

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 that the PEFO be based on external reporting standards and that departures from applicable external reporting standards 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 2005*, (cat. no. 5514.0), which in turn is based on the International Monetary Fund's (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 the 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.

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 these ABS GFS aggregates, the Uniform Presentation Framework (UPF) requires disclosure of net debt, net financial worth and net financial liabilities.

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 to be attributed to functions. In accordance with ABS GFS, disaggregated information for expenses and net acquisition of non-financial assets by function was disclosed in the 2016-17 Budget.

DEPARTURES FROM EXTERNAL REPORTING STANDARDS

The Charter requires that departures from applicable external reporting standards be identified. The major differences between AAS and the ABS GFS treatments of transactions are outlined in the below table.

AASB 1049 requires AAS measurement of items to be disclosed on the face of the financial statements with reconciliation to ABS GFS measurement of key fiscal aggregates, where different, in notes to the financial statements. Differences from the AAS measurement of items outlined above and reconciliation have not been included as they would effectively create different measures of the same aggregate.

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).

Major differences between AAS and ABS GFS

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Acquisition of defence weapons platforms (DWP)	AASB 1049 allows cost to be used where fair value of assets cannot be reliably measured.	ABS record DWP on a market value basis using the perpetual inventory method.	AAS cost method until fair value can be measured reliably
Circulating coins — seigniorage	The profit between the cost and sale of circulating coins (seigniorage) is treated as revenue.	Circulating coins is treated as a liability, and the cost of producing the coins is treated as an expense.	AAS
Provisions for bad and doubtful debts	Reported in the balance sheet as an offset to assets. Under AASB 1049, it is included in the operating statement as other economic flows.	Creating provisions for bad and doubtful debts is not considered an economic event and is therefore not considered to be an expense or reflected in the balance sheet.	AAS
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

Major differences between AAS and ABS GFS (continued)

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
Advances to the International Development Association and Asian Development Fund	Recorded at fair value in the balance sheet.	Recorded at nominal value in the balance sheet.	ABS GFS
Provision for restoration, decommissioning and make-good	Included in the fiscal balance capital adjustment.	Excluded from the calculation of net lending capital adjustment.	AAS
Renewable Energy Certificates (RECs)	The issuance and registration of RECs is considered to be an administrative function and does not result in the recognition of assets or liabilities and, consequently, no revenues or expenses are recognised.	The issuance and registration of RECs is considered to be government financial transactions resulting in the recognition of assets, liabilities, revenue and expenses.	AAS
Dividends paid by the Reserve Bank of Australia	Dividends are recognised in the year profit was earned.	Dividends are recognised when the Treasurer makes a determination.	AAS
Fiscal aggregates differences			
Finance leases	Does not deduct finance leases in the derivation of the cash surplus/deficit.	Deducts finance leases in the derivation of the cash surplus/deficit.	Both are disclosed
Classification difference			
Prepayments	Treated as a non-financial asset.	Treated as a financial asset.	ABS GFS
Spectrum sales	Recognise non-financial asset sales for fiscal balance when payment is made and the licences take effect, which may be after the auction of licences, as this is regarded as the point control is transferred. Recognise cash at the time of receipt.	Recognise non-financial asset sales for fiscal balance at time of auction as this is regarded as the point control is transferred. Recognise cash at the time of receipt.	AAS

Table A1: Australian Government general government sector operating statement

	Estimates			Projections	
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Revenue					
Taxation revenue	371,923	391,283	419,944	449,793	478,563
Sales of goods and services	7,697	9,249	12,011	15,558	16,763
Interest income	3,506	4,280	4,841	5,775	6,825
Dividend income	5,564	3,242	3,666	4,045	3,845
Other	7,637	8,807	9,063	9,198	9,066
Total revenue	396,327	416,862	449,524	484,370	515,062
Expenses					
Gross operating expenses					
Wages and salaries(a)	19,767	20,074	19,866	20,017	20,418
Superannuation	7,052	4,618	4,693	4,783	4,828
Depreciation and amortisation	7,165	7,522	7,660	8,061	8,640
Supply of goods and services	81,411	86,745	87,558	97,400	101,857
Other operating expenses(a)	5,483	5,452	5,418	5,445	5,504
<i>Total gross operating expenses</i>	<i>120,878</i>	<i>124,410</i>	<i>125,195</i>	<i>135,707</i>	<i>141,248</i>
Superannuation interest expense	9,167	9,959	10,330	10,706	11,085
Interest expenses	16,774	18,725	19,764	20,539	20,818
Current transfers					
Current grants	128,393	138,965	148,478	162,167	168,781
Subsidy expenses	12,763	13,425	14,102	14,918	16,024
Personal benefits	133,416	132,562	134,844	137,165	146,374
<i>Total current transfers</i>	<i>274,572</i>	<i>284,952</i>	<i>297,424</i>	<i>314,250</i>	<i>331,179</i>
Capital transfers					
Mutually agreed write-downs	1,722	1,845	1,959	2,102	2,246
Other capital grants	8,354	10,663	10,138	6,017	5,022
<i>Total capital transfers</i>	<i>10,076</i>	<i>12,508</i>	<i>12,098</i>	<i>8,119</i>	<i>7,268</i>
Total expenses	431,467	450,554	464,811	489,320	511,598
Net operating balance	-35,140	-33,693	-15,287	-4,951	3,464
Other economic flows - included in operating result					
Net write-downs of assets					
(including bad and doubtful debts)	-7,106	-8,077	-8,602	-8,977	-9,350
Assets recognised for the first time	296	348	317	330	343
Liabilities recognised for the first time	0	0	0	0	0
Actuarial revaluations	0	0	0	0	0
Net foreign exchange gains	-9	8	119	150	33
Net swap interest received	-437	0	0	0	0
Market valuation of debt	-4,673	3,156	2,547	2,350	1,960
Other gains/(losses)	713	4,705	7,205	6,305	6,298
Total other economic flows - included in operating result	-11,215	140	1,586	157	-715
Operating result(b)	-46,355	-33,553	-13,700	-4,793	2,749

