



2006-07

QUARTERLY FINANCIAL
RESULTS REPORT

DECEMBER 2006

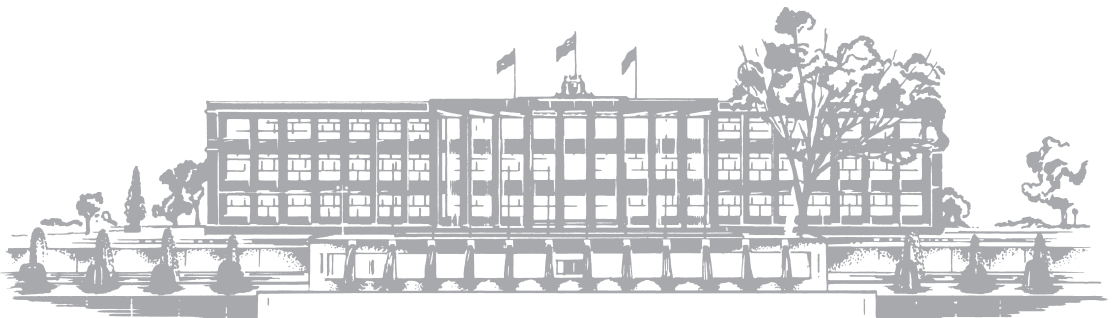




2006-07

QUARTERLY FINANCIAL
RESULTS REPORT

DECEMBER 2006



2006–07 Quarterly Financial Results Report
© Government of Western Australia 2007

For further information or enquiries related to this report, please contact one of the following officers:

Chris Wright	Acting Director Fiscal Strategy	(08) 9222 9826
Roy Picardo	Assistant Director State Financial Reporting	(08) 9222 9327

Facsimile (08) 9481 0807

An electronic copy of this report may be obtained at <http://www.dtf.wa.gov.au>
ISSN 1444-9110 (print)
ISSN 1447-9370 (on-line)

2006-07

**QUARTERLY FINANCIAL RESULTS REPORT
Six Months Ended 31 December 2006**

TABLE OF CONTENTS

FOREWORD	1
OVERVIEW	3
Summary	3
General Government Sector.....	4
Total Public Sector.....	10
APPENDIX 1: GOVERNMENT FINANCE STATISTICS.....	13
APPENDIX 2: GENERAL GOVERNMENT MONTHLY FINANCIAL RESULTS - DECEMBER 2006	21
APPENDIX 3: INTERIM CONSOLIDATED FINANCIAL STATEMENTS.....	26
APPENDIX 4: TREASURER'S ACCOUNTS	37

Foreword

This *Quarterly Financial Results Report* (QFRR) provides the Western Australian public sector's financial results for the six months to 31 December 2006.

Care should be exercised in extrapolating the likely outcome for the 2006-07 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 usually 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', making comparisons between monthly and quarterly reporting periods difficult.

The focus of the State budget is the Government Finance Statistics (GFS) net 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*, and whole-of-government statements in accordance with AAS 31: *Financial Reporting by Governments*. Information presented in this QFRR is not audited.

The 2005-06 annual results appearing in this document are consistent with the audited *Annual Report on State Finances* for the year ended 30 June 2006 (released on 27 September 2006), while the annual GFS estimates for 2006-07 are consistent with those published in the 2006-07 *Government Mid-year Financial Projections Statement* (mid-year review), released 21 December 2006.

Appendix 4: *Treasurer's Accounts* includes summary information on the Consolidated Fund, Trust Fund, Treasurer's Advance and Public Bank Account investments¹.

¹ The *Financial Management Act 2006* (FMA) replaced the *Financial Administration and Audit Act 1985* from 1 February 2007. This is the last quarterly statement that will report the Treasurer's Accounts in the format shown in Appendix 4. The March 2007 QFRR will report the Treasurer's Accounts (now referred to as the Public Ledger) in the format supported by the FMA.

CHAPTER 1

Overview

Summary

The Western Australian public sector continued to record strong financial results in the second quarter of 2006-07, with operating surpluses recorded by all sectors of government during the six months to 31 December 2006.

While the rate of growth in general government sector revenue has eased somewhat from the record growth achieved in 2005-06, revenue growth remains strong, with growth in wages, employment, house prices and commodity prices continuing to underpin taxation and royalty revenue.

The State's balance sheet remains in a strong position with total public sector net worth increasing by \$2.7 billion over the first six months of 2006-07 to stand at almost \$61 billion at 31 December 2006, reflecting continued operating surplus outcomes.

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 \$1,162 million operating surplus for the six months to 31 December 2006, \$119 million higher than the surplus for the same period in 2005-06.

Revenue

Revenue in the six months to 31 December 2006 totalled \$8,533 million. This represents 49.7% of the full-year mid-year review estimate for 2006-07, and is \$635 million (or 8.0%) higher than the same period the previous year.

The increase in revenue for the first half of 2006-07 (relative to the first half of 2005-06) primarily reflects:

- higher taxation (up \$234 million), mainly due to:
 - higher payroll tax (up \$138 million), reflecting continued wages and employment growth across the economy and particularly in the mining and related sectors;
 - higher conveyance duty revenue (up \$108 million), due to the effects of sustained property market activity and stronger prices over the last year;
 - higher motor vehicle taxes (up \$40 million), reflecting continued high levels of vehicle sales and registrations;
 - lower mortgage stamp duty (down \$20 million), due to rate reductions implemented from 1 July 2006; and
 - lower receipts from the workers' compensation levy (down \$10 million), reflecting later collections this year;

- higher Commonwealth grants (up \$165 million), mainly due to:
 - higher specific purpose grants, including increased funding for health (up \$40 million), education (up \$25 million), agriculture (up \$22 million), non-government schools (up \$21 million) and housing (up \$16 million);
 - higher North West Shelf petroleum royalties (up \$34 million), due largely to higher international oil prices in 2006-07; and
 - lower competition reform payments (down \$43 million), following the Commonwealth's abolition of National Competition Policy payments at the end of 2005-06;
- higher royalty income (up \$146 million), reflecting higher commodity prices and production volumes, particularly for iron ore and nickel;
- higher sales of goods and services (up \$72 million), due to increases in the volume and demand for goods and services provided across the sector;
- lower revenue from public corporations (down \$57 million), primarily due to the timing of dividend declarations by Western Power in 2005-06; and
- higher interest revenue (up \$41 million), reflecting higher cash holdings and increased interest rates over the past year.

Whilst still strong, the rate of growth in revenue in the first half of 2006-07 (8.0%) has slowed from the record growth achieved in 2005-06 (14.0%). To a large extent, this reflects the Western Australian property market coming off its recent peak, with monthly conveyance duty revenue in the first half of 2006-07 averaging \$168 million, compared to average monthly collections of \$181 million in the last quarter of 2005-06 (including peak collections of \$209 million in May 2006).

Expenses

Expenses in the six months to 31 December 2006 totalled \$7,371 million, \$515 million (or 7.5%) higher than the same period the previous year. This represents 47.8% of the full year mid-year review estimate for 2006-07. The increase reflects:

- higher salaries (up \$241 million), mainly due to:
 - higher pay rates for general public servants;
 - increases in employee numbers and pay rates in the health sector (43% of the total increase), driven by general demand, increases in hospital staff numbers in response to Mental Health and other initiatives, and pay increases; and
 - the impact of enterprise agreements and employee numbers in the education and law and order sectors (40% of the total increase), including the effect of initiatives to boost teaching staff numbers and the State's response to the Mahoney Inquiry into the justice system;
- higher current and capital transfers (up \$173 million), mainly due to:
 - higher appropriation funding to the Public Transport Authority for higher rail and bus service costs as part of the Metropolitan and Regional Passenger Services; and
 - the on-passing of higher specific purpose grants from the Commonwealth and a range of small grants across a number of agencies (including some grant payments carried over from 2005-06);
- higher services and contract expenses (up \$113 million), reflecting the timing of roadwork expenditure and higher recurrent construction and maintenance expenditure for the education and health sectors;
- lower 'other' gross operating expenses (down \$50 million), mainly due to changes in the timing of purchases by general government agencies; and
- higher superannuation costs (up \$28 million), reflecting the higher salaries outcomes discussed above.

