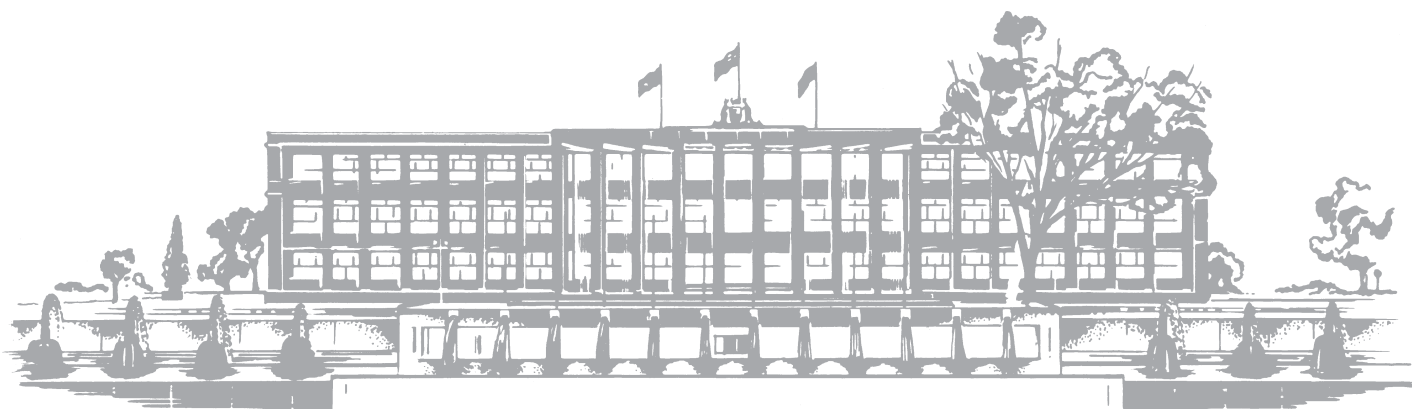




2006-07

ANNUAL REPORT ON STATE FINANCES

SEPTEMBER 2007



2006–07 Annual Report on State Finances

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Annual Report on State Finances

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Foreword

This *Annual Report on State Finances* (ARSF) details the State's public sector financial results for 2006-07, and outlines material differences between these results and the financial projections contained in the 2006-07 Budget (delivered on 11 May 2006).

This report is a requirement of the *Government Financial Responsibility Act 2000* which specifies the publication of audited whole-of-government financial results (consistent with external reporting standards¹) within 90 days of year-end.

This ARSF contains comparable information for:

- the actual outturn for 2005-06 (GFS and AAS);
- the 2006-07 Budget estimates (GFS);
- the 2006-07 estimated outturn as published in the 2007-08 Budget, delivered on 10 May 2007 (GFS);
- the actual outturn for 2006-07, which is the focus of this report (GFS and AAS);
- monthly and quarterly results for June 2007 (GFS), completing the State's 2006-07 monthly and quarterly reporting series; and
- summary information on the Public Ledger, comprising the Consolidated Account, the Treasurer's Advance Account, and the Treasurer's Special Purpose Accounts, for the years 2005-06 and 2006-07.

¹ 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).

Statement of Responsibility

This ARSF is a statutory requirement of the *Government Financial Responsibility Act 2000*. 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 2007, and the financial position of the Government at 30 June 2007; 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

24 September 2007

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 2007

I have audited the Annual Report on State Finances for the year ended 30 June 2007, which comprises: Financial Results (Chapter 1); Financial Strategy and Targets (Chapter 2); Uniform Presentation of Public Sector Finances - Statistical Tables (Appendix 1); General Government Operating Revenue (Appendix 2); Revenue Forecasting Performance (Appendix 3); Policy Decisions Affecting Spending (Appendix 4); Monthly and Quarterly Financial Results for the financial year (Appendix 5); Consolidated Financial Statements (Appendix 6); and Summary information from the Public Ledger (Appendix 7).

Under Treasurer's Responsibility for the Annual Report on State Finances

The Under Treasurer on behalf of the Treasurer is responsible for the preparation and fair presentation of the Annual Report on State Finances in accordance with external reporting standards. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the Annual Report on State Finances that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Government Financial Responsibility Act 2000.

Summary of my Role

As required by the Government Financial Responsibility Act 2000, my responsibility is to express an opinion on the Annual Report on State Finances based on my audit. My procedures consisted of:

- An audit of Appendix 6 "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 publication of the Australian Bureau of Statistics known as Australian System of Government Finance Statistics: Concepts, Sources and Methods. This was done by reconciling the information presented in Appendix 6 "Consolidated Financial Statements" to the information presented in Appendix 1.
- Confirmation that Appendix 7 "Summary information from the Public Ledger" comprising the Consolidated Account, Treasurer's Advance Account and Treasurer's Special Purpose 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.

**Annual Report on State Finances
For the year ended 30 June 2007**

This work was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. 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.

Audit Opinion

In my opinion, the Annual Report on State Finances

- (i) has been prepared in accordance with external reporting standards comprising the concepts and classifications set out in the publication of the Australian Bureau of Statistics known as Australian System of Government Finance Statistics: Concepts, Sources and Methods, and the Australian Accounting Standards; and
- (ii) has been properly drawn up so as to present fairly the operating results and cash flows of the Government of Western Australia for the budget year ended 30 June 2007 and the financial position at the end of that budget year.



COLIN MURPHY
AUDITOR GENERAL
24 September 2007

Financial Results

Overview

The Western Australian economy continued to perform strongly in 2006-07, underpinned by high commodity prices and very strong growth in business investment. This has resulted in another record year for the State's finances.

Key features of the 2006-07 results include:

- a record general government sector operating surplus of \$2,303 million, \$39 million more than the surplus recorded in 2005-06;
- growth in general government revenue of 7.7% which, while still robust, is down substantially on the record growth of 14.0% achieved in 2005-06;
- general government expense growth of 8.6%, slightly higher than budgeted growth of 7.7%;
- the lowest level of net debt on record, with total public sector net debt falling to \$2,984 million at 30 June 2007;
- a net debt to revenue ratio for the total non-financial public sector of 17.9%, again the lowest outcome on record;
- a net debt-free general government sector for the fourth consecutive year; and
- the delivery of a record Capital Works Program of \$5.1 billion, up \$666 million on the previous record achieved in 2005-06.

The following table summarises the key financial aggregates for 2006-07.

KEY BUDGET AGGREGATES					
Western Australia					
	2005-06	2006-07			<i>Variation on Budget \$m (3) – (1)</i>
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
GENERAL GOVERNMENT SECTOR					
Revenue (\$m)	16,207	16,510	17,278	17,451	941
Expenses (\$m)	13,942	15,234	15,425	15,147	-87
Net Operating Balance (\$m)	2,265	1,275	1,853	2,303	1,028
TOTAL NON-FINANCIAL PUBLIC SECTOR					
Net Debt to Revenue Ratio (%)	19.6	30.0	23.8	17.9	-12.1
TOTAL PUBLIC SECTOR					
Net Debt at 30 June (\$m)	3,179	5,413	4,208	2,984	-2,429
Capital Works Program (\$m)	4,479	5,201	5,484	5,145 ^(a)	-56

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

Factors driving the increase in the general government operating balance since the 2006-07 Budget were twofold, with an increase in revenue combining with a modest reduction in expenses.

Of note, the increase in revenue since the estimated outturn published in the 2007-08 Budget was \$173 million (or 1.0%), with the majority (\$136m) of this higher than forecast outcome due to increases in agency own-source revenue, including Commonwealth tied grants, and sales of goods and services. A discussion of revenue forecasting performance is included in Appendix 3.

In cash terms, the Consolidated Account (which is part of the general government sector) recorded a surplus of \$1.3 billion in 2006-07, of which \$1.09 billion has been set aside to fund the debt-free construction of the Fiona Stanley Hospital (as announced in the 2007-08 Budget). The Government has decided to use the remaining cash surplus to retire a further \$149 million of debt and fund the recently announced \$50 million increase in costs associated with completing the New MetroRail project (see further detail in *Application of the Surplus* later in this chapter).

This brings to \$3.7 billion the total amount of debt retired or avoided over the past three years from the Government's prudent application of cash surpluses, which has in turn reduced 'dead' interest payments by around \$230 million per year – money that can now be redirected into priority service delivery areas like health, education and training, and law and order.

The movement in key financial aggregates between the original 2006-07 Budget estimates (presented to Parliament on 11 May 2006) and the actual results for 2006-07 released in this report are discussed below.

Results Compared to Estimates

General Government Sector

Operating Statement

A general government operating surplus of \$2,303 million was recorded in 2006-07. This compares with the 2006-07 Budget estimate of \$1,275 million.

GENERAL GOVERNMENT						
Operating Statement						
	2005-06	2006-07				
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	Variation on Budget \$m (3) – (1) %	
REVENUE						
Taxation	5,195	5,082	5,622	5,718	636	12.5
Current grants and subsidies	6,890	7,163	7,131	7,155	-8	-0.1
Capital grants	375	402	431	448	46	11.4
Sales of goods and services	1,115	1,046	1,141	1,229	183	17.5
Interest income	170	151	219	246	95	62.7
Revenue from public corporations						
Dividends	534	456	445	421	-35	-7.7
Tax equivalent payments	304	294	316	311	18	6.1
Royalty income	1,184	1,504	1,555	1,468	-36	-2.4
Other	440	410	418	453	43	10.5
<i>Total</i>	<i>16,207</i>	<i>16,510</i>	<i>17,278</i>	<i>17,451</i>	<i>941</i>	<i>5.7</i>
EXPENSES						
Gross operating expenses						
Salaries	5,694	5,904	6,098	6,182	278	4.7
Depreciation and amortisation	591	637	662	672	35	5.4
Superannuation	557	580	594	602	22	3.8
Services and contracts	1,367	1,753	1,842	1,663	-90	-5.1
Other gross operating expenses	1,876	1,873	1,890	1,822	-51	-2.7
Nominal superannuation interest	242	306	275	289	-17	-5.5
Other interest	120	132	122	112	-20	-15.1
Current transfers	3,007	3,466	3,393	3,392	-74	-2.1
Capital transfers	487	583	548	413	-170	-29.2
<i>Total</i>	<i>13,942</i>	<i>15,234</i>	<i>15,425</i>	<i>15,147</i>	<i>-87</i>	<i>-0.6</i>
NET OPERATING BALANCE	2,265	1,275	1,853	2,303	1,028	

Note: Columns may not add due to rounding.

The key factors behind the stronger than budgeted operating performance of the general government sector are outlined in the following table.

Table 3

**SUMMARY OF GENERAL GOVERNMENT
REVENUE AND EXPENSE VARIATIONS
SINCE THE 2006-07 BUDGET**

	2006-07 \$m
2006-07 BUDGET – NET OPERATING BALANCE	1,275
Revenue	
<i>Policy Decisions</i> ^(a)	
Burswood Park Levy	0.9
Taxation Relief - Increase the first home buyer exemption threshold	-11.0
All other revenue	1.7
<i>Total Policy</i>	-8.4
<i>Parameter</i> ^(b)	
Taxation	646.7
<i>Comprising:</i>	
- Payroll tax	179.2
- Conveyance duty	306.9
- Land tax/MRIT	51.5
- Mortgage duty	19.3
- Gambling taxes	23.4
- Motor vehicle taxes	68.3
- All other taxes	-2.0
Commonwealth grants	37.7
<i>Comprising:</i>	
- North West Shelf royalties	-63.7
- GST revenue grants	38.9
- AHCA and other Health grants	35.5
- Schools and vocational training grants	23.3
- Road grants	65.2
- All other Commonwealth grants	-61.5
Mining royalties/lease rentals	-15.6
Agency sales of goods and services	181.3
Revenue from public corporations	-17.3
Interest income	94.9
Other	21.6
<i>Total Parameter</i>	949.3
TOTAL REVENUE	940.9
Expenses	
<i>Expense Policy Decisions</i> ^{(a), (c)}	119.2
<i>Parameter</i> ^(b)	
Dampier to Bunbury Natural Gas Pipeline purchase assistance ^(d)	-88.1
First Home Owner Grants	-41.8
Interest	-19.9
Other	-56.9
<i>Total Parameter</i>	-206.6
TOTAL EXPENSES	-87.4
TOTAL VARIANCE	1,028.3
2006-07 ANNUAL REPORT ON STATE FINANCES – NET OPERATING BALANCE	2,303

(a) Excludes the public debt net interest effect of policy measures.

(b) 'Parameter' variations refer to all movements that are not directly related to a policy decision of the Government.

(c) An agency listing of the expense policy decisions taken since the 2006-07 Budget is provided in Appendix 4: *Policy Decisions Affecting Spending*.

(d) Pipeline assistance budgeted to be expensed (and loan written off) at the time of completion of the initial expansion commitments. However, advice from the ABS indicates that for National Accounts purposes, the loan should be maintained until 2015-16 or if and when the company applies to the Minister for conversion of the loan to a grant (whichever occurs first).

Note: Columns may not add due to rounding.

Revenue

General government revenue in 2006-07 totalled \$17,451 million, and was \$941 million (or 5.7%) higher than the original budget estimate. The major factors contributing to this outcome were:

- taxation revenue (up \$636 million or 12.5%), largely reflecting increased:
 - conveyance duty (up \$296 million or 17.0%), due mainly to stronger than projected growth in the median house price (more than offsetting a larger than projected decline in turnover) and very robust growth in the non-residential property market;
 - payroll tax (up \$179 million or 12.6%), due to stronger than forecast growth in wages and employment (e.g. actual average weekly earnings growth was 9.6% compared to the original budget estimate of 5.25%);
 - motor vehicle taxes (up \$68 million or 9.0%), primarily as a result of higher than anticipated stamp duty from motor vehicle licence transfers (up \$24 million) and annual motor vehicle registration fees (up \$42 million), with high levels of motor vehicle licence transfers reflecting stronger economic conditions generally;
 - land tax (up \$44 million or 12.9%), due to stronger than expected growth in unimproved land values; and
 - mortgage duty (up \$19 million or 19.1%), due to continued growth in the value of property transfers;
- higher than forecast revenue from the sale of goods and services (up \$183 million or 17.5%), generally reflecting demand driven factors, discussed further in Appendix 3. The key agencies with higher than budgeted revenue are shown in the following table;

Table 4

SALES OF GOODS AND SERVICES
General Government

	2005-06	2006-07				
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	Variation on Budget \$m (3) – (1) %	
Health	243	227	255	274	47	20.5
Education and Training	127	127	142	159	32	25.5
Environment and Conservation	54	38	49	59	21	55.7
Industry and Resources	35	17	24	32	16	93.1
Land Information Authority	82	73	82	86	13	18.4
Attorney General ^(a)	61	50	56	62	12	24.1
Agriculture and Food	25	10	10	22	12	120.2
Western Australia Police	20	18	24	26	8	44.3
Building and Construction Industry Training Board	17	14	15	22	8	55.9
Consumer and Employment Protection	30	31	32	39	8	24.7

(a) 2005-06 includes operation of the former Department of Justice for seven months.

- Commonwealth grants¹ (up \$101 million or 1.5%), mainly due to higher than projected national GST revenue and additional AusLink road funding for Western Australia in the Commonwealth's 2006-07 Budget;
- interest income (up \$95 million or 62.7%), as a result of higher than anticipated cash holdings which have arisen from stronger than forecast operating surplus outcomes in 2005-06 and 2006-07, together with higher interest rates;
- 'other' revenue (excluding lease rentals, up \$22 million or 6.1%), with lower than forecast fines from traffic offences (down \$17 million) offset by higher income from other sources including contributions from external organisations (up \$31 million, including agricultural, water and education-related grants); and
- a decline in mining revenue² (down \$79 million or 3.5%). This reflects the net impact of:
 - lower volumes of iron ore (due to cyclones in the March quarter 2007) and liquefied natural gas and liquefied petroleum gas (due to unplanned shut-downs of production facilities), and a higher than assumed \$A/\$US exchange rate (of US78.6 cents, compared to the budget assumption of US73.0 cents);
 - higher prices for a number of commodities, most notably iron ore (the price increase for iron ore in 2006-07 was 19.5%, compared with an assumed increase of 10%). Nickel prices were also considerably higher than assumed in the 2006-07 Budget; and

¹ Excluding North West Shelf petroleum royalties on-passed by the Commonwealth in the form of grants.

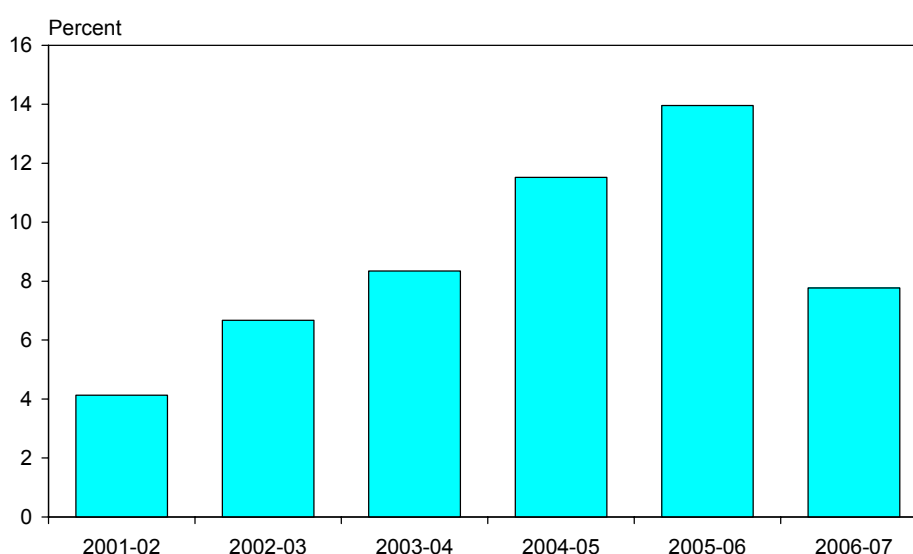
² Including North West Shelf petroleum royalties and lease rentals.

- a larger than projected number of exploration lease applications and sustained level of mining leases, reflecting the strength of commodity market conditions.

Growth in general government revenue in 2006-07 was 7.7%. Whilst still robust, revenue growth almost halved from the record 14.0% growth achieved in 2005-06. The following chart clearly illustrates the impact of Western Australia's booming economy on revenue growth in the last few years, and the peak growth rate recorded in 2005-06.

REVENUE GROWTH General Government

Figure 1



Expenses

General government expenses in 2006-07 totalled \$15,147 million. This was \$87 million (or 0.6%) lower than the original budget estimate, with parameter variations more than offsetting increases due to policy decisions taken since the 2006-07 Budget estimates were finalised on 18 April 2006.

Additions from policy decisions totalled \$119 million and included:

- a \$30 million Compensation Fund settlement package for victims of the Finance Brokers Scandal;
- \$9.6 million to combat Australian Plague Locusts and European Starlings;
- \$6.9 million for additional caseworkers and support staff at the newly created Department of Child Protection to meet the increasing needs of vulnerable children and families at risk;
- \$6.8 million to increase places for apprentices and trainees, including Indigenous support, to help address skills shortages in the State;

- \$6.4 million to expand the LPG conversion subsidy scheme (from \$500 to \$1,000 per vehicle) to encourage consumers to buy either a new dedicated LPG passenger vehicle or to convert an existing petrol vehicle; and
- \$6.2 million for the engagement of additional town planners and Land Release Co-ordinators for the Metropolitan and South West regions to improve the delivery of planning services, including processing of land development applications.

A range of smaller decisions account for the remaining increase in policy spending. These decisions were described in detail in the 2006-07 mid-year review and the 2007-08 Budget Papers. Appendix 4 summarises the increments in agency spending due to policy decisions since the 2006-07 Budget.

Parameter variations reduced expenses by \$207 million, mainly due to:

- a change in the Government Finance Statistics (GFS) classification of the assistance provided to the new owners of the Dampier to Bunbury Natural Gas Pipeline (reducing expenses by \$88 million), following advice from the Australian Bureau of Statistics (ABS)³;
- lower First Home Owner Grants (down \$42 million), with lower than forecast activity in the first home buyers market in 2006-07; and
- reduced debt servicing costs (down \$20 million), reflecting lower than expected debt outcomes in the past two financial years.

The remainder of the parameter movement in expenses is underpinned by a range of agencies underspending on their initial budget allocations. In some cases, the timing of spending was revisited in the 2006-07 mid-year review and 2007-08 Budget processes to more accurately reflect current expectations, with some spending pushed out into 2007-08 and beyond. This included grants expenses, particularly for the Departments of Industry and Resources (\$40 million), Sport and Recreation (\$35 million), and Planning and Infrastructure (\$22 million), and the Office of Native Title (\$36 million).

³ For the GFS presentation of State finances, and under the arrangements at the time, \$88 million of Government assistance was provided to the new owners of the pipeline as a loan. This was budgeted to be expensed (and the loan written off) at the time of completion of the initial expansion commitments (2006-07). However, subsequent advice from the ABS was that for National Accounts purposes, the loan should be maintained until 2015-16 or if and when the company applies to the Minister for conversion of the loan to a grant (whichever occurs first). This will ensure consistent public and private sector treatment of this item.

For the expense categories outlined on the general government operating statement, in addition to grants and interest costs already noted above, other significant variations relative to the 2006-07 Budget were:

- higher salaries (up \$278 million), primarily for higher staffing levels and wage outcomes in key priority service areas including:
 - Education and Training (up \$103 million), due to the impact of the finalisation of Enterprise Bargaining Agreements (EBAs) for teachers and members of the Civil Service Association and Liquor, Hospitality and Miscellaneous Workers Union, attraction and retention initiatives introduced to assist with staffing in rural and remote schools for the 2007 school year, an increase in the number of teacher aides, and higher termination payments; and
 - Health (up \$97 million), primarily from higher than budgeted growth in both FTEs and wages, the latter accrued from existing EBAs for Medical Practitioners, Nurses and workers represented by the Health Service and the Liquor, Hospitality and Miscellaneous Worker Unions;
- increases in concurrent superannuation expenses (up \$22 million), associated with the higher salaries costs above;
- lower nominal superannuation interest expense⁴ (down \$17 million), reflecting the actuarial valuation of the superannuation liability at 30 June 2006, with a flow-on impact on this expense in 2006-07;
- higher depreciation expenses (up \$35 million), particularly in the education and health sectors, with an increase in asset holdings due to both revaluations (on assets such as school buildings, clinical facilities and other related infrastructure) as well as increased capital spending on new school facilities and medical equipment;
- lower services and contracts expenses (down \$90 million), due mainly to lower than forecast spending by the Department of Housing and Works on behalf of client agencies due to delays in projects going to tender (\$51 million), and an increase in the value of capitalised (rather than expensed) road works by Main Roads (\$26 million); and
- lower day-to-day non-labour costs of agencies (down \$51 million), primarily reflecting lower administration expenses by the Department of Education and Training (due mainly to some savings across various programs and delays in the commencement of some new initiatives).

⁴ Nominal superannuation interest represents the cost to the general government sector of carrying the unfunded superannuation 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.

Balance Sheet

Net worth of the general government sector grew by a remarkable 31% over 2006-07, rising to \$75.7 billion at 30 June 2007. This outcome compares with the original budget forecast of \$55.9 billion. The \$19.8 billion increase can be categorised by the following:

- the impact of the stronger final outcome for the year ending 30 June 2006, outlined in the 2005-06 *Annual Report on State Finances* (up \$4.6 billion);
- higher than estimated operating surpluses across the public sector during 2006-07 (\$1.3 billion); and
- a substantial increase in the value of the State's net assets (\$13.9 billion), dominated by movements in land and other fixed asset holdings.

The value of land and fixed assets held by the general government sector at 30 June 2007 totalled \$51.3 billion, up \$12.6 billion on the forecast position in the 2006-07 Budget. This includes a \$3.2 billion increase in values flowing from the year ended 30 June 2006, new acquisitions as part of the Government's Capital Works Program (which reached a record \$5.1 billion during 2006-07), and asset revaluations, particularly for the value of land under roads (with revaluations during 2006-07 worth around \$4.7 billion).

Financial assets were \$7.1 billion higher than budgeted at 30 June 2007. The higher outcome reflects increases in the value of the general government sector's holdings in public corporations, and higher than expected investments (due to the stronger than anticipated general government surplus outcome previously discussed).

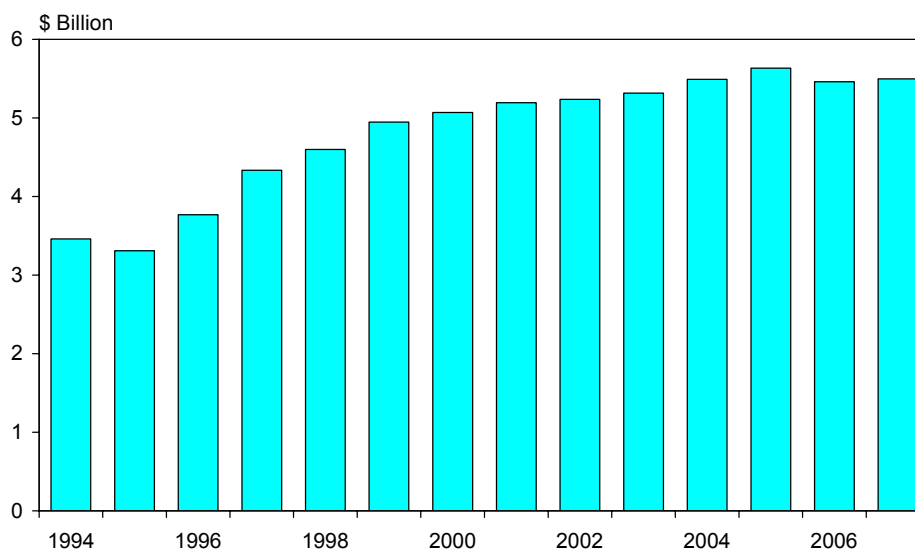
General government liabilities at 30 June 2007 were \$10.2 billion, marginally lower than the 2006-07 Budget estimate, with lower borrowings and unfunded superannuation liabilities partly offset by higher employee entitlements and provisions and non-equity liabilities.

Borrowings at 30 June 2007 were \$193 million lower than budget, partly reflecting the early repayment of \$49 million of Consolidated Account debt in September 2006 (using surplus cash from 2005-06). This repayment extinguished all remaining centrally held debt for the first time in the State's history.

Unfunded superannuation liabilities were \$5.5 billion at 30 June 2007, down \$142 million compared to budget but broadly similar to levels recorded a year earlier. The following chart shows the slower growth in these liabilities in recent years, with the full funding of the majority of the State's public sector employee entitlements capping unfunded superannuation growth. All remaining unfunded superannuation liabilities are expected to be paid out over the next two to three decades (as members retire, pass away and/or entitlements are paid out).

Figure 2

**GENERAL GOVERNMENT
UNFUNDED SUPERANNUATION LIABILITIES**
At 30 June



Employee entitlements and provisions were up \$82 million since budget, with higher accrued leave entitlements largely due to end-of-year actuarial valuations.

Non-equity liabilities were \$153 million higher than budget. This reflects the Commonwealth's 2006-07 Budget AusLink roads initiative (announced after the State's 2006-07 Budget was released), which resulted in a significant prepayment obligation for the State⁵.

Continuing the trend commenced in 2003-04, the general government sector was again net debt-free in 2006-07, with debt-related financial assets exceeding gross debt liabilities by \$2.7 billion at 30 June 2007. This outcome was a \$1.7 billion improvement on the net asset projection contained in the 2006-07 Budget, and is largely a consequence of the stronger than anticipated surplus outcomes in 2005-06 and 2006-07. Net debt is discussed later in this chapter.

Cash Flow Statement

The general government sector recorded a cash surplus of \$1,460 million in 2006-07, up \$598 million on the cash surplus originally forecast in the 2006-07 Budget⁶. The improvement is due to higher net cash flows from operating activities (i.e. day-to-day operations), reflecting the cash impact of factors outlined earlier in this chapter.

