

APPENDIX B: AUSTRALIAN GOVERNMENT BUDGET FINANCIAL STATEMENTS

The Mid-Year Economic and Fiscal Outlook (MYEFO) 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) and the total non-financial public sector (NFPS). This statement also contains notes showing disaggregated information for the GGS.

The *Charter of Budget Honesty Act 1998* (the Charter) requires that MYEFO be based on external reporting standards and for departures from these standards to be disclosed. MYEFOs in previous years contained three sets of financial statements prepared according to both Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS). In 2007, the Australian Accounting Standards Board released *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) aiming to harmonise ABS GFS and AAS in a single set of financial statements.

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 statements reflect the Government's new 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. The MYEFO 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 B1: Australian Government general government sector operating statement

	Note	Estimates		Projections	
		2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
Revenue					
Taxation revenue	3	293,627	304,914	317,217	336,105
Current grants					
Capital grants					
Sales of goods and services	4	5,803	6,021	6,305	6,582
Interest income	5	6,114	5,697	5,683	5,620
Dividend income	5	3,238	4,011	3,557	3,615
Other	6	4,468	3,702	3,791	3,618
Total revenue		313,250	324,345	336,552	355,540
Expenses					
Gross operating expenses					
Wages and salaries(a)	7	15,360	15,576	15,969	16,331
Superannuation	7	2,925	2,963	3,087	3,172
Depreciation and amortisation	8	5,480	5,589	5,512	5,259
Payment for supply of goods and services	9	55,440	58,565	61,002	64,309
Other operating expenses(a)	7	4,301	4,469	4,723	4,948
<i>Total gross operating expenses</i>		<i>83,505</i>	<i>87,162</i>	<i>90,293</i>	<i>94,020</i>
Superannuation interest expense	7	6,470	6,701	6,856	7,041
Interest expenses	10	5,088	5,015	4,830	4,458
Current transfers					
Current grants(b)	11	93,791	101,813	105,328	109,725
Subsidy expenses		7,642	8,281	8,597	8,834
Personal benefits	12	98,940	95,670	101,852	108,529
<i>Total current transfers</i>		<i>200,373</i>	<i>205,763</i>	<i>215,776</i>	<i>227,087</i>
Capital transfers(b)	11				
Mutually agreed write-downs		1,722	1,547	1,583	1,609
Other capital grants		6,466	5,554	4,944	5,571
<i>Total capital transfers</i>		<i>8,188</i>	<i>7,101</i>	<i>6,527</i>	<i>7,179</i>
Total expenses		303,624	311,742	324,283	339,785
Net operating balance		9,626	12,603	12,270	15,755
Other economic flows					
Revaluation of equity(c)		-169	2,078	2,413	2,927
Net write-downs of assets (including bad and doubtful debts)		-3,545	-2,972	-3,173	-3,188
Assets recognised for the first time		108	115	105	105
Actuarial revaluations		-34	-1	0	0
Net foreign exchange gains		64	0	0	0
Net swap interest received		-36	175	119	87
Market valuation of debt		-1,512	150	157	148
Other economic revaluations(d)		114	100	73	73
Total other economic flows		-5,011	-356	-305	153
Comprehensive result -					
Total change in net worth	13	4,615	12,246	11,965	15,908

Table B1: Australian Government general government sector operating statement (continued)

	Note	Estimates		Projections	
		2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
Net operating balance		9,626	12,603	12,270	15,755
Net acquisition of non-financial assets					
Purchases of non-financial assets		9,017	10,598	10,786	10,514
<i>less</i> Sales of non-financial assets		523	252	329	199
<i>less</i> Depreciation		5,480	5,589	5,512	5,259
<i>plus</i> Change in inventories		672	593	412	542
<i>plus</i> Other movements in non-financial assets		97	130	200	72
Total net acquisition of non-financial assets		3,784	5,480	5,556	5,670
Fiscal balance (Net lending/borrowing)(e)		5,842	7,123	6,713	10,085

- (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) In the proposed new framework for federal financial relations to commence from 1 January 2009, payments to the States which were previously earmarked for capital expenditure will be rolled into the new National SPPs which are classified as current expenditure. Consequently, there is an apparent reduction in capital grants in respect of these payments.
- (c) 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.
- (d) Largely reflects other revaluation of assets and liabilities.
- (e) The term fiscal balance is not used by the ABS.

