

PART 2: GOVERNMENT FINANCE STATISTICS STATEMENTS

Financial tables presented in this Part are prepared in accordance with the Australian Bureau of Statistics (ABS) Government Finance Statistics (GFS) framework.

The tables include an operating statement, balance sheet and cash flow statement for the Australian Government general government, public non-financial corporations, total non-financial public, and public financial corporations sectors. A statement of other economic flows is also included for the Australian Government general government sector.

The Australian, State and Territory Governments have an agreed framework – the *Accrual Uniform Presentation Framework* – for the presentation of government financial information on a basis consistent with ABS GFS. This Part presents Australian Government data on an ABS GFS basis, as required by the *Accrual Uniform Presentation Framework*, except for the general government sector departures detailed in Attachment A to Part 1 (other than in relation to the treatment of goods and services tax (GST)).

The only difference between the Australian Government general government sector statements in Part 1 and this part is the treatment of the GST. The clear policy intent of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* is that GST is collected by the Australian Taxation Office, as an agent for the states and territories (the States), and appropriated to the States. Consequently, it is not shown as Australian Government revenue in other parts of this document. However, the tables in this Part show GST related transactions as taxation revenue and payments to the States as grant expenses.

As a result of the different treatments of GST related transactions, fiscal balance, net operating balance and net worth, estimates in this part differ from those reported elsewhere in this document. This difference represents the effect of GST revenue accrued but not yet received and, therefore, not yet paid or payable to the States (as GST obligations to the States are on a cash basis). The underlying cash balance is not affected and provides identical results under both treatments of GST receipts.

Transactions between the Australian Government general government sector, public financial corporations sector and the public non-financial corporations sectors are included in the relevant tables. These transactions include income transfers (such as dividends paid to general government), net advances paid by general government to public corporations and taxes paid by public corporations.

Public access communication assets, computer software and other intangibles are recorded at historic cost, as market value information, or suitable proxies for market

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value, are not readily observable. This affects the public non-financial corporations sector balance sheet, but does not affect the general government sector balance sheet.

Table A2 of Appendix A provides reconciliations between key GFS aggregates and their Australian Accounting Standards counterparts.

In accordance with *Accrual Uniform Presentation Framework* requirements, this Part also contains an update of the Australian Government's Loan Council Allocation.

Table 11: Australian Government general government sector operating statement

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
GFS revenue		
Taxation revenue	208,257	209,178
Current grants and subsidies	0	0
Sales of goods and services	4,192	4,314
Interest income	1,244	1,304
Dividend income	4,171	4,199
Other	2,507	2,684
Total GFS revenue	220,372	221,679
GFS expenses		
Gross operating expenses		
Depreciation	1,593	1,643
Superannuation	1,946	2,069
Salaries and wages	11,989	11,004
Payment for supply of goods and services	40,014	38,852
Other operating expenses	2,312	3,174
<i>Total gross operating expenses</i>	<i>57,854</i>	<i>56,742</i>
Nominal superannuation interest expense	5,155	4,898
Other interest expenses	4,248	4,201
Other property expenses	0	0
Current transfers		
Grant expenses	67,874	67,039
Subsidy expenses	5,643	5,844
Personal benefit payments in cash	72,511	72,746
Other current transfers	0	0
<i>Total current transfers</i>	<i>146,028</i>	<i>145,629</i>
Capital transfers	3,171	3,033
Total GFS expenses	216,456	214,503
Net operating balance(a)	3,916	7,176
Net acquisition of non-financial assets		
Purchases of non-financial assets	2,618	2,395
<i>less</i> Sales of non-financial assets	<i>879</i>	<i>602</i>
<i>less</i> Depreciation	<i>1,593</i>	<i>1,643</i>
<i>plus</i> Change in inventories	<i>106</i>	<i>780</i>
<i>plus</i> Other movements in non-financial assets	<i>-235</i>	<i>-206</i>
Total net acquisition of non-financial assets	18	724
Net lending/fiscal balance(a)(b)	3,899	6,452

(a) The fiscal balance and net operating balance outcomes in this table differ from those presented elsewhere in the Final Budget Outcome reflecting the treatment of the GST as an Australian Government tax.

