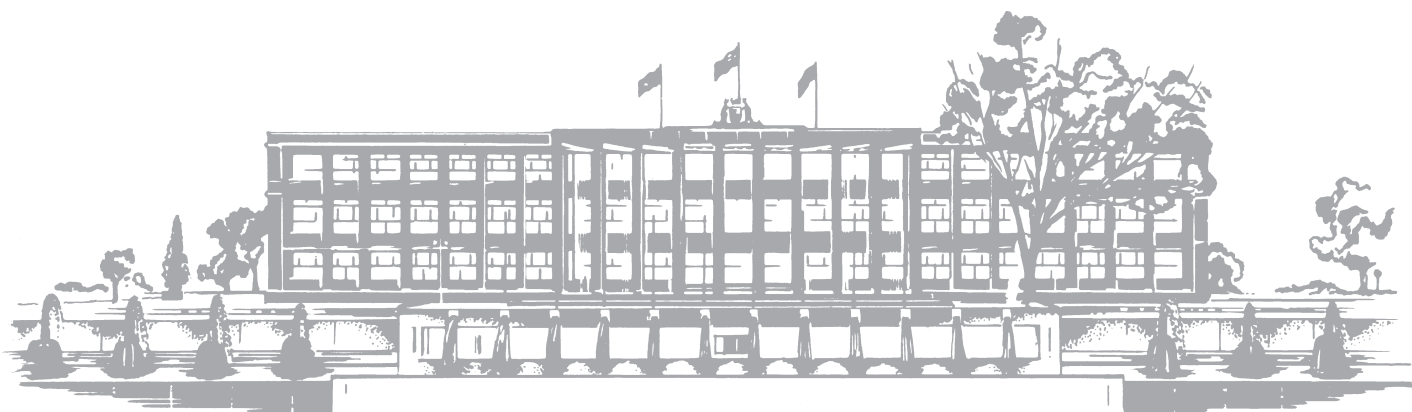




**2005-06**

# **ANNUAL REPORT ON STATE FINANCES**

**SEPTEMBER 2006**



**2005–06 Annual Report on State Finances**

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2005-06  
Annual Report on State Finances

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# Foreword

This is the first *Annual Report on State Finances* (ARSF). It details the State's public sector financial results for 2005-06, and outlines material differences between these results and the financial projections contained in the 2005-06 Budget (delivered on 26 May 2005).

This report follows amendments to the *Government Financial Responsibility Act 2000* (GFRA) made by the *Financial Administration Legislation Amendment Act 2005* (FALAA). These amendments require the publication of audited whole-of-government financial results (consistent with external reporting standards<sup>1</sup>) within 90 days of year-end, and bring two previous publications (the *Government Financial Results Report* and the *Consolidated Financial Statements*) together in a single, comprehensive and timely report.

This report also includes some elements of the *Treasurer's Annual Statements* (TAS), which were discontinued as a result of the FALAA changes. Appendix 6 includes summary information on the Treasurer's Accounts, comprising the Consolidated Fund, the Trust Fund and the Treasurer's Advance Account. Other disclosures previously included in the TAS can be found in the annual reports of relevant agencies.

This ARSF contains comparable information for:

- the actual outturn for 2004-05 (GFS and AAS);
- the 2005-06 Budget estimates (GFS);
- the 2005-06 estimated outturn as published in the 2006-07 Budget, delivered on 11 May 2006 (GFS);
- the actual outturn for 2005-06, which is the focus of this report (GFS and AAS); and
- monthly and quarterly results for June 2006 (GFS), completing the State's 2005-06 monthly and quarterly reporting series.

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<sup>1</sup> For the purposes of whole-of-government reporting, the standards applicable are Government Finance Statistics (GFS), as promulgated in the Australian Bureau of Statistics' (ABS) *Australian System of Government Finance Statistics – Concepts, Sources and Methods* 2005 publication (ABS 5514.0), and Australian Accounting Standards (AAS), including recent amendments to include Australian equivalents to International Financial Reporting Standards.

## Statement of Responsibility

This ARSF is a statutory requirement of the GFRA. It contains whole-of-government financial information in the same format as the State's budget presentations, reflecting ABS accrual GFS standards.

The use of the GFS standards reflects a decision by all Australian governments to adopt the accrual GFS methodology for the purposes of the Uniform Presentation Framework (UPF) for public finances. The accrual UPF format was agreed to by the Australian Loan Council in March 2000.

The consolidated financial statements (prepared in accordance with AAS) and the GFS statistical tables included in this report have been prepared by the Department of Treasury and Finance from information provided by State public sector agencies.

In our opinion, the financial information presented in this report:

- fairly represents the operating results and cash flows of the Government of Western Australia for the year ended 30 June 2006, and the financial position of the Government at 30 June 2006; and
- has been prepared in accordance with applicable Australian Accounting Standards and Urgent Issues Group Consensus Views, and complies with statistical standards promulgated by the ABS.

At the date of signing, we are not aware of any circumstances which would cause any particulars included in the financial disclosures in this report to be misleading or inaccurate.



TIMOTHY MARNEY  
UNDER TREASURER



ROY PICARDO  
ASSISTANT DIRECTOR,  
FINANCIAL REPORTING

22 September 2006

# Opinion of the Auditor General



## AUDITOR GENERAL

### INDEPENDENT AUDIT OPINION

To the Parliament of Western Australia

### ANNUAL REPORT ON STATE FINANCES FOR THE YEAR ENDED 30 JUNE 2006

#### Audit Opinion

In my opinion the Annual Report on State Finances:

- (i) has been prepared in accordance with external reporting standards; and
- (ii) has been properly drawn up so as to present fairly the financial position of the Government of Western Australia at 30 June 2006 and its operating results and cashflows for the budget year ended on that date.

#### Scope

The Under Treasurer on behalf of the Treasurer is responsible for preparing the Annual Report on State Finances, and complying with the Government Financial Responsibility Act 2000.

#### Summary of my Role

I am required by the Government Financial Responsibility Act 2000, to independently audit the Annual Report on State Finances and to express an opinion on it.

My procedures consisted of:

- An audit of Appendix 5 "Consolidated Financial Statements" in accordance with Australian Auditing Standards.
- Confirmation that Appendix 1 "Uniform presentation of public sector finances – statistical tables" (excluding the tables showing Spending by Government Purpose Classification and Loan Council Allocations in that appendix) has been prepared in accordance with the concepts and classifications set out in the Australian System of Government Finance Statistics. This was done by reconciling the information presented in Appendix 5 "Consolidated Financial Statements" to the information presented in Appendix 1.
- Confirmation that Appendix 6 "Treasurer's Accounts" has been prepared in accordance with the requirements of the Government Financial Responsibility Regulations 2006.
- A review of the Annual Report on State Finances to confirm that other information included in the Report is consistent with the audited information.

This work was done by testing of selected samples of the evidence. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

An audit does not guarantee that every amount and disclosure in the Annual Report on State Finances is error free, nor does it examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the Annual Report on State Finances.

Handwritten signature of D D R Pearson in black ink.

D D R PEARSON  
AUDITOR GENERAL  
25 September 2006





# Financial Results

## Overview

Reflecting the impact of booming economic conditions and high commodity prices, 2005-06 was a stellar year for the State's finances. Key highlights include:

- a general government sector operating surplus of \$2,265 million, slightly higher than the outturn as estimated in the 2006-07 Budget of \$1,981 million. This is up from the \$1,192 million surplus recorded in 2004-05;
- strong growth in general government revenue of 14.0%, due mainly to the impact of surging property market conditions on conveyance duty, and high commodity prices on mining and petroleum royalties. The increase in revenue was twice the rate of growth in expenses (7.0%);
- the lowest level of net debt on record<sup>1</sup>, with total public sector net debt standing at \$3.2 billion at 30 June 2006, down from \$4.0 billion a year earlier. This mainly reflects the impact of the strong surplus achieved in 2005-06;
- a net debt to revenue ratio for the total non-financial public sector (a key financial measure in the State's credit rating assessment) of 19.6%, down from 25.2% in 2004-05 and the lowest outcome on record;
- the general government sector had no net debt for the third consecutive year, with debt-related financial assets exceeding gross debt liabilities by \$2.7 billion at 30 June 2006; and
- the delivery of a record Capital Works Program of \$4.5 billion, up nearly \$500 million on the 2004-05 program.

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<sup>1</sup> Western Australian accrual GFS records begin from 1993-94.

The key financial aggregates for 2005-06 are summarised in the table below.

Table 1

**KEY BUDGET AGGREGATES**  
Western Australia

	2004-05	2005-06			<i>Variation on Budget \$m (3) – (1)</i>
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>GENERAL GOVERNMENT</b>					
Revenue (\$m)	14,222	14,218	16,123	16,207	1,988
Expenses (\$m)	13,030	13,697	14,141	13,942	245
<b>Net Operating Balance (\$m)</b>	<b>1,192</b>	<b>521</b>	<b>1,981</b>	<b>2,265</b>	<b>1,743</b>
<b>TOTAL NON-FINANCIAL PUBLIC SECTOR</b>					
Net Debt to Revenue Ratio (%)	25.2	39.2	26.2	19.6	-19.6
<b>TOTAL PUBLIC SECTOR</b>					
Net Debt at 30 June (\$m)	4,001	6,521	4,501	3,179	-3,342
Capital Works Program (\$m)	4,061	4,746	5,100	4,527 <sup>(a)</sup>	-219

(a) Preliminary outcome.  
Note: Columns may not add due to rounding.

As indicated in Table 1, general government revenue in 2005-06 was \$2.0 billion higher than the original budget forecast. Of this, only \$245 million was reflected in higher expenses, with the remaining \$1.7 billion boosting the operating surplus outcome.

Continuing the debt reduction policy begun in August 2004, the Government has again used surplus Consolidated Fund cash from 2005-06 to repay long-term taxpayer funded borrowings. In cash terms, the Consolidated Fund (which is part of the general government sector) recorded a surplus of \$1,408 million in 2005-06, which has been applied as follows:

- \$1,275 million has been allocated to the Public Transport Authority to make the New MetroRail project debt-free upon completion (as announced in the 2006-07 Budget);
- \$49.3 million in Consolidated Fund debt was repaid in September 2006, leaving the Fund debt-free for the first time ever; and
- a number of agency-specific borrowings totalling around \$60 million will be repaid in early 2007-08.

These debt repayments increase budget flexibility by strengthening the structure of the State's finances into the future and reduce the State's exposure to unfavourable movements in interest rates. Further details are provided later in this chapter (see *Net Debt*).

The remainder of this chapter compares actual results for 2005-06 to the original budget estimates presented to Parliament on 26 May 2005. Chapter 2 assesses the results against the Government's financial targets as presented in the 2005-06 Budget.

## Results Compared to Estimates

### General Government Sector

#### Operating Statement

The general government operating surplus of \$2,265 million compares with the 2005-06 Budget estimate of \$521 million, the higher surplus reflecting the State's strong economic performance.

Table 2					
<b>GENERAL GOVERNMENT</b>					
Operating Statement					
	2004-05	2005-06			
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	Variation on Budget \$m (3) - (1)
<b>REVENUE</b>					
Taxation	4,314	3,995	5,100	5,195	1,200
Current grants and subsidies	6,468	6,659	6,894	6,890	231
Capital grants	347	347	406	375	28
Sales of goods and services	982	943	1,027	1,115	172
Interest income	142	146	195	170	24
Revenue from public corporations					
Dividends	468	463	536	534	70
Tax equivalent payments	292	245	296	304	59
Royalty income	841	1,140	1,276	1,184	44
Other	368	281	394	440	159
<i>Total</i>	14,222	14,218	16,123	16,207	1,988
<b>EXPENSES</b>					
Gross operating expenses					
Salaries	5,253	5,405	5,559	5,694	289
Depreciation and amortisation	607	585	594	591	6
Superannuation	519	524	546	557	33
Services and contracts	1,263	1,416	1,545	1,367	-49
Other gross operating expenses	1,730	1,830	1,865	1,876	45
Nominal superannuation interest	294	296	304	242	-54
Other interest	155	161	151	120	-41
Current transfers	2,728	3,012	3,080	3,007	-6
Capital transfers	482	467	497	487	20
<i>Total</i>	13,030	13,697	14,141	13,942	245
<b>NET OPERATING BALANCE</b>	<b>1,192</b>	<b>521</b>	<b>1,981</b>	<b>2,265</b>	<b>1,743</b>

Note: Columns may not add due to rounding.

The following table summarises major revenue and expense variations since the 2005-06 Budget.

Table 3	
<b>SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE VARIATIONS SINCE THE 2005-06 BUDGET</b>	
	2005-06 \$m
<b>2005-06 BUDGET – NET OPERATING BALANCE</b>	<b>521</b>
<b>Revenue</b>	
<i>Policy Decisions</i> <sup>(a)</sup>	
Stamp Duty Rebate Scheme	-6.0
Perry Lakes Redevelopment resumption of land	56.0
All other revenue	1.0
<i>Total Policy</i>	<i>51.0</i>
<i>Parameter</i> <sup>(b)</sup>	
Taxation	1,206.0
<i>Comprising:</i>	
- Payroll tax	113.0
- Conveyance duty	910.5
- Mortgage duty	63.9
- Motor vehicle taxes	93.7
- All other taxes	25.0
Commonwealth grants	259.0
<i>Comprising:</i>	
- North West Shelf royalties	104.6
- GST revenue grants	-3.5
- Competition reform	27.5
- SPPs through the State	46.3
- AHCA and other Health grants	17.8
- Schools and vocational training grants	54.3
- Road grants	10.1
- All other Commonwealth grants	1.9
Mining royalties/lease rentals	64.6
Agency sales of goods and services	172.1
Revenue from public corporations	129.2
Interest income	24.4
Other	82.0
<i>Total Parameter</i>	<i>1,937.3</i>
<b>TOTAL REVENUE</b>	<b>1,988.3</b>
<b>Expenses</b>	
<i>Expense Policy Decisions</i> <sup>(a), (c)</sup>	<i>113.6</i>
<i>Parameter</i> <sup>(b)</sup>	
SPPs through the State	46.3
Other	85.0
<i>Total Parameter</i>	<i>131.3</i>
<b>TOTAL EXPENSES</b>	<b>244.9</b>
<b>TOTAL VARIANCE</b>	<b>1,743.3</b>
<b>2005-06 ANNUAL REPORT ON STATE FINANCES – NET OPERATING BALANCE</b>	<b>2,265</b>
<small>(a) Excludes the public debt net interest effect of policy measures.</small>	
<small>(b) 'Parameter' variations refer to all movements in revenue and expenses that are not directly related to a policy decision of the Government.</small>	
<small>(c) An agency listing of the expense policy decisions taken since the 2005-06 Budget is provided in Appendix 3: <i>Policy Decisions Affecting Spending</i>.</small>	
<small>Note: Columns may not add due to rounding.</small>	

General government operating revenue was \$1,988 million higher than the original budget estimate presented to Parliament on 26 May 2005. The major factors contributing to this variation were:

- taxation revenue (up \$1,200 million), largely reflecting increased:
  - conveyance duty (up \$904 million), due mainly to extremely strong growth in property prices over the year, and high transaction volumes. Conveyance duty raised on large commercial property transfers through the year was also substantially higher than forecast at budget;
  - payroll tax (up \$113 million) due to stronger than forecast growth in wages and employment;
  - motor vehicle taxes (up \$94 million), with both stamp duty from motor vehicle licence transfers (up \$44 million) and annual motor vehicle registration fees (up \$49 million) higher than anticipated, with high levels of motor vehicle licence transfers reflecting stronger economic conditions generally; and
  - mortgage duty (up \$64 million), due to strong growth in new mortgage finance over the year, with growth largely driven by the property market boom;
- revenue from the sale of goods and services (up \$172 million), mainly due to higher than estimated collections by the Departments of Health (up \$71 million), Agriculture and Food (up \$16 million) and Land Information (up \$19 million);
- mining revenue<sup>2</sup> (up \$169 million), largely due to an increase in North West Shelf royalties resulting from a higher than forecast average oil price over the year (\$US64 per barrel, compared to the budget assumption of \$US40 per barrel<sup>3</sup>). Revenue from territorial mining activity was higher than the budget estimate (up \$44 million), with the combined impact of higher prices and a lower than forecast average exchange rate partially offset by lower than expected production volumes for some commodities (for example, the impact of cyclonic weather on iron ore production in the first six months of 2006);
- Commonwealth grants (excluding North West Shelf petroleum royalties, up \$154 million), primarily due to:
  - increased general purpose grants (up \$24 million), mainly reflecting the payment in 2005-06 of National Competition Policy grants withheld by the Commonwealth in 2004-05; and
  - a \$130 million increase in specific purpose payments, predominantly funding for government schools (up \$55 million) and non-government schools (up \$43 million);

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<sup>2</sup> Including North West Shelf petroleum royalties and lease rentals.

<sup>3</sup> The budget time estimate for the average oil price was based on the prevailing methodology which relied on informed judgement based on external analysts' forecasts, wider monitoring of oil and LNG market trends, and an assumption that the oil price would track back to its long term average price over time. An outcome of the Review of Revenue Forecasting undertaken in 2005-06 was to adopt futures market contract prices as the basis for oil price assumptions. This methodology was adopted in setting the oil price assumptions in the 2006-07 Budget (see 'The Review of Revenue Forecasting', 2006-07 Budget Paper No. 3: *Economic and Fiscal Outlook*, pp. 130-131).

- ‘other’ revenue (excluding lease rentals, up \$139 million), due mainly to the resumption of land for the redevelopment of Perry Lakes (up \$56 million), additional contributions from industry and other external organisations (up \$30 million), and higher than expected traffic and court-related fines (up \$35 million);
- revenue from public corporations (up \$129 million), arising principally from the continued strength of the property market which resulted in higher developers’ contributions (for the Water Corporation and electricity utilities), and higher profitability for the Western Australian Land Authority, as well as changes to the timing of electricity utility dividend payments<sup>4</sup>; and
- interest income (up \$24 million), with stronger operating surplus outcomes in 2004-05 and 2005-06 resulting in higher associated cash holdings and interest income from those holdings.

General government operating expenses in 2005-06 were \$245 million (or 1.8%) higher than the original budget estimate, with less than half attributable to policy decisions made after the finalisation of the 2005-06 Budget estimates.

Key policy decisions contributing to the higher than budgeted expenses include:

- a range of initiatives addressing skills shortages, strategies associated with the implementation of the Outcomes and Standards Education in Years 11 and 12, and training and job assistance support to redundant workers of EG Green & Sons;
- counter-terrorism initiatives that enhance the capability of various agencies in preparing for, and responding to, potential terrorist incidents;
- implementation of some of the Mahoney inquiry recommendations for the justice system;
- additional resources for the Office of the Director of Public Prosecutions (in the form of additional prosecutors and the introduction of paralegal staff) to facilitate improved prosecution services;
- provision of a High-Wide Load Corridor for heavy vehicle transport between Kwinana and Kewdale/Welshpool; and
- a multi-purpose taxi licence plates buy-back scheme and release of new leased licence plates to improve the long term viability of the industry.

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<sup>4</sup> As a result of the electricity reform process, which disaggregated Western Power into four successor entities from 1 April 2006, Western Power Corporation paid a final dividend (prior to disaggregation) which was originally budgeted to be paid in 2006-07.

Relative to the 2005-06 Budget, the following significant variations in expenses were evident:

- higher salaries (up \$289 million), primarily for the Departments of Education and Training (up \$104 million), Health (up \$91 million), Attorney General/Corrective Services (up \$19 million), Agriculture and Food (up \$9 million), and Planning and Infrastructure (up \$6 million). This was due to additional staff numbers for new initiatives (including a number of those noted above), higher staffing levels for priority services, and higher wage growth driven by the flow-on effect of 2004-05 wage outcomes and new EBAs in 2005-06;
- an increase in concurrent superannuation expenses (up \$33 million), reflecting the higher salaries noted above;
- lower nominal superannuation interest expense<sup>5</sup> (down \$54 million), reflecting a lower discount rate for the actuarial valuation of the superannuation liability at 30 June 2006 (5.8% actual discount rate compared with 6.0% in the original budget forecast); and
- lower interest costs (down \$41 million), reflecting lower than expected debt outcomes in 2004-05 and 2005-06.

### **Balance Sheet**

General government sector net worth was \$57.9 billion at 30 June 2006, a substantial \$10.4 billion increase on the forecast at the time of the 2005-06 Budget. The higher than forecast outcome reflects the stronger final outcome for the year ending 30 June 2005 (up \$4.1 billion on the estimated outturn at the time of the 2005-06 Budget), the impact of stronger operating surpluses across the public sector during 2005-06, and an increase in the value of the State's significant land and other fixed asset holdings.

The value of general government land and fixed assets at 30 June 2006 increased by \$6.1 billion compared to the forecast position in the 2005-06 Budget. This includes the impact of new acquisitions through the year (as part of the Government's infrastructure investment program) and asset revaluations, mainly relating to the value of land under roads.

Financial assets were \$4.4 billion higher than budget at 30 June 2006. This was mainly due to higher than expected investments, reflecting the strong general government operating surplus outcome (up \$1,743 million on the original forecast), and increases in the value of general government ownership interests in public corporations.

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<sup>5</sup> Nominal superannuation interest is a component of the total movement in unfunded superannuation liabilities. It represents the cost to the general government sector of carrying the unfunded liability. The value of the expense is subject to a range of factors such as changing levels of superannuation liabilities through the year, actuarial assumptions, and applicable variable discount rates.

Total liabilities at 30 June 2006 were \$10.1 billion, broadly in line with the 2005-06 Budget estimate. Borrowings were \$512 million lower than budget, reflecting the stronger than anticipated operating surplus for 2005-06 and the early repayment of \$244 million in Consolidated Fund debt in September 2005 (using surplus cash from 2004-05 – see further detail in *Net Debt*). Lower borrowings were offset by:

- higher non-equity liabilities (up \$409 million), largely due to prepayment obligations following the Commonwealth's 2006-07 Budget AusLink roads initiative<sup>6</sup>; and
- higher employee entitlements and provisions (up \$158 million), reflecting higher accrued leave entitlements as a result of higher employee numbers (particularly in the education and training, health, and law and order sectors) and end-of-year actuarial valuations of leave and other entitlements.

For the third consecutive year the general government sector was net debt-free, with debt-related financial assets exceeding gross debt liabilities by \$2.7 billion at 30 June 2006. This is a significant turnaround from the \$138 million net debt projection in the 2005-06 Budget, and is a consequence of the stronger than expected surplus outcomes recorded in 2004-05 and 2005-06.

### **Cash Flow Statement**

The general government sector recorded a cash surplus of \$2,301 million in 2005-06, up substantially on the \$69 million cash surplus estimated at the time of the 2005-06 Budget. This is the fourth consecutive year in which a general government cash surplus has been achieved and primarily reflects the stronger operating result discussed earlier.

Investment in non-financial assets (i.e. infrastructure spending) by the general government sector was \$1,161 million in 2005-06, down slightly (\$124 million) on the forecast in the 2005-06 Budget. The majority of this spending was on roads, education and health infrastructure as part of the State's ongoing Capital Works Program.

## **Total Public Sector**

### **Summary**

Largely reflecting the general government sector outcomes outlined earlier, the total public sector<sup>7</sup> also recorded stronger than budgeted outcomes in 2005-06.

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<sup>6</sup> In its 2006-07 Budget, the Commonwealth announced a \$1.7 billion accelerated upgrade to the AusLink program, which invests in highways across the national road network. Western Australia's share of this funding was \$323 million. This was received by 30 June 2006 but under GFS standards, the States have a pre-payment obligation that will unwind as project milestones are met over the next three to four years.

<sup>7</sup> The total public sector consolidates the general government, public non-financial corporations and public financial corporations sectors.



Table 4

**TOTAL PUBLIC SECTOR**  
Summary Financial Statements

	2004-05	2005-06			Variation on Budget \$m (3) – (1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>OPERATING STATEMENT</b>					
Revenue	19,807	19,421	21,416	22,575	3,154
Expenses	18,117	18,696	19,348	19,965	1,268
<b>Net Operating Balance</b>	<b>1,690</b>	<b>725</b>	<b>2,068</b>	<b>2,610</b>	<b>1,885</b>
<b>BALANCE SHEET</b>					
Assets	75,095	73,055	80,275	84,344	11,288
Liabilities	24,882	25,526	26,931	26,403	877
<b>Net Worth</b>	<b>50,212</b>	<b>47,530</b>	<b>53,345</b>	<b>57,941</b>	<b>10,411</b>
<b>CASH FLOW STATEMENT</b>					
Change in net cash held	419	-41	513	735	776
Cash Surplus	32	-1,308	-236	1,064	2,372
<b>Memorandum Item: Net Debt</b>	<b>4,001</b>	<b>6,521</b>	<b>4,501</b>	<b>3,179</b>	<b>-3,342</b>

Note: Columns may not add due to rounding.

### Net Operating Balance

The total public sector recorded an operating surplus of \$2.6 billion in 2005-06, up \$1.9 billion on the 2005-06 Budget estimate. The significant variance since budget is due mainly to the impact of boom economic conditions on general government sector revenue, as discussed earlier. The \$2.6 billion operating surplus for 2005-06 is the strongest result on record, and follows the previous record \$1.7 billion surplus in 2004-05.

The public non-financial corporations (PNC) sector recorded a \$61 million operating surplus in 2005-06, slightly lower than the \$90 million budget projection. Relative to the 2005-06 Budget, revenue was higher by \$1,236 million, fully offset by a \$1,265 million increase in expenses. This was predominantly driven by the activities of a number of agencies including:

- Gold Corporation, which purchased and sold larger than expected quantities of precious metals (which were also subject to the impact of stronger world gold and silver prices);
- Racing and Wagering Western Australia, with increases in turnover and the availability of new products, offset by prize payouts;
- the Lotteries Commission, which experienced higher sales of existing products and the introduction of new games, matched by prize payouts and commissions paid to retailers;

- the Water Corporation, with higher revenue driven by growth in the number of properties serviced, a general increase in prices, and increases in developer contributions underpinned by levels of investment in the residential property market. These were matched by higher expenses including dividends/TERs to general government and other costs associated with delivering these services; and
- the electricity utilities, with higher sales and costs of providing electricity to customers, in line with economic growth.

For the public financial corporations (PFC) sector, higher investment earnings by the Insurance Commission of Western Australia, partially offset by lower interest income for the Western Australian Treasury Corporation, resulted in a \$284 million operating surplus, up \$171 million on the 2005-06 Budget estimate.

### **Balance Sheet**

Total public sector net worth is identical to that of the general government sector (discussed earlier)<sup>8</sup>. Net debt of the total public sector is discussed later in this chapter.

### **Cash Flow Statement**

The total public sector recorded a \$1,064 million cash surplus for 2005-06, an improvement of \$2,372 million relative to the \$1,308 million cash deficit projected in the 2005-06 Budget. This outcome largely reflects the cash impact of the operating surplus outcomes discussed above. Spending on fixed asset purchases (i.e. capital investment) totalled \$3,562 million, broadly consistent with the \$3,626 million original budget estimate (the following section provides further detail).

### **Capital Investment**

The 2005-06 Budget provided for a \$4.7 billion Capital Works Program (CWP) in 2005-06. Based on whole-of-government financial data submitted by agencies for this report, around \$4.5 billion (or 95%) of the 2005-06 Budget projection was spent<sup>9</sup>.

The majority of the CWP is spent by agencies directly on the creation or acquisition of fixed assets. A smaller proportion is spent in the form of grants to third parties who will provide approved capital works projects (e.g. local councils, project developers, sporting organisations, etc.). Further amounts are expensed in the form of maintenance programs and through the Keystart home lending program.

The following table reconciles fixed asset spending to the CWP.

---

<sup>8</sup> The Uniform Presentation Framework balance sheet presented in Appendix 1 is the format used in the Western Australian Budget Papers, and is based on Government Finance Statistics.

<sup>9</sup> Final CWP determinations will not be known until detailed project level information has been submitted by all agencies and assessed by the Department of Treasury and Finance.

Table 5

**RECONCILING CAPITAL SPENDING AGGREGATES**  
Western Australia

	2004-05	2005-06			Variation on Budget \$m (3) – (1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>PURCHASE OF FIXED ASSETS</b>					
General government	1,092	1,285	1,381	1,161	-124
Public non-financial corporations	1,788	2,336	2,602	2,448	111
Public financial corporations	3	4	5	5	1
<b>TOTAL PUBLIC SECTOR<sup>(a)</sup></b>	<b>2,883</b>	<b>3,626</b>	<b>3,987</b>	<b>3,562</b>	<b>-63</b>
<i>plus</i>					
Expensed Capital Works Program <sup>(b), (c)</sup>	205	348	173	154	-194
Keystart home lending loans	776	651	780	615	-36
All other <sup>(b), (d)</sup>	200	102	169	151	49
<i>less</i>					
Capital spending by agencies outside the Capital Works Program <sup>(e)</sup>	4	2	9	7	4
Other <sup>(f)</sup>	-	-21	-	-	21
<b>CAPITAL WORKS PROGRAM<sup>(b)</sup></b>	<b>4,061</b>	<b>4,746</b>	<b>5,100</b>	<b>4,527</b>	<b>-219</b>

(a) Fixed asset spending for respective sectors may not add to the total public sector due to inter-sector purchases between agencies which are eliminated on consolidation.

(b) Preliminary actuals. Final totals for expensed, 'all other' and the final 2005-06 Capital Works Program will not be known until detailed project level information has been submitted by all agencies and assessed by the Department of Treasury and Finance.

(c) Includes items expensed as operating activities such as grants to local governments and private sector agencies.

(d) Includes purchase of inventories and loans to external parties by agencies other than Keystart.

(e) Agencies such as the Burswood Park Board, Workcover WA and statutory marketing authorities.

(f) Provisions for projects requiring third party commitment at the time of the estimate (e.g. Stage 2 Hismelt project), and for Functional Review Taskforce asset management savings which were allocated to agencies after the 2005-06 Budget.

Note: Columns may not add due to rounding.

State agencies spent \$3,562 million on fixed assets in 2005-06, \$63 million less than the original budget estimate. Fixed asset spending by major agency is summarised in the following table, with new projects announced through the year, rescheduling of works and cost escalations generally accounting for the variations in outcomes relative to the original 2005-06 Budget forecasts.

Table 6

**PURCHASE OF FIXED ASSETS**  
Total Public Sector

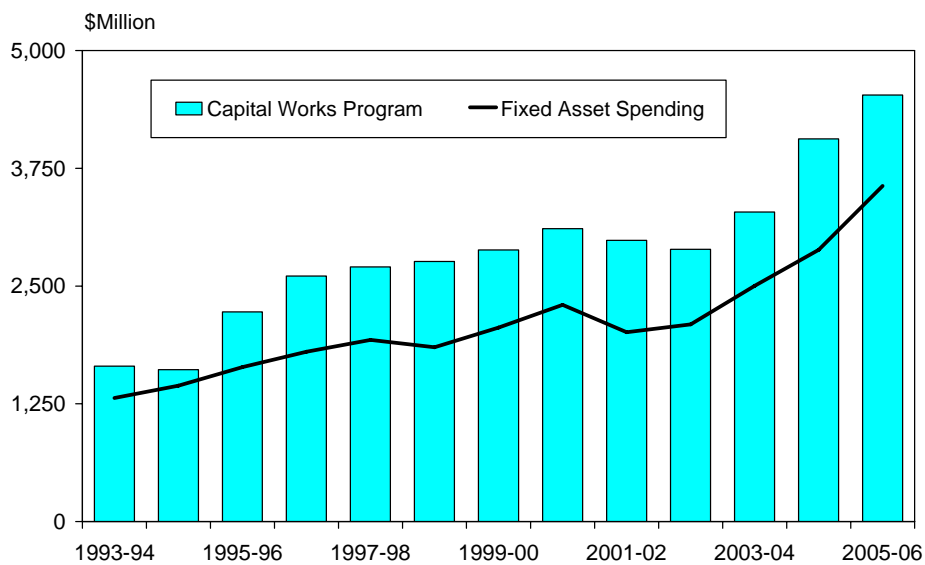
	2004-05	2005-06			Variation on Budget \$m (3) – (1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
Electricity Utilities	423	599	639	666	66
Water Corporation	332	715	681	614	-101
Public Transport Authority	537	530	563	577	48
State Housing Commission	245	238	324	322	83
Main Roads	315	221	360	293	72
Education and Training	178	195	226	179	-16
Health	181	220	145	154	-67
State Fleet	116	120	127	144	24
Western Australian Land Authority	95	54	98	92	38
Police	44	88	102	83	-5
Port Authorities	102	87	173	73	-13
Departments of the Attorney General/ Corrective Services	30	102	64	49	-53
All other	289	456	486	315	-141
<b>TOTAL PUBLIC SECTOR</b>	<b>2,883</b>	<b>3,626</b>	<b>3,987</b>	<b>3,562</b>	<b>-63</b>

Note: Columns may not add due to rounding.

The following chart illustrates that under either definition – the CWP or purchases of fixed assets – capital investment in 2005-06 was at a record high level.

Figure 1

**INFRASTRUCTURE SPENDING**  
Total Public Sector



## Net Debt

Total public sector net debt at 30 June 2006 was \$3.2 billion, a substantial \$3.3 billion lower than the 2005-06 Budget estimate and the lowest level of net debt on record.

This much lower than expected net debt result reflects:

- the flow-on impact of a \$1,165 million lower net debt outcome for 30 June 2006 (compared with the estimated outcome in the 2005-06 Budget);
- lower than expected borrowings in 2005-06, mainly due to the stronger operating surplus result for the general government sector discussed earlier; and
- significantly higher than expected financial asset investment holdings at 30 June 2006.

The following table provides further detail.