⁵ Western Australia's share of the Commonwealth's \$1.7 billion accelerated upgrade to the AusLink program is \$323 million. \$53 million has so far been spent with the remaining prepayment obligation at 30 June 2007 standing at \$270 million.

⁶ As noted earlier, the Consolidated Account recorded a cash surplus in 2006-07 of \$1.3 billion. This is a component or sub-set of the general government sector cash surplus.

Purchases of non-financial assets (i.e. infrastructure spending) by the general government sector totalled \$1,610 million in 2006-07, down marginally (\$10 million) on the forecast in the 2006-07 Budget. Spending on transport and communications accounts for around 32% of total general government sector fixed asset spending (largely roads), followed by education and training (22%), health (10%) and public order and safety (10%).

Further information on capital investment across the public sector is provided later in this chapter.

Total Public Sector

Summary

The total public sector⁷ recorded stronger than budgeted outcomes in 2006-07, underpinned by the robust results in the general government sector outlined earlier, and an improved outturn for the public corporations sectors.

Table 5					
TOTAL PUBLIC SECTOR					
Summary Financial Statements					
	2005-06	2006-07			
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	Variation on Budget \$m (3) – (1)
OPERATING STATEMENT					
Revenue	22,575	22,075	23,296	24,253	2,178
Expenses	19,965	20,636	21,347	21,481	845
Net Operating Balance	2,610	1,439	1,949	2,772	1,333
BALANCE SHEET					
Assets	84,344	83,936	88,605	102,994	19,058
Liabilities	26,403	28,044	26,478	27,285	-759
Net Worth	57,941	55,892	62,128	75,709	19,817
CASH FLOW STATEMENT					
Change in net cash held	735	-699	-490	1,304	2,003
Cash Surplus	1,064	-566	-626	426	992
Memorandum Item: Net Debt	3,179	5,413	4,208	2,984	-2,429

Note: Columns may not add due to rounding.

Net Operating Balance

The total public sector achieved an operating surplus of \$2,772 million in 2006-07, up \$1,333 million on the 2006-07 Budget estimate, underpinned by the more favourable operating outcome in the general government sector discussed earlier.

⁷ The total public sector consolidates the general government, public non-financial corporations and public financial corporations sectors. It is also known as the 'whole-of-government'. Detailed financial disclosures for each of these sectors are contained in Appendix 1.

The public non-financial corporations (PNC) sector recorded a \$238 million operating surplus in 2006-07, up \$113 million on the budget projection.

Relative to the 2006-07 Budget projections, PNC revenue was \$1,002 million (or 13.3%) higher while PNC expenses were up \$889 million (or 12.0%). The large upward movements in both revenue and expenses reflect the activities of a number of key agencies within this sector including:

- Gold Corporation, which purchased and sold larger than expected quantities of precious metals and at higher than forecast prices (in particular, gold volumes and prices were 59.6% and 2.3% higher respectively, while silver volumes and prices were up 25.9% and 21.9% respectively from the budget projection);
- Racing and Wagering Western Australia, with increases in turnover reflected in higher revenue, offset by higher prize payouts;
- the Lotteries Commission, with higher sales of products and subscription price increases, matched by increased prize payouts and commission paid to retailers;
- the Water Corporation, with higher revenue underpinned by an increase in developer contributions (due to strong lot development activity in the residential housing market) and higher sales to residential and business customers, partially offset by higher dividends/TERs to general government and other costs associated with delivering these services; and
- the State's four electricity utilities, which together had higher sales revenue and higher costs associated with providing electricity to customers.

The public financial corporations (PFC) sector recorded a \$230 million operating surplus in 2006-07, up \$191 million on the 2006-07 Budget estimate. The increase is predominantly driven by higher investment returns by the Insurance Commission of Western Australia.

Balance Sheet

Net worth of the total public sector is identical to that of the general government sector (discussed earlier). Net debt of the total public sector is discussed later in this chapter.

Cash Flow Statement

In contrast to the \$566 million cash deficit forecast in the 2006-07 Budget, a cash surplus of \$426 million was recorded by the total public sector in 2006-07. This \$992 million turnaround comprises a \$1,057 million improvement in net cash from operating activities, reflecting the cash impact of the operating surplus outcomes discussed above, marginally offset by a \$72 million rise in (net) investment in non-financial assets.

Spending on fixed asset purchases totalled \$4,169 million, \$110 million more than the original budget estimate, and around 17% more than was spent in 2005-06 (further detail is provided in the following section).

Capital Investment

At the time of the 2006-07 Budget, a Capital Works Program (CWP) of \$5.2 billion was forecast for 2006-07.

The largest component of the CWP, forecast at \$4.1 billion in the May 2006 Budget, is fixed asset spending undertaken directly by public sector agencies. The remainder of the CWP includes loans under the Keystart housing loan program (as well as other home lending programs), capital grants to local government and non-government agencies, and other financial assistance provided to facilitate construction of strategic assets which have flow-on benefits to the economy.

The following table provides a reconciliation of the key capital spending aggregates (fixed asset spending, expensed capital works and Keystart loans) to the Government's CWP. The table shows that \$5.1 billion (or 99%) of the 2006-07 Budget projection was achieved – the largest CWP ever delivered in Western Australia.

Table 6

RECONCILING CAPITAL SPENDING AGGREGATES
Western Australia

	2005-06	2006-07			Variation on Budget \$m (3) – (1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
PURCHASE OF FIXED ASSETS					
General government	1,161	1,620	1,686	1,610	-10
Public non-financial corporations	2,448	2,439	2,812	2,588	150
Public financial corporations	5	4	5	7	2
<i>plus</i>					
Expensed Capital Works Program ^{(a), (b)}	153	244	245	229	-15
Keystart home lending loans	615	665	447	437	-228
All other ^{(a), (c)}	104	235	295	277	46
<i>less</i>					
Capital spending by agencies outside the Capital Works Program ^(d)	7	2	6	3	1
CAPITAL WORKS PROGRAM ^(a)	4,479	5,201	5,484	5,145	-56

(a) Preliminary actuals. Final totals for expensed, 'all other' and the final 2006-07 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.

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

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

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

Note: Columns may not add due to rounding.

State public sector agencies undertook record levels of fixed asset spending in 2006-07. In particular, general government agencies spent \$1,610 million (up \$449 million from 2005-06) and PNCs spent \$2,588 million (up \$141 million from 2005-06).

Fixed asset spending by major agency is summarised in the following table. Movements between rounds of estimates are attributable to new project announcements, rescheduling of existing works and approved cost escalations.

PURCHASE OF FIXED ASSETS					
Total Public Sector					
	2005-06	2006-07			
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	Variation on Budget \$m (3) – (1)
Electricity Utilities ^(a)	666	633	876	844	212
<i>Comprising:</i>					
Western Power (Networks)	178	486	687	696	213
Verve Energy	42	101	126	81	-21
Horizon Power	7	32	46	54	22
Synergy	2	17	17	14	-3
Western Power Corporation	436	-	-	-	-
Water Corporation	614	611	605	639	28
Main Roads	293	390	465	497	107
Housing Authority	331	364	494	447	83
Public Transport Authority	577	491	464	426	-65
Education and Training	179	283	336	345	62
Health	154	278	165	165	-113
State Fleet	144	122	144	129	7
Western Australian Land Authority	92	127	128	109	-18
Western Australian Planning Commission	50	50	72	83	33
Western Australia Police	83	101	87	79	-22
Port Authorities	73	80	137	59	-21
Corrective Services	17	70	43	38	-33
Planning and Infrastructure	10	40	27	16	-24
Lotteries Commission	3	31	14	5	-26
All other	269	389	390	288	-100
TOTAL PUBLIC SECTOR	3,562	4,059	4,447	4,169	110

(a) Successor entities to Western Power Corporation began operations on 1 April 2006.
Note: Columns may not add due to rounding.

Compared to the original budget forecast, increases in general government sector fixed asset spending were evident for a range of agencies, including:

- Main Roads (up \$107 million), with major projects such as the New Perth-Bunbury Highway and Mitchell Freeway gaining momentum, along with spending on projects under the Commonwealth's AusLink investment program and accelerated upgrade package;

- Education and Training (up \$62 million), with increases in purchases of land (both volumes and values), higher spending on the acquisition and relocation of transportables, and the reprioritisation of upgrades, replacement and/or construction of various primary and secondary schools across the State; and
- Western Australian Planning Commission (up \$33 million), due mainly to unbudgeted land purchases and compensation claims associated with land resumptions, arbitration proceedings, etc.

These higher outcomes were offset by lower than budgeted spending by:

- Health (down \$113 million), due to revised timing for the delivery of major health infrastructure including the Fiona Stanley and Central Tertiary Hospitals and to the information technology reform program;
- Corrective Services (down \$33 million), due to delays at various prisons including Bandyup (facilities redevelopment), Broome (condition upgrade), Bunbury (additions and upgrades) and Eastern Goldfields (fencing, security and perimeter upgrade);
- Planning and Infrastructure (down \$24 million), reflecting delays in the Perry Lakes Redevelopment project; and
- Western Australia Police (down \$22 million), reflecting delays and changes in service delivery requirements which have impacted the Perth Police Complex and police stations at South Hedland, Derby and Vincent.

For the PNC sector, fixed asset spending by Western Power (Networks) was up \$213 million relative to budget, reflecting the commencement of the Government's \$1.2 billion program to address network expansion and improve safety and reliability in the South West Interconnected System. In addition:

- the Housing Authority spent \$83 million more than budgeted, mainly on additional public rental housing units and land development, including \$9.6 million of Government equity in housing under the FirstStart shared equity home loan scheme (which commenced in early 2007);
- the Water Corporation capital spend was up \$28 million mainly as a result of higher than anticipated customer driven demand; and
- infrastructure spending by Horizon Power was up \$22 million largely in response to customer driven demand.

These increases were partially offset by lower spending by the:

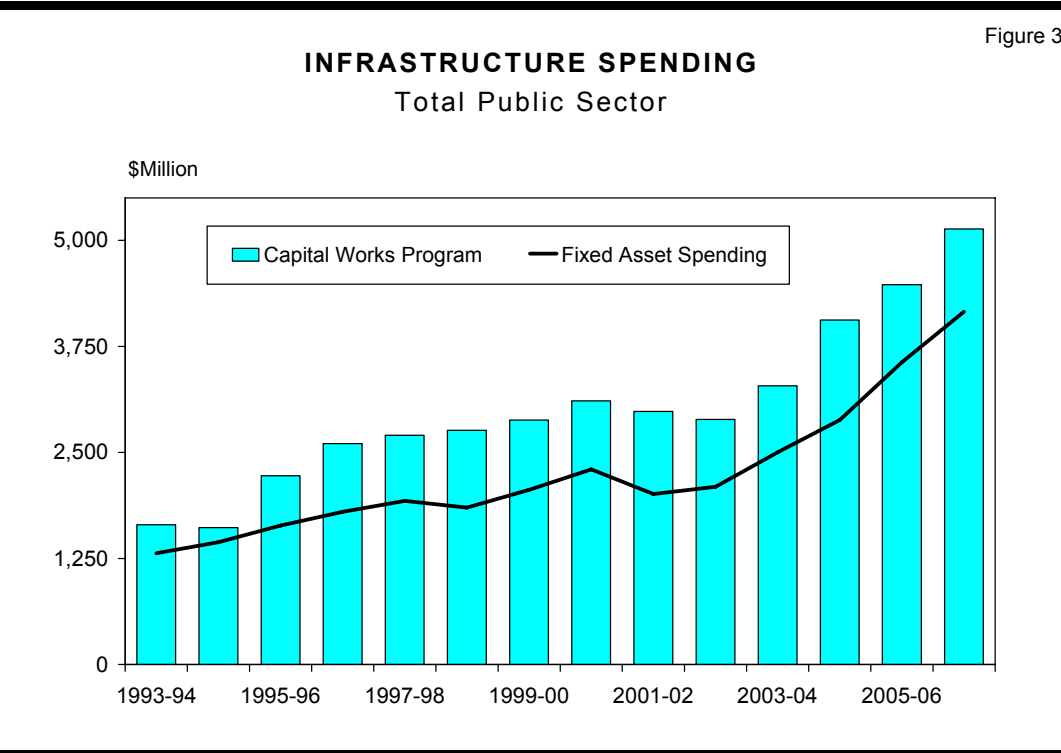
- Public Transport Authority (down \$65 million), with delays in the completion of some projects including the Southern Suburbs Railway;
- Lotteries Commission (down \$26 million), reflecting delays in finalisation of the procurement plan for the Business Transformation project; and

- Fremantle Port Authority (down \$20 million), reflecting delays in spending on approved projects (e.g. berth upgrades at North Quay), along with delays in approvals for the development of the Commercial Precinct.

The majority of the downward movements outlined above were included in the 2006-07 mid-year review and 2007-08 Budget projections, following rescheduled works in light of current conditions in the State's overheated building and construction sector and underspends that occurred in 2005-06.

Reflecting lower levels of activity in the housing sector, loans made under the Keystart program were lower than originally budgeted. Nevertheless, the Keystart loan scheme assisted over 3,150 lower income home buyers in 2006-07. This included 144 approved applications, worth \$24.6 million, under the Government's FirstStart shared equity home loan scheme.

The following chart provides an overview of infrastructure spending in Western Australia since 1993-94. Continuing the trend of recent years, capital spending continues to reach new highs, with fixed asset spending in Western Australia equating to around \$2,003 per person in 2006-07. In nominal terms, this is almost double the \$1,103 per capita spend at the turn of the century (1999-2000).



Net Debt

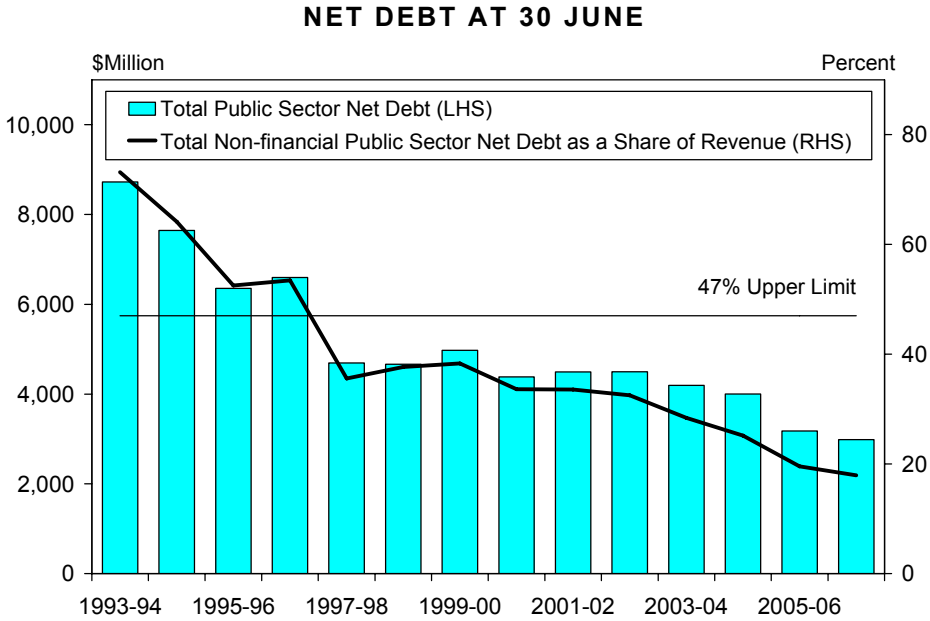
At \$3.0 billion, total public sector net debt at 30 June 2007 is the lowest on record, and around \$2.4 billion lower than the original 2006-07 Budget forecast.

Around half of this variance reflects the stronger outcome for 2005-06 (reported in the 2005-06 *Annual Report on State Finances*), with all key factors in the budget to outturn variance shown in the following table.

Table 8	
SUMMARY OF TOTAL PUBLIC SECTOR NET DEBT VARIATIONS SINCE THE 2006-07 BUDGET	
	2006-07 \$m
2006-07 BUDGET – NET DEBT AT 30 JUNE	5,413
<i>Plus</i> impact of final 2005-06 outturn	-1,321.5
<i>Less</i> change in net cash flows from operating activities and distributions paid	
General government	646.2
Public non-financial corporations	226.9
Public financial corporations	190.8
<i>Total public sector</i>	<i>1,063.9</i>
<i>Plus</i> purchases of non-financial assets	
Policy decisions	120.6
Parameter movements	-10.8
<i>Total purchases of non-financial assets</i>	<i>109.8</i>
<i>Less</i> proceeds from sale of non-financial assets	37.5
<i>Plus</i> all other financing	
Retention of Dampier to Bunbury Natural Gas Pipeline loan asset	-88.1
All other	-28.3
<i>Cumulative impact on net debt at 30 June 2007</i>	<i>-2,429.5</i>
2006-07 ANNUAL REPORT ON STATE FINANCES – NET DEBT AT 30 JUNE	2,984
Note: Columns may not add due to rounding.	

Reflecting the record low net debt outcome at 30 June 2007, together with solid growth in revenue, the net debt to revenue ratio (for the total non-financial public sector) – a key measure for the State's triple-A credit rating – reached a new record low in 2006-07 of 17.9%.

Figure 4



Importantly, the general government sector remains net debt-free, with financial assets exceeding gross debt liabilities by almost \$2.7 billion. This is the fourth consecutive year the general government sector has been net debt-free.

Application of the Surplus

The Consolidated Account (the central account of government managed by the Department of Treasury and Finance) once again recorded a significant cash surplus in 2006-07, ending the year with a surplus cash balance of \$1.3 billion.

The 2007-08 Budget set aside \$1.09 billion of this for the debt-free construction of the new Fiona Stanley Hospital. The Government has decided to use the remaining surplus cash to fund the repayment of all remaining Building Management Authority debt (\$116.0 million at 30 June 2007) and all debt held by the Fire and Emergency Services Authority (\$32.9 million at 30 June 2007), as part of the 2008-09 Budget. These two debt repayments will save around \$12 million in annual interest costs.

The Government will also fund an extra \$50 million in costs associated with the New MetroRail project, announced by the Minister for Planning and Infrastructure in August 2007. Together with surplus funds from 2005-06, this decision will ensure that the New MetroRail project is debt-free on completion.

These decisions also build on accelerated debt repayments made in 2004-05 and 2005-06, again using surplus Consolidated Account cash generated by the State’s booming economy. The following table provides further detail.

Table 9

APPLICATION OF SURPLUS CONSOLIDATED ACCOUNT CASH

	Debt Repaid or Avoided \$m	Estimated Annual Interest Saving \$m
2003-04 SURPLUS FUNDS		
Consolidated Account debt	481	32
2004-05 SURPLUS FUNDS		
Consolidated Account debt	244	23
Residual rail freight debt	322	16
2005-06 SURPLUS FUNDS		
Full debt-free funding of New MetroRail	1,275	76
Remaining Consolidated Account debt	49	3
Agency-specific debt	59	4
2006-07 SURPLUS FUNDS		
Full debt-free funding of Fiona Stanley Hospital	1,089	64
Equity injection for additional New MetroRail costs	50	3
Western Australian Building Management Authority debt	116	8
Fire and Emergency Services Authority debt	33	4
TOTAL	3,717	233

Note: Columns may not add due to rounding.

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 2006-07 Budget Paper No. 3: *Economic and Fiscal Outlook*.

The *Government Financial Responsibility Act 2000* outlines the requirement for financial targets, which must be specified for the budget year and reported against in year-end results. For 2006-07, the Government's financial targets remain unchanged from previous years, and 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 2006-07 are consistent with these targets.

Table 1

COMPLIANCE WITH FINANCIAL TARGETS

FINANCIAL TARGET	2006-07	
	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% ^(a)	Yes	Yes
- No increase in real per capita own-purpose general government expenses	No	No
Tax competitiveness be maintained	Yes	Yes

(a) Net debt at 30 June 2007 as a share of operating revenue for the total non-financial public sector.

The remainder of this chapter discusses performance in 2006-07 against each of the targets.

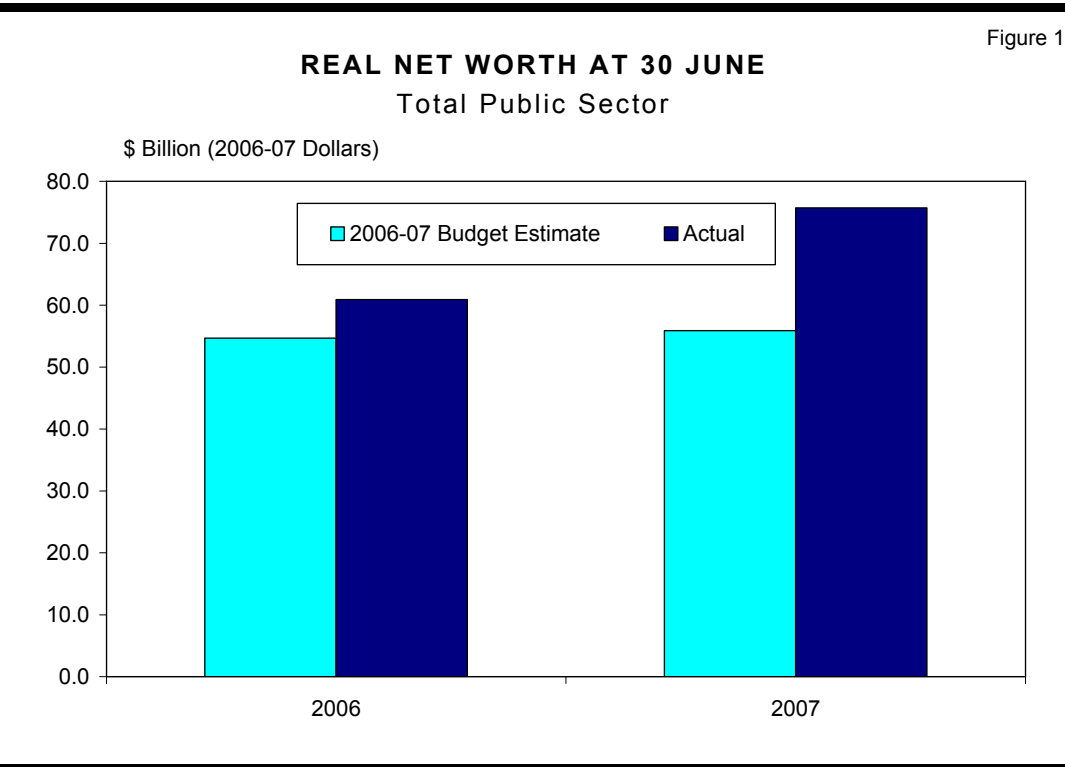
Performance against Financial Targets

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

This target was met in 2006-07.

Net worth consists of total assets (financial and non-financial) less total liabilities, and is the most comprehensive measure of the strength of the State’s balance sheet. Positive net worth indicates that the public sector has more assets under its control than liabilities it must satisfy in the future. Increases in net worth typically arise due to improvements in operating performance and the acquisition and/or upward revaluation of assets. The Government’s net worth target removes the impact of inflation, targeting real (inflation-adjusted) net worth.

At 30 June 2007 net worth was \$75.7 billion, an increase of \$19.8 billion over the 2006-07 Budget projection. In real terms, net worth at 30 June 2007 was up 24.3% compared with a year earlier.



The increase in net worth at 30 June 2007 reflects the impact of strong operating surplus results across the public sector, significant upward revaluations of land and other fixed assets, and the impact of stronger than expected results for 2005-06 (discussed in the 2005-06 *Annual Report on State Finances*).

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

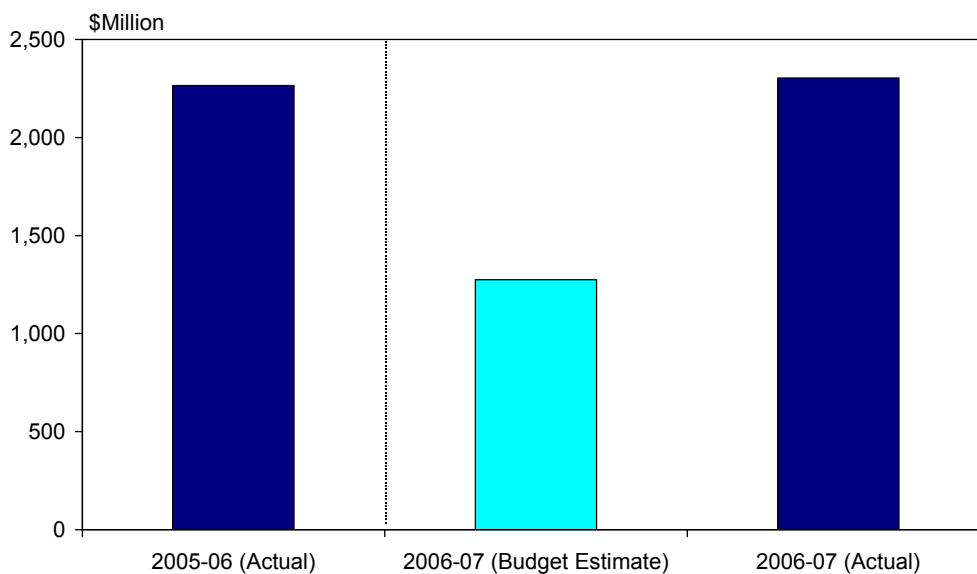
This target was met in 2006-07.

The net operating balance is a comprehensive measure of day-to-day operations of the public sector, and therefore is the key ‘bottom line’ measure in Western Australia’s budget. It is measured by the difference between revenue and expense transactions for the year (and excludes the impact of revaluations, gains or losses on asset disposals, and allowances for doubtful debts). It also excludes purchases of non-financial assets (i.e. capital spending).

The general government sector achieved a record \$2,303 million operating surplus in 2006-07. As discussed in Chapter 1, this was \$1,028 million higher than the \$1,275 million surplus projected at the time of the 2006-07 Budget.

NET OPERATING BALANCE
General Government

Figure 2



The strong operating surplus outcome in 2006-07 allowed the Government to deliver the largest Capital Works Program on record during 2006-07 (\$5.1 billion) while, at the same time, achieving a record low level of net debt.

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%

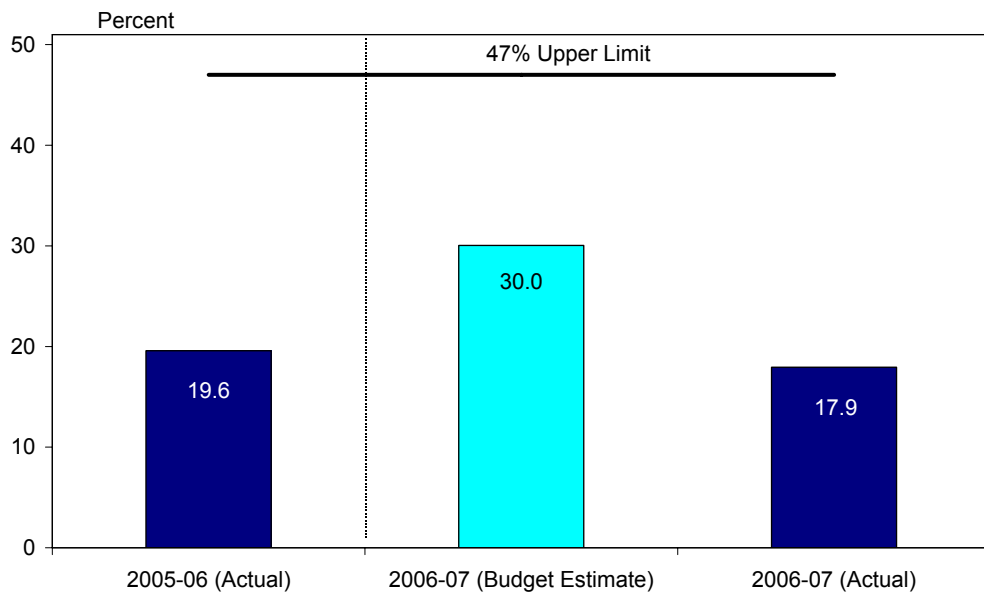
This target was met in 2006-07.