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

	Estimates			Projections	
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Non-owner movements in equity					
Revaluation of equity investments	-3,026	-2,880	31	49	0
Actuarial revaluations	1,032	-6	-16	-3	9
Other economic revaluations	371	536	7	-30	509
Total other economic flows - included in equity	-1,623	-2,350	21	16	518
Comprehensive result -					
Total change in net worth	-47,978	-35,903	-13,679	-4,777	3,267
Net operating balance	-35,140	-33,693	-15,287	-4,951	3,464
Net acquisition of non-financial assets					
Purchases of non-financial assets	11,559	11,417	12,994	13,255	14,046
<i>less</i> Sales of non-financial assets	404	932	2,030	562	233
<i>less</i> Depreciation	7,165	7,522	7,660	8,061	8,640
<i>plus</i> Change in inventories	310	449	239	260	346
<i>plus</i> Other movements in non-financial assets	56	26	-154	-7	-2
Total net acquisition of non-financial assets	4,355	3,438	3,389	4,885	5,517
Fiscal balance (Net lending/borrowing)(c)	-39,495	-37,130	-18,675	-9,836	-2,053

(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	
	2015-16	2016-17	2017-18	2018-19	2019-20
	\$m	\$m	\$m	\$m	\$m
Assets					
Financial assets					
Cash and deposits	3,409	4,688	3,153	2,806	2,340
Advances paid	52,782	62,637	72,852	83,557	95,356
Investments, loans and placements	153,233	173,479	188,611	189,073	192,823
Other receivables	48,487	48,641	51,992	55,555	57,399
Equity investments					
Investment in other public sector entities	44,798	50,927	51,141	51,522	51,870
Equity accounted investments	344	354	364	374	384
Investments - shares	39,394	42,558	45,746	49,253	53,116
<i>Total financial assets</i>	<i>342,447</i>	<i>383,285</i>	<i>413,860</i>	<i>432,141</i>	<i>453,288</i>
Non-financial assets					
Land	9,729	9,674	9,610	9,604	9,617
Buildings	25,992	26,391	26,676	26,926	27,532
Plant, equipment and infrastructure	59,692	62,239	66,468	70,661	74,835
Inventories	8,195	8,184	7,933	7,691	7,513
Intangibles	6,881	7,414	7,822	8,019	8,175
Investment properties	200	200	200	200	200
Biological assets	44	44	44	44	44
Heritage and cultural assets	11,697	11,658	11,620	11,582	11,543
Assets held for sale	174	147	80	80	80
Other non-financial assets	262	288	134	127	125
<i>Total non-financial assets</i>	<i>122,866</i>	<i>126,239</i>	<i>130,585</i>	<i>134,932</i>	<i>139,663</i>
Total assets	465,313	509,523	544,446	567,073	592,952
Liabilities					
Interest bearing liabilities					
Deposits held	218	218	218	218	218
Government securities	476,999	549,537	594,439	614,904	628,828
Loans	16,425	15,739	15,732	15,731	15,643
Other borrowing	1,569	1,458	1,356	1,310	1,244
<i>Total interest bearing liabilities</i>	<i>495,211</i>	<i>566,952</i>	<i>611,745</i>	<i>632,163</i>	<i>645,933</i>

Table A2: Australian Government general government sector balance sheet (continued)

