

Attachment B

BUDGET FINANCIAL STATEMENTS

The budget financial statements consist of an operating statement, balance sheet, cash flow statement and statement of other economic flows (reconciliation of net worth) for the Australian Government general government sector. The budget financial statements are based on GFS standards with the exception of the departures discussed in Attachment A.

Table 14: Australian Government general government sector operating statement

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|--|----------------|----------------|----------------|----------------|
| | \$m | \$m | \$m | \$m |
| Revenue | | | | |
| Taxation revenue | 170,687 | 178,411 | 188,523 | 198,755 |
| Current grants and subsidies | 0 | 0 | 0 | 0 |
| Sales of goods and services | 4,106 | 4,241 | 4,378 | 4,531 |
| Interest income | 1,146 | 1,197 | 1,707 | 2,662 |
| Dividend income | 4,103 | 2,386 | 2,313 | 1,828 |
| Other | 2,613 | 2,580 | 2,634 | 2,689 |
| Total revenue | 182,655 | 188,814 | 199,554 | 210,466 |
| Expenses | | | | |
| Gross operating expenses | | | | |
| Depreciation | 1,882 | 1,903 | 2,059 | 2,118 |
| Superannuation | 2,041 | 2,098 | 2,111 | 2,131 |
| Salaries and wages | 11,607 | 12,175 | 12,163 | 12,613 |
| Payment for supply of goods and services | 40,030 | 41,063 | 42,956 | 44,891 |
| Other operating expenses | 2,161 | 2,190 | 2,152 | 2,160 |
| <i>Total gross operating expenses</i> | <i>57,721</i> | <i>59,429</i> | <i>61,442</i> | <i>63,912</i> |
| Nominal superannuation interest expense | 4,913 | 5,248 | 5,686 | 5,785 |
| Other interest expenses | 4,259 | 4,056 | 3,702 | 3,620 |
| Other property expenses | 0 | 0 | 0 | 0 |
| Current transfers | | | | |
| Grant expenses | 34,669 | 36,642 | 38,308 | 38,899 |
| Subsidy expenses | 5,757 | 5,917 | 6,037 | 6,327 |
| Personal benefit payments in cash | 68,491 | 72,950 | 77,710 | 82,977 |
| Other current transfers | 0 | 0 | 0 | 0 |
| <i>Total current transfers</i> | <i>108,918</i> | <i>115,509</i> | <i>122,054</i> | <i>128,203</i> |
| Capital transfers | 3,047 | 3,330 | 3,155 | 3,115 |
| Total expenses | 178,858 | 187,571 | 196,039 | 204,635 |
| Net operating balance | 3,798 | 1,243 | 3,515 | 5,831 |
| Net acquisition of non-financial assets | | | | |
| Purchases of non-financial assets | 2,727 | 2,443 | 2,373 | 2,177 |
| <i>less</i> Sales of non-financial assets | <i>893</i> | <i>755</i> | <i>424</i> | <i>329</i> |
| <i>less</i> Depreciation | <i>1,882</i> | <i>1,903</i> | <i>2,059</i> | <i>2,118</i> |
| <i>plus</i> Change in inventories | <i>-20</i> | <i>-54</i> | <i>-59</i> | <i>49</i> |
| <i>plus</i> Other movements in non-financial assets | <i>-136</i> | <i>-46</i> | <i>40</i> | <i>20</i> |
| Total net acquisition of non-financial assets | -205 | -315 | -129 | -201 |
| Net lending/fiscal balance(a) | 4,002 | 1,558 | 3,645 | 6,032 |

