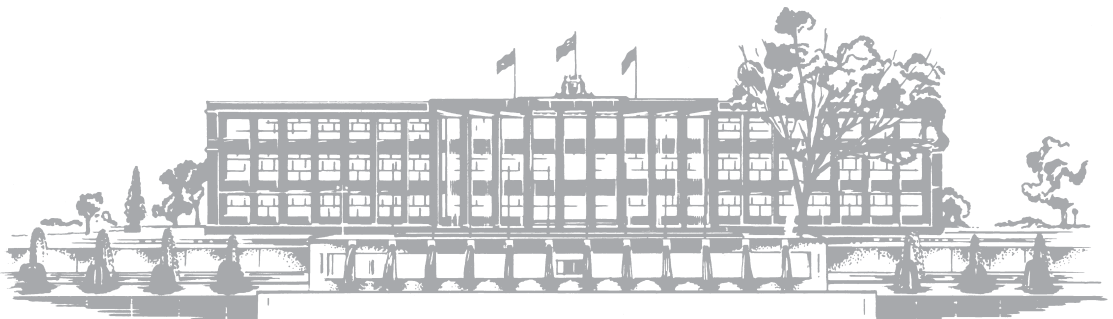




2005-06

QUARTERLY FINANCIAL
RESULTS REPORT

DECEMBER 2005



2005–06 Quarterly Financial Results Report
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2005-06

**QUARTERLY FINANCIAL RESULTS REPORT
Six Months Ended 31 December 2005**

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Foreword

This *Quarterly Financial Results Report* (QFRR) provides the Western Australian public sector's financial results for the six months to 31 December 2005.

Care should be exercised in extrapolating the likely outcome for the 2005-06 year based on the quarterly results to date, particularly in light of the seasonal and other timing factors that impact the State's finances. For example, revenue is typically stronger in the first half of the financial year, with full year land tax revenue recognised in the first or second quarters (when land tax assessments are issued), while expenses typically accelerate in the latter months of the financial year as programs with a 30 June completion date come to conclusion. The timing of grant revenue (from the Commonwealth), and grant payments, can also be quite 'lumpy' due to timing and other issues, making comparisons between monthly and quarterly reporting periods difficult.

The focus of the State budget is the government finance statistics (GFS) operating balance for the general government sector. The GFS presentation in this report can be compared directly with the format of the budget.

In addition to the GFS presentation that is the focus of this QFRR, a series compliant with Australian Accounting Standards (AAS) is presented in Appendix 3, which includes interim financial statements for the total public sector prepared in accordance with accounting standard AASB 134: *Interim Financial Reporting*. The information presented in Appendix 3 is not audited.

The full-year estimates for 2005-06 included in this QFRR are consistent with those published in the 2005-06 *Government Mid-year Financial Projections Statement* (mid-year review), released 21 December 2005.

Appendix 4 of this publication outlines the impact of the Australian equivalents to International Financial Reporting Standards on the QFRR.

Overview

Summary

The Western Australian public sector continued to record strong financial results in the second quarter of 2005-06, with the general government and total public sectors recording larger operating surpluses than for the same period the previous year.

This reflects continued strong growth in revenue which more than offset higher expenses in the period, with taxation (mainly property and motor vehicle taxes), GST revenue and North West Shelf petroleum royalty grants from the Commonwealth continuing to be the major sources of revenue growth.

The State's balance sheet also remains in a strong position, with total public sector net worth increasing by \$2.0 billion over the first six months of 2005-06 to stand at \$52.2 billion. Reflecting operating performance during the first half of 2005-06, net debt declined by \$528 million to stand at \$3.5 billion at 31 December 2005.

General Government Sector

The general government sector is the focus of the Government's 'headline' measure of budget performance (the general government net operating balance). This sector is responsible for the collection of central revenue such as taxation, mining royalties and Commonwealth grants, and for the provision of key services to the community such as health, education and law and order.

The general government sector recorded a \$1,043 million operating surplus for the six months to 31 December 2005. This compares with an \$851 million surplus for the same period the previous year.

Revenue

Revenue in the six months to 31 December 2005 totalled \$7,898 million. This represents 51.4% of the full-year mid-year review estimate for 2005-06, and is \$651 million (or 9.0%) higher than the same period the previous year.

The increase in revenue for the first half of 2005-06 (relative to the first half of 2004-05) primarily reflects:

- higher taxation revenue (up \$364 million), largely due to:
 - higher conveyance duty revenue (up \$276 million), due to the effects of sustained property market activity during the first half of 2005-06, and the impact of unexpectedly large one-off assessments;
 - higher motor vehicle taxes (up \$51 million), reflecting the ongoing strength of vehicle sales and registrations in Western Australia, as well as the impact of delays in issuing assessments during early 2004-05;
 - higher payroll tax (up \$35 million), due to continued wages and employment growth;
 - lower debits tax (down \$40 million), following the abolition of this tax from 1 July 2005; and
 - higher insurance duty revenue (up \$9 million), primarily reflecting increases in insurance premiums;
- higher Commonwealth grants (up \$267 million), mainly due to:
 - higher GST grants (up \$139 million) due to an increase in national collections and a revised Commonwealth monthly payment profile for 2005-06;
 - higher North West Shelf petroleum royalties (up \$73 million) mainly reflecting the increase in the international oil price, which has been driven in part by continued demand for oil from growing economies such as China and India; and

- higher specific purpose payments for health and education (up \$55 million) and non-government schools (up \$16 million);
- lower revenue from public corporations (down \$200 million) due to dividend changes in the State's revenue recognition policy following the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS) in 2005-06, and lower tax equivalent revenue, mainly as a result of a revision to the Water Corporation's taxation calculations for interim reporting periods;
- higher royalty income (up \$182 million), primarily reflecting increases in iron ore production and contract prices in 2005-06;
- higher sales of goods and services (up \$56 million), reflecting increases across a range of agencies due mainly to demand and seasonal factors, and changes in revenue recovery systems and processes in the health and education sectors; and
- lower 'other' revenue (down \$23 million), due mainly to the impact in 2004-05 of the transfer of Crown land by Edith Cowan University back to the State, partially offset by additional industry grants to the Department of Agriculture.

Expenses

Expenses in the six months to 31 December 2005 totalled \$6,856 million, \$460 million (or 7.2%) higher than the same period the previous year. This increase primarily reflects:

- higher salaries (up \$208 million), mainly attributable to pay increases and higher employee numbers in the key service delivery sectors of health, education, and law and order:
 - increases in the health sector (up \$103 million) include higher EBA award rates and conditions for registered and enrolled nurses and medical practitioners, as well as increases in the number of nurses and other staff;
 - the education sector (up \$48 million) includes higher EBA award rates for teaching and non-teaching staff, and additional education assistant staff; and

- the law and order sector (up \$22 million) reflects 80 additional police officers as a result of the Frontline First initiative, and additional prison officers and prison services staff (up 130 in total) required to support increases in the prison population;
- higher current transfers (up \$147 million), mainly due to the on-passing of higher agriculture and non-government school grants from the Commonwealth, increased support for aged care and mental health services, and increased community service obligation payments to the Water Corporation;
- higher ‘other’ gross operating expenses (up \$123 million), reflecting increased costs in the education sector (particularly school maintenance and computer hardware and software licenses), increased direct patient support costs in the health sector (as part of the Government’s initiatives for the Mental Health Strategy and Winter Demand), and the timing of purchases by agencies;
- lower capital transfers (down \$74 million), due largely to a grant payment to Edith Cowan University in August 2004 (associated with the Crown land transfer noted above); and
- higher services and contracts expenses (up \$30 million), primarily due to increases in private sector contract expenses in the health sector (following increases in prices and activity, particularly in renal and emergency departments), and changes in timing of purchases by other agencies across the sector.