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

Table 12: Australian Government general government sector balance sheet

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
GFS assets		
Financial assets		
Cash and deposits	1,607	1,591
Advances paid	19,027	18,060
Investments, loans and placements	19,668	24,188
Other non-equity assets	19,448	18,548
Equity(a)	47,061	49,560
<i>Total financial assets</i>	<i>106,812</i>	<i>111,946</i>
Non-financial assets		
Land	4,576	5,196
Buildings (excluding heritage)	13,417	14,152
Plant, equipment and infrastructure(b)	7,951	8,122
Inventories	4,237	4,832
Heritage and cultural assets(b)	4,949	6,442
Other non-financial assets	1,714	1,747
<i>Total non-financial assets</i>	<i>36,844</i>	<i>40,491</i>
Total GFS assets	143,656	152,437
GFS liabilities		
Deposits held	325	364
Advances received	0	0
Government securities	60,555	60,650
Loans	5,271	5,979
Other borrowing	175	267
Superannuation liability	87,869	88,090
Other employee entitlements and provisions	8,426	8,541
Other non-equity liabilities	23,031	24,713
Total GFS liabilities	185,652	188,602
Net worth(c)(d)	-41,996	-36,165
Net financial worth(e)	-78,840	-76,656
Net debt(f)	26,024	23,421

(a) The 2003-04 equity and net worth outcomes include the Telstra shareholding valued at the closing price on 30 June 2004.

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

(c) The net worth outcome in this table differs from those presented elsewhere in the Final Budget Outcome reflecting the treatment of the GST as an Australian Government tax.

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

(e) Net financial worth equals total financial assets minus total liabilities. That is, it excludes non-financial assets.

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

Table 13: Australian Government general government sector cash flow statement^(a)

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Cash receipts from operating activities		
Taxes received(b)	203,789	205,312
Receipts from sales of goods and services(c)	4,169	4,203
Grants/subsidies received	0	0
Interest receipts	1,132	1,056
Dividends	3,207	3,223
GST input credits received by general government(c)	0	0
Other receipts	2,417	2,734
Total operating receipts	214,714	216,527
Cash payments for operating activities		
Payments for goods and services(c)	-41,542	-39,600
Grants and subsidies paid(d)	-75,033	-74,442
Interest paid	-4,113	-4,050
Personal benefit payments	-70,694	-70,808
Salaries, wages and other entitlements	-16,768	-15,612
GST payments to taxation authority(c)	0	0
Other payments for operating activities	-499	-2,121
Total operating payments	-208,649	-206,635
Net cash flows from operating activities	6,065	9,892
Cash flows from investments in non-financial assets		
Sales of non-financial assets	1,112	832
Purchases of new and secondhand non-financial assets	-2,594	-2,682
Net cash flows from investments in non-financial assets	-1,482	-1,850
Net cash flows from investments in financial assets for policy purposes	-599	-452
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-70	-3,040
Net cash flows from investments in financial assets for liquidity purposes	-70	-3,040
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	-1,697	-2,458
Deposits received (net)	-1	38
Other financing (net)	-2,948	-2,876
Net cash flows from financing activities	-4,645	-5,296
Net increase/decrease in cash held	-731	-747
Net cash from operating activities and investments in non-financial assets	4,583	8,042
Finance leases and similar arrangements(e)	3	-5
Equals surplus(+)/deficit(-)	4,586	8,036

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

(b) Includes GST cash receipts on an Australian Government tax basis, which are \$126 million lower in 2003-04 than GST cash receipts measured by the Australian Government on a State tax basis (as shown in Part 3, Note 15).

(c) GST flows are excluded from these categories.

(d) Includes GST cash payments to the states and territories.

