PART 2: AUSTRALIAN GOVERNMENT FINANCIAL STATEMENTS

The 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' (ABS) accrual Government Finance Statistics (GFS) and Australian Accounting Standards (AAS), meeting the requirement of the Charter, with departures disclosed. The financial statements for the *Final Budget Outcome 2009-10* have been prepared on a basis consistent with the 2010-11 Budget. This enables comparison of the 2009-10 revised estimates published at the 2010-11 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 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

	Note	2009-10 Estimate at 2010-11 Budget $m	Month of June 2010(e) $m	2009-10 Outcome $m
Revenue				
Taxation revenue	3	269,529	17,956	268,000
Sales of goods and services	4	7,699	553	7,599
Interest income	5	4,569	359	4,430
Dividend income	5	7,426	159	7,658
Other	6	4,993	415	5,081
Total revenue		**294,215**	**19,441**	**292,767**
Expenses				
Gross operating expenses				
Wages and salaries(a)	7	17,691	2,180	17,108
Superannuation	7	3,586	696	3,859
Depreciation and amortisation	8	5,529	651	5,641
Supply of goods and services	9	63,119	6,855	61,917
Other operating expenses(a)	7	4,353	155	4,471
Total gross operating expenses		*94,279*	*10,537*	*92,997*
Superannuation interest expense	7	6,695	588	6,687
Interest expenses	10	7,985	755	7,607
Current transfers				
Current grants	11	102,152	12,994	101,169
Subsidy expenses		8,432	694	8,413
Personal benefits	12	99,235	7,340	98,490
Total current transfers		*209,820*	*21,028*	*208,072*
Capital transfers	11			
Mutually agreed write-downs		2,287	54	2,127
Other capital grants		22,055	2,532	21,749
Total capital transfers		*24,342*	*2,586*	*23,876*
Total expenses		**343,122**	**35,494**	**339,239**
Net operating balance		**-48,907**	**-16,054**	**-46,472**
Other economic flows				
Gain/loss on equity and on sale of assets(b)		5,790	-4,143	-904
Net write-downs of assets (including bad and doubtful debts)		-5,190	-3,483	-7,986
Assets recognised for the first time		603	179	717
Actuarial revaluations		1,253	-11,785	-11,785
Net foreign exchange gains		482	1,267	1,902
Net swap interest received		41	0	41
Market valuation of debt		633	-2,154	-2,773
Other economic revaluations(c)		37	2,014	2,690
Total other economic flows		**3,649**	**-18,106**	**-18,097**
Comprehensive result - Total change in net worth	13	**-45,258**	**-34,159**	**-64,569**
Net operating balance		**-48,907**	**-16,054**	**-46,472**
***less* Net acquisition of non-financial assets**				
Purchases of non-financial assets		10,838	2,545	11,610
less Sales of non-financial assets		269	103	245
less Depreciation		5,529	651	5,641
plus Change in inventories		678	82	661
plus Other movements in non-financial assets		129	-168	48
Total net acquisition of non-financial assets		**5,847**	**1,705**	**6,433**
Fiscal balance (Net lending/borrowing)(d)		**-54,753**	**-17,759**	**-52,906**

(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) Reflects changes in the market valuation of investments and any 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

	Note	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Assets			
Financial assets			
Cash and deposits	20(a)	2,027	1,865
Advances paid	14	23,422	24,550
Investments, loans and placements	15	99,288	102,910
Other receivables	14	39,024	37,149
Equity investments			
Investments in other public sector entities		26,352	22,757
Equity accounted investments		262	274
Investments - shares		28,821	29,043
Total financial assets		*219,197*	*218,548*
Non-financial assets	16		
Land		8,349	8,562
Buildings		20,667	21,437
Plant, equipment and infrastructure		46,702	47,697
Inventories		6,613	6,529
Intangibles		4,123	4,032
Investment property		182	504
Biological assets		32	119
Heritage and cultural assets		9,091	9,367
Assets held for sale		158	151
Other non-financial assets		2,456	2,832
Total non-financial assets		*98,372*	*101,230*
Total assets		**317,569**	**319,778**
Liabilities			
Interest bearing liabilities			
Deposits held		230	232
Government securities		154,080	157,353
Loans	17	11,430	13,217
Other borrowing		835	805
Total interest bearing liabilities		*166,575*	*171,607*
Provisions and payables			
Superannuation liability	18	122,874	141,007
Other employee liabilities	18	9,874	10,434
Suppliers payable	19	4,363	5,772
Personal benefits provisions and payable	19	12,651	12,832
Subsidies provisions and payable	19	1,897	1,792
Grants provisions and payable	19	7,062	7,920
Other provisions and payables	19	12,410	13,262
Total provisions and payables		*171,131*	*193,019*
Total liabilities		**337,706**	**364,627**
Net worth(a)		**-20,137**	**-44,848**
Net financial worth(b)		*-118,509*	*-146,079*
Net financial liabilities(c)		*144,861*	*168,836*
Net debt(d)		*41,838*	*42,283*

(a) Net worth is calculated as total assets minus total liabilities.
(b) Net financial worth equals total financial assets minus total liabilities.
(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, government securities, loans and other borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