**SUMMARY OF GENERAL GOVERNMENT FINANCES
SIX MONTHS TO 31 DECEMBER 2005**

Western Australia

	2005-06			2004-05		
	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Annual Estimate ^(a) \$m	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Actual ^(b) \$m
Net operating balance	525	1,043	1,302	519	851	1,192
Net worth		52,177	52,371		45,378	50,192
Increase in cash balances	840	143	-675	340	-314	180
<i>Memorandum items</i>						
Net lending	463	986	634	422	695	899
Net debt		-1,152	-1,178		-434	-997
Cash surplus	635	704	736	530	229	859

(a) Estimate published in the 2005-06 *Government Mid-year Financial Projections Statement*, released 21 December 2005.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005.

Balance Sheet

The net worth of the general government sector increased by \$2.0 billion in the six months to 31 December 2005 to stand at \$52.2 billion.

This increase is primarily attributable to changes in the value of the sector's equity holdings in public corporations (up \$1.5 billion), due largely to operating surpluses in these sectors, the impact of asset revaluations (particularly for the State Housing Commission), and the impact of lower debt levels for the Public Transport Authority. Higher cash and deposits, due mainly to higher operating surpluses recorded by the general government sector, largely account for the remaining increase in net worth.

Surplus funds from 2004-05 were applied to debt repayments, with \$326 million in rail freight debt left over from the 2000-01 sale of Westrail's Freight Division and \$244 million in Consolidated Fund debt both paid out during the first quarter of 2005-06.

Cash Flow

Net cash inflows from operating activities totalled \$1,041 million for the six months ended 31 December 2005. Combined with net capital expenditure (i.e. investment in non-financial assets) of \$337 million, a cash surplus of \$704 million was recorded in the first six months of 2005-06 (compared with a \$229 million cash surplus for the same period in the previous year).

Total Public Sector

The total public sector is the consolidation of the general government sector (discussed in the previous section), the public non-financial corporations sector (comprising entities such as Western Power, the Water Corporation and the Public Transport Authority) and the public financial corporations sector (comprising entities such as the Western Australian Treasury Corporation and the Insurance Commission of Western Australia).

Operating Statement

An operating surplus of \$1,578 million was recorded by the total public sector for the first six months of 2005-06, up \$421 million from the \$1,157 million surplus recorded for the same period the previous year.

This increase reflects the \$1,043 million operating surplus recorded in the general government sector, discussed earlier, combined with operating surpluses in both the public corporations sectors.

The public non-financial corporations sector recorded an operating surplus of \$234 million for the six months ended 31 December 2005, compared with a \$63 million surplus recorded for the same period the previous year. The increase is mainly a result of higher turnover recorded by Racing and Wagering Western Australia and the Lotteries Commission (up \$110 million in total).

The public financial corporations sector recorded an operating surplus of \$301 million for the six months ended 31 December 2005, compared with a \$243 million surplus recorded for the same period the previous year. This increase is largely due to higher earnings on financial investments held by the Insurance Commission of Western Australia.

Table 2

**SUMMARY OF TOTAL PUBLIC SECTOR FINANCES
SIX MONTHS TO 31 DECEMBER 2005**

Western Australia

	2005-06			2004-05		
	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Annual Estimate ^(a) \$m	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Actual ^(b) \$m
Net operating balance	706	1,578	1,415	572	1,157	1,690
Net worth		52,177	52,371		45,378	50,192
Increase in cash balances	812	286	-806	438	324	419
<i>Memorandum items</i>						
Net lending	179	722	-685	369	637	646
Net debt		3,473	5,179		3,861	4,001
Cash surplus	69	415	-947	250	258	32

(a) Estimate published in the 2005-06 *Government Mid-year Financial Projections Statement*, released 21 December 2005.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005.

Balance Sheet

Under GFS standards, the net worth of the general government sector includes the net worth of the public corporations sectors as an equity asset. Therefore, total public sector net worth is identical to that of the general government sector (discussed earlier).

Net debt of the total public sector fell by \$528 million in the first six months of 2005-06 to stand at \$3.5 billion at 31 December 2005. This movement largely reflects the surplus outcomes discussed above¹.

Cash Flow

A cash surplus of \$415 million was recorded for the six months ended 31 December 2005 (compared with a \$258 million cash surplus for the same period in 2004-05). This reflected a net cash inflow from operating activities of \$1,652 million and net capital expenditure of \$1,237 million.

¹ It should be noted that movements in balance sheet aggregates such as net debt are generally quite volatile through the year, reflecting the timing of cash transactions. In this regard, net debt generally increases in the second half of the financial year, when agencies' spending (both operating and capital) typically accelerates.

For the six months to December 2005, fixed asset spending was \$260 million (or 20.0%) higher than the same period in 2004-05, mainly as a result of Capital Works Program spending by the Water Corporation (including on the Perth Seawater Desalination plant), Western Power and the Public Transport Authority (mainly on the New MetroRail project).

APPENDIX 1

Government Finance Statistics

The tables in this appendix satisfy Uniform Presentation Framework (UPF) formats for the core statements of the general government and total public sectors, although the UPF does not require presentation of quarterly statistics.

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Table 1.1

GENERAL GOVERNMENT Operating Statement

	2005-06			2004-05		
	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Annual Estimate ^(a) \$m	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Actual ^(b) \$m
REVENUE						
Taxation	1,312	2,747	4,669	1,084	2,383	4,314
Current grants and subsidies	1,821	3,444	6,792	1,705	3,137	6,468
Capital grants	88	143	380	97	183	347
Sales of goods and services	272	518	998	192	462	982
Interest income	37	74	146	33	68	142
Revenue from public corporations						
Dividends	-	90	504	132	239	468
Tax equivalent payments	55	163	265	145	214	292
Royalty income	273	546	1,243	185	364	841
Other	86	174	361	66	197	368
Total	3,944	7,898	15,357	3,639	7,247	14,222
EXPENSES						
Gross operating expenses						
Salaries	1,405	2,768	5,514	1,291	2,560	5,253
Depreciation and amortisation	141	284	597	132	264	607
Superannuation	134	265	542	124	246	519
Services and contracts	357	636	1,612	319	606	1,263
Other gross operating expenses	454	942	1,801	381	819	1,730
Nominal superannuation interest	78	152	304	72	144	294
Other interest	28	64	143	34	85	155
Other property expenses	-	-	-	-	-	-
Current transfers	719	1,553	3,086	663	1,406	2,728
Capital transfers	103	192	456	103	266	482
Total	3,419	6,856	14,056	3,120	6,396	13,030
NET OPERATING BALANCE	525	1,043	1,302	519	851	1,192
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Purchase of non-financial assets	250	444	1,422	255	481	1,092
Sales of non-financial assets	-48	-106	-207	-28	-121	-253
less depreciation	141	284	597	132	264	607
plus change in inventories	-	2	-7	1	2	2
plus other movements in non-financial assets	-	-	56	-	58	59
Total	62	56	668	97	156	293
NET LENDING/BORROWING	463	986	634	422	695	899
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	525	1,043	1,302	519	851	1,192
less provisions for doubtful debts	-	-	1	-	-	15
plus net gains on assets (including derivatives)	11	23	20	-1	27	24
plus capitalised interest	-	-	-	-	-	-
less revaluation of superannuation liabilities	-	-	-	-	-	131
plus valuation changes due to AIFRS implementation ^(c)	-	-	-	-99	-99	29
plus all other adjustments	3	-2	-	-30	-33	-130
AAS OPERATING RESULT	539	1,063	1,321	390	746	968

(a) Estimate published in the 2005-06 *Government Mid-year Financial Projections Statement*, released 21 December 2005.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005.