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

Table 15: Australian Government general government sector balance sheet

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|--|----------------|----------------|----------------|----------------|
| | \$m | \$m | \$m | \$m |
| Assets | | | | |
| Financial assets | | | | |
| Cash and deposits | 3,022 | 3,058 | 3,021 | 3,031 |
| Advances paid | 19,295 | 20,589 | 20,930 | 21,903 |
| Investments, loans and placements | 9,701 | 9,563 | 9,517 | 9,479 |
| Other non-equity assets | 16,251 | 15,689 | 16,237 | 17,252 |
| Equity(a) | 47,681 | 47,571 | 38,900 | 27,601 |
| Total financial assets | 95,950 | 96,471 | 88,605 | 79,266 |
| Non-financial assets | | | | |
| Land | 4,609 | 4,461 | 4,531 | 4,655 |
| Buildings | 13,436 | 13,366 | 13,413 | 13,281 |
| Plant, equipment and infrastructure(b) | 7,768 | 7,887 | 8,040 | 7,895 |
| Inventories | 4,023 | 3,969 | 3,910 | 3,958 |
| Heritage buildings and collections(b) | 4,761 | 4,761 | 4,763 | 4,766 |
| Other non-financial assets | 1,765 | 1,765 | 1,575 | 1,533 |
| Total non-financial assets | 36,362 | 36,209 | 36,231 | 36,088 |
| Total assets | 132,312 | 132,680 | 124,836 | 115,355 |
| Liabilities | | | | |
| Deposits held | 325 | 325 | 325 | 325 |
| Advances received | 0 | 0 | 0 | 0 |
| Government securities | 49,163 | 46,022 | 30,158 | 12,433 |
| Loans | 5,678 | 5,447 | 5,257 | 5,082 |
| Other borrowing | 183 | 155 | 115 | 106 |
| Superannuation liability | 91,597 | 94,004 | 96,740 | 99,404 |
| Other employee entitlements and provisions | 7,972 | 8,111 | 8,229 | 8,348 |
| Other non-equity liabilities | 20,728 | 20,869 | 21,145 | 21,836 |
| Total liabilities | 175,648 | 174,934 | 161,970 | 147,534 |
| Net worth(c) | -43,336 | -42,254 | -37,134 | -32,179 |
| Net debt(d) | 23,332 | 18,739 | 2,387 | -16,467 |

(a) Equity includes the valuation of the Telstra shareholding, which is valued at the average of the daily share price over a 90-day period, except in the sale years where the valuation is based on the expected sale price.

(b) Heritage and cultural assets were previously included in plant, equipment and infrastructure.

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

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

Table 16: Australian Government general government sector cash flow statement^(a)

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---|-----------------|-----------------|-----------------|-----------------|
| | \$m | \$m | \$m | \$m |
| Cash receipts from operating activities | | | | |
| Taxes received | 168,223 | 176,295 | 186,233 | 196,002 |
| Receipts from sales of goods and services | 4,224 | 4,387 | 4,524 | 4,673 |
| Grants and subsidies received | 0 | 0 | 0 | 0 |
| Interest receipts | 1,014 | 1,116 | 1,457 | 2,397 |
| Dividends | 3,139 | 3,350 | 2,313 | 1,828 |
| GST input credits received by general government | 2,449 | 2,482 | 2,509 | 2,592 |
| Other receipts | 2,476 | 2,452 | 2,468 | 2,521 |
| Total receipts | 181,526 | 190,081 | 199,504 | 210,012 |
| Cash payments for operating activities | | | | |
| Payments for goods and services | -43,804 | -44,751 | -46,674 | -48,714 |
| Grants and subsidies paid | -41,640 | -44,468 | -46,040 | -46,895 |
| Interest paid | -4,118 | -3,878 | -4,520 | -3,634 |
| Personal benefit payments | -68,453 | -73,606 | -77,728 | -82,602 |
| Salaries, wages and other entitlements | -16,264 | -17,046 | -16,916 | -17,552 |
| GST payments by general government to taxation authority | -138 | -140 | -143 | -146 |
| Other payments for operating activities | -797 | -720 | -886 | -869 |
| Total payments | -175,214 | -184,610 | -192,907 | -200,411 |
| Net cash flows from operating activities | 6,312 | 5,471 | 6,597 | 9,601 |
| Cash flows from investments in non-financial assets | | | | |
| Sales of non-financial assets | 1,113 | 830 | 429 | 334 |
| Purchases of new and secondhand non-financial assets | -2,792 | -2,466 | -2,411 | -2,193 |
| Net cash flows from investments in non-financial assets | -1,679 | -1,635 | -1,982 | -1,860 |
| Net cash flows from investments in financial assets for policy purposes | -666 | -953 | 10,061 | 9,837 |
| Cash flows from investments in financial assets for liquidity purposes | | | | |
| Increase in investments | -4 | 51 | 2 | -23 |
| Net cash flows from investments in financial assets for liquidity purposes | -4 | 51 | 2 | -23 |
| Cash flows from financing activities | | | | |
| Advances received (net) | 0 | 0 | 0 | 0 |
| Borrowing (net) | -2,969 | -2,873 | -15,011 | -17,808 |
| Deposits received (net) | -1 | 0 | 0 | 0 |
| Other financing (net) | -308 | -25 | 296 | 263 |
| Net cash flows from financing activities | -3,278 | -2,898 | -14,715 | -17,546 |
| Net increase/decrease in cash held | 684 | 36 | -37 | 10 |
| Net cash from operating activities and investments in non-financial assets | 4,633 | 3,836 | 4,615 | 7,741 |
| Finance leases and similar arrangements ^(b) | 3 | -6 | -7 | -8 |
| Equals underlying cash balance | 4,635 | 3,829 | 4,608 | 7,733 |
| plus net cash flows from investments in financial assets for policy purposes | -666 | -953 | 10,061 | 9,837 |
| Equals headline cash balance | 3,969 | 2,877 | 14,668 | 17,570 |