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

	2009-10 Estimate at 2010-11 Budget $m	Month of June 2010(d) $m	2009-10 Outcome $m
Cash receipts from operating activities			
Taxes received	260,959	19,648	260,973
Receipts from sales of goods and services	7,657	370	7,706
Interest receipts	4,507	817	4,025
Dividends and income tax equivalents	6,927	148	6,999
Other receipts	4,882	549	4,715
Total operating receipts	**284,932**	**21,532**	**284,417**
Cash payments for operating activities			
Payments for employees	-23,024	-2,029	-22,415
Payments for goods and services	-62,931	-5,730	-61,742
Grants and subsidies paid	-131,537	-15,266	-130,553
Interest paid	-6,493	-653	-6,411
Personal benefit payments	-100,620	-7,537	-100,198
Other payments	-4,047	-347	-4,412
Total operating payments	**-328,652**	**-31,562**	**-325,731**
Net cash flows from operating activities	**-43,720**	**-10,030**	**-41,314**
Cash flows from investments in non-financial assets			
Sales of non-financial assets	269	103	245
Purchases of non-financial assets	-10,826	-2,332	-11,144
Net cash flows from investments in non-financial assets	**-10,557**	**-2,229**	**-10,899**
Net cash flows from investments in financial assets for policy purposes	**-4,916**	**-723**	**-4,278**
Cash flows from investments in financial assets for liquidity purposes			
Increase in investments	7,740	8,948	5,152
Net cash flows from investments in financial assets for liquidity purposes	**7,740**	**8,948**	**5,152**
Cash receipts from financing activities			
Borrowing	46,909	4,487	47,385
Other financing	4,995	32	4,977
Total cash receipts from financing activities	**51,904**	**4,519**	**52,362**
Cash payments for financing activities			
Other financing	-77	-258	-810
Total cash payments for financing activities	**-77**	**-258**	**-810**
Net cash flows from financing activities	**51,827**	**4,261**	**51,552**
Net increase/(decrease) in cash held	**374**	**225**	**212**

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

	2009-10 Estimate at 2010-11 Budget $m	Month of June 2010(d) $m	2009-10 Outcome $m
Net cash flows from operating activities and investments in non-financial assets (Surplus(+)/deficit(-))	**-54,277**	**-12,260**	**-52,213**
Finance leases and similar arrangements(b)	-1	-19	-25
GFS cash surplus(+)/deficit(-)	**-54,278**	**-12,279**	**-52,238**
less Future Fund earnings	2,802	131	2,512
Equals underlying cash balance(c)	**-57,079**	**-12,409**	**-54,750**
plus Net cash flows from investments in financial assets for policy purposes	-4,916	-723	-4,278
plus Future Fund earnings	2,802	131	2,512
Equals headline cash balance	**-59,194**	**-13,002**	**-56,517**

(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

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Revenue		
Current grants and subsidies	16	100
Sales of goods and services	6,971	7,047
Interest income	30	50
Other	17	91
Total revenue	**7,035**	**7,288**
Expenses		
Gross operating expenses		
Wages and salaries(a)	2,812	2,644
Superannuation	170	209
Depreciation and amortisation	392	388
Supply of goods and services	3,030	3,088
Other operating expenses(a)	399	473
Total gross operating expenses	*6,803*	*6,802*
Interest expenses	40	52
Other property expenses	209	216
Current transfers		
Tax expenses	373	227
Total current transfers	*373*	*227*
Total expenses	**7,426**	**7,297**
Net operating balance	**-391**	**-9**
Other economic flows	**797**	**725**
Comprehensive result - Total change in net worth	**406**	**716**
***less* Net acquisition of non-financial assets**		
Purchases of non-financial assets	1,989	1,509
less Sales of non-financial assets	47	56
less Depreciation	393	390
plus Change in inventories	-13	-31
plus Other movements in non-financial assets	8	37
Total net acquisition of non-financial assets	**1,545**	**1,071**
Fiscal balance (Net lending/borrowing)(b)	**-1,936**	**-1,079**

(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

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Assets		
Financial assets		
Cash and deposits	806	1,022
Investments, loans and placements	461	245
Other receivables	908	382
Equity investments	318	307
Total financial assets	*2,493*	*1,956*
Non-financial assets		
Land and fixed assets	6,384	6,071
Other non-financial assets(a)	498	1,279
Total non-financial assets	*6,881*	*7,351*
Total assets	**9,375**	**9,307**
Liabilities		
Interest bearing liabilities		
Borrowing	1,218	928
Total interest bearing liabilities	*1,218*	*928*
Provisions and payables		
Other employee liabilities	1,209	1,358
Other provisions and payables(a)	1,603	1,365
Total provisions and payables	*2,812*	*2,723*
Total liabilities	**4,029**	**3,651**
Shares and other contributed capital	**5,346**	**5,656**
Net worth(b)	**5,346**	**5,656**
Net financial worth(c)	*-1,536*	*-1,695*
Net debt(d)	*-50*	*-339*

(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. 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)]