The total non-financial public sector net debt to revenue ratio is a key measure of the sustainability and affordability of public sector net debt. It incorporates the net debt position of both the general government and public non-financial corporations sectors, and provides a measure of the Government’s ability to adequately service debt while continuing to provide essential infrastructure.

A record low 17.9% net debt to revenue ratio was achieved in 2006-07, down from the 2006-07 Budget forecast of 30.0% and well below the 47% target limit.

NET DEBT AS A SHARE OF REVENUE
Total Non-Financial Public Sector

Figure 3



The positive net debt outcome for 2006-07 includes the impact of a strong Consolidated Account cash surplus which, as part of the recent 2007-08 Budget, has been set aside for the debt-free construction of the \$1.09 billion Fiona Stanley Hospital. Together with the Government’s decision to fully fund the debt-free construction of the New MetroRail project and significant accelerated debt repayments in recent years, these decisions will ensure that the State’s balance sheet remains in a strong position for years to come.

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

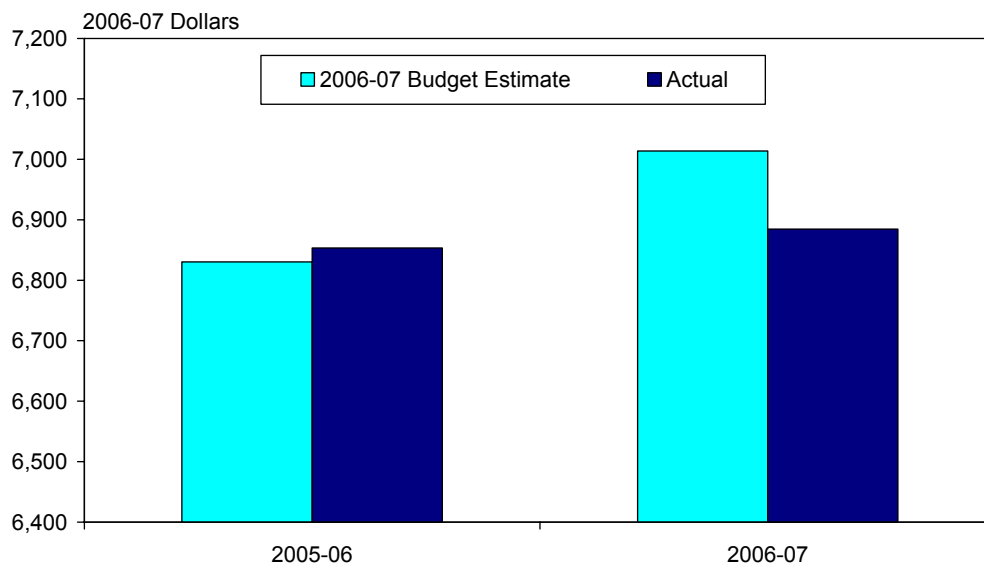
As forecast in the original 2006-07 Budget, and noted in the 2006-07 mid-year review and the recent 2007-08 Budget, this target was not met in 2006-07.

The Government’s expense target allows for expenses (excluding Commonwealth specific purpose payments ‘through’ the State) to increase at a rate up to (but not exceeding) the combined growth in population and inflation¹. In 2006-07, this equates to target growth of 8.2%, based on the most recent data available at the time of this report.

Expenses grew by 8.6% in 2006-07, compared with the original 7.7% budget forecast. This includes the impact of the \$199 million expense underspend by the general government sector in 2005-06 (relative to the estimated outturn in the 2006-07 Budget). Excluding this underspend, expenses grew by 7.1% in 2006-07 (a rate of growth consistent with the target).

Figure 4

REAL PER CAPITA OWN-PURPOSE EXPENSES General Government Sector



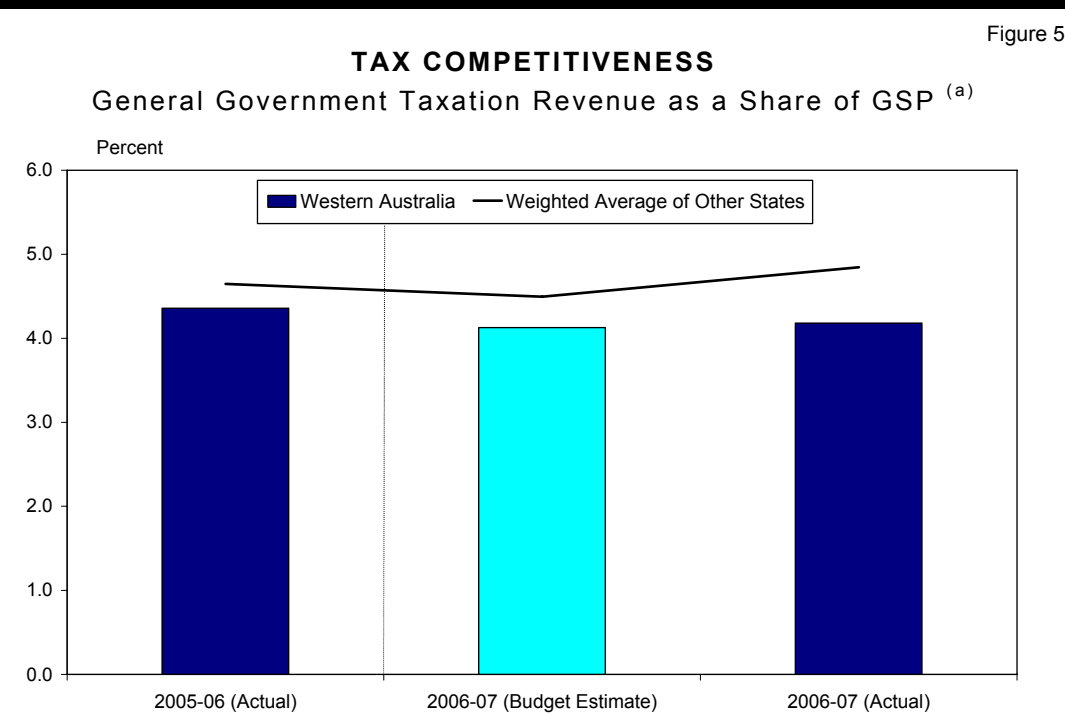
Notwithstanding the above-target expense growth, the State’s triple-A credit rating assessment has been confirmed by both Moody’s and Standard and Poor’s, reflecting the general government sector’s strong operating performance, the strength of the State’s balance sheet and the Government’s prudent fiscal management.

¹ Inflation as measured by growth in the public consumption deflator.

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

This target was met in 2006-07.

Western Australia’s taxation revenue as a share of GSP was almost unchanged from the 2006-07 Budget estimate, reflecting strong growth in the value of property transferred in Western Australia (which underpinned higher conveyance duty collections), strong labour market conditions (boosting payroll tax receipts) and the rate of growth across the economy more generally. However, Western Australia’s taxing effort remained well below the average of the other States in terms of the size of the economy.



(a) Taxation revenue estimates for other jurisdictions are based on 2006-07 estimated outturns published in 2007-08 Budgets and the 2006-07 Preliminary Outcomes Report (Tasmania).

Uniform Presentation of Public Sector Finances - Statistical Tables

This appendix contains details of variations between the 2006-07 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

	2005-06	2006-07			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
REVENUE					
Taxation	5,195	5,082	5,622	5,718	636
Current grants and subsidies	6,890	7,163	7,131	7,155	-8
Capital grants	375	402	431	448	46
Sales of goods and services	1,115	1,046	1,141	1,229	183
Interest income	170	151	219	246	95
Revenue from public corporations					
Dividends	534	456	445	421	-35
Tax equivalent payments	304	294	316	311	18
Royalty income	1,184	1,504	1,555	1,468	-36
Other	440	410	418	453	43
<i>Total</i>	<i>16,207</i>	<i>16,510</i>	<i>17,278</i>	<i>17,451</i>	<i>941</i>
EXPENSES					
Gross operating expenses					
Salaries	5,694	5,904	6,098	6,182	278
Depreciation and amortisation	591	637	662	672	35
Superannuation	557	580	594	602	22
Services and contracts	1,367	1,753	1,842	1,663	-90
Other gross operating expenses	1,876	1,873	1,890	1,822	-51
Nominal superannuation interest	242	306	275	289	-17
Other interest	120	132	122	112	-20
Other property expenses	-	-	-	-	-
Current transfers	3,007	3,466	3,393	3,392	-74
Capital transfers	487	583	548	413	-170
<i>Total</i>	<i>13,942</i>	<i>15,234</i>	<i>15,425</i>	<i>15,147</i>	<i>-87</i>
NET OPERATING BALANCE	2,265	1,275	1,853	2,303	1,028
NET ACQUISITION OF NON-FINANCIAL ASSETS					
Purchase of non-financial assets	1,161	1,620	1,686	1,610	-10
Sales of non-financial assets	-203	-227	-226	-169	58
less depreciation	591	637	662	672	35
Plus change in inventories	-	1	-	1	-
plus other movements in non-financial assets	51	4	3	7	3
<i>Total</i>	<i>419</i>	<i>760</i>	<i>800</i>	<i>777</i>	<i>16</i>
NET LENDING/BORROWING	1,846	515	1,053	1,527	1,012
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)					
NET OPERATING BALANCE	2,265	1,275	1,853	2,303	1,028
less provisions for doubtful debts	18	1	1	27	26
plus net gains on assets (including derivatives)	6	106	51	-2	-108
plus capitalised interest	-	-	-	-	-
less revaluation of superannuation liabilities	-335	-	36	51	51
plus all other adjustments	329	3	-33	-50	-53
AAS OPERATING RESULT	2,916	1,383	1,834	2,173	790

Note: Columns may not add due to rounding.

Table 1.2

GENERAL GOVERNMENT
Balance Sheet at 30 June

	2005-06	2006-07			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
ASSETS					
<i>Financial assets</i>					
Cash and deposits	378	306	393	394	88
Advances paid	910	739	721	840	101
Investments, loans and placements	3,380	1,965	2,828	3,287	1,322
Other non-equity assets	1,117	913	1,245	1,295	383
Equity	21,870	23,313	24,632	28,553	5,240
<i>Total</i>	<i>27,655</i>	<i>27,236</i>	<i>29,817</i>	<i>34,370</i>	<i>7,133</i>
<i>Non-Financial assets</i>					
Land and fixed assets	40,187	38,664	42,150	51,279	12,615
Other non-financial assets	211	320	280	295	-26
<i>Total</i>	<i>40,398</i>	<i>38,985</i>	<i>42,430</i>	<i>51,574</i>	<i>12,589</i>
TOTAL ASSETS	68,053	66,221	72,247	85,944	19,723
LIABILITIES					
Deposits held	369	281	297	286	6
Advances received	536	523	523	523	-
Borrowings	1,026	1,189	939	996	-193
Unfunded superannuation liabilities	5,459	5,639	5,513	5,498	-142
Other employee entitlements and provisions	1,551	1,554	1,616	1,636	82
Non-equity liabilities	1,171	1,143	1,232	1,297	153
TOTAL LIABILITIES	10,112	10,329	10,119	10,235	-94
NET WORTH	57,941	55,892	62,128	75,709	19,817
<i>Memorandum Item: Net Debt</i>	<i>-2,737</i>	<i>-1,017</i>	<i>-2,183</i>	<i>-2,716</i>	<i>-1,699</i>
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)					
NET WORTH	57,941	55,892	62,128	75,709	19,817
<i>less equity (net worth) of PNC and PFC sectors</i>	<i>20,830</i>	<i>20,809</i>	<i>22,055</i>	<i>26,104</i>	<i>5,295</i>
<i>less provisions for doubtful debts</i>	<i>18</i>	<i>1</i>	<i>1</i>	<i>27</i>	<i>26</i>
<i>less all other adjustments</i>	<i>-235</i>	<i>-</i>	<i>-289</i>	<i>-182</i>	<i>-182</i>
AAS NET ASSETS	37,328	35,082	40,361	49,759	14,677

Note: Columns may not add due to rounding.

GENERAL GOVERNMENT
Cash Flow Statement

	2005-06	2006-07			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
RECEIPTS FROM OPERATING ACTIVITIES					
Taxes received	5,119	5,097	5,653	5,675	579
Receipts from sales of goods and services	1,194	1,072	1,166	1,280	207
Grants and subsidies received	7,583	7,556	7,528	7,550	-7
Other receipts	3,094	3,480	3,428	3,542	62
<i>Total</i>	16,990	17,206	17,774	18,046	840
PAYMENTS FOR OPERATING ACTIVITIES					
Payments for goods and services	-9,538	-10,313	-10,587	-10,541	-228
Grants and subsidies paid	-3,207	-3,683	-3,613	-3,526	157
Interest paid	-122	-123	-119	-112	11
Other payments	-864	-832	-966	-966	-134
<i>Total</i>	-13,730	-14,951	-15,284	-15,145	-194
Net Cash Flow from Operating Activities	3,260	2,255	2,490	2,901	646
INVESTMENT IN NON-FINANCIAL ASSETS					
Purchase of non-financial assets	-1,161	-1,620	-1,686	-1,610	10
Sales of non-financial assets	203	227	226	169	-58
<i>Total</i>	-958	-1,393	-1,460	-1,441	-48
INVESTMENT IN FINANCIAL ASSETS					
Policy purposes	-488	-1,453	-1,399	-1,405	47
Liquidity purposes	74	-21	-	31	53
<i>Total</i>	-415	-1,474	-1,399	-1,374	100
Net Cash Flow from Investing Activities	-1,373	-2,867	-2,859	-2,815	52
FINANCING ACTIVITIES					
Advances received (net)	-1	-	-	-4	-4
Borrowings (net)	-286	27	-86	-24	-51
Deposits received (net)	-	-	-	-	-
Distributions paid	-	-	-	-	-
Other financing	-12	-23	2	16	39
<i>Total</i>	-300	4	-83	-12	-16
<i>Opening cash balance</i>	2,875	3,468	4,462	4,462	993
NET INCREASE IN CASH HELD ^(a)	1,587	-608	-452	74	682
<i>Closing cash balance</i>	4,462	2,860	4,009	4,535	1,676
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>					
	2,301	862	1,030	1,460	598
<i>less finance leases and similar arrangements</i>	-	-	-	-	-
Surplus	2,301	862	1,030	1,460	598

(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

	2005-06	2006-07			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
REVENUE					
Current grants and subsidies	1,070	1,211	1,190	1,184	-27
Capital grants	163	158	157	153	-5
Sales of goods and services	6,251	5,735	6,091	6,574	839
Interest income	149	136	145	152	16
Other	370	290	321	470	180
<i>Total</i>	<i>8,003</i>	<i>7,531</i>	<i>7,904</i>	<i>8,533</i>	<i>1,002</i>
EXPENSES					
Gross operating expenses					
Salaries	551	640	635	611	-29
Depreciation and amortisation	682	731	741	743	12
Superannuation	49	63	62	60	-3
Services and contracts	495	404	203	357	-47
Other gross operating expenses	4,177	3,488	4,224	4,559	1,072
Nominal superannuation interest	-	-	-	-	-
Other interest	525	624	589	551	-73
Other property expenses	836	744	723	712	-32
Current transfers	621	673	711	696	23
Capital transfers	5	40	10	6	-34
<i>Total</i>	<i>7,941</i>	<i>7,405</i>	<i>7,899</i>	<i>8,294</i>	<i>889</i>
NET OPERATING BALANCE	61	125	5	238	113
NET ACQUISITION OF NON-FINANCIAL ASSETS					
Purchase of non-financial assets	2,448	2,439	2,812	2,588	150
Sales of non-financial assets	-572	-594	-737	-726	-132
<i>less</i> depreciation	682	731	741	743	12
<i>plus</i> change in inventories	374	13	100	-99	-112
<i>plus</i> other movements in non-financial assets	-9	-6	-6	-6	-
<i>Total</i>	<i>1,559</i>	<i>1,120</i>	<i>1,428</i>	<i>1,014</i>	<i>-106</i>
NET LENDING/BORROWING	-1,498	-995	-1,422	-776	219
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)					
NET OPERATING BALANCE	61	125	5	238	113
<i>less</i> provisions for doubtful debts	1	6	4	8	2
<i>plus</i> net gains on assets (including derivatives)	9	135	220	161	26
<i>plus</i> capitalised interest	9	-	-	-	-
<i>less</i> revaluation of superannuation liabilities	13	-	-	22	22
<i>plus</i> all other adjustments	-	-	-	-	-
AAS OPERATING RESULT	65	255	221	370	115

Note: Columns may not add due to rounding.

PUBLIC NON-FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	2005-06	2006-07			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
ASSETS					
<i>Financial assets</i>					
Cash and deposits	474	240	430	552	312
Advances paid	51	15	6	-	-14
Investments, loans and placements	2,070	2,195	1,653	1,716	-479
Other non-equity assets	1,445	1,355	1,620	1,811	456
Equity	39	5	45	29	24
<i>Total</i>	<i>4,078</i>	<i>3,810</i>	<i>3,753</i>	<i>4,109</i>	<i>299</i>
<i>Non-Financial assets</i>					
Land and fixed assets	29,305	30,680	32,305	35,431	4,752
Other non-financial assets	253	236	440	310	74
<i>Total</i>	<i>29,558</i>	<i>30,916</i>	<i>32,744</i>	<i>35,742</i>	<i>4,826</i>
TOTAL ASSETS	33,636	34,726	36,498	39,851	5,125
LIABILITIES					
Deposits held	10	1	1	6	5
Advances received	536	523	523	523	-
Borrowings	9,026	9,355	9,105	8,645	-710
Unfunded superannuation liabilities	151	100	148	155	55
Other employee entitlements and provisions	524	198	498	633	435
Non-equity liabilities	2,546	2,062	2,576	2,602	540
TOTAL LIABILITIES	12,792	12,239	12,851	12,564	325
Shares and other contributed capital	1,040	2,505	2,576	2,449	-56
NET WORTH	19,803	19,982	21,070	24,839	4,856
<i>Memorandum Item: Net Debt</i>	<i>6,978</i>	<i>7,429</i>	<i>7,541</i>	<i>6,904</i>	<i>-525</i>
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)					
NET WORTH	19,803	19,982	21,070	24,839	4,856
<i>plus</i> shares and other contributed capital	1,040	2,505	2,576	2,449	-56
<i>less</i> provision for doubtful debts	1	6	4	8	2
<i>less</i> all other adjustments	-	-	-	-	-
AAS NET ASSETS	20,843	22,481	23,643	27,280	4,799

Note: Columns may not add due to rounding.

Table 1.6

PUBLIC NON-FINANCIAL CORPORATIONS
Cash Flow Statement

	2005-06	2006-07			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
RECEIPTS FROM OPERATING ACTIVITIES					
Receipts from sales of goods and services	6,386	5,769	6,448	6,933	1,164
Grants and subsidies received	1,151	1,276	1,273	1,245	-32
Other receipts	674	505	772	883	378
<i>Total</i>	<i>8,211</i>	<i>7,551</i>	<i>8,494</i>	<i>9,061</i>	<i>1,510</i>
PAYMENTS FOR OPERATING ACTIVITIES					
Payments for goods and services	-5,108	-4,587	-5,312	-5,674	-1,087
Grants and subsidies paid	-470	-499	-524	-475	23
Interest paid	-473	-598	-585	-558	40
Other payments	-867	-765	-1,068	-1,105	-344
<i>Total</i>	<i>-6,918</i>	<i>-6,449</i>	<i>-7,489</i>	<i>-7,813</i>	<i>-1,368</i>
Net Cash Flow from Operating Activities	1,293	1,102	1,004	1,248	142
INVESTMENT IN NON-FINANCIAL ASSETS					
Purchase of non-financial assets	-2,448	-2,439	-2,812	-2,588	-150
Sales of non-financial assets	572	594	737	726	132
<i>Total</i>	<i>-1,876</i>	<i>-1,844</i>	<i>-2,075</i>	<i>-1,862</i>	<i>-18</i>
INVESTMENT IN FINANCIAL ASSETS					
Policy purposes	-	-	-	-	-
Liquidity purposes	-23	-17	-18	-32	-15
<i>Total</i>	<i>-23</i>	<i>-17</i>	<i>-18</i>	<i>-32</i>	<i>-15</i>
Net Cash Flow from Investing Activities	-1,899	-1,862	-2,093	-1,895	-33
FINANCING ACTIVITIES					
Advances received (net)	-13	-13	-13	-13	-
Borrowings (net)	1,080	-114	373	39	152
Deposits received (net)	-	-	-	-	-
Distributions paid	-855	-768	-725	-687	81
Other financing	578	1,583	1,403	1,394	-189
<i>Total</i>	<i>791</i>	<i>689</i>	<i>1,038</i>	<i>733</i>	<i>45</i>
<i>Opening cash balance</i>	<i>609</i>	<i>426</i>	<i>794</i>	<i>794</i>	<i>367</i>
NET INCREASE IN CASH HELD ^(a)	185	-71	-51	87	154
<i>Closing cash balance</i>	<i>794</i>	<i>355</i>	<i>743</i>	<i>880</i>	<i>521</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	<i>-1,437</i>	<i>-1,510</i>	<i>-1,795</i>	<i>-1,301</i>	<i>205</i>
<i>less finance leases and similar arrangements</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Surplus	-1,437	-1,510	-1,795	1,301	205

(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

	2005-06	2006-07			Variation on Budget \$m (3)-(-1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
REVENUE					
Taxation	5,003	4,898	5,441	5,520	622
Current grants and subsidies	6,890	7,163	7,131	7,155	-8
Capital grants	375	402	431	448	46
Sales of goods and services	7,179	6,587	7,030	7,612	1,025
Interest income	283	245	315	361	116
Royalty income	1,184	1,504	1,555	1,468	-36
Other	745	545	619	798	253
<i>Total</i>	<i>21,660</i>	<i>21,346</i>	<i>22,522</i>	<i>23,363</i>	<i>2,017</i>
EXPENSES					
Gross operating expenses					
Salaries	6,245	6,544	6,733	6,794	250
Depreciation and amortisation	1,273	1,368	1,403	1,415	47
Superannuation	606	643	656	662	19
Services and contracts	1,863	2,157	2,045	2,020	-137
Other gross operating expenses	5,748	5,049	5,794	6,058	1,009
Nominal superannuation interest	242	306	275	289	-17
Other interest	609	713	662	626	-87
Other property expenses	-	-	-	-	-
Current transfers	2,419	2,707	2,700	2,698	-9
Capital transfers	330	459	394	260	-199
<i>Total</i>	<i>19,334</i>	<i>19,945</i>	<i>20,664</i>	<i>20,821</i>	<i>875</i>
NET OPERATING BALANCE	2,326	1,400	1,858	2,542	1,141
NET ACQUISITION OF NON-FINANCIAL ASSETS					
Purchase of non-financial assets	3,557	4,054	4,442	4,162	107
Sales of non-financial assets	-723	-822	-907	-859	-37
less depreciation	1,273	1,368	1,403	1,415	47
plus change in inventories	374	13	100	-98	-112
plus other movements in non-financial assets	42	-2	-4	1	3
<i>Total</i>	<i>1,978</i>	<i>1,876</i>	<i>2,228</i>	<i>1,791</i>	<i>-85</i>
NET LENDING/BORROWING	348	-475	-370	751	1,227
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)					
NET OPERATING BALANCE	2,326	1,400	1,858	2,542	1,141
less provisions for doubtful debts	19	7	5	35	28
plus net gains on assets (including derivatives)	14	241	271	159	-82
plus capitalised interest	9	-	-	-	-
less revaluation of superannuation liabilities	-322	-	36	73	73
plus all other adjustments	329	3	-33	-50	-53
AAS OPERATING RESULT	2,980	1,638	2,055	2,543	905

Note: Columns may not add due to rounding.

TOTAL NON-FINANCIAL PUBLIC SECTOR
Balance Sheet at 30 June

Table 1.8

	2005-06	2006-07			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
ASSETS					
<i>Financial assets</i>					
Cash and deposits	679	429	727	780	351
Advances paid	425	231	203	317	87
Investments, loans and placements	5,439	4,160	4,470	5,003	843
Other non-equity assets	2,234	1,898	2,440	2,686	789
Equity	1,065	831	1,030	1,295	464
<i>Total</i>	<i>9,843</i>	<i>7,549</i>	<i>8,870</i>	<i>10,082</i>	<i>2,533</i>
<i>Non-Financial assets</i>					
Land and fixed assets	69,492	69,344	74,454	86,711	17,367
Other non-financial assets	465	557	720	605	49
<i>Total</i>	<i>69,956</i>	<i>69,901</i>	<i>75,174</i>	<i>87,316</i>	<i>17,416</i>
TOTAL ASSETS	79,799	77,449	84,045	97,398	19,949
LIABILITIES					
Deposits held	196	165	192	126	-39
Advances received	536	523	523	523	-
Borrowings	10,052	10,544	10,044	9,640	-904
Unfunded superannuation liabilities	5,610	5,739	5,660	5,652	-87
Other employee entitlements and provisions	2,075	1,745	2,115	2,269	524
Non-equity liabilities	3,390	2,841	3,383	3,479	638
TOTAL LIABILITIES	21,858	21,558	21,917	21,690	132
NET WORTH	57,941	55,892	62,128	75,709	19,817
Memorandum Item: Net Debt	4,240	6,412	5,358	4,189	-2,223
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)					
NET WORTH	57,941	55,892	62,128	75,709	19,817
less equity (net worth) of the PFC sector	1,026	826	985	1,266	439
less provision for doubtful debts	19	7	5	35	28
less all other adjustments	-235	-	-289	-182	-182
AAS NET ASSETS	57,130	55,059	61,427	74,590	19,531

Note: Columns may not add due to rounding.

TOTAL NON-FINANCIAL PUBLIC SECTOR
Cash Flow Statement

	2005-06	2006-07			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
RECEIPTS FROM OPERATING ACTIVITIES					
Taxes received	4,927	4,915	5,472	5,435	520
Receipts from sales of goods and services	7,407	6,643	7,412	8,022	1,379
Grants and subsidies received	7,583	7,556	7,528	7,550	-7
Other receipts	2,813	3,031	3,275	3,425	394
<i>Total</i>	22,730	22,146	23,687	24,432	2,286
PAYMENTS FOR OPERATING ACTIVITIES					
Payments for goods and services	-14,469	-14,696	-15,696	-15,885	-1,189
Grants and subsidies paid	-2,527	-2,883	-2,845	-2,755	128
Interest paid	-560	-689	-657	-632	56
Other payments	-1,477	-1,288	-1,719	-1,696	-412
<i>Total</i>	-19,032	-19,556	-20,917	-20,969	-1,417
Net Cash Flow from Operating Activities	3,698	2,589	2,770	3,462	869
INVESTMENT IN NON-FINANCIAL ASSETS					
Purchase of non-financial assets	-3,557	-4,054	-4,442	-4,162	-107
Sales of non-financial assets	723	822	907	859	37
<i>Total</i>	-2,834	-3,233	-3,535	-3,303	-70
INVESTMENT IN FINANCIAL ASSETS					
Policy purposes	-	-	-	-	-
Liquidity purposes	51	-43	-18	-1	42
<i>Total</i>	50	-43	-18	-1	42
Net Cash Flow from Investing Activities	-2,784	-3,276	-3,552	-3,304	-28
FINANCING ACTIVITIES					
Advances received (net)	-14	-13	-13	-17	-4
Borrowings (net)	794	-87	287	15	102
Deposits received (net)	-	-	-	-	-
Distributions paid	-	-	-	-	-
Other financing	78	107	6	5	-103
<i>Total</i>	858	8	280	2	-5
<i>Opening cash balance</i>	3,483	3,895	5,255	5,255	1,361
NET INCREASE IN CASH HELD ^(a)	1,772	-679	-503	161	836
<i>Closing cash balance</i>	5,255	3,215	4,753	5,416	2,197
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	864	-644	-765	159	799
<i>less finance leases and similar arrangements</i>	-	-	-	-	-
Surplus	864	-644	-765	159	799

(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.