Appendix B: Australian Government budget financial statements

Table B2: Australian Government general government sector balance sheet

		Estimates		Projections	
		2008-09	2009-10	2010-11	2011-12
	Note	\$m	\$m	\$m	\$m
Assets					
Financial assets					
Cash and deposits	20(a)	868	1,447	1,986	2,425
Advances paid	14	23,125	23,926	24,808	25,474
Investments, loans and placements	15	98,427	103,133	99,995	108,518
Other receivables	14	33,535	36,798	39,330	42,897
Equity investments					
Investments in other public sector entities		20,876	20,680	20,605	20,563
Equity accounted investments		234	754	1,274	1,794
Investments - shares		26,495	26,770	27,138	27,626
<i>Total financial assets</i>		<i>203,561</i>	<i>213,508</i>	<i>215,137</i>	<i>229,297</i>
Non-financial assets					
Land	16	7,733	7,691	7,586	7,561
Buildings		18,949	19,781	20,510	21,604
Plant, equipment and infrastructure		44,152	48,190	52,571	56,958
Inventories		6,792	7,358	7,740	8,215
Intangibles		2,508	2,498	2,431	2,270
Investment property		191	192	192	192
Biological assets		29	30	31	32
Heritage and cultural assets		8,275	8,294	8,298	8,300
Assets held for sale		586	584	573	600
Other non-financial assets		2,787	2,936	3,543	3,811
<i>Total non-financial assets</i>		<i>92,002</i>	<i>97,555</i>	<i>103,475</i>	<i>109,543</i>
Total assets		295,563	311,063	318,611	338,840
Liabilities					
Interest bearing liabilities					
Deposits held		339	339	339	339
Government securities		66,729	65,975	56,932	56,027
Loans	17	7,252	7,022	7,074	6,888
Other borrowing		919	860	803	758
<i>Total interest bearing liabilities</i>		<i>75,239</i>	<i>74,195</i>	<i>65,148</i>	<i>64,011</i>
Provisions and payables					
Superannuation liability	18	109,953	113,841	117,687	121,549
Other employee liabilities	18	9,079	9,507	10,016	10,603
Suppliers payable	19	3,614	3,656	3,718	3,744
Personal benefits payable	19	12,943	13,078	13,576	14,349
Subsidies payable	19	1,416	1,318	1,349	1,617
Grants payable	19	5,130	4,922	4,774	4,652
Other provisions and payables	19	8,173	8,283	8,117	8,182
<i>Total provisions and payables</i>		<i>150,308</i>	<i>154,605</i>	<i>159,237</i>	<i>164,695</i>
Total liabilities		225,547	228,800	224,384	228,706
Net worth(a)		70,016	82,262	94,227	110,135
<i>Net financial worth(b)</i>		<i>-21,986</i>	<i>-15,293</i>	<i>-9,248</i>	<i>591</i>
<i>Net financial liabilities(c)</i>		<i>42,863</i>	<i>35,973</i>	<i>29,853</i>	<i>19,972</i>
<i>Net debt(d)</i>		<i>-47,181</i>	<i>-54,311</i>	<i>-61,641</i>	<i>-72,406</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.

Table B3: Australian Government general government sector cash flow statement^(a)

	Estimates		Projections	
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
Cash receipts from operating activities				
Taxes received	287,748	297,990	309,712	328,370
Receipts from sales of goods and services	5,823	6,025	6,278	6,545
Interest receipts	5,540	5,384	5,355	5,256
Dividends and income tax equivalents	3,238	3,511	4,107	3,665
Other receipts	4,436	3,530	3,585	3,418
Total operating receipts	306,784	316,440	329,037	347,254
Cash payments for operating activities				
Payments for employees	-20,898	-21,331	-22,091	-22,682
Payments for goods and services	-56,034	-58,985	-61,271	-64,772
Grants and subsidies paid	-106,534	-115,229	-118,711	-123,798
Interest paid	-3,934	-3,863	-4,787	-3,562
Personal benefit payments	-97,827	-95,489	-101,362	-107,792
Other payments	-3,804	-3,977	-4,043	-4,203
Total operating payments	-289,031	-298,874	-312,265	-326,809
Net cash flows from operating activities	17,753	17,565	16,772	20,445
Cash flows from investments in non-financial assets				
Sales of non-financial assets	523	252	329	199
Purchases of non-financial assets	-8,786	-11,114	-11,374	-10,942
Net cash flows from investments in non-financial assets	-8,263	-10,862	-11,046	-10,744
Net cash flows from investments in financial assets for policy purposes	-1,913	-1,247	-1,243	-1,245
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	-13,592	-4,074	4,122	-7,209
Net cash flows from investments in financial assets for liquidity purposes	-13,592	-4,074	4,122	-7,209
Cash receipts from financing activities				
Borrowing	6,494	0	0	0
Other financing	1,360	1,114	840	627
Total cash receipts from financing activities	7,854	1,114	840	627
Cash payments for financing activities				
Borrowing	0	-850	-8,197	-807
Other financing	-3,010	-1,067	-710	-629
Total cash payments for financing activities	-3,010	-1,918	-8,907	-1,436
Net cash flows from financing activities	4,844	-803	-8,067	-808
Net increase/(decrease) in cash held	-1,171	579	539	439

Table B3: Australian Government general government sector cash flow statement (continued)^(a)

	Estimates		Projections	
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
Net cash flows from operating activities and investments in non-financial assets (surplus+)/deficit(-)	9,490	6,703	5,727	9,701
Finance leases and similar arrangements(b)	-499	-2	-3	-1
GFS cash surplus(+)/deficit(-)	8,991	6,702	5,724	9,700
less Future Fund earnings	3,626	3,107	3,084	3,011
Equals underlying cash balance(c)	5,365	3,595	2,640	6,689
plus Net cash flows from investments in financial assets for policy purposes	-1,913	-1,247	-1,243	-1,245
plus Future Fund earnings	3,626	3,107	3,084	3,011
Equals headline cash balance	7,078	5,454	4,481	8,456

(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.

Table B4: Australian Government public non-financial corporations sector operating statement

	Estimates
	2008-09
	\$m
Revenue	
Current grants and subsidies	16
Sales of goods and services	7,102
Interest income	52
Other	2
Total revenue	7,172
Expenses	
Gross operating expenses	
Depreciation	370
Wages and salaries(a)	3,095
Superannuation	82
Other operating expenses(a)	2,915
<i>Total gross operating expenses</i>	<i>6,462</i>
Interest expenses	59
Other property expenses	556
Current transfers	
Tax expenses	265
<i>Total current transfers</i>	<i>265</i>
Total expenses	7,342
Net operating balance	-169
Other economic flows	-68
Comprehensive result - Total change in net worth	-237
Net acquisition of non-financial assets	
Purchases of non-financial assets	1,556
<i>less</i> Sales of non-financial assets	<i>59</i>
<i>less</i> Depreciation	<i>370</i>
<i>plus</i> Change in inventories	<i>-6</i>
<i>plus</i> Other movements in non-financial assets	<i>1</i>
Total net acquisition of non-financial assets	1,122
Fiscal balance (Net lending/borrowing)(b)	-1,291