<b>SUMMARY OF TOTAL PUBLIC SECTOR NET DEBT VARIATIONS SINCE THE 2005-06 BUDGET</b>		Table 7
	2005-06 \$m	
<b>2005-06 BUDGET – NET DEBT AT 30 JUNE</b>	<b>6,521</b>	
<i>Plus improvement from 2004-05 outturn</i>	-1,165.3	
<i>Less change in net cash flows from operating activities and distributions paid</i>		
General government	2,096.7	
Public non-financial corporations	-6.4	
Public financial corporations	106.0	
<i>Total public sector</i>	<i>2,196.3</i>	
<i>Plus purchases of non-financial assets</i>		
Policy decisions	114.4	
Parameter movements	-177.7	
<i>Total purchases of non-financial assets</i>	<i>-63.3</i>	
<i>Less proceeds from sale of non-financial assets</i>	<i>112.8</i>	
<i>Plus all other financing</i>	<i>195.4</i>	
<i>Cumulative impact on net debt at 30 June 2006</i>	<i>-3,342.3</i>	
<b>2005-06 ANNUAL REPORT ON STATE FINANCES – NET DEBT AT 30 JUNE</b>	<b>3,179</b>	
Note: Columns may not add due to rounding.		

Combined with the stronger than anticipated revenue outcome for 2005-06 (see earlier discussion), the lower net debt outcome at 30 June 2006 resulted in a net debt to revenue ratio for the total non-financial public sector of 19.6% for 2005-06, down from the 39.2% forecast in the 2005-06 Budget. This is a key financial target for the Government (and is discussed further in Chapter 2). The low level of the ratio indicates that net debt is at an affordable and financially sustainable level, and does not pose an undue burden on the State's balance sheet.

At a sectoral level, the general government and PFC sectors remain in a net asset position (i.e. these sectors have an excess of liquid financial assets relative to the level of gross debt liabilities they hold). This reflects:

- the size of cash and investment balances held by the general government sector, and the low levels of new debt required to support current infrastructure investment activity while larger surpluses are being achieved; and
- the significant value of investments held by the Insurance Commission of Western Australia, which back non-debt insurance claim liabilities.

These net asset holdings (which together total over \$3.8 billion) were more than offset at 30 June 2006 by the \$7.0 billion net debt holdings of the PNC sector. This sector includes the net debt of agencies such as the electricity and water utilities, ports, the Public Transport Authority (PTA) and the State Housing Commission, which borrow for large infrastructure programs. This debt is largely serviced from user charges raised by the relevant agencies over the projected life of these long-lived assets.

### **Debt Repayments**

The Consolidated Fund recorded a cash surplus of \$1,408 million in 2005-06. The Government has again chosen to use these funds to repay substantial amounts of debt.

At the time of the 2006-07 Budget, and in anticipation of a strong surplus outcome for 2005-06, the Government allocated \$1,275 million to the PTA to make the New MetroRail project completely debt-free upon completion. This included the repayment of \$921 million for existing borrowings, which were repaid in full by 15 September 2006, and funds to complete all remaining works on the project without the need for new debt.

Additional Consolidated Fund surplus cash received by 30 June 2006 has also been allocated to early debt repayments, namely:

- repayment of \$49.3 million in Consolidated Fund borrowings in September 2006, leaving the Fund debt-free. This is a significant turnaround from the level of Consolidated Fund borrowings at 30 June 2001 (\$904 million); and
- repayment of a number of agency-specific debt liabilities totalling almost \$60 million<sup>10</sup>, to be reflected in the 2007-08 Budget.

These debt repayments further enhance budget flexibility and reduce risk in an environment of rising interest rates. They follow similar debt repayments using surplus Consolidated Fund cash from the strong general government surplus outcomes recorded in 2003-04 and 2004-05. In total, the Government has applied \$2.4 billion in surplus Consolidated Fund cash to debt reduction, leading to interest savings of around \$150 million per year (see following table).

---

Table 8

**APPLICATION OF SURPLUS CONSOLIDATED FUND CASH**

---

	Debt Repaid \$m	Estimated Annual Interest Saving \$m
<b>2003-04 SURPLUS FUNDS</b>		
Consolidated Fund debt	481	32
<b>2004-05 SURPLUS FUNDS</b>		
Consolidated Fund debt	244	23
Residual rail freight debt	322	16
<b>2005-06 SURPLUS FUNDS</b>		
Full funding of New MetroRail	1,275	76
Remaining Consolidated Fund debt	49	3
Agency-specific debt	59	4
<i>Comprising:</i>		
Western Australian Coastal Shipping Commission	17.5	1.0
Culture and the Arts	17.2	1.1
Planning and Infrastructure	12.5	1.3
Disability Services Commission	7.4	0.5
Industry and Resources	3.8	0.2
Water	0.5	0.1
Swan River Trust	0.1	- <sup>(a)</sup>
Curriculum Council	0.1	- <sup>(a)</sup>
<b>TOTAL</b>	<b>2,430</b>	<b>154</b>

(a) Less than \$50,000 per annum.

Note: Columns may not add due to rounding.

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<sup>10</sup> The major parcels of agency-held borrowings to be repaid in 2007-08 include residual debt of the former Stateships (left over from its trading activities which ceased in 1996), past borrowings of the State Library, and borrowings previously undertaken by the Department for Planning and Infrastructure, including for the purchase of Hydrogen Fuel Cell Buses. These borrowings are currently serviced through annual Consolidated Fund appropriations.





# Financial Strategy and Targets

## Overview

This chapter assesses the financial results discussed in Chapter 1 against the Government's financial targets as specified in the 2005-06 Budget Paper No. 3: *Economic and Fiscal Outlook*.

Financial targets are a requirement of the *Government Financial Responsibility Act 2000*, and must be specified for the budget year and reported against in year-end results. For 2005-06, the Government's financial targets were to:

- maintain or increase real net worth of the total public sector;
- achieve an operating surplus for the general government sector;
- retain the State's triple-A credit rating, represented by the following two specific targets:
  - maintain the net debt to revenue ratio for the total non-financial public sector at or below 47%; and
  - ensure that real per capita own-purpose expenses for the general government sector do not increase; and
- maintain Western Australia's tax competitiveness, as measured by maintaining tax revenue as a share of gross State product (GSP) below the other States' average.

The following table summarises the extent to which the results for 2005-06 are consistent with these targets.

Table 1

---

**COMPLIANCE WITH FINANCIAL TARGETS**


---

FINANCIAL TARGET	2005-06	
	Budget	Actual
Real net worth be maintained or increased	Yes	Yes
General government operating surplus	Yes	Yes
Triple-A credit rating be maintained:		
- Net debt as a share of revenue at or below 47% <sup>(a)</sup>	Yes	Yes
- No increase in real per capita own-purpose general government expenses	Yes	No
Tax competitiveness be maintained	Yes	Yes

(a) Net debt at 30 June 2006 as a share of operating revenue for the total non-financial public sector.

---

Detailed information on performance against each of the targets for 2005-06 is provided below.

## Performance against Financial Targets

### Net Worth: Maintain or Increase Real Net Worth of the Total Public Sector

This target was achieved in 2005-06.

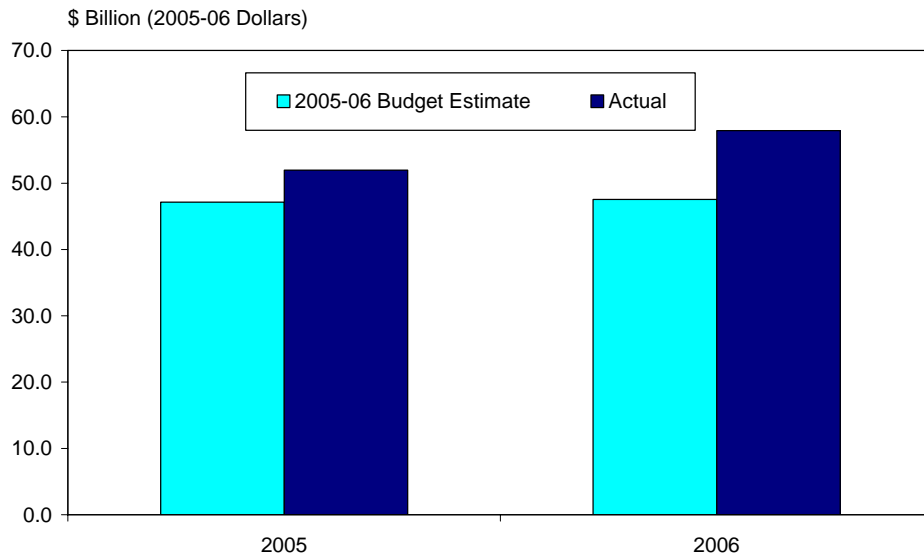
Net worth comprises total assets (financial and non-financial) less total liabilities. It provides a concise picture of the public sector’s overall financial position, with positive net worth indicating there are more assets at the disposal of the public sector than the value of the liabilities it must satisfy in the future.

The target focuses on ‘real’ net worth, by adjusting net worth at 30 June for the changing value of money from one year to the next, thus removing the impact of inflation on the value of the public sector balance sheet.

In 2005-06, real net worth increased by \$6.0 billion (or 11.5%), rising from \$51.9 billion at 30 June 2005 to \$57.9 billion at 30 June 2006. This contrasts with the 2005-06 Budget estimated increase of just \$0.4 billion (or 0.9%).

**REAL NET WORTH AT 30 JUNE**  
Total Public Sector

Figure 1



The increase in real net worth at 30 June 2006 includes the impact of higher surplus results recorded across the general government and public financial corporations sectors, as discussed in Chapter 1. Increased valuations of land and other fixed assets (which account for just under \$70 billion (or 83%) of total public sector asset holdings) also contributed substantially to the growth in net worth.

## Operating Result: Achieve an Operating Surplus for the General Government Sector

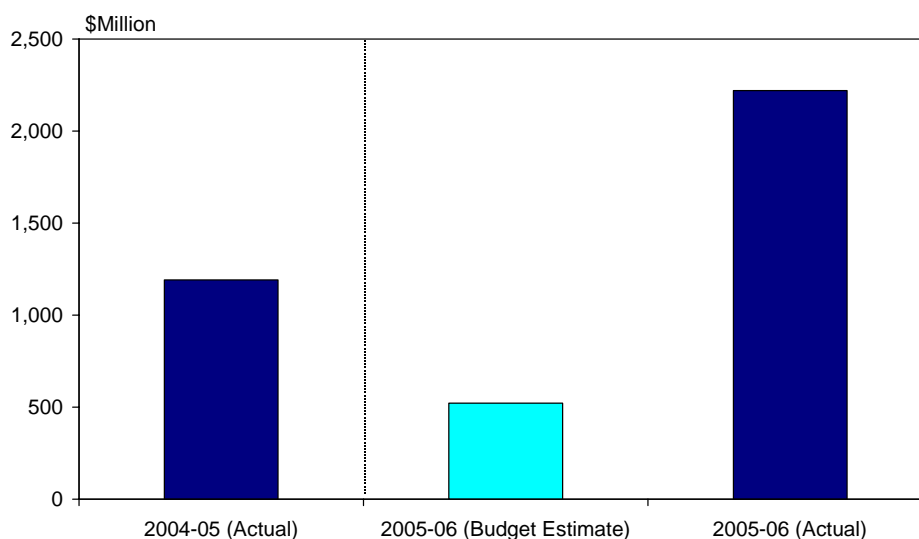
This target was achieved in 2005-06.

The net operating balance represents the difference between day-to-day operating revenue and expenses, and is the principal budget ‘bottom line’ in Western Australia. It excludes expenditure on the acquisition of capital assets, but includes non-cash costs such as accruing superannuation entitlements, leave liabilities and depreciation.

The general government sector net operating balance for 2005-06 was a surplus of \$2,265 million – the highest on record. This outcome was underpinned by strong revenue growth in 2005-06 of 14.0%, which was twice the 7.0% growth in general government expenses. The impact of booming economic conditions (particularly in the State’s property market) and high commodity prices (especially for oil and iron ore) were the principal factors in the substantially higher surplus result compared to the original budget estimate (\$521 million).

Figure 2

### NET OPERATING BALANCE General Government



The record high surplus for 2005-06 coincides with a record low net debt outcome at 30 June 2006, with the operating surplus providing a major source of non-debt funding for the State’s Capital Works Program. In addition, and as discussed in Chapter 1, the Government has used surplus Consolidated Fund cash from 2005-06 to retire further parcels of debt, including for the New MetroRail project.

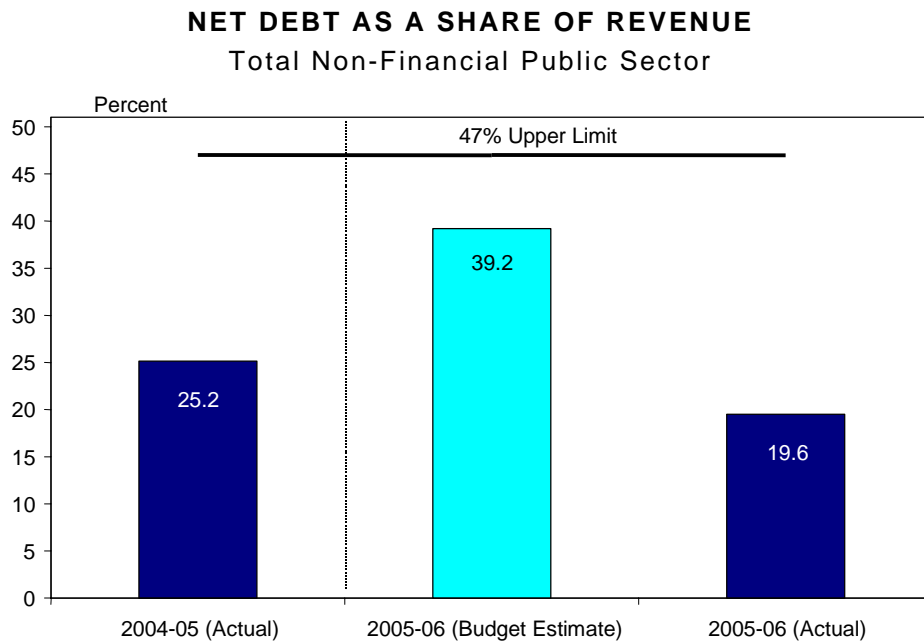
**Retain the State’s Triple-A Credit Rating – Net Debt: Maintain Net Debt to Revenue for the Total Non-Financial Public Sector at or below 47%**

This target was achieved in 2005-06.

The total non-financial public sector net debt to revenue ratio is an important indicator of financial management performance and debt affordability, and incorporates the net position of the general government and public non-financial corporations sectors. These sectors of government are responsible for investment in major infrastructure including schools, hospitals, roads, public transport, water and electricity infrastructure, port facilities, etc. This investment is funded through a combination of debt (borrowings) and non-debt sources (e.g. operating surpluses).

A net debt to revenue ratio of 19.6% was recorded for 2005-06, substantially below the 39.2% ratio forecast in the 2005-06 Budget and the Government’s target limit of 47%. This result was achieved through a combination of the record general government operating surplus for 2005-06, together with the flow-on effect of better than expected results for 2004-05.

Figure 3



The 19.6% outcome for 2005-06 represents a record low for Western Australia, and indicates that net debt levels are sustainable and affordable. More generally, the strong increase in net worth discussed earlier, the early repayment of borrowings using surplus cash from the last two financial years, and the record low level of net debt at 30 June 2006 indicate that the State’s balance sheet is in its strongest ever position.

### Operating Expenses: Ensure that Real Per Capita Own-Purpose Expenses for the General Government Sector do not Increase

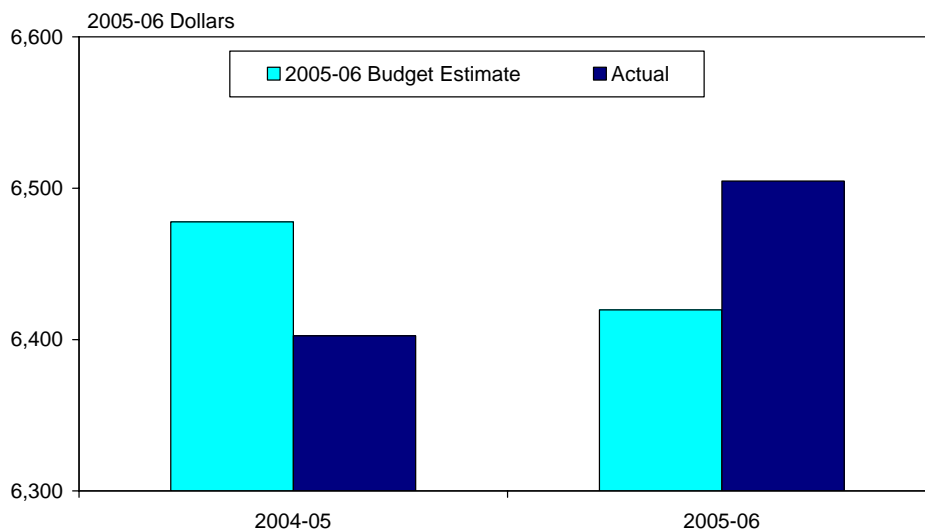
As foreshadowed at the time of the 2005-06 mid-year review and the 2006-07 Budget, this target was not met in 2005-06.

In nominal terms, general government expenses grew by 7.0% in 2005-06. This compares to the 2005-06 Budget estimate of 4.1% and maximum growth consistent with the target of 5.4%.

Since the 2005-06 Budget, Government policy decisions adding to expense growth totalled \$114 million, including measures to address issues such as skills shortages, counter-terrorism and costs associated with implementing the recommendations of the Mahoney Inquiry into the justice system. In addition to policy decisions, higher employee costs were also evident, as a result of EBA negotiations concluded in 2005-06 and higher staffing levels in the priority areas of education and training, health, and law and order.

Figure 4

#### REAL PER CAPITA OWN-PURPOSE EXPENSES General Government Sector



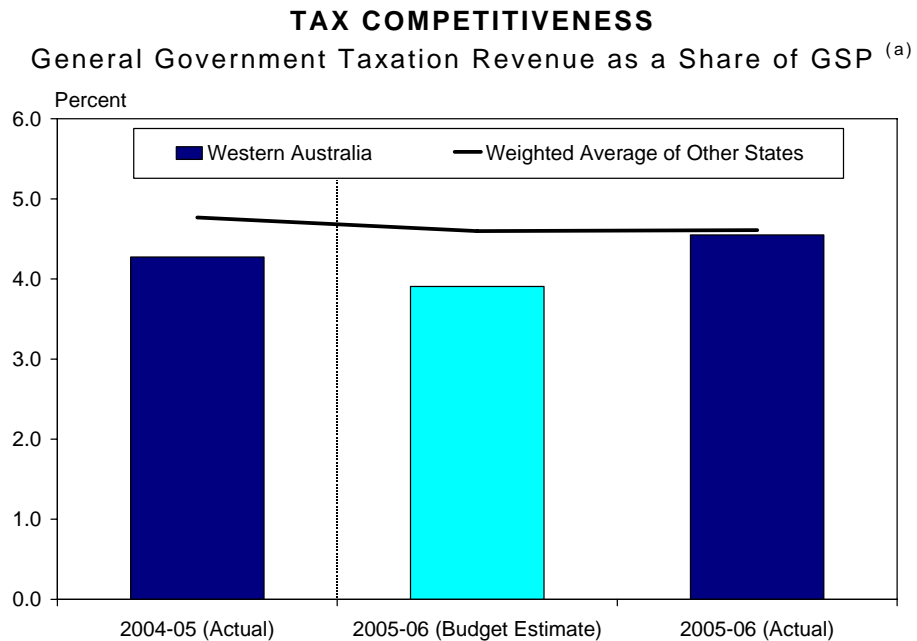
Although expense growth was higher than budgeted, much stronger than expected revenue growth in 2005-06 provided more than adequate capacity to meet the increased expenses. Indeed, of the \$2.0 billion increase in general government revenue relative to the 2005-06 Budget estimate, only \$245 million was reflected in higher expenses, with most of the remaining \$1.7 billion being applied to debt retirement. This was noted by the credit rating agency Standard and Poor’s in its August 2006 credit rating assessment which confirmed Western Australia’s triple-A status.

**Tax Competitiveness: Maintain Western Australia’s Tax Competitiveness, as measured by Maintaining Tax Revenue as a Share of GSP Below Other States’ Average**

This target was met in 2005-06.

Western Australia’s taxation revenue as a share of GSP increased relative to the 2005-06 Budget estimate, but still remained below the average of the other States. This mainly reflected very strong growth in the Western Australian property market over the year. A detailed discussion of variations between the 2005-06 Budget estimates for taxation revenue and the actual outturn is included in Chapter 1: *Financial Results*.

Figure 5



(a) Taxation revenue estimates for other jurisdictions are based on 2005-06 estimated outturns published in 2006-07 Budgets, the 2005-06 mid-year review (South Australia) and the 2005-06 *Preliminary Outcomes Report* (Tasmania).





# Uniform Presentation of Public Sector Finances - Statistical Tables

This appendix contains details of variations between the 2005-06 Budget estimates and the actual results for various sectors within the total public sector under the accrual GFS framework. The tables in this section satisfy Uniform Presentation Framework requirements.

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Table 1.1

**GENERAL GOVERNMENT**  
Operating Statement

	2004-05	2005-06			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>REVENUE</b>					
Taxation	4,314	3,995	5,100	5,195	1,200
Current grants and subsidies	6,468	6,659	6,894	6,890	231
Capital grants	347	347	406	375	28
Sales of goods and services	982	943	1,027	1,115	172
Interest income	142	146	195	170	24
Revenue from public corporations					
Dividends	468	463	536	534	70
Tax equivalent payments	292	245	296	304	59
Royalty income	841	1,140	1,276	1,184	44
Other	368	281	394	440	159
<i>Total</i>	14,222	14,218	16,123	16,207	1,988
<b>EXPENSES</b>					
Gross operating expenses					
Salaries	5,253	5,405	5,559	5,694	289
Depreciation and amortisation	607	585	594	591	6
Superannuation	519	524	546	557	33
Services and contracts	1,263	1,416	1,545	1,367	-49
Other gross operating expenses	1,730	1,830	1,865	1,876	45
Nominal superannuation interest	294	296	304	242	-54
Other interest	155	161	151	120	-41
Other property expenses	-	-	-	-	-
Current transfers	2,728	3,012	3,080	3,007	-6
Capital transfers	482	467	497	487	20
<i>Total</i>	13,030	13,697	14,141	13,942	245
<b>NET OPERATING BALANCE</b>	<b>1,192</b>	<b>521</b>	<b>1,981</b>	<b>2,265</b>	<b>1,743</b>
<b>NET ACQUISITION OF NON-FINANCIAL ASSETS</b>					
Purchase of non-financial assets	1,092	1,285	1,381	1,161	-124
Sales of non-financial assets	-253	-192	-241	-203	-11
less depreciation	607	585	594	591	6
plus change in inventories	2	-2	-6	-	3
plus other movements in non-financial assets	59	-	46	51	51
<i>Total</i>	293	506	587	419	-88
<b>NET LENDING/BORROWING</b>	<b>899</b>	<b>15</b>	<b>1,394</b>	<b>1,846</b>	<b>1,831</b>
<b>Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)</b>					
<b>NET OPERATING BALANCE</b>	<b>1,192</b>	<b>521</b>	<b>1,981</b>	<b>2,265</b>	<b>1,743</b>
less provisions for doubtful debts	15	1	1	18	18
plus net gains on assets (including derivatives)	24	6	154	6	-
plus capitalised interest	-	-	-	-	-
less revaluation of superannuation liabilities	131	-	-	-335	-335
plus valuation changes due to AIFRS implementation <sup>(a)</sup>	-126	-	-	-	-
plus all other adjustments	-130	-	-	329	328
<b>AAS OPERATING RESULT</b>	<b>813</b>	<b>527</b>	<b>2,135</b>	<b>2,916</b>	<b>2,388</b>

(a) AAS data for 2004-05 has been adjusted for comparability purposes for the implementation of AIFRS for reporting periods from 2005-06.

Note: Columns may not add due to rounding.

Table 1.2

**GENERAL GOVERNMENT**  
Balance Sheet at 30 June

	2004-05	2005-06			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>ASSETS</b>					
<i>Financial assets</i>					
Cash and deposits	350	385	311	378	-7
Advances paid	934	944	930	910	-33
Investments, loans and placements	1,916	864	2,621	3,380	2,515
Other non-equity assets	1,086	904	979	1,117	213
Equity	19,889	20,116	21,398	21,870	1,754
<i>Total</i>	<i>24,174</i>	<i>23,213</i>	<i>26,239</i>	<i>27,655</i>	<i>4,442</i>
<i>Non-Financial assets</i>					
Land and fixed assets	35,864	34,055	36,973	40,187	6,132
Other non-financial assets	100	215	301	211	-4
<i>Total</i>	<i>35,964</i>	<i>34,270</i>	<i>37,274</i>	<i>40,398</i>	<i>6,128</i>
<b>TOTAL ASSETS</b>	<b>60,138</b>	<b>57,483</b>	<b>63,513</b>	<b>68,053</b>	<b>10,570</b>
<b>LIABILITIES</b>					
Deposits held	338	247	284	369	122
Advances received	549	547	536	536	-11
Borrowings	1,315	1,537	1,165	1,026	-512
Unfunded superannuation liabilities	5,633	5,467	5,642	5,459	-8
Other employee entitlements and provisions	1,390	1,393	1,472	1,551	158
Non-equity liabilities	701	762	1,069	1,171	409
<b>TOTAL LIABILITIES</b>	<b>9,926</b>	<b>9,954</b>	<b>10,168</b>	<b>10,112</b>	<b>158</b>
<b>NET WORTH</b>	<b>50,212</b>	<b>47,530</b>	<b>53,345</b>	<b>57,941</b>	<b>10,411</b>
<i>Memorandum Item: Net Debt</i>	<i>-997</i>	<i>138</i>	<i>-1,877</i>	<i>-2,737</i>	<i>-2,876</i>
<b>Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)</b>					
<b>NET WORTH</b>	<b>50,212</b>	<b>47,530</b>	<b>53,345</b>	<b>57,941</b>	<b>10,411</b>
<i>less</i> equity (net worth) of PNFC and PFC sectors	19,341	19,093	20,353	20,830	1,737
<i>less</i> provisions for doubtful debts	15	-	1	18	18
<i>plus</i> valuation changes due to AIFRS implementation <sup>(a)</sup>	-493	-	-	-	-
<i>less</i> all other adjustments	88	-	88	-235	-235
<b>AAS NET ASSETS</b>	<b>30,270</b>	<b>28,437</b>	<b>32,902</b>	<b>37,328</b>	<b>8,891</b>

(a) AAS data for 2004-05 has been adjusted for comparability purposes for the implementation of AIFRS for reporting periods from 2005-06.

Note: Columns may not add due to rounding.

Table 1.3

**GENERAL GOVERNMENT**  
Cash Flow Statement

	2004-05	2005-06			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>RECEIPTS FROM OPERATING ACTIVITIES</b>					
Taxes received	4,328	4,002	5,119	5,119	1,117
Receipts from sales of goods and services	1,031	961	1,055	1,194	233
Grants and subsidies received	6,786	7,007	7,292	7,583	576
Other receipts	2,481	2,756	3,161	3,094	338
<i>Total</i>	<i>14,626</i>	<i>14,726</i>	<i>16,626</i>	<i>16,990</i>	<i>2,264</i>
<b>PAYMENTS FOR OPERATING ACTIVITIES</b>					
Payments for goods and services	-9,002	-9,390	-9,723	-9,538	-148
Grants and subsidies paid	-2,966	-3,250	-3,293	-3,207	43
Interest paid	-162	-153	-142	-122	31
Other payments	-798	-770	-865	-864	-94
<i>Total</i>	<i>-12,928</i>	<i>-13,563</i>	<i>-14,023</i>	<i>-13,730</i>	<i>-167</i>
<b>Net Cash Flow from Operating Activities</b>	<b>1,698</b>	<b>1,163</b>	<b>2,603</b>	<b>3,260</b>	<b>2,097</b>
<b>INVESTMENT IN NON-FINANCIAL ASSETS</b>					
Purchase of non-financial assets	-1,092	-1,285	-1,381	-1,161	124
Sales of non-financial assets	253	192	241	203	11
<i>Total</i>	<i>-839</i>	<i>-1,094</i>	<i>-1,140</i>	<i>-958</i>	<i>135</i>
<b>INVESTMENT IN FINANCIAL ASSETS</b>					
Policy purposes	-122	-471	-505	-488	-17
Liquidity purposes	-62	15	-42	74	59
<i>Total</i>	<i>-184</i>	<i>-456</i>	<i>-547</i>	<i>-415</i>	<i>42</i>
<b>Net Cash Flow from Investing Activities</b>	<b>-1,022</b>	<b>-1,550</b>	<b>-1,687</b>	<b>-1,373</b>	<b>177</b>
<b>FINANCING ACTIVITIES</b>					
Advances received (net)	-	-	-	-1	-1
Borrowings (net)	-395	418	-296	-286	-705
Deposits received (net)	-1	-	-	-	-
Distributions paid	-	-	-	-	-
Other financing	-100	-21	-20	-12	9
<i>Total</i>	<i>-496</i>	<i>398</i>	<i>-316</i>	<i>-300</i>	<i>-697</i>
<i>Opening cash balance</i>	<i>2,695</i>	<i>1,936</i>	<i>2,869</i>	<i>2,875</i>	<i>938</i>
<b>NET INCREASE IN CASH HELD <sup>(a)</sup></b>	<b>180</b>	<b>10</b>	<b>599</b>	<b>1,587</b>	<b>1,577</b>
<i>Closing cash balance</i>	<i>2,875</i>	<i>1,946</i>	<i>3,468</i>	<i>4,462</i>	<i>2,515</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	<i>859</i>	<i>69</i>	<i>1,463</i>	<i>2,301</i>	<i>2,232</i>
<i>less finance leases and similar arrangements</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Surplus</b>	<b>859</b>	<b>69</b>	<b>1,463</b>	<b>2,301</b>	<b>2,232</b>

(a) The GFS concept of net increase in cash held is identical to the AAS 31 concept of net increase in cash held.

Note: Columns may not add due to rounding.

Table 1.4

**PUBLIC NON-FINANCIAL CORPORATIONS**  
Operating Statement

	2004-05	2005-06			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>REVENUE</b>					
Current grants and subsidies	906	1,035	1,093	1,070	34
Capital grants	143	154	172	163	9
Sales of goods and services	5,402	5,264	5,485	6,251	987
Interest income	142	115	139	149	34
Other	314	198	274	370	172
<i>Total</i>	<i>6,907</i>	<i>6,767</i>	<i>7,162</i>	<i>8,003</i>	<i>1,236</i>
<b>EXPENSES</b>					
Gross operating expenses					
Salaries	487	529	556	551	21
Depreciation and amortisation	653	670	673	682	11
Superannuation	48	51	55	49	-2
Services and contracts	421	309	412	495	186
Other gross operating expenses	3,327	3,281	3,402	4,177	896
Nominal superannuation interest	-	-	-	-	-
Other interest	452	529	568	525	-4
Other property expenses	753	704	825	836	132
Current transfers	505	584	637	621	37
Capital transfers	1	20	22	5	-14
<i>Total</i>	<i>6,648</i>	<i>6,676</i>	<i>7,151</i>	<i>7,941</i>	<i>1,265</i>
<b>NET OPERATING BALANCE</b>	<b>259</b>	<b>90</b>	<b>11</b>	<b>61</b>	<b>-29</b>
<b>NET ACQUISITION OF NON-FINANCIAL ASSETS</b>					
Purchase of non-financial assets	1,788	2,336	2,602	2,448	111
Sales of non-financial assets	-432	-418	-532	-572	-154
<i>less</i> depreciation	653	670	673	682	11
<i>plus</i> change in inventories	54	9	16	374	365
<i>plus</i> other movements in non-financial assets	-4	-	-	-9	-9
<i>Total</i>	<i>753</i>	<i>1,257</i>	<i>1,412</i>	<i>1,559</i>	<i>302</i>
<b>NET LENDING/BORROWING</b>	<b>-493</b>	<b>-1,167</b>	<b>-1,401</b>	<b>-1,498</b>	<b>-331</b>
<b>Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)</b>					
<b>NET OPERATING BALANCE</b>	<b>259</b>	<b>90</b>	<b>11</b>	<b>61</b>	<b>-29</b>
<i>less</i> provisions for doubtful debts	5	6	6	1	-5
<i>plus</i> net gains on assets (including derivatives)	78	72	136	9	-63
<i>plus</i> capitalised interest	4	-	-	9	9
<i>less</i> revaluation of superannuation liabilities	-68	-	-	13	13
<i>plus</i> valuation changes due to AIFRS implementation <sup>(a)</sup>	62	-	-	-	-
<i>plus</i> all other adjustments	-14	-	-	-	-
<b>AAS OPERATING RESULT</b>	<b>452</b>	<b>156</b>	<b>141</b>	<b>65</b>	<b>-91</b>

(a) AAS data for 2004-05 has been adjusted for comparability purposes for the implementation of AIFRS for reporting periods from 2005-06.

Note: Columns may not add due to rounding.

Table 1.5

**PUBLIC NON-FINANCIAL CORPORATIONS**  
Balance Sheet at 30 June

	2004-05	2005-06			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>ASSETS</b>					
<i>Financial assets</i>					
Cash and deposits	308	212	257	474	262
Advances paid	96	8	26	51	42
Investments, loans and placements	2,128	2,086	2,178	2,070	-16
Other non-equity assets	1,094	1,174	1,229	1,445	271
Equity	5	7	5	39	32
<i>Total</i>	<b>3,632</b>	<b>3,487</b>	<b>3,694</b>	<b>4,078</b>	<b>591</b>
<i>Non-Financial assets</i>					
Land and fixed assets	26,040	27,636	28,889	29,305	1,668
Other non-financial assets	244	179	233	253	74
<i>Total</i>	<b>26,284</b>	<b>27,815</b>	<b>29,122</b>	<b>29,558</b>	<b>1,743</b>
<b>TOTAL ASSETS</b>	<b>29,916</b>	<b>31,302</b>	<b>32,816</b>	<b>33,636</b>	<b>2,334</b>
<b>LIABILITIES</b>					
Deposits held	2	1	1	10	9
Advances received	549	547	536	536	-11
Borrowings	7,720	8,927	9,226	9,026	99
Unfunded superannuation liabilities	110	169	103	151	-18
Other employee entitlements and provisions	293	191	213	524	333
Non-equity liabilities	1,888	1,774	2,126	2,546	771
<b>TOTAL LIABILITIES</b>	<b>10,561</b>	<b>11,609</b>	<b>12,206</b>	<b>12,792</b>	<b>1,183</b>
Shares and other contributed capital	542	1,023	1,045	1,040	17
<b>NET WORTH</b>	<b>18,812</b>	<b>18,670</b>	<b>19,566</b>	<b>19,803</b>	<b>1,133</b>
<i>Memorandum Item: Net Debt</i>	5,738	7,169	7,303	6,978	-191
<b>Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)</b>					
<b>NET WORTH</b>	<b>18,812</b>	<b>18,670</b>	<b>19,566</b>	<b>19,803</b>	<b>1,133</b>
<i>plus</i> shares and other contributed capital	542	1,023	1,045	1,040	17
<i>less</i> provision for doubtful debts	5	-	6	1	1
<i>plus</i> valuation changes due to AIFRS implementation <sup>(a)</sup>	-81	-	-	-	-
<i>less</i> all other adjustments	-	-	-	-	-
<b>AAS NET ASSETS</b>	<b>19,268</b>	<b>19,693</b>	<b>20,605</b>	<b>20,843</b>	<b>1,150</b>

(a) AAS data for 2004-05 has been adjusted for comparability purposes for the implementation of AIFRS for reporting periods from 2005-06.

