

PART 4

FINANCIAL REPORTING STANDARDS AND FINANCIAL STATEMENTS

This part contains financial statements prepared in accordance with external reporting standards and discusses budget concepts. The external standards used in the budget are the Australian Bureau of Statistics accrual Government Finance Statistics framework and the Australian Accounting Standards.

This part includes reconciliation statements which explain how the two sets of financial statements compare.

This part also discusses a range of factors that pose a risk to the actual budget outcome in future years. These risks include changes in parameters, fiscal risks and contingent liabilities.

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STATEMENT 8: FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

This statement describes the financial accounting frameworks relevant to the Australian Government.

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STATEMENT 8: FINANCIAL REPORTING STANDARDS AND BUDGET CONCEPTS

The *Charter of Budget Honesty Act 1998* requires that the Budget be based on external reporting standards. Accordingly, the major external standards used in the Budget are the Australian Bureau of Statistics (ABS) accrual Government Finance Statistics (GFS) framework and Australian Accounting Standards (AAS), including Australian Accounting Standard No. 31 *Financial Reporting by Governments* (AAS 31). The major fiscal aggregates (including the fiscal and underlying cash balances) are based on the accrual GFS framework.

The Charter also requires that departures from applicable external reporting standards be identified. These are disclosed in Appendix A to Statement 2, the introduction to Statement 9 and Note 1 in Statement 10.

ACCRUAL GFS FRAMEWORK

The GFS reporting framework is a specialised financial reporting system designed to support economic analysis of the public sector. It allows comprehensive assessments to be made of the economic impact of government and is consistent with international statistical standards (the *System of National Accounts 1993* (SNA93) and the International Monetary Fund's (IMF) *Government Finance Statistics Manual 2001*).¹

GFS financial statements are contained in Statements 2 and 9.

Nature of the GFS framework

The accrual GFS framework is based on an integrated recording of flows and stocks. Flows reflect the creation, transformation, exchange, transfer or extinction of economic value. They involve changes in the volume, composition or value of a unit's assets, liabilities and net worth. Stocks refer to a unit's holdings of assets, liabilities and net worth at a point in time.

The framework distinguishes between two types of flows: transactions and other economic flows.

- **Transactions** result from mutually agreed interactions between economic entities. Despite their compulsory nature, taxes are transactions deemed to occur by mutual agreement between the government and the taxpayer. Transactions that increase or

¹ Additional information on the Australian accrual GFS framework is available in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2003* (Cat. No. 5514.0.55.001).

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decrease net worth (assets minus liabilities) are reported as revenue and expenses respectively in the operating statements.²

- **Other economic flows** represent changes to the value of stocks that do not result from a transaction. Other economic flows arise from price movements (revaluations) and volume changes, including interest and exchange rate movements, and phenomena such as discoveries, depletion and destruction.

The GFS conceptual framework comprises a number of separate statements, each of which draws out analytical aggregates or balances of particular economic significance. Together, these aggregates provide for a thorough understanding of the financial position of the public sector. The GFS statements reported in the Budget are the operating statement, balance sheet, cash flow statement and statement of other economic flows.

Under the accrual GFS framework, flows are recorded in the period in which they occurred. As a result, prior period outcomes may be revised where information arises that could reasonably be expected to have been known in the past, is material in at least one of the affected periods and can be reliably assigned to the relevant period(s).

Operating statement

The operating statement presents details of transactions in GFS revenues, GFS expenses and the net acquisition of non-financial assets (net capital investment) for an accounting period.

GFS revenues arise from transactions that increase net worth and GFS expenses arise from transactions that decrease net worth. GFS revenues less GFS expenses gives the GFS net operating balance. The net operating balance is comparable to the National Accounts concept of government saving plus capital transfers.

The net acquisition of non-financial assets (net capital investment) measures the change in the Australian Government's stock of non-financial assets due to transactions. As such, it measures the net effect of purchases, sales and consumption (depreciation of fixed assets and use of inventory) of non-financial assets during an accounting period.

Net acquisition of non-financial assets equals gross fixed capital formation, less depreciation, plus changes (investment) in inventories, plus other transactions in non-financial assets.

² Not all transactions impact on net worth. For example, transactions in financial assets and liabilities do not impact on net worth as they represent the swapping of assets and liabilities on the balance sheet.

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- Gross fixed capital formation comprises purchases less sales of fixed assets (such as buildings) and net acquisitions of fixed assets under finance leases.
- Depreciation measures consumption of fixed assets, such as through physical deterioration or normal obsolescence, as they are used in production.
- Changes in inventories measures investment in new inventory stocks less use of current inventories.
- Other transactions in non-financial assets comprise mainly (for the Australian Government general government sector) changes in the value of work-in-progress and software assets, and transactions in non-reproducible, intangible assets (such as telecommunications spectrum).

Fiscal balance

The fiscal balance (or GFS net lending/borrowing) is the net operating balance less net capital investment. Thus, the fiscal balance includes the impact of net expenditure (effectively purchases less sales) on non-financial assets rather than consumption (depreciation) of non-financial assets.³

The fiscal balance measures the Australian Government's investment-saving balance. It measures in accrual terms the gap between government savings plus net capital transfers, and investment in non-financial assets. As such, it approximates the contribution of the Australian Government general government sector to the balance on the current account in the balance of payments.

A fiscal balance surplus indicates the Australian Government is lending to other sectors. A fiscal balance deficit indicates the Australian Government is using the financial resources of other sectors. Thus, fiscal balance can be viewed as a global indicator of the financial impact of Australian Government operations on the rest of the economy.

Balance sheet

The balance sheet shows stocks of assets, liabilities and GFS net worth. Net debt is also reported in the balance sheet.

Assets represent instruments or entities:

- over which ownership rights are enforced by an economic entity; and

³ The net operating balance includes consumption of non-financial assets because depreciation is a GFS expense. Depreciation also forms part of net capital investment, which (in the calculation of fiscal balance) offsets the inclusion of depreciation in the net operating balance.

- from which economic benefits may be derived by their owners from holding them or using them over a period of time.

Liabilities represent obligations to provide economic value to other institutional units.

Net debt

Net debt is the sum of selected financial liabilities (deposits held, advances received, government securities, loans and other borrowing) less the sum of selected financial assets (cash and deposits; advances paid; and investments, loans and placements). Net debt does not include superannuation or superannuation related liabilities. Net debt is a common measure of the strength of a government's financial position. High levels of net debt impose a call on future revenue flows to service that debt.

Net interest payments is a concept related to net debt. Net interest payments is a cash measure defined as interest payments on gross debt less interest received. Net interest payments are affected by the volume of net debt and by interest rates.

Net worth

The net worth of the general government sector is defined as assets less liabilities. Apart from the effect of revaluations and volume changes (recorded in the statement of other economic flows), changes in general government sector net worth reflect the net operating balance. For the public financial corporations and public non-financial corporations sectors, net worth is defined as assets less liabilities less shares and other contributed capital. Net worth is an economic measure of wealth, reflecting the contribution of the Australian Government to the wealth of Australia.

The net worth measure is a more comprehensive indicator of a government's overall financial position than net debt as it incorporates a government's non-financial assets, such as land and other fixed assets, as well as certain financial assets and liabilities not captured by the net debt measure, most notably accrued employee superannuation liabilities. For example, a limitation of the net debt measure is that the sale of physical assets decreases net debt, with proceeds from sales increasing financial assets. Net worth recognises this increase in financial assets is funded by a decrease in physical assets. Net worth itself, however, also has limitations. It can be volatile, some non-financial assets can be difficult to measure and changes can reflect circumstances beyond the direct control of the Government.

Cash flow statement

The cash flow statement identifies how cash is generated and applied in a single accounting period. Cash means cash on hand (notes and coins held and deposits held at call with a bank or other financial institution) and cash equivalents (highly liquid investments that are readily convertible to cash on hand at the investor's option and overdrafts considered integral to the cash management function).

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The cash flow statement reflects a cash basis of recording (rather than an accrual basis) where information is derived indirectly from underlying accrual transactions and movements in balances. This, in effect, means that transactions are captured when cash is received or when cash payments are made. Cash transactions are identified specifically because cash management is considered an integral function of accrual budgeting.

Underlying cash balance

The underlying cash balance plus Future Fund earnings (GFS surplus/deficit) is the cash counterpart of the fiscal balance, reflecting the Australian Government's cash investment-saving balance. This measure is conceptually equivalent under the current accrual framework and the previous cash framework. For the general government sector, the underlying cash balance is calculated as shown below.

Net cash flows from operating activities
<i>plus</i>
Net cash flows from investments in non-financial assets
<i>less</i>
Net acquisitions of assets acquired under finance leases and similar arrangements ⁴
<i>equals</i>
GFS surplus/deficit
<i>less</i>
Future Fund earnings
<i>equals</i>
Underlying cash balance

The Government is reporting the underlying cash balance net of Future Fund earnings from 2005-06 onwards because the earnings will be reinvested to meet future superannuation payments and are therefore not available for current spending. However, Future Fund earnings are included in the fiscal balance because superannuation expenses relating to future cash payments are recorded in the fiscal balance estimates.

Expected Future Fund earnings are separately identified in the Australian Government cash flow statement in Statement 2 Appendix B and the historic tables in Statement 13.

4 The underlying cash balance treats the acquisition and disposal of non-financial assets in the same manner regardless of whether they occur by purchase/sale or finance lease – acquisitions reduce the underlying cash balance and disposals increase the underlying cash balance. However, finance leases do not generate cash flows at the time of acquisition or disposal equivalent to the value of the asset. As such, net acquisitions of assets under finance leases are not shown in the body of the cash flow statement but are reported as a supplementary item for the calculation of the underlying cash balance.

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An underlying cash surplus reflects the extent to which cash is not pre-committed to funding the Australian Government's unfunded superannuation liability and is available to the Australian Government to either increase its financial assets or decrease its liabilities (assuming no revaluations and other changes occur). An underlying cash deficit measures the extent to which the Australian Government requires cash for current period expenditure, either by running down its financial assets or drawing on other sectors' cash reserves.

Headline cash balance

The headline cash balance is calculated by adding net cash flows from investments in financial assets for policy purposes and Future Fund earnings to the underlying cash balance.

Cash flows from investments in financial assets for policy purposes include equity transactions and net advances.⁵ Equity transactions include equity injections into controlled businesses and privatisations of government businesses. Net advances include net loans to the states, net loans to students under the Higher Education Contribution Scheme (HECS) and contributions to international organisations that increase the Australian Government's financial assets.

Statement of other economic flows (reconciliation of net worth)

The statement of other economic flows outlines changes in net worth driven by economic flows other than GFS revenues and GFS expenses. Accordingly, the GFS system includes a fourth financial statement that presents changes in net worth in an accounting period due to other economic flows (the effect of transactions is reported in the operating statement). Other economic flows, GFS revenues and GFS expenses sum to the total change in net worth during a period.⁶

Other economic flows are changes in the value of assets or liabilities due to price movements or volume changes. Most other economic flows for the Australian Government general government sector arise from price movements in its assets and liabilities, including:

- changes in the value of investments in commercial entities, including through changes in share prices;
- writedowns in asset values, such as through greater allowances for bad and doubtful debts;

5 Cash flows from investments in financial assets for policy purposes were called net advances under the cash budgeting framework.

6 The ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2003* (Cat. No. 5514.0.55.001) calls the statement of other economic flows the 'Statement of Stocks and Flows'.

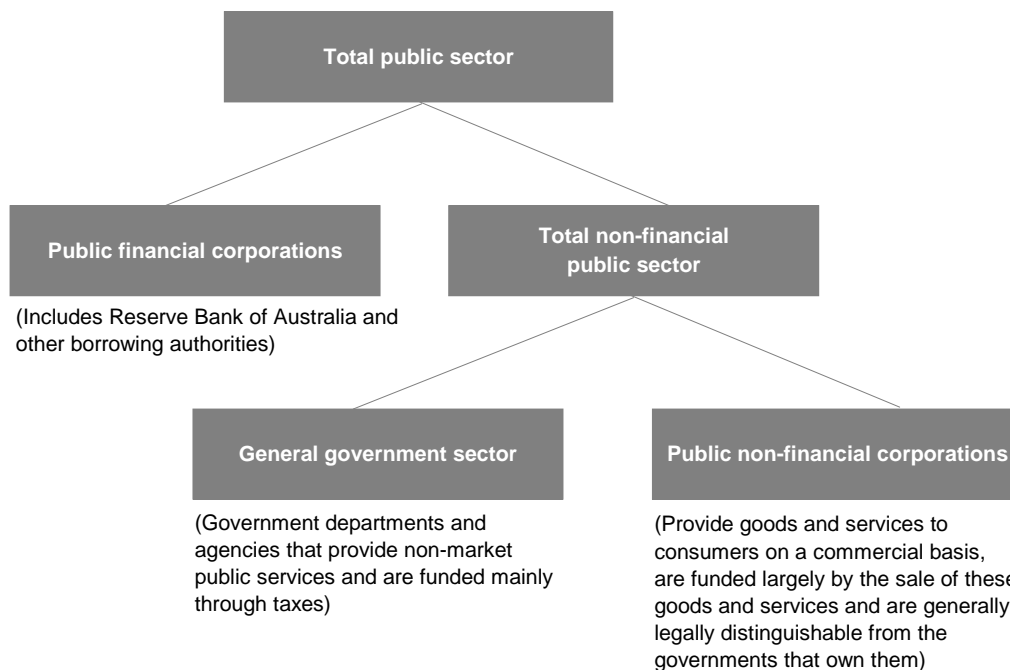
- changes in the valuation of superannuation and employee compensation liabilities due to economic and demographic changes; and
- valuation changes due to movements in foreign exchange rates and interest rates.

The Australian Government also has a small number of volume changes, including assets recognised for the first time and changes to assets and liabilities flowing from reclassifications and accounting policy changes.

Sectoral classifications

To assist in analysing the public sector, GFS data are presented by institutional sector. GFS distinguishes between the general government sector, the public non-financial corporations sector and the public financial corporations sector, as shown in Figure 1.

Figure 1: Institutional structure of the public sector



Budget reporting focuses on the general government sector. The general government sector 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, although user charging and external funding have increased in recent years. This sector comprises all government departments, offices and some other bodies.

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The public non-financial corporations sector comprises bodies that provide goods and services that are mainly market, non-regulatory and non-financial in nature, and are financed predominantly through sales to the consumers of these goods and services. In general, public non-financial corporations are legally distinguishable from the governments that own them. Australian Government public non-financial corporations include Telstra, Australia Post and the Australian Government Solicitor.

Together the general government sector and the public non-financial corporations sector comprise the non-financial public sector.

The GFS coverage of the public sector also includes public financial corporations. Public financial corporations are public sector bodies that engage in financial intermediation services or auxiliary financial services and are able to incur financial liabilities on their own account (such as taking deposits, issuing securities or providing insurance services). This sector includes the Reserve Bank of Australia, the Export Finance and Insurance Corporation and Medibank Private. Information on public financial corporations is not included in the budget papers as public financial corporations undertake financial intermediation, which is a fundamentally different function from that performed by other public entities. Under the Uniform Presentation Framework, public financial corporations information is only required to be reported in budget outcome statements.

The total public sector comprises all sectors of government – general government, the public non-financial corporations sector and the public financial corporations sector.

AUSTRALIAN ACCOUNTING STANDARD REPORTING FRAMEWORK, INCLUDING AAS 31

AAS 31 *Financial Reporting by Governments* requires accrual-based general purpose financial reports showing assets, liabilities, revenues, expenses and cash flows, for each government and the entities it controls. Reporting under this framework is intended to provide a consolidated overview of the financial performance and financial position of the Government.

AAS 31 requires, with some stated exceptions, compliance with all other applicable Australian Accounting Standards.

There are three main financial statements required by AAS 31. These are:

- a statement of financial performance, which includes an operating result;
- a statement of financial position, which shows net assets; and
- a statement of cash flows, which includes net increase/decrease in cash held.

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In addition to these financial statements, notes to the financial statements are required. These notes include a summary of accounting policies, disaggregated information and other disclosures required by Australian Accounting Standards.

A full set of financial statements for the general government sector, with notes showing disaggregated information, can be found in Statement 10. This includes a note disclosing the anticipated impacts of the Australian Equivalents to International Financial Reporting Standards for the Australian Government from 2005-06.

RECONCILIATION OF GFS AND AAS AGGREGATES

There is a general consistency of treatment of the elements of financial statements between GFS and AAS. Both frameworks are based on the concept of economic events that give rise to stocks and flows. As a result, the definitions of stocks are broadly similar under the two frameworks and relate to the control of economic benefits, while flows are defined with reference to changes in stocks.

The GFS and AAS definitions of the scope of the public sector agree in almost all cases, with AAS 31 recommending the same segmentation of the public sector into general government, public non-financial corporations and public financial corporations sectors.

Transactions are generally treated in a similar manner by GFS and accounting standards; however, where GFS is a framework designed to facilitate macro-economic analysis, AAS is designed for general purpose financial reporting. The different objectives of the two systems lead to some variation in the treatment of certain items. This differing treatment relates predominantly to the definitions of revenues and expenses under the two frameworks.

In particular, revaluations of assets and liabilities are classified differently under the AAS and GFS standards. Major revaluations include writedowns of bad and doubtful debts (excluding those that are mutually agreed), changes in the valuation of superannuation liabilities and gains and losses due to changes in foreign exchange rates and interest rates.

Under AAS reporting, valuation changes generally affect revenues or expenses and therefore the operating result. However, under GFS reporting, revaluations are not considered to be transactions (that is, they are considered to be other economic flows) and accordingly do not form part of revenues or expenses. Therefore, most revaluations are not taken into account in the calculation of the GFS net operating balance or fiscal balance. However, revaluations still impact on GFS assets and liabilities, as can be seen in the statement of other economic flows.

Some of the major differences between the GFS and AAS treatments of transactions are outlined in Table 1. Further information on the differences between the two systems is

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provided in the ABS publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2003* (Cat. No. 5514.0.55.001).