(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 B5: Australian Government public non-financial corporations sector balance sheet

	Estimates
	2008-09
	\$m
Assets	
Financial assets	
Cash and deposits	713
Investments, loans and placements	1,606
Other receivables	936
Equity investments	328
<i>Total financial assets</i>	<i>3,583</i>
Non-financial assets	
Land and fixed assets	6,019
Other non-financial assets(a)	400
<i>Total non-financial assets</i>	<i>6,420</i>
Total assets	10,003
Liabilities	
Interest bearing liabilities	
Borrowing	1,182
<i>Total interest bearing liabilities</i>	<i>1,182</i>
Provisions and payables	
Other employee entitlements	1,080
Other provisions(a)	712
Account payables	784
<i>Total provisions and payables</i>	<i>2,576</i>
Total liabilities	3,758
Shares and other contributed capital	6,245
Net worth(b)	6,245
<i>Net financial worth(c)</i>	<i>-174</i>
<i>Net debt</i>	<i>-1,137</i>

(a) Excludes the impact of commercial taxation adjustments.

(b) Under AASB 1049, 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 AASB 1049, 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.

Table B6: Australian Government public non-financial corporations sector cash flow statement^(a)

	Estimates
	2008-09
	\$m
Cash receipts from operating activities	
Receipts from sales of goods and services	7,635
GST input credit receipts	283
Other receipts	228
Total operating receipts	8,147
Cash payments for operating activities	
Payment for goods and services	-3,334
Interest paid	-62
Payments to employees	-2,913
GST payments to taxation authority	-510
Other payments for operating activities	-255
Total operating payments	-7,074
Net cash flows from operating activities	1,073
Cash flows from investments in non-financial assets	
Sales of non-financial assets	60
Purchases of non-financial assets	-1,551
Net cash flows from investments in non-financial assets	-1,491
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	50
Net cash flows from investments in financial assets for liquidity purposes	50
Cash receipts from financing activities	
Borrowing	501
Total cash receipts from financing activities	501
Cash payments for financing activities	
Other financing	-562
Total cash payments for financing activities	-562
Net cash flows from financing activities	-61
Net increase/(decrease) in cash held	-429
Cash at the beginning of the year	1,142
Cash at the end of the year	713
Net cash from operating activities and investments in non-financial assets	-418
Distributions paid	-562
Equals surplus(+)/deficit(-)	-980
Finance leases and similar arrangements(b)	0
GFS cash surplus(+)/deficit(-)	-980

(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 B7: Australian Government total non-financial public sector operating statement

	Estimates
	2008-09
	\$m
Revenue	
Taxation revenue	293,362
Sales of goods and services	12,219
Interest income	6,167
Dividend income	2,682
Other	4,470
Total revenue	318,900
Expenses	
Gross operating expenses	
Depreciation	5,850
Superannuation	3,007
Wages and salaries(a)	18,454
Payment for supply of goods and services	57,669
Other operating expenses(a)	4,301
<i>Total gross operating expenses</i>	<i>89,281</i>
Superannuation interest expense	6,470
Other interest expenses	5,148
Current transfers	
Grant expenses	93,791
Subsidy expenses	7,626
Personal benefit payments	98,940
<i>Total current transfers</i>	<i>200,357</i>
Capital transfers	8,188
Total expenses	309,443
Net operating balance	9,457
Other economic flows	-5,079
Comprehensive result - Total change in net worth	4,378
Net acquisition of non-financial assets	
Purchases of non-financial assets	10,573
<i>less</i> Sales of non-financial assets	537
<i>less</i> Depreciation	5,850
<i>plus</i> Change in inventories	666
<i>plus</i> Other movements in non-financial assets	53
Total net acquisition of non-financial assets	4,906
Fiscal balance (net lending/borrowing)(b)	4,551

(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 B8: Australian Government total non-financial public sector balance sheet

	Estimates
	2008-09
	\$m
Assets	
Financial assets	
Cash and deposits	1,581
Advances paid	23,125
Investments, loans and placements	100,033
Other receivables	34,436
Equity investments	41,688
<i>Total financial assets</i>	<i>200,863</i>
Non-financial assets	
Land and fixed assets	91,920
Other non-financial assets	6,502
<i>Total non-financial assets</i>	<i>98,422</i>
Total assets	299,284
Liabilities	
Interest bearing liabilities	
Deposits held	339
Government securities	66,729
Loans	7,252
Other borrowing	2,101
<i>Total interest bearing liabilities</i>	<i>76,421</i>
Provisions and payables	
Unfunded superannuation liability	109,953
Other employee entitlements	10,159
Other provisions	8,884
Other	23,850
<i>Total provisions and payables</i>	<i>152,847</i>
Total liabilities	229,268
Shares and other contributed capital	6,245
Net worth(a)	70,016
<i>Net financial worth(b)</i>	<i>-28,406</i>
<i>Net debt</i>	<i>-48,318</i>

(a) Under AASB 1049, 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 AASB 1049, 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.

