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 2010-11* have been prepared on a basis consistent with the 2011-12 Budget. This enables comparison of the 2010-11 revised estimates published at the 2011-12 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	2010-11 Estimate at 2011-12 Budget $m	Month of June 2010(e) $m	2010-11 Outcome $m
Revenue				
Taxation revenue	3	290,298	23,611	289,005
Sales of goods and services	4	8,058	492	7,680
Interest income	5	5,277	2,227	5,169
Dividend income	5	1,839	621	2,562
Other	6	5,307	812	5,473
Total revenue		**310,779**	**27,762**	**309,890**
Expenses				
Gross operating expenses				
Wages and salaries(a)	7	18,705	2,044	17,940
Superannuation	7	4,016	730	4,512
Depreciation and amortisation	8	5,621	612	5,876
Supply of goods and services	9	66,116	7,104	66,203
Other operating expenses(a)	7	4,682	563	5,054
Total gross operating expenses		*99,141*	*11,054*	*99,585*
Superannuation interest expense	7	6,958	552	6,997
Interest expenses	10	10,845	1,153	10,953
Current transfers				
Current grants	11	103,893	15,892	108,879
Subsidy expenses		8,876	529	8,690
Personal benefits	12	105,371	7,865	105,559
Total current transfers		*218,140*	*24,285*	*223,129*
Capital transfers	11			
Mutually agreed write-downs		2,043	413	2,442
Other capital grants		13,676	542	12,994
Total capital transfers		*15,719*	*955*	*15,436*
Total expenses		**350,803**	**37,999**	**356,100**
Net operating balance		**-40,024**	**-10,237**	**-46,209**
Other economic flows				
Gain/loss on equity and on sale of assets(b)		4,439	-7,034	-7,236
Net write-downs of assets (including bad and doubtful debts)		-6,928	-1,191	-6,987
Assets recognised for the first time		555	165	509
Actuarial revaluations		0	741	741
Net foreign exchange gains		-28	-909	8,250
Market valuation of debt		2,280	-173	336
Other economic revaluations(c)		93	-923	59
Total other economic flows		**411**	**-9,324**	**-4,329**
Comprehensive result - Total change in net worth	13	**-39,613**	**-19,562**	**-50,538**
Net operating balance		**-40,024**	**-10,237**	**-46,209**
***less* Net acquisition of non-financial assets**				
Purchases of non-financial assets		10,555	2,755	10,710
less Sales of non-financial assets		383	36	402
less Depreciation		5,621	612	5,876
plus Change in inventories		850	214	764
plus Other movements in non-financial assets		311	-53	101
Total net acquisition of non-financial assets		**5,713**	**2,267**	**5,297**
Fiscal balance (Net lending/borrowing)(d)		**-45,737**	**-12,505**	**-51,506**

(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	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Assets			
Financial assets			
Cash and deposits	20(a)	1,998	2,477
Advances paid	14	27,184	26,811
Investments, loans and placements	15	99,661	98,675
Other receivables	14	34,404	36,628
Equity investments			
Investments in other public sector entities		23,551	18,914
Equity accounted investments		278	317
Investments - shares		27,573	31,125
Total financial assets		*214,649*	*214,946*
Non-financial assets	16		
Land		8,471	8,687
Buildings		22,182	22,448
Plant, equipment and infrastructure		50,730	50,556
Inventories		6,900	6,873
Intangibles		4,630	4,384
Investment property		507	472
Biological assets		120	104
Heritage and cultural assets		9,423	9,474
Assets held for sale		97	154
Other non-financial assets		5,319	2,273
Total non-financial assets		*108,378*	*105,423*
Total assets		**323,027**	**320,370**
Liabilities			
Interest bearing liabilities			
Deposits held		232	209
Government securities		200,569	201,755
Loans	17	9,633	9,759
Other borrowing		791	791
Total interest bearing liabilities		*211,224*	*212,514*
Provisions and payables			
Superannuation liability	18	129,491	145,113
Other employee liabilities	18	10,959	11,562
Suppliers payable	19	4,229	6,030
Personal benefits provisions and payable	19	12,317	12,730
Subsidies provisions and payable	19	2,307	1,823
Grants provisions and payable	19	8,218	13,536
Other provisions and payables	19	12,551	12,448
Total provisions and payables		*180,072*	*203,242*
Total liabilities		**391,297**	**415,756**
Net worth(a)		**-68,270**	**-95,386**
Net financial worth(b)		*-176,648*	*-200,810*
Net financial liabilities(c)		*200,199*	*219,724*
Net debt(d)		*82,381*	*84,551*

(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)]

