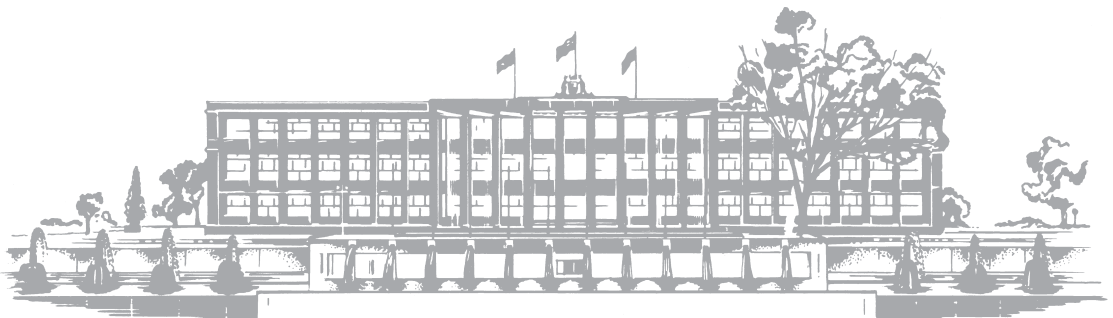




2005-06

QUARTERLY FINANCIAL
RESULTS REPORT

SEPTEMBER 2005



2005–06 Quarterly Financial Results Report
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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)

2005-06

**QUARTERLY FINANCIAL RESULTS REPORT
Three Months Ending 30 September 2005**

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Foreword

This *Quarterly Financial Results Report* (QFRR) provides the Western Australian public sector's financial results for the three months to 30 September 2005.

Care should be exercised in extrapolating the likely outcome for the 2005-06 year based on one quarter's results, 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 '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*. Unlike the *Government of Western Australia Consolidated Financial Statements* (CFS), which are prepared annually in accordance with accounting standard AAS 31: *Financial Reporting by Governments*, information presented in Appendix 3 of this QFRR is not audited.

The 2004-05 annual GFS results appearing in this document are consistent with the audited CFS for the year ended 30 June 2005 (released on 10 November 2005), while the annual GFS estimates for 2005-06 are consistent with those appearing in the 2005-06 Budget.

The 2004-05 outturn data show minor differences to aggregates presented in the 2004-05 *Government Financial Results Report* (GFRR), released on 21 September 2005, which was prepared using largely unaudited data from State agencies. Further detail outlining the movements between the GFRR and CFS-consistent GFS outcomes for 2004-05 are included in Appendix D: *2004-05 Final Outcome*.

Readers should note that Australian equivalents to International Financial Reporting Standards (AIFRS) were implemented in the 2005-06 Budget. In line with that budget presentation, GFS data for 2004-05 remain consistent with Australian Generally Accepted Accounting Principles data collected from State agencies and published during that year. However, consistent with the requirements under the new standards, AAS data for 2004-05 (September and annual), included at Appendix 3, have been restated on an AIFRS basis.

For GFS purposes, the headline general government net operating balance and other operating statement aggregates, other than dividends from public corporations, which are recorded differently under AIFRS¹, are largely unaffected by the AIFRS changes. Interested readers should see 2005-06 Budget Paper Number 3: *Economic and Fiscal Outlook*, Appendix 9: *Implementation of Australian Equivalents to International Financial Reporting Standards (AIFRS)* for further information.

¹ 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.

CHAPTER 1

Overview

Summary

The Western Australian public sector recorded positive financial results in the first quarter of 2005-06, with the general government and public corporation sectors recording operating surpluses for the three months to 30 September 2005.

Revenue growth was strong, with taxation (mainly property and motor vehicle taxes), GST revenue and North West Shelf petroleum royalty grants from the Commonwealth and direct royalty income showing material increases on the same quarter in 2004-05.

Total public sector net worth increased by \$1.3 billion to stand at \$51.5 billion at 30 September 2005, primarily reflecting 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 \$518 million operating surplus for the three months to 30 September 2005. This compared with a \$332 million surplus for the same period the previous year.

Revenue

Revenue in the three months to 30 September 2005, totalled \$3,955 million. This represents 27.8% of the full-year budget estimate for 2005-06, and was \$347 million (or 9.6%) higher than the same period the previous year.

Relative to the first quarter of 2004-05, the increase in revenue for the first quarter of 2005-06 primarily reflects:

- higher Commonwealth grants (up \$159 million), due to a number of factors, including:
 - higher GST grants (up \$78 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 \$54 million) reflecting the increase in international oil price, driven in part by continued demand for oil from growing economies such as China and India; and
 - higher specific purpose grants mainly due to increases in funding for health and education (up \$25 million), and non-government schools (up \$14 million);
- higher taxation revenue (up \$137 million), largely due to:
 - higher conveyance and mortgage stamp duty revenue (up \$65 million and \$8 million respectively), due mainly to the effects of sustained property market activity during the first quarter of 2005-06;
 - higher motor vehicle taxes (up \$39 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 Emergency Services Levy (ESL) revenue (up \$31 million) primarily reflecting a change in the timing of collections from local government authorities this year;
 - higher payroll tax (up \$21 million), due to continued wages and employment growth;
 - lower debits tax (down \$17 million), following the abolition of this tax from 1 July 2005²; and
 - lower land tax (down \$16 million) due mainly to the effect of tax relief from 1 July 2005;
- higher royalty income (up \$93 million), primarily reflecting increases in iron ore production and contract prices applicable during 2005-06; and
 - lower 'other' revenue (down \$43 million), due to the impact in 2004-05 of the transfer of Crown land by Edith Cowan University back to the State.

Expenses

Expenses in the three months to 30 September 2005 totalled \$3,437 million, \$161 million higher (or 4.9%) on the same period in 2004-05. This increase primarily reflects:

- higher salaries (up \$94 million), mainly attributable to pay increases and higher employee numbers in the health, education, and law and order sectors;
- higher current transfers (up \$91 million), mainly due to the on-passing of increases in agricultural and non-government school grants from the Commonwealth, and increased community service obligation payments to the Water Corporation;
- 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

² Although debits tax was abolished from 1 July 2005, the State still received \$8 million during the September 2005 quarter, reflecting outstanding assessments.