Table B9: Australian total non-financial public sector cash flow statement^(a)

	Estimates
	2008-09
	\$m
Cash receipts from operating activities	
Taxes received	287,506
Receipts from sales of goods and services	12,263
Interest receipts	5,599
Dividends	2,676
Other receipts	4,605
Total operating receipts	312,649
Cash payments for operating activities	
Payments for goods and services	-58,400
Grants and subsidies paid	-106,534
Interest paid	-3,995
Personal benefit payments	-97,827
Payments to employees	-23,811
Other payments for operating activities	-3,818
Total operating payments	-294,385
Net cash flows from operating activities	18,265
Cash flows from investments in non-financial assets	
Sales of non-financial assets	582
Purchases of non-financial assets	-10,337
Net cash flows from investments in non-financial assets	-9,754
Net cash flows from investments in financial assets for policy purposes	-1,913
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	-13,543
Net cash flows from investments in financial assets for liquidity purposes	-13,543
Cash receipts from financing activities	
Borrowing	6,995
Total cash receipts from financing activities	6,995
Cash payments for financing activities	
Other financing	-1,650
Total cash payments for financing activities	-1,650
Net cash flows from financing activities	5,345
Net increase/(decrease) in cash held	-1,600
Cash at the beginning of the year	3,181
Cash at the end of the year	1,581
Net cash from operating activities and investments in non-financial assets	8,510
Distributions paid	0
Equals surplus(+)/deficit(-)	8,510
Finance leases and similar arrangements(b)	-499
GFS cash surplus(+)/deficit(-)	8,011

(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.

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 Mid-Year Economic and Fiscal Outlook (MYEFO) be based on external reporting standards and that departures from applicable external reporting standards be identified.

The major external standards used for MYEFO 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 B11 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) sector, are disclosed in Table B10 in Attachment A.

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 Accrual Uniform Presentation Framework (UPF) requires net debt, net financial worth and net financial liabilities.

Note 2: Departures from external reporting standards

The Charter requires that departures from applicable external reporting standards be identified. The MYEFO 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. However, the ABS has reviewed this treatment and will be adopting the treatment of recording SDRs as a liability from 2009. 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 ABS' proposed revisions to GFS from 2009 in line with revised international standards (refer 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 ABS' proposed revisions to GFS from 2009 in line with revised international standards (refer ABS cat. no. 5310.0.55.001 *Information Paper: Introduction of revised international standards in ABS economic statistics in 2009*).

Appendix B: Australian Government budget financial statements

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. This treatment has not been adopted for the 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. This change in accounting policy was adopted in the *Final Budget Outcome 2007-08*.

Departures from AASB 1049

AASB 1049 is mandatory for reporting periods beginning on or after 1 July 2008. The following departures were made in the 2008-09 Budget and are required to be disclosed under the Charter. The MYEFO financial statements have been presented on a basis consistent with the 2008-09 Budget.

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. The Government is currently reviewing the practicalities and usefulness of attributing total assets to function. The ABS GFS does not require such information. In accordance with ABS GFS, disaggregated information for expenses is disclosed in Attachment C of Part 4.

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 are disclosed in Part 4. All decisions taken between the original budget and MYEFO are disclosed in Appendix A.

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

AASB 1049 defines net worth for the PNFC 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 sector). The net financial worth of this sector 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 and NFPS sector financial statements.

The financial statements for the PNFC 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 PNFC sector will be disclosed in the consolidated financial statements.

Note 3: Taxation revenue by type

	Estimates		Projections	
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
Income taxation				
Individuals and other withholding taxes(a)				
Gross income tax withholding	119,680	125,996	133,427	143,710
Gross other individuals	31,620	31,060	32,160	33,410
less Refunds	22,600	24,080	25,420	26,260
Total individuals and other withholding taxation	128,700	132,976	140,167	150,860
Fringe benefits tax	3,870	4,110	4,290	4,440
Superannuation funds				
Contributions and earnings	9,270	9,210	9,950	11,350
Surcharge	0	0	0	0
Superannuation funds	9,270	9,210	9,950	11,350
Company tax	68,990	72,900	74,320	77,380
Petroleum resource rent tax	2,400	2,660	2,420	2,420
Total income taxation revenue	213,230	221,856	231,147	246,450
Indirect taxation				
Sales taxes				
Goods and services tax	45,490	48,090	50,670	53,180
Wine equalisation tax	690	710	740	770
Luxury car tax	560	590	610	630
Other	0	0	0	0
Total sales taxes	46,740	49,390	52,020	54,580
Excise duty				
Petrol	6,630	6,520	6,410	6,310
Diesel	6,950	7,230	7,540	7,850
Other fuel products	1,340	1,520	1,770	1,950
Crude oil	820	770	750	760
Beer	1,960	2,030	2,100	2,160
Potable spirits	210	220	220	230
Other excisable beverages(b)	990	1,100	1,260	1,440
Tobacco	5,660	5,710	5,760	5,790
Total excise duty revenue	24,560	25,100	25,810	26,490
Customs duty				
Textiles, clothing and footwear	990	730	480	510
Passenger motor vehicles	1,410	1,110	740	770
Excise-like goods	2,660	2,800	2,960	3,120
Other imports	1,562	1,622	1,682	1,742
less Refunds and drawbacks	240	240	240	240
Total customs duty revenue	6,382	6,022	5,622	5,902
Other indirect taxation				
Agricultural levies	592	356	360	364
Other taxes	2,123	2,192	2,258	2,320
Total other indirect taxation revenue	2,716	2,547	2,618	2,684
Mirror taxes	396	413	432	453
less Transfers to States in relation to mirror tax revenue	396	413	432	453
Mirror tax revenue	0	0	0	0
Total indirect taxation revenue	80,397	83,059	86,070	89,655
Total taxation revenue	293,627	304,914	317,217	336,105

(a) Includes Medicare levy revenue of \$8,570 million.

