

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 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 2015* (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 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 the 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. 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 the 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 requires disclosure of net debt and net financial liabilities.

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. 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*, 2015 (cat. no. 5514.0).

Major differences between AAS and the ABS GFS

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
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
Valuation of loans	Changes in the valuation of loans are treated as a revenue or an expense. In some circumstances recognition as a revenue or an expense is delayed until the loan ends or is transferred.	Changes in the valuation of loans (excluding mutually agreed write-downs) are treated as an other economic flow.	ABS GFS
Concessional loans	Concessional elements are treated as an expense on initial recognition and unwound over the loan term.	Concessional elements are treated as an other economic flow.	AAS
Investments 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, decommissioning and make-good	Capitalised when the asset is acquired.	Capitalised when make-good activity takes place.	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 revenue 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 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
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
National Disability Insurance Scheme (NDIS) revenue	Funding contributions by the state and territory governments to NDIS are treated as sales of goods and services revenue. In-kind disability services provided by the state and territory governments are treated as other revenue.	Funding contributions by the state and territory governments to NDIS are treated as grants revenue. In-kind disability services provided by the state and territory governments are treated as sales of goods and services revenue.	AAS

Major differences between AAS and the ABS GFS (continued)

Issue	AAS treatment	ABS GFS treatment	Treatment adopted
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 at which control is transferred. Recognise cash at the time of receipt.	AAS

Table A1: Australian Government general government sector operating statement

	Estimates			Projections	
	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m	2022-23 \$m
Revenue					
Taxation revenue	459,085	476,596	496,734	525,620	540,100
Sales of goods and services	13,455	15,758	16,921	17,448	18,051
Interest income	4,837	6,009	6,796	7,181	7,606
Dividend income	7,718	6,112	5,815	6,597	6,903
Other	10,701	9,288	8,005	7,862	7,822
Total revenue	495,796	513,762	534,272	564,708	580,482
Expenses					
Gross operating expenses					
Wages and salaries(a)	20,693	21,348	21,344	21,724	22,148
Superannuation	9,043	5,907	5,921	5,995	6,007
Depreciation and amortisation	8,742	8,505	8,906	9,074	9,441
Supply of goods and services	117,711	125,566	130,021	135,615	142,065
Other operating expenses(a)	6,693	6,873	6,785	6,944	7,007
<i>Total gross operating expenses</i>	<i>162,883</i>	<i>168,199</i>	<i>172,977</i>	<i>179,352</i>	<i>186,668</i>
Superannuation interest expense	9,447	11,127	11,466	11,797	12,122
Interest expenses	18,375	19,264	18,857	17,948	16,994
Current transfers					
Current grants	148,852	150,409	155,843	161,666	168,312
Subsidy expenses	11,367	12,661	13,097	13,673	14,326
Personal benefits	125,316	128,972	133,211	139,880	148,812
<i>Total current transfers</i>	<i>285,535</i>	<i>292,041</i>	<i>302,151</i>	<i>315,219</i>	<i>331,450</i>
Capital transfers					
Mutually agreed write-downs	1,317	1,368	1,458	1,549	1,681
Other capital grants	9,880	8,874	9,198	10,051	10,959
<i>Total capital transfers</i>	<i>11,197</i>	<i>10,241</i>	<i>10,656</i>	<i>11,599</i>	<i>12,640</i>
Total expenses	487,436	500,874	516,108	535,916	559,875
Net operating balance	8,360	12,889	18,164	28,792	20,607
Other economic flows – included in operating result					
Net write-downs of assets (including bad and doubtful debts)	-8,049	-7,996	-8,134	-8,412	-8,495
Assets recognised for the first time	189	190	191	192	192
Actuarial revaluations	30	54	48	38	29
Net foreign exchange gains	-208	61	0	312	325
Net swap interest received	-356	0	0	0	0
Market valuation of debt	-21,460	5,040	4,099	3,268	3,035
Other gains/(losses)	2,584	3,090	3,268	3,827	3,904
Total other economic flows – included in operating result	-27,269	439	-527	-775	-1,010
Operating Result(b)	-18,909	13,327	17,636	28,017	19,597