- higher 'other' gross operating expenses (up \$50 million), reflecting increases in education costs, particularly direct teaching expenses, and timing differences associated with purchases by agencies across the sector.

Table 1

**SUMMARY OF GENERAL GOVERNMENT FINANCES
THREE MONTHS TO 30 SEPTEMBER 2005**

Western Australia

	2005-06		2004-05	
	Three Months to 30 Sept \$m	Annual Estimate ^(a) \$m	Three Months to 30 Sept \$m	Actual ^(b) \$m
Net operating balance	518	521	332	1,192
Net worth	51,467	47,530	44,837	50,192
Increase in cash balances	-697	10	-655	180
<i>Memorandum items</i>				
Net lending	524	15	273	899
Net debt	-597	138	55	-616
GFS cash surplus	69	69	-301	859

(a) Estimate published in the 2005-06 Budget.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005. See Appendix 4: *2004-05 Fiscal Outlook* for further details.

Balance Sheet

The net worth of the general government sector increased by \$1.3 billion in the three months to 30 September 2005 to stand at \$51.5 billion.

This increase is primarily attributable to increases in the value of the sector's equity holdings in public corporations (up \$1.1 billion) and increases in other non-equity investments (up \$367 million), due largely to the operating surpluses recorded across all sectors during the quarter.

Surplus funds from 2004-05 were applied to debt repayments during the first quarter of 2005-06, 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 paid out in August and September 2005.

Cash Flow

Net cash inflow from operating activities totalled \$204 million for the three months ended 30 September 2005. Together with net capital expenditure (i.e. investment in non-financial assets) of \$135 million, a cash surplus of \$69 million was recorded in September 2005 (compared with a \$301 million cash deficit in September 2004).

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 (including agencies such as the Western Australian Treasury Corporation and the Insurance Commission of Western Australia).

Operating Statement

An operating surplus of \$872 million was recorded by the total public sector for the first three months of 2005-06, up \$288 million from the \$584 million surplus recorded for the same period the previous year.

This increase largely reflects outcomes for the general government operating surplus sector discussed earlier.

The public non-financial corporations sector recorded an operating surplus of \$82 million for the three months ended 30 September 2005, broadly similar to the \$97 million operating surplus recorded for the same period the previous year.

The public financial corporations sector recorded an operating surplus of \$272 million for the first quarter of 2005-06, up on the \$156 million operating surplus recorded for the same period the previous year, with the increase in the quarterly result largely due to higher earnings on financial investments held by the Insurance Commission of Western Australia.

**SUMMARY OF TOTAL PUBLIC SECTOR FINANCES
THREE MONTHS TO 30 SEPTEMBER 2005**

Western Australia

	2005-06		2004-05	
	Three Months to 30 Sept \$m	Annual Estimate ^(a) \$m	Three Months to 30 Sept \$m	Actual ^(b) \$m
Net operating balance	872	725	584	1,690
Net worth	51,467	47,530	44,837	50,192
Increase in cash balances	-526	-41	-114	419
<i>Memorandum items</i>				
Net lending	543	-1,033	268	646
Net debt	3,711	6,521	4,128	4,001
GFS cash surplus	346	-1,308	8	32

(a) Estimate published in the 2005-06 Budget.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005. See Appendix 4: *2004-05 Fiscal Outlook* for further details.

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 \$290 million in the first quarter of 2005-06 to stand at \$3.7 billion at 30 September 2005. This movement reflects the surplus outcomes discussed above³.

Cash Flow

A cash surplus of \$346 million was recorded for the three months ended 30 September 2005 (compared with an \$8 million surplus for the same period in 2004-05), reflecting a net cash inflow from operating activities of \$913 million and a net cash outflow from capital investment of \$567 million.

³ Readers are reminded to treat individual quarterly outcomes with caution, particularly on the balance sheet. Movements in balance sheet aggregates such as net debt are generally volatile through the year, reflecting the timing of cash transactions.

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 30 Sept \$m	Annual Estimate ^(a) \$m	Three Months to 30 Sept \$m	Actual ^(b) \$m
REVENUE				
Taxation	1,436	3,995	1,299	4,314
Current grants and subsidies	1,623	6,659	1,433	6,468
Capital grants	55	347	86	347
Sales of goods and services	246	943	269	982
Interest income	37	146	35	142
Revenue from public corporations				
Dividends	90	463	107	468
Tax equivalent payments	107	245	69	292
Royalty income	272	1,140	179	841
Other	88	281	131	368
<i>Total</i>	<i>3,955</i>	<i>14,218</i>	<i>3,608</i>	<i>14,222</i>
EXPENSES				
Gross operating expenses				
Salaries	1,363	5,405	1,269	5,253
Depreciation and amortisation	143	585	132	607
Superannuation	131	524	122	519
Services and contracts	279	1,416	287	1,263
Other gross operating expenses	488	1,830	438	1,730
Nominal superannuation interest	74	296	72	294
Other interest	36	161	51	155
Other property expenses	-	-	-	-
Current transfers	834	3,012	743	2,728
Capital transfers	89	467	163	482
<i>Total</i>	<i>3,437</i>	<i>13,697</i>	<i>3,276</i>	<i>13,030</i>
NET OPERATING BALANCE	518	521	332	1,192
NET ACQUISITION OF NON-FINANCIAL ASSETS				
Purchase of non-financial assets	193	1,285	226	1,092
Sales of non-financial assets	-58	-192	-93	-253
less depreciation	143	585	132	607
plus change in inventories	2	-2	-	2
plus other movements in non-financial assets	-	-	58	59
<i>Total</i>	<i>-6</i>	<i>506</i>	<i>59</i>	<i>293</i>
NET LENDING/BORROWING	524	15	273	899

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

NET OPERATING BALANCE	518	521	332	1,192
less provisions for doubtful debts	-	1	-	15
plus net gains on assets (including derivatives)	12	6	28	24
plus capitalised interest	-	-	-	-
less revaluation of superannuation liabilities	-	-	-	131
plus valuation changes due to AIFRS implementation ^(c)	-	-	-	29
plus all other adjustments	-5	-	-3	-130
AAS OPERATING RESULT	525	527	356	968

(a) Estimate published in the 2005-06 Budget.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005. See Appendix 4: *2004-05 Fiscal Outlook* for further details.