Note: Columns may not add due to rounding.

Table 1.6

**PUBLIC NON-FINANCIAL CORPORATIONS**  
Cash Flow Statement

	2004-05		2005-06		
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	Variation on Budget \$m (3)-(1)
<b>RECEIPTS FROM OPERATING ACTIVITIES</b>					
Receipts from sales of goods and services	5,525	5,222	5,564	6,386	1,164
Grants and subsidies received	976	1,114	1,181	1,151	37
Other receipts	555	467	542	674	208
<i>Total</i>	<i>7,057</i>	<i>6,803</i>	<i>7,287</i>	<i>8,211</i>	<i>1,408</i>
<b>PAYMENTS FOR OPERATING ACTIVITIES</b>					
Payments for goods and services	-4,170	-3,976	-4,404	-5,108	-1,132
Grants and subsidies paid	-386	-475	-518	-470	4
Interest paid	-446	-530	-524	-473	57
Other payments	-775	-644	-724	-867	-223
<i>Total</i>	<i>-5,777</i>	<i>-5,624</i>	<i>-6,171</i>	<i>-6,918</i>	<i>-1,294</i>
<b>Net Cash Flow from Operating Activities</b>	<b>1,280</b>	<b>1,179</b>	<b>1,116</b>	<b>1,293</b>	<b>115</b>
<b>INVESTMENT IN NON-FINANCIAL ASSETS</b>					
Purchase of non-financial assets	-1,788	-2,336	-2,602	-2,448	-111
Sales of non-financial assets	432	418	532	572	154
<i>Total</i>	<i>-1,356</i>	<i>-1,918</i>	<i>-2,070</i>	<i>-1,876</i>	<i>42</i>
<b>INVESTMENT IN FINANCIAL ASSETS</b>					
Policy purposes	-	-	-	-	-
Liquidity purposes	13	-8	22	-23	-15
<i>Total</i>	<i>13</i>	<i>-8</i>	<i>22</i>	<i>-23</i>	<i>-15</i>
<b>Net Cash Flow from Investing Activities</b>	<b>-1,344</b>	<b>-1,926</b>	<b>-2,048</b>	<b>-1,899</b>	<b>27</b>
<b>FINANCING ACTIVITIES</b>					
Advances received (net)	-12	-13	-13	-13	-
Borrowings (net)	640	900	1,094	1,080	180
Deposits received (net)	-	-	-	-	-
Distributions paid	-741	-734	-841	-855	-121
Other financing	232	550	609	578	28
<i>Total</i>	<i>119</i>	<i>703</i>	<i>849</i>	<i>791</i>	<i>87</i>
<i>Opening cash balance</i>	<i>554</i>	<i>384</i>	<i>509</i>	<i>609</i>	<i>222</i>
<b>NET INCREASE IN CASH HELD <sup>(a)</sup></b>	<b>55</b>	<b>-44</b>	<b>-83</b>	<b>185</b>	<b>229</b>
<i>Closing cash balance</i>	<i>609</i>	<i>339</i>	<i>426</i>	<i>794</i>	<i>452</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	<i>-817</i>	<i>-1,474</i>	<i>-1,794</i>	<i>-1,437</i>	<i>36</i>
<i>less finance leases and similar arrangements</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Surplus</i>	<i>-817</i>	<i>-1,474</i>	<i>-1,794</i>	<i>-1,437</i>	<i>36</i>

(a) The GFS concept of net increase in cash held is identical to the AAS 31 concept of net increase in cash held.

Note: Columns may not add due to rounding.

Table 1.7

**TOTAL NON-FINANCIAL PUBLIC SECTOR**  
Operating Statement

	2004-05	2005-06			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>REVENUE</b>					
Taxation	4,141	3,831	4,921	5,003	1,171
Current grants and subsidies	6,468	6,659	6,894	6,890	231
Capital grants	347	347	406	375	28
Sales of goods and services	6,186	6,043	6,323	7,179	1,136
Interest income	242	217	287	283	66
Royalty income	841	1,140	1,276	1,184	44
Other	626	402	593	745	344
<i>Total</i>	<i>18,850</i>	<i>18,640</i>	<i>20,700</i>	<i>21,660</i>	<i>3,020</i>
<b>EXPENSES</b>					
Gross operating expenses					
Salaries	5,740	5,934	6,116	6,245	311
Depreciation and amortisation	1,260	1,255	1,267	1,273	18
Superannuation	567	576	601	606	31
Services and contracts	1,684	1,725	1,957	1,863	138
Other gross operating expenses	4,745	4,841	4,962	5,748	907
Nominal superannuation interest	294	296	304	242	-54
Other interest	565	646	673	609	-37
Other property expenses	-	-	-	-	-
Current transfers	2,204	2,423	2,481	2,419	-5
Capital transfers	340	333	347	330	-3
<i>Total</i>	<i>17,399</i>	<i>18,029</i>	<i>18,708</i>	<i>19,334</i>	<i>1,306</i>
<b>NET OPERATING BALANCE</b>	<b>1,451</b>	<b>612</b>	<b>1,992</b>	<b>2,326</b>	<b>1,715</b>
<b>NET ACQUISITION OF NON-FINANCIAL ASSETS</b>					
Purchase of non-financial assets	2,881	3,622	3,982	3,557	-64
Sales of non-financial assets	-686	-610	-773	-723	-114
<i>less</i> depreciation	1,260	1,255	1,267	1,273	18
<i>plus</i> change in inventories	56	6	10	374	368
<i>plus</i> other movements in non-financial assets	55	-	46	42	42
<i>Total</i>	<i>1,045</i>	<i>1,763</i>	<i>1,998</i>	<i>1,978</i>	<i>215</i>
<b>NET LENDING/BORROWING</b>	<b>405</b>	<b>-1,152</b>	<b>-6</b>	<b>348</b>	<b>1,500</b>
<b>Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)</b>					
<b>NET OPERATING BALANCE</b>	<b>1,451</b>	<b>612</b>	<b>1,992</b>	<b>2,326</b>	<b>1,715</b>
<i>less</i> provisions for doubtful debts	21	6	6	19	13
<i>plus</i> net gains on assets (including derivatives)	102	78	290	14	-63
<i>plus</i> capitalised interest	4	-	-	9	9
<i>less</i> revaluation of superannuation liabilities	62	-	-	-322	-322
<i>plus</i> valuation changes due to AIFRS implementation <sup>(a)</sup>	-65	-	-	-	-
<i>plus</i> all other adjustments	-144	-	-	329	328
<b>AAS OPERATING RESULT</b>	<b>1,265</b>	<b>683</b>	<b>2,276</b>	<b>2,980</b>	<b>2,297</b>

(a) AAS data for 2004-05 has been adjusted for comparability purposes for the implementation of AIFRS for reporting periods from 2005-06.

Note: Columns may not add due to rounding.



Table 1.8

**TOTAL NON-FINANCIAL PUBLIC SECTOR**  
Balance Sheet at 30 June

	2004-05	2005-06			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>ASSETS</b>					
<i>Financial assets</i>					
Cash and deposits	476	495	442	679	185
Advances paid	481	405	420	425	20
Investments, loans and placements	4,044	2,950	4,799	5,439	2,489
Other non-equity assets	1,763	1,722	1,906	2,234	512
Equity	539	430	793	1,065	636
<i>Total</i>	<i>7,303</i>	<i>6,002</i>	<i>8,360</i>	<i>9,843</i>	<i>3,841</i>
<i>Non-Financial assets</i>					
Land and fixed assets	61,904	61,692	65,862	69,492	7,800
Other non-financial assets	344	394	534	465	70
<i>Total</i>	<i>62,248</i>	<i>62,086</i>	<i>66,396</i>	<i>69,956</i>	<i>7,871</i>
<b>TOTAL ASSETS</b>	<b>69,551</b>	<b>68,087</b>	<b>74,755</b>	<b>79,799</b>	<b>11,712</b>
<b>LIABILITIES</b>					
Deposits held	158	145	159	196	50
Advances received	549	547	536	536	-11
Borrowings	9,035	10,464	10,392	10,052	-412
Unfunded superannuation liabilities	5,743	5,636	5,745	5,610	-26
Other employee entitlements and provisions	1,581	1,572	1,673	2,075	503
Non-equity liabilities	2,273	2,193	2,906	3,390	1,196
<b>TOTAL LIABILITIES</b>	<b>19,339</b>	<b>20,558</b>	<b>21,411</b>	<b>21,858</b>	<b>1,300</b>
<b>NET WORTH</b>	<b>50,212</b>	<b>47,530</b>	<b>53,345</b>	<b>57,941</b>	<b>10,411</b>
Memorandum Item: Net Debt	4,741	7,307	5,426	4,240	-3,067
<b>Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)</b>					
<b>NET WORTH</b>	<b>50,212</b>	<b>47,530</b>	<b>53,345</b>	<b>57,941</b>	<b>10,411</b>
<i>less</i> equity (net worth) of the PFC sector	534	423	788	1,026	603
<i>less</i> provision for doubtful debts	21	-	6	19	19
<i>plus</i> valuation changes due to AIFRS implementation <sup>(a)</sup>	-32	-	-	-	-
<i>less</i> all other adjustments	88	-	88	-235	-235
<b>AAS NET ASSETS</b>	<b>49,538</b>	<b>47,107</b>	<b>52,463</b>	<b>57,130</b>	<b>10,023</b>

(a) AAS data for 2004-05 has been adjusted for comparability purposes for the implementation of AIFRS for reporting periods from 2005-06.

Note: Columns may not add due to rounding.

Table 1.9

**TOTAL NON-FINANCIAL PUBLIC SECTOR**  
Cash Flow Statement

	2004-05	2005-06			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>RECEIPTS FROM OPERATING ACTIVITIES</b>					
Taxes received	4,151	3,837	4,942	4,927	1,090
Receipts from sales of goods and services	6,375	6,023	6,428	7,407	1,384
Grants and subsidies received	6,786	7,007	7,292	7,583	576
Other receipts	2,191	2,380	2,745	2,813	433
<i>Total</i>	<i>19,503</i>	<i>19,248</i>	<i>21,407</i>	<i>22,730</i>	<i>3,483</i>
<b>PAYMENTS FOR OPERATING ACTIVITIES</b>					
Payments for goods and services	-12,986	-13,201	-13,932	-14,469	-1,268
Grants and subsidies paid	-2,362	-2,595	-2,613	-2,527	68
Interest paid	-566	-653	-629	-560	93
Other payments	-1,352	-1,191	-1,355	-1,477	-286
<i>Total</i>	<i>-17,266</i>	<i>-17,640</i>	<i>-18,529</i>	<i>-19,032</i>	<i>-1,392</i>
<b>Net Cash Flow from Operating Activities</b>	<b>2,237</b>	<b>1,608</b>	<b>2,879</b>	<b>3,698</b>	<b>2,090</b>
<b>INVESTMENT IN NON-FINANCIAL ASSETS</b>					
Purchase of non-financial assets	-2,881	-3,622	-3,982	-3,557	64
Sales of non-financial assets	686	610	773	723	114
<i>Total</i>	<i>-2,195</i>	<i>-3,012</i>	<i>-3,209</i>	<i>-2,834</i>	<i>178</i>
<b>INVESTMENT IN FINANCIAL ASSETS</b>					
Policy purposes	-	-	-	-	-
Liquidity purposes	-49	7	-21	51	44
<i>Total</i>	<i>-49</i>	<i>7</i>	<i>-21</i>	<i>50</i>	<i>44</i>
<b>Net Cash Flow from Investing Activities</b>	<b>-2,244</b>	<b>-3,005</b>	<b>-3,230</b>	<b>-2,784</b>	<b>222</b>
<b>FINANCING ACTIVITIES</b>					
Advances received (net)	-12	-13	-13	-14	-1
Borrowings (net)	245	1,318	798	794	-524
Deposits received (net)	-1	-	-	-	-
Distributions paid	-	-	-	-	-
Other financing	10	58	83	78	20
<i>Total</i>	<i>242</i>	<i>1,364</i>	<i>868</i>	<i>858</i>	<i>-506</i>
<i>Opening cash balance</i>	<i>3,249</i>	<i>2,320</i>	<i>3,378</i>	<i>3,483</i>	<i>1,161</i>
<b>NET INCREASE IN CASH HELD <sup>(a)</sup></b>	<b>234</b>	<b>-34</b>	<b>516</b>	<b>1,772</b>	<b>1,806</b>
<i>Closing cash balance</i>	<i>3,483</i>	<i>2,286</i>	<i>3,895</i>	<i>5,255</i>	<i>2,967</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	<i>42</i>	<i>-1,404</i>	<i>-330</i>	<i>864</i>	<i>2,268</i>
<i>less finance leases and similar arrangements</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Surplus</i>	<i>42</i>	<i>-1,404</i>	<i>-330</i>	<i>864</i>	<i>2,268</i>

(a) The GFS concept of net increase in cash held is identical to the AAS 31 concept of net increase in cash held.

Note: Columns may not add due to rounding.

Table 1.10

**PUBLIC FINANCIAL CORPORATIONS**  
Operating Statement

	2004-05	2005-06			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>REVENUE</b>					
Current grants and subsidies	1	1	1	-	-1
Capital grants	-	-	-	-	-
Sales of goods and services	754	610	635	840	230
Interest income	947	975	915	871	-104
Other	6	-	4	-	-
<i>Total</i>	<i>1,709</i>	<i>1,585</i>	<i>1,554</i>	<i>1,711</i>	<i>125</i>
<b>EXPENSES</b>					
Gross operating expenses					
Salaries	20	21	21	20	-1
Depreciation and amortisation	4	7	8	7	-
Superannuation	2	2	2	1	-1
Services and contracts	16	15	12	9	-6
Other gross operating expenses	530	617	594	564	-53
Nominal superannuation interest	-	-	-	-	-
Other interest	888	801	833	810	8
Other property expenses	7	5	7	12	8
Current transfers	3	2	2	2	-
Capital transfers	-	1	-	-	-1
<i>Total</i>	<i>1,470</i>	<i>1,472</i>	<i>1,479</i>	<i>1,426</i>	<i>-45</i>
<b>NET OPERATING BALANCE</b>	<b>239</b>	<b>114</b>	<b>76</b>	<b>284</b>	<b>171</b>
<b>NET ACQUISITION OF NON-FINANCIAL ASSETS</b>					
Purchase of non-financial assets	3	4	5	5	1
Sales of non-financial assets	-1	-1	-	-	1
<i>less</i> depreciation	4	7	8	7	-
<i>plus</i> change in inventories	-	-	-	-	-
<i>plus</i> other movements in non-financial assets	-	-	-	-	-
<i>Total</i>	<i>-1</i>	<i>-5</i>	<i>-3</i>	<i>-3</i>	<i>2</i>
<b>NET LENDING/BORROWING</b>	<b>241</b>	<b>118</b>	<b>78</b>	<b>287</b>	<b>169</b>
<b>Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)</b>					
<b>NET OPERATING BALANCE</b>	<b>239</b>	<b>114</b>	<b>76</b>	<b>284</b>	<b>171</b>
<i>less</i> provisions for doubtful debts	-	-	-	-	-
<i>plus</i> net gains on assets (including derivatives)	-24	-	-	-1	-1
<i>plus</i> capitalised interest	-	-	-	-	-
<i>less</i> revaluation of superannuation liabilities	-5	-	-	-	-
<i>plus</i> valuation changes due to AIFRS implementation <sup>(a)</sup>	-5	-	-	-	-
<i>plus</i> all other adjustments	1	-	-	-	-
<b>AAS OPERATING RESULT</b>	<b>216</b>	<b>113</b>	<b>75</b>	<b>283</b>	<b>170</b>

(a) AAS data for 2004-05 has been adjusted for comparability purposes for the implementation of AIFRS for reporting periods from 2005-06.

Note: Columns may not add due to rounding.

**PUBLIC FINANCIAL CORPORATIONS**  
Balance Sheet at 30 June

	2004-05	2005-06			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>ASSETS</b>					
<i>Financial assets</i>					
Cash and deposits	23	174	19	24	-150
Advances paid	1,682	1,770	1,808	1,604	-167
Investments, loans and placements	13,411	13,920	14,470	13,391	-529
Other non-equity assets	514	446	506	481	35
Equity	960	1,028	1,045	1,085	57
<i>Total</i>	16,590	17,338	17,848	16,584	-754
<i>Non-Financial assets</i>					
Land and fixed assets	363	368	381	421	54
Other non-financial assets	2	24	8	14	-10
<i>Total</i>	365	392	389	435	44
<b>TOTAL ASSETS</b>	16,955	17,730	18,237	17,019	-711
<b>LIABILITIES</b>					
Deposits held	-	-	-	-	-
Advances received	3	3	3	3	-
Borrowings	14,374	15,076	15,369	13,954	-1,122
Unfunded superannuation liabilities	6	11	6	12	1
Other employee entitlements and provisions	6	6	5	5	-
Non-equity liabilities	2,031	2,212	2,066	2,018	-193
<b>TOTAL LIABILITIES</b>	16,421	17,307	17,449	15,993	-1,314
Shares and other contributed capital	-	-	-	-	-
<b>NET WORTH</b>	<b>534</b>	<b>423</b>	<b>788</b>	<b>1,026</b>	<b>603</b>
<i>Memorandum Item: Net Debt</i>	-739	-786	-925	-1,061	-276
<b>Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)</b>					
<b>NET WORTH</b>	<b>534</b>	<b>423</b>	<b>788</b>	<b>1,026</b>	<b>603</b>
<i>plus</i> shares and other contributed capital	-	-	-	-	-
<i>less</i> provision for doubtful debt	-	-	-	-	-
<i>plus</i> valuation changes due to AIFRS implementation <sup>(a)</sup>	4	-	-	-	-
<i>less</i> all other adjustments	-	-	-	-	-
<b>AAS NET ASSETS</b>	<b>538</b>	<b>423</b>	<b>788</b>	<b>1,026</b>	<b>603</b>

(a) AAS data for 2004-05 has been adjusted for comparability purposes for the implementation of AIFRS for reporting periods from 2005-06.

Note: Columns may not add due to rounding.

Table 1.12

**PUBLIC FINANCIAL CORPORATIONS**  
Cash Flow Statement

	2004-05	2005-06			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>RECEIPTS FROM OPERATING ACTIVITIES</b>					
Receipts from sales of goods and services	593	590	602	643	53
Grants and subsidies received	1	1	1	-	-1
Other receipts	962	934	1,000	998	64
<i>Total</i>	<i>1,556</i>	<i>1,525</i>	<i>1,603</i>	<i>1,642</i>	<i>117</i>
<b>PAYMENTS FOR OPERATING ACTIVITIES</b>					
Payments for goods and services	-527	-532	-575	-566	-34
Grants and subsidies paid	-1	-	-	-1	-
Interest paid	-910	-802	-833	-735	66
Other payments	-119	-88	-88	-123	-35
<i>Total</i>	<i>-1,557</i>	<i>-1,421</i>	<i>-1,497</i>	<i>-1,425</i>	<i>-3</i>
<b>Net Cash Flow from Operating Activities</b>	<b>-1</b>	<b>103</b>	<b>106</b>	<b>217</b>	<b>114</b>
<b>INVESTMENT IN NON-FINANCIAL ASSETS</b>					
Purchase of non-financial assets	-3	-4	-5	-5	-1
Sales of non-financial assets	1	1	-	-	-1
<i>Total</i>	<i>-2</i>	<i>-3</i>	<i>-5</i>	<i>-4</i>	<i>-2</i>
<b>INVESTMENT IN FINANCIAL ASSETS</b>					
Policy purposes	-	-	-	-	-
Liquidity purposes	-298	-307	-226	112	420
<i>Total</i>	<i>-298</i>	<i>-307</i>	<i>-226</i>	<i>112</i>	<i>420</i>
<b>Net Cash Flow from Investing Activities</b>	<b>-300</b>	<b>-310</b>	<b>-231</b>	<b>108</b>	<b>418</b>
<b>FINANCING ACTIVITIES</b>					
Advances received (net)	-	-	-	-	-
Borrowings (net)	495	204	128	-1,350	-1,554
Deposits received (net)	-	-	-	-	-
Distributions paid	-7	-5	-7	-12	-8
Other financing	-2	-	-	-	-
<i>Total</i>	<i>486</i>	<i>200</i>	<i>121</i>	<i>-1,362</i>	<i>-1,562</i>
<i>Opening cash balance</i>	<i>2,799</i>	<i>2,790</i>	<i>2,968</i>	<i>1,967</i>	<i>-824</i>
<b>NET INCREASE IN CASH HELD <sup>(a)</sup></b>	<b>185</b>	<b>-7</b>	<b>-4</b>	<b>-1,037</b>	<b>-1,031</b>
Plus changes due to AIFRS implementation <sup>(b)</sup>	-1,017	-	-	-	-
<i>Closing cash balance</i>	<i>1,967</i>	<i>2,784</i>	<i>2,964</i>	<i>930</i>	<i>-1,854</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	<i>-10</i>	<i>96</i>	<i>94</i>	<i>200</i>	<i>104</i>
<i>less finance leases and similar arrangements</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Surplus</i>	<i>-10</i>	<i>96</i>	<i>94</i>	<i>200</i>	<i>104</i>

(a) The GFS concept of net increase in cash held is identical to the AAS 31 concept of net increase in cash held.

(b) AAS data for 2004-05 has been adjusted for comparability purposes for the implementation of AIFRS for reporting periods from 2005-06.

Note: Columns may not add due to rounding.

Table 1.13

**TOTAL PUBLIC SECTOR**  
Operating Statement

	2004-05	2005-06			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>REVENUE</b>					
Taxation	4,139	3,830	4,920	5,001	1,171
Current grants and subsidies	6,468	6,659	6,894	6,890	231
Capital grants	347	347	406	375	28
Sales of goods and services	6,802	6,503	6,777	7,864	1,362
Interest income	592	546	557	527	-18
Royalty income	841	1,140	1,276	1,184	44
Other	618	397	586	732	336
<i>Total</i>	<i>19,807</i>	<i>19,421</i>	<i>21,416</i>	<i>22,575</i>	<i>3,154</i>
<b>EXPENSES</b>					
Gross operating expenses					
Salaries	5,760	5,955	6,137	6,265	310
Depreciation and amortisation	1,264	1,262	1,274	1,280	18
Superannuation	569	578	603	608	30
Services and contracts	1,700	1,740	1,969	1,872	132
Other gross operating expenses	5,136	5,308	5,375	6,157	849
Nominal superannuation interest	294	296	304	242	-54
Other interest	856	800	861	792	-8
Other property expenses	-	-	-	-	-
Current transfers	2,198	2,423	2,477	2,419	-4
Capital transfers	340	334	348	330	-4
<i>Total</i>	<i>18,117</i>	<i>18,696</i>	<i>19,348</i>	<i>19,965</i>	<i>1,268</i>
<b>NET OPERATING BALANCE</b>	<b>1,690</b>	<b>725</b>	<b>2,068</b>	<b>2,610</b>	<b>1,885</b>
<b>NET ACQUISITION OF NON-FINANCIAL ASSETS</b>					
Purchase of non-financial assets	2,883	3,626	3,987	3,562	-63
Sales of non-financial assets	-686	-611	-773	-724	-113
<i>less</i> depreciation	1,264	1,262	1,274	1,280	18
<i>plus</i> change in inventories	56	6	10	374	368
<i>plus</i> other movements in non-financial assets	55	-	46	42	42
<i>Total</i>	<i>1,044</i>	<i>1,758</i>	<i>1,996</i>	<i>1,975</i>	<i>216</i>
<b>NET LENDING/BORROWING</b>	<b>646</b>	<b>-1,033</b>	<b>72</b>	<b>636</b>	<b>1,669</b>
<b>Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)</b>					
<b>NET OPERATING BALANCE</b>	<b>1,690</b>	<b>725</b>	<b>2,068</b>	<b>2,610</b>	<b>1,885</b>
<i>less</i> provisions for doubtful debts	21	7	6	19	13
<i>plus</i> net gains on assets (including derivatives)	78	78	290	14	-64
<i>plus</i> capitalised interest	4	-	-	9	9
<i>less</i> revaluation of superannuation liabilities	58	-	-	-322	-322
<i>plus</i> valuation changes due to AIFRS implementation <sup>(a)</sup>	-69	-	-	-	-
<i>plus</i> all other adjustments	-143	-	-	329	328
<b>AAS OPERATING RESULT</b>	<b>1,482</b>	<b>797</b>	<b>2,351</b>	<b>3,264</b>	<b>2,467</b>

(a) AAS data for 2004-05 has been adjusted for comparability purposes for the implementation of AIFRS for reporting periods from 2005-06.

Note: Columns may not add due to rounding.

Table 1.14

**TOTAL PUBLIC SECTOR**  
Balance Sheet at 30 June

	2004-05	2005-06			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>ASSETS</b>					
<i>Financial assets</i>					
Cash and deposits	499	668	460	702	33
Advances paid	2,159	2,172	2,225	2,025	-147
Investments, loans and placements	6,800	4,710	7,578	7,606	2,896
Other non-equity assets	2,059	1,993	2,177	2,495	502
Equity	965	1,034	1,050	1,124	90
<i>Total</i>	<i>12,482</i>	<i>10,578</i>	<i>13,490</i>	<i>13,952</i>	<i>3,374</i>
<i>Non-Financial assets</i>					
Land and fixed assets	62,266	62,059	66,242	69,913	7,854
Other non-financial assets	346	418	543	478	60
<i>Total</i>	<i>62,612</i>	<i>62,477</i>	<i>66,785</i>	<i>70,392</i>	<i>7,914</i>
<b>TOTAL ASSETS</b>	<b>75,095</b>	<b>73,055</b>	<b>80,275</b>	<b>84,344</b>	<b>11,288</b>
<b>LIABILITIES</b>					
Deposits held	158	145	159	195	50
Advances received	549	547	536	536	-11
Borrowings	12,753	13,379	14,069	12,782	-598
Unfunded superannuation liabilities	5,749	5,647	5,751	5,622	-25
Other employee entitlements and provisions	1,586	1,578	1,679	2,080	502
Non-equity liabilities	4,087	4,230	4,737	5,189	959
<b>TOTAL LIABILITIES</b>	<b>24,882</b>	<b>25,526</b>	<b>26,931</b>	<b>26,403</b>	<b>877</b>
<b>NET WORTH</b>	<b>50,212</b>	<b>47,530</b>	<b>53,345</b>	<b>57,941</b>	<b>10,411</b>
<i>Memorandum Item: Net Debt</i>	<i>4,001</i>	<i>6,521</i>	<i>4,501</i>	<i>3,179</i>	<i>-3,342</i>
<b>Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)</b>					
<b>NET WORTH</b>	<b>50,212</b>	<b>47,530</b>	<b>53,345</b>	<b>57,941</b>	<b>10,411</b>
<i>less</i> provision for doubtful debts	21	-	6	19	19
<i>plus</i> valuation changes due to AIFRS implementation <sup>(a)</sup>	-569	-	-	-	-
<i>less</i> all other adjustments	88	-	88	-235	-235
<b>AAS NET ASSETS</b>	<b>49,535</b>	<b>47,530</b>	<b>53,250</b>	<b>58,156</b>	<b>10,627</b>

(a) AAS data for 2004-05 has been adjusted for comparability purposes for the implementation of AIFRS for reporting periods from 2005-06.

Note: Columns may not add due to rounding.

**TOTAL PUBLIC SECTOR**  
**Cash Flow Statement**

	2004-05	2005-06			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>RECEIPTS FROM OPERATING ACTIVITIES</b>					
Taxes received	4,112	3,801	4,905	4,890	1,089
Receipts from sales of goods and services	6,836	6,475	6,867	7,916	1,441
Grants and subsidies received	6,786	7,007	7,292	7,583	576
Other receipts	2,529	2,624	3,089	3,191	567
<i>Total</i>	<i>20,263</i>	<i>19,906</i>	<i>22,154</i>	<i>23,580</i>	<i>3,674</i>
<b>PAYMENTS FOR OPERATING ACTIVITIES</b>					
Payments for goods and services	-13,381	-13,594	-14,343	-14,900	-1,305
Grants and subsidies paid	-2,362	-2,595	-2,613	-2,527	67
Interest paid	-870	-776	-823	-698	78
Other payments	-1,422	-1,235	-1,398	-1,552	-317
<i>Total</i>	<i>-18,034</i>	<i>-18,200</i>	<i>-19,176</i>	<i>-19,677</i>	<i>-1,477</i>
<b>Net Cash Flow from Operating Activities</b>	<b>2,229</b>	<b>1,706</b>	<b>2,978</b>	<b>3,903</b>	<b>2,196</b>
<b>INVESTMENT IN NON-FINANCIAL ASSETS</b>					
Purchase of non-financial assets	-2,883	-3,626	-3,987	-3,562	63
Sales of non-financial assets	686	611	773	724	113
<i>Total</i>	<i>-2,197</i>	<i>-3,014</i>	<i>-3,214</i>	<i>-2,838</i>	<i>176</i>
<b>INVESTMENT IN FINANCIAL ASSETS</b>					
Policy purposes	-	-	-	-	-
Liquidity purposes	-347	-300	-247	163	463
<i>Total</i>	<i>-347</i>	<i>-300</i>	<i>-247</i>	<i>163</i>	<i>463</i>
<b>Net Cash Flow from Investing Activities</b>	<b>-2,544</b>	<b>-3,315</b>	<b>-3,461</b>	<b>-2,676</b>	<b>639</b>
<b>FINANCING ACTIVITIES</b>					
Advances received (net)	-12	-13	-13	-14	-1
Borrowings (net)	740	1,522	926	-556	-2,078
Deposits received (net)	-1	-	-	-	-
Distributions paid	-	-	-	-	-
Other financing	8	58	83	77	19
<i>Total</i>	<i>735</i>	<i>1,568</i>	<i>996</i>	<i>-492</i>	<i>-2,060</i>
<i>Opening cash balance</i>	<i>6,048</i>	<i>5,110</i>	<i>6,346</i>	<i>5,450</i>	<i>337</i>
<b>NET INCREASE IN CASH HELD</b> <sup>(a)</sup>	<b>419</b>	<b>-41</b>	<b>513</b>	<b>735</b>	<b>776</b>
Plus changes due to AIFRS implementation <sup>(b)</sup>	-1,017	-	-	-	-
<i>Closing cash balance</i>	<i>5,450</i>	<i>5,069</i>	<i>6,859</i>	<i>6,185</i>	<i>1,113</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	<i>32</i>	<i>-1,308</i>	<i>-236</i>	<i>1,064</i>	<i>2,372</i>
<i>less finance leases and similar arrangements</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Surplus</i>	<i>32</i>	<i>-1,308</i>	<i>-236</i>	<i>1,064</i>	<i>2,372</i>

(a) The GFS concept of net increase in cash held is identical to the AAS 31 concept of net increase in cash held.

(b) AAS data for 2004-05 has been adjusted for comparability purposes for the implementation of AIFRS for reporting periods from 2005-06.

Note: Columns may not add due to rounding.



Table 1.16

**SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION**  
General Government

	2004-05	2005-06			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>EXPENSES</b>					
<i>General Public Services</i>	360	499	503	319	-180
Government superannuation benefits	172			163	
Other general public services	188			156	
<i>Public Order and Safety</i>	1,423	1,500	1,550	1,598	98
Police and fire protection services	772			821	
Police services	614			652	
Fire protection services	159			169	
Law courts and legal services	286			358	
Prisons and corrective services	343			395	
Other public order and safety	21			24	
<i>Education</i>	3,646	3,583	3,664	3,777	195
Primary and secondary education	3,066			3,179	
Primary education	1,335			1,385	
Secondary education	968			1,031	
Primary and secondary education nec.	763			763	
Tertiary education	367			363	
University education	18			18	
Technical and further education	348			345	
Tertiary education nec.	-			-	
Pre-school education and education not definable by level	144			149	
Pre-school education	43			48	
Special education	100			101	
Other education not definable by level	-			-	
Transportation of students	69			86	
Transportation of non-urban school children	67			85	
Transportation of other students	2			-	
Education nec.	-			-	
<i>Health</i>	3,196	3,399	3,528	3,527	128
Acute care institutions	2,117			2,269	
Admitted patient services in acute care institutions	1,655			1,754	
Non-admitted patient services in acute care institutions	461			515	
Mental health institutions	105			116	
Nursing homes for the aged	48			46	
Community health services	525			593	
Community mental health	137			158	
Patient transport	48			60	
Other community health services	341			376	
Public health services	120			167	
Pharmaceuticals, medical aids and appliances	172			245	
Health research	16			25	
Health administration nec.	94			68	

Note: Columns may not add due to rounding.

Table 1.16 (cont.)

**SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION**  
General Government

	2004-05	2005-06			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<i>Social Security and Welfare</i>	593	615	614	634	18
Social security	-			-	
Welfare services	593			634	
Family and child welfare services	176			190	
Welfare services for the aged	69			70	
Welfare services for people with a disability	278			299	
Welfare services nec.	71			74	
Social security and welfare nec.	-			-	
<i>Housing and Community Amenities</i>	949	1,049	1,122	1,067	18
Housing and community development	492			545	
Housing	281			280	
Aboriginal community development	19			23	
Other community development	192			242	
Water supply	325			376	
Sanitation and protection of the environment	75			83	
Other community amenities	57			63	
<i>Recreation and Culture</i>	411	425	407	397	-27
Recreation facilities and services	287			275	
National parks and wildlife	147			152	
Recreation facilities and services nec.	139			123	
Cultural facilities and services	124			122	
Broadcasting and film production	-			-	
Recreation and culture nec.	-			-	
<i>Fuel and Energy</i>	90	105	110	107	3
Fuel affairs and services	1			-	
Gas	1			-	
Fuel affairs and services nec.	-			-	
Electricity and other energy	64			82	
Electricity	64			82	
Other energy	-			-	
Fuel and energy nec.	25			25	
<i>Agriculture, Forestry, Fishing and Hunting</i>	305	335	390	388	53
Agriculture	233			313	
Forestry, fishing and hunting	72			75	
<i>Mining and mineral resources other than fuels;   manufacturing; and construction</i>	132	140	142	145	5
Mining and mineral resources other than fuels	94			105	
Manufacturing	21			22	
Construction	17			18	

Note: Columns may not add due to rounding.

Table 1.16 (cont.)

**SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION**  
General Government

	2004-05	2005-06			Variation on Budget \$m (3)-(-1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<i>Transport and Communications</i>	1,183	1,278	1,303	1,298	20
Road transport	742			798	
Road maintenance	334			385	
Road rehabilitation/Aboriginal community road transport service	69			71	
Road construction	209			217	
Road transport nec.	130			125	
Water transport	19			18	
Urban water transport services	-			-	
Other water transport services	19			18	
Rail transport	103			100	
Urban rail transport services	-			-	
Non-urban rail transport freight services	67			58	
Non-urban rail transport passenger services	37			42	
Air transport	3			4	
Pipelines	-			-	
Other transport	313			375	
Multi-mode urban transport	306			375	
Other transport nec.	7			-	
Communications	3			3	
<i>Other Economic Affairs</i>	288	313	348	318	5
Storage, saleyards and markets	-			2	
Tourism and area promotion	93			90	
Labour and employment affairs	188			214	
Vocational training	75			75	
Other labour and employment affairs	113			139	
Other economic affairs	7			11	
<i>Other Purposes</i>	454	457	459	366	-91
Public debt transactions	449			362	
General purpose inter-government transactions	-			-	
Natural disaster relief	5			4	
Other purposes nec.	-			-	
<b>TOTAL EXPENSES</b>	<b>13,030</b>	<b>13,697</b>	<b>14,141</b>	<b>13,942</b>	<b>245</b>
<b>PURCHASES OF NON-FINANCIAL ASSETS</b>					
General public services	115	186	187	207	20
Public order and safety	105	223	206	153	-69
Education	185	208	233	182	-26
Health	182	221	145	154	-66
Social security and welfare	8	18	25	15	-3
Housing and community amenities	77	79	80	66	-12
Recreation and culture	59	51	59	49	-2
Fuel and energy	1	17	10	5	-12
Agriculture, forestry, fishing and hunting	24	16	22	16	-
Mining and mineral resources (other than fuels), manufacturing and construction	3	9	12	3	-6
Transport and communications	321	235	381	299	64
Other economic affairs	13	24	22	12	-12
Other purposes	-	-	-	-	-
<b>TOTAL PURCHASES OF NON-FINANCIAL ASSETS</b>	<b>1,092</b>	<b>1,285</b>	<b>1,381</b>	<b>1,161</b>	<b>-124</b>

Note: Columns may not add due to rounding.

**LOAN COUNCIL ALLOCATIONS <sup>(a)</sup>**  
Western Australia

	2005-06			<i>Variation on Budget \$m (3)-(1)</i>
	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
General Government Deficit	-69	-1,463	-2,301	-2,232
Public Non-financial Corporations' Net Financing Requirement	1,474	1,794	1,437	-36
Net Capital Advances	-	-	-	-
Adjustments	-	-1	-	-
<i>Total Non-financial Public Sector Deficit</i>	<i>1,404</i>	<i>330</i>	<i>-864</i>	<i>-2,268</i>
<i>Memorandum Items <sup>(b)</sup></i>	<i>-102</i>	<i>-188</i>	<i>-222</i>	<i>-119</i>
<b>Loan Council Allocations</b>	<b>1,302</b>	<b>142</b>	<b>-1,086</b>	<b>-2,387</b>

(a) The deficit/surplus data quoted here are consistent with the treatment of net capital advances paid (e.g. loans to private schools) as outlays. This is consistent with Loan Council treatment but differs from the GFS treatment used in the rest of this document (which treats net capital advances as financing transactions).

(b) Memorandum items are used to adjust the ABS deficit/surplus to include in LCAs certain transactions (e.g. operating leases) that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. Where appropriate, they are also used to deduct from the deficit/surplus certain transactions that Loan Council has agreed should not be included in LCAs (e.g. the funding of more than emerging costs under public superannuation schemes).

Note: Columns may not add due to rounding.

## Loan Council Allocations

The Australian Loan Council oversees State, Territory and Commonwealth governments' public sector borrowings using a system of Loan Council Allocations (LCAs). LCAs are based on net borrowings as indicated by a government's deficit position<sup>1</sup>.

Western Australia achieved a \$1.1 billion LCA surplus for 2005-06. This \$2.4 billion turnaround on the \$1.3 billion LCA deficit projected at the time of the 2005-06 Budget is largely attributable to the impact on the general government cash surplus of those issues discussed in Chapter 1.

<sup>1</sup> For the purposes of LCAs, deficits are positive and surpluses are negative.

## APPENDIX 2

# General Government Operating Revenue

This appendix contains general government revenue estimates and results for 2005-06 on an accrual GFS basis.

Table 2.1

**OPERATING REVENUE**  
General Government

	2004-05	2005-06			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>TAXATION</b>					
Taxes on employers' payroll and labour force					
<i>Payroll tax</i>	1,211	1,242	1,351	1,355	113
Property taxes					
<i>Land tax</i>	315	320	320	313	-7
Conveyances and transfers	1,218	1,002	1,833	1,906	904
Mortgages	140	109	171	173	64
Other stamp duties	36	31	36	33	2
<i>Total stamp duties on financial and capital transactions</i>	1,394	1,142	2,040	2,113	970
Debits Tax	100	8	8	8	-
<i>Total financial institutions taxes</i>	100	8	8	8	-
Metropolitan Region Improvement Tax	47	54	54	53	-1
Emergency Services Levy	119	129	129	130	2
Loan guarantee fees	10	12	12	13	1
<i>Total other property taxes</i>	176	194	195	197	2
Taxes on provision of goods and services					
Lotteries Commission	98	98	101	102	4
less rebates	-21	-22	-22	-22	-
Video lottery terminals	-	1	1	-	-
Casino Tax	52	52	57	59	7
less rebates	-28	-28	-32	-30	-2
TAB betting tax	59	56	62	64	8
less rebates	-25	-27	-27	-27	-
<i>Total taxes on gambling</i>	134	129	139	146	17
Stamp duty on insurance policies	280	295	303	296	1
Other	19	22	23	30	8
<i>Total taxes on insurance</i>	299	317	326	326	10
Taxes on use of goods and performance of activities					
Stamp duty on vehicle licences	303	299	351	342	44
Permits – oversize vehicles and loads	3	2	3	3	1
Motor vehicle recording fee	37	30	30	30	-
Motor vehicle registrations	341	312	338	361	49
<i>Total motor vehicle taxes</i>	684	642	722	736	94
<b>Total Taxation</b>	<b>4,314</b>	<b>3,995</b>	<b>5,100</b>	<b>5,195</b>	<b>1,200</b>

Note: Columns may not add due to rounding.

Table 2.1 (cont)

**OPERATING REVENUE**  
General Government

	2004-05	2005-06			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>CURRENT GRANTS AND SUBSIDIES</b>					
<i>General Purpose Grants</i>					
GST revenue grants <sup>(a)</sup>	3,646	3,820	3,766	3,816	-3
Competition reform	54	39	71	67	27
<i>Specific Purpose Grants to the State</i>					
Australian Health Care Agreement	796	818	821	817	-1
Other health	285	263	265	282	19
Schools assistance – government schools	218	231	256	281	51
Vocational training	91	94	95	96	2
Roads	32	33	37	27	-6
Other	171	181	223	180	-1
<i>Specific Purpose Grants through the State</i>					
Schools assistance – non-government schools	493	490	480	526	36
Local government grants	105	109	111	111	2
Local government roads	72	75	76	76	1
Other	-	-	17	-	-
<i>Other Grants</i>					
North West Shelf royalties	506	505	675	610	105
<b>Total Current Grants and Subsidies</b>	<b>6,468</b>	<b>6,659</b>	<b>6,894</b>	<b>6,890</b>	<b>231</b>
<b>CAPITAL GRANTS</b>					
<i>Specific Purpose Grants to the State</i>					
Roads	73	67	100	83	16
Schools assistance – government schools	26	26	30	30	4
Vocational training	20	18	18	16	-2
Other	218	225	233	229	3
<i>Specific Purpose Grants through the State</i>					
Schools assistance – non-government schools	11	10	25	18	7
<b>Total Capital Grants</b>	<b>347</b>	<b>347</b>	<b>406</b>	<b>375</b>	<b>28</b>

(a) Includes compensation for GST deferred as a result of the Commonwealth's decision to allow extended payment arrangements for some taxpayers (mainly small businesses).

Note: Columns may not add due to rounding.

Table 2.1 (cont)

**OPERATING REVENUE**  
General Government

	2004-05	2005-06			<i>Variation on Budget \$m (3)-(1)</i>
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<b>SALES OF GOODS AND SERVICES</b>					
Department for Planning and Infrastructure	98	115	123	107	-8
Department of Health	177	172	221	243	71
Department of Education and Training	127	134	129	127	-7
TAFE Colleges	78	81	80	78	-3
Department of Land Information	75	63	72	82	19
Departments of the Attorney General/Corrective Services	57	54	57	67	13
Department of Conservation and Land Management	36	29	34	38	9
Department of Consumer and Employment Protection	28	23	26	30	7
Department of Fisheries	24	23	23	24	-
Department of Culture and the Arts	21	18	18	21	3
Police Service	17	16	16	20	4
All Other	244	215	228	279	64
<b>Total Sale of Goods and Services</b>	<b>982</b>	<b>943</b>	<b>1,027</b>	<b>1,115</b>	<b>172</b>
<b>INTEREST INCOME</b>	<b>142</b>	<b>146</b>	<b>195</b>	<b>170</b>	<b>24</b>
<b>REVENUE FROM PUBLIC CORPORATIONS</b>					
Dividends	468	463	536	534	70
Tax Equivalent Regime	292	245	296	304	59
<b>Total Revenue from Public Corporations</b>	<b>760</b>	<b>708</b>	<b>832</b>	<b>838</b>	<b>129</b>
<b>ROYALTY INCOME</b>					
Revenue from Territorial	864	1,153	1,298	1,205	51
less petroleum and other refunds	-23	-13	-23	-20	-7
<b>Total Royalty Income</b>	<b>841</b>	<b>1,140</b>	<b>1,276</b>	<b>1,184</b>	<b>44</b>
<b>OTHER</b>					
Lease rentals	50	43	65	63	20
Fines	88	79	83	114	35
Revenue not elsewhere counted	230	159	246	263	104
<b>Total Other</b>	<b>368</b>	<b>281</b>	<b>394</b>	<b>440</b>	<b>159</b>
<b>GRAND TOTAL</b>	<b>14,222</b>	<b>14,218</b>	<b>16,123</b>	<b>16,207</b>	<b>1,988</b>

Note: Columns may not add due to rounding.



## Policy Decisions Affecting Spending

This appendix provides an agency breakdown of variations in general government expenses and total public sector capital spending since the 2005-06 Budget cut-off date (26 April 2005) due to policy decisions of the Government (see table below).

The policy decisions underlying these data have been discussed in detail in related publications released since the 2005-06 Budget, including:

- Appendix 3 of the 2005-06 *Government Mid-year Financial Projections Statement*, released on 21 December 2005; and
- Chapter 3 of the 2006-07 Budget Paper No. 3: *Economic and Fiscal Outlook*, presented to Parliament on 11 May 2006.

Since the 18 April 2006 cut-off date for the 2006-07 Budget, the Government has made one further policy decision affecting spending in 2005-06. This was approval to upgrade the Wiluna wastewater scheme to ensure health and environmental standards are met at this facility. Works include the relocation of the treatment ponds currently situated close to town residents. Total capital expenditure approved for this project was \$4.2 million, with \$0.5 million of fixed asset spending allocated to 2005-06, to be spent by the Water Corporation.

Table 3.1

**SPENDING POLICY DECISIONS TAKEN SINCE  
THE 2005-06 BUDGET**

<b>GENERAL GOVERNMENT EXPENSES</b>	<b>\$m</b>
Agriculture and Food	1.6
Attorney General	2.5
Auditor General	0.6
Community Development	1.0
Conservation and Land Management	2.6
Consumer and Employment Protection	4.1
Corrective Services	3.3
Culture and the Arts	0.6
Curriculum Council	0.8
Director of Public Prosecutions	5.0
Education and Training	19.7
Energy	3.0
Environment	1.1
Fire and Emergency Services Authority	0.6
Gascoyne Development Commission	0.1
Health	3.2
Heritage Council of Western Australia	0.6
Housing and Works	3.3
Indigenous Affairs	0.2
Industry and Resources	3.5
Inspector of Custodial Services	0.1
Legal Aid Commission	1.0
Main Roads	9.6
Mid-West Development Commission	1.5
Pilbara Development Commission	0.4
Planning and Infrastructure	8.3
Police Service	5.4
Premier and Cabinet	17.8
Salaries and Allowances Tribunal	0.1
Treasury and Finance <sup>(a)</sup>	9.7
Water and Rivers Commission	1.6
Western Australian Electoral Commission	0.3
Western Australian Tourism Commission	0.5
<b>TOTAL EXPENSE POLICY DECISIONS</b>	<b>113.6</b>
<b>TOTAL PUBLIC SECTOR PURCHASE OF NON-FINANCIAL ASSETS</b>	
Broome Port Authority	0.5
Corrective Services	4.9
Director of Public Prosecutions	0.4
Education and Training	2.0
Fire and Emergency Services Authority	0.4
Geraldton Port Authority	10.5
Lotteries Commission	2.5
Main Roads	3.5
Perth Market Authority	2.3
Planning and Infrastructure	3.8
Police Service	5.4
Premier and Cabinet	0.8
Public Transport Authority	4.0
Water Corporation	3.5
Western Australian Land Authority	69.9
<b>TOTAL PURCHASE OF NON-FINANCIAL ASSETS</b>	<b>114.4</b>

(a) Includes the operations of the Consolidated Fund, such as subsidies for public corporations.

Note: Columns may not add due to rounding.

# Monthly and Quarterly Financial Results - June 2005-06

This appendix completes the monthly and quarterly GFS series for the 2005-06 year.

June monthly and quarterly data presented in this appendix are subject to year-end reclassifications by agencies submitting source data, and contain re-estimates of year-end accruals which may differ from accruals estimated through the year. Accordingly, monthly and quarterly outcomes for June 2006 may include one-off movements in accrual items relative to previous reports, to move them into line with final outcomes.

It should be noted that monthly and quarterly data for the June 2005 comparatives have been adjusted since their release in the 2004-05 *Government Financial Results Report* (GFRR) following finalisation of audited 2004-05 data after the GFRR release in September 2005. The adjusted data for June 2005 are not materially different to that published in the 2004-05 GFRR.

## **General Government**

### ***Month of June 2006***

An operating surplus of \$427 million was recorded by the general government sector for the month of June 2006, compared to a surplus of \$12 million for June 2005.

Revenue for the month of June 2006 totalled \$1,828 million, up \$401 million from June 2005. The increase primarily reflects:

- a change in the State's dividend revenue recognition policy following the introduction of Australian equivalents to International Financial Reporting Standards (AIRFS) in 2005-06 (up \$295 million)<sup>1</sup>;
- higher taxation revenue (up \$101 million), reflecting the impact of wages growth and property market activity on payroll tax and conveyance duty; and
- higher 'other' revenue (up \$80 million) due mainly to land resumed from the Town of Cambridge for the redevelopment of Perry Lakes.

These increases were partially offset by lower Commonwealth grants (down \$151 million) due mainly to the timing of grants to the education, health and agriculture sectors.

Totalling \$1,401 million, expenses for the month of June 2006 were very similar to June 2005 (\$1,415 million), with the impact of a lower than expected actuarial valuation for nominal superannuation interest costs broadly offset by increased salaries expenses.

A cash surplus of \$595 million was recorded for the month of June 2006 compared to a \$264 million surplus in June 2005. The June 2006 surplus comprises a \$762 million net cash inflow from operating activities (up from \$400 million in June 2005) and a net cash outflow from capital investment of \$166 million (up from \$136 million in June 2005).

### ***Three Months to 30 June 2006***

The general government sector recorded a \$757 million operating surplus for the three months to 30 June 2006, compared with a \$253 million surplus for the same period in 2004-05.

Revenue for the three months to 30 June 2006 totalled \$4,409 million, up \$701 million (or 18.9%) compared with the same period the previous year. This reflects similar factors to those discussed in the monthly variance above.

Expenses for the three months to 30 June 2006 totalled \$3,652 million, up \$197 million (or 5.7%) compared to the same period last year. This is primarily due to:

- higher salaries (up \$124 million) mainly reflecting cost and demand driven increases in the health, education and training, and law and order sectors; and
- higher current and capital transfers (up \$108 million) due mainly to higher appropriation funding to the Public Transport Authority, higher local government road funding on-passed from the Commonwealth, and higher Community Service Obligation payments to public corporations.

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<sup>1</sup> Under AIFRS, dividends can only be recognised when they are declared and approved. Under the monthly accounting policy in prior years dividends were accrued uniformly throughout the year. Most agencies subject to dividend arrangement declare interim dividends during the second half of the financial year (with substantial amounts declared during June). These declarations may be adjusted as a final dividend after 30 June once end of year accounts are finalised. The move to AIFRS recognises this timing in dividend declarations.

A cash surplus of \$900 million was recorded for the June 2006 quarter, comprising a net cash inflow from operating activities of \$1,278 million (up substantially from \$557 million in the same period the previous year) and a net cash outflow from capital investment of \$379 million (up from \$244 million in the June 2005 quarter).

## **Total Public Sector**

### ***Three Months to 30 June 2006***

The total public sector recorded a \$311 million operating surplus for the June 2006 quarter, compared to the \$250 million operating surplus for the same quarter in the previous year. Revenue totalled \$5,784 million, up \$578 million on the same period in 2004-05 and broadly similar to the \$518 million increase in expenses. This reflects the quarterly factors impacting the general government sector noted above, together with the impact of higher gold prices on the sale and purchase of gold investments by Gold Corporation.

A cash surplus of \$208 million was recorded for the three months to 30 June 2006, a turnaround on the deficit recorded for the same period the previous year. This included a net cash inflow from operating activities of \$1,117 million (up substantially from \$292 million in the June 2005 quarter) and a net cash outflow from capital investment of \$909 million (up from \$736 million in the same period the previous year).

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Table 4.1

**GENERAL GOVERNMENT**  
Operating Statement

	2005-06			2004-05 <sup>(a)</sup>		
	Month of June \$m	Three Months to 30 June \$m	Actual \$m	Month of June \$m	Three Months to 30 June \$m	Actual \$m
<b>REVENUE</b>						
Taxation	449	1,276	5,195	348	1,007	4,314
Current grants and subsidies	446	1,667	6,890	618	1,764	6,468
Capital grants	57	128	375	36	84	347
Sales of goods and services	118	305	1,115	108	273	982
Interest income	17	50	170	14	36	142
Revenue from public corporations						
Dividends	339	376	534	44	108	468
Tax equivalent payments	53	103	304	34	64	292
Royalty income	233	341	1,184	188	291	841
Other	115	164	440	35	81	368
<b>Total</b>	<b>1,828</b>	<b>4,409</b>	<b>16,207</b>	<b>1,427</b>	<b>3,708</b>	<b>14,222</b>
<b>EXPENSES</b>						
Gross operating expenses						
Salaries	617	1,551	5,694	544	1,427	5,253
Depreciation and amortisation	70	166	591	127	214	607
Superannuation	85	174	557	67	152	519
Services and contracts	164	410	1,367	162	356	1,263
Other gross operating expenses	217	508	1,876	193	496	1,730
Nominal superannuation interest	-36	14	242	33	81	294
Other interest	9	27	120	17	36	155
Other property expenses	-	-	-	-	-	-
Current transfers	209	649	3,007	239	586	2,728
Capital transfers	66	153	487	34	108	482
<b>Total</b>	<b>1,401</b>	<b>3,652</b>	<b>13,942</b>	<b>1,415</b>	<b>3,455</b>	<b>13,030</b>
<b>NET OPERATING BALANCE</b>	<b>427</b>	<b>757</b>	<b>2,265</b>	<b>12</b>	<b>253</b>	<b>1,192</b>
<b>NET ACQUISITION OF NON-FINANCIAL ASSETS</b>						
Purchase of non-financial assets	-	434	1,161	-	331	1,092
Sales of non-financial assets	-	-56	-203	-	-87	-253
less depreciation	-	166	591	-	214	607
plus change in inventories	-	-2	-	-	1	2
other movements in non-financial assets	-	54	51	-	1	59
<b>Total</b>	<b>-</b>	<b>265</b>	<b>419</b>	<b>-</b>	<b>32</b>	<b>293</b>
<b>NET LENDING/BORROWING</b>	<b>-</b>	<b>492</b>	<b>1,846</b>	<b>-</b>	<b>220</b>	<b>899</b>
<b>Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)</b>						
<b>NET OPERATING BALANCE</b>	<b>-</b>	<b>757</b>	<b>2,265</b>	<b>-</b>	<b>253</b>	<b>1,192</b>
less provisions for doubtful debts	-	18	18	-	15	15
plus net gains on assets (including derivatives)	-	-31	6	-	6	24
plus capitalised interest	-	-	-	-	-	-
less revaluation of superannuation liabilities	-	-335	-335	-	131	131
plus valuation changes due to AIFRS implementation <sup>(b)</sup>	-	-	-	-	-160	-126
plus all other adjustments	-	329	329	-	-95	-130
<b>AAS OPERATING RESULT</b>	<b>-</b>	<b>1,371</b>	<b>2,916</b>	<b>-</b>	<b>-143</b>	<b>813</b>

(a) Comparative monthly and quarterly data for June 2005, and for the full year 2004-05 results, have been amended following finalisation of audited data underlying these results, last published in the 2004-05 GFRR.

(b) AAS data for 2004-05 has been adjusted for comparability purposes for the implementation of AIFRS for reporting periods from 2005-06.

Note: Columns may not add due to rounding.

Table 4.2

**GENERAL GOVERNMENT**  
Cash Flow Statement

	2005-06			2004-05 <sup>(a)</sup>		
	Month of June \$m	Three Months to 30 June \$m	Actual \$m	Month of June \$m	Three Months to 30 June \$m	Actual \$m
<b>RECEIPTS FROM OPERATING ACTIVITIES</b>						
Taxes received	559	1,363	5,119	445	1,093	4,328
Receipts from sales of goods and services	138	323	1,194	-5	282	1,031
Grants and subsidies received	836	2,120	7,583	629	1,816	6,786
Other receipts	701	1,021	3,094	591	886	2,481
<i>Total</i>	<i>2,234</i>	<i>4,828</i>	<i>16,990</i>	<i>1,660</i>	<i>4,076</i>	<i>14,626</i>
<b>PAYMENTS FOR OPERATING ACTIVITIES</b>						
Payments for goods and services	-973	-2,463	-9,538	-773	-2,560	-9,002
Grants and subsidies paid	-365	-790	-3,207	-350	-695	-2,966
Interest paid	-24	-44	-122	-37	-52	-162
Other payments	-111	-253	-864	-101	-211	-798
<i>Total</i>	<i>-1,473</i>	<i>-3,550</i>	<i>-13,730</i>	<i>-1,261</i>	<i>-3,519</i>	<i>-12,928</i>
<b>Cash Flow from Operating Activities</b>	<b>762</b>	<b>1,278</b>	<b>3,260</b>	<b>400</b>	<b>557</b>	<b>1,698</b>
<b>INVESTMENT IN NON-FINANCIAL ASSETS</b>						
Purchase of non-financial assets	-186	-434	-1,161	-181	-331	-1,092
Sales of non-financial assets	20	56	203	45	87	253
<i>Total</i>	<i>-166</i>	<i>-379</i>	<i>-958</i>	<i>-136</i>	<i>-244</i>	<i>-839</i>
<b>INVESTMENT IN FINANCIAL ASSETS</b>						
Policy purposes	-12	-57	-488	-28	-29	-122
Liquidity purposes	11	38	74	112	112	-62
<i>Total</i>	<i>-2</i>	<i>-19</i>	<i>-415</i>	<i>84</i>	<i>83</i>	<i>-184</i>
<b>Cash Flow from Investing Activities</b>	<b>-168</b>	<b>-397</b>	<b>-1,373</b>	<b>-52</b>	<b>-161</b>	<b>-1,022</b>
<b>FINANCING ACTIVITIES</b>						
Advances received (net)	-	-	-1	-	-	-
Borrowings (net)	73	-71	-286	-3	-45	-395
Deposits received (net)	-1	-	-	2	2	-1
Distributions paid	-	-	-	-	-	-
Other financing	-25	-22	-12	-96	-100	-100
<b>Cash Flow from Financing Activities</b>	<b>47</b>	<b>-92</b>	<b>-300</b>	<b>-97</b>	<b>-143</b>	<b>-496</b>
<i>Opening cash balance</i>	<i>3,821</i>	<i>3,673</i>	<i>2,875</i>	<i>2,625</i>	<i>2,622</i>	<i>2,695</i>
<b>NET INCREASE IN CASH HELD</b>	<b>641</b>	<b>789</b>	<b>1,587</b>	<b>250</b>	<b>253</b>	<b>180</b>
<i>Closing cash balance</i>	<i>4,462</i>	<i>4,462</i>	<i>4,462</i>	<i>2,875</i>	<i>2,875</i>	<i>2,875</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	<i>595</i>	<i>900</i>	<i>2,301</i>	<i>264</i>	<i>313</i>	<i>859</i>
<i>less finance leases and similar arrangements</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Surplus</b>	<b>595</b>	<b>900</b>	<b>2,301</b>	<b>264</b>	<b>313</b>	<b>859</b>

(a) Comparative monthly and quarterly data for June 2005, and for the full year 2004-05 results, have been amended following finalisation of audited data underlying these results, last published in the 2004-05 GFRR.

Note: Columns may not add due to rounding.

Table 4.3

**GENERAL GOVERNMENT**  
Taxation Revenue

	2005-06			2004-05		
	Month of June \$m	Three Months to 30 June \$m	Actual \$m	Month of June \$m	Three Months to 30 June \$m	Actual \$m
<b>TAXATION</b>						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	124	352	1,355	100	301	1,211
Property taxes						
<i>Land tax</i>	1	1	313	-1	-	315
Conveyances and transfers	185	542	1,906	116	327	1,218
Mortgages	19	49	173	15	42	140
Other stamp duties	3	9	33	2	8	36
<i>Total stamp duties on financial and capital transactions</i>	208	600	2,113	133	378	1,394
Debits Tax	-	-	8	8	26	100
<i>Total financial institutions taxes</i>	-	-	8	8	26	100
Metropolitan Region Improvement Tax	-	-	53	-	-	47
Emergency Services Levy	-	7	130	-	6	119
Loan guarantee fees	1	3	13	1	3	10
<i>Total other property taxes</i>	1	10	197	1	8	176
Taxes on provision of goods and services						
Lotteries Commission	10	27	102	10	26	98
less rebates	-2	-5	-22	-2	-5	-21
Video lottery terminals	-	-	-	-	-	-
Casino Tax	5	15	59	4	13	52
less rebates	-2	-7	-30	-2	-7	-28
TAB betting tax	5	16	64	6	15	59
less rebates	-2	-7	-27	-2	-6	-25
<i>Total taxes on gambling</i>	15	38	146	16	36	134
Stamp duty on insurance policies	24	69	296	23	66	280
Other	4	8	30	-1	1	19
<i>Total taxes on insurance</i>	29	77	326	22	66	299
Taxes on use of goods and performance of activities						
Stamp duty on vehicle licences	34	93	342	31	85	303
Permits - oversize vehicles and loads	1	1	3	1	1	3
Motor vehicle recording fee	3	8	30	2	6	37
Motor vehicle registrations	35	95	361	34	99	341
<i>Total motor vehicle taxes</i>	72	197	736	69	191	684
<b>Total Taxation</b>	<b>449</b>	<b>1,276</b>	<b>5,195</b>	<b>348</b>	<b>1,007</b>	<b>4,314</b>

Note: Columns may not add due to rounding.



Table 4.4

**TOTAL PUBLIC SECTOR**  
Operating Statement

	2005-06		2004-05 <sup>(a)</sup>	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
<b>REVENUE</b>				
Taxation	1,225	5,001	963	4,139
Current grants and subsidies	1,668	6,890	1,764	6,468
Capital grants	128	375	84	347
Sales of goods and services	2,081	7,864	1,782	6,802
Interest income	99	527	141	592
Royalty income	341	1,184	291	841
Other	241	732	179	618
<i>Total</i>	<b>5,784</b>	<b>22,575</b>	<b>5,206</b>	<b>19,807</b>
<b>EXPENSES</b>				
Gross operating expenses				
Salaries	1,708	6,265	1,562	5,760
Depreciation and amortisation	366	1,280	393	1,264
Superannuation	185	608	166	569
Services and contracts	553	1,872	518	1,700
Other	1,803	6,157	1,454	5,136
Nominal superannuation interest	14	242	81	294
Other interest	223	792	211	856
Other property expenses	-	-	-	-
Current transfers	498	2,419	487	2,198
Capital transfers	122	330	83	340
<i>Total</i>	<b>5,473</b>	<b>19,965</b>	<b>4,955</b>	<b>18,117</b>
<b>NET OPERATING BALANCE</b>	<b>311</b>	<b>2,610</b>	<b>250</b>	<b>1,690</b>
<b>NET ACQUISITION OF NON-FINANCIAL ASSETS</b>				
Purchase of non-financial assets	1,240	3,562	954	2,883
Sales of non-financial assets	-331	-724	-219	-686
less depreciation	366	1,280	393	1,264
plus change in inventories	112	374	-413	56
plus other movements in non-financial assets	51	42	-	55
<i>Total</i>	<b>706</b>	<b>1,975</b>	<b>-71</b>	<b>1,044</b>
<b>NET LENDING/BORROWING</b>	<b>-394</b>	<b>636</b>	<b>321</b>	<b>646</b>
<b>Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)</b>				
<b>NET OPERATING BALANCE</b>	<b>311</b>	<b>2,610</b>	<b>250</b>	<b>1,690</b>
less provisions for doubtful debts	18	19	15	21
plus net gains on assets (including derivatives)	-60	14	33	78
plus capitalised interest	4	9	1	4
less revaluation of superannuation liabilities	-322	-322	58	58
plus valuation changes due to AIFRS implementation <sup>(b)</sup>	-	-	-102	-69
plus all other adjustments	329	329	-102	-143
<b>AAS OPERATING RESULT</b>	<b>886</b>	<b>3,264</b>	<b>8</b>	<b>1,482</b>

(a) Comparative monthly and quarterly data for June 2005, and for the full year 2004-05 results, have been amended following finalisation of audited data underlying these results, last published in the 2004-05 GFRR.

(b) AAS data for 2004-05 has been adjusted for comparability purposes for the implementation of AIFRS for reporting periods from 2005-06.

Note: Columns may not add due to rounding.

Table 4.5

**TOTAL PUBLIC SECTOR**  
**Cash Flow Statement**

	2005-06		2004-05 <sup>(a)</sup>	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
<b>RECEIPTS FROM OPERATING ACTIVITIES</b>				
Taxes received	1,236	4,890	973	4,112
Receipts from sales of goods and services	2,157	7,916	1,852	6,836
Grants and subsidies received	2,120	7,583	1,816	6,786
Other receipts	858	3,191	583	2,529
<i>Total</i>	<i>6,371</i>	<i>23,580</i>	<i>5,223</i>	<i>20,263</i>
<b>PAYMENTS FOR OPERATING ACTIVITIES</b>				
Payments for goods and services	-3,985	-14,900	-3,740	-13,381
Grants and subsidies paid	-517	-2,527	-527	-2,362
Interest paid	-290	-698	-285	-870
Other payments	-461	-1,552	-379	-1,422
<i>Total</i>	<i>-5,254</i>	<i>-19,677</i>	<i>-4,931</i>	<i>-18,034</i>
<b>Net Cash Flow from Operating Activities</b>	<b>1,117</b>	<b>3,903</b>	<b>292</b>	<b>2,229</b>
<b>INVESTMENT IN NON-FINANCIAL ASSETS</b>				
Purchase of non-financial assets	-1,240	-3,562	-954	-2,883
Sales of non-financial assets	331	724	219	686
<i>Total</i>	<i>-909</i>	<i>-2,838</i>	<i>-736</i>	<i>-2,197</i>
<b>INVESTMENT IN FINANCIAL ASSETS</b>				
Policy purposes	-	-	-	-
Liquidity purposes	236	163	7	-347
<i>Total</i>	<i>236</i>	<i>163</i>	<i>8</i>	<i>-347</i>
<b>Net Cash Flow from Investing Activities</b>	<b>-673</b>	<b>-2,676</b>	<b>-728</b>	<b>-2,544</b>
<b>FINANCING ACTIVITIES</b>				
Advances received (net)	-13	-14	-12	-12
Borrowings (net)	-535	-556	366	740
Deposits received (net)	-	-	2	-1
Distributions paid	-	-	-	-
Other financing	-76	77	-67	8
<i>Total</i>	<i>-623</i>	<i>-492</i>	<i>288</i>	<i>735</i>
<i>Opening cash balance</i>	<i>6,364</i>	<i>5,450</i>	<i>5,598</i>	<i>6,048</i>
<b>NET INCREASE IN CASH HELD</b>	<b>-179</b>	<b>735</b>	<b>-148</b>	<b>419</b>
Plus changes due to AIFRS implementation <sup>(b)</sup>	-	-	-	-1,017
<i>Closing cash balance</i>	<i>6,185</i>	<i>6,185</i>	<i>5,450</i>	<i>5,450</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	<i>208</i>	<i>1,064</i>	<i>-444</i>	<i>32</i>
<i>less finance leases and similar arrangements</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Surplus</b>	<b>208</b>	<b>1,064</b>	<b>-444</b>	<b>32</b>

(a) Comparative monthly and quarterly data for June 2005, and for the full year 2004-05 results, have been amended following finalisation of audited data underlying these results, last published in the 2004-05 GFRR.