Appendix B: Australian Government budget financial statements

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

Note 3(a): Taxation revenue by source

	Estimates		Projections	
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
Taxes on income, profits and capital gains				
Income and capital gains levied on individuals	132,570	137,086	144,457	155,300
Income and capital gains levied on enterprises	80,660	84,770	86,690	91,150
Total taxes on income, profits and capital gains	213,230	221,856	231,147	246,450
Taxes on employers' payroll and labour force	331	316	328	341
Taxes on property	15	15	15	15
Taxes on the provision of goods and services				
Sales/goods and services tax	46,740	49,390	52,020	54,580
Excises and levies	25,315	25,618	26,333	27,017
Taxes on international trade	6,382	6,022	5,622	5,902
Total taxes on the provision of goods and services	78,436	81,030	83,974	87,498
Taxes on use of goods and performance of activities	1,615	1,698	1,753	1,801
Total taxation revenue	293,627	304,914	317,217	336,105

Note 4: Sales of goods and services revenue

	Estimates		Projections	
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
Sales of goods	1,256	1,304	1,316	1,355
Rendering of services	2,655	2,700	2,848	2,962
Operating lease rental	9	7	16	16
Other fees from regulatory services	1,883	2,009	2,126	2,249
Total sales of goods and services revenue	5,803	6,021	6,305	6,582

Note 5: Interest and dividend revenue

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
Interest from other governments				
Housing agreements	183	179	174	169
State and Territory debt	15	14	13	11
Total interest from other governments	198	193	187	181
Interest from other sources				
Advances	317	336	362	385
Deposits	103	103	105	104
Bills receivable	5	6	6	6
Bank deposits	295	286	296	313
Indexation of HELP receivable and other student loans	287	306	330	353
Other	4,908	4,468	4,398	4,278
Total interest from other sources	5,916	5,504	5,497	5,439
Total interest	6,114	5,697	5,683	5,620
Dividends				
Dividends from other public sector entities	1,461	2,458	2,042	2,145
Other dividends	1,777	1,553	1,514	1,470
Total dividends	3,238	4,011	3,557	3,615
Total interest and dividend income	9,353	9,708	9,240	9,235

Note 6: Other sources of non-taxation revenue

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
Industry contributions	97	97	98	45
Royalties	1,912	1,344	1,331	1,260
Seigniorage	104	103	103	2
Other	2,356	2,158	2,259	2,311
Total other sources of non-taxation revenue	4,468	3,702	3,791	3,618

Note 7: Employee and superannuation expense

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
Wages and salaries expenses	15,360	15,576	15,969	16,331
Other operating expenses				
Leave and other entitlements	1,715	1,737	1,849	1,927
Separations and redundancies	48	43	40	41
Workers compensation premiums and claims	562	602	639	676
Other	1,976	2,087	2,196	2,305
Total other operating expenses	4,301	4,469	4,723	4,948
Superannuation expenses				
Superannuation	2,925	2,963	3,087	3,172
Superannuation interest cost	6,470	6,701	6,856	7,041
Total superannuation expenses	9,395	9,664	9,943	10,213
Total employee and superannuation expense	29,055	29,709	30,635	31,493

Note 8: Depreciation and amortisation expense

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
Depreciation				
Specialist military equipment	2,738	2,609	2,487	2,533
Buildings	959	1,071	1,112	913
Other infrastructure, plant and equipment	1,233	1,300	1,291	1,187
Heritage and cultural assets	43	44	44	44
Total depreciation	4,973	5,024	4,933	4,678
Total amortisation	506	565	579	581
Total depreciation and amortisation expense	5,480	5,589	5,512	5,259

Note 9: Payment for supply of goods and services

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
Supply of goods and services	20,003	20,137	20,003	20,295
Operating lease rental expenses	2,160	2,200	2,200	2,189
Personal benefits - indirect	27,059	29,564	31,841	34,019
Health care payments	4,873	5,005	5,117	5,228
Other	1,345	1,659	1,841	2,578
Total payment for supply of goods and services	55,440	58,565	61,002	64,309

Note 10: Interest expense

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
Interest on debt				
Government securities	3,749	3,664	3,476	3,264
Loans	6	1	1	0
Other	100	90	83	29
Total interest on debt	3,856	3,755	3,560	3,293
Other financing costs	1,233	1,260	1,270	1,165
Total interest expense	5,088	5,015	4,830	4,458

Note 11: Current and capital grants expense

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
Current grants expense				
State and Territory governments	72,990	75,562	79,553	83,000
Local governments	44	44	45	46
Private sector	1,934	1,708	1,457	1,171
Overseas	3,287	3,179	3,489	3,224
Non-profit organisations	1,835	2,653	2,575	3,503
Multi-jurisdictional sector	6,521	8,119	7,902	8,332
Other	7,179	10,549	10,308	10,448
Total current grants expense	93,791	101,813	105,328	109,725
Capital grants expense				
Mutually agreed write-downs	1,722	1,547	1,583	1,609
Other capital grants				
State and Territory governments	5,538	4,906	4,427	5,039
Local governments	563	127	8	12
Multi-jurisdictional sector	66	82	80	84
Other	299	440	430	435
Total capital grants expense	8,188	7,101	6,527	7,179
Total grants expense	101,979	108,913	111,854	116,904

Note 12: Personal benefits expense

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
Social welfare - assistance to the aged	30,405	28,903	30,914	33,016
Assistance to veterans and dependants	6,490	6,063	6,023	5,899
Assistance to people with disabilities	14,939	14,346	15,259	16,223
Assistance to families with children	32,002	28,925	29,451	30,185
Assistance to the unemployed	5,035	5,904	6,364	6,775
Student assistance	494	501	494	495
Common youth allowance	2,116	2,239	2,273	2,291
Other welfare programmes	1,544	1,538	1,562	1,576
Financial and fiscal affairs	266	291	373	550
Higher education	124	127	130	134
Vocational and industry training	143	155	166	167
Other	5,384	6,678	8,843	11,217
Total personal benefit expense	98,940	95,670	101,852	108,529