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

Table 1.10

	2005-06	2006-07			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
REVENUE					
Current grants and subsidies	-	1	-	-	-1
Capital grants	-	-	-	1	1
Sales of goods and services	840	626	678	847	221
Interest income	871	933	969	860	-73
Other	-	-	4	-	-
<i>Total</i>	1,711	1,560	1,652	1,708	148
EXPENSES					
Gross operating expenses					
Salaries	20	22	28	27	4
Depreciation and amortisation	7	8	9	3	-5
Superannuation	1	2	3	3	-
Services and contracts	9	12	7	3	-10
Other gross operating expenses	564	619	598	575	-44
Nominal superannuation interest	-	-	-	-	-
Other interest	810	850	876	811	-39
Other property expenses	12	6	38	55	49
Current transfers	2	2	2	2	1
Capital transfers	-	-	-	1	-
<i>Total</i>	1,426	1,521	1,561	1,478	-43
NET OPERATING BALANCE	284	39	91	230	191
NET ACQUISITION OF NON-FINANCIAL ASSETS					
Purchase of non-financial assets	5	4	5	7	2
Sales of non-financial assets	-	-	-	-	-
<i>less</i> depreciation	7	8	9	3	-5
<i>plus</i> change in inventories	-	-	-	-	-
<i>plus</i> other movements in non-financial assets	-	-	-	-	-
<i>Total</i>	-3	-4	-4	4	7
NET LENDING/BORROWING	287	43	95	226	184
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)					
NET OPERATING BALANCE	284	39	91	230	191
<i>less</i> provisions for doubtful debts	-	-	-	-	-
<i>plus</i> net gains on assets (including derivatives)	-1	-	-	78	78
<i>plus</i> capitalised interest	-	-	-	-	-
<i>less</i> revaluation of superannuation liabilities	-	-	-	-1	-1
<i>plus</i> all other adjustments	-	-	-	-	-
AAS OPERATING RESULT	283	39	91	309	271

Note: Columns may not add due to rounding.

PUBLIC FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	2005-06	2006-07			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
ASSETS					
<i>Financial assets</i>					
Cash and deposits	24	22	21	25	2
Advances paid	1,604	1,956	1,241	1,253	-703
Investments, loans and placements	13,391	15,354	13,344	14,014	-1,339
Other non-equity assets	481	500	459	423	-77
Equity	1,085	1,099	1,184	1,320	221
<i>Total</i>	<i>16,584</i>	<i>18,931</i>	<i>16,249</i>	<i>17,035</i>	<i>-1,896</i>
<i>Non-Financial assets</i>					
Land and fixed assets	421	397	452	603	206
Other non-financial assets	14	8	29	15	7
<i>Total</i>	<i>435</i>	<i>405</i>	<i>480</i>	<i>618</i>	<i>213</i>
TOTAL ASSETS	17,019	19,336	16,729	17,653	-1,683
LIABILITIES					
Deposits held	-	-	-	-	-
Advances received	3	3	3	3	-
Borrowings	13,954	16,330	13,453	14,084	-2,246
Unfunded superannuation liabilities	12	6	12	11	6
Other employee entitlements and provisions	5	5	169	169	164
Non-equity liabilities	2,018	2,166	2,107	2,120	-46
TOTAL LIABILITIES	15,993	18,510	15,744	16,387	-2,122
Shares and other contributed capital	-	-	-	-	-
NET WORTH	1,026	826	985	1,266	439
<i>Memorandum Item: Net Debt</i>	<i>-1,061</i>	<i>-999</i>	<i>-1,150</i>	<i>-1,205</i>	<i>-206</i>
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)					
NET WORTH	1,026	826	985	1,266	439
<i>plus</i> shares and other contributed capital	-	-	-	-	-
<i>less</i> provision for doubtful debt	-	-	-	-	-
<i>less</i> all other adjustments	-	-	-	-	-
AAS NET ASSETS	1,026	826	985	1,266	440

Note: Columns may not add due to rounding.

Table 1.12

PUBLIC FINANCIAL CORPORATIONS
Cash Flow Statement

	2005-06	2006-07			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
RECEIPTS FROM OPERATING ACTIVITIES					
Receipts from sales of goods and services	643	612	628	622	11
Grants and subsidies received	-	1	-	1	-
Other receipts	998	982	1,023	993	10
<i>Total</i>	<i>1,642</i>	<i>1,594</i>	<i>1,652</i>	<i>1,616</i>	<i>21</i>
PAYMENTS FOR OPERATING ACTIVITIES					
Payments for goods and services	-566	-563	-538	-508	55
Grants and subsidies paid	-1	-	-	-1	-
Interest paid	-735	-850	-878	-668	182
Other payments	-123	-93	-83	-119	-29
<i>Total</i>	<i>-1,425</i>	<i>-1,506</i>	<i>-1,499</i>	<i>-1,297</i>	<i>207</i>
Net Cash Flow from Operating Activities	217	88	152	319	228
INVESTMENT IN NON-FINANCIAL ASSETS					
Purchase of non-financial assets	-5	-4	-5	-7	-2
Sales of non-financial assets	-	-	-	-	-
<i>Total</i>	<i>-4</i>	<i>-4</i>	<i>-5</i>	<i>-7</i>	<i>-2</i>
INVESTMENT IN FINANCIAL ASSETS					
Policy purposes	-	-	-	-	-
Liquidity purposes	112	-234	229	342	576
<i>Total</i>	<i>112</i>	<i>-234</i>	<i>229</i>	<i>342</i>	<i>576</i>
Net Cash Flow from Investing Activities	108	-239	224	336	574
FINANCING ACTIVITIES					
Advances received (net)	-	-	-	-	-
Borrowings (net)	-1,350	137	-356	535	398
Deposits received (net)	-	-	-	-	-
Distributions paid	-12	-6	-8	-46	-40
Other financing	-	-	-	-	-
<i>Total</i>	<i>-1,362</i>	<i>131</i>	<i>-364</i>	<i>489</i>	<i>358</i>
<i>Opening cash balance</i>	<i>1,967</i>	<i>2,964</i>	<i>930</i>	<i>930</i>	<i>-2,034</i>
NET INCREASE IN CASH HELD ^(a)	-1,037	-19	13	1,144	1,160
<i>Closing cash balance</i>	<i>930</i>	<i>2,945</i>	<i>943</i>	<i>2,073</i>	<i>-875</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	<i>200</i>	<i>78</i>	<i>140</i>	<i>267</i>	<i>185</i>
<i>less finance leases and similar arrangements</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Surplus</i>	<i>200</i>	<i>78</i>	<i>140</i>	<i>267</i>	<i>185</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 1.13

TOTAL PUBLIC SECTOR
Operating Statement

	2005-06	2006-07			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
REVENUE					
Taxation	5,001	4,897	5,440	5,519	622
Current grants and subsidies	6,890	7,163	7,131	7,155	-8
Capital grants	375	402	431	448	46
Sales of goods and services	7,864	7,047	7,518	8,323	1,276
Interest income	527	522	641	602	80
Royalty income	1,184	1,504	1,555	1,468	-36
Other	732	539	581	738	198
<i>Total</i>	<i>22,575</i>	<i>22,075</i>	<i>23,296</i>	<i>24,253</i>	<i>2,178</i>
EXPENSES					
Gross operating expenses					
Salaries	6,265	6,566	6,761	6,820	254
Depreciation and amortisation	1,280	1,376	1,412	1,418	41
Superannuation	608	645	659	664	20
Services and contracts	1,872	2,169	2,052	2,023	-147
Other gross operating expenses	6,157	5,502	6,202	6,492	990
Nominal superannuation interest	242	306	275	289	-17
Other interest	792	906	895	817	-89
Other property expenses	-	-	-	-	-
Current transfers	2,419	2,707	2,697	2,699	-8
Capital transfers	330	459	395	260	-199
<i>Total</i>	<i>19,965</i>	<i>20,636</i>	<i>21,347</i>	<i>21,481</i>	<i>845</i>
NET OPERATING BALANCE	2,610	1,439	1,949	2,772	1,333
NET ACQUISITION OF NON-FINANCIAL ASSETS					
Purchase of non-financial assets	3,562	4,059	4,447	4,169	110
Sales of non-financial assets	-724	-822	-907	-859	-38
less depreciation	1,280	1,376	1,412	1,418	41
plus change in inventories	374	13	100	-98	-112
plus other movements in non-financial assets	42	-2	-4	1	3
<i>Total</i>	<i>1,975</i>	<i>1,872</i>	<i>2,224</i>	<i>1,794</i>	<i>-78</i>
NET LENDING/BORROWING	636	-433	-275	977	1,410
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)					
NET OPERATING BALANCE	2,610	1,439	1,949	2,772	1,333
less provisions for doubtful debts	19	7	5	35	28
plus net gains on assets (including derivatives)	14	241	271	238	-4
plus capitalised interest	9	-	-	-	-
less revaluation of superannuation liabilities	-322	-	36	72	72
plus all other adjustments	329	3	-33	-50	-53
AAS OPERATING RESULT	3,264	1,677	2,146	2,852	1,176

Note: Columns may not add due to rounding.

TOTAL PUBLIC SECTOR
Balance Sheet at 30 June

Table 1.14

	2005-06	2006-07			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
ASSETS					
<i>Financial assets</i>					
Cash and deposits	702	451	747	805	354
Advances paid	2,025	2,183	1,441	1,567	-616
Investments, loans and placements	7,606	7,725	7,015	8,567	842
Other non-equity assets	2,495	2,167	2,519	2,772	604
Equity	1,124	1,104	1,228	1,350	246
<i>Total</i>	13,952	13,631	12,951	15,060	1,429
<i>Non-Financial assets</i>					
Land and fixed assets	69,913	69,740	74,906	87,313	17,573
Other non-financial assets	478	565	749	621	56
<i>Total</i>	70,392	70,305	75,655	87,934	17,629
TOTAL ASSETS	84,344	83,936	88,605	102,994	19,058
LIABILITIES					
Deposits held	195	164	191	126	-38
Advances received	536	523	523	523	-
Borrowings	12,782	15,085	12,698	13,274	-1,811
Unfunded superannuation liabilities	5,622	5,745	5,673	5,664	-81
Other employee entitlements and provisions	2,080	1,751	2,120	2,275	524
Non-equity liabilities	5,189	4,776	5,273	5,425	648
TOTAL LIABILITIES	26,403	28,044	26,478	27,285	-759
NET WORTH	57,941	55,892	62,128	75,709	19,817
<i>Memorandum Item: Net Debt</i>	3,179	5,413	4,208	2,984	-2,429
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)					
NET WORTH	57,941	55,892	62,128	75,709	19,817
<i>less</i> provision for doubtful debts	19	7	5	35	28
<i>less</i> all other adjustments	-235	-	-289	-182	-182
AAS NET ASSETS	58,156	55,885	62,412	75,856	19,971

Note: Columns may not add due to rounding.

Table 1.15

TOTAL PUBLIC SECTOR
Cash Flow Statement

	2005-06	2006-07			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
RECEIPTS FROM OPERATING ACTIVITIES					
Taxes received	4,890	4,877	5,437	5,396	519
Receipts from sales of goods and services	7,916	7,088	7,871	8,510	1,422
Grants and subsidies received	7,583	7,556	7,528	7,550	-7
Other receipts	3,191	3,314	3,617	3,725	411
<i>Total</i>	23,580	22,835	24,453	25,180	2,345
PAYMENTS FOR OPERATING ACTIVITIES					
Payments for goods and services	-14,900	-15,092	-16,065	-16,258	-1,167
Grants and subsidies paid	-2,527	-2,883	-2,845	-2,756	127
Interest paid	-698	-853	-867	-662	191
Other payments	-1,552	-1,336	-1,762	-1,769	-440
<i>Total</i>	-19,677	-20,164	-21,539	-21,444	-1,288
Net Cash Flow from Operating Activities	3,903	2,671	2,914	3,735	1,057
INVESTMENT IN NON-FINANCIAL ASSETS					
Purchase of non-financial assets	-3,562	-4,059	-4,447	-4,169	-110
Sales of non-financial assets	724	822	907	859	38
<i>Total</i>	-2,838	-3,237	-3,540	-3,310	-72
INVESTMENT IN FINANCIAL ASSETS					
Policy purposes	-	-	-	-	-
Liquidity purposes	163	-278	212	341	619
<i>Total</i>	163	-278	212	341	619
Net Cash Flow from Investing Activities	-2,676	-3,515	-3,328	-2,968	547
FINANCING ACTIVITIES					
Advances received (net)	-14	-13	-13	-17	-4
Borrowings (net)	-556	50	-69	550	500
Deposits received (net)	-	-	-	-	-
Distributions paid	-	-	-	-	-
Other financing	77	107	6	5	-103
<i>Total</i>	-492	145	-76	537	393
<i>Opening cash balance</i>	5,450	6,859	6,185	6,185	-674
NET INCREASE IN CASH HELD ^(a)	735	-699	-490	1,304	1,996
<i>Closing cash balance</i>	6,185	6,160	5,695	7,489	1,322
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	1,064	-566	-626	426	984
<i>less finance leases and similar arrangements</i>	-	-	-	-	-
Surplus	1,064	-566	-626	426	984

(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 1.16

SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION (a)
General Government

	2005-06	2006-07			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
EXPENSES					
<i>General Public Services</i>	319	645	486	350	-296
Government superannuation benefits	163			161	
Other general public services	156			188	
<i>Public Order and Safety</i>	1,598	1,666	1,774	1,788	122
Police and fire protection services	821			920	
Police services	652			720	
Fire protection services	169			200	
Law courts and legal services	358			345	
Prisons and corrective services	395			421	
Other public order and safety	24			101	
<i>Education</i>	3,777	3,898	3,963	3,991	93
Primary and secondary education	3,179			3,341	
Primary education	1,385			1,752	
Secondary education	1,031			1,570	
Primary and secondary education nec.	763			19	
Tertiary education	363			397	
University education	18			23	
Technical and further education	345			374	
Tertiary education nec.	-			-	
Pre-school education and education not definable by level	149			168	
Pre-school education	48			50	
Special education	101			118	
Other education not definable by level	-			-	
Transportation of students	86			84	
Transportation of non-urban school children	85			83	
Transportation of other students	-			1	
Education nec.	-			-	
<i>Health</i>	3,527	3,716	3,824	3,721	5
Acute care institutions	2,269			2,493	
Admitted patient services in acute care institutions	1,754			1,915	
Non-admitted patient services in acute care institutions	515			578	
Mental health institutions	116			131	
Nursing homes for the aged	46			46	
Community health services	593			537	
Community mental health	158			171	
Patient transport	60			83	
Other community health services	376			282	
Public health services	167			199	
Pharmaceuticals, medical aids and appliances	245			218	
Health research	25			26	
Health administration nec.	68			71	

Note: Columns may not add due to rounding.

Table 1.16 (cont.)
(a)

SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION
General Government

	2005-06 Actual \$m	2006-07			Variation on Budget \$m (3)-(1)
		Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<i>Social Security and Welfare</i>	634	668	685	815	147
Social security	-			-	
Welfare services	634			815	
Family and child welfare services	190			217	
Welfare services for the aged	70			198	
Welfare services for people with a disability	299			327	
Welfare services nec.	74			73	
Social security and welfare nec.	-			-	
<i>Housing and Community Amenities</i>	1,067	1,166	1,201	1,128	-38
Housing and community development	545			527	
Housing	280			227	
Aboriginal community development	23			49	
Other community development	242			250	
Water supply	376			403	
Sanitation and protection of the environment	83			127	
Other community amenities	63			71	
<i>Recreation and Culture</i>	397	459	436	443	-15
Recreation facilities and services	275			301	
National parks and wildlife	152			161	
Recreation facilities and services nec.	123			140	
Cultural facilities and services	122			142	
Broadcasting and film production	-			-	
Recreation and culture nec.	-			-	
<i>Fuel and Energy</i>	107	119	84	97	-22
Fuel affairs and services	-			-	
Gas	-			-	
Fuel affairs and services nec.	-			-	
Electricity and other energy	82			88	
Electricity	82			88	
Other energy	-			-	
Fuel and energy nec.	25			9	
<i>Agriculture, Forestry, Fishing and Hunting</i>	388	382	408	378	-4
Agriculture	313			303	
Forestry, fishing and hunting	75			75	
<i>Mining and mineral resources other than fuels; manufacturing; and construction</i>	145	186	216	196	9
Mining and mineral resources other than fuels	105			159	
Manufacturing	22			12	
Construction	18			25	

Note: Columns may not add due to rounding.

Table 1.16 (cont.)
(a)

SPENDING BY GOVERNMENT PURPOSE CLASSIFICATION
General Government

	2005-06	2006-07			Variation on Budget \$m (3)-(1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
<i>Transport and Communications</i>	1,298	1,559	1,559	1,478	-81
Road transport	798			860	
Road maintenance	385			358	
Road rehabilitation/Aboriginal community road transport service	71			114	
Road construction	217			233	
Road transport nec.	125			155	
Water transport	18			35	
Urban water transport services	-			-	
Other water transport services	18			35	
Rail transport	100			85	
Urban rail transport services	-			-	
Non-urban rail transport freight services	58			44	
Non-urban rail transport passenger services	42			41	
Air transport	4			5	
Pipelines	-			-	
Other transport	375			490	
Multi-mode urban transport	375			490	
Other transport nec.	-			-	
Communications	3			4	
<i>Other Economic Affairs</i>	318	323	356	353	30
Storage, saleyards and markets	2			2	
Tourism and area promotion	90			100	
Labour and employment affairs	214			221	
Vocational training	75			75	
Other labour and employment affairs	139			145	
Other economic affairs	11			31	
<i>Other Purposes</i>	366	447	433	409	-38
Public debt transactions	362			401	
General purpose inter-government transactions	-			6	
Natural disaster relief	4			2	
Other purposes nec.	-			-	
TOTAL EXPENSES	13,942	15,234	15,425	15,147	-87
PURCHASES OF NON-FINANCIAL ASSETS					
General public services	207	156	211	177	21
Public order and safety	153	221	192	157	-64
Education	182	295	347	351	56
Health	154	278	166	159	-119
Social security and welfare	15	20	23	19	-1
Housing and community amenities	66	96	125	128	32
Recreation and culture	49	59	67	59	-
Fuel and energy	5	3	4	5	2
Agriculture, forestry, fishing and hunting	16	21	18	12	-9
Mining and mineral resources (other than fuels), manufacturing and construction	3	13	14	8	-6
Transport and communications	299	427	481	509	82
Other economic affairs	12	30	37	25	-5
Other purposes	-	-	-	-	-
TOTAL PURCHASES OF NON-FINANCIAL ASSETS	1,161	1,620	1,686	1,610	-10

(a) The accuracy of spending by Government Purpose Classification (GPC) data is subject to ongoing refinement and improvement. Calculation methods and the allocation of spending to the various GPCs are continually being updated based on data availability and correspondence with the Australian Bureau of Statistics and the Commonwealth Grants Commission. For the 2006-07 financial year, improvements in the classification quality have been made to a number of areas, such as GPC spending in the areas of primary and secondary education and community health services/welfare services for the aged. Previously published data is not restated for such changes.

Note: Columns may not add due to rounding.

Table 1.17

2006-07 LOAN COUNCIL ALLOCATIONS ^(a)
Western Australia

	Nomination ^(b) \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	Variation on Budget \$m (3)-(1)
General Government Deficit	-311	-862	-1,030	-1,460	-598
Public Non-financial Corporations' Net Financing Requirement	1,063	1,510	1,795	1,305	-205
Net Capital Advances	-	-	-	-	-
Adjustments	-	-4	-	-	4
<i>Total Non-financial Public Sector Deficit</i>	<i>752</i>	<i>644</i>	<i>765</i>	<i>-155</i>	<i>-799</i>
<i>Memorandum Items</i> ^(c)	<i>-100</i>	<i>-88</i>	<i>-542</i>	<i>-627</i>	<i>-539</i>
Loan Council Allocations	652	555	224	-782	-1,338
<i>Tolerance Limit</i> ^(d)	<i>400</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

(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) 2005-06 *Government Mid-Year Financial Projections Statement*, released 21 December 2006.

(c) 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).

(d) $\pm 2\%$ of total non-financial public sector revenue at the time of the original LCA nomination.

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 position¹.

Western Australia recorded an LCA surplus of \$782 million in 2006-07, compared with the LCA deficit of \$555 million at the time of the 2006-07 Budget.

Stronger cash results, largely due to higher than expected operating surpluses for the general government and public non-financial corporations sectors (discussed in Chapter 1), accounted for almost \$800 million of the variance from budget. A further \$539 million improvement in the LCA memorandum items, relative to the 2006-07 Budget, is largely attributable to lower public sector home lending activity, and lower public university borrowings (reflecting the timing of capital works spending).

The 2006-07 outcome was substantially stronger than the original nomination for the year (a \$652 million LCA deficit reflected in the 2005-06 *Government Mid-Year Financial Projections Statement*), and exceeded the nomination's \$400 million tolerance limit.

¹ 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 2006-07 on an accrual GFS basis.

Table 2.1

OPERATING REVENUE
General Government

	2005-06	2006-07			Variation on Budget \$m (3)-(-1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
TAXATION					
Taxes on employers' payroll and labour force					
<i>Payroll tax</i>	1,355	1,428	1,595	1,607	179
Property taxes					
<i>Land tax</i>	313	342	391	386	44
Conveyances and transfers	1,906	1,741	1,969	2,037	296
Mortgages	173	101	120	121	19
Other stamp duties	33	24	24	26	2
<i>Total stamp duties on financial and capital transactions</i>	2,113	1,866	2,113	2,184	317
Debits Tax	8	-	-	-	-
<i>Total financial institutions taxes</i>	8	-	-	-	-
Metropolitan Region Improvement Tax	53	58	71	65	8
Emergency Services Levy	130	138	139	137	-1
Loan guarantee fees	13	14	14	14	-
<i>Total other property taxes</i>	197	209	224	217	7
Taxes on provision of goods and services					
Lotteries Commission	102	103	106	112	10
less rebates	-22	-23	-23	-24	-1
Video lottery terminals	-	1	1	-	-
Casino Tax	59	58	65	77	19
less rebates	-30	-33	-34	-40	-8
TAB betting tax	64	64	64	69	5
less rebates	-27	-28	-30	-30	-2
<i>Total taxes on gambling</i>	146	141	149	164	23
Stamp duty on insurance policies	296	315	312	308	-7
Other	30	24	23	27	3
<i>Total taxes on insurance</i>	326	339	335	335	-4
Taxes on use of goods and performance of activities					
Stamp duty on vehicle licences	342	369	385	393	24
Permits – oversize vehicles and loads	3	3	3	4	1
Motor vehicle recording fee	30	31	32	32	-
Motor vehicle registrations	361	354	396	396	42
<i>Total motor vehicle taxes</i>	736	757	816	825	68
Total Taxation	5,195	5,082	5,622	5,718	636

Note: Columns may not add due to rounding.

Table 2.1 (cont)

OPERATING REVENUE
General Government

	2005-06	2006-07			
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	Variation on Budget \$m (3)-(1)
CURRENT GRANTS AND SUBSIDIES					
<i>General Purpose Grants</i>					
GST revenue grants ^(a)	3,816	3,929	3,960	3,968	39
Competition reform	67	-	-	-	-
<i>Specific Purpose Grants to the State</i>					
Australian Health Care Agreement	817	870	866	869	-1
Other health	282	265	283	301	36
Schools assistance – government schools	281	267	277	292	25
Vocational training	96	99	97	98	-1
Roads	27	40	36	39	-1
Other	180	220	197	171	-49
<i>Specific Purpose Grants through the State</i>					
Schools assistance – non-government schools	526	526	517	566	40
Local government grants	111	116	116	116	-
Local government roads	76	79	80	79	-
Other	-	33	33	-	-33
<i>Other Grants</i>					
North West Shelf royalties	610	721	669	657	-64
Total Current Grants and Subsidies	6,890	7,163	7,131	7,155	-8
CAPITAL GRANTS					
<i>Specific Purpose Grants to the State</i>					
Roads	83	92	142	159	66
Schools assistance – government schools	30	29	29	31	2
Vocational training	16	18	16	15	-3
Other	229	244	224	225	-18
<i>Specific Purpose Grants through the State</i>					
Schools assistance – non-government schools	18	20	20	19	-1
Total Capital Grants	375	402	431	448	46

(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

	2005-06	2006-07			Variation on Budget \$m (3)-(-1)
	Actual \$m	Budget Estimate \$m (1)	Estimated Outturn \$m (2)	Actual \$m (3)	
SALES OF GOODS AND SERVICES					
Department for Planning and Infrastructure	107	131	108	116	-14
Department of Health	243	227	255	274	47
Department of Education and Training	127	127	142	159	32
TAFE Colleges	78	83	83	84	1
Land Information Authority	82	73	82	86	13
Department of the Attorney General	61	50	56	62	12
Department of Corrective Services	5	12	12	16	4
Department of Environment and Conservation	54	38	49	59	21
Department of Consumer and Employment Protection	30	31	32	39	8
Department of Fisheries	24	24	24	23	-1
Department of Culture and the Arts	21	17	17	24	7
Western Australia Police	20	18	24	26	8
All Other	262	217	256	262	45
Total Sales of Goods and Services	1,115	1,046	1,141	1,229	183
INTEREST INCOME	170	151	219	246	95
REVENUE FROM PUBLIC CORPORATIONS					
Dividends	534	456	445	421	-35
Tax Equivalent Regime	304	294	316	311	18
Total Revenue from Public Corporations	838	750	761	733	-17
ROYALTY INCOME					
Revenue from Territorial less petroleum and other refunds	1,205 -20	1,527 -23	1,569 -14	1,484 -16	-43 7
Total Royalty Income	1,184	1,504	1,555	1,468	-36
OTHER					
Lease rentals	63	43	43	63	21
Fines	114	106	97	89	-17
Revenue not elsewhere counted	263	262	277	302	40
Total Other	440	410	418	453	43
GRAND TOTAL	16,207	16,510	17,278	17,451	941

Note: Columns may not add due to rounding.

Revenue Forecasting Performance

In 2005-06, the Department of Treasury and Finance (DTF) undertook a major review of its revenue forecasting¹, prompted by the significant under-estimation of operating revenue in recent years and a desire to improve the quality of forecasts. The review made 29 recommendations in relation to forecasting methodology, governance, resourcing and communication with the intention of making the forecasting process more informed, systematic and transparent.

The recommendations of the review are being implemented progressively, with a number of the recommendations put in place in time to influence the revenue estimates for the 2006-07 Budget. These included wider and more frequent consultation with industry experts that influenced the Department's assessment of the outlook for property market activity, and the adoption of futures market contract prices as the basis for the oil price assumptions for the petroleum revenue estimates.

Overall Forecasting Performance

Overall, there has been an improvement in the revenue forecasting performance as illustrated by the following table. The table documents the forecasting performance against two of DTF's key performance indicator (KPI) targets: (1) that the combined tax and mining revenue actual outcome be within plus or minus five percentage points of the budget estimate; and (2) that the actual GST revenue outcome be within plus or minus five percentage points of the original budget estimate.

¹ An electronic copy of the report of the *Review of Revenue Forecasting* is available from the Department of Treasury and Finance website www.dtf.wa.gov.au.