(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 1.2

GENERAL GOVERNMENT
Balance Sheet at End of Period

	2005-06		2004-05	
	30 Sept \$m	Annual Estimate ^(a) \$m	30 Sept \$m	Actual ^(b) \$m
ASSETS				
<i>Financial assets</i>				
Cash and deposits	575	385	295	350
Advances paid	817	944	849	934
Investments, loans and placements	1,256	864	1,234	1,916
Other non-equity assets	1,438	904	1,456	1,071
Equity	21,002	20,116	18,904	19,883
<i>Total</i>	<i>25,088</i>	<i>23,213</i>	<i>22,738</i>	<i>24,154</i>
<i>Non-Financial assets</i>				
Land and fixed assets	35,984	34,055	31,749	35,864
Other non-financial assets	174	215	75	100
<i>Total</i>	<i>36,158</i>	<i>34,270</i>	<i>31,824</i>	<i>35,964</i>
TOTAL ASSETS	61,246	57,483	54,563	60,117
LIABILITIES				
Deposits held	441	247	484	338
Advances received	549	547	561	549
Borrowings	1,061	1,537	1,388	1,315
Unfunded superannuation liabilities	5,605	5,467	5,385	5,633
Other employee entitlements and provisions	1,467	1,393	1,307	1,390
Non-equity liabilities	656	762	600	701
TOTAL LIABILITIES	9,779	9,954	9,725	9,926
NET WORTH	51,467	47,530	44,837	50,192
<i>Memorandum Item: Net Debt</i>	<i>-597</i>	<i>138</i>	<i>55</i>	<i>-997</i>

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

NET WORTH	51,467	47,530	44,837	50,192
<i>less</i> equity (net worth) of PNFC and PFC sectors	20,077	19,093	18,432	19,341
<i>plus</i> valuation changes due to AIFRS implementation ^(c)	-	-	38	-130
<i>less</i> all other adjustments	-	-	-	88
AAS NET ASSETS	31,390	28,437	26,443	30,632

(a) Estimate published in the 2005-06 Budget.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005. See Appendix 4: *2004-05 Fiscal Outlook* for further details.

(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 30 Sept \$m	Annual Estimate ^(a) \$m	Three Months to 30 Sept \$m	Actual ^(b) \$m
RECEIPTS FROM OPERATING ACTIVITIES				
Taxes received	1,037	4,002	956	4,328
Receipts from sales of goods and services	299	961	253	1,031
Grants and subsidies received	1,673	7,007	1,518	6,786
Other receipts	629	2,756	479	2,481
<i>Total</i>	3,639	14,726	3,206	14,626
PAYMENTS FOR OPERATING ACTIVITIES				
Payments for goods and services	-2,389	-9,390	-2,336	-9,002
Grants and subsidies paid	-790	-3,250	-772	-2,966
Interest paid	-33	-153	-52	-162
Other payments	-223	-770	-214	-798
<i>Total</i>	-3,435	-13,563	-3,374	-12,928
Net Cash Flow from Operating Activities	204	1,163	-168	1,698
INVESTMENT IN NON-FINANCIAL ASSETS				
Purchase of non-financial assets	-193	-1,285	-226	-1,092
Sales of non-financial assets	58	192	93	253
<i>Total</i>	-135	-1,094	-133	-839
INVESTMENT IN FINANCIAL ASSETS				
Policy purposes	-379	-471	-46	-122
Liquidity purposes	37	15	4	-62
<i>Total</i>	-342	-456	-42	-184
Net Cash Flow from Investing Activities	-477	-1,550	-175	-1,022
FINANCING ACTIVITIES				
Advances received (net)	-	-	-	-
Borrowings (net)	-422	418	-299	-395
Deposits received (net)	-4	-	-1	-1
Distributions paid	-	-	-	-
Other financing	3	-21	-12	-100
<i>Total</i>	-424	398	-312	-496
<i>Opening cash balance</i>	2,869	1,936	2,690	2,690
NET INCREASE IN CASH HELD	-697	10	-655	180
<i>Closing cash balance</i>	2,172	1,946	2,035	2,869
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	69	69	-301	859
<i>less finance leases and similar arrangements</i>	-	-	-	-
Surplus	69	69	-301	859

(a) Estimate published in the 2005-06 Budget.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005. See Appendix 4: *2004-05 Fiscal Outlook* for further details.

Note: Columns may not add due to rounding.

Table 1.4

GENERAL GOVERNMENT**Taxation Revenue**

	2005-06		2004-05	
	Three Months to 30 Sept \$m	Annual Estimate ^(a) \$m	Three Months to 30 Sept \$m	Actual ^(b) \$m
TAXATION				
Taxes on employers' payroll and labour force				
<i>Payroll tax</i>	331	1,242	310	1,211
Property taxes				
<i>Land tax</i>	267	320	283	315
Conveyances and transfers	342	1,002	277	1,218
Mortgages	38	109	30	140
Other stamp duties	9	31	13	36
<i>Total stamp duties on financial and capital transactions</i>	389	1,142	319	1,394
Debits Tax	8	8	25	100
<i>Total financial institutions taxes</i>	8	8	25	100
Metropolitan Region Improvement Tax	37	54	37	47
Emergency Services Levy	80	129	49	119
Loan guarantee fees	3	12	3	10
<i>Total other property taxes</i>	120	194	89	176
Taxes on provision of goods and services				
Lotteries Commission	25	98	24	98
less rebates	-6	-22	-5	-21
Video lottery terminals	-	1	-	-
Casino Tax	14	52	12	52
less rebates	-6	-28	-7	-28
TAB betting tax	15	56	14	59
less rebates	-6	-27	-6	-25
<i>Total taxes on gambling</i>	36	129	32	134
Stamp duty on insurance policies	86	295	82	280
Other	17	22	15	19
<i>Total taxes on insurance</i>	103	317	97	299
Taxes on use of goods and performance of activities				
Stamp duty on vehicle licences	82	299	60	303
Permits - oversize vehicles and loads	1	2	1	3
Motor vehicle recording fee	8	30	11	37
Motor vehicle registrations	92	312	72	341
<i>Total motor vehicle taxes</i>	182	642	143	684
Total Taxation	1,436	3,995	1,299	4,314

(a) Estimate published in the 2005-06 Budget.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005. See Appendix 4: *2004-05 Fiscal Outlook* for further details.

Note: Columns may not add due to rounding.