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

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
Opening net worth	71,165	70,016	82,262	94,227
Opening net worth adjustments(a)	-5,764	0	0	0
Adjusted opening net worth	65,401	70,016	82,262	94,227
Net operating balance	9,626	12,603	12,270	15,755
Other economic flows – Included in operating result				
Net foreign exchange gains	64	0	0	0
Net gains from sale of assets	108	96	44	52
Other gains	-766	3,619	3,759	3,132
Swap interest	1,272	993	761	584
Net write-down and impairment of assets and fair value losses	-3,545	-2,972	-3,173	-3,188
Net losses from sale of assets	-14	15	3	-3
Swap interest expense	-1,308	-818	-642	-497
Total other economic flows	-4,190	932	753	79
Operating result(b)	5,436	13,535	13,023	15,834
Other economic flows – other movements in equity(c)	-821	-1,289	-1,059	73
Comprehensive result	4,615	12,246	11,965	15,908

(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 other receivables

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
Advances paid				
Loans to State and Territory governments	3,153	3,053	2,953	2,854
Higher Education Loan Program	11,790	12,675	13,534	14,308
Student Financial Supplement Scheme	951	912	871	826
Other	7,303	7,339	7,469	7,504
less Provision for doubtful debts	73	53	18	18
Total advances paid	23,125	23,926	24,808	25,474
Other receivables				
Goods and services receivable	807	785	774	775
Recoveries of benefit payments	2,549	2,627	2,654	2,716
Taxes receivable	19,239	21,380	24,050	27,060
Other	13,283	14,485	14,451	15,073
less Provision for doubtful debts	2,342	2,479	2,598	2,727
Total other receivables	33,535	36,798	39,330	42,897

Note 15: Investments, loans and placements

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
Investments - deposits	45,814	45,932	37,886	41,225
IMF quota	6,056	6,056	6,056	6,056
Other	46,557	51,145	56,052	61,237
Total investments, loans and placements	98,427	103,133	99,995	108,518

Note 16: Total non-financial assets

	Estimates		Projections	
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
Land and buildings				
Land	7,733	7,691	7,586	7,561
Buildings	18,949	19,781	20,510	21,604
Total land and buildings	26,681	27,473	28,096	29,166
Plant, equipment and infrastructure				
Specialist military equipment	34,233	38,508	43,073	47,629
Other	9,920	9,682	9,498	9,328
Total plant, equipment and infrastructure	44,152	48,190	52,571	56,958
Intangibles				
Computer software	2,400	2,382	2,326	2,180
Other	108	116	104	90
Total intangibles	2,508	2,498	2,431	2,270
Total heritage and cultural assets	8,275	8,294	8,298	8,300
Total investment properties	191	192	192	192
Total biological assets	29	30	31	32
Inventories				
Inventories held for sale	876	939	981	1,033
Inventories not held for sale	5,915	6,418	6,759	7,182
Total inventories	6,792	7,358	7,740	8,215
Total assets held for sale	586	584	573	600
Other non-financial assets				
Prepayments	2,599	2,619	3,026	3,378
Other	187	317	517	432
Total other non-financial assets	2,787	2,936	3,543	3,811
Total non-financial assets	92,002	97,555	103,475	109,543

Note 17: Loans

	Estimates		Projections	
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
Promissory notes	4,319	4,319	4,319	4,319
Special drawing rights	881	881	881	881
Other	2,052	1,822	1,874	1,688
Total loans	7,252	7,022	7,074	6,888

Note 18: Employee and superannuation liabilities

	Estimates		Projections	
	2008-09 \$m	2009-10 \$m	2010-11 \$m	2011-12 \$m
Total superannuation liability	109,953	113,841	117,687	121,549
Other employee liabilities				
Leave and other entitlements	5,363	5,561	5,859	6,199
Accrued salaries and wages	385	433	450	463
Workers compensation claims	1,593	1,636	1,672	1,708
Separations and redundancies	69	69	69	69
Workers compensation premiums	0	0	0	0
Other	1,669	1,808	1,965	2,163
Total other employee liabilities	9,079	9,507	10,016	10,603
Total employee and superannuation liabilities	119,032	123,348	127,703	132,152

Note 19: Provisions and payables

	Estimates		Projections	
	2008-09 \$m	2009-10 L \$m	2010-11 \$m	2011-12 \$m
Suppliers payable				
Trade creditors	3,431	3,452	3,505	3,529
Operating lease rental payable	140	141	141	141
Other creditors	43	63	73	74
Total suppliers payable	3,614	3,656	3,718	3,744
Total personal benefits payable	12,943	13,078	13,576	14,349
Total subsidies payable	1,416	1,318	1,349	1,617
Grants payable				
State and Territory governments	170	170	170	170
Non-profit organisations	19	19	19	19
Private sector	453	453	453	453
Overseas	673	519	462	398
Local governments	76	76	76	76
Other	3,738	3,684	3,593	3,535
Total grants payable	5,130	4,922	4,774	4,652
Other provisions and payables				
Provisions for tax refunds	2,493	2,498	2,253	2,258
Other	5,680	5,785	5,864	5,924
Total other provisions and payables	8,173	8,283	8,117	8,182