	2010-11 Estimate at 2011-12 Budget $m	Month of June 2010(d) $m	2010-11 Outcome $m
Cash receipts from operating activities			
Taxes received	282,515	23,714	280,839
Receipts from sales of goods and services	7,901	865	7,522
Interest receipts	4,954	2,786	4,943
Dividends and income tax equivalents	2,984	639	3,248
Other receipts	4,952	573	5,070
Total operating receipts	**303,307**	**28,576**	**301,622**
Cash payments for operating activities			
Payments for employees	-24,944	-1,770	-24,381
Payments for goods and services	-66,702	-7,077	-66,377
Grants and subsidies paid	-127,616	-12,318	-125,510
Interest paid	-9,522	-475	-9,551
Personal benefit payments	-106,005	-8,120	-105,959
Other payments	-4,109	156	-4,369
Total operating payments	**-338,898**	**-29,604**	**-336,146**
Net cash flows from operating activities	**-35,590**	**-1,028**	**-34,524**
Cash flows from investments in non-financial assets			
Sales of non-financial assets	383	36	402
Purchases of non-financial assets	-10,785	-1,819	-9,897
Net cash flows from investments in non-financial assets	**-10,403**	**-1,782**	**-9,495**
Net cash flows from investments in financial assets for policy purposes	**-8,096**	**-5,447**	**-7,028**
Cash flows from investments in financial assets for liquidity purposes			
Increase in investments	9,410	10,504	7,195
Net cash flows from investments in financial assets for liquidity purposes	**9,410**	**10,504**	**7,195**
Cash receipts from financing activities			
Borrowing	45,621	-431	44,799
Other financing	0	407	409
Total cash receipts from financing activities	**45,621**	**-24**	**45,208**
Cash payments for financing activities			
Other financing	-808	-1,286	-745
Total cash payments for financing activities	**-808**	**-1,286**	**-745**
Net cash flows from financing activities	**44,812**	**-1,310**	**44,463**
Net increase/(decrease) in cash held	**133**	**937**	**612**

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

	2010-11 Estimate at 2011-12 Budget $m	Month of June 2010(d) $m	2010-11 Outcome $m
Net cash flows from operating activities and investments in non-financial assets (Surplus(+)/deficit(-))	**-45,993**	**-2,810**	**-44,019**
Finance leases and similar arrangements(b)	-2	-25	-59
GFS cash surplus(+)/deficit(-)	**-45,995**	**-2,835**	**-44,078**
less Future Fund earnings	3,374	1,928	3,668
Equals underlying cash balance(c)	**-49,369**	**-4,763**	**-47,746**
plus Net cash flows from investments in financial assets for policy purposes	-8,096	-5,447	-7,028
plus Future Fund earnings	3,374	1,928	3,668
Equals headline cash balance	**-54,092**	**-8,282**	**-51,106**

(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

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Revenue		
Current grants and subsidies	27	76
Sales of goods and services	7,421	7,353
Interest income	66	100
Other	1	34
Total revenue	**7,516**	**7,563**
Expenses		
Gross operating expenses		
Wages and salaries(a)	2,765	2,780
Superannuation	228	227
Depreciation and amortisation	489	430
Supply of goods and services	3,403	3,393
Other operating expenses(a)	386	350
Total gross operating expenses	*7,271*	*7,180*
Interest expenses	49	60
Other property expenses	138	340
Current transfers		
Tax expenses	81	208
Total current transfers	*81*	*208*
Total expenses	**7,539**	**7,787**
Net operating balance	**-23**	**-224**
Other economic flows	**-597**	**620**
Comprehensive result - Total change in net worth	**-621**	**395**
***less* Net acquisition of non-financial assets**		
Purchases of non-financial assets	2,930	1,556
less Sales of non-financial assets	94	110
less Depreciation	489	430
plus Change in inventories	8	8
plus Other movements in non-financial assets	58	198
Total net acquisition of non-financial assets	**2,414**	**1,221**
Fiscal balance (Net lending/borrowing)(b)	**-2,437**	**-1,446**

(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

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Assets		
Financial assets		
Cash and deposits	873	1,551
Investments, loans and placements	286	372
Other receivables	962	1,068
Equity investments	320	301
Total financial assets	*2,441*	*3,292*
Non-financial assets		
Land and fixed assets	8,541	7,883
Other non-financial assets(a)	591	780
Total non-financial assets	*9,132*	*8,663*
Total assets	**11,573**	**11,955**
Liabilities		
Interest bearing liabilities		
Borrowing	1,482	1,388
Total interest bearing liabilities	*1,482*	*1,388*
Provisions and payables		
Other employee liabilities	1,261	1,262
Other provisions and payables(a)	1,837	1,646
Total provisions and payables	*3,098*	*2,908*
Total liabilities	**4,580**	**4,296**
Shares and other contributed capital	**6,993**	**7,659**
Net worth(b)	**6,993**	**7,659**
Net financial worth(c)	*-2,139*	*-1,004*
Net debt(d)	*322*	*-535*

(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. The AASB 1049 method is used in this table.
(c) Under AASB 1049, 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. The AASB 1049 method is used in this table.
(d) Net debt equals the sum of interest bearing liabilities (deposits held, advances received and borrowing), minus the sum of cash and deposits and investments, loans and placements.

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

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Cash receipts from operating activities		
Receipts from sales of goods and services	8,064	8,096
GST input credit receipts	307	78
Other receipts	89	317
Total operating receipts	**8,460**	**8,491**
Cash payments for operating activities		
Payments to employees	-3,459	-3,398
Payment for goods and services	-3,568	-4,010
Interest paid	-57	-60
GST payments to taxation authority	-603	-270
Other payments	-133	-107
Total operating payments	**-7,820**	**-7,845**
Net cash flows from operating activities	**640**	**646**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	95	67
Purchases of non-financial assets	-2,995	-1,747
Net cash flows from investments in non-financial assets	**-2,901**	**-1,680**
Net cash flows from investments in financial assets for policy purposes	**0**	**1**
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	19	-66
Net cash flows from investments in financial assets for liquidity purposes	**19**	**-66**
Net cash flows from financing activities		
Borrowing (net)	155	160
Other financing (net)	2,072	1,607
Distributions paid (net)	-135	-141
Net cash flows from financing activities	**2,093**	**1,628**
Net increase/(decrease) in cash held	**-148**	**529**
Cash at the beginning of the year	**1,022**	**1,022**
Cash at the end of the year	**873**	**1,551**
Net cash from operating activities and investments in non-financial assets	**-2,260**	**-1,034**
Distributions paid	-135	-141
Equals surplus(+)/deficit(-)	**-2,395**	**-1,175**
Finance leases and similar arrangements(b)	0	0
GFS cash surplus(+)/deficit(-)	**-2,395**	**-1,175**