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Cash receipts from operating activities		
Receipts from sales of goods and services	7,667	7,767
GST input credit receipts	206	276
Other receipts	91	297
Total operating receipts	**7,964**	**8,340**
Cash payments for operating activities		
Payments to employees	-3,144	-3,207
Payment for goods and services	-3,405	-3,528
Interest paid	-64	-46
GST payments to taxation authority	-504	-506
Other payments	-308	-293
Total operating payments	**-7,424**	**-7,580**
Net cash flows from operating activities	**540**	**760**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	71	79
Purchases of non-financial assets	-1,997	-1,538
Net cash flows from investments in non-financial assets	**-1,926**	**-1,459**
Net cash flows from investments in financial assets for policy purposes	**0**	**-2**
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	1,006	-10
Net cash flows from investments in financial assets for liquidity purposes	**1,006**	**-10**
Net cash flows from financing activities		
Borrowing (net)	-1	-57
Other financing (net)	478	1,079
Distributions paid (net)	-224	-224
Net cash flows from financing activities	**253**	**798**
Net increase/(decrease) in cash held	**-127**	**89**
Cash at the beginning of the year	**933**	**933**
Cash at the end of the year	**806**	**1,022**
Net cash from operating activities and investments in non-financial assets	**-1,386**	**-698**
Distributions paid	-224	-224
Equals surplus(+)/deficit(-)	**-1,610**	**-922**
Finance leases and similar arrangements(b)	0	0
GFS cash surplus(+)/deficit(-)	**-1,610**	**-922**

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

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Revenue		
Taxation revenue	269,156	267,773
Sales of goods and services	13,696	13,627
Interest income	4,599	4,480
Dividend income	7,217	7,442
Other	5,010	5,090
Total revenue	**299,677**	**298,412**
Expenses		
Gross operating expenses		
Wages and salaries(a)	20,504	19,752
Superannuation	3,756	4,068
Depreciation and amortisation	5,921	6,028
Supply of goods and services	65,175	63,987
Other operating expenses(a)	4,752	4,945
Total gross operating expenses	*100,108*	*98,780*
Superannuation interest expense	6,695	6,687
Interest expenses	8,026	7,660
Current transfers		
Current grants	102,152	101,169
Subsidy expenses	8,416	8,313
Personal benefits	99,235	98,490
Total current transfers	*209,803*	*207,972*
Capital transfers	24,342	23,795
Total expenses	**348,975**	**344,893**
Net operating balance	**-49,297**	**-46,481**
Other economic flows	**9,440**	**-18,447**
Comprehensive result - Total change in net worth	**-39,858**	**-64,928**
Net acquisition of non-financial assets		
Purchases of non-financial assets	12,827	13,119
less Sales of non-financial assets	315	300
less Depreciation	5,922	6,031
plus Change in inventories	665	630
plus Other movements in non-financial assets	137	85
Total net acquisition of non-financial assets	**7,392**	**7,504**
Fiscal balance (Net lending/borrowing)(b)	**-56,689**	**-53,985**

(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

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Assets		
Financial assets		
Cash and deposits	2,834	2,887
Advances paid	23,422	24,550
Investments, loans and placements	99,749	103,155
Other receivables	39,833	37,488
Equity investments	50,407	46,367
Total financial assets	*216,245*	*214,446*
Non-financial assets		
Land and fixed assets	97,804	99,663
Other non-financial assets	7,449	8,917
Total non-financial assets	*105,253*	*108,581*
Total assets	**321,498**	**323,027**
Liabilities		
Interest bearing liabilities		
Deposits held	230	232
Government securities	154,080	157,353
Loans	11,430	13,217
Other borrowing	2,052	1,734
Total interest bearing liabilities	*167,792*	*172,536*
Provisions and payables		
Superannuation liability	122,874	141,007
Other employee liabilities	11,083	11,792
Other provisions and payables	39,886	42,900
Total provisions and payables	*173,843*	*195,698*
Total liabilities	**341,635**	**368,234**
Shares and other contributed capital	**5,346**	**5,656**
Net worth(a)	**-20,137**	**-45,207**
Net financial worth(b)	*-125,390*	*-153,788*
Net debt(c)	*41,788*	*41,944*

(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. 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, government securities, loans and other borrowings, 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)]

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Cash receipts from operating activities		
Taxes received	260,711	260,736
Receipts from sales of goods and services	13,715	13,808
Interest receipts	4,539	4,066
Dividends and income tax equivalents	6,717	6,790
Other receipts	4,926	4,957
Total operating receipts	**290,609**	**290,356**
Cash payments for operating activities		
Payments to employees	-26,168	-25,622
Payments for goods and services	-65,024	-63,835
Grants and subsidies paid	-131,537	-130,553
Interest paid	-6,557	-6,457
Personal benefit payments	-100,620	-100,198
Other payments	-4,107	-4,468
Total operating payments	**-334,013**	**-331,134**
Net cash flows from operating activities	**-43,404**	**-40,777**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	340	324
Purchases of non-financial assets	-12,823	-12,682
Net cash flows from investments in non-financial assets	**-12,483**	**-12,358**
Net cash flows from investments in financial assets for policy purposes	**-4,916**	**-4,280**
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	8,745	5,142
Net cash flows from investments in financial assets for liquidity purposes	**8,745**	**5,142**
Net cash flows from financing activities		
Borrowing (net)	46,908	47,328
Other financing (net)	5,395	5,246
Net cash flows from financing activities	**52,303**	**52,574**
Net increase/(decrease) in cash held	**246**	**300**
Cash at the beginning of the year	**2,587**	**2,587**
Cash at the end of the year	**2,834**	**2,887**
Net cash from operating activities and investments in non-financial assets	**-55,887**	**-53,135**
Distributions paid	0	0
Equals surplus(+)/deficit(-)	**-55,887**	**-53,135**
Finance leases and similar arrangements(b)	-1	-25
GFS cash surplus(+)/deficit(-)	**-55,888**	**-53,160**