Note 20: Reconciliation of cash

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
Operating balance (revenues less expenses)	9,626	12,603	12,270	15,755
less Revenues not providing cash				
Other	712	776	821	859
Total revenues not providing cash	712	776	821	859
plus Expenses not requiring cash				
Increase/(decrease) in employee entitlements	4,218	4,315	4,355	4,449
Depreciation/amortisation expense	5,480	5,589	5,512	5,259
Mutually agreed write-downs	1,722	1,547	1,583	1,609
Other	862	1,036	660	799
Total expenses not requiring cash	12,282	12,487	12,109	12,115
plus Cash provided by working capital items				
Decrease in other non-financial assets	949	390	4	0
Increase in benefits, subsidies and grants payable	1,385	135	634	1,041
Increase in suppliers' liabilities	38	42	62	25
Increase in other provisions and payables	369	226	0	124
Total cash provided by working capital items	2,740	793	701	1,190
less Cash used by working capital items				
Increase in inventories	587	593	412	542
Increase in receivables	4,900	6,119	5,773	6,579
Increase in other financial assets	612	523	312	510
Increase in other non-financial assets	0	0	0	2
Decrease in benefits, subsidies and grants payable	83	307	0	125
Decrease in other provisions and payables	0	0	990	0
Total cash used by working capital items	6,183	7,542	7,487	7,757
<i>equals</i> Net cash from/(to) operating activities	17,753	17,565	16,772	20,445
<i>plus</i> Net cash from/(to) investing activities	-23,769	-16,183	-8,166	-19,198
Net cash from operating activities and investment	-6,016	1,382	8,606	1,248
<i>plus</i> Net cash from/(to) financing activities	4,844	-803	-8,067	-808
<i>equals</i> Net increase/(decrease) in cash	-1,171	579	539	439
Cash at the beginning of the year	2,039	868	1,447	1,986
Net increase/(decrease) in cash	-1,171	579	539	439
Cash at the end of the year	868	1,447	1,986	2,425

Note 20(a): Consolidated Revenue Fund

	Estimates		Projections	
	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
Total general government sector cash	868	1,447	1,986	2,425
<i>less</i> CAC Agency cash balances	919	839	850	923
<i>plus</i> Special public monies	137	137	137	137
Balance of Consolidated Revenue Fund at 30 June	86	745	1,273	1,639

Appendix B: Australian Government budget financial statements

The cash balances reflected in the balance sheet for the Australian Government GGS (Table B2) 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.

FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The *Charter of Budget Honesty Act 1998* (the Charter) requires the Mid-Year Economic and Fiscal Outlook (MYEFO) to be based on external reporting standards. MYEFOs in previous years contained three sets of financial statements prepared according to both the Australian Bureau of Statistics' (ABS) accrual Government Finance Statistics (GFS) framework and Australian Accounting Standards (AAS). In 2007, the Australian Accounting Standards Board (AASB) released *Whole of Government and General Government Sector Financial Reporting* (AASB 1049) aiming to harmonise ABS GFS and AAS in a single set of financial statements.

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 *Mid-Year Economic and Fiscal Outlook 2008-09* have been prepared on a basis consistent with the 2008-09 Budget. The statements reflect the Government's new 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), public financial corporations (PFC) and the total non-financial public sectors (NFPS).

General Government Sector Financial Reporting (AASB 1049)

The MYEFO primarily focuses on the financial performance and position of the general government sector (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. AASB 1049 recognises the GGS 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 seeks 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 focuses on the GGS.

The Government's budget reporting framework

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, net financial liabilities and net debt; 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.

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.

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).

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

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.

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.

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 is 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 government 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

assets³ (cash and deposits, advances paid, and investments, loans and placements). 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.

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.

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.

However, Future Fund earnings are included in the fiscal balance because 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 B3 of this statement and the historic tables in Appendix D.

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, 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 B1. ABS GFS defines the GGS and the PNFC and PFC sectors. 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 B1: Institutional structure of the public sector