	Estimates			Projections	
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Provisions and payables					
Superannuation liability	169,308	175,661	182,026	188,394	194,739
Other employee liabilities	17,004	17,332	17,671	18,046	18,445
Suppliers payable	5,868	6,092	6,188	6,307	6,319
Personal benefits provisions and payables	14,446	13,542	12,294	11,883	12,086
Subsidies provisions and payables	4,908	5,216	5,489	5,816	6,211
Grants provisions and payables	10,466	10,876	10,246	10,386	11,714
Other provisions and payables	13,195	14,849	13,461	13,531	13,689
<i>Total provisions and payables</i>	<i>235,195</i>	<i>243,568</i>	<i>247,375</i>	<i>254,362</i>	<i>263,204</i>
Total liabilities	730,406	810,519	859,121	886,525	909,136
Net worth(a)	-265,093	-300,996	-314,675	-319,452	-316,185
<i>Net financial worth(b)</i>	<i>-387,959</i>	<i>-427,235</i>	<i>-445,260</i>	<i>-454,384</i>	<i>-455,848</i>
<i>Net financial liabilities(c)</i>	<i>432,757</i>	<i>478,162</i>	<i>496,402</i>	<i>505,906</i>	<i>507,718</i>
<i>Net debt(d)</i>	<i>285,787</i>	<i>326,148</i>	<i>347,129</i>	<i>356,727</i>	<i>355,414</i>

(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	
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Cash receipts from operating activities					
Taxes received	364,507	382,769	410,165	438,821	468,278
Receipts from sales of goods and services	7,686	9,176	11,954	15,499	16,709
Interest receipts	2,842	3,262	3,470	3,829	4,248
Dividends and income tax equivalents	5,332	5,833	3,462	3,886	4,304
Other receipts	7,218	7,879	7,737	7,324	6,970
Total operating receipts	387,585	408,919	436,788	469,358	500,509
Cash payments for operating activities					
Payments for employees	-27,893	-28,261	-28,533	-29,130	-29,939
Payments for goods and services	-80,834	-87,036	-87,498	-97,188	-101,994
Grants and subsidies paid	-149,656	-161,852	-171,128	-180,042	-186,183
Interest paid	-14,822	-15,903	-16,826	-18,054	-18,463
Personal benefit payments	-134,887	-135,637	-138,318	-139,049	-147,135
Other payments	-5,308	-5,141	-5,049	-5,060	-5,118
Total operating payments	-413,400	-433,830	-447,352	-468,522	-488,831
Net cash flows from operating activities	-25,815	-24,911	-10,564	836	11,678
Cash flows from investments in non-financial assets					
Sales of non-financial assets	339	2,365	597	562	233
Purchases of non-financial assets	-11,559	-11,216	-12,582	-12,958	-13,719
Net cash flows from investments in non-financial assets	-11,221	-8,852	-11,985	-12,396	-13,487
Net cash flows from investments in financial assets for policy purposes	-14,553	-19,759	-11,799	-12,443	-12,562
Cash flows from investments in financial assets for liquidity purposes					
Increase in investments	-9,396	-19,579	-13,223	1,719	-1,162
Net cash flows from investments in financial assets for liquidity purposes	-9,396	-19,579	-13,223	1,719	-1,162
Cash receipts from financing activities					
Borrowing	63,753	77,572	49,696	25,470	17,927
Other financing	6	34	0	0	0
Total cash receipts from financing activities	63,759	77,606	49,696	25,470	17,927
Cash payments for financing activities					
Borrowing	0	0	0	0	0
Other financing	-2,522	-3,227	-3,661	-3,533	-2,862
Total cash payments for financing activities	-2,522	-3,227	-3,661	-3,533	-2,862
Net cash flows from financing activities	61,238	74,379	46,035	21,937	15,065
Net increase/(decrease) in cash held	253	1,279	-1,535	-346	-466

**Table A3: Australian Government general government sector cash flow statement^(a)
(continued)**

	Estimates			Projections	
	2015-16 \$m	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m
Net cash flows from operating activities and investments in non-financial assets (Surplus+)/deficit(-)	-37,036	-33,762	-22,549	-11,560	-1,808
Finance leases and similar arrangements(b)	-2	0	0	0	0
GFS cash surplus(+)/deficit(-)	-37,037	-33,762	-22,549	-11,560	-1,808
<i>less</i> Net Future Fund earnings	3,012	3,321	3,574	3,843	4,140
Equals underlying cash balance(c)	-40,049	-37,083	-26,123	-15,403	-5,949
<i>plus</i> Net cash flows from investments in financial assets for policy purposes	-14,553	-19,759	-11,799	-12,443	-12,562
<i>plus</i> Net Future Fund earnings	3,012	3,321	3,574	3,843	4,140
Equals headline cash balance	-51,590	-53,521	-34,348	-24,002	-14,370

(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.