The rate of growth in expenses in the first half of 2006-07 (7.5%) compares to estimated full-year expense growth of 10.6% (as published in the mid-year review). Also, as noted earlier, expenses in the six months to 31 December 2006 represent 47.8% of the annual estimate. By way of comparison, expenses in the six months to 31 December 2005 represented 49.2% of actual full-year expenses for 2005-06.

While it is normal for expenses to accelerate in the second half of the financial year, the above suggests that full-year expenses for 2006-07 may not be as high as forecast in the mid-year review.

Table 1

SUMMARY OF GENERAL GOVERNMENT FINANCES
SIX MONTHS TO 31 DECEMBER 2006
 Western Australia

	2006-07			2005-06		
	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	867	1,162	1,739	525	1,043	2,265
Net worth		60,641	61,535		52,265	57,941
Increase in cash balances	197	-815	-748	840	143	1,587
<i>Memorandum items</i>						
Net lending	683	852	749	463	986	1,846
Net debt		-1,936	-1,901		-1,240	-2,737
Cash surplus	262	375	832	635	704	2,301

(a) Estimate published in the 2006-07 *Government Mid-year Financial Projections Statement*, released 21 December 2006.

(b) Consistent with final audited data contained in the 2005-06 *Annual Report on State Finances*, released 27 September 2006.

Balance Sheet

The net worth of the general government sector increased by \$2.7 billion in the six months to 31 December 2006 to stand at \$60.6 billion.

This increase is primarily attributable to:

- increases in the value of the sector's equity holdings in public corporations (up \$2.3 billion), largely due to:
 - the repayment of New MetroRail borrowings held by the Public Transport Authority²; and
 - the impact of revaluations during the September quarter on Housing Authority assets following amalgamation of the State Housing Commission and the Government Employees Housing Authority;
- higher land and fixed asset holdings (up \$751 million), reflecting construction activity as part of the State's record Capital Works Program, particularly in the health and education sectors;
- higher 'other' non-equity assets (up \$346 million), primarily due to an increase in accounts receivable for State taxes³ and the Public Transport Authority's Capital User Charge (CUC); and
- lower investments, loans and placements (down \$755 million), due largely to the transfer of Consolidated Fund cash for the New MetroRail project, outlined above.

The Government also repaid \$49 million of remaining Consolidated Fund debt in September 2006, leaving the Fund debt-free for the first time.

At 31 December 2006, the general government sector was in a negative net debt (i.e. net asset) position of \$1.9 billion.

² Surplus Consolidated Fund cash from 2005-06 was appropriated for the full non-debt funding of the New MetroRail project as part of the 2006-07 Budget. Around \$913 million was used to repay existing borrowings in September 2006.

³ Land tax receivables increased significantly following the later issuance of land tax and Metropolitan Region Improvement Tax assessments this year.

Cash Flow

A cash surplus of \$375 million was recorded for the first six months of 2006-07 (compared with a \$704 million cash surplus in the same period the previous year). This reflects a net cash inflow from operating activities of \$986 million for the six months ended 31 December 2006 (down \$55 million on the same period a year earlier), combined with a net cash outflow for capital investment (i.e. investment in non-financial assets) of \$610 million (up \$273 million on net fixed asset spending in the first half of 2005-06).

The increase in fixed asset spending mainly reflects:

- an additional \$111 million on building and upgrade work in schools and TAFE colleges; and
- an extra \$102 million on construction activity by Main Roads, including Auslink and other road projects such as the Karratha-Tom Price Highway, the Dunham river bridge and works on the Eyre Highway.

Total Public Sector

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

Operating Statement

An operating surplus of \$1,650 million was recorded by the total public sector for the first six months of 2006-07, comparable to the \$1,578 million surplus recorded for the same period the previous year.

The public non-financial corporations sector recorded an operating surplus of \$295 million for the six months ended 31 December 2006, up \$61 million on the surplus for the same period the previous year. This primarily reflects higher appropriation revenue for the Public Transport Authority compared to the first six months of 2005-06.

The public financial corporations sector recorded an operating surplus of \$201 million for the first half of 2006-07, down from the \$301 million operating surplus recorded for the same period the previous year. The lower outcome is largely due to higher insurance claims expenses for the Insurance Commission of Western Australia, and lower interest revenue by the Western Australian Treasury Corporation (due mainly to the impact of lower borrowings on-lent to client agencies and the Consolidated Fund, and the repayment of New MetroRail debt discussed earlier).

Table 2

**SUMMARY OF TOTAL PUBLIC SECTOR FINANCES
SIX MONTHS TO 31 DECEMBER 2006**

Western Australia

	2006-07			2005-06		
	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	1,085	1,650	1,829	706	1,578	2,610
Net worth		60,641	61,543		52,265	57,941
Increase in cash balances	111	347	-747	812	286	735
<i>Memorandum items</i>						
Net lending	635	905	-271	179	722	636
Net debt		3,066	4,152		3,385	3,179
Cash surplus	-83	110	-451	69	415	1,064

(a) Estimate published in the 2006-07 *Government Mid-year Financial Projections Statement*, released 21 December 2006.

(b) Consistent with final audited data contained in the 2005-06 *Annual Report on State Finances*, released 27 September 2006.

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. Thus, total public sector net worth is identical to that of the general government sector (discussed earlier).

Total public sector net debt levels were slightly lower relative to 30 June 2006, standing at \$3.1 billion at 31 December 2006. This continues the low level of net debt recorded at the end of 2005-06, and reflects the strong operating surplus outcomes across all sectors of government, and particularly the general government sector.

Cash Flow

A cash surplus of \$110 million was recorded for the six months ended 31 December 2006 (compared with a \$415 million surplus for the same period in 2005-06). Higher fixed asset spending in the first six months of 2006-07 was the key factor in this change, with net capital investment up a significant \$345 million (or 27.9%) on the first six months of 2005-06. This increase primarily reflects:

- the higher fixed asset spending for the general government sector noted above (up \$273 million);
- spending on electricity-related projects (up a total of \$156 million) particularly those associated with improving the safety and reliability of the South West Interconnected System, and for network infrastructure development;
- lower spending on the New MetroRail project in the first six months of 2006-07, as this project moves toward completion, with total PTA capital works project spending down \$49 million; and
- higher volumes of land and other fixed asset sales (particularly by the Western Australian Land Authority and the Housing Authority).

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.

Contents	Page
General Government	
Table 1.1: Operating Statement.....	14
Table 1.2: Balance Sheet at End of Period.....	15
Table 1.3: Cash Flow Statement.....	16
Table 1.4: Taxation Revenue.....	17
Total Public Sector	
Table 1.5: Operating Statement.....	18
Table 1.6: Balance Sheet at End of Period.....	19
Table 1.7: Cash Flow Statement.....	20

Table 1.1

GENERAL GOVERNMENT
Operating Statement

	2006-07			2005-06		
	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	1,596	2,981	5,506	1,312	2,747	5,195
Current grants and subsidies	1,845	3,551	7,125	1,821	3,444	6,890
Capital grants	108	201	430	88	143	375
Sales of goods and services	270	590	1,131	272	518	1,115
Interest income	52	115	205	37	74	170
Revenue from public corporations						
Dividends	20	44	468	-	90	534
Tax equivalent payments	68	152	346	55	163	304
Royalty income	351	692	1,542	273	546	1,184
Other	105	206	403	86	174	440
Total	4,417	8,533	17,155	3,944	7,898	16,207
EXPENSES						
Gross operating expenses						
Salaries	1,527	3,009	6,044	1,405	2,768	5,694
Depreciation and amortisation	154	303	649	141	284	591
Superannuation	149	293	589	134	265	557
Services and contracts	398	749	1,839	357	636	1,367
Other gross operating expenses	322	892	1,953	454	942	1,876
Nominal superannuation interest	76	153	275	78	152	242
Other interest	25	55	116	28	64	120
Other property expenses	-	-	-	-	-	-
Current transfers	792	1,718	3,403	719	1,553	3,007
Capital transfers	107	200	547	103	192	487
Total	3,550	7,371	15,416	3,419	6,856	13,942
NET OPERATING BALANCE	867	1,162	1,739	525	1,043	2,265
NET ACQUISITION OF						
NON-FINANCIAL ASSETS						
Purchase of non-financial assets	387	702	1,848	250	444	1,161
Sales of non-financial assets	-50	-92	-215	-48	-106	-203
less depreciation	154	303	649	141	284	591
plus change in inventories	1	2	-	-	2	-
plus other movements in non-financial assets	-	-	6	-	-	51
Total	184	310	990	62	56	419
NET LENDING/BORROWING	683	852	749	463	986	1,846
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	867	1,162	1,739	525	1,043	2,265
less provisions for doubtful debts	-	-	1	-	-	18
plus net gains on assets (including derivatives)	26	36	107	11	23	6
plus capitalised interest	-	-	-	-	-	-
less revaluation of superannuation liabilities	-	-	36	-	-	-335
plus all other adjustments	-7	-8	-34	3	-2	328
AAS OPERATING RESULT	886	1,189	1,775	539	1,063	2,916

(a) Estimate published in the 2006-07 *Government Mid-year Financial Projections Statement*, released 21 December 2006.(b) Consistent with final audited data contained in the 2005-06 *Annual Report on State Finances*, released 27 September 2006.