(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 decrease the deficit.

Table 17: Australian Government public financial corporations sector operating statement

	2009-10 Outcome $m
Revenue	
Current grants and subsidies	97
Sales of goods and services	4,812
Interest income	2,211
Other	79
Total revenue	**7,200**
Expenses	
Gross operating expenses	
Wages and salaries(a)	561
Superannuation	53
Depreciation and amortisation	63
Other operating expenses(a)	4,247
Total gross operating expenses	*4,924*
Interest expenses	982
Other property expenses	6,027
Current transfers	
Tax expenses	26
Total current transfers	*26*
Total expenses	**11,960**
Net operating balance	**-4,760**
Other economic flows	**-2,896**
Comprehensive result - Total change in net worth	**-7,656**
Net acquisition of non-financial assets	
Purchases of non-financial assets	102
less Sales of non-financial assets	1
less Depreciation	68
plus Change in inventories	8
plus Other movements in non-financial assets	5
Total net acquisition of non-financial assets	**46**
Fiscal balance (Net lending/borrowing)(b)	**-4,806**

(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

	2009-10 Outcome $m
Assets	
Financial assets	
Cash and deposits	2,325
Investments, loans and placements	87,827
Other receivables	485
Equity investments	1,086
Total financial assets	*91,723*
Non-financial assets	
Land and other fixed assets	812
Other non-financial assets(a)	96
Total non-financial assets	*908*
Total assets	**92,631**
Liabilities	
Interest bearing liabilities	
Deposits held	69,641
Borrowing	6,966
Total interest bearing liabilities	*76,608*
Provisions and payables	
Other employee liabilities	931
Other provisions and payables(a)	1,992
Total provisions and payables	*2,922*
Total liabilities	**79,530**
Shares and other contributed capital	**13,101**
Net worth(b)	**13,101**
Net financial worth(c)	*12,193*
Net debt(d)	*-13,544*

(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. 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)]

	2009-10 Outcome $m
Cash receipts from operating activities	
Receipts from sales of goods and services	4,753
Grants and subsidies received	0
GST input credit receipts	0
Interest receipts	2,742
Other receipts	177
Total operating receipts	**7,672**
Cash payments for operating activities	
Payments to employees	-523
Payment for goods and services	-4,244
Interest paid	-977
GST payments to taxation authority	0
Other payments	-10
Total operating payments	**-5,753**
Net cash flows from operating activities	**1,919**
Cash flows from investments in non-financial assets	
Sales of non-financial assets	1
Purchases of non-financial assets	-106
Net cash flows from investments in non-financial assets	**-105**
Net cash flows from investments in financial assets for policy purposes	**-159**
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	16,456
Net cash flows from investments in financial assets for liquidity purposes	**16,456**
Net cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	317
Deposits received (net)	-13,272
Other financing (net)	678
Distributions paid (net)	-5,277
Net cash flows from financing activities	**-17,555**
Net increase/(decrease) in cash held	**556**
Cash at the beginning of the year	**1,769**
Cash at the end of the year	**2,325**
Net cash from operating activities and investments in non-financial assets	**1,814**
Distributions paid	-5,277
Equals surplus(+)/deficit(-)	**-3,463**
Finance leases and similar arrangements(b)	0
GFS cash surplus(+)/deficit(-)	**-3,463**

(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

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
General public services	785	1,073
Defence	6,732	7,450
Public order and safety	482	357
Education	58	57
Health	178	131
Social security and welfare	349	379
Housing and community amenities	363	388
Recreation and culture	448	394
Fuel and energy	3	5
Agriculture, forestry and fishing	833	766
Mining, manufacturing and construction	10	8
Transport and communication	62	85
Other economic affairs	547	518
Other purposes	-13	0
Total Government puchases of non-financial assets	**10,838**	**11,610**

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.

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 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 ABS' proposed revisions to GFS 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*). The ABS will be updating its ABS Manual following the update of the IMF GFS Manual 2001.

ABS GFS records defence weapons platforms (DWP) as a non-financial asset on a market value basis (fair value), rather than expensing at time of acquisition. The value used by ABS is consistent with the National Accounts statistical methodology, and represents an early adoption of changes to the *System of National Accounts 2008*. The ABS GFS treatment of DWP is consistent with AAS, as non-financial assets can be valued at fair value as long as they can be reliably measured, otherwise cost is permissible. DWP are valued at cost in the financial statements, as they have in previous budgets, while the Australian Government ascertains if a relevant and reliable fair value can be sourced.