(b) AAS data for 2004-05 has been adjusted for comparability purposes for the implementation of AIFRS for reporting periods from 2005-06.

Note: Columns may not add due to rounding.

# Consolidated Financial Statements

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## Introduction

Financial information presented in this appendix is prepared in accordance with Australian Accounting Standards (AAS), which include Australian equivalents to International Financial Reporting Standards (AIFRS).

The presentation of information in this appendix differs from the statistical aggregates presented in Chapters 1 and 2, and in Appendices 1, 2, 3 and 4, which are based on Government Finance Statistics (GFS) concepts that are consistent with the Uniform Presentation Framework arrangements applying to all State, Territory and Commonwealth public sector financial disclosures.

Although accrual accounting principles are applied under both the AAS and GFS, and both series share similar terminology in many instances, several GFS definition, measurement, classification and presentation principles and rules differ from those under AAS.

Accordingly, the AAS information in this appendix is not always directly comparable to the GFS statistical presentations disclosed elsewhere in this report.

A reconciliation, by sector, is provided between key operating statement and balance sheet aggregates in the relevant statistical tables in Appendix 1.

Table 5.1

**CONSOLIDATED INCOME STATEMENT<sup>(a)</sup>**  
For the year ended 30 June 2006

	Note	2006 \$m	2005 \$m
<b>INCOME</b>			
Taxation	6	4,891	4,031
Territorial revenue	7	1,878	1,419
Regulatory fees and fines		486	419
Sale of goods and services	8	6,881	5,984
Grants and subsidies	9	7,089	6,398
Interest revenue		527	473
Other revenue	10, 11	1,787	1,576
<b>TOTAL INCOME</b>		<b>23,540</b>	<b>20,301</b>
<b>EXPENSES</b>			
Supplies and services		3,217	1,990
Employee benefits	12	6,986	7,078
Finance costs	13	783	863
Depreciation, amortisation and impairment	14	1,287	1,220
Grants and subsidies		2,846	2,734
Other expenses	11, 15	5,158	4,934
<b>TOTAL EXPENSES</b>		<b>20,277</b>	<b>18,819</b>
<b>SURPLUS FOR THE PERIOD</b>		<b>3,264</b>	<b>1,482</b>

(a) The accompanying notes form part of these financial statements.

**CONSOLIDATED BALANCE SHEET<sup>(a)</sup>**  
As at 30 June 2006

Table 5.2

	Note	2006 \$m	2005 \$m
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		702	656
Inventories	16	990	553
Receivables	17	2,412	1,797
Other financial assets	18	7,243	6,176
Biological assets	19	62	35
Non-current assets classified as held for sale	20	71	40
Other non-financial assets	21	96	75
<b>Total current assets</b>		<b>11,576</b>	<b>9,332</b>
<b>NON-CURRENT ASSETS</b>			
Inventories	16	766	722
Receivables	17	293	327
Land	22	26,125	22,733
Buildings	23	11,167	10,450
Infrastructure	24	23,970	22,526
Plant, equipment and other	25, 26	6,357	4,483
Biological assets	19	306	311
Intangible assets	27	212	157
Other financial assets	18	3,289	3,600
Other non-financial assets	21	80	82
<b>Total non-current assets</b>		<b>72,566</b>	<b>65,391</b>
<b>TOTAL ASSETS</b>		<b>84,142</b>	<b>74,723</b>
<b>CURRENT LIABILITIES</b>			
Payables		1,156	699
Borrowings	28	5,270	5,066
Provisions	29	1,429	1,173
Other liabilities	30	1,371	1,370
<b>Total current liabilities</b>		<b>9,226</b>	<b>8,308</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	28	8,902	8,820
Provisions	29	6,267	6,561
Other liabilities	30	1,591	1,499
<b>Total non-current liabilities</b>		<b>16,760</b>	<b>16,880</b>
<b>TOTAL LIABILITIES</b>		<b>25,986</b>	<b>25,188</b>
<b>NET ASSETS</b>		<b>58,156</b>	<b>49,535</b>
<b>EQUITY</b>			
Accumulated funds		21,774	17,836
Reserves		36,382	31,699
<b>TOTAL EQUITY</b>		<b>58,156</b>	<b>49,535</b>

(a) The accompanying notes form part of these financial statements.

Table 5.3

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY<sup>(a)</sup>**

For the year ended 30 June 2006

	Note	2006 \$m	2005 \$m
<b>BALANCE OF EQUITY AT START OF PERIOD</b>		<b>49,535</b>	<b>43,376</b>
<b>ACCUMULATED FUNDS</b>			
Balance at start of period		17,836	15,238
Net adjustment on adoption of AASB 132, AASB 139, and AASB 1023		(103)	-
Changes in accounting policy (transfer from reserves)		534	768
<b>Restated balance at start of period</b>		<b>18,268</b>	<b>16,005</b>
Surplus for the period		3,264	1,482
Gains/(losses) recognised directly in equity		242	349
<b>Balance at end of period</b>		<b>21,774</b>	<b>17,836</b>
<b>RESERVES</b>			
Balance at start of period		31,699	28,138
Changes in accounting policy (transfer to accumulated funds)		(534)	(768)
<b>Restated balance at start of period</b>		<b>31,164</b>	<b>27,370</b>
Gains from asset revaluation			
Land		3,271	2,282
Buildings		473	1,311
Infrastructure		820	713
Plant, equipment and other		655	22
<b>Balance at end of period</b>		<b>36,382</b>	<b>31,699</b>
<b>BALANCE OF EQUITY AT END OF PERIOD</b>	40	<b>58,156</b>	<b>49,535</b>
Total income and expense for the period <sup>(b)</sup>		8,725	6,159

(a) The accompanying notes form part of these financial statements.

(b) The aggregated net amount attributable to each category of equity is: surplus \$3,264 million (2005: \$1,482 million) plus gains recognised directly in equity \$242 million (2005: \$349 million) plus gains from asset revaluation \$5,219 million (2005: \$4,328).



**CONSOLIDATED CASH FLOW STATEMENT<sup>(a)</sup>**

Table 5.4

For the year ended 30 June 2006

	Note	2006 \$m	2005 \$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Receipts</i>			
Taxation		4,766	4,005
Territorial revenue		1,800	1,306
Regulatory fees and fines		479	418
Sale of goods and services		6,681	5,807
Grants and subsidies received		7,079	6,373
Interest received		182	156
GST receipts on sales		472	403
GST receipts from taxation authority		639	566
Other receipts		1,057	854
<i>Payments</i>			
Salaries, wages and other benefits		(6,213)	(5,831)
Superannuation paid		(879)	(830)
Finance cost paid		(52)	(44)
Grants and subsidies paid		(2,825)	(2,670)
GST payments on purchases		(1,032)	(902)
GST payments to taxation authority		(117)	(150)
Contract services paid		(1,738)	(1,583)
Other payments		(5,797)	(4,870)
<b>Net cash flows from operating activities</b>	31	<b>4,502</b>	<b>3,008</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Proceeds from sale of non-current physical assets		266	227
Purchase of non-current physical assets		(3,355)	(2,678)
Proceeds from sale of investments		261	256
Purchase of investments		(223)	(263)
Other receipts		(2)	37
Other payments		(63)	(35)
<b>Net cash flows used in investing activities</b>		<b>(3,117)</b>	<b>(2,456)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		-	1
Repayment of borrowings		(14)	(17)
Other proceeds		153	263
Other repayments		(65)	(139)
<b>Net cash flows from financing activities</b>		<b>75</b>	<b>109</b>
NET CASH INFLOWS (OUTFLOWS) FROM PUBLIC FINANCIAL CORPORATIONS	32	(726)	(1,264)
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<b>734</b>	<b>(604)</b>
CASH ASSETS AT THE BEGINNING OF PERIOD		4,261	4,865
<b>CASH ASSETS AT THE END OF PERIOD</b>	33	<b>4,995</b>	<b>4,261</b>

(a) The accompanying notes form part of these financial statements.

## Notes to the Consolidated Financial Statements

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### **NOTE 1: MISSION STATEMENT - THE GOVERNMENT OF WESTERN AUSTRALIA**

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The Government of Western Australia (the reporting entity hereafter referred to as 'the public sector') was effectively created by the *Western Australian Constitution Act 1889*.

The Executive Council is the governing body responsible for the control and management of the operations, affairs, concerns and property of the public sector. The Executive Council consists of the Governor, the Premier, and Ministers of the Crown, and is hereafter referred to as 'the Government'.

The principal office of the Government is situated at Parliament House, Harvest Terrace, West Perth, Western Australia.

The Government's mission is to provide the best opportunities for current and future generations to live better, longer and healthier lives, through the provision of better services, jobs and economic development, protecting and enhancing Western Australia's lifestyle and environment, ensuring regional Western Australia is strong and vibrant, and developing a skilled, diverse and ethical public sector.

The public sector is a not-for-profit entity funded primarily through Commonwealth grants, State taxation and territorial (mining) revenue.

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### **NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)**

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The Australian Accounting Standards Board (AASB) adopted the Standards of the International Accounting Standards Board (IASB) for application to reporting periods beginning on or after 1 January 2005 by issuing Australian equivalents to International Financial Reporting Standards (AIFRS) which comprise a Framework for the Preparation and Presentation of Financial Statements, Australian Accounting Standards (AAS) and the Urgent Issues Group (UIG) Interpretations.

These are the first consolidated financial statements prepared on an AIFRS basis by the Government of Western Australia. The date of transition was 1 July 2004 and the consolidated financial statements have been prepared in accordance with *AASB 1 First-time adoption of Australian Equivalents to International Financial Reporting Standards*.

Existing AASB standards that have no AIFRS equivalent will continue to apply, including in particular *AAS 31 Financial Reporting by Governments*.

The consolidated financial statements have been prepared as if the new standards always applied. All changes in the accounting policies under AIFRS have been made in accordance with the transitional provisions in the respective standards.

All standards adopted by the public sector reporting entity require retrospective application except the following:

*AASB 132 Financial Instruments: Disclosure and Presentation;*

*AASB 139 Financial Instruments: Recognition and Measurement;* and

*AASB 1023 General Insurance Contracts.*

In accordance with the options provided by AASB 1.36A, financial instrument information (prepared under AASB 132 and AASB 139) and insurance contract information (prepared under AASB 1023) has a transition date of 1 July 2005. Consequently, comparative AIFRS Balance Sheet information relating to this information is presented on the previous Australian Generally Accepted Accounting Principles (AGAAP).

A summary of significant accounting policies under AIFRS is disclosed in Note 4 below.

An explanation of how the transition to AIFRS has affected the reported Balance Sheet and Income Statement is provided in Note 40. Note 40 includes reconciliations of total equity and the net result for comparative periods reported under previous AGAAP to those reported under AIFRS.

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### **NOTE 3: STATEMENT OF COMPLIANCE**

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The consolidated financial statements comply with AAS, which include AIFRS. A statement of compliance with International Financial Reporting Standards (IFRS) cannot be made due to the application of not-for-profit entity requirements contained in AIFRS (no equivalent standard exists in IFRS).

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### **NOTE 4: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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#### **(a) General Statement**

The financial statements constitute a general purpose financial report.

The financial statements are required for the *Annual Report on State Finances* under section 14A of the *Government Financial Responsibility Act 2000* (GFRA) and the regulations of that Act.

## **(b) Reporting Entity**

The reporting entity is the Government of Western Australia (the public sector) and includes entities under its control. These entities are referred to as agencies in these financial statements and are detailed in Note 39.

The control of an agency by the Government is taken to exist where the:

- agency is accountable to the Government;
- Government, through the public sector, has a residual financial interest in the net assets of that agency; and
- Government has the power to govern the financial and operating policies of an agency so as to obtain benefit from its activities.

Where control of an agency is obtained during a financial year, results are included in the Income Statement from the date on which control commenced. Where control of an agency ceased during a financial year, results are included for that part of the year for which control existed.

Specific details of agencies controlled by the Government and consolidated in the public sector are shown in Note 39. A detailed list of other entities, not included in the consolidated financial statements, is also shown in Note 39.

Most agencies have 30 June reporting dates. Where agencies have reporting dates other than 30 June, the data incorporated in this appendix are based on either:

- management accounts to 30 June; or
- the latest financial statements.

The use of management financial data or the latest financial statement does not have a material effect on these consolidated financial statements.

## **(c) Basis of Preparation**

The financial statements have been prepared in accordance with applicable AAS, which includes AIFRS, in particular AAS 31 *Financial Reporting by Governments*, UIG Interpretations and other authoritative pronouncements of the AASB.

The Balance Sheet and Income Statement have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, modified by the revaluation of land, buildings, infrastructure and biological assets and defined benefit superannuation obligations which have been measured at fair value, except where stated.

The accounting policies applied in the preparation of the financial statements have been consistently applied throughout all periods presented except that AASB 132, AASB 139 and AASB 1023 will not be applied retrospectively, in accordance with the option provided by AASB 1.36A.

Assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured.

The public sector has elected to early adopt the following standards for the annual reporting period beginning 1 July 2005:

- AASB 139 (amendment) *The Fair Value Option*;
- AASB 119 (December 2004 and amendments) *Employee Benefits*; and
- UIG 4 *Determining whether an Arrangement contains a Lease*.

Accounting policies are selected and applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability. The judgements that have been made in the process of applying AIFRS accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed, where applicable, in the relevant notes to the financial statements.

In the preparation of the consolidated financial statements, public sector entities are required to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements and the reported revenue and costs during the reported period.

On an ongoing basis, the public sector and its controlled entities evaluate estimates and judgments in relation to assets, liabilities, contingent liabilities, revenue and costs, based on historical experience and on various other factors (such as discount rates used in estimating provisions and estimating the useful life of key assets) that are believed to be reasonable under the circumstance, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Contingent liabilities are not recognised in the Balance Sheet but are discussed in the relevant notes to the consolidated financial statements. They may arise through uncertainty as to the existence, settlement or measurement of a liability or asset and are recognised once this uncertainty is removed.

The consolidated financial statements are presented in Australian dollars and all amounts are rounded to the nearest million dollars. As a consequence, columns may not add due to rounding.

#### (d) **Basis of Consolidation**

The consolidated financial statements of the reporting entity includes the assets and the liabilities of the public sector and its controlled agencies at the end of the financial year and the revenue and expenses of the public sector and its controlled agencies during the year.

The consolidated financial statements includes the information and results of each controlled agency from the date on which the Government obtained control and until such time as the Government ceased to control the agency.

For the purposes of reporting the public sector as a single economic entity, all material transactions and balances and unrealised gains between Government controlled agencies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, the accounting policies and reporting periods of controlled agencies have been aligned with those adopted by the public sector as a whole, to achieve consistency. This approach has not materially affected the income and expenses or the assets and liabilities at the reporting date.

#### (e) **Income Recognition**

##### **Revenue**

Revenue is measured at the fair value of the consideration received or receivable net of the amount of goods and services tax payable and net of discounts, rebates, concessions and allowances.

The policies adopted for the recognition of significant categories of revenue are as follows.

##### **Taxation revenue**

Revenue is recognised at the time when tax payments are due and payable, according to taxation law or upon issue of an assessment. The basis of recognition for each major type of taxation revenue, is as follows:

<b>Major Type of Taxation Revenue</b>	<b>Basis of Revenue Recognition</b>
Stamp duty	On receipt of cash (self-assessment method), plus on the issue of an assessment.
Payroll tax and betting taxes	On receipt of cash (self-assessment method), plus on the issue of an assessment to amend self-assessed liability.
Land tax	On issue of assessment.
Motor vehicle and drivers licences	On receipt of cash.

**Territorial revenue**

Mineral and petroleum royalties from companies operating under government legislation are recognised on an accrual basis in accordance with the substance of the relative agreements considering the base on which the royalty is calculated. Under current systems, the base can be production, royalty value, net cash flows or profit.

**Regulatory fees and fines**

Revenue is predominantly received in the form of various registration and licence fees and fines. Revenue is recognised on receipt of cash.

**Sale of goods and services**

Revenue from the sale of goods is recognised (net of returns, discounts, rebates, concessions and allowances) when control of the goods and the significant risks and benefits incidental to ownership have passed to the buyer.

Revenue from rendering of services is recognised upon delivery of the service or on a stage of completion basis. The stage of completion is determined according to the proportion that the contract costs incurred for work performed to-date bear to the estimated total contract costs.

**Grants and subsidies revenue**

Revenue from Commonwealth and other grant contributions, whether for recurrent operational or for capital purposes, are recognised as revenues in the period in which the Government gains control over the assets, which is usually when cash is received.

Where grant contributions recognised as revenue during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of, and amounts pertaining to, those undischarged conditions are disclosed in the notes.

**Interest revenue**

Interest revenue is accrued on a time-proportion basis, by reference to the principal outstanding and taking into account the effective yield on the financial asset.

**Rent revenue**

Revenue from rent generated under an operating lease is recognised on a straight-line basis over the term of the relevant rental lease term.

**Gains**

Gains may be realised or unrealised and are usually recognised on a net basis.

The policies adopted for the recognition of significant categories of gains are as follows.

*Realised gains on disposal of non-current assets*

Gains arising on the disposal or retirement of a non-current asset are recognised when control of the asset and the significant risks and benefits incidental to ownership have passed to the buyer.

*Unrealised gains associated with held-for-trading marketable equity securities*

Gains arising from changes in fair value are recognised in the Income Statement for financial assets.

**(f) Expense Recognition**

Expenses are recognised when incurred and are reported in the financial year to which they relate. The policies adopted for the recognition of significant categories of expenses are as follows.

**Depreciation, amortisation and impairment losses**

Depreciation of non-financial physical assets (excluding inventories) is generally provided on a straight-line basis at rates based on the expected useful lives of those assets. The expected useful life for each class of depreciable asset is provided at Note 4(g).

Amortisation is provided on leasehold improvements, intangible assets and on assets held under finance leases and is calculated on a straight-line basis, generally over the expected useful lives.

Impairment losses are recognised as an expense in the Income Statement when an asset's carrying amount exceeds its recoverable amount (unless it is related to a revalued asset where the value changes are recognised directly in equity).

**Grants and subsidies expenses**

Grants and subsidies, which fall under the public sector's funding arrangements with non-government organisations for the delivery of services, are recognised as an expense to the extent that:

- the service required to be performed by the grantee has been performed; or
- the grant eligibility criteria have been satisfied, but payments due have not been made.

**Superannuation expense**

The superannuation expense of the defined benefit plans is made up of the following elements:

- current service cost, interest cost (unwinding of discount), past service cost and the expected return on plan assets; and



- actuarial gains or losses relating to 'experience' adjustments and changes in actuarial assumptions.

Actuarial gains and losses of the defined benefit plans are recognised immediately as income or expense in the Income Statement.

The superannuation expense of the defined contribution plans is recognised as and when the contributions fall due.

### **Borrowing costs**

Borrowing costs for qualifying assets are capitalised net of any investment income earned on the unexpended portion of the borrowings. Other borrowing costs are expensed when incurred.

## **(g) Property, Plant and Equipment and Infrastructure**

### **Initial recognition and measurement**

All items of property, plant and equipment and infrastructure are initially recognised at cost.

### **Subsequent recognition and measurement**

After initial recognition, the public sector has adopted the following measurement models:

<b>Class of Asset</b>	<b>Subsequent Measurement</b>
Land (including land under roads)	Fair value
Buildings	Fair value less accumulated depreciation and accumulated impairment losses
Infrastructure – road network	Fair value less accumulated depreciation and accumulated impairment losses
Infrastructure – water storage and distribution	Cost less accumulated depreciation and accumulated impairment losses
– electricity generation and transmission	
– other	
Plant, equipment and other	Cost less accumulated depreciation and accumulated impairment losses

### **Land**

Land (excluding improvements) is valued at either:

- current market buying price, taking into account the nature of the parcel, any legal restriction on use, the opportunities for or impediments to development that are inherent to the specific parcel of land, any other constraints that exist in respect of that land and any special attributes that the land may possess (value in use); or
- current market value (selling price) based on its feasible alternative use taking account of the cost of achieving the alternative use.

The fair value of land under roads (i.e. land within road reserves) is based on the market value of the land adjoining the road reserve by geographic locations as follows:

- metropolitan area – median value for single residential land for each local government area. Land parcels up to 899 square metres are assumed to have a single residential zoning;
- South West region – nominal unimproved valuation rates covering the south west of the State from Geraldton to Esperance; and
- balance of State – nominal unimproved valuation rates based on leasehold rates for Crown land.

Land valuations are provided by the Department of Land Information (DLI), as at 1 July annually.

The fair value of buildings is based on current market buying values determined by reference to recent market transactions. Where market evidence is not available, the fair value of buildings is determined on the basis of existing use where buildings are specialised. Fair value for existing use assets is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset (i.e. the depreciated replacement cost).

Building valuations are provided by DLI, and by other independent professional valuers, with sufficient regularity, such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. Valuations are obtained at least every three to five years.

The fair value of Infrastructure – Road Network, is measured as the current depreciated replacement cost (existing use basis) as the assets are specialised and no market evidence of value is available. The replacement cost is determined by Main Roads every three years by reference to the cost of a new asset and adjusted in the intervening years by reference to a cost index (ABS Road and Bridge Construction Cost Index). The value of roads and principal shared paths (earthworks, drainage, pavements and seals), bridges and road furniture at 30 June 2006 is based on the current depreciated replacement cost determined at 30 June 2005 by Main Roads and a cost index (ABS Road and Bridge Construction Cost Index) has been applied to ensure asset values do not materially differ from fair value.

Buildings and infrastructure in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the asset is ready for their intended use.

Plant, equipment and other assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Art collections and artefacts classified as heritage assets are stated at fair value. The revaluation of art works and artefacts is an independent valuation, provided by independent professional valuers, by reference to the current replacement cost as the assets are specialised and no market evidence of value is available.

### Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is generally calculated using the straight-line method (as adjusted for any impairment), using rates which are reviewed annually.

The following are the expected useful lives for each class of depreciable asset in both the current and prior years:

Class of Asset	Depreciation Years
<i>Buildings</i>	20 – 50 years
<i>Infrastructure – Road network</i>	
Roads	40 – 50 years
Bridges	60 – 100 years
Earthworks	Up to 173 years
<i>Infrastructure – Water, storage and distribution</i>	
Pipelines and fittings	30 – 110 years
Dams and reservoirs	30 – 120 years
Drains and channels	20 – 150 years
<i>Infrastructure – Electricity generation and transmission</i>	
Electricity generation and transmission	20 – 45 years
<i>Infrastructure – Other</i>	
Harbour and ports	40 – 100 years
Forestry	20 years
Plant, equipment and other	5 – 15 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

### (h) Private Sector Financed Infrastructure Assets (Service Concession Arrangements)

Certain private sector financed infrastructure arrangements provide for a private sector entity to design, construct, operate and maintain certain infrastructure assets for a specified concession period, after which the infrastructure is transferred back to the private sector.

There is currently no AAS or Interpretation that specifically addresses the accounting for private sector financed infrastructure assets.

Pending the development of an accounting model applicable to assets used to provide public services under Service Concession Arrangements, the interest of the public sector in such arrangements is recognised as an asset, being the emerging interest in the remaining service potential to be transferred. The emerging interest is recognised from the date of completion of construction and valued by reference to the written down value of the right to receive of the asset at the date of transfer.

### **(i) Biological Assets**

Biological assets in the form of standing trees in native and plantation forests are shown in the Balance Sheet at fair value less estimated point-of-sale costs at harvest. Standing trees are physically attached to land located within forest plantations and are recognised and measured separately from land.

The fair value of the biological asset is measured as the present value of expected net cash flows of the harvest based on the productive forestland, discounted at a current market-determined pre-tax rate.

Gains or losses arising from changes in the fair value of standing trees, (usually as a result of harvesting), are taken to account as gains/losses in the Income Statement.

### **(j) Intangible Assets**

Acquired and internally developed intangible assets are initially measured at cost. The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

The carrying value of intangible assets is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Amortisation is calculated for the period of the expected benefit (estimated useful life) on the straight-line basis using rates, which are reviewed annually. All intangible assets controlled by the Government have a finite useful life and zero residual value.

Expected useful lives for each class of intangible asset are:

<b>Class of Intangible</b>	<b>Amortisation Years</b>
Software	3 to 5 years
Other	3 to 5 years

**(k) Impairment of Assets**

Property, plant and equipment, infrastructure and intangible assets are tested for any indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount of the asset is estimated. Where the recoverable amount is less than the carrying amount, the asset is written down to the recoverable amount and an impairment loss is recognised. As the public sector is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated or where the replacement cost is falling. Each relevant class of asset is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

Intangible assets not yet available for use or with an indefinite useful life are tested for impairment each reporting period irrespective of whether there is any indication of impairment. Tests are undertaken at each reporting date.

**(l) Non-Current Assets Held for Sale**

Non-current assets held for sale are recognised at the lower of carrying amount and fair value less costs to sell and are presented separately from other assets in the Balance Sheet. These assets are not depreciated or amortised while they are classified as held for sale.

**(m) Leases**

Finance lease rights and obligations are initially recognised, at the commencement of the lease term as assets and liabilities at amounts equal to the fair value of the leased item or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

The assets are disclosed as holdings, infrastructure and/or property, plant and equipment (as applicable), and depreciated over the estimated useful life of the assets.

Lease payments are apportioned between finance charges and reduction of the outstanding lease liability according to the interest rate implicit in the lease. Finance charges are taken to account as finance costs expense in the Income Statement.

**(n) Cash and Cash Equivalents**

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise restricted cash and cash equivalents. These include cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

**(o) Inventories**

Inventories are measured at the lower of cost and net realisable value. Costs are assigned using the weighted average cost or the 'first in first out' method.

Inventories consisting of land held for development and resale are valued at the lower of cost and net realisable value. Costs include the cost of acquisition and development.

Inventories held for distribution are measured at the lower of cost and current replacement cost.

Inventories not held for resale are valued at cost unless they are no longer required, in which case they are valued at net realisable value.

**(p) Financial Instruments**

Financial assets and liabilities are recognised on the Balance Sheet when the public sector becomes a party to the contractual provisions of the financial instrument. The following categories will transition on 1 July 2005 (in accordance with the option provided by AASB 1.36A), and consequently the financial instrument comparative information is presented on the previous AGAAP basis:

- cash and cash equivalents;
- loans and receivables;
- held-for-trading financial assets;
- available for sale financial assets with quoted market price in an active market;
- available for sale without quoted market price in an active market;
- trading financial liabilities;
- non-trading financial liabilities; and
- derivatives.

**Fair Value of Financial Instruments**

The fair value of financial instruments is determined based on quoted market prices, where available, or on estimates using present values or other valuation techniques. These techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Where market prices are not readily available, fair value is either based on estimates obtained from independent experts or quoted market prices of comparable instruments. The principal methods and assumptions used in estimating the fair value of the following financial instruments are:

**Receivables**

Receivables are recognised and carried at original invoice amount less any provision for uncollectible amounts (impairment). The collectibility of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off. The provision for uncollectible amount (doubtful debts) is based on objective evidence of impairment. The carrying amount is equivalent to fair value, as it is due for settlement within 30 days. Receivables do not carry any interest.

**Investments**

Investments in controlled agencies are recorded at cost. The carrying amounts of investments at cost are reviewed annually for impairment. The recoverable amount is assessed from the underlying net assets and the expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Investments are classified as an available-for-sale investment if that asset can be revalued to fair value where an active market exists. For available-for-sale investments at fair value, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the Income Statement for the period.

Other investments are also classified as an available-for-sale investment but are stated at cost where an active market does not exist or when fair value cannot otherwise be determined. For available-for-sale investments at cost, the gains and losses are recognised directly in the Income Statement on disposal or if determined to be impaired.

Dividend revenue is recognised in the Income Statement when the right to receive payment is established.

**Loans and Advances**

Loans and advances are recognised at the original loan and advance amount at cost less principal repayments and any appropriate allowances and provision for uncollectible amounts (impairment).

Interest revenue is accrued on a time basis, by reference to the principal outstanding and using the effective interest rate yield method.

### **Payables**

Payables are recognised when the public sector becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as they are settled within 30 days. Accounts payable are not interest bearing.

### **Borrowings**

Borrowings are predominantly conducted by the Western Australian Treasury Corporation (WATC) which operates within the capital markets as the central financing authority of the public sector. Exposure to market risk for changes in interest rates relates primarily to long-term debt obligations. The risk is managed by WATC through portfolio diversification and maturity spread.

All borrowings are initially recognised at cost, being the fair value of the net proceeds received.

Subsequent fair value measurements are based upon the market value of current lending rates for similar borrowings with remaining maturities consistent with the debt being valued. Unrealised gains or losses arising from changes in fair value are recognised in the Income Statement.

### **Derivatives**

The public sector does not speculate on trading of derivatives, but uses appropriate hedging strategies to limit any material currency risk and interest rate risk. Derivatives are used exclusively to hedge interest rate and foreign currency exposures.

All derivative financial instruments are recognised in the Balance Sheet and measured at fair value. The fair values for derivative financial instruments are obtained from quoted market prices. Application of hedge accounting will only be available where specific designation and effectiveness criteria are satisfied. Where hedge accounting cannot be achieved for on-going risk mitigation activity, the changes in the fair value of derivative financial instruments are recognised in the Income Statement as they arise.

## **(q) Foreign Currency**

Transactions in currencies other than Australian dollars are recorded at the rates of exchange prevailing on the settlement date of the transactions. At each Balance Sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

In order to hedge its exposure to certain foreign exchange risks, the public sector enters into forward contracts and options (see *Derivatives* for details of the public sector accounting policies in respect of such derivatives financial instruments).



## (r) Provisions

Provisions are liabilities of uncertain timing and amounts and are recognised where there is a present legal or equitable or constructive obligation as a result of a past event and when the outflow of economic benefits is probable and can be measured reliably. Provisions are reviewed at each Balance Sheet reporting date.

### **Provisions – Employee Benefits**

#### *Annual Leave and Long Service Leave*

The liability for annual leave and long service leave that will fall due within 12 months after the end of the reporting date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled. Annual leave and long service leave that will fall due more than 12 months after the end of the reporting date is recognised and measured at the present value of amounts expected to be paid when the liabilities are to be settled. Leave liabilities are in respect of services provided by employees up to the reporting date.

When assessing expected future payments, consideration is given to expected future wage and salary levels including non-salary components such as superannuation contributions. In addition, the long service leave liability also considers experience of employee departures and periods of service.

The expected future payments are discounted using market yields at the reporting date on Commonwealth Government bonds with terms to maturity that match the estimated future cash flows.

All annual leave and unconditional long service leave provisions are classified as current liabilities.

#### *Other Compensated Absences*

Sick leave is recognised as an expense when paid. A liability for non-vesting sick leave has not been recognised because experience has indicated that it is improbable that existing accumulated benefits will be used by employees, and this experience is expected to occur in future reporting periods.

#### *Superannuation*

The public sector provides superannuation benefits under two types of schemes, defined benefit plans and defined contribution plans.

The Government Employees Superannuation Board (GESB) in accordance with legislative requirements administers the following State plans:

1. Defined Benefit Plans

- Pension Scheme
- Judges' Pension Scheme
- Parliamentary Superannuation Scheme
- Gold State Superannuation Scheme

2. Defined Contribution Plan – West State Superannuation Scheme

The defined benefit plans are superannuation plans that define the benefit amount that an employee will be entitled to receive upon retirement taking into account expected future salary increases and other actuarial assumptions such as mortality and retirement rates. Defined benefit plan contributions are calculated based upon regulatory requirements and/or plan terms. The defined benefit obligations and the related services costs are determined separately for each plan at each reporting date by a qualified actuary, using the Projected Unit Credit method.

The expected future payments are discounted using market yields at the reporting date on Commonwealth Government bonds with a weighted average term consistent with that of the defined benefit obligation.

The public sector has elected to early adopt the revised AASB 119 (Dec. 2004), effective from 1 July 2005. Actuarial gains and losses attributable to defined benefits superannuation plans are to be immediately recognised in the Income Statement.

The amounts recognised in the Balance Sheet represent the present value of the defined benefit obligations, reduced by the fair value of the plan assets. The assets of these plans are held separately from the public sector's general assets.

The defined contribution plan is a superannuation plan in which the employer pays a defined contribution amount into a separate fund. Contributions to defined contribution plans are charged to the Income Statement as incurred. The public sector has no further obligation to the plan if there are insufficient assets to pay employees the benefits relating to their services rendered in current and prior periods except for the unfunded portion of the West State Superannuation Scheme, which is being amortised (funded) over 20 years.

See also Note 4(f), Superannuation Expense.

**Provisions – Other***Employment On-costs*

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are not included as part of the employee benefits expense and the related on-cost liability is recognised separately from the employee benefit provision.

*Decommissioning, Restoration and Rehabilitation*

A provision is recognised where the public sector has a legal or equitable or constructive obligation in respect of plant decommissioning, restoration and site rehabilitation works. Estimates are based on the present value of expected future cash outflows.

**(s) Comparatives**

Comparative information has been restated, with the exception of the requirements of AASB 139 *Financial Instruments Recognition and Measurement* which is only applicable from 1 July 2005.

The Balance Sheet, Income Statement and Cash Flow Statement for the year ended 30 June 2005 have been restated on an AIFRS basis. Financial instrument comparative information is presented on the previous AGAAP basis.

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**NOTE 5: DISAGGREGATED INFORMATION**


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**(a) Australian Bureau of Statistics Classification of Agencies into Sectors**

The public sector economic entity includes agencies classified into general government, public non-financial corporation and public financial corporation sectors in accordance with the Australian Bureau of Statistics (ABS) coverage for GFS. Details of the agencies falling into each classification are provided in Note 39, Composition of Sectors.