Note: Columns may not add due to rounding.

Table 1.2

GENERAL GOVERNMENT
Balance Sheet at End of Period

	2006-07		2005-06	
	31 Dec \$m	Annual Estimate ^(a) \$m	31 Dec \$m	Actual ^(b) \$m
ASSETS				
<i>Financial assets</i>				
Cash and deposits	398	376	527	378
Advances paid	907	721	905	910
Investments, loans and placements	2,625	2,522	1,869	3,380
Other non-equity assets	1,463	1,154	1,178	1,117
Equity	24,218	24,393	21,348	21,870
<i>Total</i>	<i>29,611</i>	<i>29,166</i>	<i>25,828</i>	<i>27,655</i>
<i>Non-Financial assets</i>				
Land and fixed assets	40,938	42,102	35,982	40,187
Other non-financial assets	208	278	172	211
<i>Total</i>	<i>41,146</i>	<i>42,379</i>	<i>36,155</i>	<i>40,398</i>
TOTAL ASSETS	70,758	71,545	61,982	68,053
LIABILITIES				
Deposits held	450	262	384	369
Advances received	536	523	549	536
Borrowings	1,008	932	1,129	1,026
Unfunded superannuation liabilities	5,471	5,456	5,634	5,459
Other employee entitlements and provisions	1,533	1,622	1,424	1,551
Non-equity liabilities	1,118	1,214	598	1,171
TOTAL LIABILITIES	10,117	10,010	9,717	10,112
NET WORTH	60,641	61,535	52,265	57,941
<i>Memorandum Item: Net Debt</i>	<i>-1,936</i>	<i>-1,901</i>	<i>-1,240</i>	<i>-2,737</i>
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)				
NET WORTH	60,641	61,535	52,265	57,941
<i>less equity (net worth) of PNFC and PFC sectors</i>	<i>21,938</i>	<i>21,808</i>	<i>20,370</i>	<i>20,830</i>
<i>less provision for doubtful debts</i>	<i>-</i>	<i>1</i>	<i>-</i>	<i>18</i>
<i>less all other adjustments</i>	<i>-226</i>	<i>-296</i>	<i>88</i>	<i>-235</i>
AAS NET ASSETS	38,928	40,022	31,807	37,328

(a) Estimate published in the 2006-07 *Government Mid-year Financial Projections Statement*, released 21 December 2006.

(b) Consistent with final audited data contained in the 2005-06 *Annual Report on State Finances*, released 27 September 2006.

Note: Columns may not add due to rounding.

Table 1.3

GENERAL GOVERNMENT
Cash Flow Statement

	2006-07			2005-06		
	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	1,351	2,668	5,536	1,364	2,401	5,119
Receipts from sales of goods and services	300	636	1,152	281	580	1,194
Grants and subsidies received	1,953	3,744	7,517	1,908	3,581	7,583
Other receipts	790	1,491	3,462	778	1,407	3,094
<i>Total</i>	<i>4,394</i>	<i>8,540</i>	<i>17,667</i>	<i>4,331</i>	<i>7,969</i>	<i>16,990</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-2,620	-5,249	-10,655	-2,449	-4,838	-9,538
Grants and subsidies paid	-924	-1,777	-3,619	-810	-1,600	-3,207
Interest paid	-25	-51	-113	-24	-57	-122
Other payments	-225	-477	-815	-210	-433	-864
<i>Total</i>	<i>-3,795</i>	<i>-7,554</i>	<i>-15,203</i>	<i>-3,493</i>	<i>-6,928</i>	<i>-13,730</i>
Net Cash Flow from Operating Activities	599	986	2,465	838	1,041	3,260
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-387	-702	-1,848	-250	-444	-1,161
Sales of non-financial assets	50	92	215	48	106	203
<i>Total</i>	<i>-337</i>	<i>-610</i>	<i>-1,633</i>	<i>-203</i>	<i>-337</i>	<i>-958</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	-122	-1,236	-1,410	-53	-432	-488
Liquidity purposes	27	28	-	2	39	74
<i>Total</i>	<i>-94</i>	<i>-1,208</i>	<i>-1,410</i>	<i>-51</i>	<i>-393</i>	<i>-415</i>
Net Cash Flow from Investing Activities	-432	-1,818	-3,043	-253	-730	-1,373
FINANCING ACTIVITIES						
Advances received (net)	-	-4	-	-1	-1	-1
Borrowings (net)	23	-13	-90	250	-172	-286
Deposits received (net)	-	-4	-	1	-3	-
Distributions paid	-	-	-	-	-	-
Other financing	6	39	-81	5	8	-12
<i>Total</i>	<i>30</i>	<i>18</i>	<i>-170</i>	<i>256</i>	<i>-168</i>	<i>-300</i>
<i>Opening cash balance</i>	<i>3,450</i>	<i>4,462</i>	<i>4,462</i>	<i>2,178</i>	<i>2,875</i>	<i>2,875</i>
NET INCREASE IN CASH HELD	197	-815	-748	840	143	1,587
<i>Closing cash balance</i>	<i>3,647</i>	<i>3,647</i>	<i>3,713</i>	<i>3,018</i>	<i>3,018</i>	<i>4,462</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid less finance leases and similar arrangements</i>						
	262	375	832	635	704	2,301
Surplus	262	375	832	635	704	2,301

(a) Estimate published in the 2006-07 Government Mid-year Financial Projections Statement, released 21 December 2006.

(b) Consistent with final audited data contained in the 2005-06 Annual Report on State Finances, released 27 September 2006.

Note: Columns may not add due to rounding.

Table 1.4

GENERAL GOVERNMENT
Taxation Revenue

	2006-07			2005-06		
	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>	398	797	1,635	328	659	1,355
Property taxes						
<i>Land tax</i>	302	302	391	43	310	313
Conveyances and transfers	469	1,009	1,838	559	901	1,906
Mortgages	26	62	108	44	82	173
Other stamp duties	8	18	22	7	17	33
<i>Total stamp duties on financial and capital transactions</i>	503	1,089	1,967	610	999	2,113
Debits Tax	-	-	-	-	8	8
<i>Total financial institutions taxes</i>	-	-	-	-	8	8
Metropolitan Region						
Improvement Tax	38	38	71	17	53	53
Emergency Services Levy	30	99	139	22	102	130
Loan guarantee fees	3	6	14	4	7	13
<i>Total other property taxes</i>	71	143	224	43	163	197
Taxes on provision of goods and services						
Lotteries Commission	27	53	106	26	50	102
less rebates	-6	-12	-23	-5	-11	-22
Video lottery terminals	-	-	1	-	-	-
Casino Tax	19	34	65	16	30	59
less rebates	-8	-17	-34	-9	-15	-30
TAB betting tax	20	36	66	17	32	64
less rebates	-8	-15	-28	-8	-14	-27
<i>Total taxes on gambling</i>	45	80	152	37	73	146
Stamp duty on insurance policies	69	157	317	69	155	296
Other	9	14	23	3	20	30
<i>Total taxes on insurance</i>	78	171	340	72	175	326
Taxes on use of goods and performance of activities						
Stamp duty on vehicle licences	97	190	369	85	167	342
Permits - oversize vehicles and loads	1	1	3	1	1	3
Motor vehicle recording fee	8	15	32	7	15	30
Motor vehicle registrations	94	193	394	86	177	361
<i>Total motor vehicle taxes</i>	199	400	798	178	360	736
Total Taxation	1,596	2,981	5,506	1,312	2,747	5,195

(a) Estimate published in the 2006-07 *Government Mid-year Financial Projections Statement*, released 21 December 2006.