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. ABS GFS 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.

ABS GFS requires investments in unlisted public sector entities to be valued based on their net assets. Under AAS investments in public sector investments can be valued at fair value as long as a fair value can be reliably measured, otherwise net assets is permissible. The AAS treatment has been adopted in the financial statements.

Departures from AASB 1049

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 2009-10 year from the 2009-10 Budget to the Mid-Year Economic and Fiscal Outlook (MYEFO) are disclosed in Part 3 of the *Mid-Year Economic and Fiscal Outlook 2009-10.* Explanations of variances for the 2009-10 year from MYEFO to the 2010-11 Budget are disclosed in Statement 3 of 2010-11 Budget Paper No. 1, *Budget Strategy and Outlook.* Explanations of variances from the 2010-11 Budget to the *Final Budget Outcome 2009-10* 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 2009-10*. Decisions taken from MYEFO to the 2010-11 Budget are disclosed in 2010-11 Budget Paper No. 2, *Budget Measures*. In addition, 2010-11 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

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Income taxation		
Individuals and other withholding taxes		
Gross income tax withholding	119,970	119,922
Gross other individuals	28,500	27,287
less Refunds	25,120	24,390
Total individuals and other withholding taxation	123,350	122,820
Fringe benefits tax	3,670	3,523
Company tax	53,650	53,193
Superannuation funds	5,990	6,182
Petroleum resource rent tax	1,480	1,297
Total income taxation revenue	**188,140**	**187,016**
Indirect taxation		
Sales taxes		
Goods and services tax	46,830	46,553
Wine equalisation tax	730	748
Luxury car tax	490	499
Total sales taxes	48,050	47,800
Excise duty		
Petrol	6,390	6,339
Diesel	6,840	6,886
Beer	2,030	2,006
Tobacco	5,920	5,652
Other excisable products	3,710	3,665
Of which: Other excisable beverages(a)	860	880
Total excise duty revenue	24,890	24,547
Customs duty		
Textiles, clothing and footwear	830	767
Passenger motor vehicles	1,150	1,226
Excise-like goods	2,960	2,826
Other imports	1,130	1,248
less Refunds and drawbacks	240	319
Total customs duty revenue	5,830	5,748
Other indirect taxation		
Agricultural levies	371	395
Other taxes	2,248	2,494
Total other indirect taxation revenue	2,619	2,889
Mirror taxes	402	409
less Transfers to States in relation to mirror tax revenue	402	409
Mirror tax revenue	0	0
Total indirect taxation revenue	**81,389**	**80,984**
Total taxation revenue	**269,529**	**268,000**
Memorandum:		
Medicare levy revenue	*8,200*	*8,013*

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

Note 3(a): Taxation revenue by source

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Taxes on income, profits and capital gains		
Income and capital gains levied on individuals	127,040	126,361
Income and capital gains levied on enterprises	61,100	60,654
Total taxes on income, profits and capital gains	**188,140**	**187,016**
Taxes on employers' payroll and labour force	450	507
Taxes on the provision of goods and services		
Sales/goods and services tax	48,050	47,800
Excises and levies	25,423	25,103
Taxes on international trade	5,830	5,748
Total taxes on the provision of goods and services	**79,303**	**78,651**
Other sale of goods and services(a)	1,635	1,826
Total taxation revenue	**269,529**	**268,000**
Memorandum:		
Medicare levy revenue	*8,200*	*8,013*

(a) Change in description from 'Taxes on use of goods and performance activities' to better reflect the nature of the transaction.

Note 4: Sales of goods and services revenue

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Sales of goods	1,232	1,201
Rendering of services	4,306	4,276
Operating lease rental	54	31
Fees from regulatory services	2,106	2,091
Total sales of goods and services revenue	**7,699**	**7,599**

Note 5: Interest and dividend income

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Interest from other governments		
State and Territory debt	15	13
Local Government	0	2
Housing agreements	175	153
Total interest from other governments	**190**	**168**
Interest from other sources		
Advances	27	30
Deposits	81	107
Bills receivable	6	1
Bank deposits	158	133
Indexation of HELP receivable and other student loans	307	209
Other	3,799	3,782
Total interest from other sources	**4,379**	**4,262**
Total interest	**4,569**	**4,430**
Dividends		
Dividends from other public sector entities	6,270	6,262
Other dividends	1,156	1,396
Total dividends	**7,426**	**7,658**
Total interest and dividend income	**11,995**	**12,088**

Note 6: Other sources of non-taxation revenue

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Industry contributions	93	220
Royalties	1,311	1,503
Seigniorage	155	146
Other	3,434	3,211
Total other sources of non-taxation revenue	**4,993**	**5,081**

Note 7: Employee and superannuation expense

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Wages and salaries expenses	**17,691**	**17,108**
Other operating expenses		
Leave and other entitlements	2,134	2,545
Separations and redundancies	64	138
Workers compensation premiums and claims	556	714
Other	1,599	1,075
Total other operating expenses	**4,353**	**4,471**
Superannuation expenses		
Superannuation	3,586	3,859
Superannuation interest cost	6,695	6,687
Total superannuation expenses	**10,281**	**10,546**
Total employee and superannuation expense	**32,325**	**32,125**

