APPENDIX A: 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 *Charter of Budget Honesty Act 1998* (the Charter) requires reports to be based on external reporting standards and departures from applicable external reporting standards to be identified.

The external standards used for 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

- the Australian Accounting Standards (AAS) issued by the Australian Accounting Standards Board (AASB), which includes International Financial Reporting Standards (IFRS) as adopted in Australia and the public sector specific standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

The financial statements have been prepared on the same basis as the budget papers. 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.

Fiscal reporting focuses on the 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.

Table A1: Australian Government general government sector operating statement

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	$m	$m	$m	$m
Revenue				
Taxation revenue	358,898	376,258	410,503	441,096
Sales of goods and services	8,638	8,569	8,750	8,903
Interest income	3,990	4,025	4,437	4,924
Dividend income	2,252	2,409	2,657	2,771
Other	6,123	6,260	6,746	6,856
Total revenue	**379,900**	**397,521**	**433,094**	**464,549**
Expenses				
Gross operating expenses				
Wages and salaries(a)	19,543	19,494	20,087	21,091
Superannuation	4,095	4,119	4,229	4,211
Depreciation and amortisation	5,840	6,117	6,405	6,600
Supply of goods and services	76,426	78,084	81,803	84,696
Other operating expenses(a)	5,706	5,953	6,201	6,266
Total gross operating expenses	*111,610*	*113,768*	*118,724*	*122,864*
Superannuation interest expense	8,462	8,839	9,160	9,496
Interest expenses	14,230	15,269	16,030	16,189
Current transfers				
Current grants	118,981	125,421	130,587	139,470
Subsidy expenses	15,206	12,988	13,463	14,828
Personal benefits	122,716	129,150	134,342	143,872
Total current transfers	*256,903*	*267,560*	*278,391*	*298,170*
Capital transfers				
Mutually agreed write-downs	2,277	2,457	2,648	2,823
Other capital grants	8,028	8,049	5,886	5,153
Total capital transfers	*10,305*	*10,506*	*8,533*	*7,976*
Total expenses	**401,510**	**415,941**	**430,839**	**454,695**
Net operating balance	**-21,610**	**-18,421**	**2,255**	**9,854**
Other economic flows - included in operating result				
Net write-downs of assets (including bad and doubtful debts)	-7,565	-6,631	-7,618	-8,609
Assets recognised for the first time	560	587	613	640
Liabilities recognised for the first time	0	0	0	0
Actuarial revaluations	0	0	0	0
Net foreign exchange gains	132	106	65	11
Net swap interest received	0	0	0	0
Market valuation of debt	397	956	511	325
Other gains/(losses)	3,672	3,793	6,511	3,412
Total other economic flows - included in operating result	**-2,803**	**-1,189**	**81**	**-4,219**
Operating result(b)	**-24,413**	**-19,609**	**2,336**	**5,635**
Non-owner movements in equity				
Revaluation of equity investments	-2,223	0	0	0
Actuarial revaluations	-936	181	218	252
Other economic revaluations	568	258	91	1,124
Total other economic flows - included in equity	**-2,591**	**440**	**309**	**1,376**
Comprehensive result - Total change in net worth	**-27,005**	**-19,170**	**2,645**	**7,011**

Table A1: Australian Government general government sector operating statement (continued)

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	$m	$m	$m	$m
Net operating balance	**-21,610**	**-18,421**	**2,255**	**9,854**
Net acquisition of non-financial assets				
Purchases of non-financial assets	10,251	9,729	9,479	8,880
less Sales of non-financial assets	357	264	2,626	227
less Depreciation	5,840	6,117	6,405	6,600
plus Change in inventories	274	236	323	369
plus Other movements in non-financial assets	-386	216	-297	-131
Total net acquisition of non-financial assets	**3,943**	**3,800**	**475**	**2,290**
Fiscal balance (Net lending/borrowing)(c)	**-25,553**	**-22,220**	**1,780**	**7,564**

(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) Operating result under AAS.
(c) The term fiscal balance is not used by the ABS.