(c) AAS data for 2004-05 has been adjusted for comparability purposes for the implementation of International Financial Reporting Standards for reporting periods from 2005-06. GFS results for 2004-05 remain unadjusted from previous quarterly reports.

Note: Columns may not add due to rounding.

GENERAL GOVERNMENT
Balance Sheet at End of Period

	2005-06		2004-05	
	31 Dec \$m	Annual Estimate ^(a) \$m	31 Dec \$m	Actual ^(b) \$m
ASSETS				
<i>Financial assets</i>				
Cash and deposits	527	300	334	350
Advances paid	817	930	933	934
Investments, loans and placements	1,869	1,962	1,637	1,916
Other non-equity assets	1,178	900	1,285	1,071
Equity	21,348	21,277	19,005	19,883
<i>Total</i>	<i>25,740</i>	<i>25,369</i>	<i>23,194</i>	<i>24,154</i>
<i>Non-Financial assets</i>				
Land and fixed assets	35,982	36,868	31,884	35,864
Other non-financial assets	172	318	107	100
<i>Total</i>	<i>36,155</i>	<i>37,185</i>	<i>31,991</i>	<i>35,964</i>
TOTAL ASSETS	61,894	62,554	55,185	60,117
LIABILITIES				
Deposits held	384	263	542	338
Advances received	549	536	561	549
Borrowings	1,129	1,214	1,367	1,315
Unfunded superannuation liabilities	5,634	5,635	5,491	5,633
Other employee entitlements and provisions	1,424	1,470	1,276	1,390
Non-equity liabilities	598	1,064	570	701
TOTAL LIABILITIES	9,717	10,183	9,807	9,926
NET WORTH	52,177	52,371	45,378	50,192
<i>Memorandum Item: Net Debt</i>	<i>-1,152</i>	<i>-1,178</i>	<i>-434</i>	<i>-997</i>

Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)

NET WORTH	52,177	52,371	45,378	50,192
<i>less</i> equity (net worth) of PNFC and PFC sectors	20,370	20,212	18,495	19,341
<i>plus</i> valuation changes due to AIFRS implementation ^(c)	-	-	-275	-130
<i>less</i> all other adjustments	-	-	-	88
AAS NET ASSETS	31,807	32,158	26,608	30,632

(a) Estimate published in the 2005-06 *Government Mid-year Financial Projections Statement*, released 21 December 2005.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005.

(c) AAS data for 2004-05 has been adjusted for comparability purposes for the implementation of International Financial Reporting Standards for reporting periods from 2005-06. GFS results for 2004-05 remain unadjusted from previous quarterly reports.

Note: Columns may not add due to rounding.

Table 1.3

GENERAL GOVERNMENT
Cash Flow Statement

	2005-06			2004-05		
	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Annual Estimate ^(a) \$m	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Actual ^(b) \$m
RECEIPTS FROM OPERATING ACTIVITIES						
Taxes received	1,364	2,401	4,686	1,279	2,236	4,328
Receipts from sales of goods and services	281	580	1,037	247	500	1,031
Grants and subsidies received	1,908	3,581	7,171	1,799	3,317	6,786
Other receipts	778	1,407	2,973	610	1,088	2,481
<i>Total</i>	<i>4,331</i>	<i>7,969</i>	<i>15,867</i>	<i>3,935</i>	<i>7,141</i>	<i>14,626</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-2,449	-4,838	-9,674	-2,198	-4,533	-9,002
Grants and subsidies paid	-810	-1,600	-3,274	-768	-1,540	-2,966
Interest paid	-24	-57	-144	-28	-80	-162
Other payments	-210	-433	-824	-184	-399	-798
<i>Total</i>	<i>-3,493</i>	<i>-6,928</i>	<i>-13,916</i>	<i>-3,178</i>	<i>-6,552</i>	<i>-12,928</i>
Net Cash Flow from Operating Activities	838	1,041	1,951	757	589	1,698
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-250	-444	-1,422	-255	-481	-1,092
Sales of non-financial assets	48	106	207	28	121	253
<i>Total</i>	<i>-203</i>	<i>-337</i>	<i>-1,215</i>	<i>-227</i>	<i>-360</i>	<i>-839</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	-53	-432	-527	-38	-84	-122
Liquidity purposes	2	39	16	-147	-143	-62
<i>Total</i>	<i>-51</i>	<i>-393</i>	<i>-512</i>	<i>-186</i>	<i>-227</i>	<i>-184</i>
Net Cash Flow from Investing Activities	-253	-730	-1,727	-413	-588	-1,022
FINANCING ACTIVITIES						
Advances received (net)	-1	-1	-	-	-	-
Borrowings (net)	250	-172	-871	-17	-316	-395
Deposits received (net)	1	-3	-	-	-1	-1
Distributions paid	-	-	-	-	-	-
Other financing	5	8	-29	13	1	-100
<i>Total</i>	<i>256</i>	<i>-168</i>	<i>-900</i>	<i>-4</i>	<i>-316</i>	<i>-496</i>
<i>Opening cash balance</i>	<i>2,172</i>	<i>2,869</i>	<i>2,869</i>	<i>2,035</i>	<i>2,690</i>	<i>2,690</i>
NET INCREASE IN CASH HELD	840	143	-675	340	-314	180
<i>Closing cash balance</i>	<i>3,012</i>	<i>3,012</i>	<i>2,194</i>	<i>2,375</i>	<i>2,375</i>	<i>2,869</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	<i>635</i>	<i>704</i>	<i>736</i>	<i>530</i>	<i>229</i>	<i>859</i>
<i>less finance leases and similar arrangements</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Surplus	635	704	736	530	229	859

(a) Estimate published in the 2005-06 *Government Mid-year Financial Projections Statement*, released 21 December 2005.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005.

Note: Columns may not add due to rounding.

Table 1.4

GENERAL GOVERNMENT
Taxation Revenue

	2005-06			2004-05		
	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Annual Estimate ^(a) \$m	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Actual ^(b) \$m
TAXATION						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	328	659	1,326	313	624	1,211
Property taxes						
<i>Land tax</i>	43	310	320	22	306	315
Conveyances and transfers	559	901	1,480	348	625	1,218
Mortgages	44	82	156	37	67	140
Other stamp duties	7	17	36	7	20	36
<i>Total stamp duties on financial and capital transactions</i>	610	999	1,672	393	712	1,394
Debits Tax	-	8	8	23	48	100
<i>Total financial institutions taxes</i>	-	8	8	23	48	100
Metropolitan Region						
Improvement Tax	17	53	54	10	47	47
Emergency Services Levy	22	102	129	54	104	119
Loan guarantee fees	4	7	12	3	5	10
<i>Total other property taxes</i>	43	163	195	67	156	176
Taxes on provision of goods and services						
Lotteries Commission	26	50	101	24	48	98
less rebates	-5	-11	-22	-5	-10	-21
Video lottery terminals	-	-	1	-	-	-
Casino Tax	16	30	52	12	24	52
less rebates	-9	-15	-28	-6	-13	-28
TAB betting tax	17	32	62	15	29	59
less rebates	-8	-14	-27	-6	-11	-25
<i>Total taxes on gambling</i>	37	73	138	34	66	134
Stamp duty on insurance policies	69	155	293	64	146	280
Other	3	20	22	2	17	19
<i>Total taxes on insurance</i>	72	175	314	66	163	299
Taxes on use of goods and performance of activities						
Stamp duty on vehicle licences	85	167	326	75	134	303
Permits - oversize vehicles and loads	1	1	3	1	1	3
Motor vehicle recording fee	7	15	30	11	22	37
Motor vehicle registrations	86	177	338	81	152	341
<i>Total motor vehicle taxes</i>	178	360	697	166	309	684
Total Taxation	1,312	2,747	4,669	1,084	2,383	4,314

(a) Estimate published in the 2005-06 *Government Mid-year Financial Projections Statement*, released 21 December 2005.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005.