Note 8: Depreciation and amortisation expense

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Depreciation		
Specialist military equipment	2,589	2,718
Buildings	1,099	1,095
Other infrastructure, plant and equipment	1,142	1,129
Heritage and cultural assets	35	50
Total depreciation	**4,866**	**4,992**
Total amortisation	**664**	**649**
Total depreciation and amortisation expense	**5,529**	**5,641**

Note 9: Payment for supply of goods and services

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Supply of goods and services	20,305	18,746
Operating lease rental expenses	2,243	2,740
Personal benefits - indirect	33,820	33,548
Health care payments	4,986	4,925
Other	1,765	1,957
Total payment for supply of goods and services	**63,119**	**61,917**

Note 10: Interest expense

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Interest on debt		
Government securities	6,514	6,303
Loans	4	3
Other	73	67
Total interest on debt	**6,591**	**6,372**
Other financing costs	**1,394**	**1,235**
Total interest expense	**7,985**	**7,607**

Note 11: Current and capital grants expense

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Current grants expense		
State and Territory governments	76,938	75,788
Local governments	21	12
Private sector(a)	2,003	3,990
Overseas	3,267	3,280
Non-profit organisations	2,576	3,174
Multi-jurisdictional sector	8,024	8,808
Other(a)	9,323	6,118
Total current grants expense	**102,152**	**101,169**
Capital grants expense		
Mutually agreed write-downs	2,287	2,127
Other capital grants		
State and Territory governments	20,714	20,613
Local governments	874	799
Multi-jurisdictional sector	81	89
Other	386	247
Total capital grants expense	**24,342**	**23,876**
Total grants expense	**126,495**	**125,045**

(a) Includes reclassification of some programs between grants to private sector and grants to other since the 2010-11 Budget.

Note 12: Personal benefits expense

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Social welfare - assistance to the aged	30,305	30,334
Assistance to veterans and dependants	6,305	6,041
Assistance to people with disabilities	16,062	16,056
Assistance to families with children	29,386	29,429
Assistance to the unemployed	7,016	6,965
Student assistance	3,462	3,413
Other welfare programs	1,461	1,179
Financial and fiscal affairs	266	144
Vocational and industry training	198	74
Other	4,774	4,856
Total personal benefit expense	**99,235**	**98,490**

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

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Opening net worth	**19,721**	**19,721**
Opening net worth adjustments(a)	5,400	0
Adjusted opening net worth	**25,121**	**19,721**
Net operating balance	-48,907	-46,472
Other economic flows – Included in operating result		
Foreign exchange gains	482	1,909
Gains from sale of assets	113	11
Other gains	9,470	4,454
Swap interest revenue	86	86
Net write-down and impairment of assets and fair value losses	-5,190	-7,986
Foreign exchange losses	0	-7
Losses from sale of assets	0	-580
Swap interest expense	-45	-45
Total other economic flows	**4,915**	**-2,157**
Operating result(b)	**-43,992**	**-48,630**
Other economic flows - other movements in equity(a)(c)	-1,266	-15,940
Comprehensive result	**-45,258**	**-64,569**

(a) Reflects a decrease in the superannuation liability due to the difference in the discount rates used for budget and actual reporting purposes. Refer to Note 18 for further details.
(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

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Advances paid		
Loans to State and Territory governments	3,044	3,038
Higher Education Loan Program	12,411	13,709
Student Financial Supplement Scheme	759	763
Other	7,549	7,355
less Provision for doubtful debts	340	314
Total advances paid	**23,422**	**24,550**
Other receivables		
Goods and services receivable	930	837
Recoveries of benefit payments	2,812	3,156
Taxes receivable	19,493	16,179
Other	18,660	20,209
less Provision for doubtful debts	2,871	3,232
Total other receivables	**39,024**	**37,149**

Note 15: Investments, loans and placements

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Investments - deposits	30,704	33,345
IMF quota	5,659	5,601
Other	62,925	63,963
Total investments, loans and placements	**99,288**	**102,910**

Note 16: Total non-financial assets

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Land and buildings		
Land	8,349	8,562
Buildings	20,667	21,437
Total land and buildings	**29,016**	**29,999**
Plant, equipment and infrastructure		
Specialist military equipment	35,968	36,356
Other	10,734	11,341
Total plant, equipment and infrastructure	**46,702**	**47,697**
Inventories		
Inventories held for sale	721	704
Inventories not held for sale	5,892	5,825
Total inventories	**6,613**	**6,529**
Intangibles		
Computer software	2,723	2,735
Other	1,400	1,298
Total intangibles	**4,123**	**4,032**
Total investment properties	**182**	**504**
Total biological assets	**32**	**119**
Total heritage and cultural assets	**9,091**	**9,367**
Total assets held for sale	**158**	**151**
Other non-financial assets		
Prepayments	2,226	2,683
Other	230	149
Total other non-financial assets	**2,456**	**2,832**
Total non-financial assets	**98,372**	**101,230**