Table A2: Australian Government general government sector balance sheet

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	$m	$m	$m	$m
Assets				
Financial assets				
Cash and deposits	2,560	2,740	3,018	3,253
Advances paid	40,698	46,621	52,936	61,188
Investments, loans and placements	111,337	114,497	120,451	135,454
Other receivables	44,838	45,086	50,490	57,005
Equity investments				
Investments in other public sector entities	26,287	32,925	38,632	43,688
Equity accounted investments	331	334	337	340
Investments - shares	35,105	37,932	40,888	44,348
Total financial assets	*261,155*	*280,135*	*306,753*	*345,276*
Non-financial assets				
Land	8,719	8,663	8,634	8,603
Buildings	25,158	25,729	25,920	26,232
Plant, equipment and infrastructure	55,890	58,426	60,756	61,991
Inventories	7,210	7,045	6,975	6,931
Intangibles	5,426	5,422	5,472	5,612
Investment property	182	182	182	182
Biological assets	37	37	37	37
Heritage and cultural assets	10,463	10,474	10,486	10,499
Assets held for sale	83	121	83	83
Other non-financial assets	409	624	327	197
Total non-financial assets	*113,576*	*116,724*	*118,872*	*120,366*
Total assets	**374,731**	**396,858**	**425,624**	**465,643**
Liabilities				
Interest bearing liabilities				
Deposits held	192	192	192	192
Government securities	324,358	362,499	382,179	404,382
Loans	12,581	12,001	11,786	11,672
Other borrowing	1,529	1,412	1,361	1,282
Total interest bearing liabilities	*338,659*	*376,104*	*395,519*	*417,528*
Provisions and payables				
Superannuation liability	149,786	155,143	160,562	166,077
Other employee liabilities	14,891	15,080	15,104	15,556
Suppliers payable	4,266	4,316	4,365	4,394
Personal benefits provisions and payable	13,879	14,142	14,392	14,848
Subsidies provisions and payable	3,614	3,605	4,223	5,224
Grants provisions and payable	15,592	13,105	11,640	12,275
Other provisions and payables	14,436	14,925	16,735	19,645
Total provisions and payables	*216,463*	*220,315*	*227,021*	*238,019*
Total liabilities	**555,122**	**596,419**	**622,540**	**655,547**
Net worth(a)	**-180,391**	**-199,561**	**-196,916**	**-189,904**
Net financial worth(b)	*-293,967*	*-316,284*	*-315,787*	*-310,271*
Net financial liabilities(c)	*320,254*	*349,209*	*354,420*	*353,959*
Net debt(d)	*184,065*	*212,246*	*219,114*	*217,634*

(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 A3: Australian Government general government sector cash flow statement[(a)]

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	$m	$m	$m	$m
Cash receipts from operating activities				
Taxes received	348,040	367,351	398,471	427,936
Receipts from sales of goods and services	8,686	8,519	8,691	8,852
Interest receipts	3,768	3,676	4,123	4,338
Dividends and income tax equivalents	2,706	2,444	2,690	2,729
Other receipts	5,748	5,941	6,686	6,654
Total operating receipts	**368,948**	**387,931**	**420,662**	**450,509**
Cash payments for operating activities				
Payments for employees	-26,736	-26,892	-28,030	-29,003
Payments for goods and services	-76,901	-78,045	-81,918	-84,938
Grants and subsidies paid	-142,093	-148,191	-149,672	-157,014
Interest paid	-12,119	-13,161	-15,631	-14,307
Personal benefit payments	-123,444	-129,199	-134,432	-143,567
Other payments	-5,458	-5,791	-6,002	-5,793
Total operating payments	**-386,750**	**-401,280**	**-415,684**	**-434,622**
Net cash flows from operating activities	**-17,802**	**-13,349**	**4,978**	**15,886**
Cash flows from investments in non-financial assets				
Sales of non-financial assets	416	2,229	2,626	227
Purchases of non-financial assets	-9,342	-9,890	-9,122	-8,693
Net cash flows from investments in non-financial assets	**-8,926**	**-7,661**	**-6,496**	**-8,466**
Net cash flows from investments in financial assets for policy purposes	**-9,966**	**-12,575**	**-12,491**	**-13,541**
Cash flows from investments in financial assets for liquidity purposes				
Increase in investments	-786	-3,899	-6,077	-14,758
Net cash flows from investments in financial assets for liquidity purposes	**-786**	**-3,899**	**-6,077**	**-14,758**
Cash receipts from financing activities				
Borrowing	39,474	40,035	22,839	24,252
Other financing	0	0	0	0
Total cash receipts from financing activities	**39,474**	**40,035**	**22,839**	**24,252**
Cash payments for financing activities				
Borrowing	0	0	0	0
Other financing	-2,011	-2,371	-2,474	-3,139
Total cash payments for financing activities	**-2,011**	**-2,371**	**-2,474**	**-3,139**
Net cash flows from financing activities	**37,463**	**37,663**	**20,365**	**21,113**
Net increase/(decrease) in cash held	**-17**	**180**	**278**	**235**

Table A3: Australian Government general government sector cash flow statement (continued)[(a)]

	Estimates		Projections	
	2013-14	2014-15	2015-16	2016-17
	$m	$m	$m	$m
Net cash flows from operating activities and investments in non-financial assets (Surplus(+)/deficit(-))	**-26,727**	**-21,010**	**-1,518**	**7,421**
Finance leases and similar arrangements(b)	-469	0	0	0
GFS cash surplus(+)/deficit(-)	**-27,196**	**-21,010**	**-1,518**	**7,421**
less Net Future Fund earnings	2,946	2,962	3,189	3,393
Equals underlying cash balance(c)	**-30,142**	**-23,972**	**-4,708**	**4,027**
plus Net cash flows from investments in financial assets for policy purposes	-9,966	-12,575	-12,491	-13,541
plus Net Future Fund earnings	2,946	2,962	3,189	3,393
Equals headline cash balance	**-37,162**	**-33,585**	**-14,009**	**-6,120**

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