Note: Columns may not add due to rounding.

Table 1.5

TOTAL PUBLIC SECTOR Operating Statement

	2005-06			2004-05		
	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Annual Estimate ^(a) \$m	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Actual ^(b) \$m
REVENUE						
Taxation	1,253	2,643	4,489	1,031	2,287	4,139
Current grants and subsidies	1,821	3,444	6,792	1,705	3,137	6,468
Capital grants	88	143	380	97	183	347
Sales of goods and services	1,882	3,671	6,689	1,739	3,358	6,802
Interest income	134	282	494	163	308	592
Royalty income	273	546	1,243	185	364	841
Other	176	338	541	113	299	618
<i>Total</i>	<i>5,627</i>	<i>11,067</i>	<i>20,626</i>	<i>5,033</i>	<i>9,936</i>	<i>19,807</i>
EXPENSES						
Gross operating expenses						
Salaries	1,540	3,036	6,086	1,414	2,810	5,760
Depreciation and amortisation	304	603	1,279	290	580	1,264
Superannuation	147	291	598	123	270	569
Services and contracts ^(c)	486	870	2,021	425	793	1,700
Other gross operating expenses	1,524	2,755	5,244	1,337	2,456	5,136
Nominal superannuation interest	78	152	304	72	144	294
Other interest	187	378	850	209	432	856
Other property expenses	-	-	-	-	-	-
Current transfers	583	1,264	2,508	526	1,103	2,198
Capital transfers	72	139	321	64	192	340
<i>Total</i>	<i>4,921</i>	<i>9,489</i>	<i>19,211</i>	<i>4,460</i>	<i>8,779</i>	<i>18,117</i>
NET OPERATING BALANCE	706	1,578	1,415	572	1,157	1,690
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Purchase of non-financial assets	836	1,561	4,028	660	1,301	2,883
Sales of non-financial assets	-166	-323	-696	-127	-346	-686
<i>less</i> depreciation	304	603	1,279	290	580	1,264
<i>plus</i> change in inventories	162	224	-9	-38	89	56
<i>plus</i> other movements in non-financial assets	-1	-3	56	-1	56	55
<i>Total</i>	<i>527</i>	<i>856</i>	<i>2,100</i>	<i>203</i>	<i>520</i>	<i>1,044</i>
NET LENDING/BORROWING	179	722	-685	369	637	646
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	706	1,578	1,415	572	1,157	1,690
<i>less</i> provisions for doubtful debts	1	-2	6	2	4	21
<i>plus</i> net gains on assets (including derivatives)	29	44	118	40	90	78
<i>plus</i> capitalised interest	2	3	-	1	2	4
<i>less</i> revaluation of superannuation liabilities	-	-	-	-	-	58
<i>plus</i> valuation changes due to AIFRS implementation ^(c)	-	-	-	-63	6	41
<i>plus</i> all other adjustments	5	-	-	-1	-30	-143
AAS OPERATING RESULT	740	1,627	1,527	547	1,221	1,591

(a) Estimate published in the 2005-06 *Government Mid-year Financial Projections Statement*, released 21 December 2005.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005.

(c) AAS data for 2004-05 has been adjusted for comparability purposes for the implementation of International Financial Reporting Standards for reporting periods from 2005-06. GFS results for 2004-05 remain unadjusted from previous quarterly reports.

Note: Columns may not add due to rounding.

TOTAL PUBLIC SECTOR
Balance Sheet at End of Period

	2005-06		2004-05	
	31 Dec \$m	Annual Estimate ^(a) \$m	31 Dec \$m	Actual ^(b) \$m
ASSETS				
<i>Financial assets</i>				
Cash and deposits	672	432	510	499
Advances paid	2,062	2,219	2,042	2,159
Investments, loans and placements	7,234	7,017	6,775	6,800
Other non-equity assets	2,356	2,070	2,019	2,039
Equity	1,036	1,047	1,006	965
<i>Total</i>	13,360	12,786	12,352	12,462
<i>Non-Financial assets</i>				
Land and fixed assets	63,462	65,880	57,027	62,266
Other non-financial assets	500	539	317	346
<i>Total</i>	63,963	66,419	57,344	62,612
TOTAL ASSETS	77,322	79,205	69,696	75,074
LIABILITIES				
Deposits held	167	160	144	158
Advances received	549	536	561	549
Borrowings	12,725	14,151	12,484	12,753
Unfunded superannuation liabilities	5,746	5,745	5,688	5,749
Other employee entitlements and provisions	1,627	1,676	1,465	1,586
Non-equity liabilities	4,332	4,567	3,976	4,087
TOTAL LIABILITIES	25,145	26,835	24,318	24,882
NET WORTH	52,177	52,371	45,378	50,192
<i>Memorandum Item: Net Debt</i>	3,473	5,179	3,861	4,001
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)				
NET WORTH	52,177	52,371	45,378	50,192
<i>plus</i> valuation changes due to AIFRS implementation ^(c)	-	-	-151	-144
<i>less</i> all other adjustments	-	-	-	88
AAS NET ASSETS	52,177	52,371	45,227	49,960

(a) Estimate published in the 2005-06 *Government Mid-year Financial Projections Statement*, released 21 December 2005.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005.

(c) AAS data for 2004-05 has been adjusted for comparability purposes for the implementation of International Financial Reporting Standards for reporting periods from 2005-06. GFS results for 2004-05 remain unadjusted from previous quarterly reports.

Note: Columns may not add due to rounding.

Table 1.7

TOTAL PUBLIC SECTOR
Cash Flow Statement

	2005-06			2004-05		
	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Annual Estimate ^(a) \$m	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Actual ^(b) \$m
RECEIPTS FROM OPERATING ACTIVITIES						
Taxes received	1,316	2,327	4,471	1,240	2,168	4,112
Receipts from sales of goods and services	1,785	3,861	6,754	1,595	3,425	6,836
Grants and subsidies received	1,908	3,581	7,171	1,799	3,317	6,786
Other receipts	731	1,587	2,873	614	1,299	2,529
<i>Total</i>	<i>5,740</i>	<i>11,356</i>	<i>21,268</i>	<i>5,247</i>	<i>10,209</i>	<i>20,263</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-3,754	-7,309	-14,089	-3,341	-6,655	-13,381
Grants and subsidies paid	-580	-1,296	-2,649	-512	-1,181	-2,362
Interest paid	-298	-337	-822	-245	-429	-870
Other payments	-370	-762	-1,323	-365	-730	-1,422
<i>Total</i>	<i>-5,001</i>	<i>-9,703</i>	<i>-18,883</i>	<i>-4,464</i>	<i>-8,996</i>	<i>-18,034</i>
Net Cash Flow from Operating Activities	739	1,652	2,385	783	1,214	2,229
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-836	-1,561	-4,028	-660	-1,301	-2,883
Sales of non-financial assets	166	323	696	127	346	686
<i>Total</i>	<i>-670</i>	<i>-1,237</i>	<i>-3,332</i>	<i>-533</i>	<i>-955</i>	<i>-2,197</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	-	-	-	-	-	-
Liquidity purposes	-68	-96	-219	-212	-279	-347
<i>Total</i>	<i>-68</i>	<i>-96</i>	<i>-219</i>	<i>-212</i>	<i>-279</i>	<i>-347</i>
Net Cash Flow from Investing Activities	-738	-1,333	-3,551	-745	-1,234	-2,544
FINANCING ACTIVITIES						
Advances received (net)	-1	-1	-13	-	-	-12
Borrowings (net)	788	-148	312	347	295	740
Deposits received (net)	1	-3	-	-	-1	-1
Distributions paid	-	-	-	-	-	-
Other financing	22	120	61	54	51	8
<i>Total</i>	<i>811</i>	<i>-33</i>	<i>359</i>	<i>401</i>	<i>345</i>	<i>735</i>
<i>Opening cash balance</i>	<i>5,820</i>	<i>6,346</i>	<i>6,346</i>	<i>5,812</i>	<i>5,927</i>	<i>5,927</i>
NET INCREASE IN CASH HELD	812	286	-806	438	324	419
<i>Closing cash balance</i>	<i>6,632</i>	<i>6,632</i>	<i>5,540</i>	<i>6,251</i>	<i>6,251</i>	<i>6,346</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid less finance leases and similar arrangements</i>	<i>69</i>	<i>415</i>	<i>-947</i>	<i>250</i>	<i>258</i>	<i>32</i>
Surplus	69	415	-947	250	258	32

(a) Estimate published in the 2005-06 *Government Mid-year Financial Projections Statement*, released 21 December 2005.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005.

