing activities		
Other financing	-478	-482
Total cash payments for financing activities	-478	-482
Net cash flows from financing activities	-308	198
Net increase/(decrease) in cash held	-436	-214
Cash at the beginning of the year(b)	1,142	1,147
Cash at the end of the year	705	933
Net cash from operating activities and investments in non-financial assets	-608	-491
Dividends paid	-478	-482
Equals surplus(+)/deficit(-)	-1,086	-973
Finance leases and similar arrangements(c)	0	0
GFS cash surplus(+)/deficit(-)	-1,086	-973

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

(b) Previous year opening cash has changed since Budget.

(c) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

Table 14: Australian Government total non-financial public sector operating statement

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Revenue		
Taxation revenue	275,497	277,966
Sales of goods and services	12,708	12,296
Interest income	5,506	4,917
Dividend income	2,728	3,004
Other	5,167	5,550
Total revenue	301,605	303,733
Expenses		
Gross operating expenses		
Wages and salaries(a)	18,755	18,094
Superannuation	3,029	3,021
Depreciation	5,872	5,777
Payment for supply of goods and services	60,239	56,948
Other operating expenses(a)	4,694	7,865
<i>Total gross operating expenses</i>	<i>92,588</i>	<i>91,704</i>
Superannuation interest expense	6,432	6,715
Other interest expenses	5,405	5,691
Current transfers		
Grant expenses	94,804	93,161
Subsidy expenses	8,066	8,179
Personal benefit payments	111,556	111,611
<i>Total current transfers</i>	<i>214,426</i>	<i>212,951</i>
Capital transfers	11,430	12,886
Total expenses	330,282	329,948
Net operating balance	-28,677	-26,214
Other economic flows	-17,635	-25,230
Comprehensive result - Total change in net worth	-46,312	-51,444
less Net acquisition of non-financial assets		
Purchases of non-financial assets	11,431	10,876
less Sales of non-financial assets	599	365
less Depreciation	5,872	6,045
plus Change in inventories	422	600
plus Other movements in non-financial assets	80	-85
Total net acquisition of non-financial assets	5,462	4,981
Fiscal balance (Net lending/borrowing)(b)	-34,139	-31,195

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

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

Table 15: Australian Government total non-financial public sector balance sheet

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Assets		
Financial assets		
Cash and deposits	2,244	2,587
Advances paid	21,948	21,807
Investments, loans and placements	103,643	107,648
Other receivables	33,482	35,354
Equity investments	36,464	44,976
<i>Total financial assets</i>	<i>197,781</i>	<i>212,372</i>
Non-financial assets		
Land and fixed assets	92,126	93,313
Other non-financial assets	7,364	6,083
<i>Total non-financial assets</i>	<i>99,490</i>	<i>99,396</i>
Total assets	297,271	311,767
Liabilities		
Interest bearing liabilities		
Deposits held	339	230
Government securities	111,867	107,290
Loans	8,170	6,026
Other borrowing	1,653	1,872
<i>Total interest bearing liabilities</i>	<i>122,030</i>	<i>115,418</i>
Provisions and payables		
Unfunded superannuation liability	118,401	124,562
Other employee entitlements	10,559	10,758
Other provisions	8,378	12,488
Other	27,147	28,821
<i>Total provisions and payables</i>	<i>164,485</i>	<i>176,629</i>
Total liabilities	286,514	292,047
Shares and other contributed capital	5,808	4,939
Net worth(a)	10,756	19,721
<i>Net financial worth(b)</i>	<i>-88,734</i>	<i>-79,675</i>
<i>Net debt(c)</i>	<i>-5,805</i>	<i>-16,624</i>

(a) Under AASB1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital.

(b) Under AASB1049, net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets. Under ABS GFS, net financial worth equals total financial assets minus total liabilities, minus shares and other contributed capital.

(c) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 16: Australian Government total non-financial public sector cash flow statement^(a)

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Cash receipts from operating activities		
Taxes received	269,122	271,987
Receipts from sales of goods and services	12,738	11,927
Interest receipts	5,064	5,231
Dividends	2,687	2,916
Other receipts	5,338	4,978
Total operating receipts	294,949	297,040
Cash payments for operating activities		
Payments for goods and services	-59,143	-57,902
Grants and subsidies paid	-111,812	-110,308
Interest paid	-4,125	-4,108
Personal benefit payments	-110,393	-110,811
Payments to employees	-24,264	-23,759
Other payments for operating activities	-3,926	-3,862
Total operating payments	-313,663	-310,749
Net cash flows from operating activities	-18,714	-13,709
Cash flows from investments in non-financial assets		
Sales of non-financial assets	638	381
Purchases of non-financial assets	-11,014	-10,526
Net cash flows from investments in non-financial assets	-10,376	-10,145
Net cash flows from investments in financial assets		
for policy purposes	-7,428	-7,889
Cash flows from investments in financial assets		
for liquidity purposes		
Increase in investments	-12,004	-16,138
Net cash flows from investments in financial assets		
for liquidity purposes	-12,004	-16,138
Cash receipts from financing activities		
Borrowing	48,139	47,923
Total cash receipts from financing activities	48,139	47,923
Cash payments for financing activities		
Other financing	-554	-412
Total cash payments for financing activities	-554	-412
Net cash flows from financing activities	47,584	47,511
Net increase/(decrease) in cash held	-937	-370
Cash at the beginning of the year(b)	3,181	2,957
Cash at the end of the year	2,244	2,587
Net cash from operating activities and investments		
in non-financial assets	-29,090	-23,853
Distributions paid	0	0
Equals surplus(+)/deficit(-)	-29,090	-23,853
Finance leases and similar arrangements(c)	-507	-566
GFS cash surplus(+)/deficit(-)	-29,597	-24,419

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

(b) Previous year opening cash has changed since Budget.

(c) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decrease the deficit.

Table 17: Australian Government public financial corporations sector operating statement

	2008-09 Outcome \$m
Revenue	
Current grants and subsidies	90
Sales of goods and services	4,109
Interest income	4,659
Other	84
Total revenue	8,943
Expenses	
Gross operating expenses	
Wages and salaries(a)	492
Superannuation	15
Depreciation	52
Other operating expenses(a)	3,685
<i>Total gross operating expenses</i>	<i>4,244</i>
Interest expenses	2,128
Other property expenses	1,414
Current transfers	
Tax expenses	11
<i>Total current transfers</i>	<i>11</i>
Total expenses	7,797
Net operating balance	1,146
Other economic flows	6,865
Comprehensive result - Total change in net worth	8,011
Net operating balance	1,146
less Net acquisition of non-financial assets	
Purchases of non-financial assets	65
<i>less Sales of non-financial assets</i>	<i>2</i>
<i>less Depreciation</i>	<i>54</i>
<i>plus Change in inventories</i>	<i>6</i>
<i>plus Other movements in non-financial assets</i>	<i>39</i>
Total net acquisition of non-financial assets	54
Fiscal balance (Net lending/borrowing)(b)	1,092

(a) Consistent with ABS GFS classification, other employee related expenses are reported under other operating expenses. Total employee expenses equal wages and salaries plus other operating expenses.