**General government sector**

The general government sector comprises public sector agencies that are engaged mainly in the production of goods and services outside the normal market mechanism, or that provide for the transfer of income for public policy purposes. Costs are financed predominantly from public revenue.

**Public non-financial corporation sector**

The public non-financial corporation sector comprises those non-financial public sector agencies engaged mainly in the production of goods and services for sale in the market and whose objective is to recover at least a significant proportion of operating costs through charges for their goods and services.

**Public financial corporation sector**

The public financial corporation sector comprises those public sector agencies engaged primarily in financial activities, such as providing banking and insurance services.

**(b) Information by Sectors**

Revenue, expenses, assets and liabilities that are reliably attributable to each of the above sectors are set out in the following tables. For the purpose of this disclosure, effects of transactions and balances between sectors have not been eliminated, but those between agencies within each sector have been eliminated.

Table 5.5

**DISAGGREGATED INFORMATION**  
Income Statement for the year ended 30 June 2006

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Consolidated Whole-of-government	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>INCOME</b>										
Taxation	5,016	4,145	-	-	-	-	(125)	(114)	4,891	4,031
Territorial revenue	1,878	1,419	-	-	-	-	-	-	1,878	1,419
Regulatory fees and fines	488	418	1	1	-	-	(3)	-	486	419
Sale of goods and services	547	540	6,109	5,258	470	469	(244)	(283)	6,881	5,984
Grants and subsidies	6,946	6,265	255	216	-	1	(111)	(84)	7,089	6,398
Interest revenue	145	117	149	142	871	829	(638)	(615)	527	473
Tax equivalents	315	295	-	-	-	-	(315)	(295)	-	-
Dividends	534	437	-	-	-	-	(534)	(437)	-	-
Other revenue	706	722	2,019	1,659	370	290	(1,307)	(1,094)	1,787	1,576
<b>TOTAL INCOME</b>	<b>16,574</b>	<b>14,358</b>	<b>8,533</b>	<b>7,276</b>	<b>1,711</b>	<b>1,589</b>	<b>(3,277)</b>	<b>(2,921)</b>	<b>23,540</b>	<b>20,301</b>
<b>EXPENSES</b>										
Supplies and services	181	236	3,036	1,754	-	-	-	-	3,217	1,990
Employee Benefits	6,383	6,612	646	500	22	18	(66)	(52)	6,986	7,078
Finance costs	96	130	516	461	810	888	(638)	(616)	783	863
Depreciation and amortisation	592	570	687	643	7	8	-	(1)	1,287	1,220
Grants and subsidies	2,411	2,361	546	460	-	1	(111)	(88)	2,846	2,734
Tax equivalents	-	-	300	287	8	4	(308)	(291)	-	-
Dividends	-	-	529	434	5	4	(534)	(438)	-	-
Other expenses	3,996	3,636	2,207	2,285	576	450	(1,620)	(1,435)	5,158	4,934
<b>TOTAL EXPENSES</b>	<b>13,658</b>	<b>13,545</b>	<b>8,468</b>	<b>6,824</b>	<b>1,428</b>	<b>1,373</b>	<b>(3,277)</b>	<b>(2,921)</b>	<b>20,277</b>	<b>18,819</b>
<b>SURPLUS FOR PERIOD</b>	<b>2,916</b>	<b>813</b>	<b>65</b>	<b>452</b>	<b>283</b>	<b>216</b>	<b>-</b>	<b>-</b>	<b>3,264</b>	<b>1,482</b>

Table 5.6

**DISAGGREGATED INFORMATION**

Balance Sheet as at 30 June 2006

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Consolidated Whole-of-government	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>CURRENT ASSETS</b>										
Cash and cash equivalents	378	357	474	309	24	173	(174)	(183)	702	656
Inventories	47	51	943	501	-	-	-	1	990	553
Receivables	1,034	886	1,195	932	410	225	(228)	(248)	2,412	1,797
Other financial assets	2,899	1,445	411	372	4,225	5,053	(291)	(694)	7,243	6,176
Biological assets	-	-	62	35	-	-	-	-	62	35
Non-current assets classified as held for sale	60	30	11	9	-	-	-	1	71	40
Other non-financial assets	43	43	53	34	4	4	(4)	(6)	96	75
<b>Total current assets</b>	<b>4,461</b>	<b>2,813</b>	<b>3,150</b>	<b>2,192</b>	<b>4,663</b>	<b>5,455</b>	<b>(697)</b>	<b>(1,129)</b>	<b>11,576</b>	<b>9,332</b>
<b>NON-CURRENT ASSETS</b>										
Inventories	61	75	705	647	-	-	-	-	766	722
Receivables	30	29	57	115	229	207	(23)	(24)	293	327
Land	20,596	17,707	5,517	5,012	13	14	-	-	26,125	22,733
Buildings	7,671	7,323	3,350	3,004	146	124	-	(1)	11,167	10,450
Infrastructure	9,989	9,085	13,981	13,442	-	-	-	-	23,970	22,526
Plant, equipment and other	1,762	1,335	4,591	3,143	4	5	-	-	6,357	4,483
Biological assets	3	3	304	309	-	-	-	-	306	311
Intangible assets	150	115	59	39	3	2	-	-	212	157
Other financial assets – investments	1,542	1,059	1,670	1,807	11,894	11,075	(11,816)	(10,341)	3,289	3,600
Other non-financial assets	51	53	250	171	67	84	(291)	(226)	80	82
<b>Total non-current assets</b>	<b>41,855</b>	<b>36,784</b>	<b>30,485</b>	<b>27,689</b>	<b>12,357</b>	<b>11,511</b>	<b>(12,131)</b>	<b>(10,592)</b>	<b>72,566</b>	<b>65,391</b>
<b>TOTAL ASSETS</b>	<b>46,316</b>	<b>39,597</b>	<b>33,635</b>	<b>29,881</b>	<b>17,019</b>	<b>16,966</b>	<b>(12,829)</b>	<b>(11,721)</b>	<b>84,142</b>	<b>74,723</b>

Table 5.6 (cont.)

**DISAGGREGATED INFORMATION**

Balance Sheet as at 30 June 2006

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Consolidated Whole-of-government	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>CURRENT LIABILITIES</b>										
Payables	257	239	768	590	259	33	(128)	(163)	1,156	699
Borrowings	233	441	1,346	1,018	4,142	4,467	(451)	(860)	5,270	5,066
Provisions	1,211	1,010	215	162	4	7	-	(6)	1,429	1,173
Other liabilities	358	335	418	392	713	744	(119)	(101)	1,371	1,370
<b>Total current liabilities</b>	<b>2,059</b>	<b>2,025</b>	<b>2,747</b>	<b>2,162</b>	<b>5,117</b>	<b>5,251</b>	<b>(697)</b>	<b>(1,130)</b>	<b>9,226</b>	<b>8,308</b>
<b>NON-CURRENT LIABILITIES</b>										
Borrowings	792	874	9,298	7,834	9,588	9,910	(10,776)	(9,798)	8,902	8,820
Provisions	5,799	6,211	454	337	13	16	-	(4)	6,267	6,561
Other liabilities	337	217	294	280	1,275	1,251	(314)	(249)	1,591	1,499
<b>Total non-current liabilities</b>	<b>6,929</b>	<b>7,302</b>	<b>10,045</b>	<b>8,451</b>	<b>10,876</b>	<b>11,177</b>	<b>(11,090)</b>	<b>(10,051)</b>	<b>16,760</b>	<b>16,880</b>
<b>TOTAL LIABILITIES</b>	<b>8,988</b>	<b>9,327</b>	<b>12,792</b>	<b>10,613</b>	<b>15,993</b>	<b>16,428</b>	<b>(11,788)</b>	<b>(11,181)</b>	<b>25,986</b>	<b>25,188</b>
<b>NET ASSETS</b>	<b>37,328</b>	<b>30,270</b>	<b>20,842</b>	<b>19,270</b>	<b>1,026</b>	<b>538</b>	<b>(1,041)</b>	<b>(541)</b>	<b>58,156</b>	<b>49,535</b>
<b>EQUITY</b>										
Accumulated surplus/(deficit)	4,047	336	17,751	17,489	985	522	(1,009)	(509)	21,774	17,836
Share Capital	-	-	32	32	-	-	(32)	(32)	-	-
Reserves	33,282	29,934	3,059	1,749	41	16	-	-	36,382	31,699
<b>TOTAL EQUITY</b>	<b>37,328</b>	<b>30,270</b>	<b>20,842</b>	<b>19,270</b>	<b>1,026</b>	<b>538</b>	<b>(1,041)</b>	<b>(541)</b>	<b>58,156</b>	<b>49,535</b>

**NOTE 6: TAXATION REVENUE**

	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Stamp duty	2,765	1,976
Payroll tax	1,306	1,174
Motor vehicle and drivers' licences	403	379
Financial transactions taxes	8	100
Gambling taxes and licences	60	52
Land tax	291	297
Other taxes and licences	59	53
<b>Total</b>	<b>4,891</b>	<b>4,031</b>

**NOTE 7: TERRITORIAL REVENUE**

	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Petroleum	681	570
Iron Ore	722	465
Alumina	70	55
Diamonds	44	35
Mineral sands	29	26
Nickel	93	92
Gold	92	74
Lease and other rentals	84	50
Other	63	52
<b>Total</b>	<b>1,878</b>	<b>1,419</b>

**NOTE 8: SALE OF GOODS AND SERVICES**

	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Revenue from sale of goods	3,973	3,305
Revenue from provision of services	2,908	2,679
<b>Total</b>	<b>6,881</b>	<b>5,984</b>
Cost of sales relating to goods sold	2,917	1,878



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**NOTE 9: GRANTS AND SUBSIDIES**


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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Commonwealth grants <sup>(a)</sup>	6,994	6,315
Other grants and subsidies	95	83
<b>Total</b>	<b>7,089</b>	<b>6,398</b>

(a) Includes a grant of \$323 million under an Accelerated Upgrade package for approved road projects on the Auslink National Roads Network. The funds are to be spent over the period 2006-07 to 2010-2011.

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**NOTE 10: OTHER REVENUE**


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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Donations	24	28
Rent revenue	216	217
Developers' contributions	278	287
Investment income	324	222
Other (includes Gains – see Note 11)	946	822
<b>Total</b>	<b>1,787</b>	<b>1,576</b>

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**NOTE 11: NET GAINS**


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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
<i>Gain/(loss) on disposal of non-current assets</i>		
Land	16	43
Other	(3)	(39)
<i>Total</i>	<i>13</i>	<i>4</i>
<i>Gain on revaluation</i>		
Held for trading financial instruments	2	4
<b>Total</b>	<b>15</b>	<b>8</b>

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**NOTE 12: EMPLOYEE BENEFITS**


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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Wages and salaries	6,263	5,759
Superannuation – defined contribution plans	441	440
Superannuation – defined benefits plans	88	688
Other related expenses	194	191
<b>Total</b>	<b>6,986</b>	<b>7,078</b>

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**NOTE 13: FINANCE COSTS**


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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Interest on borrowings	787	865
Unwinding of discounts applied to provisions	-	2
Finance charges on finance leases	5	4
<b>Total</b>	<b>791</b>	<b>871</b>
Less: Capitalised interest on borrowings	9	8
<b>Total finance costs expenses</b>	<b>783</b>	<b>863</b>

Weighted average rate of capitalisation for 2006 is 5.81% (2005: 5.61%)

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**NOTE 14: DEPRECIATION, AMORTISATION AND IMPAIRMENT**


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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
<i>Depreciation</i>		
Buildings	314	295
Infrastructure	582	554
Plant, equipment and other	338	357
<i>Total</i>	<i>1,233</i>	<i>1,206</i>
<i>Amortisation</i>		
Intangible assets	47	9
<i>Total</i>	<i>47</i>	<i>9</i>
<i>Impairment losses</i>		
Buildings	1	-
Infrastructure	5	-
Plant, equipment and other	1	5
Other assets	-	-
<i>Total</i>	<i>7</i>	<i>5</i>
<b>Total depreciation, amortisation and impairment expenses</b>	<b>1,287</b>	<b>1,220</b>

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**NOTE 15: OTHER EXPENSES**


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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Betting dividends payouts	1,099	1,000
Health sector specific expenses	744	681
Education sector specific expenses	313	295
Insurance claims expenses	421	416
Contract services expenses	1,697	1,536
Other	885	1,006
<b>Total</b>	<b>5,158</b>	<b>4,934</b>

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**NOTE 16: INVENTORIES**


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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
<i>Current</i>		
Inventories held for sale		
Land acquisition and development – at cost	216	152
Land acquisition and development – at net realisable value	-	3
Precious metals – at net realisable value	507	167
Other – at cost	187	189
Other – at net realisable value	-	-
Inventories held for distribution (not held for sale)		
Power station fuel stocks – at cost	33	26
Other materials and stores – at cost	30	2
Other materials and stores – at net replacement cost	17	14
<b>Total current</b>	<b>990</b>	<b>553</b>
<i>Non-current</i>		
Inventories held for sale		
Land acquisition and development – at cost	704	650
Land acquisition and development – at net realisable value	53	65
Precious metals – at net realisable value	-	-
Other – at cost	1	7
Other – at net realisable value	7	-
Inventories held for distribution		
Other materials and stores – at cost	-	-
Other materials and stores – at net replacement cost	-	-
<b>Total non-current</b>	<b>766</b>	<b>722</b>

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**NOTE 17: RECEIVABLES**


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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
<i>Current</i>		
Receivables	2,527	1,899
Provision for impairment of receivables	(115)	(102)
<b>Total current</b>	<b>2,412</b>	<b>1,797</b>
<i>Non-current</i>		
Receivables	294	328
Provision for impairment of receivables	(1)	(1)
<b>Total non-current</b>	<b>293</b>	<b>327</b>

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**NOTE 18: OTHER FINANCIAL ASSETS**


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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
<b>Current</b>		
<i>Investments</i>		
Unlisted / listed shares	968	862
Term deposits	5,792	5,027
Government securities	185	261
<i>Total</i>	<b>6,945</b>	<b>6,150</b>
<i>Loans and advances</i>		
Non-government schools	26	23
Other	272	3
<i>Total</i>	<b>298</b>	<b>26</b>
<b>Total current</b>	<b>7,243</b>	<b>6,176</b>
<b>Non-current</b>		
<i>Investments</i>		
Property	258	219
Government securities	240	242
Other investments	143	117
<i>Total</i>	<b>641</b>	<b>578</b>
<i>Loans and advances</i>		
Homebuyers	1,654	1,773
Non-government schools	218	222
Terminating building societies	-	4
GESB	550	565
Other	226	458
<i>Total</i>	<b>2,648</b>	<b>3,022</b>
<b>Total non-current</b>	<b>3,289</b>	<b>3,600</b>

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**NOTE 19: BIOLOGICAL ASSETS**


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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
<i>Current</i> <sup>(a)</sup>		
Native and plantation standing trees	62	35
<i>Non-current</i> <sup>(b)</sup>		
Native and plantation standing trees	303	311
Livestock and other	3	-
<b>Total non-current</b>	<b>306</b>	<b>311</b>

(a) Biological assets (current) consists of mature standing trees. Valuations are provided by Forest Products Commission each financial year with an effective date of 30 June 2006, based on undiscounted cash flow models.

(b) Biological assets (non-current) consists of immature standing trees stated at fair value less estimated selling costs, determined by valuations provided by Forest Products Commission each year, based on discounted cash flow models using a market determined pre-tax rate, support by market evidence.

**Reconciliation of Biological Assets**

Reconciliation of changes in the carrying amount of biological assets at the beginning and the end of the year are set out below.

	<b>Standing Trees \$m</b>	<b>Livestock and Other \$m</b>	<b>Total \$m</b>
Carrying amount at beginning of year	343	3	346
Gain/(loss) from changes in fair value	116	-	117
Purchases	8	-	8
Sales	(102)	-	(102)
Carrying amount at end of year	<b>365</b>	<b>3</b>	<b>368</b>

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**NOTE 20: NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE**


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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
<i>Current</i>		
Land	56	25
Other	15	15
<b>Total current</b>	<b>71</b>	<b>40</b>

Land non-current assets classified as held for sale relates to surplus land expected to be sold within the next reporting period.

Other non-current assets classified as held for sale relates to Commissions New Living and Redevelopment properties which form part of the rental property class that are marketed for immediate use.

**Reconciliation of Non-Current Assets classified as Held For Sale**

Reconciliation of changes in the carrying amount of non-current assets classified as held for sale at the beginning and the end of the year are set out below.

	<b>Land</b>	<b>Other</b>	<b>Total</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Carrying amount at beginning of year	25	15	40
Assets reclassified as held for sale	59	39	99
Write down from cost to fair value less selling cost	(2)	(2)	(4)
Assets sold	(26)	(37)	(64)
<b>Carrying amount at end of year</b>	<b>56</b>	<b>15</b>	<b>71</b>

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**NOTE 21: OTHER NON-FINANCIAL ASSETS**


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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
<i>Current</i>		
Prepayments – gas and coal contracts	5	3
Prepayments - other	87	67
Deferred expenses	4	4
<b>Total current</b>	<b>96</b>	<b>75</b>
<i>Non-current</i>		
Prepayments – gas and coal contracts	-	8
Prepayments - other	3	2
Deferred expenses	-	6
Joint Venture – jointly controlled entity	26	15
Service concession arrangements <sup>(a)</sup>	51	51
<b>Total non-current</b>	<b>80</b>	<b>82</b>

(a) Service concession arrangements represents the written down value of the right to receive the Perth Convention and Exhibition Centre at the expiry of the lease agreement in 2039.

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**NOTE 22: LAND**


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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Land, at fair value <sup>(a)</sup>	14,454	12,504
Land under roads, at fair value <sup>(b)</sup>	11,671	10,229
<b>Total</b>	<b>26,125</b>	<b>22,733</b>

(a) Land valuations are provided by DLI Valuation Services Branch each financial year with an effective date of 1 July. The valuation based on information on the stock of land at as 30 June 2006. Land vested in local authorities of \$2,921 million (2005: \$2,360 million) is not recognised in the consolidated Balance Sheet, as it is not under the control of the Government.

(b) Land under roads valuations are provided by DLI Valuation Services Branch each financial year with an effective date of 1 July. The valuation based on information on the stock of land at as 30 June 2006.

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**NOTE 23: BUILDINGS**


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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Buildings, at fair value <sup>(a)</sup>	12,015	11,327
Accumulated depreciation	(848)	(877)
<b>Total</b>	<b>11,167</b>	<b>10,450</b>

(a) Building valuations are provided by DLI Valuation Services Branch and by other independent professional valuers. Revaluations are made with sufficient regularity to ensure that the carrying amount does not materially differ from fair value at reporting date. Subject to the above, buildings are revalued at least every three years.

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**NOTE 24: INFRASTRUCTURE**


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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Electricity generation and transmission, at cost <sup>(a)</sup>	3,830	5,815
Accumulated depreciation	(49)	(2,351)
<i>Total</i>	<i>3,781</i>	<i>3,463</i>
Road network, at fair value <sup>(b)</sup>	16,112	14,580
Accumulated depreciation	(6,239)	(5,612)
<i>Total</i>	<i>9,873</i>	<i>8,968</i>
Water storage and distribution, at cost <sup>(c)</sup>	10,363	10,121
Accumulated depreciation	(1,623)	(1,449)
<i>Total</i>	<i>8,741</i>	<i>8,672</i>
Other infrastructure, at cost	1,988	1,756
Accumulated depreciation	(413)	(333)
<i>Total</i>	<i>1,575</i>	<i>1,423</i>
<b>Infrastructure Total</b>	<b>23,970</b>	<b>22,526</b>

(a) Electricity generation and transmission includes the cost of decommissioning of property, plant and equipment including the cost of dismantling and removing the asset and restoring the site on which it is located, to the extent that these costs are also recognised as a provision.

(b) Road infrastructure comprising roads, bridges and road furniture was valued at fair value by Commissioner of Main Roads' engineer at 30 June 2006.

(c) Water storage and distribution, comprising pipelines, outfalls and fittings, dams, reservoirs, bores and tanks, ocean outfalls, pump stations and treatment plants, drains and channels and other structures, are reported at deemed cost being a revalued amount prior to transition that approximates the fair value as at date of valuation.

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**NOTE 25: PLANT, EQUIPMENT AND OTHER**


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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Plant, equipment and other at cost <sup>(a)</sup>	4,874	3,904
Accumulated depreciation	(1,547)	(1,532)
<b>Total</b>	<b>3,327</b>	<b>2,372</b>
Assets under construction	3,030	2,111
<b>Total plant, equipment and other</b>	<b>6,357</b>	<b>4,483</b>

(a) Following the establishment of the Public Transport Authority on 1 July 2003, all assets transferred from Western Australian Government Railways Commission and Department for Planning and Infrastructure are recorded at fair value. Fair value is determined on the basis of engineering expert valuation, DLI or latest prices in the market for equivalent assets.

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**NOTE 26: RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT**


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Reconciliation of changes in the carrying amount of property, plant and equipment at the beginning and the end of the year are set out below.

	<b>Land</b>	<b>Buildings</b>	<b>Infra- structure</b>	<b>Plant, equip &amp; other</b>	<b>Total</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Carrying amount at beginning of year	22,733	10,450	22,526	4,483	60,192
Additions	155	387	856	2,491	3,889
Assets classified as NCAHFS	(59)	(39)	-	-	(98)
Disposals	121	76	64	386	647
Transfers in/(out)	-	184	374	(571)	(13)
Revaluation increments/(decrements)	3,271	473	820	655	5,219
Impairment losses	-	(1)	(5)	(1)	(7)
Impairment losses reversed	-	-	-	-	-
Accumulated depreciation written back	-	92	25	89	206
Depreciation	-	(314)	(581)	(338)	(1,233)
Other	146	11	19	(65)	111
<b>Carrying amount at end of year</b>	<b>26,125</b>	<b>11,167</b>	<b>23,970</b>	<b>6,357</b>	<b>67,619</b>

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**NOTE 27: INTANGIBLE ASSETS**


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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
<i>Non-current</i>		
Computer software	147	156
Other	65	1
<b>Total non-current</b>	<b>212</b>	<b>157</b>

**Reconciliation of Intangible Assets**

	<b>Computer Software \$m</b>	<b>Other \$m</b>	<b>Total \$m</b>
Carrying amount at beginning of year	95	62	157
Additions	75	11	86
Assets classified as held for sale	-	-	-
Disposals	-	-	-
Transfers in/(out)	8	5	13
Revaluation increments/(decrements)	-	-	-
Impairment losses	-	-	-
Impairment losses reversed	-	-	-
Depreciation	(31)	(16)	(47)
Other	-	3	3
<b>Carrying amount at end of year</b>	<b>147</b>	<b>65</b>	<b>212</b>

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**NOTE 28: BORROWINGS**


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	2006	2005
	\$m	\$m
<i>Current</i>		
Bank overdrafts	9	2
Finance leases – secured <sup>(a)</sup>	23	24
Liability to the Commonwealth Government	13	13
Domestic and foreign borrowings <sup>(b)</sup>	5,225	5,025
Borrowings <sup>(c)</sup>	5,270	5,064
Unamortised net discounts	-	2
<b>Total current</b>	<b>5,270</b>	<b>5,066</b>
<i>Non-current</i>		
Finance leases – secured <sup>(a)</sup>	390	67
Liability to the Commonwealth Government	523	536
Domestic and foreign borrowings <sup>(b)</sup>	7,989	7,842
Borrowings <sup>(c)</sup>	8,902	8,445
Unamortised net discounts	-	375
<b>Total non-current</b>	<b>8,902</b>	<b>8,820</b>

## (a) Finance leases

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Amounts payable under finance leases are as follows:

	2006	2005
	\$m	\$m
Finance leases due:		
not later than one year	26	28
later than one year and not later than five years	280	40
later than five years	128	50
Minimum lease payments	435	118
Future finance charges	(22)	(26)
<b>Total finance lease liabilities</b>	<b>413</b>	<b>91</b>
Classified as:		
Current	23	24
Non-current	390	67
<b>Total</b>	<b>413</b>	<b>91</b>

## (b) Foreign currency borrowings

The following foreign currency borrowings are reported at Australian dollar equivalents applicable at the reporting date and the amounts in foreign currency included.

2005-06	Current	Non-current
United States Dollars	167	-
Japanese Yen	-	53

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**NOTE 28: BORROWINGS - CONTINUED**


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<i>2004-05</i>	Current	Non-current
United States Dollar	-	-
Japanese Yen	-	-

At the reporting date, all foreign currency borrowings have either been hedged, swapped, covered forward specifically or invested in the foreign currency. Consequently, any gain or loss on the transaction of the foreign currency borrowing is matched by a corresponding loss or gain made on the foreign currency contract or the foreign currency investment.

## (c) Borrowings – maturity profile

	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
The maturity profile of borrowings, at fair value (2005: amortised costs), is as follows:		
- not later than one year	5,279	5,066
- later than one year and not later than five years	5,181	5,158
- later than five years	3,712	3,287
<b>Total</b>	<b>14,172</b>	<b>13,511</b>

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**NOTE 29: PROVISIONS**


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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
<b>Current</b>		
<i>Employee benefit provisions</i>		
Annual leave	613	548
Long service leave	604	508
Other	102	66
Superannuation <sup>(a)</sup>	32	31
<i>Total</i>	<i>1,351</i>	<i>1,153</i>
<i>Other provisions</i>		
Decommissioning costs	5	4
Restoration costs	6	5
Employment on-costs	9	4
Other	59	5
<i>Total</i>	<i>78</i>	<i>19</i>
<b>Total current</b>	<b>1,429</b>	<b>1,173</b>
<b>Non-current</b>		
<i>Employee benefit provisions</i>		
Long service leave	383	422
Other	26	22
Superannuation <sup>(a)</sup>	5,590	5,963
<i>Total</i>	<i>5,999</i>	<i>6,407</i>

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**NOTE 29: PROVISIONS - CONTINUED**


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	2006	2005
	\$m	\$m
<i>Other provisions</i>		
Decommissioning costs	143	139
Restoration costs	10	8
Employment on-costs	3	2
Other	112	5
<i>Total</i>	268	154
<b>Total non-current</b>	<b>6,267</b>	<b>6,561</b>
	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
(a) Superannuation		
<i>Current</i>		
Defined Benefit superannuation schemes:		
Judges' Pension Scheme	6	6
Parliamentary Superannuation Scheme	5	5
Defined contribution superannuation scheme:		
West State Superannuation Scheme	22	20
<i>Total current</i>	33	31
<i>Non-Current</i>		
Defined Benefit superannuation schemes:		
Pension Scheme	2,250	2,364
Gold State Superannuation Scheme	2,538	2,779
Judges' Pension Scheme	167	161
Parliamentary Superannuation Scheme	112	114
Defined contribution superannuation scheme:		
West State Superannuation Scheme	523	546
<i>Total non-current</i>	5,590	5,964
<b>Total</b>	<b>5,623</b>	<b>5,995</b>

(i) These disclosures are in accordance with the December 2004 amended version of AASB 119 *Employee Benefits*, which is mandatory for accounting periods beginning on or after 1 July 2006, but the Government has elected to early adopt effective from 1 July 2005. This revised accounting standard provides options in accounting for actuarial gains and losses and the Government has elected to account for actuarial gains and losses to be immediately recognised through the superannuation expense in the Income Statement.

(ii) The GESB administers the following superannuation schemes:

Defined Benefit Superannuation Schemes

The defined benefit schemes are:

- Pension Scheme, a defined benefit pension scheme closed to new members;
  - Gold State Superannuation Scheme, a defined benefit lump sum scheme closed to new members;
  - Judges' Pension Scheme, a defined benefit pension scheme which remains open to new members; and
  - Parliamentary Superannuation Scheme, a defined benefit pension scheme closed to new members.
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**NOTE 29: PROVISIONS - CONTINUED**


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These benefits are partially unfunded and the liabilities for future payments are provided for at reporting date. The liabilities under these schemes have been calculated annually by PricewaterhouseCoopers actuaries using the projected unit credit method.

The expected future payments are discounted to present value using market yields at the reporting date on Commonwealth Government bonds with terms to maturity that match, as closely as possible the estimated future cash outflows.

**Defined Contribution Superannuation Schemes**

Employees who do not qualify for membership to the various defined benefit plan schemes become non-contributory members of the defined contribution plan, compliant with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*. The West State Superannuation Scheme, an accumulation fund is administered by GESB.

The Government has no further obligation to the plan if there are insufficient assets to pay employees the benefits relating to their services rendered in current and prior periods, except for, the unfunded portion of the West State Superannuation Scheme for which the unfunded benefits are being amortised (funded) over 20 years.

The Government agreed to amortise the unfunded liability over 20 years from 1 July 2001, and the GESB introduced Member Investment Choice from the same date. The amount is no longer actuarially assessed.

- (iii) The Government has applied the following principal assumptions in assessing the defined benefit superannuation liabilities as at balance date and for following year expense:

	<b>2006</b>	<b>2005</b>
Discount rate (gross of tax) <sup>(a)</sup>	5.8%	5.4%
Salary rate <sup>(b)</sup>	4.5%	4.5%
Expected return on plan assets	7.5%	7.5%
Inflation (pensions)	3.0%	3.0%

(a) Discount rate is based on the average term of liabilities

(b) Assumed rate of salary inflation is 4% pa plus an additional 0.5% for promotional increases.

- (iv) Major categories of defined benefit plan assets as a percentage of total fund assets <sup>(c)</sup> are as follows:

	<b>2006</b>	<b>2005</b>
Australian equities	33%	33%
Overseas equities	37%	37%
Fixed interest securities	17%	17%
Property	11%	11%
Cash	2%	2%
	100%	100%

(c) Only the Pension Scheme and Gold State Scheme have plan assets. The Judges' Pension and Parliamentary Superannuation Scheme are totally unfunded.

- (v) The net liability of defined benefit plans recognised in the balance sheet is as follows:

	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Total defined benefit obligations	7,560	7,495
Scheme assets <sup>(d)</sup>	(2,482)	(2,066)
Deficit/(surplus)	5,078	5,429

(d) Based on audited accounts as at 30 June 2006.

	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Current net liability	11	11
Non-current net liability	5,067	5,418

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**NOTE 29: PROVISIONS - CONTINUED**


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- (vi) The defined benefit plan funded status and employer funding arrangements of the defined benefit obligation, is as follows:

Details of the deficit of the defined benefit plans measured in accordance with AAS 25 *Financial Reporting by Superannuation Plans* as determined from the plans' most recent financial report:

	<b>Pension Scheme</b>	<b>Gold State Super Scheme<sup>(e)</sup></b>	<b>Judges' Pension Scheme</b>	<b>Parliamentary Super Scheme</b>
	<b>2006</b>	<b>2006</b>	<b>2006</b>	<b>2006</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Gross accrued benefits	(2,447)	(4,566)	(173)	(117)
Net market value of plan assets	120	2,376	-	-
Deficit	(2,327)	(2,190)	(173)	(117)

- (e) The amounts recorded for the Gold State Superannuation Scheme relate to the scheme as a whole (i.e. the pre-transfer benefit component plus concurrently funded benefit component).

The funding policy adopted by the Government in respect of the defined benefit plans is directed at ensuring that benefits accruing to members and beneficiaries are fully funded at the time the benefits become payable. As such, the actuary has considered long-term trends in such factors as scheme membership, salary growth and average market value of the schemes' assets when advising the Government on employer and employee contribution rates.

- (vii) Reconciliation of the present value of the defined benefit superannuation obligation, at the beginning and the end of the year are set out below.

	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Net liability/(asset) in balance sheet at beginning of year	5,429	5,150
Expense recognised in income statement	88	687
Actual employer contributions	(439)	(408)
Net liability/(asset) in balance sheet at end of year	5,078	5,429

- (viii) The amounts recognised in the income statement in respect of the defined benefit plans are as follows:

	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Total employer service cost	215	214
Interest cost	391	403
Expected return on plan assets	(154)	(135)
Recognised actuarial (gains)/losses	(364)	205
<b>Total</b>	<b>88</b>	<b>687</b>

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**NOTE 29: PROVISIONS - CONTINUED**


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(ix)	Reconciliation of the fair value of defined benefit superannuation assets, at the beginning and at the end of the year are set out below.		
		<b>2006</b>	<b>2005</b>
		<b>\$m</b>	<b>\$m</b>
	Fair value plan assets at beginning of year	2,066	1,808
	Employer contributions	432	406
	Actual participant contributions	70	70
	Actual operating costs	(12)	(16)
	Actual benefit payments	(497)	(463)
	Expected return on plan assets	152	132
	Expected plan assets at end of year	2,210	1,937
	Actuarial (gain)/loss on assets	272	129
	Fair value of plan assets at end of year	2,482	2,066
(x)	Reconciliation of the defined benefit superannuation obligations at the beginning and the end of the year are set out below.		
		<b>2006</b>	<b>2005</b>
		<b>\$m</b>	<b>\$m</b>
	Defined benefit obligation at beginning of year	7,495	6,958
	Employer service cost plus operating costs	185	211
	Interest cost	340	405
	Actual participant contributions	61	71
	Actual operating costs	(10)	(16)
	Actual benefit payments	(434)	(470)
	Expected defined benefit obligations at end of year	7,636	7,159
	Actuarial (gain)/loss on assets	(76)	336
	Defined benefit obligations at end of year	7,560	7,495
(xi)	Reconciliation of actuarial (gain)/loss at the beginning and the end of the year are set out below.		
		<b>2006</b>	<b>2005</b>
		<b>\$m</b>	<b>\$m</b>
	Unrecognised actuarial (gain)/loss at beginning of year	-	-
	Actuarial (gain)/loss on assets	(275)	(130)
	Actuarial (gain)/loss on liabilities	(89)	335
	Amount recognised during year in the profit and loss	(364)	205
	Unrecognised actuarial (gain)/loss at end of year	-	-

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**NOTE 29: PROVISIONS - CONTINUED**


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(xii) Interest costs are as follows:		
	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Defined benefit obligations at the beginning of the year	7,495	6,958
Actual benefit payments	434	470
Weighted for timing	217	235
Average benefit obligations	7,278	6,723
Discount rate	5.4%	6.0%
Calculated interest cost	393	403
(xiii) Expected return on assets at the beginning and the end of the year are set out below.		
	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Fair value plan assets at beginning of year	2,066	1,808
Actual employer contributions	432	406
Weighted for timing	216	203
Actual participant contributions	70	70
Weighted for timing	35	35
Actual operating costs (admin plus insurance)	(12)	(16)
Weighted for timing	(6)	(8)
Actual benefit payments	(434)	(470)
Weighted for timing	(217)	(235)
Average expected assets	2,094	1,803
Assumed rate of return	7.5%	7.5%
Calculated expected return on assets	157	135
(xiv) Net liability		
	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Total defined benefit obligation	7,560	7,495
Actual assets	(2,482)	(2,066)
Deficit/(surplus)	5,078	5,429
(xv) Actuarial gain/(loss)		
	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Defined benefit obligations (prior year assumptions)	7,788	7,389
Defined benefit obligations (current year assumptions)	7,560	7,495
Actuarial (gain)/loss due to assumptions	(228)	106
Actuarial (gain)/loss due to experience	136	227
Actuarial (gain)/loss on assets	(272)	(129)
<b>Total actuarial (gain)/loss</b>	<b>(364)</b>	<b>205</b>

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**NOTE 29: PROVISIONS - CONTINUED**


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(xvi) History summary		<b>2006</b>	<b>2005</b>
		<b>\$m</b>	<b>\$m</b>
Total defined benefit obligations		7,560	7,495
Actual assets		2,482	2,066
Deficit/(surplus)		5,078	5,429
Experience adjustment on liabilities		136	227
Experience adjustment on assets		(272)	(129)

**Reconciliation of Other Provisions**

Movements in each class of provisions during the year, other than employee benefits, at the beginning and the end of the year are set out below.