(b) Consistent with final audited data contained in the 2005-06 *Annual Report on State Finances*, released 27 September 2006.

Note: Columns may not add due to rounding.

Table 1.5

**TOTAL PUBLIC SECTOR
Operating Statement**

	2006-07			2005-06		
	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	1,540	2,887	5,329	1,253	2,643	5,001
Current grants and subsidies	1,845	3,551	7,125	1,821	3,444	6,890
Capital grants	108	201	430	88	143	375
Sales of goods and services	2,041	4,093	7,565	1,882	3,671	7,864
Interest income	136	303	622	134	282	527
Royalty income	351	692	1,542	273	546	1,184
Other	173	342	541	176	338	732
<i>Total</i>	<i>6,195</i>	<i>12,070</i>	<i>23,155</i>	<i>5,627</i>	<i>11,067</i>	<i>22,575</i>
EXPENSES						
Gross operating expenses						
Salaries	1,689	3,329	6,730	1,540	3,036	6,265
Depreciation and amortisation	342	668	1,382	304	603	1,280
Superannuation	168	328	656	147	291	608
Services and contracts	489	927	2,045	486	870	1,872
Other gross operating expenses	1,454	3,130	6,233	1,524	2,755	6,157
Nominal superannuation interest	76	153	275	78	152	242
Other interest	209	414	907	187	378	792
Other property expenses	-	-	-	-	-	-
Current transfers	620	1,349	2,697	583	1,264	2,419
Capital transfers	62	123	400	72	139	330
<i>Total</i>	<i>5,109</i>	<i>10,421</i>	<i>21,326</i>	<i>4,921</i>	<i>9,489</i>	<i>19,965</i>
NET OPERATING BALANCE	1,085	1,650	1,829	706	1,578	2,610
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Purchase of non-financial assets	994	1,961	4,291	836	1,561	3,562
Sales of non-financial assets	-204	-379	-911	-166	-323	-724
less depreciation	342	668	1,382	304	603	1,280
plus change in inventories	6	-159	102	162	224	374
plus other movements in non-financial assets	-5	-10	-	-1	-3	42
<i>Total</i>	<i>450</i>	<i>745</i>	<i>2,100</i>	<i>527</i>	<i>856</i>	<i>1,975</i>
NET LENDING/BORROWING	635	905	-271	179	722	636
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	1,085	1,650	1,829	706	1,578	2,610
less provisions for doubtful debts	2	3	5	1	-2	19
plus net gains on assets (including derivatives)	69	111	315	29	44	14
plus capitalised interest	5	10	-	2	3	9
less revaluation of superannuation liabilities	-	-	36	-	-	-322
plus all other adjustments	-7	-8	-34	5	-	329
AAS OPERATING RESULT	1,151	1,759	2,069	740	1,627	3,264

(a) Estimate published in the 2006-07 *Government Mid-year Financial Projections Statement*, released 21 December 2006.

(b) Consistent with final audited data contained in the 2005-06 *Annual Report on State Finances*, released 27 September 2006.

Note: Columns may not add due to rounding.

Table 1.6

TOTAL PUBLIC SECTOR
Balance Sheet at End of Period

	2006-07		2005-06	
	31 Dec \$m	Annual Estimate ^(a) \$m	31 Dec \$m	Actual ^(b) \$m
ASSETS				
<i>Financial assets</i>				
Cash and deposits	664	823	672	702
Advances paid	1,760	1,396	2,150	2,025
Investments, loans and placements	8,182	7,046	7,234	7,606
Other non-equity assets	3,086	2,319	2,356	2,495
Equity	1,245	1,228	1,036	1,124
<i>Total</i>	14,936	12,813	13,448	13,952
<i>Non-Financial assets</i>				
Land and fixed assets	71,827	74,443	63,462	69,913
Other non-financial assets	494	607	500	478
<i>Total</i>	72,321	75,050	63,963	70,392
TOTAL ASSETS	87,258	87,863	77,410	84,344
LIABILITIES				
Deposits held	198	191	167	195
Advances received	536	523	549	536
Borrowings	12,937	12,703	12,725	12,782
Unfunded superannuation liabilities	5,636	5,615	5,746	5,622
Other employee entitlements and provisions	2,070	2,129	1,627	2,080
Non-equity liabilities	5,239	5,158	4,332	5,189
TOTAL LIABILITIES	26,617	26,320	25,145	26,403
NET WORTH	60,641	61,543	52,265	57,941
<i>Memorandum Item: Net Debt</i>	3,066	4,152	3,385	3,179
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)				
NET WORTH	60,641	61,543	52,265	57,941
<i>less</i> provision for doubtful debts	3	5	-	19
<i>less</i> all other adjustments	-226	-288	88	-235
AAS NET ASSETS	60,863	61,826	52,177	58,156

(a) Estimate published in the 2006-07 *Government Mid-year Financial Projections Statement*, released 21 December 2006.

(b) Consistent with final audited data contained in the 2005-06 *Annual Report on State Finances*, released 27 September 2006.

Note: Columns may not add due to rounding.

Table 1.7

TOTAL PUBLIC SECTOR
Cash Flow Statement

	2006-07			2005-06		
	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	1,320	2,612	5,327	1,316	2,327	4,890
Receipts from sales of goods and services	2,027	4,415	7,860	1,785	3,861	7,916
Grants and subsidies received	1,953	3,744	7,517	1,908	3,581	7,583
Other receipts	908	1,816	3,498	731	1,587	3,191
<i>Total</i>	<i>6,207</i>	<i>12,588</i>	<i>24,203</i>	<i>5,740</i>	<i>11,356</i>	<i>23,580</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-4,198	-8,248	-16,041	-3,754	-7,309	-14,900
Grants and subsidies paid	-639	-1,390	-2,835	-580	-1,296	-2,527
Interest paid	-234	-346	-888	-298	-337	-698
Other payments	-428	-912	-1,509	-370	-762	-1,552
<i>Total</i>	<i>-5,499</i>	<i>-10,896</i>	<i>-21,273</i>	<i>-5,001</i>	<i>-9,703</i>	<i>-19,677</i>
Net Cash Flow from Operating Activities	708	1,692	2,929	739	1,652	3,903
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-994	-1,961	-4,291	-836	-1,561	-3,562
Sales of non-financial assets	204	379	911	166	323	724
<i>Total</i>	<i>-791</i>	<i>-1,582</i>	<i>-3,380</i>	<i>-670</i>	<i>-1,237</i>	<i>-2,838</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	-	-	-	-	-	-
Liquidity purposes	-199	21	236	-68	-96	163
<i>Total</i>	<i>-199</i>	<i>21</i>	<i>236</i>	<i>-68</i>	<i>-96</i>	<i>163</i>
Net Cash Flow from Investing Activities	-990	-1,561	-3,144	-738	-1,333	-2,676
FINANCING ACTIVITIES						
Advances received (net)	-	-4	-13	-1	-1	-14
Borrowings (net)	382	183	-476	788	-148	-556
Deposits received (net)	-	-4	-	1	-3	-
Distributions paid	-	-	-	-	-	-
Other financing	10	41	-43	22	120	77
<i>Total</i>	<i>392</i>	<i>216</i>	<i>-532</i>	<i>811</i>	<i>-33</i>	<i>-492</i>
<i>Opening cash balance</i>	<i>6,421</i>	<i>6,185</i>	<i>6,185</i>	<i>4,924</i>	<i>5,450</i>	<i>5,450</i>
NET INCREASE IN CASH HELD	111	347	-747	812	286	735
<i>Closing cash balance</i>	<i>6,532</i>	<i>6,532</i>	<i>5,438</i>	<i>5,736</i>	<i>5,736</i>	<i>6,185</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid less finance leases and similar arrangements</i>	<i>-83</i>	<i>110</i>	<i>-451</i>	<i>69</i>	<i>415</i>	<i>1,064</i>
Surplus	-83	110	-451	69	415	1,064

(a) Estimate published in the 2006-07 *Government Mid-year Financial Projections Statement*, released 21 December 2006.

(b) Consistent with final audited data contained in the 2005-06 *Annual Report on State Finances*, released 27 September 2006.