Note: Columns may not add due to rounding.

APPENDIX 2

General Government Monthly Financial Results - December 2005

This appendix provides a summary of the Western Australian general government sector's finances for the month of December 2005. Care should be taken in interpreting monthly results, which can vary significantly from month to month due to various seasonal and other timing factors.

Operating Statement

The general government sector recorded an operating surplus of \$55 million for the month of December 2005, \$31 million lower than the \$86 million surplus recorded in December 2004.

Revenue in December 2005 totalled \$1,172 million, up \$10 million from the same period the prior year.

This change reflects: higher royalty income (up \$66 million, primarily as a result of increased iron ore prices); higher taxation revenue (up \$48 million, reflecting continued property market activity, and timing issues associated with the issuance of land tax assessments); lower revenue from public corporations (down \$170 million), due mainly to the change in dividend recognition policy during 2005-06 (discussed previously); and a change in interim reporting taxation calculations applied to the Water Corporation during 2005-06.

Expenses in the month of December 2005 totalled \$1,117 million, up \$41 million from December 2004. This increase primarily reflects higher salaries (up \$22 million) and current transfers (up \$18 million), driven by factors similar to those outlined earlier in this publication.

Cash Flow Statement

A \$42 million net cash inflow resulted from operating activities in the month of December 2005. Combined with net capital expenditure (i.e. investment in non-financial assets) of \$73 million, this resulted in a cash deficit of \$31 million in December 2005, compared to the \$80 million cash deficit recorded in December 2004.

Table 2.1

GENERAL GOVERNMENT Operating Statement

	2005-06			2004-05	
	Month of Nov \$m	Month of Dec \$m	Annual Estimate ^(a) \$m	Month of Dec \$m	Actual ^(b) \$m
REVENUE					
Taxation	556	373	4,669	325	4,314
Current grants and subsidies	577	464	6,792	444	6,468
Capital grants	38	35	380	26	347
Sales of goods and services	105	80	998	58	982
Interest income	13	13	146	12	142
Revenue from public corporations					
Dividends	-	-	504	68	468
Tax equivalent payments	21	14	265	116	292
Royalty income	41	160	1,243	94	841
Other	25	33	361	20	368
Total	1,377	1,172	15,357	1,162	14,222
EXPENSES					
Gross operating expenses					
Salaries	471	488	5,514	466	5,253
Depreciation and amortisation	52	42	597	44	607
Superannuation	45	46	542	44	519
Services and contracts	117	116	1,612	128	1,263
Other	175	130	1,801	131	1,730
Nominal superannuation interest	25	28	304	24	294
Other interest	11	11	143	11	155
Other property expenses	-	-	-	-	-
Current transfers	198	225	3,086	207	2,728
Capital transfers	48	29	456	22	482
Total	1,143	1,117	14,056	1,076	13,030
NET OPERATING BALANCE	234	55	1,302	86	1,192

(a) Estimate published in the 2005-06 *Government Mid-year Financial Projections Statement*, released 21 December 2005.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005.

Note: Columns may not add due to rounding.

GENERAL GOVERNMENT
Cash Flow Statement

	2005-06			2004-05	
	Month of Nov \$m	Month of Dec \$m	Annual Estimate ^(a) \$m	Month of Dec \$m	Actual ^(b) \$m
RECEIPTS FROM OPERATING ACTIVITIES					
Taxes received	482	447	4,686	368	4,328
Receipts from sales of goods and services	88	97	1,037	96	1,031
Grants and subsidies received	612	502	7,171	463	6,786
Other receipts	140	343	2,973	256	2,481
<i>Total</i>	<i>1,321</i>	<i>1,389</i>	<i>15,867</i>	<i>1,182</i>	<i>14,626</i>
PAYMENTS FOR OPERATING ACTIVITIES					
Payments for goods and services	-781	-863	-9,674	-787	-9,002
Grants and subsidies paid	-150	-396	-3,274	-319	-2,966
Interest paid	-3	-8	-144	-8	-162
Other payments	-61	-80	-824	-57	-798
<i>Total</i>	<i>-996</i>	<i>-1,346</i>	<i>-13,916</i>	<i>-1,170</i>	<i>-12,928</i>
Net Cash Flow from Operating Activities	325	42	1,951	12	1,698
INVESTMENT IN NON-FINANCIAL ASSETS					
Purchase of non-financial assets	-75	-92	-1,422	-96	-1,092
Sales of non-financial assets	14	18	207	4	253
<i>Total</i>	<i>-61</i>	<i>-73</i>	<i>-1,215</i>	<i>-92</i>	<i>-839</i>
INVESTMENT IN FINANCIAL ASSETS					
Policy purposes	-	-18	-527	-14	-122
Liquidity purposes	1	-	16	-20	-62
<i>Total</i>	<i>1</i>	<i>-18</i>	<i>-512</i>	<i>-33</i>	<i>-184</i>
Net Cash Flow from Investing Activities	-60	-91	-1,727	-125	-1,022
FINANCING ACTIVITIES					
Advances received (net)	-	-1	-	-	-
Borrowings (net)	119	150	-871	9	-395
Deposits received (net)	5	-5	-	6	-1
Distributions paid	-	-	-	-	-
Other financing	2	-2	-29	-7	-100
<i>Total</i>	<i>-112</i>	<i>142</i>	<i>-900</i>	<i>7</i>	<i>-496</i>
<i>Opening cash balance</i>	<i>2,766</i>	<i>2,919</i>	<i>2,869</i>	<i>2,481</i>	<i>2,690</i>
NET INCREASE IN CASH HELD	153	93	-675	-106	180
<i>Closing cash balance</i>	<i>2,919</i>	<i>3,012</i>	<i>2,194</i>	<i>2,375</i>	<i>2,869</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	<i>264</i>	<i>-31</i>	<i>736</i>	<i>-80</i>	<i>859</i>
<i>less finance leases and similar arrangements</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Surplus	264	-31	736	-80	859

(a) Estimate published in the 2005-06 *Government Mid-year Financial Projections Statement*, released 21 December 2005.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005.

Note: Columns may not add due to rounding.