Table 1: Selected differences between AAS and GFS reporting standards

Issue	AAS Treatment	GFS Treatment
Asset writedowns	Treated as part of operating expenses.	Treated as revaluations (other economic flows), except for mutually agreed writedowns, and therefore not included in expenses.
Gains and losses on assets	Treated as part of operating revenues/expenses.	Treated as revaluations (other economic flows) and therefore not included in revenues/expenses.
Provisions for bad and doubtful debts	Treated as part of operating expenses and included in the balance sheet as an offset to assets.	Act of creating provisions is not considered an economic event and is therefore not considered an expense or included in the balance sheet. The Australian Government departs from this latter requirement (see Appendix A to Statement 2).
Interest flows related to swaps and other financial derivatives	Treated as operating revenues and expenses.	Treated as other economic flows and so not included in revenues and expenses.
Acquisition of defence weapons platforms	Treated as capital expenditure. Defence weapons platforms appear as an asset on the balance sheet. Depreciation expense on assets is recorded in the operating statement.	Treated as an expense at the time of acquisition. Defence weapons platforms do not appear as an asset on the balance sheet and no depreciation is recorded in the operating statement.
Valuation of assets and liabilities	Classes of assets and liabilities are measured using a range of methods. The predominant methods for valuing different asset classes include historic cost and market value.	Individual assets and liabilities are measured at current market value based on current market prices or a suitable proxy where market prices are not available.
Finance leases	Treats finance leases as if an asset were purchased from borrowings. That is, the lease payment is split into an interest component (which is shown as an operating expense) and a principal component. The asset and the liability are recorded on the balance sheet. This convention does not apply to the cash flow statement, which does not record the acquisition of the asset or the liability.	As per the accounting standard, except that the GFS cash flow statement includes the acquisition of the asset as a supplementary item for the calculation of the surplus/deficit and underlying cash balance.

Following the broad strategic direction of the Financial Reporting Council, the Australian Accounting Standards Board is currently pursuing harmonisation of GFS and AAS. The Australian Accounting Standards Board continues its deliberations in order to harmonise AAS and GFS. A converged financial reporting framework will reduce confusion associated with the publication of two sets of financial statements and improve the readability of government budget and outcome reports.

Table 2 reconciles GFS revenue and expenses with their AAS counterparts.

Table 2: Reconciliation of GFS and AAS revenue and expenses

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
GFS revenue (Statement 9)	238,966	252,511	262,942	275,675	289,846
<i>less GST revenue for states and territories</i>	36,300	38,000	40,060	42,270	44,520
GFS revenue (Statement 2)	202,666	214,511	222,882	233,405	245,326
<i>plus asset revenue recognised for the first time</i>	623	124	92	58	58
<i>plus foreign exchange gains</i>	0	0	0	0	0
<i>plus other economic revaluations</i>	134	416	303	257	148
<i>plus proceeds from the sale of assets</i>	823	491	11,655	11,730	11,668
<i>plus swap interest revenue</i>	2,165	2,327	2,250	1,869	1,387
AAS revenue (Statement 10)	206,411	217,869	237,182	247,319	258,587
GFS expenses (Statement 9)	230,667	243,521	254,116	266,825	280,153
<i>less GST grants to states and territories</i>	35,550	37,340	39,200	41,320	43,480
<i>less GST mutually agreed writedowns</i>	105	100	110	105	105
GFS expenses (Statement 2)	195,012	206,081	214,806	225,400	236,568
<i>plus actuarial revaluations</i>	937	0	0	0	0
<i>plus net writedown of assets/bad and doubtful debts</i>	3,026	1,584	1,697	1,723	1,557
<i>plus foreign exchange losses</i>	384	0	0	0	0
<i>plus other economic adjustments</i>	44	0	0	0	0
<i>plus value of assets sold</i>	770	460	2,026	2,121	2,031
<i>plus swap interest expense</i>	1,985	2,225	2,154	1,792	1,317
<i>plus defence weapons platforms depreciation</i>	2,517	2,132	2,166	2,234	2,304
<i>less defence weapons platforms investment</i>	3,064	3,408	3,775	3,988	4,112
<i>plus AusAid IDA/ADF expenses</i>	506	0	0	265	237
<i>plus ETM adjustment for expenses</i>	1,741	0	0	0	0
AAS expenses (Statement 10)	203,858	209,074	219,074	229,549	239,902

Table 3 reconciles the accounting operating result to the GFS net operating balance and the fiscal balance (GFS net lending).

The AAS net operating result is equal to AAS revenues less expenses. Similarly, GFS revenues less expenses equal the GFS net operating balance. Consequently, the reconciliation between the AAS operating result before extraordinary items and the GFS net operating balance relates directly to differences in the definitions of revenues and expenses which are shown in Table 2.

The second part of the Table 3 reconciliation shows the adjustment for net capital investment required to derive the fiscal balance from the GFS net operating balance.

As discussed previously, the fiscal balance is calculated as the net operating balance less net capital investment. This is a useful economic indicator as it represents the gap between government saving (less capital transfers) and investment and so is included at the end of the GFS operating statement. In AAS, there is no equivalent measure to

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the fiscal balance. That is, the AAS statement of financial performance stops at the operating result and includes no information on net capital investment.

Table 3: Reconciliation of AAS net operating result and fiscal balance

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
AAS operating result before					
extraordinary items (Statement 10)	2,554	8,794	18,108	17,770	18,685
Net differences from revenue and expense definitions	5,746	196	-9,282	-8,921	-8,992
GFS net operating balance (Statement 9)	8,300	8,990	8,826	8,850	9,693
less purchase of property, plant and equipment and intangibles	5,550	6,324	6,145	6,411	6,212
less assets acquired under finance leases	7	4	23	5	4
less other non-financial assets	99	191	179	-110	-89
less increase in inventories	374	340	473	273	270
plus defence weapons platforms investment	3,064	3,408	3,775	3,988	4,112
plus proceeds from sales of property, plant and equipment and intangibles	422	291	175	250	188
plus depreciation and amortisation	4,409	4,272	4,418	4,575	4,665
less weapons depreciation	2,517	2,132	2,166	2,234	2,304
Fiscal balance (GFS net lending)					
(Statement 9)(a)	7,648	7,970	8,208	8,848	9,957
Impact of GST	-645	-560	-750	-845	-935
Fiscal balance (GFS net lending)					
(Statement 2)(a)	7,003	7,410	7,458	8,003	9,022

(a) The fiscal balance estimates in Statement 9 are higher than those presented in Statement 2, as explained in the introduction to Statement 9.

STATEMENT 9: GOVERNMENT FINANCE STATISTICS STATEMENTS

The financial tables presented in this statement are prepared in accordance with the Australian Bureau of Statistics (ABS) accrual Government Finance Statistics (GFS) framework.

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 the ABS GFS publication. This statement presents Australian Government data on an ABS GFS basis, as required by the *Accrual Uniform Presentation Framework*, except for the departures (other than in relation to the treatment of goods and services tax (GST)) detailed in Appendix A to Statement 2.

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

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STATEMENT 9: GOVERNMENT FINANCE STATISTICS STATEMENTS

Financial tables presented in this statement are prepared in accordance with the Australian Bureau of Statistics (ABS) accrual 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 and total non-financial public 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 the ABS GFS publication. This statement presents Australian Government data on an ABS GFS basis, as required by the *Accrual Uniform Presentation Framework*, except for the departures (other than in relation to the treatment of goods and services tax (GST)) detailed in Appendix A to Statement 2.

The only difference between the Australian Government general government sector statements in Statement 2 and this statement 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 statement show GST as taxation revenue and payments to the states as grant expenses.

As a result of the different treatments of GST related transactions, the fiscal balance, net operating balance and net worth estimates in this statement 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).¹ The GFS cash surplus/deficit is not affected and provides identical results under both treatments of GST receipts.

The general government sector fiscal balance and net worth include an allowance, through the contingency reserve, for the anticipated impact of Australian Equivalents to International Financial Reporting Standards. The Australian Government general government sector fiscal balance increases by \$57 million in 2005-06 due to lower expenses with minor impacts in the forward years. Australian Government general

1 Table 3 in Statement 8 shows the difference in the net operating and fiscal balance estimates resulting from the two treatments. The change in expenses when moving between the two GFS presentations of the estimates is less than the change in revenue.

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government sector net worth reduces by around \$1.3 billion in 2005-06 and the forward years.

Transactions between the Australian Government general government and public non-financial corporations are included in the relevant tables, but removed from the total non-financial public sector tables as they are transactions internal to that sector.

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

Statement 8 provides reconciliations between key GFS aggregates and their Australian Accounting Standards counterparts.

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

GOVERNMENT FINANCE STATISTICS STATEMENTS

Table 1: Australian Government general government sector operating statement

	Estimates		Projections		
	2004-05	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m	\$m
GFS revenue					
Taxation revenue	226,501	239,267	249,059	261,068	274,640
Current grants and subsidies	0	0	0	0	0
Sales of goods and services	4,828	4,965	5,194	5,330	5,363
Interest income	1,562	2,000	2,853	3,997	5,025
Dividend income	3,146	3,312	2,952	2,357	1,852
Other	2,929	2,967	2,884	2,924	2,966
Total GFS revenue	238,966	252,511	262,942	275,675	289,846
GFS expenses					
Gross operating expenses					
Depreciation	1,892	2,140	2,252	2,341	2,361
Superannuation	2,487	2,363	2,409	2,434	2,479
Salaries and wages	11,922	12,617	12,828	13,164	13,668
Payment for supply of goods and services	45,246	48,395	50,538	52,858	54,020
Other operating expenses	2,814	2,584	2,618	2,770	2,917
<i>Total gross operating expenses</i>	<i>64,362</i>	<i>68,100</i>	<i>70,645</i>	<i>73,567</i>	<i>75,444</i>
Nominal superannuation interest expense	4,882	5,713	5,594	5,821	5,947
Other interest expenses	4,131	3,851	3,774	3,761	3,574
Other property expenses	0	0	0	0	0
Current transfers					
Grant expenses	72,753	77,899	79,942	83,613	86,372
Subsidy expenses	6,470	6,560	6,697	6,936	7,466
Personal benefit payments in cash	74,478	77,545	83,258	88,742	97,033
Other current transfers	0	0	0	0	0
<i>Total current transfers</i>	<i>153,701</i>	<i>162,004</i>	<i>169,897</i>	<i>179,292</i>	<i>190,870</i>
Capital transfers	3,591	3,854	4,207	4,384	4,318
Total GFS expenses	230,667	243,521	254,116	266,825	280,153
Net operating balance(a)	8,300	8,990	8,826	8,850	9,693
Net acquisition of non-financial assets					
Purchases of non-financial assets	2,487	2,920	2,392	2,429	2,104
<i>less</i> Sales of non-financial assets	<i>364</i>	<i>285</i>	<i>174</i>	<i>250</i>	<i>188</i>
<i>less</i> Depreciation	<i>1,892</i>	<i>2,140</i>	<i>2,252</i>	<i>2,341</i>	<i>2,361</i>
<i>plus</i> Change in inventories	<i>374</i>	<i>340</i>	<i>473</i>	<i>273</i>	<i>270</i>
<i>plus</i> Other movements in non-financial assets	<i>47</i>	<i>185</i>	<i>178</i>	<i>-111</i>	<i>-89</i>
Total net acquisition of non-financial assets	652	1,020	617	1	-264
Net lending/fiscal balance(a)(b)	7,648	7,970	8,208	8,848	9,957

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

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

Table 2: Australian Government general government sector balance sheet

	Estimates		Projections		
	2004-05	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m	\$m
GFS assets					
Financial assets					
Cash and deposits	927	288	459	210	143
Advances paid	19,314	20,536	22,001	23,921	26,059
Investments, loans and placements(a)	31,066	38,096	56,389	77,150	96,186
Other non-equity assets	19,472	20,450	22,517	24,896	27,565
Equity(b)	50,895	51,137	40,166	28,854	17,570
<i>Total financial assets</i>	121,675	130,507	141,532	155,031	167,523
Non-financial assets					
Land	4,863	5,161	5,119	5,027	4,973
Buildings	13,894	14,008	14,263	14,428	14,536
Plant, equipment and infrastructure	8,411	8,578	8,716	8,546	8,256
Inventories	5,299	5,570	5,989	6,228	6,463
Heritage and cultural assets	6,698	6,739	6,766	6,787	6,808
Other non-financial assets	2,085	2,341	2,207	2,006	1,762
<i>Total non-financial assets</i>	41,250	42,397	43,060	43,022	42,798
Total GFS assets	162,925	172,904	184,593	198,053	210,320
GFS liabilities					
Deposits held	365	365	365	365	365
Advances received	0	0	0	0	0
Government securities(a)	61,452	59,284	59,106	60,932	60,633
Loans	5,595	5,164	5,190	5,212	4,912
Other borrowing	224	189	158	124	90
Superannuation liability	91,071	95,578	98,801	101,997	105,168
Other employee entitlements and provisions	7,605	7,812	7,918	8,080	8,266
Other non-equity liabilities	28,654	29,937	30,675	31,731	32,893
Total GFS liabilities	194,966	198,327	202,213	208,440	212,327
Net worth(c)(d)	-32,040	-25,423	-17,620	-10,387	-2,006
Net financial worth(e)	-73,291	-67,820	-60,680	-53,409	-44,804
Net debt(f)	16,328	6,080	-14,031	-34,649	-56,389

(a) For 2005-06 and the forward years, the netting of assets — investments, loans and placements and liabilities — government securities has been removed so that both lines are now reported on a gross basis.

(b) 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.

(c) The net worth estimates in this table differ from those presented elsewhere in the Budget reflecting the treatment of 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 3: Australian Government general government sector cash flow statement^(a)

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Cash receipts from operating activities					
Taxes received(b)	221,796	235,149	244,174	256,102	269,378
Receipts from sales of goods and services(c)	4,814	4,971	5,186	5,322	5,355
Grants and subsidies received	0	0	0	0	0
Interest receipts	1,460	1,828	2,649	3,783	4,789
Dividends	3,808	3,632	2,952	2,357	1,852
GST input credits received by general government(c)	0	0	0	0	0
Other receipts	2,849	2,926	2,875	2,851	2,938
Total operating receipts	234,727	248,506	257,836	270,414	284,313
Cash payments for operating activities					
Payments for goods and services(c)	-45,570	-48,518	-50,850	-53,025	-54,211
Grants and subsidies paid(d)	-80,750	-86,535	-89,485	-93,487	-96,233
Interest paid	-3,856	-4,587	-3,808	-3,534	-3,450
Personal benefit payments	-73,664	-76,487	-82,415	-88,071	-96,604
Salaries, wages and other entitlements	-16,508	-17,102	-17,371	-18,002	-18,693
GST payments by general government to taxation authority(c)	0	0	0	0	0
Other payments for operating activities	-2,988	-3,079	-2,635	-2,730	-2,958
Total operating payments	-223,336	-236,308	-246,562	-258,849	-272,148
Net cash flows from operating activities	11,391	12,198	11,273	11,565	12,165
Cash flows from investments in non-financial assets					
Sales of non-financial assets	416	291	175	250	188
Purchases of non-financial assets	-2,579	-3,102	-2,549	-2,313	-2,011
Net cash flows from investments in non-financial assets	-2,163	-2,812	-2,374	-2,063	-1,823
Net cash flows from investments in financial assets for policy purposes	-1,317	-1,518	9,286	9,054	9,022
Cash flows from investments in financial assets for liquidity purposes					
Increase in investments	-7,456	-7,217	-18,306	-20,751	-19,023
Net cash flows from investments in financial assets for liquidity purposes	-7,456	-7,217	-18,306	-20,751	-19,023
Cash flows from financing activities					
Advances received (net)	0	0	0	0	0
Borrowing (net)	188	-1,579	-30	1,928	-481
Deposits received (net)	0	0	0	0	0
Other financing (net)	-1,306	288	322	18	72
Net cash flows from financing activities	-1,118	-1,291	291	1,946	-408
Net increase/decrease in cash held	-663	-639	171	-249	-67
Net cash from operating activities and investments in non-financial assets	9,227	9,387	8,899	9,502	10,342
Finance leases and similar arrangements(e)	-7	-4	-23	-5	-4
Equals surplus(+)/deficit(-)	9,221	9,383	8,876	9,497	10,338

(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 is \$41 million greater in 2004-05 than GST cash receipts measured on a state tax basis (as shown in Statement 10, Note 18).

(c) GST flows are excluded from these categories.

(d) Includes GST cash payments on an Australian Government tax basis.

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

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Opening net worth	-36,165	-32,040	-25,423	-17,620	-10,387
Opening net worth adjustments(a)	-1,741	0	0	0	0
Adjusted opening net worth	-37,906	-32,040	-25,423	-17,620	-10,387
Change in net worth from operating transactions	8,300	8,990	8,826	8,850	9,693
Change in net worth from other economic flows					
Revaluation of equity(b)	1,301	261	322	-19	4
Net writedowns of assets (including bad and doubtful debts)	-2,423	-1,737	-1,955	-2,018	-1,646
Assets recognised for the first time	23	94	80	58	58
Liabilities recognised for the first time	0	0	0	0	0
Actuarial revaluations	-937	0	0	0	0
Net foreign exchange gains	-384	0	0	0	0
Net swap interest received	180	102	96	77	70
Market valuation of debt	-195	371	303	257	148
Other economic revaluations(c)	2	-1,463	131	29	53
Total other economic flows	-2,433	-2,373	-1,022	-1,616	-1,313
Closing net worth	-32,040	-25,423	-17,620	-10,387	-2,006

(a) Decrease in net worth arising from a change in recognition of family tax benefits and other expenses from a cash to an accrual basis.

(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) Largely reflects revaluation of assets and liabilities and Australian Equivalents to International Financial Reporting Standards adjustments.