Table 1

FORECASTING PERFORMANCE								
KEY PERFORMANCE INDICATORS, 2006-07								
Performance Indicator	Target Performance	Actual Outcome	Actual Outturn Relative to					
			Budget Estimate		Mid-year Review Estimate		Estimated Outturn	
		\$m	\$m	%	\$m	%	\$m	%
Tax and Mining Royalty Revenue								
2005-06	±5%	6,989	1,349	23.9	458	7.0	-61	-0.9
2006-07	±5%	7,842	536	7.3	127	1.7	-3	-
GST Revenue								
2005-06	±5%	3,816	-3	0.1	13	0.3	51	1.3
2006-07	±5%	3,968	39	1.0	46	1.2	8	0.2

Forecasting revenue in periods of exceptional, and potentially volatile, economic performance is a significant challenge. Reflecting this, the table above indicates that only the GST revenue KPI target was achieved in 2006-07. However, there was a substantial improvement in revenue forecasting performance between 2005-06 and 2006-07.

A comparison of the information in Tables 2 and 3 highlights that for total operating revenue, the two largest contributors to the forecast errors in 2005-06 and 2006-07 were tax revenue and sales of goods and services revenue. The improvement in forecast performance for total revenue between 2005-06 and 2006-07 largely reflects an improvement in the forecast accuracy of tax revenue (which is principally forecast by DTF), while the percentage error remained high for goods and service revenue (with each agency forecasting the goods and services revenue that it expects to receive).

Table 2

**FORECASTING PERFORMANCE - GENERAL GOVERNMENT
OPERATING REVENUE VARIANCES, 2005-06**

	2005-06 Actual Outturn \$m	2005-06 Actual Outturn Relative to			
		2005-06 Budget Estimate		2005-06 Estimated Outturn ^(c)	
		\$m	%	\$m	%
Taxation	5,195	1,200	30.0	95	1.9
GST grant revenue	3,816	-3	-0.1	51	1.3
Other grants and subsidiaries ^(a)	2,839	158	5.9	-20	-0.7
Mining royalties ^(b)	1,115	172	18.2	88	8.5
Sales of goods and services	170	24	16.8	-25	-12.9
Interest income	838	129	18.2	5	0.7
Revenue from public corporations	1,794	149	9.0	-157	-8.0
Other	440	159	56.8	46	11.8
Total	16,207	1,988	14.0	84	0.5

- (a) Excludes North West Shelf payments
(b) Includes North West Shelf payments.
(c) Published in the 2006-07 Budget Papers.

An analysis of the contributors to the difference (\$187 million) between the estimated outturn for total revenue in 2006-07 (as published in the recent 2007-08 Budget) and the actual outturn indicates that revenue that is projected centrally (most taxation revenue, GST revenue and mining royalty revenue) contributed a net \$5 million (relative to a base of \$11,810 million) to the under-estimate of total operating revenue. Of the remaining revenue items, the major contributor to the under-estimate was sales of goods and services revenue (\$89 million) and other grants and subsidies - primarily specific purpose payments (\$45 million).

Table 3

**FORECASTING PERFORMANCE - GENERAL GOVERNMENT
OPERATING REVENUE VARIANCES, 2006-07**

	2006-07 Actual Outturn \$m	2006-07 Actual Outturn Relative to			
		2006-07 Budget Estimate		2006-07 Estimated Outturn ^(c)	
		\$m	%	\$m	%
Taxation	5,718	636	12.5	95	1.7
GST grant revenue	3,968	39	1.0	8	0.2
Other grants and subsidiaries ^(a)	2,979				
Mining royalties ^(b)	1,229	-100	-4.5	-99	-4.4
Sales of goods and services	246	183	17.5	89	7.8
Interest income	733	95	62.7	28	12.6
Revenue from public corporations	2,125	-17	-2.3	-28	-3.7
Other	453	43	10.5	36	8.5
Total	17,451	941	5.7	187	1.1

(a) Excludes North West Shelf payments.
(b) Includes North West Shelf payments.
(c) Published in the 2007-08 Budget Papers.

Forecast Performance For Selected Revenue Aggregates

Tax Revenue

The following table shows that the main contributors to the tax revenue forecast variance in 2006-07 were conveyance duty revenue and payroll tax revenue.

Table 4

FORECASTING PERFORMANCE - TAX REVENUE VARIANCES, 2006-07

	Actual Outturn Relative to			
	2006-07 Budget Estimate		2006-07 Estimated Outturn ^(a)	
	\$m	%	\$m	%
Payroll Tax	179	12.6	12	0.8
Conveyance Duty	296	17.0	68	3.5
Motor vehicle taxes	68	9.0	8	1.0
Taxes on insurance	-4	-1.0	1	0.3
Land tax and MRIT	52	12.9	-12	-2.6
Other	44	10.6	17	3.9
Total taxes	636	12.5	95	1.7

(a) Published in the 2007-08 Budget Papers

The under-estimate between the 2006-07 Budget forecast and the actual outcome for conveyance duty reflects a number of factors, including stronger than projected growth in the median house price (around 30% between 2005-06 and 2006-07), which more than offset a larger than expected decline in residential property market turnover, and very robust growth in non-residential property activity.

Payroll Tax

The major reason for the payroll tax under-estimate in 2006-07 was actual growth in average weekly earnings (AWE) substantially exceeding forecast growth (AWE grew by 9.6% in 2006-07 compared with the budget forecast of 5.25%). Wages in the private sector (which more closely relate to the actual payroll tax base than total wages) increased by 11.5%, as measured by AWE. Stronger than forecast employment growth (2.5% in 2006-07 compared with a forecast of 2.0%) also contributed to the higher payroll tax outcome.

Sales of Goods and Services Revenue

The \$183 million variance between the 2006-07 Budget estimate for sales of goods and services revenue and the actual outcome in 2006-07 reflects under-estimation of revenue by a large number of agencies across a range of goods or services. In many cases, the demand for goods and services was significantly stronger than agencies providing those goods and services expected.

Table 5

FORECASTING PERFORMANCE - SALES OF GOODS AND SERVICES REVENUE VARIANCES, 2006-07

AGENCY	Actual Outturn Relative to			
	2006-07 Budget Estimate		2006-07 Estimated Outturn ^(b)	
	\$m	%	\$m	%
Health	47	20.5	19	7.5
Education and Training	32	25.5	17	11.8
Environment and Conservation	21	55.7	10	19.4
Industry and Resources	16	93.1	8	34.2
Land Information Authority	13	18.4	4	5.1
Attorney General	12	24.1	6	10.9
Other ^(a)	42	8.1	25	4.6
Total	183	17.5	89	7.8

(a) Across around 100 other general government agencies.

(b) Published in the 2007-08 Budget Papers.

The key variations (relative to the original budget estimates) are:

- Health (up \$47 million), mainly due to stronger than expected revenue from patient fees and facilities usage recovery fees;
- Education and Training (up \$32 million), reflecting a combination of stronger than anticipated student contributions and user fees and charges (\$19 million), and higher than anticipated recovery of prior year fees and increases in international student numbers (\$13 million);
- Environment and Conservation (up \$21 million), as a result of higher than forecast revenue from services provided to other organisations (e.g. environmental work for the Water Corporation);
- Industry and Resources (up \$16 million), due to unbudgeted ad valorem registration fees paid in respect of the sale of, or an interest in, petroleum projects;
- the Land Information Authority (up \$13 million), as a result of higher than anticipated document registration and title search fees; and
- Attorney General (up \$12 million), primarily due to higher than expected revenue from criminal property confiscations.

Policy Decisions Affecting Spending

This appendix provides an agency breakdown of variations in general government expenses and total public sector capital spending since the 2006-07 Budget cut-off date (18 April 2006) 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 2006-07 Budget, including:

- Appendix 3 of the 2006-07 *Government Mid-year Financial Projections Statement*, released on 21 December 2006; and
- Chapters 4 and 5 of the 2007-08 Budget Paper No. 3: *Economic and Fiscal Outlook*, presented to Parliament on 10 May 2007.

Between the 10 April 2007 cut-off date for the 2007-08 Budget and 30 June 2007, the Government made one further policy decision affecting spending in 2006-07, with the Department of Industry and Resources providing a one-off grant of \$600,000 to Channel 31 to ensure the station's ongoing viability and capability toward digital television.

Table 4.1

**SPENDING POLICY DECISIONS TAKEN SINCE
THE 2006-07 BUDGET**

GENERAL GOVERNMENT EXPENSES	\$m
Agriculture and Food	9.6
Attorney General	0.2
Burswood Park Board	1.1
Child Protection	7.7
Consumer and Employment Protection	30.8
Corrective Services	6.1
Culture and the Arts	0.8
Education and Training	6.9
Environment and Conservation	3.3
Equal Opportunity Commission	0.2
Fisheries	2.6
Health	3.0
Heritage Council of Western Australia	2.1
Housing and Works	3.1
Indigenous Affairs	1.2
Industry and Resources	5.5
Local Government and Regional Development	0.4
Peel Development Commission	0.8
Pilbara Development Commission	0.5
Planning and Infrastructure	15.3
Premier and Cabinet	7.5
Public Transport Authority ^(a)	1.4
Racing, Gaming and Liquor	1.7
Regional Power Corporation (Horizon Power) ^(a)	-0.5
Rural Business Development Corporation	2.6
Small Business Development Corporation	1.2
South West Development Commission	2.5
Sport and Recreation	1.0
Water Corporation ^(a)	0.2
Western Australian Electoral Commission	0.2
Western Australia Police	-0.1
Western Australian Tourism Commission	0.3
TOTAL EXPENSE POLICY DECISIONS	119.2
TOTAL PUBLIC SECTOR PURCHASE OF NON-FINANCIAL ASSETS	
Child Protection	4.9
Corrective Services	-1.0
Culture and the Arts	0.8
Environment and Conservation	5.6
Fire and Emergency Services Authority	0.7
Fisheries	0.2
Great Southern Development Commission	0.2
Housing and Works	7.5
Housing Authority	52.9
Port Hedland Port Authority	9.5
Public Transport Authority	31.9
Regional Power Corporation (Horizon Power)	2.9
Water Corporation	3.7
Western Australia Police	-0.1
Zoological Parks Authority	0.9
TOTAL PURCHASE OF NON-FINANCIAL ASSETS	120.6

(a) Represented as general government expenses by the Department of Treasury and Finance as grants and subsidies from the Consolidated Account to these public corporations.

Note: Columns may not add due to rounding.

Monthly and Quarterly Financial Results – June 2006-07

This appendix completes the monthly and quarterly GFS series for the 2006-07 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 2007 may include one-off movements in accrual items relative to previous reports, to move them into line with final outcomes.

General Government

Month of June 2007

An operating surplus of \$278 million was recorded by the general government sector for the month of June 2007, compared to a surplus of \$427 million for June 2006.

Revenue for the month of June 2007 totalled \$1,767 million, down \$61 million from June 2006. The movement reflects changes in:

- 'other' revenue (down \$75 million), due mainly to land resumed from the Town of Cambridge in the prior year for the redevelopment of Perry Lakes;
- taxation revenue (up \$60 million), largely reflecting the impact of wages growth and property market activity on payroll tax and conveyance duty;
- revenue from public corporations (down \$47 million), due to lower tax equivalent regime payments from the energy utilities;
- grants and subsidies (down \$47 million), primarily due to timing of GST grant receipts and lower direct grants and subsidies revenue from the Commonwealth;
- sales of goods and services (up \$33 million), reflecting seasonal factors and timing of receipts; and
- interest income (up \$11 million), primarily due to higher cash balances.

Totalling \$1,488 million, expenses for the month of June 2007 were \$87 million higher than June 2006. The increase includes:

- higher nominal superannuation interest (up \$70 million), reflecting the impact of the year-end actuarial valuation of superannuation liabilities;
- lower current and capital transfers (down \$65 million), primarily due to the changed classification of the Dampier to Bunbury Natural Gas Pipeline (DBNGP) assistance as a result of ABS advice (discussed in Chapter 1);
- higher services and contracts (up \$63 million), primarily due to increases in road infrastructure and construction expenditure and higher recurrent construction and maintenance expenditure in the education and law and order sectors;
- higher 'other' operating expenses (up \$35 million), reflecting changes in timing of purchases by general government agencies;
- higher depreciation (up \$32 million), primarily due to higher asset values brought to book at year-end by agencies; and
- lower salaries expenditure (down \$26 million), reflecting the higher year-end accruals recorded at the end of the prior year.

A cash surplus of \$218 million was recorded for the month of June 2007, compared to a \$595 million surplus in June 2006. The June 2007 surplus comprises a \$451 million net cash inflow from operating activities (down from \$762 million in June 2006) and a net cash outflow for capital investment of \$233 million (up on the \$166 million net outflow in June 2006, reflecting the higher levels of Capital Works Program spending for 2006-07).

Three Months to 30 June 2007

The general government sector recorded a \$575 million operating surplus for the three months to 30 June 2007, compared with a \$757 million surplus for the same period in 2005-06.

Revenue for the three months to 30 June 2007 totalled \$4,479 million, up \$70 million (or 1.6%) compared with the same period the previous year, mainly reflecting:

- higher taxation revenue (up \$65 million), reflecting higher payroll tax (up \$64 million) and higher motor vehicle taxes (up \$20 million), partially offset by lower mortgage duty (down \$18 million) due to the halving of the mortgage duty rate from 1 July 2006;
- lower 'other' revenue (down \$65 million), due mainly to land resumed from the Town of Cambridge in the prior year for the redevelopment of Perry Lakes;
- higher royalty income (up \$54 million), largely due to the impact of higher prices and volumes for iron ore and nickel;
- lower revenue from public corporations (down \$48 million), due to lower dividend declarations by the energy utilities and Western Australian Land Authority;
- higher Commonwealth grants (up \$30 million), primarily due to higher GST grants (reflecting growth in national collections) partially offset by the cessation of National Competition Reform payments from 1 July 2006; and
- higher interest income (up \$22 million), due to the impact of higher cash holdings through 2006-07 and upward movements in interest rates over the past year.

Expenses for the three months to 30 June 2007 totalled \$3,905 million, up \$253 million (or 6.9%) compared to the same period last year. This is primarily due to:

- higher services and contracts (up \$100 million), mainly due to higher construction and maintenance expenditure by the education and health sectors and the implementation of a range of initiatives relating to prison services and court security as a result of the Mahoney Inquiry;
- higher salaries (up \$97 million), mainly reflecting cost and demand driven increases in the health, education and training, and law and order sectors;
- higher nominal superannuation interest (up \$61 million), reflecting the impact of the year-end actuarial valuation of superannuation costs;
- higher depreciation (up \$51 million), reflecting the higher value of fixed asset holdings by agencies; and
- lower current and capital transfers (down \$47 million), primarily due to the changed classification of the DBNGP assistance mentioned earlier.

A cash surplus of \$310 million was recorded for the June 2007 quarter, comprising a net cash inflow from operating activities of \$801 million (down from \$1,278 million in the same period the previous year) and a net cash outflow from capital investment of \$491 million (up from \$379 million in the June 2006 quarter).

Total Public Sector

Three Months to 30 June 2007

The total public sector recorded a \$251 million operating surplus for the June 2007 quarter, compared to the \$311 million operating surplus for the same quarter in the previous year. Revenue totalled \$5,911 million, up \$127 million on the same period in 2005-06, while expenses were up \$188 million at \$5,661 million. This largely reflects the quarterly factors impacting the general government sector noted above, together with the impact of lower quarter-on-quarter precious metal prices on the sale and purchase of gold investments by Gold Corporation (a public non-financial corporation).

A cash deficit of \$253 million was recorded for the three months to 30 June 2007, compared to the \$208 million cash surplus recorded for the same period the previous year. This included a net cash inflow from operating activities of \$617 million (down substantially from \$1,117 million in the June 2006 quarter) and a net cash outflow for capital investment of \$870 million (down from \$909 million in the same period the previous year).

The lower operating cash result largely reflects the impact of an Accelerated Upgrade Package grant for roadworks received from the Commonwealth in June 2006. Lower infrastructure spending during the June 2007 quarter by the public corporations (due mainly to the timing of capital works by the Water Corporation and lower spending by the Public Transport Authority as the New MetroRail project nears completion) more than offset the higher quarterly increase in net infrastructure investment by the general government sector (noted above).

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Table 5.1

GENERAL GOVERNMENT
Operating Statement

	2006-07			2005-06		
	Month of June \$m	Three Months to 30 June \$m	Actual \$m	Month of June \$m	Three Months to 30 June \$m	Actual \$m
REVENUE						
Taxation	509	1,341	5,718	449	1,276	5,195
Current grants and subsidies	410	1,691	7,155	446	1,667	6,890
Capital grants	46	134	448	57	128	375
Sales of goods and services	151	316	1,229	118	305	1,115
Interest income	28	72	246	17	50	170
Revenue from public corporations						
Dividends	337	352	421	339	376	534
Tax equivalent payments	8	79	311	53	103	304
Royalty income	238	395	1,468	233	341	1,184
Other	40	99	453	115	164	440
<i>Total</i>	<i>1,767</i>	<i>4,479</i>	<i>17,451</i>	<i>1,828</i>	<i>4,409</i>	<i>16,207</i>
EXPENSES						
Gross operating expenses						
Salaries	591	1,648	6,182	617	1,551	5,694
Depreciation and amortisation	102	217	672	70	166	591
Superannuation	57	160	602	85	174	557
Services and contracts	227	510	1,663	164	410	1,367
Other gross operating expenses	252	507	1,822	217	508	1,876
Nominal superannuation interest	34	75	289	-36	14	242
Other interest	15	33	112	9	27	120
Other property expenses	-	-	-	-	-	-
Current transfers	272	730	3,392	209	649	3,007
Capital transfers	-62	25	413	66	153	487
<i>Total</i>	<i>1,488</i>	<i>3,905</i>	<i>15,147</i>	<i>1,401</i>	<i>3,652</i>	<i>13,942</i>
NET OPERATING BALANCE	278	575	2,303	427	757	2,265
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-	531	1,610	-	434	1,161
Sales of non-financial assets	-	-40	-169	-	-56	-203
less depreciation	-	217	672	-	166	591
plus change in inventories	-	-	1	-	-2	-
plus other movements in non-financial assets	-	6	7	-	54	51
<i>Total</i>	<i>-</i>	<i>280</i>	<i>777</i>	<i>-</i>	<i>265</i>	<i>419</i>
NET LENDING/BORROWING	-	294	1,527	-	492	1,846
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	-	575	2,303	-	757	2,265
less provisions for doubtful debts	-	27	27	-	18	18
plus net gains on assets (including derivatives)	-	-27	-2	-	-31	6
plus capitalised interest	-	-	-	-	-	-
less revaluation of superannuation liabilities	-	51	51	-	-335	-335
plus all other adjustments	-	-110	-50	-	329	329
AAS OPERATING RESULT	-	359	2,173	-	1,371	2,916

Note: Columns may not add due to rounding.

Table 5.2

GENERAL GOVERNMENT
Cash Flow Statement

	2006-07			2005-06		
	Month of June \$m	Three Months to 30 June \$m	Actual \$m	Month of June \$m	Three Months to 30 June \$m	Actual \$m
RECEIPTS FROM OPERATING ACTIVITIES						
Taxes received	626	1,532	5,675	559	1,363	5,119
Receipts from sales of goods and services	66	267	1,280	138	323	1,194
Grants and subsidies received	481	1,802	7,550	836	2,120	7,583
Other receipts	750	1,176	3,542	701	1,021	3,094
<i>Total</i>	<i>1,923</i>	<i>4,777</i>	<i>18,046</i>	<i>2,234</i>	<i>4,828</i>	<i>16,990</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-908	-2,829	-10,541	-973	-2,463	-9,538
Grants and subsidies paid	-409	-836	-3,526	-365	-790	-3,207
Interest paid	-23	-40	-112	-24	-44	-122
Other payments	-132	-271	-966	-111	-253	-864
<i>Total</i>	<i>-1,472</i>	<i>-3,975</i>	<i>-15,145</i>	<i>-1,473</i>	<i>-3,550</i>	<i>-13,730</i>
Net Cash Flow from Operating Activities	451	801	2,901	762	1,278	3,260
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-251	-531	-1,610	-186	-434	-1,161
Sales of non-financial assets	18	40	169	20	56	203
<i>Total</i>	<i>-233</i>	<i>-491</i>	<i>-1,441</i>	<i>-166</i>	<i>-379</i>	<i>-958</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	-39	-97	-1,405	-12	-57	-488
Liquidity purposes	2	2	31	11	38	74
<i>Total</i>	<i>-37</i>	<i>-95</i>	<i>-1,374</i>	<i>-2</i>	<i>-19</i>	<i>-415</i>
Net Cash Flow from Investing Activities	-270	-587	-2,815	-168	-397	-1,373
FINANCING ACTIVITIES						
Advances received (net)	-	-	-4	-	-	-1
Borrowings (net)	9	6	-24	73	-71	-286
Deposits received (net)	-	-	-	-1	-	-
Distributions paid	-	-	-	-	-	-
Other financing	-35	-34	16	-25	-22	-12
<i>Total</i>	<i>-27</i>	<i>-29</i>	<i>-12</i>	<i>47</i>	<i>-92</i>	<i>-300</i>
<i>Opening cash balance</i>	<i>4,380</i>	<i>4,350</i>	<i>4,462</i>	<i>3,821</i>	<i>3,673</i>	<i>2,875</i>
NET INCREASE IN CASH HELD	155	186	74	641	789	1,587
<i>Closing cash balance</i>	<i>4,535</i>	<i>4,535</i>	<i>4,535</i>	<i>4,462</i>	<i>4,462</i>	<i>4,462</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	<i>218</i>	<i>310</i>	<i>1,460</i>	<i>595</i>	<i>900</i>	<i>2,301</i>
<i>less finance leases and similar arrangements</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Surplus	218	310	1,460	595	900	2,301

Note: Columns may not add due to rounding.

Table 5.3

GENERAL GOVERNMENT
Taxation Revenue

	2006-07			2005-06		
	Month of June \$m	Three Months to 30 June \$m	Actual \$m	Month of June \$m	Three Months to 30 June \$m	Actual \$m
TAXATION						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	138	416	1,607	124	352	1,355
Property taxes						
<i>Land tax</i>	3	-	386	1	1	313
Conveyances and transfers	215	540	2,037	185	542	1,906
Mortgages	12	31	121	19	49	173
Other stamp duties	-	1	26	3	9	33
<i>Total stamp duties on financial and capital transactions</i>	227	572	2,184	208	600	2,113
Debits Tax	-	-	-	-	-	8
<i>Total financial institutions taxes</i>	-	-	-	-	-	8
Metropolitan Region Improvement Tax	-	-1	65	-	-	53
Emergency Services Levy	10	11	137	-	7	130
Loan guarantee fees	1	3	14	1	3	13
<i>Total other property taxes</i>	11	13	217	1	10	197
Taxes on provision of goods and services						
Lotteries Commission	15	33	112	10	27	102
less rebates	-2	-6	-24	-2	-5	-22
Video lottery terminals	-	-	-	-	-	-
Casino Tax	15	24	77	5	15	59
less rebates	-5	-13	-40	-2	-7	-30
TAB betting tax	5	15	69	5	16	64
less rebates	-2	-8	-30	-2	-7	-27
<i>Total taxes on gambling</i>	25	44	164	15	38	146
Stamp duty on insurance policies	26	72	308	24	69	296
Other	4	8	27	4	8	30
<i>Total taxes on insurance</i>	30	80	335	29	77	326
Taxes on use of goods and performance of activities						
Stamp duty on vehicle licences	34	102	393	34	93	342
Permits – oversize vehicles and loads	2	2	4	1	1	3
Motor vehicle recording fee	3	8	32	3	8	30
Motor vehicle registrations	36	104	396	35	95	361
<i>Total motor vehicle taxes</i>	75	217	825	72	197	736
Total Taxation	509	1,341	5,718	449	1,276	5,195

Note: Columns may not add due to rounding.

Table 5.4

TOTAL PUBLIC SECTOR
Operating Statement

	2006-07		2005-06	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
REVENUE				
Taxation	1,286	5,519	1,225	5,001
Current grants and subsidies	1,691	7,155	1,668	6,890
Capital grants	134	448	128	375
Sales of goods and services	2,030	8,323	2,081	7,864
Interest income	158	602	99	527
Royalty income	395	1,468	341	1,184
Other	217	738	241	732
<i>Total</i>	<i>5,911</i>	<i>24,253</i>	<i>5,784</i>	<i>22,575</i>
EXPENSES				
Gross operating expenses				
Salaries	1,813	6,820	1,708	6,265
Depreciation and amortisation	411	1,418	366	1,280
Superannuation	178	664	185	608
Services and contracts	649	2,023	553	1,872
Other	1,724	6,492	1,803	6,157
Nominal superannuation interest	75	289	14	242
Other interest	212	817	223	792
Other property expenses	-	-	-	-
Current transfers	605	2,699	498	2,419
Capital transfers	-6	260	122	330
<i>Total</i>	<i>5,661</i>	<i>21,481</i>	<i>5,473</i>	<i>19,965</i>
NET OPERATING BALANCE	251	2,772	311	2,610
NET ACQUISITION OF NON-FINANCIAL ASSETS				
Purchase of non-financial assets	1,202	4,169	1,240	3,562
Sales of non-financial assets	-333	-859	-331	-724
<i>less</i> depreciation	411	1,418	366	1,280
<i>plus</i> change in inventories	-82	-98	112	374
<i>plus</i> other movements in non-financial assets	13	1	51	42
<i>Total</i>	<i>390</i>	<i>1,794</i>	<i>706</i>	<i>1,975</i>
NET LENDING/BORROWING	-139	977	-394	636
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)				
NET OPERATING BALANCE	251	2,772	311	2,610
<i>less</i> provisions for doubtful debts	30	35	18	19
<i>plus</i> net gains on assets (including derivatives)	105	238	-60	14
<i>plus</i> capitalised interest	-13	-	4	9
<i>less</i> revaluation of superannuation liabilities	72	72	-322	-322
<i>plus</i> all other adjustments	-110	-50	329	329
AAS OPERATING RESULT	130	2,852	886	3,264

Note: Columns may not add due to rounding.