	<b>Decommissioning costs</b>	<b>Restoration costs</b>	<b>Employment on-costs</b>	<b>Other</b>	<b>Total</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Carrying amount at beginning of year	143	13	6	13	175
Additional provisions recognised	-	-	4	3	7
Amounts used	(1)	-	(4)	(16)	(21)
Unused amounts reversed	-	-	-	-	-
Unwinding of the discount	-	-	-	-	-
Other	6	3	6	171	186
<b>Carrying Amount at end of year</b>	<b>148</b>	<b>16</b>	<b>12</b>	<b>171</b>	<b>346</b>

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**NOTE 30: OTHER LIABILITIES**


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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
<i>Current</i>		
Insurance claims <sup>(a)</sup>	413	411
Interest payable	116	168
Other liabilities and accruals	842	792
<b>Total</b>	<b>1,371</b>	<b>1,370</b>
<i>Non-current</i>		
Insurance claims <sup>(a)</sup>	1,250	1,235
Other liabilities	341	264
<b>Total</b>	<b>1,591</b>	<b>1,499</b>
(a) Insurance claims		
The liabilities for outstanding insurance claims comprise:		
Third Party Insurance Fund	1,239	1,193
Government Insurance Fund	65	80
RiskCover	257	255
Other	101	118
<i>Total</i>	<i>1,663</i>	<i>1,646</i>
Liability for outstanding claims (undiscounted)	2,077	2,032
Discount to present value	(414)	(386)
<i>Total Liability for outstanding claims (undiscounted)</i>	<i>1,663</i>	<i>1,646</i>
Classified as:		
Current	413	411
Non-Current	1,250	1,235
<i>Total</i>	<i>1,663</i>	<i>1,646</i>
Claims expected to be paid:		
Not later than one year		
Inflation rate	5.50%	10.25%
Discount rate	5.90%	5.30%
Later than one year		
Inflation rate	6.25%	9.59%
Discount rate	5.90%	5.40%

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**NOTE 31: RECONCILIATION OF NET CASH FLOWS FROM OPERATING  
ACTIVITIES TO SURPLUS FOR PERIOD**

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	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Surplus for period	3,264	1,449
Non-cash movements		
Depreciation	1,287	1,253
Actuarial movements for superannuation expense	358	(192)
Assets not previously recognised	(63)	(137)
Retired non-current fixed assets	12	15
Asset revaluation decrement	-	1
(Gain)/loss on disposal of non-current assets	(15)	(8)
(Gain)/Loss from changes in fair value of biological assets	(117)	(21)
(Increase)/Decrease in inventories	(482)	(192)
(Increase)/Decrease in receivables	(620)	(250)
Increase/(Decrease) in provision for doubtful debts	13	3
(Increase)/Decrease in prepayments and other assets	(19)	(15)
Increase/(Decrease) in payables	457	31
Increase/(Decrease) in employee benefits	(268)	252
Increase/(Decrease) in other liabilities and accruals	322	334
Net GST receipts/(payments)	(40)	(70)
Adjustment for other non-cash items	127	28
<b>Total</b>	<b>4,216</b>	<b>2,481</b>
Net cash flows from operating activities per Consolidated Statement of Cash Flows	4,502	3,008
Financial corporations per Note 32	(286)	(527)
<b>Total</b>	<b>4,216</b>	<b>2,481</b>

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**NOTE 32: CASH FLOW STATEMENT OF PUBLIC FINANCIAL CORPORATIONS**


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In accordance with AAS 31 *Financial Reporting by Governments*, the net cash flows of the public financial corporation sector are disclosed in the Consolidated Statement of Cash Flows separately to the other cash flows from operating, investing and financing activities of the general government and public non-financial corporation sectors. The net cash flows of the public financial corporation sector comprise:

	<b>2006</b>	<b>2005</b>
	<b>Inflows</b>	<b>Inflows</b>
	<b>(Outflows)</b>	<b>(Outflows)</b>
	<b>\$m</b>	<b>\$m</b>
Cash flows from operating activities		
Interest received	395	345
Premiums received	402	379
GST received on sales	53	50
GST received from taxation authority	31	31
Other receipts	118	91
Salaries, wages and other benefits paid	(20)	(20)
Superannuation paid	(2)	(2)
Finance costs	(646)	(826)
Claims paid	(403)	(377)
GST paid on purchases	(33)	(30)
GST paid to taxation authority	(53)	(50)
Other payments	(127)	(119)
<b>Total cash flows from operating activities</b>	<b>(286)</b>	<b>(527)</b>
Cash flows from investing activities		
Purchase of non-current physical assets	(5)	(3)
Proceeds from investments	3,347	1,936
Purchase of investments	(3,234)	(3,251)
<b>Total cash flows from investing activities</b>	<b>108</b>	<b>(1,318)</b>
Cash flows from financing activities		
Proceeds from borrowings	12,391	21,083
Repayments of borrowings	(12,939)	(20,502)
<b>Total cash flows from financing activities</b>	<b>(548)</b>	<b>581</b>
<b>Total net cash flows from public financial corporations</b>	<b>(726)</b>	<b>(1,264)</b>

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### NOTE 33: CLOSING CASH BALANCES

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For the purposes of the consolidated Statement of Cash Flows, cash includes cash on hand, cash at bank and investments in highly liquid money market instruments, net of outstanding bank overdrafts.

	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
The amount comprises:		
Cash assets as per the Balance Sheet	702	656
Bank overdrafts	(9)	(2)
Investments included as cash on the Statement of Cash Flows	4,302	3,607
<b>Total closing cash balance</b>	<b>4,995</b>	<b>4,261</b>

Note: 'Cash' for the purposes of the consolidated Statement of Cash flows is defined differently to 'Cash' for the purposes of the consolidated Balance Sheet. As a result, the 'Cash' reported on the consolidated Statement of Cash Flows does not equal to 'Cash' in the consolidated Balance Sheet.

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### NOTE 34: RESTRICTED FINANCIAL ASSETS

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There are restrictions on the uses of specific purpose Commonwealth grants and advances received and not yet expensed. The restricted financial assets included in Investments total \$56 million (2005: \$40 million).

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### NOTE 35: MONEYS HELD IN TRUST

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Moneys held in a trustee capacity are not controlled by the State and are excluded from assets and liabilities. An amount of \$135 million was recorded for 2006 in comparison to \$76 million in 2005.

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### NOTE 36: EXPENDITURE COMMITMENTS

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(a) Capital expenditure commitments

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the consolidated financial statements, are expected to require payment as follows:

	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Not later than one year	1,855	2,106
Later than one year and not later than five years	832	1,553
Later than five years	10	39
<b>Total</b>	<b>2,696</b>	<b>3,698</b>

The capital commitments include amounts for:

- railway infrastructure, bus infrastructure, railcars, plant equipment and motor vehicles, and bus replacement, \$441 million (2005: \$939 million);
  - road construction and maintenance, \$216 million (2005: \$596 million);
  - sewerage infill and water storage and distribution and Perth desalination plant, \$334 million (2005: \$442 million);
  - police buildings, complexes and stations, radio network, data communication and technology projects, and other asset acquisitions, \$321 million (2005: \$379 million);
  - development of new, purpose built court buildings in the Perth central business district and the upgrade of existing facilities in the Central Law Courts, \$162 million (2005: \$320 million);
  - new and replacement buildings for various educational institutions, \$448 million (2004: \$238 million);
  - dwelling construction and upgrades, land development, and other capital expenditure programs, \$162 million (2005: \$172 million);
  - retrospective underground power project and other major capital expenditure programs, \$175 million (2005: \$144 million);
  - maintenance and re-configuration of existing capital infrastructure while addressing new areas of need, \$92 million (2005: \$127 million); and
  - development of land and community service obligation project funding \$154 million (2005: \$42 million).
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**NOTE 36: EXPENDITURE COMMITMENTS - CONTINUED**


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## (b) Operating leases expenditure commitments

In addition to the finance leases for which the liabilities are incorporated in the consolidated Balance Sheet, the Government has non-cancellable operating leases, including leases of buildings for office accommodation and motor vehicles, under which the following amounts are payable:

	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Not later than one year	353	280
Later than one year and not later than five years	229	182
Later than five years	160	282
<b>Total</b>	<b>742</b>	<b>744</b>

Operating lease expenses for the year amounted to \$217 million (2005: \$223 million).

## (c) Other commitments

The Government has commitments with private sector contractors for the provision of health services and rail and bus operations. These commitments are payable as follows:

	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Not later than one year	971	698
Later than one year and not later than five years	3,060	1,388
Later than five years	3,342	2,250
<b>Total</b>	<b>7,373</b>	<b>4,336</b>

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**NOTE 37: CONTINGENT LIABILITIES**


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In addition to the liabilities incorporated in the consolidated Balance Sheet, the Government has the following quantified contingent liabilities:

	<b>2006</b>	<b>2005</b>
	<b>\$m</b>	<b>\$m</b>
Contingent liabilities of the Treasurer under guarantees, indemnities and sureties <sup>(a)</sup>	362	271
Contingent liabilities in relation to public universities' superannuation liabilities <sup>(b)</sup>	98	90
Guaranteed obligations of the Bank of Western Australia Ltd at credit risk equivalents <sup>(c)</sup>	85	102
Other contingent liabilities of agencies <sup>(d)</sup>	635	138
<b>Total</b>	<b>1,180</b>	<b>601</b>

## (a) Contingent liabilities of the Treasurer under guarantees, indemnities and sureties

Contingent liabilities of the Treasurer include guarantees and indemnities of \$90 million (2005: \$27 million) and the liability of the Public Trustee's Common Fund of \$272 million (2005: \$244 million).

## (b) Contingent liabilities in relation to public universities' superannuation liabilities

*The State Superannuation Act 2000 (SSA)*, repealed the *Government Employees Superannuation Act 1987* and the *Superannuation and Family Benefits Act 1938*. The schemes operating under those Acts are continued under the SSA. The State guarantees the benefits payable under those schemes.

The liabilities of \$98 million have been actuarially assessed as at 30 June 2006 (2005: \$90 million).

## (c) Guaranteed obligations of the Bank of Western Australia Ltd (BankWest) at credit risk equivalents

BankWest was privatised on 1 December 1995 with the completion of the sale to the Bank of Scotland and its wholly owned subsidiary Scottish Western Australia Holdings Pty Ltd.

The *Bank of Western Australia Act* guarantees financial obligations of BankWest at the time of privatisation subject to phase out conditions.

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## NOTE 37: CONTINGENT LIABILITIES - CONTINUED

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The guaranteed obligations of BankWest at 30 June 2006 comprise various BankWest Balance Sheet liabilities plus off-Balance Sheet exposures. The off-Balance Sheet exposures are calculated at credit equivalent amounts used for Reserve Bank purposes to reflect the assessed risk levels for such items. The guaranteed exposures amount to \$85 million (2005: \$102 million). The total of the guaranteed on and off-Balance Sheet exposures at face value is \$86 million (2005: \$103 million).

(d) Other contingent liabilities of agencies

Other contingent liabilities include legal and contractual claims against individual agencies as reported in their financial statements.

The consolidated financial statements do not contain any provision in respect of either quantified or unquantified contingencies in respect of the following.

### Tipperary Development Pty Ltd

The claim lodged by Tipperary Development against the State for loss arising from a \$50 million deposit with Rothwells in 1988 was heard in the Supreme Court in July 2005. Judgement was reserved and was ultimately handed down in July 2006. The claim was dismissed. However, Tipperary lodged a Notice of Appeal, with the appeal likely to be heard in the Western Australia Court of Appeal during 2006-07. Until this appeal (and any other appeals) are determined, that matter remains unresolved. The quantum of the claim by Tipperary (including interest) is approximately \$71 million plus costs.

### Native Title

The Commonwealth *Native Title Act 1993* (NTA), amended in September 1998, creates a liability for the States for any compensation in regard to loss or impairment of native title rights and interests that occurred after 31 October 1975. The Commonwealth has agreed to contribute 75% of the compensation liability arising as a result of the operation of the NTA, complementary State legislation or the *Racial Discrimination Act* for past, intermediate and future acts, although certain conditions are imposed on the extent to which the Commonwealth will reimburse the States/Territories.

A formal financial assistance agreement between the Commonwealth and the States is currently being considered by the States.

Native title compensation is generally the responsibility of governments. In respect of future acts involving mining, the compensation liability has been passed onto the mining industry through legislation. To the extent that responsibility for native title compensation is passed on to another party, these compensation payments will not be covered by any Commonwealth agreement with the State on reimbursement for native title compensation.

### State Supply Commission

In November 2001, the Government exercised its contractual rights to terminate the Matrix Vehicle Leasing Transaction which had become uneconomic to the State. The State has no ongoing contractual payment obligations. However, certain indemnities related to potential taxation exposures remain after termination.

Advice has been received that the Australian Taxation Office (ATO) has raised certain matters with one of the private-sector financiers covered by the indemnity. The advice notes that interaction with the ATO is ongoing. At this stage, no indemnity claim has been made on the State. It is uncertain whether any indemnity claim is likely to be made or, if one is made, when that might occur. Similarly, because of these uncertainties, it is not practicable to estimate the amount of any potential claim.

### Sale of the Westrail Freight Business

The State has provided a specific warranty in relation to pre-existing environmental contamination at certain freight terminals. The State's liability is capped at \$10 million and exists for seven years from the date of sale (that is, until 17 December 2007).

The State has provided various guarantees and indemnities arising from the sale of Westrail Freight Business in respect of cross border lease arrangements for the freight rollingstock transferred to the purchaser. The potential liability to the State is up to \$70 million in the event of default. The potential liability and risks are similar to what existed before the sale.

### Finance Brokers

A class action is being pursued by approximately 3,000 investors against various parties for the recovery of funds, in the vicinity of \$130 million, claimed to have been lost through finance broking transactions. The State Government is one of the parties subject to this claim and is defending the matter which is currently before the courts.

### Water Corporation

A claim has been lodged against the Corporation by the University of Western Australia (UWA) seeking damages of \$95 million relating to land endowed to the University that adjoins the Corporation's Subiaco Wastewater Treatment Plant. An agreement has been reached that, subject to approval by Government of a new subdivision application by UWA, their claim will be withdrawn and this matter will be finalised without material financial consequence for the Corporation.

### Electricity Reform Task Force (ERTF)

The Treasurer has issued indemnities from any loss arising from claims against members of the ERTF in performing the acts prescribed for the role.

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## NOTE 37: CONTINGENT LIABILITIES - CONTINUED

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### **Insurance Commission of Western Australia**

Indemnities have been issued by the Treasurer to reimburse claims and administration costs incurred by the Government Insurance Fund, Community Insurance Fund and HIH Rescue Package, all maintained and managed by the Insurance Commission of Western Australia.

### **Rottneest Island Authority**

A claim has been lodged against the Authority alleging a lease was granted to operate the Rottneest Island Hotel. The Authority is defending the claim. A reliable estimate of the quantum of the claim is yet to be determined.

### **Western Australian Planning Commission**

Under the operation of the Metropolitan and Peel Region Schemes, reservations exist on properties that may result in compensation being paid to the landholder or the property being acquired for the Planning Commission's estate. The Commission on an annual basis sets such compensation and acquisition priorities. In some cases the landholder disputes the compensation/consideration offered by the Commission, either through arbitration or through Court action. Resolving such disputes forms part of the ordinary business of the Planning Commission and any additional payments that arise are managed within the resources of the Metropolitan Region Improvement Fund. It is estimated that the Commission's contingent liabilities at 30 June 2006 are in the order of \$124 million.

### **Geraldton Port Authority**

A payment claim has been received from a contractor for alleged losses relating to the Port Enhancement Project dredging contract. The contractor is claiming up to \$77 million from the Authority and another party to the contract. No formal proceedings have been commenced since the claim was made by the contractor in 2003-04. The Authority believes this is an ambit claim and does not consider itself to be at all liable to the contractor. The Authority's solicitors are preparing the Authority's response to the claim and the matter has also been referred to the Authority's insurers.

### **Vero Insurance Ltd**

A Deed of Indemnity exists between the Treasurer and Vero Insurance Ltd, which provides catastrophe cover for Vero for loss resulting from death, insolvency or disappearance of a builder or building group that exceeds the minimum limit of \$10 million up to the maximum of \$80 million.

### **Public Transport Authority**

Leighton Contractors Pty Ltd, the contractor engaged by the Public Transport Authority (PTA) to design and construct the City portion of the Southern Suburbs Railway, has commenced three Supreme Court actions against the PTA, claiming an aggregate of \$177 million. The actions relate to contractual disputes between the PTA and Leighton Contractors, on Leighton Contractors' alleged entitlements under the rise and fall and contaminated material provisions of the contract, and a dispute relating to the adequacy of the contracts work insurance affected by PTA pursuant to the contract. PTA has denied all liability and is vigorously defending the actions.

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## NOTE 38: FINANCIAL INSTRUMENTS

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### (a) Financial Risk Management Objectives and Policies

Exposure to credit risk, liquidity risk, interest rate risk and other financial risks arise in the normal course of government activity. Public sector agencies adopt various programs for managing market risk, which include derivative financial instruments. The two main sources of market risk are fluctuations in interest and foreign exchange rates. Derivatives in use include interest rate swaps, interest rate futures, cross-currency swaps and forward foreign exchange contracts. Whenever derivative positions are created, cash or an underlying physical security is held to cover any potential liability.

#### *Credit risk*

Credit risk in relation to financial assets is the risk that a third party will not meet its obligation in accordance with agreed terms. The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the balance sheet. Credit risk concentration is minimised in relation to financial assets and hedging instruments and public sector agencies do not have significant exposures to any concentrations of credit risk. Generally, agencies exposures are to a large number of customers or highly rated counter-parties and their credit risks are very low. There is a high degree of geographically-based concentrations of recognised financial assets in Australia.

#### *Liquidity risk*

Liquidity management is undertaken by the Western Australian Treasury Corporation (WATC) on behalf of public sector agencies. The WATC maintains a minimum prudent level of highly liquid quality assets at all times to ensure that commitments are met. The risk is minimised through the diversification of its funding activity across domestic and offshore markets and across the maturity spectrum.



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**NOTE 38: FINANCIAL INSTRUMENTS - CONTINUED**


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*Interest rate risk*

Interest rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. The interest rate risk by class of recognised financial asset and financial liability at 30 June 2006 is shown in the table below. The interest rate shown is the effective interest rate or weighted average effective interest rate in respect of a class of assets or liabilities. For floating instruments, the rate is the current market rate. The bands reflect the earlier of the next contractual repricing date or the maturity date of the asset or liability.

## (b) Financial Instrument Disclosure

Financial instrument information for the year ended 30 June 2005 has been prepared under the previous AGAAP Australian Accounting Standard AAS 33 *Presentation and Disclosure of Financial Instruments*. Financial instrument information from 1 July 2005 for the year ended 30 June 2006 has been prepared under AASB 132 *Financial Instruments: Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*.

## (c) Net Fair Value of Financial Assets and Liabilities

The carrying amount of financial assets and financial liabilities recorded in the consolidated Balance Sheet are not materially different from their net fair value.

## (d) Derivative Financial Instruments

The Government limits dealings in derivatives to only those counter parties that are recognised financial intermediaries and possess a credit rating of A or better. The Government does not have a material exposure to any individual counter party.

The following table provides details of outstanding derivatives used for hedging purposes as at 30 June 2006.

	<b>Notional face value 2006 \$m</b>	<b>Net fair value 2006 \$m</b>	<b>Credit exposure 2005 \$m</b>
Interest rate contracts	4,424	68	97
Forward exchange contracts	379	6	1
Equity contracts	130	1	-
Commodity contracts	22	4	-
<b>Total</b>	<b>4,955</b>	<b>79</b>	<b>98</b>

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## NOTE 38: FINANCIAL INSTRUMENTS - CONTINUED

### *Interest rate risk exposure*

The Government's exposure to interest rate risk and the effective interest rate by class of recognised financial asset and financial liability at 30 June 2006 are as follows:

	Floating interest rate \$m	Fixed interest rate maturing in:							Non interest bearing \$m	Total carrying amount \$m	Weighted average effective interest rate %
		Up to 3 months \$m	3 to 12 months \$m	1 to 2 years \$m	2 to 3 years \$m	3 to 4 years \$m	4 to 5 years \$m	More than 5 years \$m			
<b>Financial assets</b>											
Cash assets	406	2	11	-	-	-	-	-	283	702	5.3%
Receivables	-	8	592	2	2	2	3	15	2,080	2,705	2.4%
Receivables – precious metals	-	-	-	-	-	-	-	-	507	507	0.0%
Investments:											
Term Deposits	14	4,455	753	16	23	36	19	101	-	5,417	5.6%
Government Securities	-	-	59	72	26	78	87	48	10	379	4.5%
Listed Shares	-	-	-	-	-	-	-	-	974	974	0.0%
Other Investments	-	-	-	-	-	-	-	-	823	823	0.0%
Loans and advances:											
Homebuyers	1,648	-	-	-	-	-	-	-	5	1,653	7.0%
Non-government schools	-	-	17	19	19	19	19	119	24	236	2.3%
Other	-	290	150	96	79	63	47	324	-	1,049	6.0%
<b>Total financial assets</b>	<b>2,068</b>	<b>4,755</b>	<b>1,583</b>	<b>205</b>	<b>149</b>	<b>198</b>	<b>175</b>	<b>607</b>	<b>4,706</b>	<b>14,446</b>	
<b>Financial liabilities</b>											
Payables	-	-	-	-	-	-	-	-	1,156	1,156	0.0%
Borrowings:											
Domestic and foreign borrowings	-	2,019	2,317	1,578	935	1,535	1,024	2,902	898	13,208	5.3%
Liability to the Commonwealth Government	-	-	26	14	13	13	14	456	-	536	4.5%
Finance Leases	-	-	19	8	9	10	26	354	-	426	10.0%
Bank Overdraft	-	-	-	-	-	-	-	-	9	9	8.4%
Other liabilities and accruals	-	-	-	-	-	-	-	-	1,290	1,290	0.0%
<b>Total financial liabilities</b>	<b>-</b>	<b>2,019</b>	<b>2,362</b>	<b>1,600</b>	<b>957</b>	<b>1,558</b>	<b>1,064</b>	<b>3,712</b>	<b>3,351</b>	<b>16,625</b>	
<b>Net financial assets/(liabilities)</b>	<b>2,068</b>	<b>2,736</b>	<b>(780)</b>	<b>(1,395)</b>	<b>(808)</b>	<b>(1,360)</b>	<b>(889)</b>	<b>(3,105)</b>	<b>1,353</b>	<b>(2,179)</b>	

The interest on financial assets and liabilities other than those separately disclosed above is immaterial and does not expose the Government to any significant interest rate risk.

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**NOTE 38: FINANCIAL INSTRUMENTS - CONTINUED**


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*Interest rate risk exposure*

The Government's exposure to interest rate risk and the effective interest rate by class of recognised financial asset and financial liability at 30 June 2005 are as follows:

	Floating interest rate \$m	Fixed interest rate maturing in:			Non- interest bearing \$m	Total carrying amount \$m	Weighted average effective interest rate %
		1 year or less \$m	1 to 5 years \$m	More than 5 years \$m			
<b>Financial assets</b>							
Cash assets	82	417	-	-	-	499	4.7%
Receivables	-	478	-	-	1,492	1,970	0.6%
Investments:							
Term Deposits	-	4,508	1	234	399	5,142	5.4%
Government Securities	-	94	383	70	-	547	5.6%
Listed Shares	-	-	-	-	858	858	-
Other Investments	-	-	-	-	130	130	-
Loans and advances:							
Homebuyers	1,764	-	1	-	7	1,773	7.0%
Non-government schools	-	23	97	125	-	246	2.4%
Terminating building societies	5	-	-	-	-	5	6.5%
Other	-	22	112	843	47	1,024	6.0%
<b>Total financial assets</b>	<b>1,851</b>	<b>5,542</b>	<b>594</b>	<b>1,272</b>	<b>2,933</b>	<b>12,192</b>	
<b>Financial liabilities</b>							
Payables	-	-	-	-	698	698	-
Borrowings:							
Domestic and foreign borrowings	-	4,589	5,089	2,738	471	12,886	6.3%
Liability to the Commonwealth Government							
Finance Leases	11	15	31	35	-	92	11.6%
Bank Overdraft	2	-	-	-	-	2	-
Unamortised Net Discounts	-	-	-	-	382	382	-
Outstanding insurance claims	-	-	-	-	1,646	1,646	-
Other liabilities and accruals	-	-	-	-	1,219	1,219	-
<b>Total financial liabilities</b>	<b>13</b>	<b>4,616</b>	<b>5,172</b>	<b>3,257</b>	<b>4,416</b>	<b>17,474</b>	
<b>Net financial assets/(liabilities)</b>	<b>1,838</b>	<b>926</b>	<b>(4,578)</b>	<b>(1,985)</b>	<b>(1,483)</b>	<b>(5,282)</b>	

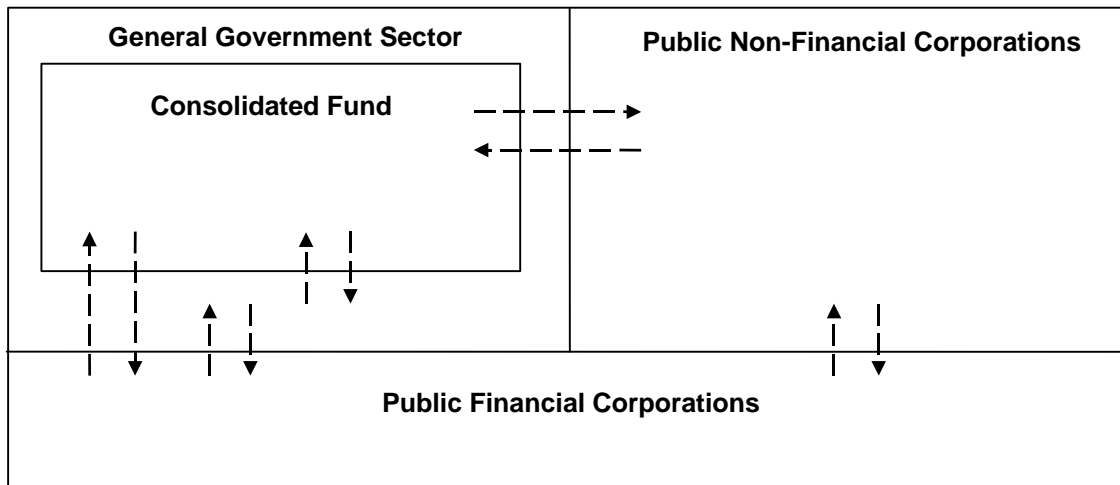
The interest on financial assets and liabilities other than those separately disclosed above is immaterial and does not expose the Government to any significant interest rate risk.

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**NOTE 39: COMPOSITION OF SECTORS**

The following diagram shows the sectors within which agencies have been classified by the Australian Bureau of Statistics (ABS), which are all embraced in the consolidation.

**TOTAL PUBLIC SECTOR**



Each agency produces its own annual report.

All controlled agencies, regardless of funding source or sector classification, have been included in these consolidated financial statements.

The agencies included within each sector are listed below.

**General Government Sector**

- Agricultural Practices Board of Western Australia
- Agricultural Produce Commission
  
- Botanic Gardens and Parks Authority
- Building and Construction Industry Training Board
  
- Central TAFE
- Central West TAFE
- Challenger TAFE
- Commissioner of Equal Opportunity
- Commissioner of Main Roads
- Corruption and Crime Commission
- Country High School Hostels Authority
- Curriculum Council
- CY O'Connor College of TAFE

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**NOTE 39: COMPOSITION OF SECTORS - CONTINUED**


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**General Government Sector - continued**

Department for Community Development  
 Department for Planning and Infrastructure  
 Department of Agriculture and Food  
 Department of Conservation and Land Management  
 Department of Consumer and Employment Protection  
 Department of Corrective Services  
 Department of Culture and the Arts  
 Department of Education and Training  
 Department of Education Services  
 Department of Environment  
 Department of Fisheries  
 Department of Health (including Public Hospitals)  
 Department of Housing and Works  
 Department of Indigenous Affairs  
 Department of Industry and Resources  
 Department of Land Information  
 Department of Local Government and Regional Development  
 Department of Racing, Gaming and Liquor  
 Department of Sport and Recreation  
 Department of the Legislative Assembly  
 Department of the Legislative Council  
 Department of the Premier and Cabinet  
 Department of the Attorney General  
 Department of the Registrar, Western Australian Industrial Relations Commission  
 Department of Treasury and Finance  
 Department of Water  
 Disability Services Commission  
  
 Economic Regulation Authority  
  
 Fire and Emergency Services Authority of Western Australia  
  
 Gaming and Wagering Commission of Western Australia  
 Gascoyne Development Commission  
 Goldfields-Esperance Development Commission  
 Governor's Establishment  
 Great Southern Development Commission  
 Great Southern TAFE  
  
 Heritage Council of Western Australia  
  
 Independent Market Operator  
  
 Keep Australia Beautiful Council (W.A.)  
 Kimberley TAFE  
 Kimberley Development Commission  
  
 Landcare Trust  
 Law Reform Commission of Western Australia  
 Legal Aid Commission of Western Australia  
 Legal Costs Committee  
 Local Health Authorities Analytical Committee  
  
 Mid-West Development Commission  
 Minerals and Energy Research Institute of Western Australia  
  
 Office of Energy  
 Office of Health Review  
 Office of Shared Services  
 Office of the Auditor General  
 Office of the Director of Public Prosecutions  
 Office of the Information Commissioner  
 Office of the Inspector of Custodial Services  
 Office of the Parliamentary Inspector of the Corruption and Crime Commission  
 Office of the Public Sector Standards Commissioner

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**NOTE 39: COMPOSITION OF SECTORS - CONTINUED**

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**General Government Sector - continued**

Parliamentary Commissioner for Administrative Investigations  
Parliamentary Services Department  
Peel Development Commission  
Perth Theatre Trust  
Pilbara Development Commission  
Pilbara TAFE  
Police Service  
Professional Combat Sports Commission  
Professional Standards Council  
  
Racing Penalties Appeal Tribunal of Western Australia  
Rural Business Development Corporation  
  
Salaries and Allowances Tribunal  
Screen West (Inc.)  
Small Business Development Corporation  
South West Development Commission  
South West Regional College of TAFE  
State Supply Commission  
Swan River Trust  
Swan TAFE  
  
The Aboriginal Affairs Planning Authority  
The Agriculture Protection Board of Western Australia  
The Anzac Day Trust  
The Board of the Art Gallery of Western Australia  
The Burswood Park Board  
The Coal Miners Welfare Board of Western Australia  
The Library Board of Western Australia  
The National Trust of Australia (W.A.)  
The Queen Elizabeth II Medical Centre Trust  
The Western Australian Museum  
Trustees of the Public Education Endowment  
  
Water and Rivers Commission  
West Coast TAFE  
Western Australian Alcohol and Drug Authority  
Western Australian Building Management Authority  
Western Australian Electoral Commission  
Western Australian Gas Disputes Arbitrator  
Western Australian Greyhound Racing Association  
Western Australian Health Promotion Foundation  
Western Australian Institute of Sport  
Western Australian Meat Industry Authority  
Western Australian Planning Commission  
Western Australian Sports Centre Trust  
Western Australian Tourism Commission  
Wheatbelt Development Commission  
WorkCover Western Australia Authority  
  
Zoological Parks Authority

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**NOTE 39: COMPOSITION OF SECTORS - CONTINUED**


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**Public Non-Financial Corporation Sector**

Albany Port Authority  
 Animal Resources Authority  
 Armadale Redevelopment Authority  
  
 Broome Port Authority  
 Bunbury Port Authority  
 Bunbury Water Board  
 Busselton Water Board  
  
 Dampier Port Authority  
  
 East Perth Redevelopment Authority  
 Esperance Port Authority  
  
 Forest Products Commission  
 Fremantle Port Authority  
  
 Geraldton Port Authority  
 Gold Corporation and its subsidiaries  
 Government Employees' Housing Authority  
  
 Lotteries Commission  
  
 Metropolitan Cemeteries Board  
 Midland Redevelopment Authority  
  
 Perth Market Authority  
 Port Hedland Port Authority  
 Potato Marketing Corporation of Western Australia  
 Public Transport Authority of Western Australia  
  
 Racing and Wagering Western Australia (reporting date 31 July)  
 Rottnest Island Authority  
  
 Subiaco Redevelopment Authority  
  
 The Eastern Goldfields Transport Board  
 The State Housing Commission 'Homeswest' (other than Keystart)  
  
 Water Corporation  
 Western Australian Coastal Shipping Commission 'Stateships'  
 Western Australian Land Authority  
 Western Power Corporation <sup>(a)</sup>  
 Western Power – Regional (Horizon Power) <sup>(b)</sup>  
 Western Power – Networks <sup>(b)</sup>  
 Western Power – Retail (Synergy) <sup>(b)</sup>  
 Western Power – Generation (Verve Energy) <sup>(b)</sup>

**Public Financial Corporation Sector**

Community Insurance Fund  
 Country Housing Authority  
 Insurance Commission of Western Australia and subsidiary State Government Insurance Corporation  
 Keystart Housing Scheme, comprising  
     Keystart Bonds Ltd  
     Keystart Loans Ltd  
     Keystart Support Pty Ltd  
     Keystart Support (Subsidiary) Pty Ltd  
     Keystart Housing Scheme Trust  
     Keystart Support Trust  
  
 RiskCover  
 Western Australian Treasury Corporation

(a) Western Power Corporation ceased 31 March 2006.