Table 1.5

TOTAL PUBLIC SECTOR
Operating Statement

	2005-06		2004-05	
	Three Months to 30 Sept \$m	Annual Estimate ^(a) \$m	Three Months to 30 Sept \$m	Actual ^(b) \$m
REVENUE				
Taxation	1,390	3,830	1,256	4,139
Current grants and subsidies	1,623	6,659	1,433	6,468
Capital grants	55	347	86	347
Sales of goods and services	1,789	6,503	1,618	6,802
Interest income	148	546	145	592
Royalty income	272	1,140	179	841
Other	162	397	186	618
<i>Total</i>	5,440	19,421	4,903	19,807
EXPENSES				
Gross operating expenses				
Salaries	1,496	5,955	1,396	5,760
Depreciation and amortisation	299	1,262	290	1,264
Superannuation	144	578	147	569
Services and contracts ^(c)	384	1,740	368	1,700
Other gross operating expenses	1,231	5,308	1,119	5,136
Nominal superannuation interest	74	296	72	294
Other interest	191	800	223	856
Other property expenses	-	-	-	-
Current transfers	681	2,423	576	2,198
Capital transfers	67	334	128	340
<i>Total</i>	4,568	18,696	4,319	18,117
NET OPERATING BALANCE	872	725	584	1,690
NET ACQUISITION OF NON-FINANCIAL ASSETS				
Purchase of non-financial assets	725	3,626	642	2,883
Sales of non-financial assets	-158	-611	-219	-686
less depreciation	299	1,262	290	1,264
plus change in inventories	63	6	127	56
plus other movements in non-financial assets	-1	-	57	55
<i>Total</i>	329	1,758	317	1,044
NET LENDING/BORROWING	543	-1,033	268	646

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

NET OPERATING BALANCE	872	725	584	1,690
less provisions for doubtful debts	-3	7	2	21
plus net gains on assets (including derivatives)	15	78	50	78
plus capitalised interest	1	-	1	4
less revaluation of superannuation liabilities	-	-	-	58
plus valuation changes due to AIFRS implementation ^(c)	-	-	69	23
plus all other adjustments	-4	-	-28	-143
AAS OPERATING RESULT	887	797	674	1,574

(a) Estimate published in the 2005-06 Budget.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005. See Appendix 4: *2004-05 Fiscal Outlook* for further details.

(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 1.6

TOTAL PUBLIC SECTOR
Balance Sheet at End of Period

	2005-06		2004-05	
	30 Sept \$m	Annual Estimate ^(a) \$m	30 Sept \$m	Actual ^(b) \$m
ASSETS				
<i>Financial assets</i>				
Cash and deposits	721	668	460	499
Advances paid	2,068	2,172	2,028	2,159
Investments, loans and placements	6,329	4,710	6,124	6,800
Other non-equity assets	2,619	1,034	2,207	2,039
Equity	1,053	963	917	965
<i>Total</i>	<i>12,789</i>	<i>10,578</i>	<i>11,735</i>	<i>12,462</i>
<i>Non-Financial assets</i>				
Land and fixed assets	62,874	62,059	56,663	62,266
Other non-financial assets	472	418	303	346
<i>Total</i>	<i>63,346</i>	<i>62,477</i>	<i>56,966</i>	<i>62,612</i>
TOTAL ASSETS	76,135	73,055	68,701	75,074
LIABILITIES				
Deposits held	161	145	141	158
Advances received	549	547	561	549
Borrowings	12,120	13,379	12,038	12,753
Unfunded superannuation liabilities	5,720	5,647	5,536	5,749
Other employee entitlements and provisions	1,665	1,578	1,514	1,586
Non-equity liabilities	4,454	4,230	4,075	4,087
TOTAL LIABILITIES	24,668	25,526	23,864	24,882
NET WORTH	51,467	47,530	44,837	50,192
<i>Memorandum Item: Net Debt</i>	<i>3,711</i>	<i>6,521</i>	<i>4,128</i>	<i>4,001</i>

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

NET WORTH	51,467	47,530	44,837	50,192
<i>plus</i> valuation changes due to AIFRS implementation ^(c)	-	-	28	-144
<i>less</i> all other adjustments	-	-	-	88
AAS NET ASSETS	51,467	47,530	44,865	49,960

(a) Estimate published in the 2005-06 Budget.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005. See Appendix 4: *2004-05 Fiscal Outlook* for further details.

(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
Cash Flow Statement

	2005-06		2004-05	
	Three Months to 30 Sept \$m	Annual Estimate ^(a) \$m	Three Months to 30 Sept \$m	Actual ^(b) \$m
RECEIPTS FROM OPERATING ACTIVITIES				
Taxes received	1,011	3,801	928	4,112
Receipts from sales of goods and services	2,075	6,475	1,830	6,836
Grants and subsidies received	1,673	7,007	1,518	6,786
Other receipts	856	2,624	686	2,529
<i>Total</i>	<i>5,615</i>	<i>19,906</i>	<i>4,962</i>	<i>20,263</i>
PAYMENTS FOR OPERATING ACTIVITIES				
Payments for goods and services	-3,555	-13,594	-3,314	-13,381
Grants and subsidies paid	-716	-2,595	-669	-2,362
Interest paid	-39	-776	-184	-870
Other payments	-392	-1,235	-365	-1,422
<i>Total</i>	<i>-4,702</i>	<i>-18,200</i>	<i>-4,532</i>	<i>-18,034</i>
Net Cash Flow from Operating Activities	913	1,706	431	2,229
INVESTMENT IN NON-FINANCIAL ASSETS				
Purchase of non-financial assets	-725	-3,626	-642	-2,883
Sales of non-financial assets	158	611	219	686
<i>Total</i>	<i>-567</i>	<i>-3,014</i>	<i>-423</i>	<i>-2,197</i>
INVESTMENT IN FINANCIAL ASSETS				
Policy purposes	-	-	-	-
Liquidity purposes	-28	-300	-66	-347
<i>Total</i>	<i>-28</i>	<i>-300</i>	<i>-67</i>	<i>-347</i>
Net Cash Flow from Investing Activities	-595	-3,315	-489	-2,544
FINANCING ACTIVITIES				
Advances received (net)	-	-13	-	-12
Borrowings (net)	-937	1,522	-52	740
Deposits received (net)	-4	-	-1	-1
Distributions paid	-	-	-	-
Other financing	97	58	-2	8
<i>Total</i>	<i>-844</i>	<i>1,568</i>	<i>-56</i>	<i>735</i>
<i>Opening cash balance</i>	<i>6,346</i>	<i>5,110</i>	<i>5,927</i>	<i>5,927</i>
NET INCREASE IN CASH HELD	-526	-41	-114	419
<i>Closing cash balance</i>	<i>5,820</i>	<i>5,069</i>	<i>5,812</i>	<i>6,346</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	<i>346</i>	<i>-1,308</i>	<i>8</i>	<i>32</i>
<i>less finance leases and similar arrangements</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Surplus	346	-1,308	8	32

(a) Estimate published in the 2005-06 Budget.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005. See Appendix 4: *2004-05 Fiscal Outlook* for further details.