Table 5: Australian Government public non-financial corporations operating statement

	Estimates	
	2004-05 \$m	2005-06 \$m
GFS revenue		
Current grants and subsidies	353	358
Sales of goods and services	26,221	27,307
Interest income	117	112
Other	1	1
Total GFS revenue	26,693	27,778
GFS expenses		
Gross operating expenses		
Depreciation	3,561	3,919
Salaries, wages and other entitlements	5,810	5,957
Other operating expenses	11,486	12,394
<i>Total gross operating expenses</i>	<i>20,857</i>	<i>22,270</i>
Interest expenses	322	466
Other property expenses	1,674	2,095
Current transfers		
Tax expenses	2,071	2,055
Other current transfers	0	0
<i>Total current transfers</i>	<i>2,071</i>	<i>2,055</i>
Capital transfers	0	0
Total GFS expenses	24,924	26,886
Net operating balance	1,769	892
Net acquisition of non-financial assets		
Purchases of non-financial assets	4,412	4,604
<i>less</i> Sales of non-financial assets	<i>159</i>	<i>51</i>
<i>less</i> Depreciation	<i>3,561</i>	<i>3,919</i>
<i>plus</i> Change in inventories	<i>24</i>	<i>43</i>
<i>plus</i> Other movements in non-financial assets	<i>-420</i>	<i>1</i>
Total net acquisition of non-financial assets	295	679
Net lending/fiscal balance(a)	1,475	213

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

Table 6: Australian Government public non-financial corporations balance sheet

	Estimates	
	2004-05	2005-06
	\$m	\$m
GFS assets		
Financial assets		
Cash and deposits	1,913	1,668
Advances paid	0	0
Investments, loans and placements	234	194
Other non-equity assets	5,288	5,403
Equity	304	545
<i>Total financial assets</i>	<i>7,738</i>	<i>7,810</i>
Non-financial assets		
Land and fixed assets	26,442	26,714
Other non-financial assets(a)	2,171	2,496
<i>Total non-financial assets</i>	<i>28,613</i>	<i>29,210</i>
Total GFS assets	36,351	37,020
GFS liabilities		
Deposits held	0	0
Advances received	0	0
Borrowing	12,692	12,645
Unfunded superannuation liability and other employee entitlements	2,018	2,206
Provisions (other than depreciation and bad and doubtful debts)(a)	3,002	3,012
Other non-equity liabilities	1,678	1,768
Total GFS liabilities	19,390	19,631
Shares and other contributed capital	67,553	67,790
Net worth(b)	-50,592	-50,401
Net financial worth(c)	-79,205	-79,611
Net debt(d)	10,546	10,783

(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 7: Australian Government public non-financial corporations cash flow statement^(a)

	Estimates	
	2004-05	2005-06
	\$m	\$m
Cash receipts from operating activities		
Receipts from sales of goods and services	26,048	27,308
Grants and subsidies received	50	120
GST input credit receipts	61	61
Other receipts	230	204
Total operating receipts	26,390	27,694
Cash payments for operating activities		
Payment for goods and services	-8,691	-9,363
Interest paid	-155	-299
Salaries, wages and other entitlements	-5,838	-5,879
GST payments to taxation authority	-1,263	-1,265
Other payments for operating activities(b)	-3,230	-3,817
Total operating payments	-19,178	-20,623
Net cash flows from operating activities	7,212	7,070
Cash flows from investments in non-financial assets		
Sales of non-financial assets	177	58
Purchases of non-financial assets	-4,416	-4,610
Net cash flows from investments in non-financial assets	-4,239	-4,552
Net cash flows from investments in financial assets for policy purposes	0	0
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	223	-202
Net cash flows from investments in financial assets for liquidity purposes	223	-202
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	-129	56
Deposits received (net)	0	0
Distributions paid (net)(c)	-1,685	-2,085
Other financing (net)	-1,358	-532
Net cash flows from financing activities	-3,172	-2,561
Net increase/decrease in cash held	25	-245
Net cash from operating activities and investments in non-financial assets	2,973	2,518
Finance leases and similar arrangements(d)	0	0
Distributions paid(c)	-1,685	-2,085
Equals surplus(+)/deficit(-)	1,288	433

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

(b) Other payments for operating activities includes the cash flow to the general government sector from public non-financial corporations distributions paid.

(c) Distributions paid comprise public non-financial corporations dividends to non-general government 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 8: Australian Government total non-financial public sector operating statement

	Estimates	
	2004-05 \$m	2005-06 \$m
GFS revenue		
Taxation revenue	224,431	237,212
Current grants and subsidies	0	0
Sales of goods and services	30,513	31,667
Interest income	1,679	2,112
Dividend income	1,143	819
Other	2,930	2,968
Total GFS revenue	260,695	274,778
GFS expenses		
Gross operating expenses		
Depreciation	5,453	6,059
Superannuation	2,540	2,454
Salaries and wages	17,732	18,574
Payment for supply of goods and services	53,878	57,331
Other operating expenses	3,076	2,854
<i>Total gross operating expenses</i>	<i>82,679</i>	<i>87,272</i>
Nominal superannuation interest expense	4,882	5,713
Other interest expenses	4,454	4,317
Other property expenses	1,674	2,095
Current transfers		
Grant expenses	72,753	77,899
Subsidy expenses	6,117	6,201
Personal benefit payments in cash	74,478	77,545
Other current transfers	0	0
<i>Total current transfers</i>	<i>153,348</i>	<i>161,646</i>
Capital transfers	3,591	3,854
Total GFS expenses	250,627	264,896
Net operating balance(a)	10,069	9,882
Net acquisition of non-financial assets		
Purchases of non-financial assets	6,899	7,524
<i>less</i> Sales of non-financial assets	<i>523</i>	<i>336</i>
<i>less</i> Depreciation	<i>5,453</i>	<i>6,059</i>
<i>plus</i> Change in inventories	<i>397</i>	<i>384</i>
<i>plus</i> Other movements in non-financial assets	<i>-373</i>	<i>186</i>
Total net acquisition of non-financial assets	946	1,699
Net lending/fiscal balance(a)(b)	9,123	8,183

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

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

Table 9: Australian Government total non-financial public sector balance sheet

	Estimates	
	2004-05	2005-06
	\$m	\$m
GFS assets		
Financial assets		
Cash and deposits	2,840	1,956
Advances paid	19,314	20,536
Investments, loans and placements	31,300	38,290
Other non-equity assets	24,745	25,837
Equity	14,663	14,909
<i>Total financial assets</i>	<i>92,863</i>	<i>101,529</i>
Non-financial assets		
Land and fixed assets	65,607	66,769
Other non-financial assets	4,256	4,837
<i>Total non-financial assets</i>	<i>69,863</i>	<i>71,607</i>
Total GFS assets	162,726	173,136
GFS liabilities		
Deposits held	365	365
Advances received	0	0
Government securities	61,452	59,284
Loans	5,595	5,164
Other borrowing	12,916	12,834
Unfunded superannuation liability and other employee entitlements	100,694	105,595
Other provisions	6,868	7,019
Other non-equity liabilities	26,451	27,682
Total GFS liabilities	214,341	217,943
Shares and other contributed capital	31,017	31,017
Net worth(a)	-82,633	-75,824
Net financial worth(b)	-152,496	-147,431
Net debt(c)	26,874	16,863

- (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 financial worth equals total financial assets minus total liabilities minus shares and other contributed capital. That is, it excludes non-financial assets.
- (c) 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 10: Australian Government total non-financial public sector cash flow statement^(a)

	Estimates	
	2004-05	2005-06
	\$m	\$m
Cash receipts from operating activities		
Taxes received	218,469	231,838
Receipts from sales of goods and services(b)	30,846	32,262
Grants and subsidies received	0	0
Interest receipts	1,578	1,940
Dividends	1,805	1,139
GST input credit receipts(b)	0	0
Other receipts	2,961	3,019
Total operating receipts	255,659	270,197
Cash payments for operating activities		
Payments for goods and services(b)	-54,192	-57,812
Grants and subsidies paid	-80,700	-86,414
Interest paid	-4,011	-4,886
Personal benefit payments	-73,664	-76,487
Salaries, wages and other entitlements	-22,345	-22,980
GST payments to taxation authority(b)	0	0
Other payments for operating activities	-2,144	-2,348
Total operating payments	-237,056	-250,929
Net cash flows from operating activities	18,603	19,269
Cash flows from investments in non-financial assets		
Sales of non-financial assets	593	349
Purchases of non-financial assets	-6,996	-7,712
Net cash flows from investments in non-financial assets	-6,402	-7,364
Net cash flows from investments in financial assets for policy purposes	-1,317	-1,518
Cash flows from investments in financial assets for liquidity purposes		
Increase in investments	-7,233	-7,419
Net cash flows from investments in financial assets for liquidity purposes	-7,233	-7,419
Cash flows from financing activities		
Advances received (net)	0	0
Borrowing (net)	59	-1,523
Deposits received (net)	0	0
Distributions paid (net)(c)	-1,685	-2,085
Other financing (net)	-2,664	-244
Net cash flows from financing activities	-4,290	-3,852
Net increase/decrease in cash held	-638	-884
Net cash from operating activities and investments in non-financial assets	12,201	11,905
Finance leases and similar arrangements(d)	-7	-4
Distributions paid(c)	-1,685	-2,085
Equals surplus(+)/deficit(-)	10,509	9,815

(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 public non-financial corporations dividends to non-general government 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 11: Australian Government general government sector taxation revenue by source

	Estimates	
	2004-05	2005-06
	\$m	\$m
Taxes on income, profits and capital gains		
Income and capital gains levied on individuals	109,220	112,820
Income and capital gains levied on enterprises	47,160	54,460
Income taxes levied on non-residents	0	0
Total taxes on income, profits and capital gains	156,380	167,280
Taxes on employers' payroll and labour force	3,297	3,580
Taxes on property	14	14
Taxes on the provision of goods and services		
Sales/goods and services tax	37,480	39,230
Excises and levies	22,814	23,284
Taxes on international trade	5,714	5,071
Other	0	0
Total taxes on the provision of goods and services	66,008	67,585
Taxes on use of goods and performance of activities	803	808
Total GFS taxation revenue	226,501	239,267

Table 12: Australian Government purchases of non-financial assets by function

	Estimates		Projections		
	2004-05	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m	\$m
General public services	831	1,029	680	875	567
Defence	615	1,202	589	654	1,000
Public order and safety	224	190	169	150	166
Education	16	12	12	15	12
Health	103	99	88	83	83
Social security and welfare	219	285	254	215	171
Housing and community amenities	8	36	50	44	41
Recreation and culture	263	4	260	217	212
Fuel and energy	3	4	4	3	4
Agriculture, forestry and fishing	27	32	25	33	33
Mining, manufacturing and construction	30	37	38	35	29
Transport and communications	-65	-206	38	36	36
Other economic affairs	210	184	198	174	182
Other purposes	5	14	-12	-107	-431
General government purchases of non-financial assets	2,487	2,920	2,392	2,429	2,104

APPENDIX A: AUSTRALIAN LOAN COUNCIL ALLOCATION

Under Loan Council arrangements, every year the Australian Government and each state and territory nominate a Loan Council Allocation. A jurisdiction's Loan Council Allocation incorporates:

- the estimated non-financial public sector underlying cash balance (made up from the general government and public non-financial corporations sector balances);
- net cash flows from investments 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.

Loan Council Allocation 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 13, the Australian Government's 2005-06 Loan Council Allocation Budget update is a \$8,432 million surplus. This compares with the Australian Government's nominated, and Loan Council endorsed, Loan Council Allocation surplus of \$5,972 million.

Table 13: Australian Government's Loan Council Allocation Budget update for 2005-06

	2005-06 Nomination \$m	2005-06 Budget Estimate \$m
General government sector cash deficit(+)/surplus(-)	-4,459	-9,383
Public non-financial corporations sector cash deficit(+)/surplus(-)	-1,914	-433
Non-financial public sector cash deficit(+)/surplus(-)	-6,374	-9,815
<i>less</i> Net cash flows from investments		
in financial assets for policy purposes(a)	-1,441	-1,518
<i>plus</i> Memorandum items(b)	-1,039	-135
Loan Council Allocation	-5,972	-8,432

(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 include the change in net present value (NPV) of operating leases (with NPV greater than \$5 million) and over-funding of superannuation.

STATEMENT 10: AUSTRALIAN ACCOUNTING STANDARDS FINANCIAL STATEMENTS

This statement provides financial tables prepared on an accrual basis in accordance with applicable Australian Accounting Standards (AAS), including Australian Accounting Standard No. 31 *Financial Reporting by Governments*, except where departures from the standards are identified in Note 1.

A reconciliation between the Australian Government's general government AAS 31 and Government Finance Statistics (GFS) revenue, expenses and operating results is provided in Statement 8.

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STATEMENT 10: AUSTRALIAN ACCOUNTING STANDARDS FINANCIAL STATEMENTS

**Table 1: Statement of financial performance for the Australian Government
general government sector**

	Note	Estimates		Projections		
		2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Revenues						
Taxation						
Income taxation	4	156,380	167,280	174,460	183,430	193,930
Indirect taxation	5	28,904	28,791	29,252	30,032	30,762
Fringe benefits tax		3,050	3,350	3,380	3,480	3,580
Other taxes		1,636	1,635	1,714	1,681	1,689
Total taxation revenue		189,970	201,055	208,806	218,623	229,961
Non-taxation						
Sales of goods and services		4,900	5,031	5,254	5,384	5,413
Interest and dividends	6	6,873	7,639	8,055	8,222	8,264
Net foreign exchange gains		0	0	0	0	0
Proceeds from the sale of assets		823	491	11,655	11,730	11,668
Other sources of non-taxation revenue	7	3,845	3,652	3,412	3,359	3,282
Total non-taxation revenue		16,442	16,813	28,376	28,696	28,625
Total revenue		206,411	217,869	237,182	247,319	258,587
Expenses						
Goods and services						
Employees	8	22,911	23,277	23,449	24,190	25,010
Suppliers	9	16,848	17,893	17,968	18,321	17,592
Depreciation and amortisation	10	4,409	4,272	4,418	4,575	4,665
Net writedown of assets		3,434	2,129	2,197	2,239	2,340
Net foreign exchange losses		384	0	0	0	0
Value of assets sold		770	460	2,211	2,296	2,188
Other goods and services expenses	11	7,078	7,479	8,046	8,388	8,730
Total goods and services		55,834	55,511	58,289	60,009	60,524
Subsidies benefits and grants						
Personal benefits		91,137	93,667	100,019	106,534	115,979
Subsidies		11,212	11,395	11,868	12,498	13,374
Grants	12	39,474	42,414	42,970	44,954	45,134
Total subsidies benefits and grants		141,823	147,477	154,857	163,986	174,487
Borrowing costs						
Interest		6,186	6,070	5,905	5,538	4,881
Other borrowing costs		15	17	22	15	9
Total interest and other borrowing costs		6,200	6,087	5,928	5,553	4,890
Total expenses		203,858	209,074	219,074	229,549	239,902
Operating result		2,554	8,794	18,108	17,770	18,685

Table 2: Statement of financial position for the Australian Government general government sector

	Note	Estimates		Projections		
		2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Assets						
Financial assets						
Cash		927	288	459	210	143
Receivables	13	29,829	31,878	34,982	38,461	42,187
Investments(a)		47,263	54,462	71,121	90,198	107,577
Equity accounted investments		402	402	402	402	402
Accrued revenue		490	506	549	598	663
Other financial assets		18	19	18	18	19
Total financial assets		78,929	87,554	107,530	129,887	150,991
Non-financial assets						
Land and buildings	14	18,757	19,169	19,382	19,455	19,509
Infrastructure		39,398	40,773	42,470	44,015	45,501
Heritage and cultural assets		6,698	6,739	6,766	6,787	6,808
Intangibles		1,693	1,758	1,711	1,672	1,610
Inventories		5,299	5,570	5,989	6,228	6,463
Other non-financial assets		1,832	1,743	1,627	1,474	1,293
Total non-financial assets		73,678	75,751	77,945	79,631	81,184
Total assets		152,607	163,305	185,475	209,518	232,174
Liabilities						
Debt						
Government securities(a)		55,705	56,428	56,016	57,643	57,283
Loans		4,537	4,099	4,117	4,136	3,834
Leases		201	165	135	102	69
Deposits		365	365	365	365	365
Overdrafts		0	0	0	0	0
Other debt		1,076	880	949	976	1,010
Total debt		61,885	61,936	61,581	63,221	62,560
Provisions and payables						
Employees and superannuation	15	98,676	103,390	106,720	110,076	113,434
Suppliers		2,145	2,198	2,173	2,171	2,172
Personal benefits payable		8,347	9,334	9,903	10,518	10,966
Subsidies payable		912	790	731	683	689
Grants payable	16	9,842	10,035	10,019	10,365	10,891
Other provisions and payables		10,596	10,201	10,704	11,048	11,291
Total provisions and payables		130,519	135,948	140,250	144,862	149,443
Total liabilities		192,403	197,885	201,831	208,083	212,003
Net assets	17	-39,797	-34,579	-16,357	1,435	20,171
Equity						
Accumulated results		-75,157	-69,887	-50,122	-30,701	-10,379
Reserves		35,361	35,308	33,765	32,136	30,550
Capital		0	0	0	0	0
Total equity		-39,797	-34,579	-16,357	1,435	20,171

(a) For 2004-05 and the forward years, the netting of assets — investments — and liabilities — government securities — has been revised so that both lines are now reported on a gross basis.