(e) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

Table 14: Australian Government general government sector statement of other economic flows (reconciliation of net worth)

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Opening net worth	-49,524	-49,524
Opening net worth adjustments(a)	-891	-891
Adjusted opening net worth	-50,415	-50,415
Change in net worth from operating transactions	3,916	7,176
Change in net worth from other economic flows		
Revaluation of equity(b)	3,210	5,767
Net writedowns of assets (including bad and doubtful debts)(c)	-2,414	-4,319
Assets recognised for the first time(c)	-1	450
Defence weapon platform adjustment(c)	0	0
Liabilities recognised for the first time(d)	0	-1,411
Actuarial revaluations	840	840
Net foreign exchange gains	306	599
Net swap interest received	339	340
Market valuation of debt	1,809	1,739
Other economic revaluations(c)(e)	412	3,068
Total other economic flows	4,502	7,074
Closing net worth	-41,996	-36,165

(a) Includes the initial recognition of a provision for asbestos disease 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 for the 2003-04 outcome reflect changes in the market valuation of commercial entities, including a change in the value of Telstra shareholding due to a change in the closing share price between 30 June 2003 and 30 June 2004. 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. The adjustment to remove defence weapons has now been reallocated to net writedowns of assets, assets recognised for the first time and other economic revaluations.

(d) Includes the initial recognition of a \$944 million provision for claims under the Dairy Structural Adjustment Fund for which a reliable measure is now available. The historical series will be amended at a future date after consultation with the Australian Bureau of Statistics of the appropriate treatment of this liability.

(e) Largely reflects revaluations of assets and liabilities.

Table 15: Supplementary table — Australian Government general government sector revenue (accrual basis)

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Taxation revenue		
<i>Income taxation</i>		
Individuals and other withholding taxes(a)		
Gross income tax withholding	89,870	90,095
Gross other individuals	19,760	21,010
less Refunds	12,200	12,325
Total individuals and other withholding taxes	97,430	98,779
Companies	37,310	36,337
Superannuation funds		
Contributions and earnings	4,510	4,487
Superannuation surcharge	1,260	1,298
Total superannuation funds	5,770	5,785
Petroleum resource rent tax	1,200	1,165
Total income taxation	141,710	142,067
<i>Indirect taxation</i>		
Excise duty		
Petroleum and other fuel products and crude oil	13,470	13,529
Other excise	7,470	7,539
Total excise duty	20,940	21,068
Customs duty	5,585	5,622
Other indirect taxes	990	1,002
Total indirect taxation	27,515	27,692
GST	34,175	34,121
Fringe benefits tax(b)	3,180	3,277
Agricultural levies	561	603
Other taxes	1,116	1,420
Total taxation revenue	208,257	209,178
Non-taxation revenue	12,115	12,501
Total revenue	220,372	221,679

(a) Includes Medicare levy revenue of \$5,560 million in 2003-04.

(b) Consistent with GFS reporting standards, excludes fringe benefits tax collected from Australian Government agencies (\$365 million in 2003-04).

Table 16: Supplementary table — Australian Government general government sector indirect tax (accrual basis)

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Excise duty		
Petroleum and other fuel products		
Petrol(a)	7,380	7,423
Diesel	5,570	5,587
Other(b)	210	210
Total petroleum and other fuel products	13,160	13,220
Crude oil	310	309
Other excise		
Beer	1,640	1,633
Potable spirits	670	659
Tobacco products	5,160	5,247
Total other excise	7,470	7,539
Total excise duty	20,940	21,068
Customs duty(c)	5,585	5,622
Other indirect taxes		
Wine equalisation tax(d)	705	705
Luxury car tax	340	336
Wholesale sales tax(e)	-55	-38
Total other indirect taxes	990	1,002
Total indirect taxation revenue	27,515	27,692

(a) Includes unleaded petrol and lead replacement petrol.

(b) Includes aviation gasoline, aviation turbine fuel, fuel oil, heating oil and kerosene.

(c) Customs duty includes duties imposed on imported petroleum products, tobacco, beer and spirits, which are analogous to excise duty on these items.

(d) Estimates of wine equalisation tax revenue include the offsetting revenue effects of the wine equalisation tax rebate for cellar door and other sales.

(e) Wholesale sales tax was abolished on 1 July 2000; however, final liabilities, net of refunds, continue to be recognised.