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

(b) The acquisition of assets under finance leases reduces the underlying cash balance. The disposal of assets previously held under finance leases improves the underlying cash balance.

Table 17: Australian Government general government sector statement of other economic flows (reconciliation of net worth)

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|--|----------------|----------------|----------------|----------------|
| | \$m | \$m | \$m | \$m |
| Opening net worth | -50,442 | -43,336 | -42,254 | -37,134 |
| Opening net worth adjustments | -891 | 0 | 0 | 0 |
| Adjusted opening net worth(a) | -51,333 | -43,336 | -42,254 | -37,134 |
| Change in net worth from operating transactions | 3,798 | 1,243 | 3,515 | 5,831 |
| Change in net worth from other economic flows | | | | |
| Revaluation of equity(b) | 3,663 | 99 | 2,650 | 21 |
| Net writedowns of assets (including bad and doubtful debts) | -2,080 | -1,250 | -1,893 | -1,596 |
| Assets recognised for the first time | 281 | 2 | 2 | 2 |
| Defence weapon platform adjustment(c) | 100 | 100 | 100 | 100 |
| Liabilities recognised for the first time | 0 | 0 | 0 | 0 |
| Actuarial revaluations | 0 | 0 | 0 | 0 |
| Net foreign exchange gains | 237 | 0 | 0 | 0 |
| Net swap interest received | 381 | 310 | 278 | 250 |
| Market valuation of debt | 1,449 | 466 | 332 | 217 |
| Other economic revaluations(d) | 169 | 112 | 137 | 130 |
| Total other economic flows | 4,200 | -161 | 1,605 | -877 |
| Closing net worth | -43,336 | -42,254 | -37,134 | -32,179 |

(a) Includes the initial recognition of a provision for asbestos related claims. At the time of the 2002-03 Final Budget Outcome a reliable actuarial measure was not available. Following an actuarial review a provision for asbestos related claims was included in the audited 2002-03 Consolidated Financial Statements. This liability has now been back-dated to 2002-03.

(b) Revaluations of equity reflects changes in the market valuation of commercial entities, including a change in the value of the Telstra shareholding which is valued at the average of the daily share price over a 90-day period, except in the sale years where the valuation is based on the expected sale price. This line also reflects any equity revaluations at the point of disposal or sale.

(c) Defence weapons are treated as expenses rather than assets under the GFS framework, hence changes in value do not contribute to net worth and are not included in other economic flows. This component represents the removal of defence weapons included in net writedowns and other movements.

(d) Largely reflects revaluation of assets.