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

Table 18: Australian Government public financial corporations sector balance sheet

	2008-09 Outcome \$m
Assets	
Financial assets	
Cash and deposits	1,769
Investments, loans and placements	105,699
Other receivables	442
Equity investments	521
<i>Total financial assets</i>	<i>108,430</i>
Non-financial assets	
Land and other fixed assets	792
Other non-financial assets(a)	47
<i>Total non-financial assets</i>	<i>839</i>
Total assets	109,269
Liabilities	
Interest bearing liabilities	
Deposits held	82,242
Borrowing	4,191
<i>Total interest bearing liabilities</i>	<i>86,433</i>
Provisions and payables	
Other employee entitlements	841
Other provisions(a)	1,026
Payables	212
<i>Total provisions and payables</i>	<i>2,079</i>
Total liabilities	88,512
Shares and other contributed capital	20,756
Net worth(b)	20,756
<i>Net financial worth(c)</i>	<i>19,917</i>
<i>Net debt(d)</i>	<i>-21,034</i>

(a) Excludes the impact of commercial taxation adjustments.

(b) Under AASB1049, net worth is calculated as total assets minus total liabilities. Under ABS GFS, net worth is calculated as total assets minus total liabilities minus shares and other contributed capital.

(c) Under AASB1049, net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets. Under ABS GFS, net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital.

(d) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table 19: Australian Government public financial corporations sector cash flow statement^(a)

	2008-09 Outcome \$m
Cash receipts from operating activities	
Receipts from sales of goods and services	4,101
Grants and subsidies received	90
GST input credit receipts	27
Interest receipts	4,336
Other receipts	104
Total operating receipts	8,659
Cash payments for operating activities	
Payment for goods and services	-3,744
Interest paid	-2,037
Payments to employees	-409
GST payments to taxation authority	-8
Other payments for operating activities	-25
Total operating payments	-6,223
Net cash flows from operating activities	2,435
Cash flows from investments in non-financial assets	
Sales of non-financial assets	2
Purchases of non-financial assets	-103
Net cash flows from investments in non-financial assets	-101
Net cash flows from investments in financial assets for policy purposes	0
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	-2,624
Net cash flows from investments in financial assets for liquidity purposes	-2,624
Net cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	57
Deposits received (net)	-4,542
Dividends paid	-1,414
Other financing (net)	6,089
Net cash flows from financing activities	190
Net increase/(decrease) in cash held	-99
Cash at the beginning of the year	1,868
Cash at the end of the year	1,769
Net cash from operating activities and investments in non-financial assets	2,334
Dividends paid	-1,414
Equals surplus(+)/deficit(-)	921
Finance leases and similar arrangements(b)	0
GFS cash surplus(+)/deficit(-)	921

(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 surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

Table 20: Australian Government general government sector purchase of non-financial assets by function

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
General public services	844	1,030
Defence	6,412	6,407
Public order and safety	599	312
Education	32	20
Health	99	86
Social security and welfare	356	348
Housing and community amenities	171	233
Recreation and culture	386	247
Fuel and energy	15	14
Agriculture, forestry and fishing	598	447
Mining, manufacturing and construction	34	17
Transport and communications	68	51
Other economic affairs	337	322
Other purposes	-40	6
Total Government purchases of non-financial assets	9,910	9,541

Notes to the general government sector financial statements

Note 1: External reporting standards and accounting policies

The *Charter of Budget Honesty Act 1998* (the Charter) requires that the final budget outcome be based on external reporting standards and that departures from applicable external reporting standards be identified.

The major external standards used for final budget outcome reporting purposes are:

- the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) publication, *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0), which in turn is based on the International Monetary Fund (IMF) accrual GFS framework; and
- Australian Accounting Standards (AAS), being AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) and other applicable Australian Equivalents to International Financial Reporting Standards (AEIFRS).

As required by the Charter, the financial statements have been prepared on an accrual basis that complies with both ABS GFS and AAS except for departures disclosed at Note 2.

A more detailed description of the AAS and ABS GFS frameworks, in addition to definitions of key terms used in these frameworks, can be found in Attachment A. Table 22 in Attachment A explains the major differences between the two frameworks. Detailed accounting policies, as required by AAS, are disclosed in the annual consolidated financial statements.

Budget reporting focuses on the general government sector (GGS). The GGS provides public services that are mainly non-market in nature and for the collective consumption of the community, or involve the transfer or redistribution of income. These services are largely financed through taxes and other compulsory levies, user charging and external funding. This sector comprises all government departments, offices and some other bodies. In preparing financial statements for the GGS, all material transactions and balances between entities within the GGS have been eliminated. A list of entities within the GGS, as well as entities within and a description of the public non-financial corporations (PNFC) sector and public financial corporations (PFC) sectors, are disclosed in Table 21 in Attachment A. The statements for the GGS are derived from audit-cleared financial statements for the material agencies, with the exception of the Australian Security Intelligence Organisation.

The Government's key fiscal aggregates are based on ABS GFS concepts and definitions, including the ABS GFS cash surplus/deficit and the derivation of the underlying cash balance and net financial worth. AASB 1049 requires the disclosure of other ABS GFS fiscal aggregates, including net operating balance, net

lending/borrowing (fiscal balance), and net worth. In addition to the ABS GFS aggregates, the Uniform Presentation Framework (UPF) requires net debt and net financial liabilities.

Note 2: Departures from external reporting standards

The Charter requires that departures from applicable external reporting standards be identified. The final budget outcome financial statements depart from the external reporting standards as follows.

General government sector

Departures from ABS GFS

ABS GFS requires that provisions for bad and doubtful debts be excluded from the balance sheet. This treatment has not been adopted in the financial statements or in any reconciliation notes because excluding such provisions would overstate the value of Australian Government assets in the balance sheet. The financial statements currently adopt the AAS treatment for provisions for bad and doubtful debts.

ABS GFS treats coins on issue as a liability and no revenue is recognised. The ABS GFS treatment of circulating coins as a liability has not been adopted in the financial statements or in any reconciliation notes. Instead, the financial statements adopt the AAS treatment for circulating coins. Under this treatment seigniorage revenue is recognised upon the issue of coins and no liability is recorded.

Under ABS GFS, prepayments are classified as financial assets. In accordance with AAS, prepayments have been classified as non-financial assets in the financial statements. This is a classification difference that impacts on net financial worth.

ABS GFS currently requires Special Drawing Rights (SDRs) liabilities to be recorded as a contingent liability. The treatment of SDRs as a contingent liability has not been adopted in the financial statements or any reconciliation notes. The financial statements currently record SDRs as a liability. This is consistent with AAS, and also represents an early adoption of the proposed revisions to ABS GFS from the September Quarter 2009 in line with revised international standards (see ABS cat. no. 5310.0.55.001 *Information Paper: Introduction of revised international standards in ABS economic statistics in 2009*).