Table 17: Australian Government public non-financial corporations sector operating statement

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
GFS revenue		
Current grants and subsidies	241	691
Sales of goods and services	24,547	24,637
Interest income	77	99
Other	28	22
Total GFS revenue	24,893	25,449
GFS expenses		
Gross operating expenses		
Depreciation	3,525	3,311
Salaries, wages and other entitlements	5,131	5,158
Other operating expenses	10,952	8,709
<i>Total gross operating expenses</i>	<i>19,608</i>	<i>17,179</i>
Interest expenses	590	788
Other property expenses	1,912	3,440
Current transfers		
Tax expenses	1,677	2,037
Other current transfers	0	0
<i>Total current transfers</i>	<i>1,677</i>	<i>2,037</i>
Capital transfers	0	0
Total GFS expenses	23,787	23,444
Net operating balance	1,106	2,005
Net acquisition of non-financial assets		
Purchases of non-financial assets	3,303	3,148
<i>less</i> Sales of non-financial assets	<i>363</i>	<i>207</i>
<i>less</i> Depreciation	<i>3,525</i>	<i>3,311</i>
<i>plus</i> Change in inventories	<i>-47</i>	<i>-17</i>
<i>plus</i> Other movements in non-financial assets	<i>-12</i>	<i>249</i>
Total net acquisition of non-financial assets	-645	-138
Net lending/fiscal balance(a)	1,752	2,143

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

Table 18: Australian Government public non-financial corporations sector balance sheet

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
GFS assets		
Financial assets		
Cash and deposits	1,649	1,378
Advances paid	0	0
Investments, loans and placements	680	1,076
Other non-equity assets	4,947	4,595
Equity	350	367
<i>Total financial assets</i>	<i>7,625</i>	<i>7,417</i>
Non-financial assets		
Land and fixed assets	26,563	25,011
Other non-financial assets(a)	699	2,855
<i>Total non-financial assets</i>	<i>27,262</i>	<i>27,866</i>
Total GFS assets	34,887	35,283
GFS liabilities		
Deposits held	0	0
Advances received	0	0
Borrowing	11,216	11,855
Unfunded superannuation liability and other employee entitlements	1,868	1,923
Provisions (other than depreciation and bad and doubtful debts)(a)	3,012	3,312
Other non-equity liabilities	1,111	1,353
Total GFS liabilities	17,206	18,443
Shares and other contributed capital	62,168	66,417
Net worth(b)	-44,487	-49,577
Net financial worth(c)	-71,749	-77,444
Net debt(d)	8,887	9,400

(a) Includes the elimination of commercial taxation adjustments for future income tax benefits and deferred income tax.

(b) Net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The negative net worth recorded for this sector reflects a higher valuation of listed Australian Government corporations by the sharemarket than the value of net assets recorded by these corporations.

(c) Net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. That is, it excludes non-financial assets.

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

Table 19: Australian Government public non-financial corporations sector cash flow statement^(a)

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Cash receipts from operating activities		
Receipts from sales of goods and services	24,540	26,742
Grants and subsidies received	241	457
GST input credit receipts	15	169
Other receipts	160	122
Total operating receipts	24,956	27,490
Cash payments for operating activities		
Payment for goods and services	-6,882	-9,487
Interest paid	-468	-785
Salaries, wages and other entitlements	-5,248	-5,290
GST payments to taxation authority	-1,338	-1,481
Other payments for operating activities	-4,957	-2,470
Total operating payments	-18,893	-19,513
Net cash flows from operating activities	6,063	7,977
Cash flows from investments in non-financial assets		
Sales of non-financial assets	397	228
Purchases of new and secondhand non-financial assets	-3,348	-3,179
Net cash flows from investments in non-financial assets	-2,952	-2,951
Net cash flows from investments in financial assets for policy purposes	0	-13
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-131	-1,005
Net cash flows from investments in financial assets for liquidity purposes	-131	-1,005
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	-905	-253
Deposits received (net)	0	0
Distributions paid (net)	-1,912	-3,450
Other financing (net)	234	-719
Net cash flows from financing activities	-2,583	-4,423
Net increase/decrease in cash held	398	-414
Net cash from operations and investments in non-financial assets	3,111	5,026
Finance leases and similar arrangements(b)	0	0
Distributions paid	-1,912	-3,450
Equals surplus(+)/deficit(-)	1,199	1,575