Table 3: Statement of cash flows for the Australian Government general government sector

	Note	Estimates		Projections		
		2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Operating activities						
Cash received						
Taxation	18	186,133	197,763	204,915	214,727	225,845
Sales of goods and services		5,087	5,231	5,445	5,581	5,614
Interest		3,537	4,147	4,921	5,753	6,252
Dividends		3,808	3,632	2,952	2,357	1,852
GST input credit receipts		2,908	2,844	2,882	2,976	3,018
Other		2,931	2,971	2,875	2,851	2,938
Total operating cash received		204,405	216,588	223,988	234,244	245,520
Cash used						
Payments to employees		19,496	19,617	20,006	20,731	21,551
Payments to suppliers		20,255	21,054	21,342	21,581	20,951
Subsidies paid		10,127	10,906	11,325	11,944	12,766
Personal benefits		88,867	92,610	99,176	105,863	115,550
Grant payments		38,352	41,922	42,924	44,582	44,587
Interest and other financing costs		5,995	6,832	5,938	5,657	5,043
GST payments to taxation authority		120	120	122	123	124
Other		6,859	7,942	7,943	8,352	8,661
Total operating cash used		190,072	201,005	208,776	218,834	229,233
Net cash from operating activities		14,333	15,583	15,212	15,410	16,287
Investing activities						
Cash received						
Proceeds from asset sales program		0	0	11,280	11,280	11,280
Proceeds from sales of property, plant and equipment and intangibles		422	291	175	250	188
Net loans, advances and HECS		0	0	0	0	0
Other net investing cash received		401	200	200	200	200
Total investing cash received		823	491	11,655	11,730	11,668
Cash used						
Purchase of property, plant and equipment and intangibles		5,652	6,506	6,327	6,301	6,122
Net loans, advances and HECS		1,135	1,365	1,831	2,062	2,141
Other net investing cash paid		7,854	7,422	18,687	21,126	19,380
Total investing cash used		14,640	15,293	26,846	29,488	27,643
Net cash from investing activities		-13,818	-14,802	-15,191	-17,758	-15,976
Financing activities						
Cash received						
Net cash received from currency issues		0	0	0	0	0
Other		0	199	233	209	139
Total financing cash received		0	199	233	209	139
Cash used						
Net repayments of borrowings		-188	1,579	30	-1,928	481
Other		1,366	40	53	38	37
Total financing cash used		1,178	1,619	83	-1,890	518
Net cash from financing activities		-1,178	-1,420	150	2,099	-379
Net increase/decrease in cash held	3	-663	-639	171	-249	-67

NOTES TO THE AAS FINANCIAL STATEMENTS

Note 1: External reporting standards and accounting policies

The *Charter of Budget Honesty Act 1998* requires that the budget be based on external reporting standards and that departures from applicable external reporting standards be identified.

The financial statements included in this statement have been prepared on an accrual basis in accordance with applicable Australian Accounting Standards (AAS), including AAS31 *Financial Reporting by Governments* (AAS31).

AAS requires governments to prepare accrual based general purpose financial reports. This means that assets, liabilities, revenues and expenses are recorded in financial statements when transactions have an economic impact on the government, rather than when the cash flow associated with these transactions occurs. Consistent with AAS, a statement of financial performance, a statement of financial position and a statement of cash flows have been prepared for the budget year and the three forward years.

AAS will change from 2005-06, with the introduction of Australian Equivalents to International Financial Reporting Standards (AEIFRS). The tables in this Statement are presented on the basis of Australian Accounting Standards as at the date of preparation of the Budget. However, the amounts presented in these financial statements have been adjusted to include the material, reliably estimable impacts from the application of AEIFRS.

The accounting policies in this statement are generally consistent with the requirements of AAS. While the scope for financial reporting recommended in AAS 31 is the whole of government (that is, the Australian Government public sector), in accordance with the *Charter of Budget Honesty Act 1998*, the presentation covers the general government sector only. This statement includes notes showing disaggregated information.

AAS would suggest the gross amount of goods and services tax (GST) be included in the Australian Government's financial statements. However, under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, GST is collected by the Australian Taxation Office as an agent for the states and territories (the states), and appropriated to the states. Therefore, accrued GST revenues and associated payments to the states are not recorded in the financial statements.

Note 2: Impacts of Australian Equivalents to International Financial Reporting Standards

The Financial Reporting Council has issued a strategic direction requiring reporting entities in Australia to adopt international accounting standards for reporting periods beginning on or after 1 January 2005. This will involve replacing relevant existing standards with Australian Equivalents to International Financial Reporting Standards (AEIFRS).

The Australian Accounting Standards Board (AASB) has issued the full suite of standards that will apply under AEIFRS including AAS 31 *Financial Reporting by Governments*.

Material estimated impacts on and movements in these financial statements, as if prepared under AEIFRS, are detailed below.¹ The impacts are largely the result of estimating the impact of applying AASB 116 *Property, Plant and Equipment*, AASB 119 *Employee Benefits*, AASB 138 *Intangible Assets*, AASB 139 *Financial Instruments: Recognition and Measurement*, and AASB 140 *Investment Properties*.

The estimated impacts on the Statement of Financial Performance arising from the application of AEIFRS suggest positive impacts to the operating result of \$435 million in 2005-06, \$320 million in 2006-07, \$327 million in 2007-08, and \$218 million in 2008-09.

The estimated impacts on the Statement of Financial Position arising from the application of AEIFRS to net assets indicate a negative movement in net assets of \$2.93 billion in 2005-06, reducing to a negative movement of \$2.15 billion by 2008-09.

There are no cash flow impacts arising from the application of AEIFRS.

The material components of the impacts on these statements are disclosed below.

AASB 116 *Property, Plant and Equipment* requires that the cost of an item of property, plant or equipment include an estimate of the costs of dismantling and removing the asset, and restoring the site on which the asset was situated. AASB 116 requires these costs to be capitalised into the value of the respective assets and an associated provision established.

The yearly impacts on depreciation, borrowing costs and suppliers expenses resulting from applying AASB 116 are a decrease to operating results of \$36.1 million in 2005-06, \$30.2 million in 2006-07, \$26.7 million in 2007-08 and \$25.8 million in 2008-09. The cumulative impact on land and buildings, infrastructure, plant and equipment, and provisions result in a negative movement in net assets of \$26.2 million in 2005-06, \$14.2 million in 2006-07, \$13.7 million in 2007-08 and \$15.3 million in 2008-09.

¹ These impacts do not include those relating to the Department of Defence, as reliable estimates were not available for the preparation of the 2005-06 Budget estimates.

Statement 10: Australian Accounting Standards Financial Statements

AASB 119 *Employee Benefits* will require changes in the measurement and recognition of employee annual leave entitlements and superannuation benefits.

The yearly impacts on employee expenses and borrowing costs of applying AASB 119 result in an increase to operating results of \$58 million in 2005-06, \$2 million in 2006-07, \$55 million in 2007-08 and \$56 million in 2008-09. The cumulative impact on employee provisions results in a negative movement in net assets of \$1.03 billion in 2005-06, \$1.03 billion in 2006-07, \$0.98 billion in 2007-08 and \$0.92 billion in 2008-09.

AASB 138 *Intangible Assets* does not permit intangibles to be measured at valuation unless there is an active market for such an asset. Where intangibles are recorded at valuation, Australian Government entities will derecognise the valuation component of the carrying amount of these assets on adoption of the AEIFRS. These impacts mainly relate to internally developed software.

The yearly impacts on depreciation and amortisation expense of applying AASB 138, result in an increase to operating results of \$13 million in 2005-06, \$10 million in 2006-07, \$8 million in 2007-08 and \$7 million in 2008-09. The cumulative impacts on intangible assets result in a negative movement in net assets of \$49 million in 2005-06, \$39 million in 2006-07, \$31 million in 2007-08 and \$23 million in 2008-09.

AASB 139 *Financial Instruments: Recognition and Measurement* states that when a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, *transaction costs* that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The yearly impacts on gains of applying AASB 139 increases operating results by \$371 million in 2005-06, \$303 million in 2006-07, \$257 million in 2007-08 and \$148 million in 2008-09. The cumulative impacts on Government securities and payables result in a negative movement in net assets of \$2.04 billion in 2005-06, \$1.68 billion in 2006-07, \$1.39 billion in 2007-08 and \$1.22 billion in 2008-09.

AASB 140 *Investment Property* requires investment properties to be separately reported, with all movements to the assets fair value recognised in the operating result. Investment properties held at fair value will not be depreciated.

The yearly impacts on gains and depreciation expense of applying AASB 140 increases operating results by \$34 million in 2005-06, \$36 million in 2006-07, \$37 million in 2007-08 and \$37 million in 2008-09. The cumulative impacts on land and buildings and asset reserves result in a negative movement in net assets of \$205 million in 2005-06, \$234 million in 2006-07, \$263 million in 2007-08 and \$293 million in 2008-09.

Part 4: Financial Reporting Standards and Financial Statements

Note 3: Reconciliation of cash

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Operating result (revenues less expenses)	2,554	8,794	18,108	17,770	18,685
less Revenues not providing cash					
Foreign exchange gains	0	0	0	0	0
Gains from asset sales programme	0	0	9,439	9,421	9,472
Gains from sale of assets	53	31	4	13	8
Other	1,005	891	812	778	690
Total revenues not providing cash	1,058	922	10,256	10,212	10,170
plus Expenses not requiring cash					
Increase/(decrease) in employee entitlements	3,536	3,616	3,330	3,357	3,358
Depreciation/amortisation expense	4,409	4,272	4,418	4,575	4,665
Provision for bad and doubtful debts	384	486	556	610	648
Provision for diminution in value of assets	837	96	76	56	53
Losses from asset sales programme	0	0	0	0	0
Losses from sale of assets	0	0	0	0	0
Foreign exchange losses	384	0	0	0	0
Other	3	-54	15	31	-13
Total expenses not requiring cash	9,553	8,417	8,395	8,630	8,711
plus Cash provided by working capital items					
Decrease in inventories	0	0	0	0	0
Decrease in receivables	0	0	0	0	0
Decrease in other financial assets	0	0	0	46	10
Decrease in other non-financial assets	329	321	29	0	0
Increase in benefits subsidies and grants payable	3,921	1,220	587	987	1,001
Increase in suppliers' liabilities	0	8	0	0	0
Increase in other provisions and payables	289	0	231	20	8
Total cash provided by working capital items	4,539	1,548	847	1,052	1,020
less Cash used by working capital items					
Increase in inventories	373	164	351	195	199
Increase in receivables	670	769	1,424	1,577	1,759
Increase in other financial assets	51	30	23	0	0
Increase in other non-financial assets	0	0	0	10	1
Decrease in benefits subsidies and grants payable	0	122	59	48	0
Decrease in other provisions and payables	0	1,170	0	0	0
Decrease in suppliers' liabilities	162	0	25	1	0
Total cash used by working capital items	1,255	2,254	1,882	1,830	1,959
equals <i>Net cash from/(to) operating activities</i>	14,333	15,583	15,212	15,410	16,287
<i>plus Net cash from/(to) investing activities</i>	-13,818	-14,802	-15,191	-17,758	-15,976
Net cash from operating activities and investment	515	781	21	-2,348	311
<i>plus Net cash from/(to) financing activities</i>	-1,178	-1,420	150	2,099	-379
equals Net (decrease)/increase in cash	-663	-639	171	-249	-67

Note 3(a): Consolidated Revenue Fund

The estimated and projected cash balances reflected in the statement of financial position for the Australian Government general government sector (Table 2) include the reported cash balances controlled and administered by Australian Government agencies subject to the *Financial Management and Accountability Act 1997* and the reported cash balances controlled and administered by entities, subject to the *Commonwealth Authorities and Companies Act 1997* (CAC Act), that implement public policy through the provision of primarily non-market services.

Revenues or monies raised by the Executive Government automatically form part of the Consolidated Revenue Fund by force of section 81 of the Australian Constitution. For practical purposes, total Australian Government general government sector cash, less cash controlled and administered by CAC Act entities, plus special public monies, represents the Consolidated Revenue Fund referred to in section 81 of the Australian Constitution. On this basis, the balance of the Consolidated Revenue Fund is shown below.

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Total general government sector cash (Statement 10)	927	288	459	210	143
<i>less</i> CAC Agency cash balances	859	202	220	167	120
<i>plus</i> Special public monies	81	81	82	82	82
Balance of Consolidated Revenue Fund at 30 June	149	167	321	125	105

Further information on the Consolidated Revenue Fund is included in Budget Paper No. 4, *Agency Resourcing 2005-06*.

Note 4: Income taxation revenue

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Individuals and other withholding tax					
Gross income tax withholding	97,990	101,140	106,780	114,300	122,430
Gross other individuals	23,640	25,440	25,990	27,180	28,960
<i>less</i> Refunds	13,700	15,000	15,810	16,580	17,830
Total individuals and other withholding tax	107,930	111,580	116,960	124,900	133,560
Companies	40,610	48,040	50,140	50,780	52,360
Superannuation funds					
Contributions and earnings	5,090	5,070	5,380	5,770	6,220
Surcharge	1,290	1,240	350	210	270
Total superannuation funds	6,380	6,310	5,730	5,980	6,490
Petroleum resource rent tax	1,460	1,350	1,630	1,770	1,520
Total income taxation revenue	156,380	167,280	174,460	183,430	193,930

Part 4: Financial Reporting Standards and Financial Statements

Note 5: Indirect taxation revenue

	Estimates		Projections		
	2004-05	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m	\$m
Excise duty					
Petroleum and other fuel products	13,620	13,980	14,270	14,590	14,840
Crude oil	650	620	580	580	580
Other excise	7,740	7,890	8,000	8,120	8,250
Total excise duty revenue	22,010	22,490	22,850	23,290	23,670
Customs duty revenue	5,714	5,071	5,062	5,322	5,592
Other indirect tax revenue	1,180	1,230	1,340	1,420	1,500
GST	36,300	38,000	40,060	42,270	44,520
less transfers to states and territories in relation to GST revenue	36,300	38,000	40,060	42,270	44,520
GST revenue	0	0	0	0	0
Mirror taxes	347	366	384	402	422
less transfers to states and territories in relation to mirror tax revenue	347	366	384	402	422
Mirror tax revenue	0	0	0	0	0
Indirect tax revenue	28,904	28,791	29,252	30,032	30,762

Note 6: Interest and dividend revenue

	Estimates		Projections		
	2004-05	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m	\$m
Interest					
Interest from other governments					
State and Territory debt	29	17	15	14	10
Housing agreements	174	170	166	162	158
Total interest from other governments	203	187	181	176	168
Interest from other sources					
Swap interest	2,165	2,327	2,250	1,869	1,387
Advances	17	3	3	3	3
Deposits	0	0	0	0	0
Bills receivable	6	6	6	6	5
Bank deposits	188	187	185	180	182
Indexation of HECS receivable and other student loans	319	370	387	431	484
Other	828	1,248	2,092	3,202	4,183
Total interest from other sources	3,524	4,140	4,922	5,690	6,243
Total interest	3,727	4,327	5,103	5,866	6,411
Dividends					
Dividends from controlled entities	3,126	3,293	2,911	2,337	1,833
Other dividends	19	19	41	20	20
Total dividends	3,146	3,312	2,952	2,357	1,852
Total interest and dividend revenue	6,873	7,639	8,055	8,222	8,264

Statement 10: Australian Accounting Standards Financial Statements

Note 7: Other sources of non-taxation revenue

	Estimates		Projections		
	2004-05	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m	\$m
Assets now recognised	623	124	92	58	58
Gains on derivative financial instruments	0	371	303	257	148
Industry contributions	290	264	245	228	208
International Monetary Fund related revenue	38	41	41	41	41
Royalties	783	828	745	771	811
Seigniorage	106	112	102	106	106
Other	2,005	1,913	1,884	1,898	1,909
Total other sources of non-taxation revenue	3,845	3,652	3,412	3,359	3,282

Note 8: Employee expenses

	Estimates		Projections		
	2004-05	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m	\$m
Salaries and wages(a)	11,922	12,617	12,828	13,164	13,668
Leave and other entitlements	1,404	1,425	1,447	1,512	1,534
Separations and redundancies	75	65	65	67	68
Workers compensation premiums	0	0	0	0	7
Other (including superannuation)	9,509	9,170	9,108	9,447	9,734
Total employee expenses	22,911	23,277	23,449	24,190	25,010

(a) Salaries and wages do not include superannuation.