TOTAL PUBLIC SECTOR
Cash Flow Statement

Table 5.5

	2006-07		2005-06	
	Three Months to 30 June \$m	Actual \$m	Three Months to 30 June \$m	Actual \$m
RECEIPTS FROM OPERATING ACTIVITIES				
Taxes received	1,349	5,396	1,236	4,890
Receipts from sales of goods and services	2,026	8,510	2,157	7,916
Grants and subsidies received	1,802	7,550	2,120	7,583
Other receipts	970	3,725	858	3,191
<i>Total</i>	<i>6,148</i>	<i>25,180</i>	<i>6,371</i>	<i>23,580</i>
PAYMENTS FOR OPERATING ACTIVITIES				
Payments for goods and services	-4,209	-16,258	-3,985	-14,900
Grants and subsidies paid	-598	-2,756	-517	-2,527
Interest paid	-264	-662	-290	-698
Other payments	-459	-1,769	-461	-1,552
<i>Total</i>	<i>-5,531</i>	<i>-21,444</i>	<i>-5,254</i>	<i>-19,677</i>
Net Cash Flow from Operating Activities	617	3,735	1,117	3,903
INVESTMENT IN NON-FINANCIAL ASSETS				
Purchase of non-financial assets	-1,202	-4,169	-1,240	-3,562
Sales of non-financial assets	333	859	331	724
<i>Total</i>	<i>-870</i>	<i>-3,310</i>	<i>-909</i>	<i>-2,838</i>
INVESTMENT IN FINANCIAL ASSETS				
Policy purposes	-	-	-	-
Liquidity purposes	82	341	236	163
<i>Total</i>	<i>82</i>	<i>341</i>	<i>236</i>	<i>163</i>
Net Cash Flow from Investing Activities	-788	-2,968	-673	-2,676
FINANCING ACTIVITIES				
Advances received (net)	-13	-17	-13	-14
Borrowings (net)	194	550	-535	-556
Deposits received (net)	-	-	-	-
Distributions paid	-	-	-	-
Other financing	-47	5	-76	77
<i>Total</i>	<i>134</i>	<i>537</i>	<i>-623</i>	<i>-492</i>
<i>Opening cash balance</i>	<i>7,526</i>	<i>6,185</i>	<i>6,364</i>	<i>5,450</i>
NET INCREASE IN CASH HELD	-37	1,304	-179	735
<i>Closing cash balance</i>	<i>7,489</i>	<i>7,489</i>	<i>6,185</i>	<i>6,185</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	<i>-253</i>	<i>426</i>	<i>208</i>	<i>1,064</i>
<i>less finance leases and similar arrangements</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Surplus	-253	426	208	1,064

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, 4 and 5, 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 6.1

CONSOLIDATED INCOME STATEMENT^(a)
For the year ended 30 June 2007

	Note	2007 \$m	2006 \$m
INCOME			
Taxation	5	5,449	4,891
Territorial revenue	6	2,204	1,878
Regulatory fees and fines		477	486
Sale of goods and services	7	7,495	6,881
Grants and subsidies	8	7,020	7,089
Interest revenue		602	527
Other revenue	9, 10	1,911	1,787
TOTAL INCOME		25,158	23,540
EXPENSES			
Supplies and services		2,855	3,217
Employee benefits	11	8,044	6,986
Finance costs	12	817	783
Depreciation, amortisation and impairment	13	1,423	1,287
Grants and subsidies		3,067	2,846
Other expenses	14	6,100	5,158
TOTAL EXPENSES		22,306	20,277
SURPLUS FOR THE PERIOD		2,852	3,264

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

CONSOLIDATED BALANCE SHEET^(a)
As at 30 June 2007

Table 6.2

	Note	2007 \$m	2006 \$m
CURRENT ASSETS			
Cash and cash equivalents		805	702
Inventories	15	1,004	990
Receivables	16	2,731	2,412
Other financial assets	17	8,668	7,243
Biological assets	18	60	62
Non-current assets classified as held for sale	19	172	71
Other non-financial assets/Investment properties	20	72	96
Total current assets		13,511	11,576
NON-CURRENT ASSETS			
Inventories	15	783	766
Receivables	16	301	293
Land	21	37,434	26,125
Buildings	22	14,354	11,167
Infrastructure	23	25,880	23,970
Plant, equipment and other	24, 25	7,172	6,357
Biological assets	18	273	306
Intangible assets	26	322	212
Other financial assets	17	2,425	3,030
Other non-financial assets/Investment properties	20	406	339
Total non-current assets		89,350	72,566
TOTAL ASSETS		102,861	84,142
CURRENT LIABILITIES			
Payables		996	1,156
Borrowings	27	5,652	5,270
Provisions	28	1,592	1,429
Other liabilities	29	1,661	1,371
Total current liabilities		9,902	9,226
NON-CURRENT LIABILITIES			
Borrowings	27	9,032	8,902
Provisions	28	6,339	6,267
Other liabilities	29	1,733	1,591
Total non-current liabilities		17,104	16,760
TOTAL LIABILITIES		27,006	25,986
NET ASSETS		75,856	58,156
EQUITY			
Accumulated funds		25,784	21,774
Reserves		50,072	36,382
TOTAL EQUITY		75,856	58,156

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

Table 6.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY^(a)
For the year ended 30 June 2007

	Note	2007 \$m	2006 \$m
BALANCE OF EQUITY AT START OF PERIOD		58,156	49,535
RESERVES			
Balance at start of period		36,382	31,699
Changes in accounting policy/correction of prior period errors ^(c)		(410)	(534)
Restated balance at start of period		35,972	31,165
Gains from asset revaluation and other		14,100	5,217
Balance at end of period		50,072	36,382
ACCUMULATED FUNDS			
Balance at start of period		21,774	17,836
Net adjustment on transition to AIFRS AASB 132 & AASB 139		-	(103)
Changes in accounting policy/correction of prior period errors ^(c)		860	534
Restated balance at start of period		22,634	18,268
Surplus for the period		2,852	3,264
Gains recognised directly in equity		297	242
Total income for the period		3,150	3,506
Balance at end of period		25,784	21,774
BALANCE OF EQUITY AT END OF PERIOD		75,856	58,156
Total income and expense for the period ^(b)		17,250	8,723

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

(b) The aggregated net amount attributable to each category of equity is: surplus \$ 2,852 million (2006: \$3,264 million) plus gains recognised directly in equity \$297 million (2006: \$242 million) plus gains from asset revaluation \$14,100 million (2006: \$5,217 million).

(c) Included in the balance of \$860 million shown under Accumulated Funds is an amount of \$410 million which relates to a reclassification between Accumulated Funds and Reserves.

CONSOLIDATED CASH FLOW STATEMENT^(a)
For the year ended 30 June 2007

Table 6.4

	Note	2007 \$m	2006 \$m
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Receipts</i>			
Taxation		5,276	4,766
Territorial revenue		2,156	1,800
Regulatory fees and fines		484	479
Sale of goods and services		7,246	6,681
Grants and subsidies received		7,017	7,079
Interest received		266	182
GST receipts on sales		566	472
GST receipts from taxation authority		748	639
Other receipts		1,226	1,057
<i>Payments</i>			
Salaries, wages and other benefits		(6,826)	(6,213)
Superannuation paid		(962)	(879)
Finance cost paid		(80)	(52)
Grants and subsidies paid		(3,027)	(2,825)
GST payments on purchases		(1,222)	(1,032)
GST payments to taxation authority		(127)	(117)
Contract services paid		(1,926)	(1,738)
Other payments		(6,466)	(5,797)
Net cash flows from operating activities	30	4,348	4,502
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from sale of non-current physical assets		211	266
Purchase of non-current physical assets		(3,890)	(3,355)
Proceeds from sale of investments		158	261
Purchase of investments		(153)	(223)
Other receipts		17	(2)
Other payments		(67)	(63)
Net cash flows used in investing activities		(3,724)	(3,117)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	-
Repayment of borrowings		(13)	(14)
Other proceeds		142	153
Other repayments		(64)	(65)
Net cash flows from financing activities		65	75
NET CASH INFLOWS (OUTFLOWS) FROM PUBLIC FINANCIAL CORPORATIONS	31	614	(726)
NET INCREASE (DECREASE) IN CASH HELD		1,304	734
CASH ASSETS AT THE BEGINNING OF PERIOD		4,995	4,261
CASH ASSETS AT THE END OF PERIOD	32	6,299	4,995

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

Notes to the Consolidated Financial Statements

NOTE 1: MISSION STATEMENT - THE GOVERNMENT OF WESTERN AUSTRALIA

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.

NOTE 2: STATEMENT OF COMPLIANCE

Australian equivalents to International Financial Reporting Standards (AIFRS)

The public sector consolidated financial statements for the year ended 30 June 2007 have been prepared in accordance with AIFRS, which comprise a Framework for the Preparation and presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the public sector has adopted, where relevant to its operations, new and revised Standards and Interpretations from their operative dates as issued by the Australian Accounting Standards Board (AASB) and formerly the Urgent Issues Group (UIG).

Early adoption standards

The public sector has not early adopted any Standards and Interpretations that have been issued or amended but are not yet effective for the annual reporting period ended 30 June 2007.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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 38.

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 38. A detailed list of other entities, not included in the consolidated financial statements, is also shown in Note 38.

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 Australian Accounting Standards (AAS), which include AIFRS, and in particular AAS 31 'Financial Reporting by Governments', the framework 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 the historical cost convention, modified by the revaluation of land, buildings, infrastructure, 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.

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

Accounting policies are selected and applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability. The judgements made in the process of applying AIFRS accounting policies that had 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 reporting date and the reported revenue and expenses during the reporting period of the consolidated financial statements.

On an ongoing basis, the public sector and its controlled entities evaluate estimates and judgements in relation to assets, liabilities, contingent liabilities, revenue and expenses, based on historical experience and 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 judgements 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:

Major Type of Taxation Revenue	Basis of Revenue Recognition
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

This 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 revenue in the period in which the public sector gains control over the assets, which is usually when cash is received.

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 3(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:

Class of Asset	Subsequent Measurement
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 Western Australian Land Information Authority (Valuation Services), as at 1 July annually.

Buildings

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 the Valuation Services, 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.

Infrastructure

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 2007 is based on the current depreciated replacement cost determined at 30 June 2006 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

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.

Disposal

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

(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 public sector.

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

Pending the development of an accounting model applicable to the public sector for 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 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) Investment Properties**Initial recognition and measurement**

Investment properties are held for rental yield and capital appreciation and are initially recognised at cost.

Subsequent recognition and measurement

After initial recognition, the public sector has adopted the revaluation model. Land and buildings are carried at fair value and no depreciation is provided in respect of buildings.

The fair value of investment properties is determined by reference to market based evidence, having regard to current economic and market conditions at reporting date. Valuations are performed annually by an independent professional valuer.

Gains and losses arising from changes in the fair value of investment properties are included in the Income Statement in the year in which they arise.

(k) 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:

Class of Intangible	Amortisation Years
Software	3 - 5 years
Other	3 - 5 years

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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 public sector has the following categories of financial instruments:

- 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 outlined below.

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.

(r) 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 reporting 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).

(s) 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 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 Plans

- West State Superannuation Scheme which was closed to all new members on 16 April 2007
- GESB Super Scheme which commenced on 16 April 2007 for all new Western Australian Public Sector employees

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. Actuarial gains and losses attributable to defined benefits superannuation plans are 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 plans are superannuation plans 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 plans 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 3(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.

(t) Comparatives

Comparative information has been restated where necessary, in relation to the following:

- Reclassification of investment properties in the Balance Sheet totalling \$258 million from other financial assets to other non-financial assets; and
- Correction of prior period errors directly through equity totally \$340 million relating to realised gains on inventory (land) disposals from reserves to accumulated funds.

(u) Initial application of Australian Accounting Standards

The Public Sector has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2006:

1. AASB 2005-9: *Amendments to Australian Accounting Standards* [AASB 4, AASB 1023, AASB 139 & AASB 132] (Financial guarantee contracts). The amendment deals with the treatment of financial guarantee contracts, credit insurance contracts, letters of credit or credit derivative default contracts as either an 'insurance contract' under AASB 4: *Insurance Contracts* or as a 'financial guarantee contract' under AASB 139: *Financial Instruments: Recognition and Measurement*. Application of this standard has not had a significant impact on the financial results of the entity.

2. UIG Interpretation 4: *Determining whether an Arrangement Contains a Lease* as issued in June 2005. This Interpretation deals with arrangements that comprise a transaction or a series of linked transactions that may not involve a legal form of a lease but by their nature are deemed to be leases for the purposes of applying AASB 117: *Leases*. Application of this standard has not had a material impact on the financial results of the entity.

3. UIG Interpretation 9: *Reassessment of Embedded Derivatives*. This Interpretation requires an embedded derivative that has been combined with a non-derivative to be separated from the host contract and accounted for as a derivative in certain circumstances. Application of this standard has not had a material impact on the financial results of the entity.

(v) Future Impact of Australian Accounting Standards not yet operative

AASB 7: *Financial Instruments: Disclosures* (including consequential amendments in AASB 2005-10: *Amendments to Australian Accounting Standards* [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]). This Standard requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Public Sector's exposure to risks, enhanced disclosure regarding components of the Public Sector's financial position and performance, and possible changes to the way of presenting certain items in the financial statements. It is expected that application of this standard will require additional disclosures when it is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.

2. AASB 2005-10: *Amendments to Australian Accounting Standards* (AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023, & AASB 1038). The amendments are as a result of the issue of AASB 7: *Financial Instruments: Disclosures*, which amends the financial instrument disclosure requirements in these standards. It is expected that application of this standard will require additional disclosures in the financial report. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.

3. AASB 101: *Presentation of Financial Statements*. This Standard was revised and issued in October 2006 so that AASB 101 has the same requirements as IAS 1: *Presentation of Financial Statements* (as issued by the IASB) in respect of for-profit entities. The public sector is a not-for-profit entity and consequently does not expect any financial impact when the Standard is first applied. The Standard is required to be applied to annual reporting periods beginning on or after 1 January 2007.

AASB 1049: *Financial Reporting of General Government Sectors by Governments* was issued in September 2006. This new standard is designed to harmonise Australian Generally Accepted Accounting Principles (GAAP) and Government Finance Statistics (GFS) reporting. The intent of the harmonisation is to achieve an Australian Accounting Standard that will result in a single set of public sector reports comparable between all jurisdictions and in which comparisons can be made between actual outcomes and budget statements. This will be a new financial report for the General Government Sector (GGS) in addition to the whole-of-government financial report. Key features of the GFS framework will be included in the financial statements. This standard is applicable to annual reporting periods beginning on or after 1 July 2008. Early adoption of the standard is permissible. However, Western Australia is yet to fully assess the potential impacts of exercising this option.

Exposure Draft

An Exposure Draft, ED 155: *Financial Reporting by Whole of Governments* was released in May 2007. ED 155 presents proposals for GAAP/GFS harmonised financial reporting of whole-of-government finances, incorporating GGS, public financial and non-financial corporations sector financial information. It is expected that the proposed standard covering whole-of-government reporting will also be applicable from 1 July 2008.

NOTE 4: DISAGGREGATED INFORMATION

(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 classification of State agencies are provided in Note 38, 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 6.5

DISAGGREGATED INFORMATION
Income Statement for the year ended 30 June 2007

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Consolidated Whole-of-government	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
INCOME										
Taxation	5,573	5,016	-	-	-	-	(124)	(125)	5,449	4,891
Territorial revenue	2,204	1,878	-	-	-	-	-	-	2,204	1,878
Regulatory fees and fines	478	488	2	1	-	-	(3)	(3)	477	486
Sale of goods and services	592	547	6,685	6,109	463	470	(246)	(244)	7,495	6,881
Grants and subsidies	6,889	6,946	279	255	-	-	(148)	(111)	7,020	7,089
Interest revenue	222	145	152	149	860	871	(633)	(638)	602	527
Tax equivalents	319	315	-	-	-	-	(319)	(315)	-	-
Dividends	421	534	27	-	-	-	(448)	(534)	-	-
Other revenue	809	706	2,077	2,019	493	370	(1,467)	(1,307)	1,911	1,787
TOTAL INCOME	17,508	16,574	9,221	8,533	1,816	1,711	(3,387)	(3,277)	25,158	23,540
EXPENSES										
Supplies and services	181	181	2,674	3,036	-	-	-	-	2,855	3,217
Employee Benefits	7,353	6,383	725	646	30	22	(64)	(66)	8,044	6,986
Finance costs	88	96	551	516	811	810	(633)	(638)	817	783
Depreciation and amortisation	675	592	745	687	3	7	-	-	1,423	1,287
Grants and subsidies	2,657	2,411	558	546	1	-	(148)	(111)	3,067	2,846
Tax equivalents	-	-	290	300	23	8	(312)	(308)	-	-
Dividends	-	-	416	529	32	5	(448)	(534)	-	-
Other expenses	4,380	3,996	2,893	2,207	608	576	(1,782)	(1,620)	6,100	5,158
TOTAL EXPENSES	15,335	13,658	8,851	8,468	1,507	1,428	(3,387)	(3,277)	22,306	20,277
SURPLUS FOR PERIOD	2,173	2,916	370	65	309	283	-	-	2,852	3,264

Table 6.6

DISAGGREGATED INFORMATION

Balance Sheet as at 30 June 2007

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Consolidated Whole-of-government	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
CURRENT ASSETS										
Cash and cash equivalents	394	378	552	474	25	24	(166)	(174)	805	702
Inventories	52	47	952	943	-	-	-	-	1,004	990
Receivables	1,229	1,034	1,487	1,195	389	410	(374)	(228)	2,731	2,412
Other financial assets	2,980	2,899	393	411	5,843	4,225	(547)	(291)	8,668	7,243
Biological assets	-	-	60	62	-	-	-	-	60	62
Non-current assets classified as held for sale	103	60	12	11	57	-	-	-	172	71
Other non-financial assets/Investment properties	43	43	32	53	1	4	(4)	(4)	72	96
Total current assets	4,800	4,461	3,489	3,150	6,314	4,663	(1,092)	(697)	13,511	11,576
NON-CURRENT ASSETS										
Inventories	58	61	725	705	-	-	-	-	783	766
Receivables	22	30	102	57	246	229	(69)	(23)	301	293
Land	28,501	20,596	8,917	5,517	16	13	-	-	37,434	26,125
Buildings	9,640	7,671	4,499	3,350	215	146	-	-	14,354	11,167
Infrastructure	10,890	9,989	14,990	13,981	-	-	-	-	25,880	23,970
Plant, equipment and other	2,022	1,762	5,145	4,591	5	4	-	-	7,172	6,357
Biological assets	2	3	271	304	-	-	-	-	273	306
Intangible assets	216	150	98	59	8	3	-	-	322	212
Other financial assets	2,824	1,542	1,266	1,670	10,541	11,636	(12,204)	(11,816)	2,425	3,031
Other non-financial assets/Investment properties	65	53	341	250	310	325	(311)	(291)	406	338
Total non-current assets	54,240	41,855	36,355	30,485	11,339	12,357	(12,584)	(12,131)	89,350	72,566
TOTAL ASSETS	59,040	46,316	39,843	33,635	17,654	17,019	(13,676)	(12,829)	102,861	84,142

Table 6.6 (cont.)

DISAGGREGATED INFORMATION

Balance Sheet as at 30 June 2007

	General Government		Public Non-Financial Corporations		Public Financial Corporations		Inter-sector Eliminations		Consolidated Whole-of-government	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
CURRENT LIABILITIES										
Payables	304	257	574	768	400	259	(282)	(128)	996	1,156
Borrowings	309	233	1,563	1,346	4,479	4,142	(699)	(451)	5,652	5,270
Provisions	1,282	1,211	305	215	5	4	-	-	1,592	1,429
Other liabilities	436	358	566	418	770	713	(111)	(119)	1,661	1,371
Total current liabilities	2,330	2,059	3,009	2,747	5,654	5,117	(1,092)	(697)	9,902	9,226
NON-CURRENT LIABILITIES										
Borrowings	687	792	8,698	9,298	9,401	9,588	(9,755)	(10,776)	9,032	8,902
Provisions	5,852	5,799	475	454	12	13	-	-	6,339	6,267
Other liabilities	412	337	381	294	1,320	1,275	(380)	(314)	1,733	1,591
Total non-current liabilities	6,951	6,929	9,555	10,045	10,734	10,876	(10,135)	(11,090)	17,104	16,760
TOTAL LIABILITIES	9,281	8,988	12,564	12,792	16,387	15,993	(11,227)	(11,788)	27,006	25,986
NET ASSETS	49,759	37,328	27,280	20,842	1,266	1,026	(2,449)	(1,041)	75,856	58,156
EQUITY										
Accumulated surplus/(deficit)	6,597	4,117	20,356	17,751	1,178	985	(2,417)	(1,009)	25,784	21,774
Share Capital	-	-	32	32	-	-	(32)	(32)	-	-
Reserves	43,163	33,212	6,891	3,059	88	41	-	-	50,072	36,382
TOTAL EQUITY	49,759	37,328	27,280	20,842	1,266	1,026	(2,449)	(1,041)	75,856	58,156

NOTE 5: TAXATION REVENUE

	2007	2006
	\$m	\$m
Stamp duty	2,927	2,765
Payroll tax	1,559	1,306
Motor vehicle and drivers' licences	440	403
Financial transactions taxes	-	8
Gambling taxes and licences	77	60
Land tax	371	291
Other taxes and licences	76	59
Total	5,449	4,891

NOTE 6: TERRITORIAL REVENUE

	2007	2006
	\$m	\$m
Petroleum	711	681
Iron Ore	868	722
Alumina	84	70
Diamonds	26	44
Mineral sands	32	29
Nickel	207	93
Gold	105	92
Lease and other rentals	63	84
Other	110	63
Total	2,204	1,878

NOTE 7: SALE OF GOODS AND SERVICES

	2007	2006
	\$m	\$m
Revenue from sale of goods	4,299	3,973
Revenue from provision of services	3,196	2,908
Total	7,495	6,881
Cost of sales relating to goods sold	2,696	2,917

NOTE 8: GRANTS AND SUBSIDIES

	2007	2006
	\$m	\$m
Commonwealth grants	6,915	6,996
Other grants and subsidies	105	93
Total	7,020	7,089

NOTE 9: OTHER REVENUE

	2007	2006
	\$m	\$m
Donations	28	24
Rent revenue	240	216
Developers' contributions	439	368
Investment income	466	324
Other (includes Gains – see Note 10)	739	856
Total	1,911	1,787

NOTE 10: NET GAINS

	2007	2006
	\$m	\$m
<i>Gain/(loss) on disposal of non-current assets</i>		
Land	15	16
Other	2	(3)
<i>Total</i>	<i>16</i>	<i>13</i>
<i>Gain on revaluation</i>		
Held for trading financial instruments	2	2
Total	18	15

NOTE 11: EMPLOYEE BENEFITS

	2007	2006
	\$m	\$m
Wages and salaries	6,821	6,263
Superannuation – defined contribution plans	530	441
Superannuation – defined benefits plans	495	88
Other related expenses	197	194
Total	8,044	6,986

NOTE 12: FINANCE COSTS

	2007	2006
	\$m	\$m
Interest on borrowings	830	787
Finance charges on finance leases	9	5
Total	839	791
Less: Capitalised interest on borrowings	22	9
Total finance costs expenses	817	783

Weighted average rate of capitalisation for 2007 is 6.11% (2006: 5.81%)

NOTE 13: DEPRECIATION, AMORTISATION AND IMPAIRMENT EXPENSE

	2007	2006
	\$m	\$m
<i>Depreciation</i>		
Buildings	357	314
Infrastructure	595	582
Plant, equipment and other	399	338
<i>Total</i>	<i>1,351</i>	<i>1,233</i>
<i>Amortisation</i>		
Intangible assets	67	47
<i>Total</i>	<i>67</i>	<i>47</i>
<i>Impairment losses</i>		
Buildings	-	1
Infrastructure	-	5
Plant, equipment and other	3	1
Intangibles	2	-
Other assets	-	-
<i>Total</i>	<i>5</i>	<i>7</i>
Total depreciation, amortisation and impairment expenses	1,423	1,287

NOTE 14: OTHER EXPENSES

	2007	2006
	\$m	\$m
Betting dividends payouts	1,234	1,099
Health sector specific expenses	812	744
Education sector specific expenses	328	313
Insurance claims expenses	478	421
Contract services expenses	1,841	1,697
Other	1,408	885
Total	6,100	5,158

NOTE 15: INVENTORIES

	2007	2006
	\$m	\$m
<i>Current</i>		
Inventories held for sale		
Land acquisition and development – at cost	324	216
Land acquisition and development – at net realisable value	-	-
Precious metals – at net realisable value	381	507
Other – at cost	212	187
Other – at net realisable value	-	-
Inventories held for distribution (not held for sale)		
Power station fuel stocks – at cost	38	33
Other materials and stores – at cost	31	30
Other materials and stores – at net replacement cost	18	17
Total current	1,004	990
<i>Non-current</i>		
Inventories held for sale		
Land acquisition and development – at cost	725	704
Land acquisition and development – at net realisable value	54	53
Precious metals – at net realisable value	-	-
Other – at cost	1	1
Other – at net realisable value	3	7
Inventories held for distribution		
Other materials and stores – at cost	-	-
Other materials and stores – at net replacement cost	-	-
Total non-current	783	766

NOTE 16: RECEIVABLES

	2007	2006
	\$m	\$m
<i>Current</i>		
Receivables	2,887	2,527
Provision for impairment of receivables	(156)	(115)
Total current	2,731	2,412
<i>Non-current</i>		
Receivables	302	294
Provision for impairment of receivables	(1)	(1)
Total non-current	301	293

NOTE 17: OTHER FINANCIAL ASSETS

	2007	2006
	\$m	\$m
Current		
<i>Investments</i>		
Unlisted / listed shares	1,161	968
Term deposits	6,972	5,792
Government securities	248	185
<i>Total</i>	8,381	6,945
<i>Loans and advances</i>		
Non-government schools	26	26
Other	260	272
<i>Total</i>	287	298
Total current	8,668	7,243
Non-current		
<i>Investments</i>		
Government securities	172	240
Other investments	191	143
<i>Total</i>	363	383
<i>Loans and advances</i>		
Homebuyers	1,253	1,654
Non-government schools	160	218
Terminating building societies	-	-
GESB	523	550
Other	126	226
<i>Total</i>	2,062	2,648
Total non-current	2,425	3,031

NOTE 18: BIOLOGICAL ASSETS

	2007	2006
	\$m	\$m
<i>Current</i> ^(a)		
Native and plantation standing trees	60	62
<i>Non-current</i> ^(b)		
Native and plantation standing trees	271	303
Livestock and other	2	3
Total non-current	273	306

(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 2007, 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.

	Standing Trees \$m	Livestock and Other \$m	Total \$m
Carrying amount at beginning of year	366	3	369
Gain/(loss) from changes in fair value	(53)	-	(53)
Purchases	18	-	18
Sales	-	(1)	(1)
Carrying amount at end of year	331	2	333

NOTE 19: NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	2007	2006
	\$m	\$m
<i>Current</i>		
Land	92	56
Other	80	15
Total current	172	71

Assets held for sale primarily relates to:

Surplus land expected to be sold within the next reporting period;

Housing Authority's New Living and Redevelopment properties, which form part of the rental property class that are marketed and available for immediate sale;

Land and buildings at Waterford held by the Department of Industry and Resources, which are subject to negotiations for sale (expected to occur within the next six months; and

Shopping centre land at buildings at Ellenbrook and Livingston offered for sale by tender during the year. Effective 10 August 2007 the tender process was concluded and the sale did not proceed.

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.

	Land	Other	Total
	\$m	\$m	\$m
Carrying amount at beginning of year	56	15	71
Assets reclassified as held for sale	50	112	162
Write down from cost to fair value less selling cost	-	2	2
Assets sold	19	45	64
Other	5	-	5
Carrying amount at end of year	92	80	172

NOTE 20: OTHER NON-FINANCIAL ASSETS/INVESTMENT PROPERTIES

	2007	2006
	\$m	\$m
<i>Current</i>		
Prepayments – gas and coal contracts	1	5
Prepayments – other	70	87
Deferred expenses	1	4
Total current	72	96
<i>Non-current</i>		
Prepayments – gas and coal contracts	-	-
Prepayments – other	3	3
Deferred expenses	-	-
Joint Venture – jointly controlled entity	29	26
Service concession arrangements ^(a)	51	51
Investment properties ^(b)	322	258
Total non-current	406	338

(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.

(b) Investment properties of freehold land and buildings comprise the Westralia Square land and buildings at 141 St George's Terrace and shopping centre land and buildings at Ellenbrook and Livingston. Revaluations were performed at reporting date by independent professional valuers determined from market based evidence. The reconciliation of investment properties is shown below.

Reconciliation of Investment Properties

	2007	2006
	\$m	\$m
Carrying amount at beginning of year	258	219
Additions	15	1
Revaluation increments/(decrements)	105	38
Transfers to non-current assets held for sale	(56)	-
Carrying amount at end of year	322	258

NOTE 21: LAND

	2007	2006
	\$m	\$m
Land, at fair value ^(a)	21,017	14,454
Land under roads, at fair value ^(b)	16,417	11,671
Total	37,434	26,125

(a) Land valuations are provided by the Western Australian Land Information Authority (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 2007. Land vested in local authorities of \$3,753 million (2006: \$2,921 million) is not recognised in the consolidated Balance Sheet, as it is not under State public sector control.

(b) Land under roads valuations are provided by the Western Australian Land Information Authority 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 2007.

NOTE 22: BUILDINGS

	2007	2006
	\$m	\$m
Buildings, at fair value ^(a)	14,844	12,015
Accumulated depreciation	(490)	(848)
Total	14,354	11,167

- (a) Building valuations are provided by Western Australian Land Information Authority 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.