Currently, ABS GFS requires defence weapons platforms to be expensed. The financial statements currently record defence weapons platforms as a capital investment. This is consistent with AAS, and also represents an early adoption of the proposed revisions to ABS GFS from the September Quarter 2009 in line with revised international standards (see ABS cat. no. 5310.0.55.001 *Information Paper: Introduction of revised international standards in ABS economic statistics in 2009*).

Under ABS GFS, concessional loans are recognised at their nominal value, that is, they are not discounted to fair (market) value as there is not considered to be a secondary market. The ABS GFS treatment of loans has not been adopted for the final budget outcome financial statements. Consistent with AAS, loans issued at below market interest rates or long repayment periods are recorded at fair value (by discounting them by market interest rates). The difference between the nominal value and the fair value of the loan is recorded as an expense. Over the life of the loan the interest earned is recognised at market rates.

Departures from AASB 1049

AASB 1049 is mandatory for reporting periods beginning on or after 1 July 2008. The final budget outcome financial statements have been presented on a basis consistent with the 2009-10 Budget. The following departures were made in the 2009-10 Budget and are required to be disclosed under the Charter.

AAS requires the advances paid to the International Development Association (IDA) and Asian Development Fund (ADF) to be recognised at fair value. Under ABS GFS these advances are recorded at nominal value. The ABS GFS treatment is adopted in the financial statements.

AASB 1049 requires the disclosure of the operating result and its derivation on the face of the operating statement. However, as this aggregate is not used by the Australian Government (and is not required by the UPF), it has been disclosed in Note 13 rather than on the face of the operating statement.

AASB 1049 requires disaggregated information, by ABS GFS function, for expenses and total assets to be disclosed where they are reliably attributable. ABS GFS does not require such information. In accordance with ABS GFS, disaggregated information for expenses and net acquisition of non-financial assets is disclosed in Part 1. In accordance with the UPF, purchases of non-financial assets by function are also disclosed.

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements with reconciliation to the ABS GFS measurement of items, where different, in notes to the financial statements. Reconciliation notes have not been included as they effectively create two measures of the same aggregate.

AASB 1049 requires major variances between original budget estimates and outcomes to be explained. Explanations of variances for the 2008-09 year from the 2008-09 Budget to the Mid-Year Economic and Fiscal Outlook (MYEFO) are disclosed in Part 4 of the *Mid-Year Economic and Fiscal Outlook 2008-09*. Explanations of variances for the 2008-09 year from MYEFO to the Updated Economic and Fiscal Outlook (UEFO) are disclosed in Part 4 of the *Updated Economic and Fiscal Outlook*. Explanations of variances for the 2008-09 year from UEFO to the 2009-10 Budget are disclosed in Statement 3 of 2009-10 Budget Paper No. 1, *Budget Strategy and Outlook*. Explanations of

variances from the 2009-10 Budget to the *Final Budget Outcome 2008-09* are disclosed in Part 1.

All decisions taken between the original budget and MYEFO are disclosed in Appendix A of the *Mid-Year Economic and Fiscal Outlook 2008-09*. Decisions taken from MYEFO to UEFO are disclosed in Appendix A of the *Updated Economic and Fiscal Outlook*. Decisions taken from UEFO to the 2009-10 Budget are disclosed in 2009-10 Budget Paper No. 2, *Budget Measures*. In addition, 2009-10 Budget Paper No. 1, *Budget Strategy and Outlook* contains detailed discussion on the estimates of revenue (Statement 5), expenses (Statement 6) and assets and liabilities (Statement 7).

AASB 1049 also requires the Final Budget Outcome (FBO) and consolidated financial statements (CFS) to be released at the same time. The Charter requires the FBO to be released before the end of three months after the end of the financial year, whereas the CFS is not released until it is audit-cleared, generally around November each year.

Public non-financial corporations (PNFC), public financial corporations (PFC) and total non-financial public sectors (NFPS)

AASB 1049 defines net worth for the PNFC, PFC and NFPS sectors as total assets less total liabilities; however ABS GFS defines net worth as total assets less total liabilities less shares and contributed capital (which is equal to zero for the PNFC and PFC sectors). The net financial worth of these sectors will also be different under AASB 1049 to ABS GFS, where it equals financial assets less total liabilities less shares and contributed capital. The AASB 1049 treatment has been adopted in the PNFC, PFC and NFPS sector financial statements.

The financial statements for the PNFC, PFC and NFPS sectors comply with the UPF but do not include all the line item disclosures required by AASB 1049. Disaggregated outcome notes for the PFC and PNFC sectors will be disclosed in the consolidated financial statements.

Note 3: Taxation revenue by type

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Individuals and other withholding taxes		
Gross income tax withholding	117,680	117,086
Gross other individuals	31,210	32,260
less: Refunds	23,200	23,569
Total individuals and other withholding taxation	125,690	125,777
Fringe benefits tax	3,470	3,581
Superannuation funds	9,160	9,227
Company tax	57,950	60,705
Petroleum resource rent tax	1,600	2,099
Income taxation revenue	197,870	201,389
Sales taxes		
Goods and services tax	43,130	42,626
Wine equalisation tax	700	707
Luxury car tax	390	384
Other sales taxes	0	-1
Total sales taxes	44,220	43,716
Excise duty		
Petrol	6,610	6,461
Diesel	6,660	6,687
Beer	2,010	1,974
Tobacco	5,620	5,654
Other excisable products	3,620	3,543
Of which: Other excisable beverages(a)	870	862
Total excise duty revenue	24,520	24,319
Customs duty		
Textiles, clothing and footwear	1,140	1,120
Passenger motor vehicles	1,180	1,135
Excise-like goods	2,760	2,775
Other imports	1,600	1,517
less: Refunds and drawbacks	240	272
Total customs duty revenue	6,440	6,276
Other indirect taxation		
Agricultural levies	558	620
Other taxes	2,143	2,334
Total other indirect taxation revenue	2,701	2,954
Mirror taxes	397	404
less: Transfers to States in relation to mirror tax revenue	397	404
Mirror tax revenue	0	0
Indirect taxation revenue	77,881	77,264
Taxation revenue	275,751	278,653
<i>Memorandum:</i>		
Medicare levy revenue	8,560	8,294

(a) Other excisable beverages are those not exceeding 10 per cent by volume of alcohol.