Note 9: Suppliers expenses

	Estimates		Projections		
	2004-05	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m	\$m
Supply of goods and services	14,738	15,721	15,664	15,986	15,324
Operating lease rental expenses	1,687	1,699	1,716	1,749	1,710
Other	423	474	588	585	558
Total supplier expenses	16,848	17,893	17,968	18,321	17,592

Note 10: Depreciation and amortisation expenses

	Estimates		Projections		
	2004-05	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m	\$m
Depreciation					
Specialist military equipment	2,517	2,132	2,166	2,234	2,304
Buildings	532	591	603	623	640
Heritage and cultural assets	43	44	44	46	47
Other infrastructure, plant and equipment	986	1,133	1,189	1,238	1,266
Total depreciation	4,078	3,899	4,002	4,141	4,257
Total amortisation	331	373	416	434	408
Total depreciation and amortisation expenses	4,409	4,272	4,418	4,575	4,665

Part 4: Financial Reporting Standards and Financial Statements

Note 11: Other goods and services expenses

	Estimates		Projections		
	2004-05	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m	\$m
Health care payments	4,238	4,574	4,847	5,155	5,452
Development cooperation program	1,312	1,353	1,369	1,368	1,425
Other	1,528	1,552	1,831	1,865	1,853
Total other goods and services expenses	7,078	7,479	8,046	8,388	8,730

Note 12: Grants expenses

	Estimates		Projections		
	2004-05	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m	\$m
State and territory governments	25,320	27,319	27,474	28,543	29,135
Non-profit organisations	1,541	1,498	1,599	1,651	1,674
Overseas	1,040	531	438	854	832
Private sector	1,423	1,735	1,290	1,146	1,102
Local governments	318	444	412	391	389
Multi-jurisdictional sector	5,347	5,789	6,002	6,172	6,318
Other	4,485	5,098	5,755	6,197	5,684
Total grant expenses	39,474	42,414	42,970	44,954	45,134

Note 13: Receivables

	Estimates		Projections		
	2004-05	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m	\$m
Taxes receivable	11,519	12,890	14,811	16,707	18,758
Advances and loans	11,879	12,429	13,270	14,127	14,809
Other receivables	6,431	6,559	6,901	7,626	8,620
Total receivables	29,829	31,878	34,982	38,461	42,187

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Note 14: Total non-financial assets

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Land and buildings					
Land	4,863	5,161	5,119	5,027	4,973
Buildings	13,894	14,008	14,263	14,428	14,536
Total land and buildings	18,757	19,169	19,382	19,455	19,509
Infrastructure					
Specialist military equipment	30,988	32,195	33,753	35,468	37,245
Other	8,411	8,578	8,716	8,546	8,256
Total infrastructure	39,398	40,773	42,470	44,015	45,501
Intangibles					
Computer software	1,585	1,662	1,624	1,597	1,550
Other	108	96	87	75	61
Total intangibles	1,693	1,758	1,711	1,672	1,610
Heritage and cultural assets	6,698	6,739	6,766	6,787	6,808
Total heritage and cultural assets	6,698	6,739	6,766	6,787	6,808
Inventories	5,299	5,570	5,989	6,228	6,463
Total inventories	5,299	5,570	5,989	6,228	6,463
Other non-financial assets					
Prepayments	1,440	1,160	1,131	1,141	1,142
Other	392	583	496	334	151
Total other non-financial assets	1,832	1,743	1,627	1,474	1,293
Total non-financial assets	73,678	75,751	77,945	79,631	81,184

Note 15: Employee and superannuation liabilities

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Superannuation	90,691	95,175	98,375	101,547	104,695
Leave and other entitlements	4,271	4,283	4,293	4,275	4,337
Accrued salaries and wages	117	160	188	219	235
Workers compensation claims	1,484	1,454	1,391	1,391	1,356
Separations and redundancies	34	37	38	38	39
Workers compensation premiums	1,702	1,854	1,962	2,083	2,199
Other	376	427	472	523	573
Total employee and superannuation liabilities	98,676	103,390	106,720	110,076	113,434

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Note 16: Grants payable

	Estimates		Projections		
	2004-05	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m	\$m
State and territory governments	4,000	4,273	4,553	4,829	5,092
Non-profit organisations	72	67	67	67	67
Private sector	671	478	282	73	73
Overseas	1,311	1,182	947	1,117	1,305
Local governments	5	5	5	5	5
Other	3,782	4,031	4,166	4,274	4,349
Total grants payable	9,842	10,035	10,019	10,365	10,891

Note 17: Net asset movements

	Estimates		Projections		
	2004-05	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m	\$m
Opening net assets	-42,207	-39,797	-34,579	-16,357	1,435
Operating result after extraordinary items	2,554	8,794	18,108	17,770	18,685
Asset revaluation reserve	187	-24	107	21	65
Other movements	-330	-3,553	8	0	-13
Closing net assets	-39,797	-34,579	-16,357	1,435	20,171

Note 18: Taxation receipts — cash

	Estimates		Projections		
	2004-05	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m	\$m
Total taxation receipts	222,030	235,469	244,499	256,449	269,747
less payments to states and territories in relation to GST revenue	35,550	37,340	39,200	41,320	43,480
less payments to states and territories in relation to mirror tax revenue	347	366	384	402	422
Taxation receipts	186,133	197,763	204,915	214,727	225,845

APPENDIX A: ADDITIONAL AGENCY STATISTICS

Table A1: General government expenses by agency

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Agriculture, Fisheries and Forestry					
Department of Agriculture, Fisheries and Forestry	1,973	1,901	1,718	1,574	1,340
Grains Research and Development Corporation	127	132	131	131	112
Dairy Structural Adjustment Fund	56	45	35	24	15
Total	2,156	2,078	1,884	1,729	1,467
Attorney-General's					
Attorney-General's Department	580	631	665	708	696
Australian Customs Service	936	981	999	1,003	1,014
Australian Federal Police	865	1,018	1,011	1,009	831
Family Court of Australia	130	137	138	139	140
High Court of Australia	12	14	14	14	14
Total	2,523	2,782	2,828	2,873	2,696
Communications, Information Technology and the Arts					
Department of Communications, Information Technology and the Arts	747	800	647	577	524
Australian Broadcasting Authority (Administered)	17	18	18	18	18
Australian Broadcasting Corporation	1011	1016	1004	1018	1016
Australian Communications Authority (Administered)	59	61	60	60	60
Australian Sports Commission	167	187	200	188	170
National Archives of Australia	70	68	68	68	68
National Gallery of Australia	48	46	47	48	49
National Library of Australia	67	68	68	69	69
National Museum of Australia	44	44	44	45	46
Special Broadcasting Service Corporation	212	234	228	228	233
Total	2,442	2,543	2,385	2,319	2,252
Defence					
Department of Defence	19,108	19,034	18,956	19,890	20,340
Defence Material Organisation	0	7,125	7,133	7,641	7,921
Defence Housing Authority	719	748	858	915	926
Department of Veterans' Affairs	10,569	10,967	11,285	11,624	11,908
Australian War Memorial	38	39	40	39	41
Total	30,434	37,914	38,271	40,109	41,135
Education, Science and Training					
Department of Education, Science and Training	17,297	19,590	20,670	21,643	22,316
Australian National Training Authority	763	0	0	0	0
Australian Research Council	574	581	595	596	611
Australian Nuclear Science and Technology Organisation	154	158	172	166	181
Commonwealth Scientific and Industrial Research Organisation	909	963	1,025	1,071	1,077
Total	19,696	21,292	22,462	23,476	24,184

Table A1: General government expenses by agency (continued)

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Employment and Workplace Relations					
Department of Employment and Workplace Relations	17,549	25,730	27,142	28,424	29,254
Comcare	332	244	290	303	316
Total	17,881	25,974	27,432	28,727	29,570
Environment and Heritage					
Department of Environment and Heritage	784	832	892	858	454
Bureau of Meteorology	208	224	231	237	239
Total	992	1,056	1,123	1,094	693
Family and Community Services					
Department of Family and Community Services	51,467	44,498	46,906	48,893	51,404
Total	51,467	44,498	46,906	48,893	51,404
Finance and Administration					
Department of Finance and Administration	6,327	5,746	6,129	6,243	6,297
Australian Electoral Commission	228	106	110	228	109
Future Fund Management Agency	0	6	8	8	8
Department of Human Services	758	1,403	1,574	1,601	1,615
Centrelink	2,259	2,306	2,332	2,435	2,492
Health Insurance Commission	594	567	576	586	599
Total	10,165	10,135	10,729	11,101	11,121
Foreign Affairs and Trade					
Department of Foreign Affairs and Trade	1,009	957	923	988	923
AusAID	2,214	1,749	1,668	2,083	2,119
Australian Trade Commission	330	373	355	347	348
Total	3,553	3,079	2,946	3,418	3,389
Health and Ageing					
Department of Health and Ageing	36,776	39,148	40,908	43,072	45,078
National Blood Authority	554	578	577	578	578
Total	37,331	39,726	41,485	43,650	45,657
Immigration and Multicultural and Indigenous Affairs					
Department of Immigration and Multicultural and Indigenous Affairs	2,192	1,802	1,813	1,828	1,871
Aboriginal and Torres Strait Islanders Land Fund	0	0	0	0	0
Aboriginal and Torres Strait Islander Services	0	0	0	0	0
Total	2,192	1,802	1,813	1,828	1,871
Industry, Tourism and Resources					
Department of Industry, Tourism and Resources	1,872	2,071	1,862	1,804	1,814
Tourism Australia	165	163	159	162	114
Total	2,038	2,235	2,021	1,966	1,928
Parliament					
Department of Parliamentary Services	158	160	163	165	167
Total	158	160	163	165	167
Prime Minister and Cabinet					
Department of Prime Minister and Cabinet	88	99	119	115	72
National Water Commission	11	326	570	560	201
Total	99	426	690	675	273

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Table A1: General government expenses by agency (continued)

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Transport and Regional Services					
Department of Transport and Regional Services	3,955	4,197	4,438	4,586	4,491
Civil Aviation Safety Authority	114	118	118	120	123
National Capital Authority	31	28	29	29	30
Total	4,100	4,343	4,585	4,735	4,644
Treasury					
Department of the Treasury(a)	1,159	1,137	217	203	29
Australian Bureau of Statistics	288	338	431	316	297
Australian Securities and Investment Commission	259	264	247	251	251
Australian Taxation Office(a)	14,578	12,026	12,143	12,348	12,985
Australian Office of Financial Management	5,976	6,068	5,694	5,325	4,681
Total	22,260	19,833	18,732	18,443	18,242
Small agencies	2,875	3,082	3,095	3,114	3,131
Whole of government and inter-agency amounts(b)	-8,502	-13,881	-10,476	-8,768	-3,924
Total expenses	203,858	209,074	219,074	229,549	239,902

(a) Excludes GST expenses consistent with the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, whereby GST is collected by the Australian Taxation Office and appropriated to the states and territories by the Department of the Treasury as agent for the states and territories.

(b) Estimates of inter-agency transactions are included in the whole of government and inter-agency amounts. The entry for each portfolio does not include eliminations for inter-agency transactions within that portfolio.

Table A2: Departmental expenses by agency

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Agriculture, Fisheries and Forestry					
Department of Agriculture, Fisheries and Forestry	515	501	485	480	468
Grains Research and Development Corporation	127	132	131	131	112
Dairy Structural Adjustment Fund	0	0	0	0	0
Total	642	632	616	611	580
Attorney-General's					
Attorney-General's Department	202	188	180	170	159
Australian Customs Service	935	978	996	1,000	1,011
Australian Federal Police	865	1,018	1,011	1,009	831
Family Court of Australia	130	137	138	139	140
High Court of Australia	12	14	14	14	14
Total	2,145	2,336	2,340	2,332	2,156
Communications, Information Technology and the Arts					
Department of Communications, Information Technology and the Arts	121	120	121	119	120
Australian Broadcasting Authority (Administered)	17	18	18	18	18
Australian Broadcasting Corporation	925	930	918	932	930
Australian Communications Authority (Administered)	59	61	60	60	60
Australian Sports Commission	167	187	200	188	170
National Archives of Australia	70	68	68	68	68
National Gallery of Australia	48	46	47	48	49
National Library of Australia	67	68	68	69	69
National Museum of Australia	44	44	44	45	46
Special Broadcasting Service Corporation	212	234	228	228	233
Total	1,730	1,777	1,773	1,775	1,762
Defence					
Department of Defence	16,670	16,495	16,417	17,250	17,701
Defence Material Organisation	0	7,125	7,133	7,641	7,921
Defence Housing Authority	719	748	858	915	926
Department of Veterans' Affairs	329	324	321	314	307
Australian War Memorial	38	39	40	39	41
Total	17,756	24,732	24,768	26,159	26,895
Education, Science and Training					
Department of Education, Science and Training	367	431	434	436	434
Australian National Training Authority	15	0	0	0	0
Australian Research Council	14	15	15	15	16
Australian Nuclear Science and Technology Organisation	154	158	172	166	181
Commonwealth Scientific and Industrial Research Organisation	909	963	1,025	1,071	1,077
Total	1,459	1,567	1,646	1,688	1,707

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Table A2: Departmental expenses by agency (continued)

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Employment and Workplace Relations					
Department of Employment and Workplace Relations	1,061	1,463	1,521	1,618	1,617
Comcare	332	244	290	303	316
Total	1,393	1,706	1,812	1,920	1,933
Environment and Heritage					
Department of Environment and Heritage	335	351	344	325	256
Bureau of Meteorology	208	224	231	237	239
Total	543	575	574	562	495
Family and Community Services					
Department of Family and Community Services	2,348	1,470	1,443	1,434	1,472
Total	2,348	1,470	1,443	1,434	1,472
Finance and Administration					
Department of Finance and Administration	372	426	592	576	552
Australian Electoral Commission	184	106	110	181	109
Future Fund Management Agency	0	6	8	8	8
Department of Human Services	252	466	482	491	503
Centrelink	2,259	2,306	2,332	2,435	2,492
Health Insurance Commission	594	567	576	586	599
Total	3,660	3,878	4,101	4,277	4,264
Foreign Affairs and Trade					
Department of Foreign Affairs and Trade	726	708	703	768	704
AusAID	75	79	75	75	75
Australian Trade Commission	194	203	195	196	197
Total	995	990	972	1,040	976
Health and Ageing					
Department of Health and Ageing	568	543	528	528	533
National Blood Authority	8	10	10	10	9
Total	576	553	537	537	542
Immigration and Multicultural and Indigenous Affairs					
Department of Immigration and Multicultural and Indigenous Affairs	1,016	1,064	1,088	1,119	1,155
Aboriginal and Torres Strait Islanders Land Fund	0	0	0	0	0
Aboriginal and Torres Strait Islander Services	0	0	0	0	0
Total	1,016	1,064	1,088	1,119	1,155
Industry, Tourism and Resources					
Department of Industry, Tourism and Resources	312	298	285	280	271
Tourism Australia	165	163	159	162	114
Total	477	461	444	441	385
Parliament					
Department of Parliamentary Services	118	120	122	124	126
Total	118	120	122	124	126
Prime Minister and Cabinet					
Department of Prime Minister and Cabinet	62	87	107	103	60
National Water Commission	5	10	10	10	10
Total	67	98	118	113	70

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Table A2: Departmental expenses by agency (continued)

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Transport and Regional Services					
Department of Transport and Regional Services	185	207	206	203	204
Civil Aviation Safety Authority	114	118	118	120	123
National Capital Authority	20	20	20	20	20
Total	319	344	344	344	348
Treasury					
Department of the Treasury	174	184	177	170	172
Australian Bureau of Statistics	288	338	431	316	297
Australian Securities and Investment Commission	214	222	205	207	207
Australian Taxation Office	2,445	2,502	2,484	2,502	2,536
Australian Office of Financial Management	8	8	8	8	8
Total	3,129	3,254	3,306	3,203	3,219
Small agencies	2,875	3,082	3,095	3,114	3,131
Whole of government and inter-agency amounts(a)	0	-43	-227	-506	-577
Total departmental expenses	41,248	48,595	48,872	50,289	50,638

(a) Estimates of inter-agency transactions are included in the whole of government and inter-agency amounts. The entry for each portfolio does not include eliminations for inter-agency transactions within that portfolio.

Table A3: Net capital investment by agency

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Agriculture, Fisheries and Forestry					
Department of Agriculture, Fisheries and Forestry	-6.1	-0.2	-8.8	0.0	0.0
Grains Research and Development Corporation	-0.2	-0.1	-0.1	0.0	-0.1
Dairy Structural Adjustment Fund	0.0	0.0	0.0	0.0	0.0
Total	-6.3	-0.3	-8.9	0.0	-0.1
Attorney-General's					
Attorney-General's Department	5.9	13.1	13.0	-4.4	-4.8
Australian Customs Service	52.7	5.7	4.7	-3.3	-9.1
Australian Federal Police	82.1	42.2	-11.7	-13.4	-1.0
Family Court of Australia	2.0	-0.6	-0.4	-0.4	-0.4
High Court of Australia	1.6	-0.3	-0.5	-0.5	-0.6
Total	144.3	60.0	5.1	-22.0	-15.9
Communications, Information					
Technology and the Arts					
Department of Communications, Information Technology and the Arts	-0.8	-1.9	-1.8	47.0	-4.0
Australian Broadcasting Authority (Administered)	-0.9	-0.8	-0.8	-0.2	-0.4
Australian Broadcasting Corporation	-31.9	-11.0	0.0	0.0	0.0
Australian Communications Authority (Administered)	-2.0	-1.7	-3.3	-1.1	0.3
Australian Sports Commission	19.2	23.0	6.8	-8.0	-7.2
National Archives of Australia	265.0	27.6	26.5	26.9	26.2
National Gallery of Australia	-3.6	12.1	14.2	-5.5	-5.2
National Library of Australia	-2.8	11.0	-6.1	-6.2	-6.7
National Museum of Australia	5.8	2.0	-2.5	-0.7	-4.8
Special Broadcasting Service Corporation	-0.4	1.4	-1.2	-1.5	-0.5
Total	247.7	61.7	31.8	50.8	-2.3
Defence					
Department of Defence	243.9	-4,427.1	1,624.1	1,726.1	2,133.9
Defence Material Organisation	0.0	5,669.4	172.0	131.7	143.0
Defence Housing Authority	117.4	152.3	143.8	22.1	-32.4
Department of Veterans' Affairs	2.9	13.2	4.2	0.2	0.6
Australian War Memorial	4.6	9.4	5.0	0.8	-1.2
Total	368.8	1,417.2	1,949.1	1,880.9	2,244.0
Education, Science and Training					
Department of Education, Science and Training	6.2	1.5	0.7	4.2	-2.0
Australian National Training Authority	0.0	-1.0	0.0	0.0	0.0
Australian Research Council	-0.8	3.4	0.1	-0.5	-0.5
Australian Nuclear Science and Technology Organisation	85.5	78.3	5.4	0.2	1.0
Commonwealth Scientific and Industrial Research Organisation	9.1	5.3	6.2	36.8	6.7
Total	99.9	87.5	12.4	40.8	5.2

Table A3: Net capital investment by agency (continued)