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

	Estimates			Projections	
	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m	2022-23 \$m
Non-owner movements in equity					
Revaluation of equity investments	-3,499	-6,017	-4	0	0
Actuarial revaluations	1,441	262	297	119	97
Other economic revaluations	25	-10	37	28	39
Total other economic flows - included in equity	-2,033	-5,765	330	148	136
Comprehensive result -					
Total change in net worth	-20,942	7,563	17,966	28,165	19,733
Net operating balance	8,360	12,889	18,164	28,792	20,607
Net acquisition of non-financial assets					
Purchases of non-financial assets	15,306	14,425	16,980	18,927	20,375
<i>less</i> Sales of non-financial assets	194	1,171	379	199	185
<i>less</i> Depreciation	8,742	8,505	8,906	9,074	9,441
<i>plus</i> Change in inventories	118	3	32	60	31
<i>plus</i> Other movements in non-financial assets	2	-3	0	0	0
Total net acquisition of non-financial assets	6,490	4,749	7,727	9,715	10,780
Fiscal balance					
(Net lending/borrowing)(c)	1,870	8,140	10,437	19,077	9,827

(a) Consistent with the 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	
	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m	2022-23 \$m
Assets					
Financial assets					
Cash and deposits	7,471	5,244	5,361	5,110	6,341
Advances paid	71,008	83,305	89,471	93,950	95,291
Investments, loans and placements	175,216	188,358	196,703	211,727	211,594
Other receivables	55,700	57,430	59,053	61,964	63,904
Equity investments					
Investments in other public sector entities	52,907	48,324	50,859	54,109	57,818
Equity accounted investments	3,405	3,562	3,654	3,752	3,846
Investments - shares	66,000	70,034	72,506	76,733	81,464
<i>Total financial assets</i>	<i>431,706</i>	<i>456,257</i>	<i>477,607</i>	<i>507,345</i>	<i>520,258</i>
Non-financial assets					
Land	11,586	11,484	11,441	11,342	11,262
Buildings	27,072	27,589	28,724	29,661	30,664
Plant, equipment and infrastructure	81,742	86,178	92,293	100,260	108,933
Inventories	8,397	8,045	7,730	7,444	7,129
Intangibles	9,039	9,353	9,346	9,302	9,417
Investment properties	193	193	193	193	193
Biological assets	20	14	11	11	11
Heritage and cultural assets	11,604	11,594	11,582	11,570	11,560
Assets held for sale	183	179	179	179	180
Other non-financial assets	34	31	31	31	31
<i>Total non-financial assets</i>	<i>149,869</i>	<i>154,660</i>	<i>161,532</i>	<i>169,993</i>	<i>179,381</i>
Total assets	581,575	610,917	639,139	677,338	699,638
Liabilities					
Interest bearing liabilities					
Deposits held	381	381	381	381	381
Government securities	608,637	619,463	622,539	625,368	620,508
Loans	16,742	16,731	16,779	16,990	17,162
Other borrowing	1,499	1,466	1,438	1,393	1,342
<i>Total interest bearing liabilities</i>	<i>627,260</i>	<i>638,042</i>	<i>641,138</i>	<i>644,132</i>	<i>639,393</i>

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

	Estimates			Projections	
	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m	2022-23 \$m
Provisions and payables					
Superannuation liability	223,720	230,748	237,683	244,417	251,141
Other employee liabilities	20,166	20,591	21,003	21,449	21,903
Suppliers payables	6,027	6,809	7,090	7,470	7,828
Personal benefits payables	3,389	3,746	3,538	3,530	3,530
Subsidies payables	519	1,210	1,268	1,303	1,296
Grants payables	3,539	3,927	4,027	3,717	3,460
Other payables	2,316	2,202	2,124	2,048	1,942
Provisions	35,622	37,060	36,721	36,558	36,699
<i>Total provisions and payables</i>	<i>295,297</i>	<i>306,294</i>	<i>313,453</i>	<i>320,493</i>	<i>327,799</i>
Total liabilities	922,557	944,336	954,591	964,625	967,192
Net worth(a)	-340,981	-333,419	-315,452	-287,287	-267,554
<i>Net financial worth(b)</i>	<i>-490,851</i>	<i>-488,079</i>	<i>-476,984</i>	<i>-457,281</i>	<i>-446,935</i>
<i>Net financial liabilities(c)</i>	<i>543,757</i>	<i>536,403</i>	<i>527,843</i>	<i>511,390</i>	<i>504,753</i>
<i>Net debt(d)</i>	<i>373,565</i>	<i>361,135</i>	<i>349,603</i>	<i>333,346</i>	<i>326,167</i>