Note 3(a): Taxation revenue by source

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Taxes on income, profits and capital gains		
Income and capital gains levied on individuals	129,180	129,384
Income and capital gains levied on enterprises	68,690	72,005
Total taxes on income, profits and capital gains	197,870	201,389
Taxes on employers' payroll and labour force	340	377
Taxes on the provision of goods and services		
Sales/goods and services tax	44,220	43,716
Excises and levies	25,240	25,100
Taxes on international trade	6,440	6,276
Total taxes on the provision of goods and services	75,900	75,091
Taxes on use of goods and performance of activities	1,640	1,796
Total taxation revenue	275,751	278,653
<i>Memorandum:</i>		
Medicare levy revenue	8,560	8,294

Note 4: Sales of goods and services revenue

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Sales of goods	1,293	1,074
Rendering of services	3,147	3,720
Operating lease rental	17	83
Other fees from regulatory services	1,917	1,529
Total sales of goods and services revenue	6,373	6,406

Note 5: Interest and dividend income

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Interest from other governments		
State and Territory debt	15	18
Housing agreements	179	162
Total interest from other governments	194	180
Interest from other sources		
Advances	30	31
Deposits	104	130
Bills receivable	5	135
Bank deposits	237	341
Indexation of HELP receivable and other student loans	287	267
Other	4,596	4,041
Total interest from other sources	5,260	4,944
Total interest	5,454	5,124
Dividends		
Dividends from other public sector entities	1,408	1,925
Other dividends	1,786	1,549
Total dividends	3,195	3,474
Total interest and dividend income	8,649	8,599

Note 6: Other sources of non-taxation revenue

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Industry contributions	88	97
Royalties	1,912	1,596
Seigniorage	105	116
Other	3,061	3,465
Total other sources of non-taxation revenue	5,166	5,275

Note 7: Employee and superannuation expense

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Wages and salaries expenses	15,691	15,142
Other operating expenses		
Leave and other entitlements	2,088	2,449
Separations and redundancies	79	144
Workers compensation premiums and claims	503	584
Other	2,024	1,822
Total other operating expenses	4,694	4,999
Superannuation expenses		
Superannuation	2,945	2,902
Superannuation interest cost	6,432	6,715
Total superannuation expenses	9,378	9,617
Total employee and superannuation expense	29,762	29,758

Note 8: Depreciation and amortisation expense

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Depreciation		
Specialist military equipment	2,738	2,868
Buildings	1,017	1,012
Other infrastructure, plant and equipment	1,217	1,189
Heritage and cultural assets	44	41
Total depreciation	5,016	5,110
Total amortisation	504	585
Total depreciation and amortisation expense	5,520	5,695

Note 9: Payment for supply of goods and services

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Supply of goods and services	18,886	18,248
Operating lease rental expenses	2,280	2,702
Personal benefits - indirect	30,359	29,551
Health care payments	4,758	4,779
Other	1,642	2,340
Total payment for supply of goods and services	57,925	57,621

Note 10: Interest expense

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Interest on debt		
Government securities	3,938	3,946
Loans	6	7
Other	90	320
Total interest on debt	4,034	4,273
Other financing costs	1,324	1,287
Total interest expense	5,358	5,560

Note 11: Current and capital grants expense

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Current grants expense		
State and Territory governments(a)	74,061	73,108
Local governments(a)	573	46
Private sector	1,957	2,136
Overseas	3,246	3,143
Non-profit organisations	1,738	5,411
Multi-jurisdictional sector	6,566	6,683
Other	6,663	2,711
Total current grants expense	94,804	93,238
Capital grants expense		
Mutually agreed write-downs	1,717	1,861
Other capital grants		
State and Territory governments(a)	8,857	9,840
Local governments(a)	492	1,013
Multi-jurisdictional sector	85	68
Other	278	105
Total capital grants expense	11,430	12,886
Total grants expense	106,234	106,124

(a) Includes reallocation of grants between current and capital since 2009-10 Budget.

Note 12: Personal benefits expense

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Social welfare - assistance to the aged	30,743	30,785
Assistance to veterans and dependants	6,490	6,258
Assistance to people with disabilities	15,576	15,528
Assistance to families with children	36,866	35,895
Assistance to the unemployed	5,075	5,032
Student assistance	550	1,524
Common youth allowance	2,356	2,501
Other welfare programs	8,841	8,904
Financial and fiscal affairs	218	43
Higher education	130	125
Vocational and industry training	152	1
Other	4,557	5,014
Total personal benefit expense	111,556	111,611

Note 13: Operating result and comprehensive result (total change in net worth)

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Opening net worth	71,165	71,165
Opening net worth adjustments(a)	-14,252	0
Adjusted opening net worth	56,913	71,165
Net operating balance	-28,504	-25,636
Other economic flows – Included in operating result		
Foreign exchange gains	0	15
Gains from sale of assets	874	1,093
Other gains	-13,235	-3,019
Swap interest revenue	866	991
Net write-down and impairment of assets and fair value losses	-4,089	-7,780
Foreign exchange losses	-143	-1,137
Losses from sale of assets	-11	-2,514
Swap interest expense	-890	-1,016
Total other economic flows	-16,628	-13,368
Operating result(b)	-45,132	-39,004
Other economic flows - other movements in equity(a)(c)	-1,025	-12,440
Comprehensive result	-46,157	-51,444

(a) Reflects an increase in the superannuation liability mainly due to a difference in the discount rate used.

(b) Operating result under AEIFRS accounting standards.

(c) Other economic flows not included in the AEIFRS accounting standards operating result.

Note 14: Advances paid and receivables

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Advances paid		
Loans to State and Territory governments	3,153	3,132
Higher Education Loan Program	11,196	11,463
Student Financial Supplement Scheme	857	811
Other	6,872	6,681
<i>less</i> Provision for doubtful debts	131	280
Total advances paid	21,948	21,807
Other receivables		
Goods and services receivable	835	1,193
Recoveries of benefit payments	2,633	2,677
Taxes receivable	18,748	17,513
Other	12,119	15,818
<i>less</i> Provision for doubtful debts	1,627	2,760
Total other receivables	32,708	34,440

Note 15: Investments, loans and placements

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Investments - deposits	32,427	37,827
IMF quota	7,192	6,183
Other	62,887	63,116
Total investments, loans and placements	102,506	107,127

Note 16: Total non-financial assets

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Land and buildings		
Land	7,994	8,398
Buildings	18,967	19,417
Total land and buildings	26,961	27,815
Plant, equipment and infrastructure		
Specialist military equipment	34,082	33,797
Other	10,384	10,571
Total plant, equipment and infrastructure	44,465	44,368
Inventories		
Inventories held for sale	729	696
Inventories not held for sale	5,794	5,530
Total inventories	6,523	6,226
Intangibles		
Computer software	2,382	2,480
Other	719	570
Total intangibles	3,101	3,050
Total investment properties	168	167
Total biological assets	29	31
Total heritage and cultural assets	8,286	9,029
Total assets held for sale	552	130
Other non-financial assets		
Prepayments	2,854	2,604
Other	148	101
Total other non-financial assets	3,003	2,705
Total non-financial assets	93,088	93,521

Note 17: Loans

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Promissory notes	5,075	3,896
Special drawing rights	1,046	899
Other	2,050	1,231
Total loans	8,170	6,026

Note 18: Employee and superannuation liabilities

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Total superannuation liability (a)	118,401	124,562
Other employee liabilities		
Leave and other entitlements	5,563	5,821
Accrued salaries and wages	393	243
Workers compensation claims	1,728	1,603
Separations and redundancies	78	69
Other	1,657	1,803
Total other employee liabilities	9,419	9,539
Total employee and superannuation liabilities	127,820	134,101

(a) Reflects the difference in the estimated and actual discount rate at 30 June.