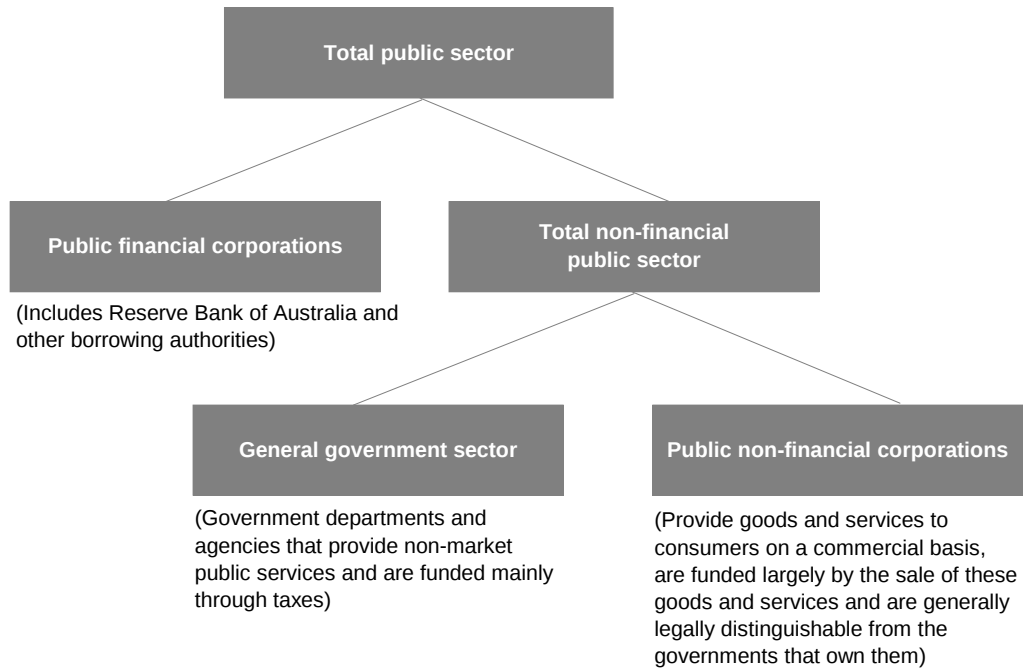


Table B10: Entities within the sectoral classifications

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, Wheat Exports Australia, Forest and Wood Products Australia Ltd, Fisheries Research and Development Corporation, Grains Research and Development Corporation, Grape and Wine Research and Development Corporation, Land and Water Australia, Rural Industries Research and Development Corporation, Sugar Research and Development Corporation
Attorney-General's portfolio
Administrative Appeals Tribunal, Attorney-General's Department, Australian Commission for Law Enforcement Integrity, Australian Crime Commission, Australian Customs Service, Australian Federal Police, Australian Institute of Criminology, Australian Law Reform Commission, Australian Security Intelligence Organisation, Australian Transaction Reports and Analysis Centre (AUSTRAC), Criminology Research Council, Crimtrac, Family Court of Australia, Federal Court of Australia, Federal Magistrates Court of Australia, High Court of Australia, Human Rights and Equal Opportunity Commission, 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 Digital Economy, Special Broadcasting Service Corporation
Defence portfolio
Army and Air Force Canteen Service, Australian Military Forces Relief Trust Fund, Australian Strategic Policy Institute Ltd, Australian War Memorial, Defence Housing Australia, Defence Materiel Organisation, Department of Defence, Department of Veterans Affairs, 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
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 Ltd, The Carrick Institute for Learning and Teaching In Higher Education Ltd, Workplace Authority

Table B10: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Environment, Water, Heritage and the Arts portfolio Australia Business Arts Foundation Ltd, Australia Council, National Film and Sound Archives, Television and Radio School, Australian National Maritime Museum, Bundanon Trust, Bureau of Meteorology, Department of Environment, Water, Heritage and the Arts, Great Barrier Reef Marine Park Authority, Murray Darling Authority, National Gallery of Australia, National Library of Australia, National Museum of Australia, National Water Commission, Screen Australia, Sydney Harbour Federation Trust, The Director of National Parks
Families, Housing, Community Services and Indigenous Affairs portfolio Aboriginal Hostels Ltd, 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, Telstra Sale Company Ltd
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)
Health and Ageing portfolio Aged Care Standards and Accreditation Agency Ltd, Australian Institute of Health and Welfare, 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 Ltd, National Blood Authority, 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

Table B10: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Infrastructure, Transport, Regional Development and Local Government portfolio Australian Maritime Safety Authority, Civil Aviation Safety Authority, Department of Infrastructure, Transport, Regional Development and Local Government, Maritime Industry Finance Company
Innovation, Industry, Science and Research portfolio Australia Institute of Aboriginal and Torres Strait Islander Studies, Australian Institute of Marine Science, Australia Nuclear Science and Technology Organisation, Australia Research Council, Commonwealth Scientific and Industrial Research Organisation, Department of Innovation, Industry, Science and Research, IP Australia, IIF Bioventures Pty Ltd, IIF (CM) Investments Pty Ltd, IIF Foundation Pty Ltd, IIF Investments Pty Ltd, IIF Neo Pty Ltd
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 (Company Ltd By Guarantee), 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
Resources, Energy and Tourism portfolio Department of Resources, Energy and Tourism, Geoscience Australia, National Offshore Petroleum Safety Authority, Tourism Australia
Treasury portfolio Auditing and Assurance Standards Board, Australian Accounting Standards Board, 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, Productivity Commission, Royal Australian Mint
Parliamentary Departments Department of Parliamentary Services, Department of the House of Representatives, Department of the Senate

Table B10: 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 Re-insurance 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
<i>Finance and Deregulation portfolio</i> Australian River Co. Ltd, Australian Submarine Corporation Pty Ltd, Australian Technology Group Ltd
<i>Human Services portfolio</i> Australian Hearing Services, Health Services Australia Ltd
<i>Infrastructure, Transport, Regional Development and Local Government portfolio</i> Airservices Australia, Australian Rail Track Corporation Ltd

(a) This entity was reclassified from the PFC sector to the GGS at the *Mid-Year Economic and Fiscal Outlook 2007-08*.

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

Appendix B: Australian Government budget financial statements

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 B11. 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 B11: 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 2009 and will align with AAS.	AAS, early adoption of revised 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 (SDR)	SDR 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 2009 and will align with AAS.	AAS, early adoption of revised 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

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 (derived from the balances of the general government and public non-financial corporations sectors);
- 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.

In March 2008, the Australian Government nominated, and the Loan Council endorsed, a Loan Council Allocation surplus of \$18,974 million. In the 2008-09 Budget, the Australian Government estimated a LCA surplus of \$23,641 million.

As set out in Table B12, the Australian Government's revised estimate for the 2008-09 LCA is a \$7,258 million surplus. As a result of this downwards revision, it is likely that the Australian Government will breach the tolerance limit of 2 per cent of non-financial public sector cash receipts from operating activities, as set at Budget.

This is primarily due to lower public sector cash surpluses as a result of the Australian Government's \$10.4 billion fiscal stimulus package, announced on 14 October 2008 in order to strengthen the Australian economy in response to deteriorating global financial circumstances.

Table B12: Australian Government Loan Council Allocation

		2008-09 Budget estimate \$m	MYEFO estimate \$m
	GGs cash surplus(-)/deficit(+)	-25,699	-9,490
	PNFC sector cash surplus(-)/deficit(+)	856	980
	NFPS cash surplus(-)/deficit(+)(a)	-24,843	-8,510
	Acquisitions under finance leases and similar arrangements(b)	502	499
<i>equals</i>	ABS GFS cash surplus(-)/deficit(+)	-24,341	-8,011
<i>minus</i>	Net cash flows from investments in financial assets for policy purposes(b)	-1,548	-1,913
<i>plus</i>	Memorandum items(c)	-849	-1,160
	Loan Council Allocation	-23,641	-7,258

(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.