**Preface**

I am pleased to present the Consolidated Financial Statements (CFS) for the Australian Government for the financial year ended 30 June 2018. The CFS presents the whole of government and general government sector (GGS) financial reports. It consolidates the audited accounts of 184 entities across the public sector.

The CFS has been prepared in accordance with the regulations of the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act) and applicable Australian Accounting Standards (AAS), including the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049).
The CFS shows the results of the Australian Government’s financial performance and cash flows for the year ended 30 June 2018 and the Australian Government’s financial position as at 30 June 2018.

The Preface and the Commentary should be read in light of the information and explanations provided in the CFS.

**Operating statement**

The Australian Government’s net operating balance for the year ended 30 June 2018
was a deficit of $8.4 billion. For the year ended 30 June 2017, the Australian Government reported a net operating balance deficit of $36.9 billion.

The Australian Government’s taxation revenue increased by $38.9 billion (10.0 per cent) in 2017-18, reflecting an increase in taxation revenue from companies, individuals and other indirect taxation revenue. Non-taxation revenue increased by $3.7 billion (10.1 per cent).

The Australian Government’s expenses increased by $14.2 billion (3.1 per cent) in
2017-18. This was mainly driven by a $6.8 billion (4.5 per cent) increase in gross operating expenses and a $5.9 billion (4.1 per cent) increase in grants.

Further, the Australian Government’s total net acquisition of non-financial assets was lower by $2.0 billion (22.7 per cent) from $8.7 billion for 2016-17 to $6.7 billion for 2017‑18.

The Australian Government’s fiscal balance deficit improved by $30.5 billion (66.9 per cent) from $45.6 billion for 2016-17 to $15.1 billion for 2017-18, primarily as a result of increased revenue.

**Balance sheet**

The Australian Government’s net worth was negative $417.8 billion as at 30 June 2018. As at 30 June 2017, the Australian Government’s net worth was negative $391.7 billion.

The Australian Government’s financial assets increased by $27.6 billion (5.9 per cent) for the year ended 30 June 2018. Total non‑financial assets increased by $18.7 billion (10.6 per cent).

The Australian Government’s liabilities increased by $72.3 billion (7.0 per cent) to $1,106.6 billion. Interest bearing liabilities increased by $33.5 billion (5.6 per cent), driven by a $32.2 billion increase in the issuance volume and market value of Australian Government Securities.

**Cash flows**

The Australian Government recorded a cash deficit of $13.7 billion for the year ended 30 June 2018 from operating activities and investing activities in non‑financial assets. The cash at the end of the year was $6.2 billion.

**Contingent liabilities, contingent assets and risks**

Contingent liabilities and contingent assets for the Australian Government are not disclosed in the balance sheet, but are set out in detail in Note 10A of the CFS. Analysis of interest rate, foreign currency, investment risk, longevity risk, salary risk and other price risks that could potentially impact on the Australian Government’s financial position is included in Note 10B and Note 10C of the CFS.

**Final Budget Outcome**

Under the *Charter of Budget Honesty Act 1998* (the Charter), the Australian Government is also required to publicly release and table a Final Budget Outcome (FBO) report no later than three months after the end of the financial year. The FBO for the 2017‑18 financial year was released by the Treasurer and me on 25 September 2018. Under the Charter, the FBO must be based on external reporting standards; including AAS and the concepts and classifications set out in Government Finance Statistics (GFS), with any departures from those standards to be documented.

I would like to thank the many Australian Government employees whose efforts have contributed to the completion of the CFS.

Senator the Hon Mathias Cormann

Minister for Finance and the Public Service