Note: Columns may not add due to rounding.

APPENDIX 2

General Government Monthly Financial Results – September 2005

This appendix provides a summary of the Western Australian general government sector's finances for the month of September 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 \$387 million for the month of September 2005, up \$188 million from the \$199 million surplus recorded in September 2004.

Revenue in September 2005 totalled \$1,500 million, up \$226 million (or 17.7%) from the same month the previous year. The variation in revenue between the two periods primarily reflects:

- increased royalty income (up \$78 million) largely as a result of increases in iron ore price and production levels;
- higher Commonwealth grants (up \$62 million), mainly due to:
 - timing differences associated with the receipt of grants for education (up \$24 million);
 - increased petroleum royalties (up \$22 million) resulting from higher international oil prices; and
 - increased GST grants (up \$15 million) reflecting the impact of higher national collections and a revised Commonwealth monthly payment profile for 2005-06;

- higher revenue from public corporations (up \$36 million), with increased profitability of the Water Corporation impacting tax equivalent collections, and higher dividends, mainly due to the implementation of AIFRS reporting noted in the foreword to this report; and
- higher taxation revenue (up \$44 million), reflecting the impact of property market activity on conveyance duty revenue (up \$33 million) and timing differences associated with the collection of Emergency Services Levy from local government authorities (up \$27 million).

Expenses in the month of September 2005 totalled \$1,113 million, up \$39 million (or 3.6%) from the amount recorded in September 2004. This increase primarily reflects higher salaries (up \$34 million), and 'other' gross operating expenses (up \$34 million), partially offset by lower current and capital transfers (down \$33 million), reflecting similar factors to those outlined in the quarterly overview earlier in this publication.

Cash Flow Statement

A cash surplus of \$39 million in September 2005 resulted from the impact of the operating surplus on net cash flows for operating activities (a net \$86 million inflow on cash flows from operations), partially offset by net outflows supporting the sector's investment in capital works (\$47 million).

Table 2.1

GENERAL GOVERNMENT
Operating Statement

	2005-06			2004-05	
	Month of Aug \$m	Month of Sept \$m	Annual Estimate ^(a) \$m	Month of Sept \$m	Actual ^(b) \$m
REVENUE					
Taxation	370	704	3,995	660	4,314
Current grants and subsidies	513	392	6,659	313	6,468
Capital grants	34	6	347	23	347
Sales of goods and services	81	73	943	87	982
Interest income	15	9	146	11	142
Revenue from public corporations					
Dividends	-	56	463	38	468
Tax equivalent payments	21	66	265	30	292
Royalty income	26	166	1,140	88	841
Other	29	28	281	23	368
<i>Total</i>	<i>1,088</i>	<i>1,500</i>	<i>14,218</i>	<i>1,274</i>	<i>14,222</i>
EXPENSES					
Gross operating expenses					
Salaries	471	463	5,405	429	5,253
Depreciation and amortisation	44	49	585	46	607
Superannuation	45	45	524	41	519
Services and contracts	107	99	1,416	100	1,263
Other	195	173	1,830	139	1,730
Nominal superannuation interest	25	25	296	24	294
Other interest	16	9	161	12	155
Other property expenses	-	-	-	-	-
Current transfers	230	245	3,012	255	2,728
Capital transfers	51	7	467	30	482
<i>Total</i>	<i>1,185</i>	<i>1,113</i>	<i>13,697</i>	<i>1,074</i>	<i>13,030</i>
NET OPERATING BALANCE	-97	387	521	199	1,192

(a) Estimate published in the 2005-06 Budget.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005. See Appendix 4: *2004-05 Fiscal Outlook* for further details.

Note: Columns may not add due to rounding.

GENERAL GOVERNMENT
Cash Flow Statement

	2005-06			2004-05	
	Month of Aug \$m	Month of Sept \$m	Annual Estimate ^(a) \$m	Month of Sept \$m	Actual ^(b) \$m
RECEIPTS FROM OPERATING ACTIVITIES					
Taxes received	340	368	4,002	361	4,328
Receipts from sales of goods and services	106	100	961	82	1,031
Grants and subsidies received	546	395	7,007	335	6,786
Other receipts	64	286	2,756	165	2,481
<i>Total</i>	<i>1,055</i>	<i>1,149</i>	<i>14,726</i>	<i>943</i>	<i>14,626</i>
PAYMENTS FOR OPERATING ACTIVITIES					
Payments for goods and services	-834	-773	-9,390	-726	-9,002
Grants and subsidies paid	-221	-202	-3,250	-213	-2,966
Interest paid	-5	-12	-153	-24	-162
Other payments	-20	-75	-770	-74	-798
<i>Total</i>	<i>-1,080</i>	<i>-1,063</i>	<i>-13,563</i>	<i>-1,037</i>	<i>-12,928</i>
Net Cash Flow from Operating Activities	-26	86	1,163	-94	1,698
INVESTMENT IN NON-FINANCIAL ASSETS					
Purchase of non-financial assets	-79	-61	-1,285	-71	-1,092
Sales of non-financial assets	8	15	192	17	253
<i>Total</i>	<i>-71</i>	<i>-47</i>	<i>-1,094</i>	<i>-54</i>	<i>-839</i>
INVESTMENT IN FINANCIAL ASSETS					
Policy purposes	-337	-2	-471	-20	-122
Liquidity purposes	-30	-	15	3	-62
<i>Total</i>	<i>-366</i>	<i>-2</i>	<i>-456</i>	<i>-17</i>	<i>-184</i>
Net Cash Flow from Investing Activities	-437	-49	-1,550	-70	-1,022
FINANCING ACTIVITIES					
Advances received (net)	-	-	-	-	-
Borrowings (net)	-209	-202	418	-494	-395
Deposits received (net)	6	-8	-	-5	-1
Distributions paid	-	-	-	-	-
Other financing	4	-	-21	7	-100
<i>Total</i>	<i>-200</i>	<i>-210</i>	<i>398</i>	<i>-492</i>	<i>-496</i>
<i>Opening cash balance</i>	<i>-3,009</i>	<i>2,346</i>	<i>1,936</i>	<i>2,691</i>	<i>2,690</i>
NET INCREASE IN CASH HELD	-663	-174	10	-656	180
<i>Closing cash balance</i>	<i>2,346</i>	<i>2,172</i>	<i>1,946</i>	<i>2,035</i>	<i>2,869</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid</i>	<i>-96</i>	<i>39</i>	<i>69</i>	<i>-148</i>	<i>859</i>
<i>less finance leases and similar arrangements</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Surplus	-96	39	69	-148	859