(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

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Revenue		
Taxation revenue	290,218	288,798
Sales of goods and services	14,440	13,891
Interest income	5,343	5,269
Dividend income	1,700	2,223
Other	5,308	5,507
Total revenue	**317,010**	**315,688**
Expenses		
Gross operating expenses		
Wages and salaries(a)	21,470	20,720
Superannuation	4,243	4,739
Depreciation and amortisation	6,110	6,306
Supply of goods and services	68,481	68,452
Other operating expenses(a)	5,069	5,404
Total gross operating expenses	*105,373*	*105,622*
Superannuation interest expense	6,958	6,997
Interest expenses	10,894	11,014
Current transfers		
Current grants	103,893	108,879
Subsidy expenses	8,849	8,614
Personal benefits	105,371	105,559
Total current transfers	*218,113*	*223,053*
Capital transfers	15,719	15,436
Total expenses	**357,057**	**362,122**
Net operating balance	**-40,047**	**-46,434**
Other economic flows	**261**	**-4,349**
Comprehensive result - Total change in net worth	**-39,786**	**-50,783**
Net acquisition of non-financial assets		
Purchases of non-financial assets	13,486	12,265
less Sales of non-financial assets	477	512
less Depreciation	6,110	6,306
plus Change in inventories	859	772
plus Other movements in non-financial assets	369	299
Total net acquisition of non-financial assets	**8,127**	**6,518**
Fiscal balance (Net lending/borrowing)(b)	**-48,174**	**-52,952**

(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

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Assets		
Financial assets		
Cash and deposits	2,872	4,028
Advances paid	27,184	26,811
Investments, loans and placements	99,649	98,749
Other receivables	35,259	37,587
Equity investments	44,195	42,394
Total financial assets	*209,159*	*209,569*
Non-financial assets		
Land and fixed assets	106,247	105,920
Other non-financial assets	11,263	8,166
Total non-financial assets	*117,510*	*114,087*
Total assets	**326,670**	**323,656**
Liabilities		
Interest bearing liabilities		
Deposits held	232	209
Government securities	200,569	201,755
Loans	9,335	9,462
Other borrowing	2,273	2,179
Total interest bearing liabilities	*212,408*	*213,604*
Provisions and payables		
Superannuation liability	129,491	145,113
Other employee liabilities	12,220	12,824
Other provisions and payables	41,353	48,104
Total provisions and payables	*183,063*	*206,042*
Total liabilities	**395,471**	**419,646**
Shares and other contributed capital	**6,993**	**7,659**
Net worth(a)	**-68,802**	**-95,990**
Net financial worth(b)	*-186,312*	*-210,077*
Net debt(c)	*82,704*	*84,017*

(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. The AASB 1049 method is used in this table.
(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. The AASB 1049 method is used in this table.
(c) 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 16: Australian Government total non-financial public sector cash flow statement[(a)]

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Cash receipts from operating activities		
Taxes received	282,397	280,771
Receipts from sales of goods and services	14,759	13,581
Interest receipts	5,018	5,042
Dividends and income tax equivalents	2,863	3,126
Other receipts	4,965	5,270
Total operating receipts	**310,001**	**307,789**
Cash payments for operating activities		
Payments to employees	-28,403	-27,780
Payments for goods and services	-69,360	-68,554
Grants and subsidies paid	-127,616	-125,510
Interest paid	-9,578	-9,610
Personal benefit payments	-106,005	-105,959
Other payments	-4,124	-4,396
Total operating payments	**-345,086**	**-341,808**
Net cash flows from operating activities	**-35,085**	**-34,019**
Cash flows from investments in non-financial assets		
Sales of non-financial assets	477	469
Purchases of non-financial assets	-13,781	-11,644
Net cash flows from investments in non-financial assets	**-13,303**	**-11,175**
Net cash flows from investments in financial assets for policy purposes	**-8,096**	**-7,027**
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	11,388	8,738
Net cash flows from investments in financial assets for liquidity purposes	**11,388**	**8,738**
Net cash flows from financing activities		
Borrowing (net)	45,776	44,960
Other financing (net)	-694	-337
Net cash flows from financing activities	**45,082**	**44,623**
Net increase/(decrease) in cash held	**-15**	**1,140**
Cash at the beginning of the year	**2,887**	**2,887**
Cash at the end of the year	**2,872**	**4,028**
Net cash from operating activities and investments in non-financial assets	**-48,388**	**-45,194**
Distributions paid	0	0
Equals surplus(+)/deficit(-)	**-48,388**	**-45,194**
Finance leases and similar arrangements(b)	-2	-59
GFS cash surplus(+)/deficit(-)	**-48,390**	**-45,252**