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Employment and Workplace Relations					
Department of Employment and Workplace Relations	17.2	39.6	6.3	1.8	-11.9
Comcare	0.4	-0.1	0.0	0.0	0.0
Total	17.5	39.5	6.3	1.8	-11.9
Environment and Heritage					
Department of Environment and Heritage	-4.9	-2.7	-5.3	-11.5	-11.7
Bureau of Meteorology	15.1	8.2	11.7	15.0	5.2
Total	10.2	5.5	6.5	3.5	-6.4
Family and Community Services					
Department of Family and Community Services	-33.2	2.5	1.3	1.7	1.6
Total	-33.2	2.5	1.3	1.7	1.6
Finance and Administration					
Department of Finance and Administration	74.1	230.0	-129.2	29.5	-64.6
Australian Electoral Commission	-4.9	1.0	3.0	-1.1	-0.2
Future Fund Management Agency	0.0	1.0	0.0	0.0	0.0
Department of Human Services	50.1	-4.6	1.7	-3.7	-10.3
Centrelink	49.5	28.1	19.9	-6.6	-12.1
Health Insurance Commission	14.9	0.8	-1.9	-3.1	-5.1
Total	183.8	256.3	-106.6	15.1	-92.3
Foreign Affairs and Trade					
Department of Foreign Affairs and Trade	-36.3	221.1	212.9	43.1	-18.7
AusAID	5.1	1.5	5.3	-2.4	-2.9
Australian Trade Commission	0.1	8.2	6.6	3.5	-1.5
Total	-31.1	230.8	224.9	44.3	-23.1
Health and Ageing					
Department of Health and Ageing	-48.2	-32.6	-35.5	-9.3	-7.5
National Blood Authority	1.2	1.9	0.2	-0.4	-0.4
Total	-47.0	-30.7	-35.3	-9.7	-7.9
Immigration and Multicultural and Indigenous Affairs					
Department of Immigration and Multicultural and Indigenous Affairs	42.5	3.9	280.8	-32.7	69.5
Aboriginal and Torres Strait Islanders Land Fund	0.0	0.0	0.0	0.0	0.0
Aboriginal and Torres Strait Islander Services	-48.1	0.0	0.0	0.0	0.0
Total	-5.6	3.9	280.8	-32.7	69.5
Industry, Tourism and Resources					
Department of Industry, Tourism and Resources	16.4	-4.1	1.5	2.2	1.9
Tourism Australia	5.1	-0.9	-0.7	-2.7	-1.9
Total	21.5	-5.0	0.8	-0.5	0.0
Parliament					
Department of Parliamentary Services	-4.2	-27.9	-33.9	-33.7	-34.4
Total	-4.2	-27.9	-33.9	-33.7	-34.4
Prime Minister and Cabinet					
Department of Prime Minister and Cabinet	1.8	8.2	12.6	-5.2	-1.7
National Water Commission	2.0	-0.3	-0.3	-0.3	-0.3
Total	3.8	7.9	12.3	-5.5	-2.0

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Table A3: Net capital investment by agency (continued)

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Transport and Regional Services					
Department of Transport and Regional Services	15.6	60.7	-1.9	-6.9	-8.4
Civil Aviation Safety Authority	14.0	4.5	-2.4	-3.8	-5.9
National Capital Authority	1.7	6.3	3.4	0.7	1.3
Total	31.4	71.6	-0.9	-9.9	-13.0
Treasury					
Department of the Treasury	-154.1	-217.6	9.8	6.4	1.2
Australian Bureau of Statistics	0.0	9.9	-5.0	-0.6	-9.4
Australian Securities and Investment Commission	1.9	-1.1	-4.0	-2.0	-0.3
Australian Taxation Office	19.7	37.0	28.3	16.3	8.1
Australian Office of Financial Management	-0.8	-0.8	1.2	-0.6	-0.6
Total	-133.3	-172.6	30.3	19.6	-1.1
Small agencies	42.8	45.6	54.1	50.6	57.8
Whole of government and inter-agency amounts(a)	-1.6	19.7	-236.8	-308.6	-614.8
Total net capital investment	909.4	2,073.1	2,193.3	1,686.1	1,553.0

(a) Estimates of inter-agency transactions are included in the whole of government and inter-agency amounts. The entry for each portfolio does not include eliminations for inter-agency transactions within that portfolio.

Table A4: Capital appropriations by portfolio

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Agriculture, Fisheries and Forestry					
Department of Agriculture, Fisheries and Forestry	6	0	0	0	0
Grains Research and Development Corporation	0	0	0	0	0
Dairy Structural Adjustment Fund	0	0	0	0	0
Total	6	0	0	0	0
Attorney-General's					
Attorney-General's Department	9	13	9	0	0
Australian Customs Service	42	16	17	12	10
Australian Federal Police	30	44	14	12	11
Family Court of Australia	2	0	0	0	0
High Court of Australia	0	0	0	0	0
Total	83	73	40	24	21
Communications, Information					
Technology and the Arts					
Department of Communications, Information Technology and the Arts	0	0	0	0	0
Australian Broadcasting Authority (Administered)	0	3	0	0	0
Australian Broadcasting Corporation	0	0	0	0	0
Australian Communications Authority (Administered)	0	28	0	0	0
Australian Sports Commission	12	21	11	0	0
National Archives of Australia	0	0	0	0	0
National Gallery of Australia	4	4	22	4	4
National Library of Australia	4	7	1	1	1
National Museum of Australia	1	1	3	5	1
Special Broadcasting Service Corporation	6	6	5	4	3
Total	26	70	42	14	9
Defence					
Department of Defence	393	1,121	1,512	1,612	2,018
Defence Material Organisation	0	0	0	0	0
Defence Housing Authority	0	125	0	0	0
Department of Veterans' Affairs	2	6	1	1	1
Australian War Memorial	7	3	0	0	0
Total	402	1,255	1,513	1,613	2,019
Education, Science and Training					
Department of Education, Science and Training	8	0	0	0	0
Australian National Training Authority	0	0	0	0	0
Australian Research Council	0	0	0	0	0
Australian Nuclear Science and Technology Organisation	43	20	0	0	0
Commonwealth Scientific and Industrial Research Organisation	0	0	0	0	0
Total	51	20	0	0	0

Table A4: Capital appropriations by portfolio (continued)

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Employment and Workplace Relations					
Department of Employment and Workplace Relations	26	46	13	6	0
Comcare	0	0	0	0	0
Total	26	46	13	6	0
Environment and Heritage					
Department of Environment and Heritage	0	5	2	0	0
Bureau of Meteorology	9	13	17	17	5
Total	9	18	19	17	5
Family and Community Services					
Department of Family and Community Services	1	1	0	0	0
Total	1	1	0	0	0
Finance and Administration					
Department of Finance and Administration	988	1,044	965	880	958
Australian Electoral Commission	2	2	1	1	2
Future Fund Management Agency	0	16,138	0	0	0
Department of Human Services	0	0	0	0	0
Centrelink	38	54	26	15	0
Health Insurance Commission	20	4	2	1	0
Total	1,048	17,242	994	898	960
Foreign Affairs and Trade					
Department of Foreign Affairs and Trade	82	77	71	87	1
AusAID	97	36	29	16	8
Australian Trade Commission	6	9	8	5	0
Total	185	122	108	107	9
Health and Ageing					
Department of Health and Ageing	60	58	56	48	48
National Blood Authority	0	0	0	0	0
Total	60	58	57	48	48
Immigration and Multicultural and Indigenous Affairs					
Department of Immigration and Multicultural and Indigenous Affairs	60	31	33	25	42
Aboriginal and Torres Strait Islanders Land Fund	0	0	0	0	0
Aboriginal and Torres Strait Islander Services	0	0	0	0	0
Total	60	31	33	25	42
Industry, Tourism and Resources					
Department of Industry, Tourism and Resources	172	26	13	34	8
Tourism Australia	1	0	0	0	0
Total	173	26	13	34	8
Parliament					
Department of Parliamentary Services	12	0	0	0	0
Total	12	0	0	0	0
Prime Minister and Cabinet					
Department of Prime Minister and Cabinet	3	10	18	0	0
National Water Commission	2	0	0	0	0
Total	5	10	18	0	0

Part 4: Financial Reporting Standards and Financial Statements

Table A4: Capital appropriations by portfolio (continued)

	Estimates		Projections		
	2004-05 \$m	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Transport and Regional Services					
Department of Transport and Regional Services	99	21	7	6	5
Civil Aviation Safety Authority	0	0	0	0	0
National Capital Authority	2	2	2	2	2
Total	101	23	9	8	7
Treasury					
Department of the Treasury	347	89	77	57	36
Australian Bureau of Statistics	0	1	1	1	0
Australian Securities and Investment Commission	12	1	0	0	0
Australian Taxation Office	8	0	0	0	0
Australian Office of Financial Management	161,362	142,625	141,575	138,394	140,570
Total	161,729	142,717	141,653	138,451	140,606
Small agencies	0	0	0	0	0
Whole of government and inter-agency amounts(a)	0	0	0	0	0
Total capital appropriations	163,976	161,713	144,512	141,243	143,733

(a) Estimates of inter-agency transactions are included in the whole of government and inter-agency amounts. The entry for each portfolio does not include eliminations for inter-agency transactions within that portfolio.

Table A5: Estimates of average staffing level (ASL) of agencies in the Australian Government general government sector

	Average staffing levels		
	2004-05	2005-06	Change
Agriculture, Fisheries and Forestry			
Department of Agriculture, Fisheries and Forestry	3,832	3,832	0
Australian Fisheries Management Authority	124	124	0
Australian Pesticides and Veterinary Medicines Authority	125	125	0
Australian Wine and Brandy Corporation	54	54	0
Biosecurity Australia	42	100	58
Cotton Research and Development Corporation	11	11	0
Dairy Structural Adjustment Fund	4	4	0
Fisheries Research and Development Corporation	10	10	0
Forest and Wood Products Research and Development Corporation	7	7	0
Grains Research and Development Corporation	50	55	5
Grape and Wine Research and Development Corporation	9	9	0
Land and Water Resources Research and Development Corporation	33	33	0
Rural Industries Research and Development Corporation	17	17	0
Sugar Research and Development Corporation	6	6	0
Wheat Export Authority	12	12	0
Total	4,336	4,399	63
Attorney-General's			
Attorney-General's Department	877	991	114
Administrative Appeals Tribunal	161	161	0
Australian Crime Commission	475	490	15
Australian Customs Service	4,731	4,802	71
Australian Federal Police	4,865	5,191	326
Australian Institute of Criminology	45	42	-3
Australian Law Reform Commission	18	18	0
Australian Security Intelligence Organisation	997	1,244	247
Australian Transaction Reports and Analysis Centre (AUSTRAC)	106	119	13
Criminology Research Council	2	2	0
CrimTrac	52	68	16
Family Court of Australia	680	680	0
Federal Court of Australia	335	338	3
Federal Magistrates Service	114	127	13
High Court of Australia	86	93	7
Human Rights and Equal Opportunity Commission	97	89	-8
Insolvency and Trustee Service Australia	260	260	0
National Native Title Tribunal	255	240	-15
Office of Film and Literature Classification	51	51	0
Office of Parliamentary Counsel	40	45	5
Office of the Director of Public Prosecutions	468	472	4
Office of the Privacy Commissioner	35	35	0
Total	14,750	15,558	808

Table A5: Estimates of average staffing level (ASL) of agencies in the Australian Government general government sector (continued)

	Average staffing levels		
	2004-05	2005-06	Change
Communication, Information Technology and the Arts			
Department of Communications, Information Technology and the Arts	770	803	33
Australia Business Arts Foundation	28	30	2
Australia Council	135	135	0
Australian Broadcasting Authority	112	112	0
Australian Broadcasting Corporation	4,200	4,200	0
Australian Communications Authority	410	399	-11
Australian Film Commission	275	278	3
Australian Film Television and Radio School	148	158	10
Australian Government Information Management Office	33	0	-33
Australian National Maritime Museum	100	105	5
Australian Sports Commission	551	628	77
Australian Sports Drug Agency	38	47	9
Bundanon Trust	12	14	2
Film Australia	53	55	2
National Archives of Australia	420	452	32
National Gallery of Australia	230	228	-2
National Library of Australia	451	449	-2
National Museum of Australia	220	225	5
Netalet	4	4	0
Special Broadcasting Service	798	790	-8
Total	8,988	9,111	124
Defence			
Department of Defence	17,973	13,282	-4,691
Military Reserves	20,250	20,150	-100
Permanent Military	52,008	52,000	-8
Defence Housing Authority	750	750	0
Defence Materiel Organisation	0	4,448	4,448
Department of Veterans' Affairs	2,487	2,468	-19
Australian War Memorial	278	282	4
Total	93,746	93,380	-366
Education, Science and Training			
Department of Education, Science and Training	1,835	2,000	165
Australian Institute of Aboriginal and Torres Strait Islander Studies	108	110	2
Australian Institute of Marine Science	162	168	6
Australian National Training Authority	83	0	-83
Australian Nuclear Science and Technology Organisation	835	838	3
Australian Research Council	64	76	12
Commonwealth Scientific and Industrial Research Organisation	6,016	6,030	14
Total	9,103	9,222	119
Employment and Workplace Relations			
Department of Employment and Workplace Relations	2,735	3,160	425
Australian Industrial Registry	249	257	8
Comcare	333	348	15
Equal Opportunity for Women in the Workplace Agency	21	21	0
Indigenous Business Australia	47	126	79
National Occupation Health and Safety Commission	50	0	-50
Total	3,435	3,912	477

Table A5: Estimates of average staffing level (ASL) of agencies in the Australian Government general government sector (continued)

	Average staffing levels		
	2004-05	2005-06	Change
Environment and Heritage			
Department of the Environment and Heritage	1,464	1,612	148
Australian Greenhouse Office	58	0	-58
Bureau of Meteorology	1,413	1,355	-58
Director of National Parks	275	275	0
Great Barrier Reef Marine Park Authority	180	179	-1
National Oceans Office	15	0	-15
Office of the Renewable Energy Regulator	10	11	1
Sydney Harbour Federation Trust	46	50	4
Total	3,461	3,482	21
Family and Community Services			
Department of Family and Community Services	1,770	1,770	0
Aboriginal Hostels Limited	385	385	0
Australian Institute of Family Studies	55	55	0
Total	2,210	2,210	0
Finance and Administration			
Department of Finance and Administration	1,056	1,248	192
Australian Electoral Commission	807	775	-32
Commonwealth Grants Commission	48	48	0
Commonwealth Superannuation Administration (ComSuper)	384	384	0
Department of Human Services	4,508	4,613	105
Centrelink	23,400	22,950	-450
Health Insurance Commission	5,150	5,050	-100
Total	35,353	35,068	-285
Foreign Affairs and Trade			
Department of Foreign Affairs and Trade	3,138	3,161	23
AusAID	510	482	-28
Australian Trade Commission	1,056	1,094	38
Australia-Japan Foundation	6	6	0
Australian Centre for International Agricultural Research	62	63	1
Total	4,772	4,806	34
Health and Ageing			
Department of Health and Ageing	3,805	3,927	122
Aged Care Standards and Accreditation Agency	151	191	40
Australian Institute of Health and Welfare	186	192	6
Australian Radiation Protection and Nuclear Safety Agency	122	126	4
Food Standards Australia New Zealand	126	122	-4
General Practice Education and Training Limited	27	29	2
National Blood Authority	34	40	6
National Institute of Clinical Studies Australia Limited	18	22	4
Private Health Insurance Administration Council	13	15	2
Private Health Insurance Ombudsman	8	8	0
Professional Services Review	35	30	-5
Total	4,525	4,702	177
Immigration and Multicultural and Indigenous Affairs			
Department of Immigration and Multicultural and Indigenous Affairs	5,692	5,747	55
Migration Review Tribunal	174	174	0
Refugee Review Tribunal	190	190	0
Indigenous Land Corporation	130	130	0
Torres Strait Regional Authority	50	50	0
Total	6,236	6,291	55

Table A5: Estimates of average staffing level (ASL) of agencies in the Australian Government general government sector (continued)

	Average staffing levels		
	2004-05	2005-06	Change
Industry Tourism and Resources			
Department of Industry, Tourism and Resources	1,742	1,750	8
Geoscience Australia	626	646	20
IP Australia	775	795	20
National Offshore Petroleum Safety Authority	13	34	21
Tourism Australia	245	245	0
Total	3,401	3,470	69
Parliament			
Department of Parliamentary Services	845	845	0
Department of the House of Representatives	166	166	0
Department of the Senate	169	169	0
Total	1,180	1,180	0
Prime Minister and Cabinet			
Department of the Prime Minister and Cabinet	375	450	75
Australian National Audit Office	290	300	10
Australian Public Service Commission	187	179	-8
National Water Commission	22	52	30
Office of National Assessments	95	125	30
Office of the Commonwealth Ombudsman	102	102	0
Office of the Inspector-General of Intelligence and Security	6	7	1
Office of the Official Secretary to the Governor-General	83	91	8
Total	1,160	1,306	146
Transport and Regional Services			
Department of Transport and Regional Services	1,038	1,192	154
Australian Maritime Safety Authority	237	241	4
Civil Aviation Safety Authority	680	650	-30
National Capital Authority	86	87	1
Total	2,041	2,170	129
Treasury			
Department of the Treasury	890	934	44
Australian Bureau of Statistics	2,652	2,711	59
Australian Competition and Consumer Commission	481	511	30
Australian Office of Finance Management	34	35	1
Australian Prudential Regulation Authority	561	572	11
Australian Securities and Investments Commission	1,571	1,534	-37
Australian Taxation Office	20,800	20,792	-8
Corporations and Market Advisory Committee	3	3	0
Inspector General of Taxation	6	6	0
National Competition Council	20	20	0
Productivity Commission	200	200	0
Total	27,218	27,318	100

(a) This table includes estimates of ASL provided by general government sector agencies. ASL figures reflect the average number of employees receiving salary or wages over the financial year, with adjustments for casual and part-time staff, to show the full-time equivalent. This also includes non-uniformed staff and overseas personnel.

STATEMENT 11: STATEMENT OF RISKS

A range of factors may influence the actual budget outcome in future years. The *Charter of Budget Honesty Act 1998* requires these factors be disclosed in a Statement of Risks in each Budget and Mid-Year Economic and Fiscal Outlook. This statement outlines the fiscal risks and the contingent liabilities which may affect the budget balances.

Risks to the budget	11-2
Fiscal risks — revenue	11-5
Fiscal risks — expenses	11-6
Contingent liabilities — quantifiable	11-7
Contingent liabilities — unquantifiable	11-11

STATEMENT 11: STATEMENT OF RISKS

The forward estimates of revenue and expenses in the 2005-06 Budget incorporate assumptions and judgments based on the best information available at the time of publication. A range of factors may influence the actual budget outcome in future years. The disclosure of these factors in this statement increases the transparency of the fiscal projections and ensures they remain 'on-balance' estimates.