Table 2.3

GENERAL GOVERNMENT
Taxation Revenue

	2005-06			2004-05	
	Month of Nov \$m	Month of Dec \$m	Annual Estimate ^(a) \$m	Month of Dec \$m	Actual ^(b) \$m
TAXATION					
Taxes on employers' payroll and labour force					
<i>Payroll tax</i>	108	113	1,326	106	1,211
Property taxes					
<i>Land tax</i>	15	12	320	2	315
Conveyances and transfers	293	133	1,480	92	1,218
Mortgages	14	14	156	10	140
Other stamp duties	3	2	36	2	36
<i>Total stamp duties on financial and capital transactions</i>	310	149	1,672	104	1,394
Debits Tax	-	-	8	7	100
<i>Total financial institutions taxes</i>	-	-	8	7	100
Metropolitan Region					
Improvement Tax	5	1	54	-	47
Emergency Services Levy	21	-	129	9	119
Loan guarantee fees	1	1	12	1	10
<i>Total other property taxes</i>	27	1	195	9	176
Taxes on provision of goods and services					
Lotteries Commission	8	9	101	8	98
less rebates	-1	-2	-22	-2	-21
Video lottery terminals	-	-	1	-	-
Casino Tax	5	5	52	5	52
less rebates	-3	-3	-28	-2	-28
TAB betting tax	5	7	62	6	59
less rebates	-3	-2	-27	-2	-25
<i>Total taxes on gambling</i>	10	15	138	14	134
Stamp duty on insurance policies	23	22	293	21	280
Other	2	-1	22	-1	19
<i>Total taxes on insurance</i>	25	21	314	20	299
Taxes on use of goods and performance of activities					
Stamp duty on vehicle licences	31	28	326	29	303
Permits - oversize vehicles and loads	-	-	3	-	3
Motor vehicle recording fee	2	2	30	4	37
Motor vehicle registrations	28	30	338	31	341
<i>Total motor vehicle taxes</i>	61	61	697	63	684
Total Taxation	556	373	4,669	325	4,314

(a) Estimate published in the 2005-06 *Government Mid-year Financial Projections Statement*, released 21 December 2005.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005.

Note: Columns may not add due to rounding.

Interim Consolidated Financial Statements²

Statement of Responsibility

The following Interim Consolidated Financial Statements and accompanying notes for the Government of Western Australia have been prepared by the Department of Treasury and Finance from information provided by agencies.

In our opinion, the statements are a true and fair presentation of the income statement and cash flows of the Government for the six months ended 31 December 2005 and the balance sheet of the Government as at 31 December 2005. The statements have been prepared in accordance with applicable accounting standards (AAS and AASB), including AASB 134 *Interim Financial Reporting*, UIG Interpretations, and other mandatory professional requirements.



TIMOTHY MARNEY
UNDER TREASURER



ROY PICARDO
ASSISTANT DIRECTOR
FINANCIAL REPORTING

17 February 2006

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² For comparability purposes, previously published accounting data for 2004-05 have been adjusted in this appendix to reflect the implementation of Australian equivalents to International Financial Reporting Standards.

Table 3.1

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2005

	2005-06		2004-05			
	Note	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Twelve Months to 30 June \$m
REVENUE FROM ORDINARY ACTIVITIES						
Taxation	2	1,240	2,543	1,010	2,239	4,033
Territorial revenue		441	890	334	632	1,419
Regulatory fees and fines		97	271	131	253	419
Sale of goods and services	3	1,585	3,057	1,409	2,820	5,825
Grants and subsidies	4	1,794	3,340	1,686	3,125	6,398
Interest revenue		134	282	134	249	471
Other revenue		441	872	382	808	1,575
Total revenues from ordinary activities		5,732	11,255	5,087	10,126	20,140
EXPENSES FROM ORDINARY ACTIVITIES						
Supplies and services		580	1,032	519	937	1,896
Employee benefits		1,593	3,131	1,453	2,884	5,950
Superannuation		225	443	195	414	921
Borrowing costs		185	375	208	434	863
Depreciation and amortisation		304	603	287	575	1,252
Grants and subsidies		685	1,460	612	1,349	2,736
Other expenses	5	1,419	2,584	1,266	2,312	4,930
Total expenses from ordinary activities		4,992	9,628	4,541	8,906	18,549
NET RESULT		740	1,627	547	1,221	1,591

The accompanying notes form part of these financial statements.

Table 3.2

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2005

	Note	2005-06	2004-05	
		31 Dec \$m	31 Dec \$m	30 June \$m
CURRENT ASSETS				
Cash & cash equivalents		672	511	656
Other financial assets – Investments	6	3,780	6,178	6,150
Inventories		784	552	573
Receivables	7	2,085	1,748	1,795
Other financial assets – Loans and advances	8	14	14	26
Non-current assets held for sale		11	27	21
Biological assets		35	29	34
Other assets		2,981	138	75
<i>Total current assets</i>		<i>10,362</i>	<i>9,197</i>	<i>9,330</i>
NON-CURRENT ASSETS				
Other financial assets – Investments	6	618	567	593
Inventories		798	689	722
Receivables	7	325	313	346
Intangibles		154	116	113
Other financial assets – Loans and advances	8	3,189	3,105	3,022
Land		22,813	20,531	22,733
Buildings		10,736	8,969	10,450
Infrastructure		22,791	21,446	22,661
Plant, equipment and other		5,129	4,287	4,571
Biological assets		316	315	312
Other assets		10	21	16
<i>Total non-current assets</i>		<i>66,879</i>	<i>60,359</i>	<i>65,540</i>
TOTAL ASSETS		77,241	69,556	74,871
CURRENT LIABILITIES				
Payables		772	788	696
Interest bearing liabilities	9	5,381	4,864	5,066
Provisions – Employee benefits		1,604	1,545	1,720
Other liabilities		1,260	1,307	1,391
<i>Total current liabilities</i>		<i>9,016</i>	<i>8,504</i>	<i>8,872</i>
NON-CURRENT LIABILITIES				
Interest bearing liabilities	9	8,660	8,646	8,820
Provisions – Employee benefits		5,754	5,583	5,594
Other liabilities		1,635	1,597	1,625
<i>Total non-current liabilities</i>		<i>16,049</i>	<i>15,826</i>	<i>16,038</i>
TOTAL LIABILITIES		25,064	24,330	24,911
NET ASSETS		52,177	45,227	49,960
EQUITY				
Accumulated funds		19,024	16,459	16,991
Reserves		33,090	28,736	32,923
Non-current assets held for sale		63	33	46
TOTAL EQUITY		52,177	45,227	49,960

The accompanying notes form part of these financial statements.

Table 3.3

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 December 2005

	2005-06	2004-05	
	31 Dec \$m	31 Dec \$m	30 June \$m
Balance of Equity at the start of the period	49,960	43,754	43,754
RESERVES			
Asset Revaluation Reserve			
Balance at start of the period	32,970	29,099	29,099
Net adjustment on transition to AIFRS	-	(577)	(577)
Changes in accounting policy or correction of prior period error	-	-	-
Restated balance at start of period	32,970	28,522	28,522
Gains/(losses) from asset revaluation	183	246	4,448
Balance at end of the period	33,153	28,768	32,970
Accumulated Surplus (Retained Earnings)			
Balance at start of the period	16,991	14,655	14,655
Net adjustment on transition to AIFRS	-	445	445
Change in accounting policy or correction of prior period error	106	(34)	(54)
Restated balance at start of period	17,097	15,066	15,046
Surplus/(deficit) for the period	1,627	1,221	1,591
Gain/(losses) recognised directly in equity	301	171	354
Total income for the period	1,928	1,393	1,945
Balance at end of the period	19,024	16,459	16,991
Balance of Equity at end of the period	52,177	45,227	49,960

The accompanying notes form part of these financial statements.