(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 17: Australian Government public financial corporations sector operating statement

	2010-11 Outcome $m
Revenue	
Current grants and subsidies	119
Sales of goods and services	5,237
Interest income	2,173
Other	99
Total revenue	**7,629**
Expenses	
Gross operating expenses	
Wages and salaries(a)	693
Superannuation	71
Depreciation and amortisation	68
Other operating expenses(a)	4,550
Total gross operating expenses	*5,381*
Interest expenses	878
Other property expenses	464
Current transfers	
Tax expenses	195
Total current transfers	*195*
Total expenses	**6,918**
Net operating balance	**711**
Other economic flows	**-5,888**
Comprehensive result - Total change in net worth	**-5,177**
Net acquisition of non-financial assets	
Purchases of non-financial assets	85
less Sales of non-financial assets	1
less Depreciation	68
plus Change in inventories	-7
plus Other movements in non-financial assets	-2
Total net acquisition of non-financial assets	**7**
Fiscal balance (Net lending/borrowing)(b)	**703**

(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

	2010-11 Outcome $m
Assets	
Financial assets	
Cash and deposits	1,893
Investments, loans and placements	78,503
Other receivables	716
Equity investments	625
Total financial assets	*81,737*
Non-financial assets	
Land and other fixed assets	954
Other non-financial assets(a)	111
Total non-financial assets	*1,065*
Total assets	**82,802**
Liabilities	
Interest bearing liabilities	
Deposits held	67,563
Borrowing	4,811
Total interest bearing liabilities	*72,375*
Provisions and payables	
Other employee liabilities	1,066
Other provisions and payables(a)	1,438
Total provisions and payables	*2,504*
Total liabilities	**74,879**
Shares and other contributed capital	**7,924**
Net worth(b)	**7,924**
Net financial worth(c)	*6,858*
Net debt(d)	*-8,022*

(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. The AASB 1049 method is used in this table.
(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. The AASB 1049 method is used in this table.
(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)]

	2010-11 Outcome $m
Cash receipts from operating activities	
Receipts from sales of goods and services	5,173
Grants and subsidies received	0
GST input credit receipts	0
Interest receipts	2,276
Other receipts	220
Total operating receipts	**7,669**
Cash payments for operating activities	
Payments to employees	-609
Payment for goods and services	-4,454
Interest paid	-843
GST payments to taxation authority	0
Other payments	-102
Total operating payments	**-6,009**
Net cash flows from operating activities	**1,660**
Cash flows from investments in non-financial assets	
Sales of non-financial assets	1
Purchases of non-financial assets	-84
Net cash flows from investments in non-financial assets	**-83**
Net cash flows from investments in financial assets for policy purposes	**-140**
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	927
Net cash flows from investments in financial assets for liquidity purposes	**927**
Net cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	363
Deposits received (net)	-3,378
Other financing (net)	1,433
Distributions paid (net)	-1,214
Net cash flows from financing activities	**-2,795**
Net increase/(decrease) in cash held	**-432**
Cash at the beginning of the year	**2,325**
Cash at the end of the year	**1,893**
Net cash from operating activities and investments in non-financial assets	**1,577**
Distributions paid	-1,214
Equals surplus(+)/deficit(-)	**363**
Finance leases and similar arrangements(b)	0
GFS cash surplus(+)/deficit(-)	**363**

(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

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
General public services	897	978
Defence	6,688	6,924
Public order and safety	473	389
Education	15	26
Health	167	125
Social security and welfare	337	408
Housing and community amenities	203	227
Recreation and culture	376	311
Fuel and energy	7	6
Agriculture, forestry and fishing	485	449
Mining, manufacturing and construction	26	6
Transport and communication	249	220
Other economic affairs	653	641
Other purposes	-21	0
Total Government puchases of non-financial assets	**10,555**	**10,710**

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,* (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 key 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 Accrual Uniform Presentation Framework (UPF) requires disclosure of 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 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 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 entities 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.

Movements in the provision for restoration, decommissioning and make-good of assets have been included in the calculation of the fiscal balance capital adjustment because in many cases they involve legal obligations to expend resources. ABS GFS does not recognise adjustments for such provisions because they are considered a constructive obligation that may not materialise for many years.

Departures from AASB 1049

AAS requires the advances paid to the International Development Association and Asian Development Fund 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 total assets attributed to functions. 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 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 in the financial statements. Explanations of variances for the 2010-11 year from the 2010-11 Budget to the Mid-Year Economic and Fiscal Outlook (MYEFO) are disclosed in Part 3 of the *Mid-Year Economic and Fiscal Outlook 2010-11.* Explanations of variances for the 2010-11 year from MYEFO to the 2011-12 Budget are disclosed in Statement 3 of 2011-12 Budget Paper No. 1, *Budget Strategy and Outlook*. Explanations of variances from the 2011-12 Budget to the *Final Budget Outcome 2010-11* 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 2010-11.* Decisions taken from MYEFO to the 2011-12 Budget are disclosed in 2011-12 Budget Paper No. 2, *Budget*

Measures. In addition, 2011-12 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.

In addition to above adjustments, there are specific adjustments made to the corporations sectors as outlined below.

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

Departures from ABS GFS

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). Similarly, AASB1049 defines net financial worth for these sectors as financial assets less total liabilities, whereas under ABS GFS it is equal to 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.

Departures from AASB 1049

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.