Note 17: Loans

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Promissory notes	4,848	4,895
Special drawing rights	5,391	5,454
Other	1,191	2,867
Total loans	**11,430**	**13,217**

Note 18: Employee and superannuation liabilities

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Total superannuation liability(a)	**122,874**	**141,007**
Other employee liabilities		
Leave and other entitlements	5,936	6,250
Accrued salaries and wages	253	241
Workers compensation claims	1,633	1,676
Separations and redundancies	53	71
Workers compensation premiums	0	0
Other	1,999	2,196
Total other employee liabilities	**9,874**	**10,434**
Total employee and superannuation liabilities	**132,748**	**151,441**

(a) For budget reporting purposes, a discount rate applied by actuaries in preparing Long Term Cost Reports is used to value the superannuation liability. This reduces the volatility in reported liabilities that would occur from year to year if the long-term government bond rate were used. Consistent with Australian Accounting Standards, the long-term government bond rate as at 30 June is used to calculate the superannuation liability for the purpose of actuals reporting.

Note 19: Provisions and payables

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Suppliers payable		
Trade creditors	3,885	3,534
Operating lease rental payable	152	173
Other creditors	326	2,065
Total suppliers payable	**4,363**	**5,772**
Total personal benefits provisions and payable	**12,651**	**12,832**
Total subsidies provisions and payable	**1,897**	**1,792**
Grants provisions and payable		
State and Territory governments	559	473
Non-profit organisations	110	154
Private sector	337	490
Overseas	761	844
Local governments	13	27
Other	5,282	5,933
Total grants provisions and payable	**7,062**	**7,920**
Other provisions and payables		
Provisions for tax refunds	1,833	2,559
Other	10,577	10,703
Total other provisions and payables	**12,410**	**13,262**

Note 20: Reconciliation of cash

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Operating balance (revenues less expenses)	**-48,907**	**-46,472**
less **Revenues not providing cash**		
Other	781	755
Total revenues not providing cash	**781**	**755**
plus **Expenses not requiring cash**		
Increase/(decrease) in employee entitlements	5,301	5,444
Depreciation/amortisation expense	5,529	5,641
Mutually agreed write-downs	2,287	2,127
Other	1,040	859
Total expenses not requiring cash	**14,157**	**14,071**
plus **Cash provided / (used) by working capital items**		
Decrease / (increase) in inventories	-554	-699
Decrease / (increase) in receivables	-8,791	-8,259
Decrease / (increase) in other financial assets	-549	-89
Decrease / (increase) in other non-financial assets	486	-89
Increase / (decrease) in benefits, subsidies and grants payable	-1,103	-633
Increase / (decrease) in suppliers' liabilities	468	143
Increase / (decrease) in other provisions and payables	1,853	1,467
Net cash provided / (used) by working capital	**-8,190**	**-8,158**
equals (Net cash from/(to) operating activities)	-43,720	-41,315
plus (Net cash from/(to) investing activities)	-7,734	-10,026
Net cash from operating activities and investment	**-51,453**	**-51,340**
plus (Net cash from/(to) financing activities)	51,827	51,552
equals Net increase/(decrease) in cash	**374**	**211**
Cash at the beginning of the year	**1,654**	**1,654**
Net increase/(decrease) in cash	374	211
Cash at the end of the year	**2,027**	**1,865**

Note 20(a): Consolidated Revenue Fund

	2009-10 Estimate at 2010-11 Budget $m	2009-10 Outcome $m
Total general government sector cash	2,027	1,865
less CAC Agency cash balances	1,351	1,423
plus Special public monies	231	271
Balance of Consolidated Revenue Fund at 30 June	**907**	**713**

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 2009-10* have been prepared on a basis consistent with the 2010-11 Budget. This enables comparison of the 2009-10 revised estimates published at the 2010-11 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).

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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

plus

Net cash flows from investments in non-financial assets

less

Net acquisitions of assets acquired under finance leases and similar arrangements[4]

equals

ABS GFS cash surplus/deficit

less

Future Fund earnings

equals

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

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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