(a) Estimate published in the 2005-06 Budget.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005. See Appendix 4: *2004-05 Fiscal Outlook* for further details.

Note: Columns may not add due to rounding.

Table 2.3

GENERAL GOVERNMENT Taxation Revenue

	2004-05			2003-04	
	Month of Aug \$m	Month of Sept \$m	Annual Estimate ^(a) \$m	Month of Sept \$m	Actual ^(b) \$m
TAXATION					
Taxes on employers' payroll and labour force					
<i>Payroll tax</i>	103	115	1,242	102	1,211
Property taxes					
<i>Land tax</i>	-	267	320	282	315
Conveyances and transfers	109	118	1,002	85	1,218
Mortgages	12	13	109	9	140
Other stamp duties	3	3	31	2	36
<i>Total stamp duties on financial and capital transactions</i>	124	134	1,142	96	1,394
Debits Tax	-	-	8	8	100
<i>Total financial institutions taxes</i>	-	-	8	8	100
Metropolitan Region					
Improvement Tax	-	34	54	37	47
Emergency Services Levy	34	39	129	12	119
Loan guarantee fees	1	1	12	1	10
<i>Total other property taxes</i>	35	74	194	51	176
Taxes on provision of goods and services					
Lotteries Commission	8	8	98	8	98
less rebates	-2	-2	-22	-2	-21
Video lottery terminals	-	-	1	-	-
Casino Tax	5	6	52	4	52
less rebates	-1	-3	-28	-2	-28
TAB betting tax	5	6	56	5	59
less rebates	-2	-2	-27	-2	-25
<i>Total taxes on gambling</i>	13	14	129	11	134
Contribution to fire brigades			-	-	-
Stamp duty on insurance policies	31	29	295	24	280
Other	2	14	22	12	19
<i>Total taxes on insurance</i>	33	43	317	35	299
Taxes on use of goods and performance of activities					
Stamp duty on vehicle licences	30	28	299	33	303
Permits - oversize vehicles and loads	-	-	2	-	3
Motor vehicle recording fee	2	2	30	6	37
Motor vehicle registrations	30	28	312	35	341
<i>Total motor vehicle taxes</i>	62	58	642	75	684
Total Taxation	370	704	3,995	660	4,314

(a) Estimate published in the 2005-06 Budget.

(b) Consistent with final audited data contained in the 2004-05 *Consolidated Financial Statements*, released 10 November 2005. See Appendix 4: *2004-05 Fiscal Outlook* for further details.

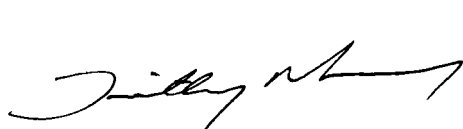
Note: Columns may not add due to rounding.

Interim Consolidated Financial Statements⁴

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 three months ended 30 September 2005 and the balance sheet of the Government as at 30 September 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



ISABEL ALTIERI
A/ASSISTANT DIRECTOR
FINANCIAL REPORTING

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⁴ For comparability purpose, 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 three months ended 30 September 2005

	Note	2005-06	2004-05	
		Three Months to 30 Sept \$m	Three Months to 30 Sept \$m	Twelve Months to 30 June \$m
REVENUE FROM ORDINARY ACTIVITIES				
Taxation	2	1,303	1,229	4,031
Territorial revenue		449	298	1,419
Regulatory fees and fines		174	122	419
Sale of goods and services	3	1,472	1,411	5,825
Grants and subsidies	4	1,546	1,439	6,398
Interest revenue		148	115	471
Other revenue		431	426	1,587
Total revenues from ordinary activities		5,523	5,039	20,152
EXPENSES FROM ORDINARY ACTIVITIES				
Supplies and services		452	418	1,896
Employee benefits		1,538	1,431	5,950
Superannuation		218	219	921
Borrowing costs		190	226	863
Depreciation and amortisation		299	288	1,252
Grants and subsidies		775	737	2,736
Other expenses	5	1,165	1,046	4,958
Total expenses from ordinary activities		4,636	4,365	18,577
NET RESULT		887	674	1,574

The accompanying notes form part of these financial statements.