Events that could affect fiscal outcomes include:

- changes in economic and other parameters;
- matters not included in the fiscal forecasts because of uncertainty about their timing, magnitude and/or likelihood; and
- the realisation of contingent liabilities.

RISKS TO THE BUDGET

Economic and other parameters

The revenue and expense estimates and projections are based on a range of economic and other parameters. If the economic outlook was to differ from that presented in Statement 3, the revenue and expense estimates and projections would also change. Statement 3 discusses risks to the economic forecasts. Statement 2 discusses the sensitivity of revenue and expense estimates to changes in the major economic parameters.

Fiscal risks

Fiscal risks are general developments or specific events that may affect the fiscal outlook. Some developments or events simply raise the possibility of some fiscal impact. In other cases, some fiscal impact may be reasonably certain, but it will not be included in the forward estimates because the timing or magnitude is not known. Fiscal risks may affect expenses and/or revenue and may be positive or negative on revenue, expenses and/or the budget balance.

Contingent liabilities

Contingent liabilities are defined by the accounting standard AASB 1044, which came into effect on 1 July 2002. Broadly, they represent possible costs to the Australian Government arising from past events that the outcome of future events will confirm. Contingent liabilities include loan guarantees, non-loan guarantees, warranties, indemnities, uncalled capital and letters of comfort. These possible costs are in addition to those recognised as liabilities in the consolidated financial statements of the Australian Government general government sector.

The Australian Government's major exposure to contingent liabilities arises from legislation guaranteeing certain liabilities of Australian Government controlled financial institutions (the Reserve Bank of Australia and the Export Finance and Insurance Corporation) and the now fully privatised Commonwealth Bank of Australia.

Strategies to manage these exposures aim to ensure the underlying strength and viability of the entities, so that the guarantees are not triggered. Similar strategies may be adopted in relation to entities not subject to explicit guarantees.

Another class of contingent liability is uncalled capital, which reflects a financial commitment to an institution where no promissory note is issued by the Australian Government. Uncalled capital is primarily associated with international financial institutions such as the International Bank for Reconstruction and Development, the Asian Development Bank, the European Bank for Reconstruction and Development and the Multilateral Investment Guarantee Agency. When promissory notes are issued, such as in the case of the International Monetary Fund, the amounts are recorded in the general government balance sheet, so contingent liabilities (or assets) are not shown for those amounts.

Details of fiscal risks and contingent liabilities

Fiscal risks and contingent liabilities with a possible impact on the forward estimates greater than \$20 million in any one year, or \$40 million over the forward estimates period, are listed below.

Information on fiscal risks takes account of Parliament's decisions and other developments until the close of parliamentary business on 30 April 2005. In general, information on contingent liabilities is based on information provided by Australian Government departments and agencies and is current to 31 March 2005 (or later as indicated). However, in some cases, earlier dates are used and are noted in the relevant section.

Information on contingent liabilities is also provided in the annual financial statements of departments and non-budget entities.

Table 1: Summary of changes to Statement of Risks since 2004-05 Budget and Mid-Year Economic and Fiscal Outlook

Specific risks — revenue	Status
Renegotiation of withholding tax rates in certain Australian double tax treaties	Modified
Fiscal risks — expenses	
Agriculture, Fisheries and Forestry	
Exceptional Circumstances assistance for drought affected farmers	Modified
Contingent liabilities — quantifiable	
Defence	
Guarantees	Modified
Employment and Workplace Relations	
Special Employee Entitlements Scheme for Ansett group employees	Deleted
Finance and Administration	
Australian Industry Development Corporation	Modified
ComLand Limited	Deleted
Foreign Affairs and Trade	
Export Finance and Insurance Corporation	Modified
Industry, Tourism and Resources	
Timor Sea Designated Authority — litigation	New
Transport and Regional Services	
Maritime industry reform	Modified
Treasury	
Guarantees under the <i>Commonwealth Bank Sale Act 1995</i>	Modified
Reserve Bank of Australia — guarantee	Modified
Uncalled capital subscriptions — international financial institutions	Modified
Various	
Asbestos related disease claims	Deleted
Contingent liabilities — unquantifiable	
Attorney-General's	
Southern Ocean surveillance	Modified
Communications, Information Technology and the Arts	
New South Wales Councils	Deleted
Defence	
Military Superannuation and Benefits Scheme — indemnity	New
Education, Science and Training	
Australian Nuclear Science and Technology Organisation — delays in the commissioning of Replacement Research Reactor	Deleted
Australian Nuclear Science and Technology Organisation — indemnity	New

Table 1: Summary of changes to Statement of Risks since 2004-05 Budget and Mid-Year Economic and Fiscal Outlook (continued)

Contingent liabilities — unquantifiable (continued)	
Finance and Administration	
Australian Technology Group — directors' indemnities	New
ComLand Limited — directors' indemnities	Modified
ComLand Limited — land remediation	Deleted
ComLand Limited — site contamination	New
Health Insurance Commission	Deleted
Members of Parliament Staff Employee Entitlements	Deleted
Potential claims relating to superannuation benefits	New
Sydney Airports Corporation Limited, Bankstown, Camden and Hoxton Park Airports — directors' indemnities	Modified
Tuggeranong Office Park Pty Ltd	Deleted
Tuggeranong Office Park Pty Ltd — shareholder indemnity	New
Indemnities relating to other former asset sales, privatisations and IT outsourcing projects	Modified
Health and Ageing	
CSL Limited	Modified
Industry, Tourism and Resources	
Litigation	New
Transport and Regional Services	
Deep vein thrombosis action	Modified
Tripartite deeds relating to the sale of Federal leased airports	Modified
Treasury	
Terrorism insurance — commercial cover	Modified

Note: Risks appearing in this Statement but not listed in the table above are substantially unchanged since disclosed in Budget Paper No. 1, *Budget Strategy and Outlook 2004-05*, Statement 11 or in *Mid-Year Economic and Fiscal Outlook 2004-05*, Appendix D.

FISCAL RISKS — REVENUE

The Government's revenue and policy measure forecasts, like all forecasts, are subject to a margin of error.

Over the past 20 years, the errors associated with the forecasts of cash receipts have not been significantly different from zero and there has been no bias towards either understatement or overstatement. Over this period, the average error was 0.6 per cent, with the errors varying around this average by 2.7 percentage points. There are not enough data to assess the forecasting performance for accrual revenue.

However, in recent years revenue has grown more strongly than forecast. The revenue forecasting methodology has been adjusted from this Budget to align the revenue forecasts and projections more closely to recent experience (see Box 1, Statement 5).

Part 4: Financial Reporting Standards and Financial Statements

While many of the forecasts are reported to the nearest million dollars for budget accounting purposes, they should not be interpreted as implying an equivalent level of forecast precision.

The general and specific risks influencing the accuracy of the revenue forecasts are outlined below.

General risks

The estimates and projections of revenue are subject to a number of general pressures that can affect taxation collections. These general pressures include tax avoidance, developments in communications technology and workplace arrangements, court decisions and Australian Taxation Office rulings. These pressures may result in a shift in the composition of taxation collected from the various tax bases and/or a change in the size of the tax base. The revenue forecasts include an appropriate allowance for these factors, given the data available.

Specific risks

Renegotiation of withholding tax rates in certain Australian double tax treaties

The Australian Government is renegotiating its double tax treaties with several countries. Depending on the negotiated outcomes, changes to these treaties could have positive or negative revenue effects.

FISCAL RISKS — EXPENSES

Agriculture, Fisheries and Forestry

Exceptional Circumstances assistance for drought-affected farmers

Exceptional Circumstances assistance is available, subject to eligibility criteria, to drought-affected farmers by way of interest rate subsidies and/or income support. The forward estimates assume that there will be neither new drought declarations nor extensions of existing declarations. A return to severe drought conditions could result in higher than expected expenses for these forms of assistance. It is not possible to quantify the cost arising from such potential developments as this depends on intensity, duration and scale of future drought conditions.

Finance and Administration

Asset sales — Telstra

The forward estimates include the effect of the sale of the Australian Government's shareholding in Telstra, noting that the level of proceeds will depend, inter alia, on the prevailing levels of world equity markets at the time of sale and that the timing of the sale could be adjusted if market levels are considered unlikely to provide an

appropriate return to taxpayers. The sale is conditional on the Government being satisfied that arrangements are in place to deliver adequate telecommunications services, particularly in rural and regional Australia. The sale is also dependent on the passage of legislation through the Parliament.

Health and Ageing

Medicare Benefits Schedule and Pharmaceutical Benefits Scheme

From time to time items are added to or removed from the Medicare Benefits Schedule and Pharmaceutical Benefits Scheme schedules, so major new developments in medicines or medical procedures could result in increases in expenses that exceed the provision in the forward estimates. Similarly, significant shifts in Pharmaceutical Benefits Scheme usage patterns and/or doctors' charging patterns for Medicare Benefits Schedule services could result in increases in expenses that exceed the provision in the forward estimates. It is not possible to quantify the fiscal risk arising from such potential developments.

Immunisation funding mechanism

Future vaccine technology will result in new vaccines substituting for those already in use (for example, multivalent vaccines which combine several vaccines into one) and, as a consequence, could result in higher unit costs of vaccine within the routine schedule of vaccinations. Potential costs cannot be precisely quantified at this stage.

Transport and Regional Services

Airservices Australia

On 31 August 2004, the Minister for Transport and Regional Services, pursuant to section 16 of the *Airservices Act 1995* (the Act), gave a direction to Airservices Australia (AA), which requires AA to provide an operating control tower and approach radar control services in certain volumes of airspace. Section 16(4) of the Act provides that AA may seek reimbursement from the Australian Government for any financial detriment it suffers as a result of complying with a direction. At this time, the quantum or nature of any financial detriment is uncertain, as is the nature of any consequent fiscal risk to the budget.

CONTINGENT LIABILITIES — QUANTIFIABLE

Attorney-General's

Indemnities relating to the Air Security Officer programme

The Australian Government has entered into indemnity agreements with Australian airlines that agree to fly aircraft with Air Security Officers on board. The indemnity agreements limit the Australian Government's exposure up to a maximum of \$2 billion per incident. The indemnity applies to the extent that any loss is not covered by

existing relevant insurance policies held by the airline and only applies where the airline(s) can prove that an action on the part of an Air Security Officer under or in connection with the Air Security Officer programme caused a loss.

Defence

Guarantees

Defence carries an extensive range of guarantees and undertakings, normally of a short-term nature, relating to business, training activities and other arrangements involving contracts, agreements and other Defence activities. Indemnities issued cover potential losses or damages for which the Australian Government would be liable.

There are 130 instances of contingencies that are unquantifiable, and 188 instances of quantifiable contingencies to the value of \$4.8 billion. While these contingencies are considered remote, they have been reported in aggregate for completeness.

Finance and Administration

Australian Industry Development Corporation

Under the *Australian Industry Development Corporation Act 1970* certain obligations of the Australian Industry Development Corporation (AIDC) are guaranteed by the Australian Government. As at 31 December 2004, AIDC's contingent liabilities, subject to Australian Government guarantee, were approximately \$126 million in respect of guarantees and credit risk facilities.

In addition, AIDC had outstanding Australian Government guaranteed borrowings which totalled approximately \$537 million as at the most current valuation of 31 December 2004. These borrowing obligations have been matched by AIDC's holdings of Australian Government guaranteed securities of similar value, largely eliminating the Australian Government's guarantee exposure. These securities were purchased on-market by UBS Warburg and paid to AIDC as consideration for UBS Warburg's purchase of AIDC Limited's (a subsidiary of AIDC) financial assets. UBS AG, the international parent company that has taken over from UBS Warburg, manages this borrowing portfolio on behalf of AIDC. The UBS AG arrangement also provides a guarantee to cover any cash flow differences between the interest rate and maturity profiles of the matched borrowings and securities, together with any exchange rate movements in the borrowings. The Australian Government's contingent exposure to these borrowings is therefore negligible and is consequently recorded as zero.

Litigation

The Department of Finance and Administration is involved in litigation where a counter-claim for damages has been lodged against the Australian Government. The counter-claim, which will be vigorously defended by the Australian Government,

seeks damages of \$4.3 billion although the basis for this amount is yet to be fully provided.

Sale of Sydney Airports Corporation Limited

An indemnity has been provided to Southern Cross Airports Corporation as purchaser of the Sydney Airports Corporation Limited in the event of a liability arising under Chapter 3 of the *Duties Act 1997* (New South Wales) by reason of the sale of shares in Sydney Airports Corporation Limited constituting a relevant acquisition in a land-rich private corporation. In the event the liability arises it is estimated to be between \$221.2 million and \$282.8 million.

Foreign Affairs and Trade

Export Finance and Insurance Corporation

The Australian Government guarantees the due payments by the Export Finance and Insurance Corporation (EFIC) of money that is, or may at any time become, payable by EFIC to any body other than the Australian Government. The Australian Government also has in place a \$200 million callable capital facility available to EFIC on request to cover liabilities, losses and claims. The Australian Government's total contingent liability is \$3.5 billion, comprising EFIC's liabilities to third parties (\$2.9 billion) and EFIC's overseas investments insurance, contracts of insurance and guarantees (\$546 million).

Immigration and Multicultural and Indigenous Affairs

Immigration detention services

The contract with GSL (Australia) Pty Ltd (previously Group 4 Falck Global Solutions Pty Ltd) commenced on 1 September 2003. The Australian Government has agreed to limit GSL's exposure under the liability regime of the contract. While the general contract requires GSL to indemnify the Australian Government for certain claims of losses, the Australian Government has agreed to share the risk. Subject to certain conditions, GSL has been indemnified against claims of losses above a fixed amount to a capped amount. Where claims exceed the cap in any financial year, responsibility for the excess reverts to GSL.

A further limitation of liability has been provided in relation to loss or damage to Australian Government property or equipment as a result of the actions of detainees. Under the contract, GSL's liability for detainee damage is subject to an annual limit, unless claims of losses exceed an agreed cap.

Industry, Tourism and Resources

Timor Sea Designated Authority — litigation

PetroTimor, a subsidiary of the Portuguese registered company Oceanic Exploration, was granted a concession for petroleum exploration in an area of the Timor Sea by

Portugal in 1974. Following Indonesia's annexation of East Timor, PetroTimor ceased operations. With the subsequent Timor Gap Treaty between Australia and Indonesia (and now the Timor Sea Treaty between Australia and Timor-Leste), Oceanic Exploration is arguing that its rights have been alienated and it is currently seeking damages against the Timor Sea Designated Authority up to US\$30 billion (the Australian Government share of which could be up to US\$3 billion) through the United States Court for the District of Columbia.

Transport and Regional Services

Maritime industry reform

On 18 August 1998, the Australian Government provided a guarantee to cover borrowings made by the Maritime Industry Finance Company Limited to finance redundancy-related payments in the stevedoring and maritime industries. Outstanding borrowings covered by the guarantee are \$107.1 million.

Treasury

Guarantees under the *Commonwealth Bank Sale Act*

Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government has guaranteed various superannuation and other liabilities amounting to around \$12.8 billion. Of this amount, \$9.3 billion was attributable to liabilities of the Commonwealth Bank of Australia at 30 September 2004 and \$3.5 billion was attributable to liabilities of the Commonwealth Bank Officers' Superannuation Corporation at 30 June 2004.

Reserve Bank of Australia — guarantee

This contingent liability relates to the Australian Government's guarantee of the liabilities of the Reserve Bank of Australia. It is measured as the Bank's total liabilities excluding capital, reserves and Australian Government deposits. The major component of the Bank's liabilities are notes (that is, currency) on issue. Currently, notes on issue amount to \$36.1 billion and the total guarantee is \$43.8 billion.

International financial institutions — uncalled capital subscriptions

This contingent liability relates to the value of the uncalled portion of the Australian Government's shares in the International Bank for Reconstruction and Development (US\$2.8 billion — estimated value A\$3.6 billion), the Asian Development Bank (US\$2.4 billion — estimated value A\$3.2 billion), the European Bank for Reconstruction and Development (US\$81.7 million plus €77.5 million — estimated value A\$235.6 million), and the Multilateral Investment Guarantee Agency (US\$26.5 million — estimated value A\$34.3 million).

CONTINGENT LIABILITIES — UNQUANTIFIABLE

Attorney-General's

Native title agreements — access to geospatial data

The Australian Government has entered into agreements with state and territory government bodies and/or their agents to access their geospatial data. The data is essential to support the National Native Title Tribunal in achieving its outcome. Under these agreements, the Australian Government provides indemnities against third party claims arising from errors in the data.

Native title costs

The Australian Government has offered to assist the states in meeting compensation costs associated with native title. The amounts that might be paid by the Australian Government will be subject to the terms of financial assistance agreements being negotiated with the states, and liabilities arising from the 1998 amendments to the *Native Title Act 1993*. The Australian Government's liability cannot be quantified due to uncertainty about the number and effect of compensable acts, both in the past and in the future, and the value of native title affected by those acts. Similarly, it is not possible to quantify the liability for compensable acts for which the Australian Government may be directly liable.

The Australian Government has also offered to assist the states with the costs of bodies performing native title functions under state legislation. The extent of this assistance will depend on the existence of such bodies, the timing of their recognition and the extent of their use.

Southern Ocean surveillance

The Australian Government has entered into contractual arrangements with P&O Maritime Services for the provision of maritime charter services until June 2006 to facilitate the Australian Customs Service and the Department of Agriculture, Fisheries and Forestry armed patrols of Australia's exclusive economic zone in the Southern Ocean.

The Australian Government will indemnify P&O Maritime Services against certain claims arising from the discharge of firearms or munitions, or where a steaming party is deployed to crew a seized vessel back to an Australian port. Whether those indemnity arrangements are maintained once the measure *Southern Ocean surveillance – continuation* is in place will depend on the outcome of contractual negotiations for the continued provision of maritime charter services.