Note: Columns may not add due to rounding.

APPENDIX 2

General Government Monthly Financial Results - December 2006

This appendix provides a summary of the Western Australian general government sector's finances for the month of December 2006. 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 \$197 million for the month of December 2006, compared with a \$55 million surplus recorded in December 2005.

Revenue in December 2006 totalled \$1,309 million, \$137 million higher than the same month the previous year. The variation in revenue between these periods primarily reflects:

- higher taxation revenue (up \$76 million), mainly due to higher conveyance duty revenue (up \$22 million), reflecting property market price growth over the last year, higher payroll tax collections (up \$23 million), due to wages and employment growth, and the later issuance of 2006-07 land tax and Metropolitan Region Improvement Tax (MRIT) assessments, (up \$10 million and \$7 million, respectively);
- higher royalty income (up \$53 million), reflecting higher prices and volumes for iron ore;
- higher sales of goods and services (up \$21 million), due to increases in the volume and demand for goods and services provided across the sector; and
- lower Commonwealth grants (down \$20 million), primarily due to the timing of education grants from the Commonwealth, and the Commonwealth's 2005-06 decision to abolish competition reform payments from 1 July 2006.

Expenses for the month of December 2006 totalled \$1,112 million, down \$5 million from December 2005, with modest monthly salary growth broadly offset by minor movements in other expense categories.

Cash Flow Statement

A net cash inflow from operating activities of \$158 million was recorded in December 2006, compared with a \$42 million inflow in December 2005. This largely reflects the timing of land tax and MRIT receipts discussed above. Higher cash inflows from operating activities were partially offset by higher fixed asset spending (see the quarterly cash flow discussion earlier in this publication), resulting in a cash surplus of \$58 million in December 2006, a turnaround of \$89 million on the \$31 million cash deficit recorded in December 2005.

Table 2.1

GENERAL GOVERNMENT
Operating Statement

	2006-07			2005-06	
	Month of Nov \$m	Month of Dec \$m	Annual Estimate ^(a) \$m	Month of Dec \$m	Actual ^(b) \$m
REVENUE					
Taxation	752	449	5,506	373	5,195
Current grants and subsidies	567	451	7,125	464	6,890
Capital grants	42	28	430	35	375
Sales of goods and services	83	101	1,131	80	1,115
Interest income	18	17	205	13	170
Revenue from public corporations					
Dividends	1	19	468	-	534
Tax equivalent payments	13	1	346	14	304
Royalty income	19	213	1,542	160	1,184
Other	35	31	403	33	440
<i>Total</i>	<i>1,529</i>	<i>1,309</i>	<i>17,155</i>	<i>1,172</i>	<i>16,207</i>
EXPENSES					
Gross operating expenses					
Salaries	532	496	6,044	488	5,694
Depreciation and amortisation	51	52	649	42	591
Superannuation	52	48	589	46	557
Services and contracts	135	119	1,839	116	1,367
Other	166	124	1,953	130	1,876
Nominal superannuation interest	25	25	275	28	242
Other interest	7	8	116	11	120
Current transfers	272	207	3,403	225	3,007
Capital transfers	48	32	547	29	487
<i>Total</i>	<i>1,288</i>	<i>1,112</i>	<i>15,416</i>	<i>1,117</i>	<i>13,942</i>
NET OPERATING BALANCE	241	197	1,739	55	2,265

(a) Estimate published in the 2006-07 *Government Mid-year Financial Projections Statement*, released 21 December 2006.

(b) Consistent with final audited data contained in the 2005-06 *Annual Report on State Finances*, released 27 September 2006.

Note: Columns may not add due to rounding.

Table 2.2

GENERAL GOVERNMENT
Cash Flow Statement

	2006-07			2005-06	
	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	405	544	5,536	447	5,119
Receipts from sales of goods and services	92	107	1,152	97	1,194
Grants and subsidies received	620	484	7,517	502	7,583
Other receipts	123	323	3,462	343	3,094
<i>Total</i>	<i>1,241</i>	<i>1,458</i>	<i>17,667</i>	<i>1,389</i>	<i>16,990</i>
PAYMENTS FOR OPERATING ACTIVITIES					
Payments for goods and services	-930	-864	-10,655	-863	-9,538
Grants and subsidies paid	-254	-362	-3,619	-396	-3,207
Interest paid	-5	-1	-113	-8	-122
Other payments	-78	-73	-815	-80	-864
<i>Total</i>	<i>-1,267</i>	<i>-1,300</i>	<i>-15,203</i>	<i>-1,346</i>	<i>-13,730</i>
Net Cash Flow from Operating Activities	-26	158	2,465	42	3,260
INVESTMENT IN NON-FINANCIAL ASSETS					
Purchase of non-financial assets	-122	-124	-1,848	-92	-1,161
Sales of non-financial assets	16	24	215	18	203
<i>Total</i>	<i>-106</i>	<i>-100</i>	<i>-1,633</i>	<i>-73</i>	<i>-958</i>
INVESTMENT IN FINANCIAL ASSETS					
Policy purposes	-33	-22	-1,410	-18	-488
Liquidity purposes	16	-1	-	-	74
<i>Total</i>	<i>-17</i>	<i>-23</i>	<i>-1,410</i>	<i>-18</i>	<i>-415</i>
Net Cash Flow from Investing Activities	-123	-122	-3,043	-91	-1,373
FINANCING ACTIVITIES					
Advances received (net)	-	-	-	-1	-1
Borrowings (net)	49	37	-90	150	-286
Deposits received (net)	5	-3	-	-5	-
Other financing	4	2	-81	-2	-12
<i>Total</i>	<i>58</i>	<i>36</i>	<i>-170</i>	<i>142</i>	<i>-300</i>
<i>Opening cash balance</i>	<i>3,667</i>	<i>3,576</i>	<i>4,462</i>	<i>2,919</i>	<i>2,875</i>
NET INCREASE IN CASH HELD	-91	72	-748	93	1,587
<i>Closing cash balance</i>	<i>3,576</i>	<i>3,647</i>	<i>3,713</i>	<i>3,012</i>	<i>4,462</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	<i>-132</i>	<i>58</i>	<i>832</i>	<i>-31</i>	<i>2,301</i>
<i>less finance leases and similar arrangements</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Surplus	-132	58	832	-31	2,301

(a) Estimate published in the 2006-07 Government Mid-year Financial Projections Statement, released 21 December 2006.

(b) Consistent with final audited data contained in the 2005-06 Annual Report on State Finances, released 27 September 2006.

Note: Columns may not add due to rounding.

Table 2.3

GENERAL GOVERNMENT
Taxation Revenue

	2006-07			2005-06	
	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>	130	136	1,635	113	1,355
Property taxes					
<i>Land tax</i>	279	22	391	12	313
Conveyances and transfers	170	155	1,838	133	1,906
Mortgages	9	9	108	14	173
Other stamp duties	3	3	22	2	33
<i>Total stamp duties on financial and capital transactions</i>	182	167	1,967	149	2,113
Debits Tax	-	-	-	-	8
<i>Total financial institutions taxes</i>	-	-	-	-	8
Metropolitan Region					
Improvement Tax	30	8	71	1	53
Emergency Services Levy	24	5	139	-	130
Loan guarantee fees	1	-	14	1	13
<i>Total other property taxes</i>	55	14	224	1	197
Taxes on provision of goods and services					
Lotteries Commission	9	10	106	9	102
less rebates	-2	-2	-23	-2	-22
Video lottery terminals	-	-	1	-	-
Casino Tax	6	6	65	5	59
less rebates	-4	-3	-34	-3	-30
TAB betting tax	5	9	66	7	64
less rebates	-3	-3	-28	-2	-27
<i>Total taxes on gambling</i>	11	18	152	15	146
Stamp duty on insurance policies	24	21	317	22	296
Other	2	5	23	-1	30
<i>Total taxes on insurance</i>	26	26	340	21	326
Taxes on use of goods and performance of activities					
Stamp duty on vehicle licences	33	33	369	28	342
Permits - oversize vehicles and loads	-	-	3	-	3
Motor vehicle recording fee	3	2	32	2	30
Motor vehicle registrations	32	30	394	30	361
<i>Total motor vehicle taxes</i>	68	66	798	61	736
Total Taxation	752	449	5,506	373	5,195

(a) Estimate published in the 2006-07 *Government Mid-year Financial Projections Statement*, released 21 December 2006.