AAS requires dividends paid to be classified as a distribution of equity. Under ABS GFS, dividends paid are classified as an expense. ABS GFS treatment has been adopted for use in the financial statements.

Australian government public corporations use commercial tax effect accounting to determine their net tax liability while the ATO determines their tax liability on a due and payable basis. To ensure symmetry in treatment between Australian governments sectors the ABS remove tax effect adjustments. The GFS treatment has been adopted in the financial statements.

Note 3: Taxation revenue by type

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Income taxation		
Individuals and other withholding taxes		
Gross income tax withholding	131,320	130,790
Gross other individuals	29,860	30,642
less Refunds	24,850	24,660
Total individuals and other withholding taxation	136,330	136,772
Fringe benefits tax	3,670	3,348
Company tax	57,880	57,312
Superannuation funds	7,220	6,693
Petroleum resource rent tax	940	806
Total income taxation revenue	**206,040**	**204,931**
Indirect taxation		
Sales taxes		
Goods and services tax	48,180	48,093
Wine equalisation tax	720	747
Luxury car tax	500	489
Total sales taxes	49,400	49,329
Excise duty		
Petrol	5,910	5,907
Diesel	7,300	7,454
Beer	1,950	1,957
Tobacco	6,720	6,387
Other excisable products	4,180	4,097
Of which: Other excisable beverages(a)	900	900
Total excise duty revenue	26,060	25,803
Customs duty		
Textiles, clothing and footwear	610	643
Passenger motor vehicles	780	774
Excise-like goods	3,530	3,364
Other imports	1,240	1,288
less Refunds and drawbacks	120	241
Total customs duty revenue	6,040	5,828
Other indirect taxation		
Agricultural levies	404	445
Other taxes	2,355	2,669
Total other indirect taxation revenue	2,758	3,115
Mirror taxes	424	433
less Transfers to States in relation to mirror tax revenue	424	433
Mirror tax revenue	0	0
Total indirect taxation revenue	**84,258**	**84,074**
Total taxation revenue	**290,298**	**289,005**
Memorandum:		
Medicare levy revenue	*8,330*	*8,269*

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

Note 3(a): Taxation revenue by source

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Taxes on income, profits and capital gains		
Income and capital gains levied on individuals	140,020	140,130
Income and capital gains levied on enterprises	66,020	64,802
Total taxes on income, profits and capital gains	**206,040**	**204,931**
Taxes on employers' payroll and labour force	473	505
Taxes on the provision of goods and services		
Sales/goods and services tax	49,400	49,329
Excises and levies	26,626	26,409
Taxes on international trade	6,040	5,828
Total taxes on the provision of goods and services	**82,066**	**81,566**
Other sale of goods and services	1,719	2,004
Total taxation revenue	**290,298**	**289,005**
Memorandum:		
Medicare levy revenue	*8,330*	*8,269*

Note 4: Sales of goods and services revenue

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Sales of goods	1,236	1,125
Rendering of services	4,561	4,234
Operating lease rental	38	51
Fees from regulatory services	2,223	2,271
Total sales of goods and services revenue	**8,058**	**7,680**

Note 5: Interest and dividend revenue

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Interest from other governments		
State and Territory debt	15	12
Local Government	0	1
Housing agreements	170	149
Total interest from other governments	**185**	**163**
Interest from other sources		
Advances	38	38
Deposits	96	136
Bank deposits	183	251
Indexation of HELP receivable and other student loans	362	216
Other	4,415	4,365
Total interest from other sources	**5,092**	**5,007**
Total interest	**5,277**	**5,169**
Dividends		
Dividends from other public sector entities	627	608
Other dividends	1,212	1,954
Total dividends	**1,839**	**2,562**
Total interest and dividend revenue	**7,116**	**7,732**

Note 6: Other sources of non-taxation revenue

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Industry contributions	47	63
Royalties	1,694	1,626
Seigniorage	122	118
Other	3,444	3,665
Total other sources of non-taxation revenue	**5,307**	**5,473**

Note 7: Employee and superannuation expense

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Wages and salaries expenses	**18,705**	**17,940**
Other operating expenses		
Leave and other entitlements	2,208	2,560
Separations and redundancies	96	169
Workers compensation premiums and claims	759	1,024
Other	1,619	1,301
Total other operating expenses	**4,682**	**5,054**
Superannuation expenses		
Superannuation	4,016	4,512
Superannuation interest cost	6,958	6,997
Total superannuation expenses	**10,974**	**11,509**
Total employee and superannuation expense	**34,362**	**34,504**

Note 8: Depreciation and amortisation expense

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Depreciation		
Specialist military equipment	2,516	2,710
Buildings	1,148	1,181
Other infrastructure, plant and equipment	1,214	1,212
Heritage and cultural assets	40	50
Total depreciation	**4,918**	**5,153**
Total amortisation	**703**	**723**
Total depreciation and amortisation expense	**5,621**	**5,876**

Note 9: Payment for supply of goods and services

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Supply of goods and services	19,639	20,100
Operating lease rental expenses	2,564	2,746
Personal benefits - indirect	36,943	36,315
Health care payments	5,171	5,077
Other	1,799	1,963
Total payment for supply of goods and services	**66,116**	**66,203**

Note 10: Interest expense

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Interest on debt		
Government securities	9,286	9,261
Loans	9	4
Other	75	61
Total interest on debt	**9,370**	**9,326**
Other financing costs	**1,474**	**1,627**
Total interest expense	**10,845**	**10,953**