Note 19: Provisions and payables

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Suppliers payable		
Trade creditors	3,491	3,346
Operating lease rental payable	141	125
Other creditors	26	2,065
Total suppliers payable	3,658	5,536
Total personal benefits payable	14,222	13,887
Total subsidies payable	1,586	1,648
Grants payable		
State and Territory governments	170	604
Non-profit organisations	18	115
Private sector	450	456
Overseas	613	745
Local governments	4	13
Other	5,490	5,035
Total grants payable	6,746	6,968
Other provisions and payables		
Provisions for tax refunds	2,033	1,770
Other	5,620	10,085
Total other provisions and payables	7,653	11,855

Note 20: Reconciliation of cash

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Net operating balance (revenues less expenses)	-28,504	-25,636
<i>less</i> Revenues not providing cash		
Other	617	620
Total revenues not providing cash	617	620
<i>plus</i> Expenses not requiring cash		
Increase/(decrease) in employee entitlements	4,499	4,650
Depreciation/amortisation expense	5,520	5,695
Mutually agreed write-downs	1,717	1,861
Other	569	830
Total expenses not requiring cash	12,305	13,036
<i>plus</i> Cash provided / (used) by working capital items		
Decrease / (increase) in inventories	-131	-478
Decrease / (increase) in receivables	-5,576	-8,543
Decrease / (increase) in other financial assets	330	629
Decrease / (increase) in other non-financial assets	504	1,044
Increase / (decrease) in benefits, subsidies and grants payable	2,503	2,894
Increase / (decrease) in suppliers' liabilities	133	636
Increase / (decrease) in other provisions and payables	-37	3,008
Net cash provided / (used) by working capital	-2,274	-809
<i>equals</i> (Net cash from/(to) operating activities)	-19,090	-14,029
<i>plus</i> (Net cash from/(to) investing activities)	-28,825	-32,958
Net cash from operating activities and investment	-47,915	-46,987
<i>plus</i> (Net cash from/(to) financing activities)	47,414	46,831
equals Net increase/(decrease) in cash held	-501	-156
Cash at the beginning of the year(a)	2,039	1,810
Net increase/(decrease) in cash	-501	-156
Cash at the end of the year	1,538	1,654

(a) Previous year opening cash has changed since Budget.

Note 20(a): Consolidated Revenue Fund

	2008-09 Estimate at 2009-10 Budget \$m	2008-09 Outcome \$m
Total general government sector cash	1,538	1,654
less CAC Agency cash balances	919	1,324
plus Special public monies	147	231
Balance of Consolidated Revenue Fund at 30 June	766	561

The cash balances reflected in the balance sheet for the Australian Government GGS (Table 9) include the reported cash balances controlled and administered by Australian Government agencies subject to the *Financial Management and Accountability Act 1997* and the reported cash balances controlled and administered by entities, subject to the *Commonwealth Authorities and Companies Act 1997* (CAC Act), that implement public policy through the provision of primarily non-market services.

Revenues or monies raised by the Executive Government automatically form part of the Consolidated Revenue Fund by force of section 81 of the Australian Constitution. For practical purposes, total Australian Government GGS cash, less cash controlled and administered by CAC Act entities, plus special public monies represents the Consolidated Revenue Fund referred to in section 81 of the Australian Constitution. On this basis, the balance of the Consolidated Revenue Fund is shown above.

Attachment A

FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The *Charter of Budget Honesty Act 1998* (the Charter) requires the final budget outcome (FBO) to be based on external reporting standards.

The Government has produced a single set of financial statements that comply with both ABS GFS and AAS, meeting the requirement of the Charter, with departures disclosed. The financial statements for the *Final Budget Outcome 2008-09* have been prepared on a basis consistent with the 2009-10 Budget. This enables comparison of the 2008-09 revised estimates published at the 2009-10 Budget and the outcome. The statements reflect the Government's accounting policy that ABS GFS remains the basis of budget accounting policy, except where the Government applies AAS because it provides a better conceptual basis for presenting information of relevance to users of public sector financial reports.

AASB 1049 and the Accrual Uniform Presentation Framework (UPF) also provide a basis for reporting of public non-financial corporations (PNFC) and public financial corporations (PFC) sectors and the total non-financial public sector (NFPS).

General Government Sector Financial Reporting (AASB 1049)

The final budget outcome primarily focuses on the financial performance and position of the GGS. The ABS defines the GGS as providing public services which are mainly non-market in nature, mainly for the collective consumption of the community, involving the transfer or redistribution of income and financed mainly through taxes and other compulsory levies. Pursuant to AAS, the GGS has recently been recognised as a reporting entity.

AASB 1049 history and conceptual framework

The AASB released AASB 1049 for application from the 2008-09 financial year. AASB 1049 attempts to 'harmonise' ABS GFS and AAS.

The reporting framework for AASB 1049 requires the preparation of accrual-based general purpose financial reports, showing government assets, liabilities, revenue, expenses and cash flows. GGS reporting under AASB 1049 aims to provide users with information about the stewardship of each government in relation to its GGS and accountability for the resources entrusted to it; information about the financial position, performance and cash flows of each government's GGS; and information that facilitates assessments of the macroeconomic impact. While AASB 1049 provides a basis for whole-of-government and GGS outcome reporting (including the PNFC and PFC sectors), budget reporting and budget outcome reporting focuses on the GGS.

There are three main general purpose statements that must be prepared in accordance with ABS GFS and AASB 1049. These are:

- an operating statement, including other economic flows, which shows net operating balance and net lending/borrowing (fiscal balance);
 - to allow the presentation of a single set of financial statements in accordance with AASB 1049 the ABS GFS statement of other economic flows has been incorporated into the operating statement;
- a balance sheet, which also shows net worth, net financial worth and net financial liabilities; and
- a cash flow statement, which includes the calculation of the underlying cash balance.

In addition to these general purpose statements, notes to the financial statements are required. These notes include a summary of accounting policies, disaggregated information and other disclosures required by AAS. A full set of notes and other disclosures required by AAS are included in the annual consolidated financial statements.

All financial data presented in the financial statements are recorded as either stocks (assets and liabilities) or flows (classified as either transactions or other economic flows). Transactions result from a mutually agreed interaction between economic entities. Despite their compulsory nature, taxes are transactions deemed to occur by mutual agreement between the government and the taxpayer. Transactions that increase or decrease net worth (assets less liabilities) are reported as revenues and expenses respectively in the operating statement.¹

A change to the value or volume of an asset or liability that does not result from a transaction is an other economic flow. This can include changes in values from market prices, most actuarial valuations, exchange rates and changes in volumes from discoveries, depletion and destruction. All other economic flows are reported in the operating statement.

Consistent with the ABS GFS framework, and in general AAS, the financial statements record flows in the period in which they occur. As a result, prior period outcomes may be revised for classification changes relating to information that could reasonably have been expected to be known in the past, is material in at least one of the affected periods and can be reliably assigned to the relevant period(s).

1 Not all transactions impact on net worth. For example, transactions in financial assets and liabilities do not impact on net worth as they represent the swapping of assets and liabilities on the balance sheet.

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.