(b) Consistent with final audited data contained in the 2005-06 *Annual Report on State Finances*, released 27 September 2006.

Note: Columns may not add due to rounding.

Interim Consolidated Financial Statements


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 2006 and the balance sheet of the Government as at 31 December 2006. 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

28 February 2007

Contents

Table 3.1: Consolidated Income Statement	27
Table 3.2: Consolidated Balance Sheet.....	28
Table 3.3: Consolidated Statement of Changes in Equity.....	29
Table 3.4: Consolidated Cash Flow Statement	30
Notes to the Interim Consolidated Financial Statements	31

Table 3.1

CONSOLIDATED INCOME STATEMENT
For the six months ended 31 December 2006

	2006-07		2005-06			
	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
INCOME						
Taxation	2	1,527	2,814	1,240	2,543	4,891
Territorial revenue		532	1,073	441	890	1,878
Regulatory fees and fines		116	265	97	271	486
Sale of goods and services	3	1,912	3,559	1,585	3,057	6,881
Grants and subsidies	4	1,814	3,460	1,794	3,340	7,089
Interest revenue		136	303	134	282	527
Other revenue		359	934	441	872	1,787
TOTAL INCOME		6,395	12,407	5,732	11,255	23,540
EXPENSES						
Supplies and services		447	1,388	580	1,032	3,217
Employee benefits		1,991	3,912	1,818	3,574	6,986
Finance costs		204	404	185	375	783
Depreciation, amortisation and impairment		342	668	304	603	1,287
Grants and subsidies		701	1,520	685	1,460	2,846
Other expenses	5	1,560	2,757	1,419	2,584	5,158
TOTAL EXPENSES		5,245	10,648	4,992	9,628	20,277
SURPLUS FOR THE PERIOD		1,151	1,759	740	1,627	3,264

The accompanying notes form part of these financial statements.

Table 3.2

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	Note	2006-07	2005-06	
		31 Dec \$m	31 Dec \$m	30 June \$m
CURRENT ASSETS				
Cash & cash equivalents		664	672	702
Inventories		811	784	990
Receivables	6	3,008	2,085	2,412
Other financial assets	7	7,788	6,629	7,243
Biological assets		62	35	62
Non-current assets classified as held for sale		59	11	71
Other non-financial assets		131	146	96
Total current assets		12,523	10,362	11,576
NON-CURRENT ASSETS				
Inventories		857	798	766
Receivables	6	257	303	293
Land		26,436	22,813	26,125
Buildings		11,790	10,736	11,167
Infrastructure		24,265	22,764	23,970
Plant, equipment and other		7,139	5,129	6,357
Biological assets		310	316	306
Intangible assets		226	154	212
Other financial assets	7	3,186	3,807	3,289
Other non-financial assets		79	62	80
Total non-current assets		74,546	66,881	72,566
TOTAL ASSETS		87,069	77,243	84,142
CURRENT LIABILITIES				
Payables		1,143	772	1,156
Borrowings	8	5,522	5,381	5,270
Provisions		1,442	1,609	1,429
Other liabilities		1,283	1,254	1,371
Total current liabilities		9,390	9,016	9,226
NON-CURRENT LIABILITIES				
Borrowings	8	8,799	8,660	8,902
Provisions		6,259	5,959	6,267
Other liabilities		1,757	1,632	1,591
Total non-current liabilities		16,815	16,251	16,760
TOTAL LIABILITIES		26,206	25,267	25,986
NET ASSETS		60,863	51,976	58,156
EQUITY				
Accumulated funds		24,677	20,192	21,774
Reserves		36,186	31,784	36,382
TOTAL EQUITY		60,863	51,976	58,156

The accompanying notes form part of these financial statements.

Table 3.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2006

	2006-07	2005-06	
	31 Dec \$m	31 Dec \$m	30 June \$m
Balance of Equity at the start of the period	58,156	49,535	49,535
RESERVES			
Balance at start of the period	36,382	31,699	31,699
Changes in accounting policy (transfer to accumulated funds)	(340)	(534)	(534)
Restated balance at start of period	36,042	31,165	31,164
Gains from asset revaluation	144	619	5,219
Balance at end of the period	36,186	31,784	36,382
ACCUMULATED FUNDS			
Balance at start of the period	21,774	17,836	17,836
Net adjustment on adoption of AASB 132, AASB 139, and AASB 1023	-	(105)	(103)
Change in accounting policy (transfer from reserves)	742	534	534
Restated balance at start of period	22,516	18,265	18,268
Surplus/(deficit) for the period	1,759	1,627	3,264
Gain/(losses) recognised directly in equity	402	301	242
Balance at end of period	24,677	20,192	21,774
BALANCE OF EQUITY AT END OF PERIOD	60,863	51,976	58,156
Total income and expense for the period	2,305	2,547	8,725

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2006

	2006-07		2005-06			
	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		1,268	2,527	1,256	2,243	4,766
Territorial revenue		532	1,073	441	890	1,800
Regulatory fees and fines		139	256	136	247	479
Sale of goods and services		1,734	3,742	1,486	3,218	6,681
Grants and subsidies received		1,814	3,451	1,800	3,337	7,079
Interest received		62	129	32	79	182
GST receipts on sales		170	273	105	208	472
GST receipts from taxation authority		157	368	146	311	639
Other receipts		294	591	252	513	1,057
<i>Payments</i>						
Salaries, wages and other benefits		(1,783)	(3,416)	(1,612)	(3,076)	(6,213)
Superannuation paid		(235)	(455)	(222)	(437)	(879)
Finance cost paid		-	(33)	(5)	(10)	(52)
Grants and subsidies paid		(699)	(1,533)	(666)	(1,461)	(2,825)
GST payments on purchases		(322)	(607)	(246)	(483)	(1,032)
GST payments to taxation authority		-	(70)	(24)	(49)	(117)
Contract services paid		(503)	(962)	(472)	(911)	(1,738)
Other payments		(1,642)	(3,308)	(1,392)	(2,762)	(5,797)
Net cash flows from operating activities		986	2,027	1,014	1,856	4,502
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of non-current physical assets		61	122	61	127	266
Purchase of non-current physical assets		(936)	(1,861)	(775)	(1,446)	(3,355)
Proceeds from sale of investments		77	115	73	136	261
Purchase of investments		(97)	(117)	(46)	(86)	(223)
Other receipts		31	33	6	16	(2)
Other payments		(33)	(45)	(11)	(25)	(63)
Net cash flows used in investing activities		(898)	(1,753)	(692)	(1,278)	(3,117)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from borrowings		-	-	-	-	-
Repayment of borrowings		(1)	-	-	-	(14)
Other proceeds		60	126	138	180	153
Other repayments		(11)	(21)	160	(14)	(65)
Net cash flows from financing activities		50	104	297	165	75
NET CASH FLOWS/(OUTFLOWS) FROM PUBLIC FINANCIAL CORPORATIONS	9	(26)	(31)	198	(514)	(726)
NET INCREASE/(DECREASE) IN CASH HELD		113	348	817	229	734
CASH ASSETS AT THE BEGINNING OF THE PERIOD		5,230	4,995	3,675	4,261	4,261
CASH ASSETS AT THE END OF THE PERIOD		5,343	5,343	4,492	4,492	4,995

The accompanying notes form part of these financial statements.

Notes to the Condensed Consolidated Financial Statements for the Six Months Ended 31 December 2006

1. Statement of significant accounting policies

(a) *The reporting entity*

The reporting entity is the *Government of Western Australia* (the public sector) and includes entities under its control.

(b) *Basis of Preparation*

This general purpose financial report for the six months ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting*, AAS 31: *Financial Reporting by Government*, UIG Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the audited Consolidated Financial Statements for the year ended 30 June 2006, presented in Appendix 5 of the 2005-06 *Annual Report on State Finances* (ARSF) released on 27 September 2006. The accounting policies adopted in this publication are consistent with those outlined in the 2005-06 ARSF. The specific accounting policies of the Government of Western Australia are described in Note 4: *Summary of Significant Accounting Policies* in Appendix 5 of the 2005-06 ARSF.

The Interim Financial Statements are presented in Australian dollars and all amounts are rounded to the nearest million dollars (\$m). As a consequence, columns may not add due to rounding.