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

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

Table 20: Australian Government total non-financial public sector operating statement

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
GFS revenue		
Taxation revenue	206,580	206,939
Current grants and subsidies	0	0
Sales of goods and services	28,186	28,032
Interest income	1,321	1,403
Dividend income	1,979	2,320
Other	2,536	2,689
Total GFS revenue	240,602	241,383
GFS expenses		
Gross operating expenses		
Depreciation	5,118	4,955
Superannuation	1,962	2,121
Salaries and wages	17,120	16,162
Payment for supply of goods and services	47,942	46,034
Other operating expenses	2,575	3,511
<i>Total gross operating expenses</i>	<i>74,717</i>	<i>72,784</i>
Nominal superannuation interest expense	5,155	4,898
Other interest expenses	4,838	4,989
Other property expenses	1,912	1,561
Current transfers		
Grant expenses	67,874	67,039
Subsidy expenses	5,401	5,153
Personal benefit payments in cash	72,511	72,746
Other current transfers	0	0
<i>Total current transfers</i>	<i>145,787</i>	<i>144,938</i>
Capital transfers	3,171	3,033
Total GFS expenses	235,579	232,203
Net operating balance(a)	5,023	9,180
Net acquisition of non-financial assets		
Purchases of non-financial assets	5,920	5,543
<i>less</i> Sales of non-financial assets	<i>1,241</i>	<i>808</i>
<i>less</i> Depreciation	<i>5,118</i>	<i>4,955</i>
<i>plus</i> Change in inventories	<i>59</i>	<i>764</i>
<i>plus</i> Other movements in non-financial assets	<i>-247</i>	<i>42</i>
Total net acquisition of non-financial assets	-627	585
Net lending/fiscal balance(a)(b)	5,650	8,595

(a) The fiscal balance and net operating balance outcomes differ from those presented elsewhere in the Final Budget Outcome reflecting the treatment of the GST as an Australian Government tax.

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

Table 21: Australian Government total non-financial public sector balance sheet

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
GFS assets		
Financial assets		
Cash and deposits	3,256	2,973
Advances paid	19,027	18,060
Investments, loans and placements	20,347	25,264
Other non-equity assets	24,388	23,095
Equity	14,472	14,606
<i>Total financial assets</i>	<i>81,490</i>	<i>83,998</i>
Non-financial assets		
Land and fixed assets	63,163	63,755
Other non-financial assets	943	4,583
<i>Total non-financial assets</i>	<i>64,106</i>	<i>68,337</i>
Total GFS assets	145,596	152,335
GFS liabilities		
Deposits held	325	367
Advances received	0	0
Government securities	60,555	60,650
Loans	5,271	5,979
Other borrowing	11,390	12,122
Unfunded superannuation liability and other employee entitlements	98,163	98,553
Other provisions	6,102	7,079
Other non-equity liabilities	21,044	22,231
Total GFS liabilities	202,851	206,981
Shares and other contributed capital	29,228	31,096
Net worth(a)(b)	-86,483	-85,743
Net financial worth(b)(c)	-150,590	-154,080
Net debt(d)	34,911	32,821

(a) Net worth is calculated as total assets minus total liabilities minus shares and other contributed capital. The negative net worth recorded for this sector partly reflects a higher valuation of listed Australian Government corporations by the sharemarket than the value of net assets recorded by these corporations.

(b) Net worth and net financial worth for the non-financial public sector now equal the sum of the general government and public non-financial corporations sectors. This is due to the elimination of commercial taxation adjustments for future income tax benefits and deferred income tax now being made within the public non-financial corporations sector.

(c) Net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. That is, it excludes non-financial assets.