Revenues arise from transactions that increase net worth and expenses arise from transactions that decrease net worth. Revenues less expenses gives the net operating balance. The net operating balance is similar to the National Accounts concept of government saving plus capital transfers.

The net acquisition of non-financial assets (net capital investment) measures the change in the Australian Government's stock of non-financial assets owing to transactions. As such, it measures the net effect of purchases, sales and consumption (for example, depreciation of fixed assets and use of inventory) of non-financial assets during an accounting period.

Net acquisition of non-financial assets equals gross fixed capital formation, less depreciation, plus changes (investment) in inventories, plus other transactions in non-financial assets.

Other economic flows are presented in the operating statement and outline changes in net worth that are driven by economic flows other than revenues and expenses. Revenues, expenses and other economic flows sum to the total change in net worth during a period. The majority of other economic flows for the Australian Government GGS arise from price movements in its assets and liabilities.

Fiscal balance

The fiscal balance (or net lending/borrowing) is the net operating balance less net capital investment. Thus, 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.²

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 Australian Government GGS to the balance on the current account in the balance of payments.

2 The net operating balance includes consumption of non-financial assets because depreciation is an expense. Depreciation also forms part of net capital investment, which (in the calculation of fiscal balance) offsets the inclusion of depreciation in the net operating balance.

Balance sheet

The balance sheet shows stocks of assets, liabilities and net worth. In accordance with the UPF, net debt, net financial worth and net financial liabilities are also reported in the balance sheet.

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.

Net financial worth

Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities. This differs from the ABS GFS definition of net financial worth for the PNFC and PFC sectors, defined as financial assets less liabilities less shares less other contributed capital. Net financial worth is a broader measure than net debt, in that it incorporates provisions made (such as superannuation) as well as holdings of equity. Net financial worth includes all classes of financial assets and all liabilities, only some of which are included in net debt. As non-financial assets are excluded from net financial worth, this is a narrower measure than net worth. However, it avoids the concerns inherent with the net worth measure relating to the valuation of non-financial assets and their availability to offset liabilities.

Net financial liabilities

Net financial liabilities comprises total liabilities less financial assets but excludes equity investments in the other sectors of the jurisdiction. Net financial liabilities is a more accurate indicator than net debt of a jurisdiction's fiscal position as it includes substantial non-debt liabilities such as accrued superannuation and long service leave entitlements. Excluding the net worth of other sectors of governments results in a purer measure of financial worth than net financial worth as, in general, the net worth of other sectors of government, in particular the PNFC sector, is backed up by physical assets.

Net debt

Net debt is the sum of selected financial liabilities (deposits held; advances received; government securities, loans, and other borrowings) less the sum of selected financial assets (cash and deposits; advances paid; and investments, loans and placements).³

3 Financial assets are defined as cash, an equity instrument of another entity, a contractual right to receive cash or financial asset, and a contract that will or may be settled in the entity's own equity instruments.

Net debt does not include superannuation related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

Cash flow statement

The cash flow statement identifies how cash is generated and applied in a single accounting period. The cash flow statement reflects a cash basis of recording (rather than an accrual basis) where information is derived indirectly from underlying accrual transactions and movements in balances. This, in effect, means that transactions are captured when cash is received or when cash payments are made. Cash transactions are specifically identified because cash management is considered an integral function of accrual budgeting.

Underlying cash balance

The underlying cash balance plus Future Fund earnings (ABS GFS cash surplus/deficit) is the cash counterpart of the fiscal balance, reflecting the Australian Government's cash investment-saving balance. This measure is conceptually equivalent under the current accrual framework and the previous cash framework. For the GGS, the underlying cash balance is calculated as shown below.

Net cash flows from operating activities
<i>plus</i>
Net cash flows from investments in non-financial assets
<i>less</i>
Net acquisitions of assets acquired under finance leases and similar arrangements ⁴
<i>equals</i>
ABS GFS cash surplus/deficit
<i>less</i>
Future Fund earnings
<i>equals</i>
Underlying cash balance

The Government is reporting the underlying cash balance net of Future Fund earnings from 2005-06 onwards because the earnings will be reinvested to meet future superannuation payments and are therefore not available for current spending. However, Future Fund earnings are included in the fiscal balance because

4 The underlying cash balance treats the acquisition and disposal of non-financial assets in the same manner regardless of whether they occur by purchase/sale or finance lease — acquisitions reduce the underlying cash balance and disposals increase the underlying cash balance. However, finance leases do not generate cash flows at the time of acquisition or disposal equivalent to the value of the asset. As such, net acquisitions of assets under finance leases are not shown in the body of the cash flow statement but are reported as a supplementary item for the calculation of the underlying cash balance.

superannuation expenses relating to future cash payments are recorded in the fiscal balance estimates.

Expected Future Fund earnings are separately identified in the Australian Government GGS cash flow statement in Table 10 of this statement and the historic tables in Appendix B.

Headline cash balance

The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes and Future Fund earnings to the underlying cash balance.

Cash flows from investments in financial assets for policy purposes include equity transactions and net advances.⁵ Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Net advances include net loans to the States, net loans to students under the Higher Education Loan Program (HELP), and contributions to international organisations that increase the Australian Government's financial assets.

Sectoral classifications

To assist in analysing the public sector, data are presented by institutional sector as shown in Figure 1. ABS GFS defines the GGS and the PNFC and PFC sectors. In accordance with the ABS GFS, AASB 1049 has also adopted this sectoral reporting.

5 Cash flows from investments in financial assets for policy purposes were called net advances under the cash budgeting framework.