NOTE 23: INFRASTRUCTURE

	2007	2006
	\$m	\$m
Electricity generation and transmission, at cost ^(a)	4,541	3,830
Accumulated depreciation	(244)	(49)
<i>Total</i>	<i>4,296</i>	<i>3,781</i>
Road network, at fair value ^(b)	17,432	16,112
Accumulated depreciation	(6,660)	(6,239)
<i>Total</i>	<i>10,772</i>	<i>9,873</i>
Water storage and distribution, at cost ^(c)	10,817	10,363
Accumulated depreciation	(1,797)	(1,623)
<i>Total</i>	<i>9,020</i>	<i>8,741</i>
Other infrastructure, at cost	2,310	1,988
Accumulated depreciation	(518)	(413)
<i>Total</i>	<i>1,792</i>	<i>1,575</i>
Infrastructure Total	25,880	23,970

- (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 the Commissioner of Main Roads' Engineer at 30 June 2007.
- (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.

NOTE 24: PLANT, EQUIPMENT AND OTHER

	2007	2006
	\$m	\$m
Plant, equipment and other at cost ^(a)	6,153	4,874
Accumulated depreciation	(2,201)	(1,547)
Total	3,953	3,327
Assets under construction	3,219	3,030
Total plant, equipment and other	7,172	6,357

- (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 an expert engineering valuation, Western Australian Land Information Authority (Valuation Services) advice or latest prices in the market for equivalent assets.

NOTE 25: RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT

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.

	Land \$m	Buildings \$m	Infra- structure \$m	Plant, equip & other \$m	Fixed Assets under Construction \$m	Total \$m
Carrying amount at beginning of year	26,125	11,167	23,970	3,328	3,030	67,619
Assets classified as NCAHFS	(63)	(43)	-	-	-	(107)
Additions	156	275	1,530	571	1,670	4,202
Disposals	(51)	(56)	(46)	(114)	(69)	(336)
Transfers in/(out)	(10)	522	508	351	(1,418)	(48)
Revaluation increments/(decrements)	11,277	2,500	510	216	1	14,504
Depreciation	-	(357)	(595)	(398)	-	(1,351)
Impairment losses	-	-	-	(3)	-	(3)
Accumulated depreciation written back	-	347	10	41	-	398
Other	-	-	(6)	(39)	5	(40)
Carrying amount at end of year	37,434	14,354	25,880	3,953	3,219	84,840

NOTE 26: INTANGIBLE ASSETS

	2007 \$m	2006 \$m
<i>Non-current</i>		
Computer software	215	147
Other	107	65
Total non-current	322	212

Reconciliation of Intangible Assets

	Other \$m	Computer Software \$m	Total \$m
Carrying amount at beginning of year	64	147	211
Additions	28	93	121
Assets classified as held for sale	-	-	-
Disposals	-	(1)	(1)
Transfers in/(out)	34	16	50
Revaluation increments/(decrements)	-	-	-
Impairment losses	-	(2)	(2)
Impairment losses reversed	-	8	8
Amortisation	(19)	(48)	(67)
Other	-	1	1
Carrying amount at end of year	107	215	322

NOTE 27: BORROWINGS

	2007	2006
	\$m	\$m
<i>Current</i>		
Bank overdrafts	78	9
Finance leases – secured ^(a)	22	23
Liability to the Commonwealth Government	13	13
Domestic and foreign borrowings ^(b)	5,539	5,225
Borrowings ^(c)	5,652	5,270
Unamortised net discounts	-	-
Total current	5,652	5,270
<i>Non-current</i>		
Finance leases – secured ^(a)	362	390
Liability to the Commonwealth Government	510	523
Domestic and foreign borrowings ^(b)	8,160	7,989
Borrowings ^(c)	9,032	8,902
Unamortised net discounts	-	-
Total non-current	9,032	8,902

(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:

	2007	2006
	\$m	\$m
Finance leases due:		
- not later than one year	25	26
- later than one year and not later than five years	226	280
- later than five years	151	128
Minimum lease payments	403	435
Future finance charges	(19)	(22)
Total finance lease liabilities	384	413
Classified as:		
- Current	22	23
- Non-current	362	390
Total	384	413

(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.

<i>2006-07</i>	Current	Non-current
United States Dollars	146	-
New Zealand Dollars	58	-

NOTE 27: BORROWINGS - continued

<i>2005-06</i>	Current	Non-current
United States Dollar	167	-
New Zealand Dollars	-	53

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

	2007	2006
	\$m	\$m
The maturity profile of borrowings, at fair value (2006: amortised costs), is as follows:		
- not later than one year	5,652	5,279
- later than one year and not later than five years	4,871	5,181
- later than five years	4,160	3,712
Total	14,684	14,172

NOTE 28: PROVISIONS

	2007	2006
	\$m	\$m
Current		
<i>Employee benefit provisions</i>		
Annual leave	663	613
Long service leave	652	604
Other	120	102
Superannuation ^(a)	34	32
<i>Total</i>	1,469	1,351
<i>Other provisions</i>		
Decommissioning costs	20	5
Restoration costs	6	6
Employment on-costs	11	9
Other	85	59
<i>Total</i>	123	78
Total current	1,592	1,429
Non-current		
<i>Employee benefit provisions</i>		
Long service leave	400	383
Other	24	26
Superannuation ^(a)	5,629	5,590
<i>Total</i>	6,054	5,999

NOTE 28: PROVISIONS - continued

	2007	2006
	\$m	\$m
<i>Other provisions</i>		
Decommissioning costs	176	143
Restoration costs	7	10
Employment on-costs	3	3
Other	98	112
<i>Total</i>	<i>284</i>	<i>268</i>
Total non-current	6,339	6,267
	2007	2006
	\$m	\$m
(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	23	22
<i>Total current</i>	<i>34</i>	<i>33</i>
<i>Non-Current</i>		
Defined Benefit superannuation schemes:		
Pension Scheme	2,356	2,250
Gold State Superannuation Scheme	2,448	2,538
Judges' Pension Scheme	188	167
Parliamentary Superannuation Scheme	108	112
Defined contribution superannuation scheme:		
West State Superannuation Scheme	529	523
<i>Total non-current</i>	<i>5,629</i>	<i>5,590</i>
Total	5,663	5,623

(i) 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.
-

NOTE 28: PROVISIONS - continued

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 liability has been determined as the present value of the amortisation payments discounted at market yields at the reporting date.

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

	2007	2006
	%	%
Discount rate (gross of tax) ^(a)	6.25	5.8
Salary rate ^(b)	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.

- (iii) Major categories of defined benefit plan assets as a percentage of total fund assets ^(c) are as follows:

	2007	2006
	%	%
Australian equities	33	33
Overseas equities	37	37
Fixed interest securities	17	17
Property	11	11
Cash	2	2
Total	100	100

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

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

	2007	2006
	\$m	\$m
Total defined benefit obligations	7,783	7,560
Scheme assets ^(d)	(2,672)	(2,482)
Deficit/(surplus)	5,111	5,078

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

	2007	2006
	\$m	\$m
Current net liability	11	11
Non-current net liability	5,100	5,067

NOTE 28: PROVISIONS - continued

- (v) The defined benefit plan funded status and employer funding arrangements of the defined benefit obligation, is shown below: 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:

	Pension Scheme	Gold State Super Scheme^(e)	Judges' Pension Scheme	Parliamentary Super Scheme
	2007	2007	2007	2007
	\$m	\$m	\$m	\$m
Gross accrued benefits	(2,570)	(4,649)	(194)	(113)
Net market value of plan assets	137	2,549	-	-
Deficit	(2,433)	(2,100)	(194)	(113)

- (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.

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

	2007	2006
	\$m	\$m
Net liability/(asset) in balance sheet at beginning of year	5,078	5,429
Expense recognised in income statement	495	88
Actual employer contributions	(462)	(439)
Net liability/(asset) in balance sheet at end of year	5,111	5,078

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

	2007	2006
	\$m	\$m
Total employer service cost	209	215
Interest cost	422	391
Expected return on plan assets	(174)	(154)
Recognised actuarial (gains)/losses	38	(364)
Total	495	88

NOTE 28: PROVISIONS - continued

- (viii) Reconciliation of the fair value of defined benefit superannuation assets, at the beginning and at the end of the year are set out below.

	2007	2006
	\$m	\$m
Fair value plan assets at beginning of year ^(f)	2,482	2,066
Employer contributions	472	432
Actual participant contributions	70	70
Actual operating costs	(11)	(12)
Actual benefit payments	(569)	(497)
Expected return on plan assets	175	152
Expected plan assets at end of year	2,619	2,210
Actuarial (gain)/loss on assets	53	272
Fair value of plan assets at end of year	2,672	2,482

(f) See below.

- (ix) Reconciliation of the defined benefit superannuation obligations at the beginning and the end of the year are set out below.

	2007	2006
	\$m	\$m
Defined benefit obligation at beginning of year	7,560	7,495
Employer service cost plus operating costs	205	185
Interest cost	420	340
Actual participant contributions	68	61
Actual operating costs	(11)	(10)
Actual benefit payments	(557)	(434)
Expected defined benefit obligations at end of year	7,686	7,636
Actuarial (gain)/loss on liabilities	98	(76)
Defined benefit obligations at end of year	7,784	7,560

- (x) Reconciliation of actuarial (gain)/loss at the beginning and the end of the year are set out below.

	2007	2006
	\$m	\$m
Unrecognised actuarial (gain)/loss at beginning of year	-	-
Actuarial (gain)/loss on assets	(43)	(275)
Actuarial (gain)/loss on liabilities	81	(89)
Amount recognised during year in the profit and loss	38	(364)
Unrecognised actuarial (gain)/loss at end of year	-	-

(f) Assets were re-stated at 1 July 2006 resulting in a decrease in the assets of \$141m. The re-stated balance was \$2,356 million. The decrease was treated as an actuarial loss in 2007.

NOTE 28: PROVISIONS - continued

(xi) Interest costs are as follows:

	2007	2006
	\$m	\$m
Defined benefit obligations at the beginning of the year	7,560	7,495
Actual benefit payments	557	434
Weighted for timing	278	217
Average benefit obligations	7,282	7,278
Discount rate	5.8%	5.4%
Calculated interest cost	422	393

(xii) Expected return on assets at the beginning and the end of the year are set out below.

	2007	2006
	\$m	\$m
Fair value plan assets at beginning of year	2,342	2,066
Actual employer contributions	472	432
Weighted for timing	236	216
Actual participant contributions	70	70
Weighted for timing	35	35
Actual operating costs (admin plus insurance)	(11)	(12)
Weighted for timing	(6)	(6)
Actual benefit payments	(557)	(434)
Weighted for timing	(278)	(217)
Average expected assets	2,329	2,094
Assumed rate of return	7.5%	7.5%
Calculated expected return on assets	175	157

(xiii) Net liability

	2007	2006
	\$m	\$m
Total defined benefit obligation	7,784	7,560
Actual assets	(2,672)	(2,482)
Deficit/(surplus)	5,112	5,078

(xiv) Actuarial gain/(loss)

	2007	2006
	\$m	\$m
Defined benefit obligations (prior year assumptions)	7,768	7,788
Defined benefit obligations (current year assumptions)	7,784	7,560
Actuarial (gain)/loss due to assumptions	16	(228)
Actuarial (gain)/loss due to experience	75	136
Actuarial (gain)/loss on assets	(53)	(272)
Total actuarial (gain)/loss	38	(364)

NOTE 28: PROVISIONS - continued

(xv) History summary		2007	2006
		\$m	\$m
Total defined benefit obligations		7,784	7,560
Actual assets		2,672	2,482
Deficit/(surplus)		5,112	5,078
Experience adjustment on liabilities		75	136
Experience adjustment on assets		(53)	(272)

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.

	Decommissioning costs	Restoration costs	Employment on-costs	Other	Total
	\$m	\$m	\$m	\$m	\$m
Carrying amount at beginning of year	148	16	12	171	346
Additional provisions recognised	55	4	6	123	187
Amounts used	1	6	1	112	120
Unused amounts reversed	-	-	-	-	-
Unwinding of the discount	(6)	-	-	-	(6)
Other	-	-	-	1	-
Carrying Amount at end of year	196	13	16	183	407

NOTE 29: OTHER LIABILITIES

	2007	2006
	\$m	\$m
<i>Current</i>		
Insurance claims ^(a)	454	413
Interest payable	125	116
Other liabilities and accruals	1,082	842
Total	1,661	1,371
<i>Non-current</i>		
Insurance claims ^(a)	1,286	1,250
Other liabilities	447	341
Total	1,733	1,591
(a) Insurance claims		
The liabilities for outstanding insurance claims comprise:		
Third Party Insurance Fund	1,295	1,239
Government Insurance Fund	54	65
RiskCover	290	257
Other	101	101
<i>Total</i>	<i>1,740</i>	<i>1,663</i>
Liability for outstanding claims (undiscounted)	2,223	2,077
Discount to present value	(483)	(414)
<i>Total Liability for outstanding claims (undiscounted)</i>	<i>1,740</i>	<i>1,663</i>
Classified as:		
Current	454	413
Non-Current	1,286	1,250
<i>Total</i>	<i>1,740</i>	<i>1,663</i>
Claims expected to be paid:		
Not later than one year		
Inflation rate	5.50%	5.50%
Discount rate	5.90%	5.90%
Later than one year		
Inflation rate	4.88%	6.25%
Discount rate	6.41%	5.90%

**NOTE 30: RECONCILIATION OF NET CASH FLOWS FROM OPERATING
ACTIVITIES TO SURPLUS FOR PERIOD**

	2007	2006
	\$m	\$m
Surplus for period	2,852	3,264
Non-cash movements		
Depreciation	1,423	1,287
Actuarial movements for superannuation expense	(28)	358
Assets not previously recognised	(11)	(63)
Retired non-current fixed assets	31	12
Asset revaluation decrement	1	-
(Gain)/loss on disposal of non-current assets	(38)	(15)
(Gain)/Loss from changes in fair value of biological assets	53	(117)
(Increase)/Decrease in inventories	(31)	(482)
(Increase)/Decrease in receivables	(352)	(620)
Increase/(Decrease) in provision for doubtful debts	41	13
(Increase)/Decrease in prepayments and other assets	(44)	(19)
Increase/(Decrease) in payables	(160)	457
Increase/(Decrease) in employee benefits	156	(267)
Increase/(Decrease) in other liabilities and accruals	390	322
Net GST receipts/(payments)	(53)	(40)
Adjustment for other non-cash items	(78)	127
Total	4,152	4,216
Net cash flows from operating activities per Consolidated Statement of Cash Flows	4,348	4,502
Financial corporations per Note 31	(196)	(286)
Total	4,152	4,216

NOTE 31: CASH FLOW STATEMENT OF PUBLIC FINANCIAL CORPORATIONS

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:

	2007	2006
	Inflows	Inflows
	(Outflows)	(Outflows)
	\$m	\$m
Cash flows from operating activities		
Interest received	355	395
Premiums received	383	402
GST received on sales	50	53
GST received from taxation authority	32	31
Other receipts	129	118
Salaries, wages and other benefits paid	(27)	(20)
Superannuation paid	(2)	(2)
Finance costs	(580)	(646)
Claims paid	(389)	(403)
GST paid on purchases	(32)	(33)
GST paid to taxation authority	(50)	(53)
Other payments	(65)	(127)
Total cash flows from operating activities	(196)	(286)
Cash flows from investing activities		
Purchase of non-current physical assets	(7)	(5)
Proceeds from investments	3,860	3,347
Purchase of investments	3,528	(3,234)
Total cash flows from investing activities	326	108
Cash flows from financing activities		
Proceeds from borrowings	8,681	12,391
Repayments of borrowings	(8,196)	(12,939)
Total cash flows from financing activities	485	(548)
Total net cash flows from public financial corporations	614	(726)

NOTE 32: CLOSING CASH BALANCES

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.

	2007	2006
	\$m	\$m
The amount comprises:		
Cash assets as per the Balance Sheet	805	702
Bank overdrafts	(78)	(9)
Investments included as cash on the Statement of Cash Flows	5,572	4,302
Total closing cash balance	6,299	4,995

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.

NOTE 33: RESTRICTED FINANCIAL ASSETS

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 \$72 million (2005-06: \$56 million).

NOTE 34: MONEYS HELD IN TRUST

Moneys held in a trustee capacity are not controlled by the State and are excluded from assets and liabilities. An amount of \$148 million was recorded for 2007 in comparison to \$135 million in 2005-06.

NOTE 35: EXPENDITURE COMMITMENTS

(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:

	2007	2006
	\$m	\$m
Not later than one year	2,311	1,855
Later than one year and not later than five years	1,483	832
Later than five years	29	10
Total	3,823	2,696

The capital commitments include amounts for:

- new Perth Bunbury Highway; Mitchell Freeway; Karratha Tom Price Road; Broome Highway Realignment; Roe Highway and Indian Ocean Drive \$663 million (2005-06: \$216 million);
 - railway and bus infrastructure; railcars and buses and plant, equipment and motor vehicles \$403 million (2005-06: \$411 million);
 - new secondary and primary schools; additions and improvements to secondary, primary and district high schools; additional stages and refurbishment to secondary schools; TAFEWA colleges and miscellaneous projects \$366 million (2005-06: \$448 million);
 - Southern Seawater Desalination Plant & Corporation's capital expenditure program \$324 million (2005-06: \$334 million);
 - retrospective underground power project and other major capital expenditure programs \$305 million (2005-06: \$175 million);
 - buildings, computer infrastructure upgrades and other asset acquisitions \$280 million (2005-06: \$321 million);
 - dwelling construction for the new court building in Perth CBD and upgrades of existing facilities \$230 million;
 - Rockingham/Kwinana Hospital and Broome Health Services redevelopment; maintenance and other redevelopments \$227 million (2005-06: \$92 million);
 - dwelling construction and upgrades; land development and redevelopment; crisis accommodation program; joint venture land redevelopment; new living and local government & community housing programs \$203 million (2005-06: \$162 million);
-

NOTE 35: EXPENDITURE COMMITMENTS - continued

- development of land; community service obligation and share of joint venture \$190 million (2005-06: \$154 million);
- dwelling construction, land development, and other capital expenditure programs \$168 million (2005-06: \$162 million).

(b) Operating leases expenditure commitments

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

	2007	2006
	\$m	\$m
Not later than one year	179	353
Later than one year and not later than five years	465	229
Later than five years	298	160
Total	942	742

Operating lease expenses for the year amounted to \$284 million (2005-06: \$217 million).

(c) Other commitments

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

	2007	2006
	\$m	\$m
Not later than one year	1,234	971
Later than one year and not later than five years	3,201	3,060
Later than five years	3,971	3,342
Total	8,406	7,373

NOTE 36: CONTINGENT LIABILITIES

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

	2007	2006
	\$m	\$m
Contingent liabilities under guarantees, warranties, indemnities and sureties ^(a)	519	362
Contingent liabilities in relation to public universities' superannuation liabilities ^(b)	104	98
Guaranteed obligations of the Bank of Western Australia Ltd at credit risk equivalents ^(c)	85	85
Other contingent liabilities ^(d)	680	635
Total	1,388	1,180

(a) Contingent liabilities under guarantees, warranties indemnities and sureties.**Public Trustee Common Fund**

Guarantees for the Public Trustee's Common Fund of \$289 million (2005-06: \$272 million).

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 a maximum of \$80 million.

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).

NOTE 36: CONTINGENT LIABILITIES - continued

Public Transport Authority (PTA)

The PTA has issued indemnities to parties to cross-border lease transactions for the financial obligations and performance of the lessees and deposit takers. In the event of default by the lessees or deposit takers to pay for obligations when due, or perform functions required of them, the PTA, as issuer of the indemnity, is required to meet the liabilities, losses, costs and charges of the indemnity to other parties to the contracts. In the event of default, the maximum obligation at 30 June 2007 is \$19 million for lessee obligations, and \$26 million for deposit taker obligations. To date, there have been no notifications of default.

State Supply Commission

In November 2001, the State Government exercised its contractual rights to terminate the Matrix Vehicle Leasing Transaction that 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 of the transaction.

The Australian Taxation Office (ATO) has raised certain matters with one of the private sector financiers covered by the indemnity and there has been ongoing interaction between that financier and the ATO. The Department of Treasury and Finance has maintained a watching brief on that process on behalf of the Government to ensure that the State's interests are represented.

At this stage, no indemnity claim has been made on the State. However, the process between the financier and the ATO is progressing, and there is some prospect that an indemnity claim may be made. The timing and magnitude of any such claim remain uncertain, and so it is not practicable to estimate the amount of any potential claim.

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.

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.

- (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 \$104 million have been actuarially assessed as at 30 June 2007 (2005-06: \$98 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 1985* guarantees financial obligations of BankWest at the time of privatisation subject to phase-out conditions. The guaranteed exposures of BankWest amount to \$85 million at 30 June 2007 (30 June 2006: \$85 million).

- (d) Other contingent liabilities.

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 material contingent liabilities.

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 2007-08. 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.

NOTE 36: CONTINGENT LIABILITIES - continued

Native Title

The Commonwealth *Native Title Act 1993* (NTA), as amended, 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.

Commissioner of Main Roads

Claims have been submitted by contractors in relation to services provided under roadwork contracts. The contingent liability of \$13 million is the difference between the amount of the claim and the liability estimated by Main Roads based on legal advice.

Claims have been lodged by owners of property acquired for road construction purposes. The contingent liability of \$191 million is the difference between the owners' claim and the estimated settlement price determined by Main Roads in accordance with an independent valuation.

Forest Products Commission

The Commission has an embedded derivative which has not been separated from the host contract as a consequence of the IFRIC 9 interpretation. As the Commission is currently in negotiation with parties associated with the contract that may result in a significant modification to the cash flows that otherwise would be expected under the contract, the Commission has a contingent liability of up to \$22 million that may arise as consequence of the negotiations.

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.

Planning and Infrastructure

Litigation is in progress for class action for compensation for the widening of the State Corridors Right in respect of the Dampier to Bunbury Natural Gas Pipeline. The maximum financial effect is estimated to be \$10 million.

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 2007 are in the order of \$149 million.

Geraldton Port Authority

A claim has been lodged with the Federal Court from a contractor for alleged losses relating to the Port Enhancement Project dredging contract. The contractor is claiming costs, loss of profit and interest up to \$102 million from the Authority and another party. 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 defence of the claim and the matter has also been referred to the Authority's insurers.

Public Transport Authority

Leighton Contractors Pty Ltd, the contractor engaged by the PTA to design and construct the City portion of the Southern Suburbs Railway, has commenced Supreme Court actions against the PTA. Two of 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. The estimated value of these two claims is \$64 million. The PTA has denied all liability and is vigorously defending the action.

NOTE 36: CONTINGENT LIABILITIES - continued

Contaminated Sites

Under the *Contaminated Sites Act 2003*, agencies are required to report known and suspected contaminated sites to the Department of Environment and Conservation (DEC). In accordance with the Act, DEC classifies these sites on the basis of risk to human health, the environment and environmental issues. Where sites are classified as 'contaminated-remediation required', or 'possibly contaminated – investigation required', the agency may have a liability in respect of investigation or remediation expenses.

DEC have not yet finalised the classification of sites that have been reported to them by agencies. As agencies are unable to assess the likely outcome of the classification process, it is not possible to estimate the potential financial effect or to identify the uncertainties relating to the amount or timing of any outflows.

Agencies have an on-going management plan to remediate contaminated sites as they are identified.

NOTE 37: FINANCIAL INSTRUMENTS

(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.

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 2007 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) 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.

(c) Derivative Financial Instruments

The public sector limits dealings in derivatives to only those counter-parties that are recognised financial intermediaries and possess a credit rating of A or better. The public sector 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 2007.

NOTE 37: FINANCIAL INSTRUMENTS - continued

	Notional face value 2007 \$m	Net fair value 2007 \$m	Credit exposure 2007 \$m
Interest rate contracts	3,267	72	59
Forward exchange contracts	269	13	1
Futures contracts	176	3	-
Commodity contracts	1	-	-
Total	3,713	86	60

NOTE 37: FINANCIAL INSTRUMENTS - continued

Interest rate risk exposure

The public sector's exposure to interest rate risk and the effective interest rate by class of recognised financial asset and financial liability at 30 June 2007 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			
Financial assets											
Cash assets	519	120	159	-	-	-	-	-	7	805	5.5
Receivables	47	-	39	-	-	-	-	12	2,218	2,316	0.5
Receivables – precious metals	-	-	716	-	-	-	-	-	-	716	0.9
Investments:											
Term Deposits	494	4,889	1,258	99	27	36	14	155	-	6,972	6.2
Government Securities	-	48	54	52	95	107	14	50	-	420	5.1
Listed Shares	-	-	-	-	-	-	-	-	1,161	1,161	-
Other Investments	-	-	1	1	14	1	1	14	159	191	7.4
Loans and advances:											
Homebuyers	1,251	-	-	-	-	-	-	-	2	1,253	7.7
Non-government schools	-	-	26	16	16	16	16	96	-	186	2.3
Other	-	107	153	115	100	68	58	307	-	909	6.0
Total financial assets	2,312	5,165	2,405	283	252	228	103	635	3,547	14,930	
Financial liabilities											
Payables	-	-	-	-	-	-	-	-	996	996	-
Borrowings:											
Domestic and foreign borrowings	-	2,842	2,732	1,296	1,874	1,405	1	3,549	-	13,699	5.8
Liability to the Commonwealth Government	-	-	13	14	14	14	14	454	-	523	4.5
Finance Leases	-	-	23	53	40	41	42	186	-	384	7.6
Bank Overdraft	-	78	-	-	-	-	-	-	-	78	8.7
Total financial liabilities	-	2,919	2,768	1,362	1,929	1,460	58	4,188	996	15,680	

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

NOTE 37: FINANCIAL INSTRUMENTS - continued

Interest rate risk exposure

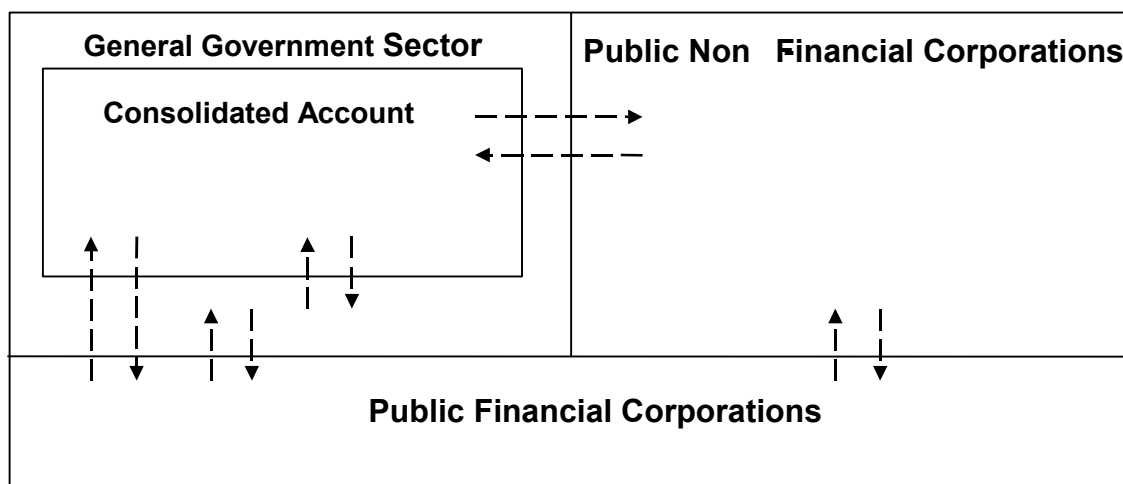
The public sector's exposure to interest rate risk and the effective interest rate by class of recognised financial asset and financial liability at 30 June 2006 are as follows:

	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
Financial assets											
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	-
Other Investments	-	-	-	-	-	-	-	-	565	565	-
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
Total financial assets	2,068	4,755	1,583	205	149	198	175	607	4,447	14,187	
Financial liabilities											
Payables	-	-	-	-	-	-	-	-	1,156	1,156	-
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	-
Total financial liabilities	-	2,019	2,362	1,600	957	1,558	1,064	3,712	3,351	16,625	

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

NOTE 38: 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

NOTE 38: COMPOSITION OF SECTORS - continued

General Government Sector - continued

Department for Child Protection
Department for Communities
Department for Planning and Infrastructure
Department of Agriculture and Food
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 and Conservation
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 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

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 Native Title
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

NOTE 38: COMPOSITION OF SECTORS - continued

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 Land Information Authority
 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

NOTE 38: COMPOSITION OF SECTORS - continued

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
Electricity Generation Corporation (Verve Energy)
Electricity Networks Corporation (Western Power)
Electricity Retail Corporation (Synergy)
Esperance Port Authority

Forest Products Commission
Fremantle Port Authority

Geraldton Port Authority
Gold Corporation and its subsidiaries

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)
Regional Power Corporation (Horizon Power)
Rottneet Island Authority

Subiaco Redevelopment Authority

The Eastern Goldfields Transport Board

Water Corporation
Western Australian Coastal Shipping Commission 'Stateships'
Western Australian Land Authority

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

NOTE 38: COMPOSITION OF SECTORS - continued

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 as 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.