Note 11: Current and capital grants expense

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Current grants expense		
State and Territory governments	81,026	86,094
Local governments	19	15
Private sector(a)	1,331	1,887
Overseas	3,951	3,973
Non-profit organisations(b)	2,135	2,816
Multi-jurisdictional sector	8,380	8,250
Other(a)(b)	7,051	5,845
Total current grants expense	**103,893**	**108,879**
Capital grants expense		
Mutually agreed write-downs	2,043	2,442
Other capital grants		
State and Territory governments	12,118	11,756
Local governments	717	654
Private sector	466	257
Multi-jurisdictional sector	85	83
Other	291	244
Total capital grants expense	**15,719**	**15,436**
Total grants expense	**119,612**	**124,315**

(a) Includes reclassification of some programs between grants to private sector and grants to other since 2011-12 Budget.

(b) Includes reclassification of some programs between grants to non-profit organisations and grants to other since 2011-12 Budget.

Note 12: Personal benefits expense

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Social welfare - assistance to the aged	32,661	32,980
Assistance to veterans and dependants	6,358	5,963
Assistance to people with disabilities	18,525	18,592
Assistance to families with children	29,995	30,536
Assistance to the unemployed	6,995	6,965
Student assistance	4,117	3,959
Other welfare programs	1,710	1,454
Financial and fiscal affairs	258	7
Vocational and industry training	270	189
Other	4,482	4,916
Total personal benefit expense	**105,371**	**105,559**

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

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Opening net worth	**-44,848**	**-44,848**
Opening net worth adjustments(a)	16,192	0
Adjusted opening net worth	**-28,657**	**-44,848**
Net operating balance	-40,024	-46,209
Other economic flows – Included in operating result		
Foreign exchange gains	0	8,258
Gains from sale of assets	244	31
Other gains	9,781	3,874
Net write-down and impairment of assets and fair value losses	-6,928	-6,987
Foreign exchange losses	-29	-9
Losses from sale of assets	34	-2,738
Total other economic flows	**3,104**	**2,431**
Operating result(b)	**-36,920**	**-43,779**
Other economic flows - other movements in equity(a)(c)	-2,693	-6,759
Comprehensive result	**-39,613**	**-50,538**

(a) Reflects a decrease in the superannuation liability mainly due to a difference in the estimated and actual discount rate. 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

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Advances paid		
Loans to State and Territory governments	3,025	2,963
Higher Education Loan Program	15,271	15,551
Student Financial Supplement Scheme	707	711
Other	8,496	7,623
less Provision for doubtful debts	316	37
Total advances paid	**27,184**	**26,811**
Other receivables		
Goods and services receivable	927	925
Recoveries of benefit payments	3,058	3,024
Taxes receivable	16,249	17,229
Other	17,501	18,714
less Provision for doubtful debts	3,330	3,264
Total other receivables	**34,404**	**36,628**

Note 15: Investments, loans and placements

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Investments - deposits	27,260	28,002
IMF quota	5,099	4,813
Other	67,302	65,859
Total investments, loans and placements	**99,661**	**98,675**

Note 16: Total non-financial assets

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Land and buildings		
Land	8,471	8,687
Buildings	22,182	22,448
Total land and buildings	**30,652**	**31,135**
Plant, equipment and infrastructure		
Specialist military equipment	38,897	38,638
Other	11,833	11,918
Total plant, equipment and infrastructure	**50,730**	**50,556**
Inventories		
Inventories held for sale	983	885
Inventories not held for sale	5,917	5,987
Total inventories	**6,900**	**6,873**
Intangibles		
Computer software	2,882	2,844
Other	1,747	1,540
Total intangibles	**4,630**	**4,384**
Total investment properties	**507**	**472**
Total biological assets	**120**	**104**
Total heritage and cultural assets	**9,423**	**9,474**
Total assets held for sale	**97**	**154**
Other non-financial assets		
Prepayments	4,859	2,023
Other	460	249
Total other non-financial assets	**5,319**	**2,273**
Total non-financial assets	**108,378**	**105,423**

Note 17: Loans

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Promissory notes	3,755	3,851
Special drawing rights	4,976	4,585
Other	902	1,323
Total loans	**9,633**	**9,759**

Note 18: Employee and superannuation liabilities

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Total superannuation liability(a)	**129,491**	**145,113**
Other employee liabilities		
Leave and other entitlements	6,474	6,482
Accrued salaries and wages	267	455
Workers compensation claims	1,851	1,889
Separations and redundancies	60	64
Other	2,307	2,672
Total other employee liabilities	**10,959**	**11,562**
Total employee and superannuation liabilities	**140,449**	**156,675**

(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

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Suppliers payable		
Trade creditors	3,596	3,501
Operating lease rental payable	176	191
Other creditors	458	2,338
Total suppliers payable	**4,229**	**6,030**
Total personal benefits provisions and payable	**12,317**	**12,730**
Total subsidies provisions and payable	**2,307**	**1,823**
Grants provisions and payable		
State and Territory governments	150	961
Non-profit organisations	139	106
Private sector	317	510
Overseas	1,431	1,303
Local governments	5	18
Other	6,175	10,638
Total grants provisions and payable	**8,218**	**13,536**
Other provisions and payables		
Provisions for tax refunds	2,752	2,236
Other	9,800	10,212
Total other provisions and payables	**12,551**	**12,448**