(a) Net worth equals 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 interest bearing liabilities (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	
	2018-19 \$m	2019-20 \$m	2020-21 \$m	2021-22 \$m	2022-23 \$m
Cash receipts from operating activities					
Taxes received	448,821	466,397	486,372	514,320	528,691
Receipts from sales of goods and services	13,468	15,747	16,997	17,551	17,991
Interest receipts	4,412	5,701	6,375	6,731	6,897
Dividends and income tax equivalents	7,175	6,165	5,683	6,153	6,984
Other receipts	10,643	9,895	6,572	6,066	6,125
Total operating receipts	484,518	503,905	521,998	550,821	566,688
Cash payments for operating activities					
Payments for employees	-29,603	-31,101	-31,463	-32,562	-33,375
Payments for goods and services	-116,834	-123,276	-127,747	-133,410	-139,681
Grants and subsidies paid	-170,614	-171,776	-177,492	-185,214	-193,106
Interest paid	-18,491	-16,638	-16,764	-16,090	-15,571
Personal benefit payments	-126,047	-129,783	-134,782	-140,879	-149,554
Other payments	-6,358	-6,493	-6,374	-6,520	-6,562
Total operating payments	-467,946	-479,067	-494,622	-514,676	-537,849
Net cash flows from operating activities	16,572	24,838	27,376	36,144	28,840
Cash flows from investments in non-financial assets					
Sales of non-financial assets	647	1,615	331	201	186
Purchases of non-financial assets	-14,881	-14,261	-16,704	-18,553	-19,861
Net cash flows from investments in non-financial assets	-14,234	-12,647	-16,373	-18,352	-19,675
Net cash flows from investments in financial assets for policy purposes	-15,149	-16,584	-11,546	-9,875	-6,639
Net cash flows from investments in financial assets for liquidity purposes	1,979	-12,248	-5,683	-13,521	1,631
Cash receipts from financing activities					
Borrowing	83,567	169,891	253,248	194,239	125,400
Other financing	1,215	22	21	21	21
Total cash receipts from financing activities	84,782	169,912	253,268	194,260	125,421
Cash payments for financing activities					
Borrowing	-69,166	-152,946	-243,809	-185,937	-125,887
Other financing	-4,093	-2,552	-3,117	-2,970	-2,459
Total cash payments for financing activities	-73,259	-155,498	-246,927	-188,907	-128,346
Net cash flows from financing activities	11,523	14,414	6,342	5,353	-2,926
Net increase/(decrease) in cash held	691	-2,227	117	-251	1,232

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

	Estimates			Projections	
	2018-19	2019-20	2020-21	2021-22	2022-23
	\$m	\$m	\$m	\$m	\$m
GFS cash surplus(+)/deficit(-)(b)	2,338	12,191	11,003	17,792	9,165
<i>less</i> Finance leases and similar arrangements(c)	0	0	0	0	0
<i>less</i> Net Future Fund earnings(d)	6,592	5,140	na	na	na
Equals underlying cash balance(e)	-4,254	7,051	11,003	17,792	9,165
<i>plus</i> Net cash flows from investments in financial assets for policy purposes	-15,149	-16,584	-11,546	-9,875	-6,639
<i>plus</i> Net Future Fund earnings(d)	6,592	5,140	na	na	na
Equals headline cash balance	-12,811	-4,393	-542	7,917	2,526
<i>Memorandum:</i>					
<i>Net Future Fund earnings(d)</i>	6,592	5,140	5,207	5,563	6,249

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

(b) GFS cash surplus/deficit equals net cash flows from operating activities and investments in non-financial assets.

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

(d) Under the *Future Fund Act 2006*, net Future Fund earnings will be available to meet the Australian Government's superannuation liability in 2020-21. From this time, the underlying cash balance includes expected net Future Fund earnings.

(e) The term underlying cash balance is not used by the ABS.