Table 3.4

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2005

	2005-06		2004-05			
	Note	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Twelve Months to 30 June \$m
CASH FLOWS FROM OPERATING ACTIVITIES						
<i>Receipts</i>						
Taxation		1,256	2,243	1,217	2,149	4,005
Territorial revenue		441	890	334	632	1,306
Regulatory fees and fines		136	247	116	227	418
Sale of goods and services		1,486	3,218	1,273	2,800	5,807
Grants and subsidies received		1,800	3,337	1,677	3,117	6,373
Interest received		32	79	35	77	156
GST receipts on sales		105	208	119	227	403
GST receipts from taxation authority		146	311	125	269	566
Other receipts		252	513	209	518	854
<i>Payments</i>						
Salaries, wages and other benefits		(1,612)	(3,076)	(1,461)	(2,937)	(5,831)
Superannuation paid		(222)	(434)	(199)	(412)	(830)
Borrowing cost paid		(5)	(10)	(4)	(10)	(44)
Grants and subsidies paid		(666)	(1,464)	(590)	(1,344)	(2,670)
GST payments on purchases		(246)	(483)	(251)	(460)	(902)
GST payments to taxation authority		(24)	(49)	(27)	(62)	(150)
Contract services paid		(472)	(911)	(418)	(805)	(1,583)
Other payments		(1,392)	(2,762)	(1,176)	(2,359)	(4,870)
<i>Net cash flows from operating activities</i>		<i>1,014</i>	<i>1,856</i>	<i>981</i>	<i>1,628</i>	<i>3,008</i>
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of non-current physical assets		61	127	50	93	227
Purchase of non-current physical assets		(775)	(1,446)	(617)	(1,201)	(2,678)
Proceeds from sale of investments		73	136	55	86	256
Purchase of investments		(46)	(86)	(66)	(142)	(263)
Other receipts		6	16	11	21	37
Other payments		(11)	(25)	(96)	(101)	(35)
<i>Net cash flows used in investing activities</i>		<i>(692)</i>	<i>(1,278)</i>	<i>(664)</i>	<i>(1,244)</i>	<i>(2,456)</i>
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from borrowings		-	-	-	-	1
Repayment of borrowings		-	-	-	-	(17)
Other proceeds		138	180	36	262	263
Other repayments		160	(14)	(10)	(16)	(139)
<i>Net cash flows from financing activities</i>		<i>297</i>	<i>165</i>	<i>26</i>	<i>246</i>	<i>109</i>
NET CASH FLOWS/(OUTFLOWS) FROM PUBLIC FINANCIAL CORPORATIONS	10	198	(514)	97	(305)	(247)
<i>NET INCREASE/(DECREASE) IN CASH HELD</i>		<i>817</i>	<i>229</i>	<i>210</i>	<i>324</i>	<i>414</i>
CASH ASSETS AT THE BEGINNING OF THE FINANCIAL YEAR		5,279	5,279	4,865	4,865	4,865
CASH ASSETS AT THE END OF THE FINANCIAL PERIOD		6,096	5,508	5,075	5,189	5,279

The accompanying notes form part of these financial statements.

Notes to the Condensed Consolidated Financial Statements for the Six Months Ended 31 December 2005

Statement of significant accounting policies

1 Statement of significant accounting policies

(a) Accounting standards

This general purpose financial report has been prepared in accordance with applicable accounting standards, and other authoritative pronouncements of the Australian Accounting Standards Board and the Urgent Issues Group (UIG) Interpretations.

It is intended that this interim financial report be read in conjunction with the *Government of Western Australia Consolidated Financial Statements (CFS)* for the year ended 30 June 2005. Reflecting the condensed nature of this interim report, only significant changes to accounting policies are included in this note.

The Western Australian public sector has adopted AIFRS with effect from 1 July 2005 with the date of transition being 1 July 2004.

(b) The reporting entity

The reporting entity is the *Government of Western Australia* and includes entities controlled by the Government. These entities are referred to as 'agencies' in the financial report.

The Interim Consolidated Financial Statements include the assets, liabilities, equity, revenue, expenses and the cash flows of the public sector, including those of agencies controlled by the Government.

(c) *Basis of accounting*

The Interim Consolidated Financial Statements have been prepared in accordance with AASB 134: *Interim Financial Reporting* and are covered by AASB 1: *First-time adoption of Australian Equivalents to International Financial Reporting Standards*. They have been prepared in accordance with AIFRS, AAS 31: *Financial Reporting by Government*, UIG Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Existing AASB standards that have no AIFRS equivalent will continue to apply, including in particular, AAS 31: *Financial Reporting by Governments*.

The statements have been prepared using the full accrual basis of accounting, which recognises the effects of transactions and events when they occur.

The accounting policies used to prepare these financial statements are consistent with those used in the previous year. However, those changes in accounting policies resulting from the adoption of AIFRS have been disclosed below in note 1(e), *AIFRS accounting policies*.

The interim financial statements are presented in Australian dollars and all amounts are rounded to the nearest one million dollars (\$A million).

(d) *Specific accounting policies*

The specific accounting policies of the Government of Western Australia were described in Note 1, *Statement of Significant Accounting Policies* in the CFS for the year ended 30 June 2005. The adoption of AIFRS has resulted in changes to accounting policies. The audited financial statements for 2005-06 will be published after 30 June 2006 and will include a detailed statement of significant accounting policies. A condensed disclosure note is included below outlining new accounting policies that have materially impacted on the statements presented in this interim report.

(e) *AIFRS accounting policies*

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount is to be recovered through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable and the asset is available for immediate sale in its present condition. 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.

Intangible assets

Intangible assets comprise externally acquired software for internal use. These assets are initially recognised at cost. After initial recognition, these assets are subsequently stated at cost less accumulated amortisation and any accumulated impairment losses. Software is amortised on a straight-line basis over its anticipated useful life. Development costs and acquisition costs of software not an integral part of the related hardware are recognised as an intangible asset and amortised on a straight-line basis over the software's expected useful life. Expenditure on research activities is recognised as an expense when incurred.

Biological assets (natural resources – standing trees)

Biological assets in the form of standing trees in native and plantation forests are recognised 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 forest land, 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 included in the gains or losses in the Income Statement.

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.

Provisions

Employee benefits

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.

The expected future payments are discounted using market yields on national government bonds. All annual leave and unconditional long service leave provisions are classified as current liabilities.

Employee on-costs

Employee 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. Employee 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

Where the public sector has a liability in respect of plant decommissioning, restoration and site rehabilitation works, a provision is recognised where a future sacrifice of economic benefits is probable and can be reliably estimated. Subject to materiality, estimates are based on the present value of expected expenditure required to settle the present obligation.

Superannuation

The Government Employees Superannuation Board, in accordance with legislative requirements, administers the following plans:

1. Defined Benefit Plans:

- Pension Scheme;
- Judges' Pension Scheme;
- Parliamentary Superannuation Scheme; and
- Gold State Superannuation Scheme.

2. Defined Contribution Plan:

- West State Superannuation Scheme.

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 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 Government's general assets.

The expected future payments are discounted using market yields at the reporting date on national government bonds. Actuarial gains and loss movements are recognised in the Income Statement.

December 2005-06 and recast comparative data for 2004-05 remain unchanged and are subsequently reflective of the reporting requirements under Australian Generally Accepted Accounting Principles (AGAAP). The CFS for the year ended 30 June 2005, Note 1, *Statement of Significant Accounting Policies - Superannuation* describes this policy. Sufficient information is not yet available to account for the defined benefit plans. At the time of preparing this report, actuarial valuation of defined benefits superannuation liabilities on an AIFRS basis for whole-of-government purposes is proceeding, in accordance with AASB 119: *Employee Benefits*.

Financial instruments

In accordance with the options provided by AASB 1.36A: *First-time adoption of Australian Equivalents to International Financial Reporting Standards*, financial instrument information prepared under AASB 132: *Financial Instruments: Disclosure and Presentation*, AASB 139: *Financial Instruments Recognition and Measurement*, and insurance contract information prepared under AASB 1023: *General Insurance Contracts* will transition on 1 July 2005 and consequently comparative information is presented on the previous AGAAP basis.

(f) *Unaudited data*

These Interim Consolidated Financial Statements are not subject to audit.

(g) *Comparative figures*

Figures for reporting periods in 2004-05 are restated to AIFRS (unaudited) for comparability with the AIFRS figures presented in the current financial year.