Table 3.2

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2005

	2005-06		2004-05	
	Note	Three Months to 30 Sept \$m	Three Months to 30 Sept \$m	Twelve Months to 30 June \$m
CURRENT ASSETS				
Cash & cash equivalents		721	458	656
Other financial assets – Investments	6	3,063	5,756	6,150
Inventories		621	591	573
Receivables	7	2,288	1,934	1,795
Other financial assets – Loans and advances	8	20	22	26
Non-current assets held for sale		20	22	21
Other assets		2,862	146	75
<i>Total current assets</i>		<i>9,595</i>	<i>8,929</i>	<i>9,296</i>
NON-CURRENT ASSETS				
Other financial assets – Investments	6	624	522	593
Inventories		753	591	722
Receivables	7	344	308	346
Intangibles		137	120	113
Other financial assets – Loans and advances	8	3,158	2,769	3,022
Land		22,884	20,676	22,733
Buildings		10,673	8,945	10,450
Infrastructure		22,721	21,318	22,661
Plant, equipment and other		4,807	4,174	4,571
Natural resource assets		348	342	346
Other assets		13	24	16
<i>Total non-current assets</i>		<i>66,463</i>	<i>59,791</i>	<i>65,575</i>
TOTAL ASSETS		76,058	68,720	74,871
CURRENT LIABILITIES				
Payables		858	855	696
Interest bearing liabilities	9	5,059	5,656	5,066
Provisions – Employee benefits		1,639	1,591	1,720
Other liabilities		1,368	1,310	1,391
<i>Total current liabilities</i>		<i>8,924</i>	<i>9,412</i>	<i>8,872</i>
NON-CURRENT LIABILITIES				
Interest bearing liabilities	9	8,326	7,421	8,820
Provisions – Employee benefits		5,730	5,437	5,594
Other liabilities		1,611	1,585	1,625
<i>Total non-current liabilities</i>		<i>15,667</i>	<i>14,443</i>	<i>16,038</i>
TOTAL LIABILITIES		24,591	23,855	24,911
NET ASSETS		51,467	44,865	49,960
EQUITY				
Accumulated funds		18,413	16,251	16,900
Reserves		33,050	28,601	33,014
Non-current assets held for sale		4	13	46
TOTAL EQUITY		51,467	44,865	49,960

The accompanying notes form part of these financial statements.

Table 3.3

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 September 2005

	2005-06	2004-05	
	Three Months to 30 Sept \$m	Three Months to 30 Sept \$m	Twelve Months to 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	33,060	29,099	29,099
Net adjustment on transition to AIFRS	-	-514	-504
Changes in accounting policy or correction of prior period error	-	-	-
Restated balance at start of period	33,060	28,585	28,595
Gains/(losses) from asset revaluation	-	29	4,465
Balance at end of the period	33,060	28,614	33,060
ACCUMULATED SURPLUS (RETAINED EARNINGS)			
Balance at start of the period	16,900	14,655	14,655
Net adjustment on transition to AIFRS	-	450	370
Change in accounting policy or correction of prior period error	-10	-13	-33
Restated balance at start of period	16,890	15,092	14,992
Surplus/(deficit) for the period	1,202	674	1,574
Gain/(losses) recognised directly in equity	315	485	334
Total income for the period	1,517	1,159	1,908
Balance at end of the period	18,407	16,251	16,900
Balance of Equity at end of the period	51,467	44,865	49,960

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the three months ended 30 September 2005

	2005-06		2004-05	
	Note	Three Months to 30 Sept \$m	Three Months to 30 Sept \$m	Twelve Months to 30 June \$m
CASH FLOWS FROM OPERATING ACTIVITIES				
<i>Receipts</i>				
Taxation		987	932	4,005
Territorial revenue		449	298	1,306
Regulatory fees and fines		111	111	418
Sale of goods and services		1,732	1,527	5,807
Grants and subsidies received		1,537	1,439	6,373
Interest received		47	42	156
GST receipts on sales		103	108	403
GST receipts from taxation authority		165	143	566
Other receipts		261	310	854
<i>Payments</i>				
Salaries, wages and other benefits		(1,464)	(1,476)	-5,831
Superannuation paid		(212)	(212)	-830
Borrowing cost paid		(5)	(6)	-44
Grants and subsidies paid		(798)	(753)	-2,670
GST payments on purchases		(237)	(209)	-902
GST payments to taxation authority		(25)	(36)	-150
Contract services paid		(439)	(387)	-1,583
Other payments		(1,370)	(1,183)	-4,870
<i>Net cash flows from operating activities</i>		842	648	3,008
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of non-current physical assets		66	44	227
Purchase of non-current physical assets		(671)	(584)	-2,678
Proceeds from sale of investments		63	31	256
Purchase of investments		(40)	(76)	-263
Other receipts		10	10	37
Other payments		(14)	(6)	-35
<i>Net cash flows used in investing activities</i>		(586)	(580)	-2,456
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings		-	-	1
Repayment of borrowings		-	-	-17
Other proceeds		42	226	263
Other repayments		(174)	(6)	-139
<i>Net cash flows from financing activities</i>		(132)	220	109
NET CASH FLOWS/(OUTFLOWS) FROM PUBLIC FINANCIAL CORPORATIONS	10	(712)	(402)	-247
<i>NET INCREASE/(DECREASE) IN CASH HELD</i>		<i>(589)</i>	<i>(114)</i>	<i>414</i>
CASH ASSETS AT THE BEGINNING OF THE FINANCIAL YEAR		5,279	4,865	4,865
CASH ASSETS AT THE END OF THE FINANCIAL PERIOD		4,690	4,751	5,279

The accompanying notes form part of these financial statements.

Notes to the Condensed Consolidated Financial Statements for the Three Months Ended 30 September 2005

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.

This Interim Consolidated Financial Statement is the Government's first financial report prepared on an Australian International Financial Reporting Standards (AIFRS) basis. 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.

September 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.

NOTE 2. TAXATION REVENUE

	2005-06	2004-05	
	Three Months to 30 Sept \$m	Three Months to 30 Sept \$m	Twelve Months to 30 June \$m
Stamp duty	560	461	1,976
Payroll tax	319	302	1,174
Motor vehicles and drivers' licences	102	78	379
Financial transactions taxes	8	25	100
Gambling taxes and licences	14	45	52
Land tax	262	279	297
Other taxes and licences	37	39	53
Total	1,303	1,229	4,031

NOTE 3. SALE OF GOODS AND SERVICES

	2005-06	2004-05	
	Three Months to 30 Sept \$m	Three Months to 30 Sept \$m	Twelve Months to 30 June \$m
Revenue from sale of goods	781	777	3,305
Revenue from the provision of services	691	634	2,686
Total	1,472	1,411	5,825

NOTE 4. GRANTS AND SUBSIDIES

	2005-06	2004-05	
	Three Months to 30 Sept \$m	Three Months to 30 Sept \$m	Twelve Months to 30 June \$m
Commonwealth grants	1,523	1,418	6,325
Other grants and subsidies	23	21	73
Total	1,546	1,439	6,398

NOTE 5. OTHER EXPENSES

	2005-06	2004-05	
	Three Months to 30 Sept \$m	Three Months to 30 Sept \$m	Twelve Months to 30 June \$m
Betting dividend payouts	265	236	1,000
Health sector specific expenses	164	160	681
Education sector specific expenses	82	82	295
Insurance claims expenses	83	92	416
Contract services expense	356	333	1,536
Carrying amount of non-current assets disposed of	-	1	17
Other	215	141	1,006
Total	1,165	1,046	4,951