Note 20: Reconciliation of cash

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Operating balance (revenues less expenses)	**-40,024**	**-46,209**
less **Revenues not providing cash**		
Other	893	789
Total revenues not providing cash	**893**	**789**
plus **Expenses not requiring cash**		
Increase/(decrease) in employee entitlements	5,198	5,762
Depreciation/amortisation expense	5,621	5,876
Mutually agreed write-downs	2,043	2,442
Other	511	473
Total expenses not requiring cash	**13,373**	**14,552**
plus **Cash provided / (used) by working capital items**		
Decrease / (increase) in inventories	-718	-781
Decrease / (increase) in receivables	-4,657	-4,799
Decrease / (increase) in other financial assets	-55	109
Decrease / (increase) in other non-financial assets	-2,222	267
Increase / (decrease) in benefits, subsidies and grants payable	408	4,091
Increase / (decrease) in suppliers' liabilities	201	453
Increase / (decrease) in other provisions and payables	-1,004	-1,416
Net cash provided / (used) by working capital	**-8,046**	**-2,078**
equals (Net cash from/(to) operating activities)	-35,590	-34,524
plus (Net cash from/(to) investing activities)	-9,089	-9,328
Net cash from operating activities and investment	**-44,679**	**-43,852**
plus (Net cash from/(to) financing activities)	44,812	44,463
equals Net increase/(decrease) in cash	**133**	**612**
Cash at the beginning of the year	**1,865**	**1,865**
Net increase/(decrease) in cash	133	612
Cash at the end of the year	**1,998**	**2,477**

Note 20(a): Consolidated Revenue Fund

	2010-11 Estimate at 2011-12 Budget $m	2010-11 Outcome $m
Total general government sector cash	1,998	2,477
less CAC Agency cash balances	1,335	1,965
plus Special public monies	271	382
Balance of Consolidated Revenue Fund at 30 June	**934**	**894**

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 2010-11* have been prepared on a basis consistent with the 2011-12 Budget. This enables comparison of the 2010-11 revised estimates published at the 2011-12 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 FBO 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 Australian Accounting Standards Board (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, 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.

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.

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.

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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.

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[3] (cash and deposits, advances paid, and investments, loans and placements). This includes financial assets held by the Future Fund which are invested in these asset classes, including term deposits and investments in collective investment vehicles. 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.

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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.

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 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.

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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.

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

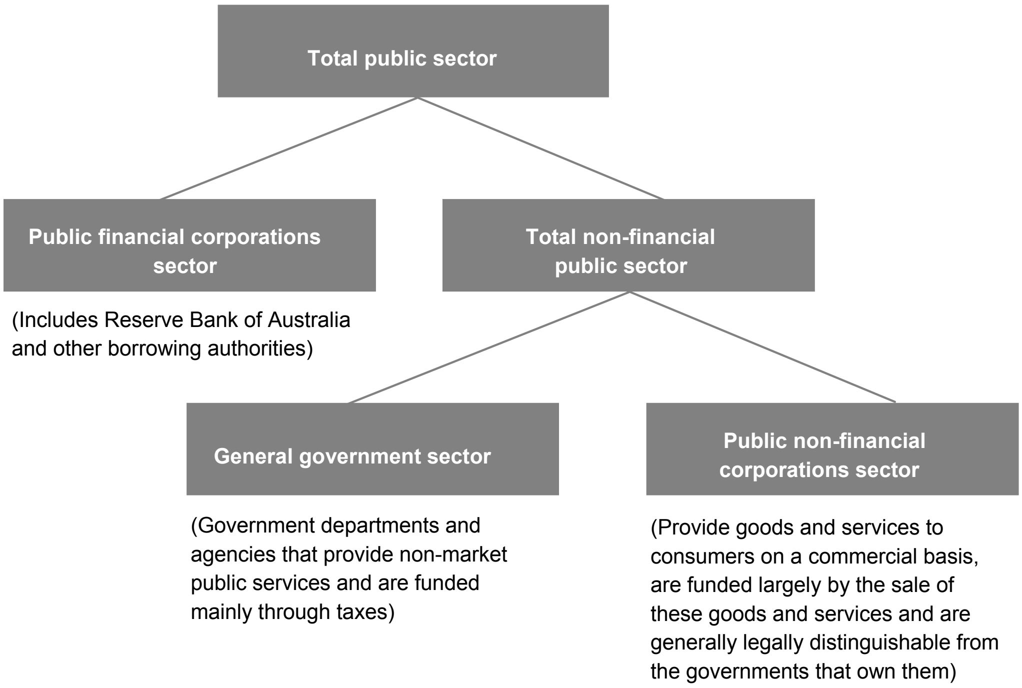

Table 21: Entities within the sectoral classifications

General government sector entities
Agriculture, Fisheries and Forestry Portfolio Australian Fisheries Management Authority, Australian Pesticides and Veterinary Medicines Authority, 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, Rural Industries Research and Development Corporation, Sugar Research and Development Corporation, Wheat Exports Australia, Wine Australia Corporation
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), 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 Native Title Tribunal, Office of Parliamentary Counsel, Office of the 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 Portfolio Department of Climate Change and Energy Efficiency, Low Carbon Australia Limited, 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