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

Table 22: Australian Government total non-financial public sector cash flow statement^(a)

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
Cash receipts from operating activities		
Taxes received	202,111	203,203
Receipts from sales of goods and services(b)	26,197	28,333
Grants and subsidies received	0	0
Interest receipts	1,132	1,155
Dividends	1,246	1,344
GST input credit receipts(b)	0	0
Other receipts	2,608	2,725
Total operating receipts	233,295	236,759
Cash payments for operating activities		
Payments for goods and services(b)	-47,266	-47,831
Grants and subsidies paid	-74,791	-73,985
Interest paid	-4,580	-4,835
Personal benefit payments	-70,694	-70,729
Salaries, wages and other entitlements	-22,016	-20,835
GST payments to taxation authority(b)	0	0
Other payments for operating activities	-1,818	-2,554
Total operating payments	-221,167	-220,770
Net cash flows from operating activities	12,128	15,990
Cash flows from investments in non-financial assets		
Sales of non-financial assets	1,509	1,060
Purchases of new and secondhand non-financial assets	-5,943	-5,862
Net cash flows from investments in non-financial assets	-4,434	-4,802
Net cash flows from investments in financial assets		
for policy purposes	-599	-465
Cash flows from investments in financial assets		
for liquidity purposes		
Increase in investments	-201	-3,971
Net cash flows from investments in financial assets		
for liquidity purposes	-201	-3,971
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	-2,601	-2,712
Deposits received (net)	-1	38
Distributions paid (net)(c)	-1,912	-1,571
Other financing (net)	-2,714	-3,669
Net cash flows from financing activities	-7,228	-7,913
Net increase/decrease in cash held	-333	-1,161
Net cash from operating activities and investments		
in non-financial assets	7,694	11,188
Finance leases and similar arrangements(d)	3	-5
Distributions paid	-1,912	-1,571
Equals surplus(+)/deficit(-)	5,785	9,611

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

(b) GST flows are excluded from these categories.

(c) Distributions paid comprise non-financial public sector dividends to external shareholders.

(d) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

Table 23: Australian Government public financial corporations sector operating statement

	2003-04 Outcome \$m
GFS revenue	
Current grants and subsidies	120
Sales of goods and services	2,529
Interest income	2,180
Other	14
Total GFS revenue	4,843
GFS expenses	
Gross operating expenses	
Depreciation	24
Salaries, wages and other entitlements	2,704
Other operating expenses	0
<i>Total gross operating expenses</i>	<i>2,728</i>
Interest expenses	1,132
Other property expenses	2,281
Current transfers	
Tax expenses	0
Other current transfers	0
<i>Total current transfers</i>	<i>0</i>
Capital transfers	0
Total GFS expenses	6,141
Net operating balance	-1,298
Net acquisition of non-financial assets	
Purchases of non-financial assets	40
<i>less</i> Sales of non-financial assets	<i>1</i>
<i>less</i> Depreciation	<i>24</i>
<i>plus</i> Change in inventories	<i>4</i>
<i>plus</i> Other movements in non-financial assets	<i>-2</i>
Total net acquisition of non-financial assets	17
Net lending/fiscal balance(a)	-1,315

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

Table 24: Australian Government public financial corporations sector balance sheet

	2003-04 Outcome \$m
GFS assets	
Financial assets	
Cash and deposits	1,473
Advances paid	0
Investments, loans and placements	75,332
Other non-equity assets	524
Equity	525
<i>Total financial assets</i>	<i>77,853</i>
Non-financial assets	
Land and fixed assets	372
Other non-financial assets(a)	4
<i>Total non-financial assets</i>	<i>377</i>
Total GFS assets	78,230
GFS liabilities	
Deposits held	52,121
Advances received	0
Borrowing	11,647
Unfunded superannuation liability and other employee entitlements	518
Provisions (other than depreciation and bad and doubtful debts)(a)	1,632
Other non-equity liabilities	62
Total GFS liabilities	65,980
Shares and other contributed capital	12,250
Net worth(b)	0
Net financial worth(c)	-377
Net debt(d)	-13,037

(a) Includes the elimination of commercial taxation adjustments for future income tax benefits and deferred income tax.

(b) Net worth is calculated as total assets minus total liabilities minus shares and other contributed capital.

(c) Net financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. That is, it excludes non-financial assets.