Figure 1: Institutional structure of the public sector

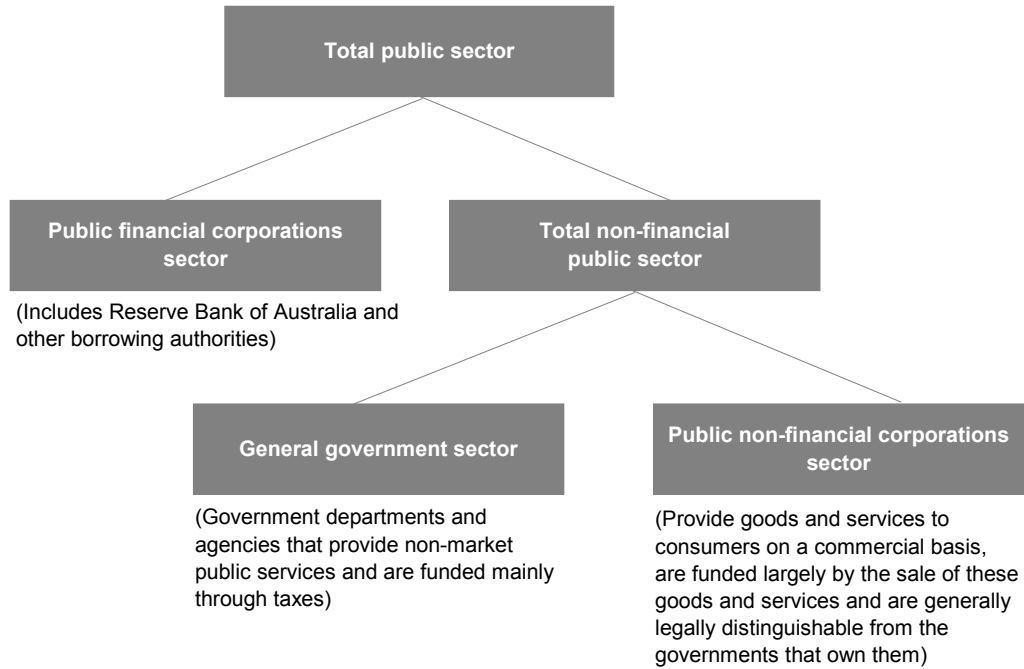


Table 21: Entities within the sectoral classifications

General government sector entities
Agriculture, Fisheries and Forestry Portfolio Australian Fisheries Management Authority, Australian Pesticides and Veterinary Medicines Authority, Australian Wine and Brandy Corporation, Biosecurity Australia, Cotton Research and Development Corporation, Dairy Adjustment Authority, Department of Agriculture, Fisheries and Forestry, Fisheries Research and Development Corporation, Grains Research and Development Corporation, Grape and Wine Research and Development Corporation, Land and Water Resources Research and Development Corporation, Rural Industries Research and Development Corporation, Sugar Research and Development Corporation, Wheat Exports Australia
Attorney-General's Portfolio Administrative Appeals Tribunal, Attorney General's Department, Australian Commission for Law Enforcement Integrity, Australian Crime Commission, Australian Customs and Border Protection Service, Australian Federal Police, Australian Human Rights Commission, Australian Institute of Criminology, Australian Law Reform Commission, Australian Security Intelligence Organisation, Australian Transaction Reports and Analysis Centre (AUSTRAC), Criminology Research Council, CrimTrac Agency, Family Court of Australia, Federal Court of Australia, Federal Magistrates Court of Australia, High Court of Australia, Insolvency and Trustee Service Australia, National Capital Authority, National Native Title Tribunal, Office of Parliamentary Counsel, Office of the Commonwealth Director of Public Prosecutions
Broadband, Communications and the Digital Economy Portfolio Australian Broadcasting Corporation, Australian Communications and Media Authority, Department of Broadband, Communications and the Digital Economy, Special Broadcasting Service Corporation
Defence Portfolio AAF Company, Army and Air Force Canteen Service, Australian Military Forces Relief Trust Fund, Australian Strategic Policy Institute Limited, Australian War Memorial, Defence Housing Australia, Defence Materiel Organisation, Department of Defence, Department of Veterans Affairs, RAAF Welfare Recreational Company, Royal Australian Air Force Veterans' Residences Trust Fund, Royal Australian Air Force Welfare Trust Fund, Royal Australian Navy Central Canteens Board, Royal Australian Navy Relief Trust Fund

Table 21: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Education, Employment and Workplace Relations Portfolio Australian Fair Pay Commission Secretariat, Australian Industrial Registry, Comcare, Department of Education, Employment and Workplace Relations, Office of the Australian Building and Construction Commissioner, Office of the Workplace Ombudsman, Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority), Teaching Australia – Australian Institute for Teaching and School Leadership Limited, Australian Learning and Teaching Council Limited, Workplace Authority
Environment, Water, Heritage and the Arts Portfolio Australia Business Arts Foundation Ltd, Australia Council, Australian Film, Television and Radio School, Australian National Maritime Museum, Bundanon Trust, Bureau of Meteorology, Department of Environment, Water, Heritage and the Arts, Director of National Parks, Great Barrier Reef Marine Park Authority, Murray Darling Basin Authority, National Film and Sound Archive, National Gallery of Australia, National Library of Australia, National Museum of Australia, National Water Commission, Screen Australia, Sydney Harbour Federation Trust
Family, Housing, Community Services and Indigenous Affairs Portfolio Aboriginal Hostels Limited, Anindilyakwa Land Council, Central Land Council, Department of Families, Housing, Community Services and Indigenous Affairs, Equal Opportunity for Women in the Workplace Agency, Indigenous Business Australia, Indigenous Land Corporation, Northern Land Council, Tiwi Land Council, Torres Strait Regional Authority, Wreck Bay Aboriginal Community Council
Finance and Deregulation Portfolio Australian Electoral Commission, Australian Reward Investment Alliance, Comsuper, Department of Finance and Deregulation, Future Fund Management Agency, Tuggeranong Office Park Pty Limited
Foreign Affairs and Trade Portfolio AusAID, Australian Centre for International Agricultural Research, Australian Secret Intelligence Service, Australian Trade Commission, Department of Foreign Affairs and Trade, Export Finance and Insurance Corporation National Interest Account^(a)

(a) This entity was reclassified from the public financial corporation sector to the general government sector at the *Mid-Year Economic and Fiscal Outlook 2007-08*.

Table 21: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Health and Ageing Portfolio Aged Care Standards and Accreditation Agency Ltd, Australian Institute of Health and Welfare, Australian Organ and Tissue Donation and Transplantation Authority, Australian Radiation Protection and Nuclear Safety Agency, Australian Sports Anti Doping Authority, Australian Sports Commission, Cancer Australia, Department of Health and Ageing, Food Standards Australia New Zealand, General Practice Education and Training Limited, National Blood Authority, National Breast and Ovarian Cancer Centre, National Health and Medical Research Council, Private Health Insurance Administration Council, Private Health Insurance Ombudsman, Professional Services Review Scheme
Human Services Portfolio Centrelink (Commonwealth Service Delivery Agency), Department of Human Services, Medicare Australia
Immigration and Citizenship Portfolio Department of Immigration and Citizenship, Migration Review Tribunal and Refugee Review Tribunal
Infrastructure, Transport, Regional Development and Local Government Portfolio Australian Maritime Safety Authority, Australian Transport Safety Bureau, Civil Aviation Safety Authority, Department of Infrastructure, Transport, Regional Development and Local Government
Innovation, Industry, Science and Research Portfolio Australian Institute of Aboriginal and Torres Strait Islander Studies, Australian Institute of Marine Science, Australian Nuclear Science and Technology Organisation, Australian Research Council, Commonwealth Scientific and Industrial Research Organisation, Department of Innovation, Industry, Science and Research, IIF Bio Ventures Pty Limited, IIF (CM) Investments Pty Limited, IIF Foundation Pty Limited, IIF Investments Pty Limited, IIF Neo Pty Limited, IP Australia
Prime Minister and Cabinet Portfolio Australian Institute of Family Studies, Australian National Audit Office, Australian Public Service Commission, Department of Climate Change, Department of the Prime Minister and Cabinet, National Archives of Australia, National Australia Day Council Limited, Office of the Commonwealth Ombudsman, Office of National Assessments, Office of the Inspector General of Intelligence and Security, Office of the Official Secretary to the Governor General, Office of the Privacy Commissioner, Office of Renewable Energy Regulator, Old Parliament House