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 Institute for Teaching and School Leadership Limited, Australian Learning and Teaching Council Limited, Comcare, Department of Education, Employment and Workplace Relations, Fair Work Australia, National Vocational Education and Training Regulator, Office of the Australian Building and Construction Commissioner, Office of Fair Work Ombudsman, Safe Work Australia, Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority)
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
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
Health and Ageing Portfolio Aged Care Standards and Accreditation Agency Ltd, Australian Commission on Safety and Quality in Health Care, Australian Institute of Health and Welfare, Australian National Preventative Health Agency, Australian Organ and Tissue Donation and Transplantation Authority, Australian Radiation Protection and Nuclear Safety Agency, Cancer Australia, Department of Health and Ageing, Food Standards Australia New Zealand, General Practice Education and Training Limited, Health Workforce Australia, 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

Table 21: Entities within the sectoral classifications (continued)

General government sector entities (continued)
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 and Transport Portfolio
Australian Maritime Safety Authority, Australian Transport Safety Bureau, Civil Aviation Safety Authority, Department of Infrastructure and Transport, National Transport Commission
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 Foundation Pty Limited, IIF Investments Pty Limited, IP Australia
Prime Minister and Cabinet Portfolio
Australia Business Arts Foundation Ltd, Australia Council, Australian Film, Television and Radio School, Australian Institute of Family Studies, Australian National Audit Office, Australian National Maritime Museum, Australian Public Service Commission, Australian Sports Anti-Doping Authority, Australian Sports Commission, Australian Sports Foundation Limited, Bundanon Trust, Department of the Prime Minister and Cabinet, Department of Regional Australia, Regional Development and Local Government, National Archives of Australia, National Australia Day Council Limited, National Capital Authority, National Film and Sound Archive, National Gallery of Australia, National Library of Australia, National Museum of Australia, Office of the Australian Information Commissioner, 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, Old Parliament House, Screen Australia
Resources, Energy and Tourism Portfolio
Australian Solar Institute Limited, Department of Resources, Energy and Tourism, Geoscience Australia, National Offshore Petroleum Safety Authority, Tourism Australia

Table 21: Entities within the sectoral classifications (continued)

General government sector entities (continued)
Sustainability, Environment, Water, Population and Communities Portfolio
Bureau of Meteorology, Department of Sustainability, Environment, Water, Population and Communities, Director of National Parks, Great Barrier Reef Marine Park Authority, Murray-Darling Basin Authority, National Water Commission, Sydney Harbour Federation Trust
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
Australia Reinsurance Pool Corporation, Reserve Bank of Australia, OzCar

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
Family, Housing, Community Services and Indigenous Affairs Portfolio
Voyages Indigenous Tourism Australia Pty Ltd
Finance and Deregulation Portfolio
Albury-Wodonga Development Corporation, Australian River Co. Ltd, ASC Pty Ltd
Human Services Portfolio
Australian Hearing Services
Infrastructure and Transport Portfolio
Airservices Australia, Australian Rail Track Corporation Ltd

Differences between ABS GFS and AAS framework (AASB 1049)

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

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

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

Table 22: Major differences between AAS and ABS GFS

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Acquisition of defence weapons platforms (DWP)	Treated as capital expenditure. DWP appear as a non-financial 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
Circulating coins — seigniorage	The profit between the cost and sale of circulating coin (seigniorage) is treated as revenue.	Circulating coin (seigniorage) is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
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 the International Development Association and Asian Development Fund	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
Provision for restoration, decommission-ing and make-good	Included in the Fiscal Balance capital adjustment.	Excluded from the calculation of net lending capital adjustment.	AAS
Dividends paid by public corporations	Treated as an equity distribution. Equity distributions are treated as a distribution of profits, as opposed to an expense.	Dividends are treated as an expense.	ABS GFS
Deferred tax assets and liabilities	Corporations in the PNFC and PFC sectors record tax expenses on a commercial basis.	Deferred tax assets and liabilities are reversed so that Corporations record tax expenses on a consistent basis to the Australian Taxation Office.	ABS GFS

Table 22: Major differences between AAS and ABS GFS (continued)

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
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 Commonwealth and each State and Territory government nominate a Loan Council Allocation (LCA). A jurisdiction's LCA incorporates:

- the estimated non-financial public sector ABS 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 Commonwealth's 2010-11 LCA final budget outcome is a $52,903 million deficit. This compares with the Australian Government's 2010-11 LCA Budget estimate of a $50,004 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 2010-11 LCA final budget outcome does not exceed the 2 per cent tolerance limit.

Table 23: Australian Government Loan Council Allocation

		2010-11 Budget Estimate $m	2010-11 Outcome $m
	GG sector cash surplus(-)/deficit(+)	37,672	44,019
	PNFC sector cash surplus(-)/deficit(+)	2,871	1,175
	NFPS cash surplus(-)/deficit(+)(a)	40,543	45,194
	Acquisitions under finance leases and similar arrangements	163	59
equals	ABS GFS cash surplus(-)/deficit(+)	40,707	45,252
minus	Net cash flows from investments in financial assets for policy purposes(b)	-10,171	-7,027
plus	Memorandum items(c)	-874	623
	Loan Council Allocation	**50,004**	**52,903**

(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 flow from investments in financial assets for policy purposes are displayed with the same sign as 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 surplus/deficit. 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), the over funding of superannuation and the net financing requirement of the Australian National University.