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

Table 25: Australian Government public financial corporations sector cash flow statement^(a)

	2003-04 Outcome \$m
Cash receipts from operating activities	
Receipts from sales of goods and services	2,543
Grants and subsidies received	132
GST input credit receipts	25
Other receipts	2,120
Total operating receipts	4,819
Cash payments for operating activities	
Payment for goods and services	-2,465
Interest paid	-936
Salaries, wages and other entitlements	-254
GST payments to taxation authority	-3
Other payments for operating activities	-4
Total operating payments	-3,662
Net cash flows from operating activities	1,157
Cash flows from investments in non-financial assets	
Sales of non-financial assets	1
Purchases of new and secondhand non-financial assets	-42
Net cash flows from investments in non-financial assets	-41
Net cash flows from investments in financial assets for policy purposes	-222
Cash flows from investments in financial assets for liquidity purposes	
Increase in investments	-5,338
Net cash flows from investments in financial assets for liquidity purposes	-5,338
Cash flows from financing activities	
Advances received (net)	0
Borrowing (net)	150
Deposits received (net)	3,363
Distributions paid (net)	-1,317
Other financing (net)	1,873
Net cash flows from financing activities	4,069
Net increase/decrease in cash held	-374
Net cash from operating activities and investments in non-financial assets	1,116
Finance leases and similar arrangements(b)	0
Distributions paid	-1,317
Equals surplus(+)/deficit(-)	-201

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

(b) The acquisition of assets under finance leases decreases the surplus or increases the deficit. The disposal of assets previously held under finance leases increases the surplus or decreases the deficit.

Table 26: Australian Government general government sector purchases of non-financial assets by function

	2003-04 Estimate at 2004-05 Budget \$m	2003-04 Outcome \$m
General public services	495	360
Defence	484	589
Public order and safety	274	269
Education	19	11
Health	95	83
Social security and welfare	175	143
Housing and community amenities	455	474
Recreation and culture	269	185
Fuel and energy	4	3
Agriculture, forestry and fishing	16	22
Mining, manufacturing and construction	45	41
Transport and communications	67	51
Other economic affairs	182	164
Other purposes	38	0
General government purchases of non-financial assets	2,618	2,395

Attachment A

LOAN COUNCIL ALLOCATION

Under the Loan Council arrangements, every year the Australian Government and each State nominates a Loan Council Allocation (LCA). A jurisdiction's LCA incorporates:

- the estimated non-financial public sector cash deficit/surplus (underlying cash balance), made up from the general government and public non-financial corporations sector balances;
- net cash flows from investment in financial assets for policy purposes; and
- memorandum items, which involve transactions that are not formally borrowings but nevertheless have many of the characteristics of borrowings.

LCA nominations are considered by the Loan Council, having regard to each jurisdiction's fiscal position and reasonable infrastructure requirements, as well as the macroeconomic implications of the aggregate figure.

As set out in Table 27, the Australian Government's 2003-04 LCA outcome is a \$7,708 million surplus. This compares with the Australian Government's 2003-04 Budget estimate of a \$2,159 million surplus. The LCA outcome exceeds the upper bound of the LCA Budget estimate by more than the 2 per cent tolerance limit. A tolerance limit of 2 per cent of non-financial public sector receipts applies between the LCA Budget update and the outcome. Tolerance limits recognise that LCAs are nominated at an early stage of the budget process and may change as a result of policy and parameter changes.

Table 27: Australian Government Loan Council Allocation

	2003-04 Budget Estimate \$m	2003-04 Outcome \$m
General government sector cash deficit(+)/surplus(-)	-2,172	-8,036
Public non-financial corporations sector cash deficit(+)/surplus(-)	-1,499	-1,575
Non-financial public sector cash deficit(+)/surplus(-)	-3,671	-9,611
<i>minus</i> Net cash flows from investments		
in financial assets for policy purposes(a)	-701	-465
<i>plus</i> Memorandum items(b)	811	1,439
Loan Council Allocation	-2,159	-7,708

(a) Such transactions involve the transfer or exchange of a financial asset and are not included within the cash deficit/surplus. However, the cash flow from investments in financial assets for policy purposes has implications for a government's call on financial markets.

(b) For the Australian Government, memorandum items comprise the change in the net present value (NPV) of operating leases (with NPV greater than \$5 million), overfunding of superannuation and an adjustment to exclude Telstra's net financing requirement.