(c) *Unaudited data*

The Interim Consolidated Financial Statements are not subject to audit.

(d) Comparative figures

Some comparative figures in the Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement for December 2005 have been restated to reflect classification changes (resulting from the adoption of Australian equivalents to International Financial Reporting Standards) which were finalised subsequent to publication of the December 2005 *Quarterly Financial Results Report*.

NOTE 2. TAXATION REVENUE

	2006-07		2005-06		
	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	685	1,456	767	1,327	2,765
Payroll tax	386	774	317	636	1,306
Motor vehicle's and drivers' licences	104	215	96	198	403
Financial transactions taxes	-	-	-	8	8
Gambling taxes and licences	19	35	16	30	60
Land tax	291	292	28	290	291
Other taxes and licences	42	42	16	53	59
Total	1,527	2,814	1,240	2,543	4,891

NOTE 3. SALE OF GOODS AND SERVICES

	2006-07		2005-06		
	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	1,831	2,752	846	1,627	3,973
Revenue from the provision of services	81	807	739	1,430	2,908
Total	1,912	3,559	1,585	3,057	6,881

NOTE 4. GRANTS AND SUBSIDIES

	2006-07		2005-06		
	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	1,793	3,418	1,761	3,284	6,994
Other grants and subsidies	21	42	33	56	95
Total	1,814	3,460	1,794	3,340	7,089

NOTE 5. OTHER EXPENSES

	2006-07		2005-06		
	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	341	617	290	555	1,099
Health sector specific expenses	189	387	198	362	744
Education sector specific expenses	66	142	63	145	313
Insurance claims expenses	143	262	117	200	421
Contract services expense	438	827	429	785	1,697
Other	383	522	322	537	885
Total	1,560	2,757	1,419	2,584	5,158

NOTE 6. RECEIVABLES

	2006-07	2005-06	
	31 Dec \$m	31 Dec \$m	30 June \$m
<i>Current</i>			
Receivables	3,124	2,173	2,527
Provision for impairment of receivables	(116)	(88)	(115)
Total Current	3,008	2,085	2,412
<i>Non-current</i>			
Receivables	258	306	294
Provision for impairment of receivables	(1)	(3)	(1)
Total Non-current	257	303	293

NOTE 7. OTHER FINANCIAL ASSETS

	2006-07	2005-06	
	31 Dec \$m	31 Dec \$m	30 June \$m
Current			
<i>Investments</i>			
Unlisted/Listed shares	1,077	924	968
Term deposits	6,452	5,466	5,792
Government securities	217	223	185
<i>Total</i>	7,746	6,725	6,945
<i>Loans and advances</i>			
Non-government schools	12	10	26
Other	30	6	272
<i>Total</i>	42	16	298
Total current	7,788	6,629	7,243
Non-current			
<i>Investments</i>			
Property	259	221	258
Government securities	204	238	240
Other investments	146	158	143
<i>Total</i>	608	618	641
<i>Loans and advances</i>			
Homebuyers	1,392	1,794	1,654
Non-government schools	225	230	218
Terminating building societies	-	2	-
GESB	534	556	545
Other	427	607	230
<i>Total</i>	2,578	3,189	2,647
Total non-current	3,186	3,807	3,289

NOTE 8. BORROWINGS

	2006-07	2005-06	
	31 Dec \$m	31 Dec \$m	30 June \$m
<i>Current</i>			
Bank overdrafts	68	88	9
Finance leases	13	20	23
Liability to the Commonwealth Government	13	13	13
Domestic and foreign borrowings	5,428	5,261	5,225
Total current	5,522	5,381	5,270
<i>Non-current</i>			
Finance leases	395	64	390
Liability to the Commonwealth Government	523	536	523
Domestic and foreign borrowings	7,880	8,060	7,989
Total non-current	8,799	8,660	8,902

NOTE 9. STATEMENT OF CASH FLOWS OF PUBLIC FINANCIAL CORPORATIONS

	2006-07		2005-06		
	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	84	176	92	225	395
Premiums received	89	188	95	201	402
GST received on sales	9	31	9	32	53
GST received from taxation authority	8	18	8	16	31
Other receipts	23	71	7	63	118
Salaries, wages and other benefits paid	(7)	(13)	(5)	(10)	(20)
Superannuation paid	(1)	(1)	(1)	(1)	(2)
Borrowing costs	(233)	(312)	(293)	(327)	(646)
Claims paid	(119)	(218)	(97)	(208)	(403)
GST paid on purchases	(7)	(17)	(8)	(17)	(33)
GST paid to taxation authority	(8)	(32)	(10)	(33)	(53)
Other payments	(12)	(51)	(31)	(71)	(127)
Net cash flows used in operating activities	(174)	(160)	(233)	(129)	(286)
Cash flows from investing activities					
Purchase of non-current physical assets	-	(1)	-	(1)	(5)
Proceeds from investments	890	1,750	521	821	3,347
Purchase of investments	(1,096)	(1,748)	(614)	(977)	(3,234)
Net cash flows used in investing activities	(207)	1	(94)	(158)	108
Cash flows from financing activities					
Proceeds from borrowings	3,756	5,963	2,487	3,255	12,391
Repayments of borrowings	(3,400)	(5,834)	(1,963)	(3,483)	(12,939)
Net cash flows from financing activities	355	129	524	(228)	(548)
Net cash flows from public financial corporations	(26)	(31)	198	(514)	(726)

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 10. DETAILS OF AGENCIES CONSOLIDATED

The agencies included in these financial statements were detailed in Note 39, Composition of Sectors in the *Annual Report on State Finances* for the year ended 30 June 2006. Changes since that date are:

- The Department of Environment and the Department of Conservation and Land Management amalgamated on 1 July 2006. The designation of the new agency is the Department of Environment and Conservation.
- The Government Employees Housing Authority was merged with the State Housing Commission on 1 July 2006. The merged entity is designated as the Housing Authority.

NOTE 11. CONTINGENT LIABILITIES

There have been no material changes in contingent liabilities since the issue of the *Annual Report on State Finances* for the year ended 30 June 2006.

APPENDIX 4

Treasurer's Accounts⁴

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

Table 4.1 shows that the aggregate balance of the Treasurer's Accounts at 31 December 2006 increased by \$794 million compared with 31 December 2005. This reflects the combined impact of a \$1,623 million increase in the Trust Fund balance and a decrease of \$6 million in the unrecouped advances of the Treasurer's Advance Account, partially offset by a \$835 million increase in the Consolidated Fund deficit.

⁴ The *Financial Management Act 2006* (FMA) replaced the *Financial Administration and Audit Act 1985* from 1 February 2007. This is the last quarterly statement that will report the Treasurer's Accounts in the format shown in this appendix. The March 2007 QFRR will report the Treasurer's Accounts (now referred to as the Public Ledger) in the format supported by the FMA.

Table 4.1

TREASURER'S BALANCES AT 31 DECEMBER

	2006 \$m	2005 \$m
THE TREASURER'S ACCOUNTS		
Consolidated Fund ^(a)	(2,705)	(1,870)
Trust Fund	5,162	3,539
Treasurer's Advance Account – Net Advances	(30)	(36)
Total	2,427	1,633
REPRESENTED BY:		
Investments	2,502	1,726
Cash on Hand ^(b)	(75)	(93)
Total	2,427	1,633

(a) The balance of the Consolidated Fund at 31 December 2006 includes non-cash appropriations of \$2,426 million (31 December 2005: \$1,938 million), representing the non-cash cost of agency services. These appropriations are credited to agency holding accounts that are included in the Trust Fund balance.

(b) Consistent with the policy of maximising the return on cash balances, the Department of Treasury and Finance (DTF) invests the value of agencies' cheques issued but not yet presented to the bank. As a result, DTF books of account show an overdrawn balance at 31 December. However, the account at the bank was in credit.

Consolidated Fund

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

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

The Consolidated Fund recorded an accumulated deficit of \$2,705 million at 31 December 2006. This included \$2,426 million in non-cash Holding Account balances for agencies, associated with accrual (non-cash) appropriations for depreciation and leave entitlements.

In cash terms, the Fund was overdrawn by \$279 million at 31 December 2006, compared with a \$68 million positive cash balance a year earlier.