Communications, Information Technology and the Arts

Art Indemnity Australia

Art Indemnity Australia is a programme through which the Australian Government indemnifies cultural objects loaned to exhibitions displayed in Australian museums and galleries. The exact amounts involved will vary with the exchange rate applying at the time any claim for loss or damage to an artwork or heritage object loaned from overseas is paid, and the extent of any loss or damage. Most of the Australian Government risk in indemnifying exhibitions is insured through Comcover. Uninsurable risk continues to be borne solely by the Australian Government.

Defence

ADI Limited — officers and directors' indemnities

Under the sale agreements for ADI Limited, the Australian Government had indemnified the directors, officers and employees for claims and legal costs associated with assistance related to the sale of the Australian Government's shares in the company. The Australian Government has provided an indemnity to ADI Limited for uninsured losses relating to specific heads of claims.

ASC Pty Ltd — Australian Government indemnities provided to Electric Boat Corporation under the Services Agreement

In early October 2002 the Department of Defence entered into a Services Agreement with Electric Boat Corporation (EB) and its subsidiary Electric Boat Australia (EBA) to provide technical and commercial support to ASC Pty Ltd as it transitioned from being a producer of submarines to an agency for through-life support. EB/EBA staff commenced at ASC Pty Ltd on 14 October 2002. The Services Agreement will run for three years with up to four annual extensions.

Under this agreement, EB and EBA were provided with a warranty by the Australian Government and ASC Pty Ltd that they had the right to provide EB/EBA with confidential and other information and the Australian Government provided an indemnity to EB and EBA against claims arising from a breach of that warranty.

The Australian Government also indemnified EB and EBA against claims arising from property loss or personal injury resulting from a defect in the operation or performance of a Collins Class submarine, other than caused by unlawful conduct, gross negligence or wilful misconduct of EB or EBA, against claims exceeding the greater of US\$1 million or profit earned by EB under the agreement.

HMAS *Melbourne* and HMAS *Voyager* damages claims

Former crew members of HMAS *Melbourne* have instituted legal proceedings against the Australian Government claiming damages for injuries allegedly caused by the HMAS *Voyager*/HMAS *Melbourne* collision on 10 February 1964. One hundred and twenty seven claims remain current. Eighty six of the current claims are statute barred

under applicable state laws. In those cases, the plaintiffs will require an extension of time prior to progressing their claims for damages. A number of dependency claims arising from that collision have also been foreshadowed by the dependants of deceased former members of the crew of HMAS *Voyager*. Further claims are likely to be made in connection with the collision.

Litigation cases

The Department of Defence is involved in a wide range of litigation and other claims for compensation and/or damages that may result in litigation where the matters have yet to be finalised by negotiation or, where required, litigation. Various claims, the subject of cases that have yet to be heard, are part heard or are subject to an appeal, await a decision on what (if any) damages and/or costs should be paid to the claimant. The litigated and non-litigated claims include common law liability claims and claims arising from complaints to the Human Rights and Equal Opportunity Commission. The litigation includes asbestos claims and claims from injury resulting from the F-111 Deseal/Reseal programmes. Claims have been received for damage caused by the use of Defence Practice Areas and from the presence of unexploded World War II ordnance. In total there are about 400 claims at present, with a value in excess of \$145 million. There is identified potential for claims within the above from known incidents of non-military asbestos exposure and the F-111 Deseal/Reseal project of some 130 claims with a value of some \$30 million.

Military Superannuation and Benefits Scheme — indemnity

The Military Superannuation and Benefits Scheme (MSBS) provides occupational superannuation benefits for members of the Australian Defence Force. Much of the day-to-day administration associated with the MSBS is conducted by ComSuper. Under the *Military Superannuation and Benefits Act 1991* the actions of ComSuper and its Commissioner are deemed to be those of the Military Superannuation and Benefits Board (MSB Board). Defence will indemnify the MSB Board for certain specified claims that are made in relation to acts of ComSuper and/or its Commissioner that are not recoverable elsewhere.

Education Science and Training

Australian Nuclear Science and Technology Organisation — indemnity

The Australian Government has indemnified the Australian Nuclear Science and Technology Organisation and its officers from liability that might be incurred from the conduct of activities authorised under the *Australian Nuclear Science and Technology Organisation Act 1987*. This indemnity is additional to the commercial insurance covers obtained from the Comcover Insurance Pool and other insurers.

Finance and Administration

Australian Industry Development Corporation — board members' and management indemnity

The Australian Government has indemnified the Corporation's board members and management against civil claims relating to employment and conduct as directors and management of subsidiary companies. Liability is subject to the terms of the indemnities.

ASC Pty Ltd — Australian Government shareholding

The Australian Government has indemnified Barry AC Hilson and BACH Pty Ltd in relation to liabilities arising from assistance provided to the Australian Government during the conduct of a review of the Australian Government's shareholding in ASC Pty Ltd. This indemnity is ongoing.

ASC Pty Ltd — directors' indemnities

The Australian Government has indemnified the members of the board of ASC Pty Ltd for any claims and all legal costs arising from the result of the directors acting in accordance with the board's tasks and responsibilities as defined under the indemnity.

The Australian Government has indemnified the ASC Directors for any claim made against them as a result of complying with ASC's obligations under the Process Agreement between the Electric Boat Corporation (EBC), the Australian Government and ASC; and under the Services Agreement between ASC, the Australian Government, EBC and Electric Boat Australia.

Australian Technology Group — directors' indemnities

The Australian Government has indemnified Australian Government officials appointed as directors of the Australian Technology Group for liabilities relating to any action taken in their capacity as a director of the company. This includes any reasonable legal costs and expenses incurred by a director even after they have ceased to be a director.

ComLand Limited — directors' indemnities

Ongoing indemnities have been provided to former directors of ComLand Ltd, the former General Manager of ComLand Ltd and to DBYB Pty Ltd, against liabilities incurred in respect of assistance provided to the Australian Government during the ComLand scoping study and subsequent sale process.

ComLand Limited — site contamination

Footscray Land Limited is indemnified until 31 December 2019 in respect of certain contamination claims exceeding \$7.5 million in aggregate at its Edgewater (Maribyrnong) site. St Marys Land Limited is indemnified until 31 December 2024 in

respect of certain contamination claims and costs exceeding \$25 million in aggregate at its St Marys (western Sydney) site.

Employment National Limited — board members' and Chief Executive Officer's indemnity

Indemnities by the Australian Government have been provided to Employment National Limited board members and the Chief Executive Officer to protect against civil claims relating to their employment and conduct as directors. These indemnities are ongoing.

Indemnities for the Reserve Bank of Australia and private sector banks

Under agencies' contracts for transactional banking services, the Australian Government has indemnified the Reserve Bank of Australia and contracted private sector banks. These banks are indemnified against loss and damage arising from error or fraud by the agency, or transactions made by the bank with the authority of the agency.

Potential claims relating to superannuation benefits

On 4 March 2005, the Supreme Court of the Australian Capital Territory found against the Commonwealth of Australia on a claim for negligence and breach of contract relating to superannuation benefits for a former employee of the Department of the Interior. This is considered to be a test case for several hundred named potential plaintiffs. In addition there is potential for more claims to arise from other former employees. An appeal against the decision of the ACT Supreme Court was lodged in March 2005.

Sydney Airports Corporation Limited, Bankstown, Camden and Hoxton Park Airports — directors' indemnities

The Australian Government has indemnified each member of the board of directors of Sydney Airports Corporation Limited, Bankstown Airport Limited, Camden Airport Limited, and Hoxton Park Airport Limited against claims and costs incurred arising from the conduct of the directors in relation to the sale, or scoping study for the sale, of these airports. Where certain company insurances or indemnities exist for the directors in relation to a claim, the Australian Government indemnity cannot be called upon.

Tuggeranong Office Park Pty Ltd — shareholder indemnity

As part of the arrangements for Tuggeranong Office Park, the Australian Government can acquire the shares of the Tuggeranong Office Park Pty Ltd for \$100 subject to certain conditions. In its capacity as purchaser of the shares, the Australian Government has indemnified each Shareholder for all 'losses, liabilities, costs, expenses and damages' incurred by virtue of their shareholding. If a capital gains tax liability were to accrue to the Shareholders, the Australian Government may be required to reimburse the Shareholders. The Department of Finance and Administration will be seeking advice from the Australian Tax Office on this issue.

Indemnities relating to other former asset sales, privatisations and IT outsourcing projects

Ongoing indemnities have been given in respect of a range of asset sales, privatisations and IT outsourcing projects that have been conducted by the Department of Finance and Administration (Finance), and the former Office of Asset Sales and Commercial Support and its predecessors. The probability of an action being made under one of these indemnities diminishes over time. Details of indemnities in respect of the other asset sales and privatisations have been provided in previous Budget and Mid-Year Economic and Fiscal Outlook papers, and previous annual reports for Finance and the Office of Asset Sales and Commercial Support.

Indemnities (including the year they were raised) are still current for: ADI Ltd (1998), Australian Airlines (1991), Australian Industry Development Corporation (1996), Australian Multimedia Enterprise (1997), Australian National Rail Commission and National Rail Corporation Ltd (1997 and 2000), Commonwealth Accommodation and Catering Services (1988), Commonwealth Bank of Australia (1993 to 1996), Commonwealth Funds Management and Total Risk Management (1996 to 1997), Essendon Airport Ltd (2001), Federal Airports Corporation's Airports (1995 to 1997), Home Loans Insurance Commission Ltd (1996), Health Insurance Commission (2000), National Transmission Network (1999), Telstra (1996 and 1999), Wool International (1999). The Department does not currently expect any action to be taken in respect of these indemnities.

Foreign Affairs and Trade

Export Finance and Insurance Corporation — board members' and senior management indemnities

The Australian Government has provided certain indemnities to Export Finance and Insurance Corporation (EFIC) board members and senior management to protect against civil claims and legal expenses for unsuccessful criminal claims relating to the implementation of EFIC's alliance/divestment of its short-term export credit insurance business.

Health and Ageing

Blood and blood products liability cover

A National Managed Fund (NMF) has been established which pools the liability risks associated with the supply of blood and blood products by the Australian Red Cross Blood Service (ARCBS) between the Australian Government, the ARCBS and the states and territories. The NMF is covered by a Memorandum of Understanding (MoU) between the Australian Government, states and territories, and the ARCBS. This will be amended to incorporate the operations of the Jurisdictional Blood Committee (JBC) and the National Blood Authority. The MoU provides for the parties to contribute to the NMF taking into account potential claims payments; the level of funds in the NMF and investment earnings; and a prudential allowance for liabilities incurred but not yet

the subject of claims. If there are insufficient funds to cover claim costs, the JBC considers a report provided by the National Funds Manager to determine the level of funds required. Each party must contribute funds, as determined by JBC, in accordance with allocation provisions prevailing at the time. Under the MoU, the blood and blood products liability cover for the ARCBS remains in force until all parties agree to terminate the arrangements from an agreed date.

CSL Limited

CSL Limited is indemnified against claims made by persons who contract specified infections from specified products and against employees contracting asbestos-related injuries. CSL Limited has unlimited cover for most events that occurred before the sale of CSL Limited on 1 January 1994, but has more limited cover for a specified range of events that occurred during the operation of the Plasma Fractionation Agreement, from 1 January 1994 to 31 December 2004. Where alternative cover was not arranged by CSL Limited, the Australian Government may have a contingent liability. Given the open-ended nature of some of the indemnities, damages and risk cannot be quantified. No similar indemnities have been given to CSL Limited in the new Plasma Products Agreement operating from 1 January 2005.

Medical Indemnity Exceptional Claims Scheme

In May 2003 the Prime Minister announced the Medical Indemnity Exceptional Claims Scheme to assume liability for 100 per cent of any damages payable against a doctor that exceeds a specified level of cover provided by that doctor's medical indemnity insurer, currently \$20 million. These arrangements will apply to payouts related to either a single large claim or to multiple claims that in aggregate exceed the cover provided by the doctor's medical indemnity insurer, and will apply to claims notified under contracts-based cover since 1 January 2003.

Indemnity relating to smallpox vaccine

On 12 December 2002, the Australian Government took possession of an initial shipment of 50,000 doses of smallpox vaccine. This vaccine, to be used only in emergency situations, was the only type available for large-scale purchase and was manufactured using older style technology. The Government granted an indemnity to the manufacturer covering possible adverse events that could result from the use of the vaccine.

Immigration and Multicultural and Indigenous Affairs

Separation of Aboriginal children from their families in the Northern Territory

Earlier laws, policies and practices in relation to the Australian Government's administration of the Northern Territory led to the separation of certain Indigenous children from their families. There are currently over 2,000 plaintiffs with claims pending against the Australian Government for (unspecified) damages in relation to alleged forcible and wrongful separations (mostly by the children of those allegedly

forcibly and wrongfully removed). Two claims have proceeded to trial. Both were unsuccessful.

Claim of unlawful detention on Nauru

On 16 December 2003, 325 plaintiffs claiming to be detained on Nauru commenced an action in the Supreme Court of Victoria. The claim alleges that the plaintiffs have been detained at the request of, or by agents of, the Australian Government, and that the detention amounts to false imprisonment. The plaintiffs seek a declaration that they have been falsely imprisoned by the Australian Government, an injunction to restrain the Australian Government or its agents from continuing to detain the plaintiffs, and damages. The case has not yet been listed for hearing.

Industry, Tourism, and Resources

Liability for damages caused by space activities

Under the United Nations Convention on International Liability for Damage Caused by Space Objects, the Australian Government is liable to pay compensation for damage caused to nationals of other countries by space objects launched from, or by, Australia. The Australian Government requires the responsible party for a space activity approved under the *Space Activities Act 1998* to insure against liability for damage to third parties for an amount not less than the maximum probable loss, up to a maximum of \$750 million. Under the Space Activities Act, the Australian Government also accepts liability for damage suffered by Australian nationals, to a maximum value of \$3 billion above the insured level.

Litigation

The Department of Industry, Tourism and Resources is involved in litigation concerning the Textile, Clothing and Footwear (TCF) Strategic Investment Programme (SIP). The TCF SIP is an entitlement-based programme that provides grants to support eligible capital investment and product innovation by TCF firms. The litigation relates to disputed claims of eligibility under the TCF SIP. There are potential risks associated with flow-on claims and the risk cannot yet be accurately quantified.

Snowy Hydro Limited — directors' indemnities

The Australian Government has, together with the co-shareholder Governments of New South Wales and Victoria, indemnified the members of the board of Snowy Hydro Limited for liabilities arising from entering into agreements to implement corporatisation of the Snowy Mountains Hydro-Electric Scheme, and from liabilities to Snowy Hydro Limited at corporatisation. The indemnity will apply to liabilities arising within five years of corporatisation, and for which a claim is notified to the Governments within eleven years of the corporatisation date of 28 June 2002.

Snowy Hydro Limited — water releases

The Australian, New South Wales and Victorian Governments have indemnified Snowy Hydro Limited for liabilities arising from water releases in the Snowy River below Jindabyne Dam, where these releases are in accordance with the water licence and related regulatory arrangements agreed between the three Governments. The indemnity will apply to liabilities for which a claim is notified within 20 years from 28 June 2002.

The Australian, New South Wales and Victorian Governments will provide financial support to the company, if this is necessary, to avoid the company breaching its loan covenants to fund the cost of civil works required to address a cold water pollution offence. The undertaking applies for seven years from 28 June 2002.

Transport and Regional Services

Deep vein thrombosis action

The Civil Aviation Safety Authority (CASA) has been named in a number of writs, which allege that CASA was negligent in not making air travellers aware of the risks of deep vein thrombosis during long periods of immobility. There have been 484 writs issued against CASA, spanning 1995 to 2002. The Australian Government's exposure is limited to claims for the years 1995 to 5 July 1998, as CASA was covered by a Commonwealth Deed of Indemnity in relation to the performance of its regulatory functions. Ninety-nine writs have been issued against CASA which are covered by the Deed of Indemnity. The remaining writs are covered by CASA's commercial insurance.

A test case (*Povey v Qantas and British Airways and CASA*) is currently before the High Court on appeal from the Victorian Supreme Court. However, until the High Court proceedings have been finalised, it is not possible to determine what (if any) liability CASA may have in relation to deep vein thrombosis.

Maritime Industry Finance Company Limited — board members' indemnity

Indemnities for Maritime Industry Finance Company Limited board members have been provided to protect them against civil claims relating to their employment and conduct as directors.

Tripartite deeds relating to the sale of Federal leased airports

Tripartite deeds apply to 12 Federal leased airports (Adelaide, Alice Springs, Bankstown, Brisbane, Canberra, Coolangatta, Darwin, Launceston, Melbourne, Perth, Sydney and Townsville). The tripartite deeds between the Australian Government, the airport lessee company and financiers provide for limited step-in rights for the financiers in circumstances when the airport lease is terminated to enable the financiers to correct the circumstances that triggered such a termination event.

Treasury

Housing Loans Insurance Corporation — guarantee

The Australian Government sold the Housing Loans Insurance Corporation (HLIC) on 12 December 1997 and has assumed all residual contingencies. The principal amount covered by the guarantee and the balances outstanding are unable to be reliably measured. The guarantee relates essentially to the HLIC's contracts of mortgage insurance and any borrowings approved by the Treasurer up to the time of sale.

Terrorism insurance — commercial cover

The *Terrorism Insurance Act 2003* (the Act) established a scheme for replacement terrorism insurance covering damage to commercial property including associated business interruption and public liability. The scheme plans to accumulate approximately \$300 million from reinsurance premiums paid to the Australian Reinsurance Pool Corporation (ARPC) to help meet administrative expenses and future claims. The Commonwealth guarantees to pay any liabilities of the ARPC, but the Treasurer must declare a reduced payout rate to insureds if the Commonwealth's liability would otherwise exceed \$10 billion.