Where applicable, AIFRS restated comparative figures as at 30 June 2005 have been updated to reflect changes to agency data as a result of the progressive completion of agencies' audit review stage. Subsequently, 30 June 2005 figures as published in this report may differ to those reported in the September 2005 QFRR (Appendix 3), reflecting the progress made on the AIFRS project.

NOTE 2. TAXATION REVENUE

	2005-06		2004-05		
	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Twelve Months to 30 June \$m
Stamp duty	767	1,327	531	992	1,976
Payroll tax	317	636	303	605	1,175
Motor vehicle's and drivers' licences	96	198	88	166	380
Financial transactions taxes	-	8	22	47	100
Gambling taxes and licences	16	30	44	89	52
Land tax	28	290	9	288	297
Other taxes and licences	16	53	12	51	53
Total	1,240	2,543	1,010	2,239	4,033

NOTE 3. SALE OF GOODS AND SERVICES

	2005-06		2004-05		
	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Twelve Months to 30 June \$m
Revenue from sale of goods	846	1,627	729	1,506	3,146
Revenue from the provision of services	739	1,430	680	1,314	2,679
Total	1,585	3,057	1,409	2,820	5,825

NOTE 4. GRANTS AND SUBSIDIES

	2005-06		2004-05		
	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Twelve Months to 30 June \$m
Commonwealth grants	1,761	3,284	1,671	3,089	6,315
Other grants and subsidies	33	56	15	36	83
Total	1,794	3,340	1,686	3,125	6,398

NOTE 5. OTHER EXPENSES

	2005-06		2004-05		
	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Twelve Months to 30 June \$m
Betting dividend payouts	290	555	171	407	1,000
Health sector specific expenses	198	362	167	327	681
Education sector specific expenses	63	145	71	153	295
Insurance claims expenses	117	200	100	192	416
Contract services expense	429	785	389	722	1,536
Carrying amount of non-current assets disposed of	-	-	-1	-	-
Other	322	537	370	511	1,001
Total	1,419	2,584	1,266	2,312	4,930

NOTE 6. OTHER FINANCIAL ASSETS - INVESTMENTS

	2005-06	2004-05	
	31 Dec \$m	31 Dec \$m	30 June \$m
Unlisted/Listed shares	1,036	1,010	969
Property	221	165	219
Other investments (cash deposits and government securities)	3,140	5,570	5,555
Total	4,398	6,745	6,743

NOTE 7. RECEIVABLES

	2005-06	2004-05	
	31 Dec \$m	31 Dec \$m	30 June \$m
Gross accounts receivable	2,502	2,156	2,244
Provision for doubtful debts	-91	-95	-103
Total	2,410	2,061	2,141

NOTE 8. OTHER FINANCIAL ASSETS – LOANS AND ADVANCES

	2005-06	2004-05	
	31 Dec \$m	31 Dec \$m	30 June \$m
Homebuyers	1,794	1,668	1,773
Non government schools	230	357	222
Terminating building societies	2	5	4
Government Employees Superannuation Board	550	575	565
Others	626	515	484
Total	3,203	3,119	3,048

NOTE 9. INTEREST BEARING LIABILITIES

	2005-06		2004-05	
	31 Dec \$m		31 Dec \$m	30 June \$m
Bank overdrafts	88		71	2
Finance leases	83		72	91
Liability to the Commonwealth Government	549		561	549
Commercial paper and medium term notes	-		-	-
Domestic and foreign borrowings	13,320		12,397	12,869
<i>Borrowings at face value</i>	<i>14,041</i>		<i>13,101</i>	<i>13,511</i>
Unamortised net discounts	-		409	375
Borrowings at historic capital value	14,041		13,510	13,886

NOTE 10. STATEMENT OF CASH FLOWS OF PUBLIC FINANCIAL CORPORATIONS

	2005-06		2004-05		
	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Three Months to 31 Dec \$m	Six Months to 31 Dec \$m	Twelve Months to 30 June \$m
Cash flows from operating activities					
Interest received	92	225	82	200	345
Premiums received	95	201	91	185	379
GST received on sales	9	32	9	31	50
GST received from taxation authority	8	16	8	18	31
Other receipts	7	63	31	44	91
Salaries, wages and other benefits paid	(5)	(10)	(5)	(11)	(20)
Superannuation paid	(1)	(1)	-	(1)	(2)
Borrowing costs	(293)	(327)	(241)	(420)	(826)
Claims paid	(97)	(208)	(85)	(180)	(377)
GST paid on purchases	(8)	(17)	(6)	(18)	(30)
GST paid to taxation authority	(10)	(33)	(9)	(31)	(50)
Other payments	(31)	(71)	(51)	(82)	(119)
Net cash flows used in operating activities	(233)	(129)	(175)	(263)	(527)
Cash flows from investing activities					
Purchase of non-current physical assets	-	(1)	(1)	(1)	(3)
Proceeds from investments	521	821	597	1,368	1,936
Purchase of investments	(614)	(977)	(693)	(1,489)	(2,234)
Net cash flows used in investing activities	(94)	(158)	(96)	(122)	(301)
Cash flows from financing activities					
Proceeds from borrowings	2,487	3,255	5,236	10,938	21,083
Repayments of borrowings	(1,963)	(3,483)	(4,868)	(10,858)	(20,502)
Net cash flows from financing activities	524	(228)	368	80	581
Net cash flows from public financial corporations	198	(514)	97	(305)	(247)

In accordance with AAS31, the net cash flows of the public financial corporations 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 corporations sectors.

NOTE 11. DETAILS OF AGENCIES CONSOLIDATED

The agencies included in these financial statements were detailed in Note 36, Composition of Sectors in the *Consolidated Financial Statements of the Government of Western Australia* for the year ended 30 June 2005. Changes since that date are:

- The Office of Shared Services has been established with effect from 1 July 2005.
 - The Western Australian Egg Marketing Board ceased operations on 2 July 2005.
 - The Recreation Camps and Reserves Board has been dissolved and its operations have been transferred to the Department of Sport and Recreation effective from 1 July 2005.
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NOTE 12. CONTINGENT LIABILITIES

There have been no changes in contingent liabilities since the issue of the *Government of Western Australia Consolidated Financial Statements* for the year ended 30 June 2005.

APPENDIX 4

Australian equivalents to International Financial Reporting Standards

Australian equivalents to International Financial Reporting Standards (AIFRS) were implemented in the 2005-06 Budget.

For GFS purposes, the headline general government net operating balance and other operating statement aggregates, other than dividends from public corporations which are recognised differently under AIFRS³, are largely unaffected by the AIFRS changes. Interested readers should see 2005-06 Budget Paper Number No. 3: *Economic and Fiscal Outlook*, Appendix 9: *Implementation of Australian equivalents to International Financial Reporting Standards (AIFRS)* for further information.

In line with the budget presentation, GFS data for 2004-05 presented in this quarterly publication remain consistent with Australian Generally Accepted Accounting Principles data collected from State agencies and published during that year.

Australian Accounting Standards (AAS) data for 2004-05 (included at Appendix 3) has been restated on an AIFRS basis. In this regard, it should be noted that agencies' AIFRS data for the twelve months ended 30 June 2005 are still being finalised. Accordingly, the AAS 2004-05 full-year comparative data included in this QFRR may vary from the comparative data shown in the September 2005 QFRR.

³ Dividend recognition under AIFRS is directly impacted by implementation of the new standards. Under AIFRS, dividends are accrued in line with their date of declaration. For 2005-06 and beyond, the major declarations occur just after the end of the previous financial year when final dividends are determined, and around January, when interim dividends for some of the State's larger public corporations are declared (e.g. Western Power). For monthly and quarterly reporting in previous years, dividends were shown to accrue uniformly through the year, with final dividend adjustments reflected in year end publications.