Cash balances vary significantly through the year, depending on the timing of both receipts and payments in the Fund. A significant \$913 million was drawn down by the Public Transport Authority in September 2006 to repay all borrowings associated with the New MetroRail project, which is now debt-free. A further \$49 million in Consolidated Fund borrowings was also repaid in September 2006, leaving the Consolidated Fund debt-free for the first time.

The Fund is expected to be in a substantial positive cash balance by 30 June 2007.

CONSOLIDATED FUND TRANSACTIONS

For the six months ended 31 December

	2006 \$m	2005 \$m
REVENUE		
<i>Operating Activities</i>		
Taxation	2,360	2,114
Commonwealth Grants	1,963	2,009
Government Enterprises	219	339
Revenue from other agencies	1,837	1,609
Other	418	460
<i>Total Operating Activities</i>	<i>6,797</i>	<i>6,531</i>
<i>Financing Activities</i>		
Repayments of Recoverable Advances	7	8
Transfers from the Public Bank Account		
Interest Earned Account	19	-
Transfers from other trusts:		
Bankwest Pension Trust	1	1
Other Trusts	4	1
<i>Total Financing Activities</i>	<i>31</i>	<i>10</i>
TOTAL REVENUE	6,828	6,541
EXPENDITURE		
<i>Recurrent</i>		
Authorised by Other Statutes	495	497
Appropriation Act (No. 1)	6,536	5,832
Unforeseen Expenditure under the Treasurer's Advance Authorisation Act	11	4
<i>Total Recurrent Expenditure</i>	<i>7,042</i>	<i>6,333</i>
<i>Investing Activities</i>		
Authorised by Other Statutes	25	28
Appropriation Act (No. 2)	1,642	679
Unforeseen Expenditure under the Treasurer's Advance Authorisation Act	-	-
<i>Total Investing Activities</i>	<i>1,667</i>	<i>707</i>
<i>Financing Activities</i>		
Capital repayments	49	244
Other financing	4	1
<i>Total Financing Activities</i>	<i>53</i>	<i>245</i>
TOTAL EXPENDITURE	8,762	7,285
NET MOVEMENT (REVENUE LESS EXPENDITURE)	(1,934)	(744)
Consolidated Fund Balance		
Opening balance at 1 July	(771)	(1,126)
Closing balance at 31 December	(2,705)	(1,870)
Of which:		
Appropriations payable	(2,426)	(1,938)
Cash balance at 31 December	(279)	68

Note: Columns may not add due to rounding.

Trust Fund

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

Governmental Operating and Trust Account balances held by agencies at 31 December 2006 were up \$1,094 million relative to 31 December 2005. The increase is mainly due to a Commonwealth Auslink road funding package of \$323 million received in June 2006 by Main Roads and general increases in funds held by agencies in their operating bank accounts, reflecting the timing of transactions through the year. This increase in trust balances is reflected in the higher investments balance shown in Table 4.1.

Suspense Account balances at 31 December 2006 increased by \$516 million relative to the same time last year, largely reflecting the increase in agencies' non-cash Holding Account balances relating to accumulated depreciation and leave entitlements funded through accrual appropriation arrangements.

Table 4.3

TRUST FUND BALANCE AT 31 DECEMBER

	2006 \$m	2005 \$m
Governmental Operating and Trust Accounts	2,607	1,513
Suspense Accounts	2,461	1,945
Private Trust Accounts	48	52
Commonwealth Grants and Advances Accounts	46	29
BALANCE OF FUND AT 31 DECEMBER	5,162	3,539

Treasurer's Advance

The Treasurer's Advance allows for short-term 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 is authorised by the *Treasurer's Advance Authorisation Act 2006* for the year ended 30 June 2007, compared with a \$500 million authorised limit⁵ for the preceding year.

Of the \$365 million authorised limit for 2006-07, \$30.3 million was held at 31 December 2006 in the form of net unrecouped advances (see Table 4.4) and \$11.4 million against increases in recurrent appropriations (see Table 4.5).

Table 4.4

TREASURER'S ADVANCE AT 31 DECEMBER

	2006 \$m	2005 \$m
AUTHORISED LIMIT	365.0	300.0^(a)
Total Drawn Against Treasurer's Advance Authorisation Act Comprising:	41.7	39.3
Net unrecouped balances as at 31 December	30.3	35.6
Excesses and New Items		
- recurrent	11.4	3.7
- capital	-	-
NET UNRECOUPED BALANCES		
Appeals Cost Board	1.0	1.0
Public Sector Standards Commissioner – GEO selection	0.5	0.3
Chemistry Centre Commercialisation	-	1.2
Electoral Distribution Commission	0.2	-
Energy Smart Government Program	2.9	2.4
Gas Review Board	-	2.0
Harvey Beef Group	-	1.7
Ministerial Air Service	6.1	-
Perry Lakes Redevelopment Project	2.6	-
Planning and Infrastructure	2.0	2.0
Works and Services	15.0	25.0
TOTAL UNRECOUPED TREASURER'S ADVANCES	30.3	35.6

(a) See footnote 5.

⁵ 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* and increased to \$500 million on 31 May 2006 by section 7 of the *Treasurer's Advance Authorisation Act 2006*.

Transfers, Excesses and New Items

No transfers of appropriations between agencies, allowed under section 25 of the FAAA (and which have no impact on the Treasurer's Advance), were recorded for the six months to 31 December 2006.

Table 4.5 outlines excesses and/or new items approved by the Treasurer (under the authority of section 5(1)(a) of the *Treasurer's Advance Authorisation Act* and section 28 of the FAAA).

TRANSFERS, EXCESSES AND NEW ITEMS							Table 4.5
For the six months to 31 December 2006							
	Budget \$m	Transfers ^(a) \$m	Treasurer's Advance		Revised Appropriation \$m	Drawn against Treasurer's Advance to date \$m	
			New Items \$m	Excesses \$m			
<i>Treasury and Finance</i>							
Item 34: Refund of Past Years Revenue Collections – All Other	18.7	-	-	16.3	35.0	10.3	
Item 36: Stamp Duty Rebate Scheme	1.0	-	-	4.7	5.7	1.0	
<i>Rural Business</i>							
<i>Development Corporation</i>							
Item 50: Delivery of Services	1.7	-	-	2.6	4.3	0.1	
<i>Heritage Council of Western Australia</i>							
Item 78: Delivery of Services	4.8	-	-	2.1	6.9	-	
<i>Planning and Infrastructure</i>							
Item 81: Delivery of Services	182.1	-	-	6.2	188.3	-	
<i>Fisheries</i>							
Item 113: Delivery of Services	26.1	-	-	0.2	26.2	-	
<i>South West Development Commission</i>							
Item 122: Delivery of Services	6.2	-	-	2.5	8.7	-	
TOTAL			-	34.6		11.4	

(a) Authorised under section 25 of the FAAA.

Further information for items with approved excesses is provided below.

Treasury and Finance

Item 34: **Refund of Past Years Revenue Collections – All Other** (\$16.3 million) for an increase in eligible refunds of stamp duty paid to the Office of State Revenue.

Item 36: **Stamp Duty Rebate Scheme** (\$4.7 million) for the reimbursement of stamp duty on transfers involving family residences indirectly owned through a company or trust.

Rural Business Development Corporation

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

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 Land Release Coordinators.

Fisheries

Item 113: **Net amount appropriated to deliver services** (\$0.2 million) to establish a unit for the purpose of preventing marine pest incursions.

South West Development Commission

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

Investments

Invested funds associated with the Treasurer's Accounts are managed by the Department of Treasury and Finance, with financial market operations conducted by the Western Australian Treasury Corporation. The total amount invested at 31 December 2006 under the provisions of the FAAA increased by \$776 million relative to 31 December 2005. The disposition of these investments at 31 December is shown in the following table.

Table 4.6

PUBLIC BANK ACCOUNT INVESTMENTS AT 31 DECEMBER

	2006 \$m	2005 \$m
<i>Short Term Money Market Portfolio (Maturities 0-1 Year)</i>		
Deposits at Call with Banks	184	13
Bank Bills and Bank Negotiable Certificates of Deposit	2,033	1,373
<i>Long Term Bond Portfolio (Maturities 1-5 Years)</i>		
Commonwealth and State Government Guaranteed Securities	272	327
<i>Other Investments</i>		
Commonwealth and State Government Guaranteed Securities	13	13
TOTAL INVESTMENTS	2,502	1,726