NOTE 6. OTHER FINANCIAL ASSETS - INVESTMENTS

	2005-06	2004-05	
	Three Months 30 Sept \$m	Three Months 30 Sept \$m	Twelve Months 30 June \$m
Unlisted/Listed shares	1,053	921	969
Property	218	157	219
Other investments (cash deposits and government securities)	2,416	5,234	5,555
Total	3,687	6,312	6,743

NOTE 7. RECEIVABLES

	2005-06	2004-05	
	Three Months 30 Sept \$m	Three Months 30 Sept \$m	Twelve Months 30 June \$m
Gross accounts receivable	2,729	2,338	2,245
Provision for impairment of receivables	-97	-96	-103
Total	2,632	2,242	2,142

NOTE 8. OTHER FINANCIAL ASSETS – LOANS AND ADVANCES

	2005-06	2004-05	
	Three Months 30 Sept \$m	Three Months 30 Sept \$m	Twelve Months 30 June \$m
Homebuyers	1,800	1,555	1,773
Non government schools	224	224	222
Terminating building societies	2	5	4
Government Employees Superannuation Board	556	556	565
Others	596	451	484
Total	3,178	2,791	3,048

NOTE 9. INTEREST BEARING LIABILITIES

	2005-06	2004-05	
	Three Months 30 Sept \$m	Three Months 30 Sept \$m	Twelve Months to 30 June \$m
Bank overdrafts	6	79	2
Finance leases	87	75	91
Liability to the Commonwealth Government	549	561	549
Commercial paper and medium term notes	-	-	-
Domestic and foreign borrowings	12,743	11,978	12,868
<i>Borrowings at face value</i>	<i>13,385</i>	<i>12,692</i>	<i>13,510</i>
Unamortised net discounts	-	385	375
Borrowings at historic capital value	13,385	13,077	13,886

NOTE 10. STATEMENT OF CASH FLOWS OF PUBLIC FINANCIAL CORPORATIONS

	2005-06	2004-05	
	Three Months to 30 Sept \$m	Three Months to 30 Sept \$m	Twelve Months to 30 June \$m
Cash flows from operating activities			
Interest received	133	118	345
Premiums received	106	94	379
GST received on sales	23	22	50
GST received from taxation authority	8	10	31
Other receipts	56	13	91
Salaries, wages and other benefits paid	-5	-5	-20
Superannuation paid	-	-1	-2
Borrowing costs paid	-34	-179	-826
Claims paid	-111	-95	-377
GST paid on purchases	-9	-11	-30
GST paid to taxation authority	-23	-23	-50
Other payments	-40	-31	-119
Net cash flows used in operating activities	104	-88	-527
Cash flows from investing activities			
Purchase of non-current physical assets	-1	-1	-3
Proceeds from investments	300	771	1,936
Purchase of investments	-363	-796	-2,234
Net cash flows used in investing activities	-64	-26	-301
Cash flows from financing activities			
Proceeds from borrowings	768	5,702	21,083
Repayment of borrowings	-1,520	-5,990	-20,502
Net cash flows from financing activities	-752	-288	581
Net cash flows from public financial corporations	-712	-402	-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.

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

2004-05 Final Outcome

The 2004-05 *Government Financial Results Report* (GFRR) was released on 21 September 2005. The *Government Financial Responsibility Act* requires that an outcome report (the GFRR) for public sector finances covering the financial year just ended, be released no later than 30 September each year.

As indicated in the 2004-05 GFRR, that report was based on unaudited data, reflecting its early release and its basis in statistical rather than accounting standards. As a result of the finalisation of the audited outcomes for 2004-05, minor adjustments were made in some agencies' accounts, which impact on the classification and recognition of financial aggregates. In turn, these changes impact on the consolidated results presented previously in the GFRR.

Comparative data for 2004-05, both on a government finance statistics (GFS) and accounting basis, have been revised in this publication to reflect the impact of the final audited outcomes published in the *Government of Western Australia Consolidated Financial Statements* for the year ended 30 June 2005, released on 10 November 2005.

The following table briefly reconciles the general government operating result published in the GFRR, to the final outcome for 2004-05. As shown in the following table, the final GFS operating surplus for 2004-05 was \$1,192 million, broadly in line with the \$1,240 million surplus reported in the GFRR. The variance of \$48 million is attributable to an increase in depreciation expenses, recognising a change in the accounting policy applying to school buildings held by the Department of Education and Training.

RECONCILIATION OF 2004-05 RESULTS REPORT TO FINAL OUTCOME

General Government Net Operating Balance

	\$m
<i>2004-05 Government Financial Results Report</i>	
GFS Net Operating Balance	1,240
<i>less</i> provision for doubtful debts	15
<i>plus</i> net gains on assets (including derivatives)	-188
<i>plus</i> capitalised interest	-
<i>less</i> revaluation of superannuation liabilities	426
<i>plus</i> all other adjustments	-133
AAS Operating Result	477
<i>Impact on AAS result of post-GFRR changes to accounting expenses</i>	
Depreciation on school buildings ^(a)	-48
Land inventory revaluations ^(b)	212
Revaluation of superannuation liabilities ^(c)	295
Other adjustments	3
<i>Total impact on AAS result</i>	<i>462</i>
<i>2004-05 Government of Western Australia Consolidated Financial Statements</i>	
AAS Operating Result	939
<i>plus</i> provision for doubtful debts	15
<i>less</i> net gains on assets (including derivatives)	24
<i>less</i> capitalised interest	-
<i>plus</i> revaluation of superannuation liabilities	131
<i>less</i> all other adjustments	-130
GFS Net Operating Balance	1,192

- (a) School buildings are now depreciated on a 40 year basis, compared with Education and Training's previous 80 year depreciation policy.
- (b) Land held by the Western Australian Planning Commission were subject to a revaluation already identified and accommodated in Valuer General's Office whole-of-government land valuation data for 2004-05.
- (c) The impact of the actuarial valuation of State superannuation liabilities was not determined until after the finalisation of the 2004-05 GFRR.

Note: Columns may not add due to rounding.