(b) Established on 1 April 2006 following the disaggregation of Western Power Corporation.

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**NOTE 39: COMPOSITION OF SECTORS - CONTINUED**

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**Entities not consolidated**

The entities listed below, which administer superannuation and like funds and/or hold private funds in trust or fidelity type funds, have not been included in these consolidated financial statements as the assets are not available for the benefit of the State.

Coal Industry Superannuation Board  
Construction Industry Long Service Leave Payments Board  
Fire and Emergency Services Superannuation Board  
Government Employees Superannuation Board  
Legal Contribution Trust  
Public Trustee  
Real Estate and Business Agents Supervisory Board  
Settlement Agents Supervisory Board

The Australian Bureau of Statistics classifies the activities of public universities to a multi-jurisdictional sector due to the ambiguity of government control since States generally provide the enabling legislation and guarantee some borrowings while the Commonwealth exercises discretion in the distribution of operating grants. Accordingly, they are not consolidated in these consolidated financial statements.

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**NOTE 40: EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)**

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For all periods up to and including the year ended 30 June 2005, the public sector's financial statements were prepared in accordance with Australian Generally Accepted Accounting Principles (AGAAP). These financial statements for the year ended 30 June 2006, are the first prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the public sector financial statements comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in Note 2. In preparing these financial statements, an opening balance sheet as at 1 July 2004, representing the public sector's date of transition to AIFRS, was determined and those changes required to be made to accounting policies and other restatements to comply with AASB 1 *First-time adoption of AIFRS*.

The following tables and notes that accompany the tables explain the principal adjustments made in restating the public sector's AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

Table 5.7

**RECONCILIATION OF EQUITY REPORTED UNDER PREVIOUS  
AUSTRALIAN GENERALLY ACCEPTED ACCOUNTING  
PRINCIPLES (AGAAP) TO EQUITY UNDER AIFRS**

At the date of transition to AIFRS – 1 July 2004

	Note	Previous AGAAP 30 June 04 \$m	Effect of transition to AIFRS \$m	AIFRS 1 July 04 \$m
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	(a)	538	17	555
Inventories	(b)	575	(5)	570
Receivables	(c)	1,585	4	1,589
Other financial assets	(a)	6,016	(10)	6,006
Biological assets	(d)	-	22	22
Non-current assets classified as held for sale	(e)	-	13	13
Other non-financial assets		70	(2)	68
<b>Total current assets</b>		<b>8,784</b>	<b>39</b>	<b>8,823</b>
<b>NON-CURRENT ASSETS</b>				
Inventories	(g)	528	(17)	511
Receivables	(c)	254	4	258
Land		20,347	-	20,347
Buildings	(i)	8,624	175	8,799
Infrastructure	(j)	21,496	(119)	21,377
Plant, equipment and other	(k)	4,031	(264)	3,767
Biological assets	(d)	307	(22)	285
Other financial assets	(f)	3,272	(162)	3,110
Intangible assets	(h)	-	161	161
Other non-financial assets		71	4	75
<b>Total non-current assets</b>		<b>58,930</b>	<b>(240)</b>	<b>58,690</b>
<b>TOTAL ASSETS</b>		<b>67,714</b>	<b>(201)</b>	<b>67,513</b>
<b>CURRENT LIABILITIES</b>				
Payables		668	-	668
Borrowings	(l)	4,824	-	4,824
Provisions	(m), (n)	1,581	(426)	1,155
Other liabilities	(n)	1,250	50	1,300
<b>Total current liabilities</b>		<b>8,323</b>	<b>(376)</b>	<b>7,947</b>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings	(l)	8,452	(26)	8,426
Provisions	(m), (n)	5,656	645	6,301
Other liabilities	(n)	1,529	(66)	1,463
<b>Total non-current liabilities</b>		<b>15,637</b>	<b>553</b>	<b>16,190</b>
<b>TOTAL LIABILITIES</b>		<b>23,960</b>	<b>177</b>	<b>24,137</b>
<b>NET ASSETS</b>		<b>43,754</b>	<b>(378)</b>	<b>43,376</b>
<b>EQUITY</b>				
Accumulated funds	(o)	14,655	583	15,238
Reserves	(p)	29,099	(961)	28,138
<b>TOTAL EQUITY</b>		<b>43,754</b>	<b>(378)</b>	<b>43,376</b>

Table 5.8

**RECONCILIATION OF EQUITY REPORTED UNDER PREVIOUS  
AUSTRALIAN GENERALLY ACCEPTED ACCOUNTING  
PRINCIPLES (AGAAP) TO EQUITY UNDER AIFRS**

At the end of the last reporting period  
under previous AGAAP – 30 June 2005

	Note	Previous AGAAP 30 June 05 \$m	Effect of transition to AIFRS \$m	AIFRS 30 June05 \$m
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	(a)	499	157	656
Inventories	(b)	578	(25)	553
Receivables		1,797	(1)	1,797
Other financial assets	(f)	6,330	(154)	6,176
Biological assets	(d)	-	35	35
Non-current assets classified as held for sale	(e)	-	40	40
Other non-financial assets		74	1	75
<b>Total current assets</b>		<b>9,277</b>	<b>54</b>	<b>9,332</b>
<b>NON-CURRENT ASSETS</b>				
Inventories	(g)	747	(25)	722
Receivables	(c)	296	31	327
Land	(i)	22,687	46	22,733
Buildings	(i)	10,338	112	10,450
Infrastructure	(j)	22,734	(208)	22,526
Plant, equipment and other	(k)	4,684	(201)	4,483
Biological assets	(d)	327	(16)	311
Intangible assets	(h)	-	157	157
Other financial assets	(f)	3,751	(151)	3,600
Other non-financial assets		67	15	82
<b>Total non-current assets</b>		<b>65,633</b>	<b>(240)</b>	<b>65,391</b>
<b>TOTAL ASSETS</b>		<b>74,910</b>	<b>(186)</b>	<b>74,723</b>
<b>CURRENT LIABILITIES</b>				
Payables		698	1	699
Borrowings	(l)	5,066	-	5,066
Provisions	(m), (n)	1,661	(488)	1,173
Other liabilities	(n)	1,303	67	1,370
<b>Total current liabilities</b>		<b>8,728</b>	<b>(420)</b>	<b>8,308</b>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings	(l)	8,843	(23)	8,820
Provisions	(m), (n)	5,671	890	6,561
Other liabilities	(n)	1,563	(64)	1,499
<b>Total non-current liabilities</b>		<b>16,078</b>	<b>803</b>	<b>16,880</b>
<b>TOTAL LIABILITIES</b>		<b>24,806</b>	<b>383</b>	<b>25,188</b>
<b>NET ASSETS</b>		<b>50,104</b>	<b>(569)</b>	<b>49,535</b>
<b>EQUITY</b>				
Accumulated funds <sup>(a)</sup>	(o)	16,540	528	17,068
Reserves <sup>(a)</sup>	(p)	33,564	(1,097)	32,467
<b>TOTAL EQUITY</b>		<b>50,104</b>	<b>(569)</b>	<b>49,535</b>

(a) Accumulated funds and Reserves differ to the amounts reported in the Balance Sheet due to a non-AIFRS related transfer from reserves to accumulated funds processed by State Housing Commission following a change in accounting policy.

Table 5.9

**RECONCILIATION OF SURPLUS**  
For the period ended 30 June 2005

	Note	Previous AGAAP 30 June 05 \$m	Effect of transition to AIFRS \$m	AIFRS 30 June 05 \$m
<b>INCOME</b>				
Taxation		4,031	-	4,031
Territorial revenue		1,419	-	1,419
Regulatory Fees and Fines		419	-	419
Sale of goods and services		5,825	159	5,984
Grants and subsidies		6,398	-	6,398
Interest revenue		473	-	473
Other revenue		1,822	(245)	1,576
<b>TOTAL INCOME</b>		<b>20,388</b>	<b>(86)</b>	<b>20,301</b>
<b>EXPENSES</b>				
Supplies and services		1,892	98	1,990
Employee Benefits		6,873	205	7,078
Finance costs		852	11	863
Depreciation and amortisation		1,264	(44)	1,220
Grants and subsidies		2,734	-	2,734
Other expenses		5,221	(287)	4,934
<b>TOTAL EXPENSES</b>		<b>18,837</b>	<b>(17)</b>	<b>18,819</b>
<b>SURPLUS FOR THE PERIOD</b>	(o)	<b>1,551</b>	<b>(69)</b>	<b>1,482</b>

Table 5.10

**RECONCILIATION OF CASH REPORTED UNDER PREVIOUS  
AUSTRALIAN GENERALLY ACCEPTED ACCOUNTING  
PRINCIPLES (AGAAP) TO CASH UNDER AIFRS**

At the end of the last reporting period  
under previous AGAAP – 30 June 2005

	Note	Previous AGAAP 30 June 05 \$m	Effect of transition to AIFRS \$m	AIFRS 30 June 05 \$m
Net cash flows from operating activities	31	3,008	-	3,008
Net cash flows used in investing activities		(2,456)	-	(2,456)
Net cash flows from financing activities		109	-	109
NET CASH FLOWS (OUTFLOWS) FROM PUBLIC FINANCIAL CORPORATIONS	(a)	(247)	(1,017)	(1,264)
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<b>414</b>	<b>(1,017)</b>	<b>(604)</b>
CASH ASSETS AT THE BEGINNING OF PERIOD		4,865	-	4,865
<b>CASH ASSETS AT THE END OF PERIOD</b>		<b>5,279</b>	<b>(1,017)</b>	<b>4,261</b>

(a) The accompanying notes form part of these financial statements.

## NOTES TO THE RECONCILIATIONS

### (a) Cash and Cash Equivalents

Cash investments that meet the criteria for cash and cash equivalents under AASB 107 *Cash Flow Statements* have been reclassified from other financial assets - current to Cash and Cash equivalents. For the purpose of the Cash Flow Statement, cash and cash equivalents includes cash on hand and short term deposits with original maturities of three months or less that are readily convertible to known amounts of cash. The effect of these changes has not materially impacted on accumulated funds.

### (b) Inventories – current

AIFRS adjustments include reclassification to non-current assets classified as held for sale, reclassification to intangible assets and re-measurement of inventories held-for-distribution. Under previous AGAAP, inventories comprising internally-generated renewable energy certificates were classified as Inventories - current. Under AIFRS these assets have been reclassified to intangible assets.

AASB 102 *Inventories* also introduces a new class of inventories called 'held for distribution.' These are not held for sale, but held for distribution in the production process or rendering of services and have been measured at the lower of cost and current replacement cost.

The effect of these changes has not materially impacted on accumulated funds.

**(c) Receivables – non-current**

Under AIFRS, finance lease receivable arrangements relating to infrastructure assets have been reclassified and re-measured. As a result, infrastructure assets have been reclassified to receivables non-current.

**(d) Biological assets – current and non-current**

AASB 141 *Agriculture* requires separate split between current and non-current disclosure classification of the carrying amount of biological assets on the basis of 'immature' and 'mature' assets. Mature biological assets are those that are able to sustain regular harvests. Under AIFRS, the current portion of the valuation calculation has been reclassified from non-current to current.

**(e) Non-Current Assets classified as Held for Sale**

AASB 5 *Non-Current Assets Held for Sale* requires the re-classification and re-measurement of a non-current asset to a new classification 'non-current asset held for sale', if its carrying amount will be recovered principally through its sale rather than through continuing use. Assets that meet the 'held for sale' criteria under the standard will be measured at the lower of carrying amount and fair value less costs to sell. Assets will cease to be depreciated while they are classified as held for sale. Under previous AGAAP these assets were either classified as inventories at cost and/or property, plant and equipment at fair value.

Accumulated depreciation (under property, plant and equipment) will be de-recognised from the date of re-classification. The effect of this change has not materially impacted on accumulated funds.

**(f) Other financial assets – Investments – non-current**

Under previous AGAAP various property investments were classified in the balance sheet under other financial assets – investments. Under AIFRS, these property investments will not satisfy the criteria for financial assets and therefore, have been reclassified to buildings. The effect of this change has not materially impacted on accumulated funds.

**(g) Inventories – non-current**

Under AIFRS, various land parcels previously recognised as inventories, have been reclassified and re-measured to land assets as they meet the definition of land held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and have been measured at fair value.

The effect of this change has not materially impacted on accumulated funds.

**(h) Intangible assets**

Under previous AGAAP costs incurred on software development projects were deferred on a cost basis and classified in the balance sheet within plant, equipment and other. Under AIFRS intangible assets have been reclassified separately on the face of the balance sheet and continue to be measured at cost. These intangible assets will continue to be amortised on a straight-line basis.

All costs incurred in the research phase and some development costs have been expensed as a result of stricter recognition criteria for capitalisation of intangible assets.

**(i) Land and buildings**

Under AASB 116 *Property, Plant and Equipment*, assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period are required to be recognised under non-current assets on an asset class basis. As a result, various property investments have been reclassified from other financial assets – investments to land and buildings.

AASB 116 also requires all assets within a class to be measured on the same basis. The effect on transition to AIFRS has resulted in the re-measurement at fair value for some building assets previously measured at cost. The effect of this change has not materially impacted on accumulated funds.

**(j) Infrastructure**

Under AASB 136 *Impairment of Assets*, the recoverable amount of non-current assets is determined as the higher of the depreciable replacement amount and the net selling price. This results in a change to the previous AGAAP policy that allowed for the recoverable amount of non-current assets to be determined on the basis of discounted cash flows.

On adoption of AIFRS, the public sector has recognised an impairment loss, in particular, to electricity generation assets and road infrastructure (earthworks and pavements). Also, under AIFRS the separate disclosure of an estimate of the value of forest infrastructure is no longer required. As a result, forest infrastructure assets have been reclassified and recognised as biological assets – non-current.

**(k) Plant, equipment and other**

Under previous AGAAP, costs incurred on software development projects were deferred on a cost basis and classified in the balance sheet within plant, equipment and other.

Under AIFRS, intangible assets have been reclassified from plant, equipment and other and separately recognised as Intangible assets on the face of the balance sheet. In addition, the change in accounting policy for asset recognition to adopt a higher threshold from \$1,000 to \$5,000 has resulted in the de-recognition of assets, particularly, office equipment.

**(l) Borrowings**

Under AASB 1004 *Contributions*, non-reciprocal contributions received in advance, in particular non-guaranteed borrowings associated with Contributory Extension Scheme, will be recognised in the income statement. A non-reciprocal contribution is a transfer in which an entity receives assets or services or has liabilities extinguished without directly giving approximately equal value in exchange to the other party or parties to the transfer.

Also, under UIG 1017 *Developer and Customer Contributions for Connection to a Price-Regulated Network*, contributions received in advance will be deferred to the balance sheet to the extent that the contributions are undischarged.

On adoption of AIFRS, the public sector has reclassified non-reciprocal contributions from the balance sheet (i.e. borrowings) to the income statement. The impact of any subsequent changes in the assumptions used to calculate these contributions will be prospectively recognised in the income statement, including the movement in the present value over time (i.e. finance costs).

**(m) Provisions – employee entitlements**

**Annual Leave and Long Service Leave**

Under previous AGAAP, wages and salaries, annual leave and long service leave which are expected to be settled within 12 months of reporting date are measured at nominal (undiscounted) amounts. The liability for long service leave, which is expected to be settled more than 12 months from the reporting date, is measured at the present value of estimated future cash flows.



Under AASB 119 *Employee Benefits*, short-term employee entitlements are to be measured at their nominal (undiscounted) amounts and recognised under current liabilities. Long-term employee entitlements must be discounted to present value using the market yield on Commonwealth Government bonds and recognised under non-current liabilities. Long-term entitlements have decreased together with an increase in accumulated funds, as a result of discounting. Also under AIFRS, employee entitlements previously classified as non-current liabilities has been reclassified to current liabilities.

Under AASB 119, actuarial losses attributable to defined benefit plans have been recognised in the Income Statement. Also, under AIFRS superannuation obligations previously classified as current liabilities have been reclassified to non-current.

#### **(n) Provisions – Other**

Under AASB 137 *Provisions, Contingent Assets and Contingent Liabilities*, a provision for decommissioning and restoration costs has been recognised when a legal or constructive obligation arises. The provision has been measured under AIFRS as the present value of the expenditure required to settle the obligation.

When the construction or commissioning of an asset results in an obligation for the dismantling or removal of the asset and restoration of a site, the costs are termed restoration or decommissioning costs and AASB 116 *Property, Plant and Equipment* requires that the initial estimate of such costs are included in the cost of the asset.

#### **Decommissioning costs**

Under previous AGAAP, a provision was only recognised as an asset neared the end of its useful life. Under AIFRS, a provision is required to be recognised for decommissioning and removal of assets and site restoration either when the asset is acquired or as a consequence of having used the item. The impact of this change has resulted in an increase in the carrying amounts of the assets, in particular to electricity generation plants, and an increase in the recognition of a provision. The impact on accumulated funds includes de-recognition of previous AGAAP liability, recognition of AIFRS provision, de-recognition of AGAAP amortisation, recognition of finance costs under AIFRS and recognition of depreciation under AIFRS.

Under previous AGAAP, the decommissioning costs were classified under other liabilities. Under AIFRS, these liabilities have been reclassified in provisions.

**Restoration costs**

Under previous AGAAP, a provision was not recognised in relation to restoration obligations required under forest management plans. Under AIFRS, a provision is required to be recognised for forest restoration costs. The impact of this change has resulted in an increase in expense and the recognition of a provision.

**(o) Accumulated funds**

A reconciliation of AIFRS adjustments to accumulated funds are set out below.

Table 5.9		
<b>RECONCILIATION OF AIFRS ADJUSTMENTS TO ACCUMULATED FUNDS</b>		
	30 June 05	1 July 04
	\$m	\$m
<b>Net Adjustment on Transition - 1 July 2004</b>		
Transfer from reserves	-	595
Recognition of decommissioning and restoration provisions	-	(89)
De-recognition of plant and equipment and other	-	(78)
De-recognition of actuarial loss – superannuation defined benefit plans	-	(41)
Recognition of impairment losses	-	(34)
De-recognition of contributions	-	(23)
De-recognition of deferred research & development costs	-	(11)
Discounting of liabilities including employee benefits <sup>(a)</sup>	-	6
<b>Total Net Adjustment on Transition - 1 July 2004</b>	<b>-</b>	<b>325</b>
<b>Restated net result for the year ended 30 June 2005</b>		
Recognition of gains through profit and loss	63	
De-recognition asset decrement expense – correction of errors	81	-
De-recognition of depreciation and amortisation	49	-
Recognition of actuarial loss – superannuation defined benefit plans	(205)	-
De-recognition of contributions	(24)	
Write-down to non-current asset held for sale	(15)	-
Unwinding of discount and effect of changes in discount rate	(13)	-
Recognition of impairment losses	(5)	-
<b>Total Restated net result for the year ended 30 June 2005</b>	<b>(69)</b>	<b>-</b>
<b>Correction of prior period errors directly through equity</b>		
Correction of prior period errors directly through equity <sup>(b)</sup>	13	258
<b>Total Reconciliation of AIFRS Adjustments to Accumulated Funds</b>	<b>(56)</b>	<b>583</b>

(a) Recognition relating to interest expense arising from the unwinding of discount rate used in calculation of a provision.

(b) Refer to note 40(q) below.

**(p) Reserves**

Under AIFRS, a reserve can only be recognised if there is a legal or other restriction to distribute such reserves. The public sector previously recognised various infrastructure equity reserves that originated from past accounting practices of appropriating amounts from accumulated funds to reserves. Under AIFRS, these reserves do not satisfy the revised definitions and have been de-recognised to accumulated funds.

**(q) Correction of errors**

Correction of prior period errors directly through equity includes an adjustment to correct the effect of errors in applying accounting policies in prior periods, in accordance with *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*.

The majority of the adjustment of \$258 million shown in Table 5.9 relates to realised gains on inventory (land) disposals. Under AIFRS, the correction has resulted in an increase in realised gains.



# Treasurer's Accounts

The Treasurer's Accounts, established by section 5 of the *Financial Administration and Audit Act 1985* (FAAA), include those transactions and operations that are conducted through the Public Bank Account and maintained by the Treasurer. They comprise the Consolidated Fund, the Treasurer's Advance Account and the Trust Fund.

As shown in the following table, the aggregate balance of the Treasurer's Accounts increased by \$1,429 million during 2005-06, through the combined impact of a \$355 million reduction in the Consolidated Fund deficit, a \$1,082 million increase in the Trust Fund balance, and an \$8 million increase in the unrecouped advances of the Treasurer's Advance Account.

<b>TREASURER'S BALANCES AT 30 JUNE</b>		
	2006	2005
	\$m	\$m
<b>THE TREASURER'S ACCOUNTS</b>		
Consolidated Fund <sup>(a)</sup>	(771)	(1,126)
Trust Fund	4,066	2,984
Treasurer's Advance Account – Net Advances	(16)	(8)
<b>Total</b>	<b>3,279</b>	<b>1,850</b>
<b>REPRESENTED BY:</b>		
Investments	3,286	1,845
Cash on Hand	(7) <sup>(b)</sup>	5
<b>Total</b>	<b>3,279</b>	<b>1,850</b>

(a) The balance of the Consolidated Fund at 30 June 2006 includes non-cash appropriations of \$2,179 million (30 June 2005: \$1,688 million), representing the non-cash cost of agency outputs. These appropriations are credited to agency holding accounts included in the Trust Fund balance. The cash balance of the Consolidated Fund at 30 June 2006 was \$1,408 million (30 June 2005: \$562 million).

(b) Consistent with the policy of maximising the return on cash balances, the Department of Treasury and Finance (DTF) invests the value of agencies' cheques issued but not yet presented to the bank. As a result, DTF books of account show an overdrawn balance at 30 June. However, the account at the bank was in credit. The intention is to minimise uninvested cash without overdrawing the account at the bank but on some occasions during the year unanticipated transactions can lead to that account being temporarily overdrawn.

## Consolidated Fund

The *Constitution Act* requires that all revenue of the Crown that is not permanently appropriated by legislation to another entity, shall be credited to the Consolidated Fund, and that payments out of the Fund must be appropriated by Parliament.

Accordingly, Consolidated Fund revenue is not available for use by agencies which collect it, and such receipts must be paid directly to the credit of the Fund. Expenditure is authorised by Parliament, with both the amount and the expressed purpose of the relevant appropriation clearly specified.

The Consolidated Fund recorded an accumulated deficit of \$771 million at 30 June 2006. This included \$2,179 million in non-cash Holding Account balances for agencies, associated with accrual (non-cash) appropriations for depreciation and leave entitlements. In cash terms, the Fund ended the year with a cash balance of \$1,408 million, an \$846 million increase on the \$562 million closing balance recorded at 30 June 2005.

Of this closing cash balance, and as part of the 2006-07 Budget, the Government approved the application of \$1,275 million through an equity injection to the Public Transport Authority for the purpose of making the New MetroRail project debt-free on completion. The remaining funds have been allocated to:

- the repayment of \$49 million in Consolidated Fund borrowings in September 2006, leaving the Fund debt-free for the first time; and
- the repayment in 2007-08 of around \$60 million in agency borrowings currently supported through Consolidated Fund appropriations, to be reflected in agency appropriations as part of the 2007-08 Budget.

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**CONSOLIDATED FUND TRANSACTIONS**

Table 6.2

	2005-06 \$m	2004-05 \$m
<b>REVENUE</b>		
<i>Operating Activities</i>		
Taxation	4,478	3,736
Commonwealth Grants	3,958	3,763
Government Enterprises	872	746
Revenue from other agencies	3,381	2,909
Other	1,021	944
<i>Total Operating Activities</i>	<b>13,710</b>	<b>12,098</b>
<i>Financing Activities</i>		
Repayments of Recoverable Advances	16	18
Transfers from the Public Bank Account		
Interest Earned Account	59	41
Transfers from other trusts:		
Bankwest Pension Trust	2	2
Other Trusts	1	-
<i>Total Financing Activities</i>	<b>78</b>	<b>61</b>
<b>TOTAL REVENUE</b>	<b>13,788</b>	<b>12,159</b>
<b>EXPENDITURE</b>		
<i>Recurrent</i>		
Authorised by Other Statutes	1,011	1,047
Appropriation Act (No. 1)	10,733	9,709
Unforeseen Expenditure under the Treasurer's Advance Authorisation Act	247	493
<i>Total Recurrent Expenditure</i>	<b>11,991</b>	<b>11,249</b>
<i>Investing Activities</i>		
Authorised by Other Statutes	83	41
Appropriation Act (No. 2)	1,029	610
Unforeseen Expenditure under the Treasurer's Advance Authorisation Act	85	181
<i>Total Investing Activities</i>	<b>1,197</b>	<b>832</b>
<i>Financing Activities</i>		
Capital repayments	244	477
Other financing	1	-
<i>Total Financing Activities</i>	<b>245</b>	<b>477</b>
<b>TOTAL EXPENDITURE</b>	<b>13,433</b>	<b>12,558</b>
<b>NET MOVEMENT (REVENUE LESS EXPENDITURE)</b>	<b>355</b>	<b>-399</b>
<b>Consolidated Fund Balance</b>		
Opening balance at 1 July	(1,126)	(727)
Closing balance at 30 June	(771)	(1,126)
Of which:		
Appropriations payable	(2,179)	(1,688)
Cash balance at 30 June	1,408	562

Note: Columns may not add due to rounding.

## Trust Fund

The Trust Fund consists of several hundred individual accounts held centrally on behalf of agencies. The nature of these accounts are diverse but are generally categorised into four groups: Governmental Operating and Trust Accounts, Private Trust Accounts, Suspense Accounts and Commonwealth Grants and Advances Accounts.

Governmental Operating and Trust Account balances held by agencies increased by \$564 million in 2005-06, due mainly to the timing of cash transactions through these accounts.

Suspense Account balances increased by \$503 million in 2005-06, largely reflecting the increase in agencies' non-cash Holding Account balances relating to accumulated depreciation and leave entitlements funded through accrual appropriation arrangements. These Holding Account balances are offset by equivalent non-cash liabilities held against the Consolidated Fund.

<b>TRUST FUND BALANCE AT 30 JUNE</b>		
	2006	2005
	\$m	\$m
Governmental Operating and Trust Accounts	1,764	1,200
Suspense Accounts	2,194	1,691
Private Trust Accounts	62	54
Commonwealth Grants and Advances Accounts	46	39
<b>BALANCE OF FUND AT 30 JUNE</b>	<b>4,066</b>	<b>2,984</b>

Table 6.3

## Treasurer's Advance

The Treasurer's Advance allows for short-term repayable advances to agencies for working capital purposes (known as 'net unrecouped balances') and the provision of supplementary funding of annual appropriations for unforeseen and/or extraordinary events during the year (known as 'excesses and new items').

A total of \$500 million was authorised by *Treasurer's Advance Authorisation Acts* for the year ended 30 June 2006, compared with a \$750 million authorised limit for the preceding year.

Of the \$500 million authorised limit for 2005-06, \$16 million was held at 30 June 2006 in the form of net unrecouped advances, while \$332 million in excesses and new items were authorised during 2005-06. Table 6.4 outlines the disposition of these amounts by agency. Details of individual amounts can be found in the annual reports of the listed agencies.



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**TREASURER'S ADVANCE**

Table 6.4

	2005-06	2004-05
	\$m	\$m
<b>AUTHORISED LIMIT</b>	500.0	750.0
<i>Total Drawn Against Treasurer's Advance Authorisation Act</i>	348.4	682.3
Comprising:		
Net unrecouped balances as at 30 June	16.3	8.5
Excesses and New Items		
- recurrent	247.1	492.9
- capital	85.0	180.9
<b>NET UNRECOUPED BALANCES</b>		
Appeals Cost Board	1.0	1.0
Public Sector Standards Commissioner – CEO selection	0.5	0.3
Chemistry Centre Commercialisation	1.2	1.2
Energy Smart Government Program	2.9	2.4
Gas Review Board	-	1.8
Ministerial Air Service	6.1	-
Perry Lakes Redevelopment Project	2.6	-
Planning and Infrastructure	2.0	2.0
Sundry Debtors	-	-0.2
<b>TOTAL UNRECOUPED TREASURER'S ADVANCES</b>	<b>16.3</b>	<b>8.5</b>
<b>EXCESSES AND NEW ITEMS</b>		
Agriculture Protection Board	0.1	0.3
Botanic Parks and Gardens Authority	1.8	1.2
Commissioner for Equal Opportunity	0.1	0.3
Commissioner of Main Roads	27.1	6.8
Corruption and Crime Commission	-	2.5
Curriculum Council	1.1	-
Department for Community Development	2.2	1.5
Department for Planning and Infrastructure	13.3	19.2
Department of Agriculture and Food	17.6	13.7
Department of Conservation and Land Management	9.0	16.4
Department of Consumer and Employment Protection	4.1	1.7
Department of Corrective Services	15.6	-
Department of Culture and the Arts	3.4	9.8
Department of Education and Training	29.9	102.8
Department of Education Services	-	54.2
Department of Environment	-	5.3
Department of Fisheries	-	2.1
Department of Health	38.9	65.6
Department of Housing and Works	4.1	4.9
Department of Indigenous Affairs	0.2	-
Department of Industry and Resources	-	88.1
Department of Land Information	0.5	-
Department of Local Government and Regional Development	0.1	1.0
Department of Racing, Gaming and Liquor	-	6.2
Department of Sport and Recreation	-	23.3
Department of the Attorney General	8.1	23.8
Department of the Premier and Cabinet	-	35.8
Department of Treasury and Finance <sup>(a)</sup>	61.4	81.2
Disability Services Commission	0.5	3.2
Economic Regulation Authority	1.2	0.2
Fire and Emergency Services Authority of Western Australia	12.4	16.3

(a) Includes the operations of the Consolidated Fund, such as subsidies for public corporations.

Table 6.4 (cont.)

**TREASURER'S ADVANCE**

	2005-06 \$m	2004-05 \$m
<b>EXCESSES AND NEW ITEMS - CONTINUED</b>		
Goldfields-Esperance Development Commission	-	2.1
Heritage Council of WA	0.6	1.9
Kimberley Development Commission	-	0.2
Legislative Council	0.4	0.1
Mid West Development Commission	2.1	1.4
Office of Energy	5.8	0.6
Office of Shared Services	0.8	-
Office of the Auditor General	1.4	-
Office of the Director of Public Prosecutions	3.8	3.8
Office of the Information Commissioner	-	0.1
Office of the Inspector of Custodial Services	0.3	0.2
Office of the Public Sector Standards Commissioner	-	0.1
Parliamentary Commissioner for Administrative Investigations	-	0.4
Parliamentary Services Department	-	0.1
Peel Development Commission	-	0.7
Pilbara Development Commission	-	5.0
Police Service	13.5	5.9
Public Transport Authority of Western Australia	17.3	26.9
Rural Business Development Corporation	1.6	8.8
Salaries and Allowances Tribunal	0.2	-
Small Business Development Corporation	-	0.2
South West Development Commission	0.1	0.7
Swan River Trust	-	1.9
Water and Rivers Commission	-	6.2
Western Australian Electoral Commission	0.1	1.7
Western Australian Planning Commission	2.6	1.3
Western Australian Sports Centre Trust	-	0.9
Western Australian Tourism Commission	11.7	14.3
Wheatbelt Development Commission	-	0.1
Zoological Parks Authority	16.9	0.6
Other	-	0.2
<b>TOTAL EXCESSES AND NEW ITEMS</b>	<b>332.1</b>	<b>673.8</b>

## Investments

Invested funds associated with the Treasurer's Accounts are managed by the Department of Treasury and Finance, with financial market operations conducted by the Western Australian Treasury Corporation. The total amount invested at 30 June 2006 under the provisions of the FAAA increased by \$1,441 million relative to 30 June 2005. The disposition of these investments at 30 June are shown in the following table.

<b>PUBLIC BANK ACCOUNT INVESTMENTS AT 30 JUNE</b>		
	2006	2005
	\$m	\$m
<i>Short Term Money Market Portfolio (Maturities 0-1 Year)</i>		
Deposits at Call with Banks	422	167
Bank Bills and Bank Negotiable Certificates of Deposit	2,552	1,298
<i>Long Term Bond Portfolio (Maturities 1-5 Years)</i>		
Commonwealth and State Government Guaranteed Securities	299	366
<i>Other Investments</i>		
Commonwealth and State Government Guaranteed Securities	13	14
<b>TOTAL INVESTMENTS</b>	<b>3,286</b>	<b>1,845</b>

Table 6.5



# Acronyms

<i>Acronym</i>	<i>Meaning</i>
AASB	Australian Accounting Standards Board
AAS	Australian Accounting Standards
ABS	Australian Bureau of Statistics
AGAAP	Australian Generally Accepted Accounting Principles
AIFRS	Australian equivalents to International Financial Reporting Standards
ARSF	Annual Report on State Finances
CF	Consolidated Fund
CFS	Consolidated Financial Statements
CWP	Capital Works Program
FAAA	<i>Financial Administration and Audit Act 1985</i>
FALAA	<i>Financial Administration Legislation Amendment Act 2005</i>
GFS	Government Finance Statistics
GSP	Gross State Product
GFRA	<i>Government Financial Responsibility Act 2000</i>
GFRR	Government Financial Results Report
IASB	International Accounting Standards Board
LCA	Loan Council Allocations
nec	Not elsewhere classified
TAS	Treasurer's Annual Statements
UIG	Urgent Issues Group
UPF	Uniform Presentation Framework