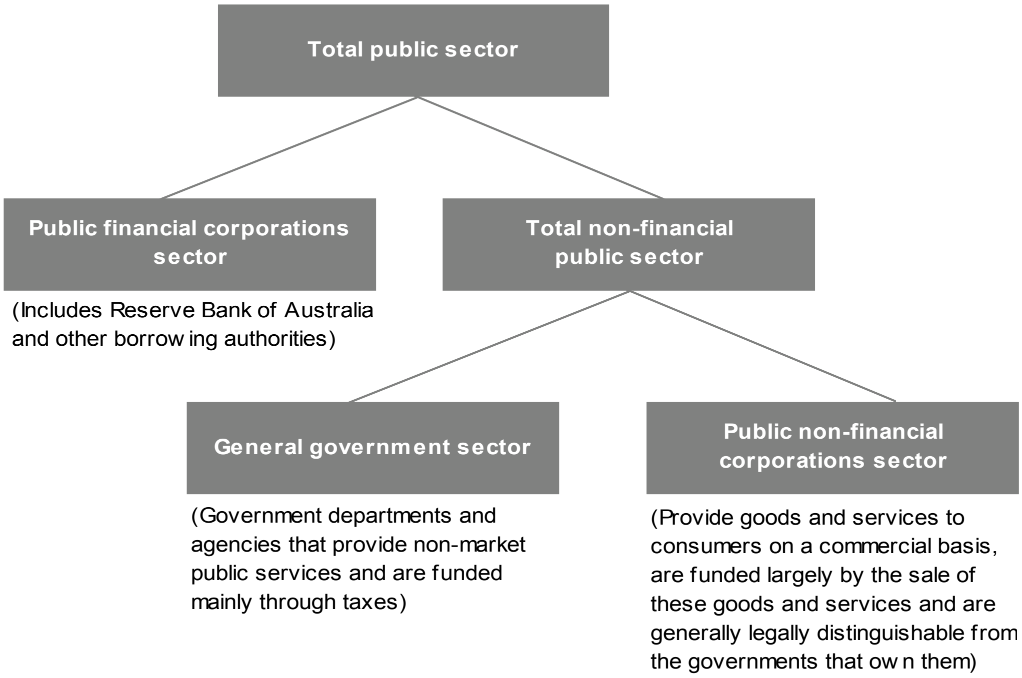

Table 21: Entities within the sectoral classifications

General government sector entities
Agriculture, Fisheries and Forestry Portfolio Australian Fisheries Management Authority, Australian Pesticides and Veterinary Medicines Authority, Australian Wine and Brandy Corporation, Cotton Research and Development Corporation, 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 Australia[6] 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
Climate Change and Energy Efficiency Australian Carbon Trust Limited, Department of Climate Change and Energy Efficiency, Office of the Renewable Energy Regulator
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

6 This entity was wound up during 2009-10.

Table 21: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Education, Employment and Workplace Relations Portfolio Australian Curriculum, Assessment and Reporting Authority, Australian Industrial Registry[7], Comcare, Department of Education, Employment and Workplace Relations, Fair Work Australia, Office of the Australian Building and Construction Commissioner, Office of Fair Work Ombudsman, Safe Work Australia , Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority), Australian Institute for Teaching and School Leadership Limited, Australian Learning and Teaching Council Limited, Workplace Authority[8]
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, Outback Stores Pty Ltd, 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

7 This entity was wound up during 2009-10.
8 This entity was wound up during 2009-10.

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, Australian Sports Foundation Limited, Cancer Australia, Department of Health and Ageing, Food Standards Australia New Zealand, Health Workforce Australia, 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 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, Old Parliament House

Table 21: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Resources, Energy and Tourism Portfolio Australian Solar Institute Limited, 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
Public financial corporations
Education, Employment and Workplace Relations Portfolio Coal Mining Industry (Long Service Leave Funding) Corporation Finance and Deregulation Portfolio Australian Industry Development Corporation, Medibank Private Ltd Foreign Affairs and Trade Portfolio Export Finance and Insurance Corporation Treasury Portfolio Australian Reinsurance Pool Corporation, Reserve Bank of Australia

Table 21: Entities within the sectoral classifications (continued)

Public non-financial corporations
Attorney-General's Portfolio
Australian Government Solicitor
Broadband, Communications and the Digital Economy Portfolio
Australian Postal Corporation, NBN Co Ltd
Finance and Deregulation Portfolio
Albury-Wodonga Development Corporation, Australian River Co. Ltd, ASC Pty Ltd, Australian Technology Group Ltd[9]
Human Services Portfolio
Australian Hearing Services
Infrastructure, Transport, Regional Development and Local Government Portfolio
Airservices Australia, Australian Rail Track Corporation Ltd

9 This entity was wound up during 2009-10.

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*).[10]

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).

10 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. AASB 1049 requires cost to be used where fair value of assets cannot be reliably measured.	ABS has updated its treatment in its GFS reports to record DWP as a non-financial asset on a market value basis. This represents an early adoption of changes to the System of National accounts.	AAS valuation
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 expected to update its treatment 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
Investment in Other Public Sector Entities	Valued at fair value in the balance sheet as long as it can be reliably measured, otherwise net assets is permissible.	Unlisted entities valued based on their net assets in the balance sheet.	AAS valuation
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 2009-10 LCA final budget outcome is a $56,942 million deficit. This compares with the Australian Government's 2009-10 LCA Budget estimate of a $60,965 million deficit.

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 2009-10 LCA final budget outcome does not exceed the 2 per cent tolerance limit.

Table 23: Australian Government Loan Council Allocation

		2009-10 Budget Estimate $m	2009-10 Outcome $m
	GG sector cash surplus(-)/deficit(+)	54,660	52,213
	PNFC sector cash surplus(-)/deficit(+)	2,258	922
	NFPS cash surplus(-)/deficit(+)(a)	56,918	53,135
	Acquisitions under finance leases and similar arrangements	1	25
equals	ABS GFS cash surplus(-)/deficit(+)	56,919	53,160
minus	Net cash flows from investments in financial assets for policy purposes(b)	-5,089	-4,280
plus	Memorandum items(c)	-1,043	-499
	Loan Council Allocation	**60,965**	**56,942**

(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.