Public Ledger

The Public Ledger, established by section 7 of the *Financial Management Act 2006* (FMA), includes those transactions and operations that are conducted through the Consolidated Account, the Treasurer's Advance Account and the Treasurer's Special Purpose Accounts (SPAs).

Table 7.1 shows that the aggregate balance of the Public Ledger at 30 June 2007 decreased by \$46 million compared with 30 June 2006. This primarily reflects a \$581 million increase in the Consolidated Account deficit, largely offset by a \$525 million increase in the Treasurer's SPAs.

PUBLIC LEDGER BALANCES AT 30 JUNE		
	2007 \$m	2006 \$m
THE PUBLIC LEDGER		
Consolidated Account ^(a)	(1,352)	(771)
Treasurer's Special Purpose Accounts	2,857	2,332
Treasurer's Advance Account – Net Advances	(6)	(16)
Total	1,499	1,545

(a) The balance of the Consolidated Account at 30 June 2007 includes cash and non-cash balances. Non-cash appropriations of \$2,666 million at 30 June 2007 (30 June 2006: \$2,179 million) represent the non-cash cost of agency services provided during the year. These appropriations are credited to agency holding accounts that are included in the Treasurer's Special Purpose Accounts balance. In cash terms, the Consolidated Account recorded a surplus of \$1,314 million at 30 June 2007 (30 June 2006: \$1,408 million).

Information on individual agencies' SPAs, which are not part of the Public Ledger, can be found in the annual reports of those agencies.

Consolidated Account

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 Account, and that payments out of the Account must be appropriated by Parliament.

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

The Consolidated Account recorded an accumulated deficit of \$1,352 million at 30 June 2007, an increase of \$581 million on the accumulated deficit a year earlier. This included \$2,666 million in non-cash Holding Account balances for agencies, associated with accrual (non-cash) appropriations for depreciation and leave entitlements.

In cash terms, the Consolidated Account recorded a surplus of \$1,314 million at 30 June 2007, similar to the \$1,408 million cash surplus at 30 June 2006.

Anticipating the significant Consolidated Account cash balance at 30 June 2007, the 2007-08 Budget set aside \$1.09 billion of the cash surplus for the debt-free construction and establishment of the new Fiona Stanley Hospital.

Table 7.2

CONSOLIDATED ACCOUNT TRANSACTIONS

	2006-07 \$m	2005-06 \$m
REVENUE		
<i>Operating Activities</i>		
Taxation	4,973	4,478
Commonwealth Grants	4,032	3,958
Government Enterprises	707	872
Revenue from Other Agencies	3,850	3,381
Other	1,312	1,021
<i>Total Operating Activities</i>	14,874	13,710
<i>Financing Activities</i>		
Repayments of Recoverable Advances	14	16
Transfers from:		
The Public Bank Account Interest Earned Account	100	59
The Bankwest Pension Trust	2	2
Other Special Purpose Accounts	4	1
<i>Total Financing Activities</i>	120	78
TOTAL REVENUE	14,994	13,788
EXPENDITURE		
<i>Recurrent</i>		
Authorised by Other Statutes	1,093	1,011
Appropriation Act (No. 1)	11,837	10,733
Recurrent Expenditure Authorised Under the Treasurer's Advance	299	247
<i>Total Recurrent Expenditure</i>	13,229	11,991
<i>Investing Activities</i>		
Authorised by Other Statutes	70	83
Appropriation Act (No. 2)	2,179	1,029
Investing Expenditure Authorised Under the Treasurer's Advance	44	85
<i>Total Investing Activities</i>	2,293	1,197
<i>Financing Activities</i>		
Capital Repayments	49	244
Other Financing	4	1
<i>Total Financing Activities</i>	53	245
TOTAL EXPENDITURE	15,575	13,433
NET MOVEMENT (REVENUE LESS EXPENDITURE)	(581)	355
Consolidated Account Balance		
Opening Balance at 1 July	(771)	(1,126)
Closing Balance at 30 June	(1,352)	(771)
Of which:		
Appropriations Payable	(2,666)	(2,179)
Cash Balance at 30 June	1,314	1,408

Note: Columns may not add due to rounding.

Treasurer's Special Purpose Accounts

The Treasurer's Special Purpose Accounts (TSPA) consist of:

- any account established by the Treasurer as a TSPA for the purposes determined by the Treasurer;
- suspense accounts established for the purposes of section 26 of the FMA;
- any account established to hold money transferred under section 39(5) of the FMA;
- the Public Bank Account Interest Earned Account established for the purpose of holding money credited to that account under section 38(9) of the FMA pending its allocation and payment as required or permitted under the FMA or another written law;
- any account established under written law and determined by the Treasurer to be a TSPA; and
- any account established to hold other money and determined by the Treasurer to be a TSPA.

Agency Holding Account balances increased by \$487 million during 2006-07. This increase largely reflects the impact of non-cash appropriations for depreciation on physical assets held across centrally funded government agencies.

Cash held in other TSPAs increased by \$38 million during 2006-07, due mainly to increases in funds held in the Statutory Authorities Investment Account (\$18 million) and the Accrued Salaries Account (\$16 million).

Table 7.3

TREASURER'S SPECIAL PURPOSE ACCOUNTS AT 30 JUNE

	2007 \$m	2006 \$m
Agency Holding Accounts	2,666	2,179
Other Special Purpose Accounts	191	153
TOTAL TREASURER'S SPECIAL PURPOSE ACCOUNTS	2,857	2,332

Treasurer's Advance

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

A total of \$365 million was authorised by section 29 of the FMA for the year ended 30 June 2007, compared with a \$500 million authorised limit¹ for the preceding year.

Of the \$365 million authorised limit for 2006-07, \$6.3 million was held at 30 June 2007 in the form of net unrecouped advances (see Table 7.4) and \$342.8 million against increases in recurrent and capital appropriations and new items (see Table 7.5).

Table 7.4

TREASURER'S ADVANCE AT 30 JUNE		
	2007 \$m	2006 \$m
AUTHORISED LIMIT	365.0	500.0
Total Drawn Against Treasurer's Advance authorisation	349.1	348.4
Comprising:		
Net unrecouped balances as at 30 June (see below)	6.3	16.3
Excesses and New Items (see Table 7.5)		
- recurrent	298.8	247.1
- capital	44.0	85.0
NET UNRECOUPED BALANCES		
Appeals Cost Board	1.1	1.0
Public Sector Standards Commissioner – CEO selection	0.5	0.5
Chemistry Centre Commercialisation	-	1.2
Electoral Distribution Commission	0.5	-
Energy Smart Government Program	1.9	2.9
Gas Review Board	0.5	-
Ministerial Air Service	-	6.1
Perry Lakes Redevelopment Project	-	2.6
Planning and Infrastructure	2.0	2.0
Sundry Debtors	(0.1)	-
TOTAL UNRECOUPED TREASURER'S ADVANCES	6.3	16.3

Transfers, Excesses and New Items

Table 7.5 outlines transfers of appropriations between agencies, authorised under section 25 of the FMA (and which have no impact on the Treasurer's Advance), and excesses and/or new items approved by the Treasurer (under the authority of section 5(1)(a) of the *Treasurer's Advance Authorisation Act 2006* and section 27 of the FMA).

¹ The final limit for 2005-06 was \$500 million, comprising an initial limit of \$300 million established by the *Treasurer's Advance Authorisation Act 2005* which was subsequently increased to \$500 million on 31 May 2006 by section 7 of the *Treasurer's Advance Authorisation Act 2006*.

Transfers of appropriations between agencies (which do not impact the Treasurer's Advance) were for the following purposes:

- \$0.6 million from the Department of Industry and Resources to the Department of Premier and Cabinet for the transfer of the Projects Approvals Coordination Unit;
- \$1.6 million from the Department of Health to the Department of Treasury and Finance (DTF) for procurement staff relocated to the Office of Government Procurement;
- \$16.9 million (consisting of \$12.7 million and \$4.2 million for recurrent and capital purposes respectively) from the Office of Shared Services (OSS) to DTF for the transfer of the operational framework of OSS into DTF from 1 January 2007;
- \$1.5 million from the Department for Child Protection to the Department of the Attorney General for the transfer of the Children's Commissioner;
- \$6.1 million from the Department of the Attorney General to the Department of Corrective Services for the transfer of corporate service functions; and
- \$0.5 million from the Waters and Rivers Commission to the Department of Environment and Conservation for functions associated with The Cockburn Sound Management Council.

Table 7.5

TRANSFERS, EXCESSES AND NEW ITEMS

For the twelve months to 30 June 2007

Item	Appropriation	Budget \$m	Transfers ^(a) \$m	Treasurer's Advance		Revised Appropriation \$m	Drawn against Treasurer's Advance \$m
				New Items \$m	Excesses \$m		
Recurrent Appropriations							
<i>Parliament</i>							
1	Delivery of Services - Legislative Council	3.1	-	-	_(b)	3.1	_(b)
2	Delivery of Services - Legislative Assembly	3.6	-	-	0.1	3.8	0.1
3	Delivery of Services - Parliamentary Services	13.4	-	-	0.1	13.5	0.1
4	Delivery of Services – - Parliamentary Commissioner for Administrative Investigations	2.5	-	-	_(b)	2.6	_(b)
<i>Premier and Cabinet</i>							
5	Delivery of Services	114.5	0.6	-	7.3	122.4	6.5
<i>Industry and Resources</i>							
6	Delivery of Services	175.9	(0.6)	-	-	175.3	-
7	Administered Grants, Subsidies and Other Transfer Payments	49.1	-	-	10.0	59.1	8.1
<i>Office of Shared Services</i>							
8	Delivery of Services	40.3	(12.7)	-	-	27.6	-
<i>Governor's Establishment</i>							
9	Delivery of Services	1.1	-	-	_(b)	1.2	_(b)
<i>Treasury and Finance</i>							
12	Delivery of Services	79.1	14.2	-	2.7	96.1	2.7
17	Western Australian Land Authority	21.5	-	-	3.0	24.5	2.8
28	Office of Health Review	1.3	-	-	0.2	1.5	0.2
29	On-Road Diesel Subsidies	8.2	-	-	0.5	8.7	0.5
33	Refund of Past Years Revenue Collections – Public Corporations	0.5	-	-	9.3	9.8	9.3
34	Refund of Past Year's Revenue Collections – All Other	18.7	-	-	33.8	52.5	32.8
36	Stamp Duty Rebate Scheme	1.0	-	-	2.0	3.0	2.0
43	All Other Grants, Subsidies, and Transfer Payments	3.1	-	-	1.0	4.1	0.7
<i>Office of the Auditor General</i>							
45	Delivery of Services	13.9	-	-	1.0	14.9	1.0
<i>Agriculture and Food</i>							
48	Delivery of Services	161.6	-	-	0.1	161.7	0.1
<i>Rural Business Development Corporation</i>							
50	Delivery of Services	1.7	-	-	2.6	4.3	2.6
<i>Mid West Development Commission</i>							
51	Delivery of Services	3.5	-	-	_(b)	3.5	_(b)

Table 7.5

TRANSFERS, EXCESSES AND NEW ITEMS

For the twelve months to 30 June 2007

Item	Appropriation	Budget \$m	Transfers ^(a) \$m	Treasurer's Advance			Drawn against Treasurer's Advance \$m
				New Items \$m	Excesses \$m	Revised Appropriation \$m	
<i>Education and Training</i>							
53	Delivery of Services	3,017.4	-	-	39.6	3,057	39.6
<i>Waters and Rivers Commission</i>							
58	Delivery of Services	82.7	(0.5)	-	-	82.2	-
<i>Western Australian Sports Centre Trust</i>							
62	Delivery of Services	14.8	-	-	0.6	15.4	0.6
<i>Attorney General</i>							
63	Delivery of Services	184.5	(4.6)	-	8.5	188.4	8.5
<i>Corruption and Crime Commission</i>							
65	Delivery of Services	27.2	-	-	0.3	27.5	0.2
<i>Office of the Information Commissioner</i>							
69	Delivery of Services	1.1	-	-	_(b)	1.1	_(b)
<i>Health</i>							
70	Delivery of Services	640.9	(1.6)	-	1.7	641.0	1.7
71	Contribution to Hospital Fund	2,632.7	-	-	46.1	2,678.8	46.1
<i>Housing and Works</i>							
73	Delivery of Services	34.4	-	-	1.8	36.2	1.8
<i>Heritage Council of W.A.</i>							
78	Delivery of Services	4.8	-	-	2.1	6.9	2.1
<i>Planning and Infrastructure</i>							
81	Delivery of Services	182.1	-	-	6.2	188.3	6.2
<i>Indigenous Affairs</i>							
86	Delivery of Services	25.6	-	-	0.5	26.1	0.5
<i>Western Australian Tourism Commission</i>							
87	Delivery of Services	50.0	-	-	2.4	52.4	2.4
<i>Culture and the Arts</i>							
88	Delivery of Services	91.4	-	-	2.7	94.1	2.7
<i>Environment and Conservation</i>							
93	Delivery of Services	160.2	-	-	14.6	174.8	14.6
<i>Botanic Gardens and Parks Authority</i>							
94	Delivery of Services	14.5	-	-	0.1	14.6	0.1
<i>Environment</i>							
95	Delivery of Services	23.6	0.5	-	-	24.1	-
<i>Zoological Parks Authority</i>							
98	Delivery of Services	10.1	-	-	0.1	10.2	0.1
<i>Racing, Gaming and Liquor</i>							
99	Delivery of Services	3.0	-	-	1.7	4.7	1.7
100	Administered Grants, Subsidies and Transfer Payments	94.5	-	-	12.1	106.6	11.6
<i>Consumer and Employment Protection</i>							
102	Delivery of Services	63.4	-	-	3.9	67.3	3.9
...	Compensation Fund for Finance Broker Victims	-	-	30.0	-	30.0	30.0

Table 7.5

TRANSFERS, EXCESSES AND NEW ITEMS

For the twelve months to 30 June 2007

Item	Appropriation	Budget \$m	Transfers ^(a) \$m	Treasurer's Advance		Revised Appropriation \$m	Drawn against Treasurer's Advance \$m		
				New Items \$m	Excesses \$m				
<i>Registrar, Western Australian Industrial Relations Commission</i>									
103	Delivery of Services	8.2	-	-	0.1	8.3	0.1		
<i>Goldfields-Esperance Development Commission</i>									
104	Delivery of Services	1.5	-	-	-(b)	1.5	-(b)		
<i>Fire and Emergency Services Authority</i>									
107	Delivery of Services	34.2	-	-	25.1	59.3	25.1		
<i>Corrective Services</i>									
109	Delivery of Services	428.9	6.1	-	17.9	452.9	17.9		
<i>Inspector of Custodial Services</i>									
110	Delivery of Services	1.7	-	-	0.1	1.8	0.1		
<i>Fisheries</i>									
113	Delivery of Services	26.1	-	-	3.6	29.7	3.6		
<i>Kimberley Development Commission</i>									
114	Delivery of Services	1.5	-	-	-(b)	1.5	-(b)		
<i>Gascoyne Development Commission</i>									
16	Delivery of Services	1.5	-	-	-(b)	1.5	-(b)		
<i>Disability Services Commission</i>									
117	Delivery of Services	272.9	-	-	1.0	273.9	1.0		
<i>Child Protection</i>									
118	Delivery of Services	244.5	(1.5)	-	3.7	246.7	3.7		
<i>Peel Development Commission</i>									
121	Delivery of Services	1.5	-	-	0.8	2.3	0.8		
<i>South West Development Commission</i>									
122	Delivery of Services	6.2	-	-	2.5	8.7	2.5		
Total Recurrent					30.0	273.6	-	298.8	
Capital Appropriations									
<i>Office of Shared Services</i>									
127	Capital Contribution	12.4	(4.2)	-	-	8.2	-		
<i>Treasury and Finance</i>									
128	Capital Contribution	1.2	4.2	-	20.7	26.1	20.7		
134	Fremantle Port Authority	0.2	-	-	-(b)	0.2	-(b)		
137	Rottnest Island Authority	6.5	-	-	0.4	6.9	0.4		
<i>Commissioner of Main Roads</i>									
158	Capital Contribution	196.8	-	-	20.7	217.5	16.6		
<i>Great Southern Development Commission</i>									
173	Capital Contribution	-(b)	-	-	0.2	0.2	0.2		
<i>Culture and the Arts</i>									
162	Capital Contribution	7.4	-	-	0.8	8.2	0.8		
<i>Environment and Conservation</i>									
167	Capital Contribution	11.1	-	-	5.4	16.5	5.4		
Total Capital					-	-	48.2	-	44.0
TOTAL					-	-	321.8	-	342.8

(a) Authorised under section 25 of the FMA.

(b) Amount less than \$50,000.

Note: Columns may not add due to rounding.

Funds drawn against the Treasurer's Advance for excesses and new items were for the purposes outlined below. Further detail is available in the annual reports of the agencies listed.

Legislative Council

Item 1: **Net amount appropriated to deliver services** for salaries of employees covered by the Parliamentary Employees General Agreement (PEGA) enterprise bargaining agreement (EBA) (\$5,000).

Legislative Assembly

Item 2: **Net amount appropriated to deliver services** (\$0.1 million) for salaries of employees covered by the PEGA EBA.

Parliamentary Services

Item 3: **Net amount appropriated to deliver services** (\$0.1 million) for salaries of employees covered by the PEGA EBA

Parliamentary Commissioner for Administrative Investigations

Item 4: **Net amount appropriated to deliver services** for salaries of employees covered by the Public Service General Agreement (PSGA) EBA (\$47,000).

Premier and Cabinet

Item 5: **Net amount appropriated to deliver services** (\$6.5 million) reflecting the appropriation of higher receipts hypothecated to the Road Trauma Trust Fund, and for higher than expected costs for the Ministerial Air Charter contract.

Industry and Resources

Item 7: **Administered Grants, Subsidies and Other Transfer Payments** (\$8.1 million) mainly for the Ravensthorpe Nickel project, mining tenement refunds, and the Boddington Gold Mine Expansion, partly offset by repositioning of funding to the out years for Science and Innovation and Collie Coal.

Governor's Establishment

Item 9: **Net amount appropriated to deliver services** for higher superannuation and vehicle operating costs (\$22,000).

Treasury and Finance

Item 12: **Net amount appropriated to deliver services** (\$2.7 million) to offset reduced revenue inflow as a result of delays in agencies rolling into the Office of Shared Services.

Item 17: **Western Australian Land Authority** (\$2.8 million) for the Marine Industry Technology Precinct and the acquisition of properties as part of the Kemerton Industrial Park Buffer.

Item 28: **Office of Health Review** (\$0.2 million) for the expansion of services and wage increases.

Item 29: **On-Road Diesel Subsidies** (\$0.5 million) for higher than expected numbers of eligible claims.

Item 33: **Refund of Past Years Revenue Collections – Public Corporations** (\$9.3 million) for the reimbursement of excess National Tax Equivalent Regime instalments.

Item 34: **Refund of Past Years Revenue Collections – All Other** (\$32.8 million) for an increase in the number and magnitude of eligible refunds of conveyance duty, payroll tax and land tax revenue.

Item 36: **Stamp Duty Rebate Scheme** (\$2.0 million) for the reimbursement of stamp duty on transfers involving family residences indirectly owned through a company or trust.

Item 43: **All Other Grants, Subsidies and Transfer Payments** (\$0.7 million) for payment of interest on higher balances of public monies held in participating trust fund accounts.

Item 128: **Capital Contribution** (\$20.7 million) for higher than expected development costs of the Shared Services arrangements.

Item 134: **Fremantle Port Authority** supporting borrowing costs for a new bulk unloader at the Kwinana Bulk Jetty (\$666).

Item 137: **Rottneest Island Authority** (\$0.4 million) to address compliance issues for the Authority's gas reticulation network.

Office of the Auditor General

Item 45: **Net amount appropriated to deliver services** (\$1.0 million) for additional audit work and higher than expected depreciation and salaries costs.

Agriculture and Food

Item 48: **Net amount appropriated to deliver services** (\$0.1 million) for higher costs for biosecurity initiatives.

Rural Business Development Corporation

Item 50: **Net amount appropriated to deliver services** (\$2.6 million) for the funding of an assistance package for farmers adversely affected by the dry season.

Mid West Development Commission

Item 51: **Net amount appropriated to deliver services** for higher than expected salary costs (\$21,000).

Education and Training

Item 53: **Net amount appropriated to deliver services** (\$39.6 million) primarily for salary increases for teachers and public sector employees covered by the PSGA EBA, additional places for apprentices and trainees, and higher employee housing and relocation costs.

Western Australian Sports Centre Trust

Item 62: **Net amount appropriated to deliver services** (\$0.6 million) for higher than expected depreciation expenses.

Attorney General

Item 63: **Net amount appropriated to deliver services** (\$8.5 million) for additional costs associated with delayed Shared Services arrangements, salary increases for public sector employees covered by the PSGA EBA, Act of Grace payments and higher defendant costs.

Corruption and Crime Commission

Item 65: **Net amount appropriated to deliver services** (\$0.2 million) for additional salary costs.

Office of the Information Commissioner

Item 69: **Net amount appropriated to deliver services** for increased salary costs (\$14,000).

Health

Item 70: **Net amount appropriated to deliver services** (\$1.7 million) to meet higher salary and wage costs.

Item 71: **Contribution to Hospital Fund** (\$46.1 million) to meet higher salary and wage costs, and claims for losses arising from medical treatment prior to insurance coverage by RiskCover (effective from 1 July 1997).

Housing and Works

Item 73: **Net amount appropriated to deliver services** (\$1.8 million) for higher building costs affecting a range of projects, the Building WA Campaign and higher than expected salary costs.

Heritage Council of Western Australia

Item 78: **Net amount appropriated to deliver services** (\$2.1 million) for conservation and restoration work at St Mary's Cathedral, and flood protection work on Maley's Bridge in Greenough Shire.

Planning and Infrastructure

Item 81: **Net amount appropriated to deliver services** (\$6.2 million) for the delivery of planning services and the engagement of additional town planners and the Land Release Coordinator.

Indigenous Affairs

Item 86: **Net amount appropriated to deliver services** (\$0.5 million) for higher than expected salary increases and costs associated with the Shared Services arrangements.

Western Australian Tourism Commission

Item 87: **Net amount appropriated to deliver services** (\$2.4 million) primarily for additional cost of staging the Telstra Rally Australia event, costs associated with the delay of Shared Services arrangements, and higher than expected salary costs.

Culture and the Arts

Item 88: **Net amount appropriated to deliver services** (\$2.7 million) additional costs for delay in transition to Shared Services arrangements, higher than expected salary costs, and Screenwest Production Attraction Funding.

Item 162: **Capital Contribution** (\$0.8 million) additional funding for Stage 3 of the Migrant Wall.

Environment and Conservation

Item 93: **Net amount appropriated to deliver services** (\$14.6 million) for extra wildfire suppression costs.

Item 167: **Capital Contribution** (\$5.4 million) for the acquisition of equipment for fire management and wildfire suppression.

Botanic Gardens and Parks Authority

Item 94: **Net amount appropriated to deliver services** (\$0.1 million) for employees covered by the PSGA EBA and a grant to the Deckchair Theatre Company.

Zoological Parks Authority

Item 98: **Net amount appropriated to deliver services** (\$0.1 million) for salaries of employees covered by the PSGA EBA.

Racing, Gaming and Liquor

Item 99: **Net amount appropriated to deliver services** (\$1.7 million) for the implementation of liquor licensing reforms.

Item 100: **All Other Grants, Subsidies and Transfer Payments** (\$11.6 million) to meet expenditure for GST rebates on betting and gambling taxes and lottery revenue.

Consumer and Employment Protection

Item 102: **Net amount appropriated to deliver services** (\$3.9 million) for the establishment of a Fair Employment Advocate, delays in the transition to Shared Services arrangements and higher salary costs for employees covered by the PSGA EBA.

New Item: **Compensation Fund for Finance Broker Victims** (\$30.0 million) for establishment of a compensation fund for victims of the Finance Brokers scandal.

Registrar, Western Australian Industrial Relations Commission

Item 103: **Net amount appropriated to deliver services** (\$0.1 million) for higher salaries of employees covered by the PSGA EBA.

Goldfields-Esperance Development Commission

Item 104: **Net amount appropriated to deliver services** for higher salaries of employees covered by the PSGA EBA (\$22,000).

Fire and Emergency Services Authority

Item 107: **Net amount appropriated to deliver services** (\$25.1 million) for Natural Disaster Relief Arrangements and bush fire suppression operations.

Corrective Services

Item 109: **Net amount appropriated to deliver services** (\$17.9 million) for increased costs in prison management and the impact of increases in the prisoner population.

Inspector of Custodial Services

Item 110: **Net amount appropriated to deliver services** (\$0.1 million) for higher salaries of employees covered by the PSGA EBA.

Fisheries

Item 113: **Net amount appropriated to deliver services** (\$3.6 million) for the implementation and management of a plan for wetline fisheries, and for the establishment of a unit for the purpose of preventing marine pest incursions.

Kimberley Development Commission

Item 114: **Net amount appropriated to deliver services** for higher salaries of employees covered by the PSGA EBA (\$17,000).

Gascoyne Development Commission

Item 116: **Net amount appropriated to deliver services** for higher salaries of employees covered by the PSGA EBA (\$20,000).

Disability Services Commission

Item 117: **Net amount appropriated to deliver services** (\$1.0 million) to fund higher than expected depreciation and employee leave costs.

Child Protection

Item 118: **Net amount appropriated to deliver services** (\$3.7 million) for the employment of extra child protection staff and higher salaries of employees covered by the PSGA EBA.

Peel Development Commission

Item 121: **Net amount appropriated to deliver services** (\$0.8 million) largely for the Pinjarra Sustainability Strategy.

South West Development Commission

Item 122: **Net amount appropriated to deliver services** (\$2.5 million) to assist in the restoration of St Patrick's Cathedral, Bunbury, which was severely damaged by a tornado in May 2005.

Commissioner of Main Roads

Item 158: **Capital Contribution** (\$16.6 million) for higher than expected costs for the new Perth to Bunbury Highway project and development works associated with the Great Eastern and Roe Highways Interchange.

Great Southern Development Commission

Item 173: **Capital Contribution** (\$0.2 million) for funding of works associated with the Albany Entertainment Centre.

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
CFS	Consolidated Financial Statements
CWP	Capital Works Program
FMA	<i>Financial Management Act 2006</i>
GFS	Government Finance Statistics
GSP	Gross State Product
GFRA	<i>Government Financial Responsibility Act 2000</i>
IASB	International Accounting Standards Board
LCA	Loan Council Allocations
nec	Not elsewhere classified
UIG	Urgent Issues Group
UPF	Uniform Presentation Framework