Table 21: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Resources, Energy and Tourism Portfolio Department of Resources, Energy and Tourism, Geoscience Australia, National Offshore Petroleum Safety Authority, Tourism Australia
Treasury Portfolio Australian Bureau of Statistics, Australian Competition and Consumer Commission, Australian Office of Financial Management, Australian Prudential Regulation Authority, Australian Securities and Investments Commission, Australian Taxation Office, Commonwealth Grants Commission, Corporations and Markets Advisory Committee, Department of the Treasury, 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
Parliamentary Departments Department of Parliamentary Services, Department of the House of Representatives, Department of the Senate

Table 21: Entities within the sectoral classifications (continued)

Public financial corporations
<i>Education, Employment and Workplace Relations Portfolio</i>
Coal Mining Industry (Long Service Leave Funding) Corporation
<i>Finance and Deregulation Portfolio</i>
Australian Industry Development Corporation, Medibank Private Ltd
<i>Foreign Affairs and Trade Portfolio</i>
Export Finance and Insurance Corporation
<i>Treasury Portfolio</i>
Australia Reinsurance Pool Corporation, Reserve Bank of Australia
Public non-financial corporations
<i>Attorney General's Portfolio</i>
Australian Government Solicitor
<i>Broadband, Communications and the Digital Economy Portfolio</i>
Australian Postal Corporation, NBN Co Ltd
<i>Finance and Deregulation Portfolio</i>
Albury-Wodonga Development Corporation, Australian River Co. Ltd, ASC Pty Ltd, Australian Technology Group Ltd
<i>Human Services Portfolio</i>
Australian Hearing Services
<i>Infrastructure, Transport, Regional Development and Local Government Portfolio</i>
Airservices Australia, Australian Rail Track Corporation Ltd

Differences between ABS GFS and AAS framework (AASB 1049)

AASB 1049 has adopted the AAS conceptual framework and principles for the recognition of assets, liabilities, revenues, expenses and their presentation, measurement and disclosure. In addition, AASB 1049 has broadly adopted the ABS GFS conceptual framework for presenting government financial statements. In particular, AASB 1049 requires the GGS to prepare a separate set of financial statements, over-riding AASB 127 *Consolidated and Separate Financial Statements*. AASB 1049 also follows ABS GFS by requiring changes in net worth to be split into either transaction or 'other economic flow' and for this to be presented in a single operating statement. AASB 1049 is therefore broadly consistent with international statistical standards (SNA93) and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2001*.⁶

Some of the major differences between AASB 1049 and the ABS GFS treatments of transactions are outlined in Table 22. Further information on the differences between the two systems is provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).

6 Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005* (cat. no. 5514.0).

Table 22: Major differences between AAS and ABS GFS

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Acquisition of defence weapons platforms	Treated as capital expenditure. Defence weapons platforms appear as an asset on the balance sheet. Depreciation expense on assets is recorded in the operating statement.	Treated as an expense at the time of acquisition. Defence weapons platforms do not appear as an asset on the balance sheet and no depreciation is recorded in the operating statement. ABS is updating its treatment from September Quarter 2009 and will align with AAS.	AAS, early adoption of ABS GFS
Circulating coins — seigniorage	The profit between the cost and sale of circulating coin (seigniorage) is treated as revenue.	Circulating coin is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Special Drawing Rights (SDRs)	SDRs currency issued by the International Monetary Fund (IMF) is treated as a liability.	SDR currency issued by the IMF is treated as a contingent liability. ABS is updating its treatment from September Quarter 2009 and will align with AAS.	AAS, early adoption of ABS GFS
Provisions for bad and doubtful debts	Treated as part of operating expenses and included in the balance sheet as an offset to assets.	Creating provisions is not considered an economic event and therefore not considered to be an expense or reflected in the balance sheet.	AAS
Advances to IDA/ADF	Recorded at fair value in the balance sheet.	Recorded at nominal value in balance sheet.	ABS GFS
Concessional loans	Discounts concessional loans by a market rate of a similar instrument.	Does not discount concessional loans as no secondary market is considered to exist.	AAS
Fiscal aggregates differences			
Finance leases	Does not deduct finance leases in the derivation of the cash surplus/deficit.	Deducts finance leases in the derivation of the cash surplus/deficit.	Both are disclosed
Net worth of PNFC and PFC sectors	Calculated as assets less liabilities.	Calculated as assets less liabilities less shares and other contributed capital.	AAS
Classification difference			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	AAS

Attachment B

AUSTRALIAN LOAN COUNCIL ALLOCATION

Under Loan Council arrangements, every year the Australian Government and each State and Territory government nominate a Loan Council Allocation (LCA). A jurisdiction's LCA incorporates:

- the estimated non-financial public sector GFS cash surplus/deficit (made up from the balances of the general government and public non-financial corporations sectors and total non-financial public sector acquisitions under finance leases and similar arrangements);
- net cash flows from investments in financial assets for policy purposes; and
- memorandum items, which involve transactions that are not formally borrowings but nevertheless have many of the characteristics of borrowings.

LCA nominations are considered by the Loan Council, having regard to each jurisdiction's fiscal position and infrastructure requirements, as well as the macroeconomic implications of the aggregate figure.

As set out in Table 23, the Australian Government's 2008-09 LCA final budget outcome is a \$31,791 million deficit. This compares with the Australian Government's 2008-09 LCA Budget estimate of a \$23,641 million surplus.

A tolerance limit of 2 per cent of non-financial public sector receipts applies between the LCA Budget estimate and the outcome. Tolerance limits recognise that LCAs are nominated at an early stage of the Budget process and may change as a result of policy and parameter changes. The Australian Government's 2008-09 LCA final budget outcome exceeds the 2 per cent tolerance limit. This change primarily reflects the decline in taxation revenues resulting from the global recession and the increase in payments associated with the Government's economic stimulus packages in response to the downturn in economic conditions.

Table 23: Australian Government Loan Council Allocation

	2008-09 Budget Estimate \$m	2008-09 Outcome \$m
GG sector cash surplus(-)/deficit(+)	-25,699	22,881
PNFC sector cash surplus(-)/deficit(+)	856	973
NFPS cash surplus(-)/deficit(+)(a)	-24,843	23,853
Acquisitions under finance leases and similar arrangements	502	566
<i>equals</i> ABS GFS cash surplus(-)/deficit(+)	-24,341	24,419
<i>minus</i> Net cash flows from investments in financial assets for policy purposes(b)	-1,548	-7,889
<i>plus</i> Memorandum items(c)	-849	-518
Loan Council Allocation	-23,641	31,791

- (a) May not directly equate to the sum of the GG sector and the PNFC sector cash surplus/deficit due to intersectoral transfers which are netted out.
- (b) Net cash flows from investments in financial assets for policy purposes are displayed with the same sign as which they are reported in cash flow statements. Such transactions involve the transfer or exchange of a financial asset and are not included within the cash deficit/surplus. However, the cash flow from investments in financial assets for policy purposes has implications for a government's call on financial markets.
- (c) For the Commonwealth's Loan Council Allocation outcome, memorandum items include the change in net present value (NPV) of operating leases (with NPV greater than \$5 million) and the over funding of superannuation.